

Extracts from the Oil & Gas Weekly, January to March 2009

11 January 2009

Buru Energy has some \$80 million in cash with \$60 million of that free or immediately available. \$20 million represents the money Alcoa put up to place a marker on any gas **Buru** might find and produce. With 250 million shares on issue fully diluted (162 million shares and 88 million options) the company has cash backing of 32 cents a share compared to a close Friday of 17 cents. Exclude the 88 million out of the money options and the cash backing rises to 49 cents a share.

Buru is a Canning Basin play and activity there has been suspended for the duration of the wet season. It should resume in April/May. The company has participated in three wells thus far Stokes Bay, where testing for gas was inconclusive; Lanagan #, a duster and Lawford #, suspended after operational difficulties. The drilling stuff ups with Lawford #1 caused delays that meant the well will be completed when drilling resumes after the wet.

Buru has production of 200 bopd from Blina so it has some money coming in. In the current period of seasonal inactivity **Buru** will be looking rigorously at costs structure and drilling expenses. The isolation of the Canning Basin and lack of infrastructure for example access roads, adds significantly to the cost of drilling in the area.

Buru will look more closely at technically feasible targets on the western flank of the Basin were potential locations for exploration wells could be included in the future drilling program. With little or no activity market interest in **Buru** is flat although at Friday's close of 18.5 cents it is off its recent lows.

It has had a number of junior oilers knocking on its doors with deals and sooner or later one might catch **Buru's** interest. But for the moment the focus will remain on the Canning Basin. We have always thought the options with a 94 cents expiry price by August 2010 were a good way of taking a position in **Buru** and benefiting from the leverage the options offer. **BRUO** last closed at 1.5 cents.

15 February 2009

Buru Energy which at 19.5 cents (up from 17.5 cents) has a market cap of \$32 million when it has total cash available of some \$80 million, production of 200 bopd from Blina and all those Canning Basin leases to explore.

It could be attractive to a larger company with deep pockets who believes as Eric Streitberg does that the Canning Basin is anything but prime moose pasture as one rival CEO described it to us.

We took a position in **Buru** last week.

1 March 2009

Buru Energy

Of all the companies we cover in the OGW **Buru Energy** is one overlooked junior we like as a longer term investment. This is for several reasons.

The company has a huge exposure to one of the last frontier basins in Australia, the Canning Basin (see the map below). Of all those leases **Buru** has 100% interest in the top two thirds and varying degrees of interest averaging some 75% in much of the rest. The acreage was a hand me down from **Arc Energy**

The company has 100 barrels a day of current production from 8-10 wells in and around the Blina Oil field in the northern sector of the Basin in L6. The field is capable of more than double that production following workovers but for the time being 100 bopd covers costs and pays overheads.

Production costs are \$10 a barrel. It costs \$25 a barrel to truck the oil to Perth leaving \$40 dollars a barrel gross profit to **Buru** at Friday's closing Tapis price. That's \$4,000 a day. Add to that interest payments on \$80 million and you have a pretty good current cash flow.

The Blina production demonstrates the Basin has source rock and traps. **Buru** will undertake a 225 square km 3D seismic survey of the area around Blina to firm up target for drilling in April/ May 2010 after next year's wet season.

This will cover five small identified oil fields in the area including Sundown, Lloyd Boundary, West Terrace and West Kora all drilled back in the 1980s.

The Basin is prospective for both oil and gas. There are even some coals in the basin though not particularly thick. Most of the exploration to date has taken place in the northern and central parts of the basin with many wells having oil shows. But only a small percentage of those wells were described as valid structural tests. (see www.dmp.wa.gov.au/1876.aspx). The Basin is regarded as underexplored.

Shell discovered hydrocarbons at Looma #1 in the southern Canning Basin proving for the first time a petroleum system in the Kidson sub basin and demonstrating the potential for recoverable hydrocarbons right across the Basin.

Buru is in no rush to drill wells in the current oil price environment. Two scheduled wells Paradise #1 (BRU 100%) and Pictor East (BRU 10%) will be drilled in 2010.

Paradise will target oil at 1,900 metres and gas at 3,000 metres. One issue is rig type and availability. **Buru** does not want a repeat of the costly drilling problems with Lawford #1 which prevented the well reaching total planned depth prior to the onset of the wet season.

Buru will revisit Lawford after the current wet season ends in April. And the JV will need to decide what to do with Stokes Bay a well that has yet to be plugged and abandoned after several field attempts to establish a hydrocarbon presence and commercial flows.

In the meantime the company is filtering the deal flow that comes to its attention. It has a very conservative Board and is not interested in Africa or even North or South America. If it does any deals at all they will likely be much closer to home.

We can't see any downside to **Buru** at 17.5 cents and took a position in the stock last week. We are more than comfortable with the management and Board which includes MD Adrian Cook and Arc's Eric Streitberg.

Australian Worldwide remains a cornerstone investor with a 15% interest.