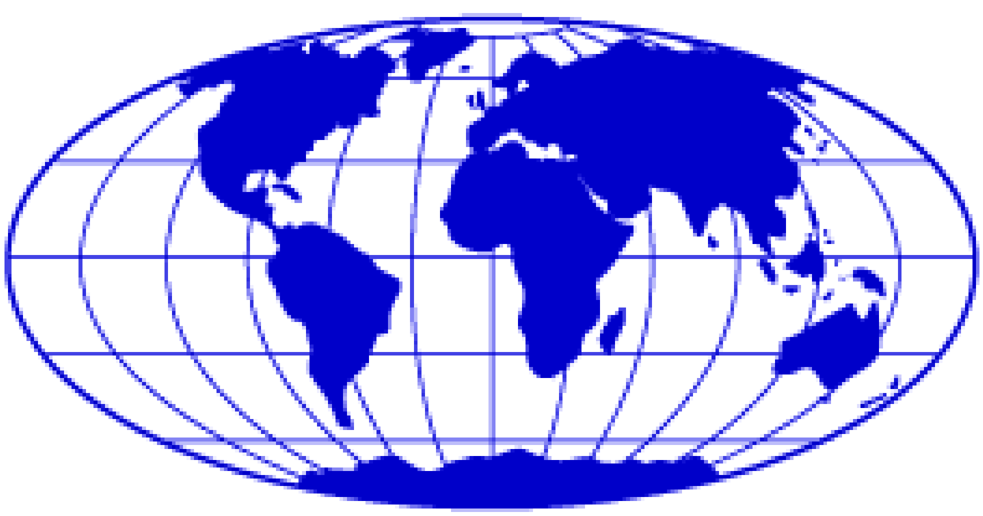
Worldwide Strategic Energy



Placement Memorandum

Confidential

DRAFT

Further Inquiries Please Contact:

Worldwide Strategic Energy, Inc.
5847 San Felipe St., Suite 3275
Houston, Texas 77057

DRAFT

Table of Contents

DRAFT

Disclaimer

This document (Worldwide Strategic Energy Placement Memorandum) has been prepared by Worldwide Strategic Energy. It is being distributed by the Directors for information purposes only to those parties who have expressed an interest in investing with Worldwide Strategic Energy in order to assist them in deciding whether to proceed with further analysis of the investment opportunity. This provided information is not intended to form the sole basis of any decision to make such an offer, or the sole basis or a part of any contract, and does not constitute a prospectus or an offer of invitation for the sale or purchase of all or any part of the capital or assets of Worldwide Strategic Energy.

No representation, warranty or undertaking, express or implied, is or will be made in, or in relation to, and no responsibility or liability (including without limitation, any liability in negligence) is or will be accepted by the Directors or by Worldwide Strategic Energy or by any of its connected persons as to, or in relation to, this Placement Memorandum or the accuracy or completeness of the information contained therein or any other information, whether written or oral, made available to any Investors or their respective advisors and any liability therefore is hereby expressly disclaimed. In particular, but without prejudice to the generality of the foregoing, no representation or warranty is given as to any of the opinions, or as to the achievement or reasonableness of any future projections or estimates, contained in this Placement Memorandum.

This Placement Memorandum is not a prospectus and does not, and is not intended to, constitute an offer or invitation to invest in securities nor shall it, or any part of it, be relied upon in any way in connection with an offer to subscribe for shares. Any Investor in Worldwide Strategic Energy will be required to acknowledge in the application for the purchase of share capital of the company that he/she has not relied on or been induced to purchase shares by this Placement Memorandum or by any other representation or statement. Nothing in this Placement Memorandum is, or shall be relied on, as a promise or representation as to the future.

In furnishing copies of this Placement Memorandum, the Directors do not undertake any obligation to provide the Investors with access to any additional information or to update this Placement Memorandum or to correct any inaccuracies herein, which may become apparent. The Investor recipients are assumed to possess a certificate of High Net Worth or Sophistication as set out in articles 48 and 50 of the Financial Services & Markets Act 2000 (Financial Promotions) Order 2001 and the US equivalent.

The Investors should seek their own independent advice in relation to the information contained therein. Investment in a new business carries high risks as well as the possibility of high rewards; it is speculative and the Investors should be aware that no established market exists for the trading of shares in private companies. Before investing in a project about which information is given, the Investors are strongly advised to take advice from an authorized person who specializes in advising on investments of this kind. The Worldwide Strategic Energy Placement Memorandum is confidential and must not be copied, reproduced, summarized, distributed or passed in whole or in part, to any other person at any time without prior written consent of Worldwide Strategic Energy

This Placement Memorandum is only being made available to persons reasonably believed to be sufficiently expert to understand risks involved in potential investment in Worldwide Strategic Energy Neither the receipt by any person of this Placement Memorandum nor any information supplied in connection with the proposed investments in Worldwide Strategic Energy is, or is to be taken as constituting the giving of investment advice by Worldwide Strategic Energy or any of its professional advisors. Recipients of this Placement Memorandum in jurisdictions outside the USA should inform themselves about and observe any applicable legal requirements in relation to the receipt of this Placement Memorandum. Any Investor interested in investing in Worldwide Strategic Energy is recommended to seek financial advice and must make an independent assessment of Worldwide Strategic Energy This Placement Memorandum does not contain all the information that any Investor may require. No person should invest in Worldwide Strategic Energy unless he/she has sufficient liquid assets to enable him/her to withstand the loss of any capital invested. In opening this Placement Memorandum, the recipient is deemed to acknowledge that he/she is under an obligation to keep this Placement Memorandum ***Strictly Confidential*** *and that he/she will not distribute this Placement Memorandum to any other third party in any form, without the express prior written approval of Worldwide Strategic Energy. This Disclaimer is to inform the potential investor of this investment into energy projects to develop oil and gas leases in international markets.*

1 Company Overview

Worldwide Strategic Energy ("WSE") was established to seek hydrocarbon development opportunities (e.g., leases and options on leases) in known hydrocarbon-bearing regions around the world. Our primary opportunities exist in international markets that have historically been troubled geopolitically and/or economically. **Geopolitical risks have often caused the hydrocarbon development opportunities in these regions to be overlooked or underdeveloped. Through our strong business and political ties, WSE has the unique ability to navigate the geopolitical spectrum and inherent risks associated with these politically complicated and sometimes misunderstood countries of the world outside of the traditional means of most firms, as well as with the "turbulent suppliers" of oil to the western world including the Persian Gulf and various Latin American nations.**

Politically complicated countries that are part of WSE's Area of Influence include, but are not limited to: Afghanistan, Algeria, Azerbaijan, Brunei, China, Georgia, India, Iraq, Kazakhstan, Latvia, Libya, Morocco, Pakistan, Russia, Turkey, Turkmenistan, and the United Arab Emirates. In addition to being rich in resources, all of the countries in WSE's Area of Influence already have in place critical infrastructure - ports, terminals and pipelines - to ship the final product, or at minimum, a real and intentional desire to construct such infrastructure which would in turn provide WSE with additional business opportunities.

By utilizing our strong business and political connections, WSE will be able to capitalize financially by continuing to offer geopolitical and business development assistance to a host government while acquiring leases and lease options. The lease-holding governments will issue the leases and lease options to WSE based on our significant knowledge of both the energy and political worlds. By doing so, the lease-holding government will receive the additional benefit of our strong business and political knowledge in the U.S. and around the world, while at the same time still receive the usual royalties associated with passing on a hydrocarbon field to a developer. This arrangement will be a win/win for the oil lease-holding country, the field developer, and WSE.

2 The Business Environment and Opportunities

In recent years, profits in the energy sector have soared to unprecedented levels as energy prices have climbed dramatically. Many energy analysts project that oil and gas prices will continue to remain high in the coming years due to a variety of factors. Mellon Global Investment Oil and Gas analyst Charles Whall has said, "The key question is whether demand suppression is greater than supply disruption but, of course, the market is still looking to quantify this. Against this backdrop we should expect the oil price to consolidate at the current $60 to $65 a barrel level until we have some answers." In its March 8, 2005, report, The Energy Information Administration of the U.S. Department of Energy stated that "many of the same factors that drove world oil markets in 2005, such as low world spare production capacity and rapid world demand growth, will continue to affect markets in 2006 and 2007." Their report goes on to say "there are other factors, which will also put pressure on world supplies but are less certain, such as the frequency and intensity of hurricanes, other extreme weather, and geopolitical instability."

This geopolitical instability has prevented many hydrocarbon rich countries and the western energy industry from effectively exploring, developing, and transporting these existing hydrocarbon resources. Furthermore, many of these countries only have available those leases that are believed to be profitable but smaller in size than the "giant" and "super giant" fields traditionally preferred by the major oil companies. **It is WSE's goal to hedge its risk profile and maximize its competitive advantage by acquiring five to seven of these leases in these politically complicated countries within six months of receiving the initial funding associated with this Placement Memorandum.**

By utilizing the political and business strengths of our team, WSE will continue to enhance business relations and simultaneously perform high level consulting work for many of the aforementioned countries and companies that are currently our clients. Because of our long-standing relationships, we will be able to secure leases and lease options from these clients. The lease-holding governments will issue the leases/lease options to WSE based on our significant knowledge of both the energy and political worlds. In fact, we expect that the lease-holding government will quickly realize the advantage of such a win/win business arrangement, and we believe that WSE will receive the best available leases as the host governments work to ensure a long-term relationship with WSE.

