

Farm-in to fast-track increased oil production

Date: 29 June 2022

ASX Code: WEL

Capital Structure

Shares: 1,010,219,792
Current Share Price: 1.0c
Market Cap: \$10M
Debt: Nil

Directors

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- **Winchester to farm in to the 1,760-acre Group Prospect which is contiguous with its 100%-owned Whiteside Prospect in Nolan County, Texas**
- **Modest upfront farm-in cost of US\$411,400**
- **Work has commenced, ensuring consistent news flow as the following work is completed over the next 3 months:**
 - **Workover of 4 existing wells – (approx. avg cost of US\$75k each)**
 - **Drilling of 3 wells – (approx. cost of US\$600k each)**
 - **Deep re-entry of one well - (approx. cost of US\$250k)**
- **Farm-in allows for additional work (workovers and further drilling) on a 75% Winchester/25% Westex working interest basis**
- **Crucially, the farm-in will greatly assist the evaluation and development of the nearby Whiteside Prospect (Winchester 100%)**

Winchester Energy Limited (ASX: WEL) (Winchester or the Company) is pleased to advise it has executed an agreement with private US-based oil company Westex Resources Inc (Westex) that allows Winchester to farm-in to the Group Prospect which is contiguous with its 100%-owned Whiteside 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 commences 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 wells are to be completed within the next three months.

On top of the farm-in work commitments, 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 for Winchester should initial work prove successful.

Following recent work completed at the White Hat 2106 and White Hat 3902 wells in the region, Winchester has a workover rig currently engaged at the project area allowing for work to commence immediately at the first workover well.

Crucially, Chapman 1 was a former Ellenburger Formation producer meaning it is a deep well providing access to all the oil-bearing formations prevalent in the area, including the Strawn and Cisco Sands. Winchester will test several highly prospective zones in Chapman 1 which, as well as potentially generating significant production in its own right, 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. In short, the Chapman 1 workover will enable Winchester to cheaply assess the stratigraphy and potential of the area that includes the Company's critical Whiteside acreage.

An Area of Mutual Interest (AMI), incorporating all areas within one mile of the Group Prospect has been agreed between Winchester and Westex. The AMI stipulates where either party acquires leases within the AMI, that party must offer to the other party (within 30 days) the leases on a 75% Winchester / 25% Westex basis.

Table 1: Winchester work commitments under the Group Prospect farm-in

Activity	Commencement Date	Approx Cost	Westex Back-in after Payout*
Workover 1	29 June 2022	US\$250,000	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\$75,000	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)

Deal Terms

Upon payment of the initial US\$411,400 Winchester will immediately take ownership of 75% of the Group Prospect, which has a gross acreage position of 1,760 acres (1,320 net acres to Winchester). Details of the work commitment under the farm-in agreement are provided in Table 1.

If Winchester does not comply with the work commitments in Table 1, Winchester will pay fees of:

- US\$50,000 for failure to commence Workover 1 by 1 July 2022 (complied - work commenced);
- US\$25,000 for each subsequent workover not commenced within 10 days of completion of prior workover;
- US\$100,000 for failure to commence any new well as prescribed in Table 1.

The farm-in agreement includes provisions advantageous to Winchester including force majeure (i.e. no fees payable) in the event, amongst other things, of:

- acts or delays of suppliers or other vendors in supplying labor, equipment or consumables;
- general supply chain interruptions; and
- causes other than those events or occurrences specified above of a similar nature or effect.

Further, Winchester will have 60 days after receipt of a default notice (i.e. failure to commence work) to (a) cure the default so specified which can feasibly be cured within such 60 day period, or (b) commence reasonable efforts to cure any default so specified which cannot feasibly be cured within such 60 day period and shall continue such efforts thereafter with due diligence provided that any default must be cured within 120 days.

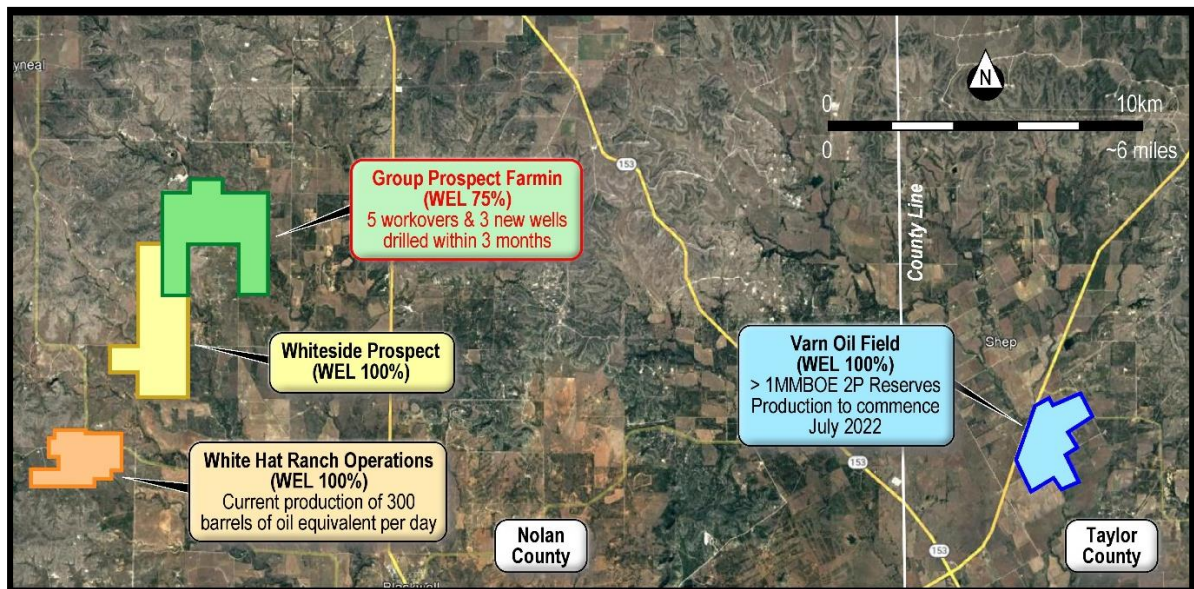


Figure 1: Location of WEL assets in Nolan and Taylor Counties, Texas

Group Prospect/Group Oil Field Background

The Group Oil Field was discovered in 1953 and by 1959 had over 50 wells drilled and has produced over 3.5 million barrels of oil from the shallow Breckenridge Lime, Cisco sand series and the Massive sands over the life of the field. Geologically this field sits on a local four-way dip closure structurally trapping the three reservoirs.

Group Field was unitised in September 1966 for the Cisco Sands which resulted in producers plugging off the Massive completions and accessing production from the zones above on 40-acre spacing. Beginning in 1990, a successful 10-well infill drilling was conducted in which all the wells collectively produced over 461,000 barrels of oil and 228 million cubic feet of gas. Westex currently has nine usable wellbores of which four have current H-5's (disposal permit) allowing produced water to be injected.

-ENDS-



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 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).

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.