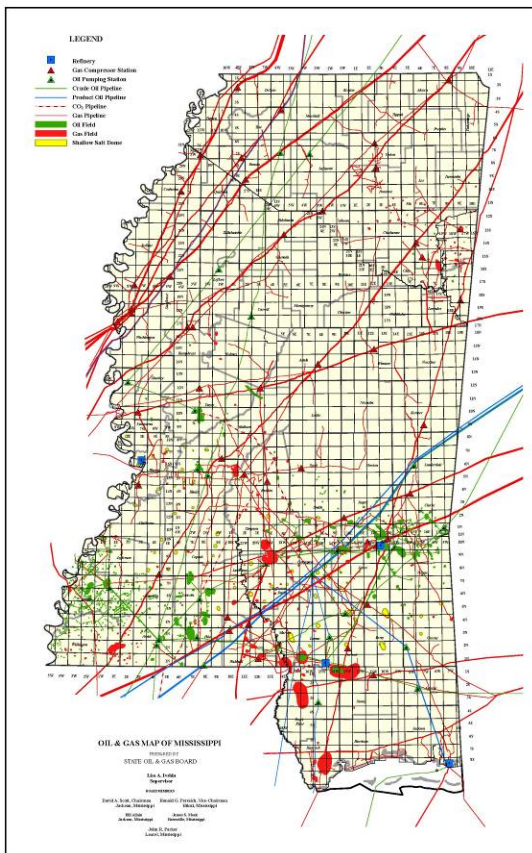


# CONFIDENTIAL



## Integrative Energy

### *Mississippi Exploration & Development*



## Marathon Lake Project

May 31, 2010

*United States:*

Integrative Energy (U.S.A.), LLC  
1824 Sawdust Road, Bldg 2  
The Woodlands, Texas, 77380 USA  
Phone: (281) 465-0623  
Fax: (281) 465-0301  
E-Mail: [rick.hatala@ielusa.com](mailto:rick.hatala@ielusa.com)

Private & Confidential**Marathon Lake Project Summary***Smith County, Mississippi***Objective:** Smackover & Norphlet Formations.**Reserves, Production, Economic Potential:** Prospect "D" Min/Mid; Project for Max. (Unrisked, \$70 per Bbl Market Price)

Index	Description	Units	Min	Mid	Max
1	<b>Prospect Area</b>	(acres)	80	160	400
2	<b>Well Count</b>	(no.)	1	2	5
3	<b>Pay Thickness</b>	(feet)	30	30	30
4	<b>Reserves/Well</b>	(Barrels of Oil)	949,890	949,890	1,200,967
5	<b>Total Project Reserves</b>	(Barrels of Oil)	949,890	1,899,780	6,004,837
6	<b>Initial Production (IP)</b>	(BOPD)	500	500	500
7	<b>Total IP</b>	(BOPD)	500	1,000	2,500
8	<b>Capital Investment</b>	(\$ USD)	\$3,500,200	\$6,500,200	\$16,430,200
9	<b>Annual Cash Flow</b> (Before Tax-BT)	Year 1	(\$855,138)	(\$1,153,825)	(\$2,979,888)
		Year 2	\$5,355,375	\$10,767,000	\$27,001,875
		Year 3	\$4,271,250	\$8,598,750	\$22,936,406
		Year 4	\$3,403,950	\$6,864,150	\$19,480,758
		Year 5	\$2,710,110	\$5,476,470	\$16,543,457
10	<b>Cumulative Cash Flow (BT)</b>	Total	\$14,885,548	\$30,552,545	\$82,982,608
11	<b>Return on Investment</b>	(ROI)	7.03	7.82	10.20

**Note:** Associated Natural Gas is not included in the economic runs for the Project (.5 MCF/bbl)**Initial Well Production:** Test well is expected produce at 500 barrels of oil per day and yield 1,000,000 Barrels of crude oil reserves over the life of the well.**Total Acreage:** 2,500 acres mineral leases current. Department of Interior; Bureau of Land Management (BLM): 2016 Expiry.**Proposal:** Phase 1 is to initially drill in 4<sup>th</sup> Qtr 2010, a 14,500 foot well to test the Smackover & Norphlet formations.**Terms:** Participants will fund the geological, geophysical, land, drilling and completion expense of the estimated 14,500 foot test well. IE will receive a 25% Back in Working Interest (WI) after project payout. IE will deliver 75% Net Revenue Interest (NRI) on the 2,500 acres of mineral leases (100% Basis).

Index	Description	100% Basis
		(USD)
1.0	Geological & Geophysical	\$150,000
2.0	Land	\$350,000
3.0	Initial Well Drill Costs	\$2,007,000
4.0	<b>Dry Hole Costs</b>	<b>\$2,507,000</b>
5.0	Completion & ETP	\$1,256,000
6.0	<b>Total Ph 1 Investment</b>	<b>\$3,763,000</b>

**Exploration Phase:**

One Test well is required to test the Smackover &amp; Norphlet formations with a dry hole cost of \$2.40 million (100% Basis).

**Development Phase:**

Up to 4 additional wells may be required to exploit the potential reserves in the Project requiring up to \$13 million additional capital over 12-24 months (100% Basis).

**Please Contact Rick Hatala (403) 651-8351 or Dan Ziegler (281) 825-6924 for further Information on the Marathon Lake Project.**

**This Project is subject to Prior Sale**



## **Marathon Lake Project Summary**

*Smith County, Mississippi*

**Proposal:** Participants will fund 100% of the geological, geophysical, land, drilling and completion expense of the estimated 14,500 foot test well and receive 100% of the revenues until payout. IE will receive a 25% Back in After Payout (BIAPO) and deliver 75% Net Revenue Interest (NRI) on the mineral leases (100% Basis).

Participants will initially invest \$500,000 for the geological, geophysical and land expenditures to date (100% basis). Once acquired, participants will be requested to pay 100% of the capital required for the initial test well, anticipated to commence drilling operations in the fourth quarter, 2010, and will earn 75% Working Interest from this or subsequent wells.

