



NEW STANDARD  
ENERGY

ASX Code: NSE  
ACN 119 323 385

#### CONTACT DETAILS

Level 3, 33 Richardson Street  
West Perth WA 6005  
PO Box 1542  
West Perth WA 6872

Tel: (08) 9481 7477  
Fax: (08) 9486 7670

E: info@newstandard.com.au  
W: www.newstandard.com.au

#### BOARD OF DIRECTORS:

Ian Paton  
Chairman

Sam Willis  
Managing Director

Mark Hagan  
Technical Director

Mark Clements  
Company Secretary

ISSUED CAPITAL  
at 31 March 2011

190,974,169 Shares

24,500,000 Unlisted Options

#### MARKET CAPITALISATION

\$30.6m  
(last @ 16c per share)

CASH ON HAND  
at 31 March 2011  
\$2.01m

INVESTMENT IN BURU  
\$10.98m (@ 61c per share)

# Quarterly Activities Report

January to March 2011

## HIGHLIGHTS

### Australian Exploration

- 🌿 Liquids rich potential identified in the Goldwyer Project, Canning Basin
- 🌿 EP417 farm-in with Green Rock Energy (ASX: GRK) secured, Laurel Project Canning Basin
- 🌿 Technical work continues on potential unconventional hydrocarbon plays in the Canning
- 🌿 Acreage options exercised for Merlinleigh Project to convert acreage areas from Special Prospecting Authorities to Permit Applications
- 🌿 Focus remains on partnering to progress the Australian portfolio

### United States Exploration

- 🌿 Heintschel #2 well successfully drilled and completed for production
- 🌿 Production profiles of all three Heintschel field wells being assessed and monitored
- 🌿 Significant Heintschel field resource upgrade announced
- 🌿 Development plans for Heintschel field under discussion
- 🌿 Joann #1 well tied into sales network in April 2011

### Corporate Activities

- 🌿 Non-core tungsten assets divested

## OVERVIEW

New Standard is currently well positioned with a large and attractive asset base of prospective acreage in onshore Western Australia and an established production base in the United States which is poised to grow with further appraisal and development in due course. Large upside also exists in the exploration portfolio in the United States which New Standard will look to leverage further once the Heintschel field is developed successfully.

Since the beginning of 2011 significant resources have been allocated to further evaluation of the Goldwyer and Merlinleigh projects and preparations continue for the drilling of Lawford-1 on EP417 to progress the Laurel project. More broadly, activity is set to increase significantly in the Canning Basin with the imminent commencement of Buru Energy's exploration campaign with its joint venture partner Mitsubishi which will see 6-10 wells drilled. This program is set to be one of the largest continuous exploration campaigns ever undertaken in onshore Western Australia and will ensure a lot of attention is focused on the Canning Basin during 2011. Given the dominant position New Standard holds in the region and the 10% equity holding we have in Buru Energy, it is shaping up to be an exciting time for New Standard shareholders.

Encouraging progress has been made on the prospectivity of the shale gas and tight gas opportunities in the Australian portfolio and further information will be provided on these, together with the company's strategy to extract value from these projects, in the coming quarter. The company remains very focused on extracting value and progressing the Goldwyer, Merlinleigh and Laurel Projects through seeking partners at the project level. Encouragingly the shale gas and tight gas sector is continuing to gather momentum globally as well as domestically here in Australia and New Standard is attractively positioned with its portfolio to take advantage of the growth we see emerging in the sector.

### OVERVIEW (cont'd)

The United States portfolio is also well positioned with an established production base which is set to grow once additional appraisal plans have been bedded down for the Heintschel field and completion techniques can be refined and enhanced. New Standard has discovered a very large in ground resource with a healthy component of condensate in a highly prolific production area that is saturated with infrastructure. The main priority is now to work out how to maximise production and demonstrate the commercial viability of the field through further appraisal and development on a considered basis. This may take a little time however the risk has shifted from having to find the hydrocarbons to a job of how to best extract and produce the oil and gas. Once the commercial viability of the Heintschel field is enhanced it will provide a strong platform from which to conduct further exploration and add shareholder value through additional discoveries. In the meantime the cashflow from the existing production wells will be maximised.

