



Business Plan  
2007

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## 1.0 EXECUTIVE SUMMARY

Jet Lifting Systems (“JLS”) reduces the costs of shallow depth oil extraction by up to 70 percent in marginal wells. Marginal, low volume wells represent 17% of U.S. domestic production. Thus, the significant reduction in lifetime costs delivered by the Company’s patent pending technology may have a material impact on domestic oil and gas prices.

Even though there are 524,000 U.S. oil and gas producing wells,<sup>1</sup> which is more than three times the combined total for the next three leaders (China, Canada and Russia), most of those U.S. wells produce relatively small volumes of oil and gas, and then only on a marginally economic and intermittent basis, using today’s technology.<sup>2</sup> Accordingly, these wells are referred to as “marginal” wells and, of those that produce 10 barrels of oil or less per day, or 60 thousand cubic feet (Mcf) of gas or less, they are generally referred to as “stripper wells.”<sup>3</sup>

The term “stripper,” as applied to wells, refers to the fact that they can be envisioned as stripping an underground reservoir of its last barrels of oil. But, in another sense, this is misleading because, as newer technologies are developed, like *Jet Lifting Systems*, the producing life of these “stripper wells” can and will be greatly extended.<sup>4</sup> An estimated two-thirds of U.S. oil is still underground.

*Lower installation cost  
Extended well lifetime  
No downtime loss  
No down-hole replacement parts costs*

### **Marginal Well Economic Impact**

In its 2006 Annual Report, “Marginal Wells: Fuel for Economic Growth,” the Interstate Oil and Gas Compact Commission (IOGCC) reported that, in 2005, there were 401,072 oil producing stripper wells in the United States.<sup>5</sup> On average, each individual well contributed only 2.2 barrels a day. However, collectively, these marginal wells produced a total of 321,761,570 million barrels of oil. This accounted for \$16 billion in domestic gross revenue.<sup>6</sup>

Stripper well production contributes significantly to the U.S. national economy by supporting employment in smaller communities throughout the United States and by helping to avoid an even greater transfer of American wealth overseas in return for imported oil. “The IOGCC estimates that for every \$1 of stripper oil production, \$1.01734 of economic activity is created. Also, about 10 American jobs are dependent on each million dollars of stripper production.”<sup>7</sup> In terms of domestic

<sup>1</sup> As of December 31, 2003

<sup>2</sup> It is a generally accepted fact that the current and prevalent technology used to lift or extract oil is the “pump jack.” It is also a generally accepted fact that pump jack maintenance costs are appreciable and play a significant role in determining whether to continue production or plug and abandon a well.

<sup>3</sup> “Keeping the Home Wells Flowing,” Stripper Well Consortium, Summer 2005, pp. 3-4.

<sup>4</sup> *Id.* @ pp. 4-6.

<sup>5</sup> The IOGCC is a multi-state agency that promotes the conservation and efficient recovery of our nation’s oil and natural gas resources, while protecting health, safety and the environment. It consists of the governors of 37 states that produce most of our domestic oil and natural gas. Congress chartered the IOGCC in 1935 and it is the oldest and largest interstate compact in the nation.

<sup>6</sup> 2006 IOGCC REPORT, “Marginal Wells: fuel for economic growth” pp. 1-19.

<sup>7</sup> “Keeping the Home Wells Flowing,” *supra* p.5.



economic activity, therefore, this translates into \$16.3 billion dollars and 50,000 + jobs for Americans annually.

Given these figures, it is deduced that stripper wells play a vital role in America's energy security. Without them, the United States would otherwise have to import 7 percent more oil daily and at a cost of \$45 million per day. It is vital to maintain stripper well production.

### **JLS Marketability and the Stripper Well Consortium**

JLS joined the Stripper Well Consortium (hereinafter "SWC"), which is comprised of petroleum producers, service companies, industry consultants, universities, and industrial trade organizations, in August 2007. We did this because the SWC is an industry driven consortium that is dedicated to advancing new technologies, like the Jet Lifting System, in order to enhance the productive life cycle of stripper wells.

Started in September 2000, through a cooperative agreement with the Department of Energy (DOE) and Penn State University, SWC was initially given \$3 million dollars to test new technologies. Since then, funding has been extended and several other organizations, such as The Strategic Center for Natural Gas, the National Petroleum Technology Office and the New York State Energy Research and Development Authority, have also contributed base funds. Mr. Joel Morrison is the Director of the SWC and Ms. Sharon Elder is the Executive Secretary. Both are very dedicated and wonderful to work with.

As to accomplishing its mission of testing and deploying new technologies, the SWC, in conjunction with Penn State, awards grants to members who have developed technologies ready for deployment. The grant process is a simple four page grant application for its members. SWC and its executive Board, which is also comprised of some members, among others, then chooses which technologies it will fund. Once awarded, Penn State has overarching management responsibilities to insure the implementation of the chosen projects.

This year, on October 29 and 30, 2007, JLS'S CEO and his wife, Craig and Bertha Leslie, attended the SWC Fall Meeting held at the Hyatt Regency in Wichita, KS. Craig and Bertha met other members at an evening reception on the 29<sup>th</sup> and, the next day – October 30<sup>th</sup>, they then attended an all day session beginning at 8:00 a.m. where they listened to the Executive Summaries from 11 member recipients who received funding during 2005 and 2006, on a variety of technologies. As a result of their attendance, Mr. Leslie anticipates that JLS will apply and be awarded a grant in 2008 to have its product placed in one of the many government owned wells in the Rocky Mountain Testing area of Wyoming, within the next 12 to 14 months. Notwithstanding that JLS has tested its product (see p.8) in both Lulling and Lubbock, Texas, having a test site, in a government monitored well, with SWC control, will only enhance JLS'S marketability.

Another positive result of the meeting was a discussion that Mr. Leslie had with representatives from the Oklahoma Marginal Well Commission. Specifically, the discussion centered on the IOGCC 2007 Annual Report, which reported that for the first time in a decade the number of stripper wells has increased. In 1997, the number of marginal oil wells in operation was 420,674. In 2005, that number was reported as 401,072. However, as of December 2006, the number of U.S. marginal oil or "stripper" wells in operation had increased to 422,255.



This is very significant because, according to Regina Finney of the Oklahoma Marginal Well Commission, more and more people are taking over the leases of previously orphaned or abandoned wells. This is good news for our country. It is also terrific news for JLS because it means more potential customers for the Jet Lifting process. Also, this presents opportunities, previously considered but shelved, for JLS to actually obtain Leases to operate a given number of wells. Either way, because JLS technology will reduce the cost of production, JLS will experience increased revenues because of an increase in the number of stripper wells.

There is also one more significant note relative to the Kansas meeting. Of all the projects awarded and reported on, the one overriding consideration that was consistently mentioned, as being a key factor, was reducing the maintenance costs and downtime associated with production in the marginal wells. Because this is what JLS is all about, this is why JLS will succeed, as discussed immediately following.

### **JLS Impact on Marginal Well Production Costs**

Jet Lifting Systems is disruptive technology that drastically improves the economics for hundreds of thousands of low volume wells. Designed and developed by a leading group of California engineers to reduce the costs of lifting oil from shallow low volume wells, JLS'S patent pending technology will be marketed to the 400,000+ stripper well community, which are already economically challenged to produce economic returns due to their low volume.

JLS'S lifting technology employs a gas injection system that does not use any moveable parts, such as is found in the typical pump jack (right). A producer using the JLS lifting technology will experience a fraction of the yearly maintenance costs, given there are essentially no replacement parts costs and no loss of production revenues from the downtime associated with the pump jack.



From management's research, there are at least two other competitors who offer a gas injected technology for transporting oil from the well bore to the surface. The first one is Airlift Services International which is located in Anderson, Indiana. However, their system is significantly different from JLS. Whereas JLS can lift up to 3 barrels of oil in one hour, which represents 126 gallons of oil, Airlift reported that its system is limited to 9-12 gallons of oil per hour. Additionally, Airlift operates an open system where they do not recover any of the pressurized gas they employ to transport the oil to the surface. The JLS system is completely closed and we recover essentially all the gas.

The next company is "Chamber Lift." JLS is still researching this company, but as yet, has no definitive information. Nonetheless, it is the position of JLS Ltd. that competition is good for business. It would be ridiculous to think that JLS can fill all the needs of every stripper well producer. As seen in financial projections, JLS forecasts only reach 4.69% market share in year 5. At 2006 numbers of 422,255 marginal wells, even if that number remained static until 2011, a 4% share of that market represents 16,890 wells. When JLS achieves that number, its gross income will exceed \$1.2 billion dollars. However, even if we only achieved half that number, say 8,000 wells, our gross revenue would still exceed \$800 million dollars at the end of year 5.

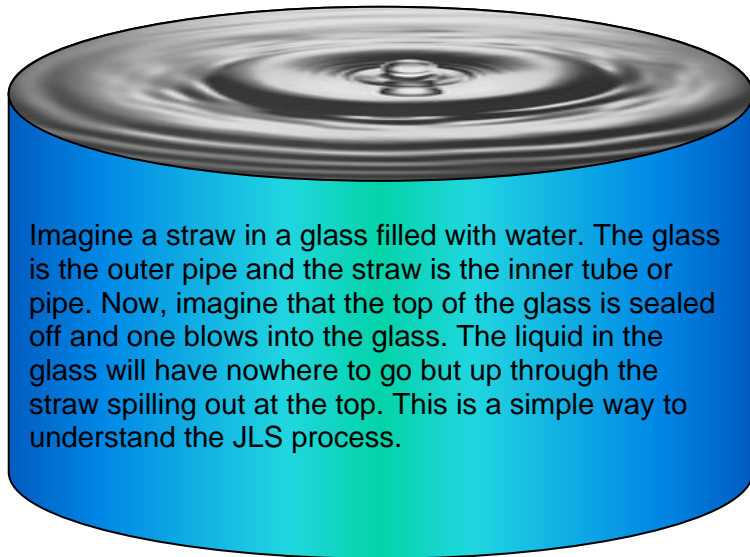


Frankly, it is our position that our product is the most superior gas injection system on the market today and will meet the needs of the stripper well producer, unlike any other company. It is abundantly clear that there is a substantial need for the product, given its alternative to the more costly “pump jack” technology. It is also abundantly clear that shallow well producers will readily adapt to a new technology that will not only save them money, but also labor and environmental costs. This is why we have been working on the engineering and design issues for over five years, and which is also why Jet Lifting Systems will show quantifiable results of savings.

### **JLS & Gas Injection Technology**

Jet Lift Systems uses gas injection to lift down hole oil to the surface. It is the latest recovery method whereby pressurized, dry, natural gas is injected into the annular space of the outer pipe of a two pipe concentric tubing system, which gas is then directed down hole to the Company’s patent pending “Jet Barrel.” The Jet Barrel is located at the site of the oil reservoir or well bore. The size of the JLS concentric tubing and the barrel will vary depending on the size of the casing already in the well.

By way of example, if the casing is 5 inches, the concentric tubing may be a 2-inch outer pipe and a 1.5-inch inner pipe, with the barrel being 4.5 inches. The inner concentric pipe is directly coupled to the Jet Barrel. Once the pressurized gas reaches the jet barrel, the gas then forces a titanium ball valve, which is located in a screen on the outside of the bottom of the jet



Imagine a straw in a glass filled with water. The glass is the outer pipe and the straw is the inner tube or pipe. Now, imagine that the top of the glass is sealed off and one blows into the glass. The liquid in the glass will have nowhere to go but up through the straw spilling out at the top. This is a simple way to understand the JLS process.

barrel, to close, thus shutting off further oil from entering the barrel. At the same time, the gas then pushes the oil up stream to the surface through the inner concentric pipe. When it reaches the surface, the pressurized gas and oil goes through a centrifugal separator where the oil is separated out and sent to a storage tank and the gas is directed to a pressure tank.

In a field test in Lulling, Texas, JLS’s lifting technology was tested at depths ranging from 2300 to 2600 feet for over 24 consecutive hours. Using only a 4 HP compressor, our system lifted as much as three barrels of oil in *one hour*. Obviously, this far exceeds the average stripper well’s 2.2 barrel *daily* production rate, which is why JLS is extremely confident that by selling and licensing its system, it will exceed the revenue projections.



## 1.1 Objectives

- Secure startup investment capital
- Startup pre-production test site
- Develop case studies, a PR and marketing campaign
- Assemble team to sell products to well owners
- License product to institutional owners of multiple oil and gas properties
- Initiate marketing strategy for system sales, licensing and partnerships
- Provide a lucrative exit to equity investors

## 1.2 Mission

The Company's mission is to provide value added products and services to well interest holders worldwide. JLS enables oil & gas owners to more efficiently produce and achieve higher profitability and/or, alternatively, enable the continued production from a well site that would otherwise be abandoned.

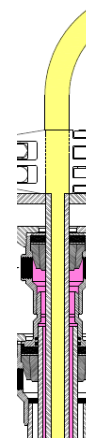
## 1.3 Vision

The vision of Jet Lifting Systems is to be a leader in improving marginal well productivity, and selecting successful partners. The Company will be recognized as the low risk solution to stripper well monetization.

*"Old & Busted"*



***Pump Jack***



***Jet Lifting System***



## 2.0 FINANCING & INFRASTRUCTURE

Jet Lifting Systems, LLC (herein referred to as “JLS” or the “Company”) is a Texas limited liability company, and is registered with foreign entity status in California. Subsequent to financing, the Company will become a California subchapter “S” corporation. The Company seeks \$1,000,000 in equity financing. Terms are subject to negotiation. Funds will be used for (a) Production/Inventory, (b) Marketing, (c) Administrative costs, (d) Continued R&D, and (e) Drafting and participation in Energy Grant Applications.

Although the product is complete and tested, continued R&D will customize that research for marketing material to better serve the intended target clients. JLS is developing relationships with various entities that have expressed an interest in distributing, as well as licensing, the product. Funding will also assist the Company in producing award winning grant applications, with such entities as the Stripper Well Consortium and various oil companies.

Management began R&D in 2001. The partners formed a joint venture in 2004; then, the company became a registered Texas LLC on January 12, 2005. Rights to a patent filed over two and one half years ago have been legally assigned to the Company and, when granted, the patents will increase JLS’S valuation. The patent has gone through several revisions with the examiner, and its approval is expected in the first quarter of 2008.

Through a series of private capital investments of approximately \$250,000 out of pocket cash, 18,000 man hours, plus rig time, engineering service and more, Jet Lifting Systems has developed a system which revolutionizes the way fluid enters the tank. As for the \$250,000.00, this money mainly came over the last 5 years from the personal contributions of Don Grubbs and Armando Renteria, two primary stockholders. From that money, JLS paid for Patent Attorney costs, engineering, drafting and cad-mapping costs, system testing costs in Lubbock and Luling, TX, as well as legal, employee and administrative costs related to JLS’S prior operations in Odessa, TX in 2005. As a result of all this effort, JLS has designed a gas lifting system to transport oil at depth to the surface, which is guaranteed to cut operating costs and increase efficiency and productivity to levels heretofore only imagined. And, it has done this by utilizing modern technology and shifting the paradigm from “suction” by pump jack to “lifting” by pressurized gas.

