POOHVILLE

A natural gas exploration play

Draft Discussion Document

June, 2010

POOHVILLE Executive Summary

- **Natural gas is one of the fastest growing energy sectors with increased activity onshore, driven by advances in technology, increasing public awareness of environmental benefits and emerging policy support**
  - Natural gas demand is experiencing highest growth among all fuel sources, driven primarily by power sector
  - To maintain current production level in North America, more than 90% needs to be replaced by 2020; to meet this gas gap, 50-60% of new reserves will be in unconventional shale gas
  - Rising demand and long-term prices combined with advances in in horizontal drilling and hydraulic fracturing have led to an increase in unconventional resource exploration
  - Natural gas emits 50% less CO2 emissions, uses 80% less water, and has 0.25% of particulate emissions as compared to coal
  - Increased concern over energy security and environmental implications influence policy evolution in favor of gas
- **POOHVILLE is a highly concentrated lacustrine shale play, comparable or better than known US shale areas, and offers investors a unique opportunity for investors to enter a pre-qualified natural gas play at an early stage**
  - POOHVILLE is an onshore area of interest in Eastern U.S., currently unproven reserves
  - Industry data and academic interpretation – including thickness, overpressure, and total percent carbon – indicate shale resources widely available and favorable in size and quality as compared to Marcellus shale
  - Major gas pipeline runs through POOHVILLE
  - First round of private investment completed with leasing effort currently underway; leasing team has already secured over 20,000 acres of mineral rights in April – June 2010
- **SHORE team has privileged access to proprietary data and over three decades of land acquisition experience, in particular over 25 years of relationships with local landowners in POOHVILLE**
  - SHORE has privileged access to proprietary data and interpretation run by two U.S. majors for POOHVILLE; replacement value estimated at close to $35M and represents approximately 2 year advantage
  - Data has received expressions of interest from two national-caliber independent operators
  - Internationally renowned exploration geologist on board as exclusive project consultant
  - SHORE leasing team has three decades of land acquisition experience, including 25+ years of relationships with local landowners allowing favorable leasing conditions and rates

Contents

- **Opportunity**
  - **Primer on natural gas**
  - POOHVILLE
- SHORE team

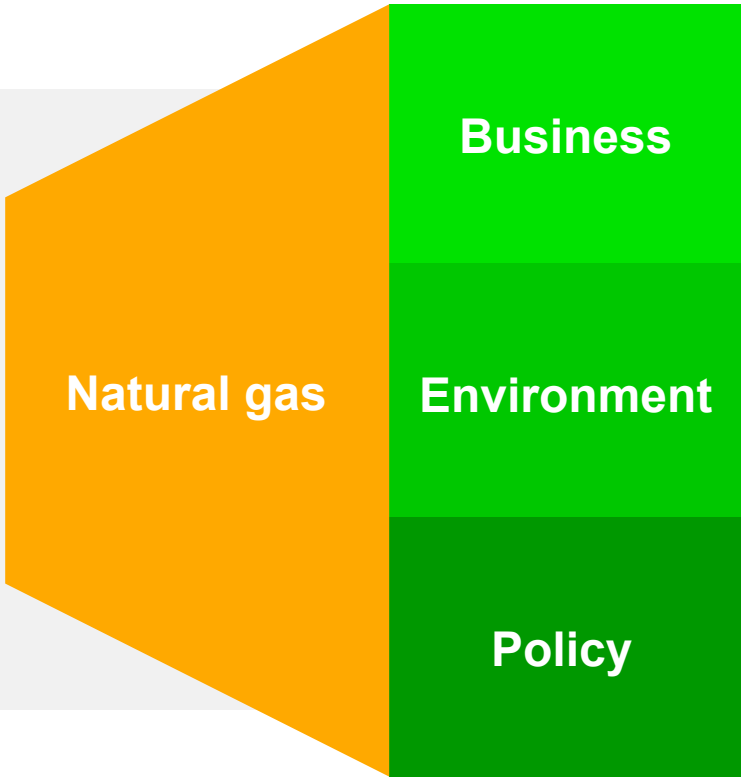
Before beginning a hunt, it is wise to ask someone what you are looking for before you begin looking for it. –

Compelling opportunities drive a revolution in natural gas

Natural gas is booming

One of the fastest growing energy sectors, driven by:

- Advances in technology
- Increase in domestic reserves
- Increasing public awareness of CO_2 and energy security benefits
- Emerging policy support



Business case for natural gas

- Affordability vs. oil
- Ease of deployment and fire-up
- Complement renewable energy
- Industry consolidation wave in U.S.

