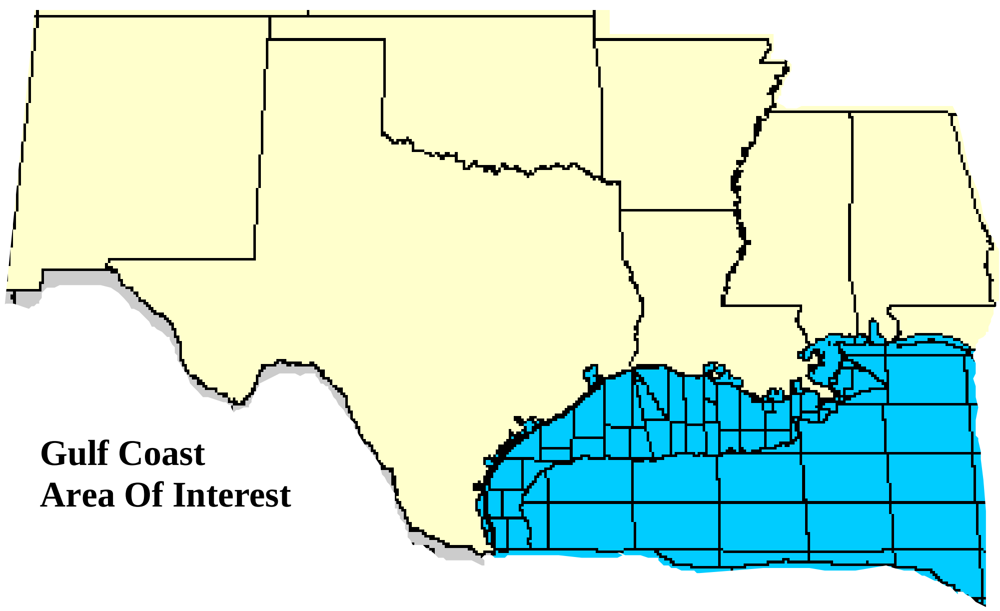
Dynamic Resources Corporation

locating replenishing reserves

Prospectus to Raise US$2,000,000.
For Dynamic's Gulf Coast AOI

H. Roice Nelson, Jr. and Dr. Sam LeRoy

22 January 2001



Access to this Prospectus is limited to Qualified and Sophisticated Investors. This means Investors must have a net worth in excess of US$1,000,000. (one million U.S. dollars), and be willing and able to risk the loss of the entire investment in Dynamic Resources Corporation's Gulf Coast AOI (Area-Of Interest). This Prospectus includes confidential and proprietary information, and it is delivered to the recipient with the express understanding that such information shall not be disclosed to anyone except persons in the recipient's organization that have a need to know the information for purposes of considering a relationship with Dynamic. The Prospectus was put together on 02 December 2000, and will be updated as additional and relevant information becomes available. If the recipient decides to not pursue a relationship with the company, please return this Plan immediately.

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Dynamic Gulf Coast AOI Prospectus Contents:

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Executive Summary Dynamic's Gulf Coast AOI (Area-Of-Interest)

Dynamic Resources Corporation (Dynamic) has prepared this Prospectus to raise US$2,000,000. and to seek a five-year 50% Business Partner. The monies will be used to fund: (1) exclusive business relationships within the AOI (Area-Of-Interest) with identified and receptive key technology providers; (2) purchase of leases in already identified exploration gaps, which will be used to demonstrate the power of Dynamic's technologies; and (3) development of 20 CLPs (new exploration Concepts, Leads [places and ways to look], and drillable Prospects), from which the Business Partner will be required to select three to drill and operate at their own costs, within twelve months of funding this prospectus, as a demonstration project to be used by Dynamic and the Business Partner to raise a US$100 million exploration fund for exploiting the AOI.

Funding this Prospectus is the next logical step in Dynamic's efforts to apply both internally-developed and under-appreciated commercial technologies to find previously untapped hydrocarbon reserves in the hydrocarbon prolific Gulf Coast AOI. Within the continental USA, this AOI accounts for the majority of historical hydrocarbon discoveries, and virtually all major discoveries made over the last 20 years. This investment provides a demonstration project, in addition to allowing Dynamic to obtain exclusive access to key commercial technologies and the hiring of a professional team of experts to collect and data mine the AOI using state-of-the-art region growing, principal component or factor analysis, and self-training classification pattern finding techniques.

The Business Partner's investment steps are: (1) fund this Prospectus for US$2,000,000.; (2) rank 20 CLPs provided by Dynamic within 6-9 months of funding, select three, and drilled them; (4) make the drilling results available to Dynamic; and (5) support raising an exploration fund of US$100,000,000. to exploit the most prospective portions of the entire AOI. In addition to all rights (except for a 3% overriding royalty interest or performance bonus to Dynamic) on 3 demonstration wells, estimated at US$1,000,000. each, projections show the Investor(s) will receive 3,300% return on their investment over the 5 years following raising the exploration fund (US$100,000,000). These returns will be from 20% ownership in any fields Dynamic discovers during this timeframe.

Dynamic was founded on May 22, 1991 in Houston, Texas for the purpose of commercializing the Global Basin Research Network dynamic replenishment research (see http://www.ldeo.columbia.edu/GBRN/doe_report/081593/0893.html. This proposal represents a unique opportunity resulting from technical advances over the last decade in understanding relationships between porosity, temperature, pressure, dynamic pressure shields, fluid migration, trapping, and fluid extraction. The principals associated with Dynamic developed these technologies, and are cataloging related Best Practices, in order to find and produce previously invisible hydrocarbons. Dynamic is the virtual oil company, and is exploiting how recent price increases have created economic incentives.

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Definitions:

- **AMI or Area of Mutual Interest**: geographically bounded regions where two or more parties agree to work together for the exploration for and exploitation of hydrocarbon reserves (see Appendix for Confidentiality and AMI Agreement).
- **AOI or Dynamic's Area-Of-Interest**: New Mexico, Texas, Oklahoma, Arkansas, Louisiana, Mississippi, Alabama, and the adjacent State and Federal Offshore Leases.
- **Assessment of Strategic Fit**: A formal analysis of the strengths of a stakeholder or an oil company in a certain geographical region or AMI, and the ranking of that stakeholder or company against other companies exploring for and exploiting hydrocarbon reserves.
- **CLPs**: New exploration Concept(s), Lead(s), and Prospect(s).
- **Concept**: A new trend, a new way to identify hydrocarbons, new theories, new models, new hypotheses, and new ways to measure the presence of hydrocarbons, all of which can be represented as dimensions in a statistical or mathematical space
- **Dynamic Replenishment**: Recharging of hydrocarbon reservoirs either from bipassed or deep biotic reserves and vertical migration tied to regional faulting.
- **Investment**: Money committed for definition of potential **CLPs** (Concept(s), Lead(s), and Prospect(s) in the AOI or an AMI. A subscription agreement will be forward to those Prospective Participants who so request.
- **Leads**: A description of where and how to look for hydrocarbons, Leads can be bypassed pays, pays deeper than current drilling, undrilled fault blocks, previously unidentified stratigraphic traps, geochemical traps, pressure seals, etc.
- **Performance Bonus or Overriding Royalty**: The equivalent of or a percentage of ownership in the production from a hydrocarbon reserve.
- **Prospects**: Lead(s), with well defined hydrocarbon trapping closure, usually confirmed today with a 3-D seismic survey. Structural closure can be due to anticlinal rollovers, updip faults, fault wedges, horst blocks, grabens, salt controlled closure, etc. Stratigraphic closure can be due to updip pinchouts, updip lithology changes, carbonate fracturing, channels, deltas, barrier beach bars, turbite sands, etc. Geochemical closures can be due to secondary porosity, temperature gradients, etc. Pressure closures can be due to pressure shields, geopressure, etc.
- **Risked CLPs**: Concept(s), Lead(s), and Prospect(s) which have been ranked or graded based on new exploration concepts, hydrocarbon source, migration pathways, reservoir rocks, seals, trapping, timing, drilling issues, transportation, economics, etc.

