Winchester Secures Operatorship and 87.5%WI in Thomas 119-1H Well

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Highlights

- **Winchester has secured operatorship and an 87.5%WI in the Thomas 119-1H well.**
- **Winchester as operator will drill 2 ultra-short radius laterals in the Thomas 119-1H well commencing in February 2018.**

Thomas 119-1H Well – 87.5%WI

Winchester Energy Limited (ASX:WEL) (**Winchester** or the **Company**) is pleased to advise that it has entered into a transaction whereby it has assumed operatorship of the Thomas 119-1H well and has increased its working interest in the Thomas 119-1H well from a 50%WI (which was to dilute to a 25%WI after well cost payback) to an 87.5%WI in the Thomas 119-1H well.

CraRuth Energy Corporation (**CraRuth**) was the previous operator of the Thomas 119-1H well and drilled and completed the well in 2014. At that time, through a joint venture with CraRuth and its partner MCG Drilling, Winchester earned a 50%WI in the Thomas 119-1H well. Prior to the transaction, Winchester had expended US$2,289,000 to earn this 50%WI, which was to reduce to a 25%WI after well payback (i.e. after cash return to the Company of its US$2,289,000 investment out of its 50% share of net revenues from oil and gas production). A total of US$4,578,000 (100%WI) has been spent to date on the Thomas 119-1H well.

Well logs run after the vertical pilot hole portion of the Thomas 119-1H well was drilled indicate two zones of potential pay in the Cline Shale (Three Fingers Shale and Lower Penn Shale), one zone of log-interpreted conventional pay in the Odom Limestone and log-interpreted pay in the Ellenburger Formation.

Subsequent to the completion of the vertical pilot hole, CraRuth as operator drilled the 2,500ft horizontal Thomas 119-1H well in 2014.

The Thomas 119-1H well reached a total depth (**TD**) of 10,265 feet after drilling just over 2,500 feet in the Ellenburger Formation. Oil and gas shows were encountered throughout the targeted interval and independent log interpretation indicated just over 700 feet of potential pay zones in the Ellenburger Formation.

After an impressive initial oil test from the toe of the Thomas 119-1H well, the well was placed on pump, but the water cut rapidly increased to over 90%. Subsequent to the testing of high water cuts, new 3D seismic was shot by Winchester over the Thomas 119-1H well. Interpretation of this seismic dataset (obtained subsequent to drilling and completion by CraRuth) and additional reprocessed data from the area (again acquired and processed after drilling) indicates that the 2,500ft horizontal component of the Thomas 119-1H well potentially traversed at least two faults capable of connecting the well with an underlying salt water aquifer.

Two Ultra-Short Radius Laterals – February 2018

Winchester, as the new operator of the Thomas 119-1H well, has issued an authority for expenditure (**AFE**) for the drilling of 2 ultra-short radius laterals in the Thomas 119-1H well with drilling to commence in February 2018. Based on the new 3D seismic, Winchester has chosen a trajectory for each ultra-short radius lateral leg designed to avoid potential faults which have a high chance of connecting to deeper aquifers. The total budgeted cost of drilling these 2 ultra-short radius laterals is US$520,000. Winchester's share is 87.5% (which is US$455,000). Winchester's new joint venture partner in the Thomas 119-1H well is US Energy Corporation of America Inc (**USEC**). USEC has elected to participate to the extent of a 12.5%WI (which requires USEC to pay to US$65,000 to Winchester) in the drilling of these 2 ultra-short radius laterals in the Thomas 119-1H well.

Transaction with USEC

In exchange for receiving operatorship of the Thomas 119-1H well, an 87.5%WI in the 2 ultra-short radius laterals to be drilled into the Ellenburger Formation and US$175,000 cash (which Winchester has received from USEC), Winchester has sold 1,808 net acres to USEC from its Thomas, Bridgford, Arledge and McCleod lease holdings. The White Hat ranch oil and gas lease is not involved in this transaction between Winchester and USEC. As part of the transaction with USEC, Winchester's joint venture with CraRuth and MCG Drilling has come to an end.

Should the drilling and completion of the 2 ultra-short radius laterals into the Ellenburger Formation commencing in February 2018 in the Thomas 119-1H well be unsuccessful, the transaction allows for USEC to then take operatorship of the Thomas 119-1H well with a view to USEC, as operator, drilling and completing a fracked horizontal well into either of the overlying two zones of potential pay in the Cline Shale (Three Fingers Shale and Lower Penn Shale), with Winchester having the right (but not the obligation) to participate up to a 50%WI in the drilling and completion of this fracked horizontal well.

USEC is a USA based oil and gas exploration and production company that is interested in several of the stacked pay horizons that occur across Winchester's acreage position. USEC is particularly interested in the overlying unconventional Cline Shale (Three Fingers Shale and Lower Penn Shale) and USEC is planning on drilling 3 fracked horizontal wells to test the Cline Shale (either Three Fingers Shale or Lower Penn Shale or both) in the near term on acreage which is in close proximity to Winchester's acreage. Any success with this planned 3 well program of fracked horizontal drilling to be undertaken by USEC will immediately add significant value to Winchester's acreage position given that all of Winchester's acreage contains Cline Shale (both Three Fingers Shale and Lower Penn Shale) target intervals.

Under the transaction with USEC, Winchester's net acreage has dropped by 1,808 net acres. Winchester's net acreage has therefore dropped from 19,210 net acres to 17,402 net acres.

Neville Henry, Managing Director of Winchester, commented:

> *"Winchester looks forward to drilling, as operator, and with a 87.5%WI, 2 ultra-short radius laterals into the Ellenburger Formation of the Thomas 119-1H well commencing in February 2018.*
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> *Based on the new 3D seismic over the Thomas 119-1H well which was shot by Winchester, Winchester has chosen a trajectory for each ultra-short radius lateral leg which Winchester believes will avoid water transporting faults. For the additional expenditure of only US$455,000, Winchester will have an 87.5%WI in 2 ultra-short radius lateral legs which in aggregate will have approximately 1,000 feet of exposure to the Ellenburger Formation".*

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About Winchester Energy Ltd (ASX Code: WEL)

Winchester Energy Ltd (ASX Code: WEL) is an Australian ASX listed energy company 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. The Company has established initial oil production on its large (17,321 net acres) leasehold position on the eastern shelf of the Permian Basin, the largest oil producing basin in the USA. Winchester's lease position is situated between proven significant oil fields. Winchester is of the view that with the several known oil productive horizons in its lease holding, that it can build through the application of modern geology, 3D geophysical analysis, drilling and completion methods, a potentially significant proven reserves and oil production asset.

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.