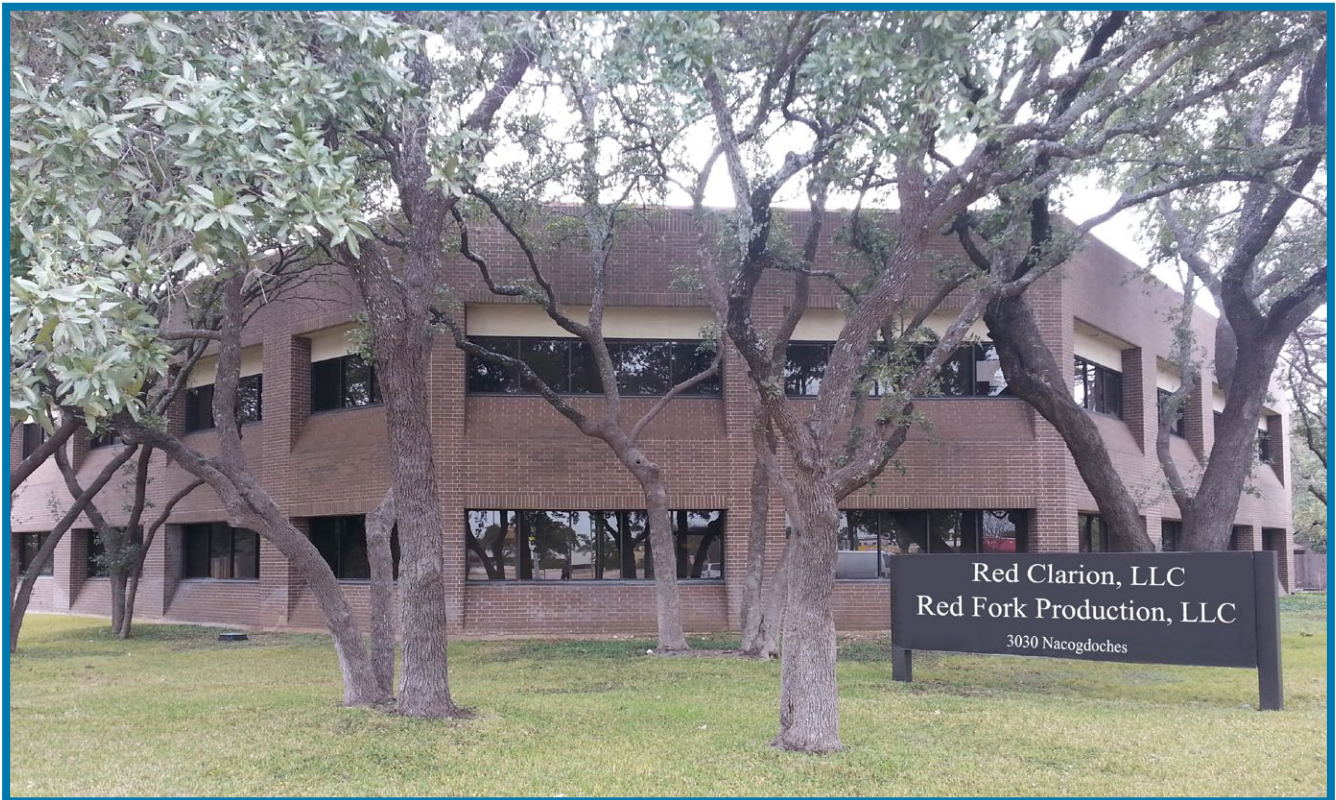


RED CLARION, LLC
(Joint Venture Manager)
&
RED FORK PRODUCTION, LLC
(Project Operator)

San Antonio Office



3030 Nacogdoches RD. STE. 221 | San Antonio, TX. 78217 | (877) 817-9300



BBB ACCREDITED BUSINESS SINCE 9/22/2006

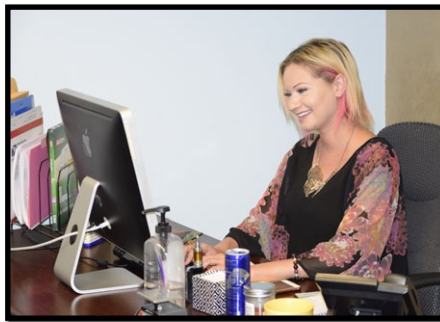
Thank You!

Thank you for allowing us to send you our Company Book. Because you are a successful individual, your time is valuable, and we are humbled that you would take a look at our Company. As our Representative said, we are not out to sell you anything; we, like you, are proud of what we have accomplished and we are honored that you would allow us to share with you.

No one knows better than you that it is more than brick and mortar that makes a company successful. For it to be a success, a company must have certain ingredients, including, but not limited to, the right personnel, vision, experience, expertise, focus, dedication, and direction – these are a few of the components required (in just the right measure) to succeed.

I would like to share with you some Reference Letters, but before we go there, I ask your kind indulgence with a general word about me, not for ego sake but because you need to know a little something about the person who is the subject of the following letters.

