



# GALE FORCE PETROLEUM

February, 2012 Presentation

TSXV: 'GFP' - OTCQX: 'GFPMF'



**Reserves Estimates:** Throughout this presentation, the reserves estimates mentioned are extracted from the company's NI51-101 and Canadian Oil and Gas Evaluator's Handbook compliant reserves reports, and the estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation, and the estimated values disclosed herein do not represent fair market value.

**Cautionary Statement Concerning Use of BOEs:** Please note that the Company has used the term "BOE" herein, which may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

**Forward-looking Info Disclaimer:** This presentation may contain "forward-looking" information, including statements concerning the Corporation's outlook for the future, as well as other statements of beliefs, future plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. The forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the statements. These risks and uncertainties include availability and prices of oil and gas, supplies and equipment, product pricing, the competitive environment and related market conditions, operating efficiencies, access to capital, the cost of compliance with environmental and health standards, adverse results from ongoing litigation and actions of domestic and foreign governments. Gale Force Petroleum Inc. assumes no obligation to publicly update or revise these forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein do not materialize. Refer to the Corporation's annual report, management information circular, and other filings with the Securities Commissions and the Toronto Venture Exchange, as can be found on SEDAR, for further information on risks and uncertainties that could cause actual results to differ materially from forward-looking statements.

**Legal Notice:** Although considerable care has been taken in preparing and maintaining the information and material contained herein, Gale Force Petroleum Inc. makes no representation nor gives any warranty as to the currency, completeness, accuracy or correctness of any of the elements contained herein. Facts and information contained in the presentation are believed to be accurate at the time of the presentation. However, information may be superseded by subsequent disclosure, and changes may be made at any time without prior notice. Gale Force Petroleum Inc. shall not be responsible for, or liable in respect of, any damage, direct or indirect, or of any nature whatsoever, resulting from the use of the information contained herein.

**Gale Force Petroleum Inc. (TSXV: GFP, OTCQX: GFPMF)** is an aggregator of undervalued and underdeveloped shallow oil and gas reserves in the Gulf Coast and Central USA with an aggressive strategy to build reserves and cash flows through enhancement of current assets and the acquisition of additional properties.

## The Market Opportunity:

- Higher Oil Prices – Production in mature basins becomes highly profitable, new opportunities present themselves.
- Credit crisis of 2008-2009 – Mirroring real estate, oil and gas properties remain undervalued in key markets. The credit crisis forced many junior companies to shut-in wells creating an attractive acquisition landscape for aggregators with access to capital. Many small reserve opportunities at large discounts.
- New cost-effective technologies – New techniques and technologies reduce lifting costs, increase reserves, creating new opportunities.





# INVESTMENT HIGHLIGHTS

## High Growth Texas-based Oil and Gas Company

- Targeting underdeveloped oil properties Texas, the Gulf Coast and Central USA.
- PV10 2P reserves of \$40.5MM+ Marcellus Shale Property reserves.
- Production has increased from zero to **300 BOEs** per day since May, 2010.

## Solid Financial Position to Support Long Term Growth Potential

- TSXV Listing and OTCQX Market Give Access to Capital Markets
- Specialized oil & gas institutional investors own 34% of shares.
- Potential \$15MM bank line of credit with a 5% interest rate (current \$6.1MM ceiling).
- Hedging program to ensure positive cash flows.

## Significant Upside Potential

- At 25 cents, GFP's market cap of \$12.5MM versus NAV of ~\$50MM; a significant discount to comparatives on NAV per share basis.
- Additional acquisitions could add \$50-100MM PV10 2P reserves accretively.
- Short-term objective to increase production to 1000+ BOEs/day by end of 2012.



