

Buru Energy secures farm-out deal for onshore Carnarvon Basin permit

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By

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Buru Energy executive chairman Eric Streitberg says the farm-out of L20-1 will enable the company to focus on its “very exciting Rafael gas condensate discovery” in the Canning Basin.

Buru Energy (ASX: BRU) has reached an agreement with Mineral Resources’ (ASX: MIN) subsidiary Energy Resources (EnRes) to restructure each parties’ interests in Block L20-1 within Western Australia’s onshore Carnarvon Basin.

Under the terms of the deal, Buru will divest 25% of its total 50% equity in the permit to EnRes and relinquish operator rights once it is granted.

As a result, EnRes will boost its interest in Block L20-1 to 75% and assume the role of operator.

Deal consideration

In consideration for the deal, EnRes will carry Buru through an exploration program at the first two wells, which is expected to satisfy minimum work requirements during the first two permit years.

The wells will target highly-prospective Palaeozoic-aged structures similar to Buru’s discoveries in WA’s onshore Canning Basin.

EnRes has also agreed to match an Australian Federal Government grant awarded to Buru for a three-year carbon capture and storage (CCS) feasibility study in the Carnarvon Basin.

The grant was designed to facilitate the development of hydrogen production and greenhouse gas storage hubs in WA and recognised Buru's wholly-owned Geovault subsidiary as a leader in the field.

Equity in the CCS joint venture will be aligned with the L20-1 joint venture, with Buru having a 25% interest and EnRes holding 75% and operator rights.

Mutually beneficial

Buru executive chairman Eric Streitberg said the L20-1 farm-out would benefit both companies.

"This transaction will allow EnRes to bring the expertise of its Perth Basin operating team to the L20-1 area and allow us to focus on our very exciting Rafael gas condensate discovery in the Canning Basin as well as our energy transition businesses," he said.

"The CCS work will also assist us to more fully develop our technical and commercial expertise for the Canning Basin gas commercialisation activity, where CCS has the potential to be a significant project enabler by decarbonising our planned gas developments."

Block application

In October 2020, Buru and EnRes applied for Block L20-1 on a 50:50 joint venture basis with Buru as operator.

The block covers the onshore portion of the Peedamullah Shelf, which is a geological unit bordering the main oil and gas productive area of the Carnarvon Basin.

Oil and gas infrastructure in the area includes the Tubridgi gas storage field and the Wheatstone LNG gas processing plant and associated pipelines.

Since early-2021, Buru has been undertaking CCS technical and commercial activity through Geovault, with a focus on onshore geological greenhouse gas storage in the L20-1 area and Canning Basin.

Commonwealth grant

In April, Buru was offered a Federal Government grant, which seeks to match funds of up to \$7 million relating to a technical review and field activity feasibility study evaluating the CCS potential of the L20-1 area.

EnRes has agreed to contribute up to \$7 million towards the CCS feasibility study to match the Buru grant.

Any feasibility study costs in excess of the combined \$14 million will be allocated to the joint venture parties in accordance with their equity interests.

Buru will complete the CCS feasibility study as operator on behalf of the CCS joint venture.

EnRes will be the operator of the CCS joint venture for any future greenhouse gas permits which are granted to the partners over all or parts of Block L20-1 with interests at 75% EnRes and 25% Buru.

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