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Fourth quarter report

Alturas Energy

Action focus during the fourth quarter of 2009 was directed toward improving cash flow, improving operation efficiency, and making progress with Indiana assets.

Assets –

Southern Indiana – Alturas currently has a 45% interest in 36,000 acres secured with mineral rights leases in the New Albany shale. We conservatively estimate reserves on this acreage total 16 bcf. Leases have 5 ½ years left, including an optional 3 year extension. After developing a solid knowledge base, we assembled a “teaser” PowerPoint presentation for prospective partners. This teaser was presented to Atlas Energy, who subsequently travelled to OK City to meet with Deka, our designated operator, to obtain more complete and in-depth information. We hope to negotiate a mutually advantageous partnership with Atlas (or some other company) in the first half of 2010 to begin developing this asset.

Northern Indiana – Alturas currently has a 75% interest in 127,000 acres secured with mineral rights leases in the Antrim shale. We conservatively estimate our reserves on this acreage total 80 bcf. Leases have 5 ½ years left, including an optional 3 year extension. During the 4th quarter of 2009, we similarly developed our knowledge base and put together a PowerPoint presentation for this asset. We were pleasantly surprised when Atlas expressed significant interest in our N. Indiana assets during their visit with Deka. Additionally, we are in the process of utilizing an investment banker to help find other companies interested in developing N. Indiana as our partner.

Kansas – Alturas leases 1450 acres of land with gas wells. The ORRI interests we obtained in the 3rd quarter of 2009 began generating positive cash flow in the 4th quarter.

Texas – Alturas/Serra 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. Oil averaged \$70 per barrel in the 4th quarter, so this asset performed well. Preliminary results from our well improvement efforts were positive, so we developed a complete well maintenance and workover plan for

2010, which we believe will increase our production by 25%, while lowering maintenance expenses.

Oklahoma – Alturas/Serra owns a variety of working interests in a broad spectrum of oil and gas wells spread throughout Oklahoma, Texas, and Montana. These assets performed well in the 4th quarter as commodity pricing improved for both oil and gas. The Busby well is producing nicely from the two zones completed in the 3rd quarter. Production may increase further with a bigger pump slated for install in January as well as the activation of a disposal well.

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. We made progress in this direction by acquiring a solid cash flow generating property in Chambers, Texas, at a reasonable multiple. An analyst was brought on board to assist in the discovery of additional cash flow opportunities in the 4x to 5x range. We continue to focus our efforts on acquisition of new, low risk cash flow plays primarily in Colorado, Wyoming, and Utah.

Respectfully submitted,

John Campbell
CEO
Alturas Energy