



Update - White Hat 38#3ML

Highlights

- **White Hat 38#3ML multi-lateral well targeting the Ellenburger Formation has reached total vertical depth, now running logs ahead of drilling short radius laterals**
- **New well White Hat 39#1 to be drilled immediately following logging of 38#3ML, with the rig then returning to 38#3ML to drill the short radius laterals**

White Hat 38#3ML Multi-Lateral Well

Winchester Energy Limited (**Winchester** or the **Company**) advises that it has reached total depth (**TD**) of 7,000 feet in the vertical component of the White Hat 38#3ML multi-lateral well on its White Hat lease in Nolan County, Texas, USA.

Winchester is now running logs and will conduct other relevant analyses in preparation for the commencement of drilling short radius laterals into the Ellenburger Formation.

Winchester, as operator of White Hat 38#3ML, encountered encouraging oil and gas shows through formations overlying the Ellenburger Formation as well as within the Ellenburger itself.

Whilst Winchester conducts an evaluation of logs, swc cores, image data and other relevant information relating to White Hat 38#3ML, the oil rig will move onto a new location and drill White Hat 39#1.

The Winchester operated White Hat 39#1 well is a vertical well testing the Ellenburger Formation to the west of Winchester's current oil production. The objective of White Hat 39#1 is to test the Ellenburger Formation as a potential open hole oil and gas producer however the well will remain re-enterable and can be converted into a multi-lateral well if warranted.

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Winchester anticipates that the oil rig will reach TD on White Hat 39#1 within 14 days. After drilling White Hat 39#1 the oil rig will return to White Hat 38#3ML and immediately commence drilling short radius laterals within zones identified through the detailed assessment of logs, core and other data.

The Company will keep the market updated as to the progress of White Hat 38#3ML and White Hat 39#1.

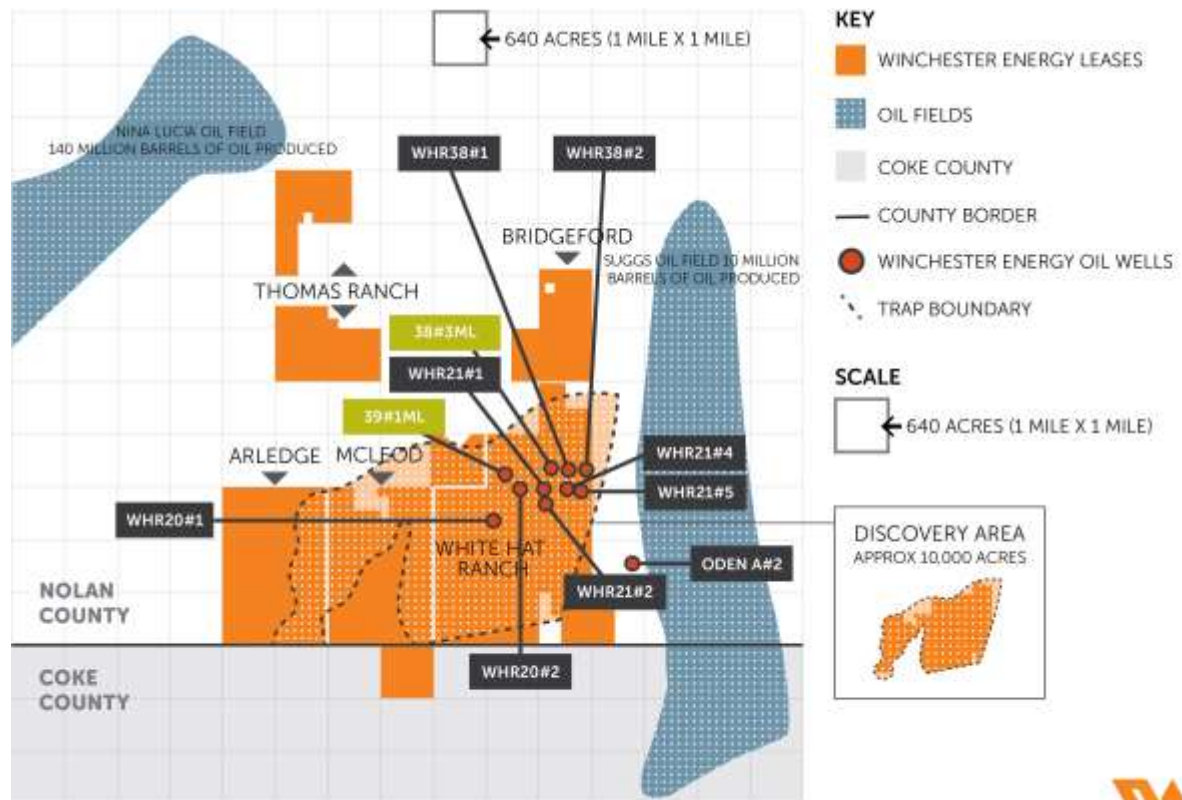


Figure 1: Location of 38#3ML and 39#1

Background - White Hat 38#3ML Multi-Lateral Well

This well is the first well that Winchester has operated. Winchester has a 70% working interest (**WI**) in the White Hat 38#3ML well but is paying for 80% of the costs of the well. This arrangement is a function of a one-off contractual agreement with former operator, Carl E Gungoll Exploration LLC (**CEGX**), whereby CEGX is 10% free-carried by the Company in one well only. The remaining 20%WI participant in the



well is US based drilling company, Ultra Short Radius Drilling (**USR**). USR is paying its 20%WI on a "heads up" basis.

USR is a specialist group with proprietary short radius lateral drilling (or multi-lateral) technology. The Company is planning to test the technology by drilling four 500 feet lateral sections (2,000 feet in total) from one vertical well bore. All four laterals will be in the Ellenburger Formation.

The Company believes this technology will allow improved well productivity as it will provide the ability to intersect multiple fracture zones. At the same time, these laterals will also connect the zones of better productive characteristics. The Ellenburger Formation has been shown to have highly variable porosity due to multi staged, post depositional mineralization effects on the reservoir and Winchester has already experienced these variations over short distances between the eight wells drilled to date.

The AFE issued by Winchester as operator to drill and complete the White Hat 38#3ML well is US\$1.7 million. By comparison, the current CEGX costs to drill and complete a vertical well are US\$890,000. Whilst the expected well cost is approximately double, the objective is to significantly increase oil production compared to a vertical well drilled in the same location.

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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 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.