### **Exit Strategy**

Over the next couple years, JLS will also build shareholder equity through technology development, brand marketing, strategic alliances, patent protection and commanding a premium valuation multiple. Investor return is also subject to negotiation and terms of the offering. For instance, convertible debt will not be valued as common shares until market converted, should the Company offer a convertible instrument. Given the need for the product and the demonstrated foreign and distributor inquiries, management believes that JLS will be a viable and lucrative investment vehicle.

Potential investor exit strategies include a buyout and public listing. Management has received interest from Argentina to China. Management has resisted offers to sell the Company prior to maximizing valuation through sales and earnings. The Company has been approached by several groups that specialize in reverse mergers into shell companies, however this strategy for a public listing must be complemented with



thorough due diligence. It is also possible JLS could be bought out by a competitor such as Weatherford Lamb or Schlumberger Ltd (NYSE: SLB), which does integrated project management. At this time, however, JLS management and partners prefer to maximize JLS shareholder value before entertaining plans for a buy-out or reverse merger. Instead, company executives are working to create market strategies for direct sales, distributor relationships, partnerships with producers and licensing ventures with various foreign partners.

## 2.1 Company Ownership & Personnel

The Company is a “for profit” stock company with a limited number of shareholders. There are four primary owners of the Company; however capitalization is subject to change with an equity offering:<sup>8</sup>

Donald Grubbs	27.233%
Armando Renteria	27.233%
Allen Wagley <sup>9</sup>	27.233%
Jay Pope	18.311%

This capitalization of preferred shares does not illustrate the 3% ownership of common shares by other shareholders. Roughly 12,000 shares of common stock have been sold or exchanged for services.

The voting or preferred stock is controlled by four partners and represents approximately 97% of the ownership of the company. The 3% balance of stock ownership is held by various individuals who have either paid for or provided services in exchange for their stock holding. An employee stock option program will be implemented for attracting executives and experienced sales personnel.

The current management structure is as follows:

**Craig Leslie – Chief Executive Officer**  
**Donald Grubbs – President**  
**Armando Renteria – Vice President of Operations**  
**Harry F. Berman – Company Legal Counsel**  
**Bertha A. Leslie, Executive Secretary and Office Manager**

The composition of the Board of Directors is as follows:

**Donald Grubbs – Chairman**  
**Thomas M. Grubbs – Board Member**  
**Gordon H. Short – Board Member**  
**Armando Renteria – Board Member**  
**Harry F. Berman – Board Member**  
**Craig Leslie – Board Member<sup>10</sup>**

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<sup>8</sup> May not add to 100% due to rounding.

<sup>9</sup> Negotiations are currently under way to buy all of Wagley’s shares. Although JLS management has set aside funds for the purchase, it may well be that JLS will use as much as \$30,000 of the equity financing to complete the purchase.

<sup>10</sup> Craig Leslie has a non-dilutable contract to be granted 12% preferred stock, held in reserve from March 2007 until February 2010, at which time that stock will be issued to Mr. Leslie.



## Other Personnel

In addition to the president, there are other executive and support staff that will operate from headquarters.

As soon as JLS has achieved its equity-funding goal, the Company intends on hiring a VP of Marketing, who is a well-credentialed senior executive with outstanding achievements in drilling technology. He will be skilled in researching, penetrating, and developing new markets, as well as negotiating multimillion-dollar contracts and joint venture agreements. Vice Presidents will have solid capabilities in strategic planning, budgeting and new product development.

JLS is interviewing potential management and support staff and does not expect to have difficulty finding qualified personnel when appropriate. Personnel burden includes employee tax, HR and benefits.

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### Personnel

*FY Dec*

		2008	2009	2010	2011	2012
CEO		1	1	1	1	1
President		1	1	1	1	1
Managers		0	2	2	3	4
Administration		1	2	4	7	10
Engineering		0	1	3	4	5
Customer Service		0	1	3	5	7
Marketing		0	1	4	6	10
Sales		1	5	8	14	17
<b>Total Staff</b>		<b>4</b>	<b>14</b>	<b>26</b>	<b>41</b>	<b>55</b>
	<b>Salaries &amp; Wages</b>					
Executives	200,000	100,000	200,000	200,000	200,000	200,000
President	80,000	80,000	80,000	80,000	80,000	80,000
Managers	60,000	0	120,000	120,000	180,000	240,000
Administration	30,000	30,000	60,000	120,000	210,000	300,000
Engineering	125,000	0	125,000	375,000	500,000	625,000
Customer Service	27,000	0	27,000	81,000	135,000	189,000
Marketing	50,000	0	50,000	200,000	300,000	500,000
Sales	40,000	40,000	200,000	320,000	560,000	680,000
<b>Total Salaries</b>		<b>250,000</b>	<b>862,000</b>	<b>1,496,000</b>	<b>2,165,000</b>	<b>2,814,000</b>
<b>Personnel Burden</b>		<b>50,000</b>	<b>172,400</b>	<b>299,200</b>	<b>433,000</b>	<b>562,800</b>

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Sales per Salesman	\$ 719,000	\$ 1,162,800	\$ 2,719,500	\$ 3,000,857	\$ 3,751,059
Salaries & Personnel Burden as % Rever	7%	3%	1%	1%	1%
Revenue per Employee	\$1,092,250	\$ 2,783,143	\$ 5,094,462	\$ 4,651,512	\$ 4,570,327

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## 2.2 Keys to Success

- Proven cost containment and increased production
- Experienced management with strong domestic and international relationships
- Management's track record of successful drilling projects
- High oil prices driving demand
- Multiple revenue streams
- Numerous industry and personnel contacts

## 2.3 Facilities

Operating hours vary, but generally the Company can be reached between 9-5 daily, Monday-Friday. The Company has 3000 square feet leased for headquarters able to house six employees. Other staff will work either from their home offices or on job sites nationally and/or internationally. JLS will also use consultants on as needed basis.

## 2.4 Glossary

**AFE** – Authorization for expenditure

**BOE** – Barrels-of-oil-equivalent

**BTAX** – Item abbreviation for "Income Before Tax"

**CFFO** – Cash flow from operations

**GOR** – Gas oil ratio

**MBBL** – millions of barrels of oil

**MMcf** – Million cubic feet

**NPI** – Net private interest

**NRI** – Net revenue interest

**ROP** – Rate of penetration during the drilling operation. Usually expressed in fph (feet per hour or ft/hr).

**SCF** – Square cubic feet (gas)

**Severance tax** – Governments often tax a portion of the value of natural resources extracted, or "severed." The state or country generally levies energy severance taxes in the form of a percent of the value of the resources removed or sold (an ad valorem tax), but sometimes tax the volume of the resource removed (a dollar-per-unit tax). In addition to severance taxes, royalty payments, income taxes, and property taxes related to energy production also contribute to the government's receipts from energy production.<sup>11</sup>

**SPT** – Supplemental Petroleum Tax

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<sup>11</sup> <http://www.eia.doe.gov/emeu/sevtax/chap1.html>



### 3.0 PRODUCTS & SERVICES

The JLS product can best be described as a gas lifting system for transporting oil from a given well depth to the surface. Within months, the Company expects to be granted a patent with respect to critical system components. JLS applied for a patent over three

years ago, and after several revisions, the final changes have been submitted to the Examiner, with her requested corrections. JLS is a “closed system,” wherein the product recovers not only the oil, but also the gas used to push the oil to the surface.

<b>Sources of Revenue</b> Product sales Product financing License agreements Partnerships with oil producers
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The JLS product is an alternative technology that extracts oil with up to a 70% savings of operating costs. More shallow depth wells with low volume production are being re-classified as “stripper” or “marginal” wells daily throughout the United States. These shallow depth/low volume wells do not produce enough oil to justify the cost of using the existing “Pumper Jack” employed throughout the industry today. The Company’s “Jet Lifting System” lowers production costs significantly by reducing both the costs of replacement parts used in pump jacks (JLS has no moveable parts other than a “ball valve”), and significantly reduces the costs associated with the down time from replacing parts, yearly maintenance and retrofitting the pump jack.

#### **Pumper Jack Vs. the JLS System**

The pump jack and JLS systems are entirely different in principle and function, except that they both move liquid from the oil reservoir at depth to the surface.

The pump jack is, in essence, a beam that rocks on a fulcrum with weights on one end and rods connected to a one-way valve on the other. A motorized rocking mechanism rocks the beam back and forth, thereby pulling up and letting down a series of rods that are connected to a one-way valve that is in the liquid reservoir at the bottom of the well. On the down stroke, the one way valve goes down a tube that is full of liquid and, because of the action on the one way valve, swallows the liquid, pulling it up on the up stroke. This action sucks in more liquid through the one-way valve installed at the bottom of the tube.

In comparison, the heart of the JLS system is the down-hole pumping unit, which employs a concentric tubing system (pipe within a pipe) to move gas down the hole through one outer pipe to a given well depth, and then lifts or pushes the oil up to the surface through the other inner pipe or tube. The Company’s “Jet Barrel” (JB) uses patent pending entry ports (“orifices” for gas injection) to achieve superior efficiency. The Jet Barrel is placed down hole at the known site and level where oil collects in an underground pool. There is an opening at the bottom of the Jet Barrel that allows the oil to fill up in the JB simply by gravity or static pressure. Once the barrel is full, a timer at the surface of the well triggers a compressor, which then sends a pressurized gas down hole in the annular space of the outer pipe of the concentric tubing system. The gas penetrates the JB through many entry ports, which act as “jets.” And, given the angle of deflection relative to the entry ports, once in the JB, the pressurized gas does three things.



- (1) It forces the only moveable part, i.e., a “titanium ball valve,” located in a screen on the outside and at the bottom of the JB to close, thus shutting off the oil supply to the JB;
- (2) It creates a turbulence in the oil because the entry ports act like jets and coupled with the pressure, this spins the oil in the barrel in a cyclonic fashion (again, the gas is pressurized and the angle of deflection relative to the entry ports increases the pressure or force of the gas), which in turn spins off a lot of the particulate matter (sand and other silicates); and
- (3) It then pushes the oil up the hole to the surface.

The Company’s groundbreaking “Concentric Tubing System” consists of one pipe within another, which stretches from the surface to the top of the jet barrel where the inner tube is connected by a coupling to the jet barrel. The annular space of the outer tube or pipe is the vessel that carries the gas down the hole. The inner concentric tube or pipe is the vessel that transports the slugs of oil up hole, as well as the pressurized gas. The primary system components are:

- a. A surface compressor that pressurizes the gas sent down the hole.
- b. Compressed gas storage tanks
- c. A gas/oil separator
- d. Surge tank, and
- e. A control system

Another significant difference is that the pump jack has many moveable parts. Its down hole sliding seals are highly susceptible to wear from sand and silt because both sand and silt are sucked into the down hole chamber or fluid level during the upstroke of the pump. This wear sometimes makes it necessary to replace down hole parts as much one to three times per year. Replacement of down hole parts requires the owner to pull parts out and lose production time. Estimated annual maintenance costs alone range anywhere from \$7500 to \$21,000 dollars, not including the repair of any damage to rods and tubing by wear of rods rubbing against the tubing. The rubbing takes place because the tubing and casing are usually not absolutely straight; this situation varies from well to well.

Lost production costs are also another quantifiable factor. During repairs, lost production can be very significant. If a well is out of production three times per year for about four days each time to replace down hole parts and the production rate is 2.2 barrels per day, the annual lost production is approximately 25 barrels per year. At the 2005 wellhead price of \$50 per barrel, this is \$1250 dollars. If the stripper well is producing 6 barrels per day, the lost revenues increase by three times to \$3,750. At ten barrels per day, this would represent a loss of \$6250. This is material to the average stripper well producer who only nets roughly an annual profit of \$8,000.

By comparison, the only moveable part in the JLS system is a steel or titanium ball that moves up and down once per cycle. It moves up in its cage while oil fills up the JB, due to gravity or static pressure. After that, during the pressure cycle, once the pressurized gas reaches the jet barrel, the ball then moves down within the screen, forcing itself against its seat, sealing off the JB from more oil entering its chamber. At this point the pressurized gas then “lifts” the oil by forcing the oil up stream through the inner concentric pipe. There is virtually no sliding involved. But, we do consider the probable effects of the well environment itself as a factor and we make



allowances for maintenance, which should run no more than an average of \$1500.00 annually.

### **Cost of System**

At 2000 feet, JLS can produce a product that will cost \$70,000 – \$75,000, installed. At greater depths, the cost of containment vessels for the pressurized gas increases proportionally. The volume of gas required to lift or push oil increases with greater depth, resulting in increased costs of containment vessels and compressors. For example, where one might require only a 3-5 hp compressor at 2000 feet, a 10 hp multi stage compressor may be required for 3,000-5,000 feet wells. The difference in cost just between those two compressors is over \$5,000. Also, the high-pressure storage or receiver vessel will double in size at a 4000 foot well. The cost difference is even more significant here, +/- \$10,000.00. This is why the initial focus is on the average stripper well at a depth of 2000 feet or less.

If a given well were readied for production – being drilled with casing in place but nothing else, the JLS system would compare against a pump jack system as follows:

<u>JLS</u>	<u>PUMPER JACK</u>
JLS system installed \$75,000	Pump jack installed/not leased \$150,000+
Avg. maintenance \$1500/yr	Avg. maintenance \$7,500/yr +
Insurance costs 2-3 times less	Pump jack 2 to 3 times greater
Environmentally safer	Dangerous/hazard to pedestrians/children
Less damage to oil reservoir	Sucking action of pump jack results in more corrosive material being pulled into well

When JLS engineers tested the system in Lulling, TX, the system was able to produce (lift) up to 3 barrels of oil per hour over a 24-hour period. Moreover, testing began at 2300 feet and JLS drove the barrel deeper and deeper down to a depth of 2600 feet in an attempt to flood the system and measure the impact on production. However, production remained relatively constant.

Even so, JLS management has chosen to focus on the average stripper well of 2000 feet or less. From the Lulling, TX tests, the Company demonstrated an ability to lift far more than 2.2 barrels/day. And, by targeting wells of 2000 feet or less, the Company can hold the purchase costs down, which is as important as decreasing the costs of production, once in the well. This does not mean that JLS technology is incapable of lifting oil from wells of 3000 feet, or that JLS is incapable of lifting 50-00 barrels of oil in a day. It simply means that *initially* the Company wants to target the average producers with a system that they can afford.

Once JLS begins market penetration, the industry will find that JLS fills a need with a fast return on investment. Many producers will not need to purchase the entire system to benefit. For example, some producers will already have a 2-inch product line that they can use as the pressure line in the JLS system. They may also have a storage tank for the oil, a control system, and a timer that is used to trigger their production process, which can also be used in the JLS process. JLS will work with



stripper producers at whatever level of involvement they can afford. JLS will explore all avenues, which lead to sales.

Accordingly, Jet Lifting Systems will provide four primary services to the stripper well industry both nationally and internationally. System sales consist of one-time pricing, whereas licensing allows companies to manufacture the proprietary product for use in their own wells.

- System Sales
- Licensing
- Consulting
- Partnerships

Incidental consulting revenues are not included in forecasts. As for Partnerships in oil wells, strategies for partnership revenues will be employed when the Company is sufficiently capitalized or develops sufficient operating reserves (Debt). Furthermore, the Company may be required to receive shareholder approval before allocating substantial assets to partnerships.

