

**CEO
CFO**

 **CAPITAL CITY**
ENERGY GROUP
Investing in America's Energy Future

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Investing In America And Not Overseas, Capital City Energy Group, Is Keeping US Dollars In The US And Helping With The Efforts To Be Energy Independent

**Basic Materials
Independent Oil & Gas
(CETG-OTC: BB)**

**Capital City Energy Group, Inc.
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**Timothy W. Crawford
Executive Chairman and CEO**

BIO:

Timothy W. Crawford co-founded the firm and serves as Chairman and Chief Executive Officer of the Company. His primary responsibility is to manage and oversee the operations of the firm and its subsidiaries.

He was responsible for the design and implementation of the firm's first energy fund offered to individual investors. Prior to becoming CEO of the firm he was CEO and co-founder of Capital City Partners, a regional financial service firm and currently a majority shareholder of the Company. Before co-founding Capital City Partners, Mr. Crawford held the position of Senior Vice President for McDonald Investments Inc, a KeyCorp Company. He was the Managing Director for a group of professionals that consulted for businesses and high net worth individuals to review and explore alternatives to their investments, banking and insurance needs.

Before joining McDonald Investments, Mr. Crawford spent 12 years at Banc Stock Financial Services, Inc., a wholly owned subsidiary of The Banc Stock Group currently known as Diamond Hill Capital Management, Inc. (DHIL). While with the company, he participated in the original equity offering for the Banc Stock Group before assisting in taking the firm public. He worked in their investment banking division specializing in the placement of first and secondary offerings for banks and thrifts such as Southeast Commerce Bank (now e-bank.com in Atlanta), Northern Star Bank (NSBK), Bank of Godfrey, First Capital Bank, and a secondary offering for Citrus Bank just to name a few.

Company Profile:

Based in Columbus, Ohio, Capital City is a diversified oil and natural gas company with three separate divisions. Capital City is evolving from being an innovative leader in the design, management and sponsorship of retail and institutional direct participation energy programs to become one of the few vertically integrated independent oil & natural gas companies. Their strategy is to continue to grow a portfolio of core areas which provide growth opportunities through grass-roots drilling, operating, service companies, acquisitions and fund management.

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

CEOCFO: Mr. Crawford, what was the vision when you founded Capital City Energy Group and what is your vision today?

Mr. Crawford: “The company was founded in 2003, and it was originally founded to manage energy funds for retail investors that we would distribute through regional broker dealers, financial planners and other people. As we continued to progress we put together funds that consisted of various diversified properties. With my background being in the financial service industry, we used the philosophy of not putting all of your eggs into one basket. Using kind of a modern portfolio, we would go out and contact various operators around the country and they would also contact us to get involved in some of their projects. We would get involved in their properties, diversifying the funds and buying development wells, and lease acreage. We were really diversifying the funds, not only geographically, but also by operator and by energy source, so that we could offer investors, kind of like a mutual fund of direct energy investments that they could turn around and offer to their clients.

As we continued to grow the business, we saw that there were many opportunities that we were passing up that weren't suitable for the funds. We were typically looking for income oriented type of investments that would kick-off some type of income for the fund and for the investors. At that point-in-time we made a decision to start investing on our own and through the company to where it is today, where we look at it being a vertically integrated oil and gas company. Our model is a lot different from the typical oil and gas companies out there that traditionally do one thing, whether it be E&P, well service or fund management. We looked at integrating those elements to actually help each other. So when you look at our company, we have three legs to the company where we take some of our money, go out and acquire some leases, either on our own or even partner with some other operators, but then you need the capital to drill and that's when our funds come into place, where it gives us the capital to drill. We can also invest some of our money. Then you obviously need to complete the well, and that's really where its come into play with our oil field service, with the well completion, so that we've really created kind of a full circle there in order to control our own investments and also those of the individual investors and institutional people.”

CEOCFO: How have things changed for you in the last couple of months? How are you weathering the storm with the recent price changes?

good thing. Many people ask my background not being in the the financial service industry, me that oil was going to that environment, it was very some of our larger peers in acquiring different companies integrate. Therefore, theses us to acquire acreage at much make much more reasonably are willing to take stock along

“By making an investment in Capital City Energy Group, people are investing in their own future, by investing in America's energy future. We keep the dollars here at home and we are going to continue to invest in America, not overseas. We will work to have energy independence for the United States and we'll be doing it right at home.” - Timothy W. Crawford

growing company, the prices have really helped us dramatically. Our company has primarily focused on natural gas, so with the drop in oil prices, we have not seen the significant drop in revenue and we have four revenue sources. With our fund management, we compete against other financial service products and we get a management fee. We also now own an oil and gas operating company, so we are able to direct some projects towards them. Then with our oilfield service, we are actually providing the service, so regardless of the commodity price, we are still getting paid to complete their well. In addition, we can to look to see if the well needs completing by looking through the logging. Obviously, with our E&P, we've seen a drop off in some of the revenue, because of the commodity price, but the other areas we haven't. We're diverse with four distinct income streams, so for us right now, we've actually been benefiting from these lower prices.”