3 Worldwide Strategic Energy Team

WSE has assembled a highly esteemed and experienced Advisory Board and management team. WSE's technical staff has unparalleled senior management experience in the hydrocarbon development business, while the political members of the team possess extensive personal experience in and relationships with the governments of all of the countries within WSE's Area of Influence. All members are among the most respected experts in their fields and collectively form a team with unparalleled breadth and depth of knowledge and relationships.

3.1 WSE's Executive Team

Stephen P. Payne - President and Chief Executive Officer
Major General Lincoln Jones, III (USA Ret.) – (Chairman, Advisory Board for WSE)
Don Jordan – Jordan Capital Management (WSE Advisory Board Member)
Paul Somerville – Associated Pipeline (WSE Advisory Board Member)
Bracewell & Giuliani – (WSE Outside Strategic and Legal Counsel)
Togrul Bagirov – Moscow International Petroleum Club (WSE Advisory Board Member)
Fred Zeidman – Seitel (WSE Advisory Board Member)
Shiv Khemka – SUN Group/SUN Energy Resources (WSE Advisory Board Member)
Henry Schlesinger – Executive Vice President, Exploration and Production
Spencer E. Geissinger – (WSE Advisory Board Member)
Randy Scheunemann – (WSE Executive Consultant)
Gary W. Heinz - CFO and Executive Vice President for Business Development
Adil Baguirov - Executive Vice President, International Affairs
Dick Westfahl – Senior Vice President, Engineering and Operations
Brian Ettinger – Senior Vice President, General Counsel and Corporate Secretary
Josh Crescenzi – Vice President, Administration and Controller

Stephen P. Payne - President and Chief Executive Officer

Mr. Payne began his affiliation with the Bush White House by serving as a White House Advance Representative for President George Herbert Walker Bush, coordinating dozens of official White House events across the nation, and serving as President George W. Bush's personal travel aide during his father's 1988 Presidential campaign.

Over the past nine years, Mr. Payne has established an exceptional reputation among the nation's most powerful and influential companies. He currently acts as a Governmental Affairs Consultant representing Afghanistan, Kazakhstan, Kenya, Latvia, Pakistan, Turkmenistan and the United Arab Emirates. In 2001, Mr. Payne served as Senior Advisor to the NASA Administrator on White House and Congressional Affairs.

Mr. Payne's political efforts have been extensive on a staff, consultant, and volunteer leadership basis. He was a vital member of the Bush/Cheney 2000 and 2004 campaigns' Advance operations efforts acting in a volunteer capacity. Spending hundreds of days on the road for the Bush/Cheney Campaign in 2000 and 2004, Mr. Payne was part of a small team of five Bush operatives, including former White House Chief of Staff Andy Card, who coordinated the campaigns' efforts for the three Presidential debates held that year.

In 2004, Mr. Payne coordinated the Vice Presidential debate effort. He is also occasionally assigned by the White House to coordinate important international events for President Bush including the 2003 Red Sea Summit in Jordan (Israel/Palestinian Middle East Peace Talks), as well as Vice President Cheney's trips to the Middle East in 2002 and 2005, and his trip to Afghanistan for the historic inauguration of Afghan President Hamid Karzai.

Mr. Payne was also a Bush Pioneer in 2000, Ranger in 2004 and a member of the Bush for President National Finance Committee, as well as a Republican Regent contributing over $250,000 to the Republican National Committee.

Mr. Payne served as a statewide Vice-Chairman for Texas Governor Rick Perry's 2002 campaign and as a statewide Vice-Chairman for U.S. Senator Kay Bailey Hutchison's re-election campaigns in 2000 and 2006.

Major General Lincoln Jones, III (USA Ret.) – (Chairman, Advisory Board for WSE)

Major General Lincoln Jones, III (USA Ret.) retired from the Army as Deputy Commanding General U.S. Army V Corps, Germany where he was Deputy to the Former Secretary of State General Colin Powell. During his career, he also served as Commanding General, U.S. Army's Southern European Task Force. His list of service includes: Vietnam, Turkey, Korea, Italy, Panama, West Germany, and Hawaii.

Following his Army career, General Jones was a key executive at Enron where he served as President of Enron Power Corp. (1991-98); Vice Chairman, Enron Europe (1996-98); and President, Enron Engineering & Construction (1993-96). During that time, he developed sixteen and operated eighteen power plants throughout the world. He also managed the maintenance of 43,000 miles of gas pipeline located in the United States. Since retiring from Enron in 1998, he has acted as an energy, military and geopolitical consultant.

General Jones is a Member of the Board of the Association of the U.S. Army, Washington D.C., (Vice Chairman); the Council on Foreign Relations; the National Defense University Foundation (Vice Chairman); and the World Affairs Council of Houston (Chair 1993-96).

Don Jordan – Jordan Capital Management (WSE Advisory Board Member)

Don D. Jordan currently heads Jordan Capital Management after having retired as Chairman of the Board of Reliant Energy, Inc. He first joined Reliant Energy's predecessor firm, Houston Industries, in 1956 and became its President in 1974. The company is now a diversified international energy services company that has operations in all segments of the energy chain.

He served as Chairman of the Houston Livestock Show and Rodeo and as a member of the Edison Electric Institute. Mr. Jordan is on the boards of the South Texas College of

 DRAFT

Law, the Electric Reliability Council of Texas and the Association of Electric Companies of Texas. He is Vice Chairman of the World Energy Council and a Director of AEGIS Services, Inc.; BJ Services Co.; the Texas Medical Center; and the Texas Heart Institute. He is an Advisory Director of Chase Bank of Texas, N.A.

A Corpus Christi native, Jordan received a bachelor’s degree in industrial management from The University of Texas and a law degree from the South Texas College of Law.

Paul Somerville – Associated Pipeline (WSE Advisory Board Member)

Mr. Somerville is currently Chairman and CEO of Associated Pipe Line Contractors, Inc. and served on the Board of Directors of the International Pipe Line and Offshore Contractors Association in1976, 1980, 1995, 1998, and 1999. Mr. Somerville was a partner in Bush Exploration in the mid-1980’s**,** Director of the Pipe Line Contractors Association (PLCA) since 1992**,** and currently serves on the PLCA Federal Energy Regulatory Committee Advisory Committee.

Mr. Somerville was state Vice Chairman of George W. Bush’s 1994 gubernatorial campaign. He has been named one of the Men of Achievement in the Pipeline Industry and is currently Chairman of the Houston Livestock Show and Rodeo.

Mr. Somerville has received the *Pacesetter Award of Houston* in 1990, the *Gold Key Businessman of the Year* in 1992, *“All Those Texans” Texan of the Year*, and “*Vice Chancellor’s Award in Excellence”* from Texas A&M University in1999.

Bracewell & Giuliani (WSE Outside Strategic and Legal Counsel)

Bracewell & Giuliani handles matters related to corporate finance and restructuring, hydrocarbon development, federal and state government regulations, tax, environment, corporate governance, litigation, and strategic communications. The firm represents operators and suppliers in the energy industry. Its lawyers represent clients engaged in upstream and downstream energy transactions across the U.S. as well as in Europe, the North and Caspian Sea Regions and Latin America. Bracewell & Giuliani's regulatory attorneys bring extensive experience in the development of hydrocarbon leases, oil and gas pipelines, electric transmission infrastructure projects and telecommunications. Among this group are former top officials with FERC as well as former top administrators with state and federal agencies that regulate the public utilities and oil and gas industries.

- Mayor Rudy Giuliani – Former Mayor of New York City
- Pat Oxford – Managing Partner B&G Law Firm
- Congressman Jim Chapman – Former Appropriations Committee Member
- Congressman Ed Bethune – Former Budget Committee Member
- Gene Godley - Former Assistant Secretary of Treasury
- Michael Pate - Former Legislative Director to Senator Lloyd Bentsen

 DRAFT

Togrul Bagirov - Moscow International Petroleum Club (WSE Advisory Board Member)

Dr. Togrul Bagirov is the Executive Vice President of Moscow International Petroleum Club (MIPC), a non-profit non-governmental specialized international organization. He is a Special Advisor to the Russian Prime Minister, the Russian Minister of Energy, Gazprom, LUKoil, and Transneft. In addition, Dr. Bagirov serves as a Deputy Chairman of the United Nations Forum on Energy Security.

Dr. Bagirov received a M.S. in International Relations, a Ph.D. in History from Moscow University (MGIMO), and a Ph.D. in Political Science from the Institute of USA and Canada of the Russian Academy of Sciences. He is an adjunct professor in energy security studies at MGIMO University. Dr. Bagirov also heads the public consultative center under the Russian Government for international projects in oil and gas.

Dr. Bagirov is a member of the World Economic Forum at Davos, a participant in Russia-U.S. and Russia-EC Energy Dialogues, and a Deputy Chairman on the Board of Trustees of the Russian-American Business Council.

Fred Zeidman – Seitel (WSE Advisory Board Member)

Mr. Zeidman is the Chairman of Seitel, Inc., a public traded company that is a leading provider of seismic data and related geophysical expertise to the petroleum industry. Mr. Zeidman is also the Chairman of Emerge Capital Corporation, a publicly traded company that is an established provider of restructuring strategies, turn around executive and business development services for energizing and re-energizing public companies. He is the former CEO and President of Intersystems, Inc. and the founder of the Houston Venture Capital Association.

