An Emerging Clean Energy Company in China

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ASX ANNOUNCEMENT
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SJB03 WELL SPUDDED FOLLOWING MAJOR CEREMONY WITH PETROCHINA AND LINXIAN GOVERNMENT

Highlights

- **SJB03 well spudded following major ceremony with PetroChina and the Linxian Government**
- **Significant progress on TB08, TB09 ready to spud**
- **TB04 to be fracture stimulated to increase well productivity**
- **Expanding Operations Capability**

SJB03 well spudded following major ceremony with PetroChina and the Linxian Government

Sino Gas & Energy Holdings Limited (Sino Gas, ASX:SEH) is pleased to announce the spudding (drilling commencement) of its SJB03 well.

The drilling of the SJB03 well is part of Sino Gas's reserves upgrade program.

To mark the occasion of the first well to be drilled on the Sanjiaobei Production Sharing Contract (PSC) with PetroChina Coal Bed Methane (PCCBM) as partner, a major pre-spud ceremony was conducted in Linxian City, Shanxi Province.

SJB03 – Pre Spud Ceremony
Managing Director – Stephen Lyons (centre),
Chief Operating Officer – Frank Fu (right),
PCCBM & Linxian County representatives

Inset – final inspection of SJB03 prior to spudding

Commenting on the spudding of SJB03, Sino Gas Managing Director, Stephen Lyons said he was very pleased with the cooperation that Sino Gas is receiving on its Sanjiaobei operations.

"The pre-spud ceremony which was attended by representatives from PCCBM and senior officials from the Linxian County Government represents a significant milestone as Sino Gas moves forward with its Reserves upgrade program and prepares for full-field development.

Vital to Sino Gas's Reserves upgrade program is the support of the local Government. The Linxian Government recognise the long term benefits that the development will have on the local economy and are actively supporting the activities of Sino Gas and PCCBM. This support has been evident in the past and was reinforced during the ceremony", said Mr Lyons.

Significant progress on TB08, TB09 ready to spud

On the Linxing PSC, Sino Gas is drilling the TB08 and TB09 wells. These wells are step out wells from the very successful TB07 well that flowed at an estimated rate of 2,900,000 scf/day, significantly in excess of Sino Gas's commerciality determination.

As of 18:00 hours yesterday, Sino Gas's 'turn-key' drilling contractor Bohai Drilling Engineering Company Ltd (BDEC) confirmed that they were at a depth of 1,140 meters and were continuing drilling to the planned total depth of 2,200 meters.

BDEC experienced difficulty with an interval (610 to 625 meters) and following the setting of a cement plug 'side tracked' around the interval. As expected the rate of drilling increased significantly following this remedial action with over 600 meters progressed during the week.

Sino Gas has secured the services of Zhongyuan Petroleum Exploration Bureau (ZPEB), a subsidiary of the Chinese major Sinopec, to drill the TB09 well. ZPEB are in the final process of mobilising equipment and rigging up TB09. The well will be spudded as soon as these activities are completed.

TB04 to be fracture stimulated to increase well productivity

Last week Sino Gas successfully perforated the first zone on its TB04 gas discovery well and conducted a Drill Stem Test (DST) to measure formation flow and pressure data.

Following a further build-up test the down-hole pressure gauges were retrieved. Based on the data acquired, Sino Gas's flow testing contractor CCDC Downhole Technical & Operations Company (CCDC) will now hydraulically fracture (frac) stimulate the zone.

The frac to be carried out will be similar to that performed on Sino Gas's TB05 well and is designed to increase well productivity from the zone that was perforated as part of the DST.

The program first involves a 'mini' frac to confirm the frac design and program. Following this the main frac will be implemented and the well 'flowed back' in order to remove all frac fluid and to confirm formation gas flow and other parameters.

It is expected that the program will last around 3 weeks.

Expanding Operations Capability

To accommodate the Company's expansion, Sino Gas has moved to new office premises in Beijing and also opened a site based office.

The new Beijing office has ample space for Sino Gas's current team and will allow for planned expansion.

The new site based office is located in Linxian County, Shanxi Province, approximately 60km from the field and close to the local Government headquarters.

The new site based office houses two permanent representatives of the Linxian County (Shanxi Province) Coal Bed Methane Group and will coordinate local affairs, road access and community consultation.

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For more information, please contact:

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About Sino Gas & Energy Holdings Limited
Sino Gas & Energy Holdings Limited (ASX: SEH) is an Australian company focused on developing Chinese gas assets. The Company has operated in Beijing since 2005 and holds a portfolio of unconventional gas assets in China through Production Sharing Contracts (PSC's).

The PSC's are located in Shanxi province in the Ordos Basin and cover an area of over 3,700km^2. The Ordos Basin is the second largest onshore oil and gas producing basin in China. The area has mature field developments with an established pipeline infrastructure to major markets. Rapid economic development is being experienced in the provinces in which Sino Gas's PSC's are located and natural gas is seen as a key component of clean energy supply in China.

On Sino Gas's Tuban prospect, 9 wells have been drilled, the latest being TB07 in November 2009. Extensive seismic and other subsurface studies have also been conducted. 4 wells have been fracced and tested with commercial flow rates achieved on the TB02 well, TB05 well and recently significant commercial rates on the TB07 well. 2.7Tcf of Contingent and Prospective gas resources (100% mid case figures) have been independently verified on the Tuban Prospect.

The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems standards by internationally recognized oil and gas consultants RISC Pty Ltd. They are based on the Technical Report prepared by RISC Pty Ltd and included in full in the Company's Prospectus dated 29 July 2009.

Additional information on Sino Gas can be found at www.sinogasenergy.com