

Oil production to rise sharply as new projects come online

Date: 18 July 2022

ASX Code: WEL

Capital Structure

Shares: 1,010,219,792
Current Share Price: 1.2c
Market Cap: \$12M
Debt: Nil

Directors

Doug Holland
Technical Director/Chief
Operating Officer

James Allchurch
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Larry Liu
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Tony Peng
Non-Executive Director

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- Contributions from newly acquired Varn Oil Field and Group Prospect forecast to lift production by between 44% (base) and 100% (high) by end CY2022¹
- Significant additional exploration upside (discovery) exists at both projects above and beyond the oil production forecasts
- Consistent news flow over next three months with four shallow workovers, one deep-entry recompletion and the drilling of three new wells planned for Group Prospect
- Gross revenue of AUD\$1.67M for April and May 2022 (Winchester market capitalisation approx. \$11m)

Winchester Energy Limited (ASX: WEL) (**Winchester** or the **Company**) is pleased to provide an operations update and oil production forecast for its projects located in Taylor and Nolan Counties, Texas.

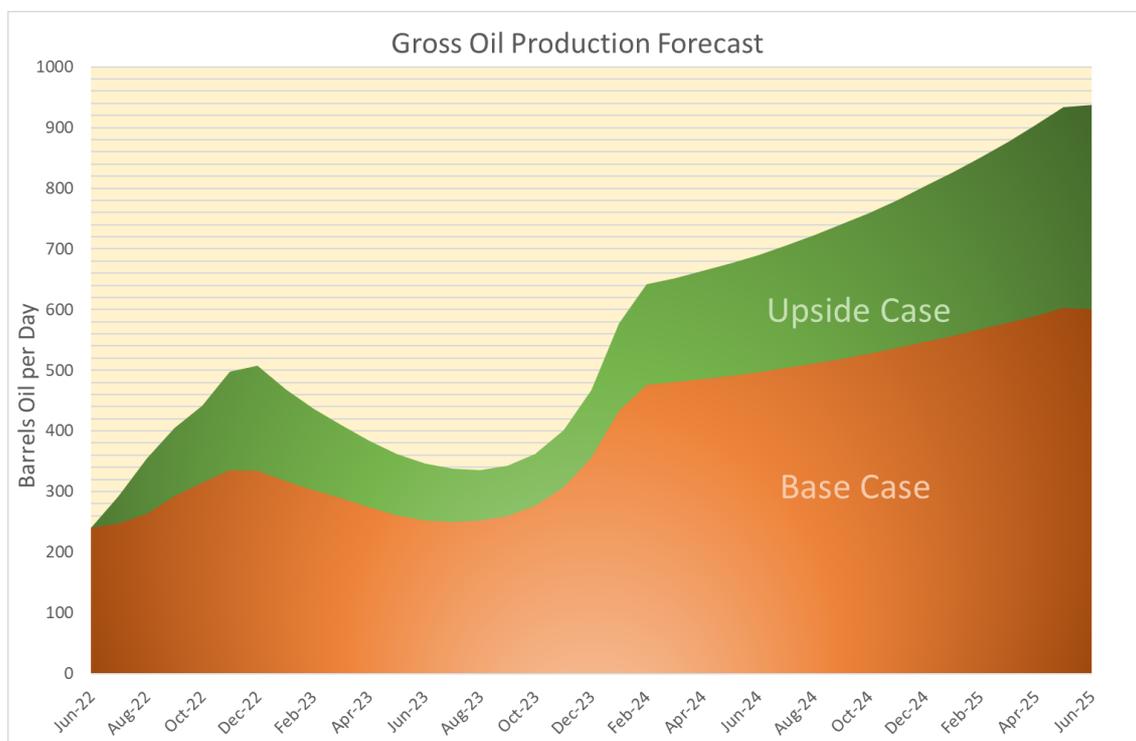


Figure 1: Winchester Gross Oil Production Forecast – Base Case and High Case (excludes gas production)¹

¹ See 'Forecast Explanation' on page 7

Winchester is delivering on its strategy to build sustainable high-margin oil and gas production over the coming months and years. In 2H 2022 the Winchester team will oversee a busy schedule of field activity and increasing production across Winchester’s portfolio.

All of Winchester’s existing and forecast production is derived from conventional reservoirs which can be immediately brought online to deliver oil and gas sales at decade-high oil prices. Production forecasts on a project basis using conservative base case projections are provided in Figure 2.

