



In Good Company...





FED. Frankfurt
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\$0.21

August 3, 2006

Business: Fellows Energy is an early stage oil and gas company led by an experienced management team, focused on exploration and production of natural gas, especially from “unconventional plays” such as tight sands and coal beds, and oil in the Rocky Mountain Region.

Basic Weighted Ave. Shs.	57.94 Million	Diluted weighted Ave. Shs.	90 Million—Note 1
Market Cap	\$12.17 Million	Public Float-Shares	54.12 Million
Ave. Daily Volume (3 mo.)	518,000	52-week Range	0.145 - 1.40
Book Value/Share 3/31/06	0.146	Price/Book	2.09x
Total Debt 3/31/06	\$5.45 Million	Current Ratio 3/31/06	1.208
Total Gross Acreage	299,081	Net Acreage—Note 2	151,041

Note 1: Estimated currently at 90 million shares; outstanding debenture converts monthly on a sliding scale according to the price of the common, if shares are paid in lieu of cash dividends.

Note 2: Adjusted for working interest.

Michael L. Davis, Analyst

This document is for informational purposes only and does not constitute an indication of interest. Specifically, this document does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States nor will there be any such sale or purchase of securities in any state of the United States in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws. This presentation contains forward-looking statements that involve certain risks and uncertainties associated with a development-stage company. Actual results could differ materially from those projected in the forward-looking statements, as a result of risks and other factors discussed in this report. Potential investors are urged to read all documents on file with the SEC concerning the subject company. Please note that Fellows Energy paid \$18,000 for the production of this report.





Concept: Fellows Energy is an early stage resource company, with emphasis on unconventional plays in natural gas. The driving force behind the company is George S. Young, CEO & President, who has extensive experience in dealing in mineral rights, both from the extractive as well as the legal standpoint. His vision is to build a portfolio of properties, acquired at sufficiently low cost levels to give the Company maximum flexibility, in the Rocky Mountain geographic area, which is considered the prime location for natural gas plays within the contiguous 48 states. The current portfolio consists of nine properties totaling about 300,000 gross acres, and two projects that are in the leasing stage, almost all of which have access to pipeline connections. Although management's primary strength has been in the acquisition of tracts, it is now turned its hand to the production side as well, with the addition of senior staff heavily experienced in this area. Two properties are currently on line, with one producing 20 million cubic feet of gas monthly, and the other in its initial stages of production. Because Fellows is really just in its developmental stages, we have not attempted at this time to ascertain the present value of its holdings, nor made earnings projections in order to derive a valuation for the stock. We have rather made a conservative projection of what might be paid per acre for the mineral rights that the Company currently owns, and related that to its share capitalization. We think that these shares might be valued at \$1.00 or more, within a two-year time horizon, based on the assumptions outlined on page 13.



MAJOR INVESTMENT FACTORS

Pros

+Approximately \$85 (400 shares) of investment gives an investor a call on one acre of mineral rights situated in high probability oil & gas production areas

+Trading on its extensive cumulative experience at major resource enterprises management maintains a high degree of efficiency in the acquisition of leased acreage with long production life at a low-cost entry level

+Company is concentrating on unconventional natural gas plays with big payback potential, while using conventional resource acreage as cash cows to help finance operations

+An agreement is in place that gives Fellows the right of first refusal on exploration projects developed by an eminent consortium of 40 senior geologists

+The Company's concentration on natural gas is timely in that the price of this resource appears to be at a cyclical low and should rise over time

Cons

–Management's skill in the area of resource production is relatively untested, although key executives with long-time experience in this area have newly been added

–Projects may be delayed or stalled by the inability to arrange timely acquisition of capital for development of resources

–An issue of convertible stock that is dependent upon the ongoing price of the stock is a source of significant dilution over the next 12 months or so



