

ASX Announcement (ASX: NSE)



NEW STANDARD
ENERGY

Date: 1 October 2014

New Standard updates development drilling plans at its Atascosa Project in Texas

New Standard Energy Limited (**New Standard**) is pleased to announce that it is well progressed with planning to commence drilling its next 3 wells in the Atascosa Project in October, “targeting longer laterals and higher proppant concentrations” to achieve significant increases in oil production IP rates and EURs. The new well locations are now being permitted and built, and the drilling rig is schedule to arrive mid-October 2014.

New Standard and Magnum Hunter have been working closely to significantly reduce drilling and completion costs for these Atascosa Eagle Ford wells. Original well costs were \$8.5MM USD and today, following the successful drilling and completion of the Peeler Ranch 5H and 6H wells earlier this year, these costs have been reduced to \$6.5MM USD.

New Standard Managing Director Phil Thick said a detailed analysis of multiple analogous wells, all within a few kilometres or contiguous to New Standard’s acreage, revealed that recent wells that were hydraulically fractured using much higher proppant concentrations were recording significantly higher initial and sustained oil flow rates defined as Type III EF vs. previous similar wells with lower proppant concentration defined as Type II EF (see Figure 1 below).

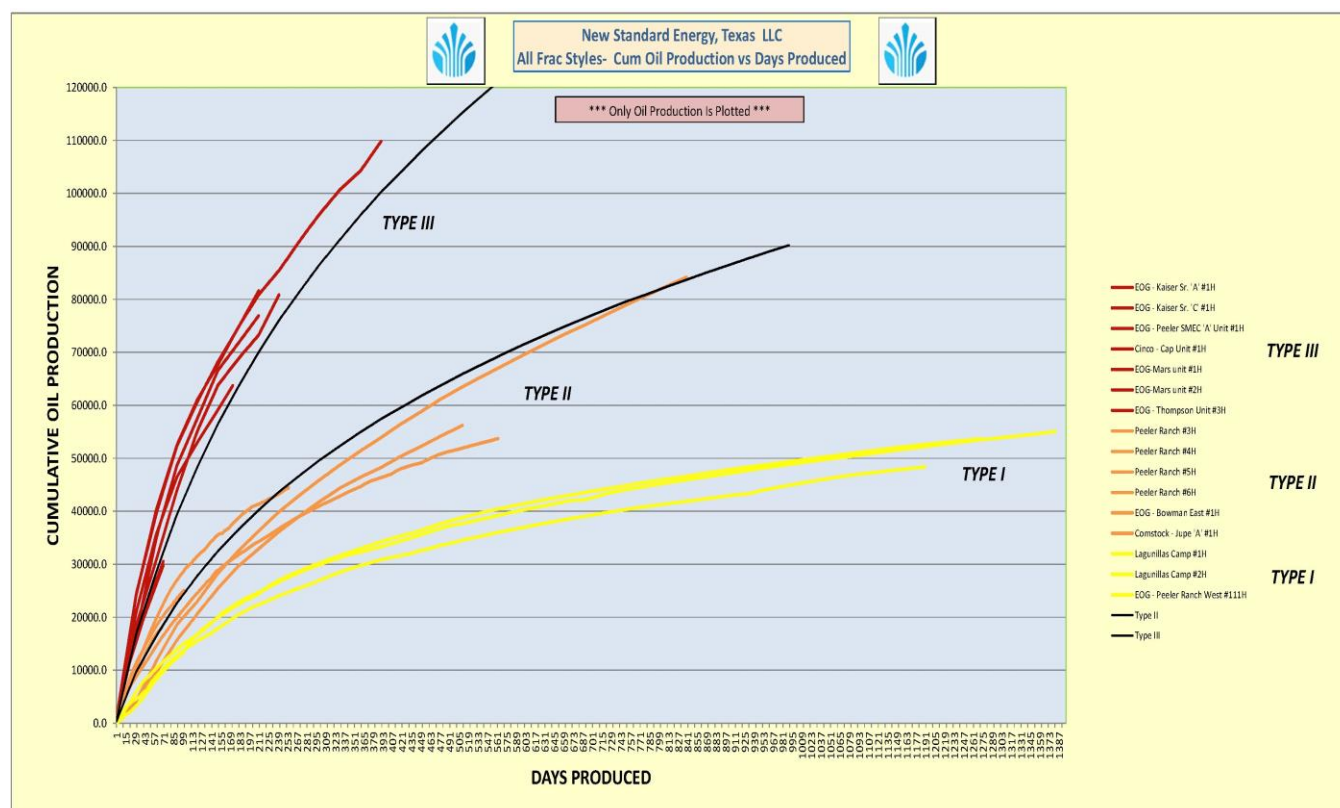


Figure 1 : Cumulative oil production Atascosa County wells – evolution of frac types



Importantly, the rate of production decline was unaffected by the initial higher production levels, so cumulative production was considerably higher.

