



AGENDA

PROJECT BACKGROUND

PHASE 1

PHASE 2

PHASE 3

PHASE 4

LEASEHOLD VERIFICATION SUPPORT

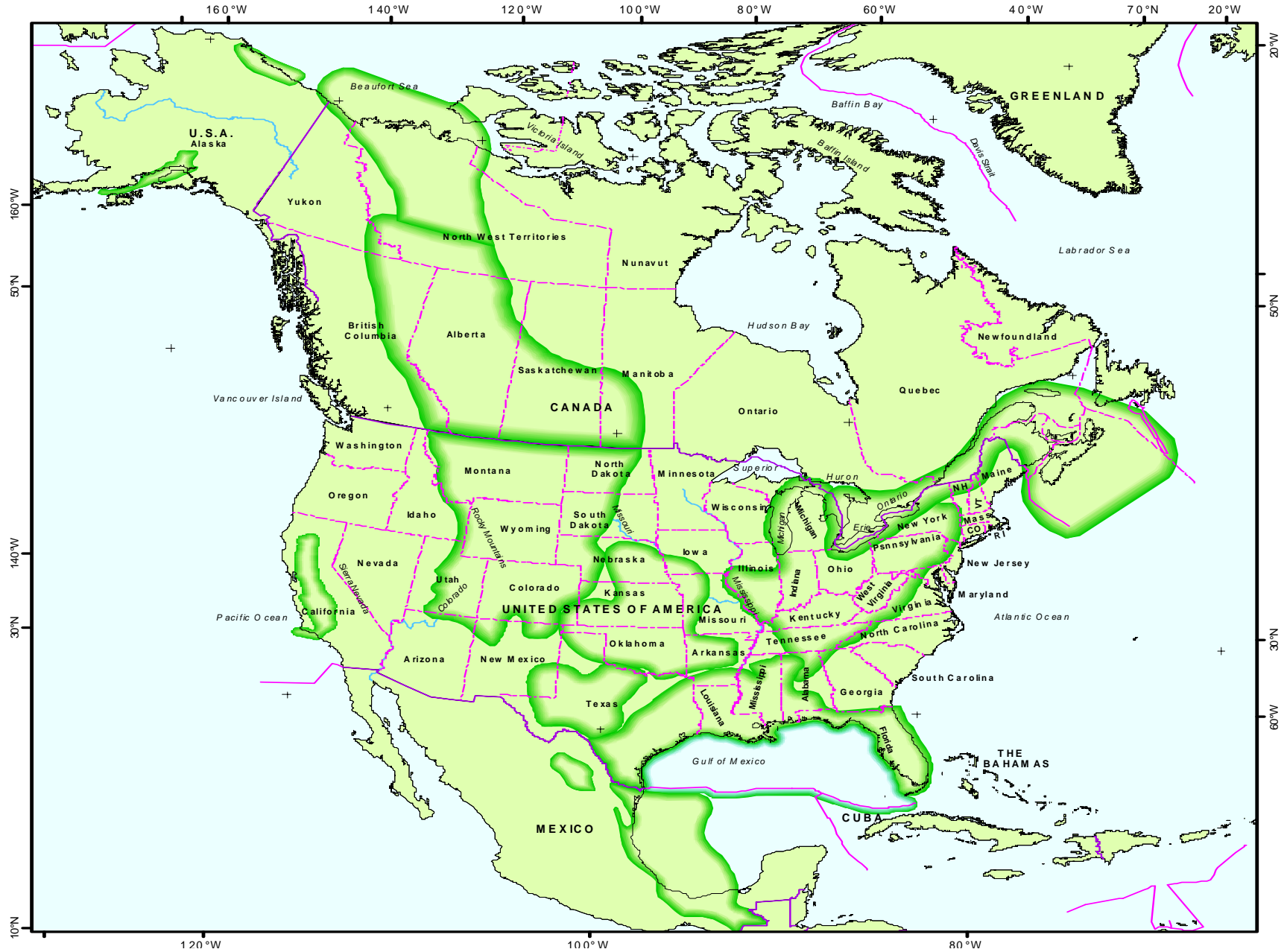
SEISMIC ACQUISITION

DRILLING



GUSTAVSON ASSOCIATES

North American Shale Plays





Fayetteville Shale Facts

Cumulative Production 05 and 06 = 20 BCFG

Current Production Rates = 130 MMCF/D

Industry Expected to Drill 600 Wells in 2007

Estimated 58-65 Bcf/Section

Fayetteville Shale Play

The Fayetteville Shale is contemporaneous with the Barnett Shale in the Fort Worth Basin of Texas, the Caney Shale in the western Arkoma Basin of Oklahoma, and the Floyd Shale in the Black Warrior Basin of Alabama and Mississippi. The Barnett Shale has been a very active and successful gas play in recent years.

“The Arkansas shale compares favorably to other gas-producing shales... Gas-in-place is estimated between 58- and 65 billion cubic feet (Bcf) per section.” (Oil and Gas Investor, January, 2006).