My name is William “Bill” Bolch. I am a divorced father with 5 sons and 3 daughters. I also have a foster son and a foster daughter. I love all of them equally. My proudest achievement is that 4 of my sons and 3 of my daughters work with me in the trenches and are intimately involved in the day-to-day running of the Company. The other employees in our San Antonio office are all equal and I consider every co-worker to be family. We are, in every sense of the word, a family business, and it is my ultimate dream that one day the children and grandchildren of those who work here now will hold the reins as they take the Company into the future.



Rachel Bolch - Office Manager

Partner Relations



Kevin Layne



Jake Cadena



Micah Bolch



June 1, 2016
PIONEER BANK
(Formerly: FIRST COMMUNITY BANK)
970 E Basse Rd
San Antonio, Texas 78209

Re: Bill Bolch / Banking Reference Letter

For ten years, since 2005, in my capacity as Vice President of Pioneer Bank, I have had a working relationship with Bill Bolch, Sole Manager of Red Clarion, LLC and Red Fork Production, LLC. In fact, I have been his banker from the beginning of his companies' formation until now. In that time, I have come to know him well and I can attest to the fact that he is a compassionate, honest, hard-working, hands-on oil and gas professional. His companies (and Joint Ventures) are well run, efficient, financially stable entities and his operating, business and personal accounts have always been strongly positive.

It has truly been a pleasure to see such a conservative, modest business person become successful despite the volatility of oil prices and the occasional turbulences within the oil industry. In the time that I have worked with Mr. Bolch and his family-oriented companies keep getting stronger, quarter over quarter. It is a pleasure working with Mr. Bolch and his family and employees.

Best Regards,

A handwritten signature in blue ink that reads "Cecilia Serratos". The signature is fluid and cursive, with a large initial "C" and a long, sweeping underline.

Cecilia Serratos, Vice President
Pioneer Bank (Formerly First Community Bank)
(210) 826-7842



HILL & FORD P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Making the Financial Chaos Clear

August 24, 2015

Hill & Ford, P.C.
8620 N. New Braunfels, Suite 300
San Antonio, TX 78217

Re: Bill Bolch/Reference Letter

Since 2009, I have had a working relationship with Bill Bolch, Sole Manager of Red Clarion, LLC and Red Fork Production, LLC. During this time, I have assisted him in preparing the tax returns for this companies and joint ventures. Over the last six years, I have come to know him and his family. Bill is an honest, hard-working, caring individual.

Despite the volatility and turbulences within the oil & gas industry, Mr. Bolch has strived to maintain a solid business model by streamlining his business when needed. He is forward thinking and dedicated to his investors, employees, business associates, and family. I have enjoyed working with a kind, thoughtful, considerate business man.

Sincerely,

Jennifer E. Edwards, CPA/CFF, CVA
Hill & Ford, P.C.





LANGLEY & BANACK

INCORPORATED

Attorneys and Counselors at Law

PETER L. KILPATRICK

BOARD CERTIFIED - CIVIL TRIAL LAW
TEXAS BOARD OF LEGAL SPECIALIZATION

E-MAIL: pkilpatrick@langleybanack.com

August 27, 2015

To Whom It May Concern:

For over 15 years, as an attorney I have had the privilege of working with Bill Bolch in connection with his role for various companies he owns or controls. The legal work has been in connection with various business opportunities and legal issues attendant to being in the oil and gas exploration and related businesses. In the last approximately 10 years, I have principally worked with Mr. Bolch and his staff in his role as the owner or manager for Red Clarion, LLC and Red Fork Production, LLC.

More importantly, over that same amount of time I have developed a relationship with Bill that transcends that of the attorney-client relationship with his companies. He is a friend. I have met his children, who inspire him daily. He has met my wife. I have played with his grandson. We have "broken bread" many times. I know him as an honest hard-working business and family man who has shown remarkable stability given the nature of the business he is in. I am privileged to act as counsel to his companies, and am honored to call him a friend.

Sincerely,

Peter L. Kilpatrick



Sarah Campbell
Ministry Assistant
44900 Hardesty Road
Shawnee, Oklahoma 74801
405 273-7508
rockcreekbaptist@hotmail.com

June 1, 2016

Whom It May Concern,

Rock Creek Baptist Church in Shawnee, Oklahoma has records as far back as 2007 showing checks received from Bill Bolch and his oil and gas company.

We have not had any difficulties with any transactions concerning him or his company. We wish him well in any new endeavors.

Sincerely,

Sarah Campbell
Ministry Assistant, Rock Creek Baptist Church

September 2, 2015

Melvin Janak
8350 FM 340
Moulton, Texas 77975
Mineral Owner

Red Fork Production
San Antonio, Texas
Bill Bolch
Manager – Owner

Reference Letter

I first met Bill Bolch in 2004 when his company leased our property for oil and gas interests in Hallettsville, Texas (Lavaca County). My conversations and dealings with Bill were always very professional as we updated the lease agreement on an annual basis. I also met several of his employees and family members over the last ten years that were trust-worthy conversations regarding any issues.

As a mineral owner, we had several working projects on the oil and gas lease throughout the years and found Bill to be very honest and reliable in our dealings. I always knew where Bill stood on various working issues as we progressed forward.

