

# CEO CFO



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EnerJex Resources is Well Positioned to Take Advantage of Rising Oil Prices with Existing Production of Approximately 300 Barrels Per Day from Properties in Kansas and Texas, and with a Significant Inventory of Low Risk Drilling Locations to Exploit

**Energy  
Oil & Gas Drilling & Exploration  
(ENRJ-OTC: BB)**

**EnerJex Resources, Inc.**

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**Robert Watson, Jr.  
Chief Executive Officer**

#### **BIO:**

Robert Watson, Jr. co-founded Black Sable Energy, LLC approximately 3 years ago and served as its Chief Executive Officer. During his tenure at Black Sable, Mr. Watson was responsible for the company's acquisition and development of two grassroots oil projects in South Texas, both of which have been partnered with larger oil and gas companies on a promoted basis. Prior to founding Black Sable, he was a Senior Associate at American Capital, Ltd. (NASDAQ: ACAS), a publicly traded private equity firm and global asset manager with \$18 billion in capital resources under management. Mr. Watson began his career in the Energy Investment Banking Group at CIBC World Markets and subsequently founded and served as the Managing Partner of Centerra Energy Partners.

#### **Company Profile:**

EnerJex is a pure-play domestic on-

shore oil company with assets located in Eastern Kansas and South Texas. The Company's primary business is to explore, develop, produce and acquire oil properties onshore in the United States. Enerjex presently owns a majority interest in approximately 500 producing oil wells and has the potential to drill thousands of additional wells on its existing leaseholds.



## BLACK SABLE ENERGY, LLC

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Watson, you are new at EnerJex Resources; what is new and what attracted you?

**Mr. Watson:** I became EnerJex's Chief Executive Officer in conjunction with a series of transactions that were all completed on December 31st, including \$25 million of acquisitions for equity consideration, the conversion of senior secured debentures into common equity, the issuance of \$5 million in new common equity, and a complete reconstitution of the Company's board of directors.

EnerJex acquired Black Sable Energy, LLC, which consists of two oil projects in South Texas, along with an 80% working interest from a different party in multiple oil properties located in Eastern Kansas that are largely adjacent to EnerJex's existing properties. In addition, the Company acquired a 9% minority interest in Spindletop Oil & Gas, Inc. (SPND) and a 15% minority interest in Oakridge Energy, Inc. (OAKR).

The Kansas acquisition improves our scale in the area and should allow us to significantly reduce lifting cost on a per barrel basis. Because these properties are so close to each other, we can use our existing field personnel and equipment to manage additional production with very little incremental cost.

What attracted me to Kansas specifically was the long-life nature of the asset base, and that the asset base consists of shallow onshore oil reserves. My partners and I have been bullish on oil for a long time and there is a lot of opportunity for growth through low-risk exploration and exploitation of existing reserves in that area. We also are excited about what Black Sable's assets bring to the table in south Texas, with two high-impact oil properties. One property is in its second year of development and we are continuing to analyze our completion techniques and procedures. We expect this property to provide the Company with significant running room as we continue to fine-tune our completion techniques. In summary, the transaction married some low-risk exploitation type projects in Kansas with some higher-impact projects in

south Texas and dramatically improved the balance sheet. We think the transaction established the Company with a firm foundation as an onshore oil growth company.

**CEOCFO:** Are there currently any producing wells on your properties?

**Mr. Watson:** Yes there are. EnerJex produces approximately 200 barrels of oil per day net to its working interest in Kansas and we added approximately 50 barrels of daily production through our recent acquisition in Kansas. In Texas we produce approximately 50 barrels of oil per day on a gross basis, but like I said, that project is still very early stage. We have the potential to drill more than 1,000 new oil wells in Kansas and Texas on our existing leaseholds.

**CEOCFO:** What do you like particularly about the leases and projects that you have, or is the area just so prolific that almost anywhere will work?

**Mr. Watson:** The way I have been explaining the Kansas operation is that it is very different from your normal exploration and production operation in that it is very low exploration risk. You have a very small risk for dry holes. What I liken it to is that it is very much like a manufacturing operation; it is all about controlling your cost, minimizing your lifting cost, and trying to achieve operational synergies where you operate. In addition to that, the company on a combined basis has a significant number of development locations. We have identified up to a thousand drilling locations in proven areas that need to be developed. One of our key focuses in the next twelve months is going to be developing proven reserves that are currently undeveloped. It is a very attractive portfolio of assets to have in this price environment.

**CEOCFO:** Is it all oil or is it gas as well?

**Mr. Watson:** All oil and all onshore.

**CEOCFO:** Why is that your preference?

**Mr. Watson:** In short, we are bullish on oil and intend to maintain that focus in our business.

**CEOCFO:** Are there newer technologies you are able to take advantage of, or a particular way of approaching a project that is making it more cost effective?

