

Mustang Prospect Well to Spud, Permian Basin, Texas

Highlights

- The first Mustang Prospect exploration well, White Hat 20#3, will commence drilling on 11 March 2019. White Hat 20#3 represents the first well in the forthcoming exploration programme targeting the Mustang, Spitfire and El Dorado prospects.
- The Mustang Prospect has a prospective resource target best estimate P50 of 2 million bbls recoverable and a high estimate P10 of 5 million bbls recoverable¹.
- Winchester has estimated probability of success for discovering oil in the White Hat 20#3 well at 58%².
- The White Hat 20#3 well is a step out on a large stratigraphic sand play in the Strawn Formation that will also test fractured Ellenburger and other Strawn units.
- A frack program targeting another oil bearing zone in the Strawn Formation in the existing White Hat 39#1 well is scheduled for March 2019.

Mustang Prospect - Winchester Energy 75% Working Interest (WI)

Winchester Energy Limited (Winchester) advises that new well White Hat 20#3, the first well targeting the Strawn formation within the Mustang prospect, is scheduled to commence on 11 March 2019. White Hat 20#3 represents the first well in the forthcoming exploration drilling programme targeting the Mustang, Spitfire and El Dorado prospects.

Date: 18 February 2019

ASX Code: **WEL**

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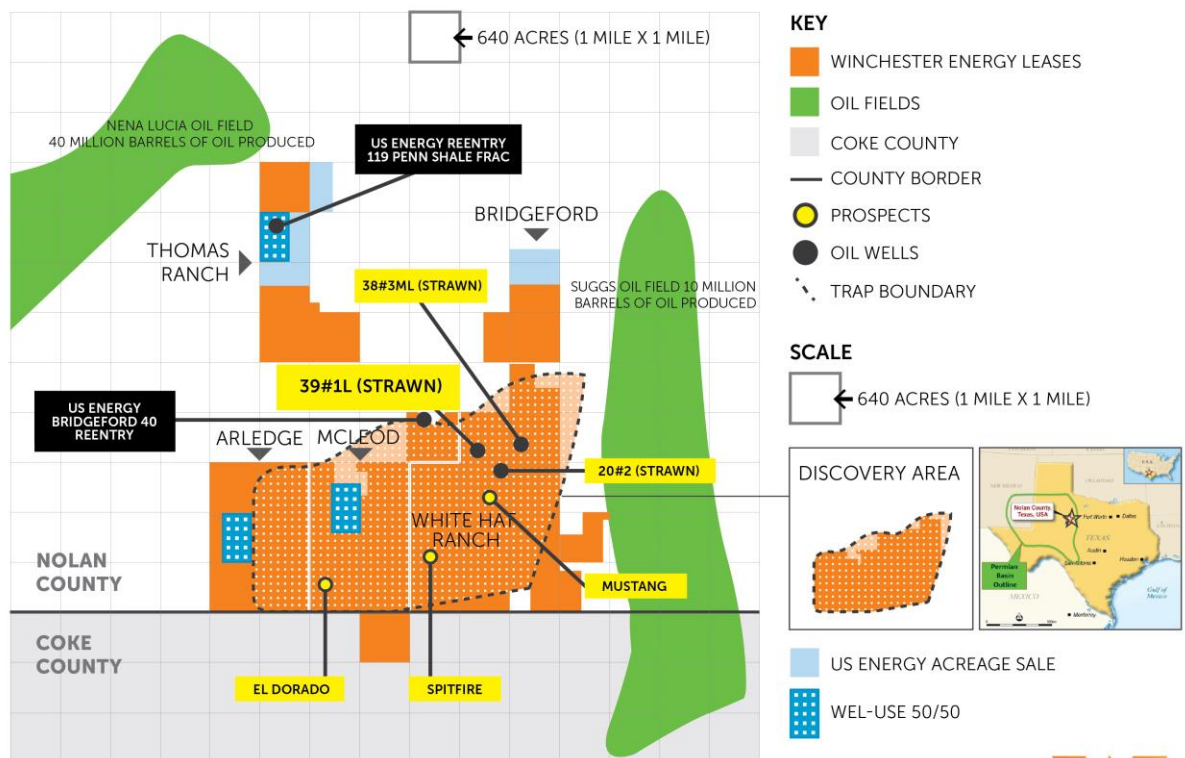
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¹ Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. See announcement dated 15 October 2018 for further detail.