Environmental benefits

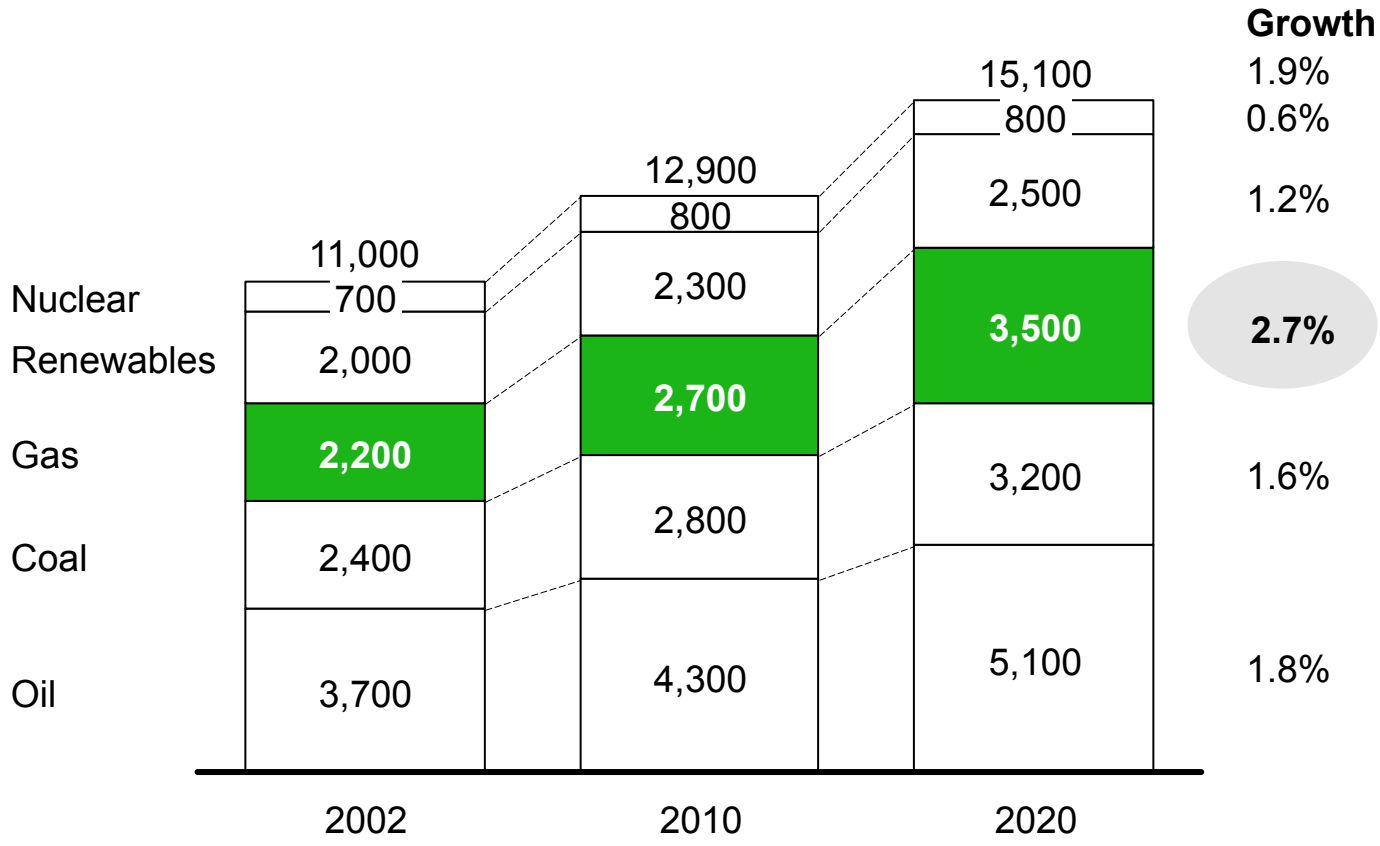
- Reduction of carbon emissions
- Conservation of water resources
- Elimination of particulate and heavy metal emissions

Policy/social trends

- Focus on domestic job creation
- Domestic energy security
- Direct incentive for switch to gas

Natural gas demand expected to experience highest growth among all fuels through 2020

