



**NEW STANDARD  
ENERGY**

ASX Code: NSE  
ACN 119 323 385

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**BOARD OF DIRECTORS:**

**Arthur Dixon, AM**  
Chairman

**Sam Willis**  
Managing Director

**Mark Hagan**  
Technical Director

**Chris Sadler**  
Non-Executive Director

**Phil Thick**  
Non-Executive Director

**David Hansen-Knarhoi**  
Joint Company Secretary/CFO

**Mark Clements**  
Joint Company Secretary

**ISSUED CAPITAL**  
~ 305m Shares  
12.95m Unlisted  
Options

**MARKET CAPITALISATION**  
~ \$96m  
(last @ 31.5c per share)

**CASH ON HAND**  
~ \$65m  
(post Buru share sale)

**INVESTMENT IN ELIXIR**  
\$1.2m (@ 2.7c per share)

# Quarterly Activities Report

July to September 2012

## HIGHLIGHTS

### Australian Exploration

- New Standard commenced Goldwyer Phase One exploration program alongside ConocoPhillips
- Nicolay #1 well successfully drilled, representing first ever shale gas data collection well targeting the Goldwyer
  - Encouraging first well, with majority of targets met to date
  - Continuous elevated gas shows across broad zones of shale intersected
  - Cores taken now undergoing detailed scientific analysis to begin creation of initial shale database
  - Funded by joint venture partner ConocoPhillips to US\$13 million
- Gibb Maitland #1 next well in the program
  - To be funded by joint venture partner ConocoPhillips to US\$13 million
  - Access and site civil earth works finalised
  - Interwell rig move about to commence, expected to take approx. one month to complete
  - Second Phase One well will continue to construct Goldwyer database, building on initial Nicolay #1 successes
- Merlinleigh desktop work and potential partnering discussions continue
  - EP481 and EP482 permits granted following successful native title negotiations
- Exploration activities conducted safely and without serious incident

### United States Exploration and Production

- Production continues from Colorado County project wells
- New Standard monitoring outcome of joint venture partner's first horizontal well (NSE non-participating)

### Corporate and Finance

- Current cash position of approx. \$65m following sale of shares in Buru Energy Ltd
  - Cash at 30 September 2012 of \$39.8m
  - Additional gross cash proceeds of \$27.4m realized post quarter end
- New Standard added to S&P ASX 300 Index
- Board and senior management strengthened

## AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES OVERVIEW

The September 2012 quarter was very busy operationally for New Standard with the drilling of the first well (Nicolay #1) in the inaugural drilling program with joint venture partner ConocoPhillips. The drilling of Nicolay #1 met a major milestone for the joint venture (and particularly New Standard as operator) given there has been no prior modern exploration wells drilled to depth in the southern Kidson sub-basin where the Goldwyer Project is located. The initial results of the well provided solid encouragement and are described in further detail in this quarterly report and New Standard and ConocoPhillips are now focused on commencing the second well in the initial three well program being Gibb Maitland #1 on EP450.

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

### The Goldwyer Project — World Class Potential

The Goldwyer Project comprises an acreage position in excess of 11 million gross acres overlying a blanket marine shale of Ordovician age. The prognosed thickness of the Goldwyer formation is between 300m and 500m across large portions of the project acreage and given the acreage size, the potential exists to host a very substantial hydrocarbon resource.

This potential has been evidenced by the independent assessment undertaken by the US Department of Energy in 2010 who estimated Risked Gas In Place of up to 764Tcf and Risked Recoverable Resources of 229Tcf across the Goldwyer formation in the Canning Basin. New Standard has a major footprint across large portions of the prospective Goldwyer formation.

Confirmation of a large hydrocarbon bearing shale thicknesses through the Phase One drilling program across this large acreage position is aimed at defining a substantial in place resource.

