



8th July 2014

Company Announcements
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

ASX Code: BUR

5 pages

Independent studies demonstrate commercial viability of Heintschel wet gas and condensate field

Highlights:

Recently completed independent engineering studies indicate that:

- 1) The Heintschel field can be developed commercially, with a development plan involving 7 new horizontal wells with from 14 to 30 stage fracs at a 280 ft (85m) frac spacing
- 2) The two engineering studies (**these are not reserve reports**) resulted in a preferred development plan and an economic model which illustrated that the 4 existing and 7 proposed new wells could generate production of:
 - 809mboe;
 - 1,404mboe of NGL; and
 - 29,275mmcf of gas.
 - The NPV of this production at current prices is US\$24.7m
- 3) Burleson to seek to farm-out or sell assets
- 4) No change in Reserves

Burleson CEO, Andrew Bald, said:

"Burleson recently commissioned 2 independent studies to determine the viability of developing the Heintschel Field. The 2 reports demonstrate that future horizontal wells will be economic with longer laterals and more closely spaced fracs than in the Truchard #2H well, and confirm our view that development of the Heintschel field is commercially viable.

"Furthermore, these models included very conservative assumptions (including forward oil prices at US\$73/barrel) yet show that, compared to the T2H well, longer laterals, closer frac spacing and, therefore, more frac stages will yield commercially profitable results with a high NPV in excess of USD\$24 million.

"Planning will continue to optimise the well design and field development plan and a farmout/sale process will be initiated. We want to be able to unlock some of the value of this field for our shareholders."

Burleson Energy Limited
ABN 73 117 770 475

Phone: +61 2 8252 6177
Facsimile: +61 2 8252 6178
www.burlesonenergy.com

Registered Office / Administration
Level 6
9 Barrack Street
SYDNEY NSW 2000
Australia

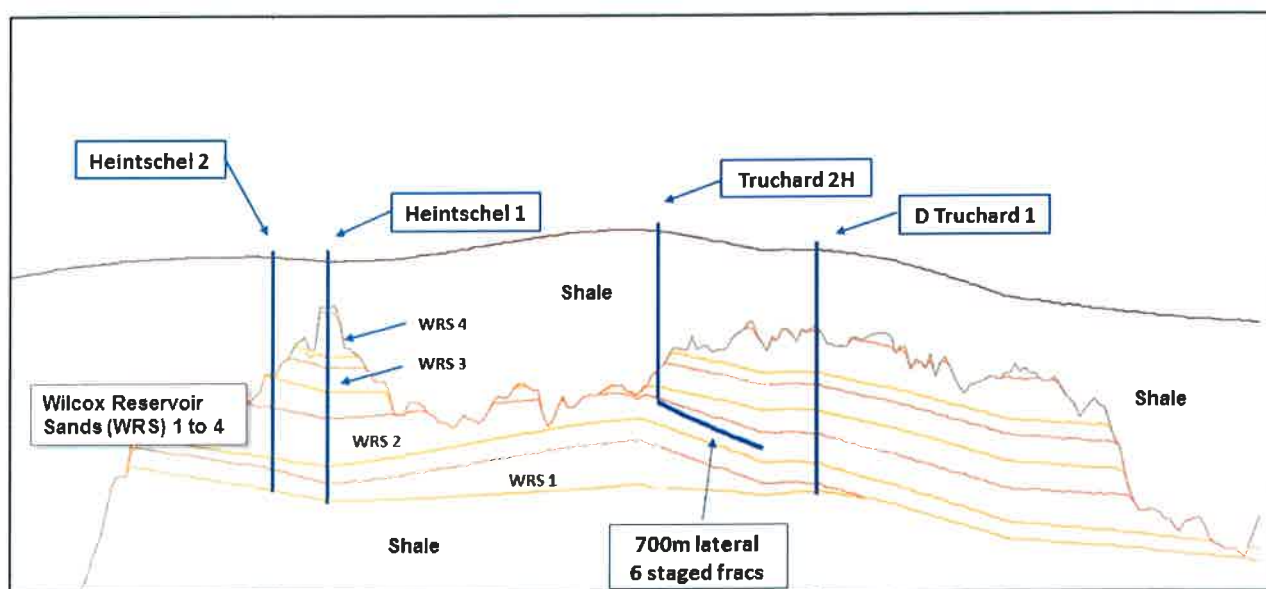
Mailing Address
GPO Box 92
SYDNEY NSW 2001
Australia

