



# **AGM Presentation**

## **10 December 2010**

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Information in this presentation has been reviewed by Jay Cheatham, who has over 30 years’ relevant experience in the sector.



# Corporate Highlights

- Confidence in Tyler County project enhanced.
- Second well on Tyler County estimated by operator to spud January 2011.
- Geologically improved outlook for Tyler County.
- Tyler County project profitable at current low U.S. natural gas prices but high leverage to any increase.
- Natural gas prices recovering from recent lows.

# Tyler County Update

# KF#1H Well Update

- Timing of next well (KF#1H) remains the decision of the operator, Vision Gas Resources LLC (“Vision”). However:
  - ✓ Operator intends to spud in January 2011.
  - ✓ Despite rig rates remaining high.
  - ✓ Location work has commenced.
  - ✓ Site access “Right of Way” approval process currently occurring.
  - ✓ Majority of tubulars already purchased by operator.
  - ✓ January spud would achieve desire to produce into summer 2011 gas market.

# KF#1H Well Update

- KF#1H well targeting both:
  - Austin Chalk – primary objective.
  - Woodbine – secondary objective.
- Offsets Vision's existing and producing LP#2 well on JV acreage.
- Estimated US\$1m incremental cost to JV to drill Woodbine in KF#1H.

# Substantial Activity in Past Year

- Extensive geological and geophysical work on acreage.
- Operator hired additional geoscientist – primary focus on analysis/modelling of Woodbine.
- Joint Venture acreage high-graded and increased.
- Operator maintains an ongoing leasing programme.
- New completion method developed.
- Innovative custom-made completion tool will mitigate rubble problems.

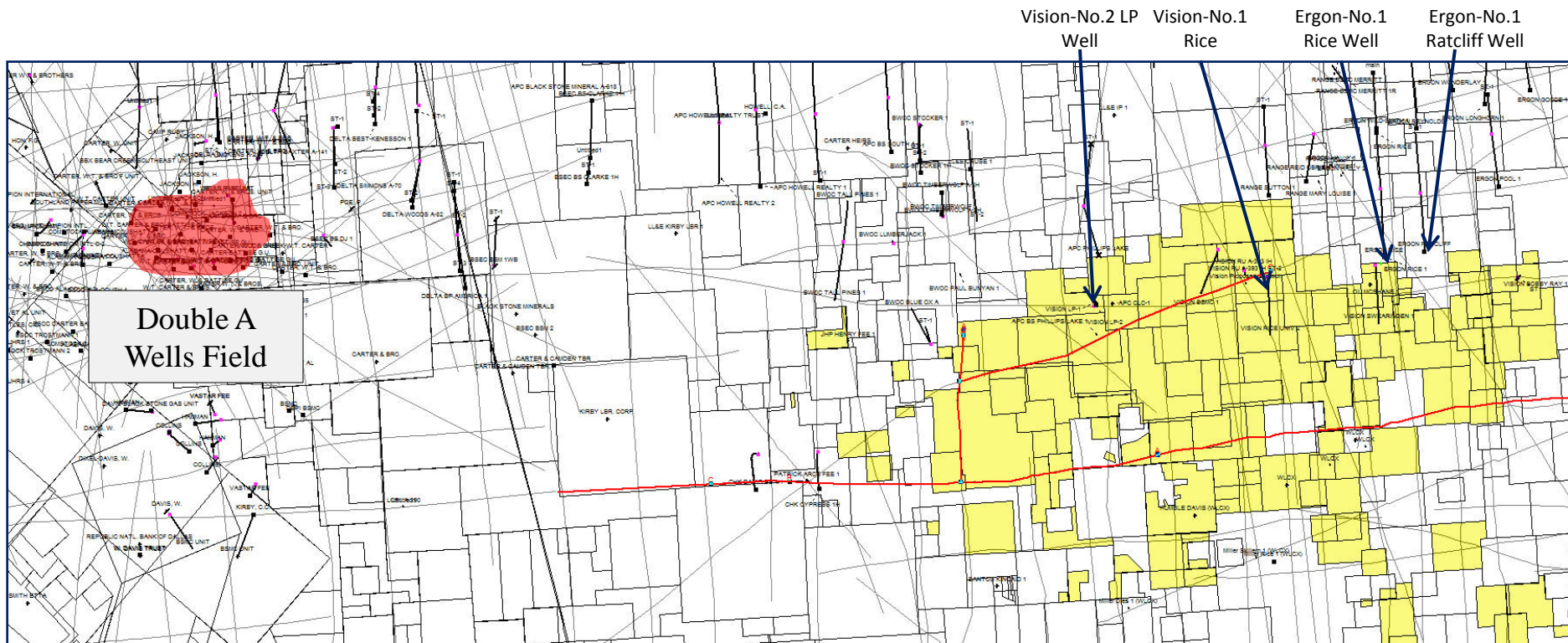
# Regional Context – Proven Hydrocarbon Basin

- Brookeland field has produced for over 20 years.
- Austin Chalk directly above source rock. Whole area hydrocarbon charged.