## **Michael McLellan, CFA, Chairman & CEO**

Mr. McLellan has over ten years of finance and general business management experience. Mr. McLellan became GFP's CFO in 2005. In 2007, he was appointed President and CEO, to orchestrate GFP's restructuring. Previously, he has worked in derivative markets operations (Deutsche Bank, London); helped to set up the financial systems for the ministries of the new Scottish Parliament; worked as an internal wholesaler and sales analyst (Pioneer Investments, Paris, France); contributed to the roll out of financial markets information systems with (Reuters for CIBC Wood Gundy, Canada). He has also built financial models for and provided advice to several engineering, manufacturing and governmental companies and organisations globally at various times

## **Emery Johnson, COO**

Emery Johnson is a seasoned executive with more than 40 years of experience in the Oil and Gas and Aluminum Industries. Mr. Johnson was Managing Director of Kaiser Aluminum Trading for Europe, Africa based in London, then for Kaiser's Canadian operations based in Toronto. Subsequently, Mr. Johnson, acquired an oil and gas company, which he grew through acquisitions and diligent management into the Colgate oil and gas properties, purchased by the Company on February 2, 2011.

## **Daniel Smith, P.E., Chief Technical Advisor**

Mr. Smith's primary occupation for the past six years has been as an owner and operator of two independent oil and gas companies in East and South Texas, where he has been involved in all aspects of oil company development, from prospect evaluation, development and operations for the drilling and completion of numerous wells. Previously, after graduating Cum Laude with a B. Sc in Chemical Engineering from Texas A&M University in 1996, he worked as a drilling engineer for Sonat Exploration Company, and subsequently managed field operations for XTO Energy where he specialized in hydraulic fracturing and artificial lift, and was directly responsible for managing fields in excess of 100 MMCFD.

## **Antoinette Lizzi, CMA, Vice President of Finance & CFO**

Ms. Lizzi has over twenty years experience in financial and executive management positions in private and public companies. Ms. Lizzi has been involved in helping the restructuring of several of these companies and has served on several boards of directors.

## **Ruben Alba – Director, Chairman of Reserves Committee**

Mr. Alba received his Chemical Engineering Degree from New Mexico State University and has worked in the oil and gas industry for over 13 years with Halliburton Energy Services and Superior Well Services. He has an intelligent, energetic and unique approach to complex reservoir problems involving geochemistry, geomechanics, surface logistics and environmental concerns; has introduced new and novel technologies involving new fluid chemistry as well as completion processes to reservoirs requiring cutting edge technology. Ruben now works with Iromad, a specialized, technical oil and gas consultancy. He holds three patents in unique completion technologies and is adept to the challenges of unconventional reservoirs.

## **Guillaume Dumas, LL.B. – Director, Chairman of Audit Committee**

Mr. Dumas is member of the Québec bar and has over fifteen years experience in mergers and acquisitions, private equity and asset-based lending. Mr. Dumas manages various investment funds and is a partner of Primatlantis, a boutique asset-based lender.

## **Robert Johnson – Director, Audit & Reserves Committee Member**

Robert Johnson is an accomplished executive and entrepreneur with experience in the technology and oil and gas sectors. He is currently the CEO of TeamSupport.com, a software company, and is also a General Partner in Chenango Capital, an early stage Venture Capital Fund. In 1996 Robert took over Sundance Digital, a software co. in the television media space, growing it into one of the largest providers of software in that sector, selling the company to Avid Technology (NASDAQ:AVID) in 2006. After the sale of that company, Robert led a small group in the acquisition of an oilfield services company and multiple oil and gas properties in East Texas, which were subsequently acquired by the Company.

## **Charles Marleau – Director, Audit & Reserves Committee Member**

Mr. Marleau is President and Co-Founder of Palos Management, where he is responsible for managing and trading the investment funds and supervising the administration of the fund. Charles graduated from McGill University with a Bachelor's degree in Economics and completed the Canadian Investment Manager designation. He serves on the Board of Directors of numerous private companies, a private school and a Canadian public company. Charles is also a member of the Institutional Equity Traders Association, Montreal University Club, Montreal Oil Club and the Young Entrepreneurs Organization.



