

MPG Energy Resources, Corp.

Executive Summary

Introduction

MPG Energy Resources, Corp., (“MERC”) will be engaged in the oil and gas exploration business and oil field services. The Certificate of Formation was effective on August 30, 2006, File Number 800701474, as recognized by the Office of the Secretary of State of Texas. MERC is a new start-up with the distinct advantage of being able to be up and running immediately upon funding with drilling prospects generated, mineral rights leased and drilling projects awaiting implementation by its closely allied sister company, MPG Petroleum, Inc. (“MPG”).

MPG Petroleum, Inc., a Texas Corporation, charter number 775723-0 was formed by Margaret P. Graham on November 22, 1985. MPG is an approved Oil and Gas Operator (number 518631) with the Texas Railroad Commission and has been engaged in drilling and development of oil and gas reserves in the Texas Gulf Coast Region. Since 1987, our corporate office has been located at 8620 N. New Braunfels, Suite 411, San Antonio, Texas 78217, Ph 1-210-828-4666 Fax 1-210-822-8988. Email: mpgraham@mpgpetsroleum.com Website: mpgpetsroleum.com

Margaret P. Graham is the President of MPG Petroleum, Inc. She was graduated from Trinity University, San Antonio, Texas in the Class of 1979 with a Bachelor of Arts Degree in Geology. Trinity University is very highly acclaimed for its academic standards and excellent Geology department. With 27 years experience in the Oil and Gas Industry, Ms. Graham is experienced in all phases of the oil and gas exploration business. Prior to forming MPG, Ms. Graham served as a staff geologist in the South Texas exploration department of Tesoro Petroleum, Inc., as geological technician for Gulf Energy Development Corporation and as a geological consultant to Durst Energy Corporation and to Rio Exploration Company, all located in San Antonio, Texas. Ms. Graham served as the 1997 –1998 Chairman of the Southwest Chapter of the American Petroleum Institute. Other professional affiliations are the South Texas Geological Society, the San Antonio Geophysical Society, the Society of Petroleum Engineers and the American Association of Petroleum Geologists.

MPG Energy Resources, Corp. - Mission Statement

MPG Energy Resources, Corp. intends to become a leader in the oil and gas exploration and field service business by implementing the drilling of a diverse portfolio of oil and gas exploration prospects, while balancing the risk of exploration with fee-related, oil field services. In this manner, we offer to the future stockholders of MERC financial stability, diversification and high reward to risk through exploration, production and oil field services.

Future Outlook

Our future outlook is to diversify MERC’s fossil fuel oriented business by expanding into “green” energy development. Our concept involves the generation of clean and renewable wind and solar energy from the same properties that oil and gas is being produced from. Oil and gas production properties located along the Texas Gulf Coast are ideally situated for the capture and generation of wind and solar power. MERC

plans involve the development and patent of a unique solar/paneled windmill, which will allow us to generate electricity from wind and solar sources from the same facility and on the same properties that oil and gas is produced from. Selling electricity back into the power grid will create an efficient and complete energy capture on an applicable property. This will increase cash flow, extend the lifespan and lower the cost of operations of a given property. We believe that this concept will be well received by investors as an environmentally responsible approach to domestic energy generation.

Re-Entry Projects in Known Fields:

The lower-risked, oil and gas production projects that MERC will pursue involve the re-entry of wells within established fields to return them to production. Many properties were abandoned during times when oil and gas prices were so low that commercial production income could not be sustained. With the current oil and gas market having tripled compared to prices over the previous twenty years, many properties can be returned to production, producing an attractive cash flow, with very little risk of failure. MPG has enjoyed success in doing so and has secured a property on which ongoing re-entry work and production is currently taking place. MERC will share in this. By applying new technology, detailed field mapping and production history research, MERC will return abandoned wells to production in the established producing reservoirs, and ramp up flow rates where possible by identifying subtle, behind pipe-pays that were left unproduced.

Exploratory Drilling Prospects:

MERC's emphasis is on balance of risk through diversification. Utilizing the most advanced 3-D (three-dimensional) seismic technology and processing methods available, MPG has developed drilling prospects where risk is constrained by "bright spot" amplitude anomaly identification, an industry standard for "direct" hydrocarbon detection.