I consider Bill not only to be a great working partner but a very true friend. It was my pleasure to be involved with any project that involved Bill and myself.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Melvin Janak', with a stylized flourish at the end.

Melvin Janak



September 1, 2015

Goldstein Properties
3030 Nacogdoches
San Antonio, Texas 78217

Re: Bill Bolch / Reference Letter

Bill Bolch and his businesses, Red Clarion, LLC and Red Fork Production LLC, were tenants in the building when I bought it in May of 2007. Since then I have been lucky to have such great tenants. My relationship with Bill, his family, and his employees has always been warm and professional. I have even had the pleasure of attending his daughters wedding many years ago. I consider Bill a good friend as well as a great tenant.

I am looking forward to a continuing relationship with Bill and his businesses.

Sincerely,

Handwritten signature of Michael R Goldstein in black ink.

Michael R Goldstein

INDUSTRY PARTNERS

Red Fork Production is the Operator (in the driver's seat) on projects in Oklahoma with many larger companies. These Companies have elected to financially participate in our programs, but to relinquish any and all operational control. Even though we are a small company, our reputation is such that they trust us to ethically and operationally control every aspect of the project.

The following companies have elected to participate in Red Clarion projects as passive Working Interest Partners:



These larger, well-known companies have enough faith in our abilities that they have elected to financially participate in projects that we have discovered and developed. Most have held minority, passive investment positions with us for many years. We report monthly production data, including oil and gas sales, minus expenses (taxes, overhead and maintenance costs), using the same quarterly reporting systems we use with all our Working Interest Partners.

We do not generate projects with the intent to sell to industry or farm out to third party companies; we operate all projects, from start to finish. If a larger company elects to participate in any of our programs, they do so and their risk/reward is equal to every other W/I Partner; no more, no less.



We have a resource for our Partners that is unique to our industry. Our partners can log on to our webpage (redforkproduction.com), click the password protected "Log In" tab, enter the password, and there find a complete detailed Operations Log for every well and project we have been involved with from 2005 till present. This site is here for our Working Interest Partners, large or small, Industry or Private.

William A. (Bill) Bolch

Resume

Education: B.A. from University of North Texas, Denton, Texas 1976

General Background

38 plus years Oil and Gas hands-on experience, specializing in Onshore and Offshore drilling, completion and production. I have worked in a variety of field operations, including Desert, Delta, Swamp, Savannah, River and Jungle operations, both Domestic and International. I have participated in oil and gas projects in Texas, Louisiana, Oklahoma, Abu Dhabi, Venezuela, Guyana, Mexico, Peru, Brazil, Trinidad and Tobago. However, in 2004 I decided to focus solely on domestic projects.

Work History

RED CLARION, LLC.

2005 – Present

Sole Manager

Founded this Project Management/Turn-Around Company and entered into Management Agreements with troubled companies to salvage mismanaged or technically challenged Joint Venture projects. We routinely retired liabilities and resurrected wasted assets and returned companies to viability. Red Clarion evolved into World Class Project Manager who plans, designs, engineers and executes in-house oil and gas Projects.

RED FORK PRODUCTION, LLC

2004 – Present

Sole Manager

Acquired this distressed company in 2004 and transformed it into a respected, fully insured, bonded and licensed Operating Company whose sole client is Red Clarion, LLC. Once Red Clarion selects a Project, Red Fork is responsible for bringing it into fruition. There is no middle-man; Red Fork exercises 100% operational control, from geology / leasing / drilling / construction of production facilities / to ultimate oil and gas production and distribution. Some of our Projects admit minority Working Interest or Overriding Royalty Industry Partners, including BP, Amoco, Chesapeake Oil and Gas, Sandstone Energy, Sunray (SUNOCO), Vastar Resources and Williams Production Company. Red Fork maintains 100% operational control even on projects that involve the Industry Partners mentioned above.

INDEPENDENT CONSULTANT

2002 – 2004

Consultant

In this capacity, I acted as an advisor and/or expeditor on several domestic and international projects, including restoration work of marginal oil wells in Peru for Petrolero Monterrico and in West Texas for various Investor groups.

AMERIQUEST GROUP, INC.

1998 – 2002

President - Owner

Founded this international consulting company to facilitate American and Canadian companies' access to markets in Mexico. I procured contracts, established operations, navigated the complex legal, labor, employment, importation and permitting Mexican and NAFTA requirements. Clients included Precision Drilling, Northland Energy, Cudd Pressure Services, International Tank Systems, TESCO and the Beard Companies. I also interacted with and/or acted on behalf of the Mexican entities of Halliburton de Mexico, S.A. de C.V, Schlumberger de Mexico, S.A. de C.V, BJ Services de Mexico, S.A. de C.V, as well as the Mexican contractors, Protexta, S.A. de C.V. and Clisa, S.A. de C.V.