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Data Mining Technology:

Dynamic has access to all of the technology of the Dynamic Professional NetWork. These technologies includes state-of-the-art experience in geology (chronotectonics, structural styles, faulting patterns, chronostratigraphy, lithostratigraphy, diagenesis, geopressure, pressure shields, etc.), geochemistry (fluid generation, fluid sources, etc.), petrophysics (log analysis, stratigraphic correlation, low resistively sands, fluid prediction, etc.), traditional geophysics (satellite data processing and interpretation, gravity, magnetics, electrical, acquisition, processing, interpretation, etc.), reflection seismology (real-time acquisition, 4-D seismology, velocity analysis and time-to-depth conversion, AVO lithology prediction, seismic attribute analysis, fluid indicators, migration pathway prediction, trapping identification, etc.), and engineering (dynamic replenishment, frac jobs, etc.).

Probably more important than these traditional technologies, our combined experience allows us to identify where we have blind spots in physical space, concept space, as well as measurement space. Most exploration and development today is based on discovering the distribution of oil and gas reserves in physical space. Workstations and visualization tools have been developed to a remarkable degree to optimize this search through 3-D space. Reserves are also found based on concepts of how and why accumulations form. In concept space there are theories, models, and hypotheses which can be represented as dimensions in a statistical or mathematical space. Because of the harsh environments hydrocarbons naturally occur in, the actual reserves themselves are found based on physical measurements. Technologies which allow us to measure physical properties, can be extended to project measured properties as dimensions in a statistical or mathematical space. This allows identification of regions of measurement space with sparse or excessive coverage, both of which can be useful in an exploration, an exploitation, or a development program.

Reserves live in places we have not looked, in places where we don't know what to look for, in places where we don't think we need to look, in places we can't see clearly or at all, and where we lack the engineering tools to produce reserves at a profit. By looking at the data, and creating feedback loops between generating concepts and testing concepts, Dynamic has identified technologies to find these hidden reserves. The key technologies Dynamic has, allow us to mine data in information space, looking for correspondence between successful performance and all known factors, whether they be spatial, conceptual, or measurement based. In using state-of-the-art pattern finding technologies in information space, Dynamic looks for missing regions of knowledge, fills these blind spots by looking in new places, in new ways in old places, in new play fairways, in new concepts, and using new tools.

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Dynamic recognizes there has been significant payoff-per-effort in exploration and development cycles. In the Gulf of Mexico a plot of millions of barrels oil equivalent added by 100 wildcat wells shows a major climb to almost 1 billion barrels between 1930 and 1950 with the initial shelf exploration. However, this growth was followed by a steady decline down to less than 100 million barrels of oil equivalent from 100 new wildcats until the early 1970s when "bright spot technology" was discovered. From 1968 to 1972 addition of new barrels climbed back up to 500 million barrels of new oil equivalent added by 100 wildcat wells. This was followed by increased reserves based on subsalt exploration and then deep water exploration.

Using state-of-the-art pattern finding and data mining technologies, Dynamic intends to lead the next cycle of increasing production for a similar number of wildcat wells. We will use all of the information management tools available, and have and will continue to invent many of our own new tools to insure we retain a competitive advantage. Data mining and information tools we have access to and are using to identify CLPs include:

Cluster Analysis

A cluster of data is a non-random segregation of products into separate groups. Although there is no way to determine the correct (or even optimal) number of clusters, Dynamic anticipates identification of first order trends using cluster analysis. One must specify the number of clusters as an input parameter in order to run the program. Alternatively, the number of specified clusters can be progressively increased through several iterations. Each iteration of the analysis will deliver a "solution"; however, there are no strong criteria to determine which is the correct solution. The major problem in cluster analysis is "cluster validity." Another problem is that the results are commonly "assessed by visual inspection of a graph" (a dendrogram) which, by virtue of its two dimensional nature, cannot accurately portray the relationships between clusters. We anticipate our access to N-D immersive environments will minimize this issue. A final problem is that the output is produced in a form difficult to understand or use by decision-makers. Also we see an opportunity for visualization to assist in communication of results.

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Principal Component or Factor Analysis

Although Principal Component Analysis has similar problems to cluster analysis, except for a change in jargon, Dynamic will also use these technologies when appropriate. Mathematical purists can substitute "cluster validity" with "determination of significant eigenvectors" and "assessed by visual inspection of a graph" with "problems tied to projection" in the above discussion. Problems are further exacerbated due to the inability to describe and defend the concept that an eigenvector or a "factor" in any fundamental context of business decisions. However, Dynamic intends to use correlate any “factor” derived from mathematical or concept space into holistic synergistic data models in order to identify trends and to be better able to rank CLPs.

Self-Training Classification of Data

Our primary data mining tool is based on the concept of self-training classification of data. Ten years in development and testing, in conjunction with our partner Residuum Energy, Inc., Dynamic has developed new, more powerful, "data mining" software and procedures to produce maps and cross-sections using data sets that are cleared of the artifacts and inconsistencies commonly present in large data bases, removing a major obstacle to construction of databases containing millions of data points..

Proprietary "data cleaning" technologies insure reliable data is used in the analysis and when necessary can provide a "best estimate" correction based on analysis of the entire data matrix. Utilizing these tools Residuum Energy, Inc. has completed individual studies each involving 20,000+ wells and 40+ formation tops The software has the capacity to handle much larger data sets.

Data mining, pattern recognition, and self-training classifiers produce superior understanding of the data, types of activities, and customer trends. Dynamic sees a unique opportunity to use these data mining technologies in locating subtle traps in semi-mature hydrocarbon basins. This is accomplished by exploiting the giant databases that now exist for such basins. Well-based information, stratigraphic, engineering and production data, can be combined with other sources of commonly available information, such as gravity, aeromagnetic, and seismic, to yield a database with rich potential for understanding future hydrocarbon development.

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Introduction to Automated Self-Classification

Competitiveness in the modern business environment is increasingly driven by information technology that permits strongly based timely decisions. The formation revolution was made possible first by the spreadsheet concept and then by the ready availability of large capacity data storage, fast data retrieval and transmission, and good database design. The first stage in information technology centered on rapid assessment of large data volumes following spreadsheet and relational database paradigms. The second stage in the information revolution concerns development of digital "explorers" whose function is to:

1. Detect complex patterns and relationships among the data and
2. Report these findings in a manner useful to decision-makers.

This section discusses a new sort of data explorer program called a "Self-Training Classifier". Self-training classifiers are designed to determine complex relationships in large databases without being driven by pre-existing hypotheses. This seems at first glance to represent a leap backwards in that it is not driven by pre-existing theory concerning the underlying root causes of business dynamics. However, macro and micro economic theory is neither very robust nor complete enough to answer the day-to-day needs of corporate practice. A key concept being pursued is that data is deterministic, in that it does speak, and data is a precursor to decision making. Understanding the structure of and relationships within data results in better decisions.

Dynamic has constructed a numerical procedure tailored to both the complexity of data and the objectives of the data analysis. Tailored to overcome the obstacles encountered by previous attempts to extract information from data complexes it is designed to explore an n-dimensional data space and return with significant insights easily understood by decision- makers.