MPG has developed and is ready to implement together with MERC a diversified portfolio of exploratory drilling prospects. These exploration endeavors, though higher in risk than the re-entry projects, present the opportunity to discover oil and gas reserves of significant size. New field discoveries will promptly and positively impact the bottom line and MERC shareholder value.

Oil Field Services – Commercial Saltwater Disposal:

MERC will develop oil field service related business through the disposal of produced saltwater, as another approach to diversification and generation of predictable cash flow. Saltwater is produced in conjunction with oil and gas production as a natural by-product. Therefore, commercial saltwater disposal services are a necessity for most oil and gas producers. Produced saltwater is either trucked or piped from a production property and then disposed of into regulated and monitored Salt Water Disposal "SWD" wells. The trucking company charges the producer a hauling and disposal fee based on the number of hours involved and the number of barrels hauled, and in turn pays the owner of the SWD well for disposal services. A significant profit center in SWD operations is from the skim oil that is received in conjunction with the saltwater which is like owning a producer well that never depletes. MPG has already acquired commercial permits under two wells in south Texas. It is currently considering a partnership with an established oil field waste trucking company, so that we can be assured of receiving the maximum volume of saltwater permitted for injection. MERC will own an interest in this fee-related saltwater disposal business.

Project Description:

Ritchie Farms Prospect, San Patricio Co., Texas

This prospect was developed by MPG using 3-D seismic data and has led to the detection of a “bright spot” amplitude anomaly in two different reservoirs, supported with oil and gas shows in nearby well bores that missed the sweet spot. In 1952 the La Gloria Corporation drilled the No. 1 Ritchie well which was completed flowing at the rate of 105 barrels of oil per day. The well produced 723 barrels of oil and watered out. This reason for the well performing as it did is clearly explained by the 3-D seismic data which indicates a major amplitude anomaly developing immediately north of the La Gloria well in the productive horizon. The reservoir is shaped in the form of a channel, with the La Gloria well positioned just off the southern and down dip edge of it. The location of the test well of the Ritchie Farms Prospect is situated to test the amplitude anomaly in the La Gloria well producing horizon, and another amplitude anomaly that occurs about 500’ deeper, and which is significantly larger in size. Total field recovery is estimated to be 1,660,000 barrels of oil equivalent (boe).

Monthly Projections for Test Well:

$100 \text{ bopd} \times \$ 60/\text{bbl} \times 30 \text{ days} \times .73 \text{ NRI} \times .954 \text{ GPT} - \$ 2000 \text{ LOE} = \text{\$ } 123,356 \text{ Net per Month}$

$\$ 2,000,000 \text{ Drlg \& Completion Cost} / \$ 123,365 \text{ Net Mo. Income} = \text{16 Months to Pay Out}$

$460,000 \text{ bbls est. Recoverable in Test Well} \times \$ 60/\text{bbl} \times .73 \text{ NRI} = \text{\$ } 20,148,000 \text{ Test Well Reserve Value, Net}$

$\$ 20,148,000 / \$ 2,000,000 \text{ D \& C Cost} = \text{10 to 1 Return on Investment for Test Well}$

Cost of the Test Well: \$ 1,600,000 Drilling Cost, plus \$ 400,000 Completion Cost = \$ 2,000,000

Field Reserve Potential:

$1,660,000 \text{ BOE} \times \$ 60/\text{bbl} \times .73 \text{ NRI} \times .954 \text{ GPT} = \text{\$ } 69,363,432 \text{ Field Reserve Value, Net}$

$\$ 69,363,432 / \$ 8,000,000 * \text{Field Development Cost} = \text{10 to 1 Return on Investment}$

* Field Development cost includes \$ 2,000,000 for the test well, plus 4 developments wells at the estimated cost of \$ 1.5 MM each.

