

January 31, 2007

Dear B&R Investor

It is that time of year again—tax time. Enclosed is the information you need from B&R Energy to file your Federal Income. Enclosures:

1. **1099 - MISC** - *(Enclosed only if you received oil and gas revenue from B&R in 2006)*
2. **B&R Energy Owner 1099 Report** – *(Detailing YTD REV - gross revenue, YTD DED - Cost of Goods Sold (taxes and compression), YTD 71 EXP – Cost of Prod Rev (operating cost), YTD 73 EXP – Monthly Overhead Costs)*
3. **B&R Energy Well Cost Summary Report** – *(Enclosed only if invested in a B&R drilling program during 2006 - includes sum of intangible drilling costs (IDC's), syndication, legal and printing)*
4. **Schedule C** – Profit or Loss From Business - *Example*
5. **Form 1040** – Individual Tax Return - *Example*

1099 – MISC

See enclosed Form 1099-MISC for your total gross revenue received in 2006 on your B&R investments.

At the end of the year if you have previously invested in oil and gas properties and they were limited partnerships you received a K-1 and not a 1099. Because B&R is a LLC you will not receive a K-1. As an LLC member you receive a direct interest in the oil and gas program, not an indirect interest through a limited partnership.

B&R Energy Owner 1099 Report

Report shows the gross revenue, expenses and net profit from each drilling program.

When you post the 1099 information (*gross revenue, not net profit*) to Schedule C the amount of income *reported* (see YTD REV – “A”) is to be entered as income. Listed expenses (see YTD DED – “B”, YTD 71EXP – “C”, and YTD73EXP – “D”) are to be entered as expenses.

B&R Energy Well Cost Summary Report

If you invested in a B&R drilling program in 2006 the Well Summary Report is enclosed. This report details the sum of the IDC's, syndication, legal and printing and amount of your investment. You may elect to deduct (or capitalize and amortize) the IDC's drillings costs on the same Schedule C for oil and gas exploration and production that you use to report program production revenues from prior programs. The balance of the investment is usually capitalized and amortized over a 5 year period, with the annual deduction shown on the Schedule C. (Enclosed example assumes the election to deduct the IDC).

Schedule C – Profit or Loss From Business

The income and expenses from your B&R investments are to be filed on a Schedule C attachment to your Form 1040 or other applicable tax form. On Schedule C, report you are engaged in oil and gas exploration. *(Note: independent oil producers are statutorily exempt from the alternative minimum tax provisions applicable to intangible drilling costs and percentage depletion.)*

From the IRS Guidelines for Schedule C

You may also be eligible for a depletion deduction based on the gross revenues from the wells, which would be inserted in line 12 of part II of the Schedule C. The depletion deduction is subject to some restrictions, so you should review your eligibility with your tax advisor or preparer. Independent producers of oil and gas are eligible for a depletion deduction of 15% of oil and gas revenue, limited to production of 1,000 barrels of oil or 6 million cubic feet of natural gas per day. It is computed on the gross income, not the net. The deduction is further limited to the lesser of 65% of the taxable income before the depletion allowance or 100% of the taxable income from the property before the depletion allowance. Any portion of the depletion allowance disallowed by the 65% limitation may be carried forward.

Form 1040 – Individual Tax Return Example

Refer to line 12 – Business income or (loss) for details on how this entry on the tax Form 1040 is determined.

We acknowledge each person's tax situation is unique and the information in this letter is written using general guidelines—it should not be construed as tax or legal advice. Each investor is encouraged to consult their personal tax advisor.

Please review the enclosed documents and sample tax forms if you have questions feel free to give call John, Bill or Brandy Barnes or Barb Ivey our Director of Communications—972 934-3800 or 800 749-8795.

Regards,

John R. Barnes
Chairman and CEO

B&R Energy, LLC
Well Cost Summary

Investment Year	2006
Account ID	Example
Program Name	Investor Name
Brazos Valley 2006-1	Example
Sum of IDC	373,750.00
Sum of Syndication	41,600.00
Sum of Legal and Printing	650.00
Sum of Amount Invested	416,000.00
Woodville 2006-1	
Sum of IDC	330,800.00
Sum of Syndication	36,800.00
Sum of Legal and Printing	400.00
Sum of Amount Invested	368,000.00
Woodville 2006-2	
Sum of IDC	232,687.50
Sum of Syndication	25,875.00
Sum of Legal and Printing	187.50
Sum of Amount Invested	258,750.00
Total Sum of IDC	937,237.50
Total Sum of Syndication	104,275.00
Total Sum of Legal and Printing	1,237.50
Total Sum of Amount Invested	1,042,750.00