It is anticipated that cashflow receipts from the United States and the additional partnering payments under the EP417 deal with Green Rock Energy will help offset expenditure for the coming quarter whilst the company works to establish partnering positions to derisk the Australian portfolio whilst we establish the next steps for development of the Heintschel field in the United States.

### AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES

New Standard has continued to focus on progressing the technical understanding of its three major Australian projects to enhance the diversified portfolio it currently owns and operates. New Standard's Australian portfolio is focused on the exploration of unconventional hydrocarbons – in particular tight gas, shale gas and liquids rich shale gas opportunities. The portfolio comprises one of the largest land holdings in Australia for a junior explorer and presents a diversified basket of exposure for both shareholders and potential partners seeking exposure to the growing unconventional energy sector.

The tight gas and shale gas sectors continue to grow at phenomenal rates globally and activity and interest is beginning to increase here in Australia as well. This is evidenced by the recent global interest in our Goldwyer Project, the growing presence of international companies here in Australia and the increasing exploration efforts from other ASX listed entities seeking to capture value from the opportunities in this emerging sector. Further to this the most exciting plays continue to be wet gas or gas projects with associated liquids – something that is emerging nicely across New Standard's Goldwyer Project.

New Standard has assembled a large and highly prospective land holding in Western Australia which has an attractive domestic gas market and a growing and open export market for LNG. Our focus remains firmly on progressing the Australian projects and given the large project equities in projects of significant potential scale, we remain well positioned to seek and secure partners to advance the portfolio by diluting at a project level in preference to corporate dilution via additional equity raisings. This strategy was clearly evidenced during the quarter with the successful execution of a farm-in agreement with Green Rock Energy on EP417 which sees the Laurel Project substantially derisked whilst New Standard retains a 50% equity stake and operatorship in the permit.

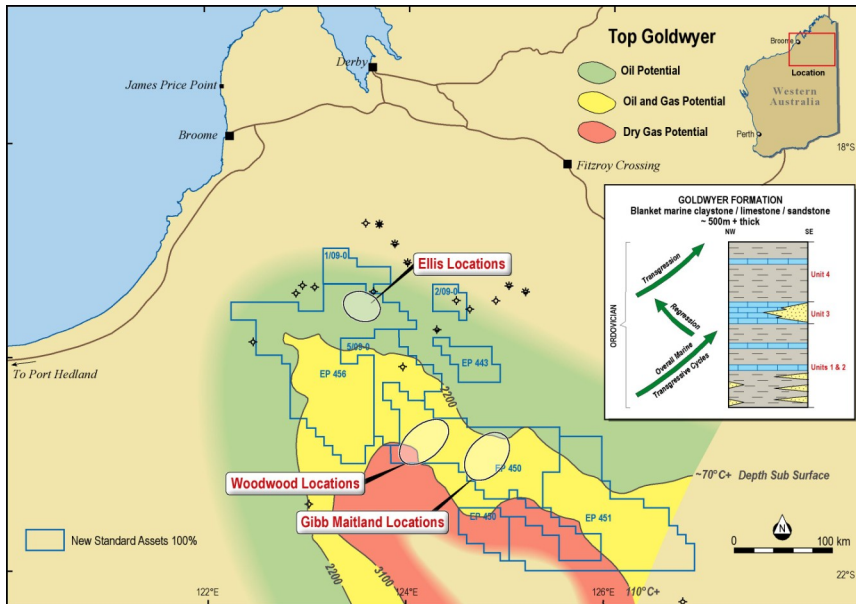
#### **Goldwyer Project, Canning Basin (New Standard 100% operated)**

#### **EP's 443, 450, 451, 456 and application areas 1/09-0, 2/09-0 and 5/09-0**

During the quarter New Standard confirmed that initial 2011 exploration efforts in the Goldwyer Project have identified a liquids rich shale gas zone. Ongoing technical work centred on the emerging liquids rich potential will be conducted in conjunction with progressing partnering discussions to explore the Goldwyer play. Both efforts are aimed at enhancing the value of the Goldwyer Project significantly over time.