Current Project Portfolio

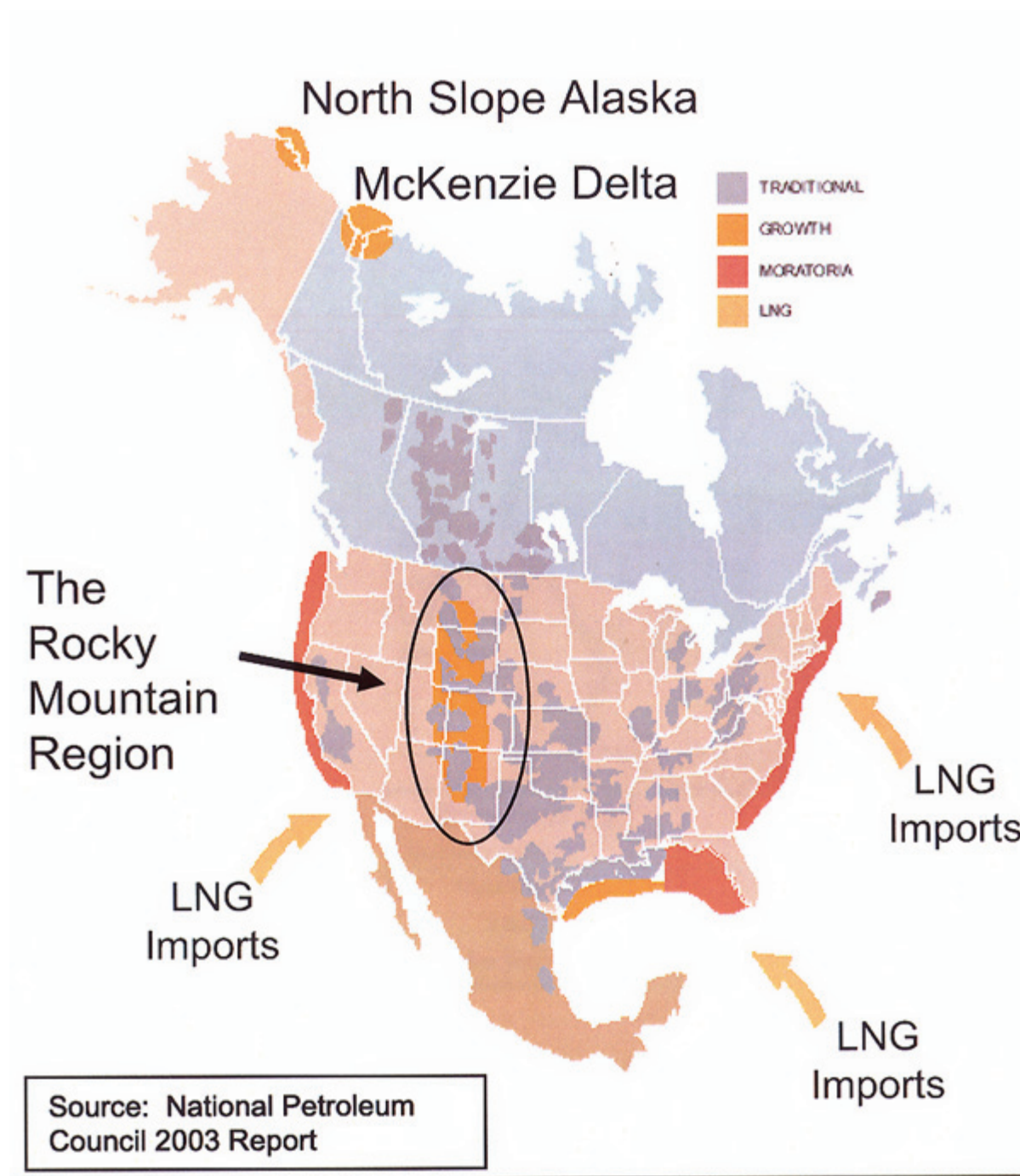
<u>PROJECT</u>	<u>STATUS</u>	<u>TYPE</u>	<u>GROSS Acres</u>	<u>NET Acres</u>	<u>PLACE</u>
Carbon County	Current Production	TSG/ Coal	5,953	4,879	Utah
Creston	Current Production	Oil	9,000	9,000	Utah
Single	Production Ready	Gas/Oil	3,400	3,400	Colorado
Gordon Creek	Advanced Exploration	TSG/ CBNG	5,242	3,184	Utah
Weston County	Advanced Exploration	Oil	19,290	19,290	Wyoming
Carter Creek	Advanced Exploration	FSO/Oil	14.196	9.959	Wyoming
Bacaroo	Advanced Exploration	Oil	Still Leasing	34,720	Colorado
Platte	Early Exploration	Gas	Leasing	Leasing	Nebraska
Badger	Early Exploration	Gas	Leasing	Leasing	S. Dakota
Overthrust	Early Exploration	CBNG	183,000	118,950	Utah, Wyoming
John's Valley	Early Exploration	Oil	Still Leasing	25,000	Utah