**From Left to Right:** Keith Farmer, Randy Ellersly, Bud Simmons (in spirit), Ruben Alba, Charles Marleau, Daniel Smith, Emery Johnson, Michael McLellan, Robert Johnson, Antoinette Lizzi, Guillaume Dumas.



<b>Symbol (TSX.V):</b>	GFP
<b>Operational Headquarters:</b>	Dallas, Texas
<b>Year End:</b>	June 30, 2012
<b>As of:</b>	February 7, 2012
<b>Common Shares &amp; Preferred Shares<sup>1</sup>:</b>	50.3 million
<b>Warrants<sup>2</sup>:</b>	12.3 million (avg. \$0.38 strike)
<b>Options<sup>3</sup>:</b>	3.4 million (\$0.30 strike price)
<b>Fully Diluted:</b>	66.4 million
<b>Director &amp; Officer Ownership:</b>	19.4 million common shares (39%) 5.6 million warrants/options (35% FD)
<b>Institutional Ownership:</b>	17.2 million common shares (34%)

- 1) Of the 50,282,902 common shares and preferred shares currently outstanding, 11,694,698 are preferred shares, which are essentially non-voting common shares with no additional rights that were created to limit the voting influence of certain investors below TSXV thresholds.
- 2) Of the 12,266,056 warrants, 7,160,742 expire July 31, 2012, 2,105,314 expire May 5, 2013, and 3,000,000 expire on February 10, 2014.
- 3) Of the 3,400,000 options, they all expire 90 days following the termination of employment of their holder.



## New and Renewed Possibilities:

- Higher oil prices make extraction from mature fields and unconventional resources economic.
- New technologies reduce lifting costs, adding extra reserves to mature fields.

## Market Displacement:

- Credit crisis of 2008/9
- Ongoing Secular Bear Market
- Smaller operators have insolvency issues, allowing their operations to diminish.

## Opportunity:

- 5 Directors/Officers of the Company, with 75+ years combined experience, backed by large, specialized institutional investors, leveraging their associations and sourcing acquisitions in the Gulf Coast and Central USA.
- Growing reserves through accretive acquisition of undervalued and strategic assets.
- Leveraging both access to capital and operational sophistication to create value from low-risk assets.



## Acquisition Strategy:

- Methodology:
  - Buy to profit on PDP and PDNP only, plus additional upside from other non-proved reserves.
  - “Bankable” Reserves.
- Leverage proprietary network of new deals in East Texas and Central Oklahoma.
- Rigorous and systematic due diligence process.

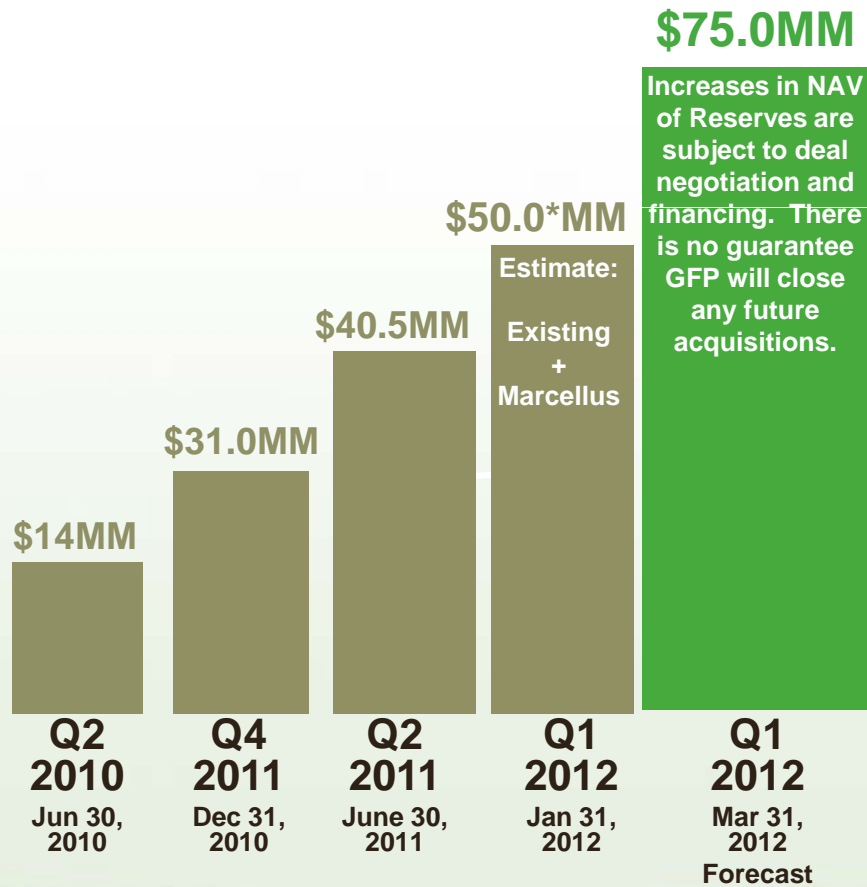
## Development Strategy:

1. Increase production and cash-flows.
2. Push reserves into high categories, PDNP to PDP, *Probable to Proved*.
  - Regular engineering and geological reviews monitor development priorities.
  - Highly experienced field operations personnel mitigate and reduce costs and risks of well maintenance and well re-activations.
  - Operations bases in East Texas and in Central Oklahoma building economies of scale into operations.

# ASSET BASE: CURRENT & FORECAST

## 2P Reserves (PV 10 Basis):

- MKM Engineering Reserves Report (October 7, 2010)
- Crest Engineering Reserves Report (December 20, 2010)
- Harper Engineering Reserves Report (October 26, 2011)



## Current Reserve Mix:

Proved Reserves: \$37.3MM plus  
Marcellus Reserves:



80% oil  
20% gas

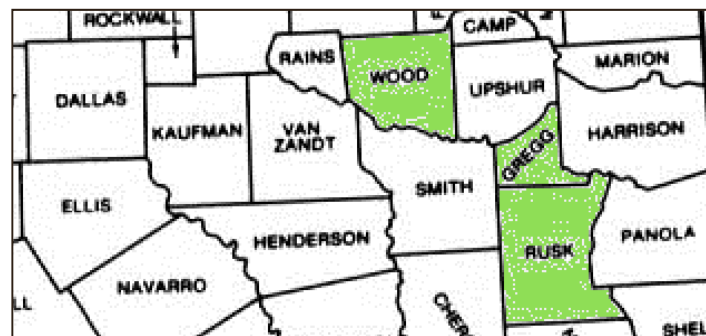
Probable Reserves: \$3.2 MM plus  
Marcellus Reserves:



80% oil  
20% gas

## East Texas Properties:

- Counties: Gregg, Rusk & Wood.
- Properties: Colgate, Kilgore, Gulftex, Pine Mills, Wells Ranch
- 1.5 Hours East of Dallas
- East Texas Field the largest oil field in NA
- Long-life reserves
- Established Production: **225 bbls/day**



East Texas Properties Location



Photo Sept, 2011: Lisa Layne Battery, Wood County

## South Texas Properties:

- County: Bee County
- Property: Thunder Properties
- Long-life Reserves
- Complex Geology
- Established Production:
  - **32 bbls/day & 120 Mcfs/day**
  - **Workover Program to increase production to 60 bbls and 175 Mcfs/day.**

