LUCAS

AJ Lucas Upstream Investments Update

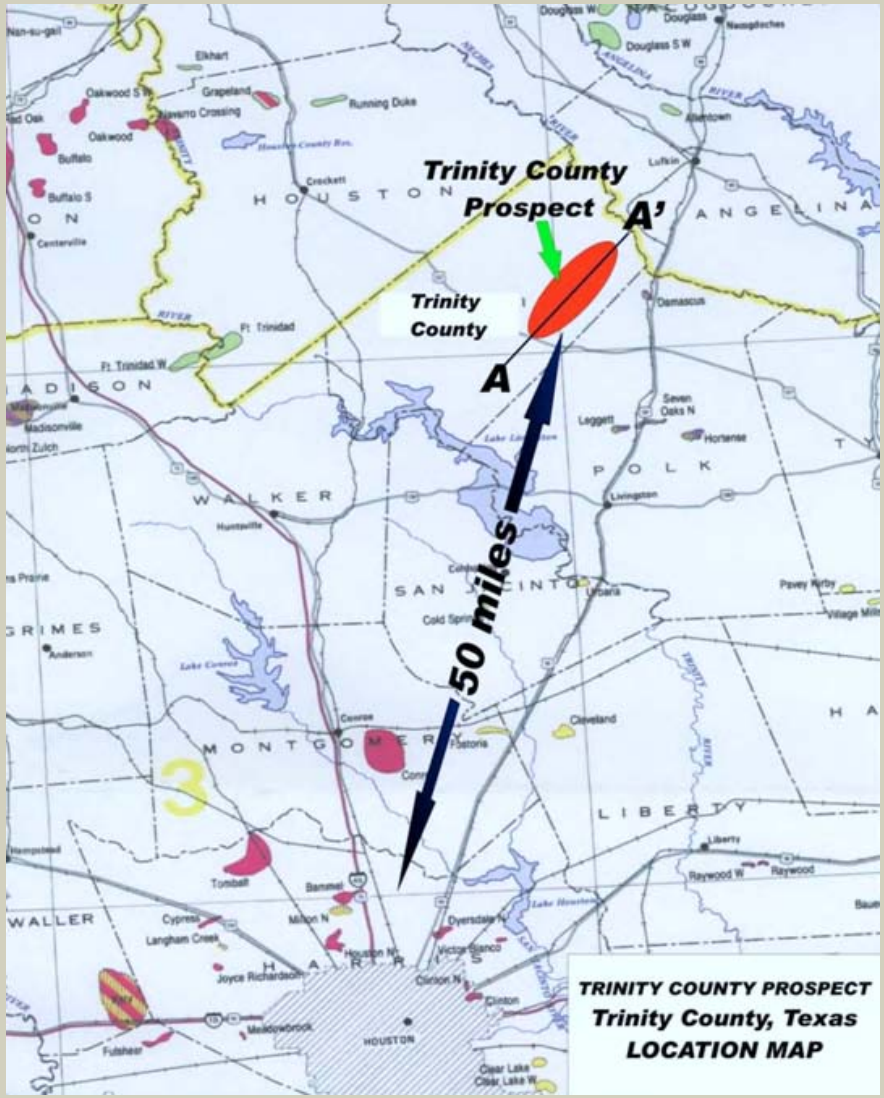
3 May 2011

LUCAS

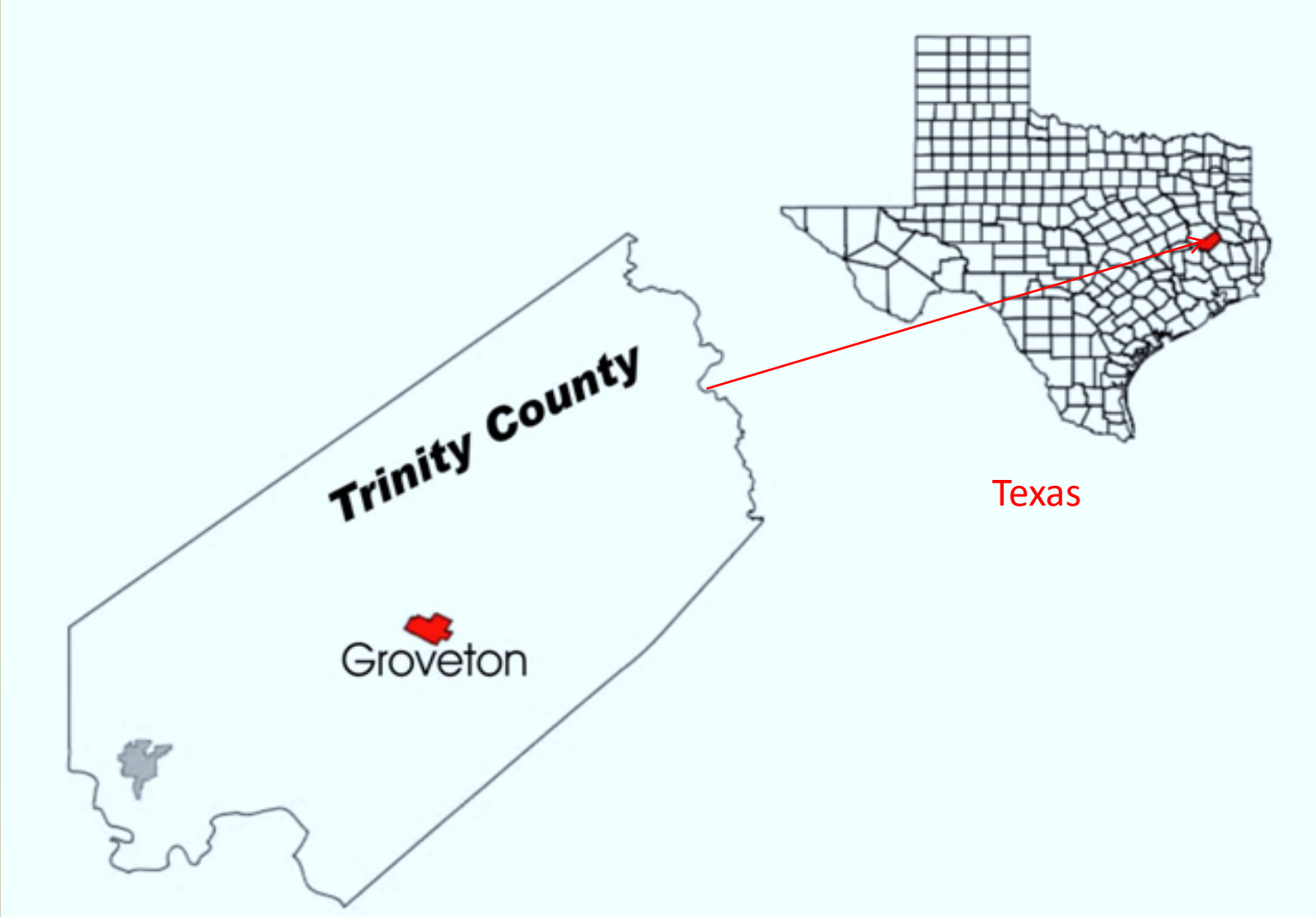
Monument Prospect – East Texas

Monument Prospect - Summary

- 62, 560 acres (net to Tekxon Monument Oil & Gas LP) located in Trinity County, East Texas (Monument Prospect AMI) in East Texas Basin
- Significant drilling occurring in close proximity to AMI
- East Texas Basin has a long history of oil production
- Lucas holds a 10% net profit interest
- Wells previously drilled on AMI show presence of hydrocarbons both shallow and at depth
- Key target zones:
  - Buda Limestone and other formations above 10,000 feet (primary)
  - Cotton Valley lime/sandstone and Jurassic Smackover below 10,000 feet (secondary)
- Primary focus is recovery of liquids although discoveries made in the same trend in the Eagle Ford shale and Austin Chalk provide additional objectives
- Pre-permit drilling applications lodged