### **Jet Lifting System's Commitment to Revolutionizing a Century Old Process**

Any price change in the oil market will have an impact on the capital expenditure segment of the oil industry. Without JLS, if oil prices fall, this will result in operators abandoning marginal wells. However, even if the price of oil goes higher, the producer still wants to control production costs. Presently, the pump jack is used on over 80% of all oil wells worldwide. It was invented about 1890, and has been only slightly modified since then. The traditional pump jack is heavy and antiquated, and after years of use, becomes very inefficient and dangerous. Management has identified a very large market with minimal direct competition for the pump jack. Concentric Tubing Jet Lifting Systems has an alternative. As of December 2006, there are over 422,000 stripper wells in operation in the United States alone, plus 1,000,000 more wells that are suitable for the Jet Lifting System. At \$75,000 each, together these wells could drive up to \$20 billion in revenue through JLS. The necessity for an alternative is obvious. Concentric Tubing Jet Lifting Systems has the solution.

### **Partnerships**

Partnerships may occur with oil companies that prefer to own the equipment but do not have the desire to operate stripper wells. Using the ROI from the Jet Lifting System as "soft" capital, the Company can buy partnerships in wells. JLS is aware that there are a number of mid-sized companies that own low volume wells, but do not have an interest in working those wells. As already discussed, low volume wells are only marginally profitable. So, instead of working these wells, these companies inject their working capital into higher volume fields and/or exploration projects. JLS believes that it can develop significant partnerships over time with these producers.

However, the potential to participate as Working Interest Partner to a certain level (50%) depends on the estimated capital required. Nevertheless, this will insure an increase in the income strategies JLS will employ over the next five years. It is also anticipated that all partnership projects will utilize Jet Lifting Systems to help build the Company's testimonials and survey data. At the time of this writing, JLS anticipates Limited Partnerships for funding partnerships with petroleum producers and/or for

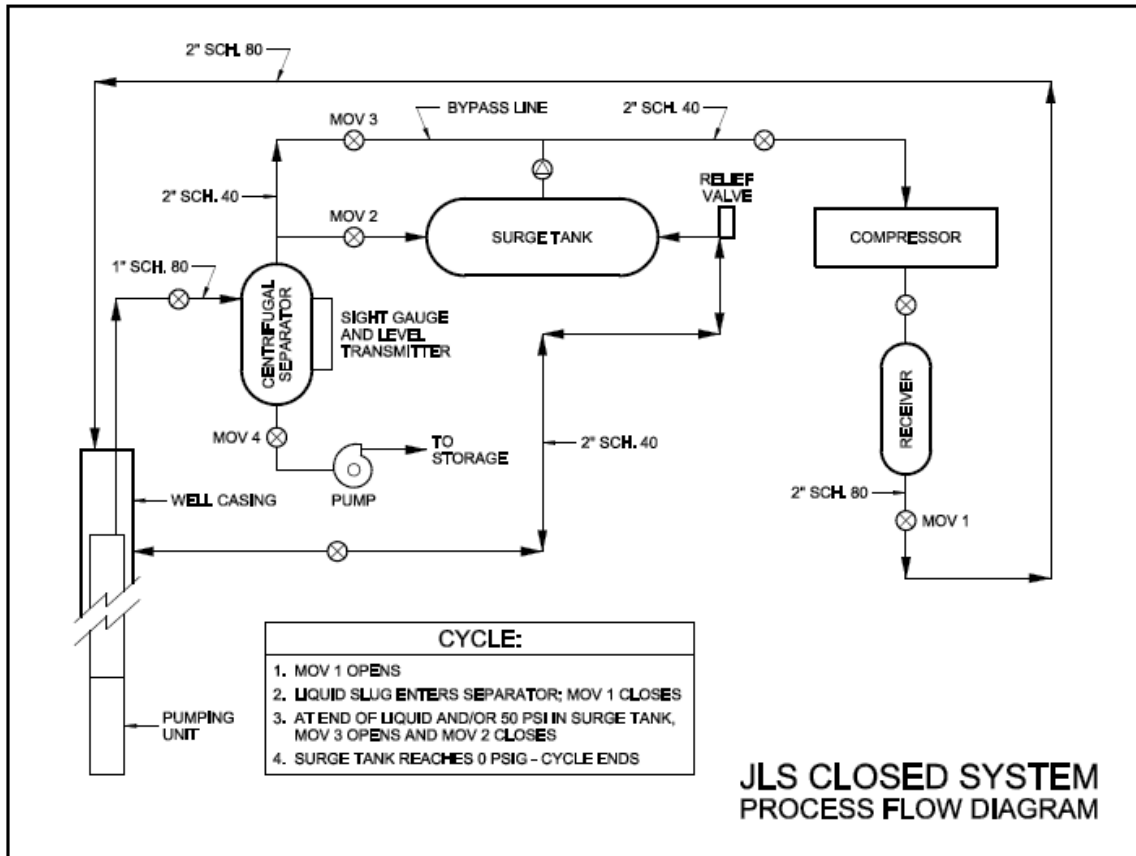


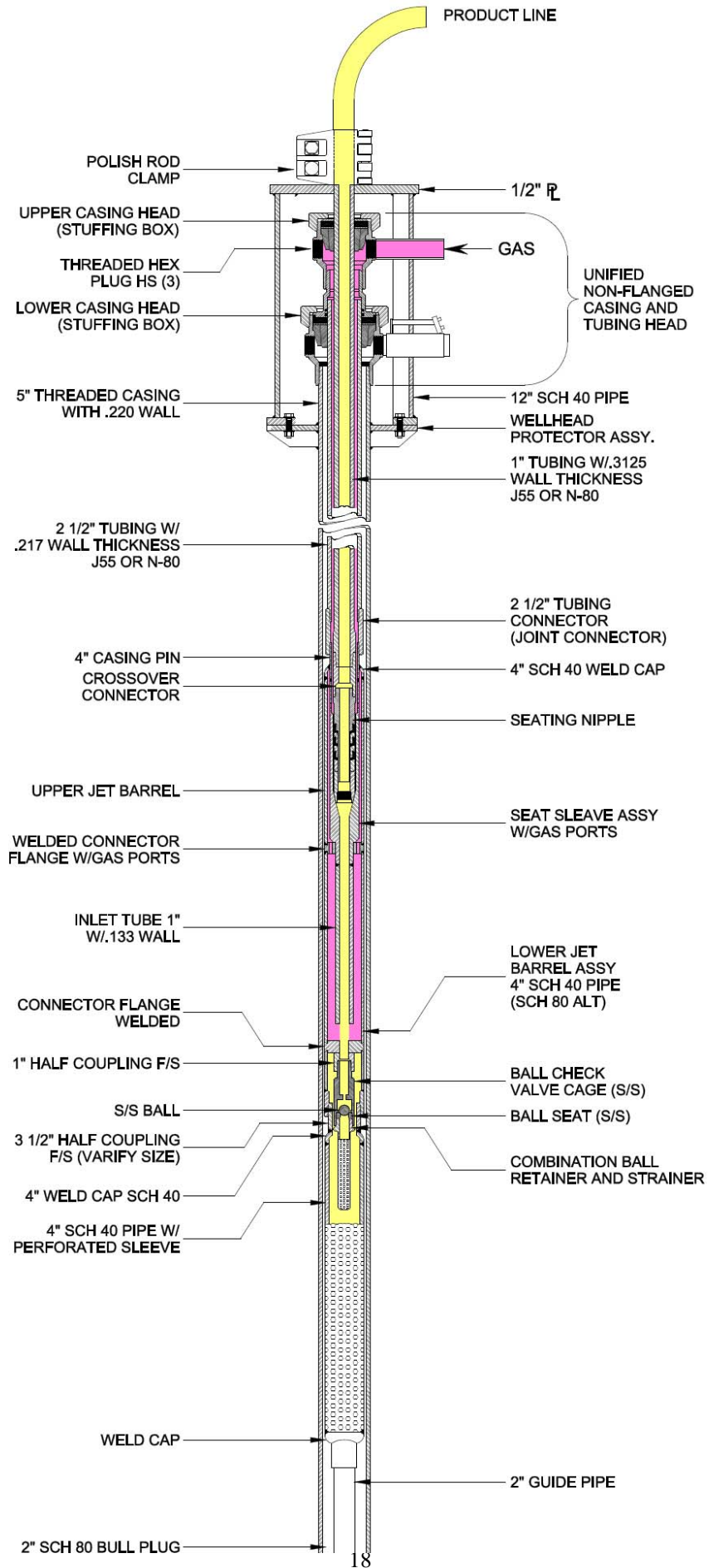
funding direct Leasing programs with landowners and/or mineral rights owners of stripper wells.

JLS'S CEO, Craig Leslie is currently in discussions to secure Leases in Oklahoma and Arkansas. Some of those Leases are for sale for as little as \$2500.00 and a royalty share of 3/16% on the dollar. That essentially translates into a royalty to the landowner of \$0.25 cents and a net gain to JLS of \$0.75 cents per dollar. Other leases are asking as much as \$40,000.00. Whether and to what extent JLS will contract for a given Lease will depend entirely on the profit margins involved.

Mr. Leslie is also in discussions with Producers who are willing to immediately place the JLS system in existing production wells. Whether those discussions bear fruit will be dependent on the JLS costs involved and the expected ROI.

### JLS Diagrams







## 4.0 MARKET ANALYSIS SUMMARY

The Company's technology is best suited for "marginal" or "stripper" wells producers. As major oil fields run dry, more operators are turning to advanced technology to extract more oil from the ground economically. The producers of "shallow depth" and "low volume" wells have already been growing as a result of high oil prices. The market for petroleum & petroleum product wholesalers in the United States will be \$187 billion in 2007, compared to \$129 billion in 2001, without adjusting for inflation according to BizStats<sup>12</sup>. This does not take into account any foreign markets, which JLS intends on targeting once it develops a presence in the United States where it has current sales leads.

As of December 2006, there were 422,255 operational "stripper" oil wells that produced on average 2.2 barrels per day. Every day, more wells are reclassified as "marginal" or "stripper" wells because over time, the volume of production decreases. By taking the lower half as a target market, the Company has ample prospects of 210,000 domestic marginal wells that would experience substantial benefit from the technology.

If the Company only obtained a 2% market share of this reduced figure, roughly 4000 wells would be using Jet Lifting Systems. If the average customer paid \$75,000, this would represent an aggregate of \$300 million in gross revenue.

These wells are currently served by pump jacks of various configurations and operate at depths of 1000 to 3500 feet. Production is typically 1-10 barrels at the most. Due to improperly implemented gas injection technology, there has been some resistance to the technology in California. However, JLS believes that this will not limit the Company significantly as JLS has begun strategizing for implementing discussions with the heads of the various regulatory agencies involved with licensing oil production in California.

Depending on the State, there are various entities and organizations that control or monitor the industry. In Oklahoma, the "Marginal Well Commission" is the entity most appropriate for interfacing with JLS. However, it does not grant leases or own wells. It simply provides technology information to its oil community to enhance the life of its stripper wells. Oil and natural gas extraction is a

Marginal oil is produced from wells that operate on the lower edge of profitability. Wells producing 10 barrels or less per day are in this category. While each individual well contributes only a small amount of oil (2.2 BBL/day), there are 401,072 of these wells in the United States. Combined, these marginal wells produced more than 321 million barrels of oil in 2005.

Many states have programs that allow a well to temporarily stop production. These "idle" wells are not included in the abandoned well category of IOGCC's report. Corporations that leave wells must have them plugged, which is very expensive. Independents are generally able to walk away.

### **Oklahoma Marginal Well Commission**

Marginal Well production is vital to the economy and security of the State of Oklahoma and the nation. The Marginal Well Commission is an Oklahoma State agency, funded by the oil and natural gas industry, with a purpose of protecting and promoting our state's production of crude oil and natural gas. We are here to serve the operator with our technology transfer programs; to serve the state by making sure that our most vital resource is continuously produced and not prematurely abandoned; and to serve the public as an information source regarding the importance of the industry to their lives and the state in which they live.

<sup>12</sup> <http://www.bizstats.com/marketsizes.htm>



roughly \$113 billion<sup>13</sup> sector of the U.S. economy, according to the Energy Information Administration, and the United States generates 7 million BOE domestically each day.<sup>14</sup>

### Petroleum IT Market

*InformationWeek* reports that largely because of technology, as documented by the Energy Information Administration (EIA), the total cost of finding and producing a barrel of oil dropped from about \$15 in 1977 to less than \$5 this decade, according to the Energy Information Administration, the statistical arm of the Energy Department. The U.S. petroleum industry spends about 6% of revenue on IT. This compares to the finance industry that spends about 9% of revenue on IT. However, *InformationWeek's* 6% figure does not include spending on extraction technologies and robotics.<sup>15</sup>

### Petroleum Industry

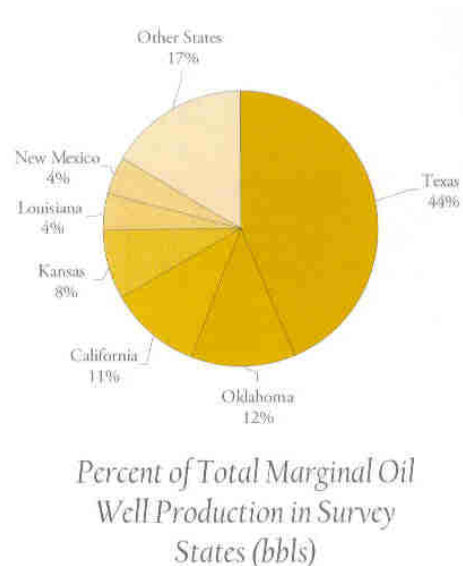
Highlights of *World Oil's* revised 2007 forecast include:<sup>16</sup>

- In contrast to last year's survey, operators overall are not showing a preference for either oil or natural gas, as 65% of respondents expect no shift in activity. In the 2004 survey, only 51% felt this way.
- The percentage of respondents that overspent cash flow rose to 33% in 2005 from 27% in 2004, but this percentage is expected to decline to 25% next year. In fact, in 2006, 61% of respondents are expecting to under-spend cash flow, the highest such percentage in at least 10 years. Consequently, the percentage of respondents, who cited operating cash flow as a key determinant of their spending plans in 2005 and 2006, fell to 39% and 37%, respectively, representing all-time lows.

### Interstate Oil and Gas Compact Commission

The Interstate Oil and Gas Compact Commission (IOGCC) promotes efficient recovery and consists of the governors from 37 states. Chartered by Congress in 1935, the organization is the oldest and largest interstate compact in the nation.

Marginal, low volume wells continue to be critical suppliers of the nation's energy. According to the Stripper Well Consortium in Sept. 2005, stripper oil production totaled 313,748,001 barrels in 2003, accounting for 28 percent of production from onshore wells in the lower-48 states; 15% percent of total domestic oil production. Although the top five stripper oil states account for about 80% of stripper oil and nearly 65% of stripper oil wells.