Legend: TSG=Tight Sands Gas; FSO=Fractured Shale Oil; CBNG=Coal Bed Natural Gas

Comments: Fellows oil projects include *conventional oil* and *oil from fractured shale*. Gas projects include *tight sands gas* and *coal bed natural gas (CBNG)*. Oil from fractured shale is extracted by pumping a specially blended liquid (usually, but on rare occasions [CO₂]), with sufficient pressure to cause the shale formation to crack open; a special agent is added to keep the fissure propped up after hydraulic pressure is dissipated so that oil can continue to flow to the bore hole. Gas from tight sands is extracted from sand or sandstone formations of low permeability; stimulation of tight structures can often result in increased production from formations that previously would have been abandoned or produced uneconomically. Coal bed natural gas is preponderantly methane [CH₄], but may contain minor amounts of ethane [C₂H₆], propane [C₃H₈], butane [C₄H₁₀] and pentane [C₅H₁₂]. This resource is recovered by using hydrostatic pressure to trap the gas in the coal seam; when the pressure is subsequently reduced, the gas rises to the surface and then may be collected into a transmission pipeline for delivery.



Where The Action Is

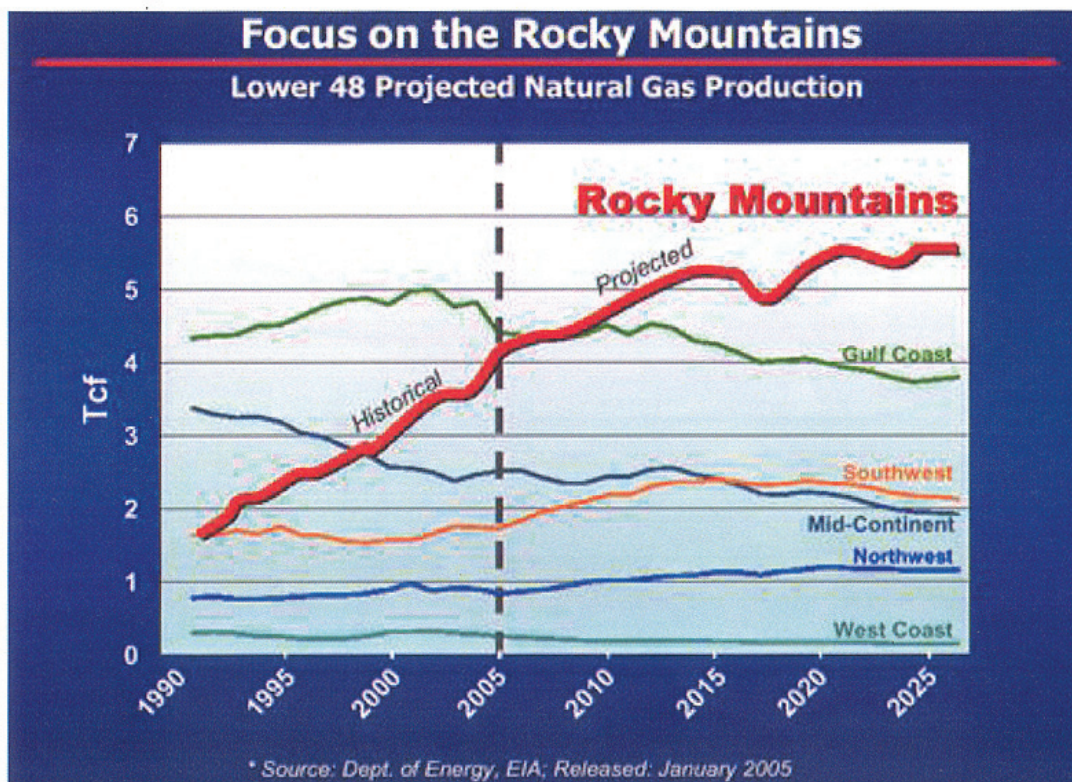


Please refer to the bullet points on the following page.



Why the Rockies?

- Δ Traditional North American gas supply areas are in decline
- Δ The top five gas discoveries of the 1990s were Rocky Mountain plays
- Δ Future gas supply is expected to come from three areas
 - Rocky Mountains
 - The Arctic (North Slope Alaska & the McKenzie Delta of Canada)
 - Liquefied natural gas (LNG) imports



Tcf=Trillion cubic feet



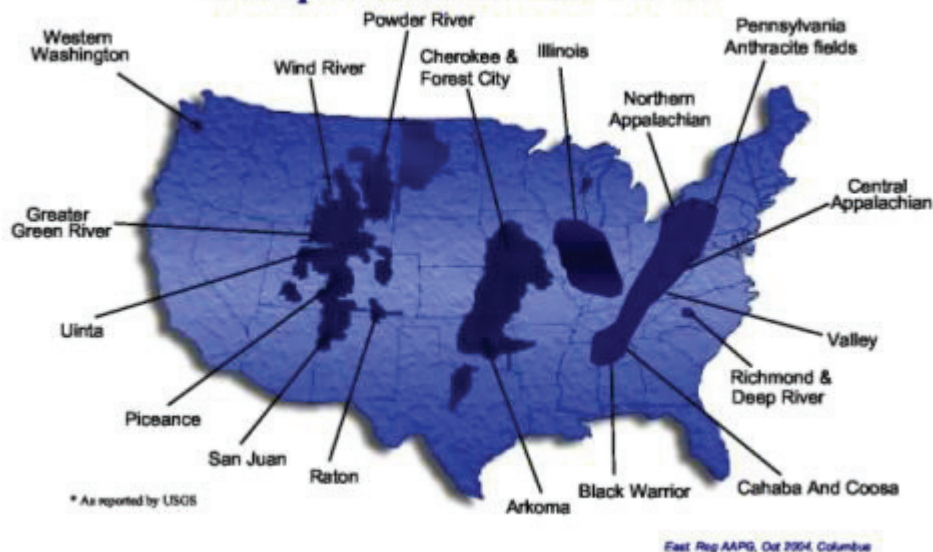
Rock(y) Solid Fundamentals