Due to direct working interest participation in the project, this is an “active” investment and therefore, all intangible investments will be passed through to the Participants and will be tax deductible, barring any changes in tax legislation in the near term.

**Land:** Integrative Energy has secured approximately 2,500 mineral lease acres in the Marathon Lake Project. The project lands are leased from the US Federal Government, Department of the Interior, Bureau of Land Management, and were initially acquired in 2006. The 2,500 mineral lease acres have a 10 year term expiring in 2016 if no drilling and economic production is found on the lease. If found, the drilling lease converts to a production lease and will be held by production (HBP) for the term dictated by the economic life of the well.

**Geology and Geophysics:** The Marathon Lake Project defines 6 separate drillable prospects including one PUD location. These features are delineated by 6 seismic lines and offset production. The least apparent risk is the southernmost **Prospect E**. The offsetting Bienville Forest Field Austral Federal well no. 1 produced 380,000 barrels of crude oil from about 35 acres and 30 feet of Smackover pay resulting in 1000 ac-ft and approximately 380 bbls/ac-ft recoverable. With 80 acres and 30 feet of Smackover pay, we anticipate 942 MBO of crude oil recoverable. This prospect is constructed from 2 seismic lines and the Lone Star A-1 Federal 744 well that produced 480 barrels of oil before going to water. It appears as if they had perf'd across the oil/water contact on the well logs. The first well is positioned along the N-S trending spine of the salt mass as mapped on the seismic lines.

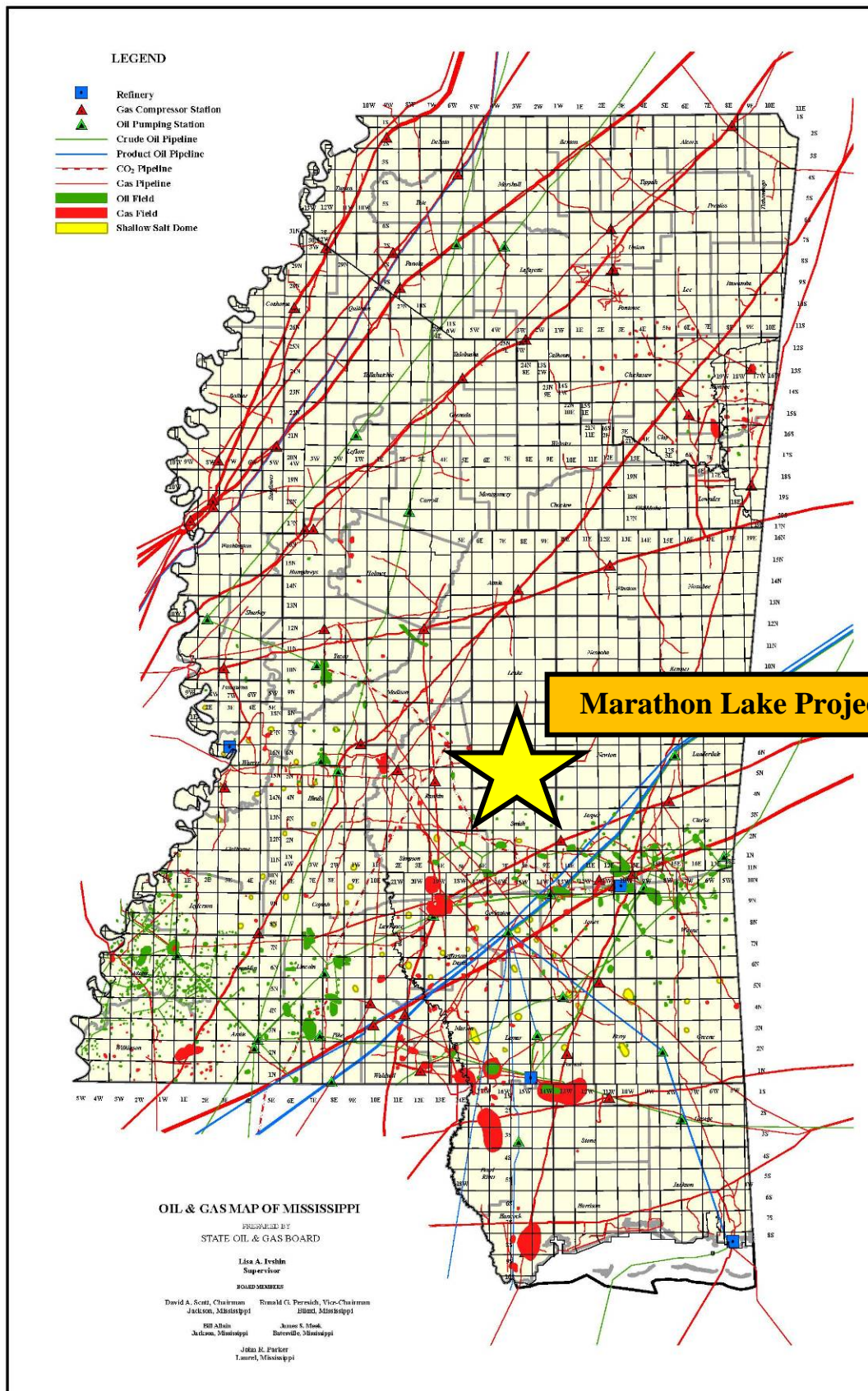
In addition, there are five other prospects, including a possible PUD location where the seismic data indicates there may be drainable attic oil available. In total, the 4 additional opportunities may increase the reserves for the project to more than 6 MMBO.

**Economics:** Participant Capital investment is estimated at \$2.5 million to purchase the lands and technical prospect assessments, and drill the initial test well. At a market price of \$70 per barrel, the unrisks, constant dollar Return on Investment (ROI) is approximately 7:1 for a 1.9 million barrel oil pool discovery. Detailed economic runs and assumptions can be provided on request.

**Extended Opportunity:** Participants will have the option to participate in four (4) additional Smackover Oil Projects that are similar in potential to Marathon Lake over the next 36 months. Projects will be IE originated and located in the southeast USA. Participants will have the right to invest in the Smackover Oil Projects at their Marathon Lake Prospect working interest levels.

