

Spud of White Hat 38#3ML

Highlights

- **Winchester, as operator, has spud the White Hat 38#3ML multi-lateral well targeting the Ellenburger Formation**

White Hat 38#3ML Multi-Lateral Well

Winchester Energy Limited (**Winchester** or the **Company**) advises that it has spud the White Hat 38#3ML multi-lateral well on its White Hat lease in Nolan County, Texas, USA.

This well is the first well that Winchester has operated. Winchester has a 70% working interest (**WI**) in the White Hat 38#3ML well but is paying for 80% 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 20%WI participant in the well is US based drilling company, Ultra Short Radius Drilling (**USR**). USR is paying its 20%WI on a "heads up" basis.

USR is a specialist group with proprietary short radius lateral drilling (or multi-lateral) technology. The Company is planning to test the technology by drilling four 500 feet lateral sections (2,000 feet in total) from one vertical well bore. All four laterals will be in the Ellenburger Formation.

The Company 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 and Winchester has already experienced these variations over short distances between the eight wells drilled to date.

All eight wells that have been drilled to date on the White Hat ranch oil and gas lease (by CEGX) are producing oil (100% oil production success rate) but to variable extents. Winchester has a 50%WI in all these eight wells.

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Directors

Peter Allchurch
Non-Executive Chairman

Neville Henry
Managing Director

James Hodges
Non-Executive Director

John D Kenny
Non-Executive Director

Larry Liu
Non-Executive Director

Nicholas Calder
Company Secretary

Contact Details

Australia
Level 3
18 Richardson Street
West Perth WA 6005
Australia

PO Box 641
West Perth WA 6872
Australia

Tel: +61 1300 133 921
Fax: +61(8) 6298 6191

USA

Two Riverway
17th Floor
Suite 1700
Houston Texas USA 77056

Tel: +1 713 333 0610

winchesterenergytld.com

The AFE issued by Winchester as operator to drill and complete the White Hat 38#3ML well is US\$1.7 million. By comparison, the current cost to drill and complete a vertical well is US\$890,000. Whilst the well cost is approximately double, the objective is to increase the well bore's exposure to the Ellenburger Formation from 100 feet to 2,000 feet, a twenty-fold increase in formation rock exposure.

The White Hat 38#3ML well is located due north of the Company's commercially successful 21#1 well. White Hat 38#3ML is the first well operated by the Company within the White Hat lease, providing the Company with the opportunity to implement a range of drilling techniques and innovative analyses not possible under the previous operating arrangements.

To be able to attract a proven drilling company such as USR to not only employ the innovative multi-lateral drilling technique to the Ellenburger Formation but also to contribute financially to the drilling of the well is a highly encouraging development for the Company.

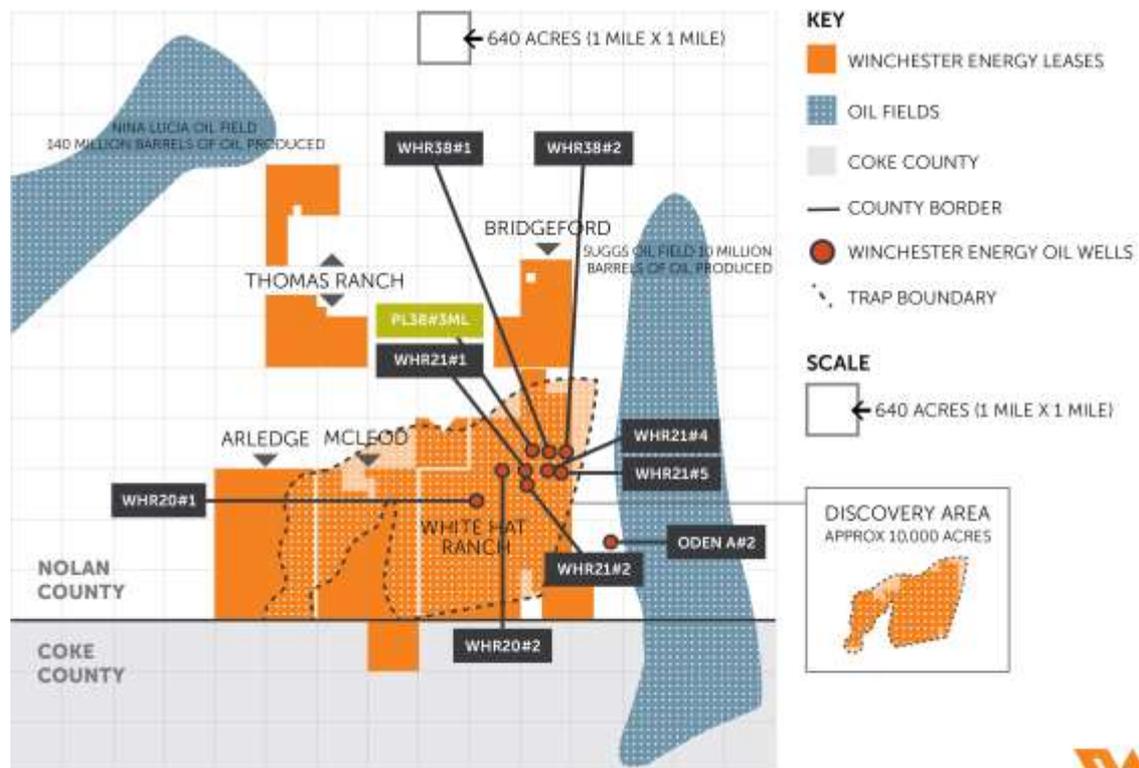


Figure 1: Location of 38#3ML (shown as PL38#3ML)



For further information, please contact:

Neville Henry

Managing Director

T: +1 713 333 0610

E: nh@winchesterenergyltd.com

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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