

## Successful First Ultra-Short Radius Lateral in

### White Hat 38#3ML Well

#### Highlights

- The first ultra-short radius lateral in the White Hat 38#3ML well (Leg 1) has reached total depth. Initial swab testing returned 100 to 150 barrels of fluid per day with oil cuts between 30% and 70%.
- Leg 1 encountered approximately 45 metres (150 feet) of very good oil and gas shows whilst drilling laterally within the upper zone of the Ellenburger Formation. These oil and gas shows were materially superior in nature and extent to the oil and gas shows encountered whilst drilling the vertical well bore.
- The deployment by Winchester of USR Drilling's proprietary equipment and technology to drill this "barefoot" ultra-short radius lateral within the upper zone of the Ellenburger Formation occurred without any significant operational or engineering difficulties or complications.
- This initial swab rate from the first ultra-short radius lateral well drilled in the area represents a significant step forward for Winchester as it demonstrates that a 152 metre (500 foot) lateral well can be drilled successfully and can intersect materially larger amounts of oil and gas pay than vertical drilling.
- Preparations are now taking place to isolate and protect Leg 1 so that Leg 2 can commence within the next four days.

#### First 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 reached total depth on the first ultra-short radius lateral in the White Hat 38#3ML well (**Leg 1**) on its White Hat oil and gas lease in Nolan County, Texas, USA.

Leg 1 encountered a total of approximately 45 metres (150 feet) of very good oil and gas shows whilst drilling laterally within the upper zone of the Ellenburger Formation. The oil and gas shows encountered during the drilling of Leg 1 were materially superior in nature and extent to the oil and gas shows encountered whilst drilling the vertical well bore. This is precisely the outcome that Winchester hoped to observe.

**Date:** 18 October 2017

**ASX Code:** WEL

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Non-Executive Chairman

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After reaching total depth the well was then swabbed and almost immediately free flowed oil and gas to surface at 18 barrels of oil per hour at a calculated daily rate of 432 barrels.

After the initial production rate slowed, a clean-up acid treatment was run and subsequent swabbing over several days through two and 7/8" production tubing resulted in fluid production rates of 100 to 150 barrels of fluid per day with oil cuts increasing from 30% to 70% as the well cleaned up.

The deployment by Winchester of USR Drilling's proprietary equipment and technology to drill this "barefoot" ultra-short radius lateral within the upper zone of the Ellenburger Formation has occurred without any significant operational or engineering difficulties or complications. Accordingly, the successful drilling of Leg 1, along with the positive results returned from initial flow testing and swabbing of Leg 1 in the upper zone of the Ellenburger Formation, is a major milestone for the Company given the potential of this ultra-short radius lateral drilling technique to substantially improve well oil production rates and economics.

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 conventional limestone and dolomites as well as providing increased probability of cutting across multiple fractures and fracture zones. At the same time, these laterals were expected to also connect the zones of better productive characteristics. Winchester is of the opinion that the drilling and production testing results for Leg 1 clearly show that these two objectives have been successfully achieved.

The swabbing rates achieved in Leg 1 are a significant increase on the modest oil production rates that could have been expected from a vertical stand-alone completion of this well. These upper zones of the Ellenburger Formation with oil pay in Leg 1 are the same targets for the second ultra-short radius lateral leg (**Leg 2**) to be drilled by USR Drilling. Drilling of Leg 2 will commence within four days.

In the eight vertical wells drilled to date on the White Hat ranch oil and gas lease (all of which are producing oil), the actual oil production rates from the better wells have increased over swab results as the wells have cleaned up and in addition, water production has decreased to insignificant amounts.

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 Carl E Gungoll Exploration LLC (**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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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.

The cost of drilling Leg 1 has been approximately US\$200,000.

Neville Henry, Managing Director of Winchester commented:

*“The oil and gas shows encountered during the drilling of Leg 1 were substantially superior in quality and amount to the oil and gas shows encountered whilst drilling the vertical well bore. This result is exactly what we expected.*

*The ability of lateral drilling to intersect an increased length of conventional limestone and dolomites as well as provide increased probability of cutting across multiple fractures and fracture zones has been clearly demonstrated by Leg 1. This constitutes a major milestone for the Company as it seeks to materially increase oil and gas production rates from its Ellenburger wells.*

*In addition, the ease with which Leg 1 was drilled is particularly pleasing since it showed the low execution risk of drilling these “barefoot” laterals in the Ellenburger Formation.*

*We look forward to the results from the next ultra-short radius lateral which we expect to be accretive to the result in Leg 1. Leg 2 will be drilled in the same upper zone of the Ellenburger Formation but in the opposite direction.”*

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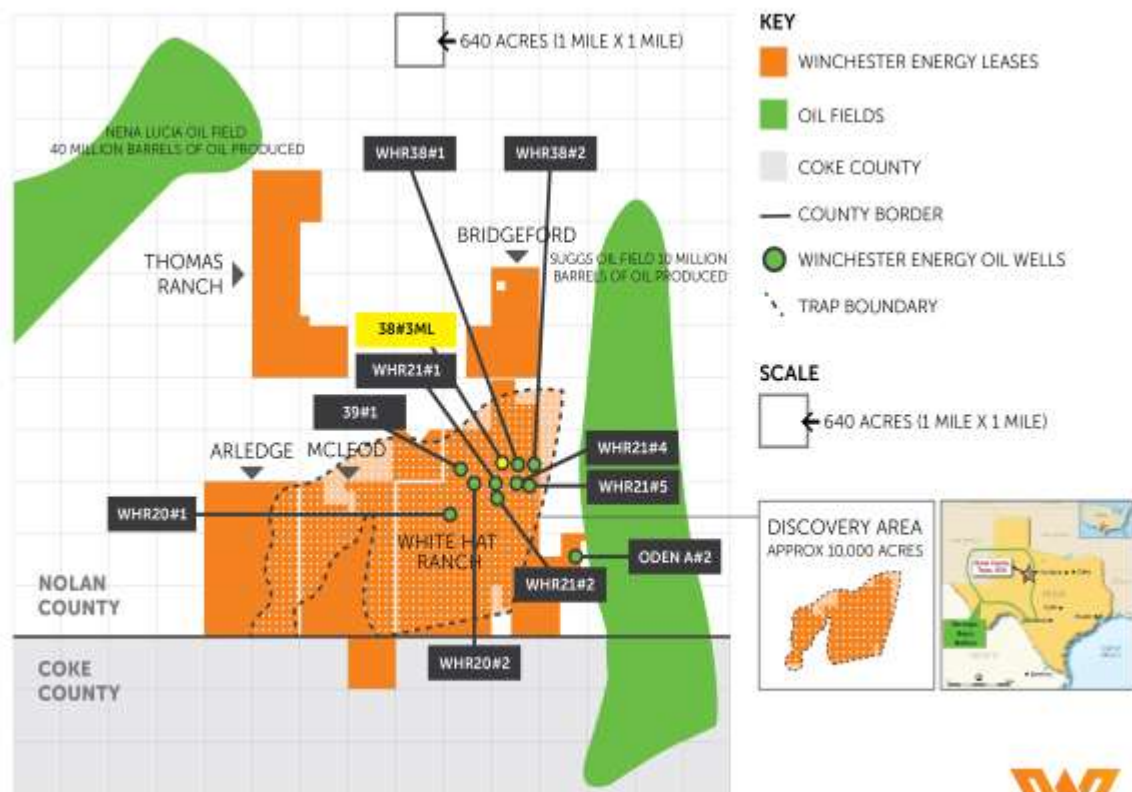
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**About Winchester Energy Ltd (ASX Code: WEL)**

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

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





**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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