Engineering Studies

BUR is pleased to advise that it has received the results of two separate studies related to the development of the Heintschel field in Colorado County, Texas.

The Heintschel field has 4 wells currently on production and is covered by excellent quality 3D seismic. It was discovered by the Heintschel #1 in mid 2010, followed by Heintschel #2 and D Truchard #1 appraisal wells in early 2011. These were vertical wells with single stage fracture stimulations (fracs). Truchard 2 Horizontal (T2H) well (with 6 staged fracs) was drilled and brought on production in October 2012. The 3D seismic coverage plus long production histories for the three wells provide an excellent data base for the two engineering studies.

BUR Heintschel Field (3386 ac) cross section



Integrated Petroleum Technologies Inc (IPT)

The first study was undertaken by IPT who analysed and evaluated the production performance of the T2H well. T2H involved drilling a 3,500m vertical section then a 700m lateral (horizontal) section and 6 staged fracture stimulations (fracs) 120m (400 feet) apart.

IPT generated a model of the well performance to predict how the well would have flowed in a range of cases (including more fracs and closer spaced fracs). They determined that drilling wells with 12 or more frac stages generated a positive NPV under several scenarios.

They found that 400 ft spacing was only 70% efficient in draining the targeted reservoir so determined that 280 ft is optimal. IPT concluded that the optimum well design configuration numbers for the development of the field are:

- Wells spaced 1,320 ft apart;
- 5,200 ft long laterals
- 280 ft spacing between fracs

IPT determined that drilling wells with 12 or more frac stages generated a positive NPV10 under several scenarios – even with a 20% reduction to cover any unforeseen differences in reservoir quality.

Cawley, Gillespie & Associates (CGA),

CGA used the results of the IPT study, combined with existing well performance, and analysis of the 3D seismic data and undertook economic analyses of two development scenarios for the Heintschel field using horizontal fraced wells.

CGA then calculated the volumes of hydrocarbons which could be expected to be produced from a number of well locations in the field using specific drilling and completion parameters.

Two scenarios were modelled and both produced a positive NPV, however the preferred model (which maximises the NPV results) involves drilling 7 new horizontal wells, each with 14 to 30 frac stages spaced 85m (280 feet) apart.

This model predicts that the 4 existing and 7 proposed new wells would produce:

- a) 809mboe¹; plus
- b) 1,404mboe of NGL and
- c) 29,275mmcf² of gas.
- d) With a NPV of USD\$24.7m

The CGA results for the preferred development model are summarised in Appendix A.

Assumptions

The studies included some conservative assumptions, namely:

- water production in future wells would be higher than was observed in any of the 4 producing wells
- oil prices would drop to US\$73 per barrel (currently \$106) within 4 years
- dry gas prices would fall to around US\$3.80/mcf (currently over US\$4.50).
- reservoir quality throughout the field would be the same as in the T2H well. The upcoming T#3 well is targeting what are believed to be higher quality reservoir in a 135 acre seismic anomaly in the field. Obviously the economics of a field development will improve if that part of the field proves to be more productive.

¹ 1mboe = 1,000 barrels of oil equivalent

² 1mmcf = 1 million cubic fee

Implications for Burleson

The implication for the Company is that the field has a positive economic value. The Board has agreed to expedite a farm-out process and/or sale of the asset in order to realise value for Burleson's shareholders.

No change in Burleson Petroleum Reserves

25th November 2011, Burleson announced its independent reserve report prepared by DeGolyer & MacNaughton (D&M). Burleson has not updated this report but the ASX guidelines for reporting reserves have changed (ASX Listing Rule 5.25 through to and including 5.28).

