

24 March 2010



ASX/Media Release

Blue Energy Secures Drilling Rig for Monslatt Pilot Production wells

Blue Energy Limited (ASX: BUL) is pleased to advise that it has signed a Heads of Agreement with Atlas Drilling securing the Atlas Rig 3 to drill three pilot production wells in the Monslatt Block of ATP814P in the Bowen Basin. These pilot wells are designed to establish gas production characteristics within the P1 Coal Seam (Moranbah coal Measures), together with the other coal seams intersected in the recently drilled Monslatt coreholes. This production data will enable the conversion of the current Contingent Resources into 2P and 3P Reserves.

It is expected that the Atlas Rig 3 will be on location and ready to spud the Monslatt 4 Pilot Production well by mid April 2010.

As announced previously, Netherland, Sewell and Associates (NSAI) have estimated a 2C Contingent Resource of 121PJ (Gas in Place) and 3C Contingent Resource of 3,411PJ (Gas in Place) in the Monslatt Block. A prospective resource of 3,607PJ (Gas in Place) associated with carbonaceous shales was also identified by NSAI and these will also be targeted by the pilot wells.

ATP819P Surat Basin (BUL 100%):

Ballangarry 1: Operations at the Ballangarry 1 well recommenced as of 6am this morning. The hole is being conditioned prior to running surface casing to a depth of 253 metres. Operations at Ballangarry 1 had been suspended for several weeks following extensive regional flooding in the area. This core well is designed to assess the Cretaceous section for both Coal Seam Gas and Shale Gas potential. The well will be drilled to a total depth of 600 metres and will target the Wallumbilla Formation.

ATP814P Bowen Basin (BUL 100%):

Sapphire 2: Access to the Sapphire 2 drilling location has been further delayed by heavy rains from ex-Tropical Cyclone Ului in the area last weekend. It is expected that access will be re-established within two weeks, at which stage Depco 1 drilling rig will be mobilised to site. Sapphire 2 will target the Rangal, Fort Cooper and Moranbah Coal Measure sequences approximately 2.7km north east of the Sapphire 1 well drilled by Blue Energy in 2008. The location is only 14km east of Arrow Energy's Moranbah Gas Project.

ATP813P Galilee Basin (BUL 100%):

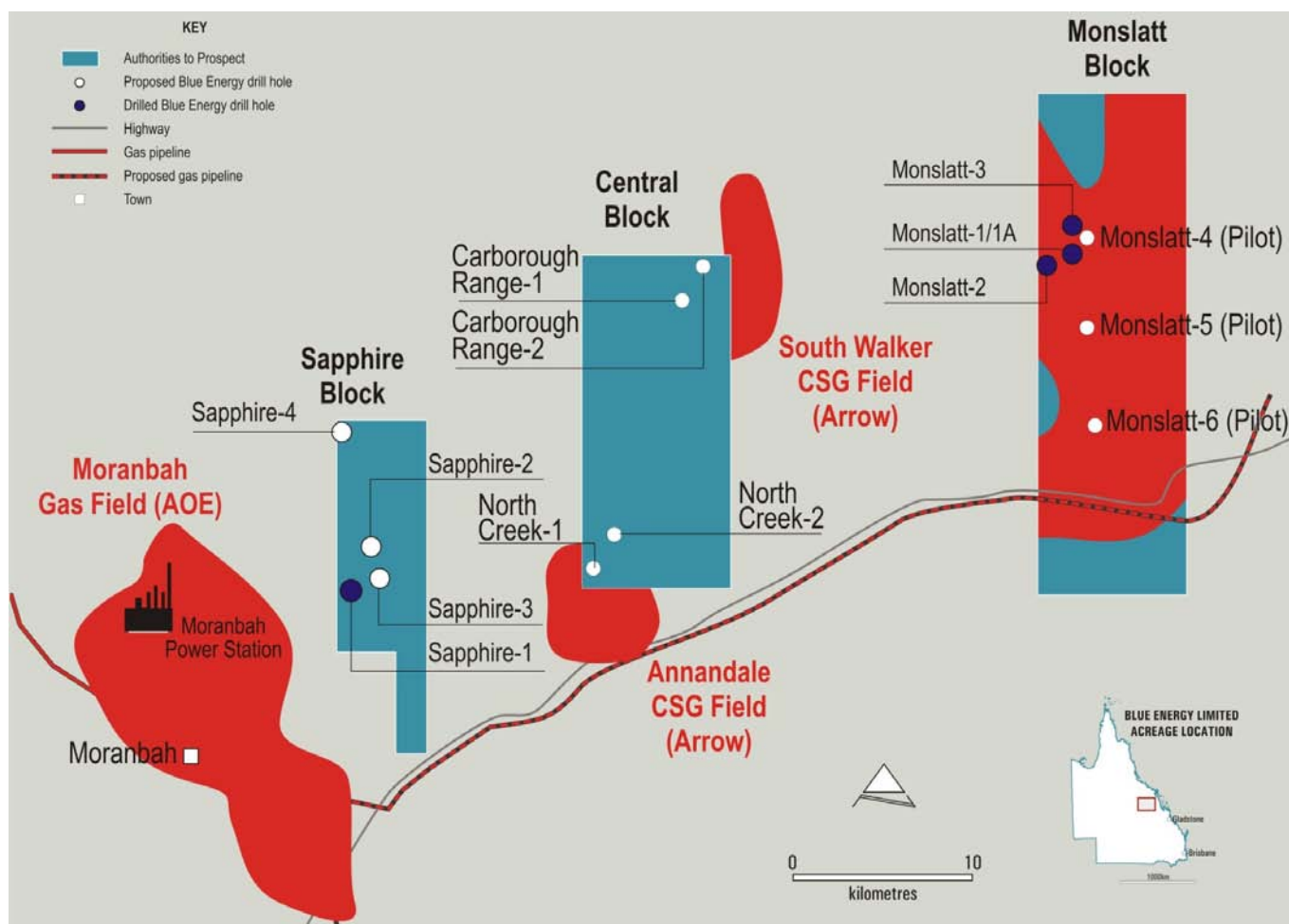
Stainburn Downs 1: Access to the Galilee Basin acreage in general is still affected by recent flooding, and it is expected that access to the Stainburn Downs 1 well (currently suspended at a depth of 980 metres) may be possible within the next two weeks.

