

Significant Oil Recovered from Arledge 16#2 Lightning Prospect, Permian Basin, Texas

Highlights

- Fracture stimulation has been completed in the lower two of four intervals in the recently drilled Arledge 16#2 (100% working interest) well targeting the Lower Cisco Sand unit.
- After fracking, the two Lower Cisco intervals were swabbed, with the well initially flowing through a wide open choke at a rate of 30 barrels of fluid per hour with a 90% oil cut.
- To avoid reservoir damage, a small 16/64^{ths} (quarter inch) choke was applied, through which the well flowed 103 barrels of oil in 20 hours, a rate equivalent to 125 barrels of oil per day (bopd).
- Winchester will be adjusting the choke size gradually to optimize the flow rate.

Arledge 16#2 Initial Frac Results – Lower Cisco Sands (Winchester - 100% Working Interest)

Winchester Energy Limited (Winchester), as operator, has recovered significant oil following the fracture stimulation of the lower two of four intervals of the Lower Cisco Sand at the recently drilled Arledge 16#2 well.

Prior to the frac, Intervals 1 and 2 of the Lower Cisco Sands (from 5,075 - 5,131 feet) were perforated and acidized returning a combined swabbing rate from the two intervals of approximately 80 bopd. Intervals 1 and 2, totaling 41 feet, have now been fracture stimulated.

Following the frac, swabbing initially recovered fluid with a 60 - 70% oil cut. The fluid level remained at 1,400 feet indicating good permeability and, after 15 runs, the well began to flow 90% oil through a wide open choke at a rate of 30 barrels per hour.

To avoid any damage to the reservoir the well was then placed on a small 16/64^{ths} (quarter inch) choke, flowing 103 barrels of oil in the following 20 hours (a rate of 125 barrels of oil per day (bopd)) along with some as

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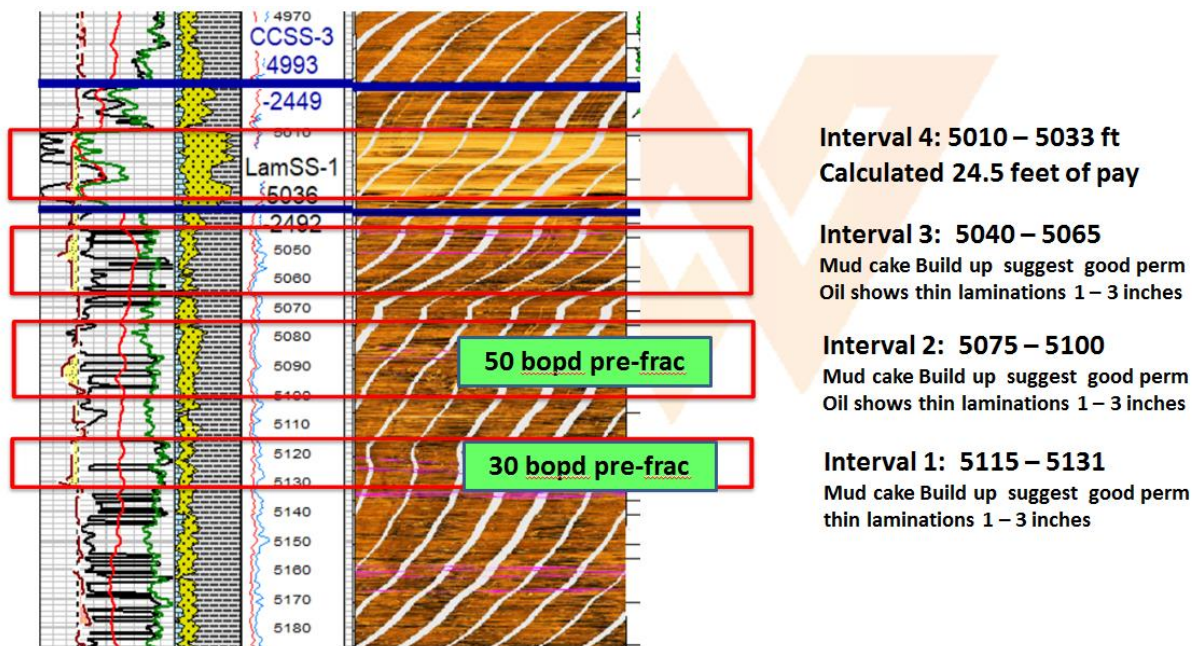
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yet unmeasured gas. The flow rate will gradually be increased through opening of the choke in order to optimize the flow rate of the well.

The initial flow rates, although under the influence of higher pressures due to the frac, are extremely encouraging. The initial absolute open flow of 30 barrels an hour indicates strong permeability. There remains 1,400 barrels of load water (frac fluid) to recover.



Arledge 16#2 – Conventional and FMI Log of the Lower Cisco Sands showing the four Intervals

Arledge 16#2 Completion Plan Going Forward – Lower Cisco Sands

This frac also targeted the potentially 70 feet of thin bedded pay below 5,131 feet (immediately beneath Interval 1).

