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**ASX : NWE**

**29/01/2010**

## **Quarterly Activities Report**

**Norwest Energy (ASX :NWE) reports for the quarter ended  
31 December 2009**

### **HIGHLIGHTS**

- Detailed interpretation of the September 2009 FTG survey has confirmed TP/15 Xanadu and Redhill South structures as the prime targets for the 2010 drilling season.
- Well construction advisory group Aztech Well Construction appointed to assist with well planning for TP/15 drill targets - Xanadu and Redhill South.
- Norwest to increase its interest in Northern Perth Basin exploration permit - EP413 - from 1.278% to 50.467% by acquiring Origin Energy's 49.189% interest.
- Additional high-resolution ground gravity survey was completed over Dorset, UK block - PEDL238 - in October 2009. Now merged with previous data and interpretation, it confirms a number of leads.

## Overview

The main focus during the December quarter was the negotiations with Origin Energy resulting in the purchase of its 49.189% interest in EP413 in the Northern Perth Basin. Norwest sees this as an important acquisition as it seeks to expand its interest in the Basin.

The exit from the permit by Origin in Norwest's view is not indicative of its lack of potential, but more a case of it no longer satisfying Origin's business model given its the size and scale of operations. Origin continues to hold its interest in, and is the operator of the adjacent Jingemina producing field in which Norwest has a 1.278% interest.

Notwithstanding the EP413 acquisition, the near-offshore TP/15 Northern Perth Basin permit remains Norwest's prime focus for 2010. In this block, detailed interpretation of the airborne FTG (full tensor gradiometry) survey results have confirmed the structural integrity of the Xanadu and Redhill South prospects, supporting the company's preliminary view of October 2009 that these are the prime targets for the 2010 drilling season. At least one, and possibly both, of these targets are planned to be drilled during Q4, 2010 and Norwest is now focused on progressing both the drilling and farm-out processes.

With the confirmation of Xanadu and Redhill South being prime drill targets, farm-in negotiations have advanced satisfactorily with interest from both Australian and international players. The addition of the increased interest in EP413 to Norwest's exploration portfolio in the Perth Basin has attracted the interest of potential farminees, not just in TP15, but Norwest's entire portfolio in the basin.

To achieve the drilling objectives Norwest has appointed Aztech Well Construction, a well construction/drilling engineering specialist group, to assist with sourcing a suitable drilling rig, well design and with planning and permitting.

In the UK, activities were focused on merging the new high-resolution ground gravity data obtained over the western half of PEDL238 during September 2009 with the initial gravity data acquired in October 2008. The combined surveys now cover the entire PEDL 238 license area and have confirmed a number of leads identified by previous seismic interpretations.

The proximity of PEDL238 and the other Norwest's permits in the Wessex Basin to the nearby BP-operated, 500 million barrel (MMbbl) Wytch Farm project is a reminder of the potential upside of this proven petroleum basin.

