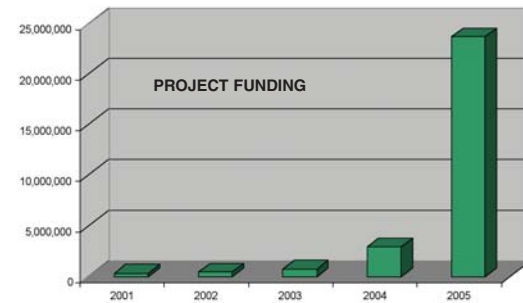




continued from front page professionals, through whom we make our programs available to investors. As we grow through '06 and beyond we plan to bring more programs with sustained quality and results.



To further diversify our investors' holdings, in 2005, B&R broadened its single-well programs to add lower-risk and multi-well options. The first of these, The

Hall – a proved reserves well – sold in 2004 and was completed in 2005. Following that, we brought on the 2005 Brazos Valley 4 Well Program, primarily consisting of proved reserves.

Clearly we believe in the prudence and power of investing in oil and gas. As investors and producers, we play significant roles in our country's vital energy supplies. Meanwhile, every drop produced domestically is one less drop required to be imported.

All that said, remember that just as you diversify your stock-and-bond portfolio, we strongly urge you to diversify your oil-and-gas investments. If you have \$100,000 to place through B&R, don't consolidate in a single program—spread out over four or five. We run our investments that way and recommend it to you from both experience and profit.

Glossary of Terms

BOPD – barrels of oil per day

BWPD – barrels of water per day

BWOC – affiliated company through which B&R explores and operates

casing – steel pipe that screws together and is lowered into the hole and cemented in after drilling is complete. It is used to seal off fluids and keeps the hole from caving in.

choke – constriction in a line that restricts flow, measured by diameter in 1/64th of an inch

drilling mud – mud circulates on a rotary drilling rig to cool the bit, remove rock chips, and control subsurface fluids

frac – a way to stimulate production by opening new flow channels in the rock surrounding a production well. Pumping high-pressure liquid down a well fractures the reservoir rock adjacent to the wellbore. Propping agents suspended in the liquid keep the fractures open.

horizontal drilling – a drilling technique that permits the operator to contact and intersect a larger portion of the producing horizon than conventional vertical drilling techniques; and can

result in both increased production rates and greater ultimate recoveries of hydrocarbons.

hydrocarbons – molecules formed primarily by carbon and hydrogen atoms. Crude oil and natural gas are hydrocarbons

MMCFPD – million cubic feet per day

proved reserves – quantities of petroleum estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. Proved reserves can be categorized as developed or undeveloped

psi – pounds per square inch

rod pump – common oil well downhole pump driven by a sucker-rod string

surface casing – the largest diameter and shortest string of a well's casing—used to protect freshwater aquifers and reinforce the well's sides

workover – the methods used to maintain, restore or improve a well's production

workover rig – portable rig with a mast and hoisting system used in working over a well to drill and/or circulate

More terms available at BandREnergy.com



Oil & Gas Exploration, Drilling, Operating, Marketing, and Investment

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B&R '05 Investors Earn \$2.8 Million



The State of the Wells



Good News About Your Taxes



THE Pipeline

INFORMATION FLOW

Oil & Gas Exploration, Drilling, Operating, Marketing, and Investment

2005: A RECORD YEAR B&R Investor Return Up 350% Over Previous Year



B&R Energy Execs (right to left): John Barnes, chair and CEO; Jack Rutherford, president; Bill Barnes, executive vice president.

B&R's record 2005 topped off an already explosive 1,000 percent growth over the past four years. In 2005, B&R investors received more dollars than all previous years combined. We continue to fulfill our "Big Wells, Big Returns" commitment with quality products well-executed. Our *Geology Plus!* technology (see website for details) continues to deliver the results that our

programs demand. Pipelines taking Woodville-area production to market are complete; initial production already suggests that 2006 will dwarf 2005.

As we continue to explore and develop new opportunities, we thank all of our investors for your trust and support.

