Drilling commences at Varn Oil Field

Date: 20 September 2022

ASX Code: **WEL**

Capital Structure
Shares: 1,010,219,792
Current Share Price: 1.1c
Market Cap: $11M
Debt: Nil

Directors

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- **Surface drill rig has completed and cased the first four well locations to a depth of approx. 300ft - larger drill rig arriving this week to extend the first two wells to total depth**
- **Drill locations 90% complete; production lines 75% complete; injection lines 30% complete**
- **Varn contains 2P Reserves of 1.06mmboe and is expected to contribute significantly to production in 2023**

Winchester Energy Limited (ASX: WEL) ("Winchester" or "the Company") is pleased to provide an update on its field activities at the Varn Oil Field in Nolan County, Texas.

The first four well locations have been drilled, cased and completed to a depth of 300ft by the surface drill rig. The wellheads are currently being fitted to all locations ahead of drilling by a larger rig commencing this week to extend the total depth of two of these wells to approximately 7,000 feet per well.

The sequencing of specialist drill rigs to complete the wells in batches results in significant cost and time savings for the Company.

Figure 1 - Surface drilling rig at Varn Oil Field

All aspects of the Varn Oil Field waterflood are now permitted with all work streams progressing rapidly as shown below.

Activity	% Complete	Description
Preparation of drill locations	90%	10 of 11 drill locations have a pad and pit
Production oil lines	75%	Pipes connecting all oil producing wells to one central oil storage facility
Injection lines	30%	Pipes carrying water to injector wells

A total of 11 wells, comprising six producers and five injectors, are required for the planned waterflood of the Varn Oil Field. This work is scheduled for completion in December 2022.

Overview - Varn Oil Field (100% WI)

Winchester has a 100% working interest in the Varn Oil Field, located 18 miles to the east of the Company's existing producing assets in Nolan County, Texas.

The Varn Oil Field contains existing Proven and Probable (2P) of 1,068,000 barrels of oil equivalent(boe[1]) comprised of 994,000 barrels of oil and 442 thousand cubic feet of gas (mmcf) (Table 1). Production is to be derived from the Fry Sands (a sub-unit of the Strawn Sands) which, together with the Ellenburger Formation, is currently producing oil and gas at Winchester's Nolan County operations.

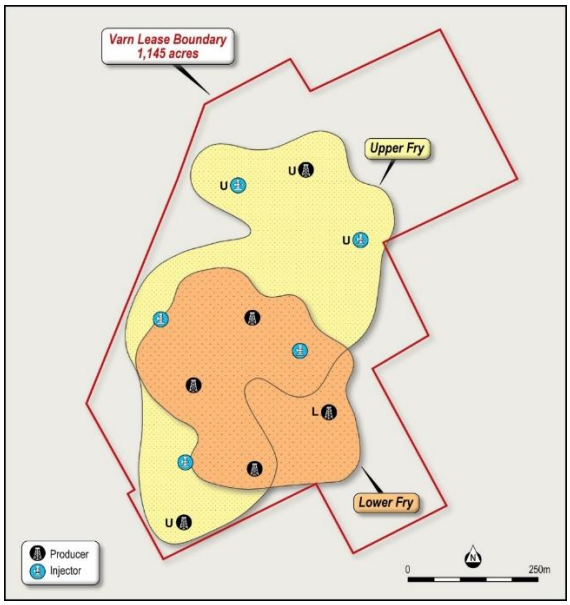

Figure 2 – Configuration of producer and injector wells at Varn

[1] boe (barrels of oil equivalent) - gas quantities are converted to boe using 6,000 cubic feet of gas to one barrel of oil. The conversion ratio is based on energy equivalency and does not represent value equivalency. Estimates are rounded to the nearest boe.

The majority of the wells are planned for the central area where the Upper and Lower Fry Sand overlap while the rest of the wells capture oil from the more widespread Upper Fry Sand.

Table 1: 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[1]
MCF – thousand cubic feet of gas
Calculated Reserves incorporate WEL's net revenue interest of 77%
Further ASX Listing Rule 5.31 Information (Notes to Reserves) related to these reserves is provided in in the ASX release of 3 December 2021

Waterflooding is a secondary recovery technique which injects water into an oil reservoir in a downdip position. The water repressurises the field and provides energy to move unswept oil updip to crestal oil well producers.

Secondary oil recovery is extremely common, particularly in the US. In any given oil field, primary production accounts for the removal of 10-20% of all original oil in place (OOIP), secondary recovery (waterflooding) accounts for a further 10-20% recovery of OOIP whilst further oil is often recovered through tertiary recovery (enhanced oil recovery such as CO_2 injection)[2]. An informative presentation produced by the University of North Dakota's Energy and Environmental Research Centre (EERC) entitled "The Phases of Oil Recovery – So Far" can be viewed at https://www.youtube.com/watch?v=kxBqKY36h7M.

-ENDS-

This announcement has been authorised for release by the Board of Directors.

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[2] Energy and Environmental Research Centre (EERC) - Primary, secondary, and tertiary oil recovery (using pressure, water, and CO2). North Dakota University.

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.