

# Executive Summary

---

Energy Holdings LLC



## Executive Summary

Energy Holdings, LLC is a small privately owned exploration and production oil and gas company, organized in the state of Minnesota, ready for expansion in production. Energy Holdings, LLC has areas of land to drill in Kansas, and acres of land to develop, most of them with infrastructure in place. We are looking for an equity investment in either debt or equity or a combination of the two to support this project.

Energy Holdings, LLC has almost 400 years of highly successful experience in oil exploration, with over 6,500 wells drilled at the hands of our experienced management team and partners. We utilize our strategic relationships to develop highly productive wells. Energy Holdings, LLC has over 22,500 acres of current and potential production on top of the Mississippian, the Kansas Lansing, the Arbuckle, and the Viola. We are able to assess strategic acreage opportunities because of our successful history in the area and with key operating companies, geologists and scientist. Our main focus is to be a low cost oil and gas producer, with risk adjusted returns that lead the industry.

### 1.1. Introduction

The purpose of this business plan is to identify the long-term strategy and short-term action plans undertaken by the Energy Holdings, LLC (Energy Holdings, LLC) and to enable tracking of the performance required to fulfill its mandate. Since the decision to enter the oil and gas industry in 2011, Energy Holdings, LLC's business plan has been to participate in and purchase oil and gas interests utilizing strategies that seek to manage and reduce the risk associated with traditional exploration and production operations. Energy Holdings, LLC was formed for the purpose of exploring for oil and gas in the state of Kansas, purchasing 23,300 acres, with approx. 5,300 HBP acres in the heart of the lease (see Section 5.1, Land & Geology).

Initially, the lease consisted of 30,080 acres (47 sections) and had 3-D seismic shot. Most data shot was proprietary but does include about 4 sections of data was traded data with offset operators. Currently the lease has approximately 18,000+ acres under lease and 5,300+ acres HBP. The remainder of the initial block was released, because at the time it had no apparent geological value. Listed below are the producing wells, disposal wells, API numbers and a list of wells that we were going to start drilling 1st quarter of this year.

<b>PRODUCING WELLS</b>		
<b>Well Name</b>	<b>API No.</b>	<b>Status Remarks</b>
<b>T29S-R14W, Pratt, County, KS</b>		
#1 Bergner	15-151-22375 Oil	Viola Producer : New 7-2011
<b>T29S-R15W, Pratt County, KS</b>		
Stelzer 1	15-151-22277	Will Be Used as a SWDW Later
Stelzer 1-A	15-151-22301	Oil LKC Producer
Stelzer 1-B	15-151-22320	Oil LKC Producer <b>(18-T29S-R14W)</b>
Brenner 1	15-151-22345	Oil Marmaton & Miss Producer
Eads 1	15-151-22315	Oil Miss Producer

<b>PRODUCING WELLS</b>		
<b>Well Name</b>	<b>API No.</b>	<b>Status Remarks</b>
Hirt 1	15-151-22260	Oil Miss Producer
Hirt 1-A	15-151-22267	Oil Miss Producer
Hirt 1-B	15-151-22276	Oil Miss Producer
Hatfield 1	15-151-22313	Oil Viola Producer
Slief 1	15-151-22199	Oil Viola Producer
Slief 2	15-151-22240	Oil Marmaton & Miss Producer
Westerman 1	15-151-22312	Oil Viola Producer
Johnson 1	15-151-22197	Oil Viola Producer <b>(32-T28S-R15W)</b>
McFall 1	15-151-22305	Oil Miss Producer
Jean 1	SWDW	Arbuckle
<b>T29S-R16W, Kiowa County, KS</b>		
Piester 1	15-097-21615	Oil Miss Producer
Piester 2	15-097-21618	Oil Miss Producer
Piester 3	15-097-21634	Oil Miss Producer
Piester 4	15-097-21642	Oil Miss Producer
Piester 1-A	15-097-21688	Oil Miss Producer
Cromer 1A	15-097-21383	Oil Miss Oil – Wash Down of a Well Drilled in 1994
Cromer 1	15-097-21687	Oil Miss Oil
Wilcox Unit	15-097-21686	Oil Cherokee Sand Oil
Piester 1	15-097-21252	SWDW Arbuckle

These are the first of the new wells needing to be drilled, both offset (PUD's).