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Delineation of Data Structure

Corporate data consist of a complex of inter-correlated data. The simplest representation of this is displayed in a simple spreadsheet consisting of rows and columns. Commonly rows represent a physical or economic entity and columns define a set of attributes of that entity. For instance, rows can represent products and column represents various attributes of each product. An attribute (such as weight) commonly varies from product to product, as does another attribute (say cost). In addition the cost of a product may in some way depend on its weight. The pattern of non-random relationships present in a spreadsheet among attributes and products is defined as the data structure. Exploratory data analysis is the procedure designed to ferret out these relationships and report them in a manner appropriate for decision-making. Each row in a spreadsheet represents an entity (a product, a person, a company) and the columns represent values of a set of variables associated with that entity. Graphically, an entity represents a point defined by its location with respect a set of axes. The value of an entity can be displayed by its location on an axis (labeled for instance "cost"), each axis representing a variable. If only cost and weight are the only variables, a point on graph paper can represent a product. However, the number of variables (columns in the spreadsheet) is commonly far more than two. If we have "n" variables (columns) then a point defined by its position measured against "n" axes can represent the product.

Self-Training Classification

We cannot visualize the location of a points graphed into a space containing ten axes that are all mutually perpendicular for this would require an ability to "see" in more than three-dimensions. The relationships between samples in this n-dimensional space carry large amounts of information. Dynamic’s proprietary technology is designed to allow us to explore this hyperspace by proxy and then report to us in a framework intelligible to us mere mortals and represents the most highly evolved procedure as an n-dimensional self-training classifier. Self-training implies that the data structure itself defines the output rather than an a priori assessment of the important underlying factors. Thus, patterns in n-space determined by relative positions of product locations define the associations between products and variables. The Dynamic approach differs in many ways from other self-training classification procedures. A major difference is that the analysis does not equate the degree of practical importance of a class with the fraction of the variability of the total data set that it accounts for. We recognize, for example, that a few parts per million of dioxin on an industrial site impacts a corporation far more than several tens of percent of iron. In this respect, it differs from procedures such as principal component analysis or factor analysis, which were described above.

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General Characteristics of Archetypes and Hybrids

The basic idea behind this technology is that entities such as products or people can be analyzed with respect to archetypes or "end-members". An end member is defined in the same terms as a product, that is, as a set of values of the same variables as used in the original spreadsheet. An end member therefore may be represented by a real product or may be defined by a set of variables that can potentially be a product. An archetype is defined as "a model of all things of the same type". Commonly real entities may approach an archetypal state but seldom attain it. Also many entities may be hybrid, i.e., a mixture of archetypes. For example, there may be three sorts of customer, each sort represented by an archetype defined by their buying habits; and all customers may be defined by a characteristic set of proportions that represent the "mix" of archetypes in that individual.

Polygons, Polyhedrons... Polytopes-the basis for classification

A polytope is a polygon of any dimensionality. A two-dimensional polytope is a polygon; a three-dimensional polytope is a polyhedron, and so on. We are interested in a certain sort of polytope generalized into any number of dimensions. In two dimensions it is a triangle, in three dimensions it is represented by a tetrahedron (a four sided pyramid), and so on into higher dimensions. The number of corners (vertices) of each polytope is one higher than the number of dimensions in which it resides. Thus a triangle (a two dimensional polytope) has three vertices. In the context of the following discussion, each vertex can represent an archetype or kind of entity and any point within or on the Polytopes represents classification of an entity in terms of relative proportions of an archetype. Obviously, an infinite number of Polytopes can enclose a cloud of data. The challenge we faced was to derive a special or unique Polytopes, sensitive to the data structure and carrying the most easily interpretable information. The developers worked, on a variety of "bottom line" problems such as environmental fingerprinting, litigation support, petroleum exploration and production strategy, medical image analysis, and mineral exploration. Success or failure in any of these fields is predicated on sound data analysis coupled with an inherently effective means to transmit the results to decision-makers. Automated self-classification technology is designed to require few assumptions about data structure. Therefore it is not necessary to assume the existence of, normal frequency distributions, of the linkage of the magnitude of variance to the degree of importance, or that the data is clustered.

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Capacity

The maximum number of archetypes is defined by the nature of the data matrix. The maximum potential number of archetypes derived must be equal to or less than the number of columns (cases) or rows (attributes) whichever is the lesser in the data matrix. Practice has shown that at least 15 to 10 cases should be included. The maximum number of cases that can be analyzed in a single analysis is virtually unlimited.

Other Procedures

In the absence of a strong underlying theory, self-training is a prudent approach. However, as described above, the self-training classification can be accomplished in at least three very different ways: cluster analysis, principal component / factor analysis, and Polytopic Vector Analysis (PVA). The first two procedures have been used and refined for decades. As described above both have inherent problems that limit generalized application.

Dynamic has a close working relationship with principals Chroma Energy, who have developed factor analysis tools for deriving patterns from 3-D seismic surveys. They have developed tools which can be used to provide a qualitative estimate of potential reservoirs, including estimation of where reservoir quality rock is and is not present, as well as the ability to distinguish between thick and thin beds. They limit pattern finding based on spatial extent, morphology, and anticipated reservoir characteristics.

In addition, two of the principal contributors to the Global Basin Research Network (GBRN), Albert Boulanger and Dr. Wei He, have also been involved in developing and applying factor analysis. They have been involved with Dynamic since 1991, and have a very close working relationship with the principals. Following the major effort with the GBRN Albert and Wei have continued to be key contributors in research associated with time-lapse (4-D) seismic, the Lamont Portfolio Consortium, and subsequent work with C.E.S., LLC (see www.ces-enterprise.com) and vPatch Technologies (see www.vpatch.com). Of immediate interest to Dynamic is their groundbreaking work in reconciling and normalizing multiple 3-D seismic surveys covering the same area in order to allow scientific exploration of acoustic impedance changes over time, new inversion technologies, manifolding and differencing 4-D seismic surveys, cataloging over 200 region growing algorithms, developing new algorithms for automatic seismic interpretation, procedures to identify permeability pathways, and development of new tools to handle and visualize very large data sets.

Dynamic, thanks to the Dynamic Professional NetWork described below, will use the best and most cost-effective solutions to provide our investors and Business Partner's quality CLPs within 12 months of funding within the Gulf Coast AOI.

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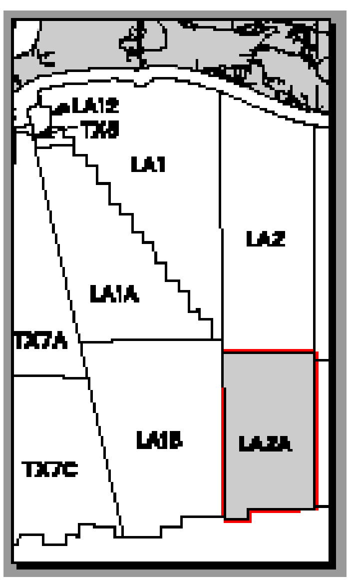
Investment Opportunities for Current Dynamic AMI Agreements

As of 04 December 2000 we have defined 5 Areas of Mutual Interest (AMIs) within our AOI, each of which have high probability of containing major undiscovered reserves. Although these are separate investment opportunities, we have included these brief descriptions in this Prospectus because the AMIs will be ranked among active exploration areas when the US$100,000,000. exploration budget is raised. Each AMI has already produced very large amounts of hydrocarbons. Remaining reserves will occur as bypassed pay in known fields and in subtle traps not easily resolved using conventional seismic procedures. An attractive aspect of each AMI is the fact surface infrastructure already exists for gathering, transporting, and refining newly discovered hydrocarbons.