The Fellows game plan is to focus on *unconventional* Coal Bed Methane and Tight Sands gas plays, especially those located in the Powder River Basin (Wyoming & Montana), the Overthrust Belt (Utah & Wyoming) and the Uinta Basin (Utah), which represent some of the most attractive regions for unconventional plays in North America due to a combination of land availability, low finding and development costs, production potential, and proximity to major pipeline networks serving important U.S. markets. Conventional oil and gas projects will be sprinkled into the mix to create short-term cash flow and reserves to support corporate overhead; and allow for orderly development of the larger, more capital and lead-time intensive projects. The current project portfolio highlights management's ability to negotiate deals where it controls promising opportunities with relatively small amounts of capital.

It is paramount to recognize that unconventional plays offer attractive potential for large reserve additions; they inherently have much greater size and therefore greater reserve potential, and have not been developed to the extent of conventional projects. Management specifically looks for opportunities that have long, stable production lives that require relatively low capital investment costs, where significant additional value can be created. However, development of typical unconventional plays may involve greater extraction and retrieval costs than are usually involved in development of typical conventional plays. Where appropriate, the Company employs special technology to improve recoveries, such as directional and horizontal drilling. These methods have historically produced oil and gas at faster rates and with lower operating cost bases than traditional vertical drilling; and are used to expose more of the formation to the well bore and to intersect natural fracture systems more efficiently. In addition, directional techniques allow for the drilling of multiple wells from one drilling pad.



