

## ASX ANNOUNCEMENT (ASX: BRU)      27 August 2010

### Operations Update

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Buru Energy Limited ("**Buru**" or "**Company**") is pleased to provide the following update on its current and planned operations for the 2010 field season. In summary:<sup>1</sup>

- the sidetrack of the Leander-1 well, now known as Leander-1st1, well has been commenced and as at 06:00 (WST) on 27 August 2010 the well was drilling ahead at a depth of 1,602m;
- the Company expects to commence drilling operations at the Paradise-1 well in late-September or early October;
- Buru and its joint venture partner, Mitsubishi Corporation ("**MC**"), have committed to a fracture stimulation and flow test ("**frac test**") of the Yulleroo-2 well (expected to commence in mid-October), and the drilling of the Nangu-1 well (expected to commence in mid-November);
- TerraTek/Schlumberger have been contracted to undertake detailed analysis of the tight gas and shale gas potential of Buru's permits including further extensive sample and rock property analysis, in preparation for the shale gas well which is part of the MC farm-in program in 2011;
- joint venture approval is being sought for the testing of the Stokes Bay-1 well which, if approved, will take place in mid-October after the Yulleroo-2 frac test;
- the acquisition of the Yulleroo South 2D and Pijalinga 2D seismic surveys, focused on maturing prospects for the 2011 and 2012 drilling seasons commenced today;
- workovers of the Sundown-2 and Sundown-4 wells in the existing Sundown oil field will take place as soon as suitable equipment becomes available; and
- the Company has called for expressions of interest for an additional drilling rig with greater depth capacity to supplement the Company's Fairway Rig for the 2011 drilling season.

Further details of these operations are set out below.

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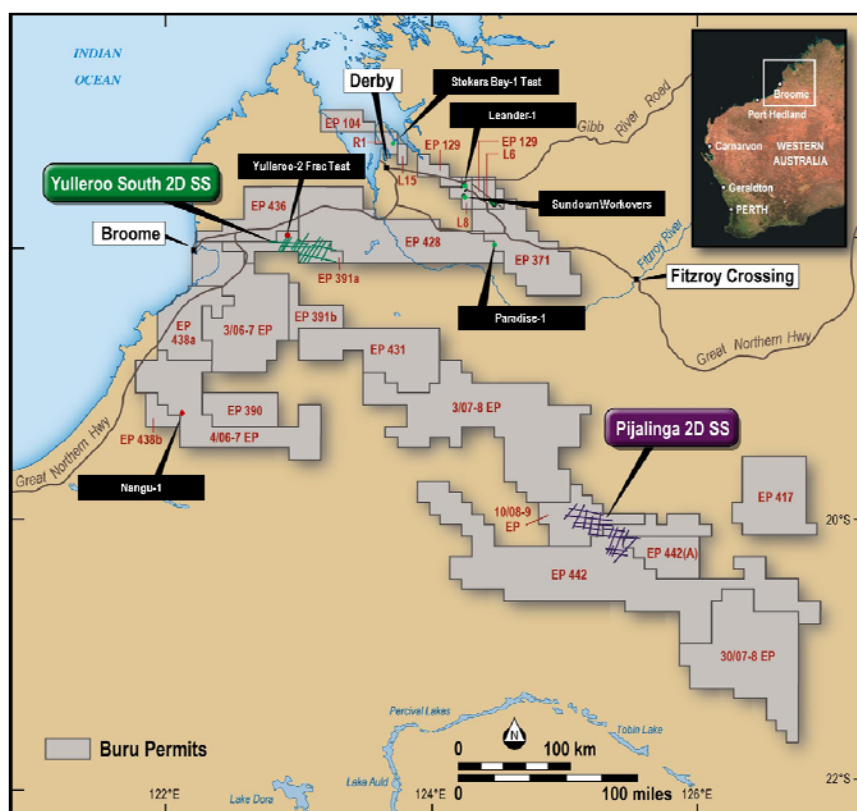
<sup>1</sup> All drilling and other operational dates and times in this ASX release are indicative only. The timing of all operations is subject to receipt of all necessary approvals, weather and operational factors.

