

## Mammoth Special Alert

To all members of *Horizon* and *Destiny*, as well as other friends of Mammoth:

On January 19, 2009 we reached T.D. (Total Depth) on our first drill (LB 14) for the *Destiny* Partnership. While striking the Corniferous and Devonian Formations, over 170 feet of pipe was perforated in anticipation of our nitrogen frac. Over 3,000,000 cubic feet of nitrogen was injected during Stage 1. Stage 2 covered another section of the large Devonian Formation. Schlumberger injected another 3,000,000 cubic feet of nitrogen.

A recent 24-hour open flow test showed an IP of 674 Mcf of natural gas. Please note that this was not a 12 or 18-hour test in which numbers were extrapolated to produce a 24-hour flow rate number. This was a pure 24-hour flow test. These types of flow tests usually have lower production numbers due to the pressure loss. However, they are far more accurate.

On February 10, 2009 we reached T.D. striking both a small Corniferous and Devonian Formation (LB 12). Again, a two-stage frac was necessary due to the size of the Devonian Formation. Between both stages of the nitrogen frac, a total of 171 perforations were used with similar amounts of nitrogen used as in LB 14.

We also conducted a full 24-hour open-flow test on this second well, resulting in an IP of 424 Mcf.

On March 2, 2009 our drill crews began drilling the third *Destiny* drill (LB 10). Again, we encountered a number of troublesome issues, including water down hole. Nine days later (3-11-09) our drillers alerted us that the drill bit was stuck in the hole. Our crews began working diligently to both fish out the drill string and bit as well as squeeze back our water discovery. A plug has been placed at the bottom of the packer in order to prevent water from seeping behind the pipe.

We are continuing our plan of action to identify how and where the water is entering the borehole. Our crews are currently working to solve this problem. Once the water is squeezed out of the hole, our crew can resume full drilling schedule.

### Other bits and pieces:

- On March 11, 2009 our custom-made compressor was delivered to the Browning Mountain. Certified welders and engineers are currently installing and testing the compressor as well as joining the production lines, which will ultimately run to our main gas tap and transportation lines.
- After several delays due to rain and mud, our excavation company has been rescheduled to arrive tomorrow (3-24) to bore beneath the highway in order to reach our gas tap on the other side of Highway 25. This bore is expected to take one to two weeks.



### What does all this mean?

1. We have struck some outstanding collections of natural gas in these wells.
2. Even our most conservative testing procedures are exhibiting extremely strong daily production numbers, quite possibly the largest strikes of gas pressure in our corporate history. While we are very pleased with our results from the eight drills on *Horizon*, on the other side of the mountain, our unfounded concerns that this side (*Destiny*) of the mountain might have less pressure and production have now clearly been dismissed. It is important to note, however, that IPs are not nearly the same as continuous production numbers. None of these wells will be produced at their open flow rates, but will be produced as each individually requires to balance the field pressure and maintain the balance of pressure to production.

As an example, some wells on the Evans Lease IPed between 250 and 350 Psi. The field average is currently 43 Mcf/d with individual wells varying between 15 and 75 Mcf/d. However, to be fair, please note that none of our Evans Lease gas wells exhibited either the size of the Devonian Formations on the Browning lease or the tremendous 24-hour flow tests and sustained gas pressures. It is our current hope that the balancing and optimization of the *Horizon* and *Destiny* drills will be at a much higher level than what we have seen from previous properties.

3. Each of these wells have been terrifically challenging to drill, frac and test. We have drilled 2 ½ wells during a timeframe that should have drilled at least four wells. Remember one well took 22 days to reach T.D.. It appears as though our third well might actually take longer than well #12.

Yet despite these challenges and difficulties, our tenacity at staying with our drill locations and overcoming adversity has proven extremely valuable for our Partnership. It is almost as if the longer our drills take, the more production we receive back. Much like Pavlovian dogs, we have come to view trouble down hole as an indicator future benefits.

4. Because of the size of these Devonian Shale Formations (the largest being 360+ feet thick), we believe that even a two-stage perforation and stimulation procedure will not nearly be enough to frac the entire down hole productive formation. The good news for the Partnership is that they may choose in the future, when we believe gas prices will increase and stimulation techniques improve, to frac additional zones of energy. In the energy business, we call this phenomena wells that “have legs”; meaning that there is a longer life expectancy and new ways to re-boost and renew down hole pressure via additional stimulations that have not been reached through previous fracing attempts.

Overall, despite our problems and much slower than normal drill timeframes, we could not be more pleased with the incredible strikes of natural gas that we have encountered to date. We are





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getting very excited about the final leg of our pipeline, which is to be bored beneath Highway 25 and into our tap, becoming complete. The prospect of opening up the amazing wells on *Horizon* and *Destiny* drills has us waiting with great anticipation.

I hope this gives you a clearer understanding regarding the success we have had. I hope that if any of you are planning to travel a bit this spring or summer and could circumvent your trip to visit southeastern Kentucky, I think you will be very impressed to see the many millions of dollars that have been poured into this mountain of natural gas, while witnessing your wells in production.

If you have any questions about this work that we have done on your behalf, please do not hesitate to contact our offices.

IT TAKES *ENERGY* TO MAKE *ENERGY*<sup>SM</sup>