<sup>13</sup> [http://www.census.gov/econ/census02/data/us/US000\\_21.HTM](http://www.census.gov/econ/census02/data/us/US000_21.HTM)

<sup>14</sup> [http://www.worldoil.com/INFOCENTER/STATISTICS\\_DETAIL.asp?Statfile=\\_worldoilproduction](http://www.worldoil.com/INFOCENTER/STATISTICS_DETAIL.asp?Statfile=_worldoilproduction)

<sup>15</sup> <http://www.informationweek.com/story/showArticle.jhtml?articleID=6501445>

<sup>16</sup> [http://www.worldoil.com/MAGAZINE/MAGAZINE\\_DETAIL.asp?ART\\_ID=2795&MONTH\\_YEAR=Feb-2006](http://www.worldoil.com/MAGAZINE/MAGAZINE_DETAIL.asp?ART_ID=2795&MONTH_YEAR=Feb-2006)



IOGCC's 2006 annual report states that marginal wells provide 17% of oil and 9% of natural gas produced onshore in the United States. "In fact, without these wells the United States would have to increase imports by nearly 7 percent to make up for the shortage. However, as demonstrated in its 2007 Annual Report, the IOGCC reported that daily marginal oil production climbed to its highest level – 335.3 million barrels since 1997 when marginal oil production was reported at approximately 323.4 million barrels. This is because, for the first time in 10 years, as reported for December 2006, the number of operational marginal oil wells increased to 422,255 wells, whereas in the previous year, December 2005, there were only 401,072 reported operational marginal oil wells in the United States.

"Marginal wells provide energy to Americans and stand as a testament to ingenuity and conservation. The cumulative energy provided by these tiny producers touches the lives of all Americans, providing tax revenue for states, jobs for American families and energy security. Research is the key to the survival of marginal wells. Unfortunately, the small independent producers who operate these wells oftentimes do not have the means to conduct their own research. Independent producers cannot justify large R&D expenditures, and 85% of wells in the United States, including most marginal wells, are drilled by those independent oil and gas companies. Marginal oil and natural gas wells are an often overlooked, but vitally important segment of the domestic petroleum industry. In the years ahead, R&D funding will be critical to ensuring the producers of these wells have the tools necessary to continue supplying much-needed domestic energy to the nation.

#### **4.1 Market Trends and Critical Success Factors**

It is relatively easy to extract the first 20% or 30% of a field's capacity. After that it becomes progressively more difficult and expensive to tap the remaining reserves.<sup>17</sup> This is causing a continual reclassification of wells into stripper wells, which require more advanced technology to economically produce oil.

##### **1. Growth Potential**

- If 100 wells are added to the classification of "marginal wells" per month in Oklahoma alone, that is 1200 per year just in that state. Assuming only a 2% market share, this would represent 60 wells.

$$60 \times \$75,000.00 = \$4.5 \text{ million in additional sales.}$$

- Foreign markets and licensing will increase this figure. JLS has had discussions with representatives from China and some other sources from the Middle East.

The impact technology has had on oil prices over the past three decades is significant and attributed with having decreased production costs to one-third on a per barrel basis. With a proven ability to affect the bottom line, the industry has remained opened to evaluating new performance enhancing technology.

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<sup>17</sup> [http://www.businessweek.com/technology/content/jan2006/tc20060130\\_775755.htm](http://www.businessweek.com/technology/content/jan2006/tc20060130_775755.htm)



As Jonathan Rauch wrote in “The New Old Economy: Oil, Computers and the Reinvention of the Earth,” published in *The Atlantic Monthly* on January 21, 2001, “Knowledge, not petroleum, is becoming the critical resource in the oil business.” It doesn’t matter how much oil you are sitting on, if you can’t extract it economically, you won’t be able to compete on price. Jet Lifting Systems enables customers to compete on price, which is the key in a commoditized industry.

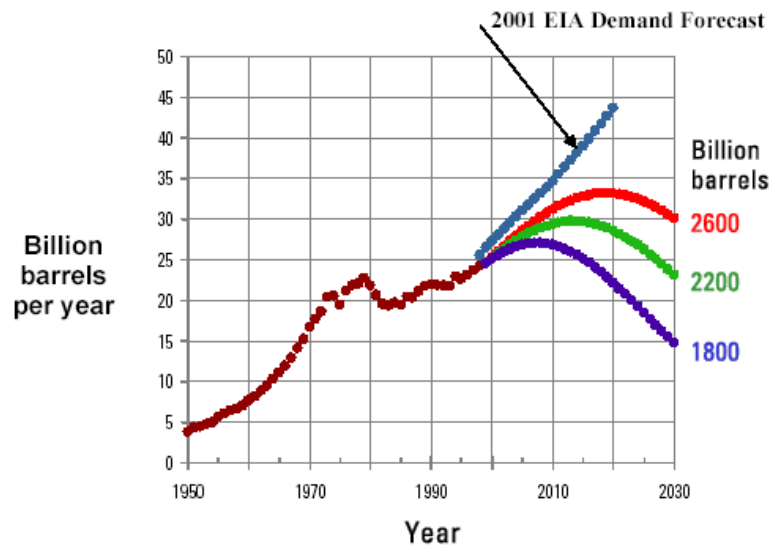
According to Rauch, the worlds of petroleum and silicon chips “have been closely connected for many decades,” and “the oil industry has been elemental in driving computing technology forward, because petroleum geologists’ appetite for processing power is insatiable.” He added, “It is no accident that Texas Instruments, one of the pioneers in the computer business, was born in 1930 as Geophysical Service, a company that provided seismicographic data to the oil industry.”

With 3D seismic imaging, the time it took to process one square kilometer of data shrank from more than 13 hours to under 13 minutes. *Enterprise Innovator* reports the detail now available has allowed second-tier exploration companies to mine old seismic data and re-develop oil fields abandoned by the majors - creating new, high-tech players picking over the remains of the top-tier oil companies.<sup>18</sup>

### Supply<sup>19</sup>

Demand is easier to forecast than supply. Below is a single EIA demand forecast compared with three supply scenarios. The greater the gap, the higher gas prices will rise.

## The Gap Between Supply and Demand

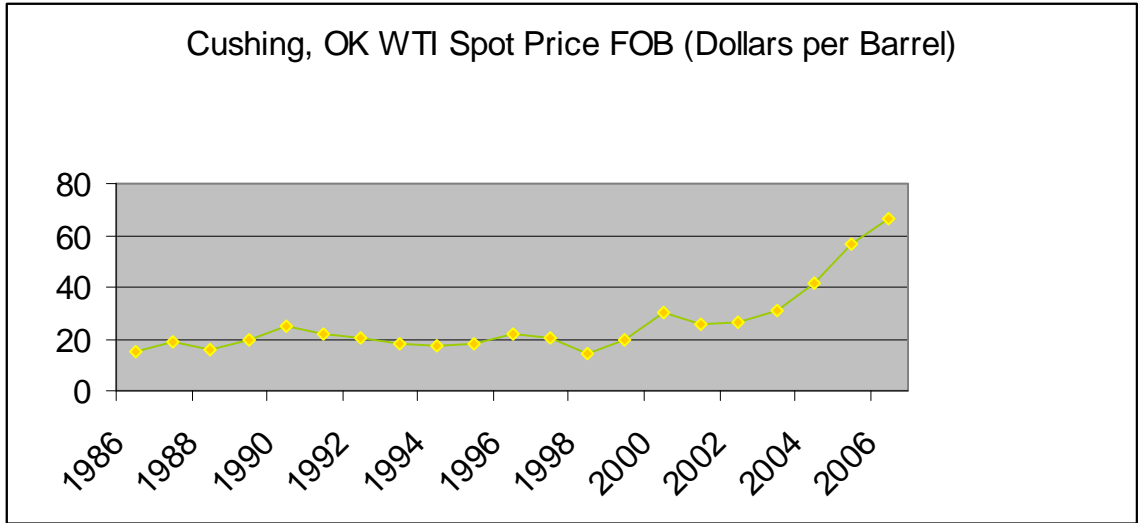


12 SPE/Hokitch  
2/23/2002

Source: J. MacKenzie, 1996

<sup>18</sup> <http://technologyreports.net/enterpriseinnovator/?articleID=1759>

<sup>19</sup> <http://www.spe.org/specma/binary/files/1013687SH%20EML-GCS.pdf>



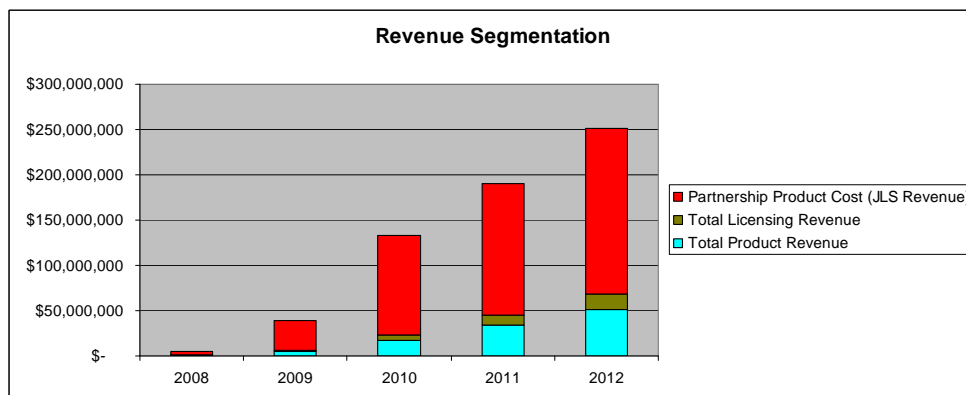
As seen above,<sup>20</sup> the price of oil is increasing. Combined with a shrinking supply of reserves, and more wells becoming categorized as marginal, immense demand is building for Jet Lifting Systems.

### Critical Success Factors

- ❖ Generate \$4.4 million in revenue year one
- ❖ Reach a 30% gross margin by year 3
- ❖ Achieve a total corporate net profit margin of 13.5% by year five.
- ❖ Adequate access to capital and qualified personnel
- ❖ Grow shareholder equity to \$75MM by year five

## 4.2 Market Segmentation

Jet Lifting Systems has two primary revenue streams. Initially, most revenue will be derived from the selling of the product line. In the future the Company expects more revenue to come from licensing and partnerships.



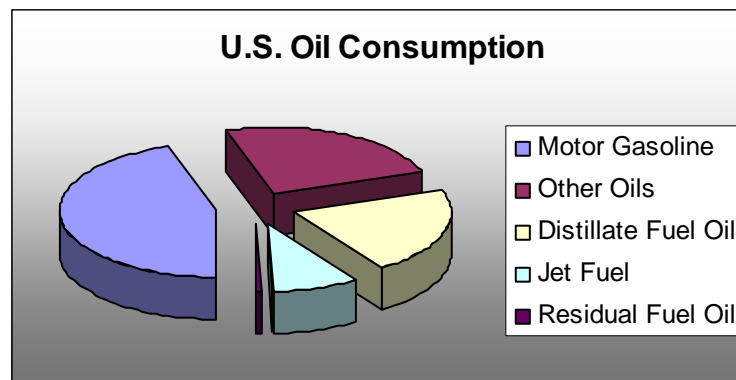
<sup>20</sup> [http://tonto.eia.doe.gov/dnav/pet/pet\\_pri\\_spt\\_s1\\_a.htm](http://tonto.eia.doe.gov/dnav/pet/pet_pri_spt_s1_a.htm)



In a business in which only about 30% of the oil in a reservoir can be extracted, even small improvements can be a competitive edge says *InformationWeek*. Many technological solutions are used within the oil industry. Gas injection is relatively new, and can be an effective complement to other solutions such as 3D imaging, logging & measurement while drilling, directional drilling and oilfield management.

Technology is partially responsible for the decreasing average well depth, as companies are able to extract more oil from shallower reserves, making the recovery effort less costly. More efficient methods of exploration enable some companies to average 77 days per well, instead of almost 200 days in 1999.

There are several ways to look at the oil industry, and below is a graphical illustration of market segmentation by consumption.



Source EIA

### EIA (2005 except where noted)<sup>21</sup>

Gallons of Oil per Barrel	42
Barrels of Oil per Metric Ton (U.S.)	7.33
U.S. Crude Oil Production	5,178,000 <i>barrels/day</i>
State Ranking of Crude Oil Production	Texas - 1,062,000 <i>barrels/day</i>
U.S. Crude Oil Imports	10,126,000 <i>barrels/day</i>
U.S. Crude Oil Imports from OPEC	5,587,000 <i>barrels/day</i>
Top U.S. Crude Oil Supplier	Canada - 1,633,000 <i>barrels/day</i>
U.S. Petroleum Product Imports	3,588,000 <i>barrels/day</i>
U.S. Petroleum Product Imports from OPEC	771,000 <i>barrels/day</i>
U.S. Net Petroleum Imports	12,549,000 <i>barrels/day</i>
Top U.S. Total Petroleum Supplier	Canada - 2,181,000 <i>barrels/day</i>
Top Oil Producing Countries & Exporters	#1 - Saudi Arabia
Top Oil Consuming Countries & Importers	#1 - United States
U.S. Total Petroleum Exports	1,165,000 <i>barrels/day</i>
U.S. Petroleum Consumption	20,802,000 <i>barrels/day</i>
Dependence on Net Petroleum Imports	60.3%
Crude Oil Domestic First Price wellhead price (2006)	\$59.68/barrel
Motor Gasoline Retail Prices U.S. City Average (2006)	\$2.64/gallon

<sup>21</sup> <http://www.eia.doe.gov/neic/quickfacts/quicoil.html>



Regular Grade Motor Gasoline Retail Prices U.S. City Average (2006)	\$2.59/gallon
Premium Motor Gasoline Retail Prices U.S. City Average	\$2.81/gallon
Federal Motor Gasoline Tax	18.4 cents/gallon
U.S. Motor Gasoline Consumption	9,159,000 barrels/day (384.7 million gallons/day)
Share of US Oil Consumption for Transportation	69%
U.S. Average Home Heating Oil Price	\$2.05/gallon (excluding taxes)
Number of U.S. Operable Petroleum Refineries	149
U.S. Refiners Ranked Capacity (1/1/2006)	#1 - Baytown, Texas (ExxonMobil) 562,500 barrels/day
Top U.S. Petroleum Refining States	#1 - Texas 4,241,000 barrels/day
U.S. Proved Reserves of Crude Oil as of December 31, 2005	21,757 million barrels
Top U.S. Oil Fields 2005	Prudhoe Bay, AK
Top U.S. Producing Companies 2005	BP - 827,000 barrels/day
U.S. Strategic Petroleum Reserve	685 million barrels
Total World Oil Supply (2006)	84,511,000 barrels/day
Total World Petroleum Consumption (2005)	84,538,000 barrels/day

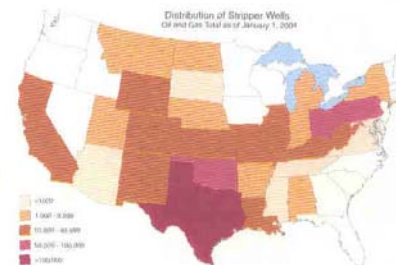
U.S. reserves are concentrated overwhelmingly (over 80%) in four states -- Texas (25% including the state's reserves in the Gulf of Mexico), Alaska (24%), California (21%), and Louisiana (14% including the state's reserves in the Gulf of Mexico). In terms of production, although natural gas is growing more rapidly; that the United States claims oil over natural gas almost 3 to 1.

