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11 March 2011

Australian Stock Exchange Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## LETTER TO SHAREHOLDERS ASX: BUR

**Dear Shareholder,**

### **Placement and Fully Underwritten Rights Issue**

**Burleson Energy Ltd (Burleson or Company)** announced (3 March 2011) a two part capital raising, involving a Placement and Rights Issue. The Placement and fully underwritten Rights Issue were arranged by Lead Manager, Patersons Securities Limited.

The Placement which was completed on the 10 March 2011 was placed with selected institutional and sophisticated investors which the Company believes will provide a strengthened shareholder base supportive of the Company's growth and development.

In recognition of the Company's existing shareholders, the Company has extended the same offer price to its shareholders under the Rights Issue. The Rights Issue is for one new share for every 3 held with a total of approximately 105,222,283 shares being issued, raising approximately \$5.7 million (before costs) (**Rights Issue**). The Rights Issue is renounceable meaning you may sell your rights through trading on the Australian Securities Exchange.

In addition, the Company's existing shareholders will receive one new option (exercisable at 10 cents on or before 30 September 2013) for every three new shares subscribed by them through the Rights Issue. The Company will apply for quotation of the new shares and new options on the ASX. The Directors intend to participate in the Rights Issue.

The total amount to be raised by the Placement and Rights Issue is up to \$8,047,725 (before issue costs).

The funds raised will be used for the Company's drilling programs and other development and exploration expenditure in Colorado County and elsewhere, as well as the costs of the issue and working capital.

Burleson is pleased to have received support for its fund raising and looks forward to being able to conduct its development and exploration programs with the long term view of enhancing the value of the Company's projects for the benefit of shareholders.

**The proposed timetable for the Rights Issue is as follows:**

Lodgment of Prospectus with ASIC and ASX	Thursday, 10 March 2011
Notice of Issue sent to Eligible Shareholders	Friday, 11 March 2011
Shares trade "ex-rights" and Rights trading commences on ASX	Tuesday, 15 March 2011
Record Date to determine Entitlements under the Rights Issue	Monday, 21 March 2011
Prospectus and Application Form dispatched	Tuesday, 22 March 2011
Last day of Rights trading	Tuesday, 29 March 2011
Deferred Settlement Trading Begins	Wednesday, 30 March 2011
Closing Date for acceptances	Tuesday, 5 April 2011
Notify ASX of under-subscriptions	Friday, 8 April 2011
Allotment and issue of New Shares	Monday, 13 April 2011
Despatch of shareholding statements for New Shares	Monday, 13 April 2011

\* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days' prior notice.

**Details of the Rights Issue and How to Participate**

Eligible shareholders will receive a copy of the Rights Issue prospectus and accompanying Entitlement and Acceptance Application Form setting out the relevant details in relation to shareholder entitlement and costs for full participation in the Rights Issue.

The Rights Issue is open to existing Burleson shareholders with registered addresses in Australia and New Zealand.

Eligible shareholders may participate in the Rights Issue either in full or by accepting part of their entitlement.

Eligible shareholders may also sell their rights, either in full or partially, on the Australian Securities Exchange (**ASX**). The price of the rights will be determined by the market. The period of time for trading of shareholder rights is subject to a time limit as set out in the Rights Issue prospectus.

The Prospectus relating to the Rights Issue was lodged with ASIC and ASX on 10 March 2011 and is available on the ASX website [www.asx.com.au](http://www.asx.com.au) and also on the Company's website [www.burlesonenergy.com.au](http://www.burlesonenergy.com.au).

**COMPANY UPDATE**

Burleson is on the verge of a very exciting phase. Since the Board of Burleson made the decision to change focus to drilling targets with conventional (mainly Wilcox) reservoirs, we have had considerable success. Three Heintschel field wells are now on production with higher condensate:gas ratios than initially anticipated, and the Joann #1 will be tied to sales shortly.

Following this success (four of the five wells drilled in Colorado County are producers) the Board was faced with two choices in terms of a forward program: a slow path that allows cash flow from the producing wells to accumulate in order to fund the drilling of a small number of wells within the next 12 months; or, raise significant funds to enable Burleson to embark on an aggressive campaign involving both a faster appraisal/development campaign for the Heintschel field and the drilling of additional exploration wells on very high quality prospects. The Board has decided to pursue the latter choice.

