21st Century *Equity Research*

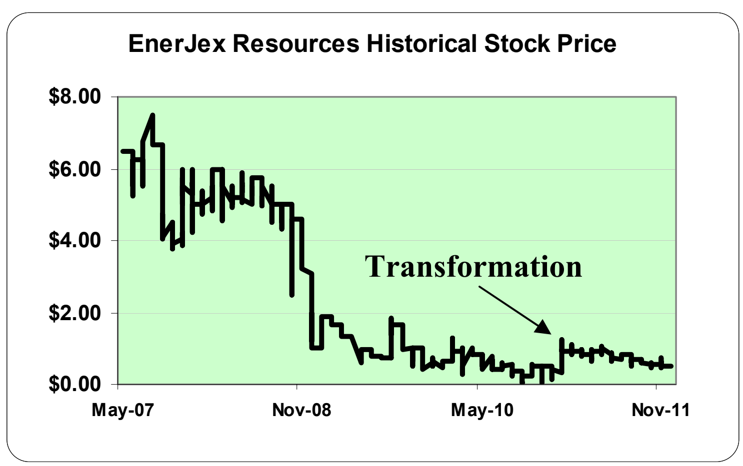
Company Report

EnerJex Resources, Inc.
OTC: ENRJ
DATE: December 6, 2011
PRICE: $0.60
RATING: Strong Buy
PRICE TARGET: $1.00

DOMESTIC OIL PURE-PLAY TRANSFORMED: EnerJex was transformed at the beginning of 2011 through a recapitalization of its balance sheet and a complete reconstitution of its management team and board of directors. As part of this transformation, the company acquired additional oil producing properties in Eastern Kansas and added a new focus area in South Texas through the acquisition of two oil resource plays. In addition, EnerJex raised $5 million of new common equity and converted $2.5 million of debt into common equity at $0.80 per share. Annualized revenue is in excess of $5 million and the company is profitable and rapidly growing. Management is focused on per-share value creation through accretive growth in oil production, reserves, and cash flow.

BALANCED PORTFOLIO OF ONSHORE OIL ASSETS: Stable oil production and a sizeable proved reserve base in Eastern Kansas are complemented by high-impact oil resource play assets in South Texas. An aggressive development plan is already underway in Eastern Kansas and the company plans to stimulate and begin producing 3 new high potential oil wells in South Texas before year end.

HIDDEN ASSET: EnerJex owns a 15% equity interest in Oakridge Energy (OTC: OAKR), a closely held publicly traded company that is debt-free and owns real estate assets near Durango, Colorado and oil assets in Texas.



Business Description

EnerJex Resources, Inc. is a domestic onshore oil company with producing assets located in Eastern Kansas and South Texas. The company's primary business is to explore, develop, produce and acquire oil properties onshore in the United States. As of December 31, 2010, EnerJex had 2.5 million barrels of proved oil reserves.

Following EnerJex's transformation at the beginning of 2011 the company has increased oil production by 26% and revenue by 54% year-over-year. EnerJex made a significant acquisition in Eastern Kansas during November and expects to stimulate and begin producing 3 new high potential oil wells in South Texas before year end. The company is now headquartered in San Antonio, TX.

Company Information

Stock Symbol	ENRJ
Headquarters	San Antonio, TX
Stock Price	$0.60
Shares Outstanding	69,436,529
Market Capitalization	$41,661,917
Book Value	$22,538,972
Working Capital	$2,633,192
Insider Ownership	68%

Operating Areas

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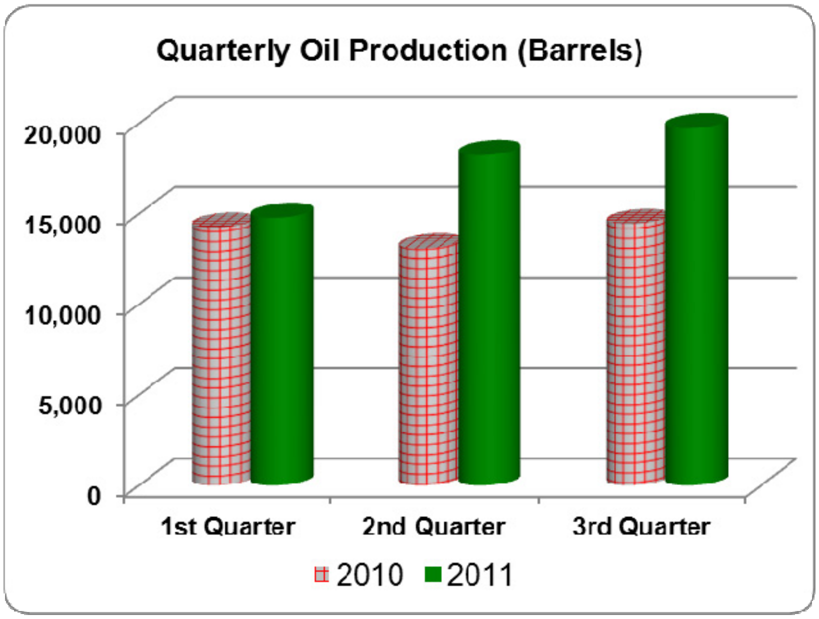
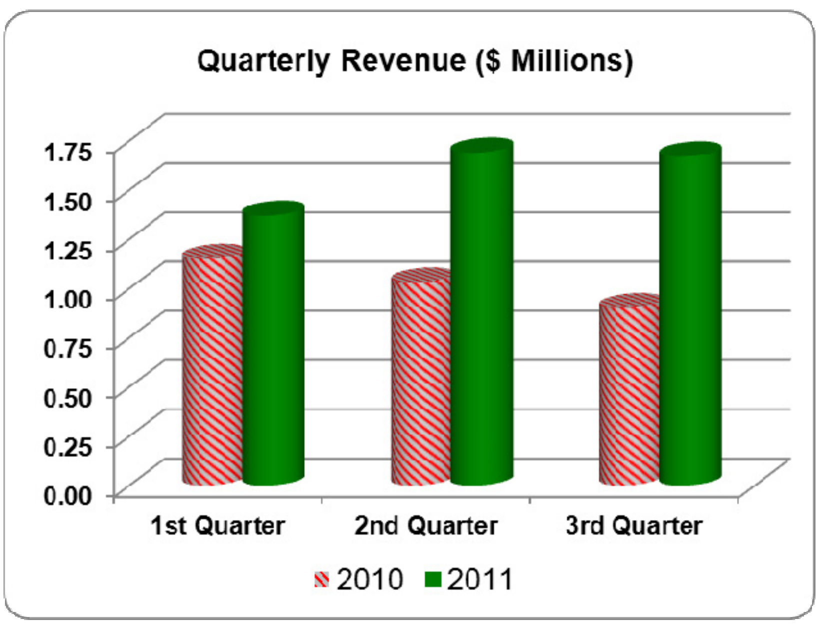
Company History and Overview

Originally formed in 2006, EnerJex Resources, Inc. operates as an explorer, developer, producer, and acquirer of oil properties in Eastern Kansas and South Texas. The company generated revenues of $2.1 million, $6.3 million, $5.5 million, and $4.1 million in 2007, 2008, 2009, and 2010 respectively. Following EnerJex's transformation at the beginning of 2011, the company has shown measurable growth in oil production as shown in the chart below. In addition, the company reported an 87% increase in revenues for the third quarter of 2011 as compared to the same period a year ago.