Following the analysis of data generated to date, the next step will be to consider the completion of Interval 3 (5,040 – 5,065 feet) and Interval 4 (5,010 – 5,033 feet). These upper intervals are interpreted from the FMI wireline log to contain more sand than Intervals 1 and 2.

It is noted that Interval 4 is a highly prospective sand with conventional reservoir properties. Winchester notes that the current frac targeting Intervals 1 and 2 may have penetrated the overlying intervals. Intervals 3 and 4 have not as yet been perforated or acidized.

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Arledge 16#2– Upper Cisco Sands

The Upper Cisco Sands comprise a gross interval of 165 feet between 4,735 and 4,900 feet, coincident with oil and gas shows and representing significant remaining upside potential.

This section is comprised of thin bedded turbidites and marine over-bank deposits. The FMI log confirmed the presence of thin beds that range in thickness from one inch to several feet. Calculation of the pay using the FMI resistivity resulted in 50 feet of net pay.

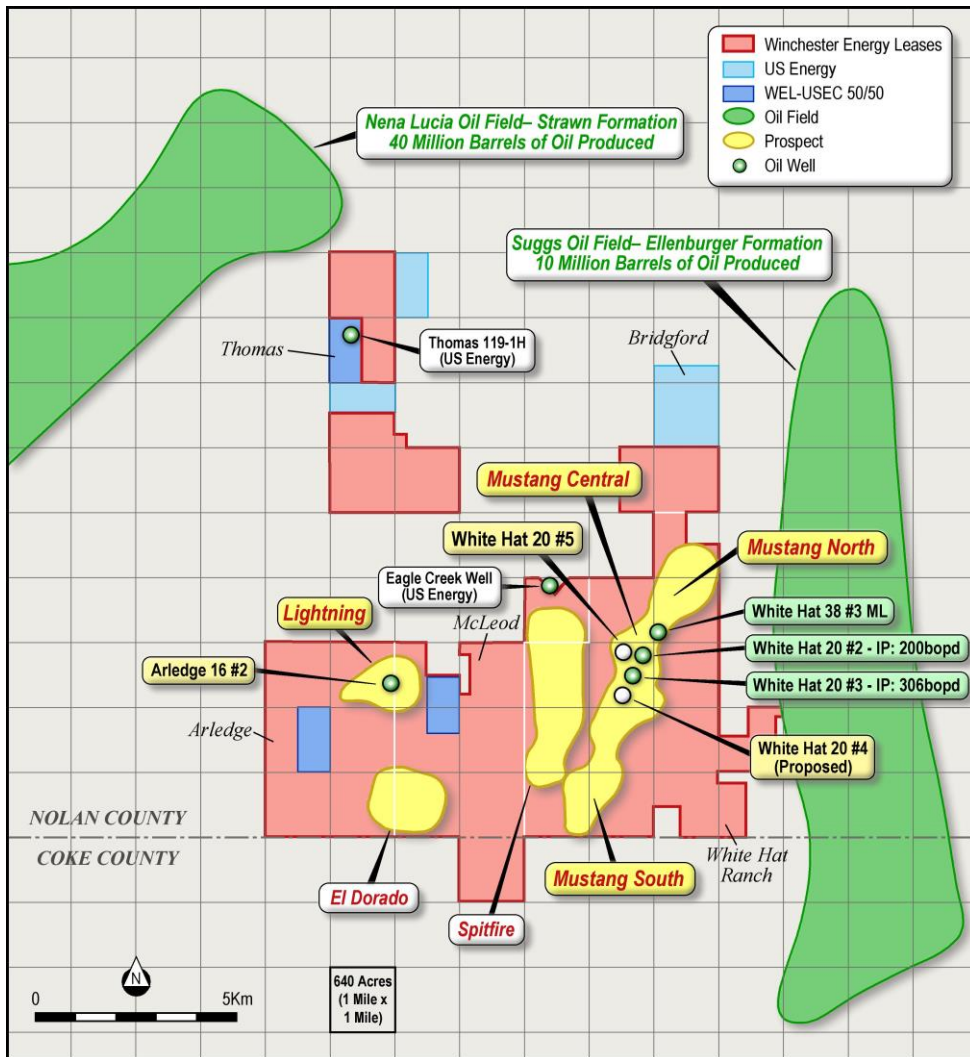
The net oil pay and oil production potential of the Upper Cisco sands will be assessed by a program of selective perforations, acidisation and stimulation to determine its potential for completion and potential production comingling with the Lower Cisco Sands.

Winchester Managing Director Neville Henry commented:

“The initial frac result of the Lower Cisco Sands is extremely encouraging, with large implications for the Company should the well continue to perform as per initial observations.

Seismic has identified a series of large shelf slope Cisco sand ‘wedges’ of thick laminated and channelized slope fan complexes covering over 5,000 acres confirmed by drilling. This is particularly exciting given the total pay interval of potentially 490 feet in the two Cisco Sand Units”.

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Location of Lightning Prospect and the Arledge 16#2 well

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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 17,000 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 has identified several prospects across its leasehold and is currently undertaking development drilling at the newly discovered Mustang Oil Field as well as several exploration prospects.

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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