## Australia

### Northern Perth Basin

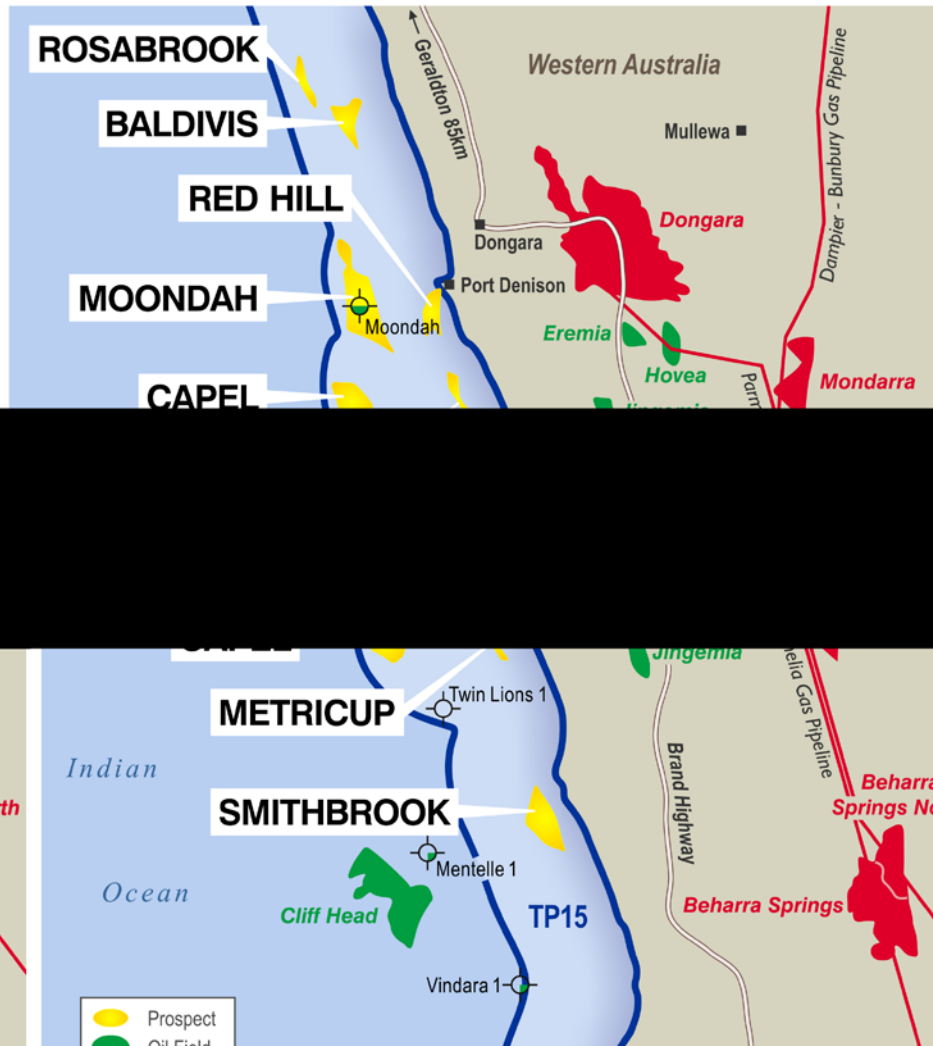
#### **TP/15 (Norwest – 100%) Xanadu and Redhill South**

A detailed interpretation of the airborne FTG (full tensor gradiometry) survey results confirmed the structural integrity of the Xanadu and Redhill South prospects, supporting the company's preliminary view of October 2009 that these are the prime targets for the 2010 drilling season. These prospects are currently being remapped and potential volumes recalculated in preparation for the Q4/2010 drilling program. Norwest plans to drill at least one, and possibly both, of these targets. They may be drilled from onshore using directional drilling technology.

Norwest has appointed Aztec Well Construction to assist with sourcing a suitable drill rig and well design and planning and permitting.

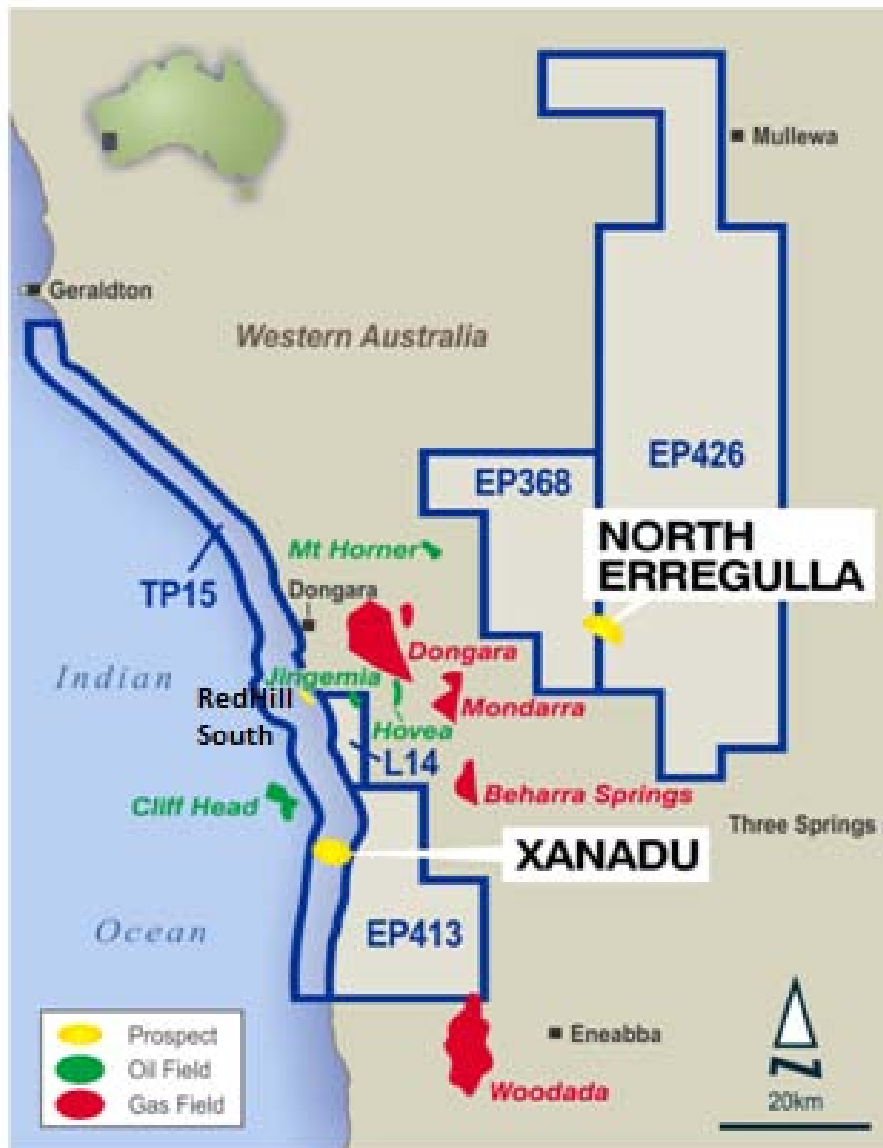
Xanadu has a potential of 98MMbbl oil in place and 27MMbbl recoverable.

