

25 August 2011

ASX ANNOUNCEMENT

Operations Update – ATP814P Bowen Basin

Blue Energy Limited (ASX: BUL) provides the following update on activities in the ATP814P permit.

Monslatt 9

The Monslatt 9 combination core and pilot production well is expected to commence drilling operations today. The well, which is being drilled by Ensign Rig 60, is located in the southern part of the Monslatt Block of ATP814P (see Figure 1) and is designed to establish the production potential of the Moranbah Coal Measures in this part of the block through the acquisition of core data. The well is also designed to enable it to be cased and completed as a potential pilot production well.

The well will be drilled to a planned total depth of 840 meters and will also assess the shale gas potential of the lower Moranbah Coal Measure sequence. NSAI have established the potential of the shale gas play in the Monslatt Block where gas contents of these shales have been recorded up to 10 cubic metres per tonne.

The Monslatt 9 well is expected to take 21 days to drill, core, case and suspend, and following this the rig will move the Sapphire 4 pilot production well in the Sapphire Block of ATP814P.

Ongoing Operations

The dewatering of Monslatt 7 and Monslatt 5 is continuing. Gas production has commenced in Monslatt 7 and flow rates are expected to increase as dewatering continues. Water production at Monslatt 5 has continued to increase and has reached the capacity of the pump installed. A work over is planned to commence shortly which will see a higher capacity pump installed and the dewatering process continue.

The increase in flow rates to “commercial rates” should provide sufficient data for the Company’s reserve certifier Netherland Sewell and Associates (NSAI) to assign reserves 2P and 3P to areas within the Monslatt Block. The Monslatt Block is currently assessed by NSAI to contain 3,034 PJ of Contingent Resources.

Planning is nearing finalisation for the stimulation and completion of Monslatt 4 and Monslatt 6 with work planned to commence during September. On completion these works the wells will be placed on pump and the dewatering process commenced.

Following these operations and the completion of the drilling of Monslatt 9 and Sapphire 4 Blue Energy will have 6 pilot production wells in various stages of dewatering and testing.

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Figure 1
ATP 814P Location Map