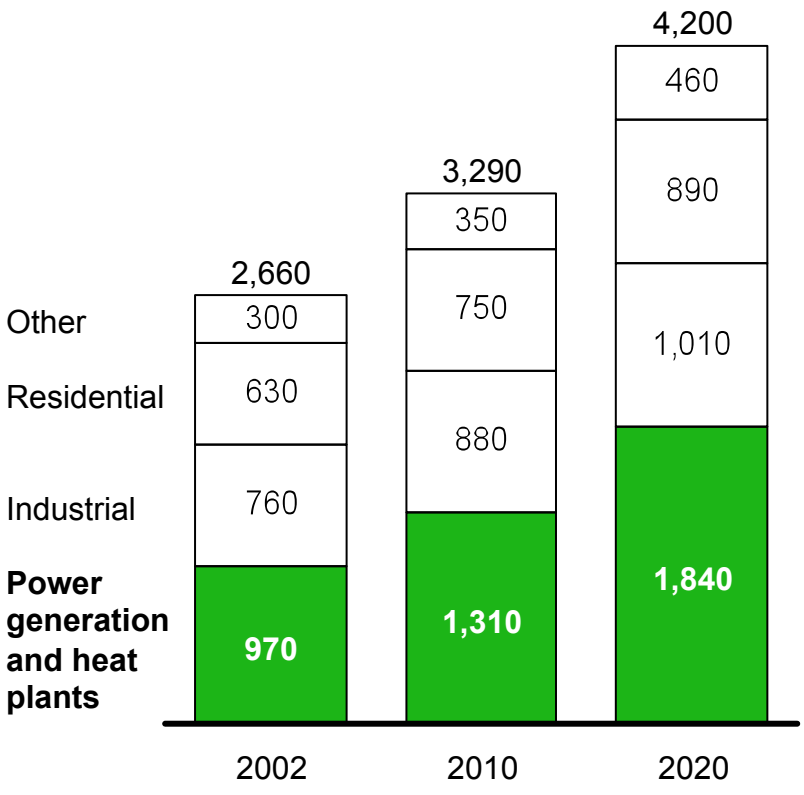
World primary energy demand
Mtoe



Source: IEA

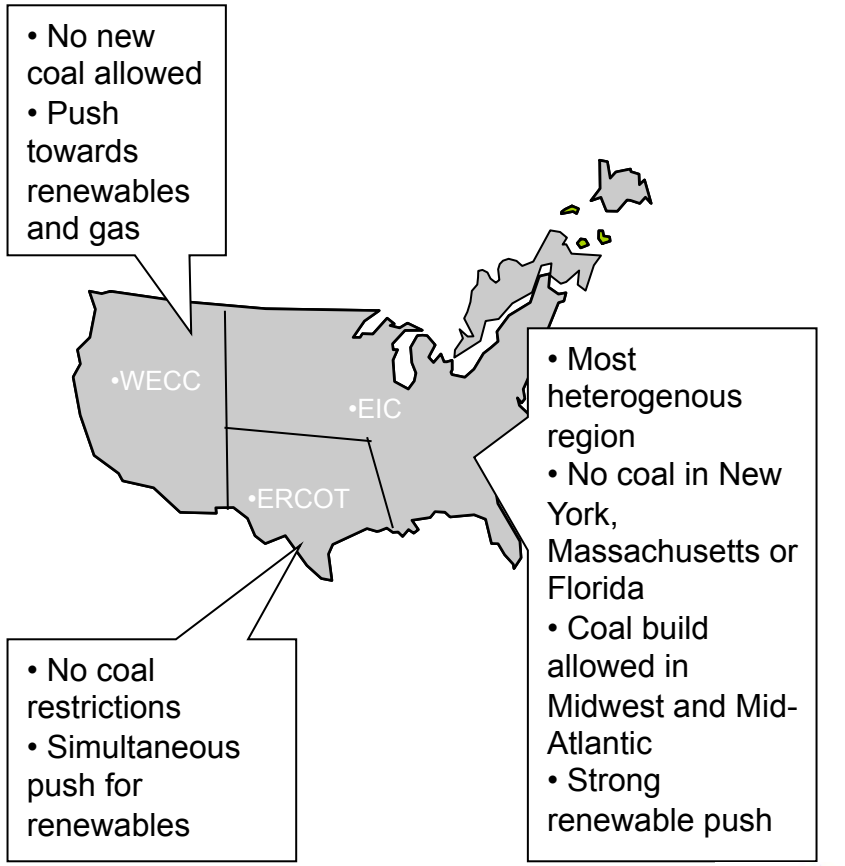
Demand driven primarily by power, and will depend on regional policies

World natural gas demand by sector
BCMA



	2002	2010	2020
% power	**36**	**40**	**44**

In US, environmental regulations vary by region and are a set of soft constraints on coal

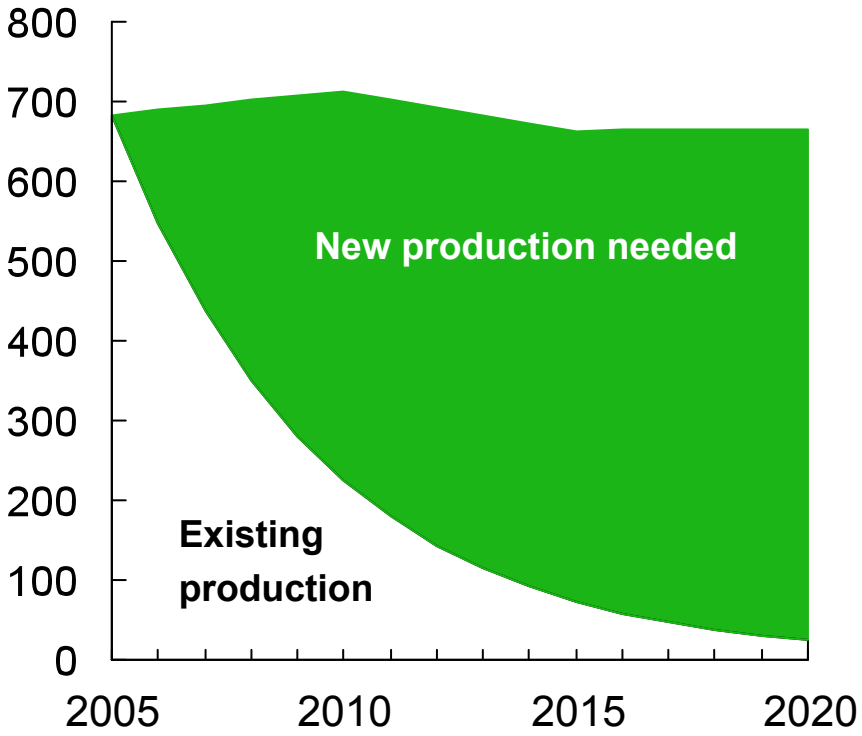


Source: World Energy Outlook, IEA

To maintain current production level, more than 90% in North America needs to be replaced by 2020