² Estimated probability of success in finding oil is based on Winchester's analysis of the risk relating to presence of: Trap X Reservoir X Seal X Charge

The Mustang prospect is a stratigraphic trap interpreted from 3D seismic and well control data. The prospect is composed of a series of Strawn sand lobes deposited in a linear trend in front of the regional high (to the east).

Within the prospect and approximately 510 metres to the north east of the White Hat 20#3 well location, the White Hat 20#2 well produces oil from the Strawn sand with an initial production rate of 200 barrels of oil per day (bopd) following a frack stimulation . Mire and Associates recently increased the estimated ultimate recovery (EUR) from the White Hat 20#2 well to 112,000 barrels of oil.

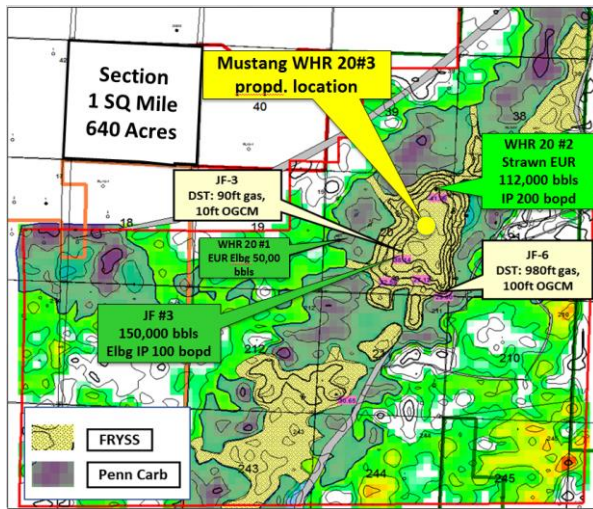


The Mustang Prospect has a gross prospective resource target best estimate P50 of 2 million bbls recoverable and high estimate P10 of 5 million bbls recoverable³. Only the Strawn sand and Ellenburger carbonates are considered in the determination of the Prospective Resources for the Mustang Prospect.

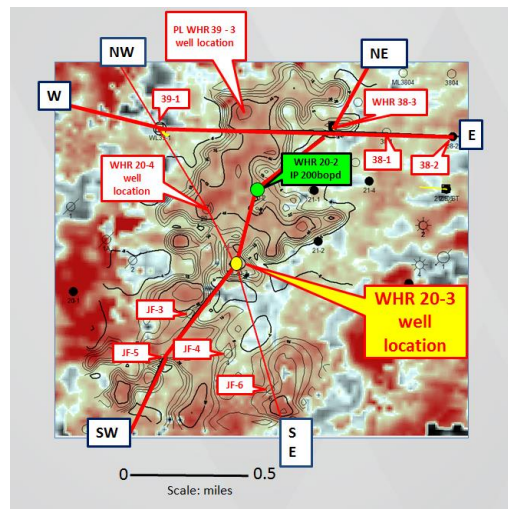
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Given the control over the Mustang Prospect provided by the 3D seismic and within the Mustang Prospect, a producing well in the primary Strawn target zone 520 metres to the northeast of the drill location (White Hat 20#2) and past Ellenburger oil production 420 metres to the southwest (JF#3), the estimated probability of success for both targets is 58%⁴.

