



Buru Energy Limited

Date of Lodgement: 30/8/12

Title: “Company Insight – Asgard-1 and Canning Drilling Program Update”

Highlights of Interview

- Spudding of Asgard-1 well
 - Asgard’s objective is to test the extent of the area of the Valhalla basin centred gas accumulation
 - Release of MB Century Rig #7
 - Ensign Rig #32 will complete Ungani North in mid-to-late October: no change in expectation regarding prospectivity
 - Plans for drilling Cyrene-1 with its conventional oil target, and testing of the unconventional oil potential of the Goldwyer Shale
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Record of interview:

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Buru Energy has just announced the spud of the Asgard-1 well. Can you provide a bit more information regarding the purpose of the well?

Executive Director, Eric Streitberg

The purpose of Asgard-1 is to test just how big the gas resource we identified with the Valhalla and Paradise wells is. Asgard-1 is about 35 kilometres to the southeast of Valhalla-2 in the opposite direction to the Paradise-1 site. The well is specifically designed to test the current interpretation that the Valhalla basin centred gas accumulation, or BCGA, is present over a northwest – southeast axis of some 55 kilometres.

As well as drilling the Valhalla and Paradise wells, and analysing the very encouraging data we gathered from them, we have done extensive analysis of the data from the existing wells in the area that were drilled by previous explorers. The analysis of these logs and cores supports the conclusion that the recent McDaniel independent report came to, namely that we potentially have a very large gas accumulation at Valhalla. Asgard is an important part of proving just how big it could be.

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If the well is successful, what will it mean for the size of the Valhalla accumulation?

Eric Streitberg

If Asgard has the same characteristics as the other Valhalla trend wells, we will have confirmed a 35 kilometre extension of the accumulation to the southwest.

The McDaniel report confirmed our view that the Valhalla area was significant, and put some numbers around what that means. Specifically, McDaniel said that the Valhalla accumulation could have mean unrisked contingent resources of 15 TCF of recoverable gas with an upside case of 33 TCF of recoverable gas.

If the Asgard well is successful it will increase our confidence in the areal extent of the accumulation and start bringing the high case volumes into the mean recoverable case. To put this in context, Woodside's offshore Browse project currently has contingent resources of 15.5 TCF of gas. While there are different commercial and operational parameters associated with the two projects, the Valhalla area looks like it is on a similar scale and the Asgard well is a part of what could be a world class resource.

We have also just started acquiring seismic in the Basin with the Terrex crew currently recording the Yakka Munga survey. As part of this year's program we will also be recording a large 2D survey in the Asgard area. This survey will fill in some large data holes and will also provide important evidence of the geological continuity of the accumulation.

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You released Century Rig #7 from Ungani North-1 before you finished drilling the well. Why was that?

Eric Streitberg

We released Century Rig #7 after a mechanical failure in the rig hoisting gear during a routine operation. This incident damaged the top drive and potentially some other parts of the rig. This all happened under the control of the drilling contractor, MB Century.

Although there were no injuries or problems with the well itself, the damage to the rig and the top drive, which is an essential part of the operation, was such that we were not confident the well could be completed in a timely and cost-effective fashion. This incident came on the back of a number of previous breakdowns and delays in drilling the well, so we made the decision to release the rig and terminate our contract with MB Century. This was obviously extremely frustrating as we had not yet reached the primary geological target of the Ungani Dolomite, but our first priority is that we can continue to operate safely and effectively.

The important thing for the Ungani North prospect is that the well is intact and the target remains highly prospective. Nothing that has happened to date gives us any reason to change our pre-drill estimate of 30 million barrels of recoverable oil from Ungani North.

We have also used this time out from drilling to run a velocity survey on the well. This has confirmed our interpretation that the target reservoir is deeper than we originally estimated, mainly due to high seismic velocities in the very hard section we have been drilling through. However, the actual structure is unaffected; the whole thing is just deeper than we thought. Once we get back to drilling we think we now have about 250 metres to go to the main target.

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Given the Ungani North well is still so prospective, when are you planning to finish drilling it?

Eric Streitberg

We have had Ensign Rig #32 under continuous contract for about eighteen months now, so our current plan is to use that rig to complete the Ungani North well once it has finished drilling Asgard-1. Depending on how we go at Asgard, we are probably looking at being back at Ungani North in mid-to-late October.

The one silver lining in all of this is that Rig #32 is a much bigger rig than Rig #7, so when we do re-commence drilling we should be able to finish the well much more quickly. We will also be able to evaluate more effectively the deeper Nullara zones of interest down at 3,000 metres and beyond, well below the primary Ungani Dolomite objective.

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In our last interview you mentioned that Cyrene-1 was to be drilled with Rig #7. Will you still be drilling Cyrene-1 this year?

Eric Streitberg

Cyrene-1 is a very exciting well for us. Not only does it have a conventional oil target, but it is also testing the unconventional potential of the Goldwyer Shale where it is interpreted to be in the oil window. While it is early days, the Goldwyer Shale has the potential to be a very sizeable oil play on our acreage. On that basis we are committed to drilling the well this year.

Obviously, we will not now be drilling the well with Rig #7, so we are looking very hard at whether we will be able to bring another rig into the Canning in time to drill this well this year. If we can't make this work the current plan is to drill Cyrene with Ensign Rig #32 later this year. The Cyrene well location is accessible during the wet so we do have a bit of flexibility around timing on this, but our preference is to get it down as soon as we can.

We are also looking at the rest of the program for the year, as we can drill wells at Yulleroo and Ungani and a number of other areas during the wet season, so we will be finalising the rest of the year's program once we work out which rig we will use to drill Cyrene.

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Thank you, Eric.

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