



Queensland

ATP 854P

Bowen/Surat Basin

ITUDE 3 – Exploration Core Hole

Well Completion Report

Date

ORIGINATOR:

Geologist

C Harman

2/12/09

FINAL APPROVAL:

Exploration Manager

M Swift

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OPERATOR

Blue Energy
Suit 15A, 421 Brunswick Street
Fortitude Valley
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1 WELL DATA CARD

General					
HOLEID	ITUDE_3		PETROLEUM TITLE	ATP854P	
TOTAL DEPTH	383.52 mGL		WELL TYPE	Exploration-Core	
DATE SPUDED	25-Jul-2009 08:00:00		END DATE	08-Aug-2009 14:30:00	
RIG RELEASED	11-Aug-2009 20:00:00		STATUS	Cased and Suspended	
TARGET FORMATION	Walloon Coal Measures				
Location					
All Co-Ordinates Provided In GDA 94 Zone 55					
Land Owner	John & Rita Bidgood		Property Name	Katoomba	
Property Address	Kooragon Road, Injune QLD 4454				
Easting	630902.4		Latitude	25 56' 07.81" S	
Northing	7130805.5		Longitude	148 18' 26.01" E	
GL (AMSL) 551.7	Datum (AMSL) 551.7	1:100k Mapsheet	Wornblebank		
Government Compliance					
Intent to Drill	23-Jun-2009 10:25:52		Completion of Drilling	17-Aug-2009 14:50:23	
Drill Proposal	23-Jun-2009 10:26:07		Well Completion Report		
DP Company Report #	CR57654		WCR Company Report #		
Drilling					
OPERATOR	Blue Energy		DRILLING CONTRACTOR	Lucas-Mitchell	Rig # 180
Hole and Bit Size				Casing	
From	To	Bit Size (")	Bit Type	Type	To (m) Description
0.0	54.4	5_5/8	PCD	Conductor	NA
54.4	292.7	3_9/10	HQ	Surface	55.4 4 1/2" 11.6lb/ft Oz con R1 LP
292.7	383.2	2_15/16	NQ	Production	NA
Geology					
Stratigraphy			Downhole Geophysics		
From	To	Formation	Tool	Run	Tool Run
0.0	123.3	SPRINGBOK	Gamma	Yes	Verticality Yes
123.3	202.4	JUANDAH CM	Density	Yes	Caliper Yes
202.4	243.4	TANGALOOMA SST	Resistivity	Yes	Temperature Yes
243.4	320.5	TAROOM CM	Sonic	Yes	Porosity Yes
320.5	380.6	EUROMBAH FMT	Acoustic	No	Other No
380.6	383.2	HUTTON			
Analysis					
Chip	Yes	Adsorption Isotherm	No	DST	Yes
Gas Desorption	Yes	Coal Quality	Yes	Water Quality	Yes
Gas Composition	Yes	Coal Petrology	No	Other	No
Drill Hole Comments					
Low net coal and low gas content					

2 EXECUTIVE SUMMARY

The Walloon Coal Measures are the coals from which Coals Seam Gas (CSG) is produced in the Surat Basin by Queensland Gas Company and others. The Walloon Coal Measures are the source of CSG in the Lacerta Field developed by Sunshine located some 57km south east of ATP854P. Bow Energy with Victoria Petroleum are seeking 3P certification for the Don Juan Field (actually based around the Carnarvon wells and announced 192PJ on 4 March 2009) in ATP771P. Tipperary/Santos suspended the Taringa CSG development in the adjacent ATP655P where wells flowed gas at up to 300mscf/day.

The Walloon coals are known to be shallow and outcrop within ATP854P. These coals are present in multiple thin seams, but net coal thickness in excess of 7.2 metres is expected. Blue Energy's geological mapping shows approximately 210km² of coal contained within the southern area of ATP854P, with a P50 GIP of 100Bcf.

There is significant potential to the north and west of the currently targeted area if the initial exploration program of three core wells is undertaken and there is 'proof of concept'. The modest GIP (low gas content, low net coal) is balanced by the shallow drilling depths and development costs.

The core drilling program is the next step in GIP certification to 3P status and a prelude to further pilot well production (2P and 1P) certification in the area of greatest deliverability discovered by these three core wells.

