

23 December 2009



ASX/Media Release

Blue identifies shale gas potential in ATP814P (Bowen Basin)

Blue Energy Limited (ASX: BUL) is pleased to advise that Monslatt 1A has reached a total depth of 985 metres and intersected 37 metres of gas bearing coals and shales in the Moranbah Coal Measures. Gas content from the desorption testing to date has yielded values up to 22 m³/tonne (raw) from some coal samples. In addition, carbonaceous shales with visible bleeding gas at surface have been specifically targeted for sampling in Monslatt 1A and are yielding gas contents up to 10 m³/tonne (raw).

This latest development has significant implication for the play and potential resource base potential of this part of the permit, and further analysis of these preliminary results is being undertaken to assess the resource. Specifically, defining a higher density cut off and then sampling correlatable shales in the forth coming Monslatt 3 well, located 1.5km from Monslatt 1A and which will spud in early January 2010 on resumption of drilling activities. These yet untested shale gas horizons have the potential to significantly increase the gas potential of the block over and above the coal seam gas potential resource.

In the Galilee Basin, the Kanaka 1 well has reached total depth of 1,300 metres and has run wireline logs. The well intersected 24 metres of coal with very preliminary raw gas contents of up to 2.5m³/tonne in the Betts Creek Coal Measures, including a 12 meter net coal seam at 1,140 meters (with no associated water influx). The next well (Stainburn Downs) will spud in early January 2010 on resumption of drilling activities.

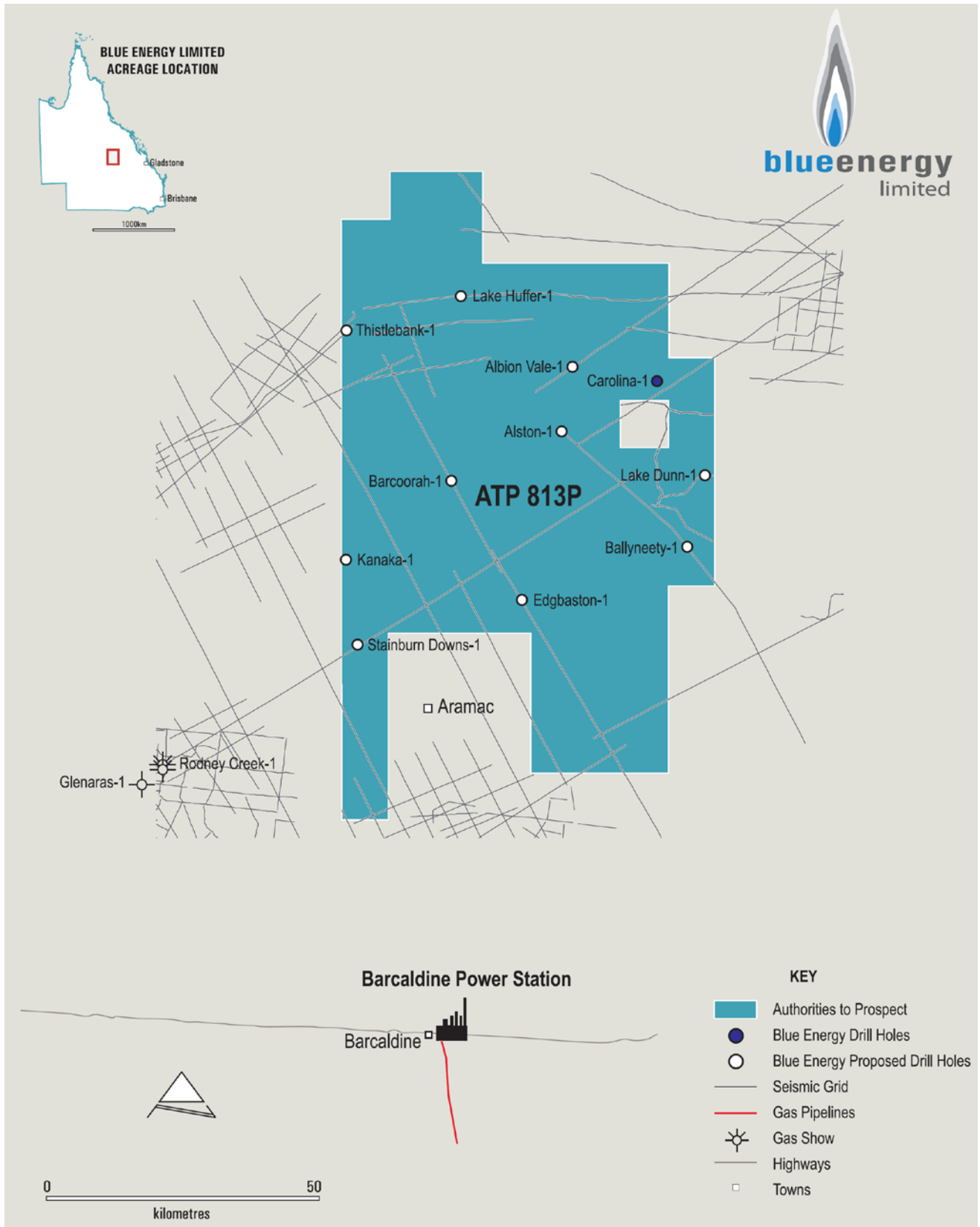
Drilling activity across Blue Energy's permits will be suspended over the Christmas New Year period, with operations recommencing around 11 January 2010.

END

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Figure 1: ATP813P Drilling Program Location Map



BLUE ENERGY LIMITED
ACREAGE LOCATION



ATP 813P

Barcaldine Power Station

Barcaldine

KEY

- Authorities to Prospect
- Blue Energy Drill Holes
- Blue Energy Proposed Drill Holes
- Seismic Grid
- Gas Pipelines
- Gas Show
- Highways
- Towns

0 50
kilometres

Figure 2: ATP814P Drilling Program Location Map