Pearl Prospect, Onshore Gulf of Mexico

The Pearl Prospect targets world-class sized reserves of oil and gas. 500 million barrels of oil equivalent in potential reserves have been estimated which are comparable to the analogous Mars Field discovery made by Shell and British Petroleum (PB-Amoco) in the ultra deep waters offshore, upper Gulf of Mexico. The Pearl Prospect is located on land and was initially identified using 2-D seismic data. A 3-D seismic data survey shot in 1997 has recently become available to MPG, which covers the north and western flank of the prospect. This survey may be expanded, or the prospect re-surveyed with new 3D seismic data, shot specifically for the deep depths that will be explored in the Pearl Prospect. The prospect complex appears to cover 10 square miles, approximately. To control the development of the field, mineral rights covering 10,000 acres of land, approximately will be acquired prior to the drilling of the test well which is planned to a total depth of 19,000 feet. The Pearl Prospect represents an opportunity for those other than the “major oil companies” to participate in the exploration and discovery of “offshore reserve size at onshore finding cost”. Proving of the Pearl Prospect geological model will lead to a new trend of exploration activity along the transitional areas between land and water along the entire breadth of the Gulf of Mexico. MPG has identified approximately six other features that are similar in appearance to the Pearl Prospect complex and is in a position, along with the stockholders of MERC to be the leaders in the “string of pearls”. This prospect is a company maker. Recently this prospect has gained the attention of the University of Texas, Bureau of Economic Geology who has requested to collaborate on its development with MPG. This collaboration will very positively impact the project, bringing a much expanded geological research base and exposure through academic publications.

Estimated Monthly Revenue and Pay Out of Test Well: Assume a flow rate of 20 Thousand Barrels of Oil (Equivalent) Per Day based on comparison to Mars Field wells, and a price of \$40/bbl, as follows:

Gross Monthly Oil Production Revenue:

$20,000 \text{ BOE/Day} \times \$40/\text{BBL} = \$ 800,000/\text{Day} \times 30 \text{ Days} = \$ 24,000,000 \text{ Per Month}$

Net Monthly Oil Revenue: $(\$ 24,000,000/\text{Month} \times .73 \text{ NRI}) = \$ 17,520,000 \text{ Per Month}$

Projected Pay Out: $\$ 15,000,000 \text{ Test Well} / \$ 17,520,000 \text{ Net Income} / \text{Month} = .86 \text{ Months}$

Estimate of Return on Investment:

Gross Value of Reserves: $500 \text{ MM BOE of Oil} \times \$ 40 / \text{BBL} = \$ 20,000,000,000$

Net Value of Reserves: $\$ 20,000,000,000 \times .73 \text{ NRI} = \$ 14,600,000,000$

$\$ 14,600,000,000 / \$ 55,000,000 * \text{Field Development Cost} = 265 : 1 \text{ ROI}$

* Field development cost is estimated at \$ 55,000,000 which includes test well at a cost of \$ 15,000,000, plus 4 development wells at an estimated cost \$ 10,000,000 per each well). Projections of 500 Million BOE, is based on comparison to the geological analog Mars Field.

Re-Entry of the No. 5 Brammer Well, San Patricio County

The Brammer Lease is a producing property with well re-entry opportunities remaining. MPG Petroleum, Inc. acquired the mineral rights to the Brammer Lease, located in the Ginny, East Field after it was abandoned due to non-commercial production in 1998. Discovered on April 1, 1965 by Southwestern Oil and Refining Company, the No. 1, 2, 3 and 4 Brammer wells were completed as oil wells in the 7650' Sand and the 7450' Sands. Total cumulative production from these reservoirs was 1,025,271 barrels of oil and 938,353 mcf of gas. The No. 1 Brammer well was also completed in two natural gas productive sands. The 7410' Sand produced 258,189 Mcf of gas and the 6050' Sand produced 483,143 Mcf of gas.

In November 2004, MPG re-entered the No. 3 Brammer well which averaged a flowing rate of 30 barrels of oil per day in its first year. The well was put on pump in its second year of production and continues to produce at the rate of 20 bopd, on average, as it approaches its third year of production. As a result of its success with the No. 3 Brammer, MPG will re-enter the No. 5 Brammer well.

The No. 5 Brammer well was positioned structurally low in the primary field pays, but a new reservoir was found to be productive. The well was completed in the "6600' Sand" which appeared to be limited in comparison to the primary field sands, and as a result, the No. 5 Brammer well was completed differently. A "tubingless completion" was made which proved to be a problem when the well began to produce liquids (condensate and water) along with the gas. The No. 5 Brammer was produced during Nov. & Dec. 1967, having made a cumulative volume of 13,045 thousand cubic feet of gas (Mcf). Gas prices at that time were probably less than \$ 0.25 per mcf at the time, which would not have resulted in commercial income. The daily rate of production in the last month produced an average of 161 Mcf gas per day. MPG will attempt to overcome the production obstacles inherent in the original completion technique by running a string of 1 1/4" tubing inside the well and setting a screw compressor which will pull a suction on the well. These measures, combined with the current price of natural gas should result in sustained production and commercial income.

