

## Future Strategy, Drilling and Completion Activities, Permian Basin, Texas

Winchester is pleased to provide an update in regard to its activities in the development of its East Permian Basin acreage.

### Highlights

- Winchester plans to re-enter 38#3ML targeting production completion in the Fry and Strawn Sands. Dependent on rig availability, work is scheduled to commence in the first week of April 2018.
- Significant aggregate net oil pay of 25 feet was observed in the Fry and Strawn Sands during the drilling of the vertical component of White Hat 38#3ML. The Fry/Strawn Formation is a proven producer with initial production rates of 200 bopd at Winchester's White Hat 20#2 well.
- A horizontal lateral is planned for mid-April 2018 in existing vertical well, White Hat 39#1. The horizontal lateral is targeting a distinct series of fractures identified in the Ellenburger Formation through detailed seismic analysis.

Winchester continues to have high confidence that the Eastern Shelf of the Permian Basin and in particular its leased acreage of 17,402 net acres in Nolan County has significant oil resource potential. The multi-lateral drilling approach for the Ellenburger remains a key component of the Winchester development strategy going forward.

### White Hat 38#3ML – (WEL 60% WI)

The Company successfully drilled three horizontal lateral legs in White Hat well 38#3ML for a cumulative 1,679 feet, with 430 feet of oil and gas shows. The first leg flowed oil and gas to the surface for several hours after drilling into a fracture zone. Following the drilling of all three horizontal legs in December 2017, the well was tested using an Electrical Submersible Pump (ESP) followed by a

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conventional rod pump. The highest production rate recorded was 40 barrels of oil per day (bopd). The current production rate is under 10 bopd.

Following analysis of Ellenburger reservoir pressures in the White Hat 38#3ML well, Winchester has concluded that at least two of the White Hat 38#3 ML lateral well bores intersected a large fracture oil reservoir system that was pressure depleted as a result of oil production from the adjacent White Hat Field, (WEL 50% WI).

In view of the low production levels from the White Hat 38#3ML well, Winchester has decided to abandon the multi-lateral deeper legs and target a new completion with fracture stimulation in the overlying Fry/Strawn interval. This gross interval of 170 feet between 5,900ft – 6,070ft has two sands with 25 feet of net pay calculated on well logs associated with strong oil and gas shows while drilling.

Winchester notes that within its acreage all of the Company's wells targeting the Ellenburger have encountered shallow zones with varying oil production potential in their own right. In April 2017, Winchester announced initial production rates of 200 bopd from the Fry/Strawn Formation in the adjacent White Hat 20#2 well. This well, which was fracture stimulated, continues after nearly a year of production to be an excellent producer at 60 bopd and has produced over 25,000 barrels. Reservoir engineers Kurt Mire and Associates have ascribed a proved producing (1P) Estimated Ultimate Recovery (EUR) of 70,000 bbls for this well.

Winchester anticipates work to commence at White Hat 38#3ML in early April 2018 depending on fracture stimulation crew availability.

Additional wells with low production rates are currently being considered for shallow low cost recompletions which could follow.

#### **Drilling of Horizontal Lateral - Vertical Well White Hat 39#1 (WEL-70% WI)**

The company is planning to drill a horizontal lateral well in the Ellenburger by re-entering the White Hat 39#1 well. This vertical well contained 20 feet of net pay calculated over 100 gross feet in the Ellenburger with an average porosity of 11 %. A lateral is planned to kick off from the top of the Ellenburger and drill 600 feet to the northwest and is anticipated to cut several fracture zones interpreted from the 3D seismic. The horizontal lateral

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is planned to stay in the Ellenburger pay interval approximately 30 feet below the unconformity in the upper Ellenburger Formation.

The White Hat 39#1 lateral is planned for mid-April 2018 based on successful negotiation with prospective joint venture partners. Carl E. Gungoll Exploration (CEGX) is currently reviewing possible participation and USR Drilling Services has indicated it would participate as per the existing contract. Several other companies are also considering participating. Once the original vertical well bore has been cleaned, a bottom hole plug will be set in the open hole up to the top of the Ellenburger Formation. This will be the kick off point for the horizontal lateral.

The location of White Hat 39#1ML is over 1.5 miles west of the producing White Hat Ranch Ellenburger wells. There is no evidence of reservoir depletion.