The exploration wells will mainly target Wilcox reservoir sands, which have been the core of Burleson's success, but we will also look to fast track drilling of the potentially very large deep Woppa prospect which has Edwards and Sligo carbonate reservoirs (and also includes Eagle Ford Shale targets).

### Heintschel field update

Discovered in April 2010 by Heintschel #1 and appraised by D.Truchard #1 and Heintschel #2 in December 2010 and January 2011, the field now has those three wells on production. Current indications are that the Heintschel field may be one of the largest discoveries of its kind in a region which has hundreds of Wilcox fields.

Following the Heintschel #1 discovery well, operator AKG Energy undertook an evaluation of the volumes of gas and condensate in the field.

Based on the results of the two recently drilled Heintschel field appraisal wells (D. Truchard #1 and Heintschel #2), Burleson Energy's US partner and operator, AKG Energy, has re-calculated the volume estimates for gas and condensate in the Heintschel field resulting in substantial increases.(ASX announcement 10 March 2010).

Burleson has a 38% working interest and a ~ 30% net revenue interest in the field.

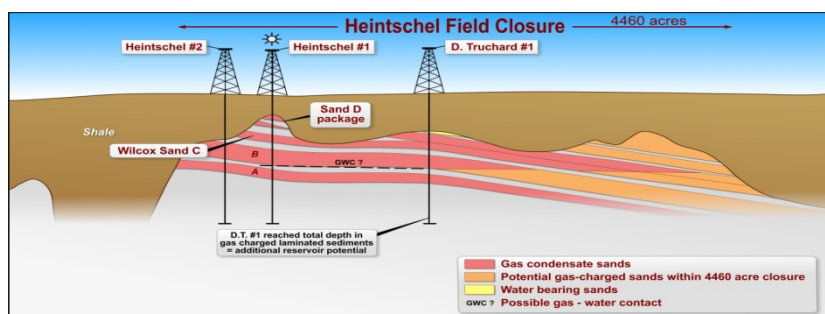
The results are as follows:

	Volume estimates Gas (bcf)			Volume Estimates Condensate (mmb)		
	Previous recoverable	Revised in place	Projected recoverable	Previous recoverable	Revised in place	Projected recoverable
Low Case	25.6	166.6	73.4	0.465	6.9	3.1
Mid Case	58.9	209.0	93.0	1.07	8.7	3.9
High Case	87.7	246.6	108.7	1.6	10.3	4.5

The intention is for an independent reserves study to be commissioned after two to three months production data has been obtained.

### Background to the Volume Estimate Calculations

The original estimates for the field were determined using 3D seismic data and data from a single well – the Heintschel #1 discovery well. The condensate volumes were calculated using the condensate: gas ratio observed during the initial, pre-frac flow from the well. Subsequently, two appraisal/development wells were drilled into the field. D Truchard #1 and Heintschel #2 located 2.9 and 0.37 km, respectively, from the Heintschel #1 discovery well.



These new well penetrations enable more accurate estimates of gas and condensate volumes to be calculated. A greater thickness of gas/condensate charged sands in D Truchard#1 (with no water contacts) and the higher, post-frac condensate:gas ratio in all three wells have led to increases in the volume estimates.

The first step involves calculation of the hydrocarbons in place – i.e. the gas and condensate located within the pores of the reservoir rock. These are estimated by determining reservoir rock volumes by 3D seismic and reservoir thicknesses in the wells. The rest of the variables for the calculation are provided by well logs (including porosity, water saturation etc). Note that the above numbers for “in-place” volumes are not directly comparable to the initial estimates which were of recoverable volumes.

At this early stage, it is not possible to make a rigorous determination of what volumes will ultimately be recovered from the Heintschel field. AKG has provided the numbers in the table, above, which are based on the assumption that the wells will produce until the pressure is depleted to 50% of the original reservoir pressure, a figure that has been commonly achieved in analogue, pressure depletion type Wilcox fields in the region. This is a standard and reasonable approach, but the reliability of the assumption will not be known until several months production history has been achieved.

