



Office: (208) 928-7261
Fax: (208) 578-7711
Shipping: 313 S. Main St., Hailey, ID 83333
Mailing: PO Box 986, Hailey, ID 83333

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Third quarter report

Alturas Energy

The third quarter of 2009 was marked by a focus on transitioning to a more cash flow driven and efficient operation.

Assets –

Northern Indiana – Alturas currently has a 75% interest in 126,000 acres secured with mineral rights leases in the Antrim shale. We estimate our reserves on this acreage total 80 bcf. Leases have 5 ½ years left, including an optional 3 year extension. Our long term goal is to find a major company interested in acquiring part or all of our acreage. However, in the short term, we think it more likely we will find a company willing to partner in the development of our lease assets. During the third quarter of 2009, we developed a strong knowledge base in the geology, history, and producing players in both N. and S. Indiana. We also began assembling an information package to distribute to prospective partner companies. Our plan for the fourth quarter is to begin contacting prospective partner companies in hopes of putting together a deal in early 2010.

Southern Indiana – Alturas currently has a 45% interest in 37,000 acres secured with mineral rights leases in the New Albany shale. We estimate reserves on this acreage total 16 bcf. Again, leases have 5 ½ years left, including an optional 3 year extension. Our goal for the fourth quarter of 2009, as with our holdings in N. Indiana, is to finish assembling our information package and begin contacting prospective partner companies.

Kansas – Alturas leases 1450 acres of land with gas wells. Due to a combination of compelling factors, we were motivated to, and successful in converting our money-losing wells into money making ORRI's. Depending on market conditions, we may elect to sell these ORRI's and use the proceeds to purchase cash flow generating properties with less demanding management requirements.

Texas – Alturas owns 10 stripper wells and 6 salt water injection wells. These wells are old wells with solid but small daily output, and generate good cash flow when oil is above \$53 per barrel. We considered selling these wells during the third quarter (when oil averaged \$63 per barrel), but determined we were better off collecting the cash flow. We initiated a program of well site improvements to both increase

production and safety conditions. Managing and maintaining these wells has been a valuable educational experience for us.

Oklahoma – Alturas owns a variety of working interests in a broad spectrum of oil and gas wells spread throughout Oklahoma, Texas, and Montana. Most of these working interests are producing reasonable cash flow, even in these times of disadvantageous market pricing for gas. In the third quarter, the Busby well was completed without success in the deepest zone, then completed in two higher zones. It will hopefully go on production in October. We tried without success to fix a water problem at Rose Heirs. In the fourth quarter of 2009, we hope to see solid production from the Busby, and get Rose Heirs back on production.

Strategic growth plan –

Our primary goal within 12 to 24 months is to have 60% of our assets consist of cash flow producing, low risk plays. 30% are to be higher risk but higher return plays in proven resource areas. 10% of our assets will ideally be positioned in high risk, potentially exponential return opportunities. Additionally, we think becoming experts in a niche market will help us realize this goal more quickly. We are currently focusing our efforts on acquisition of new, low risk cash flow plays primarily in the DJ basin to the east of Denver, Colorado.