Managing Director of Winchester, Mr. Neville Henry, commented:

*"The Ellenburger reservoir remains a significant focus for the Company. The oil-bearing nature of the Ellenburger Formation is confirmed and our ability to drill and orient multiple horizontal lateral wells from a single well bore has been demonstrated. It is now simply a matter of determining the optimal commercial spacing of future development wells with horizontal laterals.*

*Fortuitously, the Company's large acreage position also incorporates several prolific oil-bearing formations overlying the Ellenburger such as the Fry, and Strawn Sands as well as the thick Penn Carbonate and Crystal Falls (Canyon) formations.*

*The Company has identified these formations as potentially oil productive in almost all wells drilled and we are working with CEGX on a series of production completions designed to rebuild our base production with a target initially above 400 bopd.*

*For modest cost, the Company now plans to complete the existing White Hat 38#3ML well in two of these zones targeting oil production similar to the 200 bopd initial production rate derived from the Strawn Formation in the White Hat 20#2 well.*

*US Energy Corporation of America is planning in the near future to test the Permian Basin Wolfcamp "D" Shale oil potential in several wells that they may re-enter to horizontally drill and frac within or near Winchester's leases. These wells will provide at no cost to Winchester, an important evaluation of the potentially significant Permian Shale oil resource potential in Winchester's and*

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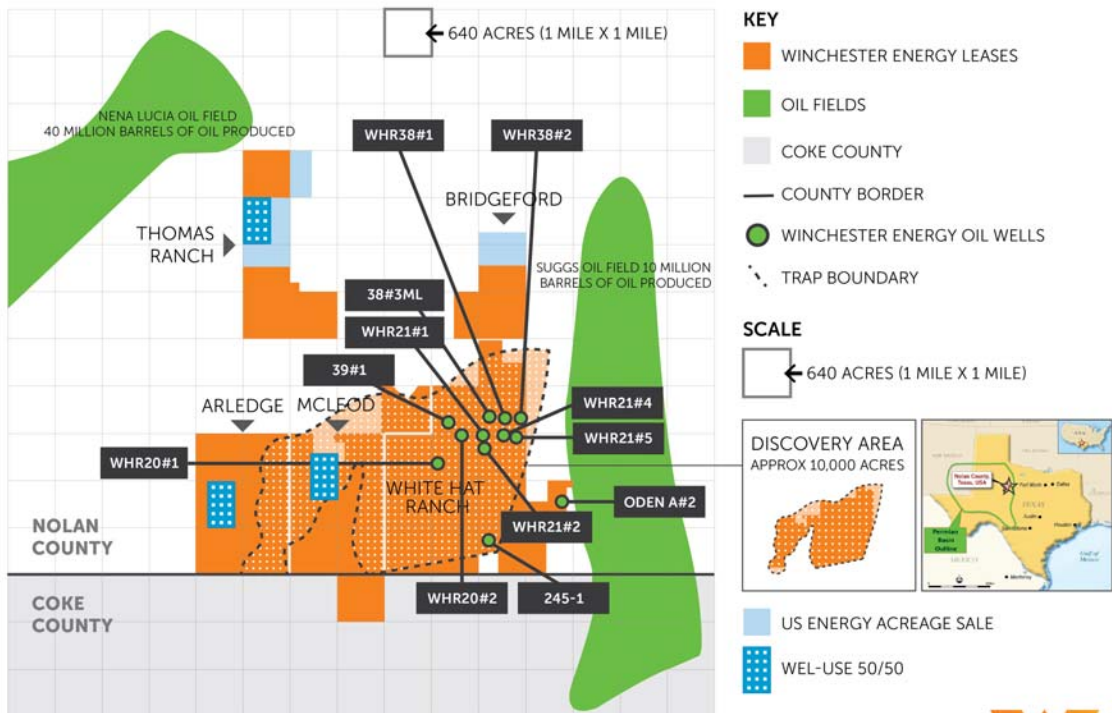
its adjacent acreage. We expect US Energy Corporation's operations to commence in the next 60 days.

The success of the horizontal lateral to be drilled in the Ellenburger of the White Hat 39 #1ML will be an important near term milestone for the Company.

In the current oil price environment, the Company maintains a dominant acreage position incorporating several proven oil producing zones in the East Permian Basin of Texas. This bodes well for the future of the Company."

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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 17,402 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.*

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