**Further Information:** Please Contact Rick Hatala (403) 651-8351 or Dan Ziegler (281) 825-6924 for further Information on the Marathon Lake Project.

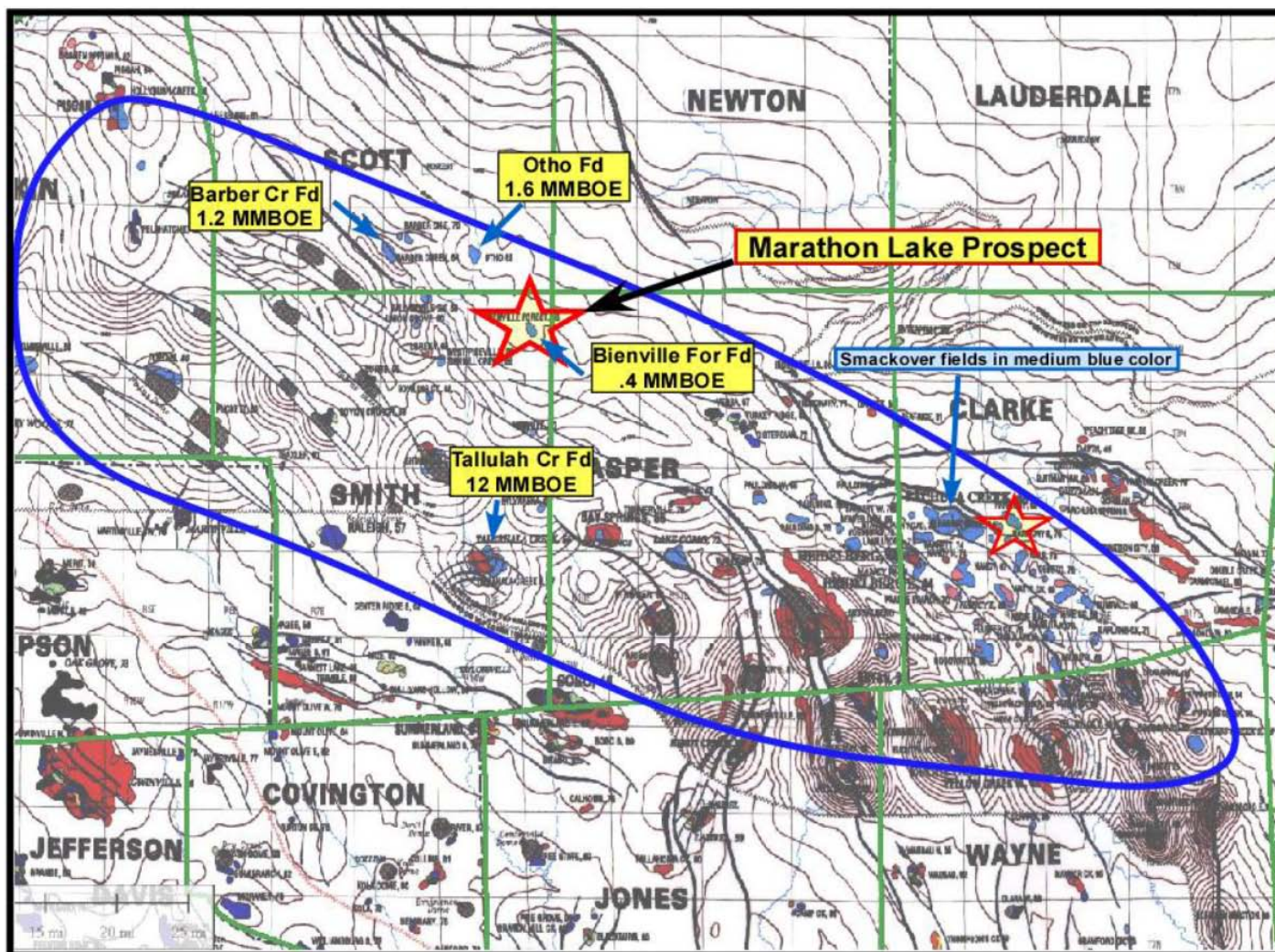








# Mississippi Smackover Production Trend

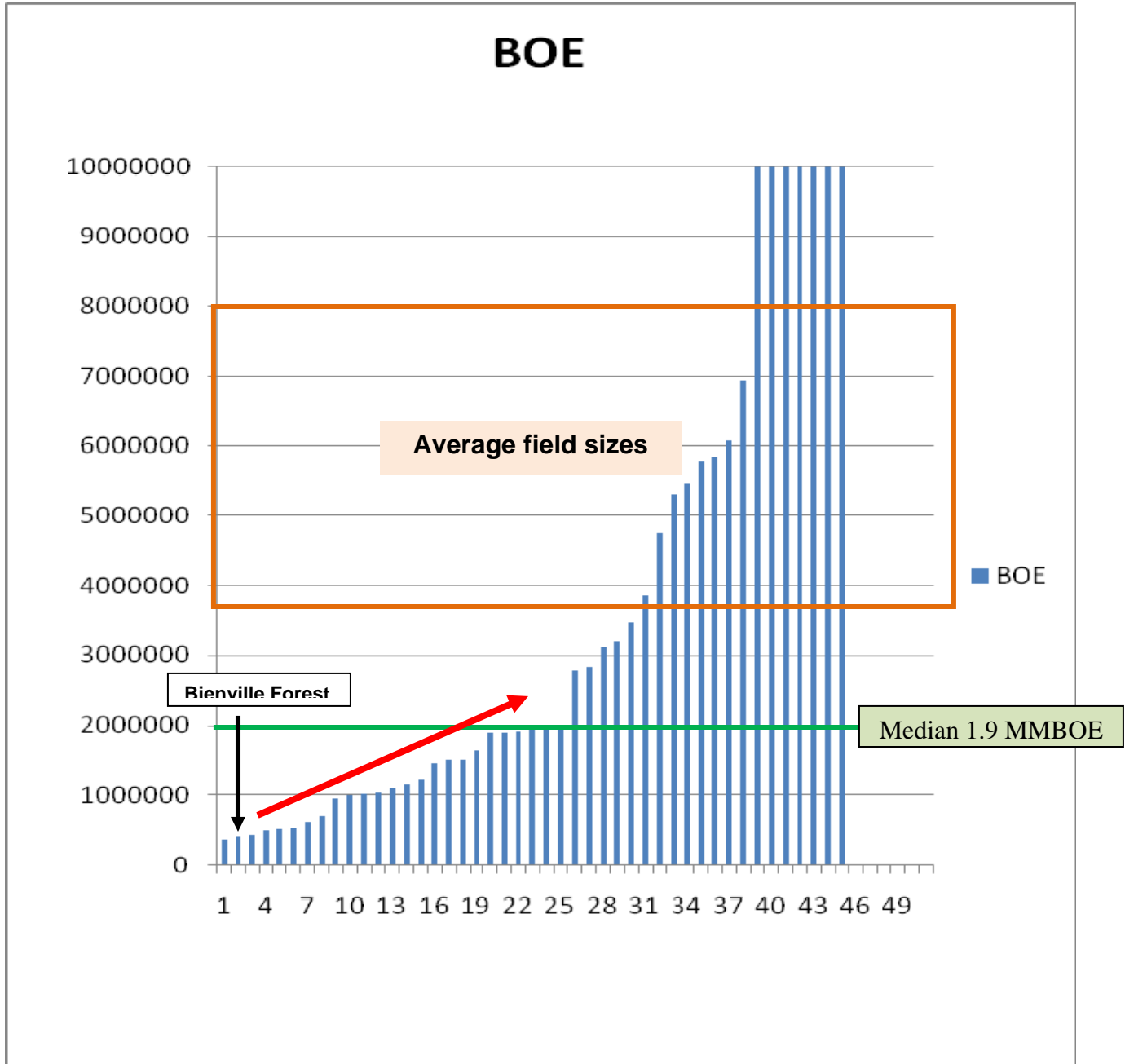






## Mississippi Salt Basin Smackover Fields Cumulative Production

Field	Product	County	Oil (bbls)	Gas (mcf)	BOE
Silas	oil	Choctaw	2,413,130	2,537,130	2,835,985
Gin Creek	oil	Choctaw	440,700	470,938	519,190
Zion Chapel	oil	Choctaw	381,503	752,808	506,971
Turkey Creek	oil	Choctaw & Clarke	3,086,854	154,294	3,112,570
Pachuta Creek	oil	Clarke	52,790,798	24,713,763	56,909,759
West Nancy	oil	Clarke	19,635,630	13,108,631	21,820,402
East Nancy	oil	Clarke	6,395,161	3,277,103	6,941,345
Nancy	oil	Clarke	5,502,096	3,445,648	6,076,371
Prairie Branch	oil	Clarke	4,257,462	2,967,243	4,752,003
Harmony	oil	Clarke	1,788,594	639,827	1,895,232
Shubuta	oil	Clarke	1,343,854	992,319	1,509,241
North Shubuta	oil	Clarke	801,112	2,135,553	1,157,038
Barnett	oil	Clarke	978,191	286,206	1,025,892
Watts Creek	oil	Clarke	958,936	197,364	991,830
Goodwater	oil	Clarke & Wayne	4,479,915	7,805,286	5,780,796
So State Line	gas cond	Greene	722,191	30,782,540	5,852,614
Lake Como	oil	Jasper	11,742,251	17,880,844	14,722,392
Lake Utopia	oil	Jasper	4,769,778	3,132,809	5,291,913
Stafford Springs	oil	Jasper	1,299,345	3,721,346	1,919,569
West Paulding	oil	Jasper	1,411,468	239,797	1,451,434
Vossburg	oil	Jasper	890,423	277,612	936,692
Bay Springs	oil	Jasper	615,622	478,624	695,393
South Paulding	oil	Jasper	485,092	253,436	527,331
Pool Creek	oil	Jones	1,881,062	648,351	1,989,121