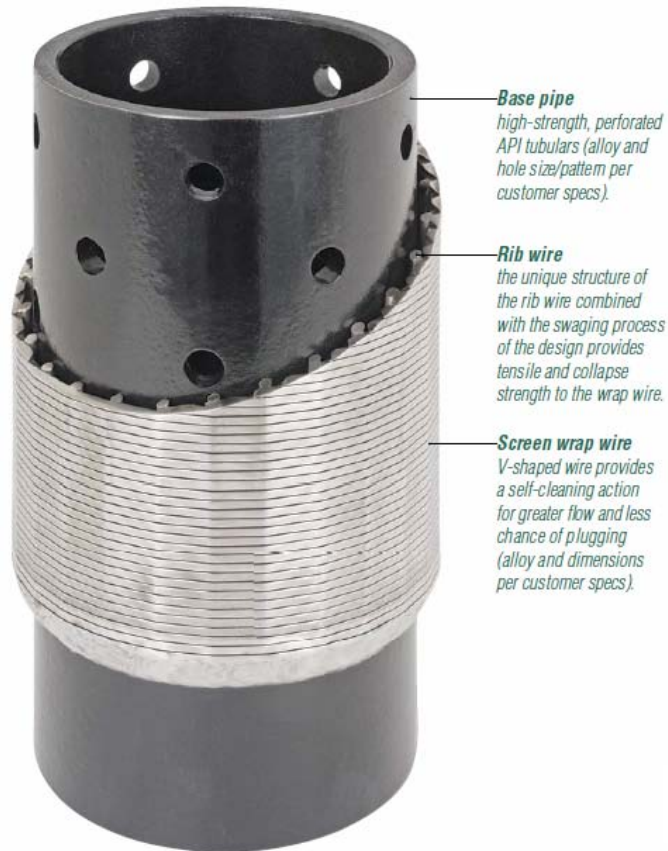


# JV Acreage Position



# New Completion Tool

Custom designed to mitigate rubble problems



# Tyler County - Upside Potential

- Average JV reserve estimates of 8 bcfe per well have potential to be exceeded:
  - ✓ First well on acreage, VRU#1, exhibited similarities to down-dip Giddings Field (Austin Chalk) wells.
  - ✓ Average down-dip Giddings wells >10 bcfe per well.
  - ✓ Pantheon's JV acreage is down-dip portion of the Brookeland Field - similar geological setting.
- Anticipated liquids yields +/- 25 barrels per mmcfd.
  - ✓ Positive impact on well economics from liquids prices.
- Overall Potential:
  - ✓ Austin Chalk : c.50 wells @ 8 bcfe = 400 bcfe
  - ✓ Woodbine: significant upside

# Woodbine – Additional upside potential

- Independent and totally separate from Austin Chalk (primary target).
- Sits below Austin Chalk.
- Geologically complex sandstone, but when present, Woodbine fields are prolific producers.
- Woodbine zone known to exist on acreage. Extent unknown.
- Vision LP#2 (pre farm-in) well is currently producing from Woodbine on acreage.
- Ability to test Woodbine for modest incremental cost in KF#1H.