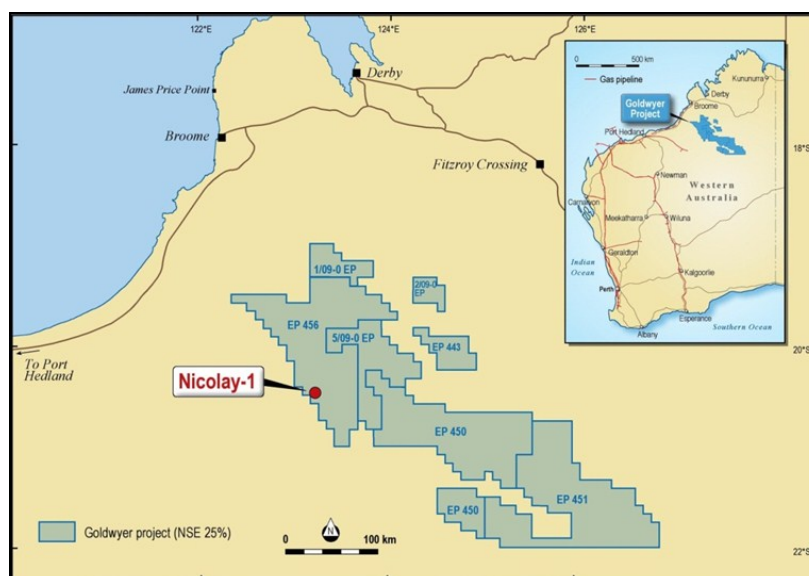
Basic Data	Basin/Gross Area		Canning Basin (181,000mi <sup>2</sup> ) <sup>1</sup>	Cooper Basin (46,900mi <sup>2</sup> )	Maryborough Basin (4290mi <sup>2</sup> )	Perth Basin (12,560mi <sup>2</sup> )	
	Shale Formation			Goldwyer Fm	Roseneath- Epsilon- Murteree	Goodwood/Cherell Mudstone	Caryginia Shale
Geologic Age			M. Ordovician	Permian	Cretaceous	Upper Permian	Lower Triassic
Physical Extent	Prospective Area (mi <sup>2</sup> )		48,100	5,810	1,555	2,180	2,180
	Thickness (ft)	Interval	300-2,414	0-1,800	300-3,000	300-1,500	300- 3,000
		Organically Rich	1,300	500	1,250	950	2,300
		Net	250	300	250	250	230
	Depth (ft)	Interval	3,300- 16,500	6,000- 13,000	5,000- 16,500	4,000- 16,500	3,300- 16,500
Average		12,000	8,500	9,500	10,700	10,000	
Reservoir Properties	Reservoir Pressure		Normal	Moderately Overpressured	Slightly Overpressured	Normal	Normal
	Average TOC (wL %)		3.0%	2.5%	2.0%	4.0%	5.6%
	Thermal Maturity (%Ro)		1.40%	2.00%	1.50%	1.40%	1.3%
	Clay Content		Low	Low	Low	Low	Low
Resource	GIP concentration (Bcf/mi <sup>2</sup> )		105	105	110	107	110
	Risked GIP (Tcf)		764	342	77	96	100
	Risked Recoverable (Tcf)		229	85	23	29	30

Source: US Department of Energy: World Shale Gas Resources

### Nicolay #1 Well – The First Step of Phase One

The Nicolay #1 well (New Standard 25% working interest post farm-out) was drilled on EP456 during the quarter representing the first modern exploration well to penetrate the Goldwyer formation in the remote parts of the southern Kidson basin. Nicolay #1 is the first well of an agreed three well program that forms the basis of the Phase One work program for the Goldwyer joint venture with ConocoPhillips. This three well program is funded by joint venture partner ConocoPhillips up to a cap of US\$13 million per well. The Nicolay #1 well represents the first step of a broader exploration program that is aimed at exploring a vast expanse in excess of 11 million gross acres through vertical drilling and data gathering to better understand the resource potential of the play.

## AUSTRALIAN EXPLORATION PORTFOLIO &amp; ACTIVITIES OVERVIEW (cont'd)



Above: Goldwyer Project acreage and the Nicolay #1 location on EP456

The Nicolay #1 well (operated by New Standard) was successfully drilled to a total depth of 3,564m with the primary target formation of the Goldwyer intersected over a significant thickness and shown to be hydrocarbon bearing. Close to 100% of the cores that were taken in Nicolay #1 were recovered and an additional sidewall coring program also completed over prospective sections of the Goldwyer.

Based on the initial well data, the outcome of the Nicolay #1 well is encouraging for the first well in the three well program. The drilling and initial wireline logs have confirmed the presence of the Nita and Goldwyer formations over a total thickness of between 350m and 400m with these thicknesses appearing coincident with the elevated hydrocarbon readings on the mud logs from drilling. This confirms a substantial zone of interest which has the potential to host large volumes of hydrocarbons. The initial wireline logs have also indicated that the Goldwyer formation is more shale bearing than originally observed during drilling operations.

These encouraging initial results support further detailed interpretation of the full package of wireline logs together with core analysis from the coring programs to provide additional clarity on the shale and source rock qualities. The initial results also bode well for the prospectivity of the Goldwyer at the Gibb Maitland #1 and Blatchford #1 well locations, with the overall scale and potential of the Goldwyer resource unchanged.

