



# NORWEST ENERGY NL



ABN 65 078 301 505  
288 Stirling Street, Perth  
Western Australia 6000  
PO Box 8260  
Perth Business Centre  
Western Australia 6849  
Telephone (61 8) 9227 3240  
Facsimile (61 8) 9227 3211  
Email:  
joe@norwestenergy.com.au

ASX Companies Announcements Office  
ASX online

## REPORT FOR THE QUARTER ENDED 30th June, 2005.

### Highlights

- Five wells were drilled in the Tennessee shallow gas project. To date, one has been fraced and completed and flowed at a stabilized rate of 110,000 cubic feet per day.
- Agreements were signed with two US companies to operate the West Virginia and Kentucky shallow gas projects.
- In AC/P32, the Magnolia -1 drilling is expected to take place in late September 2005.
- Technical work on the UK Blocks 48 1a & 2b is continuing.
- The Jingemia field stopped flowing on natural lift. The operator is undertaking remedial actions.
- Norwest bid on three blocks in the Indian bid rounds which closed 31 May. An announcement on awards is expected at the end of August 2005.
- Norwest bid on three areas in the UK bid rounds which closed 9 June. An announcement on awards is expected in September 2005.

### OVERSEAS PROJECTS

#### US Appalachians Gas, Tennessee (WI 37.5%), Kentucky (WI 70%) and West Virginia (WI 50%)

In the Tennessee project, 5 wells have been drilled all of which intersected thick zones of the target Devonian Shale. Well names and intersection thicknesses are shown on the following table:

Well	Shale Thickness feet (metres)	Gas Shows
Koppers 6A	876 (267)	✓
Koppers 7A	489 (149)	✓
Carden 1A	508 (155)	✓
Carden 2A	501 (153)	✓
Carden 3A	430 (131)	✓

All five wells encountered gas shows. Carden #3A was perforated and fraced and flowed gas at a stabilised rate of 110,000 cubic feet per day. The remaining 4 wells will be fraced in the third quarter, 2005. Following the fracing of these wells, Norwest will have earned a 37.5% (29% net revenue) interest in the production from the well. Norwest has an option to participate in the drilling of the next batch of 5 wells following which, there is an election point for another ten well program. Commitment to a further 20 wells will earn Norwest a 37.5% interest in the whole area with potentially a hundred

wells required to fully develop the gas reserves.

The wells are being drilled, fraced and completed on a turnkey cost of US\$235,000 per well, although some additional cost may be incurred for fracing given the thickness of the productive sections. Gas pipeline infrastructure is in place with minimal effort required to deliver the gas from the wellhead to the pipeline for sale. The gas price is currently above US\$7 per MCF (thousand cubic feet).

Agreement was reached with Dallas based oil and gas producer Ascent Energy to farm-in and operate the West Virginia gas project. The agreement provides for Ascent to earn a 42% interest in the project and Area of Mutual Interest (AMI) by funding 100% of the cost of drilling and completing three wells to the base of the prospective shale section or to 4,200 feet (1,280 metres), and by paying its 42% share of the past leasing costs over and above 8,000 acres. The total cost of the three wells is estimated to be around US\$1,000,000. Ascent will acquire certain specified data in one of the wells and the Joint Venture will fund analytical tests that will determine and allow application of the most effective drilling, fracing and well completion techniques. The agreement provides a target date of October 31, 2005 for the drilling and completion of the three wells. Once drilled, the Joint Venture partners will each bear their proportionate share of costs for equipping the wells for production. Ascent will continue with further acreage leasing in the focus area, with the costs to be funded pro-rata by each party. The joint venture currently has approximately 30,000 acres under lease. Following fulfillment of the farm-in terms by Ascent, Norwest's interest will reduce from a current 50% to 29% (net revenue interest of approximately 24%).

In the Kentucky project, local oil and gas company Hay Exploration Inc, has agreed to farm-in and operate the first three wells in a drilling program which will take place in the third quarter 2005. Hay will earn a 10% interest in the production unit for each well drilled on a well be well basis by contributing goods and services during the drilling, completing and equipping of each well. Preparations to drill are currently underway. The wells will be drilled to approximately 2,000 feet (610 metres) and are expected to cost in the order of US\$140,000 completed. Norwest is earning a 70% interest in the Kentucky project from Golden Triangle Energy Inc (GTE) by paying the costs of the first three wells. After assignment to Hay and taking into account royalties, Norwest's net revenue interest (NRI) in the project will be 52.6%.

#### **UK North Sea Blocks 48/1a (part) and 48/2b (part) 50%**

Norwest has a 50% interest in North Sea Blocks 48/1a and 2b. First pass mapping of 3D data has been completed, prior to reprocessing of the data. A drill or drop decision is required by December 2006.

#### **AUSTRALIAN PROJECTS**

##### **AC/P32 Vulcan Sub-basin Timor Sea 19.6%**

Subsequent to the signing of a contract with Diamond Offshore to use the Ocean Bounty semi-submersible drilling rig to drill the Magnolia-1 well, the NT Department of Business Industry and Resource Development approved a 6 month extension of time in which to drill Magnolia – 1. Due to the rig's prior commitments Magnolia -1 is now scheduled for September or October 2005.

Norwest has farmed down its interest from 49% to 19.6% to both Adelphi and Coogee, and has achieved almost a full carry through the drilling of the well. Coogee, which operates the surrounding blocks including production at the Jabiru and Challis oilfields, will be operating the Magnolia well for the Joint Venture.

#### **EP-413 and L14 Jingemia Oil Field Northern Onshore Perth Basin 1.278%**

Oil production sold during the Quarter was 176,227 barrels, 2252 barrels net to Norwest. The produced oil is being trucked and sold to BP's Kwinana Refinery.

