

Marcellus Development Investor Proposal

June 16, 2009

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Why the Marcellus Shale?

- The Marcellus is one of the most economic Unconventional Gas Plays in the country today for several reasons:
 - The play is within a few hundred miles of a large portion of the population of the United States. This results in a premium price for the gas produced of about fifty cents over NYMEX.
 - The play covers millions of acres and is reasonably priced due to the downturn in leasing activity.
 - The finding costs are reported to be well below \$2/mcf based on recent press releases by the most active operators.
 - Initial rates of 6 to over 20 mmcfd have been reported in the play recently. See the press release below by Range. We used average rates of 3.3 mmcfd for each horizontal well in our projections, based on published public data.
 - The initial challenges with permitting and environmental concerns are rapidly being addressed by local regulators so drilling and production can go forward.
 - Pipeline and gas processing infrastructure continues to be developed to accommodate existing and future production.

Excerpt from Range Resources Press Release

Range Achieves 24th Consecutive Quarter of Production Growth

FORT WORTH, TEXAS, JANUARY 21, 2009...RANGE RESOURCES CORPORATION (NYSE: RRC)

“During the fourth quarter, the Marcellus Shale division continued to make outstanding progress. Since late October 2008, 10 new Marcellus horizontal wells have been brought online to a new gas processing plant. The 24-hour initial production rate for those 10 wells averaged 7.3 Mmcfe per day. Of those, seven had initial production rates of 3.5 Mmcfe per day or more, while three had initial rates of **9 Mmcfe per day** or more.

The best well had an initial rate of **24.5 Mmcfe per day**. Current Marcellus production is approximately 35 Mmcfe per day net and is constrained by current processing capacity. Eight of the wells have now been online for more than 30 days, and the 30-day average of those eight wells is 4.3 Mmcfe per day, with the highest volume well averaging 9.6 Mmcfe per day.

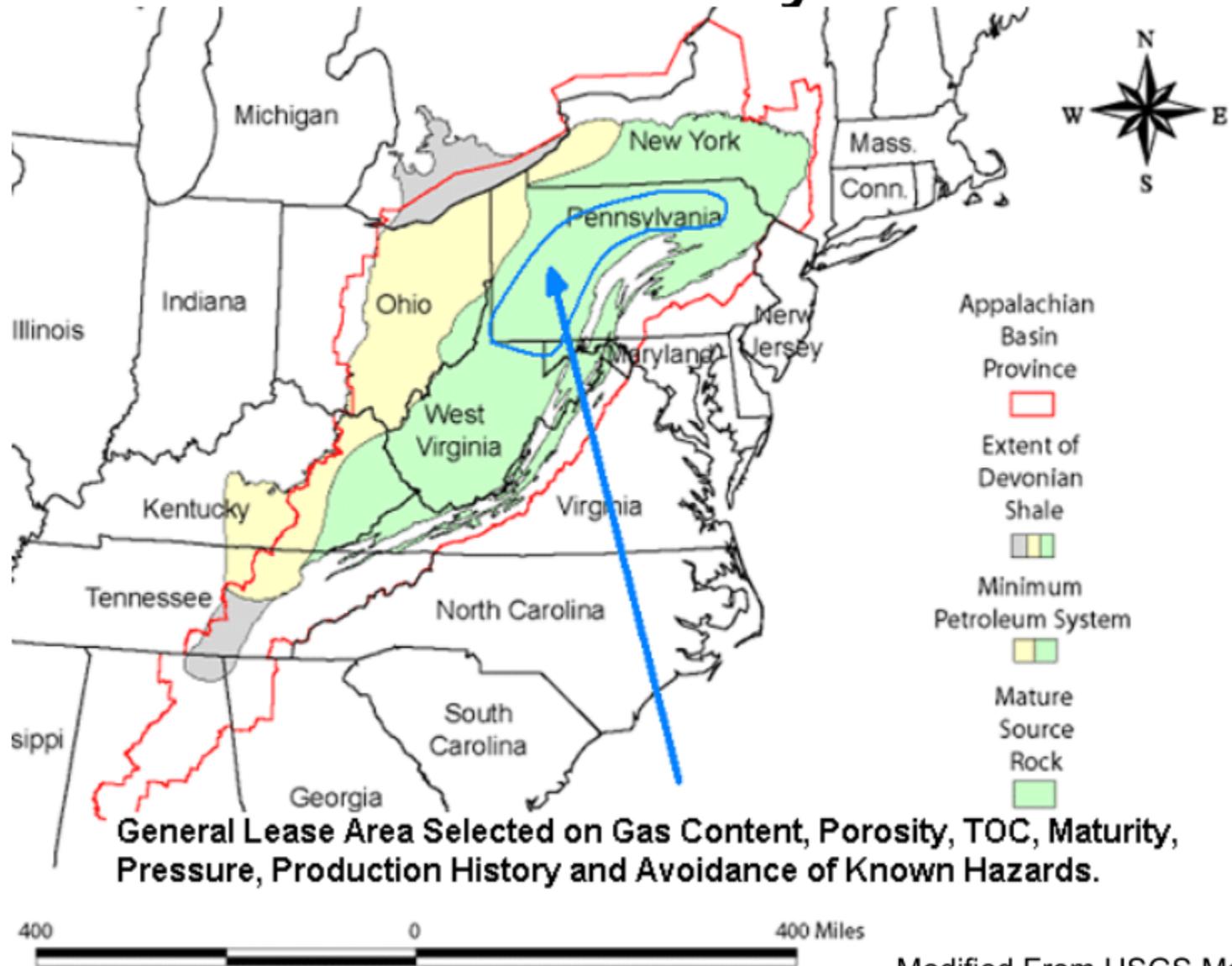
Currently there are 13 wells, including nine horizontals that have been fraced and are waiting on processing capacity expansion before they are turned to sales. In late March or early April 2009, processing capacity is expected to expand from 30 to 60 Mmcf per day. Additional expansions are planned that would bring processing capacity to 180 Mmcf per day by late 2009 or early 2010.

