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## **ASX ANNOUNCEMENT (ASX: BRU)      22 October 2010**

### **Commencement of Yulleroo-2 Stimulation Program Canning Superbasin Exploration Campaign**

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Buru Energy Limited (“**Buru**” or “**Company**”) is pleased to announce that the stimulation and test of the Yulleroo-2 well is expected to commence shortly. Further details of the Yulleroo-2 well and the stimulation and test program are set out in the attached presentation.

The Yulleroo-2 stimulation and test is part of Buru’s 2010 Canning Superbasin exploration program and is a major component of the Joint Exploration Program with Mitsubishi Corporation (“**MC**”). Subject to the terms of the farm-in agreement between Buru and MC, MC is obliged to fund 80% of the costs of the Yulleroo-2 program as part of an expenditure commitment of \$22.4 million in 2010 to earn an initial 40% interest in the majority of Buru’s permits.

Yulleroo-2 is located in exploration permit EP 391 some 80 kilometres from the town of Broome in northwest Western Australia. The well location is some 10 kilometers from the all weather Great Northern Highway along a good quality gravel road.

The Yulleroo-1 well drilled in 1967 tested gas at low rates from a very substantial gas column in a sequence of thick shales and thin sands in the Laurel Formation. The Yulleroo-2 well was drilled in 2008 by ARC Energy to appraise the Yulleroo-1 discovery and recorded strong gas shows at the same stratigraphic level as Yulleroo-1 but was suspended without testing due to rig problems.

These two wells have defined a large gas and condensate accumulation with a combination of conventional gas, tight gas and shale gas reservoirs. The Yulleroo-2 stimulation and flow test is designed to determine if commercial rates of gas production can be obtained from the identified reservoirs.

Sufficient data exists from the original two Yulleroo wells, including the extensive cores in Yulleroo-1 and the seismic mapping of the structure undertaken by ARC Energy and Buru in 2007 and 2009, to be able to calculate an estimated recoverable resource of conventional and tight gas, on a P50 basis, of in excess of 400 BCF of gas together with in excess of 20 mmbbls of liquids. In addition, the shales in the gas column have an estimated recoverable resource, on a P50 basis, of another 1 TCF of gas.

Buru’s stimulation and flow test of Yulleroo-2 is designed to determine the potential for the commercial development of the Yulleroo accumulation. In the event the test provides support for a commercial development, additional seismic, drilling (including horizontal wells), and stimulation tests will be required to define the commercial parameters of a future development.

The size of the accumulation, as identified by the two wells already drilled on it, the extensive gas column with no interpreted free water leg to interfere with gas production, and the apparent high liquids content of the gas make the accumulation a very attractive target with potentially very high value.

In summary, the key technical and operational aspects of the program are as follows:

- The program is expected to commence on 2 November and consists of two distinct phases:
  - the stimulation process, which will take approximately 6 days; and
  - a production test program lasting approximately 10 days.
- The stimulation program will be conducted by BJ Services under the supervision of Buru personnel and specialist consultants. The stimulation (fracking) technique being used is similar to methods used extensively in the US for shale gas production and has been designed to be as simple and technically robust as possible.
- Three zones will be stimulated (at 3,100 metres, 2,980 metres and 2,850 metres) using high volumes of proppant and water (100,000 lbs and 5,000 barrels respectively) for each zone.
- The operation will be conducted using a specialized inert proppant conveyed by a fluid which is more than 99.5% clean water. The small volumes of water which are expected to be recovered after the stimulation process will not contain any harmful materials and will be disposed of on site. As the stimulation process is being conducted about three kilometres below the surface of the ground there will be no discernible effects either at the surface or in any shallow aquifers.
- At the conclusion of the stimulation process the well will be cleaned up using a coiled tubing unit, and once a gas flow is established the well will be shut in before being prepared for a production test program which will include flowing the well at a constant rate to determine a sustainable flow rate and to establish the composition and liquids content of the produced gas.
- During the approximately 7 day “shut-in” period of the production test the coiled tubing unit will be mobilised to the Stokes Bay-1 well site to undertake a nitrogen lift of that well.
- At the conclusion of the production test of Yulleroo-2 the well will be shut in and suspended pending further testing and observation.

