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Company Announcements

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QUARTERLY ACTIVITY UPDATE TO 31 DECEMBER 2010

Burleson had two wells on production (Brasher #1 and Heintschel #1 during the quarter and commenced an appraisal/development drilling program on the Heintschel field. Two wells have been drilled – the D.Truchard #1 was spudded in November 2010 and the Heintschel #2 well in December 2010. Both wells encountered gas sands which were confirmed by electric logging, and it was decided to complete the two wells for production.

Brasher #1 - (BUR Working Interest 38%, Net Revenue Interest 29.77%) This low cost well has been producing from a shallow Yegua reservoir since mid May 2010. During the December quarter it produced 24,672 thousand cubic feet (mcf) of gas. At the end of the quarter the well was shut –in with remedial work being undertaken.

Heintschel #1 - (BUR WI 38%, NRI 29.77%) 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 produced for a period of 6 weeks into a sales pipeline while awaiting fracture stimulation (fracking) and was subsequently shut-in to prepare for the frac, which occurred on 26 October 2010.

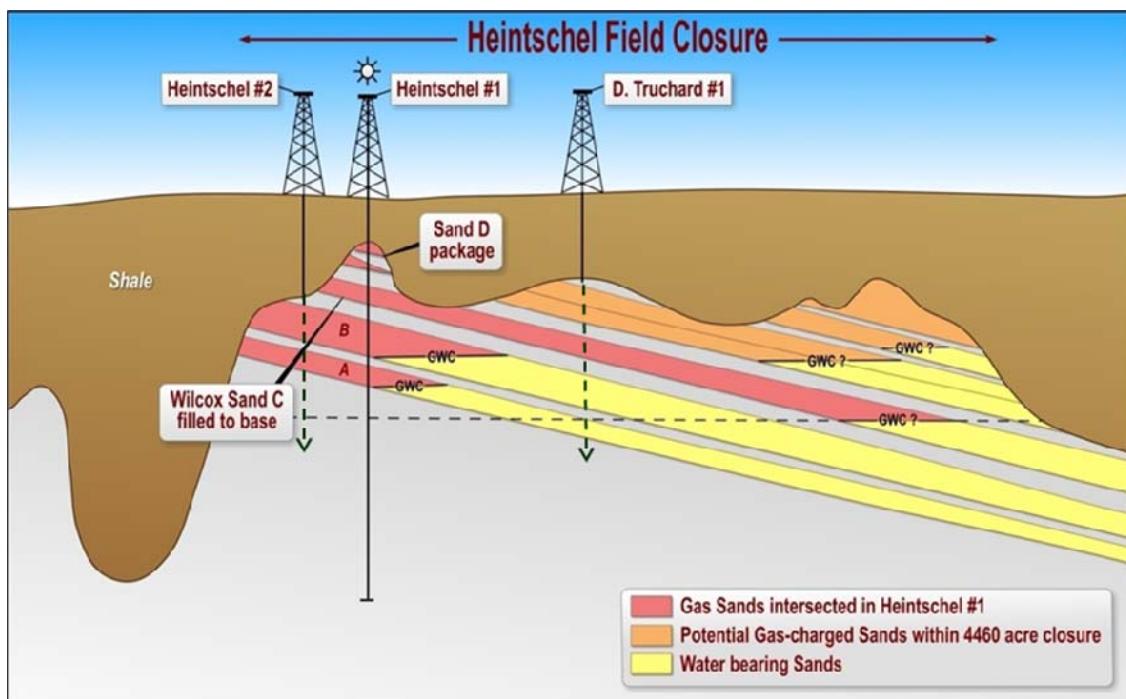
The well has been flowing at commercial rates since that time. To end December 2010, the well produced a total of 98,899 mcf of gas and 4,232 barrels of condensate with 81,480 mcf of gas and 3,818 barrels of condensate produced during the quarter. Average rates for December 2010 were 1.324 million cubic feet (mmcf)/day gas, 56 barrels /day condensate and 420 barrels/day water. Based on current oil and gas prices those rates provide revenue of ~A\$90,000 per month to Burleson Energy.