The prime targets are the High Cliff Sandstones, which are the producing reservoirs for several fields in the northern Perth Basin, including the 60MMbbl oil in place, Cliff Head project, 10km north-west of Xanadu.



While the Redhill South prospect, in the north-eastern area of the TP/15 permit, is considerably smaller than Xanadu, it is well defined and will be less expensive and more straightforward to drill than Xanadu.

The Redhill South prospect has potential for 27MMbbl oil in place and could hold 7MMbbl of recoverable oil.

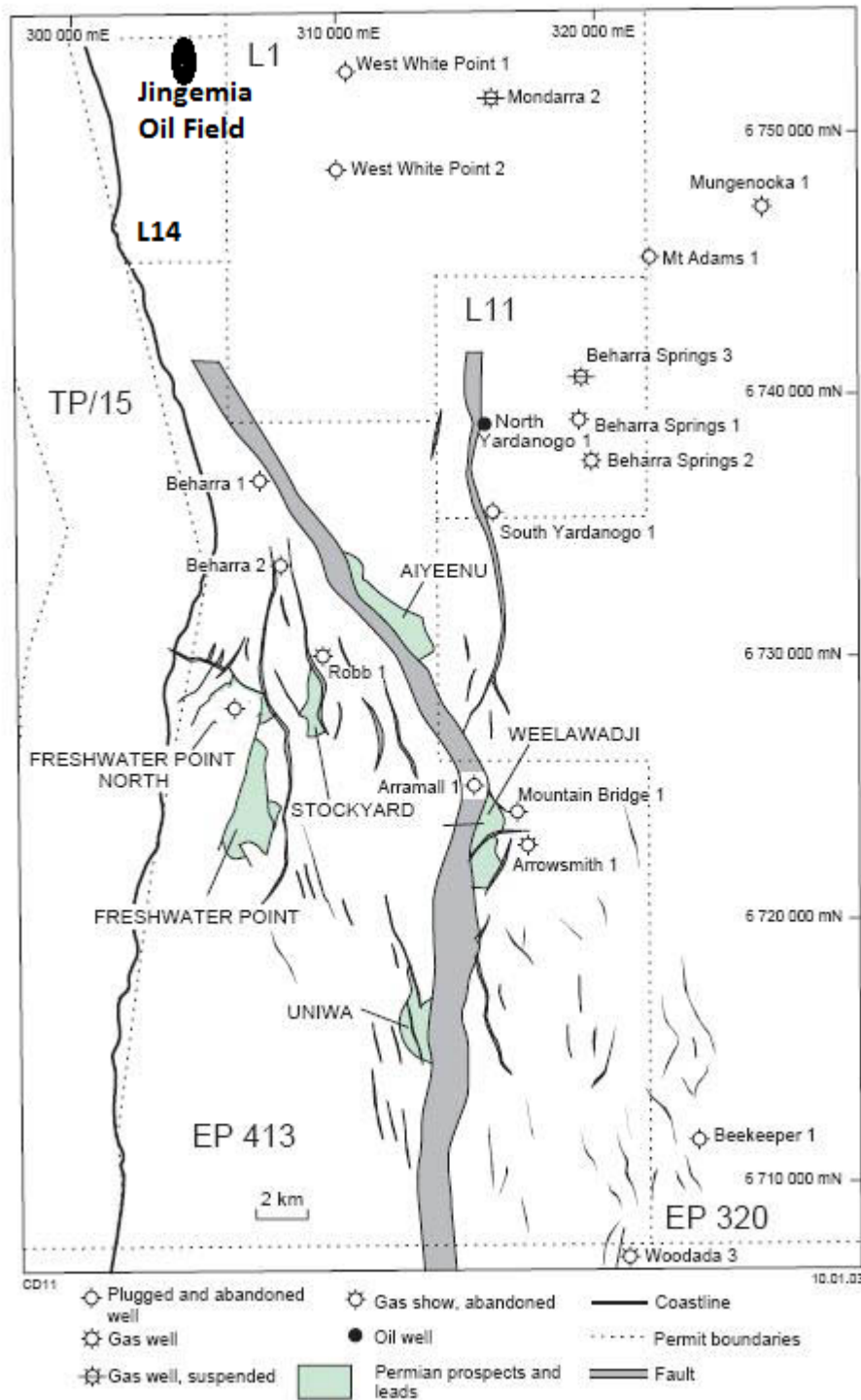


**EP413 (Norwest 1.278%- increasing to 50.593 %)**

During the quarter Norwest negotiated the purchase of the 49.189% interest of Origin Energy Developments Pty Ltd (“Origin”) in EP413 for a A\$87,500.

EP413 is surrounded by L14, the Jingemia production licence to the north, TP15 to the west, Beharra Springs gas field to the east and the Woodada gas field to the south. Norwest considers the increase of its equity in EP413 as extremely important in its strategy to position itself in the Northern Perth Basin.

It also considers that the permit has been underexplored and that considerable potential still remains, particularly the southern area of the permit. There are a number of leads and prospects that require further evaluation as potential drill targets. One of these is Arrowsmith -1 which was drilled in 1965 by WAPET and on testing flowed at 4mmcf before being plugged and abandoned. Other leads and prospects that warrant consideration are; Robb, Aiyeenu, Stockyard, Weelawadji and Uniwa.



Norwest is working closely with the continuing joint venture parties, including ARC/AWE (44.252%) to determine a program to satisfy the requirement of the Western Australian Department of Mines and Petroleum.

The transaction is subject to the agreement and relevant documents being approved and registered by the Minister for Mines and Energy by 30 June 2010. It is also subject to the continuing parties holding interests in that exploration permit and the Minister agreeing to

