



Welcome Prospectors!

Welcome to IACX Energy inaugural Blue Flame Newsletter. Every month, we will attempt to illuminate some truths, myths and outright absurdities that we have stumbled across in our travels across the Mid-Continent and Southwest United States, especially as they relate to the low-Btu exploration market. From the story about a blowout gas well so big (cable tool days) that it suspended the drilling rig “ten feet in the air for an een-tiye week” to the mysterious fireballs seen during warm summer nights in Rush County, Kansas “bouncing over the fences and barn tops....and no I wasn’t drinking”, our hope is to entertain our readers while laying out our knowledge base for low-Btu gas exploration (if not outright exploitation). We encourage your input, be it laudatory or outright mean spirited and we will respond to every inquiry.

The folks here at IACX believe that exploratory bonanzas are still possible in the Lower 48... they’re just not necessarily where you’ve been reading. Yes, there will always be those bold people who go after targets in the “sub-salt”, “deep water” or the ubiquitous “NEXT Barnett Shale – GUARANTEED!”. And to those brave, bold individuals – God Bless, we salute you! The world needs more wildcatters, not corner shooters. But we’re not talking to those diamond-bitted, tempered steel companies, smiling like Cheshire Cats as they ring the bell of the New York Stock Exchange....no, we’re talking to the vast population of frustrated, independent gas hounds that are looking for areas of upside, without the \$500/acre, quarter royalty dance card....AND without the 72 month payouts or the “on-bended-knee” drill site prayer sessions. It’s right under your noses, you basset hounds of American “blood ‘n guts” independent exploration. We’ll take you there and we want to help you reap the value.

In the coming news letters, we will visit the geology of the low-Btu space and provide helpful (or, um, not-so-helpful) hints for its exploitation. We’ll tell stories about those who came before, bet big and flared out in a not-so-Blue Flamed blaze of glory. The lessons they have provided should stick with you like a string of drill collars through a heaving shale. From log libraries guarded by blue headed little ladies to wild-eyed coffee shop confessions of plugged-out blowouts, “15MMCFD or I’ll be a son of a bitch”, we hope that this newsletter will inspire, inform, entertain and, most of all, cause explorationists to dust off some of those closeted well files or those wispy, water colored memories of wells drilled long ago with “un-marketable” gas flows.

We’ll put this newsletter out monthly, so feel free to sign up and we’ll keep you in the loop.

Disclaimer

IACX Energy LLC has taken reasonable steps to ensure the accuracy and reliability of the information contained in this newsletter. Nevertheless, while we strive for 100% accuracy in virtually everything we do, IACX Energy LLC does not guarantee the accuracy, completeness, efficacy or timeliness of the content of this newsletter, which includes information and accounts from third parties that have not been independently verified by IACX Energy LLC. We hope that this newsletter will inspire commentary, both positive and negative, and we encourage your comments. Ultimately, our goal is to inform natural gas prospectors of the potential opportunities that exist in the “low Btu” areas of the United States. Before pushing ahead on any prospecting endeavor, the reader is strongly encouraged to roll up their sleeves, do their homework and/or seek independent advice before spending a single nickel. Use of any information contained herein is voluntary, and reliance on the same should be undertaken after an independent review of its accuracy, completeness, efficacy and timeliness

Running High A Prospector’s Perspective

By Kelly Bushing

Where Does Geological Nitrogen Come From and Why Does it Matter?

If you search the AAPG database for studies relating to the genesis of associated nitrogen in natural gas, you’ll be disappointed. All in, I’ve been able to find three studies with only one of these being of post-1950 vintage – and in that case, a study of geological nitrogen gas in Germany (Ich bin nicht ein Berliner). Certainly, researchers haven’t had much interest exploring this topic because nitrogen has been, up until now, a destroyer of value. Most researchers agree that geological nitrogen is derived from multiple sources, though primarily from (1) organic rock (clays, shales and coals) and (2) Precambrian/mantle (primordial) rock. From a Rush County, Kansas well that was recently drilled, we collected a sample and sent it to Isotech Labs of Champaign, Illinois (link below) for isotopic analysis. This gas stream had approximately 56% nitrogen, along with 3.9% helium (absolutely a basement derived gas). The isotopic profile of the nitrogen from this well is indicative of a non-biogenic, primordial source. Research from Kansas University buttresses this observation, though from another angle: in Kansas, higher percentages of helium in natural gas show a strong correlation to higher percentages of nitrogen (see link below).

The point for explorationists is this: where there are Precambrian faulting events, there are almost always regimens of shallow, fluvial and deltaic depositional sequences in the shallow depths. The vestiges of the paleo-highs from the uplifting provides a robust fairway for low risk, shallow depth targets (<1,500 ft.) – and often in areas with excellent well control from much deeper drilling targets (“mapability”). A few uplifts that fit this profile are: Central Kansas, Nemaha, Matador, Red River and the Panhandle (TX).

Much more to come on this topic next month.

-Kelly

- Links to References -

Isotech Labs:

www.isotechlabs.com

KGS helium/nitrogen study:

www.kgs.ku.edu/PRS/publication/2003/ofr2003-57/P1-02.html

Let us talk to you about nitrogen & CO₂ rejection plant leases and JVs. Call: Scott Sears or Jeremy Jordan at (972) 960-3210.