



White Hat Oil Discovery – Accelerated Drilling Program

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Winchester Energy Limited (**Winchester**) has agreed to a proposal from Carl E Gungoll Exploration LLC (**CEGX**), the Operator of the seven wells on the White Hat ranch oil lease in which Winchester has a 50% working interest (**WI**), to participate in a further seven wells to accelerate the exploration and development of the White Hat oil discovery, which is located on the White Hat ranch in the Permian Basin of west Texas USA.

All seven proposed wells are vertical conventional wells similar to those already drilled in the discovery. Well costs are expected to trend downwards.

As previously announced, 3D seismic mapping by Winchester incorporating data from old and new wells, has identified a structural-stratigraphic trap of about 10,000 acres where the Ellenburger Formation is likely to be productive. Analysis by Winchester using this 3D seismic data, along with interpretations of well samples, geophysical attributes and petrophysical data, has high graded 5,000 acres in the White Hat ranch oil lease within which all seven new wells will be located.

The Ellenburger Formation is a carbonate reservoir with typically variable reservoir quality due to changes in fracture density, dolomitization and porosity. Winchester's seismic interpretation calibrated against the five producing wells, indicates that each of these seven new wells will be located within the 5000 acre area of interpreted better quality reservoir. It is encouraging that Winchester's three best producing oil wells to date are all located in the 5,000 acre area, but further wells will be required before the seismic predictive model can be confirmed.

CEGX have indicated that it is their intention that the remaining seven wells in the program would follow on directly from White Hat 38#2 and that, subject to successful well results (particularly from White Hat 38#1 and White Hat 38#2), weather and operational factors, the drilling program will be more or less continuous. CEGX anticipates completing the additional seven wells by 1 March 2017 when the operatorship of the White Hat ranch oil lease reverts to Winchester.



The five producing wells within the trap are presently on production from the Ellenburger Formation. These five oil wells have produced total gross oil of 112,000 barrels of oil to 22 September 2016 and over the past 5 days produced at a gross combined production rate of 445 Bopd and 264 Mcfgpd.

The White Hat 38#1 well has been drilled and cased to total depth and the Operator (CEGX) has commenced testing and completion activities on the target Ellenburger reservoir. The White Hat 38#2 is currently being drilled.

CEGX has a 50% interest in the five producing wells and in the White Hat 38#1 and White Hat 38#2 wells together with 40 acre drilling units around each well. Under the terms of CEGX's agreement with Winchester, CEGX will have a 50% interest in each new well by 1 March 2017, along with each accompanying 40 acre drilling unit. After 1 March 2017, lease interests outside those drilled units will be 75% Winchester and 25% CEGX.

Winchester's wholly owned USA subsidiary, Winchester Energy USA Holdings Inc., owns a 75%WI in the oil and gas mineral rights of the 7,378 acres which surround and adjoin the existing 5 White Hat wells (Winchester 50% WI), the White Hat 38#1 well which is currently the subject of completion (Winchester 50% WI) and the White Hat 38#2 vertical well (Winchester 50% WI) which is currently drilling ahead. CEGX owns the remaining 25%WI in these 7,378 acres, all of which are located in Nolan County, Texas in the Eastern Shelf of the Permian Basin.

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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 40 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.