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EnerJex employs the full-cost accounting method whereby costs related to property acquisition, exploration, and development are capitalized. Depreciation, depletion, and amortization expenses are a function of estimated reserves which are reviewed on a quarterly basis. The company recently changed its fiscal year from March 31st to December 31st. Hence, the March quarter will now represent Q1 and the prior fiscal year includes only three quarters and is referred to as a "transition period".

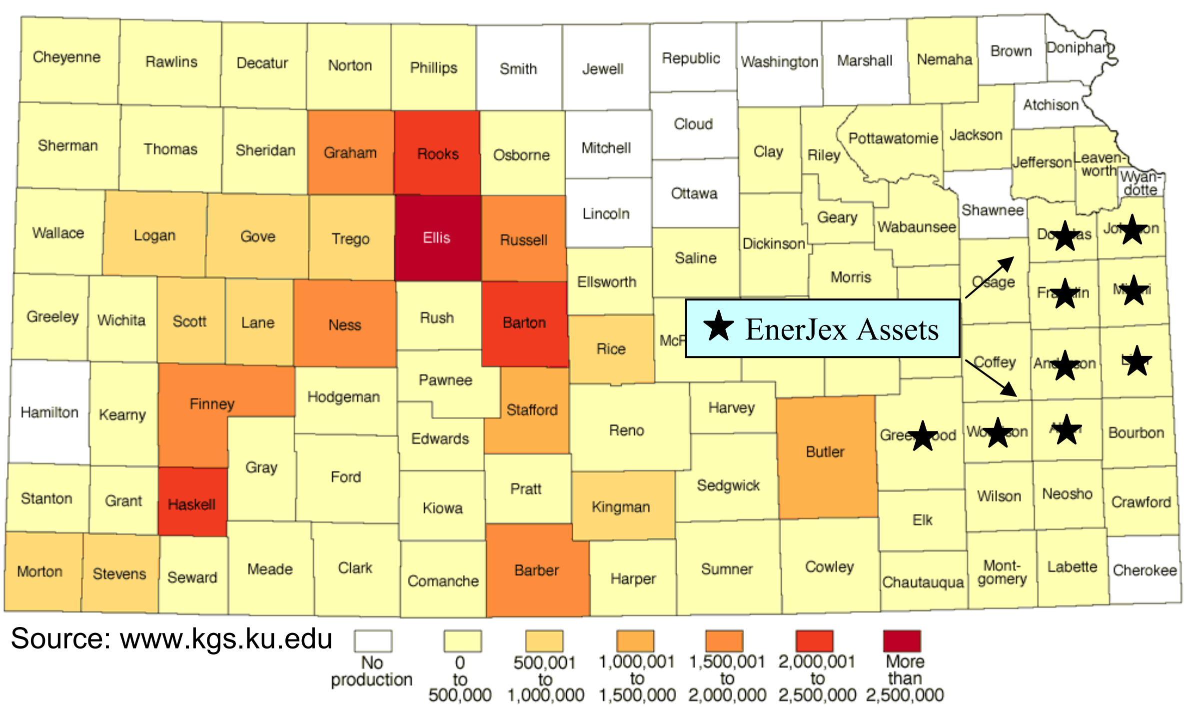
Eastern Kansas Assets

EnerJex owns leases covering approximately 7,000 acres in Eastern Kansas and produces oil from shallow formations ranging in depth from 500 to 2,000 feet. The company's historical drilling success has exceeded 95% and its oil production is characterized by low decline rates with production from individual wells lasting up to 40 years or more, providing repeatability and stable long-term cash flow. EnerJex has identified hundreds of development drilling opportunities on its existing properties, some of which will be drilled deeper than the primary target to explore additional zones that may be productive and have yet to be tested.

Management expects all-in finding and development costs in Eastern Kansas, including acreage acquisition costs, to be less than $10 per barrel of oil reserves added. Operating costs are expected to average approximately $25 per barrel, and it should be noted that expenses during the first nine months of 2011 are skewed due to a significant amount of non-recurring maintenance expenditures that were required following EnerJex's transformation at the beginning of the year.

Kansas is one of the top 10 oil producing states in the U.S. Its cumulative oil production exceeds 6 billion barrels and the state produced more than 40 million barrels of oil in 2010. The graph below depicts the counties in Kansas where EnerJex's assets are located, as well as industry production levels for the state. Wichita, Kansas City, and Topeka are the nearest major cities to the project sites.

2010 Kansas Oil Production



Source: www.kgs.ku.edu

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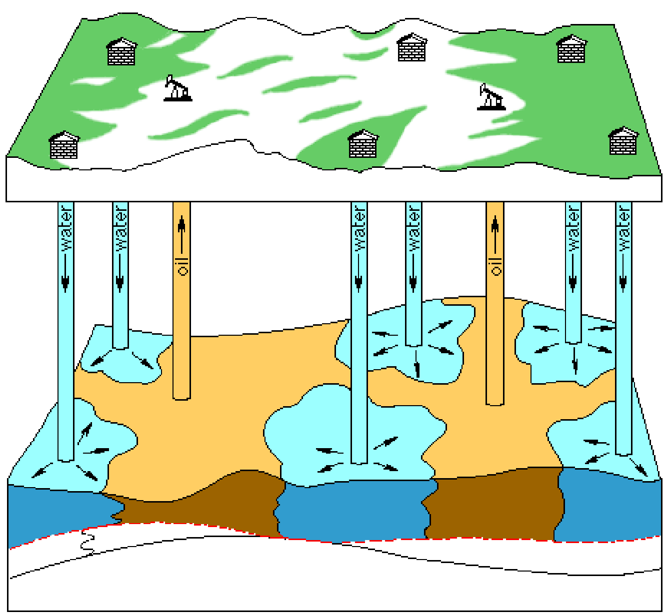
EnerJex does not engage in refining but rather stores its produced oil in tank batteries. The oil is picked up from the tank batteries by the purchasers and transported to refineries. There is typically a differential between the actual selling price and the benchmark NYMEX (New York Mercantile Exchange) oil price. In EnerJex's case this differential is approximately $5.00 per barrel. The board of directors has authorized the company to hedge a portion of its production via oil price derivative instruments, and reported earnings may swing substantially from quarter to quarter due to gain and loss recognition of the derivative contracts which are fixed oil swaps. Cash moves on the contract settlement dates, and thus the quarterly swings are largely non-cash and reflect the future value of hedges based on oil price changes during the quarter. The company recently restructured its hedging program, most notably by eliminating an unattractive hedge of 60,000 barrels at a selling price of $57.30. EnerJex now has approximately 200,000 barrels hedged at an average sale price of $81 with various expiration dates extending through 2015.