Location of Trinity County in East Texas



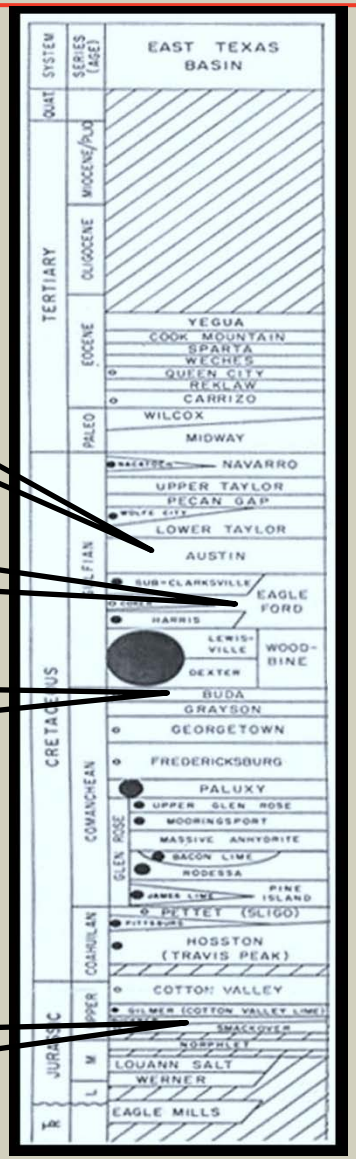
Stratigraphic Column (East Texas Basin)

Austin Chalk

Eagle Ford

Primary Objective
Buda Formation

Secondary Objective
Jurassic Smackover



Drilling History

- **Primary Objective: Buda Formation (shallower than 10,000 feet)**
  - Nine (9) conventional vertical (i.e. unfracced) wells drilled within Tekxon's acreage between 1978 and 1984 (before horizontal fraccing technology)
    - Targeted Buda formation and Georgetown limestone
    - Gas and condensate tested in 5 of the wells

