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SAPPHIRE PILOT PRODUCTION TESTING UPDATE

Continuous gas flow achieved

Blue Energy Limited (ASX: BLU, 'Blue') is pleased to report on the operations at its Sapphire pilot production testing project in the Sapphire Block in ATP 814 (PLA 1034).

As detailed in the December Quarterly Report released to the market 31 January 2023, all surface facility installations for both the Sapphire 5 and Sapphire 6 pilot well sets have now been completed. Both Pilot sets are now in the de-watering phase of the production testing program.

Although the dewatering process only began recently, early and sustained gas flow is now being recorded. This is very encouraging. Slow dewatering or depressurising of the coals is key to developing strong and increasing gas flow and will maximise the peak gas rate in due course.

Dewatering process managed to optimise reservoir performance.

Blue has taken the considered decision to ensure that the flow of gas is brought on in a measured manner so as to maximise longer term reservoir performance. This is accomplished by closely managing the rate of dewatering of the coals.

The Sapphire 5V vertical water production well is currently producing 265 barrels of water per day (BWPD) which is being managed to slowly bring down the water level on each of the Sapphire 5L lateral coal seams.

The water level in Sapphire 5V is currently some 80 metres above the shallowest coal seam intersection (Rangal seam), and 430 metres above the deepest coal seam intersection (Moranbah seam)

Water production from the Sapphire 6V vertical water production well is currently at 183 BWPD.

We are carefully regulating the dewatering process in Sapphire 5V and 6V to avoid any damage to the coal seams in the lateral wells (which can occur if water levels are drawn down too rapidly, thus reducing the pressure on the seams too quickly).

Early gas flow encouraging – gas rate set to increase as dewatering process progresses.

Even at this early stage of dewatering, the Sapphire 6 lateral pilot wells are producing a continuous gas flare, indicating that the Sapphire 6 laterals are slightly ahead of the Sapphire 5 laterals on the de-pressuring curve.

At this early stage the average daily gas flow rate being measured from the Sapphire 6 lateral pilot is approximately 20 mcf (thousand cubic feet per day). This is very encouraging at this early stage in the testing program.

As reported previously, gas flow has been evident from very early in the production test program at Sapphire pilot locations – an encouraging sign. We expect that with continued gradual dewatering, the gas rate will steadily increase as the pressure on the various coal seams in the pilot wells is gradually lowered.

Blue will continue to dewater over the next several months with the intention of gradually increasing the gas rate.



Figure 1: Gas flare during commissioning at Sapphire Pilot: Source: Blue Energy

Released by Authority of the Board per:

John Phillips
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