Core samples from Nicolay #1 are now being sent to various laboratories in Australia and around the world for a state-of-the-art analysis programme designed in collaboration with our partner ConocoPhillips. This suite of analyses will provide the geomechanical, geochemical, and physical parameters needed to more fully assess the prospectivity of the Nicolay #1 area. It is anticipated that results from the core analysis will become available early in 2013.

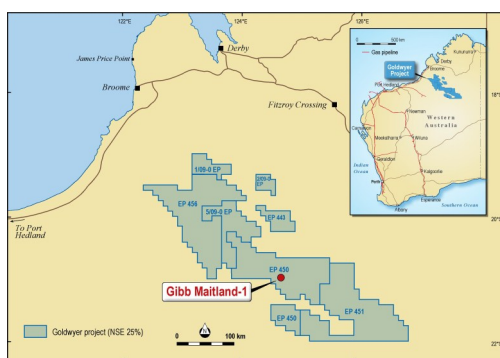
## AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES OVERVIEW (cont'd)

### The Second Well - Gibb Maitland #1

The second operated well in the program is the Gibb Maitland #1 vertical well which will be located on EP450 some 150km to the east from Nicolay #1. The drill site has been fully prepared and the associated infrastructure such as access roads, airstrip and water wells have been established in preparation for the impending rig move over some 330km between the two locations. It is anticipated that Gibb Maitland #1 will be spudded in December 2012 assuming a smooth inter-well rig move is achieved. All heritage approvals are in place following heritage clearance surveys conducted in conjunction with the traditional owners in accordance with the heritage protection agreements and protocols agreed between the parties.

Gibb Maitland #1 is situated on EP450 and will drill in a location that is interpreted to be more proximal to the heart of the Kidson sub-basin when compared with the Nicolay #1 vertical well. This location, together with seismic data through the Gibb Maitland #1 well site, suggests the existence of organically rich marine shales associated with the Goldwyer formation. This prospectivity is supported by the presence of the Goldwyer formation in well completion data from the offset wells of Percival #1 (170km north-east), the Kidson #1 well (184km south/southeast) and the Patience #2 well (285km south/southeast). Percival #1 was drilled on the Crossland Platform whilst both the Kidson #1 and Patience #2 wells were drilled on the southern flank of the Kidson sub-basin and on the southern side of the central basin axis. In contrast the Gibb Maitland #1 will be located more proximally to the basin centre in an effort to encounter the organically rich shales in a more attractive geological setting.

The Percival #1 well was drilled in 1985 and encountered the Goldwyer at a depth of 2,030m. Oil shows were encountered and oil was noted bleeding from Goldwyer cores in the upper part of the Goldwyer and gas shows were present throughout the formation. A similar presence of oil was noted in the Nita formation as well. The Kidson #1 well was drilled in 1965 and encountered the Goldwyer at a depth of 4,279m. The Kidson #1 well was drilled using very heavy mudweights (15lb+) that suppressed hydrocarbon shows whilst drilling but subsequent geochemical analysis demonstrated the Goldwyer to be hydrocarbon bearing. The Patience #2 well was drilled in 2001 and encountered the Goldwyer at a depth of 2,922m and elevated hydrocarbon readings were also encountered in the section.



**Above: Goldwyer Project acreage and the Gibb Maitland #1 location on EP450**

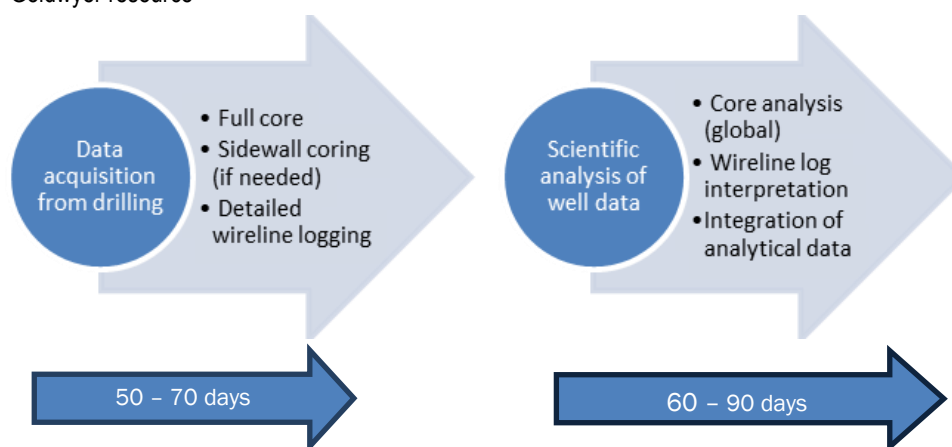
Following the upcoming rig move which is expected to take one month to complete, the Gibb Maitland #1 will be spudded and is expected to take around 65 days to drill and complete. Despite the distance between the two wells, experience from the drilling of the Nicolay #1 well will be applied including crew efficiencies, drill bit selection, drilling mud programs and downhole drilling technology such as Logging Whilst Drilling (LWD) to assist with casing and coring point selection. It is anticipated this will assist to improve drilling time and reduce drilling costs.