—U.S. Coal Bed Natural Gas Resources—
Multiple Basins Contain 700 Tcf*



Coal Bed Natural Gas: According to the National Energy Technology Lab, an arm of the U.S. Department of Energy (DOE), some ninety percent of the country's coal resources are unminable—mostly coal seams that are relatively deep or thin, of poor or inconsistent quality, or represent difficult mining conditions. Nevertheless this represents a vast potential source of natural gas. Once considered a safety hazard, CBNG now accounts about one twelfth of U.S. natural gas production. It is estimated that coal basins in the 48 contiguous states have about 700 trillion cubic feet (Tcf) of methane, of which only 100 Tcf may actually be economically feasible at the present time. The most prolific basins exist in the Mountain West, where the Company's CBNG projects are. At current rates, even the lower figure would represent roughly 50 years of future CBNG production. As technology improves and prices move up inexorably over the long cycle, it becomes likely that more and more of this resource will become retrievable. After hitting a high of over \$15.50 per million BTUs (MMBTU), natural gas prices bounced around in the \$5.50 to \$6.00 area for some time, and have subsequently rebounded to the \$8.00 area. It certainly appears likely that in the long run prices will follow the secular rising pattern of the energy complex.

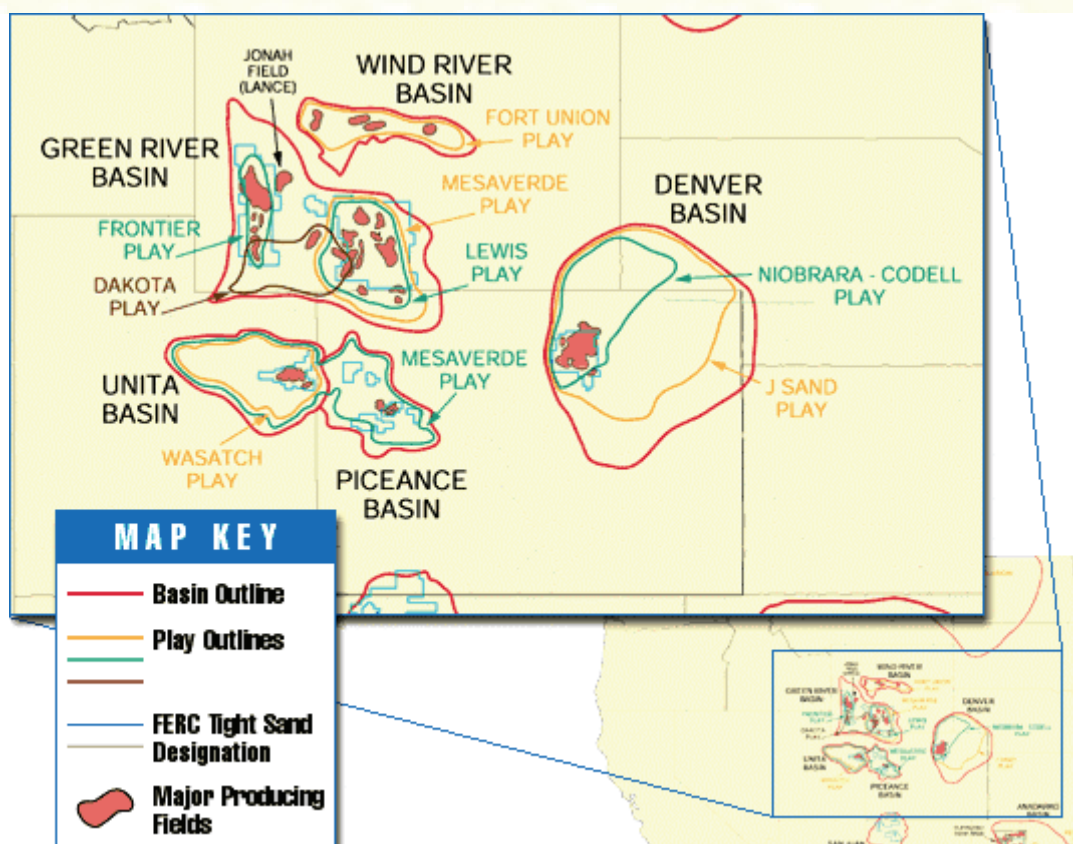
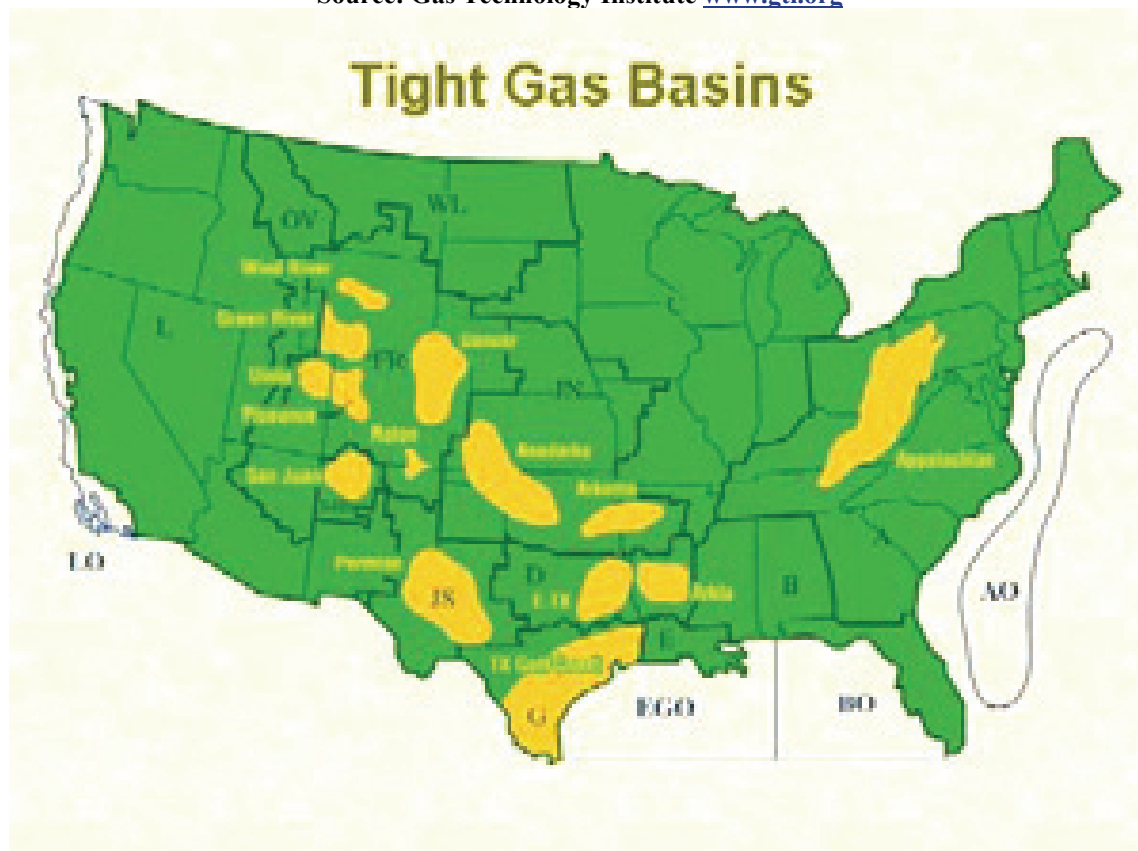


The water used for hydrostatic pressure in CBNG mining creates at least two environmental problems. The first is the availability itself, since water is a very scarce resource, and there is much competition for its use, especially in the West. The second is that the CBNG wastewater needs to be treated afterward to reduce salinity and other ionic content. Technologies are available for this problem, but the bottom line is that treatment facilities are expensive to build and operate. A third environmental aspect is actually a **positive**: methane gas *in its natural state* has about 21 times the global warming potential of carbon dioxide. In fact, coal mining accounts for about 10% of all U.S. methane emissions. Therefore, recovery of CBNG mitigates a large source of methane emissions and allows for economic use of it as an energy source.