E

F

G

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. B&R Energy 6330 LBJ Freeway Suite 137 Dallas TX 75240-6467 (972) 934-3800		OMB No. 1545-0115 <h1 style="text-align: center;">2006</h1> Form 1099-MISC		<h2>Miscellaneous Income</h2>	
PAYER'S federal identification number 75-2924699		RECIPIENT'S identification number 111-11-1111		1 Rents \$	
RECIPIENT'S name Example		2 Royalties \$		3 Other income \$	
Street address (including apt. no.) 1234 Main Street		4 Federal income tax withheld \$		5 Fishing boat proceeds \$	
City, state, and ZIP code Any town, USA		6 Medical and health care payments \$		7 Nonemployee compensation \$ A	
Account number (see instructions)		8 Substitute payments in lieu of dividends or interest \$		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	
15a Section 409A deferrals \$		10 Crop insurance proceeds \$		11 <input type="checkbox"/>	
15b Section 409A income \$		12 <input type="checkbox"/>		13 Excess golden parachute payments \$	
17 State/Payer's state no. \$		14 Gross proceeds paid to an attorney \$		15 State tax withheld \$	
18 State income \$		16 State tax withheld \$		17 State/Payer's state no. \$	

Copy 2
To be filed with recipient's state income tax return, when required.

**SCHEDULE C
(Form 1040)**

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2006

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.

Attach to Form 1040, 1040NR, or 1041. See instructions for Schedule C (Form 1040).

Name of proprietor: Test Example

Social security number (SSN): 111 11 1111

A Principal business or profession, including product or service (see page C-2 of the instructions)
Independent Oil and Gas Producer

B Enter code from pages C-8, 9, & 10:

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any:

E Business address (including suite or room no.) 1234 Main Street
City, town or post office, state, and ZIP code USA

F Accounting method: (1) Cash (2) Accrual (3) Other (specify)

G Did you "materially participate" in the operation of this business during 2006? If "No," see page C-3 for limit on losses Yes No

H If you started or acquired this business during 2006, check here

Part I Income

1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-3 and check here <input type="checkbox"/>	1	A
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42 on page 2)	4	
5	Gross profit. Subtract line 4 from line 3.	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see page C-3).	6	
7	Gross income. Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense	18	
9	Car and truck expenses (see page C-4)	9		19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see page C-5):	20a	
11	Contract labor (see page C-4)	11		20a	a Vehicles, machinery, and equipment	20b	
12	Depletion	12	Depletion*	21	b Other business property	21	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-4)	13		22	Repairs and maintenance	22	
14	Employee benefit programs (other than on line 19)	14		23	Supplies (not included in Part III)	23	
15	Insurance (other than health)	15		24	Taxes and licenses	24a	
16	Interest:			24a	Travel, meals, and entertainment:	24b	
16a	a Mortgage (paid to banks, etc.)	16a		24b	a Travel	25	
16b	b Other	16b		25	b Deductible meals and entertainment (see page C-6)	26	
17	Legal and professional services	17		26	Utilities	27	(B+C+D+E+X)
				27	Wages (less employment credits)		
				28	Other expenses (from line 48 on page 2)		
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28		29		29	Depletion
				30		30	A- (B+C+D+E+X) -Depletion
29	Tentative profit (loss). Subtract line 28 from line 7	29		31		31	A- (B+C+D+E+X) - Depletion
30	Expenses for business use of your home. Attach Form 8829	30					
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31					
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198. Your loss may be limited.	32					

32a All investment is at risk.
32b Some investment is not at risk.

*Depletion - see attached letter for details on depletion allowance.

Part III Cost of Goods Sold (see page C-7)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? Yes No
If "Yes," attach explanation

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35		
36 Purchases less cost of items withdrawn for personal use	36		
37 Cost of labor. Do not include any amounts paid to yourself	37		
38 Materials and supplies	38		
39 Other costs	39		
40 Add lines 35 through 39	40		
41 Inventory at end of year	41		
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42		

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 on page C-4 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) / /

44 Of the total number of miles you drove your vehicle during 2006, enter the number of miles you used your vehicle for:
 a Business b Commuting (see instructions) c Other

45 Do you (or your spouse) have another vehicle available for personal use? Yes No

46 Was your vehicle available for personal use during off-duty hours? Yes No

47a Do you have evidence to support your deduction? Yes No
 b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

B - Taxes and Compression		B
C - Operating Costs		C
D - Overhead Costs		D
E - Intangible Drilling Costs (only if electing to expense instead of capitalizing)		E
X - Amortization of Acquisition Cost (F&G) (to be determined by your tax preparer)		X
48 Total other expenses. Enter here and on page 1, line 27	48	B+C+D+E+X

Label

(See instructions on page 16.)

Use the IRS label. Otherwise, please print or type.

LABEL HERE

For the year Jan. 1–Dec. 31, 2006, or other tax year beginning , 2006, ending , 20

OMB No. 1545-0074

Your first name and initial Last name Test Sample

Your social security number 111 11 1111

If a joint return, spouse's first name and initial Last name

Spouse's social security number

Home address (number and street). If you have a P.O. box, see page 16. Apt. no. 1234 Main Street

You must enter your SSN(s) above.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 16. USA

Checking a box below will not change your tax or refund.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16) You Spouse

Filing Status

Check only one box.

- 1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child (see page 17)

Exemptions

If more than four dependents, see page 19.

