



White Hat 20#2 – 200 BOPD – Strawn Formation

Highlights

- Significant new oil discovery in a sand unit within the Strawn Formation
- Significant oil production rate of 200 bopd arising from simple, low cost, small scale fracking
- New valuable oil play across Winchester's 19,110 net acres

Winchester Energy Limited (**Winchester** or **Company**) is pleased to report that oil is being produced on pump at a rate of 200 barrels of oil per day (**bopd**) from a sand unit within the Strawn Formation in the White Hat 20#2 well which is being operated by Carl E Gungoll Exploration LLC (**CEGX**). Winchester has a 50% working interest (**WI**) in White Hat 20#2. CEGX has the other 50%WI.

Although pumping has only been under way for a few days and the oil production rate is not yet stable, this is a significant oil production rate and if maintained, will represent a significant new oil discovery in the very first test of this sand unit within the Strawn Formation by Winchester and CEGX in their White Hat oil lease.

To date, Winchester has focussed on drilling and producing oil and gas from its deeper Ellenburger Formation discovery but from the founding of the Company, it has recognised the potential for oil in a number of shallower reservoirs ("**stacked pays**"), including the Strawn Formation.

Importantly, the prolific oil producing Strawn Formation is expected to occur within Winchester's 19,110 net acres in Nolan County, Texas, USA.

The interval currently being tested represents a clastic sand play that is deposited on the basin ward shelf margin in the Strawn Formation. These sands occur at several stratigraphic levels and have produced significant oil from stratigraphic traps in the nearby Suggs Oil Field and White Hat ranch area and beyond and have been labelled or referred to as Fry, Gardner, Lazarus, Jennings Lime, and Goen sand units.

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In addition to this particular sand unit within the Strawn Formation in White Hat 20#2, Winchester has log interpreted pay of similar quality in a shallower interval in White Hat 20#2, which was initially recommended by Winchester to the Operator (CEGX) to test, subject to the results of this frack of the current lower sand unit. Given the current significant oil production rate from the current interval, the Operator has decided not to add the other shallower zone as this may complicate the current test.

This significant new oil discovery in the Strawn Formation represents a new valuable oil play across Winchester's 19,110 net acres. Winchester is now looking at potential offset opportunities for this significant new oil discovery.

Background

The White Hat 20#2 vertical well was spudded by the Operator (CEGX) on 6 November 2015 to offset White Hat 21#1. It is located 1,200 feet due west of White Hat 21#1 (see map below).

Initial testing of the upper Ellenburger Formation in White Hat 20#2 yielded low rates of oil. Following this initial testing, the White Hat 20#2 well was fracked on 7 April 2016 in order to attempt to achieve greater oil production. However following fracking, the well produced oil at very small rates of 1-2 bopd.

Whilst drilling down to the Ellenburger Formation in White 20#2 in November 2015, promising oil and gas shows were obtained in several zones above the Ellenburger Formation.

Since April 2016 and the failure to obtain commercial oil from the Ellenburger Formation in White Hat 20#2, Winchester has evaluated logs, well samples and seismic data from these various show zones in order to determine whether these zones warranted testing.

Several formations were interpreted by Winchester to be worthy of testing and 30 feet of this sand unit within the Strawn Formation was agreed with the Operator (CEGX) to be the first to be tested.