<b>3-D LOCATIONS TO DRILL</b>		
<b>Well Name</b>	<b>Location</b>	<b>Prod Remarks (Formation Targets)</b>
<b>T29S – R14W, Pratt Co., KS</b>		
Stelzer 2-B	Sect 18 C NE NW)	Oil Lansing (PUD)

We intend to drill 40 offset wells and 60 HZ wells in the heart of the lease. Further development will occur after the 100 well phase.

#### **OIL & GAS RESERVE**

▪ 9 laterals x 461,984 BO	=	27,257,056 Recoverable BO
▪ 59 laterals x 640 MMCFG	=	37,760,000 MCFG
▪ 27,257,256 BO x \$60 p/bbl	=	\$1,635,435,360
▪ 37,360,000 MCFG x \$2.50 MCFG	=	<u>\$94,400,000</u>
		<b>\$1,729,835,360 Total Reserve</b>
▪ 59 laterals x \$3,000,000 p/lateral	=	\$177,000,000
▪ ROI	=	10:1

This does not include the vertical PUD locations, and normal drilling and completion tax deductions. Further, additional wells will be drilled after our phase one expansion.

## ***1.2. Objectives***

- The primary objective of Energy Holdings, LLC is to identify oil and gas prospects with significant reserve and viable economic potential.
- Become established as a recognized oil and gas exploration company in the United States, and especially in the state of Kansas.
- Ensure fast and consistent returns to investors.

## ***1.3. Mission Statement***

The mission of Energy Holdings, LLC is to promote the responsible development of Kansas' oil and gas natural resources. Responsible development results in:

- The efficient exploration and production of oil and gas resources in a manner consistent with the protection of public health, safety and welfare.
- The prevention of waste.
- The protection of mineral owners' correlative rights.
- The prevention and mitigation of adverse environmental impacts.

Energy Holdings, LLC seeks to serve, solicit participation from, and maintain working relationships with all those having an interest in Kansas' oil and gas natural resources. In addition, Energy Holdings, LLC supports and actively encourages good engineering practice, excellence in all aspects of customer relationships, promotes ethical and competent engineering practice, thereby adding value to their customers demanding and complex projects.

## ***2.0. Company Summary***

### ***2.1. Management Team***

The strength of the Energy Holdings, LLC's management team stems from combined expertise in both management, construction and oil & gas. The leadership and alignment characteristics of Energy Holdings, LLC's management team has resulted in the establishment of broad and flexible goals. Our goals are designed to meet the ever-changing demands of the swift-moving marketplace requiring our exploration and development expertise.

### ***2.2. Ownership Team***

- **STEVE VAN HAUEN, JR., PH.D., CEO**

#### **Education:**

- **University of Arkansas**
  - ◆ Ph.D. in Finance and Accounting – 1974
- **Oklahoma State University**
  - ◆ M.S. in Accounting - 1966.
    - Graduated with Honors
  - ◆ B.S. in Accounting – 1965
    - Graduated with Honors

- Member of Beta Gamma Sigma and Beta Alpha Psi
- Deans and Presidents Honor Roll

### **Personal:**

- **Military: United States Army, Special Forces – Honorable Discharge**

### **Professional Experience:**

- 1986 to Present **Chairman and CEO**, Santa Fe Investment Corporation.
- 1980 to Present **Chairman and CEO**, PaZone Exploration, Inc.
- 1984 to 1986 **Executive Vice President** and member of Board of Directors, Ranchers Savings Association of Houston, Texas.
- 1978 – 1984 **Chairman and CEO**, Oakwood Enterprises.
- 1974 – 1978 **Vice President of Administration and Finance**, University of Oklahoma.
- 1971 – 1974 **Budget Director**, University of New Mexico.