Production at the Jingemia-4 well recorded a reduction in oil rate and an increase in water cut prior to ceasing to flow. Engineering studies indicate that this is related to scale build up in the reservoir and remedial treatments as well as installation of artificial lift will take place early in the third quarter 2005.

A 3D seismic survey operated by Arc Energy which covers part of EP-413 was completed during the quarter and processing and interpretation is underway. Two wells, Jingemia 5 and 6 will be drilled by the Operator in the third quarter, and will commence as soon as the drilling rig finishes the well that it is currently drilling. Arc drilled Jingemia 7 as operator in the neighbouring L1/L2 production License in June. The well was disappointing as it came in low to prognosis.

#### **TP/15 Northern Offshore Perth Basin acquiring 10%**

The processing for the Verena TZ 2D Seismic Survey has been completed and Interpretation of the data continues with a scheduled completion the end of July. Detailed prospect mapping is continuing. The Joint Venture is aiming to have prospects defined and ready for drilling in 2006.

The WA DoIR approved a request by the Joint Venture to extend Permit Year 6 by a period of 3 months to 21<sup>st</sup> August 2005

#### **EP-419 Northern Onshore Perth Basin**

Norwest Energy NL disposed of its 80% interest in EP419 in the Perth Basin.

#### **EP-368 Northern Onshore Perth Basin 10%**

The Murrumbah Gravity Survey, designed to infill existing ground gravity data and provide a regionally coherent gravity dataset over the onshore Northern Perth Basin, was completed in March 2005, covering an area of approximately 283 sq km. The joint venture has also approved an aeromagnetic survey to be roughly co-incident with the gravity survey, it is anticipated that this will identify lineaments and structural trends.

It is expected that a detailed 2D seismic survey will follow during the summer field season and will probably be aimed at maturing a prospect close to the Mount Horner field which is held by other parties in an adjacent license area.

### **EP-364 Offshore Carnarvon Basin 10%**

An application to convert EP364 to a Retention License has been submitted to the WA DoIR.

### **AC/P22 Vulcan Sub-basin Timor Sea 1.25% Over-riding Royalty**

Norwest has converted its 2.5% participating interest into a 1.25% over riding royalty in the permit, which contains the Puffin field. Drilling is scheduled for one exploration well and 2 Puffin development wells to commence later this year with the Operator AED intending to develop the Puffin field.

### **EP437 Northern Onshore Perth Basin 33 1/3%**

EP 437 was awarded to Norwest together with Arc Energy and CalEnergy of the UK, with Arc as Operator of the block. The Murrumbah Gravity Survey was completed on 22<sup>nd</sup> April, 2005 over an area of approximately 137 sq km. An aeromagnetic Survey has been proposed to assist in providing more reliable seismic mapping as existing seismic coverage is poor and the aeromagnetic survey in conjunction with the acquired gravity data will assist in identifying faults and structural trends. Reprocessing of existing 2D seismic is currently being planned. Acquisition of new seismic is proposed for the second permit year.

### **EXPENDITURE**

The group spent \$1,262,000 on exploration and evaluation activities during the quarter ended 30<sup>th</sup> June, 2005.

### **J A Salomon CEO & Director**

The above information as far as it relates to potential hydrocarbon reserves, is based on, and accurately reflects information compiled by Mr J A Salomon. Mr Salomon has appropriate technical qualifications and has in excess of 5 years relevant experience. Mr Salomon is a director of Norwest Energy NL and he consents to the release of the information, as disclosed above.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Norwest Energy NL

ABN

65 078 301 505

Quarter ended ("current quarter")

30 June 2005

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		Current quarter \$A'000	Year to date (..12.... months) \$A'000
1.1	Receipts from product sales and related debtors	211	710
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1,262)	(2,873)
1.3	Dividends received	(279)	(881)
1.4	Interest and other items of a similar nature received	63	323
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)	36	443
<b>Net Operating Cash Flows</b>		(1,231)	(2,278)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(7)	(57)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
<b>Net investing cash flows</b>		(7)	(57)
1.13	Total operating and investing cash flows (carried forward)	(1,238)	(2,335)

1.13	Total operating and investing cash flows (brought forward)	(1,238)	(2,335)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(1,238)	(2,335)
1.20	Cash at beginning of quarter/year to date	6,706	7,881
1.21	Exchange rate adjustments to item 1.20	38	(40)
1.22	<b>Cash at end of quarter</b>	5,506	5,506

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	136
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payments to companies associated with directors (in 1.23 above) for:	
Corporate consulting fees	12
Technical & management fees	61
Directors fees	24
Administration & secretarial fees	39

Appendix 5B Mining exploration entity quarterly report

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,593
4.2 Development	44
<b>Total</b>	<b>1,637</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	256	126
5.2 Deposits at call	5,250	6,580
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,506</b>	<b>6,706</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	EP 419	80%	Nil
6.2	Interests in mining tenements acquired or increased			

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	167,471,872	167,471,872		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	3,250,000 500,000 500,000 1,100,000 2,500,000 500,000 500,000 250,000 250,000		<i>Exercise price</i> \$0.20 \$0.10 \$0.15 \$0.15 \$0.15 \$0.13 \$0.18 \$0.20 \$0.25	<i>Expiry date</i> 28 November 2007 30 June 2008 30 June 2008 21 November 2008 25 November 2009 9 March 2010 9 March 2010 9 June 2010 9 June 2010
7.8 Issued during quarter	250,000 250,000		\$0.20 \$0.25	9 June 2010 9 June 2010
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )		
------	---	--	--

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 25 July 2005  
 (Director/Company secretary)

E A Myers  
 Print name: .....

## Notes

1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.