Each AMI has been heavily drilled and contains large numbers of producing wells. Therefore a rich database can be assembled that can be used to guide further exploration. Besides stratigraphic tops, the data includes such information as results of Drill Stem Tests, properties of produced fluids and gasses, decline curves, gravity and magnetic data, and seismic data. Experience in other areas indicates that a systematic "data mining" approach to this data can produce new play Concepts, Leads, and drillable Prospects (CLPs). Data mining is a new procedure in petroleum sciences and is a young field in general. Dynamic Resources Corporation has assembled the best experts to guide the data mining effort. We propose to link this new data mining approach to the expertise of geological and geophysical explorationists who have in-depth experience in each AMI. The results will provide a competitive edge in locating lower risk prospects.

1. **East Cameron South Addition AMI**.



First phase budget: US$800,000.
Not yet funded

Funds will be used to obtain potential field and spec 3-D seismic data across four blocks under AMI, to perform prestack depth migration processing on the spec seismic survey, and to do an integrated interpretation of the data to determine if there is a sand fairway across the prospect, and to qualify a good subsalt prospect.

A second phase budget commitment of US$25 million is anticipated for a planned 20,000+ foot well through the salt weld. Risk of sands not being present will be addressed in Phase 1. Anticipated production is beneath geopressure.

Team Leader: H. Roice Nelson, Jr

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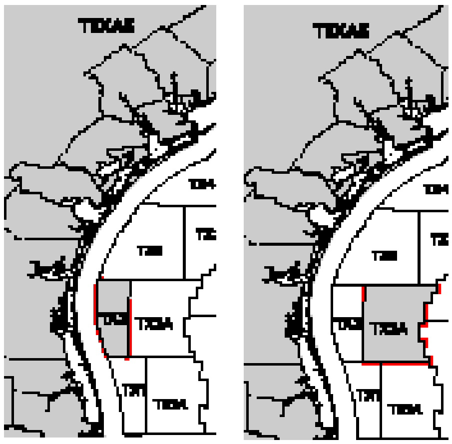
2. **North Padre Island AMI**.



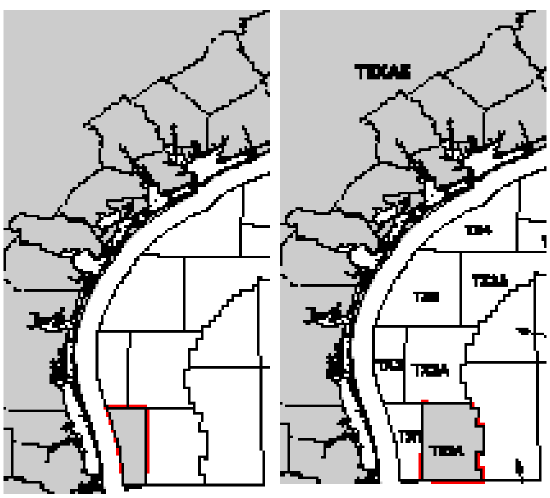
First phase budget: US$275,000.
Not yet funded.

Funds will be used for data transcription, reprocessing of 2,000 miles of seismic data to extract velocity information, due to a 35% velocity change across the area, and AVO processing. Five strong leads and one prospect are currently defined. All six CLPs are close to existing production. The prospect is available for farmout on a third for a quarter basis. US$1.5-2.0 million dollar well cost, will earn 75% interest in the block.

Second phase budget will include purchase of 6 leases in the fall of 2001 for approximately US$1.2 million total. We anticipate 10 leads coming out of the seismic reprocessing and to be able to successfully bid on six blocks.

Team Leader: Dick Coons

3. **South Padre Island AMI**.



First phase budget: US$225,000.
Not yet funded.

Funds will be used for data transcription and reprocessing of 1,000 miles of seismic data. There is a 25%-35% velocity change across the area. The structure in the shallow water portion of the area is low relief, and thus velocity changes significantly affect the depth structural highs relative to the travel-time structural highs. The leads are small, and yet one submarine fan which has been defined covers about 80 square miles, or portions of 10 blocks. The uncertainty for this area is the amount of sand. The task is to accurately map the deep water depositional features from the seismic.

Second phase budget will include bidding on 6-10 leases in the fall of 2001 for approximately US$1.6 million total. We anticipate 5 leads, which will cover relatively large areas, and to be able to successfully bid on eight blocks.

Team Leader: Dick Co

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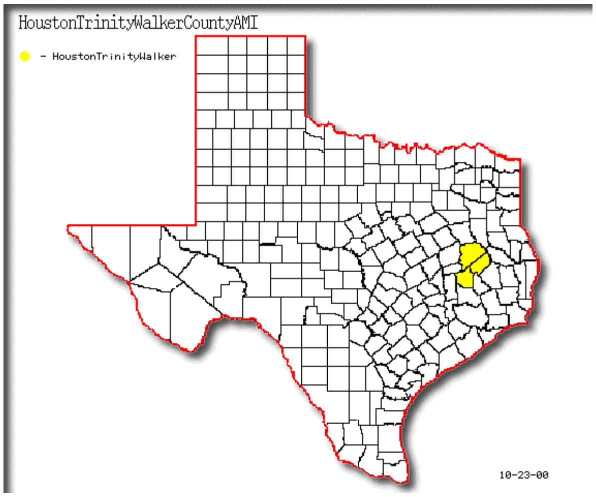
4. **Houston, Trinity, and Walker County AMI**.



First phase budget: US$200.000 to repurchase leases and study speculative seismic data in the area.

Second phase budget will include a well test to exploit the Cotton Valley Reef Trend and test the identified undrilled and deep Lovelady Prospect. We anticipate the 20,000 foot test well will cost US$3.0 million.

Team Leader: Alf Klaviness

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5. **Offshore Eastern Louisiana AMI**.

The Dynamic Offshore Eastern Louisiana AMI includes the Federal Lease Blocks in Grand Isle (Figure 1), Grand Isle South Addition (Figure 2), West Delta (Figure 3), West Delta South Addition (Figure 4), South Pass (Figure 5), South Pass South and East Additions (Figure 6), Main Pass (Figure 7), and Breton Sound (Figure 8).

