



2nd Quarter 2011 Results and Overview

Forward Looking Statements/Additional Information and Cautionary Note Regarding Hydrocarbon Disclosure

Except for the historical information contained in this review, the matters discussed in this presentation are forward-looking statements that are based upon current expectations. Important factors that could cause actual results to differ materially from those in the forward-looking statements include risks inherent in drilling activities, the timing, and extent of changes in commodity prices, unforeseen engineering and mechanical or technological difficulties in drilling wells, availability of drilling rigs and other services, land issues, federal and state regulatory developments and other risks more fully described in the Company's filings with the U.S. Securities and Exchange Commission(SEC).

The SEC requires oil and gas companies, in their filings with the SEC, to disclose proved reserves which are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions (using unweighted average 12-month first day of the month prices), operating methods, and government regulations, regardless of whether deterministic or probabilistic methods are used for the estimation. We currently do not disclose probable or possible reserves in our filings with the SEC.

In this presentation, the term EUR, or estimated ultimate recovery, refers to the Company's internal estimates of hydrocarbon volumes that may be potentially discovered through drilling or recovered with additional recovery techniques, such as polymers. These estimates do not necessarily represent reserves as defined under SEC rules or the Society of Petroleum Engineer's Petroleum Resource Management System and by their nature and accordingly are more speculative and substantially less certain of recovery and no discount or other adjustment is included in the presentation of such estimates. EUR estimates and drilling locations have not been risked by Company management. Drilling results and quantities that may be ultimately recovered from the Company's interests could differ substantially. Factors affecting ultimate recovery include the success of our ongoing drilling plan, which will be directly affected by the availability of capital, drilling and production costs, commodity prices, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals and other factors; and actual drilling results, including geological and mechanical factors affecting recovery rates.

***Forward Looking Statements/Additional Information and
Cautionary Note Regarding Hydrocarbon Disclosure (continued)***

Estimates of EUR and other recoverable hydrocarbon potential may change significantly as development of the Company's prospects provide additional data. Unless otherwise indicated, other estimates of hydrocarbon volumes contained herein have been prepared internally by the Company without review by independent petroleum engineers. Investors are urged to consider closely the reserves disclosures in our Annual Report on Form 10-K for the year ended December 31, 2010, filed earlier today.

Our core development acreage and related well locations in the Kansas refers to acreage and locations that the Company believes the relative geological risks with recovery has been reduced as a result of operations to date. However, even though the bulk of our proved reserves are producing properties, a small portion of our value has been attributed proved undeveloped reserves and ultimate recovery from such acreage and locations remains subject to all the normal business practice recovery risks.

Pre-tax PV10% Value is the estimated present value of the future net revenues from the Company's proved oil and natural gas reserves before income taxes, discounted using a 10% discount rate. Pre-tax PV10% Value is considered a non-GAAP financial measure under SEC regulations because it does not include the effects of future income taxes, as is required in computing the standardized measure of discounted future net cash flows. The Company believes that pre-tax PV10% Value is an important measure that can be used to evaluate the relative significance of its oil and natural gas properties and that pre-tax PV10% Value is widely used by security analysts and investors when evaluating oil and natural gas companies. Because many factors that are unique to each individual company impact the amount of future income taxes to be paid, the use of a pre-tax measure provides greater comparability of assets when evaluating companies. The Company believes that most other companies in the oil and natural gas industry calculate pre-tax PV10% Value on the same basis. Pre-tax PV10% Value is computed on the same basis as the standardized measure of discounted future net cash flows, but without deducting income taxes. The reconciliation of the Company's Pre-tax PV10% Value to its standardized measure was included in the Company's Form 10-K.

2011 2nd Quarter Highlights



Net Income

2nd Qtr 2011: \$1.0 million or \$0.02 per share

YTD June 30, 2011: \$1.3 million or \$0.02 per share



Net Income From Operations

2nd Qtr 2011: \$1.7 million

YTD June 30, 2011: \$2.8 million



Revenues

2nd Qtr 2011: \$4.8 million

YTD June 30, 2011: \$8.4 million



Oil Production (gross)

2nd Qtr 2011: 62,700 Barrels

YTD June 30, 2011: 115,200 Barrels

2nd Qtr 2011 Financial Summary

(\$ Thousand)

