

## ASX ANNOUNCEMENT (ASX: BRU)      21 November 2011

### Company Insight Ungani Oil Discovery and Forward Program

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Buru Energy Limited (“**Buru**” or “**Company**”) provides the attached Company Insight interview with Eric Streitberg.

This interview and further information on the Company are available on the Buru website at: [www.buruenergy.com](http://www.buruenergy.com)

**For inquiries please contact:**

<b>Eric Streitberg</b>	<b>Executive Director</b>
<b>Telephone</b>	<b>+61 8 9215 1800</b>
<b>Freecall</b>	<b>1800 337 330</b>
<b>Email</b>	<b><a href="mailto:ericstreitberg@buruenergy.com">ericstreitberg@buruenergy.com</a></b>

Yours faithfully

A handwritten signature in black ink, appearing to read "Eric Streitberg".

**ERIC STREITBERG**  
Executive Director



**Buru Energy Limited**

**Date of Lodgement: 21/11/11**

**Title: “Company Insight – Ungani Oil Discovery and Forward Program”**

**Highlights of Interview**

- Overview of the Ungani oil discovery.
- Potential size of the Ungani accumulation.
- Development plans and costs of bringing Ungani into production.
- Potential for Ungani “look a likes”.
- Outlines remainder of 2011 exploration program.
- Increased international focus on the Canning Superbasin.
- Acquisition of additional acreage.

**Record of interview:**

**[companyinsight.net.au](http://companyinsight.net.au)**

Buru Energy Limited’s (ASX code BRU; market capitalisation \$235 million) 2011 exploration program continues to produce exciting results with the Company’s recent announcement of a major oil discovery at the Ungani-1 well in the Canning Superbasin, Western Australia. Can you provide an overview of this discovery?

**Executive Director, Eric Streitberg**

The discovery of oil at Ungani really was a stunning success. For a company the size of Buru it will be transformational. On test, the well flowed at a peak rate of over 1,600 barrels a day. The oil itself is a light sweet crude that should command a premium in the market and be priced equivalent to Brent crude. The well is currently shut in as we are in the process of drilling a deviated appraisal well from the same drilling pad to a location about 500 meters to the northeast of Ungani-1. This will give us much more geological and engineering data about the field and help with planning the field development program.

I should also point out that this is the first onshore discovery of oil in Western Australia since we discovered the Hovea oil discovery with ARC Energy almost exactly 10 years ago and it is the first significant oil discovery in the Canning Superbasin since the 1980s. Importantly, the Ungani discovery is geologically distinct from the previous oil discoveries in the Canning Superbasin and is a new play type in the Fitzroy Graben province. This is extremely exciting and has significant positive implications for the prospectivity of the Superbasin.

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Are you able to comment at this stage about the size of the volumes in the Ungani discovery?

**Eric Streitberg**

We are still unsure about the size of the accumulation due to a number of uncertainties relating to the depth of the oil-water contact and the exact configuration of the structure itself as we only have a couple of 2D seismic lines over the structure. However, our preliminary analysis indicates it could hold anywhere from 0.5 million barrels up to 20 million barrels of recoverable oil.

The Ungani-2 results will help define the overall size of the accumulation reducing some of this uncertainty and will also assist with the planning of further appraisal of the field, which is likely to include the drilling of further appraisal wells and the acquisition of additional seismic. We are also considering drilling additional wells to try and get enough information to make considered decisions on the development program.

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How do you intend to develop this discovery? Will the wet season prevent you from bringing the discovery into production quickly?

**Eric Streitberg**

The good thing about oil is that it is almost immediately producible. Once the drilling of Ungani-2 and any other wells from the same pad have been completed we intend to commence an extended production test or EPT of the wells to gather the reservoir engineering data we need to understand the reservoir and plan for the future development of the field. This is likely to take at least 6 months and may need to be extended to give us the data we need. The Canning Superbasin wet season seems to have started a bit earlier this year so we are putting in place plans that will allow us to operate the EPT, if not continuously, then at least on a consistent basis across the wet season.

We'll truck oil from Ungani to BP's Kwinana refinery during the EPT, which is what we currently do with our production from Blina and Sundown. We would hope to be able to produce at somewhere between 500 and 1,000 barrels per day to allow us to get the reservoir data we need from the test.

The next stage in the development will be the drilling of a number of appraisal and development wells. We would expect that we will acquire 3D seismic over the field and 2D seismic over the adjacent structures as early as we can next year and that will help define the development drilling program.

If Ungani turns out to be a small discovery we will continue to truck the oil to Perth, however if Ungani is a large discovery, say greater than 1,000,000 barrels, we would look at constructing an export facility in the north, which would allow us to export to either Perth or the South East Asian market.

We obviously have a lot of work to do before we can get to that point and are currently taking it one step at a time, so we will be focusing on drilling Ungani-2 and then conducting the EPT.

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What sort of costs will be involved to bring the field into production? How much revenue do you expect the field to generate each year?

**Eric Streitberg**

Onshore oil developments can be "bootstrapped" and do not require large upfront capex, and we are fortunate in that we are able to use the existing staff and equipment from our Blina and Sundown oilfields to bring this discovery into production quickly and cost effectively for the EPT.

The major cost associated with bringing oil discoveries into production is the drilling of the wells. Appraisal wells in particular can be quite expensive, as we tend to run a full suite of logs and take extensive cores of the reservoir to gain as much knowledge as we can.

