

14 April 2022

Announcement to ASX

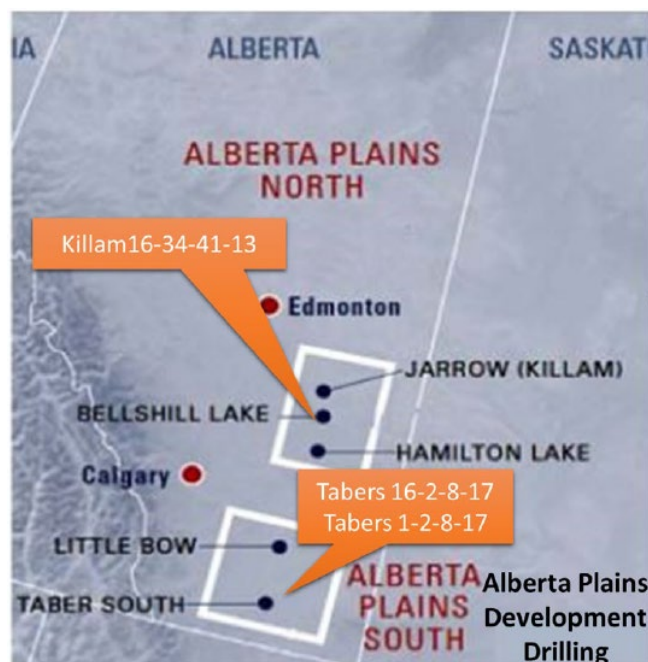
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## 2<sup>nd</sup> CANADIAN OIL DEVELOPMENT WELL DUAL LATERAL

- Second of 3 Oil Development Wells Completed Drilling
- 2 Laterals drilled into Sunburst Sand Reservoir from single casing
- Oil and gas shows reported as expected
- Bonanza 3 rig moving to 3<sup>rd</sup> well
- Drilling program funded by Canadian cash flow
- Targeting 10% increase in oil production from 3 well program
- XST share of Production in Canada is 570 BOEPD – 150% of production rate noted at end of 2021 year

Xstate Resources Limited (ASX: XST) (“Xstate”, “XST” or “the Company”) is pleased to provide its shareholders and the market with an update on the planned oil development wells.

The second well, Tabers 01-03-08-17 which spud on 7 April has been drilled and the Bonanza 3 rig is moving to the third oil development well. After setting the Intermediate Casing two laterals were drilled through the Sunburst Sand reservoir to Total Depths of 1835 and 1837 metres respectively. Good oil and gas shows were observed. The well has been drilled in a very efficient manner and under budget.



The drilling program will be funded from the net cashflow resulting from production in Canada.

The planned development wells are:

- |                               |   |
|-------------------------------|---|
| <b>1. Tabers 16-2-8-17:</b>   | <b>Drilled to Produce Proved Undeveloped Reserves</b>           |
| <b>2. Tabers 1-2-8-17:</b>    | <b>Drilling a dual lateral to Probable Undeveloped Reserves</b> |
| <b>3. Killam 16-34-41-13:</b> | <b>Targeting Probable Undeveloped Reserves</b>                  |

The wells are considered independent of each other.

The cost of the 3 well development program is estimated at A\$2.7 million (gross), which will be circa A\$945,000 net to Xstate. The operator anticipates a gross increase in production of 200 BOPD, which is 70 BOPD net to Xstate. Given the current benchmark oil price of around US\$100/bbl, these wells are projected to pay back the capital expenditure in less than 12 months.

The Alberta Plains Working Interests are:

<b>Xstate Group (ASX:XST)</b>	<b>35%</b>
Sacgasco Group (ASX:SGC)	20%
Blue Sky Resources	45%

**Xstate Executive Chairman Mr Andrew Childs commented:**

*"These three wells represent an opportunity to increase production and revenues for Xstate during the current period of high oil prices.*

*We are pleased to see the second development well drilled so well that a second lateral was added to drain the sand reservoir more efficiently. Again, we thank the Operator, Blue Sky and the Bonanza Drilling and service provider team for their performance to date.*

*Xstate's most recent net production was noted as over 570 BOEPD, which is 50% above the production rate noted at the completion of the 2021 year.*

*We believe further production increases are possible as our Blue Sky seeks and implements field work programs"*

**This release was approved by the Board of the Company**

**Andrew Childs**

**Executive Chairman**

Xstate Resources Limited

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**About Xstate Resources Limited:**

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