Chunchula	gas cond	Mobile	62,324,085	345,720,761	119,944,212
Cold Creek	oil	Mobile	1,273,635	1,358,044	1,499,976
Otho	oil	Scott	1,578,637	418,200	1,648,337
Barber Creek	oil	Scott	1,156,813	409,252	1,225,022
East Barber Creek	oil	Scott	917,620	572,576	1,013,049
Tallahala Cr	oil	Smith	10,125,459	15,604,344	12,726,183
Tallahala Cr E	oil	Smith	4,804,179	3,958,626	5,463,950
<b>Bienville Forest</b>	<b>oil</b>	<b>Smith</b>	<b>379,692</b>	<b>179,251</b>	<b>442,974</b>
Chatom	gas cond	Washington	16,346,118	186,314,315	47,398,504
Copeland	gas cond	Washington	829,568	14,210,043	3,197,909
Crosby's Creek	gas cond	Washington	1,858,044	5,511,535	2,776,633
Southeast Chatom	gas cond	Washington	1,020,790	5,811,373	1,989,352
Healing Springs	gas cond	Washington	594,848	8,085,870	1,942,493
South Cypress	oil	Wayne	12,536,180	3,519,914	13,122,832
Chaparral	oil	Wayne	3,533,360	1,896,891	3,849,509
Cypress Creek	oil	Wayne	3,337,117	748,449	3,461,859
Wolf Creek	oil	Wayne	1,641,102	1,496,859	1,890,579
Clear Creek	oil	Wayne	906,154	1,200,088	1,106,169
West Clara	oil	Wayne	564,124	288,910	612,276
Winchester	oil	Wayne	405,029	124,302	425,746
South Wolf Creek	oil	Wayne	351,257	78,457	364,333



Mississippi Smackover oil production equals 375 million BOEs total. Note that the average field size is 8 MMBOE. If we take out the Chunchula Fd, it is 5.8 MMBO. If the counties of Smith, Scott and Jasper counties are used, it is 3.7 MMBOE. In just Smith County, the average is 6 MMBOE with Bienville Forest Fd and 8 MMBOE without. The median field size is 1.9 MMBOE. It is reasonable to assume that this salt feature should have more producible oil than 442 MBO based on field size distribution.