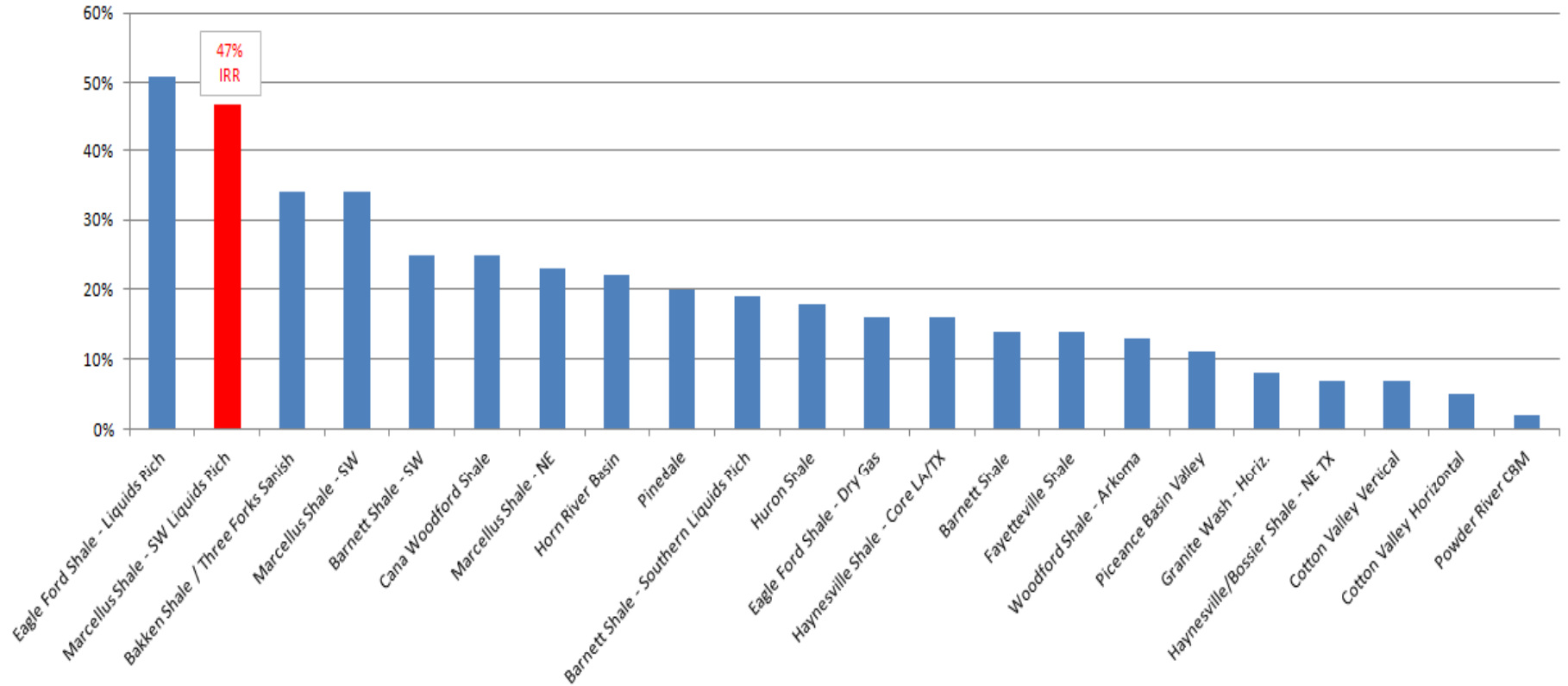


## Liquids-Rich Marcellus Shale Property (West Virginia):

- **Operator:** Public company with multi-billion market cap, has favourable service contracts.
- **Location:** Wetzel and Marshall Counties, West Virginia, in the centre of the 'wet gas' window of the Marcellus Shale.
- **Well economics:** IRRs of approximately 47% or more (see next slide)
- **Acreage & Working Interest:** 10,000 acres with 15 wells already drilled and up to 100 more wells / 0.3% working interest in existing wells before payout + 35% IRR, 1.3% working interest in new wells before payout + 25% IRR.
- **Well spacing:** 80 acres on pads
- **Deal back-story:** Seller sold 90% of acreage position to the operator and retained the right to participate for 10% of the 10,000 acres. Five times as many wells were drilled than were expected, and the seller did not have the capital to keep up with spending.
- **Tax advantages:** Up to 85% of investment can potentially be taken as IDCs and used for a tax deduction.