The operation is expected to commence on 2 November. This is approximately one week later than originally planned due to delays in mobilising the equipment from Queensland caused by recent heavy rains.<sup>1</sup>

During the course of the stimulation and test program progress reports will be provided to the ASX each Thursday, and also as required on the occurrence of any material event during the operation.

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<sup>1</sup> *Drilling dates and times in this ASX release are indicative only. The timing of drilling operations is subject to weather and operational factors.*

## **Executive Director's Comments**

Commenting on the Yulleroo-2 test, Eric Streitberg, the Company's Executive Director said:

*"The Yulleroo accumulation potentially represents a very large value driver for the Company. Not only are we testing the commercial viability of what has already been identified as a very large wet gas resource, but the accumulation is in an ideal location for commercial development. It is close to Broome, has all weather access, and is at the planned start point of our Great Northern Pipeline project.*

*There is no reason the enormous success of the tight gas and shale gas developments in the US cannot be replicated in Australia, and the Canning Superbasin has widespread potential for these types of accumulations.*

*Not only does Yulleroo itself represent a very significant value opportunity, we have also been undertaking additional seismic surveys in the general Yulleroo area which have identified numerous prospects both similar to, and in a number of cases more attractive than, Yulleroo. We plan to drill at least two of these additional prospects in our 2011 program next year.*

*The Yulleroo-2 stimulation is an exciting and integral part of our Canning Superbasin evaluation program and is another important step on our journey to Crack the Canning."*

Further information on the company is available on the Buru website at:

[www.buruenergy.com](http://www.buruenergy.com)