Location Map

10,000 ACRE OIL TRAP

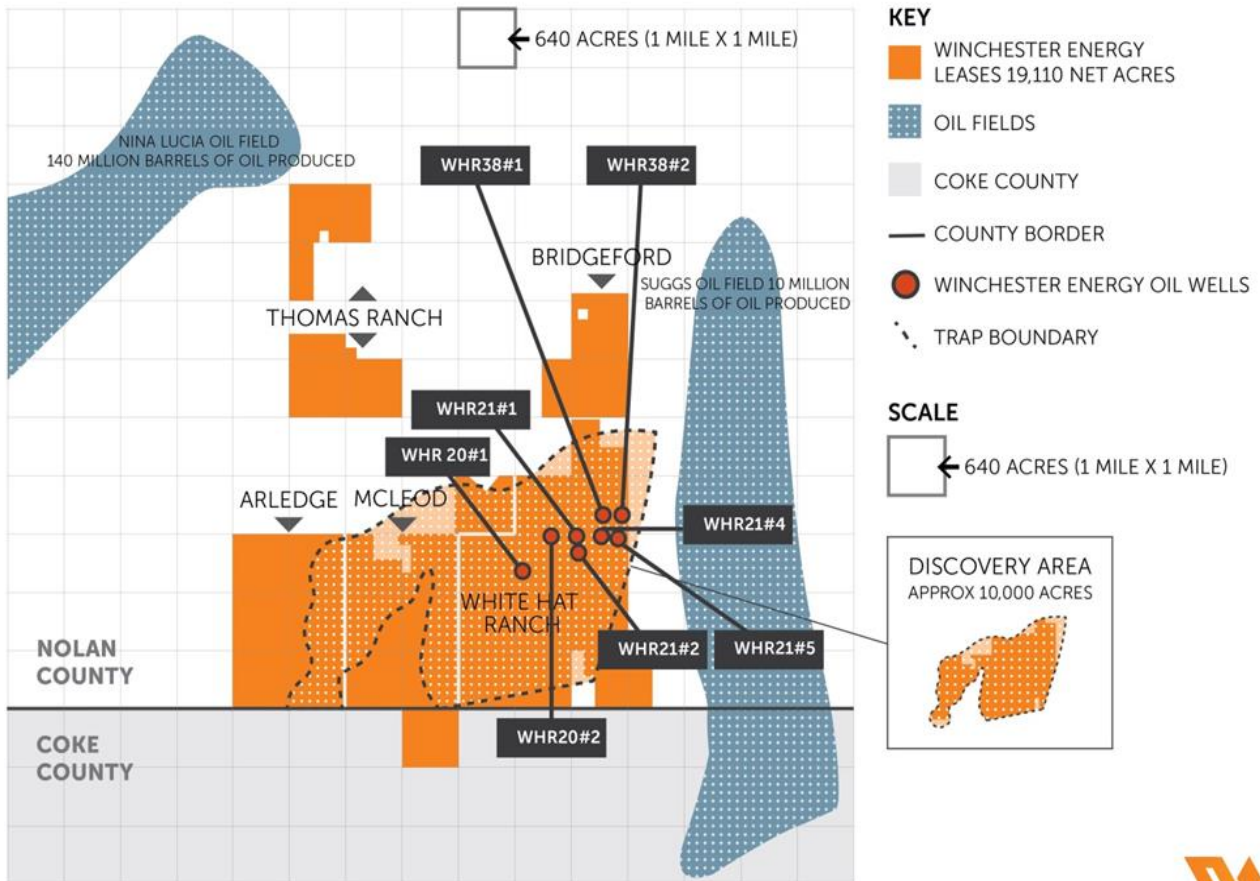


Figure 1: Location of Winchester's 19,110 net acres and the White Hat 20#2 well

Completion and Testing of this Sand Unit within the Strawn Formation

The White Hat 20#2 well was plugged back by the Operator (CEGX) above the Ellenburger Formation and the casing perforated over a 30 foot interval in this sand unit of the Strawn Formation. After acidisation, the zone was tested by swabbing over 7 days, with the oil rate increasing from 2 bopd on day one, to 33 bopd on day seven. This 30 foot interval in this sand unit of the Strawn Formation was then fracked and during "flowback" (swabbing the well bore to extract water used in the frack process and to gauge any increase in the pre-frack oil rate), the oil rate increased from zero on day one to 164 bopd (along with a further 58 barrels of water) on day six. Swabbing then ceased, to allow the installation of a production beam pump.



Pumping started a few days later and after three days of continuous pump production the well was producing at a rate of 200 bopd (along with a further 125 barrels of water). A further 205 barrels of water used in the frack process remain to be extracted.

Small Cost

The entire cost of the completion and testing of this 30 foot sand unit within the Strawn Formation was only US\$110,000. This cost was borne by Winchester as to 50% and CEGX as to the remaining 50%.

Significant new oil discovery in the Strawn Formation

Notwithstanding the fact that pumping has only been under way for only a short period of time and the oil production rate has yet to stabilize, this is a significant oil production rate and if sustained, will represent a significant new oil discovery in the very first test of this sand unit of the Strawn Formation by Winchester and CEGX in their White Hat oil lease (which has a size of 7,358 gross acres). Importantly, this significant oil production rate (200 bopd) has resulted from straightforward, low cost, small scale fracking of a 30 foot vertical interval.

Winchester is evaluating logs, well samples and seismic data across all its 19,110 net acres in order to attempt to identify Strawn Formation sand packages which have properties analogous to those in the White Hat 20#2 well.

In addition, Winchester will now begin evaluating the circumstances and costs associated with drilling a horizontal fracked well into this sand unit in the Strawn Formation having properties analogous to those in the White Hat 20#2 well in light of the significant oil production rate resulting from straightforward, low cost, small scale fracking of a 30 foot vertical interval.

Other Shallow Formations

It should be noted that all 8 wells drilled to date by CEGX as Operator targeting the Ellenburger Formation have obtained promising oil and gas shows in several of the overlying formations, many of which have a strong history of oil production in the East Permian Basin.



CEGX's and Winchester's Joint Operating Agreement

Winchester has a 50% working interest (**WI**) in White Hat 20#2 along with a 50%WI in the surrounding 40 acre drilling unit. CEGX owns the other 50%WI in the well and the drilling unit. Each party pays for 50% of the costs of White Hat 20#2.

Winchester's wholly owned USA subsidiary, Winchester Energy USA Holdings Inc., owns a 75% working interest (**WI**) in the oil and gas mineral rights of the 7,058 acres which surround and adjoin the existing 8 White Hat wells (Winchester 50% WI). CEGX owns the remaining 25%WI in these 7,058 acres.

On 1 March 2017 the current 50%:50% WI arrangement transitioned to Winchester 75% WI:CEGX 25% WI in all areas outside the eight presently drilled 40 acre drilling units (save for 1 additional vertical well that CEGX can drill at a time of its choosing on a 50:50 basis). Thus, as of 1 March 2017, Winchester is operator of the 7,058 acres of the White Hat ranch lease outside of the eight presently drilled 40 acre drilling units (320 acres in total).

—ENDS—

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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 40 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.