### 4.3 Target Markets

Shallow well oil producers (“marginal” or “stripper well” producers) and shallow well leases are JLS’S primary targets. Presently, the JLS process and product works best at depths no greater than 3000-3500 feet (shallow depth) and no greater than 5-100 barrels/day. The Company has tested its system up to 100 barrels per day. Notwithstanding the engineer’s positive response for that depth, by targeting 1-10 barrels max/day, and wells no greater than 1500-2500 feet, the Company is targeting the niche in which it can do the most good. For example, in Oklahoma, there are 65,000 wells producing from 1-10 barrels/day and at average depths of 1500 feet. As another example, in Kansas, there are several thousand stripper wells with an average daily output of 2-3 barrels per day. These are attractive markets for JLS.

#### ***Distribution of Stripper Wells***

One out of every six barrels of crude oil produced in the United States comes from a marginal well - a well whose production has slowed to 10 to 15 barrels a day or less. Over 78 percent of the total number of U.S. oil wells are now classified as marginal wells. Together they produce nearly 900 thousand barrels of oil per day, or at least 15 percent of U.S. production.<sup>22</sup> The National Stripper Well Association reports America’s stripper wells make up approximately 80% of all domestic wells, producing almost 20% of U.S. oil and natural gas.<sup>23</sup>



<sup>22</sup> <http://www.energy.psu.edu/swc/news/DOE%20-%20Marginal.pdf>

<sup>23</sup> <http://nswa.us/dyn/showpage.php?id=16>



Another market that is potentially available to JLS are the off-shore oil basins. Naturally, JLS again is not interested in deep water wells, but only those with maximum depths of 3000-3500 feet. Given the go-ahead from engineering, JLS management is confident that the system can lift up to 100 barrels per day. Also, JLS has an ability to thrive in those wells, whether on land or off-shore, with water problems. Specifically, the JLS system can lift water as well as oil. So, where appropriate, JLS will consider production wells with related water issues. JLS technology is also sufficient, however, for lifting water from gas wells, thus allowing for the gas wells to operate more efficiently.

Oil producers spend about 32% of revenue on operating expenses, as shown in the example to the right. By increasing revenue without increasing the price of the equipment, and decreasing production costs with fewer moving parts, Jet Lifting Systems is the clear choice.

Margin Analysis Over Project Life	
<i>(\$/boe)</i>	
Gross Revenue	23.44
Royalties & Production Taxes	6.19
Operating Expenses	7.54
Cashflow from Operations	9.71
CAPEX	3.70
Pre-Tax Free Cash Flow	6.01

Jet Lifting Systems targets well owners and lease holders in need of more efficient extraction techniques. Customer types include:

- 1) Major Oil and Gas Companies Worldwide with Shallow Well Interests
- 2) Independent Oil and Gas Companies Worldwide
- 3) Small Oil and Gas Companies Worldwide
- 4) State Owned Oil and Gas Companies Worldwide
- 5) Service Companies who participated in risk/reward drilling operations worldwide.



## **5.0 STRATEGY AND IMPLEMENTATION SUMMARY**

To preserve share price and shareholder equity, JLS is seeking a smaller round of startup capital than it could raise from this revolutionary technology. Once valuation increases from the achievement of greater notoriety, the Company will raise equity capital as needed at a higher share price. The board of directors is responsible for approving debt and equity financings.

The initial funds will be used for start-up costs, and developing more case studies, testimonials and reference accounts. The Company will also expand its management team and staff to increase sales. These hires will be through personal contacts and professional human resources agencies.

Suppliers have been identified for components, many of which are all readily available as shelf items. However, the jet barrel requires fabrication; but, even then, there are thousands of fabrication points throughout the U.S. Backup suppliers or OEM suppliers have also been identified. JLS brings remarkably better technology to oil reservoir holders, who have strong motivation to increase efficiency.

### **5.1 Competitive Edge**

JLS offers several unique advantages that no other company offers:

1. Draws out oil with up to 70% lower costs.
2. Fewer parts, less corrosion, lower downtime
3. Lower installation cost
4. Market growing from rising oil prices and reclassification of properties into stripper.
5. Patent pending technology
6. Management expertise

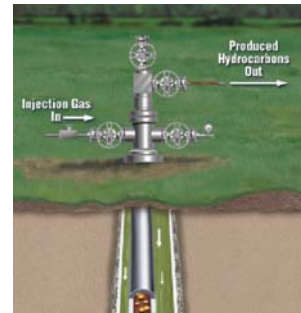
### **5.2 Competition**

Our competitors are not oil companies, but firms that have a transportation system for moving oil from down hole oil to the surface. Currently, JLS knows of two other companies that have gas lifting systems to transport oil from a well basin to the surface: TexJet, Airlift Services International and Chamber Lift. As for TexJet, the Company has gained many sales associates, but is still under capitalized. A video on the TexJet web site describes a similar, homemade version of the system. From our examination of Airlift, it appears that their system does not recover the pressurized gas used to transport the oil and they are presently limited to moving only 9-12 gallons per hour. As stated throughout this report, JLS is able to lift as much as 3 barrels in one hour and we operate a closed system that recaptures all the gas. With respect to Chamber Lift, it appears that it is also designed for lifting moderate amounts of fluid.



Our more traditional competitors are Lufkin and Weatherford Lamb, which operate a number of systems for oil production. The way Lufkin transports the oil is generally by use of mechanical pump jacks. Weatherford Lamb has a gas lifted product (right),<sup>24</sup> but it is not its focus. The JLS advantage to most competitors is that the Company employs a different technology for transporting oil. Over time, producers employing the JLS system, with lower volume well production will enjoy a substantial savings.

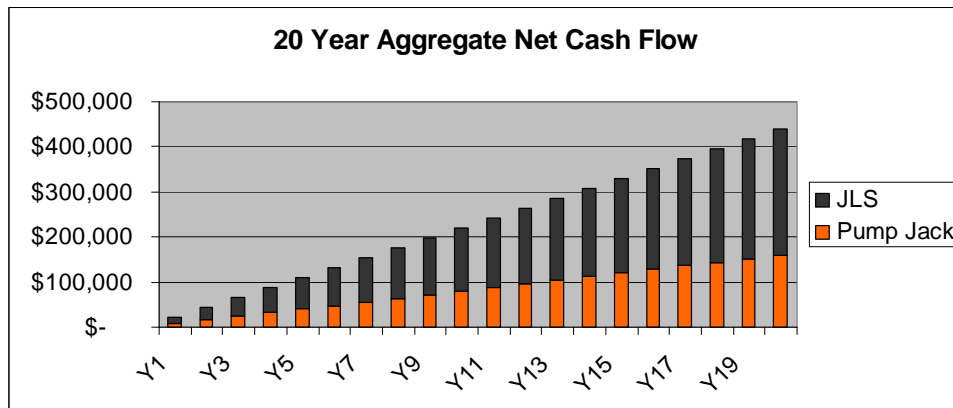
In 2002-2003, one of JLS'S main competitors entered into discussions to buy out the company. The LLC had not been formed at that time, and the large competitor wanted to buy the R&D and shelve the product. It offered to buy Mr. Grubbs' engineering time. The figurers mentioned ranged between \$350,000 and \$700,000. The offer was obviously rejected.



Also, during the same period, several representatives of the Chinese Government, along with an interpreter, visited the JLS offices in Port Hueneme, California. Their proposal involved relocating the investment, along with the R&D to China. They were tendering figures in the million dollar range. The Chinese tender was also rejected.

### 5.3 Marketing

Management has been in discussions with oil field products distributors that are anxious to distribute the JLS product. JLS will purchase direct mail lists, utilize highly targeted emailing campaigns and attend trade shows. An audiovisual, moving graphic is being developed to illustrate the system online. Human resources will be outsourced to identify sales representatives with track records exceeding \$1 million in annual sales. Specialized sales HR web sites, such as salesjobs.com, and professional social networks will also be utilized to attract qualified sales and marketing professionals. Sales representatives will be armed with examples such as the following, which illustrate how JLS's reduction in maintenance costs translates into higher rates of annual cash flow and a longer well lifetime.



<sup>24</sup> <http://www.weatherford.com/weatherford/groups/public/documents/general/wft000787.pdf>



Other trade organizations utilized for networking include the National Stripper Well Association<sup>25</sup> and the Stripper Well Consortium.<sup>26</sup> The Company may also participate at the Rocky Mountain Oilfield Testing Center.

### **Marketing Elements**

- ✓ Advertising in Oil Related Media
- ✓ Public Relations
- ✓ Business Image
- ✓ Customer Relations
- ✓ Direct Mail
- ✓ Association Memberships
- ✓ Telemarketing
- ✓ Premiums & Incentives
- ✓ Tradeshows
- ✓ Educational Programs
- ✓ Special Events
- ✓ Web Site and Targeted Email
- ✓ Print Materials
- ✓ Word of Mouth
- ✓ Case Studies

### **Support**

Customers want to know they can contact JLS if anything goes wrong. In addition to online manuals, the Company provides free telephone customer support. On-site support is available for an additional fee.

### **Service Guarantee**

JLS will sell extended warranty packages, and maximize the warranty it receives from suppliers. One of the primary benefits of JLS is its lower downtime. Most competing systems use moveable rods and cones for oil collection. This leads to significant downtime cost in terms of replacement parts and lost production time.

## **5.4 Sales Strategy**

Most sales will occur in person with the prospect. There is not much price negotiation unless the prospect is buying in quantity or wants to license the technology. Sales channels are as follows:

- Direct sales
- Distributorships
- License agreements
- Partnerships with oil producers

Utilizing sales representatives with existing industry relationships is key, and the Company believes it can obtain qualified personnel, who will be partially compensated by commission. These individuals must keep abreast of developments

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<sup>25</sup> <http://nswa.us>

<sup>26</sup> [http://www.energy.psu.edu`](http://www.energy.psu.edu)



in the oil field and continually update JLS's research on the competitive environment. This information is then used to improve the Company's delivery system, if necessary. Customers operate a commoditized industry with low gross margins, as seen below:

Oil & Gas Operational Data	Total Active Corporations	Cost of Goods Sold %	Gross Profit %	Net Income as % of Sales	Net Income as % of Book Equity
Crude petroleum & natural gas	13,772	58.3%	41.7%	6.3%	4.1%
Oil and gas field services	12,208	48.2%	51.8%	13.5%	16.3%

Any technology to improve yield or lower costs will be sought as a means to support profit margins. JLS must develop verifiable case studies that clearly illustrate the cost savings over multiple wells.

The Company will offer credit or accounts receivable to qualified customers, and encourage payment within 30 days through discounts. Most funds transferred will be by check or wire transfer.

## SWOT Analysis

### Strengths

- Experienced management
- Technology to reduce lifting costs up to 70%
- Numerous contacts for personnel
- Multiple growth forces in the market
- Focused on oil rather than natural gas

### Weaknesses

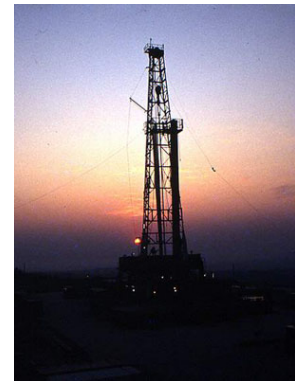
- New company with no track record
- Working capital
- Financing is required to have a tangible product

### Opportunities

- Partially alleviate dependence on foreign oil
- Enable small producers to extract more oil for a lower price
- Numerous stripper wells worldwide requiring partners or investors.
- Create a positive work environment for all employees

### Threats

- Competitors with greater resources and brand recognition
- Projected shortage of geologists, geophysicists and petroleum engineers
- Alternative energy sources



## 5.5 Pricing

The average price will be between \$70,000-75,000, and this may differ slightly based on well condition and diameter. The casing inner diameter (ID) is typically 3-5 inches, and determines the size of JLS's concentric tubing. Within that space, oil goes up a 2 inch pipe, and pressurized air travels down 3 inch diameter pipe in a closed system.



The jet barrel is typically ½” – 1” in diameter smaller than the diameter of the well casing and 20-30 feet in length. The size of the jet barrel determines how much fluid is in each cycle. One cycle may push out a 12 gallon slug – there are 42 gallons per barrel.

Within the pricing range, variations occur when, for instance, the well is a straight shot to the Jet Barrel or are there lateral issues. System pricing is also affected by the size of the casing in the well. If the casing is smaller than 4”, that would preclude JLS from using certain size piping if the existing casing were 5 or 6 inches. These differences will impact the cost of the system. Additionally, if JLS were to use stainless steel piping for its concentric tubing (piping), this will also affect the cost and therefore pricing. In addition, varying depths of the well imply varying costs. The shallower the well, the lower JLS’s piping costs, compressor costs and pressure containment vessel costs.

This is a relatively new technology and, as such, there are no direct competitors with the same product. The most similar product has been demonstrated on video by an undercapitalized, small producer. In comparison to the existing technology for down hole production, the JLS product saves money which is negligible downtime during parts replacement or retro-fitting, which is an inevitability associated with “pump jacks.” Sulfur by-products corrode the multiple moveable parts of the pump jack, necessitating parts replacement and/or retro-fits. The JLS process has only one moveable part, i.e., the “titanium ball” valve. JLS does have to replace piping occasionally, however; but, this is just as the piping has to be replaced in traditional pumping.

The cost savings of virtually eliminating downtime and the additional revenue from an extended well lifecycle, will convert numerically into a return on investment that will provide ample price justification.

The price includes the entire system except the holding tank, which a producer is likely to already have. JLS will enter into partnerships, lease purchase agreements, sliding scale % of each barrel produced and other arrangements to build revenue.

Pricing is based on costs with an assumed margin, and is substantiated with ROI studies. Competing technological advancements will have the most influence on how large this margin can be. Estimated ROI below is subject to confirmation:

<b>Pump Jack</b>	Y1	Y2	Y3	Y4	Y5
Annual Maintenance	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Annual Downtime Opportunity Cost	\$ 263	\$ 263	\$ 263	\$ 263	\$ 263
System Cost	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Net Cash Flow	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Aggregate Net Cash Flow	\$ 8,000	\$ 16,000	\$ 24,000	\$ 32,000	\$ 40,000
<b>JLS</b>					
Annual Maintenance	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Annual Downtime Opportunity Cost	\$ 39	\$ 39	\$ 39	\$ 39	\$ 39
System Cost Net Pump Jack Equity	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000
Aggregate Net Cash Flow	\$ 14,000	\$ 28,000	\$ 42,000	\$ 56,000	\$ 70,000

**Footnotes**

Extended lifetime hypothetically, it is difficult to estimate how long a well will produce  
 JLS does not pollute the well environment  
 JLS has a 10-15% extended lifetime beyond the pump jack

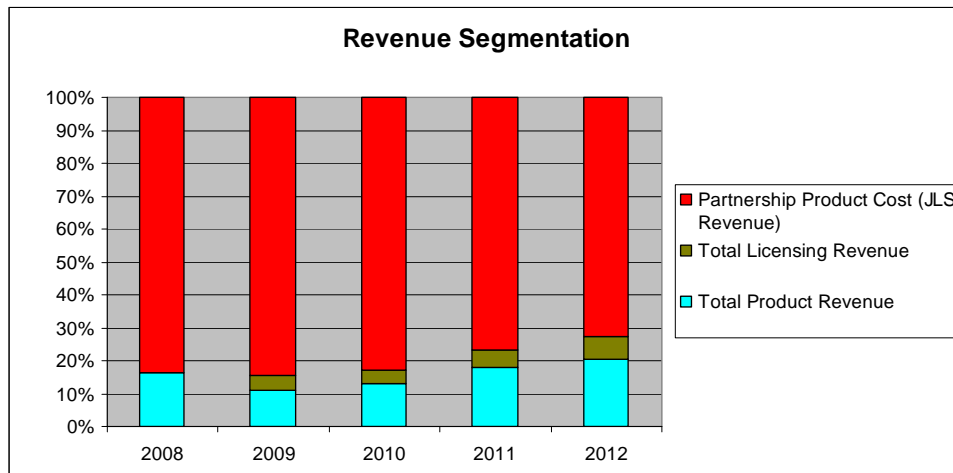


## 6.0 SALES FORECAST

The following projections are based on research, discussions with people in the industry and analysis on competition. Various factors may influence the actual results of the Company. There can be no guarantee the Company will achieve its goals or become profitable to investors.