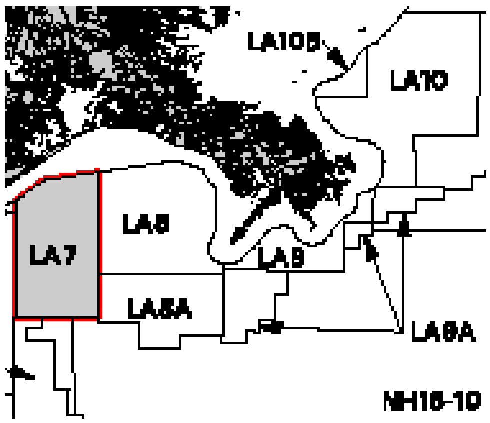

Figure 1. Grand Isle

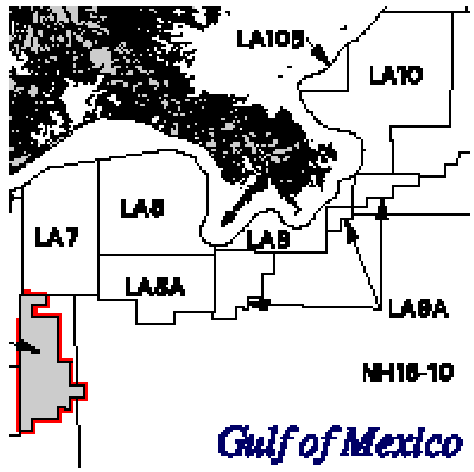

Figure 2. Grand Isle South Addition

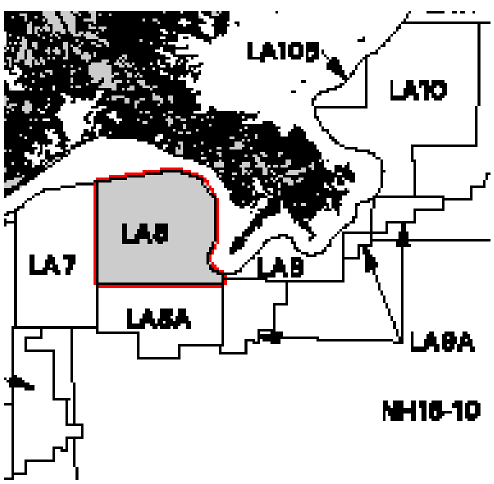

Figure 3. West Delta

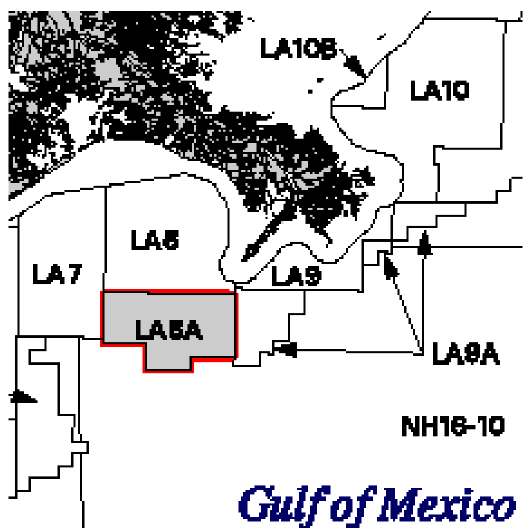

Figure 4. West Delta South Addition

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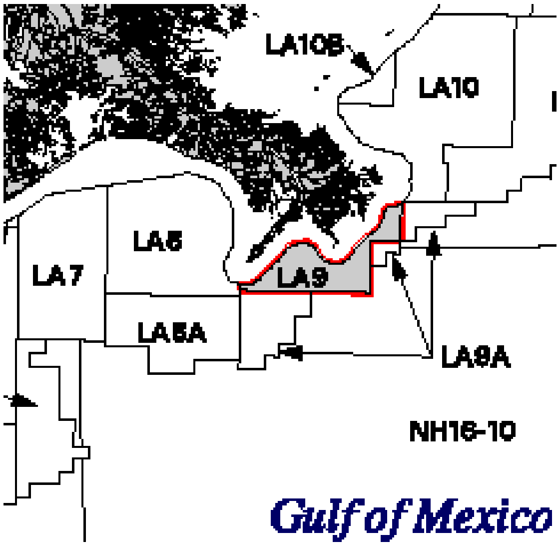

Figure 5. South Pass

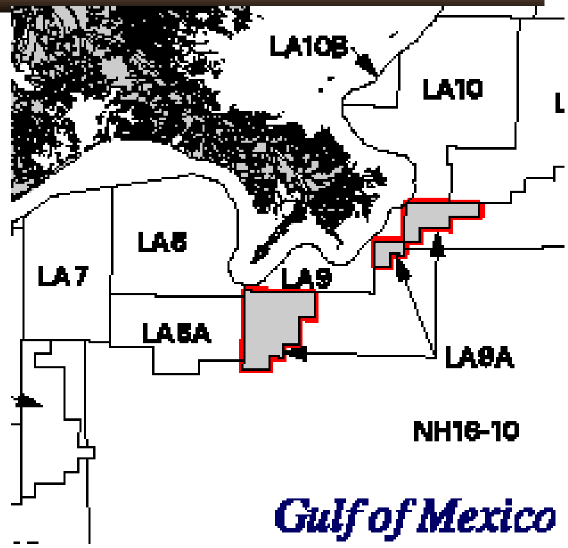

Figure 6. South Pass South and East Editions

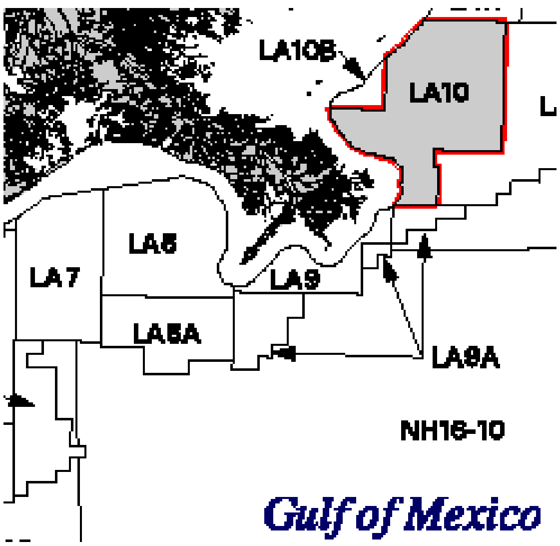

Figure 7. Main Pass

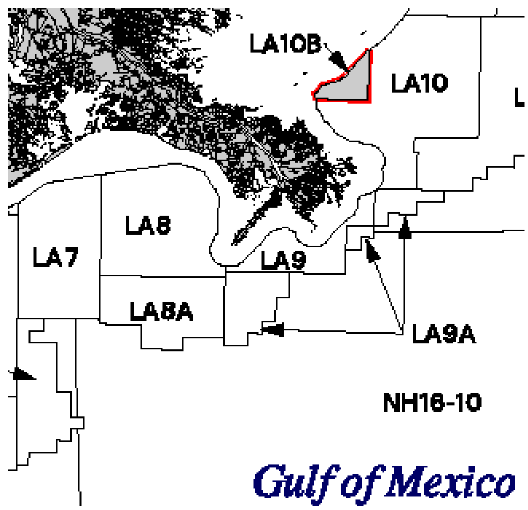

Figure 8. Breton Sound

Phase one budget: US$2.0 million.   Not yet funded.

Phase one funds will be used for a 12 month study which will require building infrastructure, data acquisition, data mining, pattern finding, new exploration concept generation, lead identification, prospect definition, assessment of strategic fit analysis, and the ongoing costs of operations. This AMI proposal is being taken to companies with an extensive lease position in the AMI. The second phase budget is US$50 million. Team Leader: Dr. Sam LeRoy

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Details of the Gulf Coast AOI

The Dynamic Gulf Coast AOI is defined above as including New Mexico, Texas, Oklahoma, Arkansas, Louisiana, Mississippi, Alabama, and the adjacent State and Federal Offshore Leases, as shown in Figure 9 below:

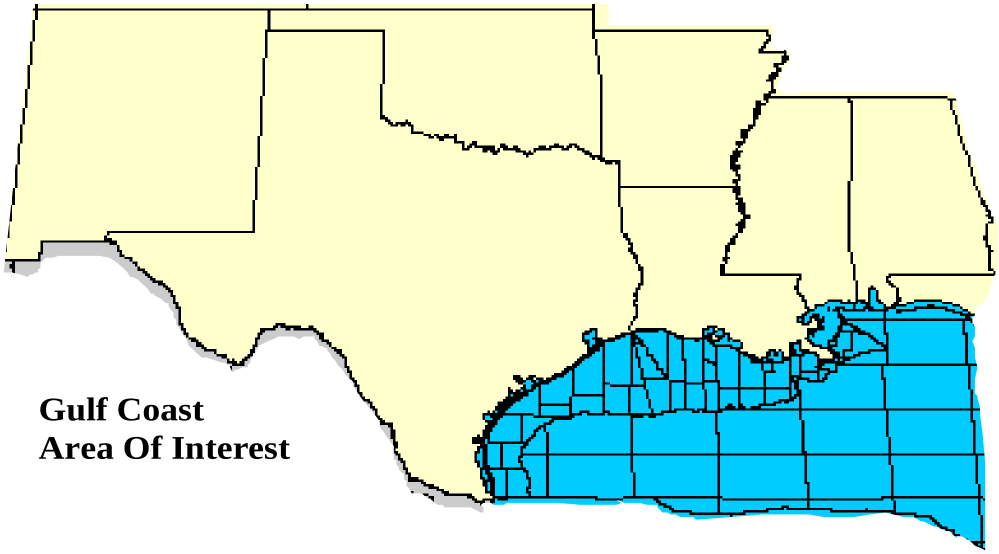

Figure 9. Extent of Dynamic's Gulf Coast AOI.

The Eastern Offshore Louisiana AMI (which includes Federal Water Lease Blocks within Breton Sound, Grand Isle, Grand Isle South, Main Pass, South Pass, South Pass East and South Additions, West Delta, and West Delta South Addition as defined in the section above) covers than 1% of the geographic area encompassed by the Gulf Coast AOI. It is significant to note that in the Eastern Offshore Louisiana AMI, Dynamic commits to identify 200 new exploration Concept(s), Lead(s), or Prospect(s) at less than $10,000 each within 12 months of finalizing fundraising for this or an equivalent AMI. This is possible because the first area Dynamic studies will demonstrate a new statistical class of data-mining driven definitions of exploration and exploitation opportunities.

It is the opinion of Dynamic principals as well as the Dynamic Professional NetWork that the best place to look for hydrocarbons is where there is current hydrocarbon production. For example, Table 1 below shows that 11.7% of the Proven Development Producing (PDP) and Proven Active Non-Producing (PDNP) fields are within the boundaries of the Offshore Eastern Louisiana AMI. These fields include 31.12% of proven oil reserves and 11.95% of proven gas reserves in the Gulf of Mexico. They represent 36.68% of oil production through 1997 and 12.74% of gas production through 1997. And these fields represent 12.99% of remaining proven oil reserves and 8.68% of remaining proven gas reserves in the Gulf of Mexico Outer Continental Shelf as of December 31st, 1997 according to Mineral Management Services.

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Table 1 below summarizes relative production in the Offshore Eastern Louisiana AMI versus the entire Gulf Coast AOI. Dynamic has assembled a first class team of proven oil finders to study the Gulf Coast AOI. The team has access to the latest developments in pattern finding and data mining tools and we are firmly convinced this will provide a unique opportunity to identify at least buffalo class fields, hidden among the Gulf Coast elephants. The key to Dynamic's success will be letting the data present trends and patterns in N-dimensional information space, and then translating those trends and patterns into physical space in order to be able to predict bypass pays, undrilled fault blocks, missed stratigraphic plays, geopressure seals, thermal anomalies, and previously unidentified geochemical CLPs.

Table 1.--Estimated oil and gas reserves for 957 proved and 51 unproved fields by area, Gulf of Mexico, Outer Continental Shelf, December 31, 1997, MMS

(Reserves: oil expressed in millions of barrels at 60 F and 1 atmosphere;
gas in billions of cubic feet at 60 F and 15.025 psia.)

Area(s)	Number of fields Proved active prod	Proved active nonprod	Proved active nonprod	Unproved active	Unproved studied	Expired nonprod
Grand Isle	13	2	1	0	0	2
Main Pass & Breton Sound	47	1	10	8	4	7
South Pass	12	1	0	0	0	1
West Delta	19	1	5	0	0	2
Totals Offshore Eastern Louisiana AMI:	***91***	***5***	***16***	***8***	***4***	***12***
		112				
GOM Total:	755	34	168	67	51	126
		957				
Ratio AMI :TO: GOM Total:	12.05%	14.71%	9.52%	11.94%	7.84%	9.52%
		11.70%				

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Table Continued . . .						
Area(s)	Original proved reserves		Cumulative production through 1997		Remaining proved reserves	
	Oil	Gas	Oil	Gas	Oil	Gas
Grand Isle	931	4,329	871	3,891	60	438
Main Pass & Breton Sound	981	5,480	820	4,488	161	992
South Pass	1,017	4,124	928	3,390	89	734
West Delta	1,326	4,997	1,219	4,489	107	508
Totals Offshore Eastern Louisiana AMI:	***4,255***	***18,930***	***3,838***	***16,258***	***417***	***2,672***
GOM Total:	13672	158422	10463	127640	3209	30782
Ratio AMI :TO: GOM Total:	31.12%	11.95%	36.68%	12.74%	12.99%	8.68%

Location, Location, Location.

Most petroleum basins on continental margins contain trends of concentrated oil and gas accumulations. Usually structural in nature, the richest parts of these trends often mark the overlap of good conditions in trap, reservoir, seal and source-migration history. The Gulf of Mexico Basin itself is marked by distinct geographic zones of intense hydrocarbon accumulation.

Figure 10 on the next page shows cumulative production in Barrels Oil Equivalent (BOE) per 400 square kilometer area. For the offshore, this map is essentially saying "how much hydrocarbon would you buy if you leased 16 contiguous federal lease blocks?" Concentrations range from 0 to 1.5 billion BOE. Attractive prospective structures with good reservoir sands occur under almost the entire area. The next question to ask is "what creates the concentration patterns seen in the Gulf Coast AOI?" Good sealing shales are well developed between reservoir quality sands in this basin. This leaves source and migration as candidates for factors which control whether seemingly equivalent areas will produce 25 million or 500 million BOE.

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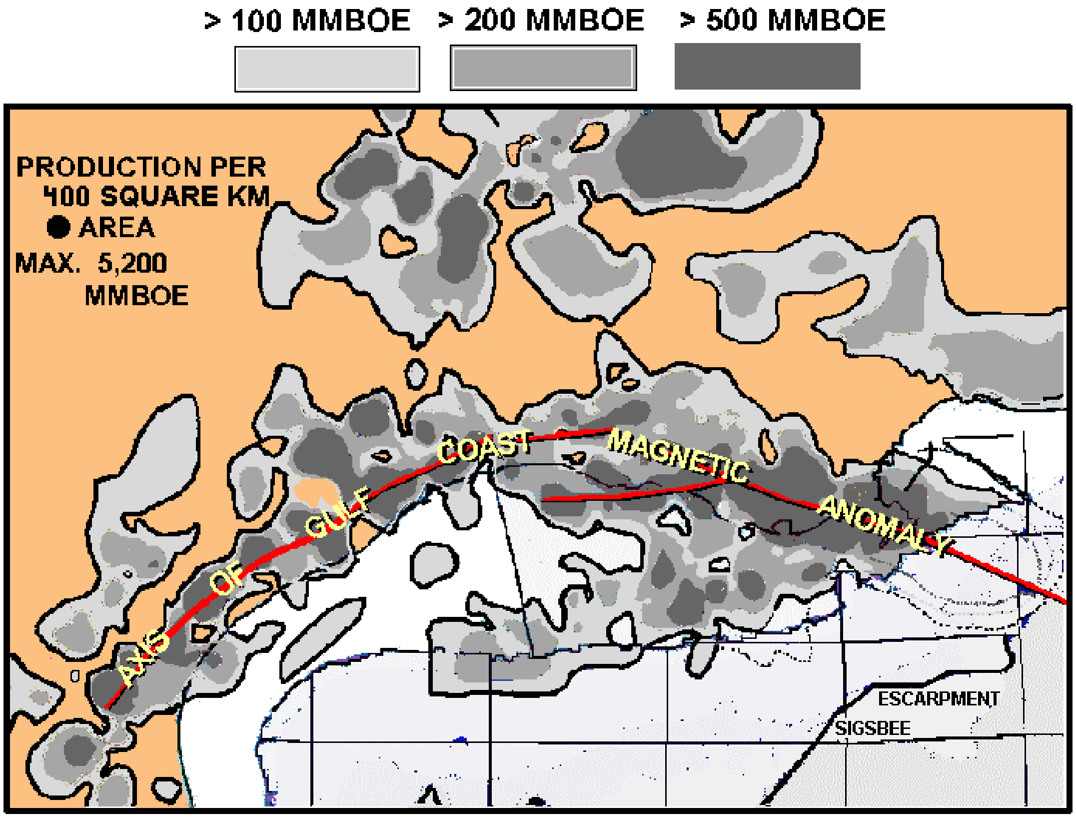