GUSTAVSON ASSOCIATES



EUR

ESTIMATED ULTIMATE RECOVERY

VERTICAL WELLS

20 – 388 MMCF

AVERAGE

109 MMCF

HORIZONTAL WELLS

239 MMCF - 4.5 BCF

AVERAGE

1.1 BCF

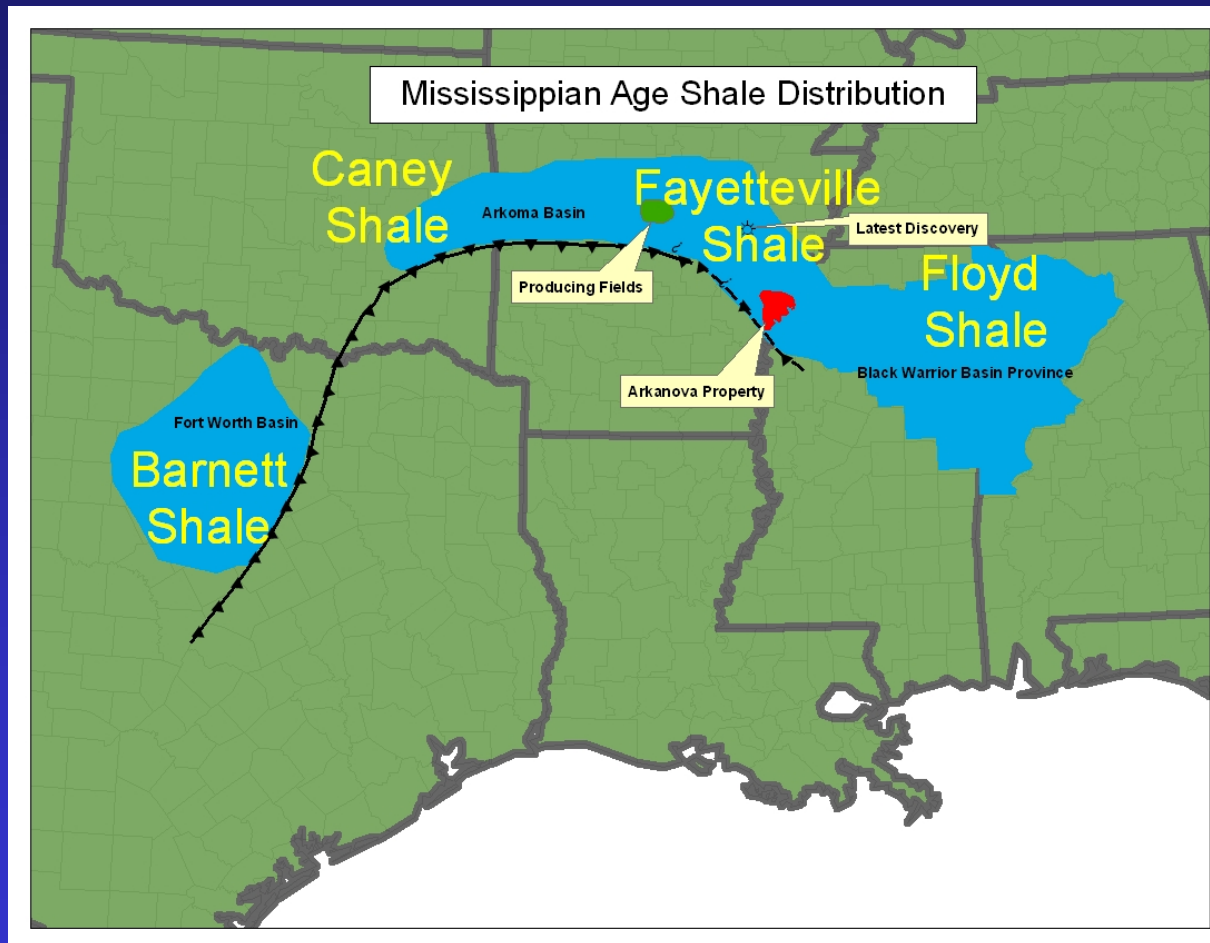
Calculated from production, 2004- 2007

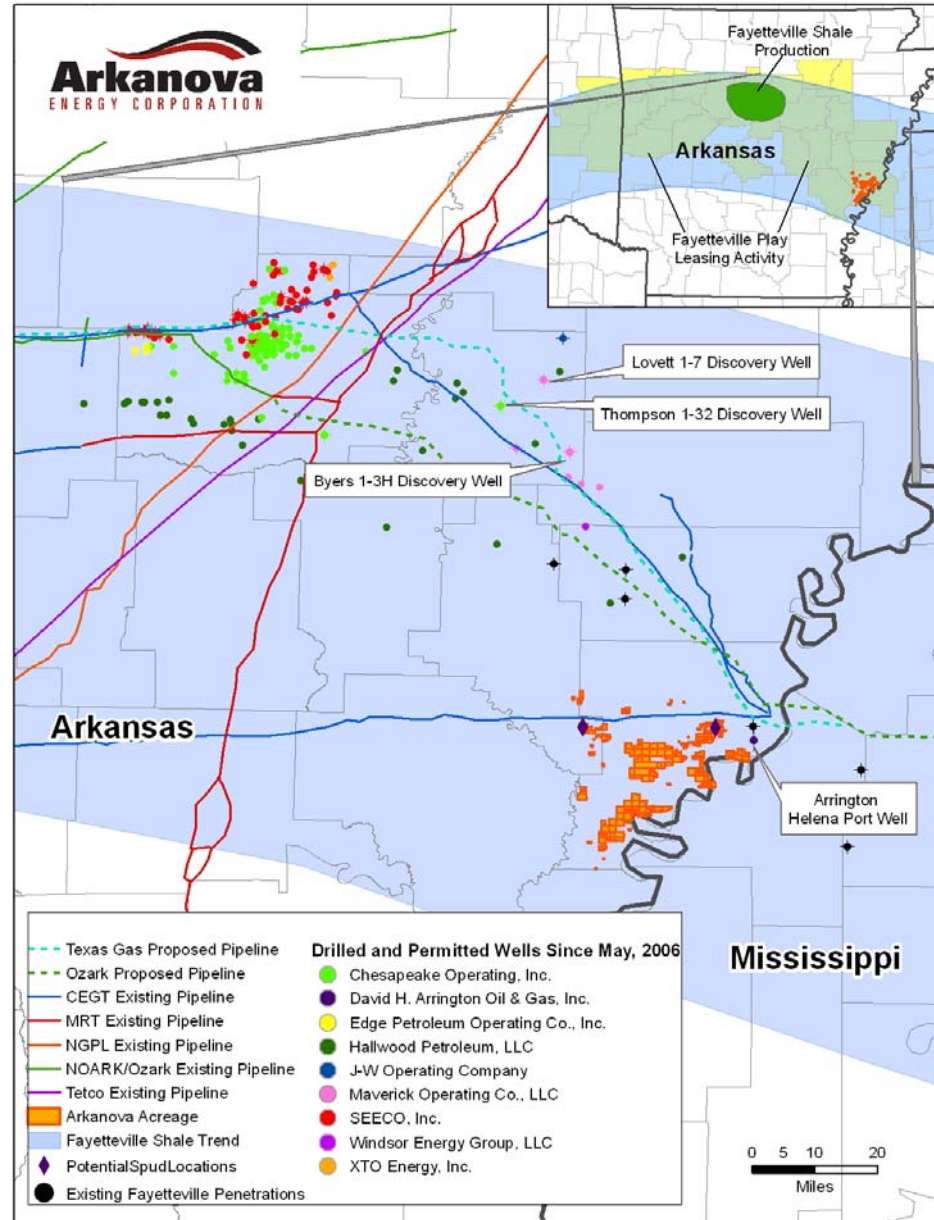


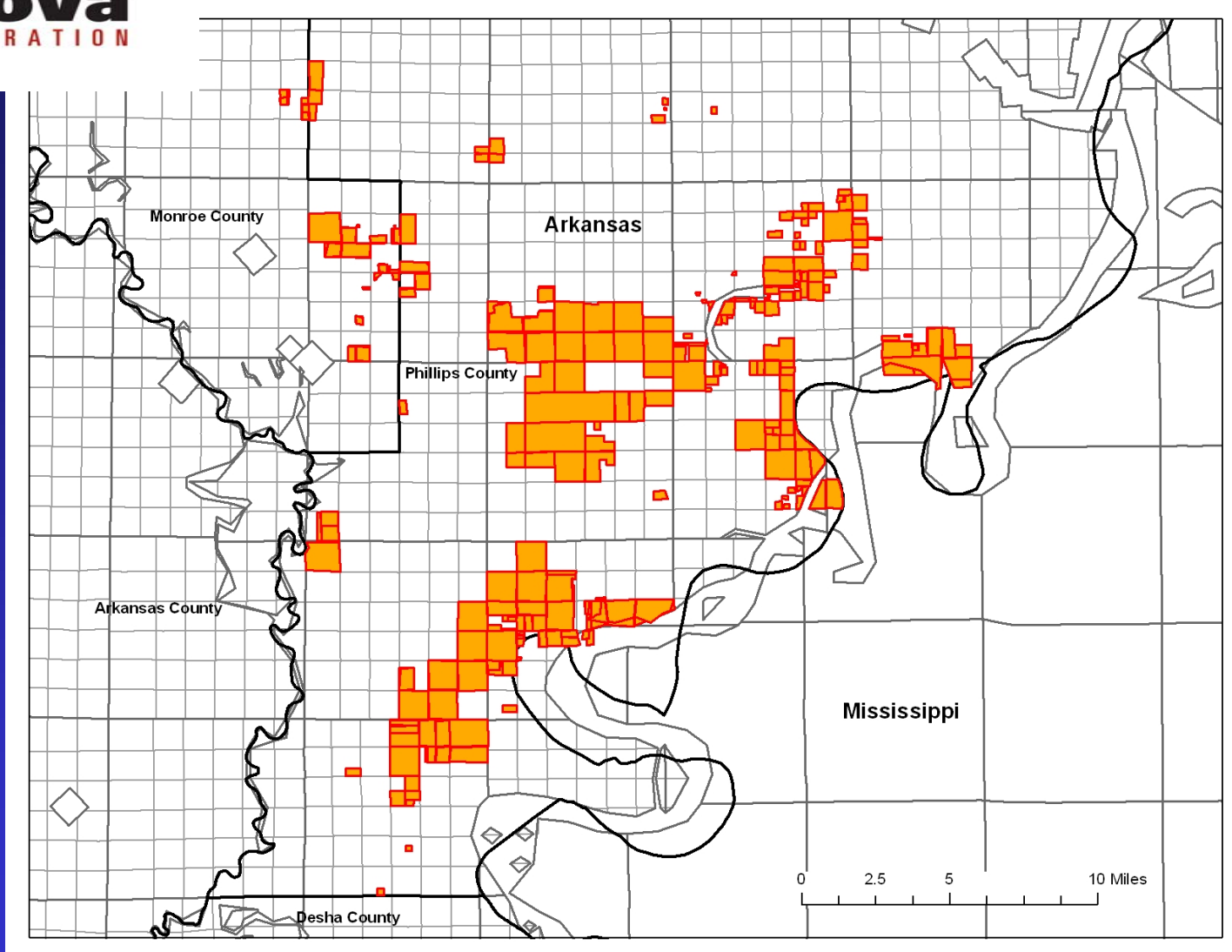
GUSTAVSON ASSOCIATES



MISSISSIPPIAN AGE SHALE GAS PLAYS







ACREAGE POSITION





PHASE 2

PLAY POTENTIAL

PROPERTY IN ACTIVE PLAY FRONTIER

FAYETTEVILLE SHALE WELLS

1. EURS 1.3 – 1.7 BCFG
2. AVERAGE INITIAL PRODUCTION
2.5 MMCFPD
3. \$1.4 – \$1.8 MILLION FOR
HORIZONTAL COMPLETION
4. PROXIMITY TO PIPELINES