### Revenue Projections

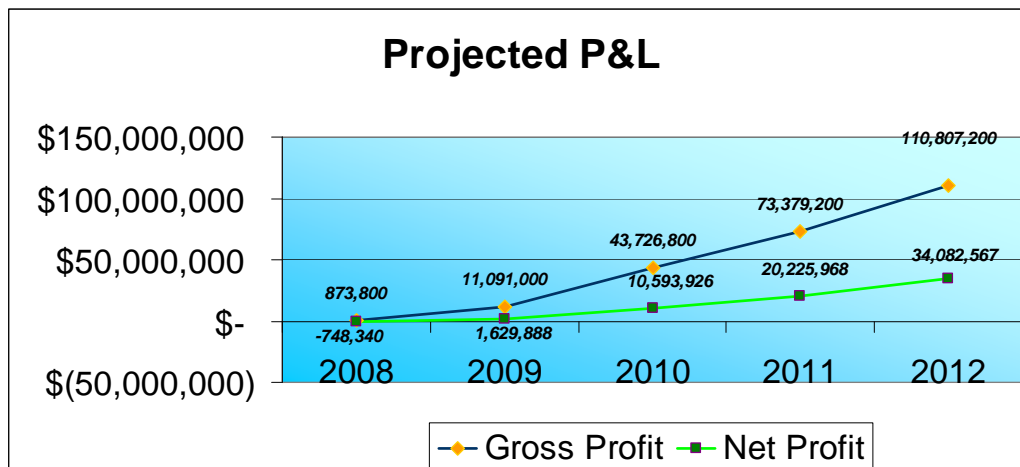
	2008	2009	2010	2011	2012
<b>Product Sales (US)</b>					
Small	5	30	120	240	360
Small Unit Revenue	\$ 350,000	\$ 2,100,000	\$ 8,400,000	\$ 16,800,000	\$ 25,200,000
Medium	3	18	72	144	216
Medium Unit Revenue	\$ 219,000	\$ 1,314,000	\$ 5,256,000	\$ 10,512,000	\$ 15,768,000
Large	2	12	48	96	144
Large Unit Revenue	\$ 150,000	\$ 900,000	\$ 3,600,000	\$ 7,200,000	\$ 10,800,000
Total Units Sold	10	60	240	480	720
Growth		500%	300%	100%	50%
<b>Total Product Revenue</b>	<b>\$ 719,000</b>	<b>\$ 4,314,000</b>	<b>\$ 17,256,000</b>	<b>\$ 34,512,000</b>	<b>\$ 51,768,000</b>
<b>Limited Partnerships (US)</b>					
New Well Partnerships	50	450	1,500	2,000	2,500
Total Well Partnerships	50	500	2,000	4,000	6,500
<b>Partnership Product Cost (JLS Revenue)</b>	<b>\$ 3,650,000</b>	<b>\$ 32,850,000</b>	<b>\$ 109,500,000</b>	<b>\$ 146,000,000</b>	<b>\$ 182,500,000</b>
JLS COGS per \$73,000 Unit	\$ 58,400	\$ 54,750	\$ 51,100	\$ 47,450	\$ 43,800
JLS COGS on Partnership Products	\$ 2,920,000	\$ 24,637,500	\$ 76,650,000	\$ 94,900,000	\$ 109,500,000
Gross Profit on Product Sales to LPs	\$ 730,000	\$ 8,212,500	\$ 32,850,000	\$ 51,100,000	\$ 73,000,000
U.S. Product and Partnership Market Share					
U.S. Market Share of Annual Capex	0.09%	0.74%	2.54%	3.62%	4.69%
<b>Licensing (Foreign)</b>					
New Clients		3	9	15	24
Total Clients	-	3	12	27	51
Setup Revenue	\$ -	\$ 1,500,000	\$ 4,500,000	\$ 7,500,000	\$ 12,000,000
Royalty Revenue	\$ -	\$ 300,000	\$ 1,200,000	\$ 2,700,000	\$ 5,100,000
<b>Total Licensing Revenue</b>	<b>\$ -</b>	<b>\$ 1,800,000</b>	<b>\$ 5,700,000</b>	<b>\$ 10,200,000</b>	<b>\$ 17,100,000</b>
<b>Total Revenue</b>	<b>\$ 4,369,000</b>	<b>\$ 38,964,000</b>	<b>\$ 132,456,000</b>	<b>\$ 190,712,000</b>	<b>\$ 251,368,000</b>





## 6.1 Projected Profit & Loss

Forecast P&L					
	2008	2009	2010	2011	2012
<b>Revenue</b>					
<b>Total Product Revenue</b>	719,000	4,314,000	17,256,000	34,512,000	51,768,000
<b>LLC Revenue</b>	3,650,000	32,850,000	109,500,000	146,000,000	182,500,000
<b>License</b>	-	1,800,000	5,700,000	10,200,000	17,100,000
<b>Total Revenue</b>	4,369,000	38,964,000	132,456,000	190,712,000	251,368,000
<b>Expenses</b>					
Cost of Goods Sold	3,495,200	27,873,000	88,729,200	117,332,800	140,560,800
Gross Profit	873,800	11,091,000	43,726,800	73,379,200	110,807,200
<i>Gross Margin</i>	20%	28%	33%	38%	44%
<b>Operating Costs</b>					
Salaries & Wages	250,000	862,000	1,496,000	2,165,000	2,814,000
Personnel Burden	50,000	172,400	299,200	433,000	562,800
Revenue Share	436,900	100,000	100,000		
Marketing	377,023	3,362,396	11,430,281	16,457,479	21,691,784
Depreciation	125,000	1,264,784	4,552,525	8,897,814	14,312,161
Permits & License Fees	1,200	155,856	529,824	762,848	1,005,472
Insurance	21,845	194,820	662,280	953,560	1,256,840
Legal & Prof. Svs.	10,000	116,892	397,368	572,136	754,104
Meals & Ent.	10,923	97,410	331,140	476,780	628,420
Office Expense	17,476	155,856	529,824	762,848	1,005,472
Rent - Office	48,000	168,000	312,000	492,000	660,000
Repairs	16,800	47,926	162,921	234,576	309,183
Supplies	17,476	155,856	529,824	762,848	1,005,472
Travel	30,583	45,875	68,812	103,218	154,826
Utilities	16,000	56,000	104,000	164,000	220,000
Web	48,059	49,981	51,981	54,060	56,222
Accounting	39,321	350,676	1,192,104	1,716,408	2,262,312
Other Expenses	65,535	584,460	1,986,840	2,860,680	3,770,520
<b>Total Operating Exp.</b>	1,582,140	7,941,187	24,736,923	37,869,254	52,469,588
<b>Operating Profit</b>	-708,340	3,149,813	18,989,877	35,509,946	58,337,612
<i>Operating Margin</i>	-16.21%	8.08%	14.34%	18.62%	23.21%
Interest	40,000	260,000	800,000	1,080,000	920,000
Tax		1,259,925	7,595,951	14,203,978	23,335,045
<b>Net Profit</b>	-748,340	1,629,888	10,593,926	20,225,968	34,082,567
<i>Net Margin</i>	-17.13%	4.18%	8.00%	10.61%	13.56%

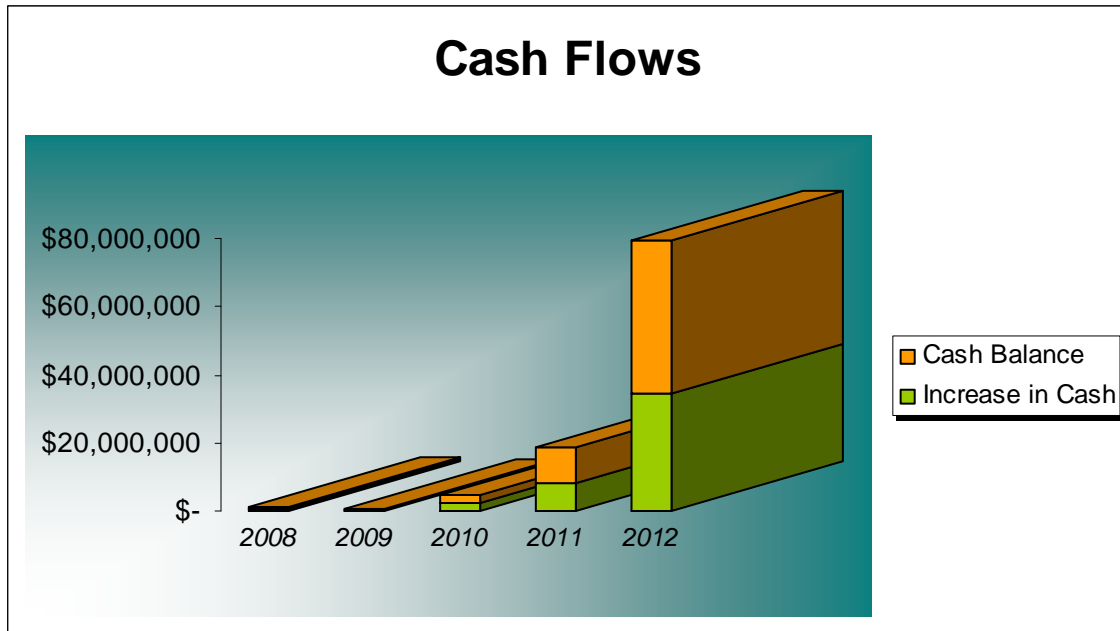




## 6.1 Cash Flow Forecast

### Cash Flows

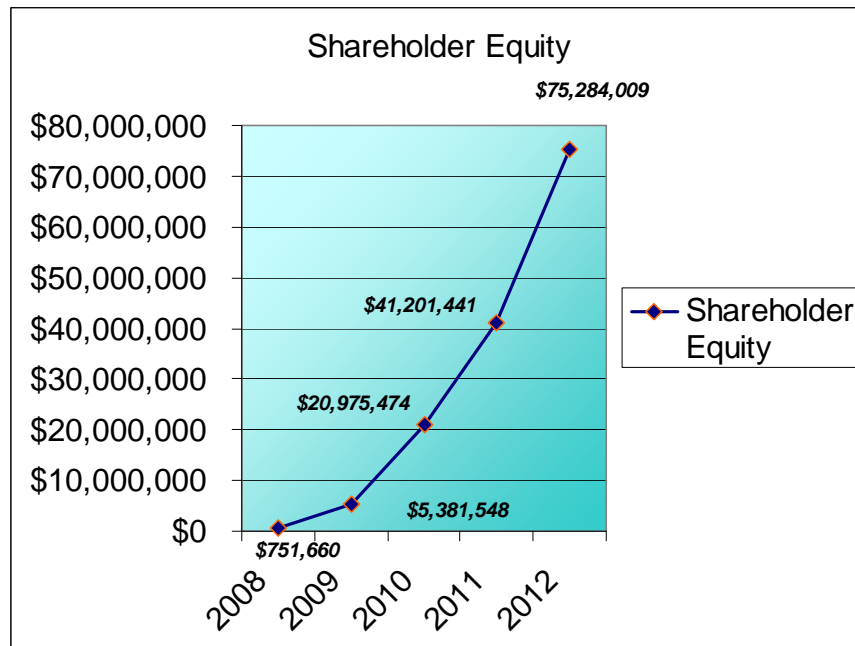
	2008	2009	2010	2011	2012
<b>Cash flows from Operating Activities</b>					
Net Income from P&L	(748,340)	1,629,888	10,593,926	20,225,968	34,082,567
Add depreciation	125,000	1,264,784	4,552,525	8,897,814	14,312,161
Net change in A/R & A/P	6,894	586,473	2,019,828	1,923,853	2,510,653
Net change in inventory	436,900	3,047,225	7,607,025	3,575,450	2,903,500
Net Cash from Operations	(1,067,134)	(739,026)	5,519,598	23,624,479	42,980,575
<b>Cash Flows from Investing Activities</b>					
Cash received from LLC Production	350,000	3,500,000	14,000,000	28,000,000	45,500,000
Investments in LLC Partnerships	1,000,000	9,000,000	30,000,000	40,000,000	50,000,000
Less equipment & supplies	25,000	30,000	36,000	43,200	51,840
Less paid for R&D	100,000	1,168,920	1,402,704	1,683,245	2,019,894
Net Cash from Investing Activities	(775,000)	(6,698,920)	(17,438,704)	(13,726,445)	(6,571,734)
<b>Cash Flows from Financing Activities</b>					
Cash from equity financing	1,500,000	3,000,000	5,000,000		
Line of credit	1,500,000	5,000,000	10,000,000		
Principal	500,000	500,000	1,000,000	2,000,000	2,000,000
Net cash from Financing Activities	2,500,000	7,500,000	14,000,000	(2,000,000)	(2,000,000)
<b>Increase in Cash</b>	657,866	62,054	2,080,894	7,898,034	34,408,841
<b>Cash Balance</b>	657,866	719,919	2,800,814	10,698,847	45,107,689