Oil companies typically recover only a fraction of the original oil in place from a reservoir during "primary recovery", which results from the natural differential pressure between the formation and the well bore. Pressure, permeability, oil viscosity, and water saturation are the environmental factors which impact oil flow. To counteract these forces on its Kansas properties, EnerJex utilizes a "secondary recovery" technique known as water flooding, whereby water is injected into the oil reservoir via injection wells to increase reservoir pressure and oil production from adjacent producing wells. Below is an illustration of this process.

Secondary Recovery
Water Flood Illustration



Source: www.kgs.ku.edu

The company's direct operating costs include pumping, gauging, pulling, repairs, and some contract labor costs. Operations are now performed in-house for the majority of EnerJex's properties, and wells operate on a 24/7 basis. Contracted parties prep the sites for drilling, perform the large rig drilling, assess production potential, and perform production functions if deemed feasible. These functions include casing, cementing, perforating, and stimulating wells. Electrical motors are employed to assist in pumping the oil upward if natural reservoir pressure is insufficient, resulting in a "pumping well" vs. "flowing well".

The company's business model in Kansas seeks to build critical mass and achieve economies of scale in specifically targeted geographic areas with plentiful drilling opportunities and low geological risk. The company is unique in this regard, operating more like a manufacturing company than a traditional exploration-oriented oil company. A "bolt-on" acquisition was transacted on June 1st when EnerJex purchased 280 undeveloped acres in Eastern Kansas for $245,000. Recall that an acre is roughly the size of a football field. Nine wells were recently drilled and cased on this property prior to the acquisition. Each well encountered oil in the target reservoir and EnerJex believes that approximately 110 oil producing wells may be drilled on this acreage.

Efforts are made to keep administrative expenses minimal. It should be noted that Eastern Kansas oil wells are shallow, typically averaging less than 2,000 feet, which results in lower than average costs.

South Texas Assets

EnerJex owns leases covering approximately 7,000 acres in South Texas focused in two separate oil projects.

El Toro Project:

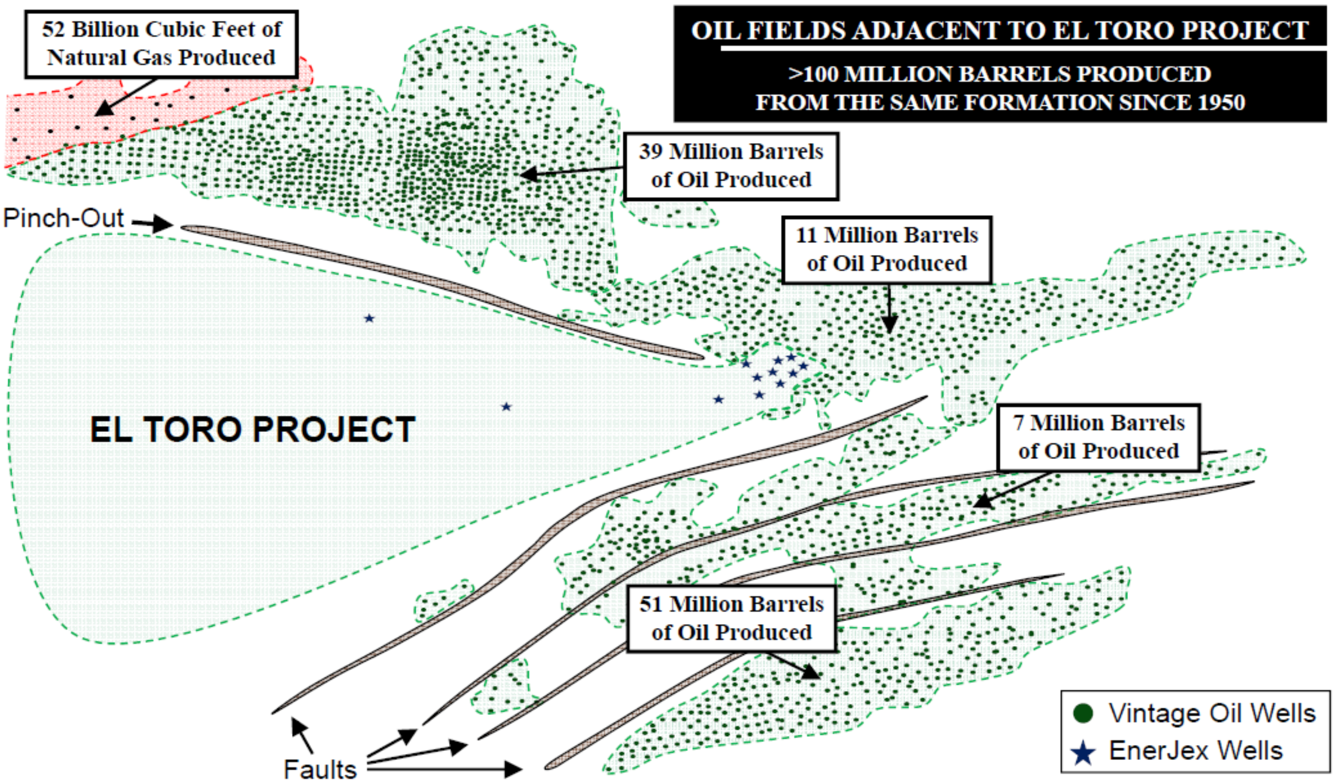
The company's El Toro Project is an oil resource play in which EnerJex has leased more than 5,000 acres and completed 12 vertical wells spanning a distance of approximately 8 miles, all of which encountered oil in the target reservoir. Numerous attractive offset drilling locations have been established and the project area holds the potential for hundreds of oil wells.

