

1 February 2010

ASX/Media Release

Drilling Update

Blue Energy Limited (ASX: BUL) issues the following update in its drilling activities in the Bowen and Galilee Basins in Queensland. Operations in both areas have been impacted by rainfall and flooding caused by ex tropical cyclone Olga. Activity on both drilling locations has been suspended, and rigs moved to high ground until floodwaters have eased and access to locations is re-established.

ATP 814P Bowen Basin (BUL 100%):

Monslatt 3: The core well reached a total depth of 718 metres and the well has been logged and suspended pending completion as a monitoring well. The well intersected 22 metres of net coal in the primary objective Moranbah Coal Measures with initial field gas content up to 21 m³/tonne (after 4 days on desorption test). It was decided to terminate the well at 718 metres given the impending flooding rains in the Mackay-Nebo area and relocate the drilling rig to the high ground in the Nebo township. Following re-establishment of access to the general area the rig will move to the Sapphire 2 location immediately east of Moranbah.

ATP 813P Galilee Basin (BUL 100%):

Stainburn Downs 1: The Lucas- Mitchell Rig 180 has suspended operations at a depth of 980 metres and has been relocated to high ground in the township of Aramac where it awaits subsidence of floodwaters and the re-establishment of access in the general area. Prior to suspension the well had just intersected the top Permian Betts Creek Formation at a depth of 938 metres and had intersected 5 metres of net coal (in single seam). When operations recommence, the well will core the remaining Betts Creek Formation and Aramac Coal Measures to a total depth of 1,220 metres.

END

For further information please contact:

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Figure 1: ATP813P Drilling Program Location Map

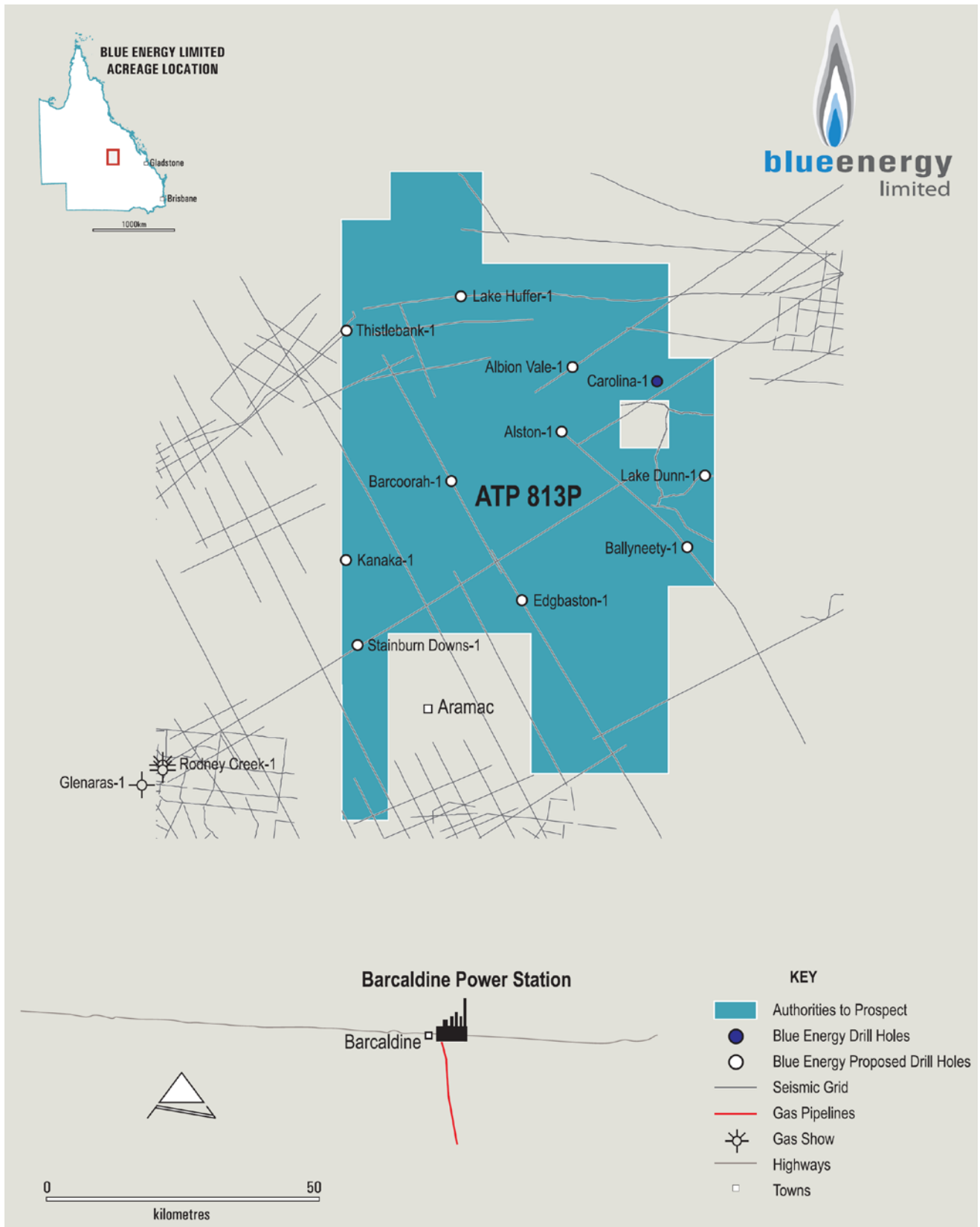


Figure 2: ATP814P Drilling Program Location Map