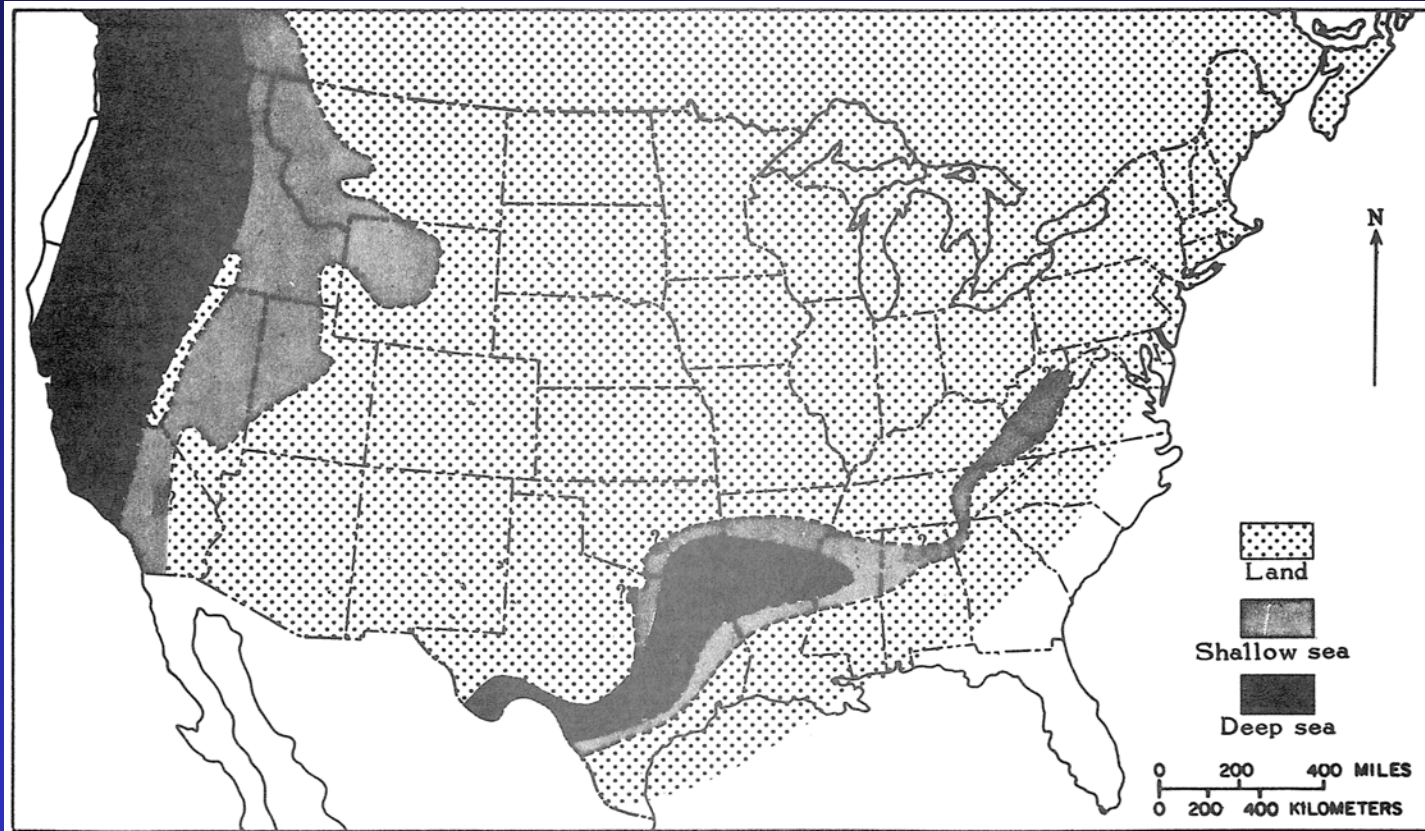


RISKS IN THE EASTERN EXTENSION OF THE FAYETTEVILLE SHALE PLAY

- 1. WAS THE FAYETTEVILLE SHALE DEPOSITED?**
- 2. HAS THE FAYETTEVILLE BEEN ERODED?**
- 3. IS STRUCTURAL COMPLEXITY AN ISSUE?**
- 4. INFLUENCE of REELFOOT RIFT?**



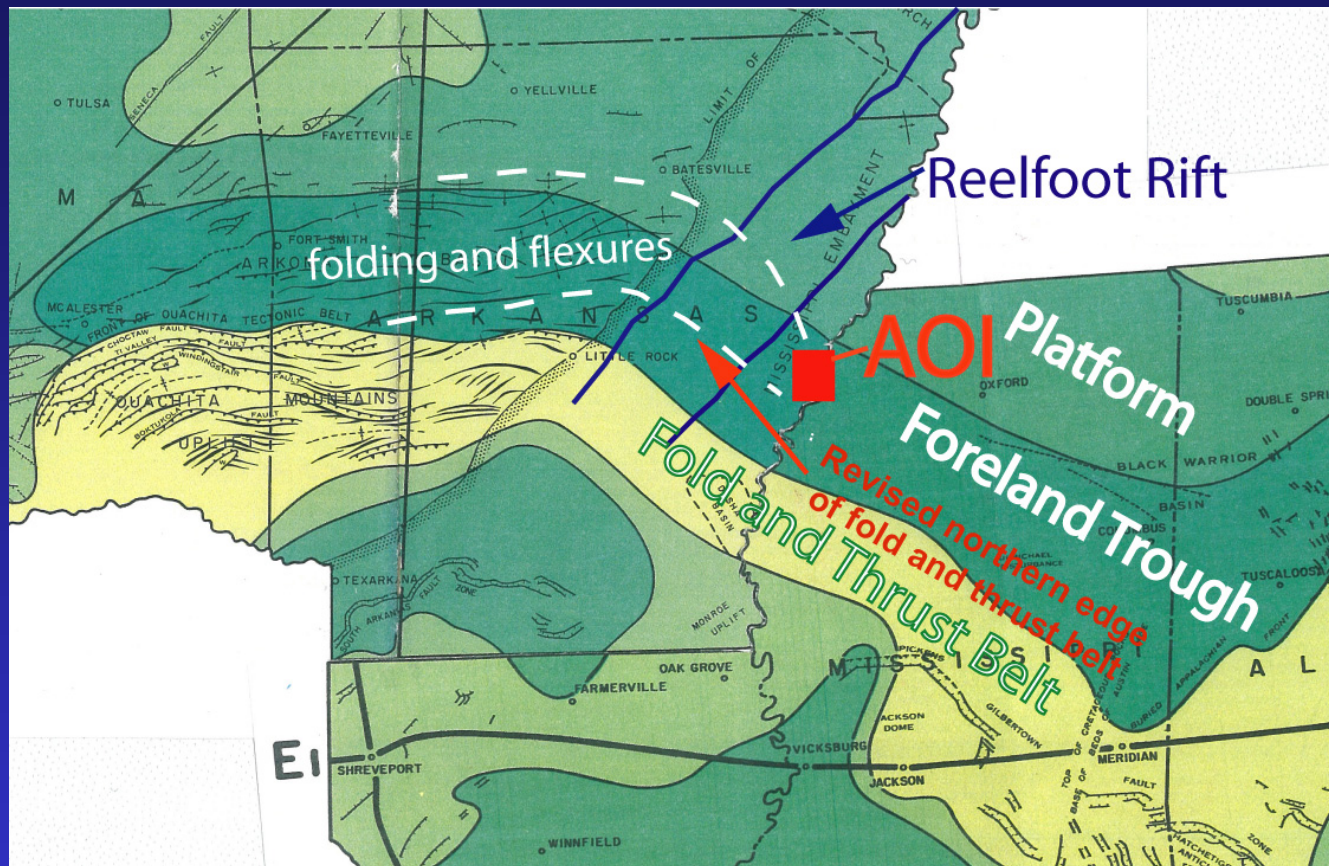
Paleogeography of the U.S.A., Late Mississippian Time



Shallow-marine shelf depositional setting in Arkansas-Mississippi area post Fayetteville Shale deposition



AOI shown on tectonic map of Arkansas and Mississippi



TECTONIC MAP OF THE SOUTH CENTRAL UNITED STATES

compiled from AAPG Geological Highway Map of the Mid-Continent and Southeastern Regions (sources, A.A.P.G. and U.S.G.S., 1966, 1975)

Note: AOI is near potentially deformed Paleozoic rocks. Deformation front of Fold and Thrust belt is closer to AOI based on gravity and magnetic data. AOI is southeast of Reelfoot Rift.