### **Achievements:**

- **Oil and Gas**

Company's purpose is to acquire leases, raise drilling funds, drill wells, rework existing wells, purchase blocks of existing production for cash flow purposes, and build increased value for investors and principals of the Company. Have an in depth knowledge of the business side of the Oil and Gas Industry as well as hands on knowledge of field operations.

- **Real Estate - Commercial**

- ◆ Provider of financial consulting services for real estate projects ranging from \$500,000 to over \$200 Million and the construction and permanent financing for these projects. Santa Fe has also developed and constructed numerous single family residential and commercial properties. Provided consulting services to the Bank of China and also worked extensively in Turkey, Germany, Austria Switzerland, and Mexico.
- ◆ Casino Financing and Construction – Financing and construction of six hotel/casino developments over the past ten years in California and Arizona. This included the development of construction and operating budgets for the project and to bring the General Contractor to the project along with architects and major sub-contractors. These projects included Flintco Construction as well as TCI and several other General Contractors who are minority owned.
- ◆ Primary responsibility for the acquisition, development, and sales of a number of residential and commercial properties throughout the State of Texas. Was also responsible for the origination of numerous loans ranging in value from \$500,000 to \$50 million.

- **Real Estate – Residential**

Oakwood Enterprises a residential and commercial development and Construction Company. General Partner of several partnerships in the residential, multi-family and commercial sector. During this time period, Oakwood developed hundreds of acres of residential and commercial property and built in excess of 1500 homes.

- **Finance and Administration**

- ◆ Vice President of Administration and Finance for the University of Oklahoma. Primary responsibility was for the Norman Campus, Health Sciences Campus in Oklahoma City and the Dental College in Tulsa, Oklahoma. This position had 2500 employees reporting to it with a combined budget of \$180 Million. I was directly responsible to the OU Board of Regents, the State Board of Regents and the State Legislature of Oklahoma. During my tenure in this position we instituted the first computerized budget for the University. At this time, I was the youngest Vice President of a major University in the Big 8 later to become the Big 12. Associate Professor in the College of Business.
- ◆ Budget Director for the University of New Mexico. Was the first Budget Director for the University and primary responsibility was for the development of new funding formulas and budget allocation methods for the main campus and all branch campuses. Assistant Professor in the College of Business.
- ◆ Doctorial Teaching Fellowship at the University of Arkansas.
- ◆ Auditor and Cost Accountant for Sandia National Laboratories. Performed audits on major contracts throughout the United States with companies such as General Motors, Ford, Kaiser Aluminum, U.S. Time, Bulova Watch, etc.. These audits consisted of time and material contracts, cost plus, and incentive contracts that ranged in value from hundreds of thousands to multi-million dollars.

- **TIMOTHY J. VOGL, CFO**

**Summary:** More than 35 years of strong financial executive management experience involving: P&L Responsibilities Business Analysis

- |                             |                               |
|-----------------------------|-------------------------------|
| ▪ Mergers/Acquisitions      | ▪ Budgets                     |
| ▪ New Business Development  | ▪ Sarbanes Oxley              |
| ▪ Proactive Team Leadership | ▪ Sales & Marketing           |
| ▪ Project Management        | ▪ Finance                     |
| ▪ Negotiations              | ▪ Oral & Written Presentation |
| ▪ Government Regulations    | ▪ Strategic Planning          |
| ▪ Problem Solving           | ▪ Business Planning           |
| ▪ Board Interaction         | ▪ Cash Flow Management        |

**Education:**

- **University of Alaska – Anchorage**
  - ◆ MBA – Accounting and Economics – December 1984
  - ◆ BBA – Accounting and Economics – August 1983

- **Behavioral Coaching Institute**
  - ◆ Master Certification – (Executive Coaching)
- **Securities License (6, and 63)**
- **Insurance License**

#### **Personal:**

- **Military: United States Air force**
  - ◆ Air National Guard - Military Police
  - ◆ Honorable Discharge
- **Boy Scouts of America: Unit Commissioner**