New Standard's analysis of the Goldwyer shale's thickness, depth and maturity levels has indicated that the broad extent of its acreage hosts the potential for three distinct zones to lie across the shale gas window in its large Goldwyer Project, which is located in Western Australia's Canning Basin.

The specific zones begin with an oil window to the north-east which migrates to a wet gas zone and then a dry gas zone as the basin deepens to the south and south-west. Exploration activity will continue to focus on further assessment and progression of the wet gas play with further information to be provided when appropriate.



Initial areas of interest in the Goldwyer wet gas zone have been identified for additional technical analysis and potential drilling locations. Importantly the potential locations have existing land and air access as well as water wells in the immediate vicinity – reducing the cost of the initial on-the-ground exploration.

Work continues to progress native title access and environmental clearances and approvals with the primary driver of preparing for potential drilling in late 2011 should adequate funding be secured through partnering discussions. Reconnaissance trips were undertaken in early 2011 and heritage clearance programs are currently being scheduled for mid-year to clear intended access tracks and proposed drill sites as important preparation and planning for potential drilling in late 2011.

**Laurel Project, Canning Basin (New Standard 65% operated; Buru 35%)**

During the quarter New Standard continued to re-assess EP417, including the Lawford-1 well, in light of the potential of the Laurel formation as a potential shale gas and tight gas source in the region. The Laurel formation continues to emerge as an attractive and sizeable resource play in the northern margins of the Canning Basin.

Following various approaches from interested parties New Standard reached agreement with Green Rock Energy (Green Rock) in relation to a farm-in deal for EP417 including the intended deepening of the currently suspended Lawford 1 well by the joint venture partners in 2011.

Green Rock has agreed to partner New Standard in EP417 by paying \$750,000 in back costs and contributing 27.5% of the costs of drilling, coring, fracture stimulation, flow testing and planned completion of the Lawford #1 well located on EP417. In return Green Rock will earn a 15% per cent interest in EP417. Green Rock has also committed to fund 22.5% of the costs of a second (but yet to be agreed) well to earn an additional 5% in EP417.

New Standard will retain a significant 50% working interest (previously 65%) and operatorship in the permit and the \$750,000 in cash payments will cover a large portion of the expected costs for New Standard’s share of the deepening of the Lawford #1 well.

### AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES (cont'd)

The Lawford structure is very large and has the potential to host significant quantities of hydrocarbons in place. New Standard estimates that Lawford could host in excess of 500Bcf of gas in place as a conventional target. In addition, the assessment of the Laurel shales and tight sands contained within the Lawford structure (but that extend regionally beyond the structural closure at Lawford) will provide important information and upside for an unconventional play across EP417 and throughout the region. As a result the deepening of Lawford #1 will provide an exciting exposure for New Standard shareholders on multiple fronts.

As a result of this deal New Standard has achieved a substantial financial carry on the drilling of the large and prospective Lawford #1 structure while keeping a 50% operated interest in the permit. Buru Energy (Buru) owns the remaining 35% interest and provides a valuable ongoing partner in the drilling and testing of the Laurel play across EP417.

The following table outlines the paying interests in the Lawford #1 deepening program and the permit interests in EP417 following the completion of the program:

Equity Participant	Paying Equity in Lawford #1	Permit Equity Post Lawford #1
New Standard	37.5%	50.0%
Buru Energy	35.0%	35.0%
Green Rock	27.5%	15.0%

In addition to the EP417 farm-in, New Standard and Green Rock have executed an agreement to jointly pursue additional new exploration opportunities within an Area of Mutual Interest (AMI). The parties will focus on areas that are prospective for unconventional hydrocarbons within the agreed AMI. Under the terms of the agreement, New Standard will own 60% equity and operatorship in areas arising from the AMI while Green Rock will own 40%.

The current intentions are to deepen the Lawford 1 well in Q3 of 2011, weather and access permitting. Joint venture discussions and contractual arrangements are well advanced to secure a suitable drilling rig and associated service providers to facilitate the drilling of the Lawford 1 well. Current anticipations are for contractual negotiations (including a suitable drilling rig) to be finalized in the coming month following which timelines and expected spud dates will firm up for Q3 drilling activity, weather and site access permitting.