GUSTAVSON ASSOCIATES

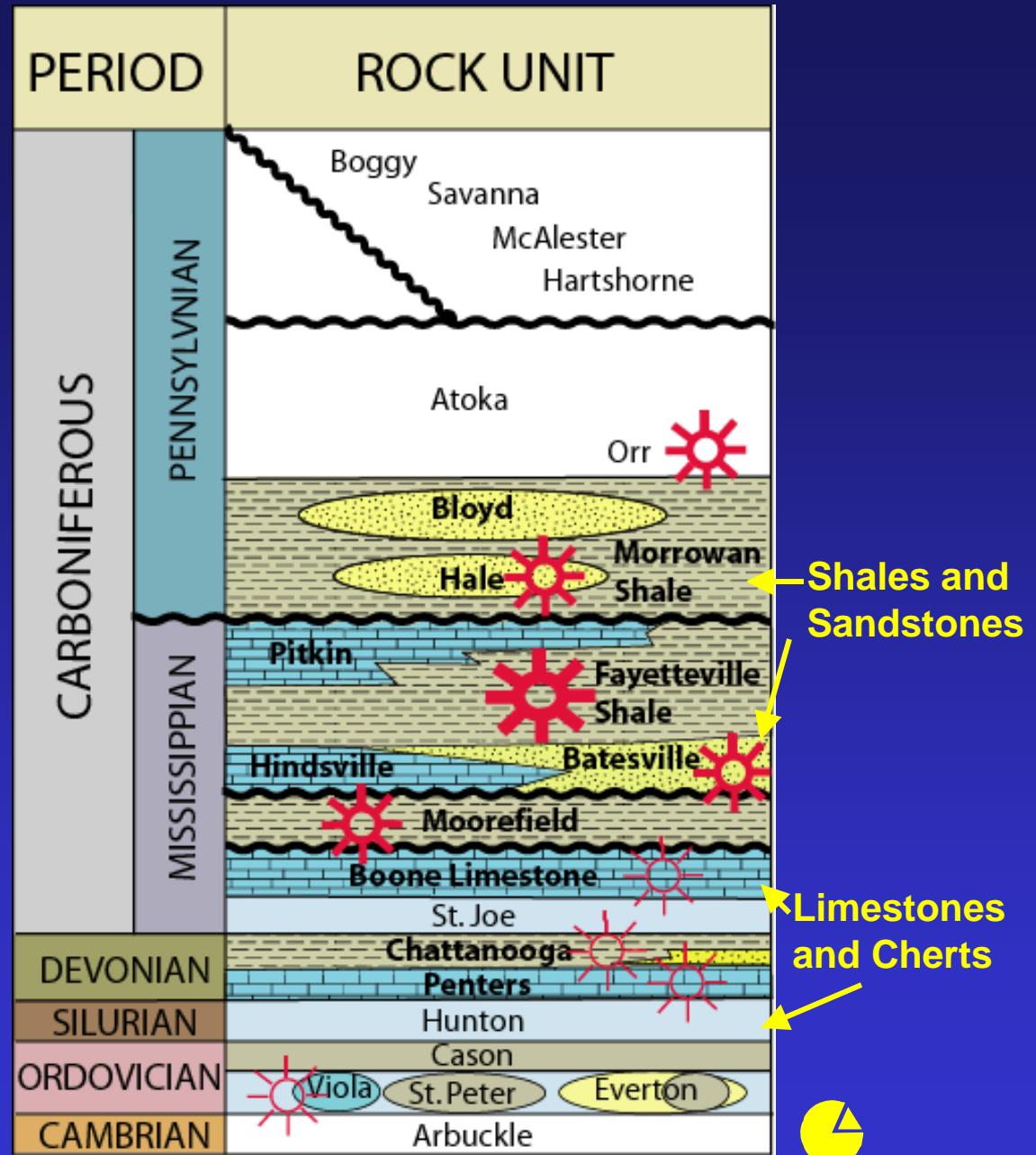


GENERAL STRATIGRAPHY

PRODUCING AND COMPLETED FORMATIONS

Bold Gas Symbols

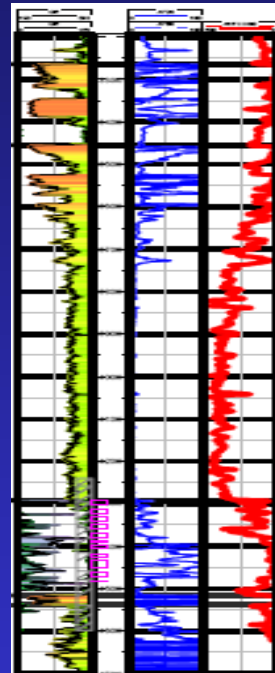
ADDITIONAL TARGET INTERVALS





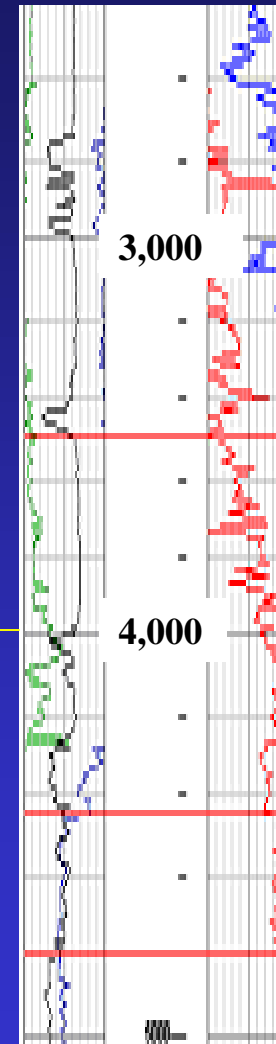
FAYETTEVILLE SHALE PRODUCTIVE INTERVAL

COVE CREEK FIELD



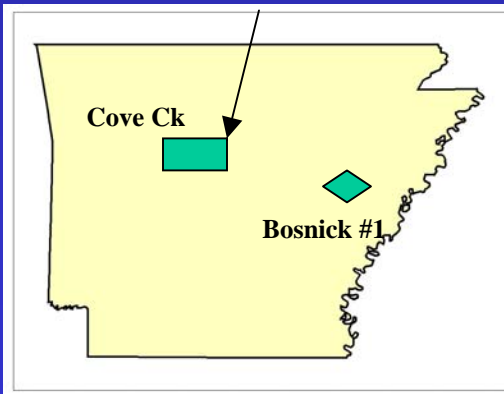
PERFS

FAYETTEVILLE
SHALE



Bosnick #1
Lee
County

Fayetteville Fields

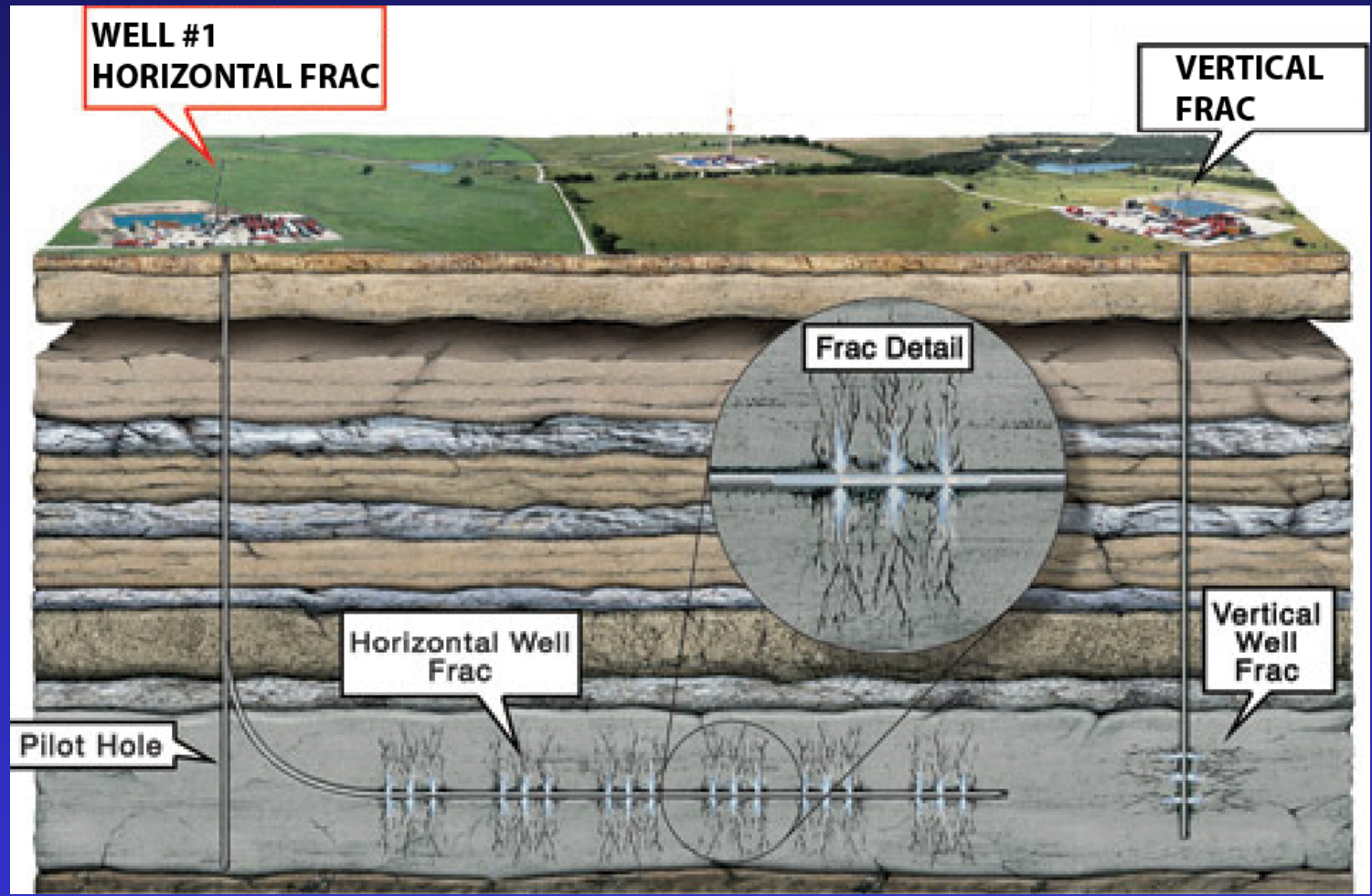


Cove Creek
Field Harrison
#2-11 Faulkner
County

From SEECO



GUSTAVSON ASSOCIATES



RISKS IN THE EASTERN EXTENSION OF THE FAYETTEVILLE SHALE PLAY

1. FAYETTEVILLE SHALE WAS BELIEVED DEPOSITED ACROSS ENTIRE REGION
2. SUBSURFACE AND OUTCROP OCCURENCES INDICATE FAYETTEVILLE SHALE PRESENT IN THE GREATER AREA
3. STRUCTURAL COMPLEXITY EXPECTED TO BE COMPARABLE TO EXISTING FIELDS
4. REELFOOT RIFT IS NORTHWEST OF AREA, NOT KNOWN TO NEGATIVELY EFFECT PLAY



CONCLUSIONS

1. THE PROPERTY IS AN EXPLORATION PLAY OF UNPROVEN POTENTIAL
2. PRODUCING INTERVAL IS PROBABLY PRESENT
3. STRUCTURAL RISK APPEARS SIMILAR TO EXISTING FIELDS
4. STRUCTURAL RISK HIGHER SOUTH OF TOWNSHIP 6 SOUTH
5. EXPLORATION ACTIVITY IS APPROACHING THE PROPERTY
6. INDUSTRY INTEREST VERY HIGH