Mr. Zeidman is deeply active in community and political affairs locally and nationally. President George W. Bush appointed him to chair the U.S. Holocaust Memorial Council in March 2002. Mr. Zeidman holds leadership positions in the Anti-Defamation League (Southwest Region), the Jewish Institute for National Security Affairs (JINSA), and the American Jewish Committee. He serves as Co-Chairman of the Finance Committee of the Republican Party of Harris County, Texas and serves on the Finance Committee of the Republican Party of Texas. In 1996, Mr. Zeidman was Vice-Chairman of the Dole/Kemp Presidential Campaign in Harris County and has consistently been a key advisor to Texas Republican congressional and senatorial delegations.

 DRAFT

Shiv Khemka – SUN Group/SUN Energy Resources (WSE Advisory Board Member)

Mr. Khemka is Director of Sun Group, which includes SUN Energy Resources. SUN is a leading private investment group based primarily in India and the countries of the former Soviet Union ("FSU"). Its principal shareholders are members of the Khemka family, which has been operating throughout India for more than one hundred years in a variety of sectors including mining, oil and gas, infrastructure, transportation, and investment/fund management. The Group's principal focus today is the oil and gas sector in Russia, India and around the world.

Sun Group has strong commercial and political links within Russian and CIS establishments, given their five-decade-old business relationship with the former Soviet Union. Sun Group has successfully participated in 27 disinvestment programs of the Russian government, in the process gaining minority or controlling interests in a host of businesses.

In Russia in 1992, SUN established one of the region's leading beer companies, SUN Interbrew, which the family expanded into a $4 billion market capitalization company by 2005, which was then exchanged for a significant stake in InBev, the world's largest brewer. The Khemkas have floated a general-purpose fund to make investments in India and abroad in several boom sectors including energy, retail, real estate, and aviation.

Henry Schlesinger - Executive Vice President, Exploration and Production

Henry Schlesinger is currently the President of Citrus Petroleum, an independent consulting firm with emphasis in exploration and development of oil and gas leases. Mr. Schlesinger performs consulting services for independent energy companies, including Worldwide Strategic Energy, and evaluates oil and gas projects, reviews data, and performs research to assess oil and gas business ventures.

From 1989 to 1996, Mr. Schlesinger served as President, Vice President, and Geologist for Marshall Petroleum, Inc., an independent oil exploration and development company. In his capacity with Marshall Petroleum, Inc., he reported directly to Howard Marshall, Chairman, and oversaw the daily operations of the company. From 1980 to 1984, Mr. Schlesinger worked as a Geologist for Delta Energy Resources.

Mr. Schlesinger has over twenty years experience in oil/energy business planning and development, administrative and operations management, and is a Certified Petroleum Geologist, equipping him with vast experience in both the upstream and downstream phases of the petroleum industry. He has affiliations with the American Association of Petroleum Geologist and the Houston Geological Society.

Spencer E. Geissinger – (WSE Advisory Board Member)

Spencer E. Geissinger, President & CEO of *SEG Global Partners*, has served in high-level management positions in both the public and private sectors for over twenty-five years, developing extensive contacts in the Federal government and corporate America. He has served in key capacities in the U.S. Departments of State and Labor, and under two Vice Presidents and three Presidents.

A former Vice-President and General Manager of two publicly traded resort-companies, he has unique private and public sector experience with the management of massive budgets, large staffs, and complex events. Mr. Geissinger has orchestrated multi-nation summits, planned Presidential Inaugurals, and traveled extensively overseas in direct support of the President.

As a Commissioned Officer at The White House, Mr. Geissinger served as Special Assistant to the President and Director of White House Press Advance, Assistant Chief of US Protocol, Deputy Executive Director of the 2004 G8 Summit, and more recently as Director of Events & Operations for the 55th Presidential Inaugural Committee. Mr. Geissinger attended University of Nevada-Reno and has residences in Arlington, Virginia and Las Vegas, Nevada.

Randy Scheunemann – (WSE Executive Consultant)

In 2002, Randy Scheunemann founded the Committee for the Liberation of Iraq (CLI) to promote freedom for the Iraqi people. He served as pro bono President and Executive Director of CLI until its mission was completed in 2003. During CLI's operations, Scheunemann recruited more than 50 distinguished individuals to serve on CLI's Advisory Boards.

In 2001, Scheunemann served as a consultant to the Office of the Secretary of Defense. From 1999-2000, Scheunemann served as Defense and Foreign Policy Coordinator for the "McCain 2000" presidential campaign. In 1996, Mr. Scheunemann was a senior advisor to Republican Presidential Candidate Bob Dole and served on the 1996 Republican Platform Committee. Mr. Scheunemann also served as National Security Advisor to Senate Republican and Majority Leaders Bob Dole and Trent Lott from 1993-99.

DRAFT

Gary W. Heinz - CFO and Executive Vice President for Business Development

Gary W. Heinz recently retired from a successful 11-year investment-banking career on Wall Street in New York. During his career, Mr. Heinz worked for three bulge bracket investment banks – J.P. Morgan & Co., UBS AG, and Goldman, Sachs & Co. – where he helped advise countries, states, cities, banks and other financial institutions on the use of sophisticated financial derivatives to better manage risks inherent in these entities' capital structure. As a result, Mr. Heinz has significant experience with various fixed income and equity risk management tools such as interest rate swaps, credit derivatives, commodity derivatives and the like. His list of former clients includes the Governments of Mexico, Texas, Oklahoma, New York, New Jersey, Mississippi, New York City, Philadelphia, Atlanta, Houston, Austin and San Antonio.

For more than a decade, Mr. Heinz has been an active real estate investor and partner in community development organizations Blue Devil Ventures and Main Street I, LLC, which are working to spur growth through adaptive reuse and rehabilitation of historic properties in Durham, North Carolina and Augusta, Maine respectively. Mr. Heinz is also the second largest shareholder and helped lead the Angel investor round for Demodulation Inc., a New Jersey high-technology firm working on various advanced materials products.

Mr. Heinz graduated *summa cum laude* with a combined B.B.A./M.B.A. degree in Accounting from Pace University in New York. Mr. Heinz has a strong record of community service and economic development. He served on the Westwood Board of Education from 1995 to 1998 and was one of the youngest ever school board members in the State of New Jersey. He is also a member of the Bergen County Economic Development Corporation and the Liberty Health Foundation.

Adil Baguirov - Executive Vice President, International Affairs

Dr. Adil Baguirov is Worldwide Strategic Energy's most senior expert on Russia and the former CIS. His degrees include a Ph.D. in Political Science from MGIMO-University in Moscow, Russia and degrees from the University of Southern California (USC) and he is fluent in French, Russian, Azeri, and Turkish languages.

Since 2003, Dr. Baguirov has served as a Special Advisor on Russia and the Former Soviet Union (FSU) to Congressman Curt Weldon (R-PA), Vice Chairman of the House Armed Services and Homeland Security Committees, and as a coordinator of the Congressional Azerbaijan Caucus (CAC). In 2003 and 2004 he traveled with congressional delegations to the FSU.

Additionally, Dr. Baguirov was instrumental in energizing Russian-speaking voters in Philadelphia for the Bush-Cheney'04 Campaign. From 1997-1998, Dr. Baguirov worked for ARCO Corporation as their main Caspian energy analyst and held prior positions with an E-commerce company in Los Angeles and an energy-consulting firm in Washington, D.C..

Mr. Baguirov's publications include a book on globalization in international relations and the role of new technologies, and dozens of articles on Caspian energy and other political and economic issues in English and Russian language journals and newspapers in the US and FSU.

Dick Westfahl, Senior Vice President, Engineering and Operations

Dick Westfahl is a graduate of the U. S. Naval Academy Annapolis in Maryland and the U. S Naval Postgraduate School in Monterey, CA with an M. S. in Oceanography.

Mr. Westfahl has served as Executive Vice President of National Energy Production Company (NEPCO); President of Raytheon Environmental Services Company, a subsidiary of Raytheon Engineers & Constructors Company; Regional Director of Business Development for Harding Lawson Associates, an environmental engineering and consulting firm; and Vice President-Deputy Manager of Stone & Webster Engineering Corporation. He was also Managing Director for Enron Engineering and Construction Company (EECC) from 1997 to 2001.

Mr. Westfahl is a retired U.S. Naval Officer with experience in various leadership positions for the U. S. Navy, including that of Commanding Officer of a nuclear submarine.

Brian Ettinger, Senior Vice President, General Counsel and Corporate Secretary

Brian Ettinger is a practicing attorney representing domestic and international clients in energy, oil and gas development, exploration, drilling and pipeline product and natural gas development. Mr. Ettinger performs business litigation including contract formation and corporate business matters and serves as in-house counsel for Worldwide Strategic Partners, Inc., and its affiliate companies, also serving on the Board of these companies.