#### **Experience:**

- 1995 – Present **Owner** – Bountiful Financial, Inc. – Contract CFO, Financial Services Consulting, Oil and Gas, Mortgage Banking, Manufacturing, Real Estate Development, Sarbanes Oxley, Financial Analysis and Modeling, Marketing Campaign Tracking.
- 1991 – 1995 **President/CEO** – Park Grove Development Corporation – Real Estate Development
- 1998 – 1991 **CFO** – Omni International – Office Building Development and Architecture
- 1995 – 1998 **Vice President – Finance/CFO** – Fullerton Financial, Inc. – Mortgage Banking
- 1980 – 1982 **Controller/Treasurer and member of Board of Directors** – VECO - Oil & Gas Servicing & Drilling, Commercial Building Construction, Sheet Metal Manufacturing, and Oil Drilling Rig Manufacturing.
- 1975 – 1980 **Finance Officer/CFO** – State of Alaska – Government operations, Dept of Labor

#### **Achievements:**

- **Treasury & Cash Management Planning**
  - ◆ As a consultant to a large mortgage banking firm (**RFC – GMAC**) with \$100 billion in mortgage bank servicing, developed a complex model for strengthening the warehouse line of credit cash flow system within the newly established treasury department, which could potentially save the company up to \$400,000 annually in bank fees. Also analyzed the main operating account for cost efficiency. Developed numerous monthly analyses of investments and borrowings, as well as other operating functions, to test trends through charts and graphs for the treasury department’s internal reporting purposes.
  - ◆ As a consultant, developed a cash management system/model for the nation’s fourth largest sugar co-op (**United Sugars**), whose primary product is Crystal sugar, and whose primary customers are Pillsbury and Nestles. The model was used to predict cash balances on both a weekly and monthly basis. The model



predicted cash flow balances each week with less than a 5% variance, as well as provide graphing for actual and historical data. In addition, developed the necessary procedures so that it could be used on a daily basis by an accounting technician.

- ◆ As a consultant, acted as Treasurer for **Stuart Entertainment, Inc.**, an international manufacturing company within the gaming industry, which was in a turn-around situation (Chapter 11). Restructured the debt and removed them from Chapter 11.
- ◆ As Vice President of Finance, CFO of **Fullerton Financial, Inc.** an \$800 million mortgage bank, was responsible for all Treasury related functions of the bank, including the company's investment portfolio and management of the warehouse line of credit (\$30 million). In addition, bought and sold mortgage pools within the secondary market.
- ◆ Participated in an investment group that invested in stock options Puts and Calls in a variety of investment strategies on the Chicago Board Options Exchange. Performed the necessary regression analysis to forecast the outcome, as well as the actual profitability.
- ◆ As Investments & Securities Officer for **Alaska State Bank** in Anchorage AK, managed the bank's investment portfolio consisting of \$50-75 million. In addition, developed policies and procedures on all treasury-related functions. The bank had a strong eastern group of investment banks that was dealt with everyday. Also prepared public bids on the City of Anchorage property tax funds and won 75-80% of the funds available (\$5 – \$30 million) each quarter for two years in a row. Prepared SEC reports, including both 10Q and 10K reports.
- ◆ Consulted with the Treasury Department of a large insurance and financial services company (**ING**) with assets of \$520 billion. Responsibility was to develop policy and procedures for the reinsurance business for the UK, Netherlands, Denmark, Mexico, and the Americas. Developed on a monthly basis a model for analyzing the company's foreign currency position and prepared the foreign currency hedge for about 80 different currencies throughout the world. My recommendation went right to the trading desk.
- **Lines of Credit**
  - ◆ Negotiated a \$30 million mortgage warehouse line of credit with 1st Bank, a large national bank, on behalf of **Fullerton Financial, Inc.** which supported the loan process and subsequent selling of the packaged loans into the secondary market. This loan was essential to the functionality and success of the Mortgage Bank.
  - ◆ Developed a \$60 million line of credit to finance all activity and provide the necessary weekly cash flow analysis for **VECO, Inc.**, a world-wide oil servicing company that built large oil field related buildings, and oil drilling rigs for lease-back to other oil companies (such as Sohio, Texaco, Arco, Exxon, and Standard Oil of California, as well as limited partnerships). Responsible to



