

23 September 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 well has reached a total depth of 1,006 metres and is preparing to acquire wireline logs. This well is located in the southern part of the Monslatt Block of ATP814P and is designed to establish the production potential of the Moranbah Coal Measures through the acquisition of core and permeability data. The well design will allow completion as a pilot production well.

To date, the well has intersected 16 seams through the Moranbah Coal Measures with gross coal of approximately 35 meters. Preliminary gas contents from these seams have been excellent and ranged from 8 to 25 cubic metres per tonne. Gas samples taken have indicated methane contents of greater than 90%. Gas bearing carbonaceous shales have also been intersected in the lower section of the well, and several samples are on desorption to establish gas content.

Blue Energy has established the potential for a shale gas play in the Monslatt Block where good gas contents from these shales have been already demonstrated (up to 10 cubic metres per tonne), in the Monslatt 1A corehole.

On completion of Monslatt 9, the rig will move the Sapphire 4 core and pilot well in the Sapphire Block of ATP814P.

Monslatt Pilot Operations

As previously advised, the dewatering and production testing of Monslatt 7 and Monslatt 5 is continuing. As this production testing continues 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.

A rig has been secured for the completion of Monslatt 4 and Monslatt 6 with work planned to commence during October. Potential stimulation programmes for these two wells are currently being reviewed with the Government Regulator in light of currently changing environmental guidelines. On completion, these works the wells will be placed on pump and the dewatering process commenced.

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