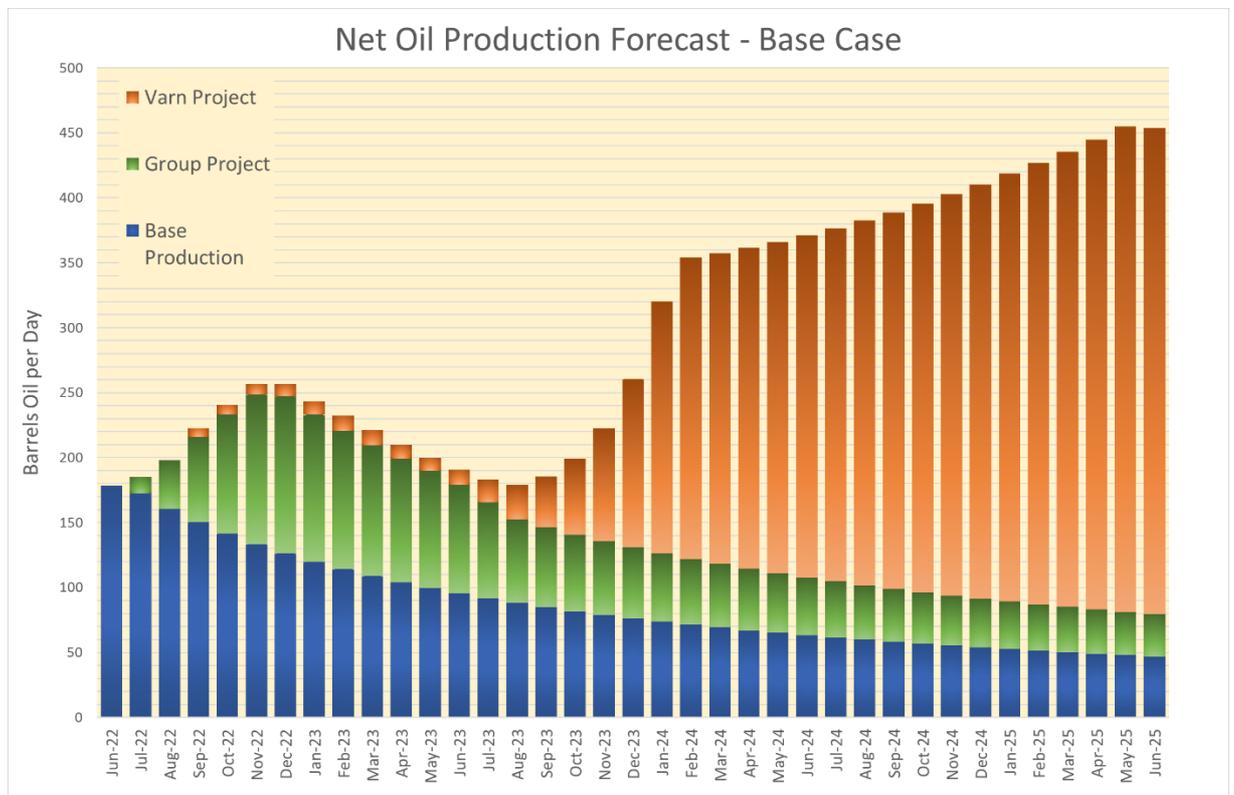


Figure 2: Winchester Net Oil Production Forecast by Project – Base Case (excludes gas production)¹

The Group Prospect and Varn Oil Field acquisitions are expected to add significantly to Winchester’s production volumes in Nolan County in the near and medium term. Crucially, both Varn and the Group Prospect include several historically oil-rich ‘bonus’ formations that represent significant additional upside and can be tested for minimal additional cost.

In particular, the Group Prospect provides access to all the oil-bearing formations prevalent in the area, including the Strawn and Cisco Sands. Winchester will test several prospective zones which will be highly informative as to identifying one or more ‘plays’ that may have significant potential across the Group Prospect and the adjoining Whiteside Prospect (Winchester 100% WI).

In addition, Winchester continues to leverage its large seismic database and regional experience to review and assess further low-risk opportunities in the region that can add barrels of oil at low cost.