Based on our current operating costs at our Blina and Sundown oilfields we expect that trucking costs will be in the order of \$28 per barrel and lifting costs will be in the order of \$10 per barrel. These transportation costs will be significantly reduced if we proceed with the construction of an export tank in the north. We expect the oil price we will receive will be close to the price of Brent, which is currently around US\$110 a barrel.

Of course all of these costs will be shared 50-50 with Mitsubishi, as will any profits.

It is difficult to predict how much revenue the Ungani field will produce until we have a development plan and know what rates the reservoir can do from the results of the EPT. However, very indicatively, production of 1,000 barrels of oil per day would generate approximately \$25 million in net cash flow for the joint venture annually.

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You have mentioned that the Ungani discovery identified a new play type in the Superbasin. Do you expect there to be follow ups to the Ungani discovery? What do you intend to do to define them?

**Eric Streitberg**

When you find something like this in a frontier basin, there is a good chance there will be “look a likes” nearby.

Based on our initial work we have already high graded a number of existing leads close to Ungani that look very interesting in light of this discovery. We will continue this process as we develop our understanding of the field. In addition, we will continue to acquire seismic in the area and are considering a range of other options, such as aerial gravity and magnetic surveys which will help define these other structures and generally help to better locate our seismic data.

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Prior to the Ungani-1 discovery, Buru’s successful wells have primarily targeted gas and even Ungani-1 was targeting a large gas accumulation in the Laurel Formation with oil as a secondary objective. Will Buru’s discovery of oil at Ungani-1 focus the Company’s future exploration efforts on oil or will it continue to explore for both oil and gas?

**Eric Streitberg**

The Company has always had a clear focus on exploring for both oil and gas and our vision remains to become the biggest on shore oil and gas producer in Western Australia.

Our 2012 program will include the appraisal of both the Valhalla accumulation and the Yulleroo field as well as exploration for new conventional and unconventional gas reserves. It is important to remember that, even though Ungani is a significant discovery, the deep tight gas potential of our acreage, and the Valhalla area in particular, is very large, albeit with greater time frames and costs associated with the development of those gas resources.

We are also keen to continue to explore for gas as we have just extended our gas supply agreement with Alcoa, which means we have until 1 January 2013 to establish sufficient reserves to supply gas to Alcoa for their plants in the southwest. The agreement with Alcoa is important as it provides us with the offtake volumes necessary to develop the Great Northern Pipeline and the extension gives us time to prove up reserves at the Yulleroo Field and the Valhalla accumulation.

Our work on the Great Northern Pipeline is progressing well and we are very hopeful of being in a position where we can start delivering gas down our pipeline to south Western Australia in 2014 or 2015, as we have always planned to do.

Next year's program will obviously also include the appraisal of the Ungani field which, as I mentioned earlier, is likely to include the acquisition of additional seismic and the drilling of further appraisal wells. We will also be drilling exploration wells targeting large oil accumulations including a number of wells in the Acacia province south of Fitzroy Crossing which we were unable to gain access to this year due to an extended wet season. These wells will be targeting significant conventional oil reserves.

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Given that Rig #32 is currently drilling Ungani-2, will you still be drilling Paradise-1 Deepening this year?

**Eric Streitberg**

Paradise-1 Deepening remains an extremely important well for the joint venture and it will be drilled by Century Rig #7, which is currently being mobilised to the Paradise well site after completing drilling operations at Lawford-1.

However, the current weather conditions mean we need to look seriously at whether the drilling of Paradise Deep is achievable this year. We will be making a decision on that shortly. If we don't drill the well this year I expect it will be the first well drilled in the dry season next year.

We also intend to continue drilling with Ensign Rig #32 through the wet season. We have a number of appraisal wells to drill including at Valhalla North and Yulleroo which are all accessible during the wet season. However, this is all subject to joint venture approval and the ongoing drilling at Ungani.

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You have been a long time believer in the Superbasin and Buru's share price reached its highest ever level after the announcement of the Ungani-1 discovery. Clearly this discovery has changed the way investors and the market view the prospectivity of the Canning Basin. What interest and feedback are you now getting from the market?

**Eric Streitberg**

Interest in the Canning Superbasin has been building over the past 18 months and can be broadly attributed to the current worldwide focus on unconventional oil and gas.

The US Energy Information Agency report released in April this year indicated the Canning Superbasin to be the most prospective basin in Australia for deep unconventional gas which really brought the Superbasin back into the spotlight. This was followed shortly after by the farm-in by ConocoPhillips to New Standard Energy's Canning Superbasin permits to the south of our permits.

Even though we had already made significant gas discoveries at Yulleroo and Valhalla, the Ungani discovery really has the market excited as no one had made a greenfields onshore oil discovery in Western Australia for 10 years.

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Finally, Buru was advised that it is the preferred applicant for two additional blocks in the Canning Basin. When are you likely to begin exploration on this new acreage? Given the amount of acreage you already have and with the increased expenditure commitment through appraising Ungani, do you have any plans to farm it out?

## **Eric Streitberg**

We were very happy to have been the winning bidder for these permits. They were awarded as the result of what we believe was an extremely competitive bid process. Final award of the permits is subject to negotiations with Traditional Owners under the Native Title Act and we will be unable to conduct any exploration on these permits until this process is completed. This may take over a year, although we are hopeful it won't need to take this long.

The award of the permits ensures that Buru's acreage remains current and also provides us with additional exposure to the Laurel Formation tight gas play seen at Valhalla as well as the shallow oil plays seen in the Valhalla and Paradise wells.

While we have been approached by a number of major companies expressing interest in the Superbasin, we currently have no plans to farm out these new permits, although we will continue to assess our options as we move forward.

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Thank you Eric.

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