

Borba 1-7 Drilling Update

- Borba 1-7 sets 13 3/8" Casing
- Will drill ahead to first objective this week

Xstate Resources (ASX:XST ("Xstate" or "the Company")) is pleased to announce that 13 3/8" casing has been run and cemented at a depth of 1,828 feet as planned. Graham Rig 5 drilled to 1,828 feet in 17 1/2" hole out of the 20" conductor set at 50 feet.

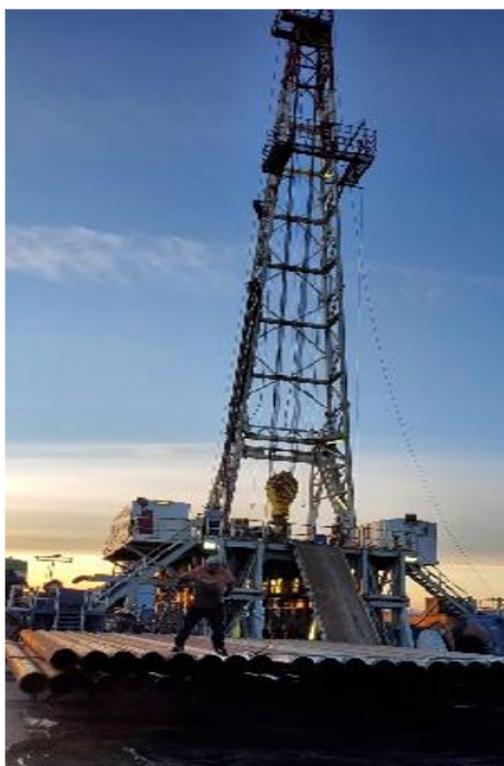


Fig. 1: 13 3/8" Casing now cemented to 1,828 Feet in Borba 1-7 Well

The Borba 1-7 well will be drilled directionally to test multiple stacked 3D seismic anomalies in the interval from 3,200 feet (975 metres) to 9,500 feet (2,800 metres) depth and finish in Basement rocks. The prospective interval covers around 6,300 feet (1,920 metres). The well is expected to take some 25 - 35 days to drill.

The Working Interests ("WI") in the Borba 1-7 well and Borba AMI are:

	Drilling Costs	After Drilling WI
Sagasco Limited (Operator) (ASX: SGC)	62.5%	66.67%
Xstate Resources Limited (ASX: XST)	37.5%	33.33%



ABN: 96 009 217 154

Xstate Managing Director, David McArthur commented: *“The Graham Rig 5 is performing well and has secured the 13 3/8” Casing. The well will shortly drill out of the casing shoe towards our first gas objectives.”*

This release is authorised by the board of the company.

David McArthur
Managing Director
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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 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.