



Red
Arrow
ENERGY

IPAA – Private Capital Conference

February 25, 2010

Houston, Texas

Overview of Presentation

- Why is Red Arrow Private?
- What is Red Arrow's and Management Team's History?
- Red Arrow's Bakken Project
- Lessons Learned from Using Private Equity

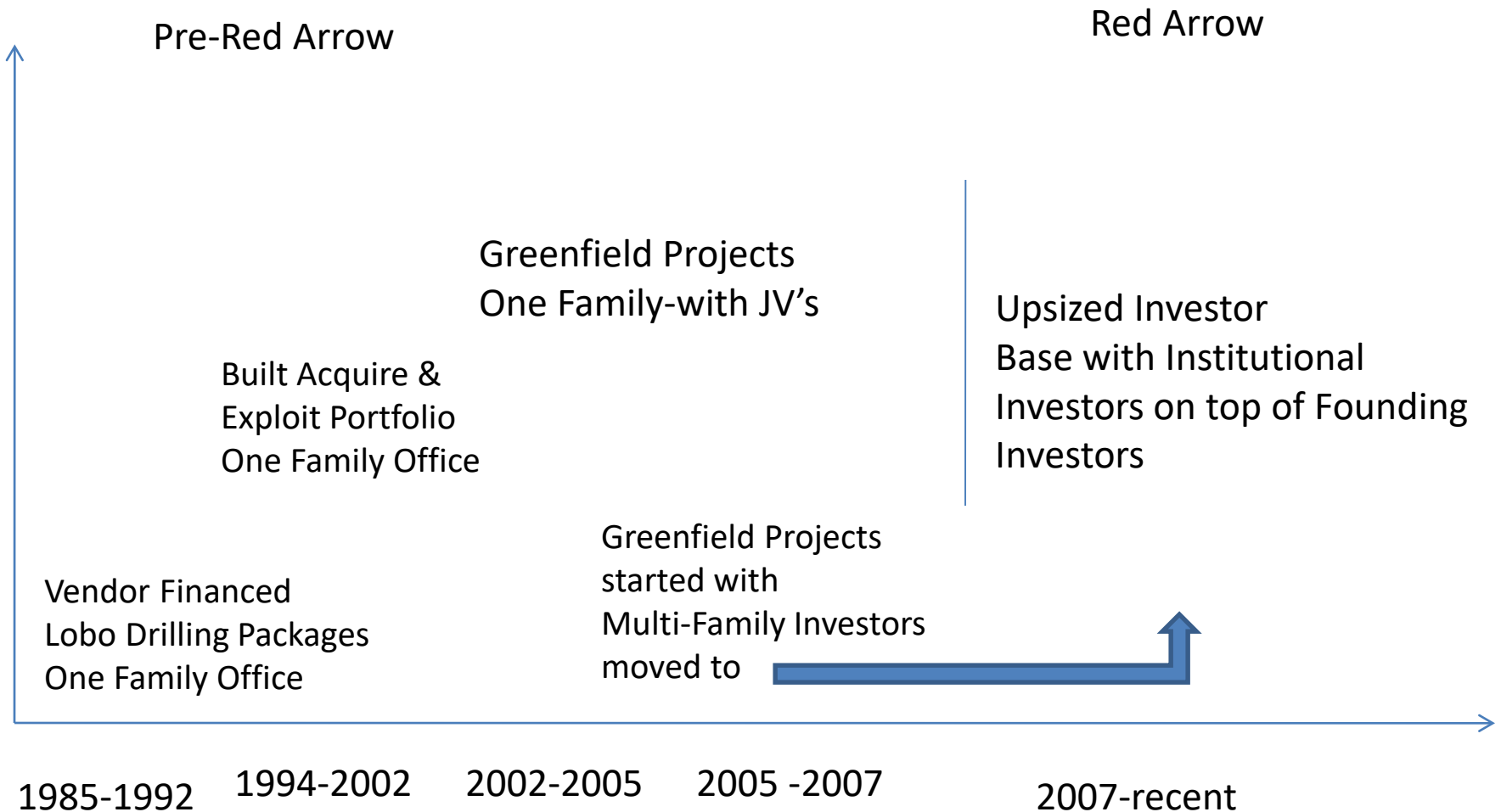
Why is Red Arrow Private?

- Red Arrow's focus has always been onshore US and size of projects best suited for private capital
- Red Arrow's Management Team was groomed in the private market place
- Could we do what we do and be public? Maybe. Do we want to? Probably Not.

What is Red Arrow's History?

- Management cut their teeth on low risk drilling projects – see timeline on next slide
- Started with Family Offices only
- Landed a Bakken Project in late 2005 and knew it would need a lot of equity early
- Large acreage positions in Shale Plays need lots of capital early; unless model is to flip early. Either JV, or sell down. Find Partners who bring more than money to the table.

