



**Buru Energy Limited**

**Date of Lodgement: 6/8/12**

**Title: “Company Insight – Implications of Yulleroo-3 success and forward program”**

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**Highlights of Interview**

- Explains what Yulleroo-3 was testing and the results of the well.
- Yulleroo field could be part of a broader basin centred gas accumulation.
- Discusses the potential impact of Yulleroo-3 on the total Contingent Resource estimates for Yulleroo gas field.
- Forward drilling program will test additional unconventional plays in Canning Superbasin.
- Explains plans to commercialise the identified large gas resources.

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**Record of interview:**

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

Buru Energy Limited (ASX code: BRU; market cap of ~\$793 million) has recently announced that it has reached the revised total depth for the Yulleroo-3 well of 3,712 metres and completed the casing program for the well. Can you provide an overview of what the well was testing?

**Executive Director, Eric Streitberg**

Yulleroo-3 was designed to confirm the lateral extent, reservoir development, and hydrocarbon column of the Yulleroo Gas Field.

The well achieved these objectives and the results also exceeded our expectations, with strong gas shows in the well from about 2,130 metres measured depth to the final total depth of 3,712 metres. This intersection has added over a thousand metres of gas charged section above the previously interpreted top of the gas sands in Yulleroo-1. A number of additional sand packages are also present which add significantly to the interpreted gas charged reservoir section.

What did give us a very pleasant surprise was that a package of sands at around 3,200 metres measured depth has conventional reservoir properties, and this has the potential to materially improve the flow rates from this well without requiring any reservoir stimulation. If this sand is developed over a larger area with similar reservoir properties it could add significantly to the commercial potential of the field.

We also saw good stratigraphic correlation with the Laurel section in Yulleroo-1, about two kilometres away. This gives us more confidence in the continuity of the reservoir section across the greater Yulleroo structure, and hence the volumes of gas in the structure.

We were also very interested to see that the gas wetness ratios and inferred pressure data in the well are indicative of the Yulleroo accumulation being part of a broader basin centred gas accumulation like we see in the Valhalla area.

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You have had a Contingent Resource identified in the Yulleroo Gas Field, what do the results of Yulleroo-3 mean for this?

**Executive Director, Eric Streitberg**

We would expect the current contingent resources estimate to increase, but we need to do a comprehensive analysis of the Yulleroo-3 well results and also the next well we intend to drill on the structure before we get the numbers revised. Of greater significance though is the potential for a wider basin centred accumulation in the area. If we can confirm this, there is the potential for prospective resources in the multi-TCF range as we have seen at Valhalla.

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Will you be doing any further appraisal work on the Yulleroo Field this year?

**Executive Director, Eric Streitberg**

Definitely, we are currently planning to drill Yulleroo-4 later this year with Ensign Rig #32, subject of course to all the usual approvals. We are currently recommending that Yulleroo-4 is sited at the edge of the Yulleroo structure to try and unambiguously confirm that we have gas outside structural closure, which is what we interpret we are seeing at Yulleroo-3. This is the same philosophy that we used when we drilled Valhalla North-1, and it will be a very important confirmation that Yulleroo is part of a broader basin centred gas accumulation.

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In the last Company Insight interview you mentioned that you may be drilling some wells to test some of the other unconventional plays on your acreage. Have you identified any specific prospects?

**Executive Director, Eric Streitberg**

We have a number of very interesting unconventional plays in our portfolio apart from the Laurel Formation that we are currently focused on, and our intention is to test two of these later this year.

The first one is the Goldwyer Shale, which is the regionally extensive marine shale seen in the Kidson Subbasin which is in the southern part of the Canning Superbasin, and is the play being specifically targeted by New Standard Energy and ConocoPhillips in their upcoming drilling program.

As we discussed in our last interview, we will be drilling the Cyrene-1 well later this year in a location that will intersect the Goldwyer Shale where it sits in the oil window, and we will core the Goldwyer Shale in this well to provide a full suite of data for analysis and evaluation of the Goldwyer shale oil and gas potential. We are confident Cyrene will confirm the potential we see on our permits for a major oil play in the Goldwyer

The other major unconventional play type we plan to test this year is the Gogo Shale. The Gogo, apart from its great name, is interpreted to be the source rock for the Blina Oilfield and for the oil shows and oil recoveries seen in other wells on the Lennard Shelf. We plan to drill the Emanuel well in EP 129, close to the current Buru Production Permits, either later this year or early in 2013. The well will test a conventional structure in the Frasnian aged reefal section and will then drill through the underlying thick Gogo section. As with Cyrene, we intend to comprehensively core this well which should give us a full data set to help understand the unconventional potential of the Gogo.

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The identification of such a significant gas resource in the Laurel Formation, and the potential for further resources in the unconventional plays is obviously exciting, but how do you intend to commercialise them?

#### **Executive Director, Eric Streitberg**

Our business plan to commercialise the gas in the basin is an incremental, step by step, approach. The key to the short term development is the supply of domestic gas to the markets in the south of Western Australia, and you obviously need the infrastructure to get that gas to market.

As there are no existing gas pipelines to take gas out of the Canning Superbasin we need to construct one, and we have been working on the preparations for that for a number of years now. Our plan is for the Great Northern Pipeline to connect the Yulleroo Field to the Dampier to Bunbury Natural Gas Pipeline in the Pilbara. We initially focused on the Yulleroo Field to underpin the construction of the pipeline, however, given the success we have had at Valhalla, we are now looking at the feasibility of extending the GNP to the Valhalla area.

The necessary on ground environmental work is well underway, and our engagement program with stakeholders is progressing. As you can imagine, the construction of the GNP is a major exercise, with design, approvals and construction process likely to take until at least the end of 2014 to complete. In the meantime, we are looking at incremental commercialisation steps to bring on early production. One of these which has significant appeal is compressed natural gas which we will look at using in our testing stage of the program.

The other significant aspect is gas marketing, and we are working towards building a book of customers to reflect the scale of the resource that we have found, above and beyond our existing gas sales contract with Alcoa. So far we are very pleased that the demand volumes and the price expectations of potential customers are such that we will be able to build a very viable business, particularly with the amount of liquids we are seeing in our gas.

#### **companyinsight.net.au**

Thank you Eric.

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