TETRA TECHNOLOGIES, INC.**1996 – 1998****USA Country Manager**

I sold the assets of my wholly owned company, Production Test, Inc. (PTI) to Tetra Technologies, Inc. (NYSE: TTI) and stayed on with them for two years to develop, manage and direct additional revenue streams in the areas of Production Testing, Pressure Testing, Wireline and Slickline Services, as well as Reservoir Limits Testing and Gas, Oil and Water Laboratory Analysis. Tetra, prior to this acquisition, was primarily an oilfield chemical company, so under my direction they were able to enter markets and establish a foothold in markets previously inaccessible to them. Utilizing my contacts and expertise, we opened, staffed and operated new Tetra offices in South Texas, Reynosa, Mexico and in Maturin, Venezuela.

PRODUCTION TEST DE MEXICO, S.A. de C.V. 1992–1996**President/Owner**

I formed this Mexican corporation, and introduced proprietary technology into Northern Mexico for PEMEX, the Mexican National Oil Company. In 1993, after conducting 20 seminars on the viability of reentry into “depleted wells” utilizing horizontal drilling and multiple stage stimulation techniques, Grupo Burgos, the Research and Development arm of PEMEX, agreed to grant us a contract to “test” our theory. We chose a well in the Arcos Field, which was a field that PEMEX abandoned some 20 years prior, for our subject well. The Arcos # 10, which was located across from the Bob West Field in the Falcon Dam area of Zapata County, Texas, was the well we reentered, recompleted, stimulated and tested. The Absolute Open Flow was 111 MMCF/D. Within six months, Pemex had moved 7 drilling rigs into the Arcos field, and using the technology that we introduced, they re-developed this “depleted” field, which became Mexico’s second largest inland natural gas discovery/reserve to that date.

PRODUCTION TEST, INC.**1990 – 1996****President/Owner**

I founded this Oilfield Service Company in Laredo, Texas. The Company provided specialized well test and production services to a majority of the independent and major Oil and Gas Operators in South Texas. PTI had exclusive alliances with Conoco, Enron and Mobil, and performed vital services to virtually every other natural gas Operator in the South Texas area. When we entered this very competitive, specialized market, our competitors included Halliburton Reservoir Services, Schlumberger Well Testing, and Fesco Petroleum Engineers, but we managed to survive and thrive against them all. We went from three to over seventy U.S. employees in three years. We also spun off and opened an office in Reynosa, Mexico and grew this subsidiary to over 90 Mexican employees. In addition to our internal growth, we also expanded through external acquisitions. We acquired the assets and wireline equipment of WIRELINE SPECIALTY, INC out of Jennings, Louisiana in 1992 and in 1993 we acquired the assets and production testing and flowback equipment of SOUTH TEXAS FLOWBACK out of Zapata, Texas. We opened an office in Kingsville, Texas in 1994 and another in McAllen, Texas in 1995.

HALLIBURTON RESERVOIR SERVICES 1990 - 1990**Sales & Service**

Halliburton created a new well test and reservoir analysis division and opened an office in Laredo, Texas. They hired me to get them off the ground. I worked there until 1990, when I opened my well test and reservoir analysis company, Production Test, Inc.

FESCO PETROLEUM ENGINEERS**1986 – 1988****Sales & Service**

I returned to Fesco from international service when the international oil and gas market took a downturn. I continued my experience and education in well testing and wireline and bottom hole pressure work.

BAKER PRODUCTION SERVICES**1980 – 1986****SOS Trouble Shooter**

At Baker, I worked in the Middle East in Abu Dhabi, both in the Buhasa Desert and offshore Persian Gulf, and in South America, where I supervised operations in Venezuela, Brazil, Peru, Trinidad and Tobago. I supervised and/or managed and developed on- and offshore testing programs for major projects and was contracted out to Lagoven, Corpoven, Menaven, Petrobras, Petro-Peru, Superior Oil Company and Texaco. I also was relief County Manager for Baker Production Services in Venezuela.

FESCO PETROLEUM ENGINEERS**1978 – 1980****Sr. Operator**

I started my education flowing and testing live wells in South Texas. The initial experience I got here prepared me for wells around the world. The flow regiments I routinely dealt with consisted of wells making extreme amounts of solids, with surface flowing pressures in excess of 8,000 PSI and rates of up to 10 to 20 MMCF/D. Some of the wells I flowed back set world records, including Mobil Oil’s Zachary # 6, which set the record when Dowell Schumberger pumped 6.3 Million Pounds of sand into the formation.

THE RED FORK TEAM

The oilfield is a strangely small world and as years pass, the smaller it becomes. I have had the good fortune over the last nearly four decades of meeting and becoming life-long friends with some of the Titans of the Oil Industry. These men are not only some of the most technologically advanced individuals in their discipline, but they are close, close friends who have become family. We have attended funerals and weddings together, prayed for each other and each other's family, as we pass in and out of family tragedies; we have been through and fought off cancers, diseases, infections – we have celebrated and suffered together. So the credentials of the individuals listed below do not begin to highlight their qualifications, nor do these words capture their true essence.



Kim Drew, *Consulting Geologist*



Mr. Drew is a 1980 graduate with a Bachelor of Science degree in Geology from Illinois State University. For the past quarter plus century, Mr. Drew has specialized in finding commercial quantities of Oklahoma oil and gas deposits. He is an acknowledged oil finder whose specialty is his legendary ability to find “deeply buried hills” that famously “trap” oil and gas deposits. We are fortunate to have Mr. Drew as our Field Geologist.