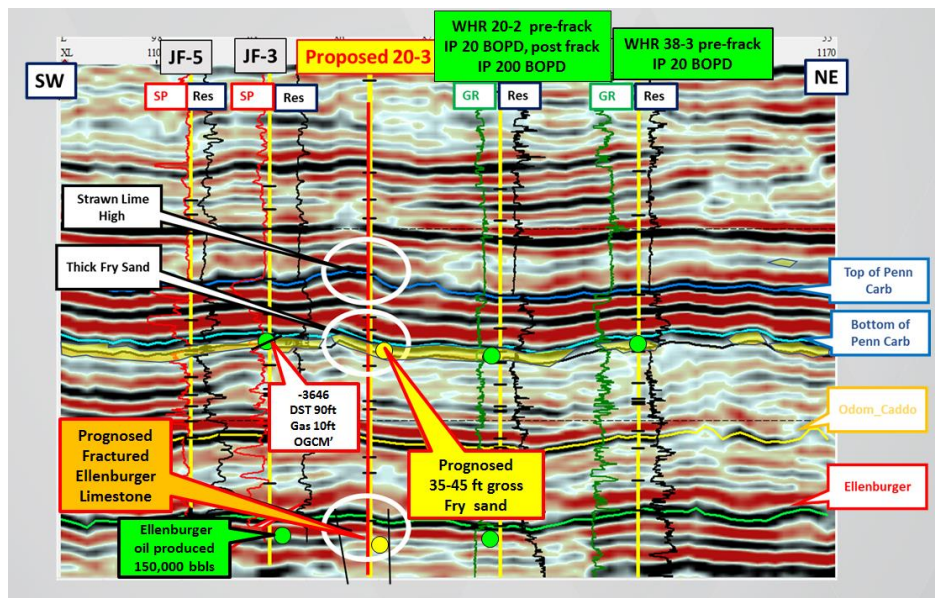
Carl E Gungoll Exploration LLC (CEGX), a private independent Texas based company, has elected to participate for a 25% working interest in the drilling of White Hat 20#3.



Mustang Prospect, Fry Sand Isopach (ft) showing Strawn & Ellenburger oil production

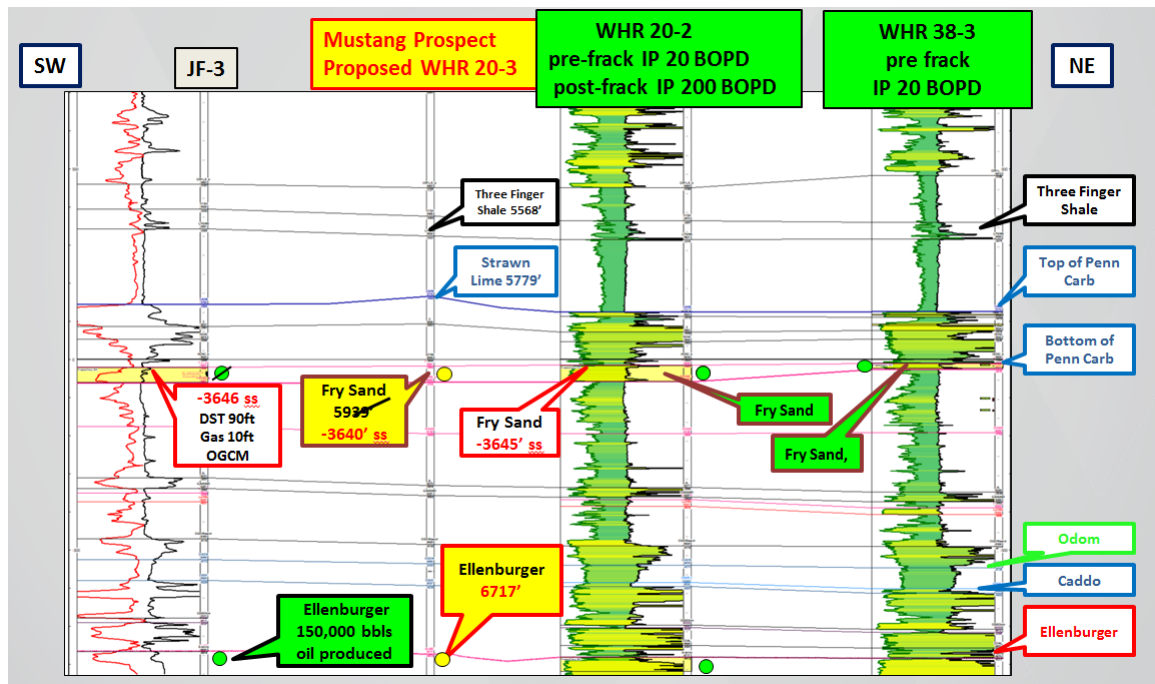


Strawn Fry Sand Isopach Map (ft), northern lobe, Mustang Prospect



SW - NE 3D Seismic Line through Proposed Drill Location White Hat Ranch 20#3

⁴ Estimated probability of success in finding oil is based on Winchester's analysis of the risk relating to presence of: Trap X Reservoir X Seal X Charge