The company is currently in the process of testing 3 new wells in this project and results are expected shortly. Each of the three new wells is offset by successful oil producing wells that were drilled in the El Toro Project during 2009. These offset producers achieved initial production rates of approximately 75 barrels of oil per day (BOPD) and averaged approximately 25 BOPD during the first 12 months of production. EnerJex expects the gross cost to drill and complete each new well to be between $500,000 and $600,000. The Company owns a 40% interest in each of the three new wells and its working interests in the project range from 40% to 48%.

Each well in the El Toro Project has been drilled to a true vertical depth of approximately 4,500 feet, targeting a formation that has produced oil in the nearby area since 1950. One producing well located on a lease directly adjacent to the El Toro Project was drilled in 1984 and has produced approximately 50,000 barrels of oil to date from the same formation targeted by the company. The first two wells drilled in the El Toro Project each produced approximately 100% more oil than this well during their first 13 months of production.

As shown in the illustration below, more than 100 million barrels of oil have been produced in the surrounding area from the same formation targeted by EnerJex in the El Toro Project. The company believes that its project area has not developed due to the reservoir being somewhat "tighter" as compared to the surrounding area. EnerJex has achieved success in the El Toro Project by implementing modern stimulation technology which artificially increases permeability in the reservoir, allowing more oil to flow to the well bore at a faster rate.

An analogue field producing from the same formation in South Texas achieved a 128% improvement in oil production through the application of modern stimulation technology as compared to offset wells drilled several decades ago. The company that owned this field, which was its primary asset, was sold for $250 million several years ago. Additionally, the area may be conducive to horizontal drilling which could significantly expand the reserve potential and improve the economics.



Lonesome Dove Project:

The company's Lonesome Dove Project consists of 2,000 gross acres located in Lee County adjacent to the prolific Giddings Field which has produced 380 million barrels of oil and 2.1 trillion cubic feet of natural gas primarily from the Austin Chalk formation. EnerJex is targeting oil in this project from the Austin Chalk and Taylor Sand formations. Recent success has been established in the Austin Chalk play on both sides of EnerJex's acreage, with initial well production rates of up to 1,000 barrels of oil per day.

EnerJex sold a 90% interest in its Austin Chalk rights on a promoted basis to a private operator that has drilled successful wells in the area. The company will be carried at no cost for a 15% interest in the first Austin Chalk well drilled on its acreage, and EnerJex retained 100% of the Taylor Sand formation rights. Of note, EnerJex will be able to preview the shallower Taylor Sand formation at little or no cost if and when deeper Austin Chalk or Eagle Ford Shale wells are drilled on its acreage.

Management and Board of Directors

Robert Watson Jr. - *CEO, Director*

- Chief Executive Officer of Black Sable Energy (2008-2010)
- Founder and President of Centerra Energy Partners (2005-2008)
- Senior Associate at American Capital Strategies (NASDAQ: ACAS) (2000-2005)
  - Executed 7 transactions representing more than $150 million of invested capital
  - Actively participated in the daily management of 12 portfolio companies
- Energy Investment Banker at CIBC World Markets (1999-2000)

Atticus Lowe, CFA - *Senior VP of Corporate Development, Director*

- Chief Investment Officer of West Coast Asset Management, Inc.
  - Invested more than $200 million in the oil and gas industry on behalf of principals and clients during the past 10 years
- Director and Chairman of Audit Committee for Black Raven Energy, Inc., an independent oil and natural gas company with 200,000 net acres leased in the DJ Basin

James Miller - *Director*

- Executive at Utilicorp United (Subsequently Renamed Aquila) (1989-2002)
  - Chief Executive Officer of business unit responsible for electricity generation and electric and natural gas transmission and distribution businesses serving 1.3 million customers
  - Company was NYSE listed and merged with Great Plains Energy in 2007 through a series of transactions valued at $2.6 billion
- President of Michigan Gas Utilities (1983-1989)

Lance Helfert - *Director*

- President of West Coast Asset Management, Inc.
  - Registered Investment Advisor with approximately $200 million in assets under management
- Oversaw $1 billion portfolio at Wilshire Associates
- Regularly featured speaker on CNBC and the Fox Business Channel

Investment Thesis

Through a flurry of deal-making activity at the end of 2010 and the beginning of 2011, EnerJex has strengthened its financial position considerably and installed a platform for long-term growth. Below is a list of the company's accomplishments subsequent to its transformation at the beginning of 2011:

- Brought operations in-house for majority of Kansas and Texas assets.
- Re-established production from more than 50 idle wells in Kansas.
- Raised $1.9 million of common equity at a net issuance price of $0.99 per share.
- Sold non-core assets for $1.4 million.
- Secured $650,000 of non-recourse project financing to develop non-core assets.
- Drilled approximately 80 wells with a success rate greater than 95%.
- Significantly expanded Mississippian oil play in Kansas through the acquisition of producing oil properties with considerable upside potential.
- Closed new $50 million senior secured credit facility.
- Reported third quarter production growth of 37% and revenue growth of 87%.

On November 15, 2011, EnerJex announced the acquisition of a 90% working interest in certain oil producing properties located adjacent to its existing Black Oaks Project, which produces oil from the Mississippian formation. Pursuant to the terms of this agreement, EnerJex acquired a 90% working interest in 720 acres and may acquire a 90% working interest in 1,280 additional adjacent acres upon fulfilling certain drilling milestones. In total, this additional acreage nearly doubles EnerJex's exposure to its Mississippian oil play in Kansas to 4,100 acres.

Based on EnerJex's December 31, 2010 third-party reserve report (updated to reflect NYMEX strip pricing on 6/13/2011), the company's existing Black Oaks Project holds 1.4 million net barrels of proved oil reserves which are expected to generate future pre-tax net cash flow of $89 million with a PV-10 value of $29 million. EnerJex's management believes that this additional acreage will yield a proportionate amount of recoverable oil with economic results that are similar to those of the Black Oaks Project.

In addition to the revamping of its capital structure and asset portfolio, the company also dissolved its prior board of directors and replaced its management. The newly formed team brings a wealth of extensive experience in the oil and gas industry along with specific regional expertise. Its members have a proven track record of success not only in operational execution but also in financing capabilities.

VALUATION

Below is a breakdown of EnerJex's proved oil reserves in Eastern Kansas, which consist of 2.5 million barrels with a PV-10 value of $51 million. This assessment does not attribute any proved reserves to the company's Texas properties or its recently acquired Mississippian assets, and it does not reflect any increase in reserve value attributed to the company's successful drilling campaign year-to-date, which management believes will be significant. Of note, the company expects to add more than 1 million barrels of proved reserves and more than $25 million of PV-10 value through its new Mississippian acquisition alone.

