



Burleson Energy Ltd (BUR)

Texas Gas Developer

INVESTMENT ISSUES:

- Burleson has established a strong partnership with an Austin, Texas based independent energy group called AKG Energy. This group is run by qualified and experienced petroleum industry professionals who provide technical and corporate operations and whose interests are aligned as major shareholders in Burleson.
- Burleson has \$16 million of funding to support an initial low risk, 9 well exploration and development drilling programme focussed on gas fields in the Austin Chalk Formation located over four Texan Counties.
- Recent studies of wells in the Austin Chalk indicate that the average horizontal well produces 4.4 Bcfe of gas, with 40% produced in the first 6 months.
- The company holds meaningful stakes in projects, ranging from a working interest of 40% to WI's of 17.5%.
- The joint venture has contracted a drill rig for 2 years, allowing it to drill and develop its target gas fields throughout 2007 and 2008.
- Initial gas production and sales could commence in late in Q1, 2007 and may build swiftly from typically strong initial gas production rates.

CAPITAL STRUCTURE

Ordinary Shares	90.5 m
Options	46.1 m 25 cts 8/10
	<u>136.6 m</u>
Share Price	\$0.185
Market Cap'n	\$16.7 m
B Class Shares	(1) 75 Contingent
B Class Options	(1) 75 Contingent 25 cts 8/10
C Class Shares	(2) 50 Contingent
Convertible notes	(3) \$4.0 m
Possible total shares	178.1m – 202.1m

- (1) convert to 9m shares / options when BUR trades over 28 cts for 30 days or production of 64,000 BOE
- (2) convert to 7.5m shares when 10 wells produce 1.3 Bcfe each
- (3) Convert to between 16 & 40 m. shares

SIGNIFICANT SHAREHOLDERS

Board & Consultants	9.0%
Kugler Family	13.4%
Board & Consultants inc B & C's	9.6%
Kugler Family inc B & C Class	20.6%

BOARD

John McAlwey	Non Executive Chairman
Michael Sandy	Executive Director
Dr Andrew Kugler Jr.	Non Executive Director

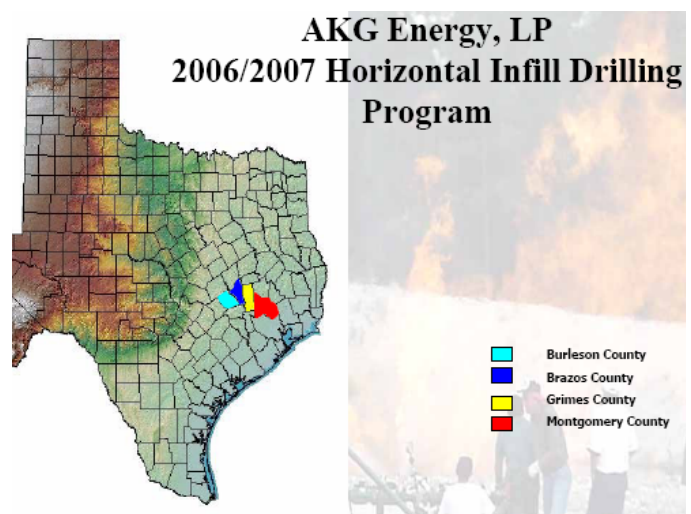
OPINION:

Burleson has established a position in the high value US energy business by partnering with an established and reputable industry group based in Texas. Exploration planned for early 2007 should see Burleson Energy commence sales of gas and condensate by Q2, 2007.

The company has a strong partnership with local skilled operators, who are also major Burleson shareholders. The Board intends to leverage off this relationship to grow the company's influence in the US energy business.

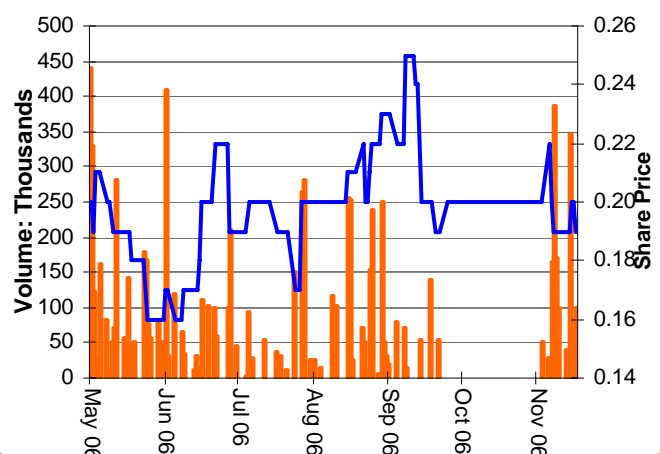
Peter Strachan

Figure 1 - Project Location



Source: Burleson Energy Ltd

SHARE ACTIVITY



INTRODUCTION

Well funded low risk USA gas development programme.

