

Update on White Hat 39#1 and White Hat 38#3ML Short Radius Lateral Well, Permian Basin, Texas, Onshore USA

Highlights

- **Winchester, as operator, has drilled White Hat 39#1 to a total depth of 2,133 metres (7,000 feet) and run wireline logs. Wireline log interpretation indicates the Ellenburger Formation contains a potential net 6.7 metres (21 feet) of oil pay within a gross oil interval of 46 metres (150 feet).**
- **Calculated log pay along with oil and gas shows covering 17 meters (55 feet) were also encountered in the overlying Strawn, Pennsylvanian Carbonate and Canyon Sand Formations between 1,630 and 1,905 meters (5,350 to 6,250 feet).**
- **The plan for White Hat 39#1 is to await the results of the multiple short-radius lateral drilling at White Hat 38#3ML prior to completing the well.**
- **In the event of significant increases in oil production from the multiple short-radius laterals being drilled in the Ellenburger Formation of the White Hat 38#3ML well, a decision will then be made whether to complete White Hat 39#1 as a vertical well or as a multiple short-radius lateral well.**
- **After a short delay resulting from Hurricane Harvey, drilling of 4 short-radius laterals at White Hat 38#3ML is to commence this week.**

White Hat 39#1 Well Reaches Total Depth - Winchester (100% WI)

Winchester Energy Limited (**Winchester** or the **Company**) advises that the White Hat 39#1 well on its White Hat ranch oil and gas lease in Nolan County, Texas, USA has reached total depth (**TD**) of 2,133 metres (7,000 feet). The well is located approximately 1.6 kms (1 mile) west of White Hat 38#3ML.

The White Hat 39#1 well is operated by Winchester and Winchester has a 100% working interest (**WI**) in the well.

The White Hat 39#1 well has been evaluated with electric logs and sample analyses. Wireline logs indicate that the Ellenburger Formation contains 6.7 metres (21 feet) of potential net oil pay within a gross oil interval of 46 metres (150 feet).

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ASX Code: WEL

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Log analyses and oil shows indicate that the shallower overlying zones from 1,630 to 1,905 meters (5,350 to 6,250 feet) including the Strawn, Pennsylvanian Carbonates and Canyon Sand Formations, have an additional calculated 17 meters (55 feet) of potential oil pay.

The White Hat 39#1 well has been drilled and completed so that the option to employ the multiple short-radius lateral drilling techniques being used in the White Hat 38 #3ML well can be used.

Should results of the White Hat 38#3ML drilling indicate that multiples of oil production increases are observed, then multiple short-radius lateral legs may be drilled in the Ellenburger oil pay zones of White Hat 39#1. White Hat 39#1 can also be completed vertically if laterals are not drilled. It is anticipated, subject to the time to drill and complete the four lateral legs in White Hat 38#3ML, that the decision on how to complete White Hat 39#1 for production will take place in around 6 weeks' time.

White Hat 38#3ML (Multi-Lateral) Well – Winchester (60% WI)

Winchester, as operator of White Hat 38#3ML, is pleased to advise that drilling of the short-radius lateral components of the White Hat 38#3ML well on its White Hat oil and gas lease in Nolan County, Texas, USA, will commence this week. A short delay has been experienced as a function of Hurricane Harvey which hit Texas earlier this month.

Through an evaluation of logs, swc cores, image data and other relevant information relating to the Ellenburger Formation, prospective zones have been selected in the Ellenburger Formation as intervals for the four laterals to be drilled, each having an anticipated length of 152 metres (500 feet).

The Ellenburger Formation in White Hat 38#3ML had multiple pay zones over an interval of 150 feet. Also encouraging is that White Hat 38#3ML encountered oil and gas shows through historically productive formations over the interval of 1,570 to 1,814 meters (5,150 to 5,950 feet) with calculated log pay of 23 meters (74 feet) overlying the Ellenburger Formation during drilling of the vertical component of the well.

Proprietary Technology – Short-Radius Multi-Lateral Drilling

After farming out an additional 10%WI to Ultra Short Radius Drilling (**USR**), Winchester has a 60% working interest (**WI**) in the White Hat 38#3ML well but is paying for 70% of the costs of the well. This arrangement is a function of a one-off contractual agreement with former operator, Carl E Gungoll Exploration LLC (**CEGX**), whereby CEGX is 10% free-carried by the Company in one well only. The remaining 30%WI participant in the well is US based drilling company USR. USR is paying its 30%WI on a "heads up" basis.

USR is a specialist group with proprietary short radius lateral drilling (or multi-lateral) technology. Commencing this week, Winchester anticipates drilling four approximately

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152 metre (500 feet) lateral sections being approximately 610 metres (2,000 feet) in total from the White Hat 38#3ML vertical well bore. All four laterals will be within the wireline log interpreted oil pay zones of the Ellenburger Formation.

Winchester believes this technology will allow improved well productivity as it will provide the ability to intersect multiple fracture zones. At the same time, these laterals will also connect the zones of better productive characteristics. The Ellenburger Formation has been shown to have highly variable porosity due to multi staged, post depositional mineralization effects on the reservoir. Winchester has already experienced these reservoir variations over short distances between the eight wells drilled to date on the White Hat Ranch oil and gas lease all of which are producing oil.