RECOMMENDATION

THE PROPERTY IS AN EXPLORATION PLAY OF
UNPROVEN POTENTIAL

IF EXPLORATION RISK IS ACCEPTABLE

EXERCISE OPTION ON PROPERTIES





PHASE 3

1. Review available 2D seismic
2. License representative seismic data
3. Obtain regional gravity and aeromagnetic surveys
4. Identify structural framework of Area of Interest (AOI)



Review Available 2D Seismic

1. Identified 14 2D seismic lines (295 line miles) in vicinity of AOI
2. QC'd 6 seismic lines (200 line miles)
3. Selected part of 3 lines (43 miles) to license for interpretation



License Seismic Data

1. Selected part of 3 lines (43 miles) to license for interpretation
2. Received licensed data June 6, 2006
3. Loaded one line to interpretation workstation
4. Delivered field data to be reprocessed
5. Reprocessed data expected late June 2006



Gravity & Aeromagnetic Surveys

1. Gravity data – U.S.G.S. PP-1474
2. Aeromagnetic survey – N.U.R.E.



Structural Framework of AOI

Gravity shows:

1. Reelfoot Rift
2. Areas of thicker sedimentary section
3. Fold – Thrust Belt



Structural Framework of AOI

Available seismic suggests:

1. Thickness of sedimentary section
2. Depth to Cretaceous - Paleozoic unconformity
3. Low amplitude folds in Paleozoic section



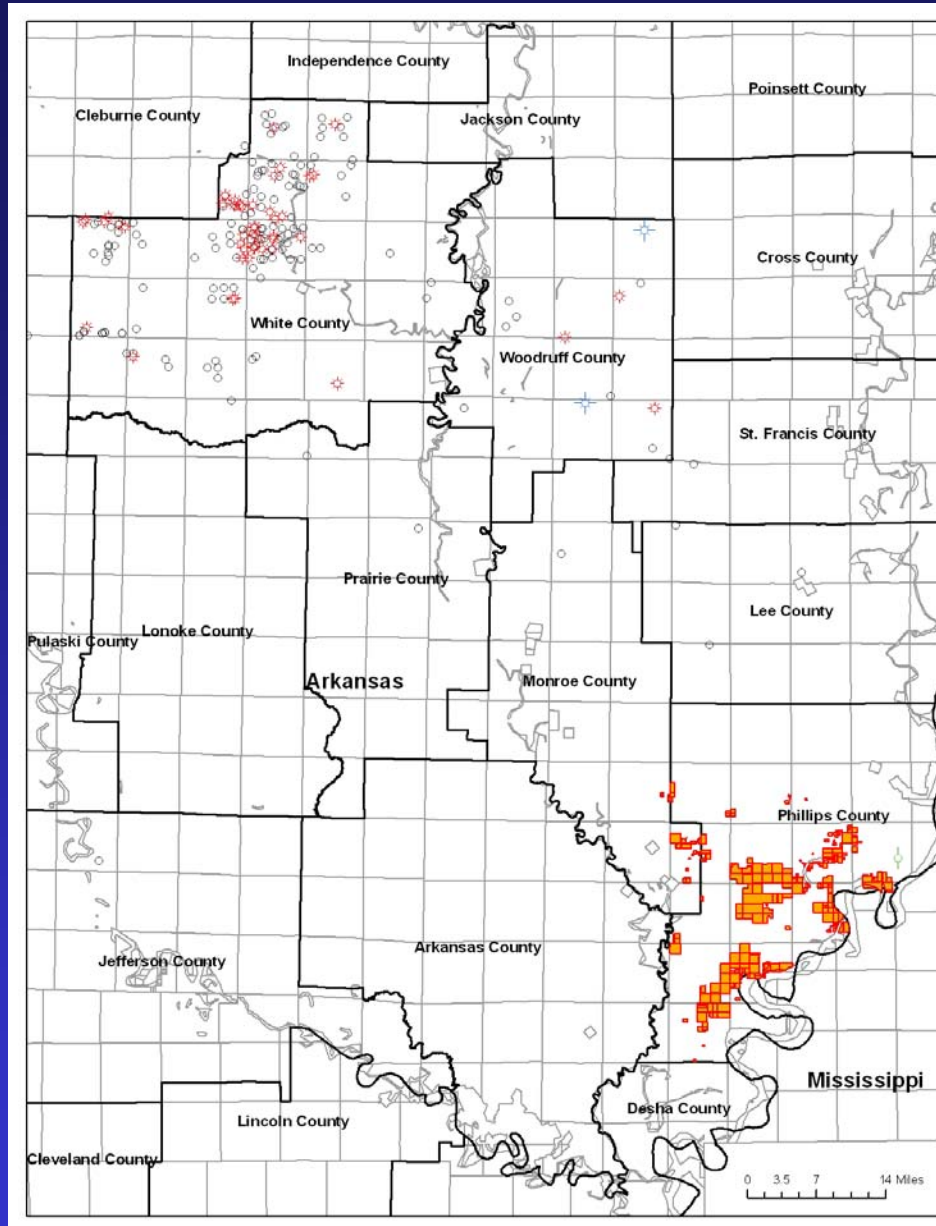
PLAY QUALITIES

1. Contemporaneous with Barnett Shale, Caney Shale, and Floyd Shale Intervals
2. Actively Explored
3. Analogous Stratigraphy
4. Analogous Production
5. Infrastructure