*We have also embarked on a major tight gas and shale gas technical study with the award of a contract to TerraTek/Schlumberger to carry out extensive additional sample, core and rock property analysis. This work, in parallel with the Yulleroo frac test, will help prepare us for the planned 2011 shale gas well which is part of the MC farm-in program.*

*We are also not neglecting our current operations with planning for the workover program on our existing oil producing fields and a recommendation to the Stokes Bay joint venture to test the Stokes Bay-1 well.*

*Our assault on the Canning Superbasin has been carefully planned and executed, and involves real activity in multiple work streams that has been properly thought out, funded and resourced. It stands a very high chance of success over the course of the program."*

A map of Europe with the Iberian Peninsula highlighted in a darker shade, indicating the location of the study area.



## **Leander-1st1**

Since the last drilling progress report on 26 August, the Leander-1st1 well has been successfully sidetracked and is drilling ahead at a depth of 1,602m. The well is currently close to the top of the sands of the Anderson Formation, the primary objective of this well.

## **Yulleroo-2 Frac Test**

Planning is well advanced for the frac test of the Yulleroo-2 well on the Yulleroo gas discovery, with the award of the frac contract to BJ Services, and the ordering of long lead items now completed.

Buru and MC have agreed the general design of the frac, and Buru (as operator) is now working with BJ Services to complete the final detailed design of the frac. The Yulleroo-2 frac is designed to test the flow capacity of the gas sands and shales in the large Yulleroo gas accumulation located in exploration permit EP 391, approximately 75 kms east of Broome. The Yulleroo gas accumulation was discovered by the Yulleroo-1 well which was drilled in 1967 and was appraised by the Yulleroo-2 well drilled by ARC Energy Limited ("ARC") in 2008.

The Yulleroo-2 well proved the existence of a large gas accumulation with a gross gas column in the structure of over 800 metres. The identified estimated potential recoverable volumes in the conventional and tight gas sands in the accumulation are in excess of 400 BCF of gas, together with in excess of 20 million barrels of liquids on a P50 basis. There is also potentially over 1 TCF of recoverable gas contained in the shales in the gas column in the accumulation on a P50 basis.

The Yulleroo-2 frac test is designed to test the flow capacity of both the conventional and tight gas sands, and the shale gas sections of the accumulation. The frac will be conducted as a high volume "slick water" frac similar to the fracs used very successfully in the Eagle Ford and other shale plays in the US.

A successful test of Yulleroo-2 will justify further appraisal drilling to commercialise this existing gas discovery as the cornerstone of a new gas province underpinning the construction of the Great Northern Pipeline. Furthermore, there are numerous other prospects in the Yulleroo area, both conventional and unconventional, some of which will be detailed by the current Yulleroo South 2D seismic survey in preparation for the 2011 and 2012 drilling programs.

The Yulleroo-2 well will be prepared for the frac test using the Fairway Rig. The Fairway Rig will be mobilised to the well site for approximately one week immediately following the completion of Leander-1st1 and will be used to run the frac tubing string into the well. The Fairway Rig will then be released to drill the Paradise-1 well after a short maintenance period. The frac testing equipment will be mobilised to the Canning Superbasin in mid-October with the frac test expected to be completed by the end of October.

Additional information in respect of the Yulleroo-2 frac test will be released closer to the commencement of operations.

## **Paradise-1**

Drilling operations are expected to commence at the Paradise-1 well in late September or early October. The well will be drilled with the Fairway Rig following the preparation of the Yulleroo-2 well for the frac test.