Mr. Ettinger serves on the Board of Pacific Texas Corporation, the developer of a natural gas and products pipeline from Texas to Arizona and Nevada. Mr. Ettinger has performed legal services in the sports, entertainment, and gaming industries and was an advisor and an official registered lobbyist for the Government of Pakistan from the summer of 2001 to fall 2004. Previously, Brian Ettinger served as Legislative Director for Senator Joseph Biden (Ranking Member, Senate Foreign Relations), as a Staff Assistant for U.S. House Majority Leadership, and as an Assistant to the Mayor of Philadelphia.

 DRAFT

Josh Crescenzi, Vice President, Administration and Controller

Josh Crescenzi is a Governmental Affairs Consultant. During the 2004 presidential election, Josh Crescenzi traveled with President Bush as a Presidential Press Advance Representative and currently travels with Vice President Dick Cheney. He is specialized in economic forecasting, energy issues, and employment trends for the Department of Treasury, Office of Economic Policy. Mr. Crescenzi is currently enrolled at The George H.W. Bush School of Government and Public Service at Texas A&M University seeking a Masters in International Affairs with an emphasis in National Security.

3.2 Strategic Alliances

Currently, Worldwide Strategic Energy has strategic alliances in place to do direct work with the China National Offshore Oil Company (CNOOC), the Indian state-owned oil company Oil & Natural Gas Corporation (ONGC) and the Azeri state-owned oil company State Oil Company Azerbaijan (SOCAR). In addition, WSE is currently in the process of discussing strategic opportunities with the Georgian state-run oil company, the National Oil Company of Georgia, and the Government of Afghanistan.

4 The Market

The Energy Information Administration (EIA), a branch within the Department of Energy, expects total world oil consumption to skyrocket to more than 94.6 million barrels per day by 2010 (the last certified international consumption analysis showed that consumption was at 78.2 million barrels per day in 2002 (*Report #: DOE/EIA-0484(2005)*). According to the EIA, between 2000 and 2010, the world will see the single largest jump ever in world consumption when compared to any other 10 year period in recorded history.

Likewise, world consumption of natural gas is expected to rise by more than 19 trillion cubic feet from its levels in 2002 of 92.2(tcf) to 114.4 (tcf) in 2010.

The sheer volume of these increases identifies a quickly growing market that cannot be supplied by the existing and developed hydrocarbon fields of the world.

4.1 Figure 1- Long-Term Projections of Oil Demand

(2000–30; millions of barrels a day, unless otherwise stated)

Oil demand is projected to grow as economies and vehicle ownership expand.
Projections are sensitive to underlying assumptions about growth and oil price.

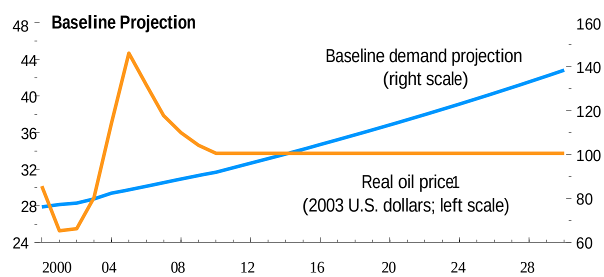


Figure 1

Sources: International Energy Agency; U.S. Department of Energy; and IMF staff calculations.
[1]Simple average of West Texas Intermediate, Brent, and Dubai oil prices.
[2]According to the futures markets, the real price of oil expressed in 2003 dollars is expected to fall from $45 a barrel in 2005 to about $34 a barrel in 2010. The real price of oil assumed by the IMF staff to stay level after 2010.

[3]Real oil price is assumed to jump to $80 a barrel in 2006 and then gradually fall to the baseline price of about $34 a barrel in 2010.

4.2 Figure 2- Oil Prices, Futures, and Production

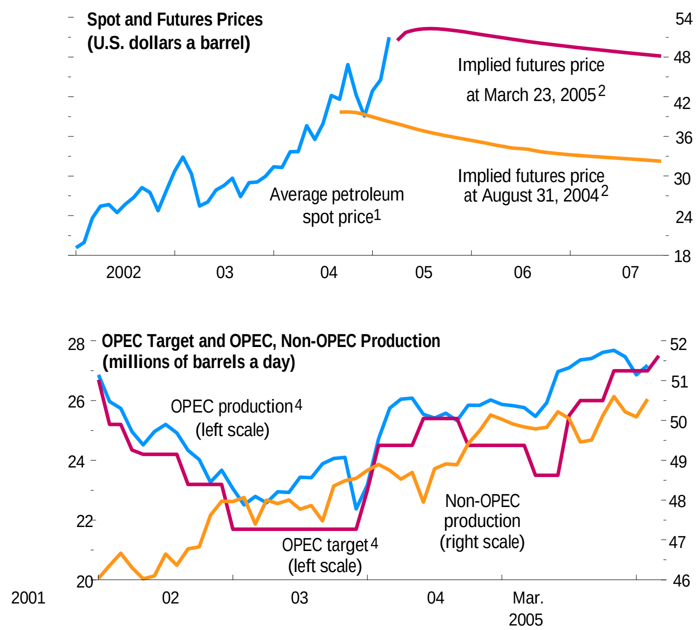


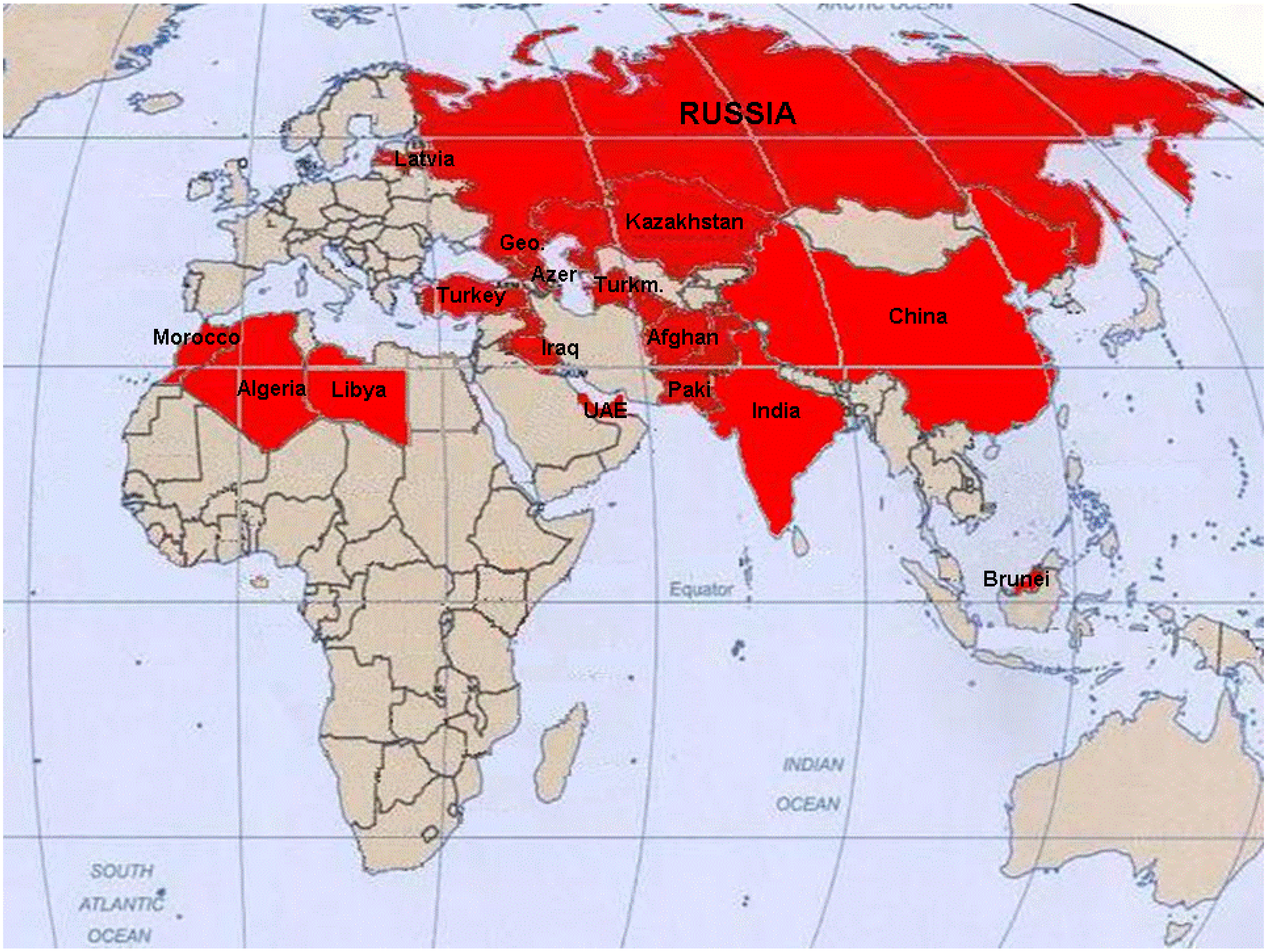
Figure 2

Sources: International Energy Agency; Bloomberg Financial Markets, LP; IMF, International Financial Statistics; and IMF staff calculations.
[1]Average petroleum spot price of West Texas Intermediate, UK, Brent, and Dubai Fateh crude.
[2]Five-day weighted average of NYMEX Light Sweet Crude, IPE Dated Brent, and implied Dubai Fateh.
[3]Saudi Arabian crude oil deliverable in Asia. Arab Extra Light (Berri) has an API gravity of 37 and a sulphur content of 1.15 Arab Heavy (Safaniya) has an API gravity of 27 and a sulphur content of 2.8.
[4]Excluding Iraq.