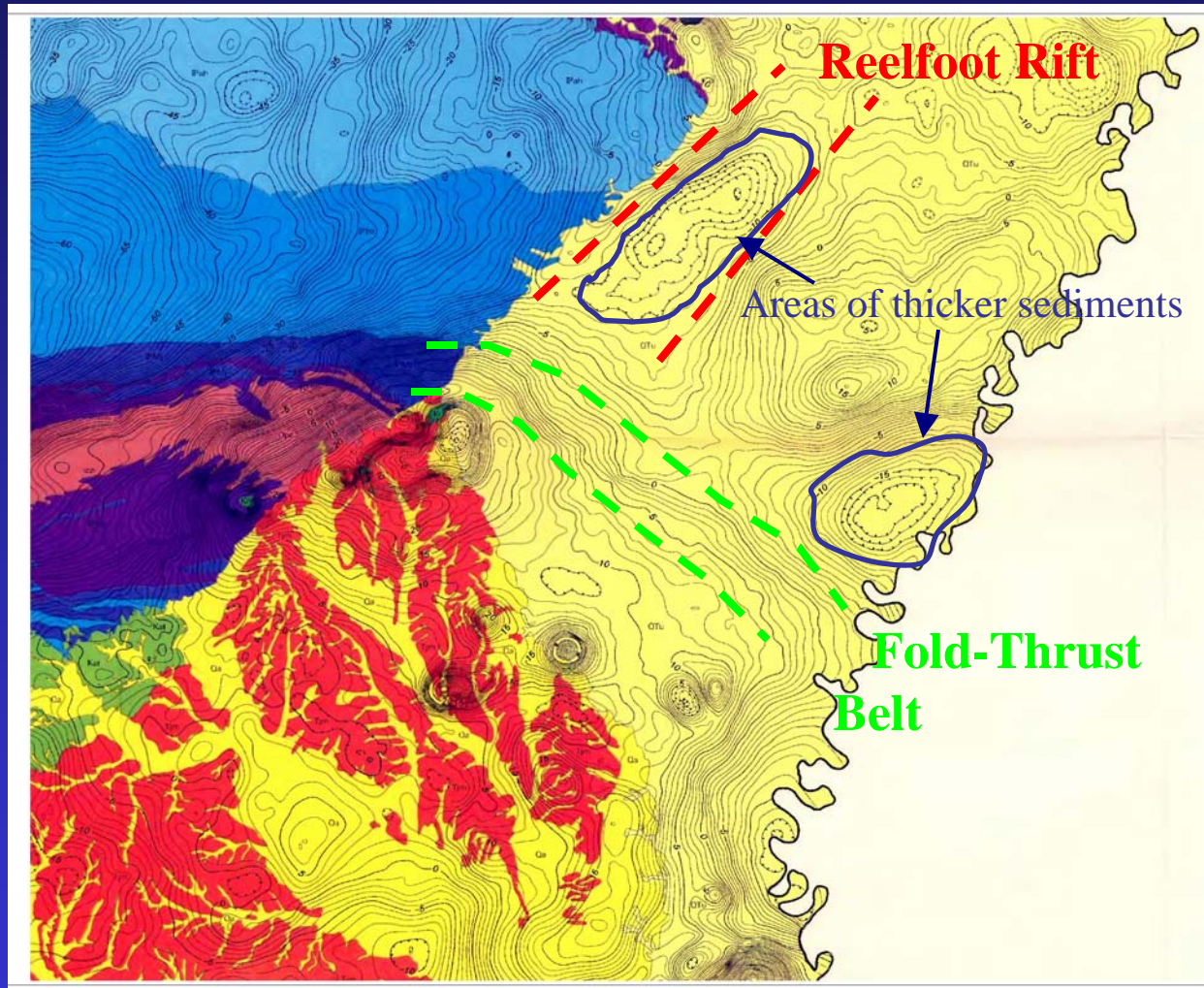


ACTIVITY IN THE EASTERN FAYETTEVILLE PLAY

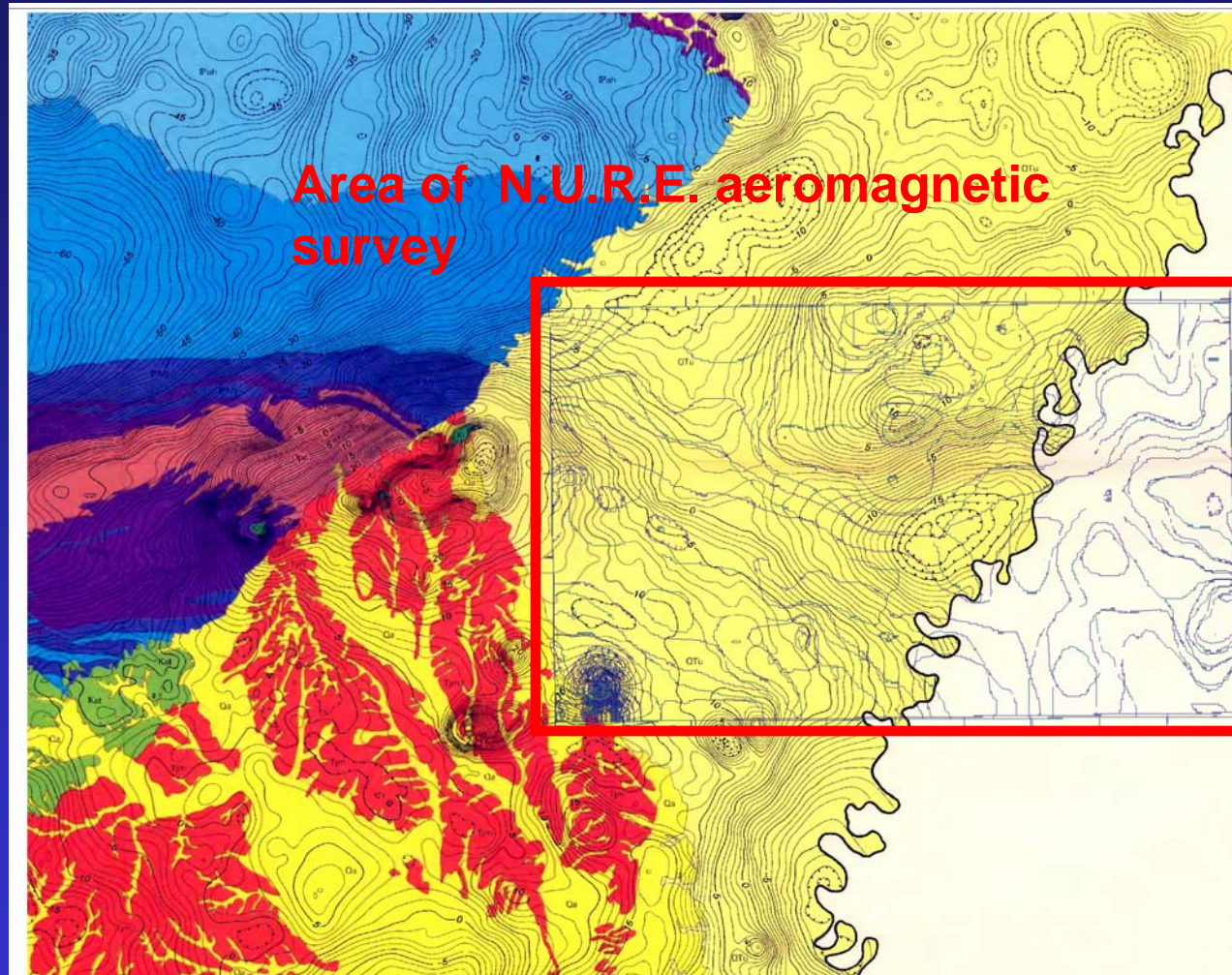


GUSTAVSON ASSOCIATES

Gravity Structural Features



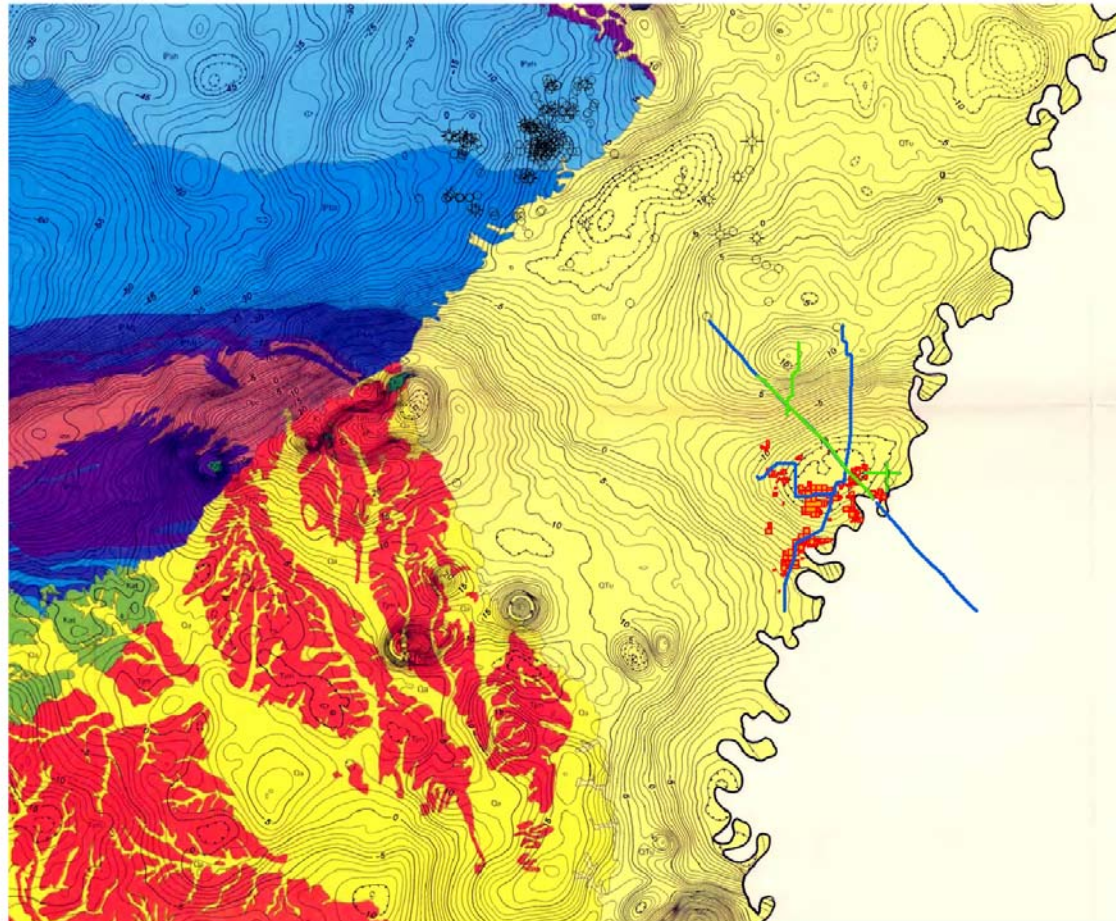
Aeromagnetic Structural Features



Aeromagnetic data corresponds with gravity data



Seismic Data Reviewed

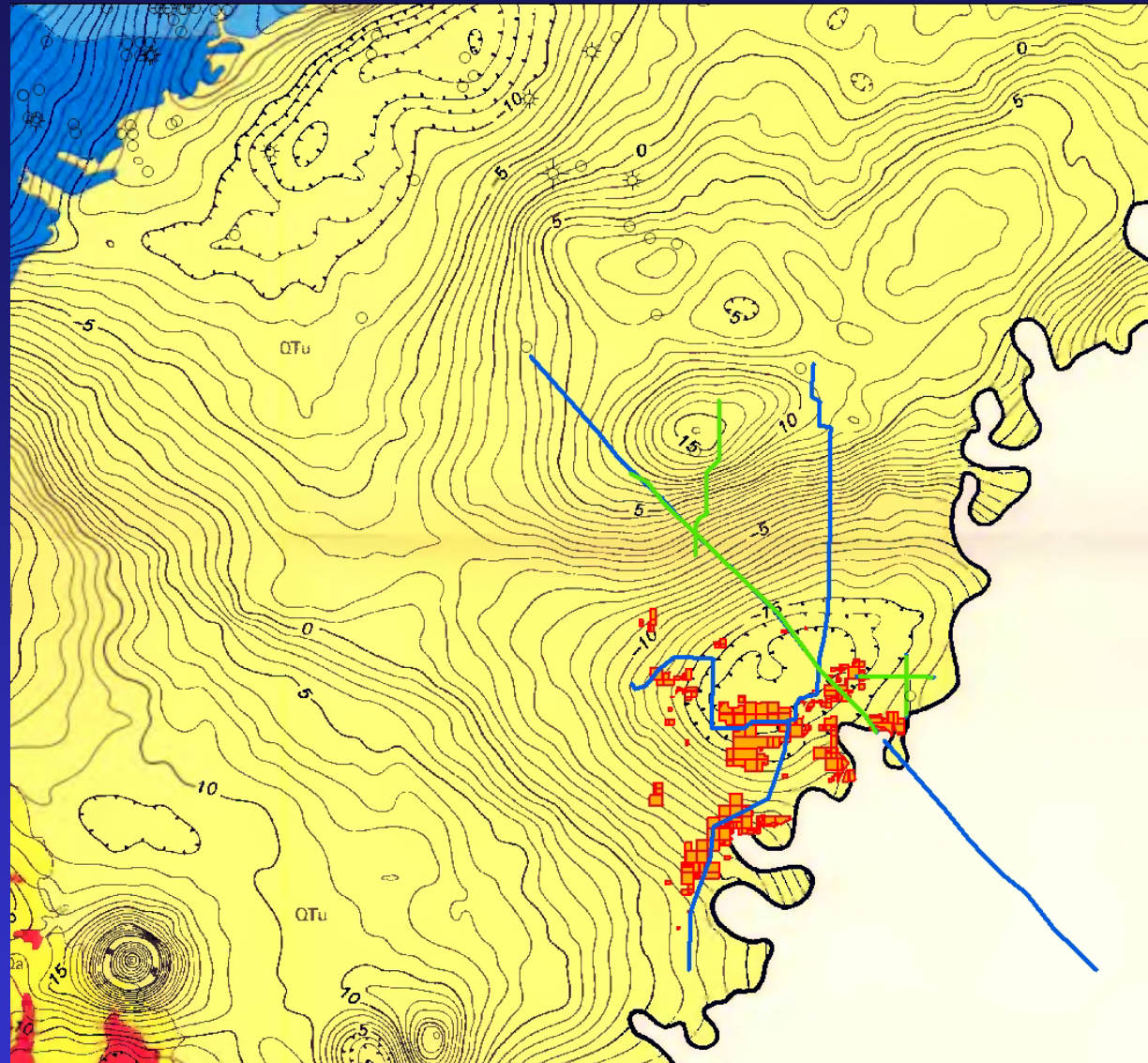