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Yours faithfully



**ERIC STREITBERG**  
**Executive Director**

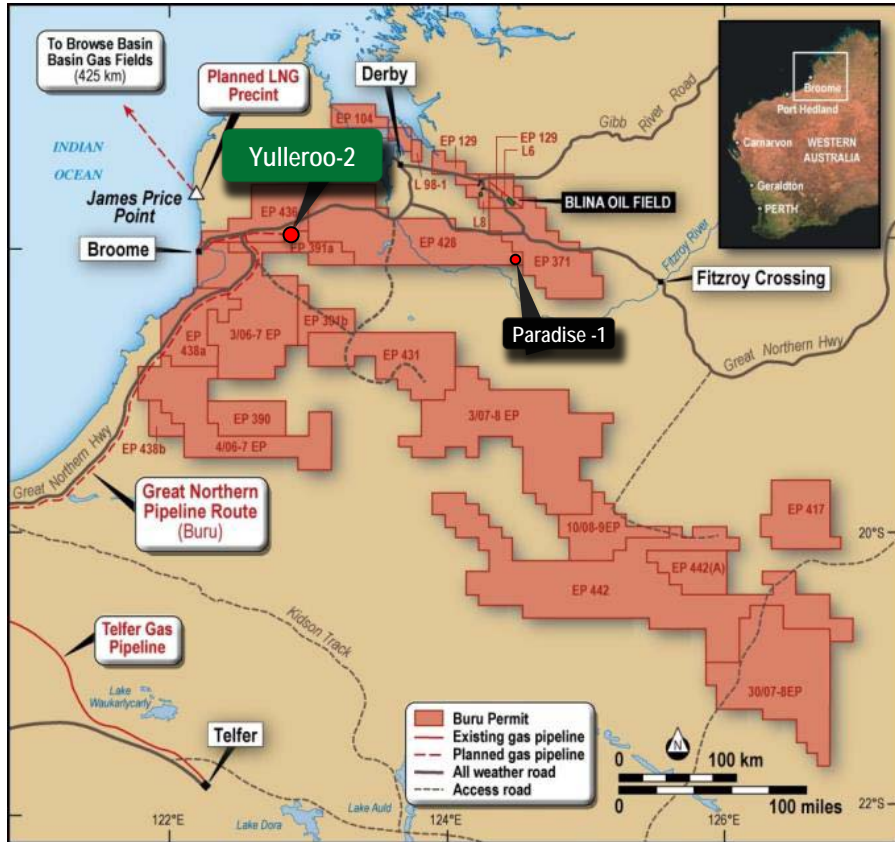
# Yulleroo 2 well stimulation and test

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October 2010



# Yulleroo-2 location and operations summary



Canning Superbasin Infrastructure – Yulleroo-2 location

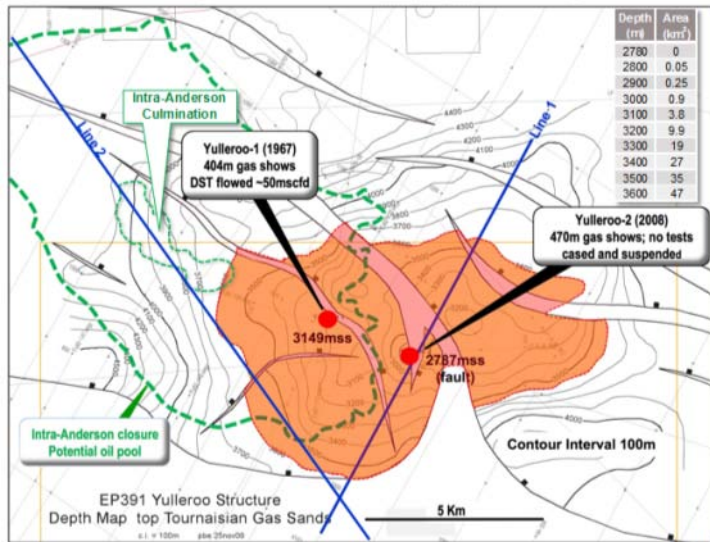
The Yulleroo-2 stimulation and test is part of Buru's 2010 Canning Superbasin exploration program and is a major component of the Joint Exploration Program with Mitsubishi Corporation.

Yulleroo-2 is in exploration permit EP 391 some 80 kilometres from Broome and 10 kilometres from the Great Northern Highway. The stimulation and flow test is designed to determine the potential for the commercial development of the Yulleroo gas and condensate accumulation.

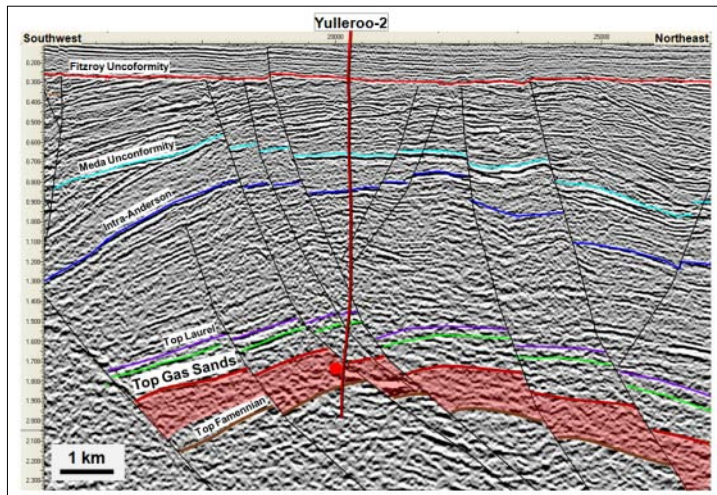
- The program consists of two distinct phases:
  - the stimulation process, which will take approximately 6 days; and
  - a production test program lasting approximately 10 days
- The stimulation program will be conducted by BJ Services under the supervision of Buru personnel and specialist consultants.
- During the approximately 7 day "shut-in" period of the production test the coiled tubing unit being used as part of the operation will be mobilised to the Stokes Bay-1 well site to undertake a nitrogen lift of that well.
- At the conclusion of the Yulleroo-2 production test the well will be shut in and suspended pending further testing and observation.



