



Date: 23 December 2014

ASX Code: WEL

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Winchester Increases its Lease Holding in Nolan County, Texas to 9,370 Net Acres

Winchester Energy Limited's (**Winchester** or **Company**) wholly owned USA subsidiary, Winchester Energy USA Holdings Inc., has purchased a 75% working interest (**WI**) in the oil and gas mineral rights of 7,378 acres which surround and adjoin the White Hat 20-1 well (Winchester 50% WI) which is presently being prepared for flow testing. The operator of that well, Carl E Gungoll Exploration LLC (**CEGX**) has purchased the remaining 25%WI in these 7,378 net mineral acres.

These 7,378 acres are located about 6 miles South-East of the Thomas 119-1H horizontal well (Winchester 50%WI) in Nolan County, Texas, USA.

Winchester's purchase of a 75% working interest (**WI**) in these 7,378 acres results in an additional 5,533 net acres being added to Winchester's total net oil and gas lease acreage. Accordingly, Winchester's net acreage has increased from 3,837 net acres to 9,370 net acres.

CEGX's and Winchester's primary target in the vertical White Hat 20#1 well and the newly purchased 7,378 acre lease area which encircles it is conventional oil in the Ellenburger Formation. Wireline log interpretation of the White Hat 20-1 well identified zones of conventional pay in the Ellenburger Formation. Perforation of casing over these zones has commenced and will be followed by flow testing.

The well design of the White Hat 20#1 well allows for the drilling of a horizontal into the Ellenburger (or any other target zone) in the future, should the participants decide to do so.

In addition to the potential pay zones in the Ellenburger, well logging also identified at shallower depth, a possible conventional pay zone in the Strawn Formation and unconventional oil targets in the Cline Shale and Barnett Shale equivalent.

The rapid decline in the oil price over the past 90 days from US\$91 in late September 2014 to US\$55 today has already had a major impact on the oil industry in Texas.



At current oil prices, drilling of new wells in many unconventional oil plays has become uneconomic leading to rapid and steep falls in demand for drilling, associated services and the price of oil and gas leases. The purchase of these 7,378 acres was negotiated and concluded after incorporating these material changes in the oil industry environment in the Permian Basin.

Winchester is focused on its shallow depth conventional oil play in the Ellenburger Formation as the Board believes this type of play is more likely to remain viable at low oil prices because of the inherently lower development and production costs of shallow conventional fields. The recent substantial falls in the price of oil and gas leases have allowed Winchester to increase its footprint in the Ellenburger at a much lower cost than previously expected.

Both the horizontal Thomas 119-1H well and the vertical White Hat 20#1 well are targeting the Ellenburger Formation. Each Operator (CraRuth in the Thomas 119-1H well and CEGX in the White Hat 20#1 well) are methodically and carefully proceeding with flow testing of each well. Whilst this occurs, Winchester is proceeding with the reprocessing of a number of 3D seismic data sets over Nolan County so as to further advance Winchester's understanding of enhanced porosity intervals within the Ellenburger Formation.

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