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## ASX ANNOUNCEMENT (ASX: BRU)      16 May 2012

### Company Insight

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Buru Energy Limited (“**Buru**” or “**Company**”) provides the attached Company Insight interview with Buru’s Executive Director, Eric Streitberg.

This interview and further information on the Company are available on the Buru website at [www.buruenergy.com](http://www.buruenergy.com)

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Yours faithfully

A handwritten signature in black ink, appearing to read "Eric Streitberg", written in a cursive style.

**ERIC STREITBERG**  
Executive Director



**Buru Energy Limited**

**Date of Lodgement: 16/5/12**

**Title: “Company Insight – McDaniel Report (very sig. size of Valhalla)”**

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**Highlights of Interview**

- **Why Buru engaged McDaniel.**
- **Explains conclusions of McDaniel Report (very sig. size of Valhalla).**
- **2012 program to help define extent of Valhalla.**
- **Explains ‘basin centred gas accumulation’ (BCGA) & what it means for potential volumes.**
- **Implications of Valhalla results for unconventional prospectivity of Canning Superbasin.**
- **Potential of Yulleroo & plans to test it.**
- **Further exciting plays identified outside Valhalla & Yulleroo.**
- **Increasing interest of third parties in Canning Superbasin.**

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**Record of interview:**

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

Buru Energy Limited (ASX code: BRU; market cap of ~\$590m) recently announced the completion of an independent assessment of the prospective resources of the Laurel Formation in the Valhalla area. Can you provide an overview of the results of the assessment and give some background on how you came to use McDaniel as the independent expert?

**Executive Director, Eric Streitberg**

Let me answer the last question first. We were very sure technically that we had something pretty special at Valhalla so we wanted someone with the relevant technical and commercial capability to have an independent look at it. So we asked our contacts in the investment and banking community in North America who they trusted and who they thought had the right technical expertise, and they all recommended McDaniel – so that was a pretty strong endorsement.

We are obviously extremely pleased with the results of the McDaniel report. Our internal technical estimate was that the Laurel Formation in the immediate Valhalla area could hold at least 2 TCF of

recoverable gas and that there was scope for a much greater accumulation that had the potential to hold in excess of 20 TCF of recoverable gas and hundreds of millions of barrels of liquids. The McDaniel report justifies those internal estimates with the equivalent volumes estimated by them being in the order of 15 TCF of recoverable gas, with an upside of over 33 TCF and one billion barrels of condensate. We set out the full details of these numbers in our recent ASX release on 7 May.

It should also be noted that the McDaniel high case is 33 TCF, over an assessed area that is less than half of what we see as the potential extent of the accumulation, which also runs into the blocks owned 100% by Buru. To put the scale into perspective, the offshore gas resources in the Browse Basin are about equivalent to the high side estimate for Valhalla, so in any terms, this is a potentially world class resource.

So, in short, we have an independent verification of a very significant wet gas accumulation, with the potential for material growth in the size of that accumulation as a result of future appraisal wells, with two to be drilled this year.

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Are you doing any further work in 2012 to help pin down the extent of the Valhalla accumulation?

**Executive Director, Eric Streitberg**

We are about to commence deepening the Paradise-1 well with Century Rig #7, and will also be drilling Asgard-1 with Rig #32 later in the year, once we get all of our approvals in place. Both of these wells will help to define the extent of the Valhalla accumulation, and give us greater certainty about the potential volumes. In particular, these wells are designed to capture some of the upside identified in the McDaniel report.

Paradise-1 which is located about 21 kms to the west of the immediate Valhalla area, is expected to commence drilling in the next few days. We originally drilled the well in November 2010 and found what we think is an oil zone in the shallow Anderson Formation, but we had to stop drilling just before we tagged the top of the Laurel Formation due to the early onset of the wet season. If we see gas throughout the Laurel Formation in this well, it will confirm a significant westerly extension of the Valhalla accumulation. The well is also testing the potential for conventional reservoirs to be developed in the Laurel Formation as we saw at Ungani. This is an exciting and very significant well for us.

The next stepout to confirm the extent of the accumulation is Asgard-1. This well is approximately 35 kms to the southeast of Valhalla-2 in the opposite direction to Paradise. Asgard will test the current interpretation, which is supported by the existing wells in the area, that the Valhalla accumulation stretches some 60 kilometres to the east and south of the Valhalla wells.

If these wells both confirm the presence of the Laurel Formation as we expect, we will have identified a basin centred gas accumulation with a northwest to southeast axis of around 55 kms, a quite amazing result in a frontier basin.

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Can you explain what a basin centred gas accumulation is? What does this mean for the potential volumes?

**Executive Director, Eric Streitberg**

A basin centred gas accumulation, or BCGA, is a tight gas accumulation, which is fundamentally different to traditional shale plays. BCGA's tend to be lower cost to produce with higher production rates than traditional shale plays, and are therefore more commercially attractive. BCGA's have a number of specific geological characteristics, and the McDaniel report confirms that each of these elements appears to be present in the Valhalla accumulation. In terms of volumes, BCGA's are by definition not restricted to a geological structure and are therefore regionally extensive, meaning they can contain very large volumes of gas and associated liquids as seems to be the case with Valhalla.

Specific North American BCGA analogues to the Valhalla BCGA are the Montney and Granite Wash tight gas plays. These are considered premium unconventional wet gas plays and the Montney, for example, is in the top three most economic resource plays in North America.

The other significant thing from this is that the McDaniel report only referred to the deeper over-pressured part of the Valhalla BCGA. There is considerable potential for additional resources in the shallower, normally pressured conventional section of the Laurel which is gas saturated over large areas. If this is the case, the estimated volumes are again likely to be significantly larger than those in the McDaniel report.