# Yulleroo-2 description and technical summary



Yulleroo time structure map – top gas sands



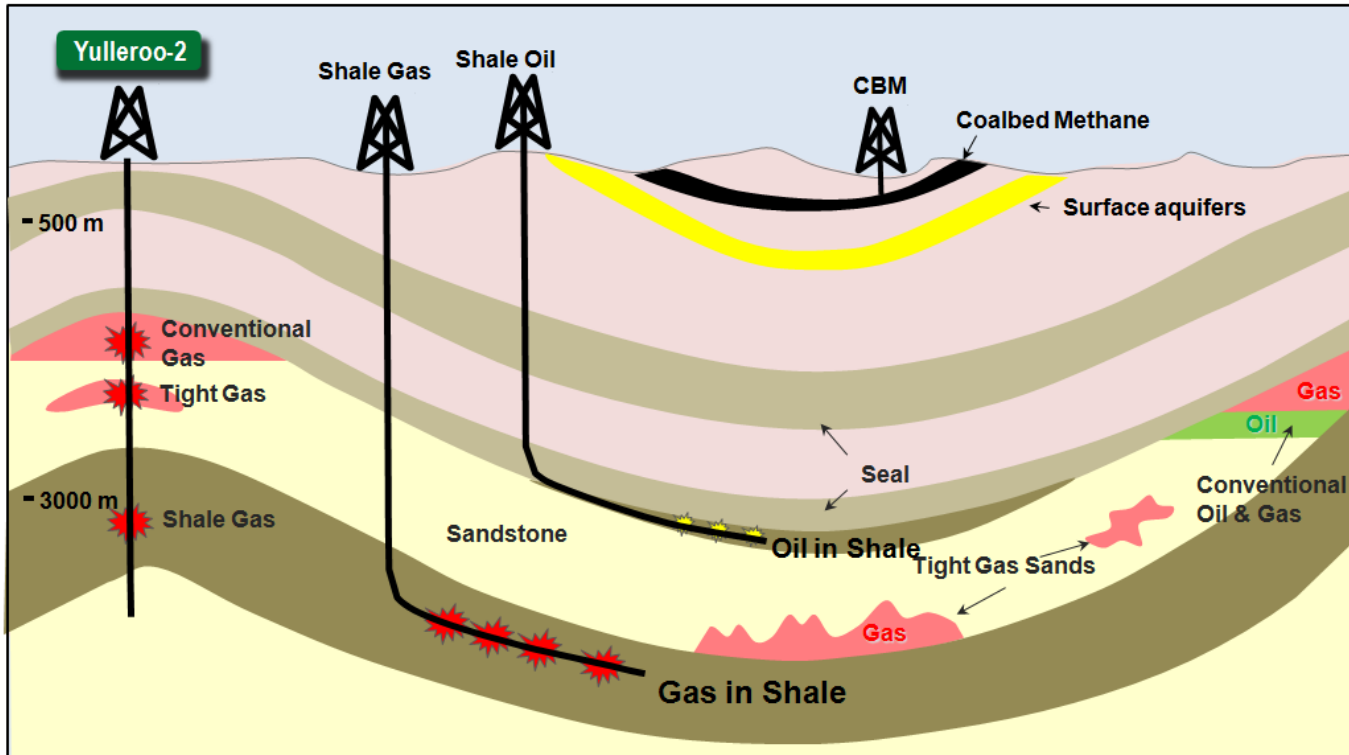
Yulleroo structure seismic cross section

The Yulleroo-1 and Yulleroo-2 wells have defined a large gas and condensate accumulation with a combination of conventional gas, tight gas and shale gas reservoirs.

The Yulleroo-2 stimulation and flow test is designed to determine if commercial rates of gas production can be obtained from the identified reservoirs in the accumulation.

- The Yulleroo-1 well drilled in 1967 tested gas at low rates from a sequence of thick shales and thin sands in the Laurel Formation.
- The Yulleroo-2 well was drilled in 2008 by ARC Energy to appraise the Yulleroo-1 discovery and recorded strong gas shows at the same stratigraphic level as Yulleroo-1 and was suspended without testing due to rig problems.
- The two wells have defined a gas column with an interpreted height of some 700 to 800 metres with thin conventional sandstone reservoirs, additional tight gas reservoirs and extensive shale gas potential. The stimulation program is designed to test all three reservoirs.
- The accumulation is ideal for the planned stimulation method as it has an extensive gas column with no interpreted free water leg to interfere with gas production, and high liquids content in the gas.
- Sufficient data exists from the original two Yulleroo wells, and the seismic mapping of the structure undertaken by ARC Energy and Buru in 2007 and 2009, to be able to calculate an estimated recoverable resource of conventional and tight gas, on a P50 basis, of in excess of 400 BCF of gas together with in excess of 20 mmbbls of liquids. In addition, the shales in the gas column have an estimated recoverable resource, on a P50 basis, of another 1 TCF of gas.