## MHR Active Resource Play



Source: Credit Suisse Equity Research 18/10/2011

Year	1	2	3	4	5	6	7	8+
WTI Oil	\$93.18	\$87.55	\$88.76	\$89.20	\$ 89.81	\$ 90.57	\$ 90.57	\$ 90.57
NYMEX C	\$ 4.09	\$ 4.15	\$ 4.69	\$ 5.00	\$ 5.22	\$ 5.47	\$ 5.47	\$ 5.47



- **GFP has acquired a host of “easy” reactivations and recompletion opportunities.**
- Focus on production and cash-flow increases, while continuing its acquisition program.

## Development Plans (January through September, 2012):

Property	Ownership	Plan Summary	Potential Production Increases (Net to GFP)*	Cost
Marcellus	1.3%	Complete, Tie-in existing drilled wells	60 BOE/day+	\$900,000
Wells Ranch	100%	Reactivate 1 well, optimize production on 2 others	20 bbls/day+	\$155,000
East Texas	85%	Reactivate 6 wells, Re-work 4 wells	50 bbls/day+	\$390,000
Thunder	100% BPO	Rework/sub-pump install 2 wells, facilities upgrade	30 bbls + 100 Mcfs	\$260,000
<b>TOTAL Increases</b>		<b>Increase Production From Existing Properties</b>	<b>160 BOE/day</b>	<b>\$1,705,000</b>
<b>Current Production</b>		Current production	300 BOE/day	
<b>TOTAL Company</b>		<b>Total Company Production at Completion</b>	<b>425-475 BOE/day</b>	

\*There is no guarantee that these operations will result in the forecast production, as there are engineering, operational and business risks that may hamper development plans.



## ACQUISITION PIPELINE

▪GFP has paid an average \$5.33/BOE for 2P Oil Reserves vs. industry average of over \$15.00/bbl

