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Arrowsmith-2 Weekly Project Update 4

- **Stage 2 – Irwin River Coal Measures (IRCM) hydraulic fracture stimulation completed**
- **Norwest currently preparing for Stages 3 & 4 – hydraulic fracture stimulation of the Carynginia Formation**

Stage 2 of the Arrowsmith-2 hydraulic fracture stimulation program and cleanup has now been completed, with the IRCM zone now plugged back, and operations currently underway to perform hydraulic fracture stimulation on Stages 3 & 4 of the program, the Carynginia Formation.

Proof of concept objectives were achieved by successfully stimulating a 50m section of the IRCM, no health, safety or environmental incidents occurring, and producing gas to surface. During seven days of flow back however, it became apparent that this zone would require further clean up time in order to fully establish gas performance.

In reviewing the first two stages of this program, it seems that gas break through occurs very quickly post stimulation, however an increase in gas rate does not occur until high water recoveries are achieved. On Stage One, 40% water recovery was achieved within the first 12 hours, with the flare igniting 12 hours after opening the well, and a stabilised gas rate of 777Mscf/d recorded after 10 days. On Stage Two, just 13% of water recovery was achieved within the first 24 hours, with the flare igniting six hours after opening the well, however only low water production rates were measured over subsequent days of flow back, with no significant increase in gas production. Nitrogen lift was also applied via coiled tubing, which moderately increased fluid recovery rates however had to be ceased in preparation for subsequent stages. All indications are that a much longer period of flow back will be required to establish increased fluid recovery and gas rates from the IRCM formation.

Norwest is now preparing for Stages 3 & 4 of the hydraulic fracture stimulation program – the Carynginia Formation. Two intervals will be fraced within the Carynginia, the Lower Carynginia (2890 – 2940m) and the Middle Carynginia (2824 – 2875m). Each of these two intervals will be fraced separately, and then flowed back together, with diagnostics used to identify the source of flow back at surface.

Norwest will continue to release a weekly update each Thursday for the duration of the activities on site, with operations expected to continue for another 2-3 weeks.

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%

Peter Munachen
Chief Executive Officer/Director



Fig 1. Collage of images from Arrowsmith-2 location, August 2012

For further information

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