	For the 3 Months <u>Ended June 30,</u>		For the 6 Months <u>Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues	4,785	3,291	8,447	6,142
Production Cost and Taxes	1,678	1,535	3,202	2,850
DD&A	666	628	1,237	1,151
General and Administrative	<u>719</u>	<u>560</u>	<u>1,242</u>	<u>1,152</u>
Net Income From Operations	1,722	568	2,766	989
Interest Expense	(164)	(174)	(309)	(352)
Gain (Loss) on Derivatives	60	721	(306)	883
Gain (Loss) on Sale of Assets	8	-0-	11	-0-
Income Tax Expense	<u>(649)</u>	<u>(379)</u>	<u>(831)</u>	<u>(516)</u>
Net Income	<u>977</u>	<u>736</u>	<u>1,331</u>	<u>1,004</u>
Net Income Per Share – Basic	\$0.02	\$0.01	\$0.02	\$0.02
Net Income Per Share – Fully Diluted	\$0.02	\$0.01	\$0.02	\$0.02

2nd Qtr 2011 Revenue Summary

(\$ Thousand)

	For the 3 Mos. <u>Ended June 30,</u>		For the 6 Mos. <u>Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Oil Revenues – Kansas	4,594	3,015	8,102	5,677
Oil Revenues – Swan Creek	111	100	185	162
Gas Revenues – Swan Creek	2	24	36	47
Methane Plant Gas Sales	62	149	90	255
Other	<u>16</u>	<u>3</u>	<u>34</u>	<u>1</u>
Total Revenue	4,785	3,291	8,447	6,142

Derivatives

(Thousands)

Actual Derivative Cash Payments:

- \$ 59.6 – January 2011 production month, paid in February 2011
- \$ 60.8 – February 2011 production month, paid in March 2011
- \$ 158.4 – March 2011 production month, paid in April 2011 (accrued in 1st qtr)
- \$ 210.5 – April 2011 production month, paid in May 2011
- \$ 146.4 – May 2011 production month, paid in June 2011
- \$ 109.1 – June 2011 production month, paid in July 2011 (accrued in 2nd qtr)
- \$ 744.8 – Total

\$ 116.8 – July 2011 production, to be paid in August 2011

July was the last Month of the Collar

Unrealized Derivative Asset (net) at June 30, 2011 - \$126

<u>Production Mo.</u>	<u>Volume</u>	<u>Floor/Cap NYMEX</u>	<u>Fair Value at 6/30/2011</u>	<u>Fair Value at 12/31/2010</u>
January 2011	7,375	\$60.00-\$81.50		\$ (75)
February 2011	7,375	\$60.00-\$81.50		\$ (84)
March 2011	7,375	\$60.00-\$81.50		\$ (94)
April 2011	7,375	\$60.00-\$81.50		\$ (101)
May 2011	7,375	\$60.00-\$81.50		\$ (107)
June 2011	7,375	\$60.00-\$81.50		\$ (111)
3 rd Qtr 2011	7,375	\$60.00-\$81.50	\$ (104)	\$ <u>(115)</u>
3 rd Qtr 2011	10,000	\$65.00-N/A	\$ 1	
4 th Qtr 2011	10,000	\$65.00-N/A	\$ 13	
1 st Qtr 2012	10,000	\$65.00-N/A	\$ 27	
2 nd Qtr 2012	10,000	\$65.00-N/A	\$ 49	
3 rd Qtr 2012	10,000	\$65.00-N/A	\$ 65	
4 th Qtr 2012	10,000	\$65.00-N/A	\$ <u>75</u>	
			\$ 126	\$ (687)

YTD June 30, 2011 Capital Spending

\$2.4 million – Drilling

\$0.5 million – Polymers

\$0.3 million – Leasehold

\$0.3 million – Seismic

\$3.5 million – Total Oil & Gas

\$0.5 million – MMC electricity generation

2011

- **10 wells drilled 1st quarter (8 Producers, 2 Dry)** 2011

Budget

- 14 wells planned for rest of year
- Re-start drilling in June
- Webster Area of early focus

- **April production most since early 2009**

- Nearly 21,000 barrels

- **Drill, Produce, Polymer, Produce Even More**

- **Entering polymer “season” 14 polymers planned**

- 2 finished both producing “more”

