



Project Update – 05.16.07

Description

Monroe Gas Storage, LLC (MGS) is developing a new underground natural gas storage reservoir in northeastern Mississippi near the town of Amory. When completed, the facility will provide natural gas infrastructure support for two major pipelines serving the expanding energy needs of the southeast, mid-continent and northeastern United States. The facility will be constructed with the highest standards of safety and environmental concern, and when fully operational, is anticipated to have an estimated working gas capacity of 12Bcf.

Monroe Gas Storage, LLC, is a subsidiary of Foothills Energy Ventures, LLC (50% Owner, Developer & Operator) and High Sierra Energy (50% Owner). The project is being developed in stages:

- The initial work includes development of the storage reservoir, nine injection/withdrawal wells, construction of approximately 1.2 miles of gathering lines, installation of compression and related facilities and construction of a 5.7-mile pipeline interconnecting to the Texas Eastern Transmission (TETCO) pipeline.
- Subsequent development involves the construction of a 17.3-mile pipeline interconnecting to the Tennessee Gas Pipeline (TGP) in Lamar County, Alabama.

Project Attributes

- Phase I will interconnect downstream from a historical bottleneck on TETCO (Kosciusko)
- Depleted gas reservoir with high deliverability characteristics (multi-cycles per year)
- Phased approach enables initial phase to be operational for a portion of 2008 injection season
- Phase II of the project will enable additional hub services
- Inland location reduces potential of hurricane impact
- Project enables associated marketing and trading opportunities
- Safety advantages inherent with depleted reservoir

Current Status

- Acquisition of gas storage reservoir by Monroe Gas Storage completed October 2006
- Civil survey work complete on TETCO pipeline and 85% complete on TGP pipeline
- Reservoir optimization models complete
- Environmental surveys complete
- Preliminary indications of market interest received
- Anticipate FERC 7c filing June 2007