“As part of the transition of operatorship, New Standard has absorbed some of the original Magnum Hunter Eagle Ford team and now has its own team on the ground working alongside Magnum Hunter on planning the next wells,” Mr Thick said.

“Flow rates in the Atascosa Project have been steadily improving and costs decreasing with each new program of wells drilled, and we continue to drive this iterative improvement.”

“A combination of longer laterals, more frac stages and higher proppant concentration is moving wells from what we call Type II to Type III (see Figure 1 above). The cost of Type III wells can be 10-15% higher but production rates increase dramatically and IRR’s can easily move to in excess of 50% with 35-45% higher EUR’s. As a result, payback on the capital cost of these wells becomes much shorter.”

“We are excited by the upside available to us and the potential production and reserves uplift as we move towards these Type III wells. We will be finalising our more detailed plans alongside Magnum Hunter over the coming few weeks.”

“This change to the well design for our upcoming drilling activity demonstrates the advantage of working with the Magnum Hunter team, to draw on their experience to lower drilling and completion costs and continually optimise each set of development wells.”

New Standard confirms that the recent acquisition of 50% of the McCarty leases in the Alright area, along with other minor changes to previous acreage positions, has increased the Company’s total Eagle Ford acreage position to 7,379 gross acres and 5,585 net acres.

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About New Standard: New Standard Energy is an onshore hydrocarbon producer, developer and explorer with a commitment to develop and realise the oil and gas potential of the most prospective shale and tight gas basins across the US and Australia.

The Company's exploration and production program is active, well-funded and extensive. It is underpinned and complemented by targeted corporate activity to take advantage of opportunities and to build an extensive pipeline of prospective projects. New Standard's Board has substantial technical and commercial experience in the oil and gas sector.

The Company operates in four primary basins: Eagle Ford, Texas, USA; Cooper, South Australia; and the Canning and Carnarvon, Western Australia.

The Eagle Ford acreage is a development and production project. It contains seven existing production wells, in the oil window of the Eagle Ford shale, which are currently producing and generating revenue that will provide immediate monthly cash flow to the Company. New Standard is currently drilling and evaluating additional wells.

The Cooper Basin Project is later stage exploration and development, to take advantage of existing infrastructure and the domestic and export opportunities available in the Australian East Coast gas market.

The Canning and Carnarvon Projects are frontier basins, providing New Standard's investors with exposure to high risk, high reward exploration.

New Standard benefits from a strategic alliance with its major shareholder, the US-based Magnum Hunter Resources Corporation, to efficiently develop the Atascosa Project in the Eagle Ford; to develop the Cooper Basin; and to explore in the Canning and Carnarvon Basins. The Company's portfolio includes:

Texas

- Working interests ranging from 35.4% to 100% Working Interest across 5,585 net acres in the Eagle Ford shale, onshore Texas, USA
- 32.5% working interest in the Colorado County Project, onshore Texas, USA

South Australia

- 52.5% operated interest in the PEL 570 acreage area in the Cooper Basin, South Australia

Western Australia

- 25% operated interest in the Southern Canning Project (EPs 443, 450, 451, 456), Canning Basin, Western Australia
- 100% operated interest in the Southern Canning Project (application areas STP-EPA-006, STP-EPA-007 and STP-EPA-010), Canning Basin, Western Australia
- 100% operated interest in the Laurel Project (EP 417 and Exploration Permit Application STP-EPA-0109), Canning Basin, Western Australia
- 100% operated interest in the Merlinleigh Project (EPs 481 and 482), onshore Carnarvon Basin, Western Australia
- 100% operated interest in application area STP-EPA-0092

In addition to the above portfolio, New Standard has an 11.8% equity interest in ASX listed Elixir Petroleum (**ASX: EXR**) and has formed a strategic alliance with Magnum Hunter Resources Corporation (**NYSE: MHR**) to deliver expertise and corporate growth. New Standard is also continuing to actively assess other opportunities to complement and expand its exploration portfolio.