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**ASX ANNOUNCEMENT (ASX: BRU) 3 September 2012**

## **Ungani Field Update - Extended Production Test & Full Field Development**

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Buru Energy Limited (“**Buru**” or “**Company**”) is pleased to provide the following update on developments at the Ungani Field.

Well clean-up is continuing prior to the commencement of the actual Extended Production Test (“**EPT**”) period. Results continue to be encouraging with the pressure and production data gathered to date giving very good confidence that the existing wells are accessing a minimum of 8 million barrels of mobile oil.

This compares to the current volumetric estimate of a minimum of 5 million barrels, with the upper potential volume of 20 million barrels unchanged. Good progress is also being made on the planning of the forward program for the development of the Field.

### **Extended Production Test**

The Field has now been on test for three months, with the Ungani-1 and Ungani-2 wells being produced and shut-in alternately throughout that period to gather pressure data and assist with well clean-up.

Ungani-1 continues to produce mud and drilling fluid, reflecting the high level of losses in the well during drilling. Ungani-2, which had fewer losses during drilling, is now regularly producing in excess of 85% clean oil.

Total production for the month of August was some 11,166 barrels. The wells were on production for a total of 24 days with the average field production on days when the wells were producing being 465 bopd. The wells are generally produced at relatively high rates for short periods to assist with clean up, and then shut in when field tank storage capacity is reached and/or pressure test data is acquired.

A total of 26,218 barrels of oil have now been produced from the Field, with Ungani-1 producing some 8,211 barrels of oil to date and Ungani-2 producing some 18,007 barrels of oil to date.

### **Field Size**

Buru has previously made volumetric estimates from the available seismic and well data that the Field could hold between 5 and 20 million barrels of recoverable oil. Downhole and surface pressure data have now been obtained from the wells and these dynamic data have allowed estimates of oil volumes that are independent of the volumetric calculations. Given

the specialised nature of the interpretation of this data, Buru has engaged ODSI and AWT, specialist reservoir engineers, to review the data and assist with confirming the increased minimum estimated recoverable volumes.

Although the data are preliminary, there is very good confidence that the existing wells are accessing a minimum of 8 million barrels of mobile oil. The pressure data also indicate that, due to limited production run-times to date, the existing wells have only observed a portion of the reservoir. Thus, the volumetric estimate of recoverable oil in this area of the Field is similar to the estimate obtained from the dynamic data. The concurrence of these independent volume determination methods provides additional confidence in the interpretation of the both the dynamic and the volumetric calculations. The dynamic calculation also leaves considerable upside from this minimum volume. Importantly therefore, this higher minimum recoverable volume has no impact on Buru's estimate of the high end recoverable volume of oil of 20 million barrels. As further data is acquired from the EPT and from the further appraisal work planned for the Field, further refinement to estimates of the minimum and maximum recoverable volumes of oil will be undertaken, ahead of a third party reserves classification.

The next stage of appraisal work on the Field will involve the acquisition of a 3D seismic survey over the Field and the drilling of two appraisal wells. This additional work is an important step in quantifying the ultimate reserves of the Field.

Planning for the appraisal wells is underway, and although the release of Century Rig #7 has caused some delay to the timing of these wells, they are currently expected to commence drilling in early 2013 with Ensign Rig #32.

The commencement of the 3D seismic survey has been delayed due to the identification of a number of areas of cultural significance to Traditional Owners within the survey area. Buru is working collaboratively with the Traditional Owners to identify ways in which the survey can be conducted while avoiding any impact on those areas. It is still planned that this survey will be conducted during the 2012 field season once these issues are resolved.

### **EPT Forward Program**

The continued good production rates from the Field during the past month have provided confidence for Buru to commit to sourcing and contracting an additional two crude oil tankers for the duration of the EPT. This will facilitate production being maintained at a steady 400 bopd initially. Longer term steady production rates are an important interim step in the evaluation of the Field ahead of the commitment to the full field development, and are also highly desirable in obtaining pressure data that provides additional confidence in the reserves estimates.

### **Full Field Development**

Full production from the Field requires the issue by the Western Australian Department of Mines and Petroleum ("DMP") of a Production Licence. The Production Licence requires the development by Buru, and the approval by the DMP, of a Full Field Development Plan ("FDP"), and the execution of a Production Agreement between Buru and the Traditional Owners of the Ungani area.

The FDP, together with key environmental management documents for the Field, have now been submitted to the DMP for review and approval. These documents will be refined on an iterative basis as more analysis of the Field and production options is undertaken.

The FDP is based on a staged development of the Field, with an initial period of constrained production at around 1,000 bopd commencing immediately following issue of the Production Licence.

Produced oil will continue to be trucked to Perth during this initial period while a suitable export facility is constructed at a northwest port. Once the export facility is completed, production will be increased to the maximum sustainable rate, currently assumed to be around 5,000 bopd on the basis of Buru's current estimates of the recoverable volumes of oil from the Field.

It is expected that the initial phase of production at 1,000 bopd with trucking to Perth will continue from the grant of the Production License until the end of 2013, with the second phase of export via a port facility starting in early 2014.

A final decision on an export port location will depend on the timing for construction of the necessary export infrastructure (storage tanks and load out), tanker capacity, the cost and feasibility of trucking to the port, and the flexibility for future expansion in the event of further oil discoveries, or the need for a condensate export facility associated with a gas development.

The production facility will be the same for both phases, with engineering substantially completed. The facility is designed for a maximum daily production of 10,000 bopd and 5,000 bpd of associated fluids (in anticipation of the potential for future water production). The facility is also a modular design allowing increased production in the event that higher sustainable flow rates are achieved from the Field, or Ungani North-1, or other future exploration is successful and can be produced from the same facility.

The production facility has been deliberately designed to minimise its on-ground footprint and environmental impact.

An important component of the approvals for the Production Licence is an agreement with the Traditional Owners of the area, which must be negotiated before the DMP will issue the Production License. The *Native Title Act* provides the Traditional Owners of the Ungani area, the Nyikina Mangala and Yawuru People, with a right to negotiate and in respect of the development of the Field. The Production Agreement is intended to provide Traditional Owners with fair compensation for the impact on their native title rights of the development of the Field.

Negotiations with both groups of Traditional Owners are ongoing and are being conducted constructively and in a spirit of good faith. Buru considers that a fair compensation package can be agreed and negotiations successfully concluded in late 2012 or early 2013.

However, in the event that Buru and the Native Title parties are unable to reach an agreement over the terms of a fair compensation package, the matter can be referred to the National Native Tribunal for mediation and arbitration. The arbitration process provides a formal forum for the resolution of issues and results in a determination that is binding on the parties. Although there are no enforceable time frames for the arbitration process, the general practice is that the arbitration process takes 6 to 12 months. In the event that arbitration became necessary, this could be done in a time frame that would not materially delay the commencement of full production from the Field.

Commenting on the results to date, Buru's Executive Director, Eric Streitberg, said:

*"The results from the EPT continue to provide good news, and are pointing us towards a very encouraging upside case for the Ungani Field. It is also interesting that the apparent minimum size for Ungani is now over three times the original reserves of the existing producing oilfields in the Canning Superbasin.*

*The Ungani project has the potential to be of significant benefit to our shareholders, the State and to the Traditional Owners whose land it lies on, and we are working very hard to make sure all of the many facets of the development are advanced in parallel to ensure we are able to get it into full production as soon as possible."*

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