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ASX ANNOUNCEMENT (ASX: BRU)

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Operations Update Ungani EPT and Forward Program

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

Drilling Program

Ungani North 1

The well has now been completed to total depth with 7 inch casing and the evaluation and testing program is under review. The testing program will require all necessary approvals and the mobilisation of specialist equipment. It is intended to progress these as quickly as practicable to ensure the evaluation of the well is completed in a timely manner, but until these reviews and programs are completed early in the new year, it is not possible to be specific about the program and timing.

Ungani North 1 is the first well drilled to follow up the Ungani oil discovery, and encountered a thicker sealing shale over the Ungani Dolomite oil zone than is present at Ungani, and what is interpreted to be an approximately 40 metre oil column at the top of a much thicker dolomite reservoir section than is present at Ungani.

The reservoir in Ungani North 1 does not have as well developed vugular porosity as the reservoir in Ungani, such that flow rates are likely to be lower than in Ungani. However, flow testing is required to determine the rate, with even low rates being commercially attractive given its proximity to the Ungani infrastructure, some six kilometres away.

The Ungani North 1 well has confirmed the geological model for the area and substantially de-risked the other Ungani Dolomite oil prospects in the trend.

Ungani North 1 also encountered strong oil and gas shows in the Nullara Formation below the Ungani Dolomite in a section that has not been encountered in the basin before in this geological setting. This section appears to be gas saturated with strong indications of oil. The logging program has confirmed that several zones which had excellent gas shows also have interpreted conventional porosity in fractures and vugs. If these zones flow gas at commercial rates this will be a conventional gas discovery in what is mapped as a large structural closure at Ungani North. More broadly, this result has identified the potential for a new conventional gas play which may be present as an exploration target for at least 100 kilometres along the southern margin of the basin.

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 farm-in 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%

Updates on well progress will be provided by Key Petroleum the operator, but Buru is informed that the rig is now on location and the surface conductor is being set prior to drilling operations being commenced.

Forward Drilling Program – Yulleroo 4

Yulleroo 4 is the next well planned to be drilled by Ensign Rig#32. All relevant approvals have now been received and site construction has been commenced. The approvals for the well were required to comply with the recently enacted Western Australian regulations requiring full disclosure of all drilling and cementing chemicals used in the operation. These disclosure requirements are the most rigorous in Australia and are at a world leading standard. Buru has worked closely with its drilling contractors and suppliers, and the West Australian Department of Mines and Petroleum, to ensure that it is fully compliant with these regulations.

The Yulleroo 4 well is designed to test the Laurel Formation reservoir development and gas column extent in the Yulleroo structure. It is also being deliberately drilled outside the currently mapped structural closure limits of the field to test whether the Yulleroo wet gas accumulation is part of a broader Basin Centred Gas System (**BCGS**) in the Yulleroo area.

A review of the Yulleroo accumulation by independent consultants taking into account this interpretation is currently nearing completion and these results are expected to be available early in 2013.

The other important objective of the Yulleroo 4 well is to test for the presence and continuity of the sand section with conventional reservoir properties that was identified in the Yulleroo 3 well as the "3200 metre sand".

Conventional Reservoir Project

The 3200 metre sand encountered in the Yulleroo 3 well has conventional reservoir properties with the potential to flow gas at high rates. Importantly, it is expected that these flow rates will be achieved without reservoir stimulation. Although the sand appears to be relatively thin in this location, its conventional reservoir properties mean it has the potential to hold significant amounts of gas.

This sand provides an important geological indication as to the potential for a conventional reservoir to be developed in the Laurel Formation BCGS. North American analogues suggest that a BCGS will have areas where geological conditions are favourable for the development of conventional reservoirs, and the pervasive gas saturations in a BCGS mean these areas will be “sweet spots” in the BCGS that have the potential for development of large reserves without reservoir stimulation.

Buru has commissioned the ISIS geological consulting group to undertake a comprehensive basin wide analysis to attempt to identify these areas. The project is combining the knowledge gained from the recent drilling program with the Company’s extensive existing geotechnical database, and although it is at a relatively early stage, it is expected it will influence the drilling program next year.

As noted above, the thick Nullara Formation section seen at both Ungani and Ungani North also has the potential to hold large volumes of gas in conventional reservoirs, and this potential will also be investigated by Buru as a separate project.

The identification of a conventional gas reservoir containing sufficient reserves to underpin the construction of the Great Northern Pipeline would substantially accelerate the development of the planned Canning Basin domestic gas project.

Ungani Field EPT

The Ungani Field production test continued during November with the Ungani 2 well on production for the month. Ungani 1ST1 was shut in during the month for pressure monitoring, with both wells having down hole pressure gauges installed.

The shut in tubing pressure in Ungani 1 has been very consistent over the period at some 500 psi, which is very encouraging. The flowing tubing pressure in Ungani 2 has also been very steady over the period, with oil production averaging between 400 and 500 barrels per day and up to 600 barrels per day. As predicted, the water cut in the well has stabilised at some 38% and has been consistent during the month.

The current production plan, as set out in the last update, is to flow Ungani 2 at as consistent a rate as possible until mid-January, and to then shut in for a pressure build up, after which the downhole pressure gauges will be recovered and production resumed. The data obtained from this flow and shut in period will allow a further refinement of the estimates of the size of the Ungani Field, however, the production performance to date continues to be very encouraging.

The oil production statistics for the field are as follows:

Monthly oil production

	October	November
Ungani 1	4,650 bbls	Shut in
Ungani 2	5,704 bbls	13,932 bbls
Total	10,354 bbls	13,392 bbls
Average daily oil prodn	334 bopd	464 bopd

Field production total to 30 November:

Ungani 1	12,860 bbls
Ungani 2	49,240 bbls
Total	62,100 bbls

Further information on the Company is available at: www.buruenergy.com

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