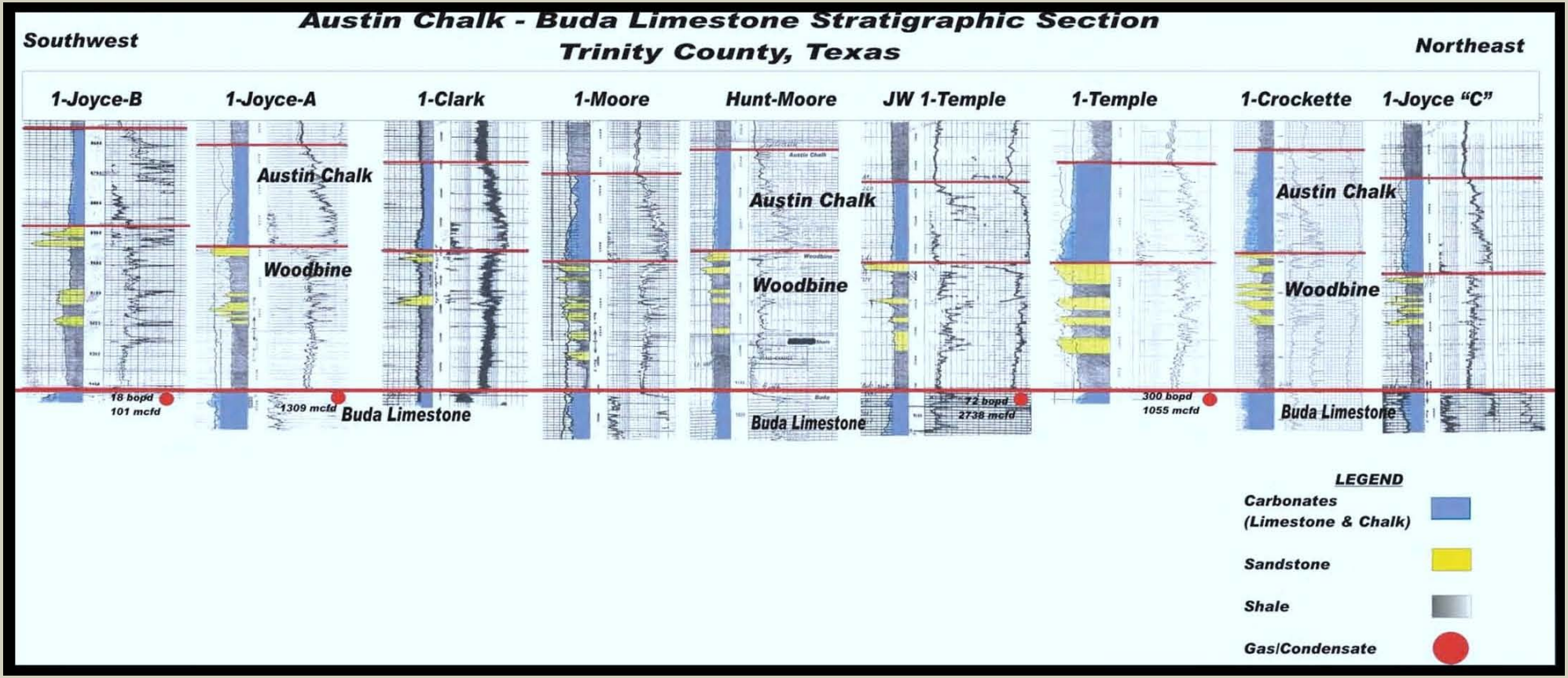
Well	Operator	Results (Unfracced)
Joyce "A" #1	American Natural Gas Pipeline Co.	1.309 mmcf/d
Joyce "B" #1	American Natural Gas Pipeline Co.	0.101 mmcf/d and 18 bopd
Temple Eastex #2	Shell	2.738 mmcf/d and 72 bopd
Temple Eastex #1	Shell	1.055 mmcf/d and 300 bopd
PB Robinson #1	Robinson Drilling	1.220 mmcf/d

Drilling History

- **Secondary Objective: Jurassic Smackover (deeper than 10,000 feet)**
  - Eighteen (18) deep wells previously drilled in the area of Monument Prospect of which nine (9) reached the Jurassic Smackover (before horizontal fraccing technology)
  - Closest proximity wells to Monument Prospect are:
    - Shell #1 Temple located six (6) miles north of the AMI, drilled to a depth of 19,468 feet and bottomed in the Lower Cotton
    - Hunt Moore drilled by Hunt Oil, nine (9) Miles south west of the AMI in the Bossier shale to a depth of 18,731 feet