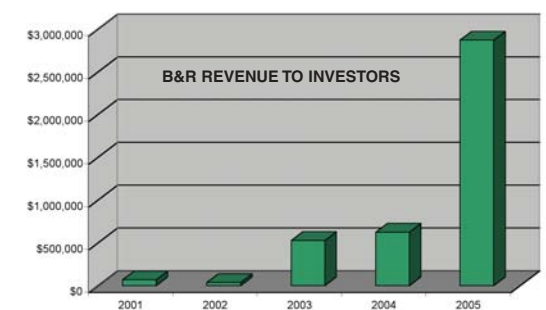
More Specifically

B&R currently is drilling the Woodville and Brazos Valley programs from late last year with continued excellent results. Stand by for more programs in those regions, as well as new projects in areas currently under our

scrutiny. (Note: this assumes available drilling rigs and experienced operators--both in short supply right now.)

B&R Investors Receive \$2.8 Million in 2005

B&R's more than \$2.8 million paid to investors soared from the year before to \$624,000 for a 350 percent increase. In fact, it amounts to more than 65 percent of all funds invested in *all* previous years combined.



As we thank our investors, we also acknowledge the professionalism of the Brookstreet network of investment

continued on back page

Issue Number 3

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Timberwolf

Timberwolf, our original multi-well program, consists of a vertical Woodbine well and a dual horizontal Austin Chalk well. The project completed in late 2005 and was flowing into the pipeline by February '06. For both wells, initial flow testing was excellent:

- Woodbine: on a 10/64th "choke" at 7,500-7,800 psi, 500-600 barrels of oil per day (BOPD), and 2.6 million cubic feet per day (MMCFPD) of gas.
- Austin Chalk's first day of testing: 9 MMCFPD, 260 BOPD, and 450 barrels of water per day (BWPD); on a 20/64" choke at 4,500 psi flowing tubing pressure.

The deep Woodbine wells generally require a fracture treatment—a frac—for capacity production. High formation pressures prevented our attempting a frac until the well produced enough to lower that formation pressure. The well's frac treatment came March 13, '06, and initial

When the Woodbine well didn't produce, we activated the backup well. The backup Madison county horizontal Woodbine well, the Watson#1H, currently flows at approximately 150 BOPD. Over the coming year, it should decline to 70-90 BOPD, after which a rod pump is expected to increase production to 150-200 BOPD, which would gradually decline over the following 15-20 years.

Lumberjack

Our third multi-well program, Lumberjack, also combines a vertical Woodbine well and a dual horizontal Austin Chalk well. Drilling through the upper section of the Woodbine, we did not find the sands present in Timberwolf. However, we had adjacent 2-D seismic data with a deeper seismic anomaly. Based on 2-D anomaly, and, information from Anadarko Petroleum Corp.—which drilled deeply through the entire 2,000'

horizontal Austin Chalk well. As of April 5, the first vertical Woodbine had drilled to 16,200' deep, had encountered 12 hydrocarbon shows in the Woodbine zone and had reached total depth. Acting on intelligence from Anadarko and results obtained from the Lumberjack, the Paul Bunyan well was drilled through the entire Woodbine section.

2005 Brazos Valley 4 Well

The Watson #1H, the first of the Brazos Valley program wells, was completed in February '06. Initial flow was 150 BOPD. The well is expected to gradually decline over 9-12 months to 70-90 BOPD, at which time it will be placed on rod pump, which should increase the production back to 150-200 BOPD.

The locations are prepared and surface casing is set for the dual horizontal Georgetown/Buda formation well, the Fickey #1H, to be completed around mid-May. The Odom #6 horizontal

Woodbine well is scheduled for completion in June. The Lenz horizontal Woodbine reentry, where location and well-

bore are in place, should complete after the Odom. If negotiations for another rig succeed, it should complete some 40 days after its arrival in May.

The Future

B&R and its affiliate, BWOC, anticipate more Woodville programs this year—the Lost Pines and Dogwood programs. Both involve Woodbine and Austin Chalk wells. We also anticipate an additional Brazos Valley Program later this year. We're excited; stand by for incoming information.

