

Announcement to ASX

14 May 2021

## Borba 1-7 Tests 2.1 Million Cubic Feet per Day of Gas

- Higher 2.1 million cubic feet per day flow rate through small 1/4-inch choke a significant improvement on the 1.6 million cubic feet flow (“mmcfpd”) rate reported on 3 May
- Confirmed Strong High-Pressure Natural Gas Flows from Kione Sandstones
- Operator expects to bring the well into production at a flowing rate of around 3 mmcfpd
- Two short distance sales pipeline routes being investigated for near-term production
- Follow up drilling locations being high graded in extensive Prospect Portfolio

Xstate Resources (ASX:XST) (“Xstate” or “the Company”) is pleased to announce is pleased to announce results from the 2<sup>nd</sup> Phase of flow testing of the conventional Kione Sandstones in the near vertical Borba 1-7 well located adjacent to the Ord Bend GasField in the northern Sacramento Basin, onshore California.

The 2<sup>nd</sup> Phase of more detailed stable and extended flow testing using digital flow meters has been completed and the well has been shut in for a 48-hour shut in pressure test. The well flowed at an improved stable rate of 2.1 mmcfpd (3 May: 1.6 mmcfpd) on a 16/64” choke at 1,440 psi Flowing Tubing Pressure (FTP). Shut in Tubing Pressure (SITP) was 1,530 psi.



*Borba 1-7 Gas Flare*

More detailed pressure data will be recovered from downhole gauges at the end of the shut-in period and then analysed. Gas samples have been collected and sent to labs for analysis.

Based on the initial stable flow rates and pressure data and analogue data from local well production histories, the Operator plans to bring the well into production at a flowing rate of around 3 mmcfpd.

Whilst the Operator believes much higher headline rates flow are achievable, the joint venture is adopting more conservative 'Good Oil Field Practice' to achieve optimum Natural Gas recovery over the life of the well.

The well was perforated at 4 Shots per foot over a 13 feet interval from 3,885 to 3,898 feet within the pay intervals reported in the release to the ASX platform on 15 March 2021.

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%.

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

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

**Next steps:**

The in-field testing of the Borba 1-7 well is now complete. Connection of the Borba well to the natural gas pipeline system is the next priority. The results from the pressure gauges and gas analysis will be evaluated as part of the decision on the best pipeline connection.

The delineation of additional prospects and plans for drilling and improved production in California and Canada are a priority for the balance of CY 2021.

Further updates will be provided as significant results are received.

**Xstate Managing Director David McArthur commented:** *"This new gas flow achieved on testing at Borba 1-7 shows the quality of the gas reservoir at this zone. We will be acquiring further analytical information about the zone over the coming days, and will then finalise arrangements to bring the well into production as quickly as possible. The production should begin at a time of strong gas prices in California. The Applicable benchmark gas prices in the Northern Sacramento Basin are currently around US\$4 per mcf, a significant premium to US Benchmark Henry Hub prices.*

**This release is authorised by the Board of the Company.**

**David McArthur**  
**Managing Director**  
**+61 8 9435 3200**

**Competent person**

*The technical information provided has been supervised and reviewed in detail by XST's Competent Person, Mr Greg Channon, who is also a Non-Executive Director of the company. Mr Channon is a qualified geoscientist with over 35 years of oil and gas industry experience and a member of the American Association of Petroleum Geologists and the South East Asian Exploration Society and is a graduate of the Australian Institute of Company Directors. He is qualified as a competent person in accordance with ASX listing rule 5.41. Mr Channon consents to the inclusion of the information in this report in the form and context in which it appears.*

**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.*