Sacramento Basin Gas Update
Acquisition of Additional Leases with associated Production and Facilities

- Xstate has exercised its option from Sacgasco to acquire various working interests ranging from 10-30% of wells in five producing gas fields.
- Modest upfront cash consideration and the assumption of future well abandonment liabilities.
- The acquisitions materially add to current gas production and include strategically located infrastructure, gas processing plants, meter stations and pipelines adjacent to existing producing assets.
- Doubles the lease area over multi-Tcf Dempsey Natural Gas Prospect.

Xstate Resources Limited (ASX:XST) (“Xstate” or “the Company”) is pleased to confirm that it has exercised its option to acquire various working interests from Sacgasco Limited (“Sacgasco” or “SGC”) in five gas producing fields that significantly strengthen the joint ventures asset base in the Sacramento Basin, California.

The Company has agreed to acquire between 10-30% of Sacgasco’s working interest in five producing gas fields that Sacgasco sourced and negotiated on behalf of the joint venture partners. The assets are located nearby the Company’s existing production in the Sacramento Basin onshore northern California.

The assets include all associated leases, production and facilities, including meter stations and pipelines in five gas fields, and access to proprietary 3D seismic data over 41 square kilometres, including several attractive mapped prospects for conventional natural gas.

Access to these new assets adds diversity and therefore de-risking to the Company’s conventional natural gas asset base in the Sacramento Basin. Importantly in the near term the two acquisitions will add materially to Xstate’s current gas production from Rancho Capay and Los Medanos Gas Fields. After this acquisition, Total Gross Production will be approximately 900 mcf per day.

In total, the joint venture now has a portfolio of 25 natural wells in the Sacramento Basin with 10 in production and a further 15 wells that have the potential to be brought back into production. All production assets have material infrastructure, which can be used in the event of exploration success. The operator has advised the potential drilling of the Dempsey well in the coming months.

Xstate’s working interest in all it natural gas wells ranges from 10 to 30% and Net Revenue Interests (after Royalties) are in the range of 68% to 83% (of 100%).

The Company looks forward to providing shareholders with further updates in the near term as development, production & exploration strategies are progressed.
New Project Areas - Xstate 30% working interest

Working Interests in 13 Wells were acquired by Sacgasco from ABA Energy. The majority of the wells are located near the Company’s existing production in the Sacramento Basin, onshore northern California. Under the terms of the acquisition Xstate has agreed to pay a modest sum of US$21,000 to acquire its working interest of 30%.

The assets include all associated leases, production and facilities, including meter stations and pipelines in three gas fields, and access to proprietary 3D seismic data over some 41 square kilometres, including attractive mapped prospects for conventional natural gas.

Current gross (100%) production from just three wells is around 520 Mcf gas per day. The operator advises there are a number of opportunities to bring other wells back into production through workovers and/or new pipeline connections for modest expenditures. This will add materially to Xstate’s current gas production from Rancho Capay and Los Medanos Gas Fields.

Xstate will assume its share of future liabilities for plugging the wells acquired, and removing associated facilities, estimated to be US$20,000 to $60,000 per well gross, and which will occur at some undetermined future time that is dependent on operational decisions on future utilisation of the wells for production, workovers or new drilling. Furthermore, there is a small royalty not exceeding 3% on production from existing and future wells in the lease areas and modest prospect fees are also to be paid on related gas prospects that may be drilled in the future.

Figure 1: Location map of Xstate’s Sacramento Basin Projects

Acquired Assets Highlighted in Red – ABA Energy

Figure 2: Meter Station

Figure 3: Gas Production Facility

Source: Sacgasco Limited ASX, February 7th, 2017
Sacramento Basin Gas Update

**Dempsey Prospect Area – Xstate 10% working interest**

The Dempsey Prospect Area acquisition comprises leases and gas production infrastructure acquired above or adjacent to the mapped Dempsey Natural Gas Prospect, and is a highly strategic addition to the Company’s lease holdings in the prolific Sacramento Basin.

The joint venture has acquired the properties in return for assuming future liabilities for plugging the wells, and removing associated facilities, estimated to be approximately $50,000 per well gross. This will occur at some undetermined future time that is dependent on operational decisions on future utilisation of the wells for production, workovers or new drilling.

The assets also include all associated leases, production facilities, including meter stations and pipelines in two gas fields Rancho-Capay, adjacent to existing production and East Rice Creek Gas Field, immediately north of Rancho-Capay.

Current gross (100%) production from just two wells in the latest acquisition is around 120 mcf gas per day. There are opportunities to bring other wells back into production through workovers and/or alternative gas gathering pipeline connections for modest expenditures.

Sacgasco will operate all of the acquired wells under its current service agreement with Dero Parker’s Integrity Management Services.

The effective date for both acquisitions was February 1, 2017.

**Figure 1: Location map of Xstate’s Sacramento Basin Projects**

*Acquired Assets Highlighted in Red – Dempsey Prospect Area*

Source: Sacgasco Limited ASX, March 20th, 2017
# XSTATE RESOURCES LIMITED – SACRAMENTO BASIN TENEMENT LIST

<table>
<thead>
<tr>
<th>Project name</th>
<th>Location</th>
<th>Working Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alvares Prospect</td>
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<td>21%</td>
</tr>
<tr>
<td>Dempsey Prospect</td>
<td>Sacramento Basin Onshore Northern California</td>
<td>10%</td>
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<tr>
<td>California AMI</td>
<td>Sacramento Basin Onshore Northern California</td>
<td>30%</td>
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<tr>
<td>California AMI 9 Prospects</td>
<td>Sacramento Basin Onshore Northern California</td>
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<tr>
<td>Rancho-Capay Gas Field</td>
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<tr>
<td>Los Medanos Gas Field</td>
<td>Sacramento Basin Onshore Northern California</td>
<td>10%</td>
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<tr>
<td>New Project Area Acquisition</td>
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<tr>
<td>Dempsey Prospect Area Acquisition</td>
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<td>10%#</td>
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*After satisfaction of previously announced farmout.

# Gross WI interests acquired vary from 67.5% to 100%; Xstate WI is of the gross WI as it applies from lease to lease and well to well.

Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect industry conditions.

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For and on behalf of the Board of 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 minor associated gas production.