North American* production

BCMA



Drivers of uncertainty

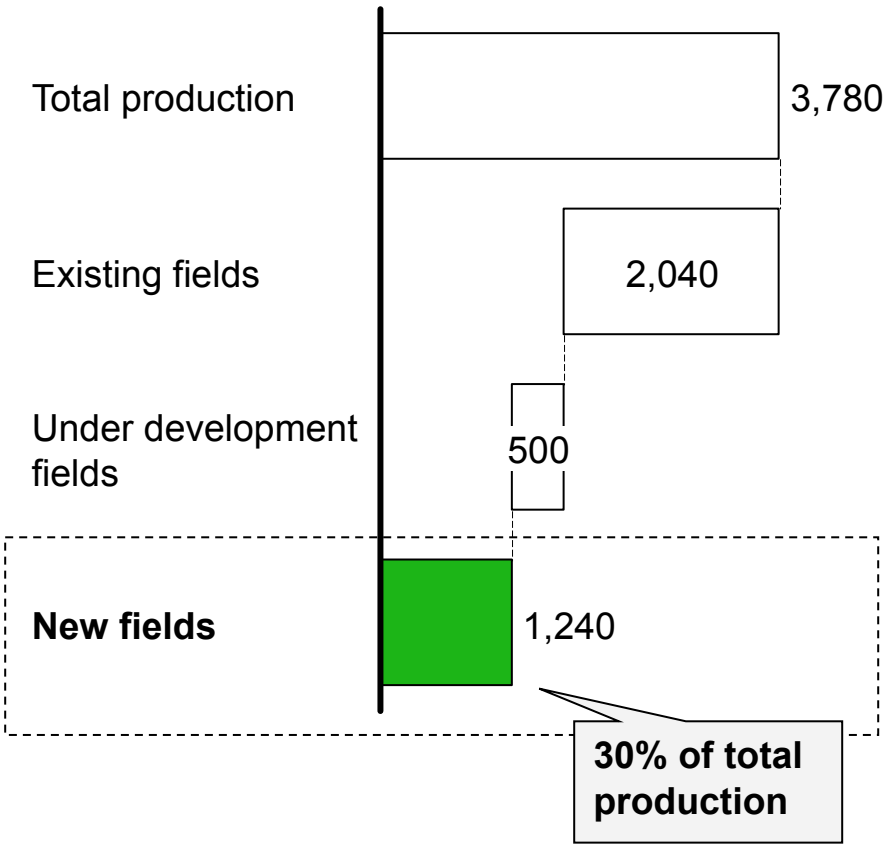
- Production from **new wells** (on existing, developing, and new fields) will be very significant
- Producers are having to drill smaller finds, in tighter sands, in more distant locations
- **Look to unconventional gas**
  - Technically recoverable unconventional gas already represents 60% of onshore recoverable resources
  - Estimates that 50-60% of new reserves will be unconventional shale gas

*USA and Canada

20-30% of future supply will come from brand new fields

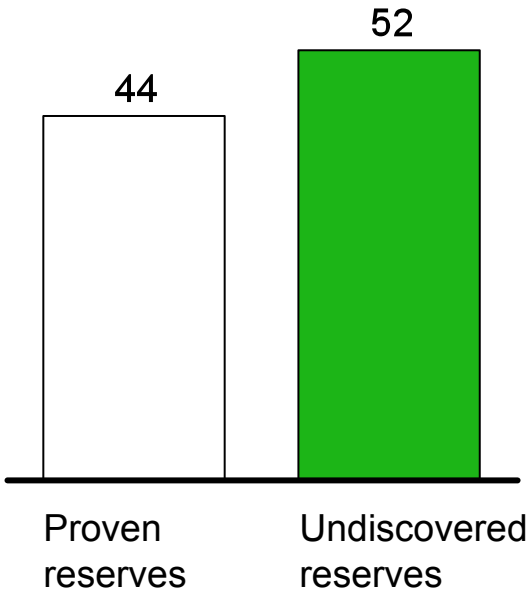
2020 estimated natural gas production

BCMA



Significant exploration opportunities as over 50% of worldwide* gas reserves are currently undiscovered