## Smith County Smackover Production by Well

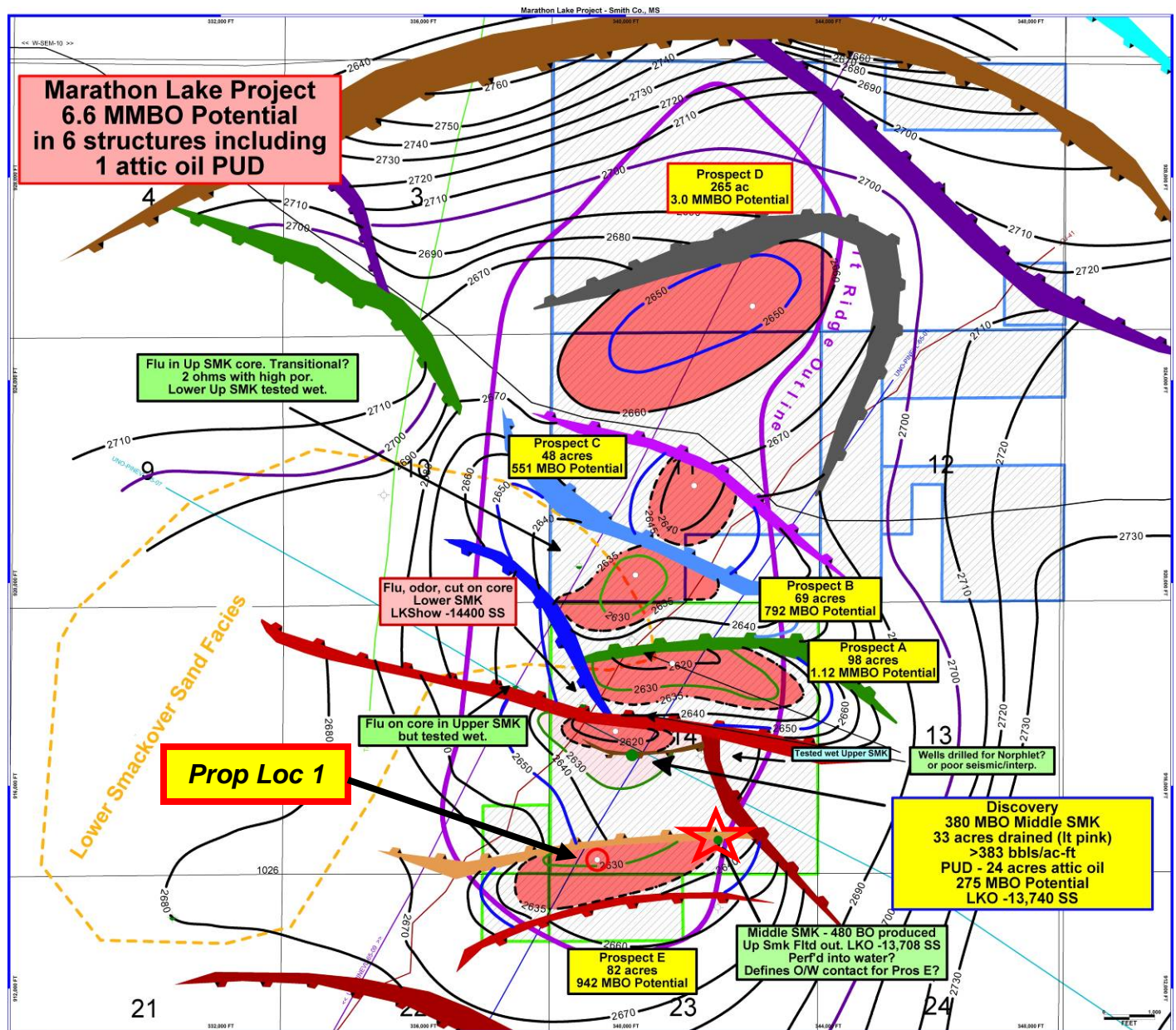
Last Reported Operator	LeaseName	Well#	County	Legal	Field	TotalDepth	Cumu Oil	Cumu Gas	Cum BOE	Cumu Water	well type	MCF/bbl
CITIES SERVICE O&G	MATTHEWS J V	1	SMITH	S:10, T:3N, R:8E	Wildcat	16800	13327	0	15,548	902	Oil	0.00
HUGHES, J. WILLIS	DAVIS-VIERSEN 23-10	1	SMITH	S:23, T:3N, R:9E	Pineville	15631	19034	602	22,206	14916	Oil	0.03
HILCORP ENERGY COMPANY	FANNYE JAMES	1	SMITH	S:5, T:1N, R:9E	Tallahala Creek	16170	20317	157841	23,703	33769	Oil	7.77
WEEKS EXPL CO	NOBLIN ET AL	1	SMITH	S:3, T:4N, R:8E	TALLABOGUE CREEK	15748	28968	10180	33,796	14509	Oil	0.35
HELMERICH & PAYNE INC	MARTIN C C	1-1	SMITH	S:3, T:2N, R:8E	SHONGELO CREEK	16618	32274	7800	37,653	0	Oil	0.24
SHELL WESTERN E&P INC	JAMES EVERETT(MSOPUEFR5-9)	1	SMITH	S:5, T:1N, R:9E	TALLAHALA CREEK	15677	44596	467370	52,029	27970	Oil	10.48
SHELL WESTERN E&P INC	AMAX ET AL UNIT	1	SMITH	S:9, T:1N, R:9E	TALLAHALA CREEK	16265	49508	103074	57,759	146761	Oil	2.08
CHEYENNE PETROLEUM CO	O C JAMES UNIT	1-R	SMITH	S:5, T:1N, R:9E	TALLAHALA CREEK	15750	135122	210748	157,642	75697	Oil	1.56
HILCORP ENERGY CO	WEDGEWORTH W E UNIT	1	SMITH	S:9, T:1N, R:9E	TALLAHALA CREEK		238601	269813	278,368	37072	Oil	1.13
<b>Austral</b>	<b>Federal Land (14) 019027</b>	<b>1</b>	<b>Smith</b>	<b>14 T4N R9E</b>	<b>Bienville Forest</b>		<b>379692</b>	<b>179251</b>	<b>442,974</b>	<b>213220</b>	<b>Oil</b>	<b>0.47</b>
HILCORP ENERGY COMPANY	W H DUCKSWORTH ET AL UNIT	1	SMITH	S:4, T:1N, R:9E	Tallahala Creek	16212	423801	344734	494,435	2235067	Oil	0.81
HILCORP ENERGY CO INC	LANE	1	SMITH	S:5, T:1N, R:9E	TALLAHALA CREEK EAST	16871	746135	371091	870,491	1110472	Oil	0.50
HILCORP ENERGY CO	W H DUCKWORTH ETAL	2	SMITH	S:4, T:1N, R:9E	TALLAHALA CREEK EAST	16984	811363	684415	946,590	1732449	Oil	0.84
HILCORP ENERGY CO INC	E M LANE	1	SMITH	S:5, T:1N, R:9E	TALLAHALA CREEK EAST	16757	902383	714517	1,052,780	1613200	Oil	0.79
AMERADA HESS CORP.	MCMULLAN-HANCOK 4-3	1	SMITH	S:4, T:1N, R:9E	TALLAHALA CREEK EAST	17133	940734	897195	1,097,523	1437863	Oil	0.95
SHELL WESTERN E & P INC	O C JAMES UNIT	2-A	SMITH	S:8, T:1N, R:9E	Tallahala Creek	15950	976714	1368980	1,139,500	426177	Oil	1.40
HILCORP ENERGY CO	E. M. LANE ET AL UNIT	4	SMITH	S:5, T:1N, R:9E	Tallahala Creek	17397	1423772	2989620	1,661,067	3466102	Oil	2.10
HILCORP ENERGY COMPANY	MSOPUEFR 4-12 (DUCKSWORTH ETAL	1	SMITH	S:4, T:1N, R:9E	Tallahala Creek	15971	1922676	2247842	2,243,122	5270698	Oil	1.17
				<b>closest</b>	<b>Prospect in 14, 4n9e</b>							<b>1.06</b>