3 BACKGROUND

Itude 3 is located approximately 30km South West of Injune located on the 100% Blue Energy owned ATP 854P. The permit overlies the western Bowen and Surat Basins, immediately to the north of the Roma Shelf producing fields. Sizable CBM developments are located to the South East of the project area.

Itude 3 is to be drilled 2km north east of Forest Vale 23. Forest Vale 23, drilled by Theiss Brothers in the early 1980's, intersected the full section of coal bearing units in the Walloon Coal Measures. It is expected that Itude 3 will have similar stratigraphy to this drill hole.

Table 1: Offset Wells

Well Name	Date Drilled	Operator	TD (m GL)	Status	Comment
Forest_Vale_21	1982	Theiss	237	Cemented	Coal Exploration
Forest_Vale_8	1982	Theiss	97.4	Cemented	Coal Exploration
Forest_Vale_23	1982	Theiss	272	Cemented	Coal Exploration
Forest_Vale_47	1982	Theiss	110.4	Cemented	Coal Exploration
Forest_Vale_48	1982	Theiss	150	Cemented	Coal Exploration
Forest_Vale_62	1982	Theiss	78	Cemented	Coal Exploration
Forest_Vale_54	1982	Theiss	114	Cemented	Coal Exploration
Forest_Vale_50	1982	Theiss	250	Cemented	Coal Exploration
Forest_Vale_61	1982	Theiss	90	Cemented	Coal Exploration
Forest_Vale_57	1982	Theiss	72	Cemented	Coal Exploration
Forest_Vale_22	1982	Theiss	66	Cemented	Coal Exploration
Injune_81	1982	Theiss	132	Cemented	Coal Exploration
Injune_62	1982	Theiss	104.35	Cemented	Coal Exploration
Injune_82	1982	Theiss	72	Cemented	Coal Exploration
Injune_65	1982	Theiss	104.1	Cemented	Coal Exploration
Injune_63	1982	Theiss	122.5	Cemented	Coal Exploration

Injune_20	1982	Theiss	121.47	Cemented	Coal Exploration
Injune_2	1982	Theiss	17.71	Cemented	Coal Exploration
Injune_60	1982	Theiss	84	Cemented	Coal Exploration
Injune_80	1982	Theiss	114	Cemented	Coal Exploration
Injune_87	1982	Theiss	78	Cemented	Coal Exploration
Injune_61	1982	Theiss	120	Cemented	Coal Exploration
Injune_88	1982	Theiss	102	Cemented	Coal Exploration
Injune_89	1982	Theiss	90	Cemented	Coal Exploration
Injune_85	1982	Theiss	102	Cemented	Coal Exploration
Injune_12	1982	Theiss	92.8	Cemented	Coal Exploration
Injune_86	1982	Theiss	102	Cemented	Coal Exploration
Killoran_1	1962	AAO	2350'	P&A	Conventional Oil and Gas
Upson_1	1992	Santos	698.9	P&A	Conventional Oil and Gas
Rosewood_1	1920	AAO	2075'	P&A	Conventional Oil and Gas
Cerulean_1	2008	BUL	1110.18	Suspended	CSG Exploration
Cerulean_2	2008	BUL	1149.38	Online	Production Pilot
Cobalt_1	2008	BUL	959.0	P&A	CSG Exploration

