

Third Successful Ultra-Short Radius Lateral Drilled in Ellenburger Oil Zone, Nolan County, Texas.

Highlights

- The third horizontal lateral (Leg 3) in the White Hat 38#3ML well has reached total depth encountering approximately 24 metres (80ft) of oil and gas shows in the upper Ellenburger Formation.
- In a major milestone for the Company, proof of concept for multi-lateral horizontal drilling has been achieved by successfully drilling three horizontal laterals with an aggregate 130 metres (430ft) of oil and gas shows.
- The well will now be prepared for testing with a view to placing all three horizontal legs on production.

Third Lateral Drilled Successfully at White Hat 38#3ML Well – (WEL 60% WI)

Winchester Energy Limited (ASX:WEL) (Winchester or the Company), as operator, is pleased to advise that it has completed the third ultra-short radius horizontal lateral (Leg 3) in the White Hat 38#3ML well on its White Hat oil and gas lease in Nolan County, Texas, USA.

With a length of 143 metres (470ft), Leg 3 encountered a total of approximately 24 metres (80ft) of oil and gas shows within the upper zone of the Ellenburger Formation.

In a major milestone for the Company, Legs 1, 2 and 3 have aggregate oil and gas shows of 130 metres (430ft) which has greatly increased the length of well bore exposed to oil and gas when compared to the vertical well with its 6 metres of interpreted oil pay.

These drilling results have provided proof of concept that ultra-short radius lateral drilling provides the Company with a relatively inexpensive, viable technique with which to significantly enhance the intersection of oil productive porosity, fracturing and permeability within the oil-saturated Ellenburger Formation.

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ASX Code: WEL

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Due to the success of the three horizontal laterals drilled to date, and the 130 metres of oil and gas shows encountered, the Company will not proceed with drilling a fourth horizontal lateral at this time, but will now proceed to prepare the well for an extended production testing program over the next three weeks. It is envisaged that each horizontal lateral leg drilled will be treated with acid to optimize flow rates during production testing and subsequent long term production. Following this production testing, the well will then be placed on production.

Neville Henry, Managing Director of Winchester commented:

"The successful drilling of three horizontal laterals at 38#3ML provides the Company with a ten-fold exposure to oil and gas bearing zones within the Ellenburger Formation when compared to a standard vertical well and, as such, is a potential game changer for the Company.

The Company looks forward to the production test results following the final clean-out and acid treatment of all three laterals. Enhanced production test results from the horizontal legs will provide further proof of the value of the short radius horizontal drilling technology exclusive to the Company and its partner in the well USR Drilling."

Ultra-Short Radius Lateral Drilling (USR) in the Ellenburger Formation

Winchester's deployment of USR Drilling's proprietary ultra-short radius drilling equipment and technology was expected to allow improvement in well productivity by providing the ability to intersect an increased length of oil pay in conventional limestones and dolomites with increased probability of cutting across multiple fractures and fracture zones. At the same time, these horizontal laterals are expected to also connect the zones of better productive characteristics.

The successful drilling of three horizontal laterals by Winchester and its partner in the well, USR drilling, demonstrates that these two objectives have been achieved using the USR drilling technology.

The White Hat 38#3ML well is the first well that Winchester has operated. 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, CEGX, whereby CEGX is 10% free-carried by the Company in one well only. The remaining 30% WI participant and contributor to the well cost is US based drilling company, USR Drilling.

For further information, please contact:

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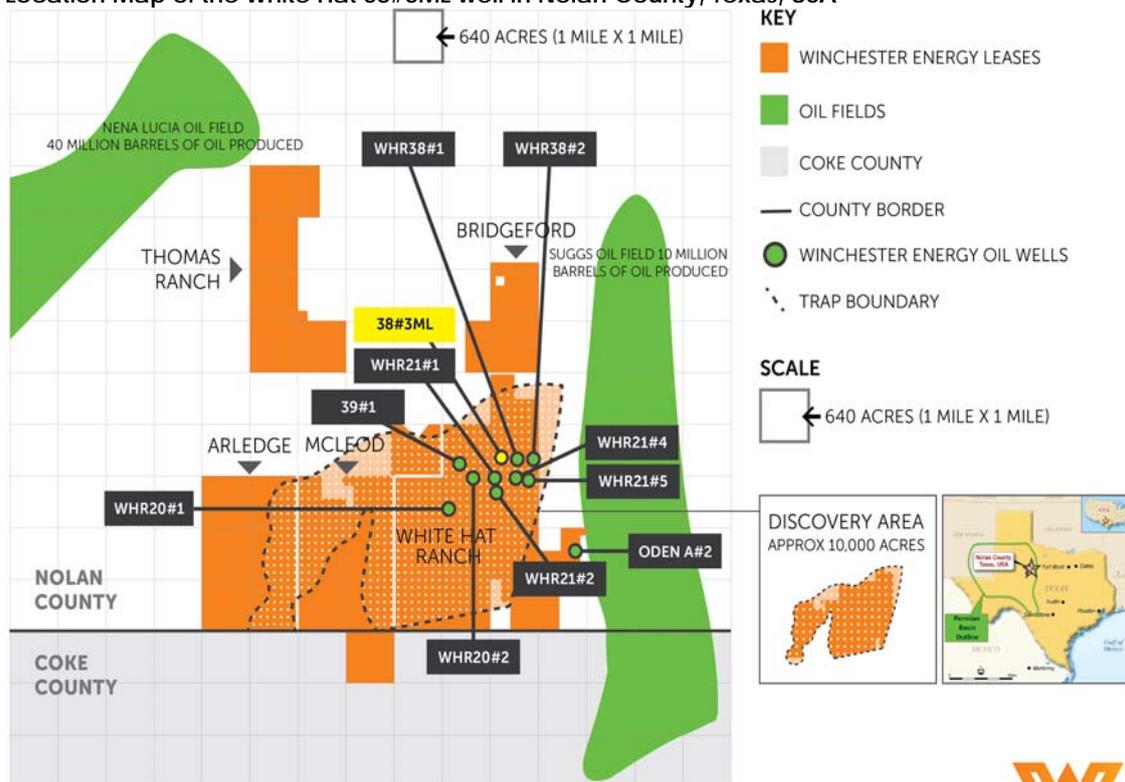
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Location Map of the White Hat 38#3ML well in Nolan County, Texas, USA



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, 3D geophysical analysis, drilling and completion methods, a potentially significant proven reserves and oil production asset.

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.