At least 50 horizontal wells are anticipated to be drilled in 2009. The targeted production exit rate for 2009 is 80 – 100 Mmcfe per day net.”

Marcellus Land Acquisition Proposal Details

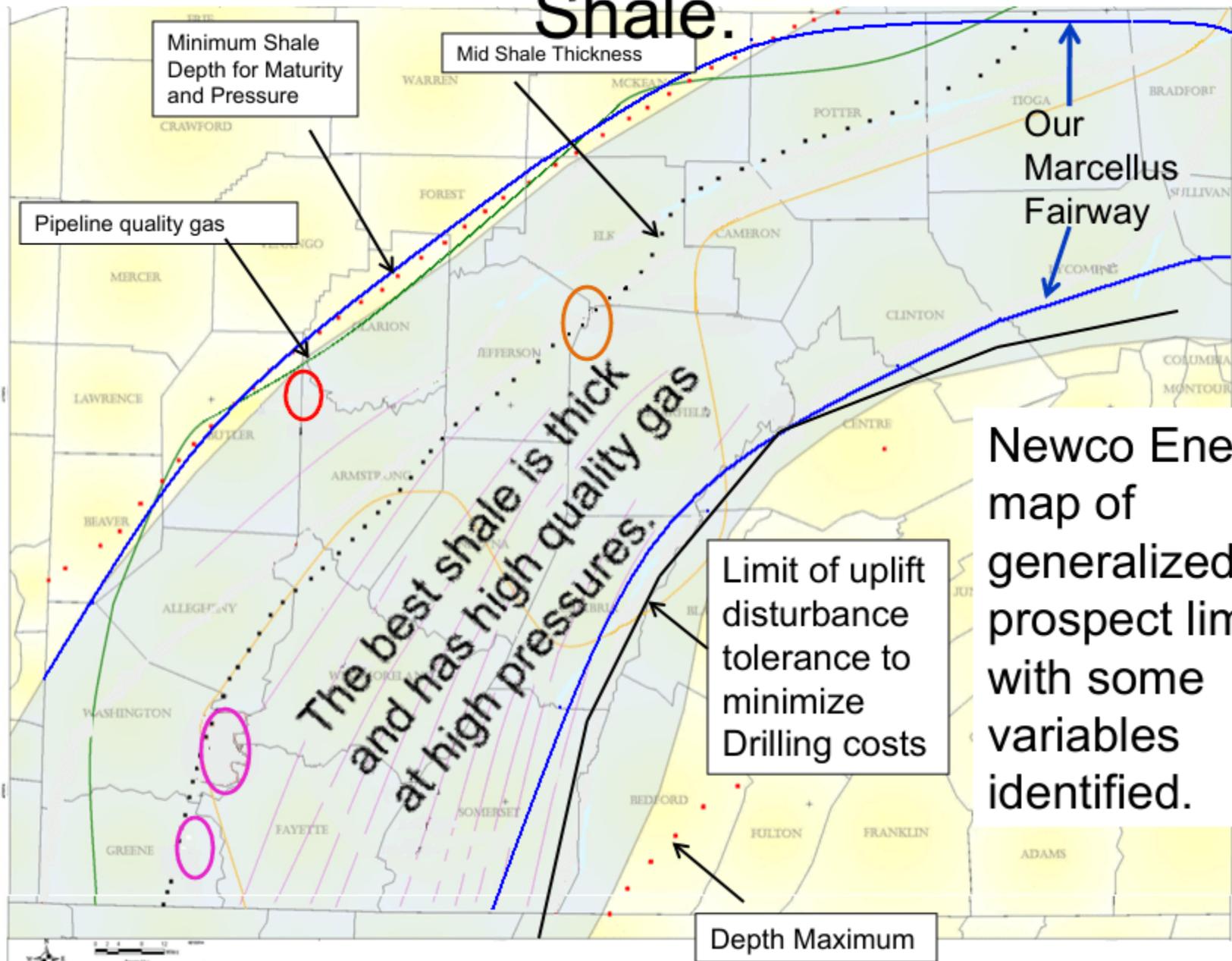
- We propose to lease up to 80,000 acres in the Pennsylvania Marcellus in 2009 while costs are low.
 - We have targeted buy areas with the desired Marcellus depth, thickness and thermal maturity .
 - The focus is on blocked up acreage that is close to pipelines and areas of current testing and development.
 - Most of this acreage has been identified, negotiated and has title work complete.
 - Current lease bonuses range from \$100 to \$200 per acre per year for 5 year leases with 15% Royalties.
 - We propose to expand leasing efforts in areas of best results.
 - Over 80,000 acres have been identified as available to lease across the target area.
 - Land costs of \$8 million per year are built into the economic model.