SW – NE Geologic well cross section through Proposed Drill Location White Hat 20#3

The importance of the Strawn Formation as a potentially significant exploration and development target within Winchester's leasehold is demonstrated by successful industry activity 18 miles to the northwest of Winchester's leasehold.

Recent horizontal drilling and multi stage fracture programs in the Hermligh Field have produced initial flow rates of up to 1,461 barrels of oil per day from the Strawn. As vertical wells, they produced at small rates of 35 bopd and 40 mcfd.

The well location will penetrate the Ellenburger Formation target, a known oil producer in the Mustang Prospect, as well as the Strawn lime and Penn carbonate levels.

The Wolfcamp "D", which will also be penetrated, has a rich organic interval known as the Three Fingers Shale (TFS). Winchester regards all of these units as potentially prospective for oil and/or gas.

In addition to the primary Strawn formation and secondary Ellenburger carbonates objectives, the Mustang Prospect has considerable additional potential in various overlying and underlying units known to produce commercial hydrocarbons.



White Hat 39#1L (40.6% WEL Working Interest After Payout)

Winchester has previously reported that after simple perforation and acidisation the White Hat 39#1L well produced 1,000 barrels of oil from the Strawn Formation over 10 producing days of swabbing and pumping.

The well was perforated across a 20 feet section of the Strawn Formation and, following initial swab rates of 200 bopd, was put on pump to assess production.

As expected, the total fluid rate then diminished to 40-50 bopd as the acidized area surrounding the well bore was produced. This rate of production is regarded as significant for an un-fracked Strawn well.

A full formation build-up test was completed in November 2018 to assess the reservoir pressure and determine potential near wellbore damage, areal extent, potential formation barriers as well as any potential depletion. After almost a month of shut-in, White Hat 39#1L was opened and initially produced 30 bopd before declining gradually to its current flow rate of approximately 11 bopd.

Data collected during the full formation build-up pressure test suggests that a hydraulic fracture programme may assist in increasing the oil production rate from the White Hat 39#1L well. Winchester is now reviewing the pressure build-up data and evaluating various fracture stimulation options and models while awaiting confirmation from the hydraulic fracturing crew as to when the work can be undertaken. Winchester is aiming to carry out the frack in March 2019.

Winchester currently derives production from the Strawn interval in the White Hat 20#2 well. The White Hat 20#2 well was fracture stimulated, with an initial production rate of 200 bopd and continues after 20 months of production to be an excellent producer at an average of 40 bopd in the month of December 2018 - producing over 40,000 barrels of oil to date. The revised estimated ultimate recovery (EUR) for the well is 112,000 barrels.

Carl E Gungoll Exploration LLC (CEGX) a private independent Texas based company has farmed-in to White Hat 39#1L. Winchester has a 31.5% interest before payout retaining a 40.6% working interest (WI) after payout through the program (GEGX 50% WI, USR Energy, LLC 5% WI and a syndicate of technical consultants familiar with the area a 4.4% WI).

The results of the planned fracture program of the Strawn Formation in White Hat 39#1L is important for Winchester given the Strawn Formation is the largest producing stratigraphic interval in Nolan and Coke Counties with over 65 million barrels of oil produced. Winchester's leasehold is situated in Nolan and Coke Counties.



In addition to the planned White Hat 39#1 fracture stimulation and testing, Winchester recovered 20 bopd in the vertical section of White Hat 38#3ML after perforating the Strawn prior to being shut in. The well was recently opened up and produced 88 barrels of oil over 4 days before being shut back in. White Hat 38#3ML has been identified as a potential slick water frack stimulation (targeting the Strawn) candidate similar to the fracture stimulations being used in the successful Scurry County Strawn completions.

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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 17,000 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.