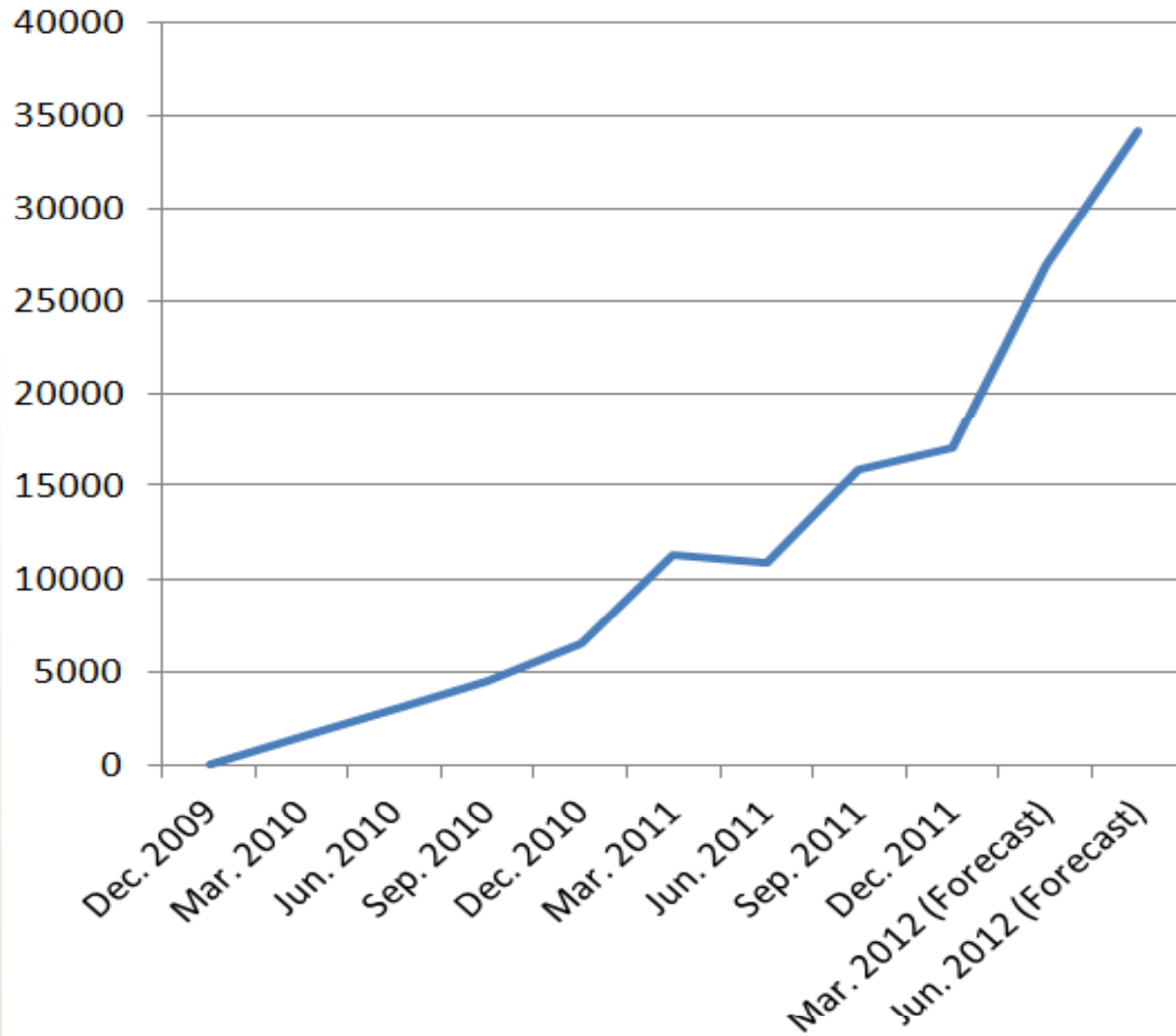
▪The following table summarizes GFP's existing properties, and shows some prospective acquisitions, which are under negotiation, subject to due diligence and financing:

Property	Acquisition Cost	Proved/ Probable Oil*	Proved/ Probable Gas*	Future Net Income, \$s	PV 10, Future Net Income, \$s	Acquisition Cost \$/BOE	PV 10 Reserves per Share	Established Production (BOE/day)	Sep/12 (BOE/day)
<b>Existing Properties</b>	<b>\$10,719,373</b>	<b>1,343,000</b>	<b>4,006,000</b>	<b>77,242,000</b>	<b>50,454,000</b>	<b>\$ 5.33</b>	<b>\$ 1.00</b>	<b>300</b>	<b>450</b>
Existing Properties Include: 1. Central Oklahoma, 2. Pine Mills, 3. Wells Ranch, 4. Gulftex, 5. Kilgore, 6. Colgate, 7. Thunder, 8. Marcellus.									
<b>Under Negotiation</b>		<i>estimated:</i>		<i>estimated:</i>	<i>estimated:</i>				
Acquisition 1 - TX	\$4,300,000	848,000	1,480,000	48,722,000	23,688,000	\$3.93	\$ 1.11	68	205
Acquisition 2 - TX	\$5,000,000	750,000	350,000	20,000,000	15,000,000	\$6.19	\$ 1.16	100	175
Acquisition 3 - TX	\$1,500,000	350,000	-	5,000,000	4,500,000	\$4.29	\$ 1.21	25	50
<b>Total Under Negotiation</b>	<b>\$10,800,000</b>	<b>1,948,000</b>	<b>1,830,000</b>	<b>73,722,000</b>	<b>43,188,000</b>	<b>\$4.79</b>	<b>\$ 3.48</b>	<b>193</b>	<b>430</b>
<b>Existing + All</b>	<b>\$21,519,373</b>	<b>3,291,000</b>	<b>5,836,000</b>	<b>\$ 150,964,000</b>	<b>\$ 93,642,000</b>		<b>\$ 4.48</b>	<b>493</b>	<b>880</b>