Marcellus Fairway Outline



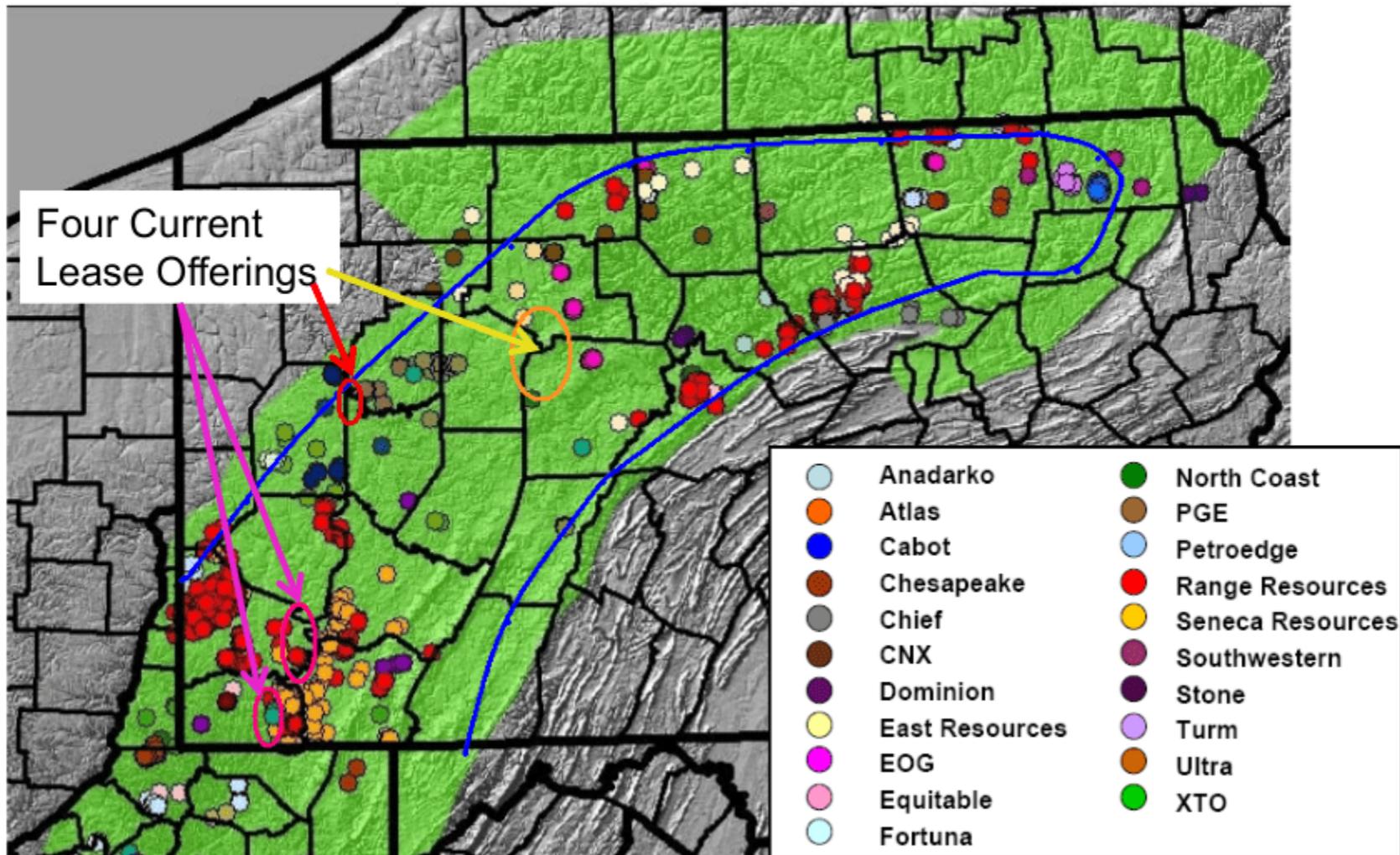
Modified From USGS Map

The Best Well Locations Are in the Best Shale.



Newco Energy map of generalized prospect limits with some variables identified.

Marcellus Drilling Permits Compared with Preferred Lease Fairway & Current Offerings



Establishment of an Operating Entity in the Marcellus

- Marcellus Energy Operating Company, Ltd. (“MEOC”) will be formed by Mideast Oil, Andray Mining and an oil and gas operating entity through Terrell A Dobkins as a Delaware Limited Partnership. MEOC will hold title to the oil and gas leases and will be the entity that the Investor Group will invest in.
- The Investor Group (“IG”) will initially be a general partner in MEOC in order to qualify as an active investor in the partnership for Federal income tax purposes, but will revert to limited partnership status after a period of time.
- Marcellx Energy Company, LLC (MEC) will also be formed by Mideast Oil, Andray Mining and an operating entity through Terrell A. Dobkins and will be a general partner. MarcellX Energy Company will be the managing general partner of MEOC and will receive a management fee for managing the partnership.
- MEOC will allocate profit and losses in the following manner:
100% of losses will be allocated to the IG, until equity has been consumed, since that is the funding source, in order for the IG to recognize losses for income tax purposes.
Profits and subsequent losses will be allocated 25% to NEC and 75% to the IG.
- Since tax losses to the IG will be substantial in the early years due to the deductibility of intangible drilling costs, the after tax IRR to the IG will very likely be significantly greater than the before tax IRR. The impact on each investor will vary depending upon individual circumstances.