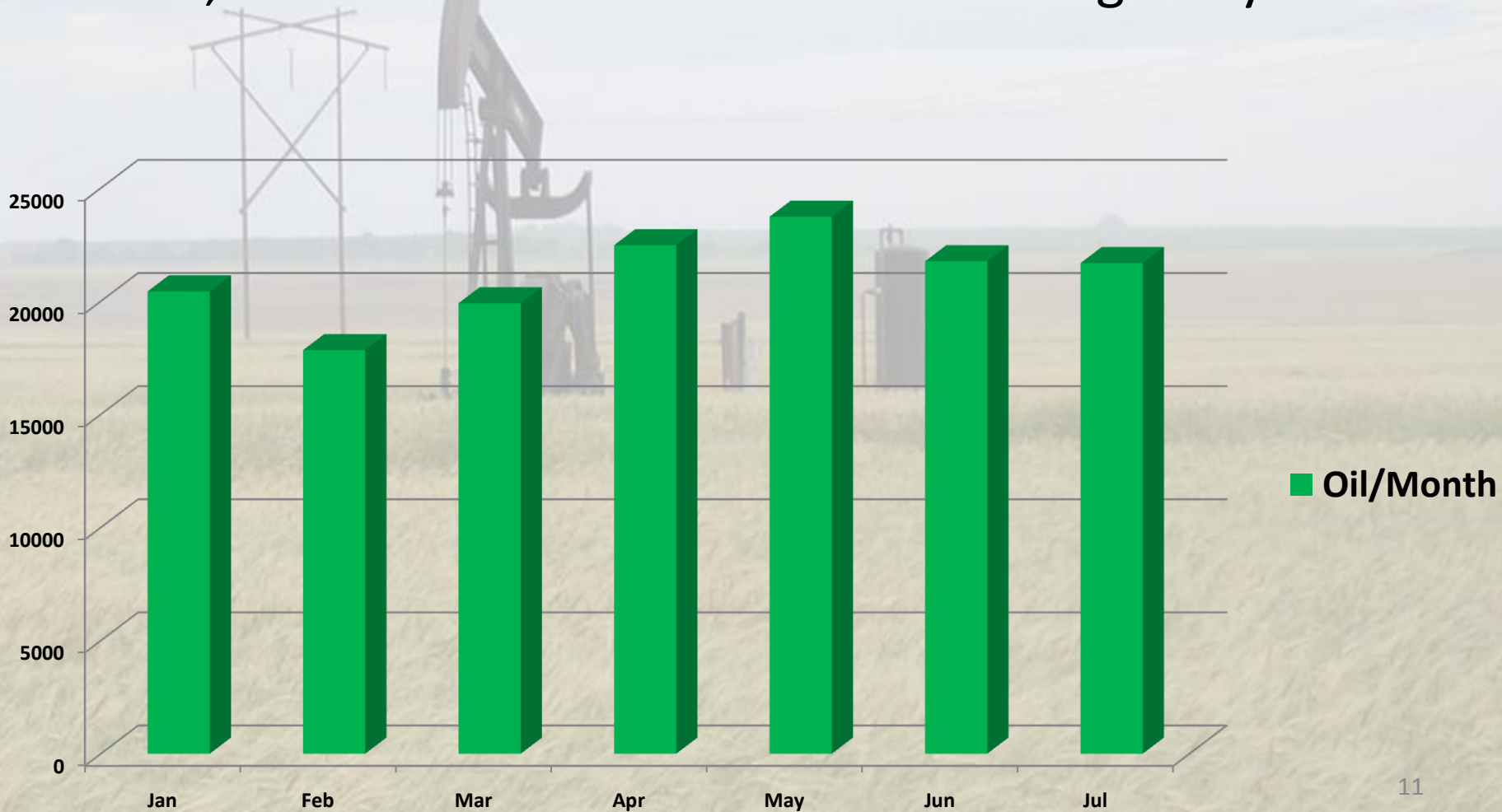
1st Quarter Slide

Activity 2nd Quarter and More

- 3 more wells drilled
 - All Outside Webster field area
 - 2 producers 1 dry hole
 - Production combined averaging 90 BOPD in first 2 weeks of August
- 11 more newly drilled wells planned 2011
 - At least 1 in shale play in Tennessee
- Collar ended July 31st
- \$65 Floor NO CAP — hedge of 10,000 barrels a month now through 2012

Production

135,200 Barrels Gross Production through July



Polymer Wells 2011

In addition to producing more oil.

Polymers cut back water production saving electrical, and disposal cost. That alone would payback the initial investment in a few years.

Have a high rate of return, the intervention cost about \$90,000 and takes an average of a few months for payback. Sometimes with a very good response a matter of weeks.

Adds over 11,000 barrels of new reserves per application.

Tengasco has some of the highest polymer success rates in Kansas over the years.

– Almost 5000 barrels of gross production added March through June.