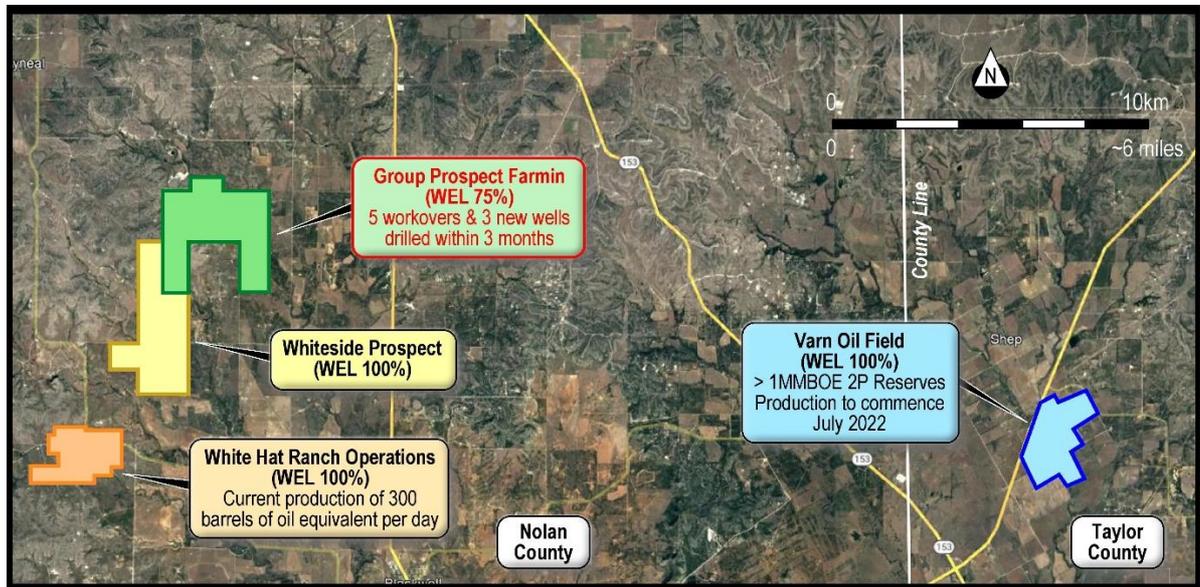


Figure 3: Location of WEL assets in Nolan and Taylor Counties, Texas

Existing Oil Production – Nolan County, Texas

Existing oil and gas production at Winchester's Nolan County operations continue to generate significant revenue for the Company capitalizing on soaring global oil prices. Nolan County producing wells are provided in Table 1, with production and revenue for April and May 2022 provided below.

Production and Revenue – April/May 2022

Gross revenue from Winchester's Nolan County operations for the months of April and May 2022 was US\$1,134,992 (AUD\$1.67M²) for the production and sale of 11,583 barrels of oil equivalent (boe³) for the two months.

Net of royalties and severance tax, Winchester's net revenue for April and May 2022 was approximately US\$815,182 (AUD\$1.2M²). The average sale price of oil in April and May 2022 was US\$105.21 and US\$110.48 per barrel respectively.

Winchester notes that April/May 2022 production figures were negatively impacted due to the Company's best producing well, White Hat 2106, being offline for a period due to maintenance. White Hat 2106 is now back to optimal production.

² Using exchange rate 1 AUD = 0.68 USD

³ boe (barrels of oil equivalent) - gas quantities are converted to boe using 6,000 cubic feet of gas to one barrel of oil. Conversion ratio is based on energy equivalency and does not represent value equivalency. Rounded to the nearest boe.

Table 1: Producing wells at Nolan County operations

Well ID	Drilled	Formation	Oil Field	WEL WI	Status
White Hat 2002	Apr 2017	Strawn	Mustang	50%	Producing
White Hat 2003	Mar 2019	Strawn	Mustang	75%	Producing
White Hat 2005	Aug 2019	Strawn	Mustang	75%	Producing
White Hat 3902	Dec 2019	Ellenburger	-	100%	Producing
White Hat 2006	Jan 2020	Strawn	Mustang	75%	Producing
Arledge 1602	Jul 2019	Cisco Sands	Lightning	100%	Producing
McLeod 1703	Dec 2019	Cisco Sands	Lightning	100%	Producing
Bast 1	1985	Strawn	Bast	92%	Producing
Bast 2	1985	Strawn	Bast	94%	Producing
Bast A-1	1985	Strawn	Bast	93%	Producing
McLeod 1705	June 2021	Strawn	-	100%	Producing
White Hat 2106	July 2021	Ellenburger	-	100%	Producing

Group Oil Prospect (75% WI)

On 29 June 2022, Winchester announced it had farmed-in to the Group Prospect in Nolan County, Texas.