- Cash distributions will be made as cash is available. However, it is unlikely that any cash distributions will be made before the sale of the properties since all cash generated will very likely be used to fund development of the properties. Cash distributions will be made annually as required to meet tax obligations that may occur if there is taxable income in any year.

Operational Plan Overview

- Lease in three to four geographic areas to spread out risk and opportunity.
- Drill 6 vertical wells and one horizontal well in 2009 to test and evaluate each area.
- Begin a continuous drilling program, ramping up slowly, in 2010 based on testing results and economics.
- Monetize the assets by 2016 through an asset sale or public offering.

Economic Projection Summary

- Objective: Build \$1.67 billion enterprise value within 7 years.
- Investor capital \$210 million total, consisting of \$25 million in 2009, \$46 million in 2010, \$102 million in 2011, \$38 million in 2012 and use cash flow thereafter.
- Establish gas sales in 2009 by drilling near existing pipelines with excess capacity.
- Projected before tax IRR for investor estimated to be greater than 40% at current gas pricing.
- Investor Distribution in 2016 of \$1.46 billion

Resolution of Early Marcellus Development Challenges

- Pipeline and treatment capacity – actively being solved with pipeline and plant construction.
- Permitting – Pennsylvania is streamlining the permitting process. Recognized by operator groups as on target for what is needed.
- Waste water management – Implementation of new and existing technology , not currently in use in the area, will dramatically improve water handling in the near future.
- Lease Costs – High lease costs seen in 2008 have dramatically reduced in the past 12 months.
- Lack of equipment, services and personnel-Service companies are rapidly providing the rigs, services and personnel that are appropriate for the changing needs.