Since late October 2010, operator AKG has been adjusting the flow conditions for the well to maximise gas and condensate production. The main challenge to the well performance has been the relatively high volumes of liquids (condensate plus water) being produced. Two sands, one above and one at the very base of the reservoir interval, with gas-water contacts had been intersected in Heintschel #1. Some remedial work is being undertaken to help determine the source of the water. Results of analysis of the Heintschel #1 well are being incorporated into the frac design for subsequent wells on the Heintschel field, to help avoid water influx as much as possible.

Heintschel field appraisal development drilling. Based on a volumetric reservoir analysis following the initial (pre frac) flow from the Heintschel #1 well, operator AKG estimated Heintschel recoverable volumes to range from 25 to ~ 90 billion cubic feet of gas 0.5 to 1.6 million barrels of condensate (see table below). When brought on production following the frac, Heintschel #1 actually produced at a higher rate of condensate per unit of gas, so the condensate numbers will be revised upwards should the two new Heintschel wells confirm a higher condensate-to-gas ratio.

Heintschel	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

Following Heintschel #1 it was decided to focus, in the short term, on Heintschel appraisal and development drilling and with two main aims: to enable the JV partners to firm up resource and determine reserve numbers for the field; and, to generate additional revenue from gas and condensate production.



In line with this plan, two appraisal/development wells were planned and spudded during the December quarter: D.Truchard #1 and Heintschel #2.

D.Truchard #1 - (BUR WI 38%, NRI 29.64%) The D.Truchard #1 well is located ~3km from the Heintschel # 1 gas condensate discovery. It was planned as an appraisal well in the Heintschel field in Colorado County, Texas.

D.Truchard #1 was spudded in late November and drilled to a total depth of 12,000 feet (3658m) and gas shows were recorded while drilling the lower part of the hole.

The D. Truchard came in structurally higher than the pre drill prognosis which is a positive indication for the performance of the well. A decision was subsequently made to complete the D.Truchard #1 well for production.

Heintschel # 2 - (BUR WI 38%, NRI 29.59%) This appraisal/development well is located 0.37 km from the Heintschel # 1 gas condensate discovery. The Heintschel #2 well was planned as an appraisal well targeting the main gas condensate sands encountered in the Heintschel #1 discovery well but in a structurally higher (updip) location.

It was spudded in late December 2010 and drilled to a total depth of 11,900 feet (3627m), with gas shows recorded while drilling the lower part of the hole. The main shows appear to correlate to gas condensate charged reservoir sands in the Heintschel #1 discovery well.

Results of electric logging of the Heintschel #2 well were as expected and a decision was made to complete the well for production.

Being a close offset to the initial discovery well, Heintschel #2 provides another source of production and cash-flow for Burleson along with progressing potential resource and reserve assessment within the field.

Both D.Truchard #1 and Heintschel #2 require fracture stimulation (fracking) prior to hooking up to a sales pipeline. Fracking of the two wells back-to-back on 24 and 25 January was successfully achieved and the wells are both currently unloading drilling fluids from the well bores (see separate ASX release today).

Joann #1 well (BUR WI 39.4%, NRI 30.73%) This well was discovered in July 2010 and is also expected to be brought on production by the end of January. Prior to being shut-in awaiting connection to a sales pipeline 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.

Corporate

On 8 October 2010, BUR announced a renounceable rights (one new share for every three shares held at the record date at an issue price of 5.5 cents per share), to raise approximately \$3.77 million before costs. The Rights Issues was fully underwritten by Patersons Securities. The issue closed on 9 November 2010 with very strong support from shareholders. The funds raised the balance of the funding required for the commencement of appraisal and development drilling on the Heintschel field.

No Convertible Notes were converted to equity during the quarter. BUR repaid the Convertible Notes which fell due 31 December 2010 on 1 January 2011.

The cash position at 31 December 2010 was AUD \$2.473 million, before the repayment of the Convertible Notes.

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.