Robert Dunbar, *Geological Engineer / Geophysicist*



Mr. Dunbar, a 1956 Geological Engineering graduate from Louisiana Tech University, has over a half century of experience as a petroleum engineer and geophysicist. Mr. Dunbar left the corporate world (Amoco and Diamond Shamrock) to co-develop Radiometric Plus (a proven hydrocarbon location and verification system) with his partner and life-long friend, Donald Metcalfe. His expertise and experience, along with his proprietary technology, RadioMetric Plus, increases the find ratio in our operations and it is a primary verification tool that we vet all our projects through.

Donald Metcalfe, *Petroleum Engineer*



Mr. Metcalfe is a graduate of Louisiana Tech University with a degree in Geological Engineering. With over 50 years' experience as a petroleum geologist and geophysicist, Mr. Metcalfe is able to contribute to both our technological interpretations and increase our success ratio by providing expert analysis of both the RadioMetric Plus data and the Electromagnetic Resonance data (Depth Tool).

R. K. Warren, *Geophysicist*

Mr. Warren is a graduate of Washington University with a BS degree in Engineering and an MS degree in Geophysics, with special expertise in electrical methods applied to hard minerals and hydrocarbon exploration. Mr. Warren is the owner of Warren Geophysical Service and the inventor of our “Depth Tool.” He retired from Exxon after twenty-five years, the last twelve of which were with Exxon Production Research Co. Mr. Warren’s work at Exxon involved the research of passive and active electrical methods used in hydrocarbon exploration. He also headed a group of geophysicists in the search for various hard rock minerals both domestically and internationally. Mr. Warren is the author of several patents and has published in peer review journals in the United States and Europe. In our projects, Roy’s ElectroMagnetic Resonance technology, when used in conjunction with the RadioMetric Plus data, is an indispensable verification tool and can pinpoint the depth and thickness of the hydrocarbon concentration “payzones.” It is good down to 17,000’. Roy is an irreplaceable asset and a wonderful human being.

Cecil Gritz, *Consulting Petroleum & Geophysical Engineer*

Mr. Gritz is a 1966 Petroleum Engineering graduate from Colorado School of Mines. Mr. Gritz performs an important role in our exploration efforts, specifically in the verification process, because he has the “last look” at our proposed projects. He examines the assumptions and conclusions of our other geo-scientists, and provides a final assessment of viability / non-viability.

Allow me a slight digression. When I say the oilfield is a small world, I mean that literally. I could cite many examples, but I’ll highlight one, with your indulgence. In 1982, while working at Baker Production Services (South America Division), I was tasked with going down to Peru, where I was to lead a 10 man crew to perform a Production Test on a super-secret well (the Chapuli # 1) Superior Oil Company was drilling. I lived in Laredo at the time, so I flew to Houston, gathered my crew, flew to Miami, then to Lima, Peru. From there, we took a domestic flight to Iquitos (an island in the Amazon River). From Iquitos, we flew for two hours up the Amazon River by Pontoon Plane to Camp Moreno, which was the support base for the Jungle operation.



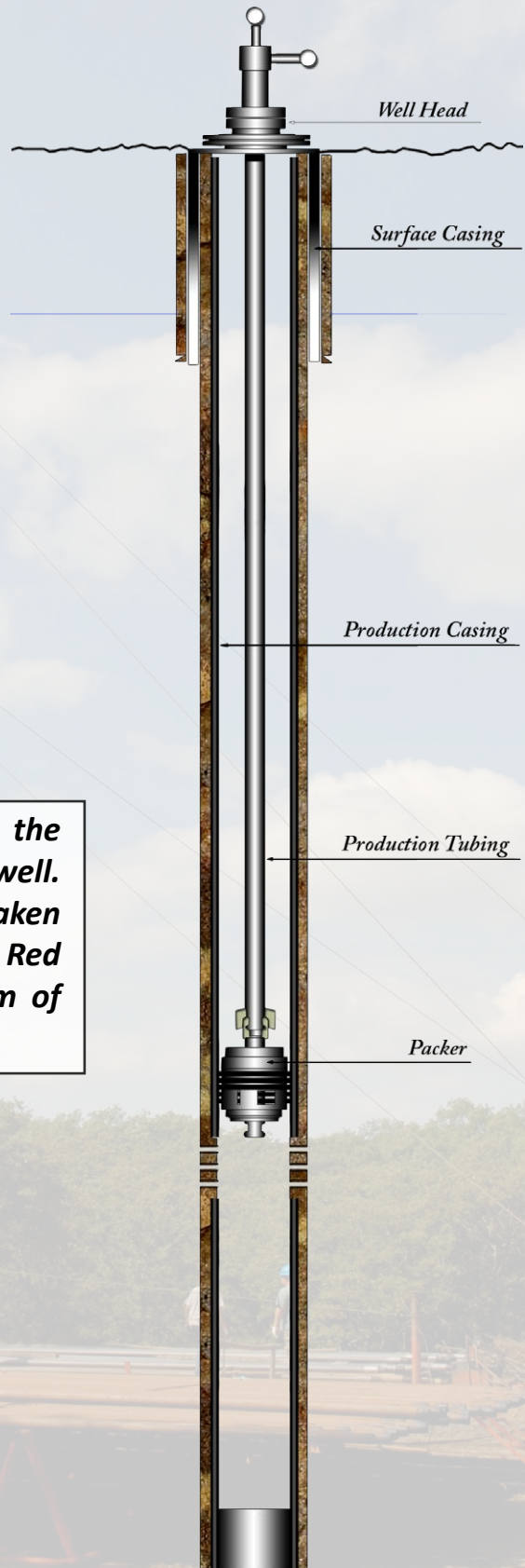
We transferred to helicopter and flew for an hour and a half into the jungle to the well site. When we offloaded from the chopper, I walked up the wooden walkways to the Company Man’s (the Superior Oil Representative, who was in charge of the entire field operation) trailer, knocked on the door, and entered when I heard a gruff, “Come!” After travelling half way round the world, who is sitting in the chair but Damas Rodriguez, A guy I knew years earlier who lived not 60 miles from me in San Diego, Texas.