\*There is no guarantee that the Company will conclude the purchase of any of these acquisitions, and the reserves data for forecast acquisitions are rough estimates only, as due diligence and thorough engineering has not been completed.



## QUARTERLY PRODUCTION (BOEs, 90% Oil)



**Historical & Forecast  
Production Shown in  
the Chart From  
Existing Properties  
Only**

**Does not Include Any  
Potential Production  
from New Acquisitions**



## Production After Increases From Development of Existing Proved Reserves:

Historical /Current /Targeted Production	
April, 2010	No Production
June, 2010	40 bbls per day
August, 2011	165 bbls per day
January, 2012	300 BOEs per day
September, 2012*	420-475 BOEs per day

\*June, 2012 production target the result of the development plans on prior slide.

## Production Increases From Potential Acquisitions

Targeted Acquisitions*	
March, 2012	68 BOEs per day at Purchase -Plus: 150 BOEs from workovers, -Plus: 200 BOEs from new wells
June, 2012	100 Bbls per day at Purchase -Plus: 90 BOEs from workovers
June, 2012	25 Bbls per day at Purchase -Plus: 50 BOEs from workovers

\*There is no guarantee GFP will conclude any further acquisitions, as the deals remain to be negotiated, financed, and there is no certainty that the properties in GFP's pipeline will remain available at profitable prices.

By end of 2012:



**1000 + BOEs  
(80% Oil)  
POTENTIAL**

### Current cash position:

- Cash-flow positive operations
- \$600,000 availability under line of credit

### \$15 Million Bank Line of Credit

- 5% interest rate
- Up for Renewal in June 2013.
- \$6.1 Million availability, plus expecting \$2 million additional availability from Borrowing Base increase.

### Hedging strategy

- Floors (put options) on 4000 bbls per month at \$70.00 until June, 2013.
- Production Swaps for 2000 bbls for each month in 2013, at \$99.43 per barrel.
- Will hedge 75% of *proved developed producing* reserves, to mitigate insolvency risk of debt, and increase potential bank borrowing, which has lowest cost of capital.

## Rapidly Growing Texas-based Oil and Gas Company

- Targeting underdeveloped oil properties in Texas, Gulf Coast and Central USA
- PV10 2P reserves of \$40.5MM+ Marcellus Shale Property reserves.
- Production has increased from zero to **300 BOEs** per day since May, 2010.

## Solid Financial Support Position to Support Long Term Growth Potential

- TSXV Listing and OTCQX Market Give Access to Capital Markets
- Specialized oil & gas institutional investors own 34% of shares.
- Potential \$15MM bank line of credit with a 5% interest rate (current \$6.1MM ceiling).
- Hedging program to ensure positive cash flows.

## Significant Upside Potential

- At 25 cents, GFP's market cap of \$12.5MM versus NAV of ~\$50MM; a significant discount to comparatives on NAV per share basis.
- Additional acquisitions could add \$50-100MM PV10 2P reserves accretively.
- Short-term objective to increase production to 1000+ BOEs/day by end of 2012.





# GALE FORCE PETROLEUM

**Michael McLellan, CFA, Chairman & CEO**

**+1.514.294.6980 Montreal**

**+1.214.717.5421 Dallas**

**+1.514.313.5416 Fax**

**[MMcLellan@GaleForcePetroleum.com](mailto:MMcLellan@GaleForcePetroleum.com)**

**[www.GaleGorcePetroleum.com](http://www.GaleGorcePetroleum.com)**