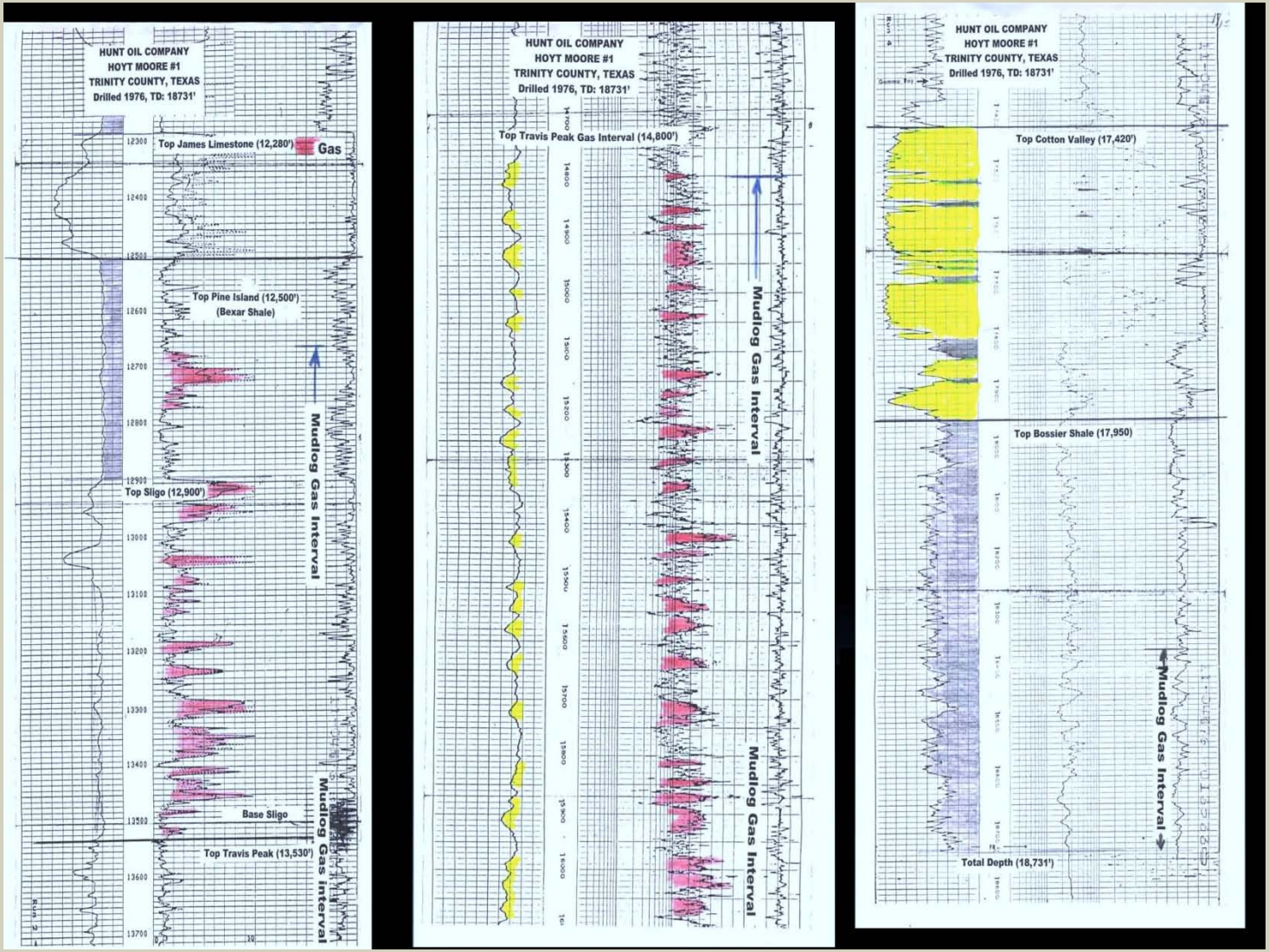
    Both wells had numerous hydrocarbon shows
  - Drilling currently being undertaken by other operators into the Smackover eight (8) miles to the north of the AMI

