



NORWEST ENERGY NL
288 Stirling Street
Perth, Western Australia, 6000
PO Box 8260, Perth Business Centre
Western Australia, 6849

ABN: 65 078 301 505
Tel: +61 8 9227 3240
Fax: +61 8 9227 3211
Email: info@norwestenergy.com.au
Web: www.norwestenergy.com.au

ASX: NWE

17 July 2012

Arrowsmith-2 Project Update

- **Mobilisation of the initial loads of the Halliburton hydraulic fracture stimulation equipment has commenced from South Australia. The remainder of the fleet is currently delayed due to road conditions resulting from inclement weather and is expected to mobilise during the course of this week.**
- **Once mobilised the equipment will progressively arrive at the Western Australian Arrowsmith-2 location, with operations currently expected to commence by the end of July. Encouraging results delivered from recently conducted suite of routine diagnostic operations on the Arrowsmith-2 well – a wellbore integrity (CBL) and diagnostic fracture injection test (DFIT) were carried out to assist in the determination of various reservoir and frac properties.**

Norwest Energy (ASX:NWE) advises that the Halliburton hydraulic fracture stimulation equipment has commenced arriving at the Arrowsmith-2 location. The frac spread comprising a large number of vehicles, trailers, pumps, blenders and ancillary equipment has been undergoing routine servicing in Moomba, South Australia in advance of the Arrowsmith-2 campaign. Currently, rain in South Australia has slowed down vehicle movements due to road closures, however the first stage of the hydraulic fracture stimulation program is still expected to commence before the end of July.

The Arrowsmith-2 frac campaign is a major undertaking, and as in any project planning and preparation is essential. Apart from preparing the site for the frac and testing activities, a suite of routine diagnostics has recently been carried out on the well, which included running a cement bond log (CBL) to confirm wellbore integrity, and a diagnostic fracture injection test (DFIT) to assist in the determination of various reservoir and frac properties. The CBL involved running a logging tool to test cement integrity behind the 5 ½" casing. The DFIT involved perforating the lowermost zone (High Cliff Sandstone) then slowly pumping a small volume of fluid into the well, thereby gradually increasing the pressure until a small fracture was initiated in the perforated interval. Rates and pressures were continuously monitored and recorded throughout the testing phase, providing valuable information to assist in optimising the stimulation program for the well.

The results of both these tests were encouraging, with the DFIT providing data on the frac initiation pressure required to break down the formation, and the associated pressure response indicating favourable conditions for fracturing. Other important reservoir and frac properties were also determined. The CBL indicated that the cement bond integrity is consistent throughout, providing evidence of an effective barrier between the steel casing and the surrounding formations.

With these encouraging results in hand, Norwest is now fully prepared to carry out the hydraulically fracture stimulation program to assess the potential of the four horizons intersected by the well:

- Kockatea Shale (shale gas) (thickness - 450m)
- Carynginia Formation (shale gas) (thickness - 250m)
- Irwin River Coal Measures (shale gas) (thickness - 330m)
- High Cliff Sandstone (tight gas) (thickness - 22m)

The Arrowsmith-2 campaign will be conducted over six to eight weeks in conjunction with AWE Limited to maximise cost saving benefits by sharing the usage and associated costs for equipment and services. Once the well has been stimulated, results from the well testing program will enable Norwest to establish the viability of the various target zones for future shale gas production throughout the field.

The participants in the EP413/Arrowsmith Joint Venture are:

Norwest Energy NL (Operator)	(ASX: NWE)	27.945%
AWE Limited (via subsidiary ARC Energy Ltd)	(ASX: AWE)	44.252%
Bharat PetroResources Ltd		27.803%

About Norwest Energy NL (NWE)

Norwest is an Australian-based exploration and production company with significant strategic assets in Western Australia and the United Kingdom.

Norwest's focus is on the northern Perth Basin and the Wessex basin in England.

An exciting asset portfolio in the northern Perth Basin including Arrowsmith-2, the first unconventional gas well drilled in the area.

The Perth Basin is regarded as one of the world's most significant areas for shale gas. In 2011, The United States Energy Information Agency estimated that Western Australia holds the world's fifth largest reserves of shale gas in the Perth and Canning Basins; this represents about twice Western Australia's offshore gas reserves. It is estimated that the northern Perth Basin contains a potential 59TCF shale gas.

In the UK, Norwest has a foothold in the Wessex basin onshore and offshore where it has recently been awarded offshore permit, P1928 comprising 5 exploration blocks.

Peter Munachen
Chief Executive Officer/Director

Competent Person

The technical content of this announcement is based on information compiled by or under the direction of Mr. Andrew Sutherland of Dataco Australasia Pty Ltd. Mr. Sutherland holds a Bachelor Degree in Science and a Master Degree in Business. He has 30 years' experience in petroleum exploration. Mr. Sutherland has consented in writing to the inclusion of the information stated in the form and context in which it appears.

For further information

Please contact Peter Munachen or Ernie Myers on 08-9227 3240, or email info@norwestenergy.com.au.

Media

Please contact Chris Codrington on +61 412 911 107.