



GOLDEN STATE RESOURCES LIMITED

ASX ANNOUNCEMENT 4TH MAY 2010

TESTING COMMENCES ON PARADOX BASIN #3.

KEY POINTS:

- **Paradox Basin #3 will be fracture stimulated over the interval 11,674' to 11,790'**
- **The interval is the deepest of three completion intervals and includes show zones five and six**
- **Show Six was the highest cuttings gas show observed at 3099 units**
- **The well is currently being monitored as part of the normal pre-fracture tests**
- **Two other completion intervals have been identified and will be subject to further stimulation if required**

US focussed oil and gas company Golden State Resources Limited (ASX: GDN) ("Golden State" or "the Company") is very pleased to announce the commencement of testing and completion operations on the Paradox Basin # 3 (PB#3) production well, the third well on the Golden Eagle Gas field in the highly productive Paradox Basin region of Utah.

Paradox Basin #3 will be fracture stimulated over the interval 11,674' to 11,790'. The interval includes shows five and six which exhibited up to 3099 units of cuttings gas. On completion of the perforating a DFIT (Diagnostic fracture injection test) was initiated. The DFIT provides key information on the formation which will be used to design the final fracture. The fracture stimulation is booked to take place over the weekend after which the well will be opened for production tests.

Paradox Basin #3 contains 118' (36m) of gas pay over a gross interval of 1,089' (332m). Three separate fracture stimulations will be required to complete the entire gas bearing interval as the recommended maximum thickness for a single stimulation zone is 300 feet. Results of the first test interval will be evaluated before attempting to stimulate the upper two zones.

Paradox Basin #3 was evaluated using a comprehensive suite of sophisticated evaluation tools which included Nuclear Magnetic Resonance (CMR) and borehole imaging (FMI) as well as a full suite of conventional logging tools. A large open natural fracture has been identified on both the CMR and FMI which corresponds to the 3099 unit show observed while drilling. The fracture occurs within net pay as determined by the petrophysics conducted independently by both RPS Energy and Schlumberger. The CML confirms the formation has good permeability over the perforated sections in the gas bearing interval.

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Petrophysical Results				
Testing intervals	Zone	Net Pay	Shows Units	Comments
1	1	10	548	
2	2	23		Zone 2 shows permeability sweet spot on NMR
	3	3	777	Zone 3 has major fracture present
	4	30'	270	High Permeability on NMR corresponds to the show
	4a	37"	none	Algal reef facies with two permeability sweet spots on NMR
3	5	3"	416	Good Perm on NMR
	5a	10'	Minor	Thin bed pay
	6	2'+	3099	NMR indicates high permeability gas zone
	Total	116'		

Table 1 Petrophysical Summary

The first stimulation interval will encompass Petrophysical Zones 5, 5a and 6. Gas pay zone 5 corresponds to drilling show 5 of 416 Units. NMR indicates this show has high permeability extending approximately ten feet. Between zones 5 and 6 there are numerous thin bed intervals which demonstrate pay (Zone 5a).

Gas pay zone 6 recorded the highest gas level while drilling at 3099 Units. The NMR suggests the show occurs over a zone of high permeability. This zone will be included in the testing. This zone occurs near the total depth and due to proximity to the base no neutron or density logs are available.

Drilling Shows					
Show	Top (MD)*	Base (MD)	Thickness(MD)	Thickness(TVD)	Units
1	10,692'	10,718'	26'	22.6'	548
2	10,908'	10,926'	18'	15.7'	777
3	11,012'	11,045'	42'	36.5'	759
4	11,367'	11,378'	19'	16.5'	270
5	11,683'	11,690'	7'	6.1'	416
6	11,762'	11,781'	19'	16.5'	3099
Total			131'	114'	

Table 2 Show summary



Rick De Boer
Executive Director

About Golden State Resources

Golden State Resources Limited is an ASX-listed public company with headquarters in Perth, Western Australia. Floated in 1996, the Company is primarily focused on oil and natural gas exploration in the USA and mineral projects in the Eastern Goldfields region of Western Australia.

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About the Paradox Basin

The Paradox Basin is richly productive. Currently home to 171 oil and gas fields containing estimated recoverable reserves of one billion barrels of oil, or six trillion cubic feet of gas. The potential for more hydrocarbon reserves is thus enormous. Over its history, the Paradox Basin has produced 500 million barrels of oil and 3.5 trillion cubic feet of gas. Even at current prices that equates to approximately US\$57 billion that the area has already produced, with a similar amount again estimated still to be recoverable.

The producing fields in Paradox Basin run along the same northern/southern producing trend plain, notably, the Lisbon Field (which is 64 km to the projects south and has produced 50 million barrels of oil and 780 billion cubic feet of gas), the Greater Aneth Field (150 km south with production of 385 million barrels of oil).