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

### Goldwyer Phase One Work – Building the Foundations for a Shale Gas Basin

The successful completion of drilling activity at the Nicolay #1 well represents the first well of the Phase One work program at the Goldwyer Project, where New Standard, alongside partner ConocoPhillips, is seeking to explore and define a significant new shale gas play. The following provides an overview of the exploration approach being adopted by New Standard and ConocoPhillips for the Goldwyer Project:

- The Goldwyer Project covers in excess of 11 million gross acres and is located in a large yet remote part of the Western Australian outback
- ConocoPhillips has agreed to explore and fund the Goldwyer project alongside New Standard via a staged four phase exploration program
- Phase One of the joint venture program, with a contribution of US\$13 million per well by ConocoPhillips, has been designed to drill three vertical exploration wells to acquire a detailed data set primarily focused on the Goldwyer formation
- The Phase One program is operated by New Standard
- The vertical well data acquisition program primarily involves:
  - Coring zones of interest through the primary Goldwyer formation
  - Running a detailed wireline logging suite across the Goldwyer formation
  - A detailed wireline log interpretation
  - Integration of all results with significant scientific analysis to refine the understanding of the potential Goldwyer resource






Above: Phase One Activity Pathway and Timelines

The data acquisition and analysis is a relatively expensive and time consuming process with the aim of gathering sufficient information to thoroughly understand the resource potential of the Goldwyer formation. The key pieces of information being sought throughout the data acquisition and analysis program are as follows:

Key Parameter	Detailed Data Being Sought
Source rock quality	TOC, kerogen type, maturity, condensate/gas ratios, rock evaluation
Reservoir quality	Facies, GRI porosity, permeability, saturation
Containment	Seal, faults, burial history, residence time
Brittleness	Mineralogy, contiguous thickness, depth, pressure, stress regime

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

The results of the data acquisition and analysis program will follow detailed laboratory studies around the globe and should help define the following key parameters in the locations where drilling has occurred:

-  How good the rock is and what does it contain? (i.e. source rock and reservoir quality)
-  How good is the container? (i.e. how much is still in the rock?)
-  How well does the rock break? (i.e. can we break it to extract the remaining hydrocarbons?)

This information will assist with the further evaluation program and help to progress towards delineation of potential hydrocarbon resources across this large acreage position.

### Operating in a Frontier Environment

New Standard has operated previous wells in less remote areas of the onshore Canning Basin and is pleased to have successfully completed the first Nicolay #1 well in a more remote part of the Basin.

The operational and logistical environment has led to New Standard obtaining additional expertise and resources to handle remote location and project logistics. The infrastructure investment made during Phase One (roads, airstrips, water wells, drill pads) will help support and reduce the cost of additional exploration work and subsequent appraisal phases.

Drilling and logistical efficiencies (crew, drill bit selection, drilling mud selection and the use of technology such as logging while drilling) are emerging following the drilling of the Nicolay #1 well and these are expected to continue as the drilling program progresses.

### Goldwyer Project – Summary

The Goldwyer Project is an early stage, attractive, large scale potential resource play in a new region of onshore Western Australia. The play has attracted a world class farm-in partner in ConocoPhillips to help fund and progress the Goldwyer Project by providing financial resources as well as significant technical expertise to New Standard.

New Standard currently has a significant cash balance of approx. \$65 million post the sale of BRU shares and will be funded by ConocoPhillips for an amount of US\$13m per well throughout the Phase One three vertical well drilling and analysis campaign. This initial phase of the joint venture program is focused on data acquisition and analysis which will likely take a minimum of six months to fully complete to better understand the prospectivity of what may be a significant hydrocarbon resource. The Nicolay #1 well has provided an encouraging start and the joint venture is now looking forward to the Gibb Maitland #1 well.

### Merlinleigh Project

The Merlinleigh Project took a big step forward during the quarter following the successful completion of native title negotiations with the Gnully claimants which, in turn, culminated in the granting of two exploration permits across the acreage being EP481 and EP482. The native title and heritage protection agreements formed a major milestone for the project and also established a new precedent in Western Australia as an agreement which includes agreed approvals for future retention leases beyond the initial exploration phase (referred to as a partial conjunctive agreement).

