



norwest
E N E R G Y

11 January 2008

Company Announcements Office
Australian Securities Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Puffin Oilfield

AED Oil Limited has made an announcement in connection with the Puffin Oilfield over which Norwest has a 1.25% over-riding royalty interest.

As announced on 2 January 2008 Norwest has received the first royalty payment of A\$443,913 from AED.

The announcement as it relates to Puffin is attached.

For further information on Norwest contact

Telephone: +61 8 9227 3240

Email: info@norwestenergy.com.au



**“AED Oil Limited
ASX Announcement
10 January 2008**

Puffin NE1 – Update

- The next crude oil offtake from the Front Puffin FPSO is expected to occur around mid January 2008, notwithstanding minor interruptions to shipping schedules due to recent regional cyclone activities.
- To date AED has produced over 900,000 barrels of high quality Tapis oil.
- Reservoir simulations calibrated on the recent production data from Puffin-7 and Puffin-8 are consistent with AED's previously published reserves. This work indicates that the lower than expected production levels are due to factors localised to the well bore and not to the reservoir in general.
- During the commissioning phase production levels have fluctuated daily. The range of daily production rates over the past month has been 6000 to more than 10,000 bopd (barrels of oil per day) as a consequence of the testing of gas lift and changes in the control system over this period. Planning for rectification of commissioning phase production issues is advanced and in line with earlier announcements, including the engagement of external technical experts in the field of horizontal well bore drilling and completion optimisation.
- Independent advice received to date suggests that production being lower than initially forecast is due to wellbore impairment most likely caused by drilling and completion related factors. These factors include the prolonged drilling of the horizontal well sections (and subsequent static pre-production periods) that may have led to the blocking of a number of sand screens possibly exacerbated by chemicals associated with the polymer-based drilling mud. In addition to remedial works to be undertaken, establishment of the source of these factors should assist in reducing the likelihood of these issues arising in future well completions.
- Planning continues on the Puffin NE1 six well program (4 additional wells), with the preparation for the drilling of Puffin-11 production well (bi-lateral) likely for mid 2008. This is anticipated to increase production by an initial increment of 20,000 bopd (declining in accordance with a normal depletion profile). AED has two drilling options available within the next 12 months.



Puffin SW - Update

- Recent analysis of the Puffin-10 well results has provided significant new geological data in relation to the Puffin South West (SW) region, which continues to support the planned Puffin SW development and has also provided new areas of oil in place in the region.
- The Puffin-10 drilling also identified an unexpected untested updip LK (lower) sandstone reservoir which potentially contains an estimated 30MMbbl OIIP unrisks which is in addition to the OIIP estimates of 3 to 26 MMbbl in the LK sandstone previously published from Puffin-9 drilling.
- Also, geological modelling suggests that the UK (upper) sandstone ranges from 6 to 9 metres in thickness and the corresponding Oil Initially In Place (OIIP) estimates range from 15 to 80 MMbbl.
- Analysis of the recent drilling data indicates that Puffin SW region has the potential to be a contiguous oil field in the UK sands spanning from Puffin-2 to Puffin-9 and across to Puffin-10.
- Based on the significant potential confirmed by the Puffin-10 well results and recent analysis, AED continues to undertake work on the development plan for the Puffin SW region.

Potential Developments

AED has a significant range of potential projects including:

- Puffin SW development, as mentioned above;
- Puffin NE2 development, with potential upside OIIP of 24 MMbbl as a likely tieback development to Puffin NE1 producing area”

ENDS