Modest, scaled down fracs undertaken on D Truchard #1 and Heintschel #2 suggests that they are not producing at optimum rates. The 3 producing wells on the field are being monitored and the production characteristics of these wells will enable the development of a frac design that will yield the maximum well producibility which will, in turn, determine the ultimate recoverable reserves for the field. Field development planning, including well spacing, frac design, water disposal and potential for horizontal drilling, will advance as more well production data becomes available.

### ***Update on Heintschel Production***

The three wells in the Heintschel field have been producing at relatively stable rates over the past two weeks with average production for the first week in March of 3,250 mcf gas/day and 125 barrels of condensate/day. Associated water production averaged 800 bpd which was managed through trucking whilst water disposal alternatives (such as drilling a shallow water injection well) are further considered.

These flow rates have been achieved despite (as noted above) limited fracs being applied to the Heintschel #2 and D.Truchard #1 wells, as well as experimentation with various choke sizes at each well to gather production data. Options are being evaluated to enhance the performance of the wells - potentially including re-fracs and other methods including artificial gas lift.

Importantly the condensate production confirms higher than anticipated rates of condensate which enhances the attractiveness of the field especially considering the recent rise in oil prices. The current oil price is ~\$105/barrel with the gas price at ~ \$3.90/mcf. Based on the current production rates and these hydrocarbon prices, these three wells generate BUR approximately \$230.000 (net) per month.

In summary, Burleson has discovered a very large resource at Heintschel, but we are still learning about the field and how best to develop it. Current plans are to monitor and evaluate our first three wells in the field for up to three months in order to optimise the development of this resource.

The **Joann #1** well (BUR WI 39.4%, NRI 30.73%) made a gas condensate discovery in July 2010. It is currently shut-in awaiting connection to a sales pipeline but prior to this the well was tested. One of four prospective zones identified by logging in Joann #1 was perforated and flowed gas at 2.1 million cubic feet of gas per day and approximately 38 barrels of condensate per day.

### **Wildcat Drilling to Resume**

While we monitor production and implement development of the Heintschel field, Burleson will bring forward and increase our wildcat exploration drilling program. There are a multitude of high quality Wilcox prospects already in the inventory (see the latest presentation announced to ASX on

3 February 2011). Some are Heintschel “look-a-likes” and others of different nature occur in the original 3D area, while some occur elsewhere in Colorado and Wharton Counties.

The Board believes it is also time to kick off the “1K3D” project in which Burleson has 38% of a right to secure another 1000 sq miles of 3D seismic from a large seismic data base (see announcement of 29 June 2010). The value of this amount of 3D seismic (or equivalent 2D seismic) to Burleson is estimated to be ~\$4m. This seismic project will provide Burleson with numerous new wildcat drilling targets (with various reservoirs). A significant amount of geotechnical work and leasing is required before we will be in a position to drill any prospects generated by this project, and as the offer of seismic data lapses in late 2013, the Board is keen to progress that work.

## **Woppa**

This is a very large, deeper prospect with stacked Edwards and Sligo carbonate reservoirs and is on trend from (and deeper than) the 600 bcf producing “Word” Field and other large Edwards fields. A deep well on Woppa would intersect the following potential reservoirs at depths > 15,000 feet: Austin Chalk (uppermost); Eagle Ford Shale; Edwards Carbonate; Sligo Carbonate (deepest). Burleson is looking to farmout part of its interest in the well but will also consider contributing to the cost of the well to get it drilled.

## **Overview**

These are very exciting times for Burleson.

Firstly, it is not often that one gets the opportunity to make and develop a potentially significant discovery such as Heintschel from initial concept, to data acquisition, to prospect delineation, to discovery, to appraisal/development.

Secondly, our interest in the large 1K3D seismic project will provide us with a multitude of high quality exploration prospects for future drilling in addition to our already substantial portfolio of targets.

Thirdly, drilling of the very large, deep Woppa prospect would expose Burleson to “Company Maker Size” exploration, which if successful, would result in a massive re-ranking of the Company.

**Norm Zillman**  
**Chairman**

**For further information contact Mike Sandy -----**

### ***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.*