Accordingly, Burleson reiterates its previous announced petroleum reserves as per below.

- a) The date of the Appraisal Report prepared by DeGolyer and MacNaughton was 31 October 2011;
- b) The report only presented proved and probable reserves;
- c) The proved and probable reserves presented therein were prepared in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE);
- d) As per the 25th November 2011 ASX release,
Burleson's economic interest in the estimated Petroleum Reserves, net of royalties remain as previously reported being:

	Condensate boe	NGL boe	Dry Gas bcf
PDP	8,000	25,000	0.500
PUD	108,000	166,000	3.307
Total Proved	116,000	191,000	3.807
Probable	170,000	258,000	5.133
Total 2P	286,000	449,000	8.940

- e) Net reserves being that portion of gross reserves attributable to the interests owned by Burleson after deducting royalties and interests owned by others.
- f) These reserves were determined by D&M using the probabilistic method.

Note that the Reserves have not been adjusted for production since the report date and were calculated prior to the drilling of the T2H well.

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 and a member of the American Association of Petroleum Geologists (AAPG). 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.

For further information please contact:

Andrew Bald, CEO

Phone: +61 2 8252 6171

www.burlesonenergy.com

Appendix A – Summary of Cawley & Gillespie Economic Forecasts

Well	Status	Gross Oil, MB	Gross Gas, MMCF	Gross NGL	Net Oil, MB	Net Gas, MMCF	Net NGL, MB	Total Revenue, M\$	Oper. Exp., M\$	Total Invest., M\$	Future Net Cash Flow, M\$	Disc Net Cash Flow, M\$	# Frac Stages
D TRUCHARD 1	Producing	0.0	0.0	0.0	0.0	0.0	0.0	\$0	\$0	\$0	\$0	\$0	1
HEINTSCHEL 1	Producing	1.3	35.9	1.0	1.0	13.5	0.8	\$172	\$139	\$0	\$25	\$23	1
HEINTSCHEL 2	Producing	2.5	121.1	5.9	2.0	76.5	4.7	\$620	\$308	\$0	\$289	\$260	1
TRUCHARD 2H	Producing	19.5	831.5	39.9	15.6	552.1	31.9	\$4,427	\$1,523	\$0	\$2,729	\$2,305	6
5H	new	112.3	4,041.3	194.0	89.9	2,683.4	155.2	\$21,983	\$3,804	\$9,230	\$7,988	\$3,836	19
6H	new	114.4	4,113.6	197.5	91.5	2,731.4	158.0	\$22,447	\$3,829	\$8,720	\$8,917	\$4,724	16
7H	new	104.7	3,766.4	180.8	83.8	2,500.9	144.6	\$20,415	\$3,566	\$9,230	\$6,733	\$2,897	19
8H	new	143.5	5,161.4	247.7	114.8	3,427.2	198.2	\$27,711	\$4,682	\$9,230	\$12,575	\$6,428	19
9H	new	95.8	3,444.9	165.4	76.6	2,287.4	132.3	\$18,590	\$3,576	\$8,380	\$5,813	\$2,373	14
10H	new	106.7	3,836.8	184.2	85.3	2,547.7	147.3	\$20,529	\$3,894	\$11,100	\$4,632	\$734	30
11H	new	109.0	3,922.0	188.3	87.2	2,604.2	150.6	\$20,985	\$3,967	\$10,760	\$5,333	\$1,146	28
TOTALS		809.6	29274.9	1404.6	647.7	19424.3	1123.7	\$157,877	\$29,286	\$66,650	\$55,033	\$24,727	

Note:

1. D Truchard 1 well is near the end of it producing life. An as yet untested sand will be perforated and brought on production if successful. The likely short term future for this well is that it will be converted to a water disposal well.
2. M= thousand, MM = million, Gross volumes = 100% numbers. Net volumes = after royalty numbers,
3. The main CGA results for the preferred development model are as above.