Figure 10. Concentrated volumes of known hydrocarbons.

Deeply buried crustal features seem to be the primary control on the location of these rich concentrations. For example, in Figure 10 the axial line for the Gulf Coast Magnetic Anomaly (GCMA) is shown. The anomaly runs along the coast and then moves offshore at the Birdfoot Delta. The anomaly also runs along the axis of the main Tertiary producing trend in the northern Gulf Basin. Along this rich zone, ages of producing reservoirs range from Eocene to Upper Miocene. Trapping structures vary from growth-fault rollovers to salt dome flanks. The common thread that ties these fields together is their association with the anomaly. Magnetic and gravity modeling of the GCMA indicate that it most likely represents a boundary between thinned continental crust and oceanic or extremely attenuated continental crust. We expect the data-mining approach to lead to improved understanding of oil and gas migration through deep-seated geopressure anomalies. This in turn should lead to new exploration and development targets – Concepts, Leads, and Prospects (CLPs).

Large integrated oil companies have regularly gone through and reworked exploration and production study areas from the ground up in order to get a new set of eyes and

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experience to look at the data and see if invisible or hidden hydrocarbons can be identified. This reworking has occurred every time a new exploration concept is identified, as highlighted in Figure 11 below for the Gulf Coast AOI:

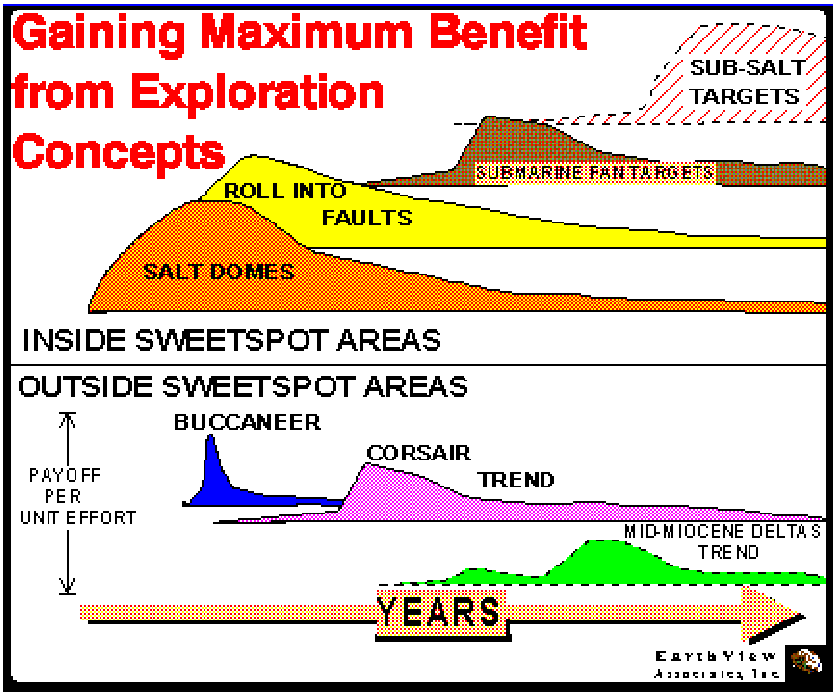

Figure 11. Seven Exploration Concepts across time.

Except for the East Cameron South Addition AMI, neither Dynamic, nor any member of the Dynamic Professional NetWork who is working this AOI, have written agreements, leases, performance bonus or overriding royalty interests, nor working interest participation within this study area. However, the team has extensive experience and a proven track record of finding hydrocarbons in the Gulf Coast, and in similar basins with similar geology, as well as similar structural and stratigraphic styles.

A data mining study as comprehensive as Dynamic is proposing in this Prospectus has never been undertaken before. Based on experience in doing subset studies, the Gulf Coast AOI Team has no doubt that there will be significant new breakthroughs, that will have direct application in other geologic basins around the world. Again to state specific deliverables, Dynamic commits to identify 20 new exploration CLPs, within 12 months of finalizing fundraising, and with a business partner to drill 3 exploratory wells to demonstrate the power of the technologies. The goal is then to go and raise a US$100 million drilling fund, to exploit the technologies within the AOI.

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Summary - Factors leading to the Gulf Coast AOI hydrocarbon concentrations.

The payoff to looking at a frontier basin comes when the "sweetspots" are found and produced. By looking within the Gulf Coast AOI with the new data-mining and pattern recognition tools, Dynamic can gain useful insight into how and where to find the best remaining reserves. The proposed project will improve our picture of the detailed mechanisms which connect deep structure with the main pay levels in the Gulf Coast (see Figure 12). The empirical association between deep structure and pay means that explorers who can predict the connection between source with reservoir will be rewarded with world-class discoveries. Table 2, below, shows that major discoveries continue to be found within the Gulf Coast AOI. This is further shown by Technical Supplement 2.

HYDROCARBON CONCENTRATION CONNECTS TO DEEP STRUCTURE

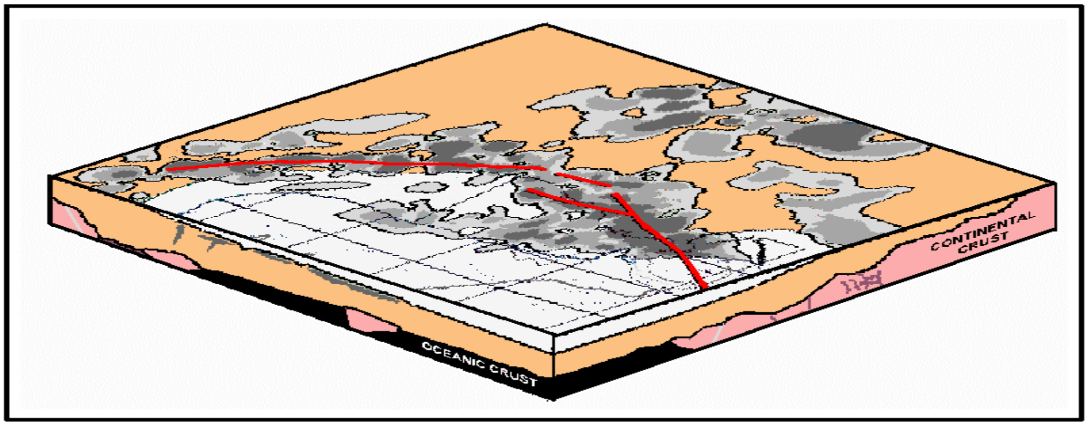

Figure 12. - 3-D view of concentrated volumes of known hydrocarbons in the US Gulf Coast Basin.