PROVED OIL RESERVES

Reserve Category	Producing	Undeveloped	Total Proved
Net Barrels	743,140	1,726,330	2,469,460
Future Revenue	$69,604,460	$161,428,090	$231,032,540
Future Investment	$0	$13,470,180	$13,470,180
Future Expenses	$30,626,870	$49,489,070	$80,115,940
Future Net Cash Flow	$38,977,590	$98,468,840	$137,446,420
*PV-10 Value	$19,211,110	$31,626,810	$50,837,920

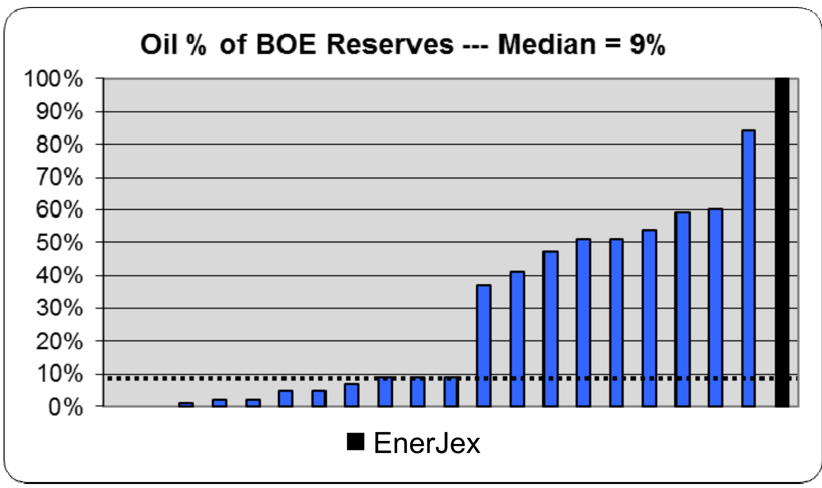
*PV-10 value represents the present value of pre-tax future net cash flows generated from the production of proved oil reserves assuming a discount factor of 10% per annum.

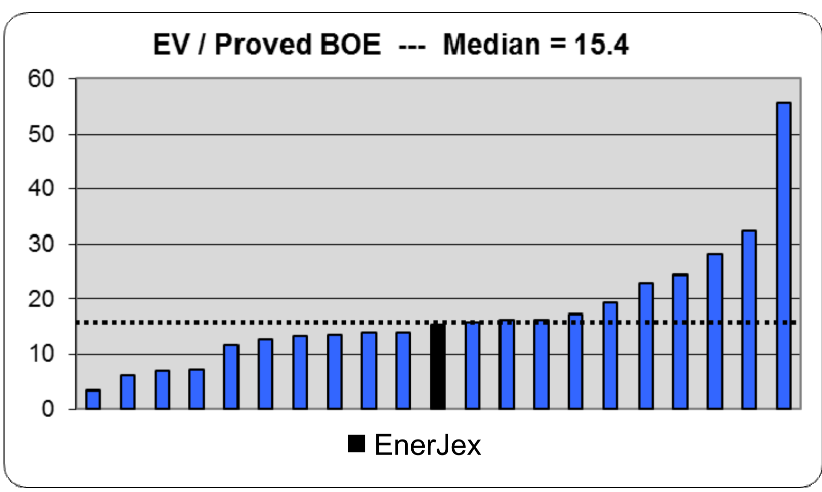
The figures represented above are based on EnerJex's 12/31/2010 reserve report completed by Miller & Lents, Ltd. assuming NYMEX strip pricing as of 6/13/2011.

Our peer group analysis includes 21 oil and natural gas exploration and production (E&P) companies with market capitalizations below $1 billion. The average company market capitalization in the sample is $300 million. The ratio of Enterprise Value (EV) / Proved Barrel of Oil Equivalent (BOE) reserves is a common valuation metric within the industry. A BOE is a measure used to compare natural gas quantities to oil quantities based on energy equivalence.

One barrel of oil holds an amount of energy equivalent to 6,000 cubic feet (6 Mcf) of natural gas, and thus 6 Mcf is equal to 1 barrel of oil equivalent or BOE. Historically the price of 6 Mcf has tracked the price of a barrel of oil closely because the two fuels could be switched as a feedstock to generate electricity, and supply of each commodity was plentiful. In recent years this trend has parted due to supply and demand dynamics, and the price of oil has significantly increased while natural gas has significantly decreased in price. Today the price of a natural gas BOE is approximately $22 versus approximately $100 for an actual barrel of oil. Thus, oil reserves are typically worth significantly more than natural gas reserves today. As seen in the charts below, EnerJex's reserves consist of 100% oil versus a median of only 9% for its peers. EnerJex's enterprise value equates to $15.4 per BOE, which is the median ratio of its peers, but EnerJex's reserves are arguably worth considerably more than its peers on a BOE basis since its reserves are dominated by oil.

Enterprise Value / PV-10 Value is another useful valuation metric and EnerJex trades at a significant discount to its peers based on this comparison. Please recall that PV-10 is the present value of pre-tax future net cash flows generated from the production of proved oil reserves assuming a discount factor of 10% per annum. As seen in the third chart below, EnerJex trades at an EV / PV-10 ratio of 1.1, representing a 32% discount to its peers which trade at a median ratio of 1.7. Of note, the PV-10 values in this comparison represent year-end 2010 numbers which reflect significantly lower oil prices than present.