Economic Model Assumption

Marcellus Well Details

Vertical Wells

- \$1.5 Million total cost per well
 - \$1.0 million drilling
 - \$0.5 million completion
 - Use as “pilot” wells
 - Collect geo-technical data
 - Helps with completion designs
 - Data provides insight to improvement going forward
- EUR: 1.0 Bcf
 - Based on surrounding operator average performance
- Operating Costs: \$2,000/well/month
- Separate water disposal cost of \$6.00/Bbl

Horizontal Wells

- Initial Phase: \$4.0 Million per well
 - \$2.5 Million drilling
 - \$1.5 Million completion
 - Run logs to gather formation data
 - Use microseismic to optimize completion techniques
- Development Phase: \$3.5 Million per well
 - \$2.0 Million drilling
 - \$1.5 Million completion
 - Use earlier learnings to develop Marcellus without using logs or microseismic
 - Similar costs compared to other operators (Cabot, Range, etc.)
- EUR: 3.2 Bcf
 - Based on surrounding operator average performance
- Operating Costs: \$2,000/well/month
- Separate water disposal cost of \$6.00/Bbl

Marcellus Commodity Price Forecasting Assumptions

- Gas Pricing
 - Henry-Hub as of 4/17/09 pricing futures
 - 2009 average: \$4.37/MMBtu
 - 5-year average: \$6.525/MMBtu
 - 1100 Btu/cf average used in projections
- Gathering/Transportation Fees
 - Fees for gathering company are 10% of wellhead production
 - Offset operator fees seen in Marcellus gas gathering
- Taxes
 - Production Taxes: 3.0% (assumed, none exist today)

Marcellus Initial Phase Schedule

- Second half of 2009
 - Lease approximately 40,000 acres of leases in three areas.
- July and August of 2009
 - Begin initial phase with vertical well drilling.
- October and November of 2009
 - Drill first horizontal well and run science tools to optimize completions.
 - Flow test and evaluate data and results.
 - Shoot 3-D seismic over some leases to assess geo-hazards.
 - 3-month task to shoot and analyze prior to development of acreage.
- December of 2009
 - Drill vertical pilot wells in different areas of Marcellus acreage.
 - Complete vertical wells and begin preparations for horizontal development
 - Drill first horizontal well in the area of best results.

Marcellus Development Phase Schedule

- 2010 Schedule
 - First half: Move in 1st rig and begin horizontal drilling program.
 - Second half: Move in 2nd rig to accelerate drilling
- 2011 Schedule
 - Second Quarter: Add 3rd rig to continue development
 - Third Quarter: Add 4th rig to continue development
 - Fourth Quarter: Add 5th rig to continue development
- 2012 Schedule
 - Move in 6th rig to continue development
- 2013 Schedule
 - Continue drilling acreage with 6 rigs

Marcellus Capital Cost Forecast

Note: these figures vary from the source and use of funds table below year to year due to well completion carry overs at year end. The overall totals match

2009

• Land Acquisition Begins	\$8.0MM	
• Overhead	\$3.0MM	
• Shoot 3-D seismic over acreage to prepare for development	\$1.5MM	
• Drill 6 Vertical Wells	\$9.0MM	
– Analysis of cores, completions, and flow tests		
• Drill first horizontal well, test and analyze individual results	\$4.4MM	
– Using microseismic, logs, etc.		
• Dry Hole	\$2.8MM	
• Analysis of collected data and results	\$0.4MM	
	2009 Total Expenditures:	\$29.1MM

2010

• Continued Leasing Costs	\$8.0MM	
• Overhead	\$3.0MM	
• Move in and drill 6 horizontal wells with 1 st rig	\$24.0MM	
• Move in 2 nd rig in 2Q and drill 4 horizontal wells	\$14.0MM	
• Dry Holes, extra testing and mechanical problems in early wells	\$6.6MM	
	2010 Total Expenditures:	\$55.6MM

2011

• Continued Leasing Costs	\$8.0MM	
• Overhead	\$3.0MM	
• Drill 24 horizontal wells with two rigs	\$84MM	
• Move in 3 rd rig in 2Q and drill 9 horizontal wells	\$31.5MM	
• Move in 4 th rig in 3Q and drill 6 horizontal wells	\$21MM	
• Move in 5 th rig in 4Q and drill 3 horizontal wells	\$10.5MM	
• Dry Holes	\$5.6MM	
	2011 Total Expenditures:	\$163.6MM