certain variations of the permit conditions one of which requires those parties to agree to the drilling of a well on the permit by 1 February 2011. ROC Oil (WA) Pty Ltd that holds 0.250% interest in EP413 intends to withdraw from the permit and will assign its 0.250% interest to the continuing joint venture participants resulting in Norwest holding a 50.563% interest.

### **Jingemia oil field (Norwest -1.278%)**

During the quarter the Jingemia Field produced 89,278 barrels with, 1,141 net to Norwest for revenue of A\$93,076.

The J12 Jingemia development well was drilled during the September quarter to a measured depth of 2709.5 meters and intersected a 15 meters (net) hydrocarbon column within the Dongara sandstone. The well was brought into production in late October and was expected to add a further 400bpd to production. Due to jet pump issues the objective has not yet been achieved. The field is currently producing at about 650bpd.

When J12 is fully operational the additional production is anticipated to extend the field life of Jingemia by a further two years.

### **Enhanced Oil Recovery**

Jingemia has to date produced 4,153,000bbl out of an estimated oil in place of 12,000,000bbls. It is currently recovering 39% of in place oil leaving significant potential to increase the recovery rate. Simulation work predicts the field should recover 44%. The nearby Hovea field is recovering 63%. Accordingly Origin the operator of the Jingemia field has recommended the JV evaluate an enhanced oil recovery (EOR) program and this evaluation is currently in progress.

A chemical EOR is considered the most likely technique to be commercially viable. The most promising technologies are Surfactant Flooding and Surfactant Polymer Flooding. These techniques are used successfully in other projects elsewhere and could add further production life to the field.

### **EP 368 and EP426 (Norwest 20%) - North Erregulla**

The results of the FTG survey over the North Erregulla conducted in September 2009 are yet to be fully interpreted by Norwest's consultants. The preliminary review of the detailed Bell FTG report shows basement highs in the prospect that were not apparent in previous seismic interpretations.