Table with columns for dependents: (1) First name, Last name, (2) Dependent's social security number, (3) Dependent's relationship to you, (4) if qualifying child for child tax credit (see page 19)

Boxes checked on 6a and 6b No. of children on 6c who: lived with you did not live with you due to divorce or separation (see page 20) Dependents on 6c not entered above Add numbers on lines above

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see page 23.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

- 7 Wages, salaries, tips, etc. Attach Form(s) W-2 8a Taxable interest. Attach Schedule B if required 8b Tax-exempt interest. Do not include on line 8a 9a Ordinary dividends. Attach Schedule B if required 9b Qualified dividends (see page 23) 10 Taxable refunds, credits, or offsets of state and local income taxes (see page 24) 11 Alimony received 12 Business income or (loss). Attach Schedule C or C-EZ 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here 14 Other gains or (losses). Attach Form 4797 15a IRA distributions 15b Taxable amount (see page 25) 16a Pensions and annuities 16b Taxable amount (see page 26) 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 18 Farm income or (loss). Attach Schedule F 19 Unemployment compensation 20a Social security benefits 20b Taxable amount (see page 27) 21 Other income. List type and amount (see page 29) 22 Add the amounts in the far right column for lines 7 through 21. This is your total income

Table with columns for income lines 7 through 22, including a column for A-(B+C+D+E+X) - Depletion

Adjusted Gross Income

- 23 Archer MSA deduction. Attach Form 8853 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 25 Health savings account deduction. Attach Form 8889 26 Moving expenses. Attach Form 3903 27 One-half of self-employment tax. Attach Schedule SE 28 Self-employed SEP, SIMPLE, and qualified plans 29 Self-employed health insurance deduction (see page 29) 30 Penalty on early withdrawal of savings 31a Alimony paid b Recipient's SSN 32 IRA deduction (see page 31) 33 Student loan interest deduction (see page 33) 34 Jury duty pay you gave to your employer 35 Domestic production activities deduction. Attach Form 8903 36 Add lines 23 through 31a and 32 through 35 37 Subtract line 36 from line 22. This is your adjusted gross income

Table with columns for adjusted gross income lines 23 through 37

Tax and Credits

38 Amount from line 37 (adjusted gross income)
39a Check [] You were born before January 2, 1942, [] Blind. Total boxes checked 39a
[] Spouse was born before January 2, 1942, [] Blind.
b If your spouse itemizes on a separate return or you were a dual-status alien, see page 34 and check here 39b
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
41 Subtract line 40 from line 38
42 If line 38 is over \$112,875, or you provided housing to a person displaced by Hurricane Katrina, see page 36. Otherwise, multiply \$3,300 by the total number of exemptions claimed on line 6d
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-
44 Tax (see page 36). Check if any tax is from: a [] Form(s) 8814 b [] Form 4972
45 Alternative minimum tax (see page 39). Attach Form 6251
46 Add lines 44 and 45
47 Foreign tax credit. Attach Form 1116 if required
48 Credit for child and dependent care expenses. Attach Form 2441
49 Credit for the elderly or the disabled. Attach Schedule R
50 Education credits. Attach Form 8863
51 Retirement savings contributions credit. Attach Form 8880
52 Residential energy credits. Attach Form 5695
53 Child tax credit (see page 42). Attach Form 8901 if required
54 Credits from: a [] Form 8396 b [] Form 8839 c [] Form 8859
55 Other credits: a [] Form 3800 b [] Form 8801 c [] Form
56 Add lines 47 through 55. These are your total credits
57 Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-

Other Taxes

58 Self-employment tax. Attach Schedule SE
59 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137
60 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
61 Advance earned income credit payments from Form(s) W-2, box 9
62 Household employment taxes. Attach Schedule H
63 Add lines 57 through 62. This is your total tax

Payments

64 Federal income tax withheld from Forms W-2 and 1099
65 2006 estimated tax payments and amount applied from 2005 return
66a Earned income credit (EIC)
b Nontaxable combat pay election 66b
67 Excess social security and tier 1 RRTA tax withheld (see page 60)
68 Additional child tax credit. Attach Form 8812
69 Amount paid with request for extension to file (see page 60)
70 Payments from: a [] Form 2439 b [] Form 4136 c [] Form 8885
71 Credit for federal telephone excise tax paid. Attach Form 8913 if required
72 Add lines 64, 65, 66a, and 67 through 71. These are your total payments

Refund

Direct deposit? See page 61 and fill in 74b, 74c, and 74d, or Form 8888.

73 If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid
74a Amount of line 73 you want refunded to you. If Form 8888 is attached, check here
b Routing number
c Type: [] Checking [] Savings
d Account number
75 Amount of line 73 you want applied to your 2007 estimated tax
76 Amount you owe. Subtract line 72 from line 63. For details on how to pay, see page 62
77 Estimated tax penalty (see page 62)

Amount You Owe

Do you want to allow another person to discuss this return with the IRS (see page 63)? [] Yes. Complete the following. [] No

Third Party Designee

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 17. Keep a copy for your records.

Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no.