Tight Sands Natural Gas: Tight gas is natural gas that is stuck in a very tight formation underground, trapped in unusually impermeable, hard rock, or in sandstone or limestone formations. The first map on the next page shows the major tight gas basins in the contiguous 48 states. Tight-sands gas refers to that resource that is stuck in impermeable sand or sandstone, per se. Natural gas produced from tight-sand formations is the second of the Company's two major resource plays, along with CBNG. The lower map on page 10 shows perhaps the most prolific tight-sands gas producing areas in the U.S. Specifically, the Powder River and Green River Basins in Wyoming; the Denver Basin in Colorado and Nebraska; the Uinta Basin in Utah (pronounced *yoo-iN-teh*); and the Piceance Basin in Colorado (pronounced *PEE-awnts*). Many of Fellows' projects are sprinkled throughout this region. (*Map courtesy of Global Exploration and Production News.*)



Source: Gas Technology Institute www.gti.org



In a conventional natural gas deposit, once drilled, the gas can usually be extracted quite readily, and easily. The major differences between tight and conventional production arise because of the poor average permeability (technically expressed in Darcy Units) of tight reservoirs. In a tight reservoir, the natural gas cannot flow as quickly to the well or in as large a volume as in conventional settings. In addition, the area that a well drains in a tight reservoir is much smaller than the drainage area for a conventional reservoir. Consequently, different production schemes have been developed to economically produce tight gas, like horizontal and directional drilling, as described before; or downspacing, by which well density in a given section is increased in order to drain a reservoir more effectively. Significantly more effort has to be put into extracting gas from a tight formation, which adds measurably to extraction costs.

Tight gas makes up a significant portion of the nation's natural gas resource base, with the Energy Information Administration arm of the DOE estimating that at the beginning of the present decade, over 250 Tcf of technically recoverable deep (read: tight) natural gas existed in the contiguous U.S. This represents over 21 percent of the total recoverable natural gas in the United States, and constitutes an extremely important portion of natural gas reserves. After natural gas production in the Gulf of Mexico was knocked off-line last year as a consequence of two major hurricanes, the wisdom of having multiple sources in order to assure supply reliability has dawned on the collective consciousness. Indeed, not all of that capacity has been restored essentially a year afterward. This reality should pave the way for granting greater access to federal lands—which has been somewhat of a stumbling block in this industry.



Management and Consultants

George S. Young - President, Chief Executive Officer and Chairman of the board, is an experienced business executive in the mining and petroleum industries. He has served the legal and resource aspects of these businesses, both as an attorney and engineer. His experience includes positions at Exxon USA, Kennecott Copper, Oro Belle Resources, Getty Oil, and Bond International Gold. Mr. Young is a member of the Society of Mining Engineers, and the state bars of Utah, Colorado and Texas.

Steven L. Prince - Vice President and director, is a petroleum engineer with over 13 years of operating experience in conventional oil and gas drilling and in coal bed natural gas drilling and field development. His past business associations have included the Navajo Indian Nation, Coal Bed Methane Production Consultants, Castle Valley Gas Producers Council, Shell Western Exploration & Production, and River Gas Corp. Mr. Prince is a member of the Society of Petroleum Engineers and the Rocky Mountain Association of Geologists.

Shane Reeves - Vice President of Business Development and director, has extensive experience within the financial markets. Mr. Reeves was a Founder and Managing Partner of Denver-based Omni Capital, LP, where he participated in raising investment capital for projects aggregating over US \$100 million. Prior positions included associations with Geneva Capital (New York City), and Morgan Stanley.