A detailed interpretation of the FTG results will be conducted during the next three months when the specialist technical team becomes available after it completes studies currently being conducted on Norwest's UK Wessex Basin projects. Meanwhile, the operator of the joint permits covering North Erregulla is planning to reprocess selected seismic lines over the North Erregulla prospect and it is also considering a 3D survey to assist in defining a drill target for drilling in Q4/ 2011.

The North Erregulla oil prospect straddles the boundary of EP368 and EP426 permits. The structure contains several prospective reservoirs that are proven hydrocarbon producers elsewhere in the onshore northern Perth Basin. Based on the current mapping, the entire North Erregulla prospect has the potential to have trapped up to 28 million barrels of recoverable oil if the structure is filled to its current mapped spill point.

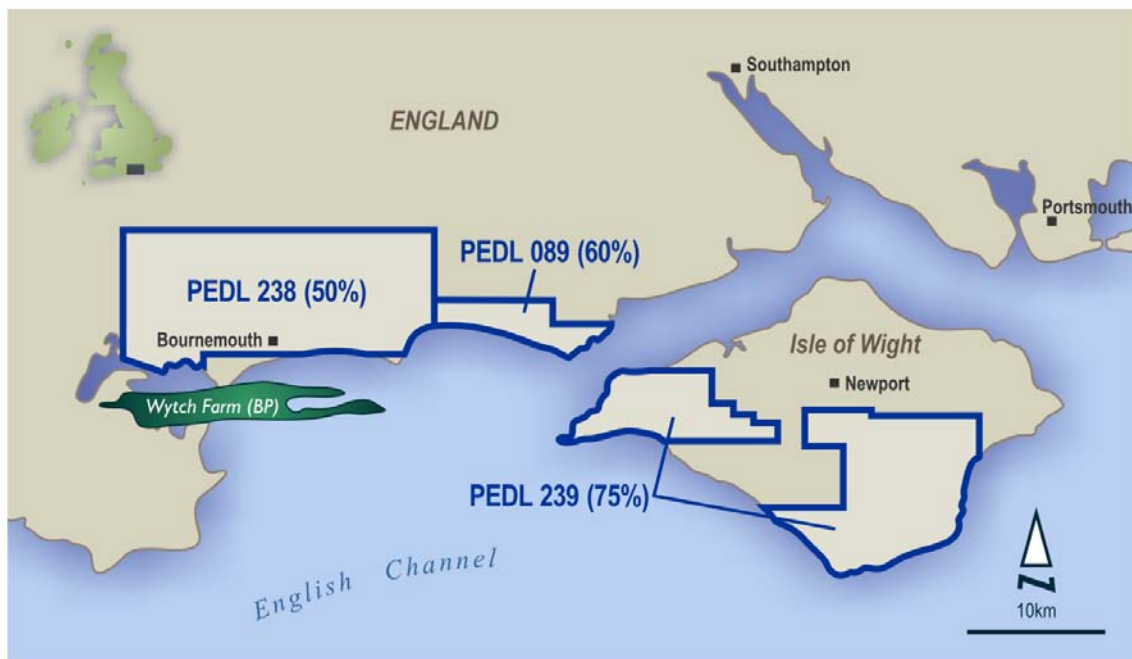
### Timor Sea: Puffin (Norwest – 1.25% ORRI)

Norwest has a 1.25% overriding royalty interest (ORRI) over the entire AC/P22 licence, which holds the Puffin field. Due to operational difficulties and a dispute with the FPSO contractor the field was shut in towards the end of June 2009.

Norwest is awaiting information from the Puffin joint venture about the future development plans for the Puffin field.

