

22 July 2010



ASX/Media Release

Activity Update

Blue Energy Limited (ASX: BUL) provides the following update on drilling activities.

ATP814P Bowen Basin (BUL 100%):

Sapphire 3 corehole well: The Sapphire 3 corehole reached a total depth of 627 metres and has been plugged and abandoned as per plan. Wireline logs were obtained and permeability testing conducted. The well intersected a total of 35 metres of net coal, in the Rangal and Fort Cooper Coal Measure sequences. Samples of these coals are currently still on desorption test to determine gas content. This encouraging initial well result confirms the potential of this part of the permit which will be assessed further after drilling in the Central Block is completed. The rig has now moved to the Kerlong 1 corehole in the Central Block of ATP814P.

Monslatt 6 Pilot Production well: The Monslatt 6 well was drilled to a total depth of 520 metres in the Moranbah Coal Measures and has been cased and suspended pending the arrival an under-balanced drilling rig to drill the P seam target. Wireline logs and permeability data on the upper Moranbah Coal Measure seams have been acquired in Monslatt 6. Production casing has been set at total depth, immediately above the main Moranbah "P" seam and a drilling rig capable of drilling with air will be mobilised to site at the end of next week to drill the P seam, using under-balanced techniques, and production test the seam.

Monslatt 7 Pilot Production well: Monslatt 7 spudded on 7 July 2010 and was drilled to a total depth of 459 metres in the Moranbah Coal Measures. The well has been cased and suspended pending the arrival of the under-balanced drilling rig to drill the P seam target. Wireline logs were acquired and permeability testing was conducted in the well prior to suspension. Production casing was run to a depth immediately above the Moranbah Coal Measure "P" seam. The Atlas 3 drilling rig has now been released. The well will be re-entered using the alternative drilling rig and the main Moranbah Coal Measure "P" seam in Monslatt 7 will also be drilled with air and production tested. The well is located in the central part of the Monslatt Block and approximately 200 metres north east of the Monslatt 4 well and 10 kilometres west of the township of Nebo. The well is designed to obtain both permeability and production test data from the Moranbah Coal Measure coals and will assist in conversion of the 3,532PJ Contingent Resource Estimate obtained from NSAI to 2P and 3P Reserves.

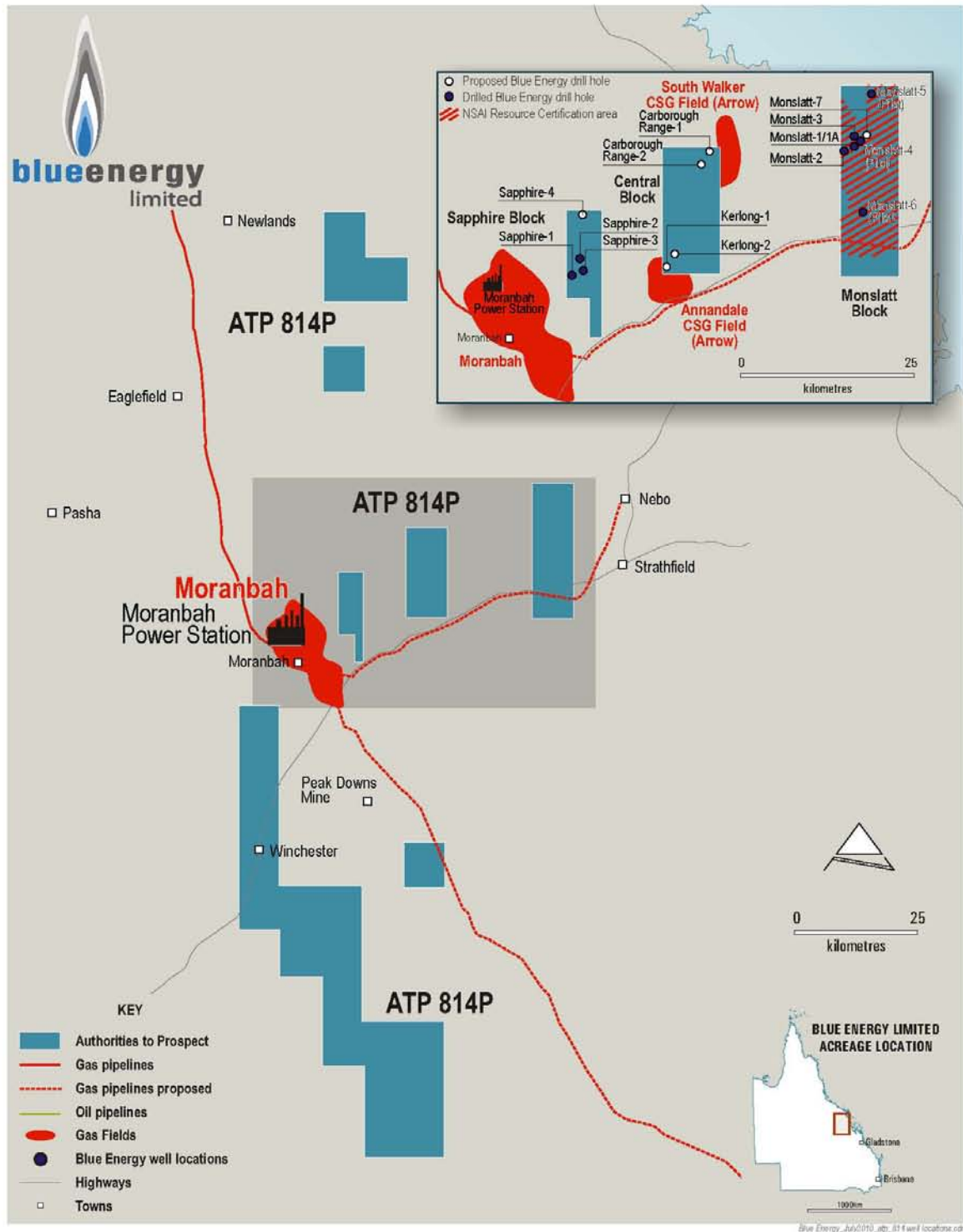
Kerlong 1 corehole well: The Kerlong 1 well spudded on 19 July 2010 and is currently at a depth of 87 metres and preparing to drill ahead, having run and set surface casing. The well is designed to evaluate the Rangal Coal Measures at a location approximately 5 kilometres north of the producing Annandale CSG Field (operated by Arrow Energy). The well is approximately 25 kilometres east of Moranbah.

END

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Figure 1: ATP814P Drilling Program Location Map



Blue Energy July 2010 ATP 814 well locations.cdr