

Announcement to ASX

3 May 2021

Borba 1-7 Gas Discovery Flows Gas At 1.6 Million Cubic Feet per Day

- **Strong High-Pressure Natural Gas Flows from Kione Sandstones in Borba 1-7**
- **Test result 1.6 million cubic feet per day flow rate through small 1/4-inch choke**
- **Operator predicts the well will produce 3 million cubic feet per day on Initial Production**
- **Four alternative short distance sales pipeline routes being investigated for production**
- **Follow up drilling locations now being high graded in extensive Prospect Portfolio**

Xstate Resources Limited (ASX:XST) (“Xstate” or “the Company”) is pleased to announce initial results from the flow test of conventional Kione Sandstones in the near vertical Borba 1-7 well located adjacent to the Ord Bend Gas Field in the northern Sacramento Basin, onshore California.

The initial clean up and stable flow testing has been completed and the completion rig has been demobilized. The well flowed at a stable rate of 1.6 million cubic feet of gas per day (“mmcfpd”) on a 16/64” choke at 1,150 psi Flowing Tubing Pressure (FTP). Shut in Tubing Pressure (SITP) was 1,760 psi. Based on the initial stable flow rates and pressure data and analogue data from local well production histories, the Operator anticipates bringing 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 will adopt 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 flowed dry Natural Gas with no observed water.

Additional testing from the perforated interval will be carried out over the next couple of weeks to provide data for reservoir engineering management. A gas sample will be acquired during this testing, but from local experience and mud log gas analysis the produced gas is expected to be predominantly Methane (C1).

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:

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

Further updates will be provided as significant results are received.

Xstate Managing Director, David McArthur commented: *“This is an excellent result for our company, with the production portfolio now building in California as well as Canada. The commercial flow from Borba now means we can investigate other similar opportunities in the region, that are now significantly de-risked.”*

This release is authorised by the Board of the Company.

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.