# Yulleroo-2 stimulation program context

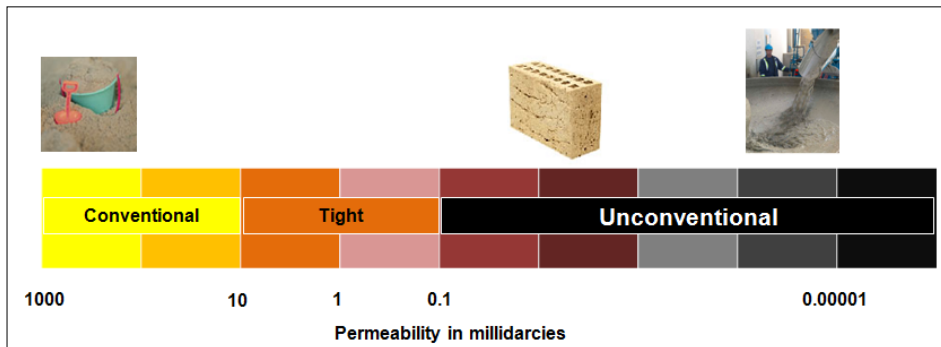


The revolution in long reach horizontal drilling and well stimulation techniques, and the paradigm shift in thinking about reservoirs has led to unlocking of vast reserves in tight gas and shale gas reservoirs. Gas is now produced from reservoirs that have the flow characteristics of concrete!

The Yulleroo-2 accumulation has a combination of conventional gas, tight gas and shale gas reservoirs.

These will all be tested by the stimulation program:

- The stimulation and flow test of Yulleroo-2 is designed to determine the potential for the commercial development of the Yulleroo accumulation.
- In the event the test provides support for a commercial development, additional seismic, drilling (including horizontal wells), and stimulation tests will be required to prove up the commercial parameters of a future development.



Illustrative relationship of conventional and unconventional gas reservoirs

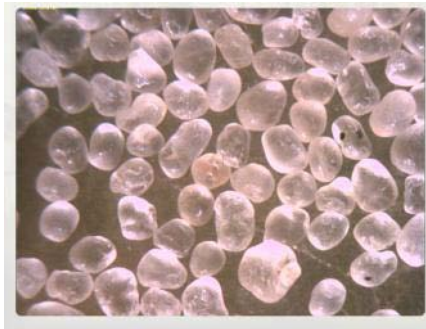
Illustrative relationship of flow characteristics of conventional and unconventional reservoirs