develop policies and procedures on all treasury functions and prepare cost projections and revenue forecasts on every project. AVECO was also involved in a number of limited partnerships and joint ventures which required monthly profitability analyses. As treasurer, developed the \$60 million line of credit which required the participation of five banks. These included the company's lead bank, two correspondent banks, and a fourth bank solicited from a group of large banks. These four made up \$55 million of the \$60 million needed. The fifth bank was entirely solicited by me as all other banks contacted had declined involvement. Contacted the corporate director (secretary) of Manufacturers' Hanover Trust in New York and convinced them of the benefit of their involvement in this venture, with the agreement established over dinner.

- **Private Equity Funding**

As a consultant developed funding proposals for over 60 residential and commercial real estate development projects in Alaska, Minnesota, Arizona and Wisconsin.

- **Budgeting & Planning**

- ◆ As a consultant to **West Group, Inc.**, developed the royalty budget, and coordinated with the company-wide budget group.
- ◆ As a consultant to **KEOMED, Inc.**, a medical manufacturing and distribution company developed a budget model template, for the parent company and one of its subsidiaries.
- ◆ As a consultant to **Cargill, Inc.**, a large, multi-national agricultural company developed an internal budgeting system for the corporate IT department. This included approximately 250+ employees and 100 contractors, and 55 responsibility centers, which rolled into 12 major units, totaling \$70 million. I developed a complex system of linking formulas to add sub-functions to line items to responsibility centers up to the major units, and finally to the departmental level. In addition, the budget detail had to be transferred into Cargill's company-wide accounting system. Worked with each responsibility center manager to ensure the correctness of budget detail. Also worked with the central accounting department to coordinate the information for inclusion in the company-wide budget.
- ◆ As a consultant to the **Wilder Foundation**, a large foundation set up to provide numerous social programs for the underprivileged, prepared the company-wide Indirect Cost Plan, analyzed various federal government programs for accuracy, and rewrote and refined the organization's budget preparation manual.

- **Financial Modeling**

- ◆ As a consultant to **Metris Companies, Inc.**, designed and implemented a complex marketing campaign tracking and financial analysis reporting system. The system tracked each marketing campaign throughout six waves of activity, through the entire life cycle of the campaign. This included all mailing, re-mailing, outbound and inbound telemarketing, and each expense line item category. In addition, each campaign had a forecast budget for the life cycle of

the campaign, along with actual expenses, and a variance from forecast, as well as unit cost analysis. Each forecast was updated each month for changes, leaving a monthly historical record. There was a significant amount of analysis and all of this had to be rolled up into a variety of comparative analyses, resulting in 3,000+ Excel worksheets.

- ◆ As a consultant to **Ridgeview Medical Center**, developed a complex multi-clinic revenue model, to analyze all the revenue and expenses generated by each physician to determine the profitability levels of each physician within each clinic.

- **Risk Management**

As a consultant to **ResCap** the parent company to GMAC, was on a Model Validation Risk Management team that audited all of the financial models throughout all of GMAC's global financial system, which consisted of the UK, Netherlands, and America.

- **Technical Writer**

- ◆ Served as Technical writer for a large “financing and loan accounting” platform project at **GMAC**. Was on a team of 30+ IT consultants and programmers, and served as the only technical writer. The final product was a document of 350+ pages.
- ◆ Served as Project Manager for a Sarbanes Oxley Desk Top Procedure project at **GMAC/RFC**. The Project covered all of the Residential Capital Group Finance Department, which included Loan Accounting, Mark to Market, Asset Management, and Accounts Receivables.

- **Sarbanes Oxley**

As a consultant on a Sarbanes Oxley team at **Mesaba Airlines**, was involved in all aspects of the 302 and 404 Review/Assessment in conjunction with Deloitte & Touche.