



ABN 96 009 217 154

30 August 2017

ASX Limited

Electronic lodgement

Dempsey 1-15 Drilling Update - Significant Gas Shows

Comments

Xstate Resources Limited (**ASX: XST**) ("**Xstate**" or "**the Company**") attaches a copy of a release in relation to drilling of the Dempsey 1-15 well made today by joint venture operator Sacgasco Limited.

Xstate has a 10% working interest in the well.

For and on behalf of the Board of Xstate Resources Limited

For further details please contact:

Cosimo Damiano

Managing Director

Xstate Resources Limited

Tel Office: +61 8 9435 3200

Email: cosimodamiano@xstate.com.au

Chris Hodge

Non Executive Director

Xstate Resources Limited

Tel Office: +61 8 9435 3200

Email: chrishodge@xstate.com.au

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 associated gas production. Xstate is presently pursuing new opportunities in the oil and gas sector onshore North America.



Sacgasco Limited

ABN 83 114 061 433

Unit 14, 210 Bagot Road, Subiaco, WA, 6008.

T +61 8 9388 2654 E info@sacgasco.com

Announcement to ASX

30 August 2017

Significant Gas Shows in unexpected reservoir at Dempsey

- Additional zone of significant gas shows in unexpected sandstone reservoir
- Drilling ahead below 2,300 m (~7,670 feet) to evaluate multiple remaining conventional sandstone reservoir targets in next 900 m (~2,900 feet) of drilling
- Dempsey is testing the largest undrilled structure in northeastern Sacramento Basin

Sacramento Basin-focused natural gas developer and producer, Sacgasco Limited (ASX: SGC) (“Sacgasco” or “the Company”) advises that the Dempsey 1-15 well in the Sacramento Basin in California is drilling ahead in 8 1/2” vertical hole.

Since the last update mud logs have indicated new zones of significant gas shows in improved reservoirs. These reservoirs are interpreted to be equivalent to sandstones seen in outcrop in the coastal ranges to the west, but were not considered to be likely to be present in the Dempsey well.

Shareholders and investors are advised that the significance of these shows will become more apparent when the next wireline logs are run to more fully evaluate the intersected gas shows and reservoirs. This is planned after reaching the proposed total drilling depth of approximately 3,200 metres.

The Dempsey 1-15 well is currently drilling ahead below 2,300 m (~7,670 feet) to the highly under-explored deeper targeted reservoirs in the approximately 900 m (~2,900 feet) of remaining section to be drilled.

Dempsey is drilling the largest undrilled mapped structural closure in the northeastern part of the prolific Sacramento Gas Basin and is interpreted to be optimally located to trap gas migrating out of gas generating areas located to the west and south.

Working Interests in the Dempsey Gas Project:

Sacgasco Limited (ASX: SGC) (Operator)	50%
Empyrean Energy PLC (LON: EME)	30%
Pancontinental Oil and Gas NL (ASX: PCL)	10%
Xstate Resources Limited (ASX: XST)	10%

Gary Jeffery, Managing Director of Sacgasco commented:

“We continue to be very pleased with the execution of the drilling. The results have been broadly consistent with prognoses, however the present zone of shows is interpreted to be from a regionally known, but unexpected target at Dempsey. An encouraging observation about the drilling since setting 9 5/8” casing is that all potential reservoir zones interpreted from mud logs have been associated with significant gas shows.

Further updates will be provided on meaningful results from the evaluation of the target sandstone reservoirs spread across the interval to be drilled.”

For and on behalf of the Board of Sacgasco Limited.

Gary Jeffery
Managing Director
+61 8 9388 2654

Sam Burns
Six Degrees Investor Relations
+61 400 164 067

About Sacgasco Limited (ASX: SGC)

Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on conventional gas exploration and production in the Sacramento Basin, onshore California. Sacgasco has an extensive portfolio of natural gas producing wells and prospects at both exploration and appraisal stages, including multi-Tcf opportunities. The Company is targeting gas supply to the local Californian gas market and burgeoning LNG market in North America. Sacgasco is of the view that the size of the prospects in California have the potential to supply both the domestic Californian gas market and export LNG markets.

www.sacgasco.com

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This document contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Gary Jeffery, Managing Director of Sacgasco Limited. He is a qualified geophysicist with over 43 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.