With a modest upfront cost of US\$411,400, the farm-in provides Winchester with an entry into an oil play contiguous to its existing land holding and will deliver an immediate incremental increase in the Company's oil production for minimal operational outlay.

The Group Prospect work programme commenced 29 June 2022 and will provide consistent news flow as four shallow workovers at existing well bores, one deep-entry recompletion and the drilling of three new low-risk wells are to be completed within the next three months.

On top of the farm-in work commitments shown in Table 2, Winchester can conduct further workovers and drill additional wells across the Group Prospect on a 75% (Winchester) / 25% (Westex) 'heads up' basis. This represents significant upside optionality for Winchester should the project out-perform expectations.

Table 2: Winchester work commitments under the Group Prospect farm-in

Activity	Commencement Date	Approx Cost	Westex Back-in after Payout*
Workover 1	Commenced	US\$75,000	50%
Workover 2	10 days after completion of Workover 1	US\$75,000	50%

Workover 3 (deep test)	10 days after completion of Workover 2	US\$250,000	50%
Workover 4	10 days after completion of Workover 3	US\$75,000	50%
Workover 5	10 days after completion of Workover 4	US\$75,000	50%
New well 1	19 August 2022	US\$600,000	25%
New well 2	14 days after completion of New well 1	US\$600,000	25%
New well 3	14 days after completion of New well 2	US\$600,000	25%
Additional workovers or new wells	To be determined by Winchester	To be determined	No back-in. Heads up at WI of 75% Winchester / 25% Westex

* Westex to assume stipulated percentage of working interest (WI) revenue (back-in) after Winchester recovers 100% of individual workover/new well cost from revenue (payout)

Varn Oil Field (100% WI)

After several months of detailed planning and permitting, operations have accelerated significantly at Winchester's Varn Oil Field (2P Reserves of over 994,000 barrels of oil (plus gas))⁴, located 18 miles to the east of Winchester's existing producing assets in Nolan County, Texas. The waterflood operation is now fully permitted with 75% of above-ground infrastructure (roads, flow lines and facilities) now in place.

Winchester is the operator at Varn, which is a waterflood field operation comprising 11 wells (six oil and gas producers and five water injectors). The majority of these wells are planned for the central area where the Upper and Lower Fry Sand overlap while the rest of the wells capture oil from the more widespread Upper Fry Sand. Drilling equipment is expected to be mobilizing this month with drilling to commence in early August.

⁴ See ASX Release dated 3 December 2021

Table 3: Calculated Varn Oil Field Reserves - Mire Petroleum Consultants

Reserves	Product	1P – Proved Reserve	2P – Proved + Probable Reserve	3P – Proved + Probable + Possible Reserve
Upper and Lower Fry Sands	BO	415,000	994,000	1,680,000
	MCF	169,000	442,000	894,000
	BOE	443,000	1,068,000	1,829,000

BO – barrels of oil

BOE – barrel of oil equivalent¹

MCF – thousand cubic feet of gas

Calculated Reserves incorporate WEL's net revenue interest of 77%

Further ASX Listing Rule 5.31 Information (Notes to Reserves) related to these reserves is provided in in the ASX release of 3 December 2021

This announcement has been authorised for release by the Board.

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About Winchester Energy Ltd (ASX Code: WEL)

Winchester Energy Ltd (ASX: WEL) is an Australian ASX-listed oil and gas explorer and producer 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 and has recently acquired the Group Prospect and Varn Oil Field which comprises Proven and Probable Reserves (2P) of 1.068 million barrels of oil equivalent (mmboe) – comprised of over 93% oil (See ASX release of 3 December 2021).

Forecast Explanation

Existing Production – Nolan County Operations

Winchester, as operator, has produced oil and gas from its Nolan County oil and gas leases for over 7 years. Forecast production is derived from decline curves for individual wells that have been compiled and maintained by Winchester over the life of production.

Varn Oil Field Waterflood

The Company prepared its Petroleum Reserves for the Varn Oil Field in accordance with the definitions and guidelines in the Society of Petroleum Engineers (SPE) 2018 Petroleum Resources Management System (PRMS). Estimates of the Petroleum Reserves and Resources were prepared by Mr Kurt Mire (P.E.) for Mire Petroleum Consultants (MPC). Mr Mire has over 35 years' experience, is a licensed Professional Engineer in the State of Texas and is a member of the SPE.

