



White Hat 38#3ML - Update

Date: 15 January 2018

ASX Code: WEL

Directors

John Kopcheff
Non-Executive Chairman

Neville Henry
Managing Director

Peter Allchurch
Non-Executive Director

James Hodges
Non-Executive Director

John D Kenny
Non-Executive Director

Larry Liu
Non-Executive Director

Lloyd Flint
Company Secretary

Contact Details

Australia
Level 3
18 Richardson Street
West Perth WA 6005
Australia

PO Box 641
West Perth WA 6872
Australia

Tel: +61 1300 133 921
Fax: +61(8) 6298 6191

USA

Two Riverway
17th Floor
Suite 1700
Houston Texas USA 77056

Tel: +1 713 333 0610

winchesterenergyltd.com

White Hat 38#3ML – (WEL 60% WI)

On 23 November 2017, Winchester Energy Limited (ASX:WEL) (**Winchester or Company**), announced that it had completed the third and final ultra-short radius lateral (**Leg 3**) in the White Hat 38#3ML well at its White Hat oil and gas lease in Nolan County, Texas, USA.

Legs 1, 2 and 3 in the White Hat 38#3ML well recorded aggregate oil and gas shows of 430 feet which has greatly increased the length of well bore exposed to oil and gas when compared to a vertical well with its 6 feet of interpreted oil pay in the Ellenburger Formation.

For production testing of White Hat 38#3ML, the Company chose an electric submersible pump (**ESP**) which allows an operator greater flexibility in varying flow rates during production testing and subsequent production when compared to a conventional rod pump. The ESP was the preferred option therefore given that it would provide the most appropriate lifting system to establish optimal production rates from White Hat 38#3ML which comprises three ultra-short radius lateral legs with 430 feet of oil and gas shows in the Ellenburger Formation.

During the 3 week period of production testing the ESP experienced repeated surface electrical issues related to a faulty transformer followed by continual shutdown of the ESP as a result of over-heating and other operational issues. The situation was aggravated by unusual weather conditions in Texas and the holiday season.

Winchester has now removed the ESP from White Hat 38#3ML and is in the process of installing a conventional rod pump to facilitate production testing and subsequent production.

Winchester looks forward to updating the market with initial production data from White Hat 38#3ML in the near future.

Ultra-Short Radius Lateral Drilling (USR) in the Ellenburger Formation

Winchester's deployment of USR Drilling's proprietary ultra-short radius drilling equipment and technology is expected to allow improvement in well productivity by providing the ability to intersect an increased length of oil pay in conventional limestones and dolomites with increased probability of cutting across multiple fractures and fracture zones.



At the same time, these horizontal laterals are expected to also connect the zones of better productive characteristics.

The successful drilling of three horizontal laterals by Winchester and its partner in the well, USR drilling, demonstrates that these two objectives have been achieved using the USR drilling technology.

The White Hat 38#3ML well is the first well that Winchester has operated. Winchester has a 60% working interest (**WI**) in the White Hat 38#3ML well but is paying for 70% of the costs of the well. This arrangement is a function of a one-off contractual agreement with former operator, CEGX, whereby CEGX is 10% free-carried by the Company in one well only. The remaining 30% WI participant and contributor to the well cost is US based drilling company, USR Drilling.

For further information, please contact:

Neville Henry
Managing Director
T: +1 713 333 0610
E: nh@winchesterenergyltd.com

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.