## United Kingdom

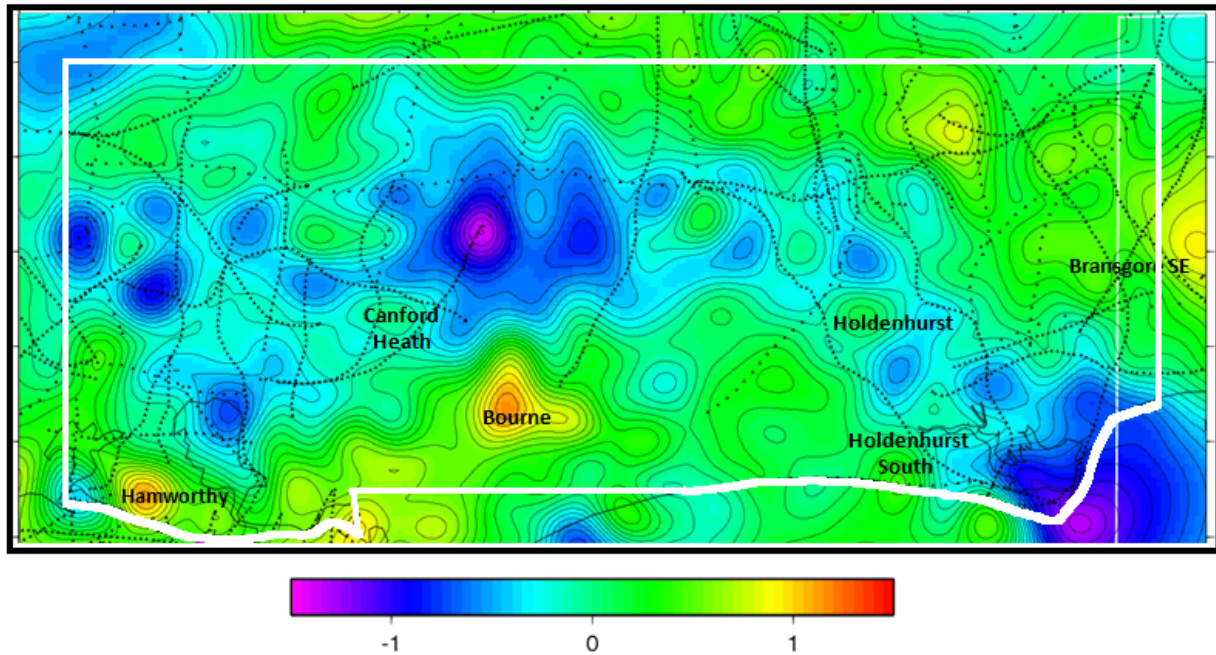
### Southern England- Wessex Basin



### PEDL 238 (Norwest 50% and Operator)

The new high-resolution ground gravity data obtained over the western half of PEDL238 during September 2009 has now been merged with the phase one gravity data acquired in October 2008. The combined surveys cover the entire PEDL 238 license area and have confirmed leads identified by previous seismic interpretations.

As a result of the encouraging gravity findings, Norwest has remapped and reviewed the leads known as: Hamworthy, Canford Heath, Holdenhurst, Holdenhurst South, Bransgore SE, and Bourne.



The final corrected high resolution gravity map over the PEDL 238 license. The hot colours represent gravity highs and the colder colours lows. The 6 main leads are identified.

Norwest is currently assessing potential volumes, risk and running scoping economics for all leads in order to establish commercial feasibility thresholds. The results of this assessment will greatly assist Norwest in planning the next phase of operations necessary to further de-risk leads into drill-ready prospects. The results of this assessment (which will also include key leads in PEDL 089 and PEDL 239) are expected to be received by the end of Q1/2010.

**PEDL 089 (Norwest 60% and Operator) and PEDL 239 (Norwest 75% and Operator)**

Norwest began reprocessing work on key seismic lines in PEDL 089 during the fourth quarter of 2009.

**Basement Density Study**

As part of Norwest’s ongoing interpretation of air FTG results over the PEDL 239 and 089 license areas, Norwest has completed a regional assessment of basement lithologic variation over the PEDL 238 and 089 license areas. The purpose of the study was to ascertain an accurate range of rock density values which change significantly in some areas depending upon basement rock type. Accurate density values are essential for driving in-house sophisticated gravity modeling software which is used for assessing FTG gravity data.

**Sherwood Sandstone Evaluation**

Norwest’s technical team also completed a study on the seismic reflectivity of the Sherwood sandstone which is the main producing sandstone at the giant Wytch Farm oil field and the main reservoir targeted over Norwest’s three license areas. The Sherwood sandstone has historically been difficult to image seismically. However, the results of the in-house study significantly improve our ability to image this reservoir and will enhance Norwest’s ongoing

assessment and ability to predict reservoir distribution over the three license areas in the South of England.

Norwest believes southern England's Wessex Basin offers substantial untapped potential for new oil and gas discoveries. The areas around Dorset and the Isle of Wight, the area of Norwest's interests are particularly attractive, as they are adjacent to the giant Wytch Farm oil field. With estimated recoverable reserves of 500 million barrels (400 million produced to date), this BP-operated field is Western Europe's largest onshore field. Even when compared to offshore fields it is substantial – only five British North Sea fields are larger.

**Peter Munachen**  
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**Norwest Energy NL**

29 January 2010

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