Data as of 11/30/11

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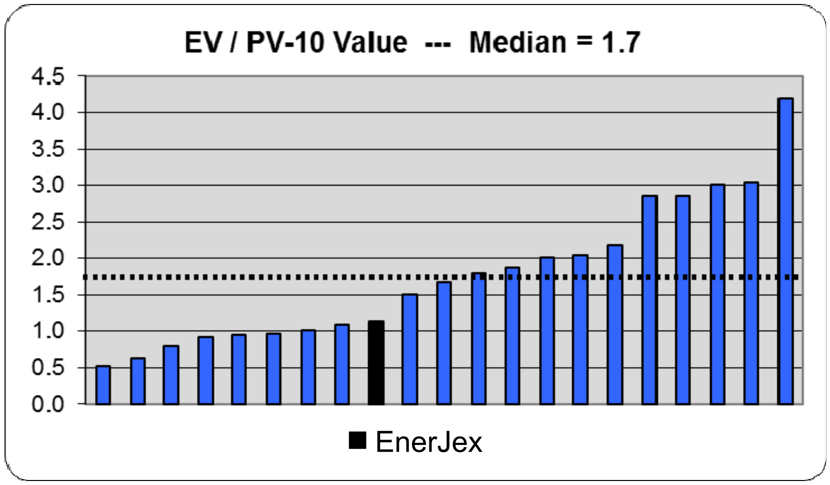
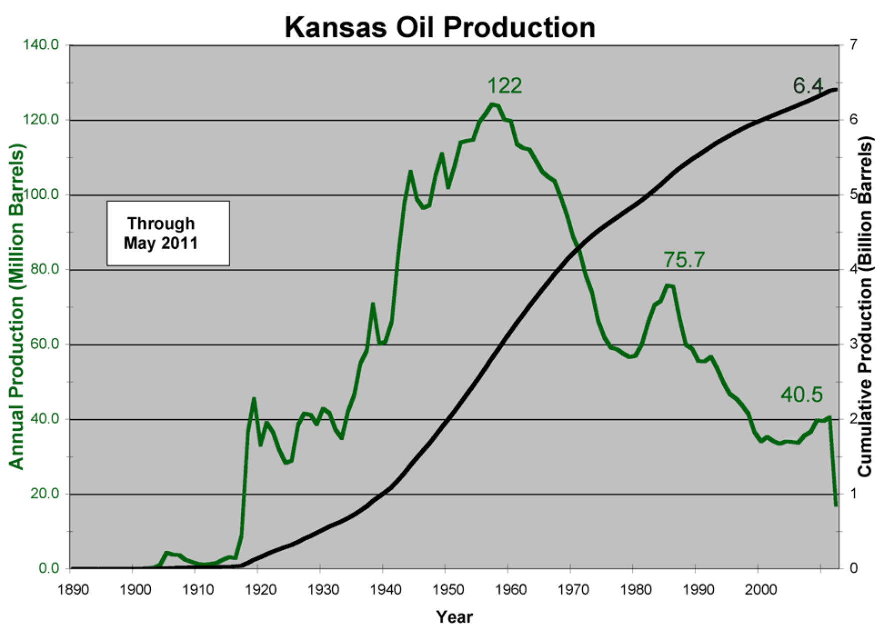


Data as of 11/30/11

Industry Overview

Kansas Oil Industry

While arguably known more for its agricultural history, Kansas has a long and significant history of oil and gas production. According to the Kansas Independent Oil and Gas Association, oil and natural gas production ranks second behind agriculture in contribution to state GDP with annual revenue of $6.5 billion. Kansas ranks 9th among the states in oil production and 8th in gas production. The second oil well ever drilled in the U.S. was drilled in 1860 in Miami County. Over 380,000 oil wells have been drilled since and there are currently 40,850 active wells. Additionally, 89 of the 105 state counties produce oil or gas. The Hugoton gas field is the state's most famous field. Discovered in the 1920's the field is the 5th largest natural gas producer in the U.S.



Source: www.kgs.ku.edu

As the graph above demonstrates, Kansas oil production has reached a more mature stage as annual production has settled around the 40 million barrel mark. Steep declines are also correlated with oil prices. While the days of "gushers" are mostly gone, extensive and reliable producing wells still exist. Small pools of oil are considered to be abundant within the industry. The seemingly static state of the industry, however, has been changing of late. The confluence of higher than average oil prices and improved extraction technology has reinvigorated interest in Kansas oil drilling. Previous drilling sites which had been abandoned are now being re-evaluated.

The geology of Kansas is highly conducive for oil production. There is an ample supply of reservoir rocks and seal rocks to contain hydrocarbons. EnerJex's exploration and production is focused in Eastern Kansas. The Northeastern section in particular rests primarily upon Pennsylvanian age rock. This rock's "angular unconformity" promotes the trapping of oil and gas. Additionally, the Eastern region of the state experienced varying periods at or below sea level during its geological history which included seas, swamps, and bogs. The continuous cycle of marine life deposits, both plant and animal, provided the necessary organic material for hydrocarbon development.

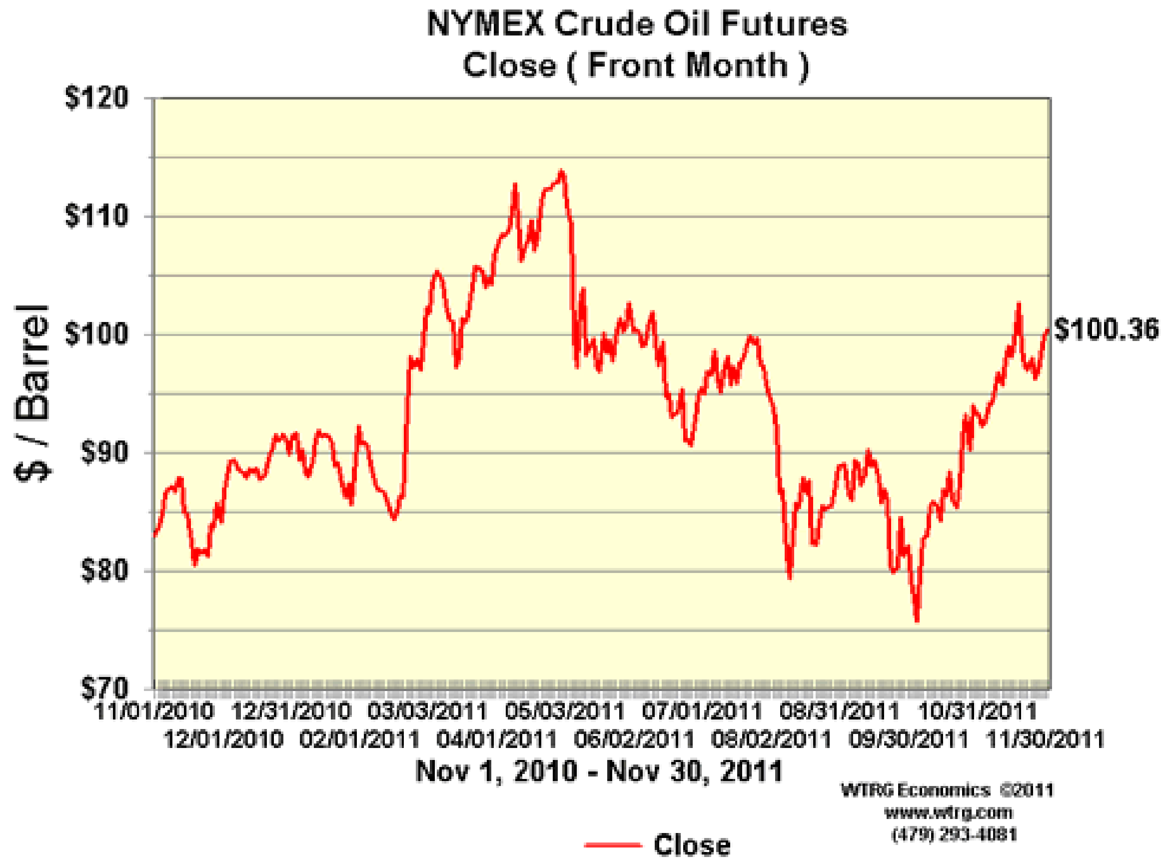
Generally speaking, Eastern Kansas oil wells are shallower and therefore are attractive as lower-risk, lower expense extraction projects. The Kansas oil industry is highly fragmented with 20 companies contributing roughly 35% of production while 3,600 companies contribute the remainder. The multitude of small producers and owners allows for an active acquisition environment. It is not uncommon for acquirers to be producing revenue within two to three months from inactive wells. The smaller companies are generally considered "price takers" and not "price makers".

