



**Buru Energy Limited**

**Date of Lodgement: 4/07/13**

**Title: "Company Insight – Ungani to Recommence & Operations Update"**

**Highlights of Interview**

- Agreement with Traditional Owners provides framework for forward program in Ungani area.
- Ungani 3D seismic to recommence shortly – will provide data on dimensions & size of field.
- Buru thinks Ungani size could be significantly more than the current estimate of 10 million barrels of recoverable oil.
- Plans for development – will require few additional wells to get to 5,000 barrels/day production.
- Additional senior management and capability build.
- Importance to Buru of recently legislated State Agreement.
- Funding plans for forward program.
- Reasons for recent share price weakness & determination to focus on adding shareholder value.

**Record of interview:**

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Buru Energy Limited (ASX code: BRU; market cap of ~\$340m) recently announced an agreement with the Traditional Owners in the Ungani area. Can you explain the implications of that agreement?

**Managing Director, Keiran Wulff**

This is a major step forward for both Buru and the Traditional Owners in the Ungani area. It provides a process by which Buru and the relevant Traditional Owners may engage, in relation to Buru's activities in the Canning Basin, and in relation to the recommencement of Buru's exploration program. It also lets us work together to identify meaningful contracting, training and business development opportunities, and provides Buru and the Traditional Owners with a framework that ensures we have a mutual long term goal of developing the resources of the region together in a way that provides an appropriate sharing of benefits.

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How does this agreement impact on the Ungani area 3D seismic which was suspended last year?

**Managing Director, Keiran Wulff**

Buru suspended the Ungani 3D seismic last year when it was brought to its attention that there had been a possible disturbance to some heritage material. As a result of the renewed approach to engagement of which the agreement forms part, the Terrex seismic crew will begin to move to Ungani shortly and restart the survey.

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When do you think the survey data will be available and what further understanding are you looking for the survey to provide?

**Managing Director, Keiran Wulff**

We would hope to have processed data in October and that will be a big step forward in providing the optimum locations for the production wells in the field. At the moment the field only has a very loose grid of 2D seismic lines over it, so the potential size of the field has a wide range. Based on modelling of the pressure and production data from the current wells we are confident that there are at least 10 million barrels of recoverable oil in the structure, with considerable upside potential. The 3D seismic will be a big step to help to quantify this upside, but it will need at least one more well to fully confirm it.

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So what are the plans for the Ungani development and how advanced are they?

**Managing Director, Keiran Wulff**

We have a very clear plan to develop the field that will involve additional wells, probably horizontal. If the field produces as well as we hope, we won't need very many. The other key component is to reduce the transport costs of getting the oil to market. During the initial testing period we trucked the oil to Kwinana which was a short term measure to allow the test to proceed. A key driver in maximising value of the Ungani field is to export the oil from a closer port in the northwest, and we are evaluating options to achieve that. We are in discussions with a number of parties and we will be able to provide more details on this key part of the development when these discussions are completed. The JV is firmly committed and on track to getting the field producing before the end of this year and up to full development, targeting around 5,000 barrels a day, by mid next year

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It sounds like you have a pretty full program ahead of you, have you got the management resources to handle it?

**Managing Director, Keiran Wulff**

One of the priorities the Board set for me when I started with Buru was to transform the Company from a successful explorer to a safe, cost effective, developer and producer. We embarked on a program to put in place the right people and systems to drive the next phase of growth in the company and I have been very focused on that.

With the quality of our acreage, a potential large gas appraisal program, an oil development, and an active exploration program, Buru is an attractive place to work and we have been extremely fortunate in being able to hire some first class people. We have been focused on securing oil industry personnel with a proven history in delivering projects and creating value for shareholders. We did not want to compromise, and for our key positions we undertook an international search. We have recently employed Will Pulsford, who was most recently CEO of RISC, as Buru's COO, and Trevor Shortt who comes to us from Central Petroleum as our General Manager Exploration. Aside from his time at RISC, Will has a strong background with Shell, Chevron and Woodside in facilities engineering, which is highly relevant to our program ahead. Trevor is a Canadian national who has a wealth of tight gas experience which is obviously important to us moving ahead as we evaluate the Laurel tight gas potential. We have also significantly enhanced our petroleum engineering and geoscience capabilities, as well as restructuring our drilling, health and safety and environment teams.

Importantly, we have also entered into a strategic alliance with Halliburton to provide us with technical assistance on our tight gas evaluation program and this has given us access to world leading analytical and technical expertise. This capability building program is critical to the success of Buru delivering the full potential of our assets.