BOE billions, 2005

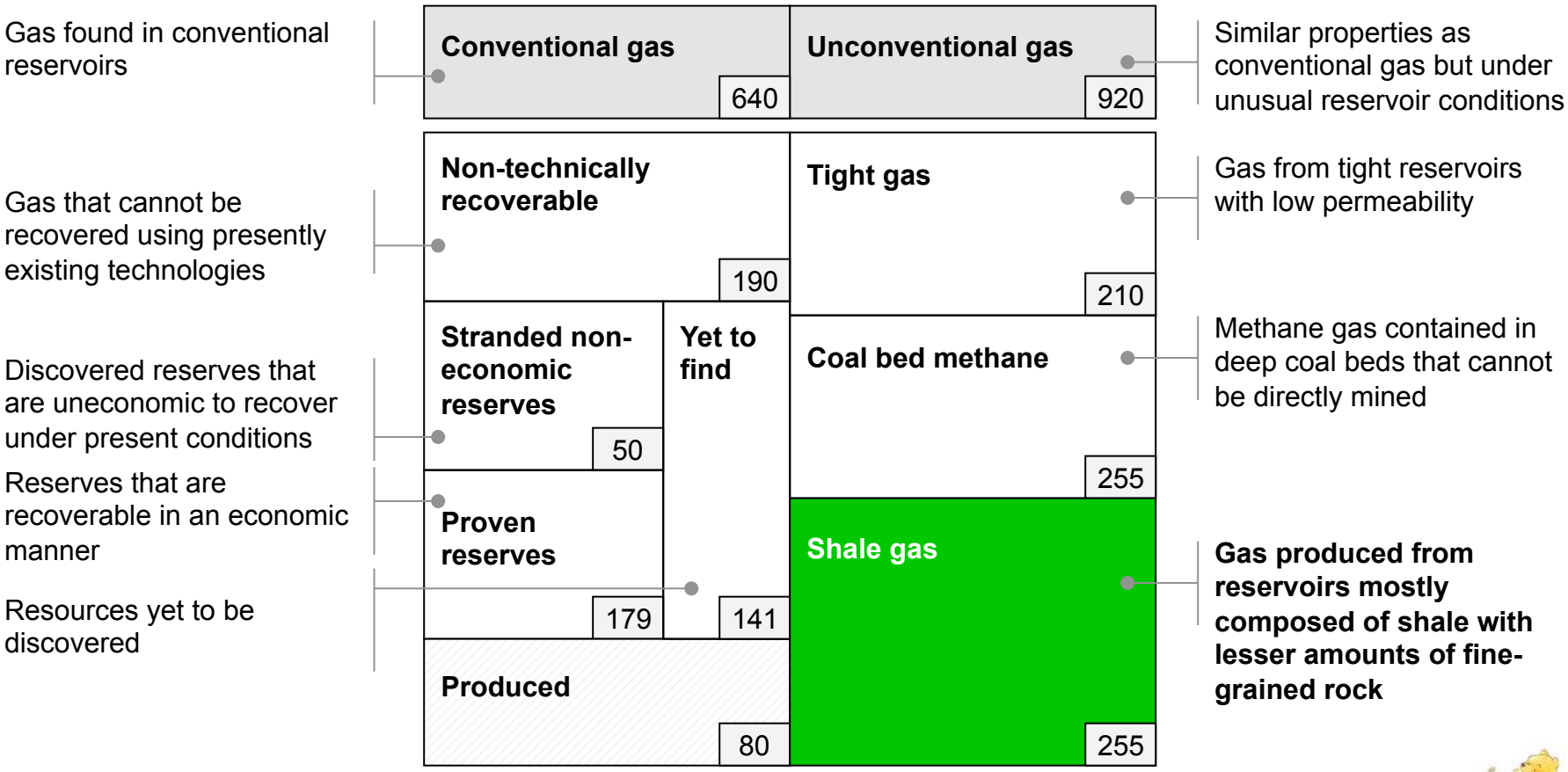


*** Does not include partially closed or closed countries such as Venezuela, Brazil, Libya, Iraq, Iran, UAE, Azerbaijian, Russia, Mexico, Saudi Arabia or Kuwait**

Source: BP Statistical Review 2005; USGS World Petroleum Assessment

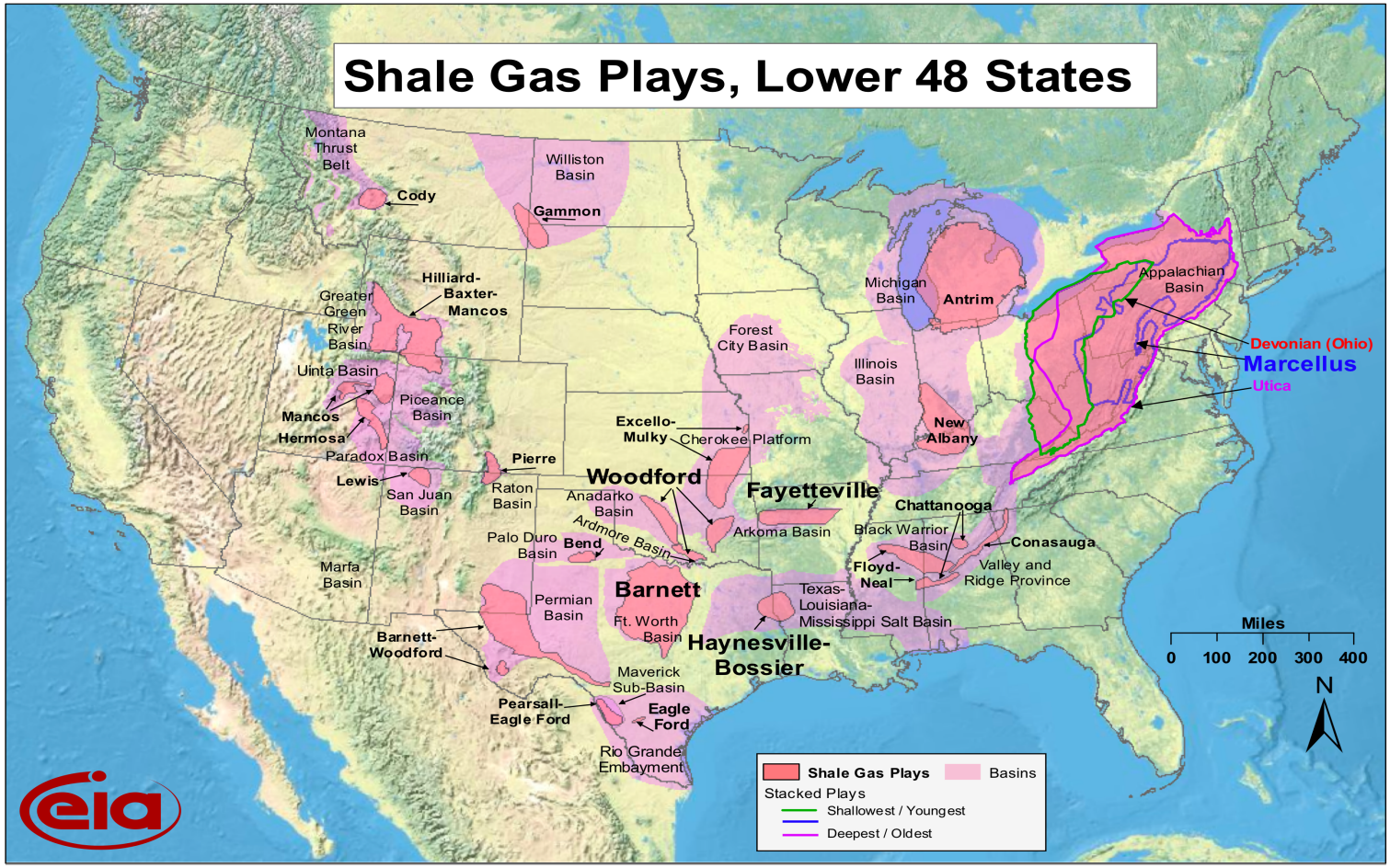
Huge development potential for unconventional gas, in particular shale gas