The AFE issued by Winchester as operator to drill and complete the White Hat 38#3ML well is US\$1.7 million. The current AFE cost to drill and complete a vertical well is US\$800,000. Whilst the well cost therefore is double, the objective is to increase the well bore's exposure to the Ellenburger Formation from approximately 30 metres (100 feet) to approximately 610 metres (2,000 feet), a twenty fold increase in formation reservoir exposure with expected, but not yet proved, multiples of the vertical well production rate.

Neville Henry, Managing Director of Winchester commented:

"We are pleased with the potential oil pay drilled in the Ellenburger Formation and overlying formations in White Hat 39#1 and look forward, upon its completion as either a multi-lateral well or vertical well, to adding its production and reserves to our low risk development program for the productive Ellenburger Formation. The White Hat 39#1 well confirms that the potential Ellenburger pay extends to the west.

The Ellenburger Formation is present over Winchester's net 78 sq. kms (19,210 net acres) of leases and we have up to 125 development wells to be drilled on forty acre spacing within a 5,000 acre area that has been high graded with 3D seismic. This will provide a base of growing oil production and reserves tapping into an interpreted resource of up to 15 million bbls of oil.

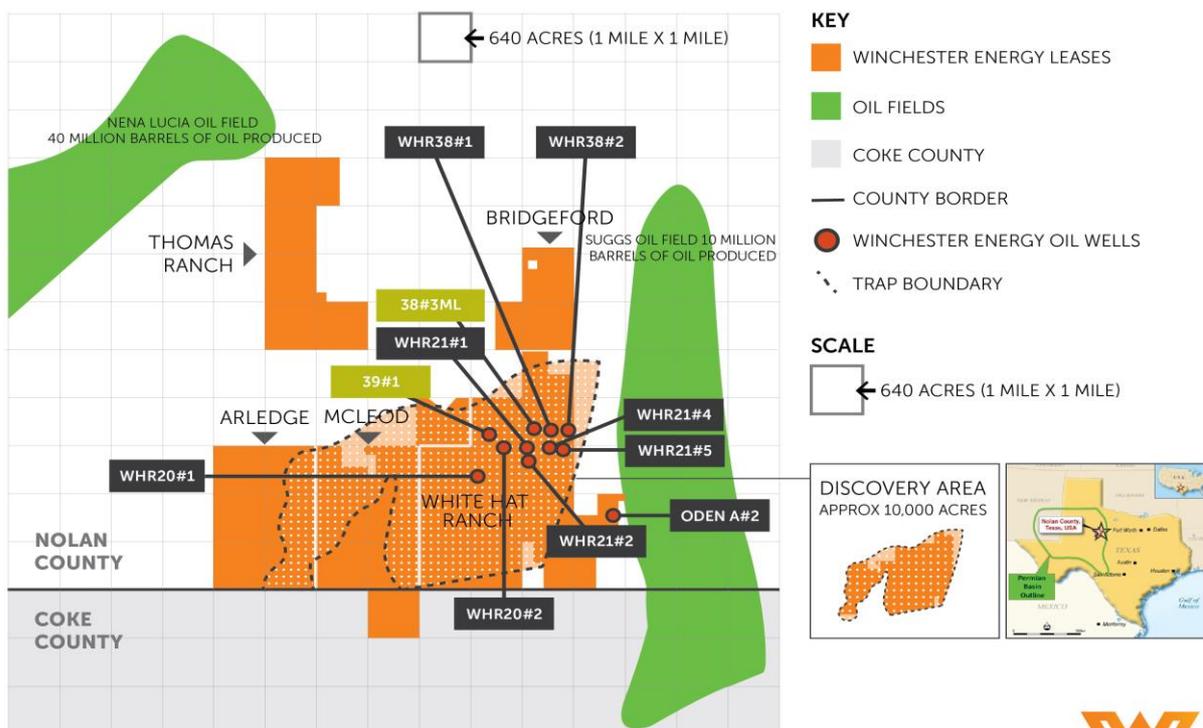
We also look forward to the drilling and oil production rate results of the multi-laterals to be drilled in the oil bearing zones of the Ellenburger Formation in the White Hat 38#3 well.

In both wells, the indicated oil zones in the overlying Strawn as well as the Pennsylvanian Carbonate, and the Canyon Sand formations, provide further oil production targets and confirm our belief that an overall significant oil resource is contained within several proven oil productive formation horizons in Winchester's large net leasehold position.

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By way of example, the Strawn Formation in an adjacent vertical well, White Hat 20#2, after an initial production rate of 145 bopd continues to produce over 70 bopd after 4 months of production."

Location Map of White Hat wells 38#3ML and 39#1, Nolan County, Texas, USA



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Competent Person's Statement

The information in this ASX announcement is based on information compiled or reviewed by Mr Neville Henry. Mr Henry is a qualified petroleum geologist with over 43 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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About Winchester Energy Ltd (ASX Code: WEL)

Winchester Energy Ltd (ASX Code: WEL) is an Australian ASX listed energy company with its operations base in Houston, Texas. The Company has a single focus on oil exploration, development and production in the Permian Basin of Texas. The Company has established initial oil production on its large 78 square kilometres (19,210 net acres) leasehold position on the eastern shelf of the Permian Basin, the largest oil producing basin in the USA. Winchester's lease position is situated between proven significant oil fields. Winchester is of the view that with the several known oil productive horizons in its lease holding, that it can build through the application of modern geology, geophysical, drilling and completion methods a potentially significant proven reserves and oil production asset.

Location Map of Winchester's 19,210 net acres in Nolan County, Texas, USA



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