

15 January 2010



ASX/Media Release

Drilling Update

Blue Energy Limited (ASX: BUL) is pleased to advise the following update in its drilling activities in the Bowen and Galilee Basins of Queensland:

ATP 814P Bowen Basin (BUL 100%):

Monslatt 3: The core well is at a depth of 311 metres and drilling ahead toward intermediate casing point (approximately 330 metres). It is expected that the well will commence coring operations in the prospective coal sequence this Sunday.

As previously reported Monslatt 3 is located 1.5km from Monslatt 1A and has been positioned to allow a production pilot well to be located in between the Monslatt 1A and 3 wells.

ATP 813P Galilee Basin (BUL 100%):

Stainburn Downs 1: The Lucas- Mitchell Rig 180 is presently preparing to commence the rig move from the Kanaka 1 well (drilled in December last year) to the Stainburn Downs 1 location (approximately 15 km south of the Kanaka 1 location). Stainburn Downs 1 is a coal seam gas core well designed to evaluate the Permian aged Betts Creek Formation and Aramac Coal Measures. Due to the heavy rainfall in the area over Christmas and New Year, general access to the both locations has been difficult, however conditions have now improved to the extent that resumption of operations is possible. It is expected that Stainburn Downs 1 will spud early next week.

END

For further information please contact:

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Figure 1: ATP813P Drilling Program Location Map

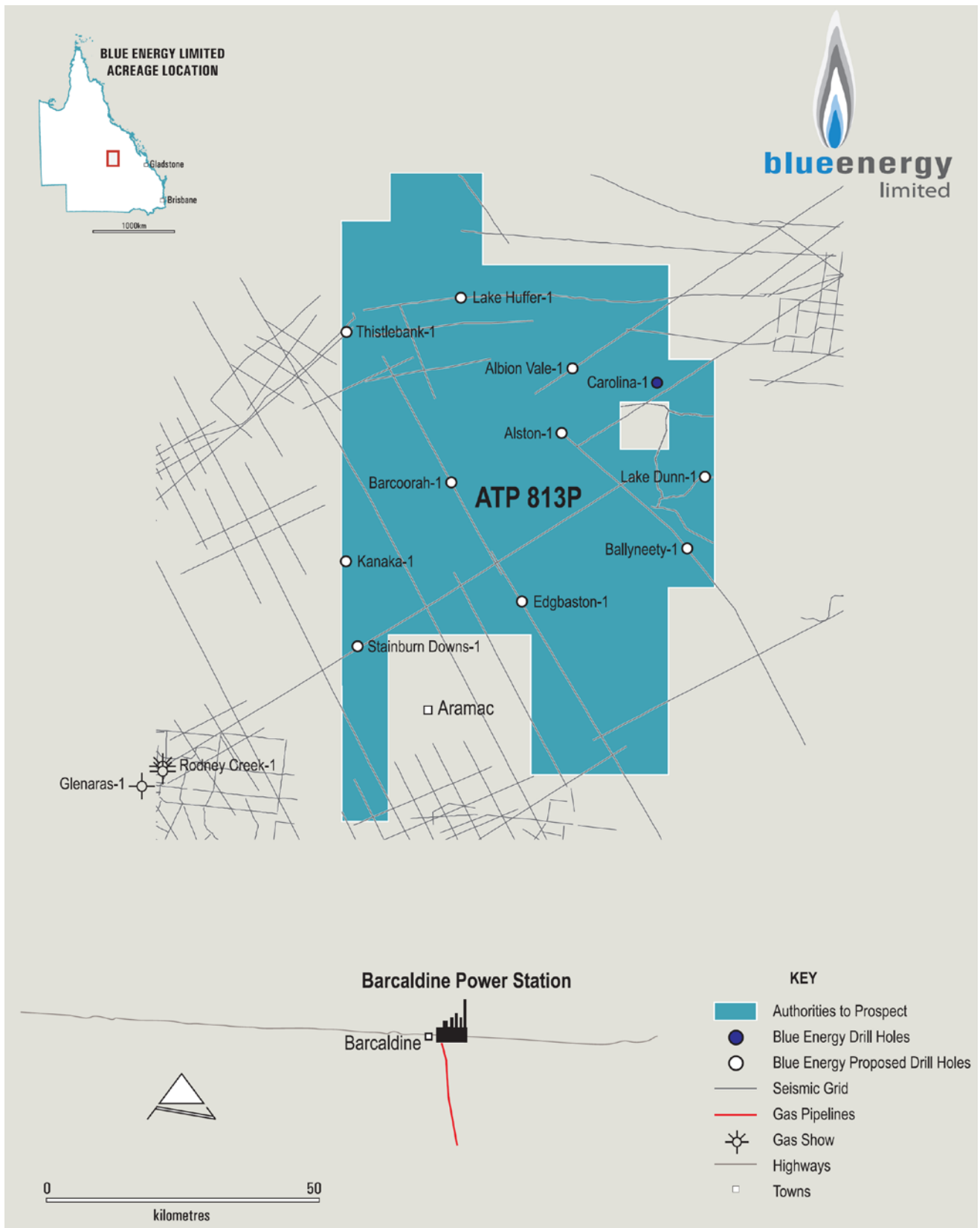


Figure 2: ATP814P Drilling Program Location Map