Gas resources by type (technically and non-technically recoverable)
Trillion cubic meters



Source: IEA; SPE; BP Statistical Review; USGS

Current US share gas plays are spread throughout lower 48

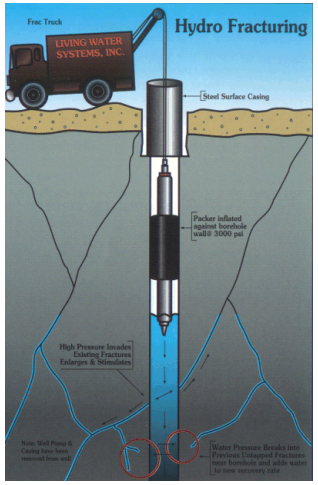


Source: Energy Information Administration based on data from various published studies.
Updated: March 10, 2010

Recent technological advancements have led to acceleration in unconventional resource exploration due to reduced cost and impact

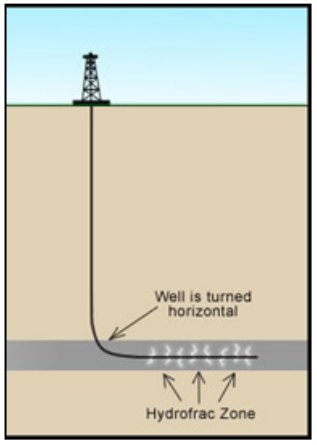
Hydraulic fracturing

- Well casing and advances in drilling mud
- Improvements in flow
- Increased protection of acquifers
- Reduced water usage
- Reduced cost



Horizontal drilling

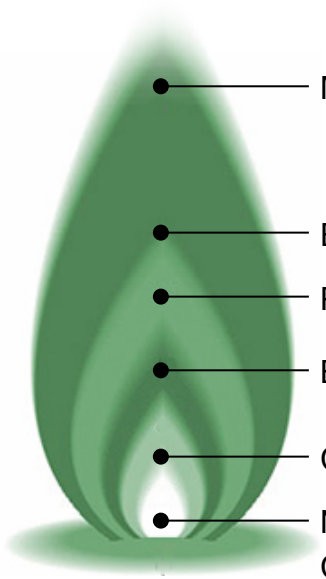
- Ability to penetrate more fractures
  - 6-8 horizontal wells running off of one well pad equivalent to production of 16 separate vertical wells
- Reduced cost
- Reduced surface impact



Natural gas consists mainly of methane resulting in lowest CO2 emissions among all fuel sources…

Unprocessed natural gas is mostly methane

- Methane (CH_4) is the simplest hydrocarbon molecule, with one atom of carbon and four of hydrogen