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Now that Buru has booked a prospective resource over the Valhalla area, what are the steps required for Buru to prove up these resources?

**Executive Director, Eric Streitberg**

The McDaniel report suggested a forward program to gather the data needed to convert the identified prospective resources to reserves in the future.

A key element of this forward plan is to drill further vertical and horizontal wells, with the acquisition of full logging suites and coring programs. The drilling of both Paradise and Asgard will be an important step forward for this program. We anticipate that the analysis of the results of these wells will allow a forward program to be developed for 2013 which may include trial reservoir stimulation activity.

We are very confident that the Laurel Formation will respond positively to stimulation given the gas flows we saw at Yulleroo-2 after what was a sub-optimal stimulation program in October 2010, and also the gas kicks experienced while drilling Valhalla-2, and that were also seen in the old wells in the area.

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What do these results mean for the unconventional prospectivity of the Canning Superbasin as a whole?

**Executive Director, Eric Streitberg**

The independent confirmation of a multi TCF wet gas accumulation at Valhalla gives the prospectivity of the basin a huge lift. If you add these potential resources into the identified resources at Yulleroo, plus the oil we discovered at Ungani, and the very significant oil and gas potential of the Goldwyer Shale, you can begin to see the potential scale of what we are doing with Buru. In the short term, this means that the Superbasin is likely to be a significant contributor to

ensuring the energy security of Western Australia, but the longer term provides the potential for astounding upside.

Each time we drill a well we learn something new about the basin, and so far our program has confirmed what we have been saying all along, and what the US EIA said in its report last year, which is that the Canning Superbasin is by far the most prospective unconventional basin in Australia. Not only that, but the Ungani discovery is a great vindication of our long standing view of the conventional prospectivity of the basin.

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Your most recent announcements now say that Yulleroo has the potential to be a BCGA, can you explain the implications of this and how you will test it?

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

The two previous wells drilled on the Yulleroo structure were still in gas at total depth, and so there is clearly the potential for the Yulleroo accumulation be part of a significant Laurel Formation basin centred gas accumulation, similar to that identified at Valhalla. If this is the case, it would substantially increase the potential gas resources in the accumulation from the currently independently confirmed mean contingent resources of 332 BCF of gas and 13.4 million barrels of liquids.

We are currently mobilising Ensign Rig #32 from the Valhalla North-1 well site to drill the Yulleroo-3 appraisal well, and expect to spud in the next week or two. This well has been located on the 3D seismic data we acquired last year and will help define the vertical and lateral extent of the accumulation. If we see gas throughout the Laurel Formation similar to that seen in Valhalla-2 and Valhalla North, it will be strong evidence that Yulleroo is also part of a basin centred gas accumulation, and that we are sitting on a much bigger resource than we originally thought.

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You've identified a number of exciting additional plays outside Valhalla and Yulleroo, will you be testing any of these in the upcoming program?

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

We have a massive acreage position, almost 23 million gross acres, in what is becoming increasingly apparent is the most exciting onshore basin in Australia. To date our exploration efforts have focused mainly on the Fitzroy / Gregory sub-basin which contains the Ungani oil field and the Valhalla and Yulleroo accumulations, however, we have done a huge amount of work in the background which has identified a number of very interesting conventional and unconventional plays right across the Superbasin.

In terms of conventional prospects, we have huge running room for follow ups to the Ungani oil discovery, and we have identified over 300 million barrels of prospective oil resources in the Ungani trend, and our plan is to drill at least two of these prospects this year. In addition, the Pijalinga seismic we acquired in 2010 identified some very promising large conventional oil prospects in the Acacia province. But it now looks like we will drill these prospects in 2013, given their remoteness and the multitude of other prospects we want to get to this year. The gas discovery at Pictor with the potential for an oil leg also looks very interesting and we will revisit that in the future.

In addition to the Goldwyer Shale, we have identified two other major unconventional plays, being the Gogo Formation which is the source rock for the existing Blina oil field and the Noonkanbah Formation which has excellent organic rich shales, although it does only have restricted distribution in the oil maturity window. We are currently working on the timing of plans to test these plays.

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You have previously said that Buru has had interest from other parties in participating in the Canning, do you think your ongoing success and the independent verification of the Valhalla resources will have an impact on this?

**Executive Director, Eric Streitberg**

Undoubtedly. There is now intense interest in the Canning Basin with three major companies taking positions. Most recently Hess has entered the basin after it acquired Kingsway Oil, and Conoco came in last year with New Standard. You just have to look at a map of acreage holdings in the Superbasin to see that there is now no material vacant acreage. What this means is that the only entry points are via farm-ins or through takeovers.

We believe we have the best acreage with the largest and most diverse play types and most well developed prospect portfolio. It is therefore not surprising to us that there is interest in Buru, and we have really started to see this interest increase over the last few months, especially with the admission of Buru to the ASX 300 in March and the commencement of coverage by Casimir Capital, a North American resource focused broking house, with a price target of \$5 which is consistent with BBY's price target.

It is also logical that the more success we have, the more interest we are likely to experience in our acreage. With oil and gas stocks being generally deflated over the past 6 to 8 weeks you are already starting to see some M&A activity in the sector and there is clearly potential for this to spread to the Canning.

We see very significant upside from the Basin, but development, at least of the unconventional gas resources, will be longer term and will also be capital intensive in future years. We will look at the best way to progress the development of both our conventional and unconventional assets in the way that we see adds the most value to shareholders. The interest we are receiving from third parties with experience in the development of unconventional plays in North America certainly provides us with additional options to do this.

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Thank you Eric.

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