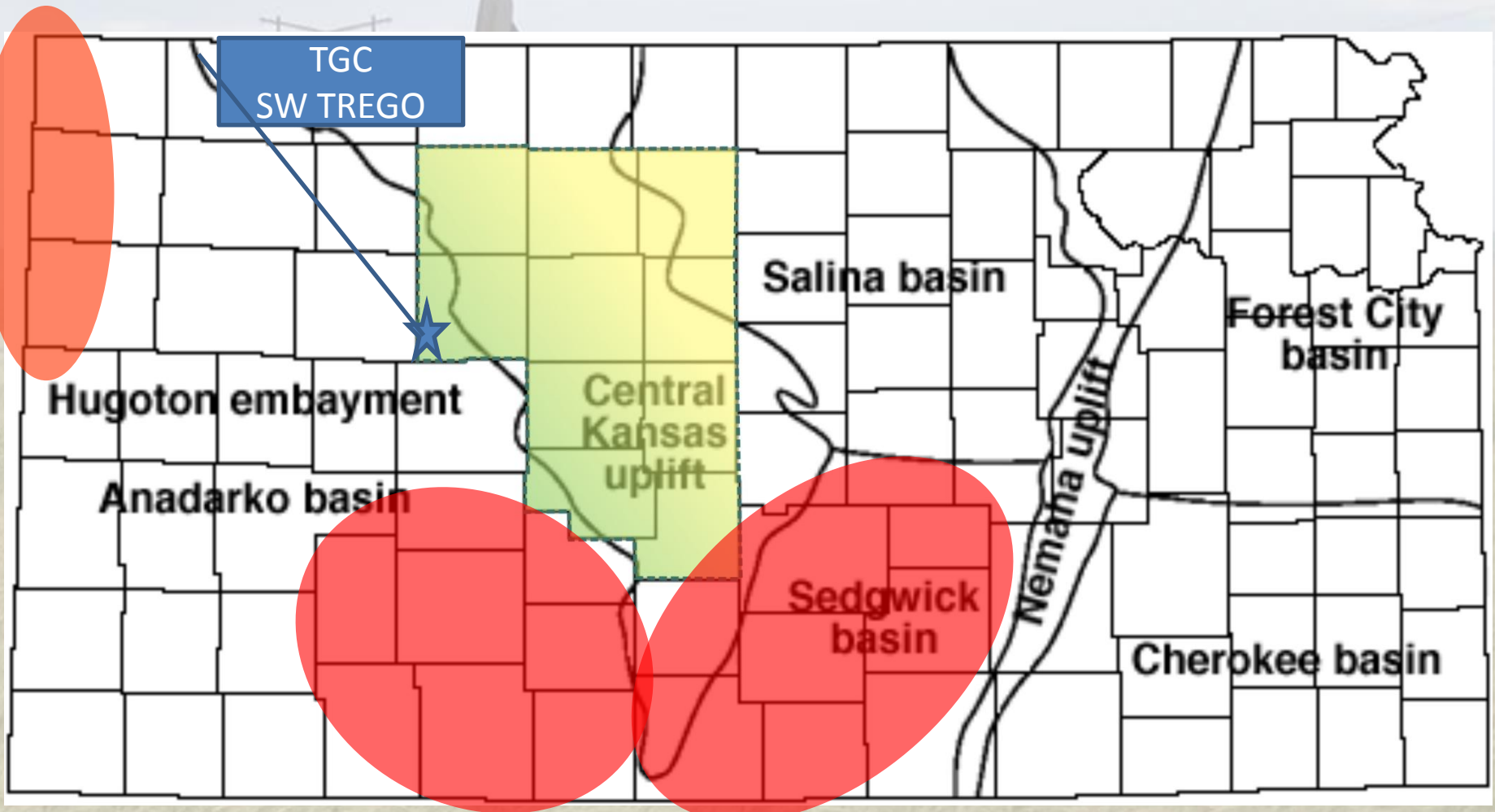


See our service providers website <http://www.polymergel.com/> see the polymer animation

Kansas HOT!

(Not just the temperature)

\$3000/ Acre in some areas!



Bigger “New” Neighbors

- **They’re Back!**
 - Chesapeake
 - Sandridge
 - Conoco Phillips
 - Shell
- Horizontal drilling in the Mississippian (south)
- Horizontal drilling in the Niobrara (west)
- Good News
 - Kansas in general, worth more
 - More high quality service company support
- Bad News
 - Leasing cost statewide has gone up, some places significantly!
 - Bigger blocks of acreage have become more difficult to find.
- Value of Kansas production to purchase, has gone up, significantly.
 - 3 “bigger” sales in 2011 all over \$110,000 per daily gross barrel, one at \$150,000 per barrel!

MMC

- Atmos taking MMC and Swan Creek gas to Kingsport
 - Still some ups and downs
 - Installing two add on engineering mods to improve ability to manage uptime.
 - Electrical savings and revenue by late 3rd early 4th quarter

Look Ahead Q3

- Continue Polymers
- Continue Drilling
 - Mix of Development and Exploration (11 wells by EOY), including 1 Tennessee shale well for evaluation of nearby Swan Creek shale play.
- MMC and landfill modifications progress to allow more uptime, and more revenue. (End of 3rdQ)
- On the lookout for new areas, and quality growth outside the generic drill bit pattern.
- As always oil PRICE matters \$\$\$\$!

Thank You!

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