#### **Merlinleigh Project, Carnarvon Basin (New Standard 100%)**

Following the completion of the geochemical sampling work in late 2010 and the encouraging results of that program, New Standard elected to exercise the acreage options attaching to the Special Prospecting Authority areas (SPAs). The exercise of the acreage options involved a partial relinquishment of the less prospective portions of the SPAs and assuming acceptance of the proposal will result in a significant acreage position advancing to application area status. This will also trigger the formal commencement of the native title negotiation process with the traditional owners in the region. Current expectations are that New Standard will be in a position to progress the Merlinleigh Project to this next phase in the near future.

Following the tenure progressing to this next stage the primary focus will be on progressing native title discussions in an effort to reach agreement as quickly as possible. In this regard, discussions have already commenced and preliminary meetings with the traditional owner groups have been held resulting in healthy engagement. Additional traditional owner meetings and discussions are currently being sought with a view to progressing as quickly as possible.

Assuming both the tenure and native title negotiation processes can continue to be progressed efficiently the opportunity to fast-track the Merlinleigh Project and assess the potential for drilling in late 2011 may materialise.

## UNITED STATES EXPLORATION PORTFOLIO & ACTIVITIES

The cornerstone of New Standard's focus in the United States remains the development of the Heintschel field in Colorado County, Texas. At this early stage of development of what appears to be a large gas/condensate discovery, further work is required to understand the reservoir and optimise completion techniques to enhance productivity of the wells and the potential economics of the field.

The March 2011 quarter saw appraisal and development activity continue with the fracture stimulation and completion of the Heintschel #2 and D. Truchard #1 wells in the Heintschel field. The production base grew as a result of these two wells being connected to the sales network and following the end of the quarter the Joann #1 well was also connected to sales and is generating healthy income.

### Production Update

During the quarter the three wells in the Heintschel field (Heintschel #1, Heintschel #2 and D. Truchard #1) produced a total of 160 million cubic feet of gas and 6,430 barrels of condensate. Associated water production was managed through trucking whilst water disposal alternatives (such as drilling a shallow water injection well) are further considered. Production during the period was somewhat limited given two wells were not on production for the whole period and modest fracs were applied to the Heintschel #2 and D. Truchard #1 wells. Post the end of the quarter the Joann #1 well was tied into the sales network to add further to the production base. Cash flow from the production during the quarter will largely be reflected in the June 2011 quarterly given the two month lag in payment terms

Following the end of the quarter the Heintschel #1 well has been shut to install a compressor to enhance production rates that are suffering due to water influx and insufficient reservoir pressures. The installation of the compressor is aimed at lowering the sales line pressure, which will hopefully facilitate increased production from the Heintschel #1 and D. Truchard #1 wells. The Brasher #1 well remains shut in awaiting further remedial work.

The Heintschel sands are regarded as "tight" and require fracture stimulation to flow. All three wells in the Heintschel field have displayed flow rates that have declined at a greater rate than pre-frac anticipations. Contributing factors to the production decline include high levels of water production and less than optimum fracture stimulations (fracs) of all three wells in terms of location in the reservoir section, frac design and size of frac. Importantly, however, all three wells have been completed in the same manner with no different completion techniques being applied to date. As a result in New Standard's view they do not necessarily reflect the potential of future development wells in the Heintschel field once enhanced completion techniques have been designed and applied.

Despite sub-optimal production rates the three wells delivered solid revenues for New Standard during the month of March and the Joann #1 has added to this production base following connection to the sales network in April 2011.

### Heintschel Field Update

During the quarter AKG Energy provided an upgrade to the estimate of in place resources at Heintschel. AKG Energy aggregated data from the D Truchard #1 well and the Heintschel #2 wells with Heintschel #1 data and a comprehensive existing 3D seismic database to provide the following revised estimates of gas and condensate in place in the Heintschel field as well as a projected recoverable estimate based on analogue fields in the immediate region:

Table 1: Revised Potential Resource Estimates Heintschel Field (source; AKG Energy)

	Gas (bcf)			Condensate (mmb)		
	Previous recoverable volume estimates	Revised in place volumes estimates	Projected recoverable volumes estimate*	Previous recoverable volume estimates	Revised in place volume estimates	Projected recoverable volumes
<b>Low Case</b>	25.6	166.6	73.4	0.465	6.9	3.1
<b>Mid Case</b>	58.9	209.0	93.0	1.07	8.7	3.9
<b>High Case</b>	87.7	246.6	108.7	1.6	10.3	4.5

\* the projected recoverable estimates are based on in place volume estimates combined with recovery data from analogue fields

The upwards revision to the gas and condensate in place numbers require additional work and production data to substantiate the economics of the field. An independent reserves study is to be commissioned to provide further clarity on the Heintschel resources after sufficient production data has been obtained.