Forecast base case oil production from a planned waterflood at the Varn Oil Field was derived from MPC in the report entitled 'Jocelyn-Varn Field, Taylor County – Waterflood Evaluation' published November 2001. The forecast incorporates statistical analysis utilizing offset analogue fields and reflects the Proven reserve case.

Varn upside case is based on reservoir modeling performed by Andress Oil & Gas Consulting, LLC in their report entitled 'Proposed Jocelyn-Varn Waterflood Project, Jocelyn-Varn (Upper & Lower Fry Sand) Field, Taylor Co. Texas' and utilizes analogue flood data as well as secondary and primary oil recovery data (see Figure 4).

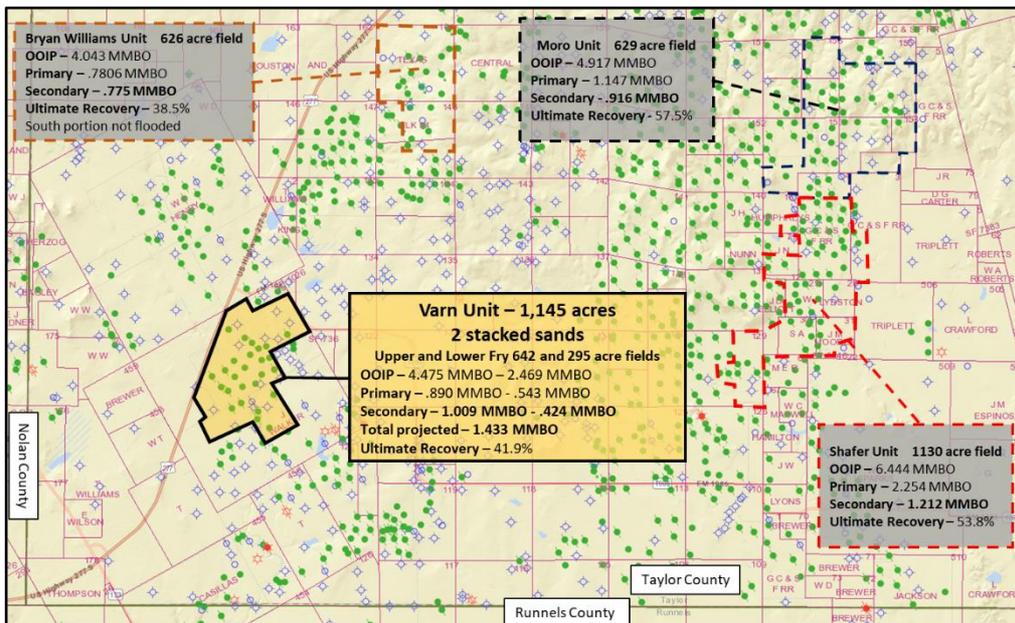


Figure 4 – Varn Oil Field and surrounding analogue fields with successful waterflood secondary recovery

Varn Analog Flood projects (the Bryan-Williams Unit, the Moro Unit and the Shafer Unit) are all proximal to the Varn Oil Field in Taylor County and also targeted the Upper Fry Sands.



Group Prospect

Winchester's Group Prospect base case is derived directly from historical Group Oil Field production from a host of wells in the Cisco Series sands.

The Group Prospect upside case is based upon a comprehensive 1990 infill drill program targeting the Cisco Series sands, with deeper potential based directly upon Winchester's extensive drilling and completion work as well as resulting production profile at the nearby Nolan County operations.

Competent Persons Statement

The information in this report is based on information compiled or reviewed by Mr Keith Martens, consulting geologist/geophysicist to Winchester Energy. Mr Martens is a qualified petroleum geologist/geophysicist with over 45 years of Australian, North American and other international executive petroleum experience in both onshore and offshore environments. He has extensive experience of petroleum exploration, appraisal, strategy development and reserve/resource estimation. Mr Martens has a BSc. (Dual Major) in geology and geophysics from The University of British Columbia, Vancouver, Canada.

Forward-looking Statements

This report contains forward-looking statements which are identified by words such as "believes", "estimates", "expects", "forecasts", "targets", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this report, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Winchester, the Directors and management of Winchester. These risks, uncertainties and assumptions could cause actual results to differ materially from those expressed in any forward-looking statements. Winchester has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this report, except where required by law. Winchester cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.