Also note that we are in the midst of acquiring considerably more land in the Brazos Valley to ensure Brazos Valley programs for years to come.

Woodbine section and found several deeper-sand structures—we drilled on and found two additional sands.

For now, we wait for a workover rig to complete and test the well. Once the first Paul Bunyan vertical Woodbine is complete, we plan to bring that rig over to drill the Lumberjack Austin Chalk well.

Paul Bunyan

The Paul Bunyan is fourth in our series of multi-well programs and consists of two vertical Woodbine wells and one dual

The State of the Wells

post-frac production is 670 BOPD and 3.5 MMCFPD through 14/64th" choke. Woodbine wells are expected to produce 20-plus years; Austin Chalk, 10-15 years.

Tall Pines

Our next multi-well program, Tall Pines, consists of a single vertical Woodbine well and a dual horizontal Austin Chalk well. The vertical Woodbine was deemed not commercial, so the vertical wellbore was used to drill a dual horizontal Austin Chalk well. At this point, the commercial viability of the Austin Chalk is unconfirmed.

To spur production, we removed drilling mud from the vertical wellbore without favorable results. Currently BWOC and its industry partners are evaluating alternatives.



Good News About Your Taxes

The bright side of paying taxes is that your investment drew profit—and B&R is in the business of helping you protect as much as legally possible. We offer this tax information now to further clarify the tax forms you received from us, and to mention possible deductions from our programs.

First, don't look for a K-1.

If you invested in a B&R program in 2005, you received a Well Cost Summary report of the money you invested with us and how we allocated your funds. If you received money from an investment in a B&R program, we have also sent you a form 1099, which sets out the gross revenue from your share of the production and your share of the taxes and expenses. If, in the past, you have invested in oil and gas properties through limited partnerships, a K-1 set out what amount you post onto Schedule E on your personal 1040 tax form. And you probably expected to receive a similar document from us.

But we organize differently, so you will not receive a K-1 from B&R Energy.

As a B&R investor, you receive a direct interest in oil and gas wells, not an indirect interest through a limited partnership. Your B&R investment income and expenses, therefore, are filed on a Schedule C to your 1040. Schedule C identifies you as engaged in oil and gas exploration. (Independent oil producers are exempt from the Alternative Minimum Tax provisions that apply to intangible drilling costs and percentage depletion.)

Then, when filling out your 1099.

If your programs with B&R produced in 2005—and you received proceeds in 2005—B&R sent you a form 1099. If you looked at the income amount on the form and thought, "I didn't receive that much income from the program," please also look at the attached Owner 1099 Report for YTD DED and YED 71EXP. When you post the 1099 information to your tax return's

Schedule C, please note:

- income reported is entered as income
- listed expenses are entered as expenses
- the net amount is the amount you received—except for programs in which we made advances on an investor's behalf to

cover operations costs. For a sample form and completed schedule C,

please go to BandREnergy.com website.

IDC deduction?

On the same Schedule C from your 2005 investment, you may choose to deduct (or capitalize and amortize) the intangible drillings costs (IDCs) for the oil and gas used to explore and produce the program. The investment balance typically is capitalized and amortized over a five-year period, with the annual deduction shown on the Schedule C. (Our sample copy assumes that you deducted the IDC.)

Depletion deduction?

Based on the well's gross revenues, you may also be eligible for a depletion deduction—which would appear in Schedule C on line 12, part II. The depletion deduction has some restrictions, so be sure to ask your tax advisor or preparer. Independent oil-and-gas producers may deduct 15 percent of oil and gas revenue, limited to production of 1,000 barrels of oil or 6 million cubic feet of natural gas per day—computed by gross income, not net. The deduction is further limited to the lesser of 65 percent of the taxable income before the depletion allowance, or 100 percent of the property's taxable income before the depletion allowance. Any part of the depletion allowance now allowed by the 65 percent limitation may be carried over.

And finally . . .

Each person's tax situation is unique! The best we can do is offer guidelines, never to be confused with tax or legal advice. For specific questions, we urge you to consult with your tax advisor. We thank you, again, for investing with B&R Energy and look forward to doing this again for '06.