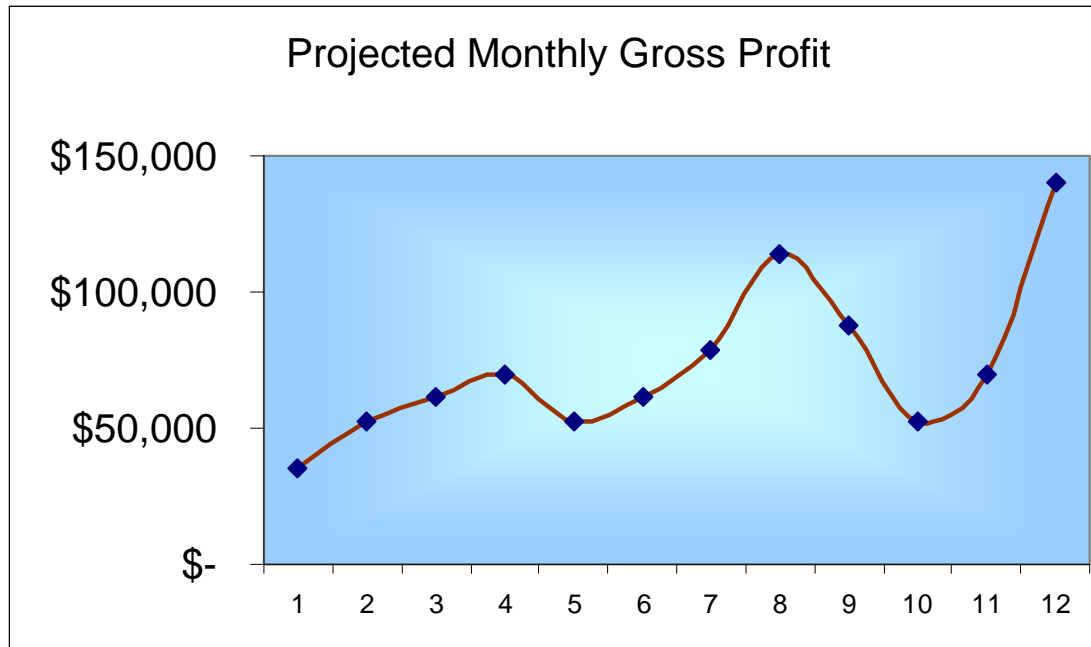
## 6.2 Projected Balance Sheet

Projected Balance Sheet					
	2008	2009	2010	2011	2012
<b>Assets</b>					
Cash	657,866	719,919	2,800,814	10,698,847	45,107,689
Total Receivable	364,083	3,247,000	11,038,000	15,892,667	20,947,333
Inventory	436,900	3,484,125	11,091,150	14,666,600	17,570,100
Prepaid Expenses	-	-	-	-	-
Other Current Assets, Total	1,458,849	7,451,044	24,929,964	41,258,114	83,625,122
PP&E Total	25,000	55,000	91,000	134,200	186,040
R&D	100,000	1,268,920	2,671,624	4,354,869	6,374,763
LLC Partnerships	1,000,000	10,000,000	40,000,000	80,000,000	130,000,000
Accumulated Depreciation	125,000	1,389,784	5,942,309	14,840,123	29,152,283
Net PP&E	1,000,000	9,934,136	36,820,315	69,648,946	107,408,519
<b>Total Assets</b>	2,458,849	17,385,180	61,750,279	110,907,060	191,033,641
<b>Liabilities</b>					
Accounts Payable	357,189	2,653,633	8,424,805	11,355,619	13,899,633
LLC Contra	350,000	3,850,000	17,850,000	45,850,000	91,350,000
Notes Payable/Short Term Debt	1,000,000	5,500,000	14,500,000	12,500,000	10,500,000
Capital Leases	-	-	-	-	-
Other Current Liabilities, Total	1,707,189	12,003,633	40,774,805	69,705,619	115,749,633
Long Term Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	1,707,189	12,003,633	40,774,805	69,705,619	115,749,633
Paid in Capital	1,750,000	4,750,000	9,750,000	9,750,000	9,750,000
Earnings	(748,340)	1,629,888	10,593,926	20,225,968	34,082,567
Retained Earnings	(998,340)	631,548	11,225,474	31,451,441	65,534,009
<b>Shareholder Equity</b>	751,660	5,381,548	20,975,474	41,201,441	75,284,009
<b>Total Liabilities and Shareholder Equity</b>	2,458,849	17,385,180	61,750,279	110,907,060	191,033,641





### 6.3 Monthly Forecasts





## Projected Monthly P&L

	1	2	3	4	5	6	7	8	9	10	11	12	Total
Revenue	174,760	262,140	305,830	349,520	262,140	305,830	393,210	567,970	436,900	262,140	349,520	699,040	4,369,000
Expenses													
Cost of Goods Sold	139,808	209,712	244,664	279,616	209,712	244,664	314,568	454,376	349,520	209,712	279,616	559,232	3,495,200
Gross Profit	34,952	52,428	61,166	69,904	52,428	61,166	78,642	113,594	87,380	52,428	69,904	139,808	873,800
													0
Operating Costs													
Salaries & Wages	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Personnel Burden	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000
Revenue Share	17,476	26,214	30,583	34,952	26,214	30,583	39,321	56,797	43,690	26,214	34,952	69,904	436,900
Marketing	15,081	22,621	26,392	30,162	22,621	26,392	33,932	49,013	37,702	22,621	30,162	60,324	377,023
Depreciation	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	125,000
Permits & License Fees	1,200												1,200
Insurance	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	21,845
Legal & Prof. Svs.	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Meals & Ent.	437	655	765	874	655	765	983	1,420	1,092	655	874	1,748	10,923
Office Expense	699	1,049	1,223	1,398	1,049	1,223	1,573	2,272	1,748	1,049	1,398	2,796	17,476
Rent - Office	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Repairs	672	1,008	1,176	1,344	1,008	1,176	1,512	2,184	1,680	1,008	1,344	2,688	16,800
Supplies	699	1,049	1,223	1,398	1,049	1,223	1,573	2,272	1,748	1,049	1,398	2,796	17,476
Travel	1,223	1,835	2,141	2,447	1,835	2,141	2,752	3,976	3,058	1,835	2,447	4,893	30,583
Utilities	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	16,000
Web	4,005	4,005	4,005	4,005	4,005	4,005	4,005	4,005	4,005	4,005	4,005	4,005	48,059
Accounting	3,277	3,277	3,277	3,277	3,277	3,277	3,277	3,277	3,277	3,277	3,277	3,277	39,321
Other Expenses	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	65,535
Total Operating Exp.	131,845	131,845	131,845	131,845	131,845	131,845	131,845	131,845	131,845	131,845	131,845	131,845	1,582,140
Operating Profit	(59,028)	(59,028)	(59,028)	(59,028)	(59,028)	(59,028)	(59,028)	(59,028)	(59,028)	(59,028)	(59,028)	(59,028)	(708,340)
													-
Interest	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000
Tax													-
Net Profit	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(748,340)



## Projected Monthly Cash Flow

	1	2	3	4	5	6	7	8	9	10	11	12	Total
<b>Cash flows from Operating Activities</b>													
Net Income from P&L	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(748,340)
Add depreciation	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	10,417	125,000
Net change in A/R & A/P	276	414	483	552	414	483	620	896	689	414	552	1,103	6,894
Net change in inventory	17,476	26,214	30,583	34,952	26,214	30,583	39,321	56,797	43,690	26,214	34,952	69,904	436,900
Net Cash from Operations	(69,697)	(78,573)	(83,011)	(87,449)	(78,573)	(83,011)	(91,886)	(109,638)	(96,324)	(78,573)	(87,449)	(122,952)	(1,067,134)
<b>Cash Flows from Investing Activities</b>													
Cash received from LLC Production	14,000	21,000	24,500	28,000	21,000	24,500	31,500	45,500	35,000	21,000	28,000	56,000	350,000
Investments in LLC Partnerships	40,000	60,000	70,000	80,000	60,000	70,000	90,000	130,000	100,000	60,000	80,000	160,000	1,000,000
Less equipment & supplies	1,000	1,500	1,750	2,000	1,500	1,750	2,250	3,250	2,500	1,500	2,000	4,000	25,000
Less paid for R&D	4,000	6,000	7,000	8,000	6,000	7,000	9,000	13,000	10,000	6,000	8,000	16,000	100,000
Net Cash from Investing Activities	(31,000)	(46,500)	(54,250)	(62,000)	(46,500)	(54,250)	(69,750)	(100,750)	(77,500)	(46,500)	(62,000)	(124,000)	(775,000)
<b>Cash Flows from Financing Activities</b>													
Cash from equity financing	1,500,000												1,500,000
Line of credit	1,500,000												1,500,000
Principal	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	500,000
Net cash from Financing Activities	2,958,333	(41,667)	(41,667)	(41,667)	(41,667)	(41,667)	(41,667)	(41,667)	(41,667)	(41,667)	(41,667)	(41,667)	2,500,000
<b>Summary</b>													
Increase in Cash	2,857,637	(166,739)	(178,927)	(191,115)	(166,739)	(178,927)	(203,303)	(252,055)	(215,491)	(166,739)	(191,115)	(288,619)	657,866
Cash Balance	2,857,637	2,690,897	2,511,970	2,320,855	2,154,115	1,975,188	1,771,885	1,519,830	1,304,339	1,137,600	946,485	657,866	657,866



## Projected Monthly Balance Sheet

	1	2	3	4	5	6	7	8	9	10	11	12	Total
<b>Assets</b>													
Cash	2,857,637	2,690,897	2,511,970	2,320,855	2,154,115	1,975,188	1,771,885	1,519,830	1,304,339	1,137,600	946,485	657,866	657,866
Total Receivable	14,563	36,408	61,894	91,021	112,866	138,352	171,119	218,450	254,858	276,703	305,830	364,083	364,083
Inventory	17,476	43,690	74,273	109,225	135,439	166,022	205,343	262,140	305,830	332,044	366,996	436,900	436,900
Prepaid Expenses													-
Other Current Assets, Total	2,889,676	2,770,996	2,648,137	2,521,101	2,402,420	2,279,562	2,148,347	2,000,420	1,865,027	1,746,347	1,619,311	1,458,849	1,458,849
PP&E Total	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
R&D	4,000	10,000	17,000	25,000	31,000	38,000	47,000	60,000	70,000	76,000	84,000	100,000	100,000
LLC Partnerships	40,000	100,000	170,000	250,000	310,000	380,000	470,000	600,000	700,000	760,000	840,000	1,000,000	1,000,000
Accumulated Depreciation	10,417	20,833	31,250	41,667	52,083	62,500	72,917	83,333	93,750	104,167	114,583	125,000	125,000
Net PP&E	58,583	114,167	180,750	258,333	313,917	380,500	469,083	601,667	701,250	756,833	834,417	1,000,000	1,000,000
<b>Total Assets</b>	<b>2,948,259</b>	<b>2,885,162</b>	<b>2,828,887</b>	<b>2,779,434</b>	<b>2,716,337</b>	<b>2,660,062</b>	<b>2,617,431</b>	<b>2,602,087</b>	<b>2,566,277</b>	<b>2,503,180</b>	<b>2,453,727</b>	<b>2,458,849</b>	<b>2,458,849</b>
<b>Liabilities</b>													
Accounts Payable	14,288	35,719	60,722	89,297	110,729	135,732	167,879	214,314	250,032	271,464	300,039	357,189	357,189
LLC Contra													350,000
Notes Payable/Short Term Debt	958,333	916,667	875,000	833,333	791,667	750,000	708,333	666,667	625,000	583,333	541,667	500,000	1,000,000
Capital Leases													-
Other Current Liabilities, Total	972,621	952,386	935,722	922,631	902,395	885,732	876,212	880,980	875,032	854,797	841,706	857,189	1,707,189
Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>972,621</b>	<b>952,386</b>	<b>935,722</b>	<b>922,631</b>	<b>902,395</b>	<b>885,732</b>	<b>876,212</b>	<b>880,980</b>	<b>875,032</b>	<b>854,797</b>	<b>841,706</b>	<b>857,189</b>	<b>1,707,189</b>
<b>Equity</b>													
Paid in Capital	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
Earnings	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(62,362)	(748,340)
Retained Earnings	(312,362)	(374,723)	(437,085)	(499,447)	(561,808)	(624,170)	(686,532)	(748,893)	(811,255)	(873,617)	(935,978)	(998,340)	(998,340)
Shareholder Equity	1,437,638	1,375,277	1,312,915	1,250,553	1,188,192	1,125,830	1,063,468	1,001,107	938,745	876,383	814,022	751,660	751,660
<b>Total Liabilities and Shareholder Eq</b>	<b>2,410,259</b>	<b>2,327,662</b>	<b>2,248,637</b>	<b>2,173,184</b>	<b>2,090,587</b>	<b>2,011,562</b>	<b>1,939,681</b>	<b>1,882,087</b>	<b>1,813,777</b>	<b>1,731,180</b>	<b>1,655,727</b>	<b>1,608,849</b>	<b>2,458,849</b>



## 6.5 Assumptions

### General Assumptions

Interest	8.00%
Tax	40.00%
Expenses in Cash	100.00%
Personnel Burden	20.00%

### Revenue Assumptions

US Stripper Wells	400,000
US Stripper Well Market	\$ 31,790,000,000
Annual Capex as % Revenue	15.7%
Annual Capital Expenditure (Capex)	\$ 4,991,030,000
Product Pricing:	
Small	\$ 70,000
Medium	\$ 73,000
Large	\$ 75,000
Average Pump Jack Price	\$ 150,000
JLS Increase to Annual Cash Flow	\$ 6,000
Y1 Partnership Cash Flow	\$ (20,000)
Annual Partnership Cash Flow	\$ 7,000
License Set Up	\$ 500,000
License Annual Royalty	\$ 100,000



## 6.6 Start-up

Requirements	
<b>Start-up Expenses</b>	
Professional & Legal	10,000
Travel	16,000
<b>Total Start-up Expenses</b>	<b>26,000</b>
<b>Long-term Assets</b>	
Computers	2,000
Furniture	7,000
Telecommunications	1,000
Web	15,000
<b>Total Long-term Assets</b>	<b>25,000</b>
Start-up Expenses	26,000
Cash Balance on Starting Date	2,949,000
Other Current Assets	-
Total Current Assets	2,949,000
Long-term Assets	25,000
Total Assets	2,974,000
<b>Funding</b>	
Investor 1 (loan)	1,500,000
Owners (equity)	1,500,000
Total Investment	3,000,000
Current Liabilities	-
Accounts Payable	-
Current Borrowing	-
Other Current Liabilities	-
Current Liabilities	-
Long-term Liabilities	1,500,000
Shareholder Equity	1,474,000
<b>Total Liabilities &amp; Shareholder Eq.</b>	<b>2,974,000</b>



## 7.0 MANAGEMENT

### Chairman, President – DONALD H. GRUBBS, P.E.



Mr. Don Grubbs, co-founder and President of Jet Lifting Systems Ltd. is a Professional Engineer, with a diverse background in oil and gas extraction, as well as other Engineering related activities. Mr. Grubbs graduated from Texas A&M in 1977, with a Civil Engineering degree, after his Navy service during the Vietnam war. By 1980, Mr. Grubbs was the Vice President of West Coast Operations for Poole Off-Shore.

This was a natural evolution for Mr. Grubbs because the emphasis of his civil engineering studies was in Ocean Engineering. As the chief bottle washer and cook, as he likes to describe himself, Mr. Grubbs worked on the design, mobilization and installation of drilling rigs for many off-shore platforms, including Platforms Gina, Gilda, Hogan and Harvey. Many of the designs resulted in Patents. For example, Mr. Grubbs designed the “Bridging System” used on Belmont Island where a drilling rig weighing 1,800,000 pounds was moved, while airborne, from one structure to another. He also designed a hydraulic “gripper” skidding system for drilling rigs.

With this experience under his belt, Mr. Grubbs left Poole to start Grubbs Engineering, Inc. in 1987. It was during this period that Mr. Grubbs met Mr. Allen Wagley, the other co-founder of Jet Lifting Systems. At the time, Mr. Wagley had a license to market the PAMCO Lifting System, which employed pressurized gas from the surface to lift down hole oil from shallow wells. After numerous tests, however, it was determined that the PAMCO System had serious design flaws, resulting in PAMCO abandoning its program. However, Mr. Grubbs and Mr. Wagley saw promise in using gas as an alternative lifting system to the more mechanical “pump jack” technology.