Paradise-1 is located in exploration permit EP 371, on the boundary with exploration permit EP 428. The prospect was confirmed by the Paradise 2D seismic survey acquired by Buru in 2009. The well is targeting the Anderson and Laurel Formation sands. These sands contained numerous oil and gas zones in the Valhalla-1 well drilled by ARC in 2007, but were not tested due to drilling and rig problems. The Paradise-1 prospect is a large regional structure with the potential to hold significant volumes of oil, gas and condensate in a series of stacked reservoirs, with a P50 case of approximately 16 million barrels of oil and over 200 BCF of gas if hydrocarbons are present. The well will be drilled to a total depth of 2,500m.

Cores will also be taken of the Anderson and Laurel Formations to help confirm the identified potential for shale gas and tight gas plays in the area surrounding the Paradise-1 well.

Additional information in respect of the Paradise-1 well will be released closer to the commencement of drilling operations.

## **Nangu-1**

Buru and MC have approved the drilling of the Nangu-1 well with the Fairway Rig in Application Area 4/06-7, some 250 kms to the south of Broome. The well will be drilled following the completion of the Paradise-1 well with drilling operations expected to commence in November. The well is an important test of a major play type with significant potential for both gas and liquids.

Nangu-1 is targeting P50 reserves of approximately 1 million barrels of condensate and 15BCF of gas in the event that hydrocarbons are present. While modest in itself, a success at Nangu-1 will create the potential for the development of a regional gas gathering and condensate production project based on the identified follow-up potential in the area. The location of the well in the southern part of the Canning Superbasin close to the Great Northern Highway will facilitate rapid commercialisation of any discoveries. In particular, the area is close to the major mining projects at Telfer and Kagara Ltd's proposed Admiral Bay lead/zinc mining operation. Commercialisation of any gas would therefore be possible prior to the construction of the Great Northern Pipeline.

Additional information in respect of the Nangu-1 well will be released closer to the commencement of drilling operations.

## **Stokes Bay-1**

An inconclusive test of the reservoir at Stokes Bay-1 was undertaken by the joint venture in late 2008. Buru, as operator, has developed an operational plan for a definitive test of the well. Subject to joint venture approval this test will take place in mid-October using the coil tubing unit which will be part of the equipment used for the Yulleroo-2 frac test.

A further update on the Stokes Bay-1 test will be provided following the joint venture's consideration of the test proposal.

## **Workovers**

Buru has finalised an operational plan for the workover of the Sundown-2 and Sundown-4 wells. These wells are located in Buru's wholly owned Sundown oil field in production permit L8. Timing for these workovers is dependent on the availability of suitable equipment in the

Canning Superbasin. These workovers may be undertaken either with the Fairway Rig, a third party rig or with a jacking platform. The Company is investigating these options at present and will provide an update on likely timing of the workovers in due course.

## **Seismic**

The Company is undertaking two seismic surveys this year:

- the Yulleroo South 2D seismic survey; and
- the Pijalinga 2D seismic survey.

Both surveys are designed to firm-up prospects for drilling in the 2011 and 2012 field seasons.

The Yulleroo South 2D seismic survey consists of 16 lines covering 346.6kms in exploration permits EP 391 and EP 428. It is designed to firm up prospects in the Jackeroo and Ungani trends surrounding the Yulleroo gas field (which will be the subject of the frac test in October this year described above). Line clearing for this survey is almost complete, with acquisition commencing today.

The Pijalinga 2D seismic survey consists of 20 lines covering 408kms in exploration permit EP 442 and Application Area 10/08-9. It is designed to mature multiple leads in the Acacia Fairway to drillable status for potential drilling in the 2011 field season and to provide additional regional coverage. Line clearing will commence immediately following completion of line clearing for the Yulleroo South 2D seismic survey with acquisition to commence immediately following line clearing.

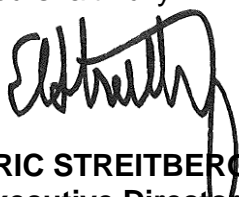
The Company will provide regular updates on its operations, including drilling progress reports each Thursday during drilling operations.

Further information on the company is available on the Buru website at: [www.buruenergy.com](http://www.buruenergy.com)

**For inquiries please contact:**

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Yours faithfully

  
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