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2 January 2008

Company Announcement Office  
Australian Securities Exchange Limited  
Level 1, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Ms

**RE: POMPANO PROJECT – OPERATIONS COMMENCED**

Buccaneer Energy Limited ("Buccaneer" or "the Company") is pleased to announce that it has been advised by AnaTexas Offshore ("AnaTexas" or "the Operator") that it has executed a drilling rig contract with Hercules Offshore, Inc. ("Hercules") to drill the first well of the Pompano Prospect, the SL 103229 Well #1.

The Pompano Prospect is in the Brazos Block 446-L SE/4 Field that is located approximately 90 miles southwest of Houston and 30 miles east of Port O'Connor, Texas. It is located 7 miles off the coast in the Gulf of Mexico in approximately 55' of water.

SL 103229 Well #1 will be directionally drilled from a surface location at the field's existing "B" satellite structure (Figure 1) to a bottom hole location approximately 2,000 ft to the northwest at a projected total depth of 7,941 ft measured depth (MD) or 7,550 ft true vertical depth (TVD).

The well is designed to test and develop seven gas sands from 3,800 ft TVD to Total Depth that have produced nearby within the field. Drilling from the "B" structure allows the well to be connected to existing flowlines to the field's "A" production platform about 1,750 ft to the southeast, and to be placed on production quickly after completion.

AnaTexas advises that the Lift Boat "Dularge" is currently on location at "B" structure to drive the 36" caisson through which the well will be drilled. This caisson will be attached to the B structure. This preliminary work is planned to be completed in seven days, prior to moving in the Hercules Rig 152 about January 7, 2008.

Hercules Rig 152 (Figure 2) is a matt-supported, cantilever jack-up drilling unit that will be set immediately next to the "B" Structure and the rig floor and derrick cantilevered (or skidded on large support beams) over the structure and the 36" caisson in order to drill the well. The well is projected to take thirty days to drill and complete.

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The Pompano project will reuse the field's existing production facilities in place including the following:

- An existing 4-pile production platform with over 50 MMCFD gas production handling capacity and other satellite structures connected by flowlines to the production platform, from which new wells can be drilled, completed and connected to rapidly initiate production and sales; and
- An existing gas gathering pipeline providing immediate access for gas production to the sales market.

These facilities have an independently assessed replacement value of approximately US\$15 million and need relatively minor refurbishment work to allow them to be utilised for production purposes.

The Participants in this well are as follows:

Participant	Working Interest
Buccaneer Resources*	65.0%
Elixir Petroleum	25.0%
Baron Petroleum+	7.5%
Streamline Exploration+	2.5%

\* A wholly owned subsidiary of Buccaneer Energy Limited

+ Affiliated with AnaTexas Offshore, Inc. Baron Petroleum and Streamline Exploration are members of Millennium Explorer, LLC., the generator of the Pompano project.

The first well to be drilled is a commitment well and the Company has options to drill an additional 5 wells in the Pompano field. The first commitment well to be drilled has independently assessed Proven and Probable (2P) reserves of 18.7 BCF.

The first four well locations, including the commitment well, have independently assessed Proven and Probable (2P) reserves of 56 BCF and Proven, Probable and Possible (3P) reserves of 147 BCF.

For further information please contact Dean Gallegos on 0416 220 007, alternatively visit the Company's website at [www.buccenergy.com](http://www.buccenergy.com).

Yours faithfully

**BUCCANEER ENERGY LIMITED**

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



About Buccaneer:

Buccaneer Energy's wholly owned subsidiary Buccaneer Resources is based in Houston, Texas and is an upstream oil and gas company. It specialises in the development and expansion of behind-pipe proved and probable reserves and low-risk exploration plays with growth potential.

Buccaneer's growth strategy is focused on the progressive expansion of oil and gas production and reserves by acquiring significant working interests in low-cost, low-risk development properties that possess significant undeveloped upside.

**This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Buccaneer Energy that its expectations, estimates and forecast outcomes will be achieved.**

Information contained in this report concerning the Pompano project was compiled from information provided by AnaTexas Offshore, Inc. Information on the above mentioned project was reviewed by Chief Exploration Officer for Buccaneer Resources, Neville Henry, B.A. Honours in geology from Macquarie University (Sydney, Australia) and who has had more than 33 years experience in petroleum geology. Mr Henry has consented to the inclusion in this report of the technical matters and information herein in the form and context in which it appears.



**Figure 1** – The “B” structure installed at the Pompano Prospect.



**Figure 2** – Hercules Offshore drilling rig contracted to drill the first well at the Pompano Prospect.