. . . Potential for first gas sales in March 2007

Burleson Energy raised \$4 million on floatation, early in 2006 and is raising an additional \$12.3 million, including \$4 million of convertible note funds, to fund an 18 month, 9 well drilling programme. The company and its partners have secured a 2 year drilling contract to undertake the planned work programme. Figure 2 below summarises the company's interests and outlines an 18 month drilling programme, budgeted to cost the company approximately A\$14 million after management costs. The company and its technical partners, AKG Energy LP (AKG), plan to develop low risk gas reserves in the prolific Austin Chalk formation in the Texas Gulf Coast Counties of Burleson, Grimes, Montgomery and Brazos by applying horizontal drilling techniques. Burleson's areas of interest are well serviced by gas pipelines and transport networks where gas sales can be rapidly achieved to provide early cash flow from successful wells.

Meaningful equity

Figure 2. Burleson License Interests and Commitments

Lease	Acres	Funding Interest	WI	NRI	Wells Initial	Potential	US\$m. per well	Prog Cost US\$m.
Champion *								
Marathon/AKG	13,813	20%	17.5%	13.125%	5	3	\$ 1.0	\$ 5.0
Champion II								
AKG	619	20%	17.5%	13.125%	1		\$ 1.0	\$ 1.0
Champion III								
AKG	1,362	20%	17.5%	13.125%			\$ 1.0	\$ -
Weir								
AKG	353	20%	17.5%	13.125%	1		\$ 0.7	\$ 0.7
Burleson								
AKG	8,133	40%	40%	30%	2	30	\$ 1.8	\$ 3.6
Totals	<u>24,280</u>				<u>9</u>	<u>33</u>		<u>\$ 10.3</u>

* 1,949 acres of 20% WI, all new licenses at 20% WI

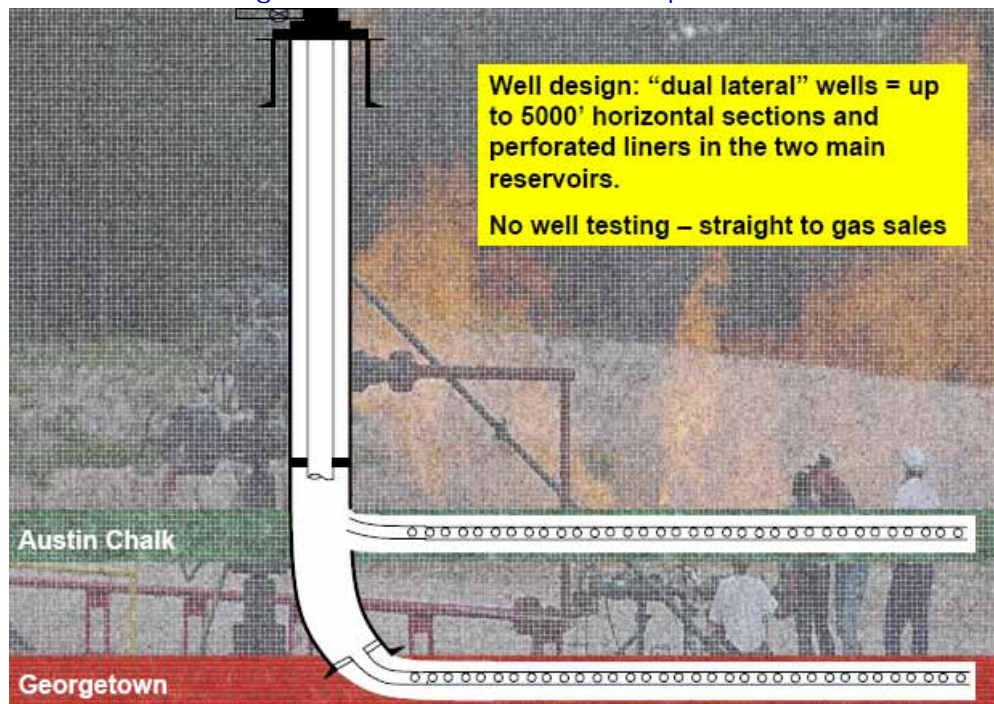
Source: Burleson Energy Ltd

AKG provides on the ground management

The company has established a strong technical and corporate relationship with Austin Texas based private oilfield development company AKG, with whom it is partnering on several US oil and gas projects. AKG is owned and managed by members of the Kugler family, whose patriarch; Dr Andrew Kugler is a member of Burleson's Board.

Horizontal drilling combined with detection of "sweet spots" for drilling holds promise for strong initial production

Figure 3. Horizontal well Completions



Source: Burleson Energy Ltd

Application of horizontal drilling technology to development of the Austin Chalk formation has enabled this play to become a significant Texas gas producer. Commercial gas production from depths of 3,300 metres in this otherwise impermeable limestone unit relies on drillers being able to intersect multiple natural fractures. AKG will target areas of enhanced natural fracturing. Successful Burleson wells typically produce at an initial rate of up to 5 mmcuft, Champions wells 10-15 mmcuft, of gas per day, providing a rapid payback of capital costs in a matter of months. Such wells can deliver over 5 Bcfe of gas over a reasonable lifetime. The region has up to three potential production horizons within and below the Austin Chalk. Multiple horizontal sections, as illustrated in Figure 3, extending up to 1,580 metres along the formation, can be drilled from each well bore with resulting production commingled at the surface.