During the quarter potential partnering discussions with a varied group of interested parties continued alongside additional desktop technical work. The geological similarities to the northern Perth basin remain encouraging in light of solid progress that is currently being made by other operators in the region.

Field planning is also currently underway with environmental, heritage work and clearances planned for the immediate future to ensure that planning for an exploration program can be progressed with confidence. The 2013 exploration program planning continues and will include the optionality of drilling should the decision to proceed to drilling be made. It is anticipated that current work and discussions with third parties will continue over the coming months with a view to defining 2013 exploration plans during Q1 next year.

### **Laurel Project**

An aerial gravity survey was successfully completed during the quarter over acreage incorporating both EP417 and the recently acquired Seven Lakes SPA area. This survey was funded through the respective joint ventures with Buru Energy Ltd (**Buru**) and Green Rock Energy Ltd. The survey data is currently going through final quality control reviews and will be interpreted and integrated with the existing database across the region. This work will enable an informed decision to be made in due course regarding relinquishment of acreage pursuant to the Seven Lakes SPA acreage terms.

Buru has reported continued exploration efforts in the region with the completed drilling at Yulleroo #3 and Asgard #1 both yielding encouraging hydrocarbon shows during drilling through the Laurel formation. Ungani North #1 was temporarily suspended at a depth of 2,292m due to mechanical issues with the drill rig and has been re-entered subsequent to the end of the quarter. Additional 2D and 3D seismic programs have either been completed or underway to enhance the understanding of the region.

The Buru acquisition of a 90% interest in EP457, EP458 and application areas 5/07-8 (all acreage in the Laurel trend) for cash consideration of \$36m also established a credible valuation marker for Laurel acreage in the region during the quarter.

## **UNITED STATES EXPLORATION PORTFOLIO & ACTIVITIES**

New Standard continues to receive monthly income from its equity stake in the Colorado County Project in onshore Texas and the income being received means the US portfolio is self-sufficient in terms of covering associated holding costs.

The first horizontal well in the Heintschel field was drilled and fraced during the quarter by partners AKG Energy, Burleson Energy Ltd (ASX: BUR) and others. New Standard elected not to participate in this well during the previous quarter. The initial results from the well indicated gas was flowed back at rates of ~3mmcf/day plus condensate but the water production and frac fluids being flowed back to surface proved too much for the handling equipment.

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

The results of this well will continue to be monitored by New Standard over the coming weeks as the outcome will likely have a bearing on the future steps associated with the US portfolio.

### CORPORATE & FINANCE

As part of the continued bolstering of expertise and experience, Ken Aitken was appointed as General Manager Operations and Engineering during the quarter. Ken provides New Standard with a significant level of operational expertise with over 27 years in oil and gas exploration, a large part of which included the onshore Perth basin in Western Australia through his role as WA Asset Manager for Origin Energy. Ken's appointment together with Brett Walker's previous appointment as Exploration Manager pave the way for an orderly transfer of executional responsibility to occur from New Standard's Technical Director Dr Mark Hagan over time. Dr Mark Hagan remains an Executive Director of New Standard and this process forms part of a succession plan to support New Standard's continued operational growth.

The Company was included in the S&P ASX 300 Index during the quarter reflecting an increased investor appetite for the emerging unconventional hydrocarbon exploration sector.

The cash balance at the end of the quarter was approx. \$39.8m which was further enhanced through the sale of the remaining investment in Buru post the quarter's end. The remaining holding in Buru of 15 million shares was liquidated during the quarter and subsequent to the quarter's end. The gross proceeds realised from these sales totaled \$43.3m and the investment provided a substantial investment return of in excess of 1,600% for New Standard shareholders. New Standard's current cash position is approx. \$65m.

The sale of Buru shares was in line with the board endorsed capital management plan to manage and balance the risk and volatility associated with its balance sheet and leaves the Company well positioned for future exploration activities and growth opportunities.

The expected cash outflows for the coming quarter in the attached Appendix 5B reflect the net amounts that New Standard anticipates expending on its asset portfolio and exploration activities after taking into account the funding contributions from ConocoPhillips for the Goldwyer Project. Contributions are being made to the Goldwyer JV costs across the three well program (largely infrastructure, civils, logistics and some drilling) and New Standard's administrative costs have also increased reflecting the increased staffing levels and oversight required to operate the Goldwyer drilling campaign. A one off amount is also provided for the next quarter in relation to an impending office move in December 2012.

**Competent Person:** *The information in this announcement is based on information 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 this information in the form and context in which it appears.*