# Partners in Tyler County JV

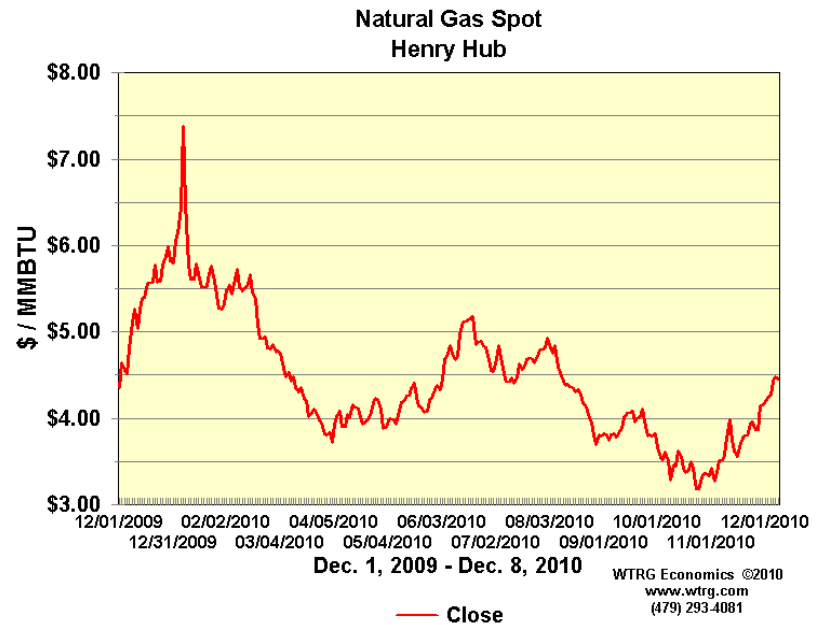
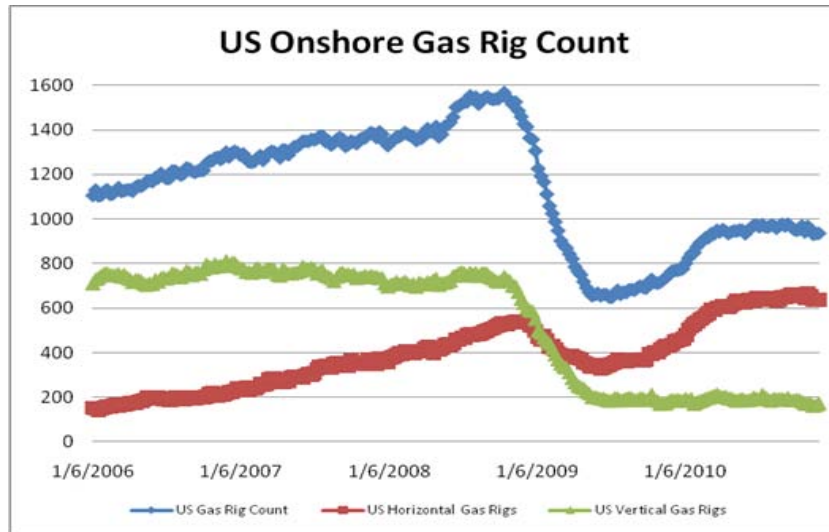
Company	Working Interest	Comments
<b>Vision Resources LLC (operator)</b>	37.5%	Private company.
		Long term presence in East Texas.
		Majority owned by George Kaiser.
<b>Kaiser Francis Oil Company</b>	25.0%	Private company.
		Owned by George Kaiser.
		<i>"Amongst world's biggest private energy producers" Forbes 400, Oct. 2009.</i>
<b>W.R. Huff</b>	12.5%	New York private equity fund.
<b>Pantheon</b>	25.0%	

# Macro Economic Data



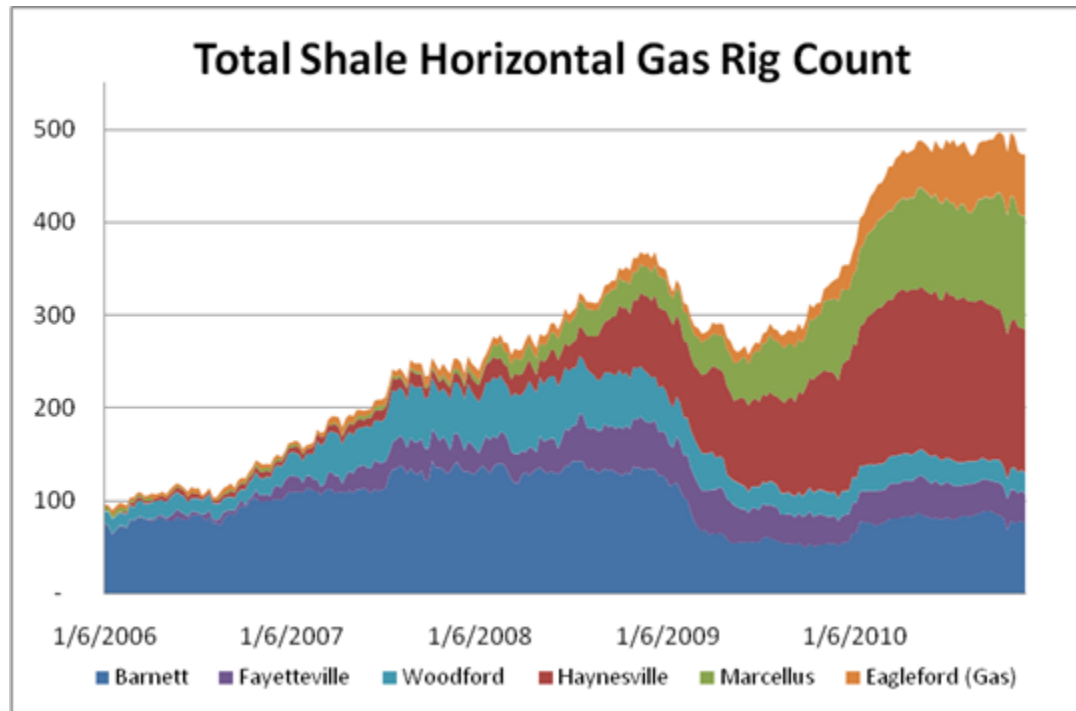
# Macro Economic Data

Upward trend in rig utilisation coincided with downward trend in U.S. natural gas price



