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ASX: NWE

2 November 2012

Arrowsmith-2 Project Update

Norwest has recommenced flow back of the Arrowsmith-2 well

- **Norwest has recommenced flow back of the Arrowsmith-2 well, with the first flow back interval being the Kockatea Shale**
- **The well is currently producing gas and oil to surface, along with the fracking fluid (predominantly water) injected during the hydraulic fracture stimulation campaign**

Norwest Energy (ASX:NWE): Norwest is pleased to announce that clean-up and flow back activities have now recommenced on the Arrowsmith-2 well. The current interval being flowed back is the shallowest interval in the well, the Kockatea Shale (2639-2681m).

The Arrowsmith-2 well was temporarily shut-in when it was discovered that oil was being produced to surface in the early stages of flow back of the Kockatea Shale interval. The well remained shut-in whilst the necessary equipment was sourced and assembled on site to manage the production of oil to surface. Operations have now been resumed and the well is flowing back oil, gas and injected water to surface.

The objective is to clean up the well to enable the Kockatea gas and oil flow rates to be established. This zone is a highly prospective shale gas target, and a potential oil discovery.

The way forward- lower zones

Once the Kockatea testing program is completed, the Kockatea Shale interval will be sealed off and flow back will then recommence on the lower intervals, the Carynginia Formation and the Irwin River Coal Measures, with the ultimate objective being to establish gas rates for contingent resource calculations from each of the individual formations. The Lower and Middle Carynginia and the Irwin River Coal Measures all remain highly prospective as potential shale gas producers.

The High Cliff Sandstone, a tight sandstone target, is expected to deliver a significantly higher rate than the reported rate of 777,000 scf/d once the zone is fully cleaned up. An extended well test will then be required to determine the areal extent of the HCSS target.

It is expected that this program of work will run for 3-4 months, depending upon results.

Other Activities

Norwest has commenced planning for a 3D seismic program over the permit area to be carried out in early 2013, subject to results from the current testing program, and JV approval. The 3D seismic results will allow for greater understanding of the sequences under investigation. More detailed maps and other information derived from the 3D seismic will be instrumental in assisting with selecting locations for future drilling programs.

A scoping study is also currently being developed regarding requirements for the construction of the Arrowsmith Gas Pipeline between the Arrowsmith location and the main gas pipeline. Although pipeline construction is contingent upon positive results from the testing program, Norwest considers that planning in advance is a positive step towards the earliest possible delivery of gas into the domestic gas market and the resulting revenue stream.

Background

The Arrowsmith field is situated in exploration permit EP413, 300km north of Perth. The Arrowsmith-2 well is located 400m SE of Arrowsmith-1, which flowed 4 million scf/d of gas from the Carynginia Formation (un-stimulated) in the mid sixties. The Arrowsmith-2 well was drilled as a vertical well in mid-2011, and shortly thereafter, Norwest received approval from the Department of Mines and Petroleum (DMP) to conduct hydraulic fracture stimulation on the well, to evaluate the shale / tight gas potential of the area. However due to a third party referral just weeks before commencement of the program, Norwest was forced to delay operations until a full review by the Western Australian Minister for Environment. This review was complete in early March 2012, when Norwest received unconditional approval to continue with the planned program of work.

The Arrowsmith-2 hydraulic fracture stimulation program is ranked as one of the largest slick-water frac programs ever carried out in Australia. The program commenced on Sunday 29th July 2012, with the first stage of the hydraulic fracture stimulation successfully completed on the High Cliff Sandstone (HCSS), the deepest target in the well. Over a period of approximately six weeks, all five zones were successfully fraced, and all flowed gas to surface in the early stages of flow back, with the uppermost zone, the Kockatea Shale, also flowing oil.

The past twelve months has been challenging yet rewarding for Norwest, with a great deal of activity and focus placed on EP413, the “shale gas” exploration permit in the northern Perth Basin. Norwest has successfully met all of these challenges head-on, and emerged having managed a highly complex project, demonstrating competency across all aspects of delivery, with highly promising results from all zones, and zero reportable health, safety or environmental incidents for the duration of the project.

Norwest holds a portfolio of 554,123 acres (net) across the Perth Basin in a number of highly prospective permits, both conventional and unconventional. Opportunities are present to build significant shareholder value going forward with an ongoing comprehensive work program planned for Arrowsmith-2 with the objective of defining a contingent resource and potentially developing the field and bringing it on production thereby monetizing this significant asset. Additionally there is an upcoming 3D seismic program scheduled for EP368/EP426 which has both conventional targets and shale gas potential, the recent renewal of TP/15 pursuant to a 5 year work program and ongoing work defining the potential of both the onshore and offshore licenses in the Wessex Basin, southern England.

Shale Gas Snippet

In 2011 the U.S. Energy Information Administration (EIA) estimated that Western Australia could have an extremely large gas-in-place resource – perhaps the sixth largest in the world, with the Perth Basin holding an estimated 59Tcf from the Kockatea Shale and Carynginia Formation combined². Combined with the Canning Basin estimate of 229Tcf, this represents twice the amount of gas known from the offshore of Western Australia, and nearly three times the proven gas reserves in the entire country – enough to supply the city of Perth with energy for nearly 3000 years.

Source: DMP Publication - Petroleum in Western Australia Weekly, September 2012, p21.

²*Norwest comment: This estimate of 59Tcf does not include a contribution from the IRCM, which if proven commercial, could significantly increase this resource estimation.*

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%

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