Drilling An Oil Well

Red Fork Production, LLC

The following presentation is a primer on the steps that go into the drilling of an oil/gas well. All pictures in this expo are photographs taken on various Red Fork Production operations. Red Fork Production, LLC is the operations arm of Red Clarion, LLC.



1 Geological Target: An area of interest is identified. A vetting process is in place to balance the size and scope of the project versus the economic benefits. Once an outcome has been formulated and the target is vetted and verified, the mineral acreage must be acquired. The initial process of identifying, verifying and vetting a project can take months or even years in some cases.

2 Acquisition of Mineral Ownership: This is an area where landmen research title and contact and lease minerals from the Mineral Owners. This is a laborious process that oftentimes involves complicated legal proceedings, but in the end, the minerals are leased by the Operator and the asset development commences.

3 Permitting and Fees: After the minerals are acquired, the Operator must obtain from the appropriate State regulatory agency a Permit to Drill. In Texas, the regulatory agency is the Railroad Commission of Texas (RRC) and in Oklahoma it is the Oklahoma Corporation Commission (OCC). The Application to Drill must list the Operator, the landowner, the legal location of the well, the target formations and depths, the base of the fresh water table, any spacing requirements, total depth of well and the casing configuration.

4 Surface Damage Agreement: There are two estates to consider when drilling a well; the mineral estate and the surface estate. Oftentimes, the mineral and the surface estates are owned by different people. Sometimes this causes a conflict. However, a surface owner cannot deprive the mineral estate owner(s) of his/her asset. A contract has to be executed between the Operator (who has acquired the mineral ownership and who wants to drill a well) and the landowner, who is in some cases not too pleased that a well is going to be drilled on “his/her property”. Ultimately, the surface owner must agree to terms, even if the Operator has to go to Court and ask the Court to settle the terms. But hopefully, The Operator and the surface owner can come to an agreement, which is known as a “Surface Damage Agreement”. There are certain elements in the agreement. The Operator must negotiate a contract with the surface owner that allows the Operator to build a gate, a lease road and a drilling pad and pits to support the Drilling Rig. The Agreement must allow for egress and ingress to the drill site from the nearest public road. It must state that the Surface Owner will receive an agreed upon amount for such infrastructure. The Agreement will state that if the well is deemed commercial, the Operator can build a Production Facility for the processing of hydrocarbon product and any saltwater product, and will pay extra for that. It also makes allowances for any underground electrical or pipeline conduits necessary for operational ability of Production Facility or wells. Finally, if the Surface Estate has a pond or water source, there may be an added monetary contribution to the Surface Owner in exchange for use of water during the Drilling Operations.



Land Owners Sign The Surface Damage Agreement



Route Of Road



Water Rights

5

Survey and Plat: Once the Surface Damage Agreement is executed, the Operator orders a Survey which locates and “stakes” the exact location the Geologist has picked for the well to be drilled. Once obtained, the Certified Survey and Plat, along with a Request for a Drilling Permit is sent to and registered with the State agency that regulates oil and gas activity. Once that agency approves the paperwork, a Drilling Permit is issued and returned to the Operator.



Proposed Well Location

6

Earthwork and/or Civil Engineering: A path from the public road to the wellsite is agreed to by the Surface Owner and the Operator and construction begins. An opening is cut in the Surface Owner’s fence and a gate wide and tall enough for Drilling Rig transport loads is installed. A road is built to the drill site and a pad is built to accommodate the drilling operations. Pits are constructed that will act as holding and mixing tanks for fluids necessary in the drilling process. These issues are all agreed upon by the Surface



Building The Road To The Well

Owner and the Operator. Any irreconcilable disputes are settled by the Court, but the overriding legal principle is that the Surface Owner cannot deprive the Mineral Owner of his/her asset, i.e., access to the Mineral Estate. Red Fork Production is always willing to perform extra duties on behalf of the Surface Owner.



Building Lease Access Fence

7

Mobilization: This is the process of transporting the rig components and related equipment to the location, spotting same, and rigging up. This is when all the components are assembled and the Drilling Rig is erected. We extend extra courtesy to respect the Surface Owner’s property by keeping the big equipment on the lease road and off his pastures.



