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QUARTERLY ACTIVITY UPDATE TO 30 JUNE 2010

Quarter Highlights

- First well, Brasher #1 on production from Yegua reservoir and providing revenue. Flowing at ~450 thousand cubic feet per day (mcf) in late July 2010.
- Second well, Heintschel #1 spudded on 2 April 2010; discovered a large gas and condensate field in Wilcox reservoir sands. Mid case estimate of 59 Bcf of gas and 1.1 million barrels of condensate, recoverable.
- Third well, Moeller #1 spudded on 29 April 2010. Gas shows while drilling but flowed water and minor gas on test. Reservoir damage is suspected as logs indicate porous thick sands. Well stimulation and testing to continue. An updip well location with significant potential identified.
- Fourth well, Joann #1 well spudded on 15 June 2010; discovered a gas and condensate accumulation. Flowed at 2.1 million cubic feet of gas and 38 barrels of condensate per day. Assessing options to bring well to sales.
- The “1K3D” project: Burlison acquired, at no cost, a 38% working interest in 1000 sq mi of 3D seismic data to be selected from a very large data base. In addition to over 20 top tier prospects identified in Burlison’s Colorado County 119 sq mi 3D project area, the 1K3D project can be expected to add numerous prospects to Burlison’s drilling inventory

Colorado County (Texas) 3D seismic project

DRILLING RESULTS

Brasher #1 well, (Burleson 38% working interest, 29.77% net revenue interest)

The Brasher 1 well was drilled in the previous quarter and intersected 4.3m of gas saturated sand in the primary Yegua reservoir target. During the quarter the well was successfully tied into the gas sales network. It commenced gas sales on 14 April 2010 and during the June quarter produced a total of 18453 thousand cubic feet of gas (mcf). In this period average monthly flow rate ranged from 207 to 256 mcf/day but, in early July, water in the well bore was unloaded and the well is now producing gas at ~ 450 mcf/day.

Heintschel #1 well (Burleson 38% working interest, 29.77% net revenue interest)

On 2 April 2010 the Heintschel #1 well was spudded and resulted in a large gas and condensate discovery.

It is a vertical well and was drilled to a total depth of 11,800 feet (3597m). It targeted lower Wilcox sandstone reservoirs in a four-way closure with a stratigraphic component. The well encountered a much thicker hydrocarbon column and larger prospect area (4460 acres, (18 sq km)) than expected with 282 feet (86m) of gross sands, 160 feet (49m) of net reservoir sands and 111 feet (34m) of net gas pay.

In July, operator AKG undertook a study of the gas and condensate resources in the Heintschel field with the following results. See our ASX release 28 July 2010 for more detail.

	Gas (BCF)	Condensate (mmbc)	Number of wells to develop
Low Case	25.6	0.465	4-8
Mid Case	58.9	1.07	6-16
High Case	87.7	1.6	12-24

Work was undertaken to prepare the Heintschel #1 well for fracture stimulation (fracking). As part of this preparatory work, the lowest zone of interest was perforated and flow tested. Gas flowed naturally from this zone at measured rates of between 1.0 mmcfd and 1.45 mmcfd during a 12 hour flow test. The gas was flared. Small amounts of condensate and water were also produced. Importantly these flow rates have been achieved without the need for fracking. This is a very positive sign, as most wells targeting this reservoir require fracking before they flow any gas.

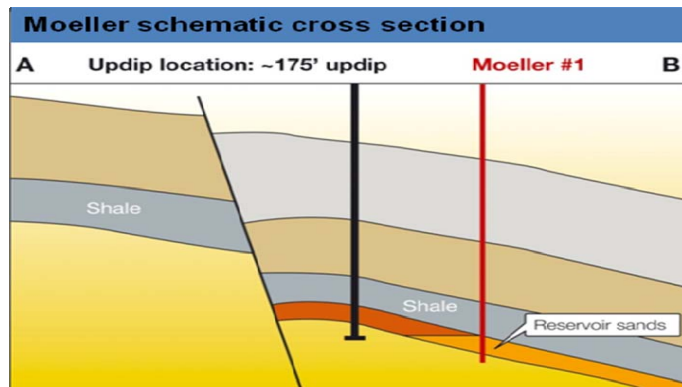
The well is currently producing gas and condensate into the sales network and earning revenue for Burleson. After a short flow test period, the well will be shut-in prior to fracking for pressure build-up. Fracking equipment is in short supply and the well is on waiting lists with three fracking companies. It is uncertain at this stage when the well will be fraced but it is likely to be sometime in September.

After the Heintschel #1 has been fraced, well performance will be monitored and evaluated for about a month. This will enable the design of an efficient appraisal and development drilling programme for the Heintschel field. As a result of this large discovery the Burleson board has decided to focus in the near term on appraising and testing the Heintschel #1 well and then developing the field.

Moeller #1 well (Burleson 38.5% working interest 30.03% net revenue interest)

The Moeller prospect is one of the two new large Wilcox prospects secured in January 2010. It is located outside and to the southwest of the main 3D project area in Colorado County. Moeller #1 was spudded on 29 April 2010, targeting lower Wilcox sandstone reservoirs. There were good gas shows while drilling but the well flowed water with only minor gas from a 110 ft (33m) thick, high porosity, sand.

