



ASX RELEASE – 17 DECEMBER 2012

### ENDEAVOUR JACK-UP UPDATE

Buccaneer Energy Limited (“Buccaneer” or “the Company”) is pleased to provide an update on the “Endeavour – Spirit of Independence” (“Endeavour”) jack-up rig and Buccaneer’s offshore Alaskan projects in the Cook Inlet.

The Endeavour is owned by Kenai Offshore Ventures, LLC (“Kenai Offshore”), which is a joint venture between Buccaneer, Singapore based Ezion Holdings Limited and the Alaska Industrial Development and Export Authority (“AIDEA”). Buccaneer is the designated Manager of Kenai Offshore.

As previously advised, since the Endeavour’s arrival in Homer in late August 2012, Kenai Offshore has been working with local contractors through the Endeavour’s project manager, Archer Drilling (“Archer”), to complete various rig upgrades and repairs ahead of the final vessel inspection and certification. This included rectification of work that had been completed in Keppel Fels shipyard in Singapore.

The Company is pleased to advise that all work has now been completed and preliminary findings from the final inspections by the American Bureau of Shipping (“ABS”) conducted in the last week indicate one minor door replacement and some minor paperwork requirements are outstanding. A formal report from ABS is expected this week to confirm these two small outstanding items, after which the Company will then be able to proceed with inspections by the US Coast Guard (“USCG”) to receive approvals to operate in US waters.

Drilling operations will commence as soon as all necessary drilling permits have been received and the Alaskan Oil and Gas Conservation Commission (“AOGCC”) has given approval to proceed.

#### Endeavour Drilling Contractor

The services of the existing project manager of the Endeavour, Archer, have been terminated by Kenai Offshore for cause and the Company is working with Archer on handover and transitioning arrangements for the existing Endeavour crew.

The Company, as the designated Manager of Kenai Offshore, has been reviewing a number of proposals from experienced jack-up rig operators to operate the Endeavour during drilling operations within the Cook Inlet.

The Company is pleased to advise that Spartan Drilling, LLC (“Spartan”) has been selected to take on this role and a Letter of Intent has been executed, a Management Agreement is currently being finalised and is expected to be executed shortly. Representatives of both Buccaneer (as manager of Kenai Offshore) and Spartan will be in Homer on Monday 17 December 2012 to implement handover and transition of all rig management duties in a safe and diligent manner.

Spartan has been operating the Spartan 151 jack-up rig in the Cook Inlet for last 18 months and therefore has direct Cook Inlet operational experience. Additionally it has established proven operating procedures within the Cook Inlet and established supply lines with local industry partners. The Company believes the Endeavour’s operations will be enhanced by having this established base from which to operate, and expects some operating and financial synergies will result from two operating rigs.



Buccaneer believes that the Cook Inlet basin remains one of the most underdeveloped hydrocarbon basins in North America, and in the coming years the Endeavour will play a key role in realizing that potential.

Commenting on the Endeavour, Dean Gallegos, Buccaneer Energy Director said:

*“The Endeavour will not only play a key role in revitalizing Cook Inlet exploration and development, but with its upgrades and refitting, the Endeavour is now suitable to support exploration and development operations in Arctic waters, such as the Chukchi Sea off the North Slope of Alaska. Although the work has taken much longer than originally anticipated, the Endeavour is now fit for purpose and able to perform in some of the world’s harshest environments.”*

Mr. Gallegos continued,

*“We are looking forward to having Spartan operate the Endeavour and take us to execution mode on our Cosmopolitan project, the first of our offshore assets to be drilled. Their proven operational expertise and experience in the Cook Inlet will be invaluable, and further de-risks our operations.”*

### **Cosmopolitan and Drilling Permitting Requirements**

To move the Endeavour onto the Cosmo location the Company requires both the USCG approval and a Land Use Permit (“LUP”) from the Department of Natural Resources (“DNR”) for the Cosmo location. The Company applied for the LUP in early October 2012 with the public comment period being completed on 30 November 2012. The Company’s LUP application has been amended as a result of that process it is now awaiting issuance of the LUP by the DNR.

When both of the above have been completed and Endeavour crews have transitioned to Spartan management the Endeavour will move onto the Cosmo location, this is anticipated to be in January.

