Bonus First Oil Production from Varn Oil Field

Date: 15 February 2023

ASX Code: **WEL**

Capital Structure
Shares: 1,020,421,907
Current Share Price: 0.8c
Market Cap: $8M
Debt: Nil

Directors

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- **Drilling of the first producer well in the Varn Oil Field waterflood programme, the JVU#6 well, has surprisingly generated primary production of 80 barrels of oil per day (bopd) before levelling out at 30-40 bopd plus gas**
- **The Varn Oil Field was reputedly depleted of all primary oil in the 1980s, hence the planned waterflood to recover a further 1 million barrels of oil equivalent[1] (mmboe) through secondary (waterflood) production**
- **The unexpected primary production adds further revenue and bodes well for potential further bonus primary production from the next producer wells to be drilled at Varn**
- **Varn contains 2P Reserves of 1.06mmboe and is expected to contribute to revenue significantly following the commencement of the waterflood**

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.

JVU#6 Beam Pump

Following the drilling of four initial 300ft surface wells and installation of wellheads by a surface rig, Winchester late last year completed the first well associated with the Varn Oil Field waterflood programme, the JVU#11WSW water supply well.

[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.

Winchester also recently drilled, cased and completed JVU#6 to a total depth of 4,715ft. JVU#6 is the first designated producer well for the forthcoming Varn Oil Field waterflood operations where water will be injected into the Lower and Upper Fry formations via water injector wells to raise reservoir pressure thereby forcing oil towards pre-drilled producer wells.

JVU#6 returned net pay of over 26ft across the Lower and Upper Fry formations which, despite the Upper and Lower Fry formations having been depleted by historic production, prompted Winchester to perforate the zones for any potential bonus residual primary oil production.

After successfully swabbing oil and gas, JVU#6 was placed on pump and immediately produced approximately 80 barrels of oil per day (bopd) with gas. After production stabilized over ensuing days, JVU#6 is producing approximately 30-40 bopd plus gas. Gas production will be tested shortly to determine the viability of placing JVU#6 on gas sales.

To encounter primary production in JVU#6 is an unexpected bonus for the Company as oil will immediately go to sales.

Given the results at JVU#6 it is now considered relatively likely that the producer wells in the vicinity of JVU#6 (see Figure 1) will similarly also produce primary oil and gas. These producer wells are scheduled to be drilled next.

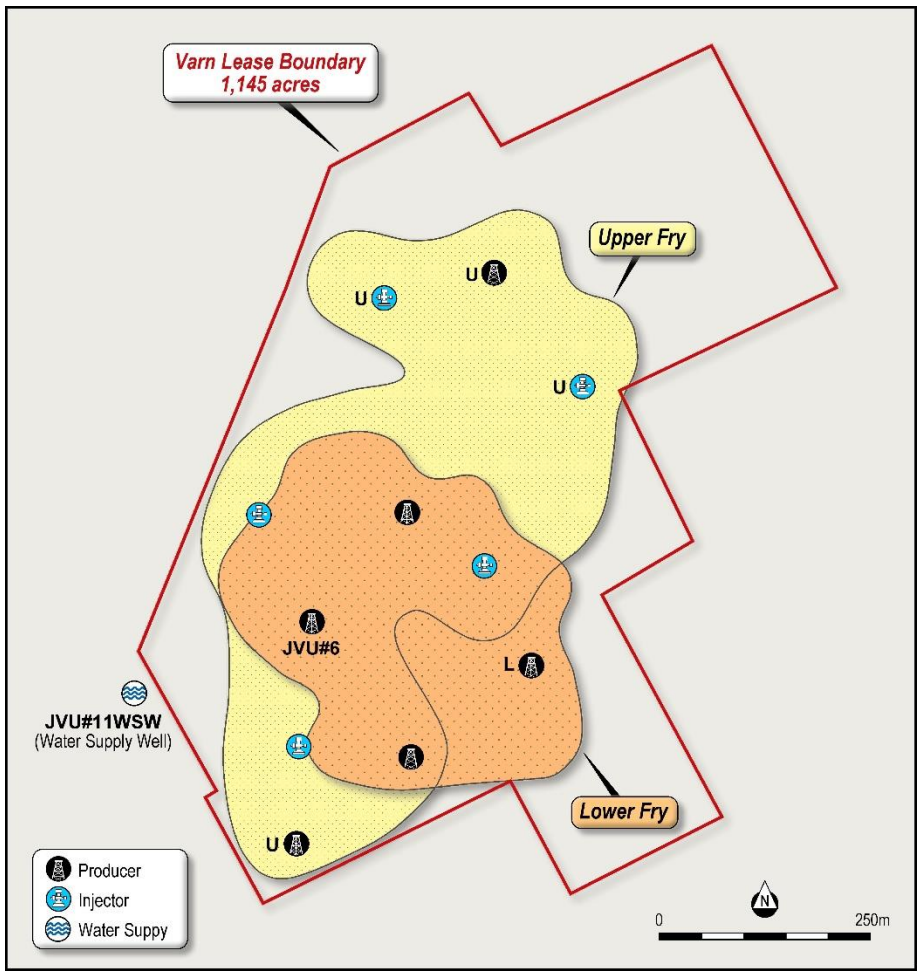

Figure 1: Varn Oil Field waterflood showing location of drilled wells JVU#11WSW and JVU#6 and planned injector and producer wells

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 Reserves (2P) of 1,068,000 barrels of oil equivalent (boe[2]) 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.

The majority of 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[2]
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)[3]. 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-

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

This announcement has been authorised for release by the Board.

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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.