5 WSE's Market Area of Influence

Depicted below is a map indicating the countries within WSE's Area of Influence.

5.1 Map of WSE's Area of Influence



 DRAFT

Following is a list of the aforementioned countries including WSE's relationships and accomplishments to date:

5.2 Afghanistan

Currently, the Governments of Afghanistan and the United States have requested our team act as an honest broker to develop energy projects (electric & gas) centered in and around Afghanistan. These projects under the direction of the Afghan Minister of Mines and Industry have enabled our team to work closely with both governments as well as the Asian Development Bank. According to a recent United States Geological Survey dated March 2006, there could be up to 36.5 trillion cubic feet of natural gas and 3.6 billion barrels of crude oil lying undiscovered under the sands of war-torn Afghanistan.

Stephen Payne with the President of Afghanistan Hamid Karzai

5.3 Algeria

Through similar ties existing in Morocco, WSE is negotiating the details of a partnership with the Government of Algeria to assist them in improving their business and political relations with the United States.

5.4 Azerbaijan

Over the past year, the Caspian Alliance has provided strategic advice to the Government of Azerbaijan. The team is already beginning to capitalize on this relationship by working on several business projects and is currently negotiating acquisition of specific hydrocarbon leases.

The WSE team has briefed senior USG officials on the strategic importance of and energy opportunities in AZ. Due in part to WSE efforts :

- The first official visit of President of Azerbaijan Ilham Aliyev to the U.S. was scheduled ;
- Senior level contacts were initiated, including a phone call between the Vice President of the United States and the President of Azerbaijan in November of 2005;
- US business leaders met with the Foreign Minister of Azerbaijan during his recent visit to the U.S.; and
- Energy opportunities were publicized in energy-related articles in U.S. media outlets.

 DRAFT

Adil Baguirov with the President of Azerbaijan Ilham Aliyev

5.5 Brunei

During his tenure at the State Department as Deputy Chief of Protocol, Spencer E. Geissinger developed deep and lasting ties with the Sultan of Brunei and is currently in negotiations to secure key opportunities in Brunei for WSE.

5.6 China

Currently, WSE has a strategic alliance in place to do joint ventures with the Chinese National energy companies. We are strategically positioned to work with them on a variety of opportunities in the future.

5.7 Georgia

Randy Scheunemann is a registered representative of the Government of Georgia in the United States. Accordingly, Mr. Scheunemann has developed a very close relationship with President of Georgia Mikheil Saakashvili and many senior Georgian officials. The WSE team has also begun negotiating possible deals with the Georgian state-run oil company, National Oil Company of Georgia, to assist in the development of Georgia's hydrocarbon industry.

5.8 India

Our team enjoys direct contact with ONGC via several former ONGC senior executives who now work with WSE. Currently, SUN Group, whose principal is a member of WSE's Board, is leading ONGC's CIS and African efforts, as reported on September 19, 2005, in the Bharat Petroleum Corporation Limited:

> "…Energy industry sources say that Delhi-based Khemkas of the Sun Group are on ONGC's radar for a possible joint venture to secure oil equity in Russia and the CIS markets…informed sources said ONGC was engaged in talks with potential partners, including SUN Group, for regional alliances to improve its oil equity footprint across the globe…"

 DRAFT

5.9 Iraq

Some of the team's strongest relationships are in Iraq. Randy Scheunemann was a key player in the U.S. involvement in the Iraq war through his role as the President of the Committee for the Liberation of Iraq where he coordinated the White House's "Outside the Government" public relations campaign on Iraq while administering relationships with key Iraqi leaders in exile. Randy's work with the then-exiled Iraqis developed close relationships with many elements of the elected Iraqi leadership. The team has also worked very closely with leaders of the Shiite, Sunni, and Kurdish parties. Additionally, Stephen Payne has been to Iraq 3 times.

Stephen Payne, Iraqi Deputy Prime Minster Ahmad Chalabi, and Randy Scheunemann

5.10 Kazakhstan

Currently, the Caspian Alliance, a WSE subsidiary, is the sole U.S. representative of KazMunayGas, the state-owned oil and gas company of Kazakhstan, providing KazMunayGas with political risk analysis as well as access to energy leaders and executives.

Togrul Bagirov, Stephen Payne, Timur Kulibayev (son-in-law of the President of Kazakhstan & Chairman of the KazEnergy Association and VP of Samruk – the new state-owned holding company), and Adil Baguirov

 DRAFT

5.11 Latvia

Stephen Payne has served as Honorary Consul of Latvia since 1999. Mr. Payne has worked with the Latvian government on various issues, with accomplishments including:

- Assistance in arranging multiple meetings between President Bush and President Vaira Vike-Freiberga;
- Lead of Latvia's efforts to become a NATO Member

Currently, Latvia holds the largest untouched oil reserve in the Baltics. WSE has already held several positive meetings with President Freiberga regarding the development of these reserves.

Letter to Stephen Payne, Dated December 6, 2002…

> **…Let me express again my deep gratitude for your considerable contribution to the strengthening of the strong and vibrant ties between our nations and peoples…**
>
> **-Latvian President Vaira Vike-Freiberga**

Stephen Payne with the President of Latvia Vaira Vike-Freiberga at the WSE headquarters, in Houston, Texas

5.12 Libya

The WSE team has been engaged in Libya since 2005, holding multiple meetings in London, Geneva, Moscow, and Tripoli with key oil ministry officials, as well as with Saif Al- Qadhafi, President of the Qadhafi Foundation for Development and son of the leader Muammar Qadhafi.

5.13 Morocco

WSE is currently in direct negotiations with the King of Morocco Mohammed VI to provide our team with leases/lease options. Respectively, our team is providing the King with strategic advice and recommendations on how he can improve Moroccan business and political relations with the United States.

5.14 Pakistan

Prior to the attacks of September 11, 2001, the four primary partners of Worldwide Strategic Partners, predecessor company to Worldwide Strategic Energy, worked on behalf of the Government of Pakistan to strengthen its ties to the United States. The attacks on September 11th called for quick development of this relationship and soon thereafter Worldwide Strategic Partners played a pivotal role in strengthening this relationship.

Resulting accomplishments in Pakistan include:

- Delivery of a multi-billion dollar aid package;
- Removal of economic and military sanctions;
- Designation of "Major Non-NATO Ally Status";
- Promotion of the Trade Investment Framework Agreement ("TIFA");
- Acquisition of billions of dollars for military hardware/equipment; and
- Coordination of numerous meetings between President Musharraf and President Bush

Letter to Stephen Payne, Dated January 21, 2006…

…It gives me great pleasure to thank you for playing such an important role in strengthening US Pakistan ties…The challenges faced by both our countries in the aftermath of September 11th, brought us even closer, in which you played a pivotal role…

-Pakistani President Pervez Musharraf

Stephen Payne with the President of Pakistan Pervez Musharraf

 DRAFT

5.15 Russia

Stephen Payne represents Itera, the largest independent Russian gas producer. In addition, Dr. Togrul Bagirov serves as the Executive Vice President of the Moscow International Petroleum Club, providing him with opportunities to interface with any Russian energy company, and serves as a key advisor to the Russian Government on energy issues.

Togrul Bagirov with Russian Foreign Minister Sergey Lavrov

5.16 Turkey

The team has worked on several projects within Turkey including a major power plant deal and hotel deals, and has very close ties to the owner of the largest television news network in Turkey. Additionally, WSE's Chairman of the Advisory Board, Major General Jones (USA Ret), spent three years in Turkey as the commanding officer of U.S. forces stationed in Turkey. The team's contacts exist in every level of the government and energy sectors.

Stephen Payne with the Turkish Prime Minister Recep Tayyip Erdoğan and Foreign Minister Abdullah Gul, at the UN

5.17 Turkmenistan

Worldwide Strategic Partners was hired by the Government of Turkmenistan to re-invigorate the 1,200 km Turkmenistan, Afghanistan, Pakistan (TAP) pipeline project that had previously been dormant for several years because of the Taliban Government.

In Turkmenistan, the WSE team has accomplished the following to date**:**

- Arranged a “take-or-pay” agreement with Pakistan and coordinated a trilateral summit between the Presidents of Turkmenistan, Afghanistan and Pakistan;
- Secured a completed $1.5 million initial feasibility study on the project from the Asian Development Bank;
- Secured U.S. support of the project from President Bush;
- Secured financial interest from OPIC, USAID and the Asian Development Bank.

5.18 United Arab Emirates

Since January of 2004, Stephen Payne has been closely assisting the King of the U.A.E, Sheikh Khalifah Bin Zayed Al Nahayan, and his son Sheikh Sultan, on political and business issues. This close relationship between Mr. Payne and the royal family which had been in existence for more than 2 years allows our team the ability to work in any industry within the UAE freely and without restriction.