Fast forward to 2007: Today, Jet Lifting Systems (JLS) has a Patent pending, which is approximately three months away from being granted. Additionally, JLS maintains both its corporate offices, as well as its engineering facility in Port Hueneme, California. The company is also moving forward with its plan to market the system and to continue developing relationships with shallow well operators in both the U.S. and in foreign countries. Given Mr. Grubbs’ extensive oil field background and his engineering expertise, he has both the connections Jet Lifting will need to realize its goal of maximizing profits through utilization of its technology, as well as the practical experience related to its installation.

### CEO - CRAIG LESLIE, ESQ.



Before joining JLS in February 2007, Mr. Craig Leslie has had a varied and extensive background, both in experience and education, which makes him uniquely qualified for the position of JLS’ Chief Executive Officer. After a tour of duty in the U.S. Marine Corps, Mr. Leslie worked in the building trades throughout the 70’s and having acquired several journeyman level skills, he started a building company, along with his now-deceased dad, which they ran for several years. From there, Mr. Leslie then opted to work in the Off-



shore oil industry. After four years of working in Europe, Southeast Asia and India, as Superintendent of Diving Operations, Mr. Leslie returned to the U.S. where he successfully setup an international joint venture company in the early 1980's to market a metal tile that simulated the look of Spanish clay tile, but which is seven (7) times lighter. Today, Style Tile is the number one product in its market, in the Western United States. Subsequent to that, Mr. Leslie returned to his academic studies and, in June 1992, was then admitted to the California Bar. Since then, Mr. Leslie has managed a successful trial practice, taught at the K-12 level and given seminars at the Community College level on various topics, including starting one's own business. Over the past four years, Mr. Leslie has trimmed his practice down to now just managing the business interests of a few carefully selected corporate clients, including JLS. Most interestingly, when JLS approached Mr. Leslie and asked him to head up the company, JLS assets were limited. Because of his belief in the validity of the system, however, Mr. Leslie offered a "win-win" proposition to manage the company. Quite simply, Mr. Leslie and JLS jointly agreed that Mr. Leslie's salary would be directly tied to the capital growth of the company. If the company makes money, Mr. Leslie gets paid. If the company does not make money, Mr. Leslie does not get paid. Since taking over the management of the company in February 2007, JLS is on target with:

- JLS Patent application process
- Expansion of capital base
- Increasing exposure by joining the Stripper Well Consortium
- Drafting Grant Applications for Joint Ventures with Univ. of Pennsylvania to test the system at different depths and in different U.S. locales
- Negotiations with producers and land-owners

As Mr. Leslie has continually stated, "2008 will be a remarkable year for JLS."

### **VP Construction Operations – ARMANDO RENTERIA**



Mr. Renteria can truly be described as a self made individual. Born and raised in Ventura County, California, Mr. Renteria began painting houses and doing minor home repairs after his high school years. Today, 20 years later, he is a successful Real Estate and Land Developer. He owns AR Land, LLC., as well as AR Construction Company. Over the past several years, Mr. Renteria has designed and built several custom home projects ranging from a half million to a million dollars, per home. Also, being an avid boxing fan, he co-owns

Bring It on Promotions, which promotes professional boxers. In that venue, Mr. Renteria's relationships include contracts with, among others, the former lightweight champion of the world, Robert Garcia and several of his boxers. It is this competitive spirit that drew Mr. Renteria to join JLS. In 2003, while renting corporate space for his construction company from Grubbs Engineering, the two founding partners, Mr. Grubbs and Mr. Wagley approached Mr. Renteria to become a participant in JLS. He liked the opportunity he saw and, thereafter, joined it as a full fledged partner, which has been a boon for JLS. This is because Mr. Renteria's background and experience make him not only the right person to head up the production of JLS products and systems, but also a logical sounding board for evaluating different ideas and proposals.



### **Company Counsel – HARRY F. BERMAN**



Mr. Berman is a graduate of Queens College in New York and he also holds a law degree from Southwestern Univ. School of Law in California. His background includes experience with firms involved in manufacturing and wholesale marketing, as well as retail distribution. Outside of working with JLS, Mr. Berman currently works for a national organization representing individuals in actions regarding employment, labor and discrimination issues. His work takes him across the Western portion of the United States and to Hawaii. Mr. Berman and Mr. Leslie were classmates in law school and, as Mr. Leslie remembers, Harry was the only student who read books other than law school texts. In particular, “Harry liked to read a lot of mystery books.” But, it is his ability to succinctly communicate about legal issues that makes him well suited to head up the JLS legal team.

### **Director of Administration – BERTHA A. LESLIE**



As Director of Administration for JLS, Mrs. Leslie brings over 20 years of business experience in various professional climates, from managing her own Flower and Crafts store, to owning and operating a successful and licensed janitorial business for 19 years, to managing her husband’s law practice. As Director of Administration for JLS, Bertha is responsible for day-to-day administrative operations, such as banking, bookkeeping, revenue disbursements and managing the distribution of all materials to JLS management and partners.

### **Member Board of Directors - THOMAS GRUBBS**

### **Member Board of Directors - CRAIG LESLIE**



### **Member Board of Directors - GORDON L. SHORT**



## 8.0 HEADQUARTERS AND CORPORATE DIRECTORY

### **Jet Lifting Systems LLC**

261 E. Port Hueneme Rd.  
Port Hueneme, CA 93041  
TEL: (805) 488-2800

The Company has an outside group of advisors, which include a CPA and a Corporate Attorney.

The Company has membership in the following trade organizations:

- Stripper Well Consortium

The Company will seek membership in the following trade organizations:

- ❖ National Petroleum Council (NPC)
- ❖ Independent Petroleum Association of America
- ❖ Petroleum Technology Transfer Council
- ❖ Society of Petroleum Engineers



*The photo above is from the publication  
"Keeping the Home Wells Flowing"  
by the Stripper Well Consortium*

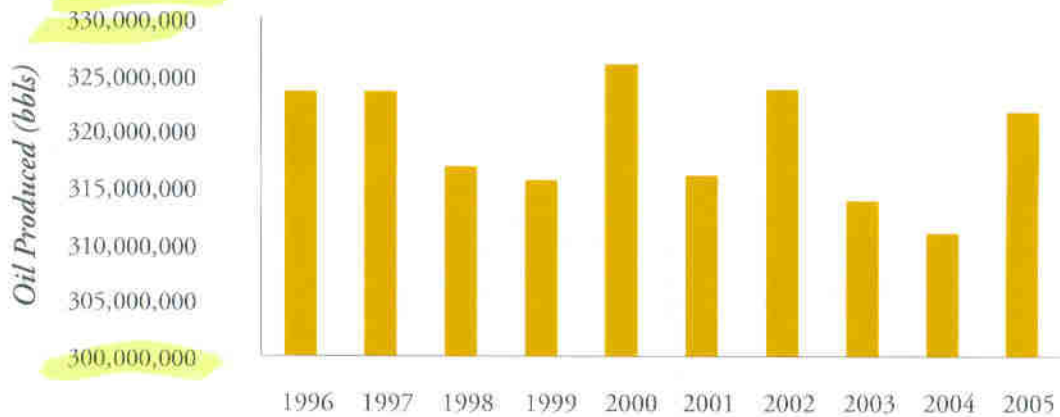


## 9.0 APPENDIX

### U.S. Marginal Oil Well Data – Past 10 Years

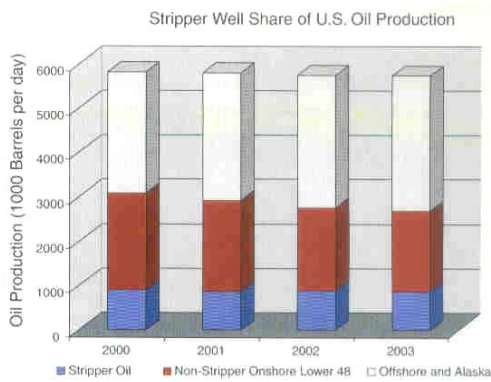
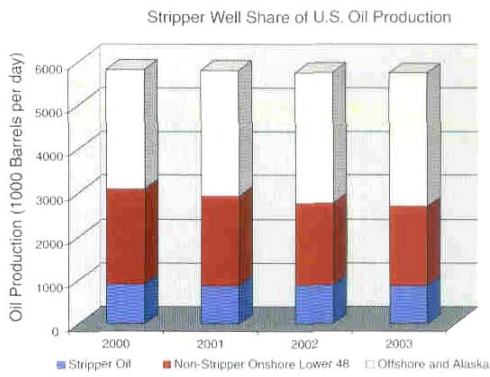
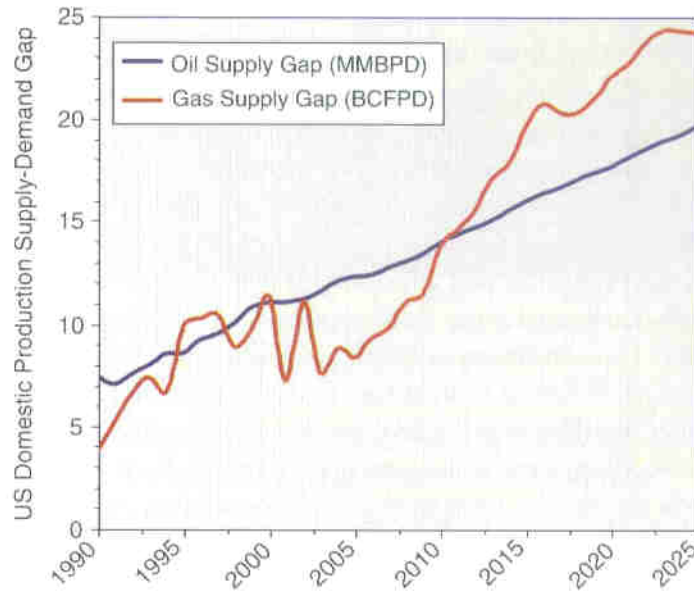
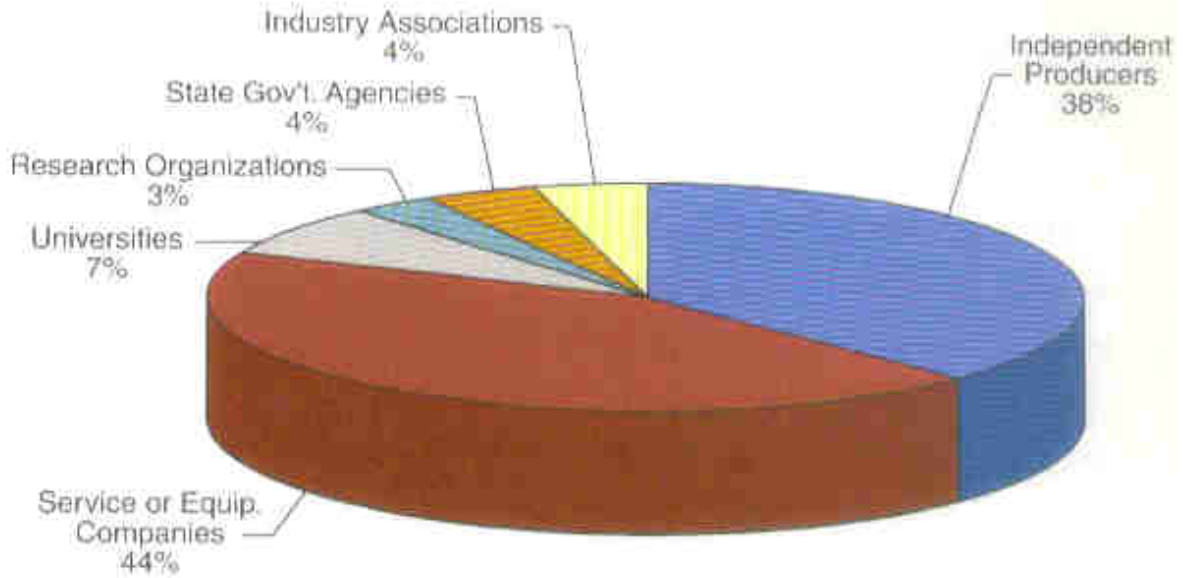
Year	Number of Marginal Oil Wells	Marginal Oil Production (bbls)	Average Daily Prod. Per Well (bbls)	Plugged/ Abandoned
1997	420,674	323,487,914	2.11	15,172
1998	406,380	316,870,286	2.14	13,912
1999	410,680	315,514,283	2.10	11,227
2000	411,629	325,947,181	2.17	10,718
2001	403,459	316,099,192	2.15	12,234
2002	402,072	323,776,606	2.21	13,635
2003	393,463	313,748,001	2.18	14,300
2004	397,362	310,922,122	2.14	11,977
2005	401,072	321,761,570	2.20	11,058
2006	422,255	335,312,467	2.18	11,738

Marginal Oil Production  
1996 - 2005





## Stripper Well Consortium Membership Since Inception





## 9.1 Patent Assignment

PATENT ASSIGNED TO LLC (June 2005) By doing this, the shareholders of LLC now had an "interest" or ownership rights in the Patent, such that any income generated from utilization of Patent, payable to LLC inured to benefit of shareholders.

*Atty Docket No. 7049.02*

### ASSIGNMENT

Whereas, we, Allen Wagley, \_\_\_\_\_ and Donald H. Grubbs, residing at 9913 Millwood Circle, Ventura, CA 93004; declare and say that we are citizens of the United States of America having made an invention titled "*Gas Drive Fluid Lifting System*," US Patent Application Serial Number \_\_\_\_\_ and filed on 10 November 2004;

Now, therefore, for good and valuable consideration in hand received, by us, Allen Wagley and Donald H. Grubbs, we have agreed to hereby assign and transfer unto Jet Lifting Systems Ltd., Co., having its principal address as 1201 Bering Drive #27, Houston, Texas 77057, its successors in interest and assigns all rights, title and interest in and to the said invention and application and in and to any division, continuation or continuation-in-part, of said application, and in, and to any and all Letters Patent and reissues and extensions thereof, of the United States of America and countries foreign thereto (including the right to apply for Letters Patent in foreign countries in its own name herein recited and to claim any priority rights for such foreign applications to which such applications are entitled under international conventions, treaties, or otherwise), which have been, or may be granted on any of these foregoing to be held and enjoyed as fully and exclusively as it would have been by me had this assignment and transfer not been made.

We, Allen Wagley and Donald H. Grubbs, further agree for its successors, assignees, nominees, and administrators, to execute and deliver without further consideration any further applications, assignment, and documents, and to perform such other acts as we lawfully may, that may be deemed necessary by the said Jet Lifting Systems Ltd., Co., its successors, assignees, and nominees, fully to secure its interest as aforesaid and to obtain or maintain Letters Patent in any and all countries.

We, Allen Wagley and Donald H. Grubbs, do hereby authorize and request the Commissioner of Patents to issue any and all Letters Patent which may be authorized and request the Commissioner of Patents to issue any and all Letters Patent which may be granted upon any of the said applications, to the said Jet Lifting Systems Ltd., Co. of the entire rights, title and interest, (100%) One Hundred Percent interest therein, such that the patent will be issued to the Assignee.