4 DRILLING

4.1 Drilling Contractor

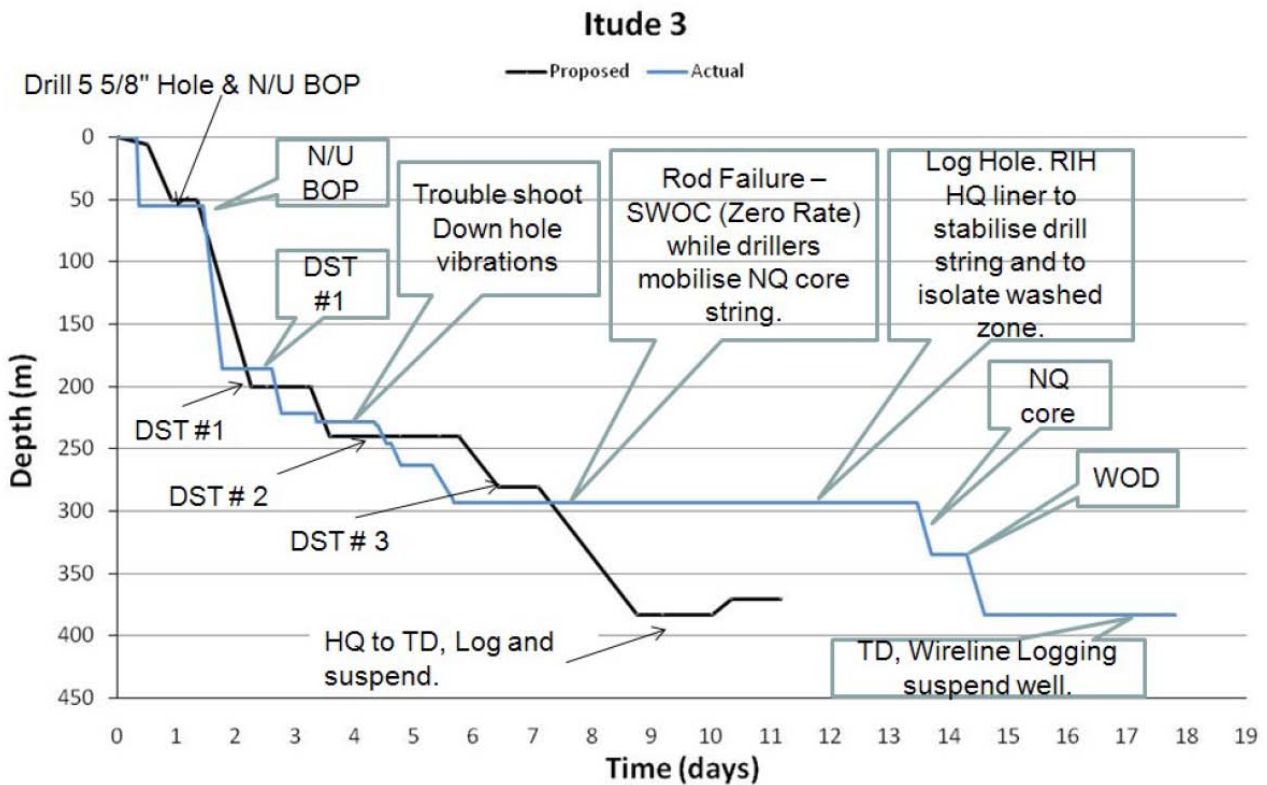
Lucas-Mitchell
112 Ebberrn Street
Darra
Queensland 4076

4.2 Rig Details

Lucas-Mitchell Rig 180
UDR 1500



4.3 Time Depth Curve



4.4 Drilling Equipment Summary

Table 2 shows a breakdown of the drill bits used for drilling Itude_3. For more detail see Appendix 8 Daily Drilling Reports

Table 2: Drill Bit Summary

HOLEID	PROJECTCODE	STARTDEPTH	ENDDEPTH	DIAMETER	DRILLTYPE
ITUDE_3	854-30	0.00	54.40	5_5/8	PCD
ITUDE_3	854-30	54.40	292.73	3_9/10	HQ
ITUDE_3	854-30	292.73	383.20	2_15/16	NQ

4.5 Drilling Fluid Summary

Itude_1, Itude_2 and Itude_3 were drilled with Water and Liquid Polymer. For more detail see Appendix 8 Daily Drilling Reports.

4.6 Casing and Cementing Summary

4-1/2" Ozcon 11.6lb/ft LP R1 surface casing was run from surface to a depth of 55.40m and cemented in place by the Lucas-Mitchell drill crew. There was no conductor or production casing used on Itude_3.

No plugs were set in Itude_3

4.7 Perforations

No perforations were conducted on Itude_3

5 SAMPLING SUMMARY

5.1 Personnel

Well Site Geologists: Peter McGrath (Geoconsult)
Tom O'Malley (Geoconsult)

Company Geologist: Chris Harman (Blue Energy)

5.2 Core Logging

Blue Energy engaged Geoconsult for the onsite geological data capture. A detailed geological log from the resulting work can be found in Appendix 1-English Geological Log. Core photographs from which they are based can be found in Appendix 4- Core Photo's.