Methane
Ethane
Propane
Butane
Condensates

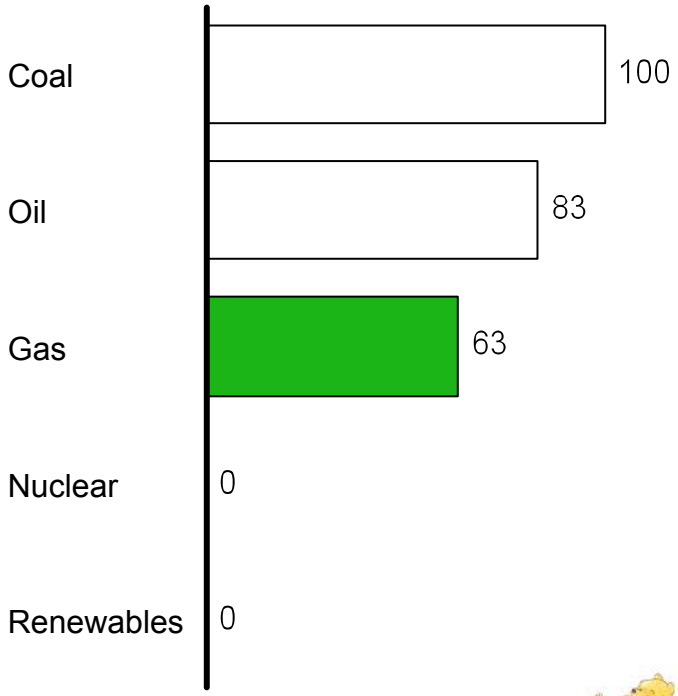
Energy components

Nitrogen
Carbon dioxide
Hydrogen sulphide
Helium

Non-energy components

Gas is the cleanest hydrocarbon fuel

CO2 emissions per energy unit
Indexed, coal = 100



…and possesses significant additional environmental benefits over other hydrocarbon fuels

Emissions

Natural gas vs. other fuels

- 30% less CO2 in commercial use or home heating vs. oil
- 0.25% particulate emissions vs. coal
- Natural gas has no mercury emissions

Water

- 80% less water use than coal

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- SHORE team

You can't stay in your corner of the forest, waiting for others to come to you; you have to go to them sometimes. -

POOHVILLE is an on shore shale play that is comparable or better to currently known US shale areas

Geologic Comparisons to Other US Shale plays

Area	Barnett	Fayetteville	Haynesville	Marcellus	POOHVILLE 
Geological Age	Upper Mississippian	Upper Mississippian	Jurassic	Lower Devonian	**Confidential**
Estimated basin area (square mile)	5,000	9,000	9,000	95,000	<insert>
Depth (ft)	6,000-9,000	1,500-6,500	10,000-14,000 (11,500 average)	5,000-8,500	**3,000-10,000**
Thickness (gross ft)	200-500	50-300	150-350	50-300	**500-3000**
Overpressure (psi/ft)	0.52 (overpressured in areas)	0.435	0.7-0.9 (overpressured)	0.4-0.7	0.66 (overpressured in areas)
Total organic carbon (%)	3-8	4-10	0.5-8	2-10	**3-9**
Vitrinite % Ro (%)	1.2-2	1.2-4	n/a	0.5-3 trends to lower Ro to east towards Ohio	**0.9-2.5**

POOHVILLE was previously top on shore focus of majors, but abandoned after Exxon Valdez spill in 1989

1980-1984: Welcome to POOHVILLE
SHORE begins exploration/ leasing operations, including in POOHVILLE

1985: Enter the majors
SHORE sells positions in POOHVILLE to major; later in year, two majors form partnership in POOHVILLE

1985-1989: Major interest by majors
Majors partnership shoot lines, drill test wells in POOHVILLE, complete reports; POOHVILLE top on shore focus

March 1989: Disaster
Exxon Valdez spill

1989-1990: Run away from US
Majors terminate partnership as part of strategy to divest onshore activities

1992: Assignment
Major assigns leases to independent; most on shore activity ceases

1994: Drop the ball
Independent drops first POOHVILLE leases without notification to SHORE; violation of agreement

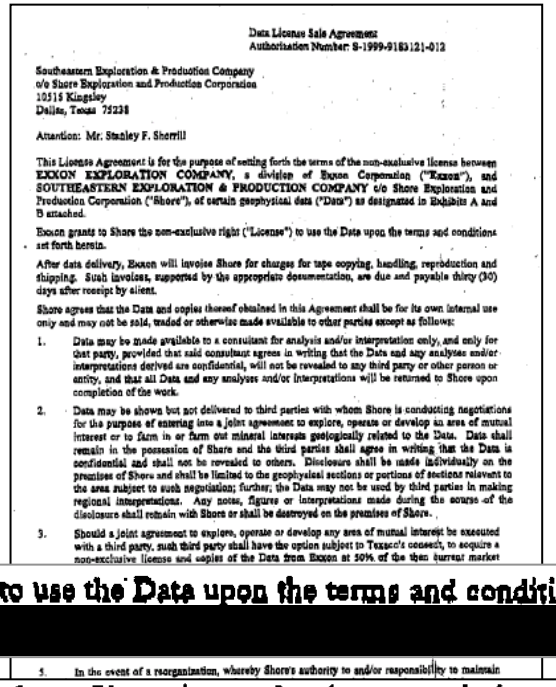
1999: Court award
To remedy violation, major grants all seismic data and licenses to SHORE including POOHVILLE

1999: Data transfer
SHORE obtains data and transfers to film

SHORE has privileged access to proprietary data worth ~$35M but constrained on sharing with 3rd parties

SHORE license agreement:

- SHORE was granted license to proprietary data, including 700 miles of 2D seismic lines and well reports in geographic areas including POOHVILLE
- License for 25 years, automatically renewed at end of each term, at no cost
- Limits on sharing of data
  - No sub-licensing of data
  - 3rd parties must physically view data on SHORE premises or violation of license agreement
- Data represents 2 year advantage over competitors



Data License Sale Agreement
Authorization Number: S-1999-9163121-012

Southeastern Exploration & Production Company
c/o Shore Exploration and Production Corporation
10515 Kingsley
Dallas, Texas 75238

Attention: Mr. Stanley F. Sherrill

This License Agreement is for the purpose of setting forth the terms of the non-exclusive license between EXXON EXPLORATION COMPANY, a division of Exxon Corporation ("Exxon"), and SOUTHEASTERN EXPLORATION & PRODUCTION COMPANY c/o Shore Exploration and Production Corporation ("Shore"), of certain geophysical data ("Data") as designated in Exhibits A and B attached.

