

Tossing the Dice for an Oil 10-Bagger Potential

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November 9, 2006 Editorial from www.321energy.com

Some investors think of investing as gambling. They liken it to no more than tossing dice in the hopes of coming up with a winning number. Of course they are dead right.

So if you want to be comfortable in your investments, accept that you are doing little more than tossing dice. But if you are going to toss the dice and it doesn't matter if it's in Vegas or on the TSX, the least you need to know is what the odds are.

If you are rolling a pair of dice containing dots from a single dot to six dots, the odds of throwing a two are 2.78%. You can figure that out by dividing 100 by 36. There are a total of 36 combinations of numbers and only one of the 36 combinations is a two. That's all very interesting and if you are a crap shooter, even important. Alas, there is another even more important bit of information that we all need and use and don't even think about. And that is, What is the payout?

Which company will double quicker if gold goes to \$1000, Newmont or XYZGold, Inc?

When you thought about it, your thought process probably sounded like this: Gee, Newmont has the second biggest market cap in the gold business and big companies just don't move very quickly so the correct answer has to be that XYZGold, Inc would double faster. And I will admit, if XYZGold, Inc actually existed, it probably would double faster than Newmont even if the only gold they had was in their name. Big companies don't move either fast or much.

Someone contacted me this week regarding a new potential advertiser on 321energy called Montello Resources. When we had two or three advertisers, a new advertiser was a really big deal. It affected our diet. With three advertisers, we could afford to eat hot dogs. With the addition of a single additional advertiser, we could afford to have the electricity reconnected and by stealing a little water from the pool next door, we could actually afford to cook the hot dog.

Now we have loads of advertisers and we can afford to have a catering service deliver piping hot wieners with relish. So my general reaction to a new advertiser is a big yawn. We really would love to help out every junior but there is a limit to how much we can handle and frankly I'm getting sick of hot dogs.

Then I read their website to get a feel for what they have in the works. Lots of the information seemed to revolve around an oil well drilled in July of 2002 in Tennessee by a company called Pryor. Go read about Pryor Drilling. If it doesn't spark your attention, you may be on the wrong website.

Did you see the bit about the 750 barrels of oil flow? Per hour. Punch that in your Bomar Brain at \$59.60 per barrel. Do remember that there are 24 hours in a day.

If you read all through the Pryor site and through all the pieces linked on the Montello Site, at various times, the flow per hour was estimated at anywhere between 200 and 750 barrels per hour. And naturally anyone investing in oil wells understands that over time, pressure does go down so even 200 barrels per day would be a nice well. What I'm really trying to get across here is that Montello and their 50% JV partner Austin Developments are drilling on an extraordinary oil target with an incredible payoff.

Here's what you really need to know. Pryor drilled a well in Tennessee in July of 2002 called the Howard White Unit #1 well. It turned into a monster sized well, far bigger than anyone anticipated. The contractor drilling the well underestimated the pressure and the well blew out. As a bulldozer was creating a berm to contain the spilling oil, a major fire started. The

EPA stepped in and stomped all over everyone's toes and the project stood still for the past four years.

After the fire in 2002, plans for a 5 million cubic foot a day natural gas, "salvage well" were even derailed according to Pryor's site. Today the land on which Pryor's Howard White Unit #1 well was drilled sits quietly but it still has an enormous potential for legal and environmental issues. But not the property bordering it right next door. The Howard White #1 well, the blowout well, was drilled as close to the land boundary as possible and Montello realized it. A dozen companies tried to convince the land owner they were the best for the job but at the end of the day, the winner was Montello and their Alberta Operations personnel.

Then Montello spread the risk by doing a deal with a JV partner, Austin Developments, where Austin is contributing \$3 million US to drill three adjacent offset wells probably starting in January. Austin is paying 100% of the cost for a 50% net working interest and naturally Montello retains a 50% net working interest upon production. I've never heard of any project where the JV partner paid 100% to get 50% of a project. It is both an extraordinary deal for Montello and an incredible opportunity for Austin Developments. If any one of the three hits, both companies will literally be sitting on a gold mine. Of sorts.

This project took 2 1/2 years to set up. All of the agencies involved are ultra sensitive so the land owners wanted to be certain that both a confident and especially a competent operator was selected. With wells of this potential no one could afford a repeat of the initial problems. Montello created trust with the land owners and that should pay off in a big way.

They are drilling to 2,500 feet which is only about 50 feet deeper than you can dig with a shovel on a hard weekend. Lots of oil wells in Texas go to 8000-9000 feet. Drilling to 2500 feet is about as close to child's play as exists in the oil business.

As I write, Montello has a \$10 million dollar market cap in US dollars. Anyone who even knows what a Bomar Brain is can figure out that success in any one of the three wells would make the company a lot more valuable. You can guess oil flow as well as I can so you figure out for yourself if Montello is cheap or not.

The odds of hitting the oil pocket are high. The payout is absurdly high. Montello is an advertiser and we are shareholders. I love the story. It has high potential, high payout and will happen soon. I cannot be more biased. I love these odds. At \$.50 a share, I'd consider Montello fairly valued pre-drilling. Post drilling it's going to be a lot higher.

Montello Resources, Ltd
MEO-V \$.10 Canadian (November 8, 2006)
113.3 million shares
Montello Resources website <http://www.montello.com/s/Home.asp>

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