

Excello/Mulky,

The Shiloh Project is a coal bed methane (CBM) and conventional gas project located in Allen and Neosho Counties of eastern Kansas. This is the Company's most advanced project in the Cherokee Basin and a major focus of its 2006 Development Program. The Company holds a 100% Working Interest in the project.

wells on this 18,400+ acre project, with the first 106 Since development began at the project in 2004, Admiral Bay has drilled and/or re-activated 147 wells now connected to the pipeline and dewatering/selling gas. Work to connect the remaining wells is ongoing. The project is presently producing 2.0 to 2.3 MCFGPD. Admiral Bay has targeted the Summit, Excello (Mulky), Bevier, Mineral, Tebo B and Riverton coals and carbonaceous shales. Admiral Bay has a 100% working interest. The Company presently has 106 wells producing and 41 wells awaiting completion or connection to the gas gathering system. There is an addition 230 locations to drill based on 80 acre spacing. Quest Engineering has given the Project Proved Reserves of 13.31 BCF , and 2P and 3P reserves of 13.91 BCF (Billion cubic feet). The first ten wells were completed in multiple zones. However, since then the remaining wells are now predominantly completed in a single coal seam, generally the Riverton. The Company has found that by completing wells in only the Riverton, the wells tend to have higher production rates in a shorter period of time, with the well producing considerably less water. Wells begin producing gas anywhere from zero to 30 Mcf/day with 30 to 100 barrels of water a day. Over time, as the wells continued to be produced, gas production increases and water production continues to decrease. The Company is evaluating the Summit and Excello (Mulky) carbonaceous shales as potential target zones of interest.

In December of 2006, the Company received an expression of interest for a competitor in the basin. Because of an uncertain future for eight months the Company's work program was suspended, wells were not maintained and preventive maintenance was not ongoing. This caused the Company not to drill wells and subsequently fell behind in terms of adding incremental production. Since the closing of the Gas Rock financing and replacement of the Macquarie debt facility the project now has had a significant chemical program put into place that has reduced well pulls from dozens a week to about one to three a week. Admiral Bay continues actively lease in the project area. The Company is targeting to increase its land position at the project.

Drilling depths for the coals and carbonaceous shales vary from are 450 to 1,200 feet. Secondary targets are oil and gas in the Pennsylvanian Squirrel, Cattlemen and Bartlesville Sandstones. Historically, reserves from the Bartlesville or equivalent sandstones vary from 10,000 to 150,000 barrels of oil from 10 acres or less at depths of less than 1,000 feet. Coals tested in wells drilled in the project area indicate that the Riverton coal is carrying in excess of 352 SCF (standard cubic feet) per ton and have over 145 millidarcies permeability. Historically, conventional oil and gas wells in the Shiloh Project area have flowed up to 400 MCFGPD and produced up to 70 barrels of oil a day (and wells are often a combination of oil and gas).