



**WINCHESTER**

**ENERGY LIMITED**

ACN 168 586 445

## **QUARTERLY REPORT**

**For the period ended 30 September 2015**

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## HIGHLIGHTS

- **White Hat 21#1 (Winchester:50%WI):** Commercial oil production commenced during the quarter from the White Hat 21#1 vertical well from two zones in the Ellenburger Formation. Average daily production over the first 30 days of production (Initial 30 Day Production Rate or IP30) from White Hat 21#1 was 201 barrels of oil (**bo**) and 2 barrels of water (**bw**) for a total production of 6,030 barrels of oil. The oil being produced is light 49° API gravity with no sulphur. After the first 30 days of production White Hat 21#1 had not begun to decline. Winchester is entitled to 50% of net proceeds after royalty payments of 23.5% to the oil and gas mineral rights owners.
- **White Hat 20#1 (Winchester:50%WI):** White Hat 20#1 well was placed on production in May 2015 and performed steadily during the quarter. White Hat 20#1 is located significantly down-dip structurally from White Hat 21#1. Between 12 May 2015 and 22 October 2015, White Hat 20#1 produced 4,605 barrels of oil from the Ellenburger Formation, with average daily production of 28 bopd over that time period. Oil production is currently at the rate of 17 bopd. The oil being sold from White Hat 20#1 is good quality 49° API gravity oil. Winchester is entitled to 50% of net proceeds after royalty payments of 23.5% to the oil and gas mineral rights owners.
- **White Hat 21#2 (Winchester:50%WI):** After the commercial oil discovery in White Hat 21#1 a third vertical well, White Hat 21#2, spudded on 20 October 2015 to offset that discovery. On 30 October 2015, White Hat 21#2 was drilling ahead at 6530 feet towards the Ellenburger Formation target. White Hat 21#2 is a vertical well, located 1200 feet to the south of White Hat 21#1 and has a proposed total depth of 7400 feet. The Operator's estimated cost for the drilling and completion of White Hat 21#2 is US\$1,100,000 (which includes all surface production facilities). Winchester's share is US\$550,000 (50%).
- **Additional Wells on White Hat acreage:** As announced during the quarter, the Operator, CEGX, has proposed 4 new vertical wells with each new well offsetting White Hat 21#1 in adjoining 40 acre well spacing units. White Hat 21#2 is the first of these 4 wells. Each of the offset wells, including White Hat 21#2, are considered to qualify as proved undeveloped locations (**PUD**) based on SEC regulations as they are one location spacing from the successful White Hat 21#1 well and supported by 3D seismic of the prospect mapped by Winchester. If White Hat 21#2 is successful, the Operator plans to immediately drill the second of the 4 proposed wells. The remaining 2 wells are planned for February and March 2016.
- **White Hat Acreage (7,378 acres):** Winchester owns a 50% working interest (**WI**) in the White Hat 20#1, White Hat 21#1 and White Hat 21#2 wells, along with a 50%WI in each of the surrounding 40 acre drilling units. The remaining 50%WI in all 3 wells is owned by CEGX. Winchester's wholly owned USA subsidiary, Winchester Energy USA Holdings Inc., owns a 75%WI in the oil and gas mineral rights of the 7,378 acres which surround and adjoin the White Hat 20#1 well (Winchester 50%WI), the White Hat 21#1 well (Winchester 50%WI) and



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the White Hat 21#2 well (Winchester 50%WI). CEGX owns the remaining 25%WI in these 7,378 gross acres.

- **Total Lease Holdings (17,432 Net Acres):** During the quarter, Winchester purchased a 100%WI in the oil and gas mineral rights of 8,062 acres immediately due west of the package of leases which surround and adjoin both the White Hat 20#1, White Hat 21#1 and White Hat 21#2 vertical wells located in Nolan County, Texas. Winchester's purchase of a 100%WI in these 8,062 acres results in Winchester's net acreage increasing from 9,370 net acres to 17,432 net acres.
- **Well and seismic database:** During the quarter, the Company continued to enlarge and enhance its extensive well and seismic database over Nolan County, Texas. The Company has undertaken detailed analysis of old well logs and then reprocessed those old well logs based on new rock data (from the White Hat 20#1 and White Hat 21#1 vertical wells) in conjunction with new and reprocessed old seismic. In addition, Winchester has collected cuttings and core samples from old vertical wells and reexamined these samples using multiple technologies, an undertaking which included the application of proprietary geological, geotechnical and geophysical intellectual property that the Company owns. This technical work has enabled Winchester to identify, map and extrapolate potential pay zones in the Ellenburger and other shallower oil plays across Nolan County, Texas.

## CORPORATE

- The Company ended the quarter with cash reserves (in Australian dollar equivalent) of approximately A\$10,525,000. Approximately 75% of all cash is held in US\$. The capital structure of the Company at the end of the quarter was as follows:

<b>Cash</b>	<b>A\$10,525,000</b>
<b>Total shares on issue</b>	<b>215,416,672</b>
<b>Total options on issue</b>	<b>30,000,000</b>
<b>Total convertible milestone notes (converting to 60,000,000 shares)</b>	<b>60,000</b>
<b>Market capitalisation @ A\$0.15</b>	<b>A\$32,312,500</b>
<b>Enterprise Value of the Company's assets</b>	<b>A\$21,787,500</b>
<b>Founders, Board and Management (% ownership of the Company)</b>	<b>19%</b>

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## OIL PRODUCTION

The following gross oil production (across all oil wells) was recorded for the quarter:

Gross Oil Production (bo)	September Quarter 2015	June Quarter 2015	March Quarter 2015
Quarterly Oil Production (Gross 100%WI) <sup>1</sup>	4,920	2,322	-
Quarterly Oil Sales (Gross 100%WI) <sup>1</sup>	4,920	1,250	-

*Note 1: These figures show gross oil production from all wells and is pre-royalty. Winchester is entitled to 50% of net proceeds after royalty payments of 23.5% to the oil and gas mineral rights owners.*

Net Oil Production to Winchester (bo)	September Quarter 2015	June Quarter 2015	March Quarter 2015
Quarterly Oil Production (Net) <sup>1</sup>	2,460	1,161	-
Quarterly Oil Sales (Net) <sup>1</sup>	2,460	625	-

*Note 1: These figures show net oil production from all wells and is pre-royalty. Winchester is entitled to 50% of net proceeds after royalty payments of 23.5% to the oil and gas mineral rights owners.*

## EXPLORATION ACTIVITIES

- After the commercial oil discovery in White Hat 21#1 a third vertical well, White Hat 21#2, spudded on the 20 October 2015 to offset that discovery. On the 30 October 2015, White Hat 21#2 was drilling ahead at 6530 feet towards the Ellenburger Formation target. White Hat 21#2 is a vertical well, located 1200 feet to the south of White Hat 21#1 and has a proposed total depth of 7400 feet.
- The Operator, CEGX, has proposed a further three vertical wells offsetting White Hat 21#1 in adjoining 40 acre well spacing units. If White Hat 21#2 is successful, the Operator plans to immediately drill the second of the proposed wells. The remaining 2 wells are planned for February and March 2016.
- During the quarter, the Company continued to enlarge and enhance its extensive well and seismic database over Nolan County, Texas. The Company has assembled 3D seismic (new and re-processed existing seismic) over much of its lease holdings in Nolan County and is well advanced with mapping to assist with prospect definition and well location.
- On the Thomas 119-1H horizontal well, a technical review of the well is in progress to determine whether the untested zones warrant testing.



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## LOCATION OF OIL AND GAS LEASES, TEXAS



## OIL AND GAS LEASES – WORKING INTERESTS

- The Company holds a total acreage position of 17,432 net acres, after having increased its net acres during the quarter from 9,370 net acres by a further 8,062 net acres.
- The Company owns a 50%WI in the vertical White Hat 20#1 well along with a 50%WI in the well unit area which is 40 gross acres (20 net acres to the Company).
- The Company owns a 50%WI in the vertical White Hat 21#1 well along with a 50%WI in the well unit area which is 40 gross acres (20 net acres to the Company).
- The Company owns a 50%WI in the vertical White Hat 21#2 well along with a 50%WI in the well unit area which is 40 gross acres (20 net acres to the Company).



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- The Company owns an 80%WI in 4,647 gross acres located in Nolan County, Texas, USA. The Company also owns a 75%WI in the oil and gas mineral rights of the 7,378 acres which surround and adjoin the White Hat 20#1 well, the White Hat 21#1 well and the White Hat 21#2 well.
- The Company owns a 100%WI in the oil and gas mineral rights of 8,062 acres immediately west of the package of leases which surround and adjoin the White Hat 20#1 well, the White Hat 21#1 well and the White Hat 21#2 well.
- The Company owns a 50%WI in the horizontal Thomas 119-1H well along with a 50%WI in the well unit area which is 240 gross acres (120 net acres to the Company).

## PLANNED ACTIVITIES – NEXT QUARTER

The planned activities for the quarter ending on 31 December 2015 are to complete the drilling and testing of the White Hat 21#2 I well, while continuing oil production from the White Hat 21#1 and 20#1 vertical wells. Subject to success with the White Hat 21#2 well, at least one further well is planned for the quarter. The Company will continue to acquire additional oil and gas leases in Nolan County, Texas and conduct further exploration activities, including 3D seismic analysis and other field studies.

## GLOSSARY

*These definitions are provided to assist persons in understanding some of the expressions used in this report.*

A\$ or Australian dollar	Australian dollars, the lawful currency of Australia.
ASX	ASX Limited and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Board	the board of Directors of the Company.
Boe	barrel(s) of oil equivalent.
Boepd	barrel(s) of oil equivalent per day.
Company	Winchester Energy Limited ACN 168 586 445.
Corporations Act	means the Corporations Act 2001 (Cth).
CraRuth	CraRuth Energy Corporation.
Eastern Shelf	refers to the eastern shelf of the Permian Basin in central west Texas, USA.
CEGX	Carl E Gungoll Exploration LLC
Share	an ordinary fully paid share in the capital of the Company and Shares has a corresponding meaning.
Shareholder	any person holding Shares.
USA	United States of America.
US\$ or US dollar	United States dollars, the lawful currency of the USA.
WI	working interest



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## FORWARD-LOOKING STATEMENTS

*This report contains forward-looking statements which are identified by words such as "believes", "estimates", "expects", "targets", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this report, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. These risks, uncertainties and assumptions could cause actual results to differ materially from those expressed in any forward-looking statements. The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this report, except where required by law. The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.*

## COMPETENT PERSON'S STATEMENT

*The information in this report is based on information compiled or reviewed by Mr Neville Henry. Mr Henry is a qualified petroleum geologist with over 40 years of Australian, USA and other international technical, operational and executive petroleum experience in both onshore and offshore environments. He has extensive experience of petroleum exploration, appraisal, strategy development and reserve/resource estimation, as well as new oil and gas ventures identification and evaluation. Mr Henry has a BA (Honours) in geology from Macquarie University.*

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