Production statistics from the three wells will also enable the development of a frac design that will yield the maximum well productivity and help determine the ultimate recoverable resources for the field. Field development planning, including well spacing, frac design, water disposal and potential for horizontal drilling, will advance as more well production data becomes available.

AKG Energy’s revised in place numbers are estimates that have been derived by determining reservoir rock volumes from 3D seismic and reservoir thicknesses encountered in the three wells along with well log information including porosity and water saturation etc. Importantly, the recoverable projections have been based on analogue pressure depletion Wilcox fields in the region and more specifically the assumption that wells on the Heintschel field will produce until the pressure is depleted to 50% of the original reservoir pressure - a figure that has been commonly achieved in analogue fields in relatively close proximity to the Heintschel field.

As a result the projected recoverable resources outlined have been based on analogy and not on specific field economics. AKG Energy advises that the method used to derive the estimates is a standard and reasonable approach to estimating potential recoverable resources for early stage appraisal projects, but the reliability of the assumptions and more rigorous determination of the volumes that will ultimately be recoverable will not be known until several months production history has been achieved and the economics are better understood. These numbers may therefore be subject to revision following sufficient production data becoming available and an independent study being undertaken on potential Heintschel resources and reserves.

All three wells are producing a significant amount of water (90-350bbl/day), which reduces the amount of gas and condensate the reservoir pressure can produce at the surface. This is the primary reason for adding compression which will help reduce the pressure of the sales line into which the wells produce and enhance the ability of the well to produce. The water is currently trucked away which adds a small increment to operating costs and the costs of this have been reduced during the quarter.

The origin of the water in all three wells remains the subject of an ongoing studies by expert log analysts and engineers. This issue is critical to planning future Heintschel wells in order to avoid as much water production as possible in development wells in the field. Further work is still required to reconcile this issue before optimised completion and frac design can be undertaken for future development wells.

**Forward Plans**

US based operators AKG Energy and specialist consultants are working on plans to attempt to reduce water production and to increase the reservoir rock volume being accessed by future wells.



### UNITED STATES EXPLORATION PORTFOLIO & ACTIVITIES (cont'd)

Some near term options for future activity being considered at Heintschel include the following:

- drilling a horizontal well to intersect a greater amount of reservoir rock volume – with staged fracs at various places along the horizontal section
- drilling an additional vertical well in which each individual reservoir sand is selectively perforated and treated with a low grade, focussed frac following which they will be flow tested. This will help determine the source of the produced water and allow gas and condensate production to be maximised

The existing wells will be monitored over the coming months until sufficient reservoir pressure data and production decline data is available to optimise a plan for development drilling. This is particularly important in light of the current uncertainty regarding the source of water and will help ensure shareholder funds are wisely invested going forward. Whilst this work continues production will be maximised from the existing wells to generate as much income as possible.

### CORPORATE

The non-core tungsten assets were disposed of through the sale of New Standard's wholly owned subsidiary Tungsten Australia Pty Ltd. The divestment realised \$50,000 cash and New Standard retains an overriding net smelter royalty of 1% on both projects.

During the quarter 1,000,000 unlisted options were issued pursuant to an employment contract with Marcus Gracey who has taken the role and Commercial and Legal Manager.

**Competent Person:** *The information in this announcement in relation to the Colorado County Project is based on information provided to New Standard Energy by AKG Energy LP and Burlison Energy Ltd and reviewed by Dr Mark Hagan (BSc Hons, PhD) who is a Petroleum Geologist and Geophysicist with more than 35 years experience in the industry. Dr Hagan is Technical Director of New Standard Energy and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*