The productive fields have wells that can make up to 2 million barrels of oil indicating a terrific petroleum system with abundant source to fill structures and a great reservoir that produce oil in great quantities and rates.





## Smackover Structure Map (Time)



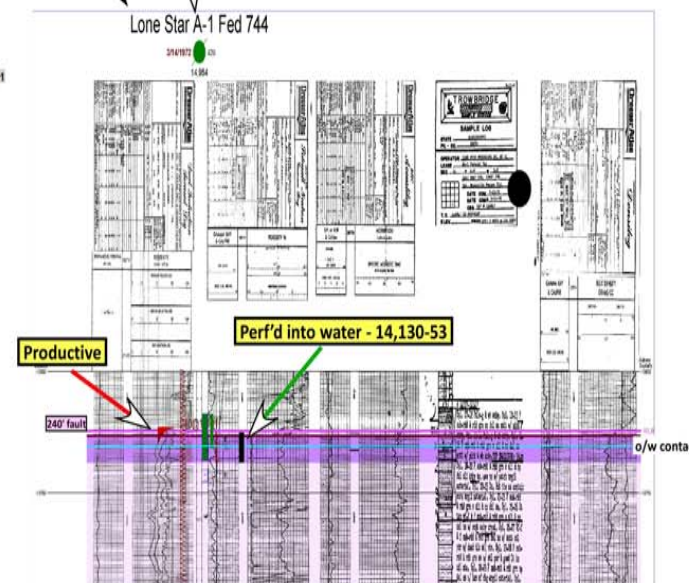
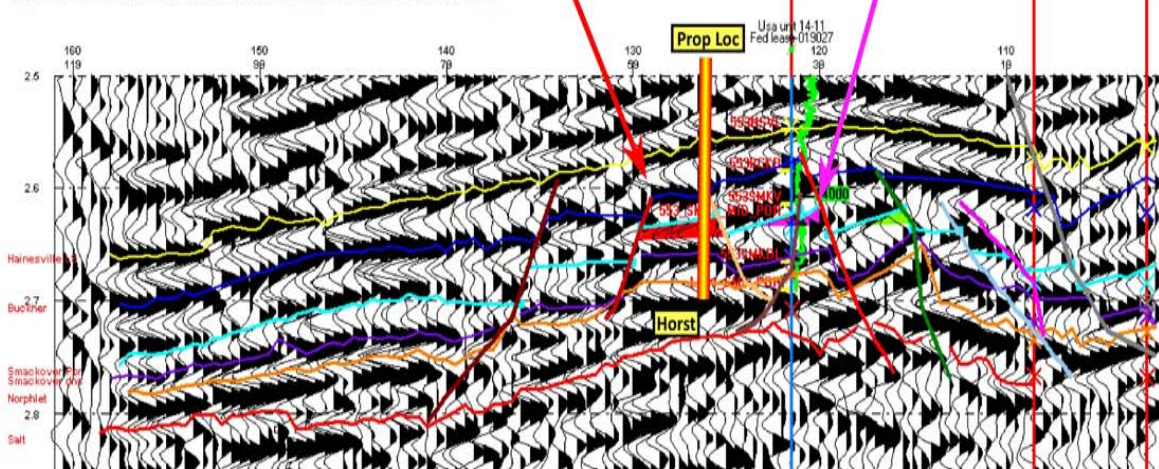
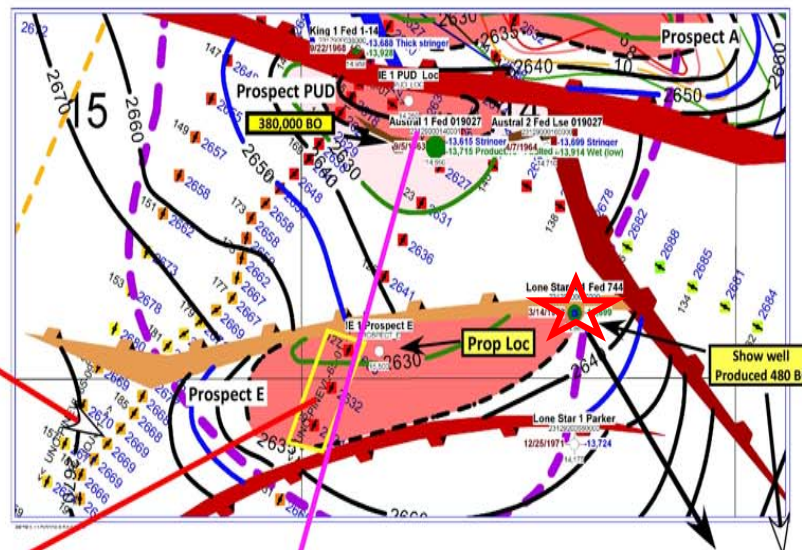
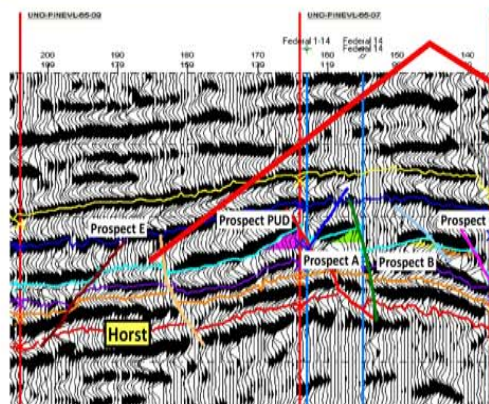
Structure map on top of the Smackover Formation. Note all prospects are located along the spine of the salt mass. **Prop Loc 1** on **Prospect E** is positioned updip from Lone Star A-1 Fed 744 well that produced 480 bbls of oil before going to water. **Logs indicate they perf'd both oil and water.**