5.3 Coal and Gas Analysis

Geoconsult was contracted to carry out the gas desorption, gas composition and coal brightness/cleat analysis studies for ltude_3. A detailed summary of this work can be found as Appendix 6-Gas Desorption Report

5.4 Down Hole Geophysics

Weatherford were contracted to collect the down hole geophysical data. A summary of the data collected can be found in Section 1-Well Data Card and the results can be found in Appendix 7- Wire Line Logs

5.5 Drill Stem Testing

A drill stem test was performed by protest in an interval between 141.15m-152.43m. Due to bottom packer failure, the results from this test were inconclusive. See Appendix 12 for the results of this test.

6 TECHNICAL

6.1 Location Rational

The region covered by Figure 1 (Location Map) is the so called Horanne Syncline. The edge of the top Walloon Coal Measures has typically been drawn to the west of the ATP896P permit boundary, with the edge of the base somewhere in the middle of the permit. Correlation of existing well data has to date carried this as correct and there has been a consequent down grading of the region a the coal seam are either too shallow or eroded out. New well correlation work together with seismic interpolation work has indicated the existing correlations are incorrect, and coal extends further to the east than previously thought. Coal bore hole data has been used extensively in defining regions of thicker coal and gravity data has confirmed the regional highs and lows within the permit. The proposed well is one of a series of five to test the area extent of the coal seam, targeted as westward as possible to intersect the maximum gross section as well as to confirm the inferred local synclinal structure.