Stephen Payne, Owner of the Houston Astros - Drayton McClain, and His Highness Sheikh Sultan

6 The WSE Edge

Worldwide Strategic Energy is uniquely positioned to acquire leases/lease options in the following countries:

6.1 *Figure 3- Well Production, Crude Production, & Crude Reserves*

	2005 Average BOPD Well Production*	2005 Crude Oil Production	2006 Estimated Crude Oil Reserves
	(Thousand Barrels per Day)	(Thousand Barrels per Day)	(Thousands of Barrels)
Country			
Afghanistan	0	0	3,600,000**
Algeria	12.62	16,220	11,350,000
Azerbaijan	40.92	5,320	7,000,000
Brunei	2.88	2,240	1,350,000
Georgia	0.01	3	35,000
Iraq	12.89	21,720	115,000,000
Kazakhstan	16.92	11,930	9,000,000
Latvia	0	0	60,000***
Libya	13.37	19,680	39,126,000
Morocco	0.11	.8	1,069
Pakistan	3.80	775	289,202
Russia	2.89	110,270	60,000,000
Turkey	0.59	504	300,000
Turkmenistan	0.07	180	546,000
United Arab Emirates	20.25	29,490	97,800,000

(Source: Oil & Gas Journal March 2006)

*Given that not all wells in each country are producing, this number is extraordinarily low, also offshore wells tend to produce more bopd than onshore

**USGS estimated there to be 3.6 billion barrels of oil in Afghanistan

***Latvia has one shallow water offshore prospect that is estimated to have over 60 MMBBLS.

 DRAFT

7 Investment Opportunity

In order to begin our lease acquisition phase of operations, WSE is seeking an Angel Investor round of funding of between $3,000,000 and $5,000,000. In return for this investment, the investor(s) will receive between 10% and 16.67% of the common stock of WSE. A detailed and expected Uses of Funds schedule is contained in Section 9 of this document.

Within the first six months of receipt of the Angel Investor funds, WSE will seek to acquire mostly proven lease/lease options in the expected producing range of 40,000-70,000 barrels per day. These leases/lease options are of moderate size and will be pursued solely onshore.

Upon acquisition of the leases and lease options by WSE, the company will look to form joint ventures with developing and drilling companies. This strategy will minimize risk and costs to WSE, while giving WSE full control over the leases/lease options as well as an easy exit strategy.

WSE sees all acquired leases/lease options as extremely viable and profitable, as they are coming directly from the host client government or state-owned hydrocarbon company of the country, outside of the typical lease auction process. Furthermore, the seismic experts within WSE will be performing an independent valuation of the leases prior to WSE contracting to purchase and/or develop them. It is our belief that we will receive the best available leases as the host governments work to insure a long-term relationship with WSE.

During the acquisition phase of our first 5 to 10 leases, WSE will look to raise an additional $50 million of Series A funding to begin the initial development of the acquired leases/lease options. Terms and the dilution effects on WSE stockholders are unknown at this time. In addition, once we begin to acquire leases, WSE will plan to collect fees from our Joint Venture partners.

WSE will target an Internal Rate of Return (“IRR”) on all leases/lease options of 20% to 25%.

8 WSE’s Lease Estimates

WSE’s initial estimates are that within the first year we will **acquire approximately five to seven leases**.

Depending on the level of data that exists for these leases, keeping in mind our model of high quality leases, we expect **production to begin within three to six years on each lease** (approximately, three years assuming all seismic data is up to par and six years if seismic work is required).

In most cases, joint venture partners will join WSE in the exploration development and production of the lease/lease option.

WSE estimates each onshore lease will **produce between 40,000-70,000 barrels per day**. WSE estimates that the average supply of **crude per field will last approximately 20 years.**

Below is a sample chart of what WSE assumes the typical lease cash flow to be over the course of the lease.

This Chart assumes the following for Profit Oil:

8.1 Figure 4- WSE’s Lease Assumptions of Profit Oil

WSE's ownership of the JV with hydrocarbon developer	25% of profit
Barrel of Oil	$50
Initial Government Royalty	12.50%
Production Cost per Barrel	28.25%
Government Taxation	30-70%
Average Field Production (bopd)	40,000
Average life of the Field	20 yrs

* Some figures are shown in a percentage due to lack of data consistent with each individual lease contract between WSE & the host government

8.2 Figure 5- WSE's Revenue Estimates of Profit Oil

Average Price of a Barrel of Oil	**$50**
Royalty (12.5%)	$6.25
Net Revenue	**$43.75**
Production Cost per Barrel 28.25%	$14.13
Taxable Income	**$29.63**
Special Petroleum Tax (35%)	$10.37
Taxable Income less SPT	**$19.26**
Income Tax Rate (45%)	$8.67
JV Division of Cash Flow	**$10.59**
Gov. Division of Cash Flow	$25.28
JV take	**30%**
Gov. Take	70%
WSE's Assumptions going into a lease	
JV Cash Flow	$10.59
WSE Take 25% of JV take	$2.65
Annual Field Production (40,000 bopd average over the life of the field in Thousands)	14,600
WSE's Annual Revenue (in Thousands)*	$38,657
WSE's Assumed Average Life of the Field (in years)	20
WSE's Average Revenue Over the Life of the Field (in Thousands)*	$773,138

*note these figures do not include accelerated depreciation

DRAFT

9 Figure 6- Sources and Uses of Funds - Year 1

Worldwide Strategic Energy
Sources and Uses of Funds - Year 1

	Month Jun-06	Month Jul-06	Month Aug-06	Month Sep-06	Month Oct-06	Month Nov-06	Month Dec-06	Month Jan-07	Month Feb-07	Month Mar-07	Month Apr-07	Month May-07	Total
INCOMING CASH													
EQUITY	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ -	$ -	$ -	$ -	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 53,000,000
JOINT VENTURE PARTNER PAYMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 10,000,000
TOTAL INCOMING CASH	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ -	$ -	$ -	$ -	$ 12,000,000	$ 12,000,000	$ 12,000,000	$ 12,000,000	$ 12,000,000	$ 63,000,000
DISBURSEMENTS													
Salaries and Benefits	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 1,200,000
Consulting Fees	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 576,000
Lease/Lease Option Payment	$ -	$ -	$ -	$ -	$ -	$ 250,000	$ 250,000	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 25,500,000
Taxes and Insurance	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 60,000
Legal & Accounting Expenses	$ 18,000	$ 18,000	$ 18,000	$ 18,000	$ 18,000	$ 18,000	$ 18,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 276,000
Public Relations	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 480,000
Admin & Travel	$ 87,000	$ 87,000	$ 87,000	$ 87,000	$ 87,000	$ 87,000	$ 87,000	$ 87,000	$ 87,000	$ 87,000	$ 87,000	$ 87,000	$ 1,044,000
Total Disbursements	$ 298,000	$ 298,000	$ 298,000	$ 298,000	$ 298,000	$ 548,000	$ 548,000	$ 5,310,000	$ 5,310,000	$ 5,310,000	$ 5,310,000	$ 5,310,000	$ 29,136,000
Beginning Cash	$ -	$ 702,000	$ 1,404,000	$ 2,106,000	$ 1,808,000	$ 1,510,000	$ 962,000	$ 414,000	$ 7,104,000	$ 13,794,000	$ 20,484,000	$ 27,174,000	
Total Incoming Cash	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ -	$ -	$ -	$ -	$ 12,000,000	$ 12,000,000	$ 12,000,000	$ 12,000,000	$ 12,000,000	
Total Disbursements	$ 298,000	$ 298,000	$ 298,000	$ 298,000	$ 298,000	$ 548,000	$ 548,000	$ 5,310,000	$ 5,310,000	$ 5,310,000	$ 5,310,000	$ 5,310,000	
Ending Cash	$ 702,000	$ 1,404,000	$ 2,106,000	$ 1,808,000	$ 1,510,000	$ 962,000	$ 414,000	$ 7,104,000	$ 13,794,000	$ 20,484,000	$ 27,174,000	$ 33,864,000	

DRAFT

10 Examples of PETROLEUM CONTRACTS

TYPE	MAIN CHARACTERISTICS
Concessions	Oldest Type of contracts. IOC's are granted full right over the reserves. Host governments are paid royalty, taxes and other benefits. Many old concessions had very long terms (>50 years) and covered vast areas.
Risk Contracts	General term. Used for Concession and other type contracts where technical risk is involved. The Development Phase may include different arrangements if and when discovery is made.
Production Sharing	"PSC" Originated early 60's. IOC is required to finance and take all the risk. Costs are recovered from sale of portion of the produced oil. "Cost Oil". IOC also entitled to a share of production as "Profit Oil". IOC is Operator, supervised by Joint Management Committee. Contract term rather long (20-35 years). IOC has title over its share of produced oil, but not over in situ reserves.
Service Contracts	Used originally for risk free operations. Sometimes used in much wider sense to include risk contracts. IOC is normally entitled to a "fee", or discount on oil purchase from the field, instead of profit oil. Hence, IOC has no explicit title to produced oil. Costs may be recovered separately, or as part of the "fee".
Joint Ventures	Common in oil industry. Widely applied in the 70's. Generally refers to cases where government participation is 50% or more. Joint operations, but either IOC or NOC could be assigned operator. Not synonymous to Joint Stock Company (JSC), where stocks are shared, but not necessarily operations.
Buy-Back	Rather new in oil industry terminology. Generally more applicable to developmental operations. No risk involved. No title oil. Short term. IOC is operator during Developmental Phase, NOC operator during Production Phase. High remuneration, but limited chance for upside gains by IOC.
Turnkey	Widely used in oil industry, but not favored by IOCs. Clearly defined Scope of work. Fixed price, but may be based on "Cost Plus".
Technical Assistance	Widely applied. Useful tools for promoting wider cooperation with IOCs.