## Marathon Lake Salt Ridge Prospect E

82 acres - 942 MBO Potential



**Prospect E.** Fault block already proven productive with Lone Star A-1 Federal 744 well that produced 480 barrels of oil. The well was clearly perf'd across the oil/water contact. The well immediately started to produce water.





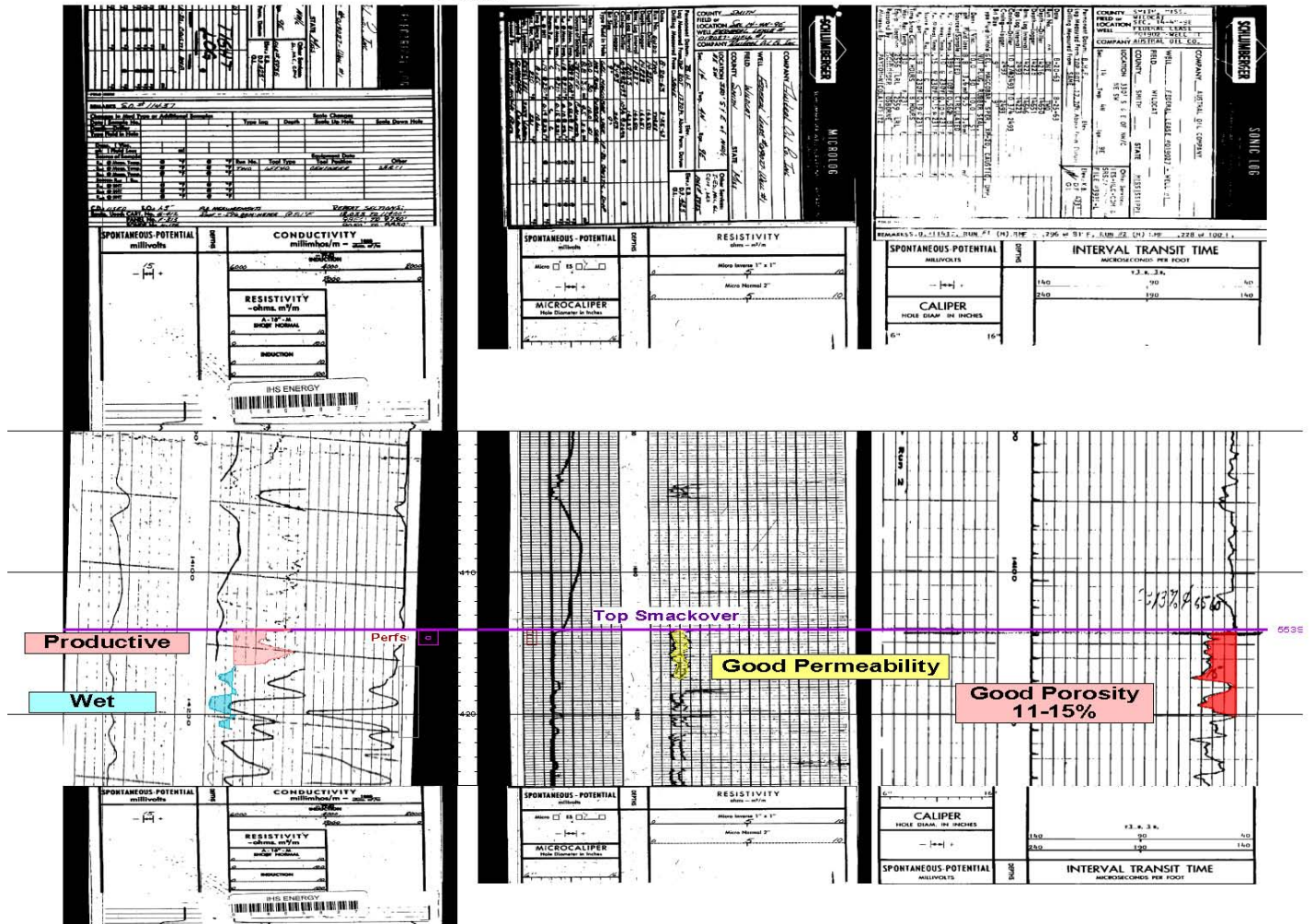
# Austral 1 Federal Well Log

Produced 380 MBO + 180 MMCF

Austral 1 Fed 019027

425

14,650



Smackover has very good porosity and permeability. Approximately 25 feet of pay. Only the top of the Smackover was perf'd.