Mobilizing Rig

8

Drilling Surface Casing: Drilling the surface hole requires a large drill bit, in the case of the Liberty # 6-1, an 8.75” bit in diameter. This initial, shallow hole is drilled with 7” drill pipe, which is smaller in diameter than the drill bit. The surface hole is drilled to a depth at least 50’ below the bottom of the water table. The Surface Casing functions as a fail-safe against contamination and prevents any communication between the drilling operations and the fresh water table. In the case of the Liberty # 6-1, the Surface Casing is 480’ and the “base of treatable water” is 430’; therefore, the Surface Casing extends 50’ deeper than the bottom of the fresh water table.



9 Tripping Pipe: Once the initial hole is drilled to the desired depth, the Drill Pipe (7") and the Drill Bit (8.75") are pulled out of the hole, one joint at a time. At this point the Surface Drill Pipe and Drill Bit are set aside.

10 Setting Surface Casing: Run in hole (RIH) with 7.0" Surface Casing. This is thick walled, large diameter Surface Casing which is lowered into the freshly drilled hole.



7.0" Surface Casing

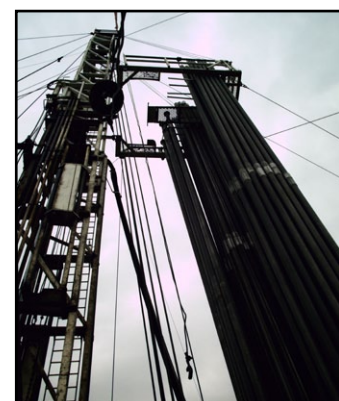
11 Cementing: Once the Surface Casing is in place, cement is pumped down the pipe. The cement U-Tubes around the outside of the pipe and is both on the inside and the outside of the casing. A sample of the cement is kept in a cup on surface and the cement is allowed to dry. The Surface Casing is permanently in place and cannot be removed.

12 Drilling Production String: An 8.75" Drill Bit is attached to a 4.50" Drill String, and a new hole is drilled to a depth that will be determined by the target payzone. The Production Casing will be deeper than the lowest targeted payzone by 30 – 60'.



Offloading 8.75" Drill Bit

13 Tripping pipe: Once the intermediate hole has been drilled, it is time to trip the Drill Pipe out of the hole.



4000' Of 30' Sections (Drill String)

14



Running Dual Induction Log

Running Electric Logs: The Electric Line Unit arrives location. They rig up their instruments, and run in hole. (The gauges are lowered into the wellbore on an Electric Cable). Once the tools are on bottom, the Electric Line Operator begins to pull the instruments slowly out of hole. The readings derived from the Logs are used to determine if the hole should be completed for production or cemented and abandoned. That decision is made at this point. E-Line Company rigs down, leaves location.

15

Setting Production Casing: Assuming that the Operator determines that the well will be completed for Production, the Drilling Rig runs in hole with Production Casing. This, again, depends on the well profile and the depth of the target payzones.

16

Cementing Production Casing: At this point, the Drilling Rig runs in hole with the Production Casing. Cement is pumped down center of the 4.5" pipe and U-Tubes at bottom and comes up the backside of the pipe, filling up the annulus, which is the space between the 4.5" pipe and the 6.25" drilled hole. This procedure causes the Production Casing to be permanently fixed in place. A sample of the wet cement is put on surface and the cement is allowed sufficient time to dry.



Run In Hole 4 1/2" Casing

17

Install Wellhead: A Wellhead is installed at surface for future control of wellbore.



Well Head Assembly (Control Head)

18

Rig Down: Drilling rig is finished with job; tear down rig and related equipment. Rig leaves location.

Pense Brothers Rig #14



Pull Out Of Hole



Lowering Mast



De-Mobilization

19 Prepare Pad: Shrink size of pad to accommodate Production mode. Fill in pits. Clean and level location, repair any ruts. Touch up work on lease road.

20 Perforating: The Electric Line Company arrives location, rig up with gin pole and arm perforating guns. Guns are lowered on Electric Wireline into hole to desired depth. Trigger is pulled at surface; holes are shot through Production Casing causing instant communication with target reservoir and wellbore. At this point, Path-of-Least-Resistance Principle allows reservoir pressures to equalize in wellbore. Pull out of hole with Perforating Guns. Leave location.



Perforating Tool



Electric Wireline Unit With Gen Pole

21



Oil In Pit From Swab Run

Swab Test: Workover Rig arrive location. Rig up for Casing Swab operations. Swab test well. Measure the amount of inflow from reservoir after each swab. Swab till clean.



Swab Returns Test

22 Acidize Well: Pressure Equipment arrive location, rig up, and inject Acid into well; flush with water. Rig up for Swabbing; commence swabbing operations till acid is removed. Rig down Acid Company.

23

Nitrogen Foam Frac: Frac Company arrive location, rig up, pressure test lines. Commence pumping sand and gel down well, forcing materials into reservoir. Flush. Rig down Frac Company.



*Nitrogen Foam Frac Job
Red Fork Production, LLC*

24 Swab Test: Rig up for Casing Swab; swab test well until minimal sand return or until steady oil and/or gas rate. Shut in, rig down Workover Rig.