Red Arrow and Predecessor Timeline

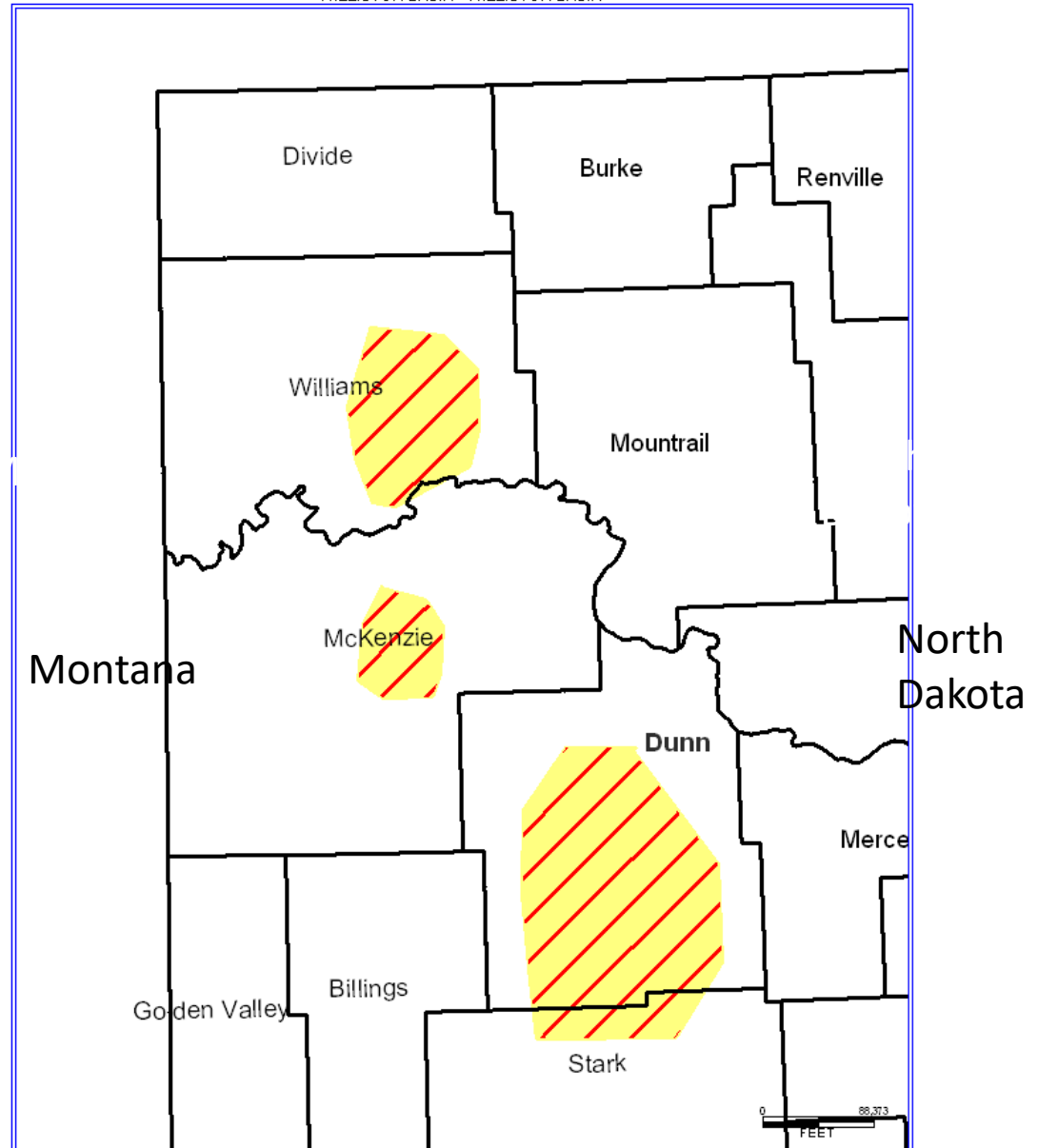


Red Arrow's Bakken Project

- Co-owned with Tracker Resource Development II (Private Equity Backed - Denver- Strong Operating Expertise)
- Original lease position in Dunn County, ND – see map on next page
- Bought land position in 2006. Grew land position from 2006 until current - Over 100,000 acres net in project
- In 2009, brought in Strategic Financial Partner (Family Office with long-term investment horizon)

Red Arrow – Tracker
Bakken Project

Acreage in Yellow



Bakken Project Summary

- Watched other Operators drill and complete in the area for first 12 months – “went to school”
- Used two “Outside Funding Sources” and our own equity to test corners of the block - 2007 and 2008. Drilled about 10 wells.
 - Mezzanine Debt Facility
(used early and paid off in full)
 - JV on part of the acreage with Vendor Financing
- Began aggressively adding to our acreage position and picked up drilling pace in 2009

Bakken Project Continued

- Should go to three rigs in May of 2010
- Might go to four or five rigs by 1/1/2011
- Expanded into offset counties
- Bakken and Three Forks is one of the hottest onshore oil plays in the US
- Exit Strategy
 - Originally was thought to be asset sale
 - Now have many options

Lessons Learned from Private Funding

- Dangerous to have just one funding source
 - In case of Family Office – Life events (death, divorce, life style changes, etc.)
- Private Placement Agents definitely have their place
 - Really accelerated capital raise for Red Arrow in July 2007
- Have eyes wide-open when mixing classes of investors
 - World gets complicated when you mix Family Office Investors with Institutional Investors
 - Board issues
 - Timing of exit issues
 - Desire to use hedging and level thereof
 - Desire to use debt
 - Pure bets versus portfolio theory
- Blind pool raises versus “deal in hand” raises