Reservoir damage is suspected, so stimulation and testing work continues on the uppermost 20 feet (6m) of reservoir sands in Moeller #1 to ascertain whether hydrocarbons can flow at commercial rates. It appears that the Moeller #1 reservoir is in a gas-water transition zone, and the well results indicate there is an updip drilling location 175 ft (53m) structurally higher than the Moeller #1 location – with potential for 10.4 Bcf of gas and 0.24 mmb of condensate.



Joann #1 (Burleson 39.4% working interest, 30.73% net revenue interest)

The fourth well Joann 1 well spudded on 15 June 2010. The well resulted in a gas and condensate discovery in the Wilcox reservoir. It flowed at a rate of 2.1 mmcf/d of gas and 38 b/d condensate which are very good rates considering they were restricted flows through a small choke and was from just one of four gas sands in the well. AKG anticipate higher rates will be achieved once well opened up to sales.

Operator AKG is considering various options to access a gas pipeline and put the well on production. Reserves in the Joann accumulation will be determined once the well has been flowed for a sustained period and the other sands are flow tested.

FUTURE PLANS

Woppa well (Burleson 38% working interest),

A well is planned to test the very large stacked Edwards and Sligo reefal carbonate reservoir targets in 2H10, subject to a successful farmout.

Additional Wilcox wells

The near term focus, as noted above, will be on the Heintschel appraisal and development, however wildcat drilling is expected to commence in the near future, with an especially active program in 2011. Within the Colorado County 3D project area there are more than twenty “top tier” prospects of Wilcox and younger ages (in addition to the deeper Woppa prospect). Given the impressive success to date with the Wilcox drilling the next exploration wells are likely to also target that prolific reservoir. Two of the drilling candidates at this stage are: (note that the priorities may change given that Burleson and partners have access to a larger seismic data base than before – see below)

Moeller updip well (see above) – with potential for 10 Bcf of gas and 0.24 mmb of condensate

WH4 Structure, Wharton County Burleson 36%. In this structure there are four deep Wilcox satellite structures which have potential to contain a total of 40 Bcf of recoverable gas, with the largest satellite estimated at 16.2 Bcf gas. These are all local faulted anticlines located on a broad high. Several development wells have recently been drilled in the nearest field to WH4.

Additional 3D Seismic

Burleson secured access to a substantial additional 3D seismic database that can be expected to generate a large number of additional drilling prospects.

The Colorado County 3D seismic survey completed in mid 2009 was a “spec-survey” that was underwritten by AKG Energy, Burleson Energy and New Standard (AKG Group) in conjunction with the seismic contractor. As part of underwriting this survey, Burleson acquired a 38% working interest in the Colorado County Project including the new 3D seismic data.

As a result of the AKG Group fulfilling its contractual commitments with the seismic acquisition company, Burleson is now entitled to receive the following benefits:

- A 38% interest in licences to 1,000 square miles (2,590 square km) of 3D data to be selected from the seismic contractor's extensive USA database. This encompasses 3D (and 2D) seismic data that has been acquired over very large portions of the prospective onshore and offshore basins in the USA - with substantial coverage in the Gulf Coast region across Texas and Louisiana (“1K3D PROJECT”)
- A partial reimbursement of costs in proportion to its 38% working interest in the Colorado County Project (approximately US\$285,000);
- A separate licence to the new 119 sq. mi. (308 sq km) 3D seismic data acquired as part of the Colorado County Project.

As a part (38%) of the AKG Group, Burleson now has access to an extensive seismic data base, which will enable the group to substantially increase its portfolio of drilling prospects.

The potential value of acquiring 38% interest in an additional 1,000 sq. mi. (2,590 sq. km.) of 3D seismic coverage can be somewhat demonstrated by comparison with the number of prospects generated from the recently acquired 3D survey in Colorado County, Texas. That 3D survey covers just 119 square miles (308 sq. km.) and, thus far, has yielded more than 75 prospects including 23 “top tier” targets through 7 reservoir horizons.

To date, four wells have been drilled based on this 3D seismic with three discoveries, including the potentially company–maker size field discovered by Heintschel #1 and the fourth well, Moeller #1, encountered strong gas show while drilling. Moeller #1 is still being stimulated and tested due to suspected reservoir damage.

The Colorado 3D program also identified the existence of the very large Woppa prospect (potential for 600 Bcf of gas in Edwards and Sligo reservoirs), which had not been identified from the previously existing 2D seismic data.

Corporate

During the Burleson undertook a shortfall placement (as part of the Non Renounceable Rights Issue) of 30,132,623 ordinary shares at 6 cents per share. This was completed on 6 April 2010 and raised \$2.807 million. Funds raised will be used as working capital, to retire debt and for exploration drilling. The debt retired was a loan from AKG Energy, L.P, which was used to partly fund the Colorado 3D Seismic programme.

The cash position at 30 June 2010 was AUD \$2,709 million. No Convertible Notes were converted to equity during the period.

Mike Sandy
Managing Director