# Yulleroo-2 stimulation process



BJ Services frac spread



Proppant illustrations

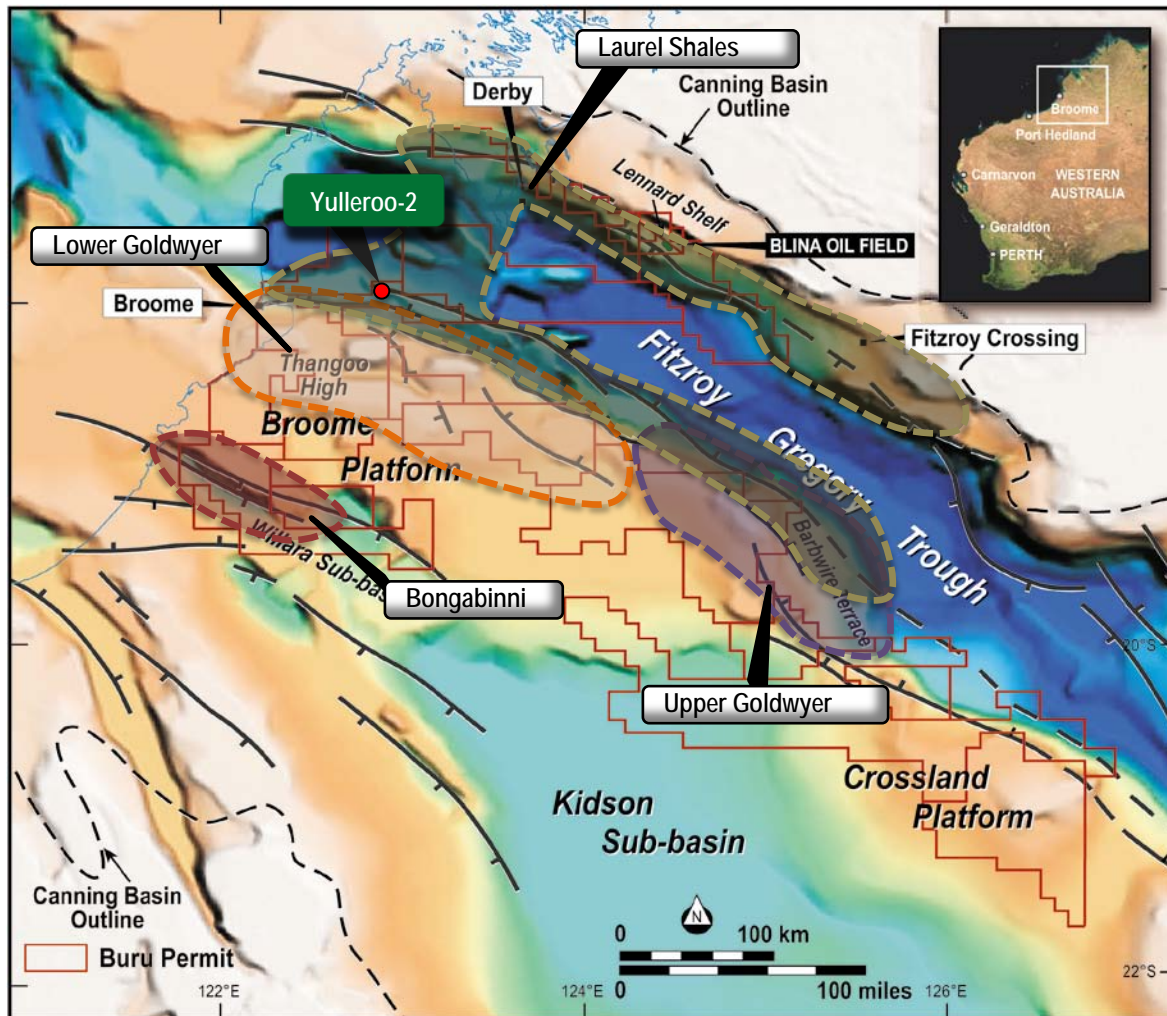
**The stimulation (fracking) technique being used is similar to methods used extensively in the US for shale gas production and has been designed to be as simple and technically robust as possible.**

The stimulation program will be conducted by BJ Services under the supervision of Buru personnel and specialist consultants.

- The process involves injecting water and sand (proppant) under high pressure into the gas bearing rocks.
- The water breaks the rock down (fractures it) and the sand then holds the cracks in the rock open and provides channels for the gas to flow out.
- Small quantities of chemicals are used to assist in the process. These are at very low concentrations and are not harmful to people or the environment. They are also confined under impermeable barriers at some 3 kilometres depth.
- Three zones will be stimulated (at 3,100 metres, 2,980 metres and 2,850 metres) using high volumes of proppant and water (100,000 lbs and 5,000 barrels respectively) for each zone.
- At the conclusion of the stimulation process the well will be cleaned up using a coiled tubing unit, and once a gas flow is established the well will be shut in before being prepared for a production test program.
- The production test is designed to establish the flow characteristics of the reservoir and the gas and liquid composition.



# Buru's gas potential in the Canning Superbasin



**There is no reason the enormous success of the tight gas and shale gas developments in the US cannot be replicated in Australia, and the Canning Superbasin has widespread potential for these types of accumulations.**

Apart from the Yulleroo-2 stimulation and test, Buru is currently undertaking extensive re-evaluation of the Superbasin for unconventional resources including coring of shales in exploration wells and extensive re-sampling of wells, log analysis etc.

This work has already identified very widespread potential in:

- Conventional and tight gas accumulations identified in previous wells but not appraised because of prior gas market conditions.
- The Laurel and Lower Anderson Shales which are very extensive and are in the gas window around the margins of the Fitzroy Trough (the Yulleroo-2 stimulation and test is designed in part to test these shales).
- The Goldwyer shales which are laterally extensive and mature over large areas in the Acacia Province.
- A very extensive tight gas (possible "basin centered" ) accumulation in the Laurel section in the Fitzroy Trough.
- These prospects will be actively explored during the 2011 exploration program, drawing on the results of the 2010 program.