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When do you think you will be able to announce the drilling program for the rest of the year?

**Managing Director, Keiran Wulff**

We have taken a pause in our drilling operations after the last two years' continuous program, often with two rigs running at once. We are now consolidating and reviewing our processes and learnings from that program before we embark on the next two year program. An important component of that planning is to ensure we have the right rigs for the next two year phase.

The Ensign 32 rig gave us great service over the last two years, but now is the time to look at getting a more fit for purpose rig for the next phase. We have been surprised by the enthusiasm of the contractors and the range of options available, so we have had a good choice of rigs. We are currently in discussions with the contractors with the most suitable rigs and will have something signed off soon once we finalise commercial terms. As we are anticipating that we have another extensive drilling program ahead of us, we have been very keen to secure the right rig from the options available to us. The rig needs to have the capacity we need to drill horizontal wells at Ungani and to test deep gas targets, as well as being quick and cheap to move. The timing of resumption of drilling will also be partly driven by which rig we use.

One of our key drivers for the program going forward will be drilling further Ungani style conventional oil prospects with the new rig, and the seismic crew will be acquiring a substantial amount of 2D data along the Ungani trend when it finishes the Ungani 3D. Developing Ungani, undertaking appraisal of the gas potential and developing a portfolio with the approvals capable of supporting a long term drilling program takes time to put together. We have been working very hard to achieve that. We have been preparing the company for its next stage of sustainable growth, and we are very excited about our program.

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The State Agreement covering your core Laurel Formation permits was recently passed by the Legislative Council in Western Australia. What are the implications of that for Buru?

**Executive Director, Eric Streitberg**

The State Agreement is a unique and very important agreement that has been ratified by legislation to allow the potential of the Canning Superbasin to be explored in a systematic way that will result in the best outcome for the State and for the Traditional Owners. It has now received Royal Assent so it is fully operative. There have been concerns expressed that the Traditional Owners in the area would have their rights affected in some way, and some of the groups have said that they are looking at mounting a legal challenge to the Agreement. We need to be very clear that the Agreement is in relation to tenure and the supply of domestic gas, and does not affect the rights of the traditional owners in the area.

The Agreement will in fact give us all the opportunity to work together in a systematic way to ensure there is a fair and equitable sharing of benefits when we see what the resources actually look like. Buru is also committed to ensuring that the appraisal program is conducted utilising best practices and with utmost care to the environment. We have developed a strategic alliance with Halliburton to ensure that we introduce global best practice into our program. This project also represents an excellent opportunity for indigenous employment in a resources development project consistent with our vision of maintaining the environmental values of the Kimberley.

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As we've discussed, you have a big program ahead of you. What are your plans for funding?

**Executive Director, Eric Streitberg**

We are carefully looking at a variety of funding methods for all of our projects to ensure we have the appropriate mix of funding to preserve and enhance shareholder value. A key part of our capability building program has been to focus on our highest value areas and to ensure we have the funding to develop them. Under a number of scenarios we think we have enough cash to be able to get Ungani up and running to the point where it is generating meaningful net cash flow. On the gas side we need to get the flow testing prepared and after that the further appraisal and development will require more cash than we have to put into the project, so we will be looking at bringing in a partner to provide some substantial funding at that point to get it to commerciality. We will also look at selectively bringing in partners to some of our other acreage.

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As a last question, the share price has been under considerable pressure. What do you think has caused that?

**Executive Director, Eric Streitberg**

Well firstly there are the general market conditions. Although it is no comfort to shareholders, and we need to be able to outperform, our price has pretty much tracked the small resources index since the beginning of the year. There was some shorting going on over the last few months, but that seems to have also stabilised. We are also very conscious that the market conditions in the resources sector are likely to remain very challenging for the rest of the year and we need to be very conscious of not relying on the market for support.

With that in mind we are working hard to restore shareholder value, and have a very clear plan to get Ungani into production, monetise the gas resources, and find more of both oil and gas. So we will have three parallel and independent value creating programs, our oil development at Ungani, a major gas appraisal program and the long term exploration program. The recommencement of exploration with the 3D at Ungani followed by the 2D seismic program along the Ungani trend, preparations for Ungani full field development, and signing up a rig are all very important steps on the way to achieving this program.

We will have more announcements in due course keeping the market and our shareholders fully informed as we put in place the next steps in the process.

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Thank you Keiran & Eric.

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