Table 2. Recent reserve additions and ultimate recovery by area on the Gulf of Mexico OCS Shelf.

	1983-1990 Reserve Adds (million BOE)	1991-1998 Reserve Adds (million BOE)[a]	Ult. Recovery 12-31-1998 (million BOE)
South Texas	947	611	1,918
North Texas	938	685	3,192
West Louisiana	1619	1137	8,792
Central Louisiana	2604	2471	14,848
East Louisiana	1443	1353	8,096
MAFLA	163	309	472
Total	7713	6567	37,317

a. Source: NRG Associates, The Significant Oil and Gas Fields of the Gulf of Mexico Database

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Visualization Technology:

Dynamic also has access to state-of-the-art immersive visualization environments. These environments enable human-scale, true 3-D projections of the subsurface to be used to both visually find patterns in existing data and to present results to investors and stakeholders. For example, we know from past studies that once all of the tops in a field are placed in their proper spatial position, it immediately becomes visually obvious where there are gaps in production. Adding geophysical and production data to the geologic data, results in phenomenal understanding of complex spatial information.

It is important to note these immersive environments will provide a natural, intuitive, and understandable way to present the complex results of the study. Because the data will be collected across the traditional functional boundaries of geology, geophysics, and engineering, it will be important to have a common framework upon which to hang all of the data and interpretation results in order to insure comprehensibility. Each discipline has developed ways to present and evaluate data, as is shown by the enginnering production data from South Texas shown in Figure 13 below.

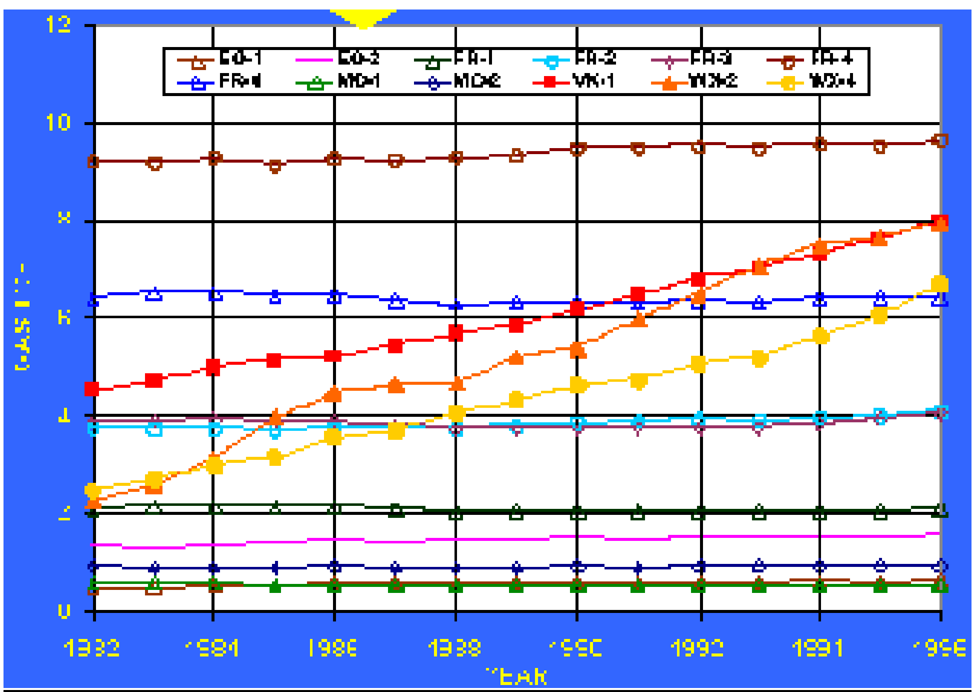

Figure 13. Engineering production history data from South Texas.

Graphs like this are particularly useful for specific functional evaluations. However, they tend to create confusion when presented to stakeholders outside the functional discipline. Figure 14 on the next page illustrates an alternative way to display the same data.

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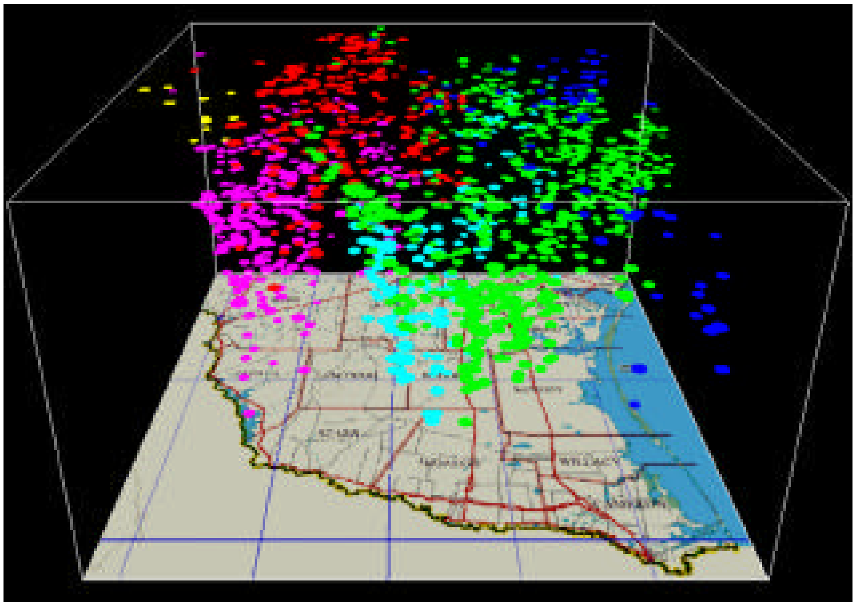

Figure 14. Production history data derived courtesy of NRG Associates from Texas Railroad Commission District 4. Red is Eocene, Violet is Wilcox, Cyan is Vicksburg, Green is Frio, and Blue is Miocene.

Many models require N-dimensional data integration. Multi-dimensional models render major improvements, beyond what can be derived from 2-D maps. Seeing and hearing spatial relationships and anomalies within data and the process of reconciliation of these differences enhances understanding. Since models have embedded knowledge and users can interact with them, visceral understanding of the data can be obtained simply by walking around the model in an immersive environment. To better demonstrate this concept, Figures 15 and 16, on the next page, show a series of photographs of two individuals working in the Houston Continuum Resources Immersive Environment.

Models literally have intelligence, which users can interact with. As users build a model, they transfer the 3-D, image which is in their minds, to the immersive environment. This allows users to better tell their story and to collaborate with colleagues in the same theater, across town, or across the world. With the younger generation being trained in spatial relationships through computer games, there will be a turning away from the limitations of static 2-D paper maps, and they will be replaced by dynamic multidimensional information models that combine elements of virtual reality with more creative representations complex metadata. This change in work flow is an exciting and fundamental difference in how we humans are beginning to interact with the world around us. Because of the economics around E&P, the oil industry is once again leading a major societal and business transformation, demonstrating the impending obsolescence of maps. Dynamic will leverage these developments in exploiting the Gulf Coast AOI.

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Figure 15. Jeff Winston and Roice Nelson in the Continuum Resources Immersive Environment.

Figure 16. Top Left to Right, then Bottom Left to Right show an immersive presentation session.

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