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**ASX ANNOUNCEMENT (ASX: BRU) 7 July 2011**

## **WEEKLY DRILLING PROGRESS REPORT VALHALLA-2**

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Buru Energy Limited (“**Buru**” or “**Company**”) provides the following weekly update on drilling operations at the Valhalla-2 well as at 06:00hrs, 7 July 2011 (AWST).

The Valhalla-2 well is the first well in the Buru – Mitsubishi Corporation (“**MC**”) 2011 Joint Exploration Program. Buru and MC each have a 50% interest in this well and in EP 371, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

Since the last progress report, 9 $\frac{5}{8}$ ” inch casing has been set at a depth of 2,002m MD and at the completion of that operation the well was drilled ahead directionally in 8 $\frac{1}{2}$ ” hole to a measured depth of 2,200m (2,009m TVDRT). Minor mechanical issues have slowed drilling progress but these issues are expected to be resolved shortly.

The well has intersected the primary objective Upper Laurel gas sands on prognosis. The sands appear to be of a similar quality and have had similar hydrocarbon shows to those encountered in the Valhalla-1ST1 well. Good to excellent gas shows and poor to fair oil shows have been seen in this Upper Laurel section. Continuous background gas has also been observed across this section.

As planned, an open hole, on bottom drill stem test (“**DST**”) will now be undertaken to ascertain the flow potential of these sands. This operation is expected to take up to 48 hours and, following the DST, the well will be drilled ahead in 8 $\frac{1}{2}$ ” hole to the next objective, the Lower Laurel gas sands.

Valhalla-2 is being drilled by Ensign Rig #32.

In accordance with its policy of releasing weekly drilling progress reports, the Company expects to issue a further drilling progress report on 14 July 2011, with reporting of the definitive results of the DST being made when it is completed and the results interpreted.

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

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## VALHALLA-2

<b>PERMIT</b>	The Valhalla-2 well is located in exploration permit EP 371. A map showing the location of the well is set out on the following page.
<b>WELL LOCATION</b>	18° 04' 04.13"S                      8001416mS 124° 46' 04.2"E                      687100mE
<b>BURU'S INTEREST</b>	Buru Energy Limited holds a 50% interest in the well.
<b>DATE OF PROGRESS REPORT</b>	06:00hrs, 7 July 2011 (AWST)
<b>PROPOSED TOTAL DEPTH</b>	3,400m
<b>CURRENT DEPTH</b>	2,200m (2,009m TVDRT)
<b>PROGNOSED TIME TO TOTAL DEPTH</b>	35 days
<b>SPUD DATE</b>	6 June 2011
<b>DAYS SINCE SPUD</b>	31 days
<b>CURRENT TARGET FORMATION</b>	<p>The Valhalla-2 well has two conventional targets:</p> <ul style="list-style-type: none"> <li>the Upper and Lower Laurel gas reservoirs; and</li> <li>the Anderson oil play.</li> </ul> <p>Valhalla-2 is also targeting the Lower Laurel unconventional gas reservoirs.</p>
<b>OPERATIONS SINCE LAST PROGRESS REPORT</b>	9 <sup>5</sup> / <sub>8</sub> " inch casing has been set at a depth of 2,002m MD, and at the completion of that operation the well was drilled ahead directionally in 8 <sup>1</sup> / <sub>2</sub> " hole to a measured depth of 2,200m (2,009m TVDRT). Minor mechanical issues have slowed drilling progress but these issues are expected to be resolved shortly. The well has intersected the primary objective Upper Laurel gas sands on prognosis. These sands appear to be of a similar quality and have had similar hydrocarbon shows to those encountered in the Valhalla-1ST1 well. Current operation is preparing to run DST 1.
<b>HYDROCARBON INDICATIONS</b>	As intersected in Valhalla-1ST1, good to excellent gas shows, and poor to fair oil shows were seen in interbedded sands and shales over the gross interval from 2,002m to 2,200m, with some 40 metres containing better developed potential reservoir sands from 2,140m to 2,180m. Reservoir quality as described from cuttings samples is interpreted as being poor to fair.
<b>FORWARD OPERATIONS</b>	As planned, an open hole, on bottom drill stem test (" <b>DST</b> ") will now be undertaken to ascertain the flow potential of these sands. This operation is expected to take up to 48 hours and, following the DST, the well will be drilled ahead in 8 <sup>1</sup> / <sub>2</sub> " hole to the next objective, the Lower Laurel gas sands.

## LOCATION MAP - VALHALLA-2

