

Announcement to ASX

15 June 2021

Borba Well Test Results Confirm Excellent Production Potential

- **Well test results underpin planned production flow rate of 3,000 mcfpd from Borba 1-7**
 - **Modeled Absolute Open Flow (AOF) rate of 7,800 to 9,200 mcfpd**
- **Reference Natural Gas prices for Xstate Gas Sales in Sacramento Basin over US\$4 / mcf (AUD\$5 / mcf)**
- **Preferred options selected for connection to sales pipeline, engineering underway**
- **Kione potential in Borba area confirmed; 5 lookalike drilling targets identified close to existing joint venture infrastructure**

Xstate Resources (ASX:XST) ("Xstate" or "the Company") is pleased to provide an operational update for the Borba 1-7 well, in particular the Kione Reservoir well test. The joint venture tested 13 feet of perforations at approximately 3,900 feet (1,200 metres).

A detailed review of the downhole pressure gauge data from the Borba 1-7 well test has modeled a theoretical Absolute Open Flow ("AOF") potential of 7.8 to 9.2 million cubic feet of gas per day (mmcfcpd)*.

The shut-in pressure of the well was 1,700 psi, and as an indicator of practical flow potential, the calculated flow from the Borba well at 1,300 psi tubing pressure (equivalent to just 400 psi of pressure drawdown) is 5,000 mcfcpd.

Consistent with good oilfield practice, the joint venture plans to initially flow the Borba 1-7 well at 3,000 mcfpd. This flow rate may be increased depending on operational pipeline pressures and well performance after the well enters production.

*Note: 1 'mcfcpd' is 1,000 cubic feet of gas per day or approximately 1 sales units of gas per day

Gas analysis confirmed that the Borba gas is consistent with adjacently produced gas, has no associated water, contains 85.4% Methane, and has a Gross heating Value of 856 Btu/mcf.

A comprehensive technical review of the geology and geophysics associated with the joint venture leases and infrastructure footprint surrounding the Borba Area in Northern Sacramento Basin has resulted in a renewed focus on relatively shallow and lower cost Kione and Forbes Formation conventional sandstone prospects. Five (5) lookalike drilling targets have been identified. The review is ongoing to qualify additional targets and to rank the prospects.

Detailed engineering is underway on two preferred sales pipeline connection options. The selected option will cater for future connection of wells in nearby Kione and Forbes sandstone prospects. The well was drilled on a standard form Oil and Gas Mineral Lease with private mineral right owners who receive annual lease fees or a royalty when wells are in production. The applicable Royalty Rate is 20%.



Borba 1-7 flaring during short period of flow testing

Reference Natural Gas prices for Xstate gas sales in the northern Sacramento Basin are currently above US\$4 /mcf (AUD\$5 /mcf). This represents a 28% premium to the US Benchmark Henry Hub Natural Gas Price.

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The Working Interests in the Borba 1-7 well completion and testing and future production are:

	Working Interest
Sacgasco Limited (Operator) (ASX: SGC)	66.67%
Xstate Resources Limited (ASX: XST)	33.33%

Next Steps:

1. Activity to improve production including the connection of the Borba well to the natural gas pipeline system is the key operations priority.
2. The delineation of additional prospects and plans for improved production in California and Canada are a priority for the balance of CY 2021.
3. Further updates will be provided as significant results are received.

This release is authorised by the Board of the Company.

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About Xstate Resources Limited

Xstate Resources (ASX:XST) is an ASX listed company focused on the oil and gas sector. The Company has existing assets located in the Sacramento Basin in California and associated production interests together with production interests in Alberta Canada. Xstate is presently pursuing new opportunities in the oil and gas sector in North America.