2 well programme to start immediately in Burleson County

Target IP of up to 5 mmcuft/day

JV with Marathon Petroleum

Weir project for drilling April/May 2007

Aim to emulate previous strong production results

Kugler father and sons run operations . . . and major Burleson Shareholders

Have strong incentives to perform

PROJECT AREAS

Burleson County

Burleson's partner, AKG has a long history of successful operation in this region.

Burleson plans an initial 2 well programme running from January 2007 until April on its Burleson County licenses, where the company has a 40% working interest (WI). Dual horizontal legs in the Austin Chalk and the underlying Georgetown Formations are planned for both wells. Once completed, and if successful, these wells could be in production in a matter of weeks at rates of up to 5 mmcf per day each. Under this scenario, two successful wells would be expected to generate initial net revenue to Burleson of over A\$800,000 per month.

Brazos, Grimes and Montgomery Counties

US major oil company, Marathon Petroleum invited AKG to partner into these Counties because AKG has demonstrated horizontal drilling and well completion expertise. After the exploration phase of these projects, Marathon will retain operatorship of production and marketing of gas. AKG invited Burleson, in which the management of AKG has a significant shareholding, to farm in on this project to earn a 17.5% working interest by funding 20% of an initial 7 well programme.

In Brazos County, AKG has identified one infill location at the **Weir** project, from which it expects to recover at least 2.6 Bcfe of gas from one well location. Work on this project will follow the two Burleson County wells with an estimated start time in late April 2007.

The Champions area consists of 15,793 acres of leased development areas where at least 11 well locations have already been identified. Marathon has produced ~84 Bcfe since 1997 from 19 wells in the farmout area.

Marathon's experience in these localities shows that wells may initially produce at over 15 mmcuft per day and could produce at an average of around 10 mmcuft per day for the first 6 months, delivering about 40% of total ultimate production and revenues in that time. The partnership plans to begin work in July 2007 on an initial 5 well programme which should run well through to 2008.

SHAREHOLDER STRUCTURE

Burleson's initial capital structure was kept small and tight by offering the Kugler family, as operators, discovery shares which only converted to ordinary shares if the project performed technically and/or the share price rose in appreciation of its potential. The Kugler family was initially allocated 5.4 million shares and 2.7 million options in the new company, but will be allocated an additional 5.4 million fully paid shares and 5.4 million options if the company trades at a share price above 28 cent per share for 30 successive days or after it produces more than 64,000 barrels of oil equivalent.

As payment for offering the Marathon acreage and its own Champion permits to Burleson, the Kugler family, who operate the project, are entitled to be issued with 7.5 million new fully paid Burleson shares and will be allocated an additional 750,000 shares for each well that can be made to deliver a total of 1.3 Bcfe of gas, up to a maximum of 7.5 million shares.

RISKS

The project is sensitive to **capital costs**. Should the cost of drilling and well completion rise for any reason, the economics of this gas field development would be negatively impacted.

The price of natural gas in the USA has been strong and rising over the past 5 years. A predicted shortfall in supply should maintain prices at attractive levels however, if the price of natural gas were to fall, the economics of developments on the Austin Chalk would be negatively impacted.

THE BOARD AND MANAGEMENT

Board

John McAlwey - Non Executive Chairman

John is a lawyer with over 30 years experience including extensive commercial work on the formation and management of listed public companies.

Dr Andrew Kugler Jr. – Non Executive Director

Andrew is President of AKG group of companies based in Austin, Texas. He holds geology degrees from Yale and The University of Tasmania. He has over 40 years of experience in the USA and international oil & gas industry. Most of his career he has been an independent operator with his companies drilling in Australia and Papua New Guinea as well as hundreds of wells onshore USA.

Michael Sandy – Executive Director

Mike has over 30 years resource and oil & gas experience in Australia, USA and internationally, including formation and operation of oil & gas listed public companies

Management

Khib A. Kugler

Khib graduated from The University of Texas with degrees in Geology and Business, and a graduate degree in Geophysics. He has over 25 years of geological and geophysical experience both internationally and in the US including 8 years with Texaco. In 2001, Khib joined AKG as Vice President of Geology and Geophysics.

Karras J. Kugler

Karras graduated from The University of Texas at Austin with a degree in Petroleum Engineering. Prior to joining AKG, Karras worked at Platt, Sparks, and Associates Consulting Petroleum Engineers for 9 years as a Petroleum Engineer. Karras joined AKG in 1997 as Vice President of Engineering and Operations, where he manages all aspects of daily production and drilling operations

Greigh P. Kugler

Greigh graduated from the University of Texas at Austin with a degree in Petroleum Land Management. He has 15 years experience as a Landman in the Gulf Coast. Prior to joining AKG in 1997, Greigh worked as a company landman for Marathon Oil Company responsible for Texas, Louisiana, Arkansas, and Mississippi properties. Greigh has managed all aspects of land related activities for AKG in his role as Vice President of Land and Administration.

Disclaimer

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