

25 November 2011



ASX ANNOUNCEMENT

Blue Energy Flows Gas in Bowen Basin

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

Sapphire Block

The Sapphire 4 Coal Seam Gas well reached a total depth of 940 metres and has been cased and suspended pending completion as a future pilot production test well. The Ensign 35 drilling rig has now been released, and drilling operations in the current program have been concluded ahead of the wet season.

Sapphire 4 intersected a significant thickness of net coal (62 metres) in the Rangal, Fort Cooper and Moranbah Coal Measures and flowed gas to surface from the Fort Cooper Coal Measures on open-hole Drill Stem Test. This is a significant milestone as it represents Blue Energy's first gas flow from the Fort Cooper coal measures. The Fort Cooper coal measures hold a large gas resource and flowing gas is the first step in achieving reserves from these coal measures. Assessment of the results and planning for the completion and testing phase is currently underway and is expected to be completed in the coming months.

Netherland, Sewell and Associates (NSAI) are currently reviewing the results of this well in the context of adjacent Arrow Energy production, and the current 3P reserves attributed to the Fort Cooper Coal Measures in the Sapphire Block.

Monslatt Block

Operations are currently underway, using a work-over rig, to prepare the Monslatt 6 well for a nitrogen stimulation operation on the P seam. Once this has been performed, the well will be placed on production test. Following this the work-over rig will conduct routine clean out activities on Monslatt 7 and a pump change out on Monslatt 5.

As with the Sapphire 4 well data, NSAI are currently also reviewing data from the recently drilled Monslatt 9 well to establish the extent of any extension to the Monslatt resource as a result of the well.

As previously advised, Blue Energy has executed a Memorandum of Understanding (MOU) with a power generator to supply 6 to 10 PJ per annum from the ATP814P permit. The gas reserves and resources being established in the Sapphire Block will be well suited to service any potential Gas Sales Agreement executed as a result of the non-binding MOU.

For further information please contact:

John Phillips
Chief Executive Officer / Managing Director
Blue Energy Limited
Tel: +61 7 3270 8800

Figure 1
ATP 814P Location Map