Location of seismic data reviewed on gravity map with drilled and permitted wells



GUSTAVSON ASSOCIATES

Seismic Data Detail



Blue seismic data reviewed (200 miles)
Green seismic data licensed (43 miles)





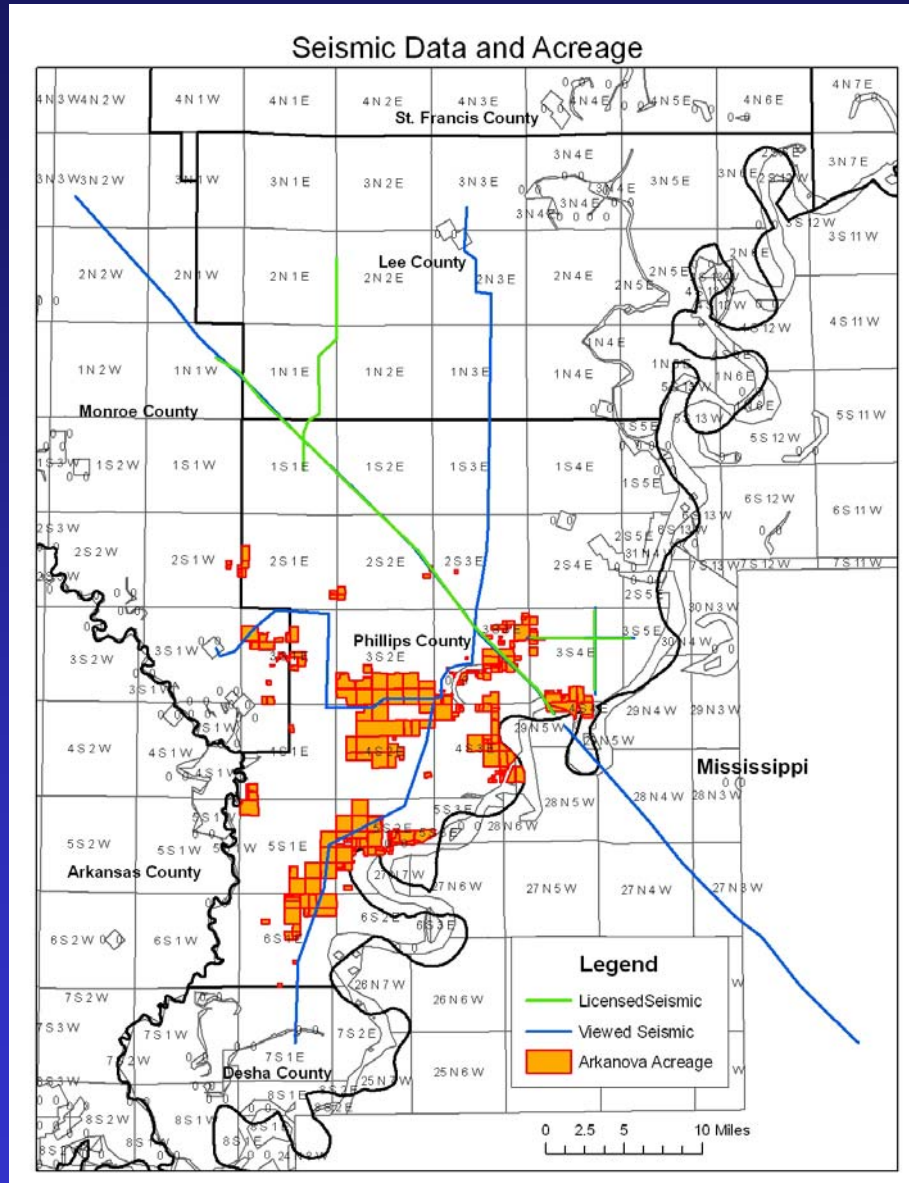
PHASE 4

1. LICENSE ADDITIONAL 2D SEISMIC
2. REPROCESS ADDITIONAL SEISMIC
3. INTERPRET GEOPHYSICAL DATA
4. UPDATE LAND MAPS
5. RECOMMEND WELL SITES

