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Significant Boost to Production from Truchard 2H well

Burleson is pleased to announce that the Truchard 2H well (T2H) is now producing at rates of 2400 mcf of wet gas and 60 barrels of condensate per day (=460 barrels of oil equivalent per day).

This has been achieved during the past week by bringing frac sleeve (FS) 6 on production in combination with flows from FS 1-5. The production contributed from FS6 has nearly doubled daily gas production, increased daily oil production by one third, and increased water production by two thirds. Importantly, since FS6 was opened up, the water-to-gas ratio and the water rate have both steadily decreased; trends that we expect to see continue as production from FS 6 continues to clean-up and the choke is gradually opened.

If these production rates were sustained for one month the well would generate gross revenue of ~US$550,000/month (~US$215,000 net to BUR).

Technical Background and Recent History for T2H

Following unexpected production of excess water from the T2H well (the ratio of water to gas is higher in this horizontal well the any of the three vertical wells) operator AKG has been monitoring production (gas condensate and water), flowing tubing pressure (FTP), casing pressure (CP) and water salinity.

The higher water ratio and higher salinity in T2H suggest that the excess water is coming from an external source (eg from a more saline water sand located above the reservoir which has been breached by fraccing, or due to poor cement allowing access to higher zones). However it could also be coming from a sand with a water leg within the reservoir.

The well initially (circa October 2012) produced gas at very good rates (~5 million cubic feet/day or 5000 mcf /day) but with a higher than anticipated water flow that was more than

the production equipment could handle. The well was choked back to get the water flow rates to a manageable level.

The horizontal section of the T2H well has 4.5 inch diameter steel casing (or tube). 6 frac sleeves (FS) - openings in the casing - allowed the 6 separate fracs to be undertaken into the reservoir. FS 6 is the closest to the vertical section - nearest the ñheelò - while FS1 is located near the ñtoeò.

It was decided to isolate FS6 from FS1-5, by installing 2.375 inch tubing in the well bore and setting a packer between FS5 and FS6. This has enabled FS1-5 to be flowed separately through the tubing. The tubing was set in early November and the production from FS1-5 was monitored as the choke size was increased, then decreased, in stages. Gas and condensate sales ensured that revenue was being received during this operation.

Initial production rates were ~1300 to 1500 mcf/d gas with ~1400 barrels of water per day from a 32/64 choke, but gradually the water declined (to ~950 b/d) while the gas and pressures increased. In mid January 2013 the operator began gradually opening the choke (to 42/64) with little change in gas and condensate production rates while water decreased to 900 b/d. The choke was returned to 32/64 in early March with production averaging about 1250mcfg/d, condensate 50 b/d and water 750 b/d.

The next stage is to produce FS6 along with FS1-5. The well has tubing within casing and FS1-5 are produced from the inner tubing while FS6 is produced from the space between the tubing and the casing (the ñannulusò). The combined zones were opened in mid-March with a significant increase in gas rates (to ~2400 mcf/d) and similar water ratios as previous. As before, however the water rate is dropping with time while the gas rate and pressure increase. The annulus choke will be adjusted as in the previous exercise to keep water flow at a manageable 1500 b/d or less.

Monitoring of the rates from FS1-6 will continue for several more weeks to enable a comparison with the production from FS1-5 at different choke sizes.

Once this work has been completed and analysed the next phase of operations can be determined. This could involve intervention (undertake spinner surveys to check each flows from each individual FS, cement bond log and re-cement if required) or it may be decided to continue to produce from this well, and aim to drill a new horizontal well with a modified frac program.

Burleson is seeking a partner or partners to undertake future development and exploration activities in its US assets.

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Background

The T2H well is a major step in the development of the Heintschel field, a substantial gas-condensate discovery hosted by Wilcox Formation tight sand reservoirs in Colorado County, Texas. The well is located 785 metres from Burlesonôs established producing Truchard #1 (vertical) well. It is the fourth well on the Heintschel gas condensate field - and is the first horizontal development well.

The well was drilled to a total length of 13,525 feet (4122 metres) including a horizontal section 2,300 feet (700 metre) long. It was initially drilled to a true vertical depth of 11,500 feet (~3,500m) where casing was set. The second phase involved drilling the horizontal section and setting casing in the horizontal leg. The final phase involved a six stage frac, which followed by a clean- up phase prior to completion and hydrocarbon sales.

Burleson has a:

- 50% Working Interest and an Over-riding Royalty Interest of 1.13% in the T2H well and Truchard unit; and
- 38.83% Paying Interest and 39.2% Net Revenue Interest in the T2H well.

The Working Interest owners in the well are Burleson 50%, Mogal Oil and Gas 30%, AKG Energy (operator) 13.5% and other US parties 6.5%.

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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 30 years of 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.