High Margin Oil Production in a High Oil Price Environment

Date: 18 March 2022

ASX Code: **WEL**

Capital Structure
Ordinary Shares:
1,010,219,792
Current Share Price: 1.9c
Market Cap: $19M
Debt: Nil

Directors

Doug Holland
Technical Director/Chief Operating Officer

James Allchurch
Non-Executive Director

Larry Liu
Non-Executive Director

Tony Peng
Non-Executive Director

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- **Outstanding operating costs (lifting costs) of US$4.04/barrel of oil equivalent[1] underpinning significant margins and cashflow**
- **Winchester recorded positive cashflow of US$473,000 in the Dec 2021 quarter at an average WTI oil price of US$76.34 – 2022 oil price increase has Winchester well positioned**
- **Comprehensive recompletion of White Hat 3902 expected to further increase production – rig arrives next week**
- **Development drilling to commence next month at the Varn Project - Proven and Probable Reserves (2P) of 1.068 million barrels of oil equivalent (mmboe)**

Winchester Energy Limited (ASX: WEL) (Winchester or Company) is pleased to provide details relating to the Company's prevailing operating costs (OPEX or lifting costs) at its operations in the East Permian Basin, Texas.

The location of Winchester's acreage in the productive Eastern Shelf of the Permian Basin, allows for relatively inexpensive, shallow drilling and almost immediate conversion from production to sales revenues. Similarly, operating and maintenance costs in Texas are amongst the lowest in the world.

At its operated producing wells, Winchester has lifting costs of US$4.04 per barrel of oil equivalent (boe)[1].

Lifting costs include all direct costs to produce oil from wells. A comprehensive list of individual cost items included in Lifting Costs is provided in Appendix 1).

[1] Based on the average OPEX cost for all Winchester operated wells (WEL WI 100%) between August 2021 and January 2022. One boe is equal to six thousand cubic feet of gas on an energy basis

White Hat 3902 (100% WI) – Ellenburger Recompletion

In a workover in November 2021, the Company successfully perforated 74 feet of the Ellenburger Formation identified as prospective by logs. The interval was then acidized to clean up the annulus and swabbed to remove the spent acid. White Hat 3902 then produced 92 (boepd) over the course of four days before declining.

Shut in for a short period, White Hat 3902 was opened and immediately produced at a rate of 70 barrels of oil per day. Winchester will next week recomplete White Hat 3902 by applying heavy perforations and acid to the Ellenburger interval to maximize oil production from this zone.

The workover is expected to cost less than US$80,000.

Varn Oil Field Development

On December 1, 2021, Winchester announced the acquisition of the Varn Oil Field located approximately 18 miles from existing operations. The West Texas Intermediate (WTI) oil price at the time of acquisition was US$65.44 per barrel.

Varn Oil Field Acquisition terms:

- US$415,000 cash payment[2] (paid)
- A 3% overriding royalty interest over all future oil and gas production from Varn

The up-front acquisition and development (ie drilling of 11 wells and all infrastructure required to produce) cost is US$5.61 per barrel. It is anticipated that this will be paid out of existing cashflow.

Calculated Varn Oil Field Reserves - Mire Petroleum Consultants

Reserves	Product	1P – Proved Reserve	2P – Proved + Probable Reserve	3P – Proved + Probable + Possible Reserve
Upper and Lower Fry Sands	BO	415,000	994,000	1,680,000
	MCF	169,000	442,000	894,000
	BOE	443,000	1,068,000	1,829,000

BO – barrels of oil
BOE – barrel of oil equivalent[2]
MCF – thousand cubic feet of gas
Calculated Reserves incorporate WEL's net revenue interest of 77%
Please see ASX announcement of 3 December 2021 for details

[2] Should the vendors be unable to place 100% of the working interest for Varn by 1st day of September, 2022, or if there is an unresolvable title failure that would keep the unit from ever being formed, then the vendors agree to refund all monies within 10 business days of the date stated in this paragraph.

The Varn mineral leases have been transferred to Winchester and surface land use agreements have been executed with all relevant landowners. Road construction and drill pad preparation will commence shortly.

Winchester Non-Executive Director James Allchurch commented:

"Winchester has no debt and is 100% exposed to the WTI spot price which has meant that the recent uptick in production and favourable oil price movement has ushered in a period of strong positive cash flow growth reflected by increasing cash reserves.

With the benefit of hindsight, the acquisition of the Varn Project has proven to be a bargain and I look forward to converting these 2P Reserves to flowing barrels'.

This announcement has been authorised for release by the Board.

For further information, please contact:

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About Winchester Energy Ltd (ASX Code: WEL)

Winchester Energy Ltd (ASX: WEL) is an Australian ASX-listed oil and gas explorer and producer 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 and has recently acquired the Varn Oil Field which comprises Proven and Probable Reserves (2P) of 1.068 million barrels of oil equivalent (mmboe) – comprised of over 93% oil (See ASX release of 3 December 2021.

Competent Persons Statement

The information in this report is based on information compiled or reviewed by Mr Keith Martens, consulting geologist/geophysicist to Winchester Energy. Mr Martens is a qualified petroleum geologist/geophysicist with over 45 years of Australian, North American and other international executive petroleum experience in both onshore and offshore environments. He has extensive experience of petroleum exploration, appraisal, strategy development and reserve/resource estimation. Mr Martens has a BSc. (Dual Major) in geology and geophysics from The University of British Columbia, Vancouver, Canada.

APPENDIX 1 – Lifting Costs (OPEX)

Lifting Costs include the following:

- Ad Valorem Tax*
- Administrative Overhead*
- Chemical & Solvents
- Contract Labor
- Electricity-Fuel-Power
- Measurement/Meters
- Hot Oil Treatments
- Location & Roads
- Insurance*
- Materials & Supplies
- Pump Truck
- Pumper / Gauger
- Pulling Unit
- Repair & Maintenance
- Roustabout Services*
- Salt Water Disposal
- Supervision
- Testing/Inspection
- Transportation*
- Vacuum Truck

* - Not included in previous Lifting Cost calculations