Gary L. Nordloh - Chief Operations Advisor, served as Executive President V.P. and a director of Questar Corp., as well as CEO of all of its non-regulated activities, including the exploration and development operations, mid-stream and marketing operations. These businesses compiled strong double-digit growth records during his tenure. Prior associations include Hamilton Brothers Oil and Amoco Production.

Ronald E. Hogan - Chief of Development, was General Manager of Questar's Wexpro subsidiary and served in the same capacity at the Pinedale Division of Questar Exploration and Production. He was primarily responsible for managing all aspects of drilling, completions, reservoir evaluation, production, personnel and budgeting for the Pinedale Project, one of America's largest tight-sand development projects. Other associations included Chevron Oil and MAPCO.

Thomasson Partner Associates, Inc.

Under agreement, Thomasson Partner Associates (www.tpaexpl.com) is committed to providing Fellows Energy the first right to review and purchase oil and natural gas exploration projects developed by TPA. TPA is under obligation to present a minimum of eight project opportunities per year with the reasonable potential of at least 200 Bcf of natural gas reserves or 20 million barrels of oil reserves. Current projects acquired from TPA include:

- Weston County
- Gordon Creek
- Bacaroo
- Platte
- Badger

For 15 years the 40 geologists and petroleum engineers and other professionals at TPA have established a reputation within the industry as leaders in providing first quality, technically solid, oil and gas opportunities in the Rocky Mountain region. TPA is headed up by Dr. M. Ray Thomasson, founder, who has nearly 50 years of geological experience under his belt. Dr. Thomasson's career has included distinguished positions including Head of Strategic Studies for Royal Dutch Shell Group, and Chief Geologist at Shell Oil Company. Other positions Dr. Thomasson has held include President of the American Association of Petroleum Geologists, a global professional organization with over 30,000 members; and President of the American Geological Institute with over 120,000 members. Indeed, the geological experience of the whole group of TPA professionals averages more than a generation and a half!



Stock Valuation

To the outsider, valuing mineral rights is a rather secretive process, but we have come up with a recent example published in the April 2006 publication of the Arkansas Appraiser Licensing and Certification Board that sheds important light on the subject. In a band stretching 100 miles east of the Oklahoma border through north central Arkansas to the Mississippi River delta, a rich unconventional gas formation called the Fayetteville Shale play, gives us some guidance on what gas mineral rights might be worth. About two years ago, SEECO, a subsidiary of Southwestern Energy leased about 875,000 acres in this region; Chesapeake Energy leased close to one million acres. Initially, landowners were being paid \$275 to \$300 per acre at the lower end, with royalties amounting to at least 1/8. Many of the counties in the Fayetteville Shale play had seen little or no drilling in the last 80 years, and a good deal of this land was originally considered run-of-the-mill agricultural acreage. Some land in the region is now being priced at upwards to \$4,000 an acre! The Fayetteville play is at least ostensibly similar to the Company's unconventional gas projects. Closer to home, the Bureau of Land Management, an agency of the Dept. of Interior that administers 262 million surface acres of public lands primarily in 12 western states, reported recent lease sales of \$3,000 an acre, in a region close to a current Fellow's project. Accordingly, we have taken Fellow's total *net* acreage, and adjusted the figure for its working interests in each project, to derive a total *adjusted net* acreage figure of 151,041. We have then multiplied this figure by \$400, allowing a very conservative \$275 per acre plus an additional \$125 for royalties, to arrive at a minimum present value for the Company of \$56 million, after subtracting its total indebtedness—or close to \$1.00 a share. Of course, if additional successful projects are brought on stream, the likelihood of higher valuations increases.



Courtesy: www.stockcharts.com

Weekly View -



Technical Opinion: FLWE has been in a multi-year downtrend and needs to back and fill for some time in order to gather enough technical strength to catapult the downtrend line. ***This is only a technical opinion.***

LEGEND:

MA(40)—40-day moving average

EMA—Exponential moving average giving greater weight to more recent data

FLWE:\$SPX—The stock price divided by the price of the S&P 500