Economic Projections Estimated:

$160 \text{ mcf/day} \times \$ 5 \text{ per mcf} \times 30 \text{ days} \times .70 \text{ NRI} \times .925 \text{ GPT} - \$ 2000 \text{ LOE} = \text{\$ 13,540 Net Per Month}$

$\$ 400,000 \text{ Re-Entry Well Cost} / \$ 13,540 \text{ per Mo.} = \text{30 Months to Pay Out}$

$250,000 \text{ mcf} \times \$ 8 \text{ per mcf} \times .70 \text{ NRI} \times .925 \text{ GPT} = \text{\$ 1,295,000 Net Reserve Value}$

$\$ 1,295,000 \text{ Net Reserve Value} / \$ 400,000 \text{ Project Cost} = \text{3.2 : 1 Return on Investment}$

Additional Re-Entry Projects are currently being developed by MPG to provide MERC with a steady stream of low-risk oil and gas production opportunities. Currently, we are evaluating a natural gas re-entry project in Jim Wells County and an oil re-entry project in Atascosa County, both of which are in the early stages of evaluation, therefore, no specifics will be given at this time .

Brunks Saltwater Disposal Facility

This property is located in a prime location, surrounded by oil and gas fields and on the intersection of a Highway and a County Road. MPG has obtained from the Texas Railroad Commission, a commercial saltwater disposal permit for the No. 1 Brunks SWD well, which allows the injection of 5,000 barrels per day. A second commercial disposal well, located on the same property, the No. 1 –D Brunks SWD well is permitted for an injection volume of 1,000 barrels per day. Having two disposal wells located on the same property has very unique and beneficial advantages. By having two wells in operation, the risk of down time is drastically limited when one well goes down for maintenance which will allow us to offer 24 hour, 365 day a year service. Two injection pumps will also be installed, so that in the event of mechanical failure of one, the other pump will be placed into service.

In addition to income generated from disposal fees, a significant source of income is generated from “skim oil”. When the hauling company vacuums or sucks up saltwater from holding tanks on producing properties, a small amount of oil is picked up at the same time. The off loaded water filters through a series of settling tanks at the SWD facility and all oil is skimmed, segregated and accumulated for sale. The skim oil aspect of the saltwater disposal business is like owning a producing well which never depletes.

To further increase profitability of the facility, additional oil field services may be offered. For example, the sale of diesel fuel to the vacuum trucks will provide convenience, time and money saved to the trucking company, resulting in more business for MERC and producing a competitive edge for the Brunks Saltwater Disposal Facility. The sale of treated “KCL” or heavy brine water may also be considered as the same trucks that haul produced saltwater away from producing properties also deliver clean, treated water to drill sites and workover operations.

Expansion into future disposal facilities in other areas will likely be pursued and can be accomplished very efficiently in conjunction with our exploratory drilling and re-entry projects. Wells drilled under exploratory projects in which MERC has a significant interest may be completed in a manner suitable to the future use and conversion for saltwater disposal where applicable geographically and when saltwater disposal operations are permitted by the landowner. The saltwater disposal facilities may be owned and operated wholly by MERC and MPG. Alternatively, a trucking company may be brought in as a partner to guarantee a steady volume of saltwater for disposal.

Estimated Income Generated from Disposal Fees:

4,500 bbls SW per day x \$.30/ bbl x 30 days = \$ 40,500 Gross - \$ 15,000 Estimated LOE = **\$ 25,500**

Estimated Income Generated from Skim Oil:

600 bbls/ mo. x \$ 60 per bbl x .954 GPT = **\$ 34,344**

Combined Net Monthly Income = \$ 59,844

Payout of Project: \$ 500,000 Project Cost / \$ 59,855 Net Revenue per Month = **8.4 months to Pay Out**

Abbreviations: LOE = Lease Operating Expense mcf = thousand cubic feet of gas per day BOE = barrels of oil equivalent
NRI = Net Revenue Interest of Lease GPT = General State Production Tax

Application of MERC Raised Funds:

Ritchie Farms Prospect:

Cost for acquisition of oil and gas lease, geology, geophysical data, drilling to a projected depth of 9,500 feet, completion and equipping cost of the test well is \$ 2,000,000. It is anticipated that MERC will participate for 25 % of the working interest in this prospect, therefore, \$ 500,000 of the funds raised in the initial offering will be allocated to the test well of this prospect. The cost to drill and complete the development wells under this project is estimated at \$ 1.5 MM per well, with four development wells anticipated. MERC will be entitled to participate in the development wells on a first right of refusal basis, however, no part of the initial funds raised will be allocated for development well drilling cost until after the test well is successfully drilled and completed.