**Mr. Watson:** EnerJex historically has not applied modern technologies in Kansas, but there is certainly opportunity for it. Finding ways to reduce your operating costs it is critical, so one of the ideas we are going to explore is the potential use of shallow horizontal drilling. The thought being that you can drain the same amount

**We are a pure play onshore domestic oil company and those are difficult to find. Second, we have a significant inventory of low risk oil reserves that we need to develop, so we have a ton of opportunity for growth within our existing portfolio of assets. Third, our main project in Texas is an oil resource play spanning a large area with a tremendous amount of running room. All of the assets in the Company's portfolio have repeatable characteristics, so it is just a matter of getting the process down and executing. Therefore, there is significant opportunity for near term growth, and if you want exposure to onshore domestic oil, we have it. - Robert Watson, Jr.**

of acres with less well bores, which would drop your operating costs. Another area that could be interesting is the use of modern fracture stimulation technology in Kansas. We are not currently employing large frac designs there, but there is the potential to tweak the frac design to help drain a bigger radius and accomplish the same goal of minimizing the number of well bores required to drain our oil reserves. To directly answer your question, the company has not done anything on the technological front to date in Kansas, but there are some opportunities that we are going to investigate along those lines in the near term.

**CEOCFO:** Are you looking at additional properties?

**Mr. Watson:** The Company specifically is going to be opportunistically acquisitive in Kansas. If we find acquisition opportunities that fit our portfolio and match our geographic area, then we will certainly entertain those types of opportunities. In Texas we are going to be more focused on developing what we have for the time being, but I wouldn't rule out acquisitions there either. We have learned an awful lot about the reservoir that we are producing from in Texas and if the opportunity came up to transfer that knowledge to another asset base nearby, we would certainly entertain it.

**CEOCFO:** Do you see more opportunities as the price goes up?

**Mr. Watson:** It is kind of a catch 22, and here is why. Obviously, when prices are up there are more projects that are economic, and that certainly opens some doors. At the same time one of the issues we are facing in Texas is we are right in the middle of the Eagleford Shale Play, so services are stretched with all of that activity going on. You have some upward price pressure on services and some timing difficulties, so it kind of works both ways. I will tell you in Kansas where we are operating, most of the operators

are smaller outfits, so there is an opportunity to consolidate assets in that area and become a low-cost producer and that is certainly part of the strategy there.

**CEOCFO:** What is the financial picture like for EnerJex Resources today?

**Mr. Watson:** The recently announced transactions really improved the Company's balance sheet. First and foremost, we addressed a lot of outstanding accounts payable that were past due. Second, we converted all of the company's senior secured debentures into common equity at \$0.80 cents a share and closed a \$5 million common equity offering. Therefore, the financial position is strong, getting stronger and certainly much better than it was prior to the transactions.

**CEO CFO:** Is the reorganization complete or is there still work to do in that area?

**Mr. Watson:** The reorganization that we set out to accomplish closed on December 31<sup>st</sup> and we have begun executing our business plan. Depending upon how quickly we grow, we might add some officer positions, but right now we are focused on integrating the three companies and executing our capital program for the year.

**CEO CFO:** Is the infrastructure up to date?

**Mr. Watson:** In Texas all of our properties are brand new. They were grassroots projects that we actually put together at Black Sable. In Kansas some of our leases are new and some are old. Some of our leases have old wells and new wells on the same lease, so it is kind of a mix, but we have the field personnel to maintain our equipment and wells. What I mean by that is if you have some older wells that require more work than newer wells, we have the equipment and staff to address any issues as needed.

**CEO CFO:** So you are ready!

**Mr. Watson:** We are ready!

**CEO CFO:** Are you doing much investor outreach?

**Mr. Watson:** We will do more at some point. The first part of the plan

is to communicate with the marketplace through press releases through the typical distribution channels. I have a background in private equity and finance as do my partners and we know a lot of folks that work for investment banks that have research arms and retail arms and certainly part of the process is going to be communicating with those types of folks. My number-one goal is to get the company integrated, operating efficiently and generating robust cash



flow. At that point, probably in the second quarter, we will start to focus more on getting the story out.

**CEO CFO:** Why should potential investors look at EnerJex Resources today?

**Mr. Watson:** We are a pure play onshore domestic oil company and those are difficult to find. Second, we

have a significant inventory of low risk oil reserves that we need to develop, so we have a ton of opportunity for growth within our existing portfolio of assets. Third, our main project in Texas is an oil resource play spanning a large area with a tremendous amount of running room. All of the assets in the Company's portfolio have repeatable characteristics, so it is just a matter of getting the process down and executing. Therefore, there is significant opportunity for near term growth, and if you want exposure to onshore domestic oil, we have it.

**CEO CFO:** Final thoughts, what should people remember most about EnerJex Resources?

**Mr. Watson:** First I would encourage people to look at the board of directors we have assembled, and my background. What investors are going to be getting is a team that is very focused on driving shareholder value and executing our business plan. All of us on the board

have done that in varying degrees in past endeavors and that is very important. There is significant opportunity for growth of our existing asset base and we think we can become a dominant player in eastern Kansas and intend to do so. Last, we are a pure-play domestic onshore oil company and that is rare these days.



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