END

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Figure 1: ATP814P Drilling Program Location Map



blue energy/licence maps/atp 814 inset blowup/19-3-10tp

Figure 2: ATP813P Drilling Program Location Map

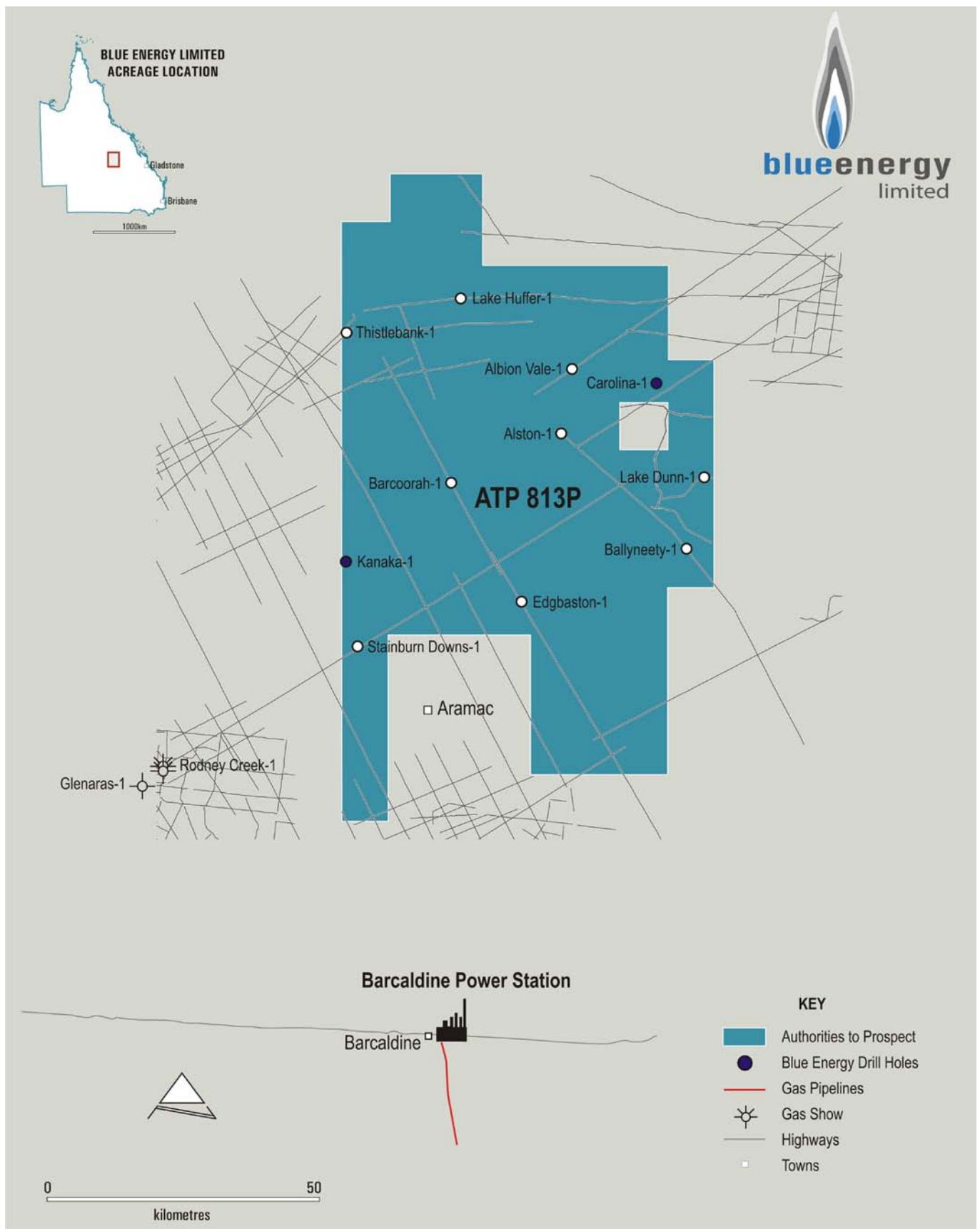


Figure 3: ATP819P Drilling Program Location Map