# Macro Economic Data

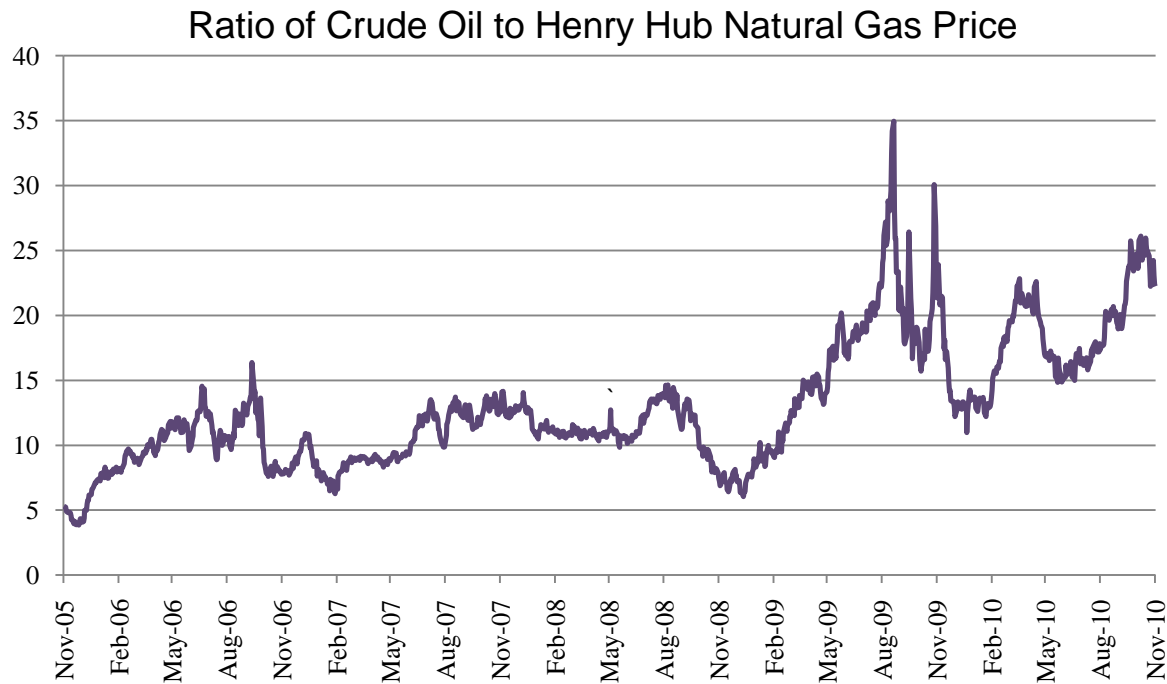
Utilisation of horizontal gas rigs has doubled in past year





# Macro Economic Data

Historic oil to U.S. Natural gas price ratio of 10:1 has broken out to >20:1  
Appears unsustainable in long term



- Gas to oil ratio widened to record levels
- Energy Ratio 6:1 (6 mcf gas = 1 barrel of oil), compares to price ratio > 20:1

# Illustrative Individual Well NPV (\$US) <sup>(\*3)</sup>

## Tyler County

<b>Pricing Sensitivities</b> <sup>(*1)</sup>	<b>NPV10 \$US</b>	
	<b>Average Chalk Well (8 bcfe)</b>	<b>Average Woodbine Well (18 bcfe)</b>
<b>Today's Pricing</b> <sup>(*2)</sup> - US\$4.60/mcf natural gas & US\$90/bbl oil	\$4.2m	\$11.4m
<b>Higher Gas Price</b> - US\$6.00/mcf natural gas & US\$90/bbl oil	\$5.7m	\$13.9m

- Austin Chalk – potential for +40 wells
- Woodbine – potential for +10 wells

\* 1 Assumptions: Austin Chalk: \$7.5m well cost, 25 bbl/1 mcf liquids yield;; Woodbine: \$8.0m well cost

\* 2 Pricing as at 9 December 2010

\* 3 The calculations are estimates for illustrative purposes and do not purport to be an prediction of future events