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Buru's change of fortune?

Capital Structure - Buru

Shares	340.0	m.
Options	10.3	m.
	<u>350.3</u>	m.
Price	\$ 0.225	
Market Cap	\$ 77	m.
Net cash*	\$ 8	m.
EV	\$ 68	m.
* after Alcoa repayments		

Recommendation: *Buru is a speculative buy.*

Despite an oil price that leaves production from the Canning Basin (and virtually everywhere else) unprofitable, StockAnalysis sees a relief rally for Buru next week on any positive news out of Ungani Far West. Discovery of an estimated 3 million barrels of oil at Ungani Far-West would add about 6.5 cps to the company's assessed value. Taking a two week time horizon, a recovery towards the 20 day moving average sets a price target of 34 cents per share.

Buru has drilled and logged its Ungani Far West oil discovery well. The 50% owned project, targeted a structure on the flank of its 6 mmbbl Ungani oilfield, which StockAnalysis estimates to have a low-side target of 3 mmbbls. The well made a new, play-opening oil discovery in the Anderson Formation, recovering oil from a 5 metre column at about 1,560 metres with 450 md of permeability. The well has since gone on to record a 41 metre oil column in the deeper, primary Devonian dolomite below about 2,341 metres.

With favourable permeability recorded, the Anderson oil zone should flow readily, but for operational reasons it will not be tested in this 4 inch diameter well. Production from the Anderson Formation will most likely be achieved via a purpose designed and drilled, low cost shallow production well.

A primary target zone in Ungani dolomite appears to hold at least 15 metres of excellent reservoir with high porosity plus a possible 26 metres of underlying oil saturated rocks that may also prove to be productive. Drilling mud losses during operations and highly permeable dolomite made formation pressure results from this lower zone somewhat unreliable. StockAnalysis believes that recovery of some 2 barrels of 41° API oil while completing logging operations proves that oil is mobile and will flow when tested.

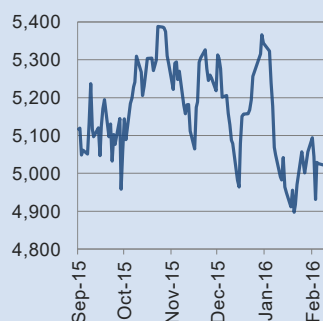
Operations at Ungani Far West have employed a narrow 101 mm hole at depth, to reduce costs but which also limits the type of logging tools and pressure isolation equipment that can be employed. A valid flow test from at least three zones in the dolomite is still likely.

Indices and Prices

All Ordinaries	4,798.60
Energy Index	7,052.70
Brent AU\$/bbl	43.53
AUS\$/US\$	0.70540

As at close 9 February 2016

All Ordinaries



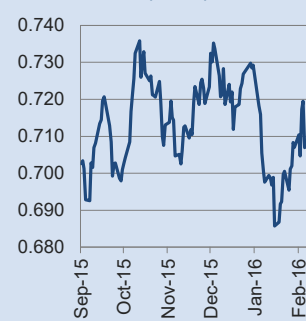
S&P ASX 200 Energy Index



Brent Crude Oil \$A/barrel



A\$/US\$



Flow testing operations are now waiting on three lots of swell packers to set, ahead of testing to be done through three sliding sleeves. Mud lost into the highly permeable reservoir will limit early oil flow rates, which should subsequently increase as mud is returned.

StockAnalysis expects Ungani F/W to flow at least as well as the original Ungani 1 & 2 wells, which would see flows of over 1,000 BOPD. A lower zone of Devonian sediment that showed natural fracturing and vugular porosity will also be tested, holding promise to add to productivity and total estimated reserves.

Following the surprise and disappointment associated with a lack of oil flow from the nearby Praslin well, where oil was seen while drilling, the company is being very conservative in predicting test results.

Positive results from this discovery will open up additional Ungani flank prospects as well as nearby Anderson Formation targets with upside of many tens of millions of barrels in total.

While no oil discovery in Australia is likely to be commercial at an oil price below A\$60/bbl, the industry lives in the belief that once the high cost, US LTO brigade and their financiers are brought to heel, the price of oil must recover to over US\$65 (A\$90/bbl) to sustain long term development of supply.

If the oil has a value of A\$15 per barrel, a regional target for 45 mmbbls of oil at Ungani sets an estimated value target of close to \$1 per share for Buru.

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