IOC – Independent Oil Company
NOC – National Oil Compnay

11 Additional Data and Reports

Gross Revenues	=	Total oil and gas revenues
Cost Recovery	=	Operating costs
	+	Intangible capital costs*
	+	DD&A
	+	Investment credits (if allowed)**
	+	Interest on financing (if allowed)**
	+	Unrecovered costs carried forward
	+	Abandonment cost provision
Profit Oil	=	Gross production - Royalty oil - Cost Oil
Contractor Profit Oil	=	Contractor profit oil
	*	Contractor cost oil
Contractor Entitlement	=	Profit oil
	*	Contractor percentage share
Government Profit Oil	=	Profit Oil
	*	Government percentage share
Taxable Income	+	Gross revenues
	-	Royalties
	-	Intangible capital costs*
	-	Operating costs
	+	Investment credits (various incentives)
	-	Government profit oil
	-	Abandonment costs
	-	DD&A
	-	Bonuses***
	-	TLCF
Net Cash Flow	=	Gross revenues
	-	Royalties
	-	Tangible capital costs
	-	Intangible capital costs*
	-	Operating costs
	+	Investment credits
	-	Bonuses
	-	Government profit oil
	-	Taxes

*In many systems, no distinction is made between operating costs and intangible capital costs and both are expensed.
**As a general rule, investment credits are cost recoverable but they are not tax deductible.
***Another general rule: bonuses are often not cost recoverable but they are tax deductible.

11.1 Figure 7- Initial Estimated Cost Recovery per Barrel of Oil

Figure 7 shows a flow diagram of an example Profit Sharing Contract (PSC). It illustrates the terminology and hierarchy of arithmetic that would be experienced in a given accounting period but represents average full-cycle revenues and costs. For illustration, one barrel of oil (in this case $50/bbl) is followed through the system. An average (full-cycle) cost (capital and operating) of $14.13/bbl (28.35%) is assumed here.

Contractor Share	**Gross Revenues** $50	**Government** Share
	Royalty 10%	$5.00
	$45	
$14.13 Assumed Cost ($50*28.25%)	**Cost Recovery** 50% Limit	
	$30.87 **Profit Oil**	
$12.35	**Profit Oil Split** 40/60%	$18.52
($3.70)	**Tax Rate** 30%	$3.70
$22.78	**Division of Gross Revenues**	$27.22
$8.65	**Division of Cash Flow (Profit)**	$27.22
24% $8.65/($50-14.13)	**Take**	**76%** $27.22/($50-14.13)

DRAFT

11.2 Explanation of Figure 7

First – Royalty

The royalty comes off the top. This example uses a 10% royalty.

Second – Cost Recovery

Before sharing of production, the contractor is allowed to recover *costs* out of net revenues. However, most Production Sharing Contracts (PSC's) will place a limit on how much production (or revenues) will be made available for the recovery costs in any given accounting period. This is known as the Cost Recovery (*C/R) limit*. For example, in the flow diagram, C/R is limited to 50% of gross revenues. If operating costs and depreciation amount to more than that, the balance is carried forward and recovered later. It means that there is a limit to the amount of deductions that can be taken in any given accounting period. Most PSC's allow virtually unlimited carry forward (C/F).

Third – Profit Oil Split

Revenues remaining after royalty and C/R are referred to as Profit Oil (P/O) or *profit gas*. The analog in a concessionary system would be taxable income. The terminology is precise of the ownership issue. The term taxable income implies ownership that does not exist yet under a PSC. The contractor has nothing to tax – not yet.

In this example, the contractor's *share* of P/O is 40%. The government 60% share has all the characteristics of an accounting-profits-based tax.

Fourth – Taxes

The tax rate of 30% in this flow diagram appears to apply to the P/O. It is acceptable to do this when thinking in terms of *full-cycle* economics. On the average over the life of a field, the accounting profits subject to ordinary taxes will be equal to the company share of P/O. However, the P/O ordinarily does not constitute the tax base. In any given accounting period, a company will receive a share of P/O if there is a C/R limit but the company may not necessarily be in a tax-paying position. This is important when considering the royalty effect of the C/R limit.

12 Sample Contracts

Below are several example contracts for various countries within WSE's Area of Influence.

AZERBAIJAN

AIOC PSC I 20 Sept., 1994, Amoco, Lukoil, McDermot, et al.

Area	Azeri & Chirag & Deepwater Gunashli
Duration Relinquishment	"Basic Term" 30 years An extension of basic term provision for discovery
Obligations	Early Production 3-D Seismic over entire area (20,000 km2 full fold) 3 appraisal wells + Environmental baseline survey
Bonuses Royalty Rentals	\$300 MM – 3 installments less 10% SOCAR WI if back-in option exercised ½ [\$150 MM] = Signature Bonus; ¼ [\$75 MM] @ 40,000 BOPD; ¼ [\$75 MM] when oil exported from MEP (Main Export Pipeline) None
Cost Recovery	No limit on OPEX CAPEX limited to 50% of remainder "all finance costs" recoverable
Depreciation	4 years for Equipment and capital assets Abandonment Costs – 10% of CAPEX when reserves 70% depleted (UOP)
Profit Oil Split	Early & <\$3 / BBL & > \$4 / BBL Late & <\$3 / BBL & > \$4 / BBL

	RROR	P/O Split	P/O Split	P/O Split	P/O Split
	< 16.75%	30/70%	25/75%	25/75%	20/80%
	16.75-22.75%	55/45%	50/50%	55/45%	50/50%
	>22.75%	80/20%	75/25%	80/20%	75/25%

Gas clause – exclusive right to negotiate

Taxation	25% Profit Tax (in later contracts paid by SOCAR) 0% VAT – 5% Withholding on Subs (25% of assumed 20% profit)
Ringfencing DMO	Yes 10% @ Market price at delivery point + 10% @ Market price at MEP
Gvt. Participation	10% Government pays for costs between Execution & Effective date [LIBOR + 4%] SOCAR use of Chirag I Platform valuation adjustment
G&A Other	Expensed – 1st \$15 MM 5%; 2nd \$15 MM 2%; > \$30 MM 1%; Opex @1.5% Hiring Quotas: Employee/Expat Wage Tax

cc

Government Take				Effective Royalty Rate	Lifting	Savings Index	Data Quality	* Wide range
Downside	Mid-range	Upside	Margin					
38%	64%	79%	80%	0%	59%	42¢ *	Good	

 DRAFT

LIBYA

1990 Model Contract

Duration

Exploration Obligations

Royalty None

Bonuses None

Cost Recovery Limit 35%

Depreciation No depreciation for cost recovery

Profit Split
(based on two elements)

BOPD	Production Index *	*R* Factor	Example *R* Factor Index ** *A* Factor
Up to 10,000	.95	0 – 1.5	1.00
10,000 – 25, 000	.84	1.5 – 3.0	.80
25,000 – 50,000	.60	3.0 – 4.0	.65
50,000 – 75,000	.30	> 4.0	.50
> 75,000	.15		

* Base factor; ** *A* factor (various rates exist)

For example: Contractor share of "profit" at 25 MBOPD and *R* of 1.7 = 70.7%
[.884 (wtd. average at 25 MBOPD) * .8]

Taxation In lieu (Rate used is 65%)

Ringfencing Yes

Gvt. Participation 65% Carried through exploration.
No reimbursement of past exploration costs.
Contributes 50% of development Costs
Contributes 65% of operating Costs
Receives 65% of gross production

Government Take				Effective Royalty Rate	Lifting	Savings Index	Data Quality
Downside	Mid-range	Upside	Margin				
73%	76%	79%	83%	14%	89%	77 ¢	Fair

DRAFT

Libyan 2-Dimensional Profit Oil Split **1990 Model**				
Production (BOPD)	**Contractor Share of Profit Oil**			
> 75	10%	8%	6.5%	5%
50 – 75	20%	16%	13%	10%
25 – 50	20%	40%	32.5%	25%
10 – 25	80%	64%	52%	40%
0 – 10	95%	76%	61.75%	47.5%
A Factor	1.0	.8	.65	.5
R Factor	< 1.5	1.5 – 3	3 – 4	> 4

PAKISTAN

Offshore PSC 1994

Bonuses	$1.0 MM at start up: $2.0 MM at 33 MM BBLS $5.0 MM at 100 MM BBLS			
Social welfare fund	$20K / year up to 250K at 50 MBOPD			
Annual Training Fee	$20K pre and $100K post production			
Offshore bonus	2% of approved R&D projects after discovery			
Royalty	0% 1st 4 years of production 5% 5th year 10% 6th year 12.5% thereafter *Royalty creditable for income taxes (?)*			
Cost Recovery Limit	85%			
Profit Oil Split			**Profit Gas Split**	
	Cumulative Production (MMBBLS)	**Gvt./Contr. Split %**	**Cumulative Production (BCF)**	**Govt./Contr. Split %**
	Up to 100	25/75	Up to 600	15/85
	100 – 200	30/70	600 – 1,200	20.80
	200 – 400	35/65	1,200 – 2,400	25/75
	400 – 800	50/50	2,400 – 4,800	40/60
	800 – 1,200	70/30	4,800 – 7,200	60/40
	> 1,200	80/20	> 7,200	75/25
Taxation	40% Corporate Income Tax [Possible to be direct or in lieu – assumed here to be direct] 15% Withholding Tax			
Depletion Allowance	Lesser of 15% of gross revenues or 50% of taxable income			
Depreciation	20% DB Development costs 25% SLD Exploration and intangible costs			
Ringfencing	Not for dry-hole costs; Yes for other costs			
Gvt. Participation	None			
Other	Import duties 3%			

