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**ASX ANNOUNCEMENT (ASX: BRU)**

**6 NOVEMBER 2012**

**OPERATIONS UPDATE  
UNGANI EPT AND FORWARD PROGRAM**

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Buru Energy Limited provides the following update on the Company's forward drilling and seismic program and continuing operations at the Ungani EPT.

**Drilling Program**

***Ungani North 1***

The well has not yet reached the prognosed casing depth above the predicted Ungani Dolomite reservoir due to slow drilling rates, and delays due to minor mechanical issues. As at 18.00 hours on 6 November the well was at a measured depth of 2,492 metres, and the current operation was performing a bit trip prior to drilling ahead in the sealing shale above the predicted reservoir section. To date the well has penetrated a similar geological section to the Ungani wells, and it is expected to take up to another three days to reach the prognosed casing setting depth after the bit trip is completed.

***Cyrene 1***

This well is being drilled in the EP 438 permit and is targeting a conventional oil target in the Willara Formation carbonates, with an overlying section of Goldwyer Shale having unconventional prospectivity.

The conventional target in this well has the capacity to hold in the order of 5 million barrels of recoverable oil, if hydrocarbons are present. Importantly, the conventional play type being targeted in this well is interpreted as being extensive throughout the area based on seismic and historical wells data. A success at Cyrene 1 provides a strong likelihood that a regional conventional oil play may be able to be developed.

The unconventional target in this well is a 135 metre thick section of the Goldwyer Shale. The Goldwyer is present, regionally extensive, and has been penetrated by a number of wells on Buru's permits. The Goldwyer is interpreted to be in the oil window at the Cyrene location, with nearby wells having good oil shows in the section. The Goldwyer is also in the wet gas window in other areas of Buru's permits where it is buried deeper than at the Cyrene location. The EP 438 joint venture will be undertaking an extensive coring program to provide a full suite of modern data for analysis and evaluation of the Goldwyer at this location.

The EP 438 permit is held in joint venture by Buru, Mitsubishi, Key Petroleum Limited (**Key**) and Indigo Oil Pty Ltd. Buru has delegated the role of operator to a subsidiary of Key for the sole purpose of executing and completing the drilling and testing program for the Cyrene 1 well.

Following the satisfaction of obligations under a previously agreed farmin agreement, the interests in the EP 438 Exploration Permit will be as follows:

- Buru Energy Limited 37.5%
- Mitsubishi Corporation (Diamond Resources (Canning) Pty Ltd) 37.5%
- Key Petroleum Limited (Gulliver Productions Pty Ltd) 20.0%
- Indigo Oil Pty Ltd 5.0%

Key has now secured a slot on Drilling Contractor Australia's (DCA) drilling rig DCA Rig #7 for the drilling of Cyrene 1. All civil and construction site works at the Cyrene 1 well location have been completed with the site prepared to withstand the wet season. The site is located one hour south from Broome, close to the Great Northern Highway.

The use of DCA Rig #7 is appropriate given it is a smaller rig designed for shallow wells at a lower cost than Buru's Ensign Rig #32. DCA Rig #7 has drilled numerous wells in Western Australia including Sally May 1 in the Canning Superbasin for Kingsway Oil and more recently the Dunnart 1 and Dibblers 1 in the North Perth Basin. Key has entered into a lump sum drilling contract with DCA and lodged all relevant documentation with the Department of Mines and Petroleum to obtain regulatory approvals.

### ***Buru Forward Drilling Program***

Buru is currently planning to drill the Yulleroo 4 well as the next well in the drilling program, subject to receiving all approvals. Yulleroo 4 is designed to test reservoir development in the Yulleroo structure, and is also being deliberately drilled outside the apparent structural closure limits of the field to test whether the Yulleroo accumulation is part of a broader Basin Centred Gas Accumulation (**BCGA**) in the Yulleroo area. Recent technical review of the Yulleroo and Valhalla accumulations by North American consultants familiar with these types of accumulations has helped reinforce Buru's views that this is likely to be the case.

Discussions have continued with rig contractors for the supply of a rig that would be capable of reaching deeper targets to provide additional flexibility for the 2013 drilling program. The rig market is currently quite fluid and there are several options under consideration. It is anticipated the discussions for the rig will be able to be concluded in sufficient time for it to be available for use in the 2013 dry season drilling program.

