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28 October 2010

Company Announcements  
ASX Limited  
Level 4, 20 Bridge Street  
Sydney NSW 2000  
By electronic lodgement – 3 pages

ASX Code: **BUR**

## **QUARTERLY ACTIVITY UPDATE TO 30 SEPTEMBER 2010**

### **Drilling Activity**

Burleson Energy Limited ('BUR') and partners drilled 4 wells in the first part of 2010 with 3 discoveries. Of these, the Heintschel #1 has discovered a significant field. BUR has ~38% working interest and ~30% Net Revenue interest in these wells.

Brasher #1 – On production since mid April 2010 this low cost well is currently producing at 0.485 million cubic feet (MMCF) per day of gas from shallow Yegua sandstone reservoirs. During the quarter the well produced a total of 40 MMCF of gas.

Heintschel #1 – Drilled in April 2010, this well encountered a much thicker gas column (230 + ft, 70m) covering a much larger area (4,460 acres, 18 sq km) than was expected, in Wilcox sands.

The well has flowed naturally at up to 1.4 MMCF of gas per day and 12 barrels of condensate per day (BC/D) prior to any fracture stimulation ("fracking") from perforations in the lowest sands. These same sands in other fields in this area have all required fracking before they flow, and Heintschel #1 also requires fracking to achieve maximum production.

Based on a volumetric reservoir analysis, operator AKG has estimated Heintschel recoverable volumes to range from 25 to ~ 90 billion cubic feet of gas and ~0.5 to 1.6 million barrels of condensate (see the latest presentation on our website for more details). The Heintschel #1 well was produced for a period of 6 weeks into the sales pipeline while awaiting fracking and during that period produced a total of 18 MMCF of gas and 410 barrels of condensate. The well was subsequently shut-in to prepare for the frac. The frac occurred on 26 October 2010 (Texas time) and after 24 hours the well was still cleaning up but was flowing hydrocarbons at commercial rates.

Following fracking, production will be monitored and evaluated for a period while planning an efficient development drilling programme for the field based on this data.

Joann #1. This well was drilled in June 2010 and resulted in our third discovery, encountering four Wilcox sandstone reservoirs with gas and condensate. A test of one sand through a restricted choke produced at a rate of 2.1 MMCF per day of gas and variable condensate (~38 BC/D but higher readings were observed) and tested a calculated open flow of over 4.3 MMCF per day. These are very good rates considering the flow was from just one of four gas sands in the well.

Work to connect Joann # 1 to a sales line has commenced and operator AKG is targeting Joann #1 having connected into a sales pipeline before year's end.

Reserves in the Joann accumulation are unknown at present and will be determined once the well has flowed for a sustained period and the remaining three sands are flow tested.

### **Activity Update – future prospects.**

The main near term focus will be on the appraisal and development of the Heintschel field; however, numerous additional drilling prospects have been identified both within the Colorado County 3D seismic area and in other areas (including the “updip Moeller” and other prospects elsewhere in Colorado County) and a large prospect complex in neighbouring Wharton County).

The number of prospects will be significantly increased as the new 1K3D seismic project gets underway (BUR has a 38% interest in the rights to acquire up to 1,000 sq miles of 3D from the extensive data base of a seismic contractor).

Within the Colorado 3D area, the Woppa prospect, with ~600 BCF potential, has Edwards and Sligo reefal carbonates draped in closure over a deep, and very large, horst structure that is on trend with the Word Field (expected recoverable reserves of 600 BCF), an analogous producing Edwards field.

The Edwards is overlain by Eagle Ford Shale/Austin Chalk. Each of these reservoirs has gas potential on Woppa, but all are deep (17,000+feet, 5180+ metres) and well costs will be high. Thus BUR intends to farm out these deep prospects to a large degree, and concentrate on drilling and developing its shallower (mainly Wilcox) portfolio.

### **Plans – resumption of drilling**

On 6 October 2010, BUR announced that the joint venture had decided to resume drilling rather than wait on the frac of the Heintschel # 1 well. Two wells are planned with drilling anticipated to commence in late 2010.

- An exploration well targeting an independent Wilcox structure – several alternative highly prospective targets are available, and a decision on the actual target will be made shortly.
- A Heintschel #2 appraisal well (contingent to a degree on the results of the Heintschel #1 frac).

### **Equity Capital raising**

On 8 October 2010, BUR announced a renounceable rights issue to raise approximately \$3.77 million before costs, fully underwritten by Patersons Securities. The Rights Issue is underway and offers one new share for every three shares held at the record date at an issue price of 5.5 cents per share. More details are available on the BUR website.

**Corporate**

The cash position at 30 September 2010 was AUD \$1,460 million. No Convertible Notes were converted to equity during the period.

**Mike Sandy**  
Managing Director

**Competent Person Statement**

*The information in this report that relates to oil and gas exploration results and hydrocarbon resources is based on information verified by Mr Michael Sandy (BSc(Hons) Melbourne University), who is a petroleum geologist. Mr Sandy is a Director of, and consultant to, the Company. Mr Sandy has more than thirty years experience in this discipline and he consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*