Government Take				**Effective Royalty Rate**	**Lifting**	**Savings Index**	**Data Quality**
Downside	**Mid-range**	**Upside**	**Margin**				
56%	55%	56%	57%	4%	82%	38 ¢	Good

DRAFT

PAKISTAN

Onshore Royalty / Tax System
Zones I, II, III – 1994 Petroleum Policy – 26 Blocks awarded in 1994

Area	3 Zones	1) High Risk	High Cost
		2) Med Risk	High Cost
		3) Med Risk	High to Low Cost
Duration	3 + 5 + 1 year extensions		
Relinquishment	30% + 20%		
Exploration Obligations			
Bonuses	$0.5 MM at start up:		
	$1.0 MM at 30 MM BBLS		
	$1.5 MM at 60 MM BBLS		
	$3.0 MM at 80 BBLS		
	$5.0 MM at 100 MM BBLS		
Social welfare fund	$20K / year up to 250K at 50 MBOPD		
Annual Training Fee	$100K pre and $250K post production		
Offshore bonus	2% of approved R&D projects after discovery		
Royalty	12.5%		
Taxation	50.0%	Zone I Corporate Income Tax	
	52.5%	Zone 2	
	55.0%	Zone 3	
	15.0%	Withholding Tax	
Depletion Allowance	lesser of 15% Gross or 50% of taxable income		
Depreciation	10% Declining Balance		
	Below ground drilling costs expensed		
Ringfencing	Not for dry-hole costs		
	Yes for other costs		
Gvt. Participation	5% Initial increasing upon discovery to:		
	15%	Zone 1 **	
	20%	Zone 2 **	
	25%	Zone 3 **	** no reimbursement of past costs
Other	Import duties 3%		

Example	**Government Take**				**Effective Royalty Rates**	**Lifting**	**Savings Index**	**Data Quality**
	Downside	**Mid-range**	**Upside**	**Margin**				
Zone 1	62%	56%	56%	57%	12.5%	87.5%	50 ¢	Good
Zone 2	65%	60%	60%	61%	12.5%	87.5%	47.5 ¢	
Zone 3	70%	64%	64%	65%	12.5%	87.5%	45 ¢	

DRAFT

RUSSIA – Sakhalin II

MMMMS Consortium – 23 June, 1994

Area	1,546 km^2 Piltun-Astikhskoye and Lunskoye fields
Duration	**Exploration** 5 years **Production** 20 years – right to extend
Relinquishment	No mandatory provisions
Obligations	$50 MM Appraisal
Bonus Signature **Other Bonuses**	0 $15 MM @ Commencement Date $15 MM @ Development Date Piltun-Astikhskoye $20 MM @ Development Date Lunskoye
Rentals **Payments**	1 – 2% of work program costs $100 MM to Regional Development Fund $20/yr beginning with development approval $160 MM Reimbursement of Prior Russian Expenditures @ $4 MM / Qtr for 20 Qtrs Another $4 MM / Qtr for 20 Qtrs starting when Russian Profit Oil Split = 70%
Royalty	6%
Cost Recovery Limit **Depreciation**	100% after Royalty $100 MM Regional Dev. Fund + $160 MM Reimbursement are cost recoverable All costs expensed (Assumed)
Production Sharing (Pre-tax)	**Real pre-Tax IRR** / **Government Share** Less than 17.5% / 10% 17.5% to 24 / 50 More than 24 / 70
Taxation **Depreciation**	32% Profit Tax "shall not exceed" Fees, interest, bonuses deductible; Tax loss carry forward 15 years Capital expenditures 3 year SLD (Assumed)
Ringfencing	Yes
Gvt. Participation	None

Government Take				Effective Royalty Rate	Lifting	Savings Index	Data Quality
Downside	Mid-range	Upside	Margin				
48%	69%	72%	81%	6%	62%	34 ¢	Good

DRAFT

TURKMENISTAN

Monument PSC 7 Aug., 1996

Area	Nebit-Dag / 5 area 1,800 km^2		444,600 acres	
Duration	"Effective period" 25 years + optional 10 yr extension			
	Exploration 5 = 2 + 1.5 + 1.5			
	Production 20 + 10 yr extension			
Relinquishment	@ 2 years 30%			
	@ 2 + 1.5 years 20% of remaining			
	@ 2 + 1.5 + 1.5 years 20% of remaining			
	@ 5th year of 3rd (production) period all remaining except production			
Obligations	1st Period $10 MM min (excess credited)			
	2nd Period $40 MM Original oil vs. new oil			
Bonuses				
Royalties	**Based on "New Oil"**	**Royalty**	**Gas MMCFD**	**Royalty**
	Up to 25,000 BOPD	3%	Up to 150	3%
	25,000 – 50,000	5	150 – 300	5
	50,000 – 75,000	7	300 – 450	7
	75,000 – 100,000	10	450 – 600	10
	> 100,000	15	> 600	15
Cost Recovery Ceiling	60% of "Net Production" All costs expensed (Assumed)			
Production Sharing	**"S" Multiplier = P/O Split**		**P**	**S**
	a = contractor cost oil		0 – 1	40/60%
$P = \frac{\sum (a+b)}{\sum (c+d)}$	b = contractor profit oil		1 – 1.5	50/50
	c = Capex + Libor		1.5 – 2	60/40
	d = Opex		2 – 2.5	80.20
			> 2.5	90/10
Taxation	25%			
Depreciation	Capital expenditures 5 year SLD			
Ringfencing	Not for profit tax – for cost recovery yes			
Gvt. Participation	None			

Government Take				Effective Royalty Rate	Lifting	Savings Index	Data Quality
Downside	**Mid-range**	**Upside**	**Margin**				
62%	67%	77%	91%	18%	61%	35 ¢	Good

DRAFT

13 RISK FACTORS AND ADDITIONAL DISCLAIMER

IN GENERAL

Oil and gas exploration and development is a high-risk activity where results cannot be precisely forecasted. No assurance can be given that amounts Members subscribe to the program will be recovered, or that any profit will be realized. Further, there is no assurance that production will be obtained in profitable quantities or in quantities sufficient to return a Participant's investment. Member subscriptions should be made only by those participants who can afford the loss of their entire investment.

PROFITABILITY OF OIL AND GAS EXPLORATION

Oil and gas development and drilling involves a high degree of risk and is marked by unprofitable efforts, not only from dry holes, but from wells which, though productive, do not produce oil and gas in sufficient amounts to return a profit on the amount expended. No assurance can be given that production will be obtained, or if it is obtained, that it can be obtained in profitable quantities.

Original estimates concerning the success on these leases with initial drilling results may prove highly misleading. The amount of oil and gas reserves recoverable from a particular well are determined by the porosity and permeability of the underground formation, its real extent, and the degree to which oil and gas reserves discovered by drilling can be commercially recovered under existing technology and economic conditions.

Original leases with estimates of oil and gas quantities concerning well profitability can also be adversely affected by changes in available prices and rates of production. All of these estimates are affected by unpredictable supply and demand factors and governmental regulation.

EXPLORATORY vs. DEVELOPMENT DRILLING: RISK AND RETURN DISCLAIMER

Exploratory drilling involves the conduct of drilling operations on leases located in areas where there is no nearby production. Development drilling involves the conduct of drilling operations on leases nearby proven productive areas where the leases are believed to encompass the same geologic feature.

The risks of oil and gas drilling involve both the risk of drilling unproductive wells and also of the drilling of wells which, though productive, do not produce oil and gas in sufficient amounts to return a profit on the amount expended. Development drilling normally involves less risk of drilling dry holes, since wells will be drilled on leases believed to be located on a proven geologic feature. However, while exploratory drilling is recognized as involving greater risk of dry holes than development drilling, the reserves established in the event of any discovery of oil and gas and the resulting economic regard of exploration and drilling may be sufficiently greater to justify the greater "dry hole" risk.

SUITABILITY STANDARDS

Member subscriptions are intended only for those persons willing to assume the risk of a speculative, illiquid, long-term investment. Further, this offer is limited to persons who, by virtue of their investment or financial resources and/or high income, are financially able to sustain the loss of investment in this program without suffering a change of economic position.

The decision to accept or reject any subscription will be made by Company in its sole discretion and is final.

TAX CONSIDERATIONS

There are many tax risks involved by members subscribed by this investment. Each prospective member subscriber should consult his/her own tax advisor.

Subscription by member is advised only for those with recurring income subject to taxation in the higher Federal income tax brackets.

Under the Federal income rules and regulations in existence, subscribing members need to consult with their own tax advisor to verify if by their investment to this subscription they will be able to take advantage of Federal tax deductions.

POLITICAL RISK

In all international projects, a certain level of political risk exists that is not seen in domestic oil projects. WSE will do its best to mitigate these risks but cannot guarantee zero political risk on a given project.