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2009 Annual Report

Letter to Shareholders

Dear Shareholders,

2009 was a year of recovery for the oil and gas industry, as well as a year of change for Alturas Energy. At the beginning of the year, oil prices wallowed in the low \$40 per barrel range, but then climbed to hover just above \$80 per barrel by the end of the year. Gas started the year in the mid \$5 per mcf range, dipped down to below \$3, and finished the year almost exactly where it started in the mid \$5's. Average price for gas in 2009 was \$3.94.

While oil and gas prices were making significant changes, so was our company. Alturas started the year as Serra Energy, with a Kansas City based management team, and finished the year as Alturas Energy, LLC based in Idaho, with a new management team, new mission statement, carefully defined strategic plan, and a focused approach to achieving company goals.

New Management Team

A new management team was brought on board by Greyhawk Capital Management, majority owners of Serra, in an effort to refocus the direction of the company towards cash flow accumulation. I, John Campbell, was brought in as CEO due to my experience in building profitable cash flow based businesses. Kurt Funkhouser came on board as the Director of Operations. Kurt's experience in overseeing and actively participating in field operations, as well as his geology degree has positioned him well to carefully monitor and evaluate company assets. Kelly Malone utilized superb organizational skills to collate, organize and get a firm grip on a random and voluminous assortment of documents and interests in properties spread throughout 5 states. The new management team conducted an audit of company assets, physically visited all producing assets, and developed maintenance plans to maximize production of wells.

Strategic Plan

At the beginning of the year, the asset portfolio was heavily weighted to high risk asset plays. The new management team, in concert with Greyhawk management identified a goal of transitioning the asset mix to a lower risk cash flow portfolio. This goal has since been pursued in a variety of ways. First, a process was initiated to sell or partner to monetize the high risk assets. Second, management began looking to acquire cash flow producing properties via auction houses, both on-line (via Energynet.com)

and in Houston (at the Oil and Gas Clearinghouse). Financial analysis modeling was accomplished through the use of an Asset Value Calculator which took into account decline rates of wells, as well as a variety of financial variables in order to maximize the probability of a desirable return.

The focus on cash flow is a priority for a few reasons. Assembling a solid cash flow producing company will allow for healthier organic growth. It will also minimize the risk associated with fluctuating commodity prices. While cash flow properties don't offer the potentially huge investment returns that higher risk plays often do, they also don't come with as severe a threat of loss of capital. Additionally, the purchase, monitoring, and operation of cash flow properties allows for an education in a particular region or zone that in turn allows for more intelligent decision making when the opportunity for higher risk investment arises. Lastly, once a solid cash flow platform has been established, the company will be in a better position to pursue riskier plays offering substantially higher returns.

2010

As we commence 2010, our Alturas team is optimistic. We are pleased our "house is in order". We are eager to shift focus from the transitions of 2009 to the task of growing our business, and making it profitable. We are confident the combination of our strategic plan, creative and intelligent approach to problem solving, and ability/willingness to work hard will have positive results for both the company and our shareholders.

Sincerely,

John Campbell
CEO, Alturas Energy, LLC