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## ASX/Media Release

### Significant Initial Monslatt Area Resource Estimate - 121PJ (2C); 3,411PJ (3C)

**Blue Energy Limited (ASX: BUL)** is pleased to advise that an assessment by Netherland, Sewell and Associates (NSAI) of the dataset from the Monslatt area of ATP814P has resulted in the following initial resource estimate by NSAI:

<u>Category</u>	<u>NSAI Estimate</u>
2C (Contingent Resource)	121PJ (Gas in Place)
3C (Contingent Resource)	3,411PJ (Gas in Place)
Prospective Resource	3,630PJ (Gas in Place)

These categories are in accordance with the internationally-accepted methodology of the Society of Petroleum Engineers (SPE). In addition, it is noteworthy that NSAI have significant experience in the certification of CSG reserves in the Moranbah area.

Blue Energy Chairman, Mr Peter Cockcroft, said "establishment of the initial resource estimate for the Monslatt area was a significant milestone as the Company maintained its short-to-medium term focus on establishing reserves, a producing asset and a revenue stream."

"The recognition of this significant resource will require Blue to allocate appropriate resources to establish a series of pilot production wells in Monslatt. This will then provide production data to establish gas flow capacity and well productivity data from the Monslatt coals. These data will be critical in establishing accurate recovery factors and commerciality tests for the project. Our Monslatt project could well be analogous to the nearby Moranbah Gas Project operated by Arrow Energy, as Moranbah produces from the same coals found in our Monslatt block. The Gas in Place is similar to Moranbah, and it is not unreasonable to expect similar 2P and 3P reserves after positive results from our pilot and production wells in the next few months," Mr Cockcroft said.

Mr Cockcroft also noted that "data from Blue Energy's Galilee Basin Project (ATP813P) will also shortly be forwarded to NSAI and hopefully will significantly increase our resource base."

NSAI have assessed the Monslatt data on the main P1 seam in the Moranbah Coal Measures (which is on production at the nearby Moranbah Gas Project operated by Arrow Energy) to be of sufficient quality to assign 2C category of Contingent Resources. Beyond the current Monslatt well dataset, NSAI have attributed 3C Contingent Resources to the P1 seam.

The P1 seam at Monslatt is, on average, five metres thick and has gas content up to 23m<sup>3</sup>/tonne. In addition, recently received adsorption isotherm test results on the P1 seam at Monslatt indicate the P1 seam is fully gas saturated.

The other coal seams intersected in the drilling at Monslatt (up to 25 metres of total net coal) to date have been treated by NSAI as a 3C Contingent Resource. These seams will be investigated by a proposed pilot well drilling program to establish gas productivity and which will target the conversion of this 3C resource to a 2C or 2P category.

A significant Prospective Resource (3,630PJ Gas in Place) has been identified by NSAI relating to the gas potential of the carbonaceous shales intersected in the Monslatt wells. These shales have yielded gas contents of up to 10m<sup>3</sup>/tonne. The production pilot well program will also target this sequence to establish the capacity of these shales to flow gas.

Activity will now focus on drilling several pilot production wells in the Monslatt block to convert the 2C/3C volumes into reserves (2P/3P). Blue Energy is in advanced negotiations to secure a production drilling rig for this program and expects to commence drilling of the first pilot well by 1 April 2010.

In addition, core holes will be drilled in the Sapphire block and the Central blocks of ATP814P, both of which are immediately adjacent to existing Arrow Energy Petroleum Leases. This will hopefully establish an additional resource base within the Rangal and Moranbah Coal Measure sequences.

### **About Blue Energy**

Blue Energy Limited is a publicly-listed, Queensland based, Australian energy company that undertakes exploration and development of Coal Seam Gas (CSG) resources within Queensland. The Company's acreage consists of fourteen tenements across six productive basins in Queensland and South Australia totalling over 22,000km<sup>2</sup>.

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Figure 1: ATP814P Location Map