Exxon grants to Shore the non-exclusive right ("License") to use the Data upon the terms and conditions set forth herein.

After data delivery, Exxon will invoice Shore for charges for tape copying, handling, reproduction and shipping. Such invoices, supported by the appropriate documentation, are due and payable thirty (30) days after receipt by client.

Shore agrees that the Data and copies thereof obtained in this Agreement shall be for its own internal use only and may not be sold, traded or otherwise made available to other parties except as follows:

1. Data may be made available to a consultant for analysis and/or interpretation only, and only for that party, provided that said consultant agrees in writing that the Data and any analyses and/or interpretations derived are confidential, will not be revealed to any third party or other person or entity, and that all Data and any analyses and/or interpretations will be returned to Shore upon completion of the work.
2. Data may be shown but not delivered to third parties with whom Shore is conducting negotiations for the purpose of entering into a joint agreement to explore, operate or develop an area of mutual interest or to farm in or farm out mineral interests geologically related to the Data. Data shall remain in the possession of Shore and the third parties shall agree in writing that the Data is confidential and shall not be revealed to others. Disclosure shall be made individually on the premises of Shore and shall be limited to the geophysical sections or portions of sections relevant to the area subject to such negotiation; further, the Data may not be used by third parties in making regional interpretations. Any notes, figures or interpretations made during the course of the disclosure shall remain with Shore or shall be destroyed on the premises of Shore.
3. Should a joint agreement to explore, operate or develop any area of mutual interest be executed with a third party, such third party shall have the option subject to Texaco's consent, to acquire a non-exclusive license and copies of the Data from Exxon at 50% of the then current market

5. In the event of a reorganization, whereby Shore's authority to and/or responsibility to maintain

[redacted] grants to Shore the non-exclusive right ("License") to use the Data upon the terms and conditions set forth herein. [redacted]

Data may be shown but not delivered to third parties with whom Shore is conducting negotiations

[redacted] Disclosure shall be made individually on the premises of Shore [redacted]

Why POOHVILLE?

World-class shale play

- Comparable or better geological characteristics than most recognized onshore shale plays in US
- Greater depth in smaller area implies highly concentrated play
- Confirmation by world renowned geologists and academic interpretations

Strategic information advantage

- Access to proprietary data on POOHVILLE, representing approximately 2 years and ~$35M head start
- However, limits on ability to share information outside of registered offices of SHORE

Increasing interest

- Major pipeline runs through POOHVILLE
- SHORE already approached for formal partnership on data by two national-caliber independent operators
- Increasing focus on onshore natural gas play

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- **SHORE team**

It's always useful to know where a friend-and-relation is,
whether you want him and whether you don't. -

SHORE has years of experience in POOHVILLE and has maintained relationships with landowners for over 25 years

SHORE team

World-renowned petroleum geologist

Experience and qualifications

- SHORE previously held 1.8 million leased acres in East Coast Triassic Rift Basin
- SHORE explored POOHVILLE in 1980's and 1990's in joint ventures with two majors
- Holds knowledge-base on two-pronged natural gas play in POOHVILLE, including triassic rift basin reservoirs and lacustrine shales
- Maintained contact with landowners in POOHVILLE for over 25 years; favorable reputation allows ongoing access and outstanding corporate intelligence on competitive landscape
- Exclusive consulting retainer
  - Elected National Academy of Sciences
  - Professor of Earth and Environmental Sciences, Columbia
  - Board of Directors, DOSECC
  - Previous service to industry includes: Mobil Oil, Exxon, Texaco, Citco, Arco Petroleum, Cornell Oil, North Central Oil, Eastern Exploration

SHORE is already underway with leasing activities

Current leasing activities are fast and efficient

- Secured nearly **20,000 net acres of mineral leases** April – June 2010
- Driven by existing relationships, land **acquisition price significantly below other parties**
  - Average $25/acre including SHORE operating costs
- Leases represent position on par with other junior independents operating nationwide and provides for excellent economic position in POOHVILLE
- Expressions of interest obtained from national independent operating companies

Upcoming leasing activities

- Position to be increased to over 40,000 acres or more with next funding tranche

Sample Transactions*

Purchaser	Asset Description	Transaction Value	Acreage	Avg. Value / Acre
Mitsui	Prior position, Marcellus	$1.3 B	100,000	$13,000
Andarko Petroleum	State Land, Marcellus	$120 M	32,896	$3,600
Royal Dutch Shell	Various Shale gas	$4.7 B	1,070,000	$4,390
BP	Eagle Ford Shale	$150 – 200M	80,000	$1,875 – 2,500
Kinder Morgan	Haynesville Shale	$875 M	Est. 360,000	$2,700
Atlas Energy / Reliance	Marcellus Shale	Undiscl.	42,000	~4,500
BG Group Plc	Marcellus Shale	$950 M	654,000	$1,450
RBC Capital Markets Study	Marcellus Shale	n/a	n/a	$5,650

*There is little public information available on undeveloped acreage. The above transactions, in most cases, involve proven reserves or operating wells and thus, the transactions are not necessarily comparable.

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