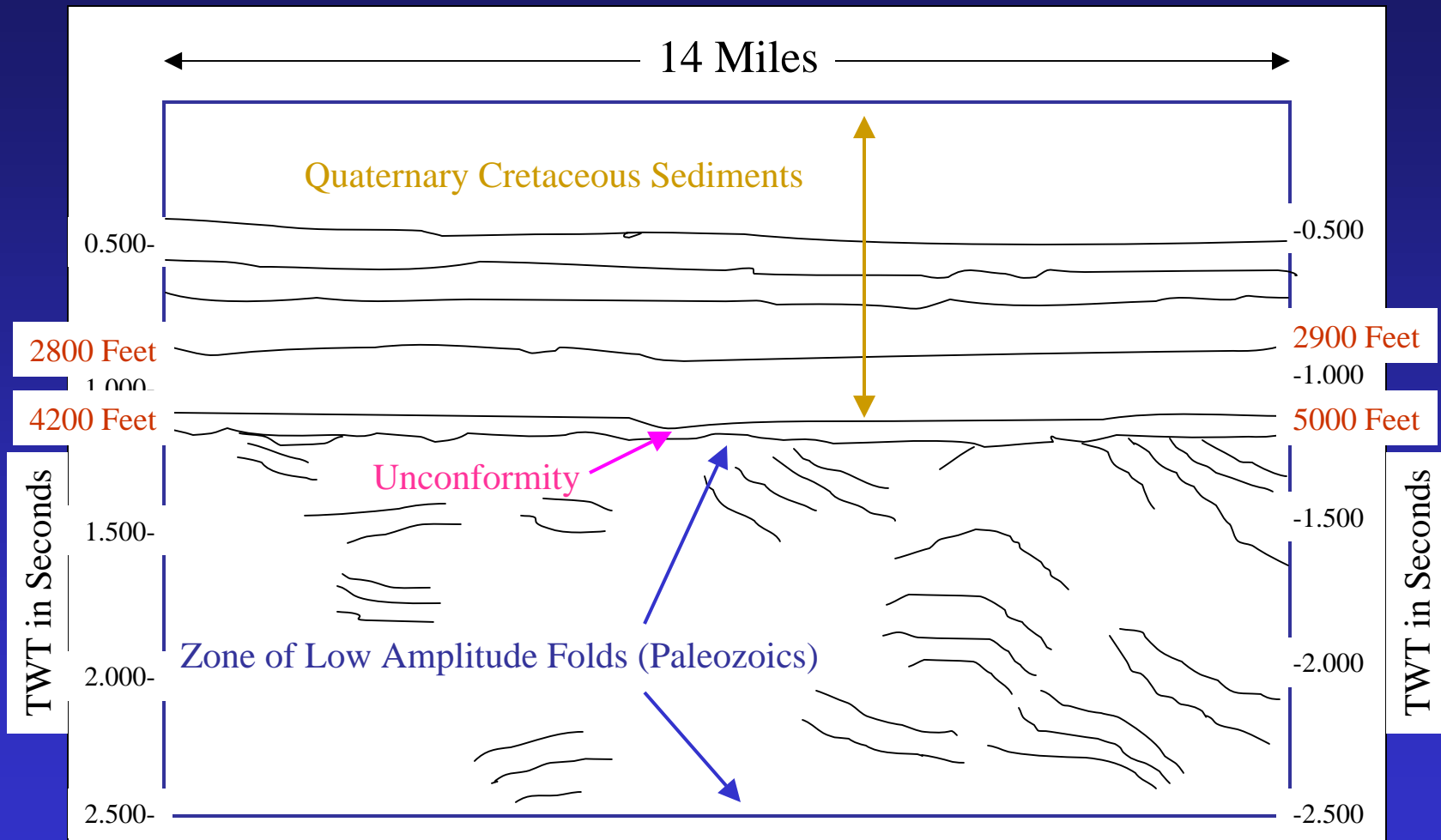




Seismic Data and Acreage



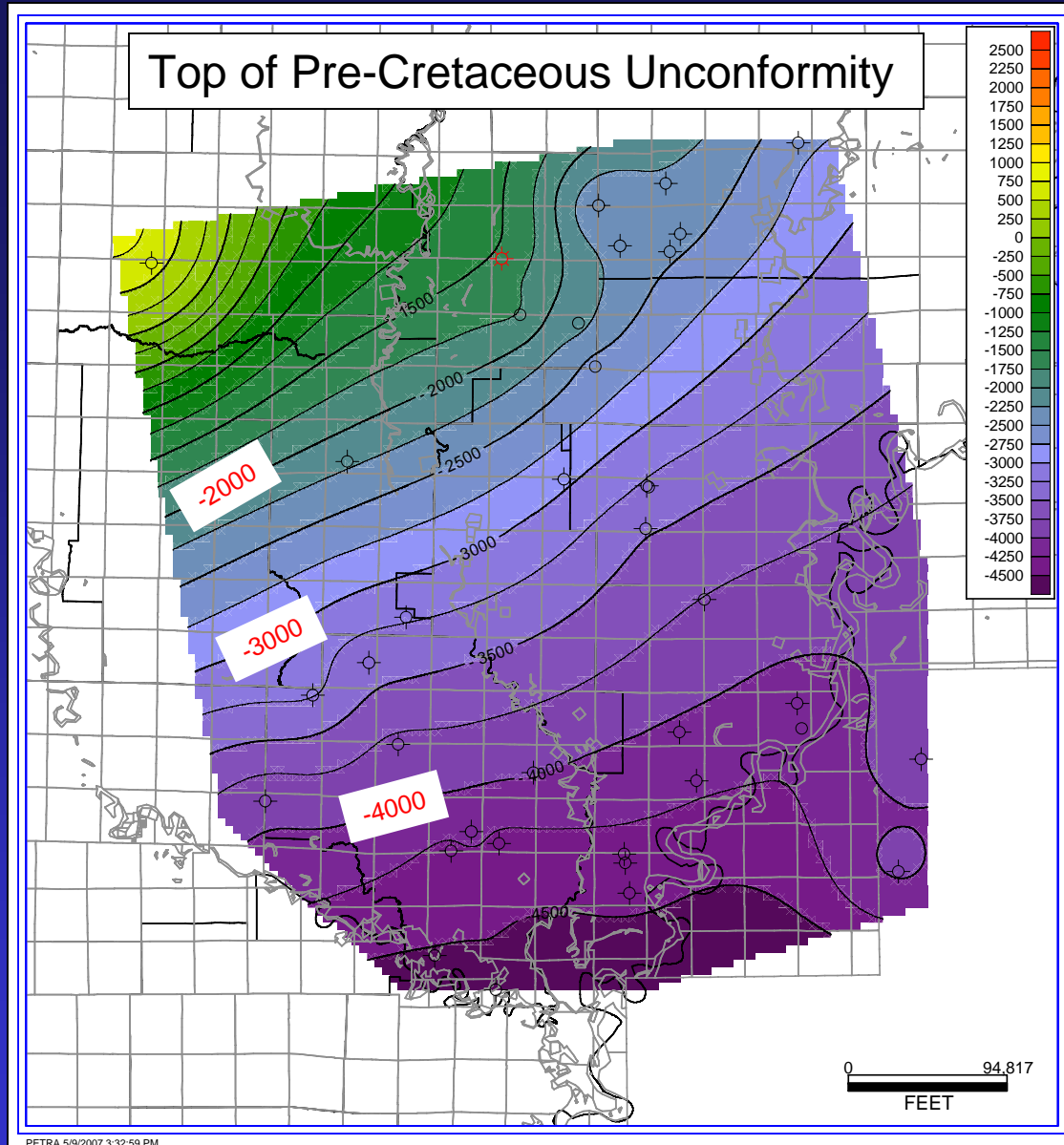
Sketch of Seismic Line SEI-12X



Flat lying Quaternary and Cretaceous sediments seen over moderately folded Paleozoic rocks. Depth estimates are based on distant well control



GUSTAVSON ASSOCIATES

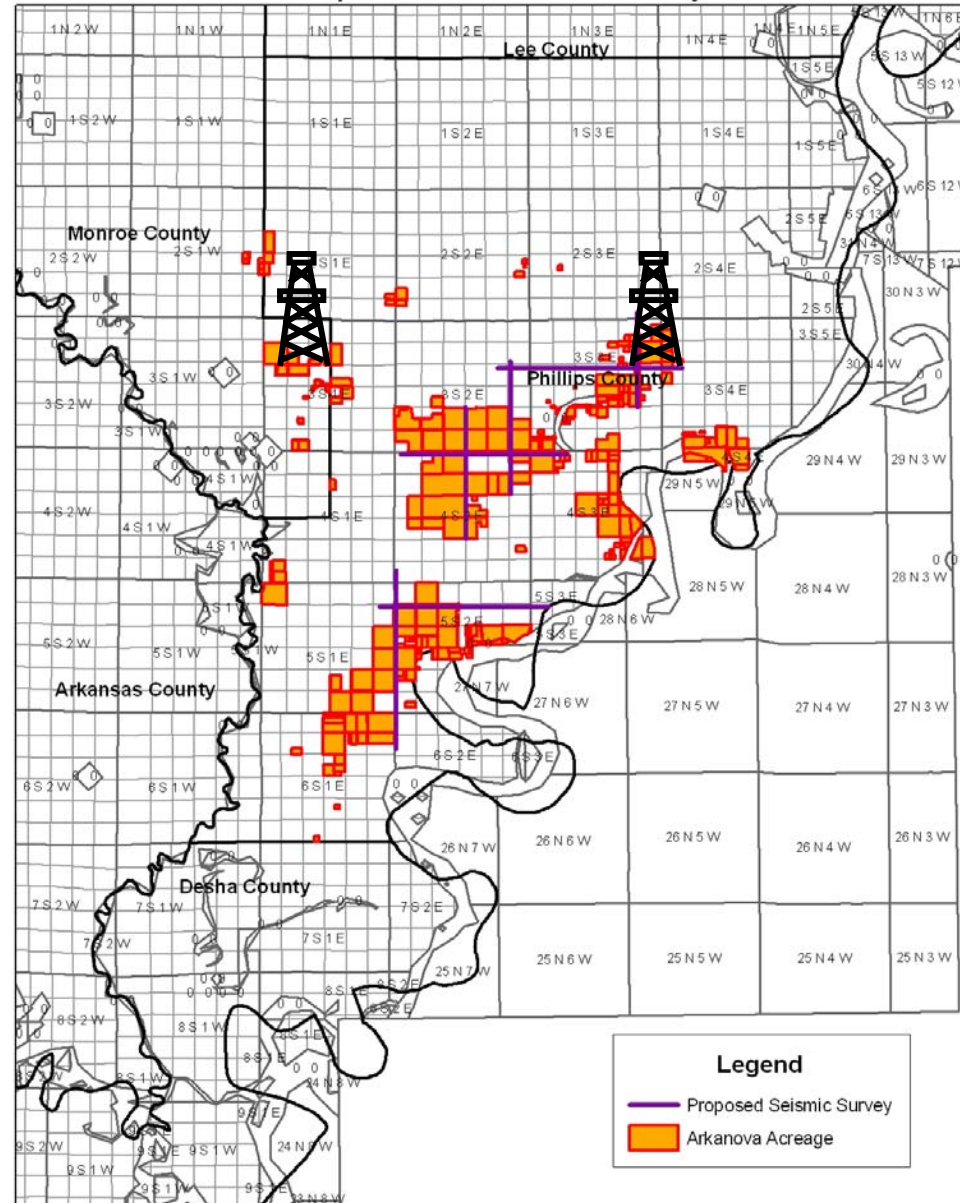


Contour Interval: 250 feet





Proposed Seismic Survey





DRILLING

WELLS #1 AND #2

\$1,600,000

Drilling, Evaluation and Logging of multiple horizons that have potential and other horizons that are thought to have potential in the region.



GUSTAVSON ASSOCIATES



BUDGET

Commissions	\$ 600,000
Legal Fees and Closing Costs	25,000
Repay Bridge Loan, w/ interest	615,000
Acreage Payments	3,400,000
Drilling 2 Exploratory Wells*	1,600,000
Seismic Program	200,000
Employee & Consultant Comp.	500,000
Professional Fees	150,000
General & Administrative	250,000
General Working Capital	160,000
Total	\$7,500,000



*EXCLUDING COMPLETION AND PIPELINE HOOK-UP COSTS, ESTIMATED TO BE \$1,650,000/WELL

GUSTAVSON ASSOCIATES



GUSTAVSON ASSOCIATES



GUSTAVSON ASSOCIATES