### **Seismic Program**

The Terrex seismic crew has successfully completed the Asgard 2D survey which provides further regional data over the Valhalla accumulation to allow siting of further wells on the most prospective parts of the accumulation.

On completion of the Asgard 2D survey the Terrex crew was then moved to the Ungani 3D survey area. Line preparations for the survey have been substantially completed on the Nyikina Mangala Traditional Owner claim area.

Seismic recording had commenced on this area, but on 25 October a possible heritage disturbance was formally reported to Buru by KRED Enterprises on behalf of the Nyikina Mangala Traditional Owners. This was in a small area of the survey where line preparation had been completed but seismic data acquisition had not yet commenced.

All seismic operations in the Ungani area, not just in the area of the alleged disturbance, were immediately suspended when the matter was brought to the Company's attention, and the Terrex crew was put on standby.

Buru has since been co-operating with the Department of Indigenous Affairs (**DIA**) which is conducting an investigation, including a field inspection.

As the Company is concerned to ensure that the DIA has time to conduct the fieldwork aspects of its investigations without interruption, it is intended to now mobilise the Terrex crew from Ungani to conduct the Commodore West 2D seismic survey in Permit EP 471. The program for the Commodore West 2D seismic survey consists of some 133 kilometres of 2D seismic data.

Buru takes particular care to ensure that its activities do not disturb registered sites or areas of cultural significance, and is hopeful of resolving the allegations in relation to Ungani promptly in cooperation with the DIA and the Nyikina Mangala Traditional Owners.

### **Ungani Field EPT**

At the end of last month the Ungani 2 well was shut-in for pressure build-up after a short period of steady flow to obtain additional pressure data. Prior to the shut-in the well had cleaned up and was producing clean oil with small amounts of water.

During October the wells were on flow for 27 days, principally from Ungani 1 ST1. This well is still producing significant amounts of what is interpreted by Buru to be drilling fluid, and during the month Ungani 2 has been intermittently flowed to ensure average production rates of 400 barrels per day have been maintained.

A further shut-in was undertaken at the end of the month, and additional pressure gauges have been run in the wells. The immediate forward program is to continue to flow Ungani 2 at steady rates to provide a sustained flow test for continuing reservoir analysis.

Initial analysis of the data obtained from the last flow period has supported the previous interpretation of potential field size, but the pressure data were not sufficiently robust to provide any additional certainty due to the varying flow rates while attempting to clean up Ungani 1.

The next flow period will attempt to provide a long enough period of steady state flow to acquire data that can help further define the reservoir parameters.

The oil production statistics for the field are as follows:

#### **October flow period – oil production**

Ungani 1	4,650 bbls
Ungani 2	5,704 bbls
Total	10,354 bbls

#### **Field production total:**

Ungani 1	12,860 bbls
Ungani 2	35,308 bbls
Total	48,168 bbls

Commenting on the forward program, Buru's Executive Director, Eric Streitberg, said:

*“The Ungani North drilling has been frustratingly slow, but we are very encouraged by the geological similarities we have seen so far, and look forward to a definitive penetration of the reservoir section in the coming days.*

*The issues with the Ungani seismic survey are very unfortunate, as we have tried to ensure we are always very respectful of Traditional Owner cultural values. Buru has issued a media statement*

which is available on its website, and it is not appropriate to comment further while the DIA is conducting its investigation.

On the operational side, the Ungani field is continuing to produce very well and we are keen to keep acquiring the data we need to get a better picture of the volumes of oil in the structure.

The continuing work we are doing on the Laurel BCGA accumulation is producing some very good results, and we are working to have the independent review of this accumulation updated. We have also started a consultant led review of the potential for Laurel Formation conventional reservoirs in the Superbasin. The analogue accumulations to the Laurel Formation have “sweet spots” where good reservoir is developed inside the greater BCGA accumulation. Finding one of these areas would be a bonanza result. We have several tantalising hints of this, including the conventional sand package encountered in Yulleroo 3, so we are devoting considerable effort to understanding the geologic setting to attempt to predict where they might occur.

The Canning Superbasin continues to surprise us in regards to how our understanding of the geology has advanced, and how the potential for the very large gas and liquids resources is being quantified.”

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

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