Well Stratigraphic Sections

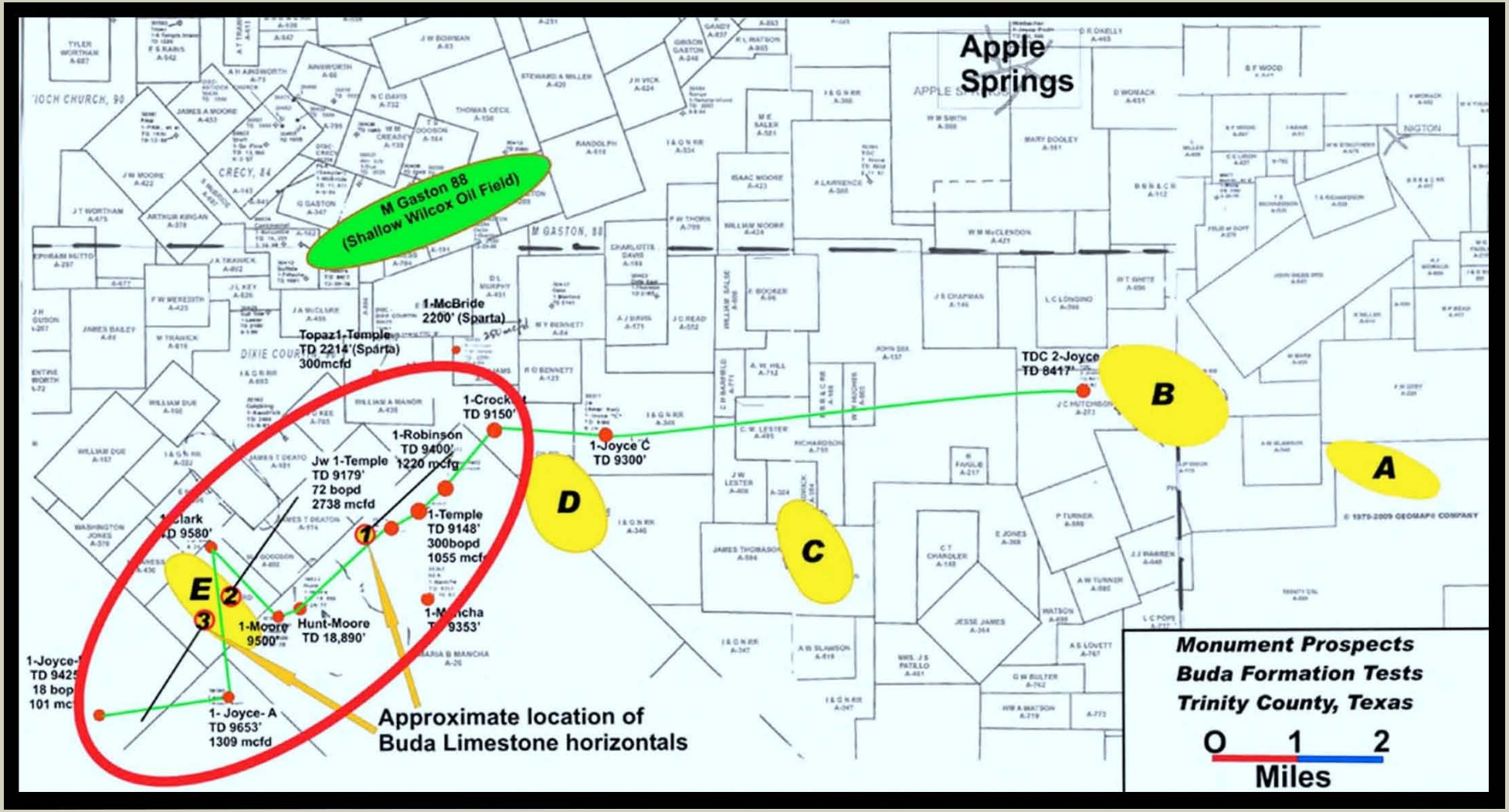


Hunt Well Stratigraphic Sections

Significant gas shows at depth throughout well

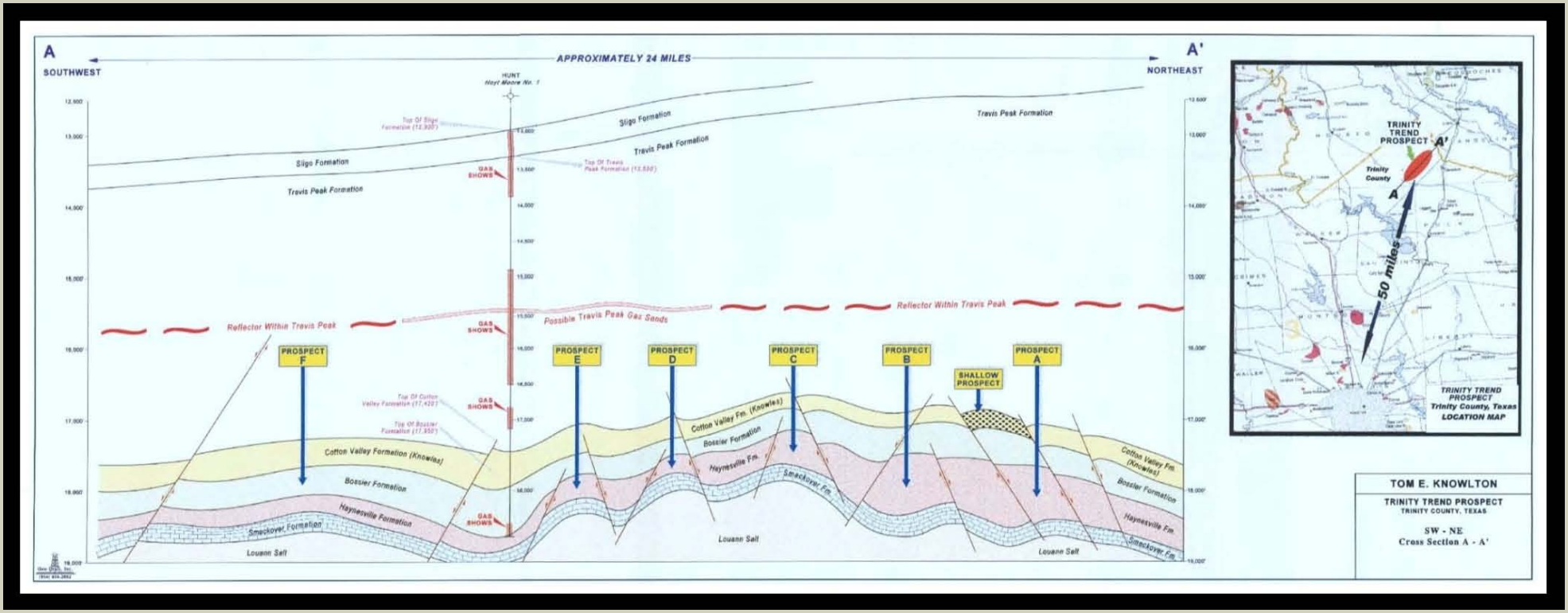


Well Locations



Prospect Structural Section

- High potential hydrocarbons trapped in compartmentalized reservoirs
- The hydrocarbon source rocks, especially the Haynesville, Bossier and Cotton Valley, overlie a massive salt formation
- Salt at high pressure and temperature has the ability to be fluid and creeps or flows
- Salt movements crack and move over underlying rock formations causing traps that can hold or “trap” hydrocarbons in place in compartments
- It is this trapping mechanism the Trinity County play is about



Tekxon Management

Management Team

- **Tom Knowlton (Owner):** Considerable experience in oil and gas exploration and development around the world including discovery of major fields in Utah and Yemen. Discovery success based on analysis derived from combination of nuclear magnetic resonance imaging technology (developed by Mr Knowlton) and conventional geophysical technology.

- **Charles Meeks (Lead Geologist):** Petroleum Geologist previously with Humble Oil (now Exxon Mobil) and now principal of own consulting firm. World renowned for his discovery of the Jay and Black Jack Creek oil fields in Florida. Other oil fields where he has also contributed geological and geophysical information include Swanson Reservoir in Alaska, the Bentonia, Hale Newsom and South Williamsburg fields in Mississippi and the Greenburg, Liverpool, Moore Sams, Livingston and Denham Springs Tuscaloosa fields in Louisiana.

- **Donald Goddard, PhD (Lead Petrophysicist):** Over 30 years of petroleum experience in significant producing basins within North, Central and South America initially with Gulf Oil Company in Eastern Venezuela and later with Maraven Oil Company in Western Venezuela's Maracaibo region. Recently retired as Associate Professor at Louisiana State University's Centre for Energy Studies.