2012

• Continued Leasing Costs	\$8.0MM	
• Overhead	\$3.0MM	
• Continue drilling program with 6 rigs	\$252.0MM	
• Dry Holes	\$5.6MM	
	2012 Total Expenditures:	\$268.6MM

2013

• Continued Leasing Costs	\$8.0MM	
• Overhead	\$3.0MM	
• Continue developing remaining acreage with 6 rigs and 36 horizontal wells	\$126.0MM	
• Dry Holes	\$5.6MM	
	2013 Total Expenditures:	\$142.6MM

Project Total Expenditures: \$659.5MM

Projected Production and Cash Flow

Year	Net Gas MMCF	Wells on Sales	Cash Flow from Operation, \$ millions	Capital, \$ millions	Net Cumulative Cash Flow, \$ millions
2009	477	5	1.3	29.1	-27.8
2010	3,567	17	19.7	66.8	-74.9
2011	13,151	59	85.1	186.0	-175.8
2012	33,681	131	231.4	268.6	-213.0
2013	48,521	203	342.8	270.1	-138.8
2014	59,379	275	422.2	270.4	23.4
2015	68,291	347	484.6	270.6	248.0
2016	76,980	419	537.4	262.6	533.4

Capitalization of Marcellus Energy Operating Company, LP Assumptions

1. It is assumed that Marcellus Energy Operating Company, LP will be initially capitalized with approximately \$210 million of equity from the Investor Group. This amount will be funded over a four year period, currently estimated as follows:
 - ◆ Year 2009 = \$25 million
 - ◆ Year 2010 = \$46 million
 - ◆ Year 2011 = \$102 million
 - ◆ Year 2012 = \$37 million
2. All cash flow from operations (revenue less taxes and lease operating expenses) will be used to fund capital expense.
3. Based on the cash flow model, the project is expected to begin funding itself from cash flow in 2012.
4. The sale of the company is planned for the time when the majority of the undeveloped acreage is proven up as “PDP’s” and PUD’s. This maximizes the sale value potential.

Source and Use of Funds

(amounts in \$millions)

Year	Use of Funds				Source of Funds					Incremental Debt
	CAPEX	Interest	Annual Total	Cumulative	Equity	Cash Flow	Debt	Annual Total	Cumulative	Availability
2009	\$ 29.1		\$ 29.1	\$ 29.1	\$ 28.0	\$ 1.3		\$ 29.3	\$ 29.3	
2010	\$ 66.8	\$ 0.0	\$ 67.8	\$ 96.9	\$ 31.0	\$ 19.7	\$ 17.0	\$ 67.7	\$ 97.0	\$ 17
2011	\$ 186.0	\$ 0.0	\$ 189.1	\$ 287.0	\$ 70.0	\$ 85.1	\$ 34.0	\$ 189.0	\$ 286.0	\$ 34
2012	\$ 268.6	\$ 0.0	\$ 274.2	\$ 562.3		\$ 231.4	\$ 42.9	\$ 274.3	\$ 560.3	\$ 131
2013	\$ 109.0	\$ 0.0	\$ 114.6	\$ 674.8		\$ 303.2		\$ 303.2	\$ 863.6	
Total	\$ 659.5	\$ 0.0	\$ 674.8		\$ 128.9	\$ 640.7	\$ 93.9	\$ 853.6		

Effect of Assumed Sale by 2016 for \$1670 Million

	Millions of \$
Sale Price	\$ 1670.0
Surplus Cash	\$ 0.0
Repayment of Equity	\$ (210.3)
Repayment of Bank Debt	\$ 0.0
Available for Distribution	\$ 1459.7

Distribution to Investors	75%	\$ 1094.8
Distribution to MarcellX Energy Company, LP	25%	\$ 364.9
Total		\$ 1459.7

Cash Flow to Investor

2009	6/1/09	\$ (28.0)
2010	1/1/10	\$ (31.0)
2011	1/1/11	\$ (70.0)
2012		\$ -
2013	12/31/13	\$ 532.4

IRR to Investor 48%

(Assumes no cash distributions to investor until sale of company in 2014)

Forward-Looking Statements

Statements concerning future capital expenditures, production volumes, reserve volumes, reserve values, resource potential, number of development and exploration projects, finding costs, operating costs, cash flow and earnings are forward-looking statements. These statements are based on assumptions concerning commodity prices, recompletions and drilling results, lease operating expenses, administrative expenses, interest and other financing costs that management believes are reasonable based on currently available information; however, management's assumptions and the Company's future performance are both subject to a wide range of business risks and there is no assurance that these results, goals and projections can or will be met.