6.2 Environmental Setting

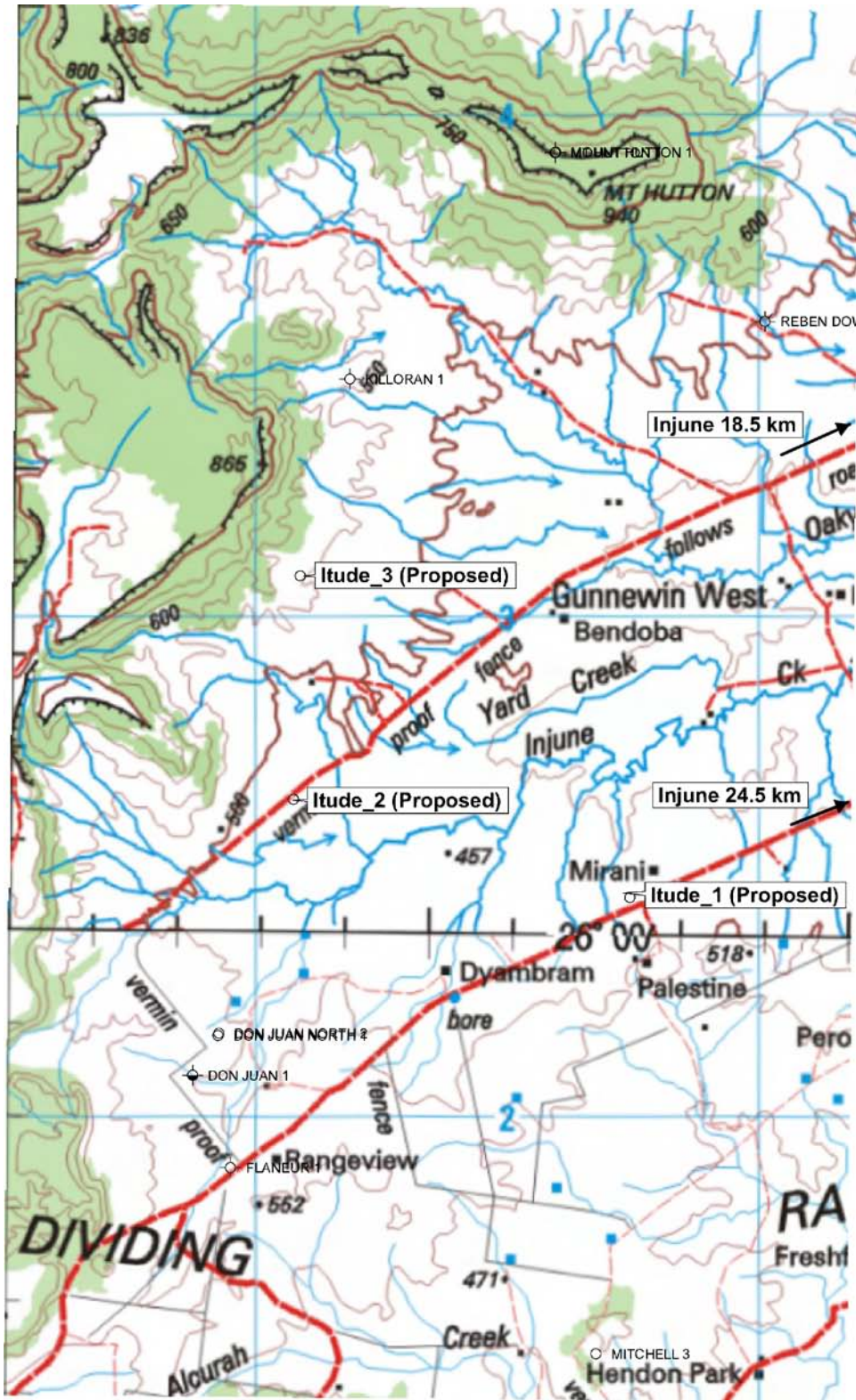


Figure 2 Location Map

6.3 Drilling Rationale

The Walloon coal measures are a growing CSG exploration and production target within the Surat Basin. The Itude series of drill holes are aimed at assessing the Coal Bed Methane (CBM) development potential in the relatively unexplored (with respect to CBM) northern extent of the Walloon Coal Measures. The series of three drill holes is designed to establish a 3P resource. Extensive 2D seismic surveys located across the ATP 854P area.

6.4 Geophysical/Geological Setting

The Walloon Coal Measures are seen on local seismic mapping to dip gently to the south, onto the Roma Shelf. The Merivale High is the major structural element within the local area delineated by the Merivale Fault in the west and the Chesney – Upson Fault in the east. The local seismic data highlights a structural nose caused by drape of the Walloon Coal Measures over the Merivale High that plunges to the south onto the Roma Shelf.

Existing seismic cannot resolve individual seams within the Walloon Coal Measures, however, the package of Jurassic coals can be resolved on a gross sense on seismic sections. Therefore structural features within the Walloon coal measures can be mapped with reasonable confidence.

6.5 Geological Prognosis vs Actual

Table 3: Geological Prognosis

ITUDE_3 STRATIGRAPHY			
Formation	Depth (Prognosed)	Depth (actual)	Difference
	(mGL)	(mGL)	(m)
Wetsbourne Fm.	0.00	NA	
Juandah CM	91.97	4.00	-87.97
Tangalooma Sst.	207.22	202.00	-5.22
Taroom CM*	249.63	241.00	-8.63
Eurombah Fm.	328.07	320.00	-8.07
Hutton Sst.	376.02	380.00	3.98
PTD	383.00	383.52	0.52