When on location a full test of all drilling equipment will be undertaken and in particular drilling safety systems such as blowout preventers (BOP’s) and drilling mud systems will be tested to satisfy AOGCC requirements. When this has been completed the Endeavour will be ready to spud the Cosmo # 1 well.

To be able to spud the Cosmo # 1 well the Company, in its role as Operator, must have the following operational procedures approved and permits granted.

The Company lodged a Plan of Operations (“POO”) with the DNR in early October 2012, the DNR released the POO for a 30 day public comment period on 3 December 2012. If no material comments are received during this period the Company anticipates the POO will be approved in mid January 2013.

The Cosmo project is a shallow gas on deeper oil project and to be able to drill into the oil section a revised C-Plan or oil spill plan needs to be approved. So it can spud the Cosmo # 1 well prior to the revised C-Plan being approved the Company has applied to the Alaska Oil and Gas Conservation Commission (“AOGCC”) for a gas only determination for the Cosmo project. This will allow the Company to spud the Cosmo # 1 well and drill through the shallow gas zone prior to deepening the well into the deeper oil zone upon approval of the revised C-Plan.

The Company understands that the AOGCC has made a recommendation on the gas only determination to the Alaska Department of Environmental Conservation (“ADEC”) who is the final authority. The Company has not been informed of the recommendation and is awaiting the decision from ADEC.

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If the gas only determination is approved by ADEC the Cosmo # 1 well will spud as soon as the Endeavour is on location and endorsed as drill ready by the AOGCC.

If ADEC does not grant a gas only determination for Cosmo the Endeavour will remain on the Cosmo location until the revised C-Plan is approved and a well can be drilled at Cosmo through both the shallow gas and into the deeper oil zone.

The revised C-Plan is for an oil spill response plan that is capable of containing an 800 BOPD spill. The Company already has an approved C-Plan for its Southern Cross and North West Cook Inlet projects for the containment of a 5,500 BOPD oil spill. The revised C-Plan has gone out for public comment, which ends on 7 January 2013, after which relevant changes may be incorporated into the C-Plan. Based on current timetables the earliest that the C-Plan can be approved is late January 2013.

Yours faithfully

**BUCCANEER ENERGY LIMITED**

A handwritten signature in black ink, appearing to read 'D Gallegos', is written over a light grey horizontal line.

**Mr Dean Gallegos**  
**Director**

*For further information please contact Dean Gallegos, Executive Director on 0416 220 007 or 02 9233 2520. Alternatively visit the Company's website at [www.buccenergy.com](http://www.buccenergy.com).*





## **About Buccaneer**

*Buccaneer Energy Limited is an Australian listed company focused on developing its 100% owned oil & gas assets in Alaska. The Company's flagship projects are a series of onshore and offshore developmental and exploration prospects in Alaska's Cook Inlet.*

*Buccaneer Energy has a 3 pronged cash flow strategy:*

- *Developing the 100 % owned Kenai Loop onshore gas project with independently assessed 6.4 MMBOE in 2P Reserves;*
- *Operating a Offshore Jack Up rig for use by third parties in the Cook Inlet; and*
- *Developing its 100% owned offshore Cook Inlet projects that have independently assessed 88.4 MMBOE in 2P Reserves / P50 Resources using the acquired Jack Up rig.*

*Buccaneer Energy has a 50/50 joint venture with Singaporean based Ezion, a leader in the development, ownership and chartering of strategic offshore assets and the Alaskan Industrial Development and Export Authority ("AIDEA"). This joint venture has acquired the jack-up rig "Endeavour" which is capable of drilling in all areas of the Cook Inlet, the Beaufort Sea and the Chukchi Sea. Mobilisation of the Endeavour into the Cook Inlet was completed in late August 2012.*

*The Alaskan Government is supportive of oil and gas in the Cook Inlet. There are a number of fiscal incentive programs for exploration and development in the Cook Inlet.*

*Buccaneer Energy has drilled the onshore Kenai Loop #1 well. The well was tested to have a flow rate of 6 – 8 mmcf/d (750 - 1,000 BOEPD<sup>1</sup>) and the Company constructed both the pipeline and facilities at Kenai Loop, the well started production and selling gas in early January 2012.*

*Buccaneer Energy also has major working interests in two producing projects in Texas, USA. Pompano is an offshore gas project located in the Gulf of Mexico, drilled by the Company in 2008 and has an additional pipeline of 'drill-ready' gas prospects.*

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