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ASX: NWE

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Arrowsmith-2 Project Update

Oil and gas rates on the increase as Arrowsmith-2 flowback of the Kockatea Shale continues

Norwest Energy (ASX:NWE): Norwest is pleased to announce that clean-up and flow back activities have been continuing on the Arrowsmith-2 well since 29th October 2012. The current interval being flowed back is the shallowest interval in the well, the Kockatea Shale (2639-2681m). Swabbing operations commenced on 19th November, resulting in a significant improvement in well performance, with between 120-150 bpd of injected fluids being returned to surface, an oil cut of close to 15% and gas rates of up to 70,000 scf/d on an increasing trend, with a sharp increase seen since swabbing commenced.

When hydraulic fracture stimulation was carried out on this zone in September 2012, the well flowed both gas and oil to surface in the early stages of flowback. The well was shut-in after 12 days of flowback in order to assemble necessary equipment to manage oil production at surface, and to obtain the necessary regulatory approvals.

A large volume of fluid (~8000bbls) was injected into the formation during the hydraulic fracture stimulation program of this zone, and a high proportion of this fluid needs to be flowed back to surface before representative gas and oil rates can be measured.

Flow back of the injected fluids from the Kockatea formation at the completion of the fracture stimulation campaign ceased on the 13th of September with approximately 55% of the injected fluid returned to surface. With a revised equipment package in place, flow back of the fracture stimulated Kockatea formation recommenced on the 29th of October, with the well naturally flowing injected fluid with minor amounts of oil and water to surface. To further enhance the fluid recovery rates, a swabbing unit was mobilised, and swabbing operations commenced on the 19th of November, with a ten-fold increase in fluid recovery rates over natural flow. Over the past four days the oil and gas rates have started to increase as the percentage of injected fluids returned to surface increases, currently estimated at more than 66% of the total fluid injected during the fracture stimulation operation.

Swabbing operations are presently producing between 120-150 bpd, with oil cuts of close to 15% and gas rates of up to 70,000 scf/d on an increasing trend. These are extremely promising signs, with higher rates and increasing trends expected to continue over coming days. It is expected that once around 80% of injected fluids is returned to surface, indicative flow rates for gas and oil will become established. Daily water testing indicates that the water being produced is injected fracture stimulation fluid, with no signs of any formation water being produced.



Figure 1. Kockatea Shale gas flare 28/11/2012

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.

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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