Financial Analysis

We are projecting barrel production in excess of 70,000 for FY11 and growth of 30% to 96,000 for FY12 due to new production stemming from accelerated drilling activities. Generally speaking, we anticipate improved production levels and cost economies from this scaling up.

The purchase price for the company's oil is typically the prevailing NYMEX rate less $3 to $7 per barrel due to transportation costs and a quality differential. We have forecasted average pricing in the range of $78 to $80 for the remainder of FY11 and $82 for FY12. This may be conservative given oil's recent rebound. The graph below details NYMEX pricing for the past year. We are forecasting revenue of $6.4 million and $7.9 million respectively for FY11 and FY12. The company is not actively pursuing natural gas production at this time.

EnerJex's cost structure is primarily fixed in nature. Labor and equipment costs are the predominant expenses. Pumps are electric-powered and water flooding processes are drawn from on-site water sources. Chemicals and propane gas for winter operation are other common expenses. Drilling and well site preparation is performed by subcontractors. The company reports no pricing pressure from this industry other than in South Texas due to the Eagle Ford Shale frenzy led by much larger operators such as Chesapeake Energy and EOG Resources. The company attempts to reduce costs by buying materials in bulk e.g. pipe and tubing. Lifting and Operating Expenses (LOE's) are expected to decrease to between $15 and $25 a barrel within 6-12 months. We are conservatively forecasting $30 for FY12, although LOE's will most likely be higher in Q1 and Q2 of FY12 as production ramps. Deferred maintenance expenditures were approximately $500,000 for the first six months of 2011 and are expected to be non-recurring. We expect such expenses to moderate going forward. Professional fee expenses have been abnormally high in the past three quarters related to acquisitions and equity financings, and we expect this line item to also moderate going forward.



The company is undertaking a fairly aggressive capital expenditure program for FY11 with total expenditures expected to be in excess of $5 million. EnerJex has yet to provide cap ex guidance for FY12 so we have assumed a similar level to FY11. The company's current tax net loss carry-forward is $10 million, so income taxes are expected to be nil for the foreseeable future as EnerJex continues to generate tax benefits by drilling new wells. The company will sustain ongoing hedge gains and losses via oil price hedging contracts.

Based on the prior valuation analysis, it appears that the stock is undervalued. Additionally, if we consider the recent Mississippian acquisition, which should eventually increase the PV-10 measurement by at least $25 million, or roughly 50% based on current oil prices, a six month price target of $1.00 seems reasonably attainable.

Please note that the current PV-10 estimate does not include the benefit of the company's successful drilling program year-to-date, nor does it include the company's Texas assets, which may provide additional upside. The BOE peer metric is distorted by the gas effect. If we only include peer group members with at least 50% oil assets, the peer group median ratio increases to $17 per barrel of proved reserves, a 13% increase.

Given the current cash balance, our free cash flow estimate for FY12, and $1.1 million of borrowing capacity (which we expect to expand), we believe the company should be able to meet cash requirements over the next 12 months obviating dilution risk. Since our six month $1.00 price target offers significant upside over the current price, we are launching coverage with a Strong Buy rating.

