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NORWEST EXPANDS INTO USA

Norwest Energy NL plans to drill three wells in the next six months on newly acquired acreage in the highly productive Appalachian Basin in north-eastern USA.

Today's signing of a Heads of Agreement and Area of Mutual Interest (AMI) with US-based Golden Triangle Energy Inc (GTE) to jointly develop acreage in the Appalachians, follows the recent announcement of the addition of North Sea interests to its existing Australian portfolio.

Under the terms of the agreements with Golden Triangle, Norwest will spend US\$1 million on drilling and further acreage leasing costs to earn a 70% interest in the joint venture which currently owns 7150 leased acres with options over further areas and additional targets identified.

The Appalachian Basin, which boasts similar geology and production potential to the hugely successful Barnett Shale area in Texas, is one of the world's oldest hydrocarbon provinces and since 1859 has produced over three billion barrels of oil and 40 trillion cubic feet of gas.

Norwest Chief Executive Officer Mr Joe Salomon said that the US project achieved one of the company's goals, namely to secure access to the prolific and highly profitable US gas industry.

"The Appalachian projects are within a proven area where the combination of low project risk, low entry costs, high gas prices and increasing natural gas demand in the US, the biggest market in the world, provides a huge leverage position. It gives Norwest the potential to add significant value to the company through long term cash flows and substantial growth opportunities," Mr Salomon said.

"This is a very exciting opportunity for Norwest and is part of our overall strategy to build a portfolio of quality acreage in Australia and internationally that provides a good balance of low to moderate risk against moderate to high return for shareholders."

Under the AMI, Norwest and Golden Triangle aim to build a strong gas production business and explore further opportunities. Over the last year, Golden Triangle has purchased acreage leases along the Kentucky River Fault Trend (KRFT) and has an option to lease further acreage along the Pine Mountain Thrust (**see map**). Appalachian expert US based technical and commercial advisors have been retained by Norwest and Golden Triangle.

"The Appalachian's Devonian shales currently produce 120 billion cubic feet of gas per year or over 300 million cubic feet per day. The project areas are adjacent to the Big Sandy gas field, which was discovered in 1890 but is still producing with an ultimate recovery of three trillion cubic feet of gas," Mr Salomon said.

"In this system, the risk of a dry hole is very low. The expected initial production rate per well is modest – in the range of 300-700,000 cubic feet per day – however, the wells typically produce for a minimum of 15-20 years with low decline rates, and despite the modest production rate, are extremely economic at current and forecast gas prices. Hundreds of wells can be drilled on this acreage to establish a significant project," he said.

The project is subject to signing of final detailed documentation.

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