Estimated cost of MERC's 25 % share in the test well: **\$ 500,000**

Pearl Prospect:

A prospect development and drilling budget of \$ 15,000,000 is set for the Pearl Prospect. This is broken down into up-front cost to pay for the acquisition of oil and gas leases, up to 10,000 net mineral acres, geology and 2D and 3D geophysical data in the amount of \$ 5,105,000. The balance of \$ 9,895,000 will be expended for the drilling of the test well to a projected depth of 19,000 feet, completion of the well and equipping of it.

It is anticipated that MERC will participate for 25 % of the working interest in the test well of the Pearl Prospect, therefore \$ 3,750,000 of the funds raised in the initial offering be allocated to the test well of this prospect. Subsequent develop wells to be drilled under the Pearl Prospect are estimated to cost \$ 10 MM each. MERC will be entitled to participate in all development wells drilled on the Pearl Prospect, however, none of the initial funds raised will be allocated for this purpose.

Estimated cost of MERC's 25% share in the test well: **\$ 3,750,000**

“Re-Entry of the No. 5 Brammer Project”

Cost for acquisition of the oil and gas lease, re-completion of the well, down hole and surface equipment , flowline and pipeline interconnection cost is \$ 400,000. It is anticipated that MERC will participate for 50 % of the working interest in this project, therefore, **\$ 200,000** of the funds raised in the initial offering will be allocated to this project.

“Brunks Saltwater Disposal Facility”

Cost for acquiring the landowner saltwater disposal agreement, ground preparation, onsite trailer office, complete with electricity, telephone and plumbing, two well bores completed for injection including down hole and surface facilities is \$ 500,000. It is anticipated that MERC will participate for 50 % of this project, therefore, **\$ 250,000** of the funds raised in the initial offering will be allocated to this project.

Initial Funding Requirement: \$ 5,687,000

In consideration of the projects described above and in the amount of stated interest which is currently available to MERC, an initial funding requirement in the amount of \$ 4,700,000 will be raised to cover the project cost.

A 10 % administrative and overhead expense fund in the amount of \$ 470,000 will be allocated to cover office, legal and accounting fees for the first year of operation. Brokers fees attached to raising the initial fund will be limited to 10%, amounting to \$ 517,000. Therefore, in consideration of all of the above, the initial funding requirement for MERC is \$ 5,687,000.

Based on successful results that are anticipated from the projects to be undertaken utilizing the first stage of funding, a second stage of funding will be sought to pay for development well cost, and to implement the expansion into solar and wind energy generation.

Strategic Alliance between MPG Energy Resources, Corp. and MPG Petroleum, Inc.

The strategic alliance between MERC and MPG will benefit both companies. MPG will be the generator and operator of the oil and gas exploration prospects and the oil field service lines of business. This will allow MERC to apply the vast bulk of its funds directly towards the cost of the projects it participates in while minimizing the cost and time of prospect development, professional staff, and office overhead. MPG will offer to MERC on a first right of refusal basis, an option to participate for 25 % – 100 % of all projects. The specific amount of project interest offered to MERC will be based the availability of the interest at the time the project is offered, the availability of funds from MERC and on the suitability of the project for MERC. Suitability must be demonstrated to and approved of by the Board of Directors of MERC.

MERC will also benefit from owning partial interests in a greater number of diversified oil and gas drilling prospects and oil field service businesses and will be insulated to a large degree from associated liability because it will not directly operate any of the projects.

MPG will benefit by having built-in funding for significant portions of its projects which will allow it to focus on the generation and drilling of exploratory prospect and implementation of oil field services. As MERC grows and becomes established, MPG may elect to wind down MPG and its principal, Margaret P. Graham will focus entirely on the future growth and development of MERC.