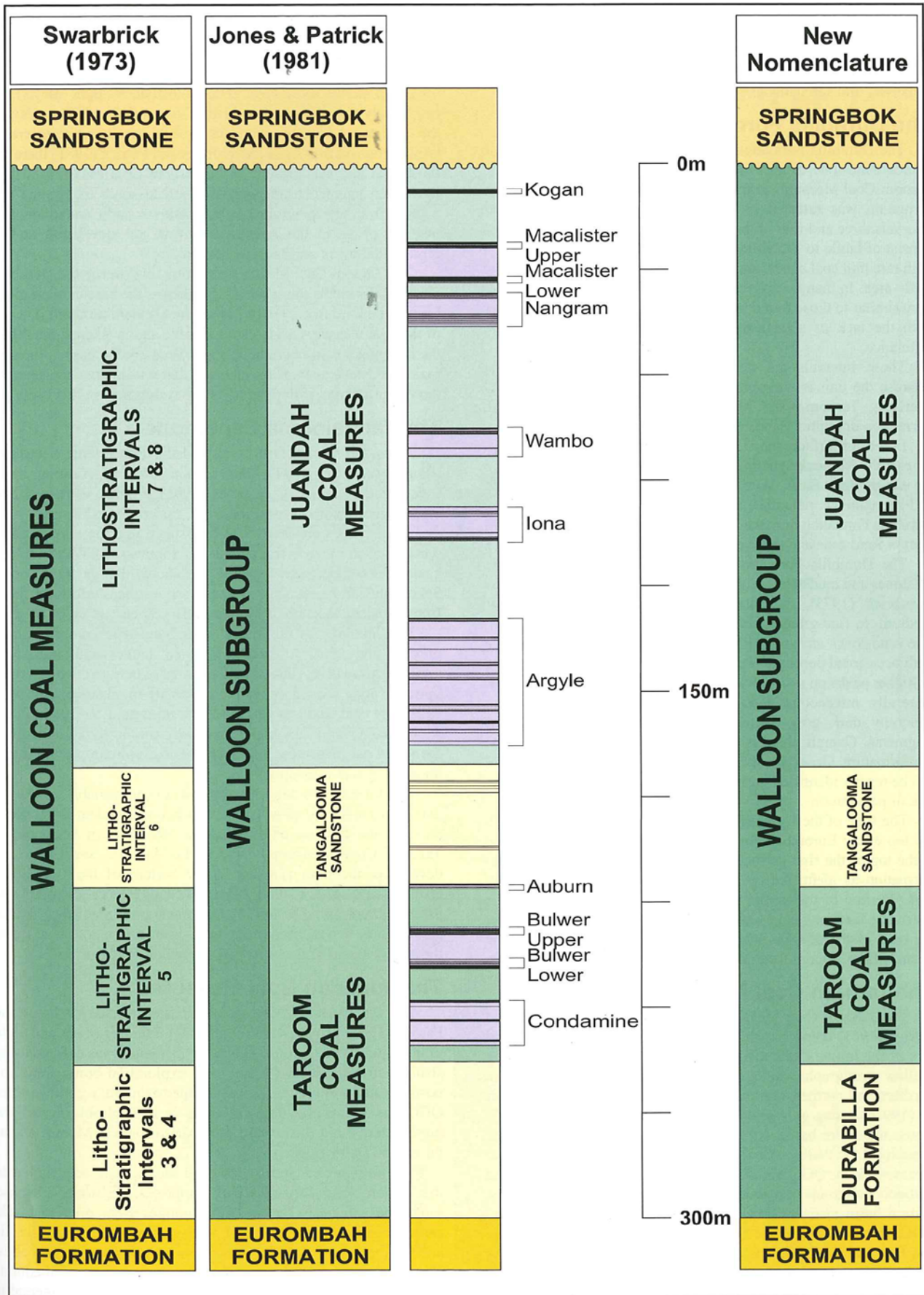


Figure 3: Generalized Stratigraphic Column

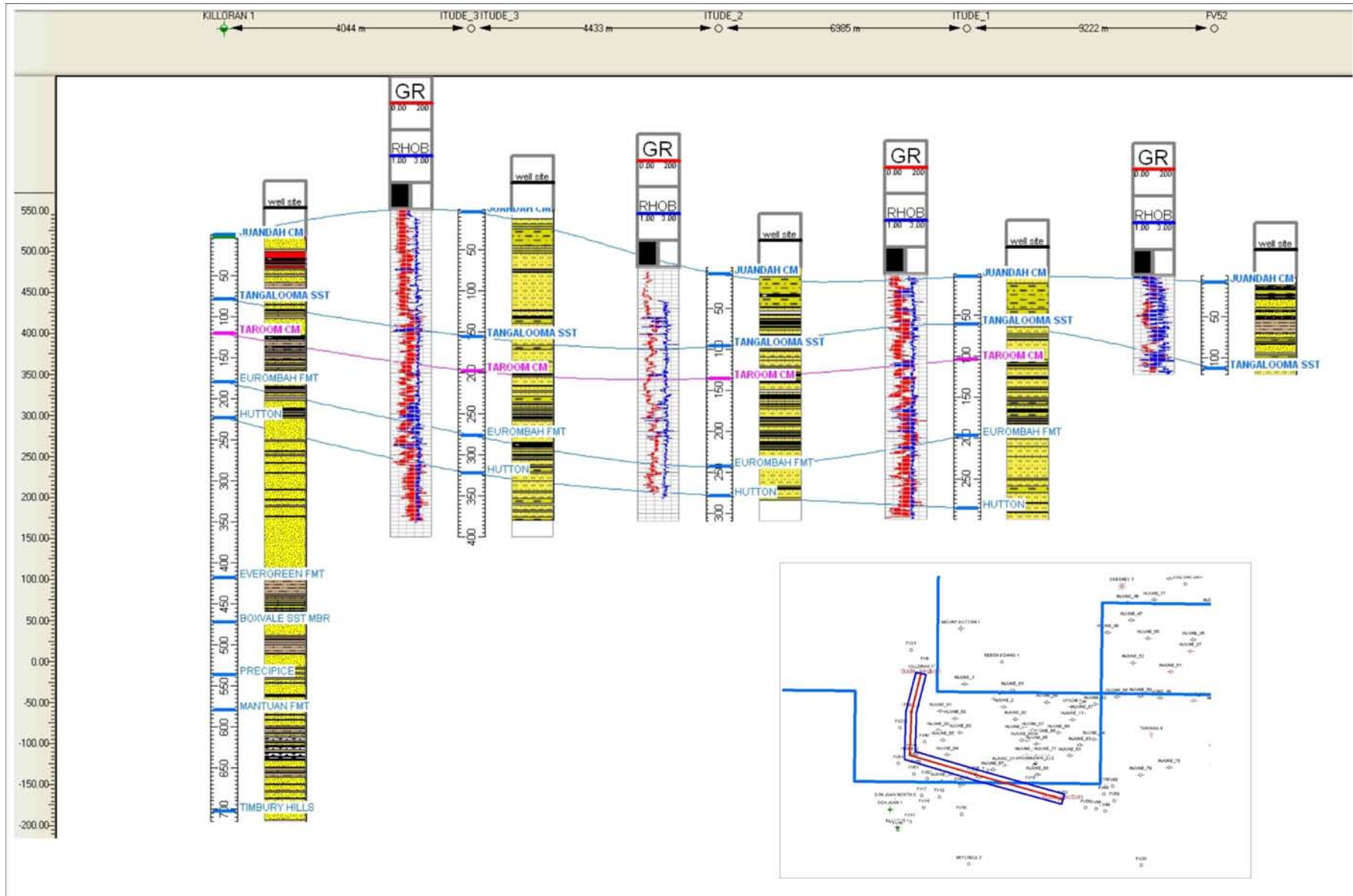


Figure 4: General Cross Section

6.6 Contribution to Geological Knowledge

The primary objective for Itude_1, Itude_2 and Itude_3 was to assess the CBM resource potential of ATP854P within the Walloon Coal Measures. This area is located approximately 50km North West of the known CBM reserves of Lacerta and Don Juan. Analysis of the existing coal exploration and CBM exploration drill hole data sets, in conjunction with the regional seismic data sets indicated the presence of the Walloon coal measures at shallow depths over a large portion of the tenement.

The drilling of Itude_1, Itude_2 and Itude_3 indicated that the coal seam thickness of the Walloons coal measures over the area is highly variable indicating a lack of lateral continuity between drill holes, even with exceptionally tight drill hole spacing. This lack of continuity is due to the study area being proximal to the Walloon coal depositional edge, the then Surat Basin edge. Whilst gross seam packages are broadly correlatable, substantial coal development has not occurred, resulting in the development of carbonaceous mudstones and shales. This has produced very low and highly variable net coal thicknesses.

Itude_1, Itude_2 and Itude_3 have produced low gas content figures from gas desorption samples that were put on test. This has been attributed to the current shallow burial depth, and also the depth of the water table, which is currently deep. It should also be noted that greater than 50% of the gas that was recovered from Q3 which is not technically recoverable. This has been attributed to the high Liptonite content of the coals.

A review of the data collected from Itude_1, Itude_2 and Itude_3 indicate that there is diminution of the potential for a standalone CBM development within the Walloon Coal Measures in ATP 854P.