## Detailed Production Report

12300105706340A01

County, State: SMITH, MISSISSIPPI

Lease: FEDERAL LAND LEASE 019027 Well Number: 1

Operator: COASTAL MINERALS INC (006917)

Status: INACTIVE

Prod ID: 12300105706340A01

Production Thru Date:

## Header Block

Data Source:	PI	Completion Date:	
Lease Name:	FEDERAL LAND LEASE 019027	Total Depth:	
Operator:	COASTAL MINERALS INCORPORATED	Upper Perforation:	
State:	MISSISSIPPI	Lower Perforation:	
County:	SMITH	Oil Gravity:	
Primary API:	23129000140001	Gas Gravity:	
Regulatory:		Last Production Date:	
First Production Date:	Sep 01, 1963	Temp Gradient:	
Field:	BIENVILLE FOREST	N Factor:	
Reservoir Name:	SMACKOVER OIL	Prod Zone Code:	553SMKV
Prod Zone:	SMACKOVER	GOR:	
Basin Name:	MID-GULF COAST BASIN (210)	Primary Product:	CRUDE OIL
Gas Gatherer:		Status:	INACTIVE
Liquid Gatherer:		Data Source:	PI
Location:	14 4N 9E NW NE SW	Lat/Long Source:	IH
Latitude/Longitude	+32.18575 -89.35009		
Cum Data Source:	PI	Cum Inj Liq:	
Cum Oil:	379,692 BBL	Cum Inj Gas:	
Cum Gas:	179,251 MCF	Cum Inj Water:	
Cum Water:	213,220 BBL		

## Annual Production

Data Source:	PI		
(45 years)	Oil BBLs	Gas MCF	Water BBLs
TOTALS	-----	-----	-----
	379,692	179,251	213,220

## Monthly Production

Data Source: PI



281-465-0623 Office

281-465-0301 fax

**INTEGRATIVE OPERATING CORPORATION**1824 Sawdust Rd. Bldg 2A  
The Woodlands, Texas 77385**AUTHORITY FOR EXPENDITURE - COST ESTIMATE**

**COMPANY** Integrative Energy **LEASE** Marathon Lake Prospect  
**AFE DESCRIPTION** Marathon Lake Smackover **FIELD** Smackover Test  
**LOCATION** **DEPTH** 14,500'  
**COUNTY** Smith **STATE** Mississippi

IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATES ONLY, AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN HEREIN SET OUT.

CODE	DRILLING - INTANGIBLE COSTS	DRY HOLE COSTS	COMPLETION COSTS	TOTAL
	Roads, Location, Survey, Damages & Clean-Up	200,000	30,000	230,000
	Environmental and Govt Regulatory Compliance	100,000		100,000
	Contractor's MIR, RD, MO	175,000		175,000
	Contractor's day work - \$15,000/day 15000 30	450,000	60,000	510,000
	Completion, Workover & Swabbing Units		28,000	28,000
	Cement & Cementing Services (P & A if necc.)	35,000	52,000	87,000
	Non-Salvageable Equipment, Float, Shoe, Centralizers	7,500	5,000	12,500
	Mudlogging	20,000		20,000
	Electric Logging (Open Hole)	40,000		40,000
	Coring, Wireline RFT	25,000		25,000
	Mud/Completion fluids	80,000	15,000	95,000
	Rentals	100,000	15,000	115,000
	Transportation	10,000	10,000	20,000
	State Bond	60,000		60,000
	Contract Labor	10,000	35,000	45,000
	Bits	65,000		65,000
	Stimulation/Acid Wash		25,000	25,000
	Water & Fuel	120,000	15,000	135,000
	Casing Crews, Tongs & Handling Tools	12,000	25,000	37,000
	Perforating, Radioactive Logging (Cased Hole)		30,000	30,000
	Supervision	45,000	25,000	70,000
	Operating Overhead	30,000	8,000	38,000
	Contingencies 15 % 0.15	237,675	56,700	294,375
	Insurance	90,000	500	90,500
	<b>TOTAL DRILLING - INTANGIBLE COSTS</b>	<b>1,912,175</b>	<b>435,200</b>	<b>2,347,375</b>
	<b>DRILLING WELL EQUIPMENT</b>			
	Conductor 80' of 20"	11,000		11,000
	Surface Casing 9 5/8" 40# J-55 3600' @\$22/ft	79,200		79,200
	Production Casing 5 1/2" 20# P-110 14,600' @18.50/ft		270,100	270,100
	Tubing 2 7/8" 6.5# L-80 CS Hydril 14,500' @\$12.50/ft		181,250	181,250
	Packer and completions tools		15,000	15,000
	Christmas Tree & Wellhead Equipment	5,000	60,000	65,000
	<b>TOTAL DRILLING - WELL EQUIPMENT</b>	<b>95,200</b>	<b>526,350</b>	<b>621,550</b>
	<b>TOTAL DRILLING COSTS</b>			<b>2,968,925</b>
	Tank Battery and fittings		100,000	100,000
	Dehydrator/sales equipment		45,000	45,000
	Surface Safety Shutdown Equipment		50,000	50,000
	Separators, Heater treater, check meter and Run		45,000	45,000
	Permanent Improvements, Gates, Roads, Fences, etc.		25,000	25,000
	Lease Equipment, Installation Costs		30,000	30,000
	<b>TOTAL LEASE EQUIPMENT</b>		<b>295,000</b>	<b>295,000</b>
	<b>TOTAL DIRECT COST IF DRY HOLE</b>	<b>2,007,375</b>		
	<b>ADDITIONAL COST FOR COMPLETION</b>		<b>1,256,550</b>	
	<b>TOTAL DIRECT COST FOR COMPLETED WELL</b>			<b>3,263,925</b>

Prepared by Paul Mueller Date 2.17.2010 AFE No. MS-1

Company/Individual Working Interest

Share of Estimated Costs: Drilling Cost \$ \$0.00

Approved by Date