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Income Statement	FY08	FY09	FY10	Dec Q3-10	9 months Transition 2010	Q1-FY11	Q2-FY11	Q3-FY11	Q4-FY11E	FY11E	FY12E
Oil and natural gas revenues	$3,602,798	$6,436,805	$4,856,027	$1,001,405	$2,929,103	$1,369,167	$1,685,174	$1,673,857	$1,638,000	$6,366,198	$7,861,750
YOY Growth		78.7%	-24.6%	9.5%	-15.4%	18.8%	63.5%	86.6%	63.6%	56.0%	23.5%
Oil Production (barrels)	43,697	74,289	69,948	12,811	40,345	14,780	18,246	19,724	21,000	73,750	95,875
YOY Growth		70.0%	-5.8%			3.8%	39.4%	36.6%	63.9%		30.0%
Barrels per day	120	204	192	142	149	164	203	219	233	202	263
Average price per barrel	$79.71	$85.67	$62.64		$72.60	$92.64	$92.36	$84.87	$78.00	$86.32	$82.00
# of Producing wells	57	95	379		493						
Avg annual barrels per well	767	782	185		110*						
Avg revenue per well	$63,207	$67,756	$12,813								
Proven barrels (P1)	1,400,000	1,300,000	2,500,000		2,320,150						
Expenses:											
Direct Operating Costs	$1,795,188	$2,637,333	$1,833,108	$625,620	$1,548,128	$847,564	$826,420	$787,994	$750,000	$3,211,978	$2,880,000
% of sales	49.8%	41.0%	37.7%	62.5%	52.9%	61.9%	49.0%	47.1%	45.8%	50.5%	36.6%
Average lifting costs per barrel (LOE)	$41.08	$35.50	$26.21		$38.37	$57.35	$45.29	$39.95	$35.71	$43.55	$30.04
Depreciation, depletion and amort.	$935,330	$911,293	$635,497	$18,480	$359,855	$271,965	$328,768	$375,175	$400,000	$1,375,908	$1,600,000
% of sales	26.0%	14.2%	13.1%	1.8%	12.3%	19.9%	19.5%	22.4%	24.4%	21.6%	20.4%
Impairment of oil and gas properties		$4,777,723									
% of sales		74.2%									
Average production cost per barrel (includes D&A)						$75.75	$63.31				
Professional fees	$1,226,998	$1,320,332	$561,625	$578,632	$748,497	$203,079	$286,853	$255,706	$100,000	$845,638	$400,000
% of sales	34.1%	20.5%	11.6%	57.8%	25.6%	14.8%	17.0%	15.3%	6.1%	13.3%	5.1%
Salaries	$1,703,099	$849,340	$835,576	$142,334	$242,490	$118,648	$164,998	$150,673	$124,000	$558,319	$625,000
% of sales	47.3%	13.2%	17.2%	14.2%	8.3%	8.7%	9.8%	9.0%	7.6%	8.8%	7.9%
Administrative expense	$887,872	$1,392,645	$1,016,484	$72,726	$341,401	$204,354	$256,770	$75,600	$200,000	$736,724	$425,000
% of sales	24.6%	21.6%	20.9%	7.3%	11.7%	14.9%	15.2%	4.5%	12.2%	11.6%	5.4%
Depreciation on other fixed assets				$21,892	$21,892						
	$6,548,487	$11,888,666	$4,882,290	$1,459,684	$3,262,263	$1,645,610	$1,863,809	$1,645,148	$1,574,000	$6,728,567	$5,930,000
Operating Income	($2,945,689)	($5,451,861)	($26,263)	($458,279)	($333,160)	($276,443)	($178,635)	$28,709	$64,000	($362,369)	$1,931,750
% of sales	NA	NA	NA					1.7%	3.9%	NA	24.6%
Add back D&A	$935,330	$911,293	$635,497	$18,480	$359,855	$271,965	$328,768	$375,175	$400,000	$1,375,908	$1,600,000
EBITDA	($2,010,359)	($4,540,568)	$609,234	($439,799)	$26,695	($4,478)	$150,133	$403,884	$464,000	$1,013,539	$3,531,750
% of sales		NA	12.5%	0.0%	0.9%	-0.3%	8.9%	24.1%	28.3%	15.9%	44.9%
Other income (expense)											
Interest expense	($792,448)	($882,426)	($751,470)	($97,539)	($519,748)	($114,324)	($108,181)	($111,472)	($100,000)	($433,977)	($300,000)
Loan interest accretion	($1,089,798)	($2,814,095)	($596,108)								
Gain on liquidation of derivative		$3,879,050	$0								
Management fee revenue			$0								
Gain on repurchase of debentures			$436,500								
Unrealized gain (loss) on derivatives			($3,911,063)	($486,571)	($64,362)	($2,468,225)	$1,196,459	$3,188,277			
Loss on disposal of vehicles											
Other income (loss)		($37,736)	$101,352	$31,309	$39,306	$12,086	$11,957	13857			
Total other income (expense)	($1,882,246)	$144,793	($4,720,789)	($552,801)	($544,804)	($2,570,463)	$1,100,235	$3,090,662	($100,000)	($433,977)	($300,000)
Net Income (loss)	($4,827,935)	($5,307,068)	($4,747,052)	($1,011,080)	($877,964)	($2,846,906)	$921,600	$3,119,371	($36,000)	($796,346)	$1,631,750
Diluted Outstanding Shares	4,284,144	4,443,249	4,743,774	5,360,920	5,360,920	67,480,811	69,814,489	69,436,529	74,150,000	70,220,457	74,300,000
EPS-Diluted	($1.13)	($1.19)	($1.00)	($0.19)	($0.16)	($0.04)	$0.01	$0.04	($0.00)	($0.01)	$0.02
Cash Flow											
Net Income	($4,827,935)	($5,307,068)	($4,747,052)		($877,964)					($796,346)	$1,631,750
D&A	$935,330	$911,293	$635,497		$359,855					$1,375,908	$1,600,000
Working Capital	$151,618	$364,345	($6,717)		$211,350					$500,000	$750,000
Cap Ex	($149,799)	($204,200)	($72,603)		$0					($7,000,000)	($5,000,000)
Free Cash Flow	($3,890,786)	($4,235,630)	($4,190,875)		($306,759)					($5,920,438)	($1,018,250)
Balance Sheet Metrics											
AR	$227,055	$462,044	$330,102	$357,387	$357,387	$655,689	$801,830	$926,540			
DSO's	23	26	25	33	45	43	43	50			
AP	$416,834	$1,016,168	$877,511	$1,109,848	$1,109,848	$1,339,787	$1,771,256	$1,125,928			
DPO's	85	141	175	162	262	142	193	129			

FY DSO's and DPO's calculated on trailing basis

* annualized

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Balance Sheet	Q3FY11	Sep-10
Assets		
Current assets:		
Cash	$1,221,671	$123,638
Accounts receivable	$926,540	$332,143
Marketable securities	$1,543,293	
Derivative Gain	$158,305	
Deposits and prepaid expenses	$125,429	$139,103
Total current assets	$3,975,238	$594,884
Fixed assets	$526,403	$294,094
Less: Accumulated depreciation	$193,779	$129,985
Total fixed assets	$332,624	$164,109
Other assets:		
Oil and gas properties using full-cost accounting:		
Properties not subject to amortization	$15,371,382	
Properties subject to amortization	$12,075,604	$5,650,425
Total other assets	$27,446,986	$5,650,425
Total assets	$31,754,848	$6,409,418
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$1,125,928	$837,325
Accrued liabilities	$209,118	$140,455
Deferred payments-development		
Derivative liability		$340,747
Long-term debt, current	$7,000	$9,385,395
Convertible note payable		$25,000
Total current liabilities	$1,342,046	$10,728,922
Asset retirement obligation	$1,082,791	$863,625
Convertible note payable		
Long-term debt	$6,132,001	$22,764
Derivative liability	$660,038	$2,434,003
Total liabilities	$9,216,876	$14,049,314
Stockholders' Equity (Deficit)		
Preferred stock	$4,780	$5,157
Common stock	$73,187	
Treasury stock	($1,500,000)	
Subscription receivable		
Equity-based compensation unearned	($250,048)	
Paid-in capital	$41,399,739	$9,587,464
Accumulated other comprehensive income	($27,869)	
Retained (deficit)	($17,161,817)	($17,232,517)
Total stockholders' equity (deficit)	$22,537,972	($7,639,896)
Total liabilities and stockholders' equity	$31,754,848	$6,409,418

Risks

Macro-Economic Sensitivity
Oil consumption is highly correlated with GDP growth. While the worldwide economy appears to be recovering, the growth is uneven and punctuated by regional disparities. Additionally, the vibrant and pivotal contribution of developing markets is susceptible to moderation and "over-heating". Reactionary interest rate increases by these countries may limit future growth.

Oil Prices
Oil prices are inherently difficult to forecast. Political instability abroad may also continue to play a prominent role in oil price volatility.

Operational Execution
While the company's acquired assets look promising, it still needs to convert "probable" and "possible" reserves into "proved" reserves on a continual basis in order to improve its valuation. Additionally, the company is confronted with the challenge of increasing production and managing its wells portfolio in a cost effective manner.

Customer Concentration
The company is currently selling to only two customers. While the market for oil is fairly ubiquitous, the loss of a customer would most likely negatively impact the company on a short-term basis.

Weather Conditions
Severe winter conditions have historically hindered production in Kansas during the winter months.

Disclaimers & Disclosures

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