25 Production Facility: If the swab test confirms the logs and the well looks productive, construction on The following operations can be carried out simultaneously (25, 26, 27). Clear area near road for Production Facility. Bring in 200 Bbbls Oil Tanks, Separator, Gun Barrel, Separator and Fiberglass Water Tank. Spot and Manifold equipment together. Trench 48" line from tank battery to wellsite, lay poly pipe in trench, pressure test and bury.



Production Tanks

26 Install Production Tubing: Workover Rig arrive location, run in hole with 2-3/8" tubing, float shoe and downhole pump. Run in hole with 3/4" Sucker Rods and hang off well.



2 3/8" Production Tubing

27 Electricity: Arrange for Electric Service with Coop. Get Electric Company to hook up electricity to well. Test Electric.

28



Newby # 6 - 1 Pump Jack

Pump Jack: Have Pump Jack delivered, lease crew level, prepare ground, hook up. Start Pump, set stroke; monitor and adjust. Turn to sales. Monitor at wellhead and at Production Facility till levels are set. Turn well over to Pumper.



Get Involved

Red Clarion encourages our Partners to participate actively in our endeavors - by phone, mail, web, or especially, in person. We would be honored for you to visit us in our San Antonio office, which is less than 10 minutes from the San Antonio International Airport.

We also encourage and will make arrangements for our Partners who wish to visit our field operations. We can arrange for you to take a tour of the Drilling Rig, the Completion sites, or at our Production or Saltwater Disposal Facilities. We will coordinate everything, because we want you to be involved with and see firsthand the oilfield in action.



Headquarters

Red Clarion, LLC- Joint Venture Manager & **Red** Fork Production, LLC - Project Operator

Our goal is to harvest hydrocarbons using the smallest footprint with the greatest efficiency



A Final Note

Anyone considering investing in the Oil and Gas Industry should be accredited and should use only discretionary funds to do so. Even though the potential for reward is clearly evident, there is an ever-present element of risk.

On the opposite page is a list of tax benefits that can be available to individuals who invest in Oil and Gas ventures. These listed examples do not constitute tax advice nor do we recommend that you invest based solely on them.



Direct participation in oil and gas can generate several tax benefits. These benefits range from large up front deductions for intangible drilling costs (IDC), to tax credits for the development of certain types of tight formations. Deductions are generated mainly from the cost of non salvageable equipment or services conducted during the drilling phase, testing, and/or completion of the well. The following is a synopsis of the tax benefits generated by direct participation in oil and gas investments.

1. Intangible Drilling Costs (IDC): These include everything but the actual drilling equipment. Labor, chemicals, mud, grease and other miscellaneous items necessary for drilling are considered intangible. These expenses generally constitute 65-80% of the total cost of drilling a well and are 100% deductible in the year incurred. For example, if it costs \$300,000 to drill a well, and if it was determined that 75% of that cost would be considered intangible, the investor would receive a current deduction of \$225,000. Furthermore, it doesn't matter whether the well actually produces or even strikes oil. As long as it starts to operate by March 31 of the following year, the deductions will be allowed.

2. Tangible Drilling Costs: Tangible costs pertain to the actual direct cost of the drilling equipment. These expenses are also 100% deductible but must be depreciated over seven years. Therefore, in the example above, the remaining \$75,000 could be written off according to a seven-year schedule.

3. Depreciation: As opposed to services and materials that offer no salvage value, equipment used in the completion and production of a well is generally salvageable. Items such as these are usually depreciated over a seven year period, utilizing the Modified Accelerated Cost Recovery system or MACRS. Equipment in this category would include casing, tanks, well head and tree, pumping units etc. Equipment and tangible completion expenses generally account for 25 to 40% of the total well cost.

4. Depletion Allowance: Once a well is in production, the participants in the well are allowed to shelter some of the gross income derived from the sale of the oil and/or gas through a depletion deduction. Two types of depletion are available, cost and statutory (also referred to as percentage depletion). Cost depletion is calculated based upon the relationship between current production as a percentage of total recoverable reserves. Statutory or percentage depletion is subject to several qualifications and limitations. This deduction will generally shelter 15 per cent of the well's annual production from income tax. For "stripper production" (wells producing 15 barrels/day or less), the depletion percentage can be up to 20%.

5. Active vs. Passive Income: The tax code specifies that a working interest (as opposed to a royalty interest) in an oil and gas well is not considered to be a passive activity. This means that all net losses are active income incurred in conjunction with well-head production and can be offset against other forms of income such as wages, interest and capital gains.

Conclusion

As is evident from this discussion, the tax benefits generated by a direct participation in oil and/or natural gas are substantial. The immediate deduction of the intangible drilling costs or IDCs is very significant, and by taking this up front deduction, the risk capital is effectively subsidized by the government by reducing the participant's federal, and possibly state income tax. Each individual participant of course, should consult with their tax advisor.

Red Clarion, LLC
3030 Nacogdoches Rd. Ste 221
San Antonio, TX. 78217
Office: (210) 824-9300 Toll Free: (877) 817-9300 Fax (210) 824-9310