CEOCFO: Would you give us an idea of a typical acquisition or project that you would take on for yourself?

Mr. Crawford: “Let me go through each division. Our fund management actually has grown significantly, where we now have 2,200 brokers across the country that represent Capital City Energy Funds. They are direct participation joint venture programs and

again, we still slant them towards an income, so right now there are not too many financial vehicles out there that are paying people over 10% or 12% on an annualized basis and our projects are paying anywhere from 12% to 18%. In addition, we pay monthly, so we are starting to get a lot more interest in that particular vehicle. Therefore, when we go out and look for projects, we are looking for smaller acreage plays, typically in a developed field that has been ignored for numerous years, primarily here in the Appalachian Basin. For example, we have leased a few thousand acres in Medina, Ashland and Wayne Counties, in and amongst some very large natural gas fields that have been there for 20-plus years, but there have been some areas that have been ignored, due to some type of anomaly. These fields happen to be in an area that the pipeline system was just not very good. Another company bought the pipeline system out a few years back and has upgraded it, but the operators that are in that area, because they were such small parcels, kind of ignored them and started to chase some of the larger acreage plays. Therefore, we were able to go in and lease a couple of thousand acres to be able to develop. These are the shallower type of wells that we will get involved in.

As far as acquisitions, primarily we are looking for acquisitions in the well service, and this would be your wire-line, which would include logging, testing and perforating. The industry is made up of hundreds of these small regional players, because a lot of people look at the oil field service and think of Halliburton, Schlumberger, and Weatherford, but that actually is not what the industry is made up of. There are just a few major players, so it is really made up of very small regional players that do the logging, testing and perforating for these smaller operators that do 10 or 20 wells per year. Those are typically the people that we are looking to acquire; people that typically are the largest employer in their town. They truly have made their wealth, they would like to retire and they are looking for a company that is willing to acquire them and still keep their people on staff. When they look to a Chesapeake or a Range to buy them out, they realize that their people are going to be gone. They don't plan to move to Palm Springs any time soon; they want to stay in their community. Therefore, in order for them to stay in their community and do a benefit for the employees that have helped them to where they are, they need to find a smaller company that really needs the staff, which is our type of company. This enables us to work well with these smaller companies for acquisitions and right now the acquisitions that we are looking at typically were not paying any more than what their equipment is worth and less than one year's gross revenues. In addition, a lot of it tends to be in stock, because these people have made their money and they are looking for some type of tax free exchange that allows them to retire and dictate when they want to pay taxes."

CEOCFO: So your financial background comes to bear as well in these areas!

Mr. Crawford: "Absolutely, 100%. We can show them that it is not what you are getting paid for your company, but what you are going to get to keep for the purchase price of your company is really what matters. It's pretty easy to show them that and also to show them that those 20 employees that they have, we need to keep them there. We need your administrative staff, the people that are working in your town and we don't look to have some large corporate headquarters. We actually have a lot of small offices. All of our accounting is done in North Canton, Ohio, and even though we are headquartered in Columbus, there are a lot of oil and gas accounting companies up in that area; Atlas and Great Lakes has a big accounting group up there. Therefore, we are able to draw from a large pool of very wealthy oil and gas people in accounting and those people don't want to move. They love their little town and with computers and electronics now-a-days, you can have an office anywhere, even out of your home. We take that same type of approach with the companies that we are looking to acquire; we are not looking to relocate anybody. We are keeping their company in-place, and people where they are. We are just centralizing a lot of the administrative stuff that they don't want to do anymore, such as their payroll, their 401K, or their insurance that they typically don't want to deal with anyway."

CEOCFO: It sounds like a lot of win-win situations going on with Capital City Energy Group.

Mr. Crawford: "It truly is. It is just a great opportunity right now with the price that they are. A lot of people went out when prices that were soaring and got money from private equity, from hedge funds, and bank financing; thinking this was never going to end. Now they are at a point where some of them can barely make their payments, so we are getting calls from people that are willing to make some pretty amazing deals really to stay in business and to keep going in the direction that they want to. Therefore, it has been a huge benefit for us."

CEOCFO: What is the financial picture like for Capital City Energy Group today?

Mr. Crawford: "Our goal as a company is within three years, to be a \$1 billion market cap and to achieve that we need probably \$100 million in gross revenue and we will be well on our way next year with the acquisitions that we are in the process of closing on."

CEOCFO: How do you get the investment community to pay attention?

Mr. Crawford: "It not like, 'build it and they will come'. You have to let them know. This past year we spent about \$600,000 on marketing our company, sending emails out to broker dealers and doing dinners. I've done dinners for investment banking firms in New York, Beverly Hills, Miami and Atlanta, so all over. We continue sending them information on our firm on a quarterly basis, staying in touch. Here in central Ohio, we've been involved in some very high profile charitable events. We will continue to do that for the recognition, especially to the retail investor, because then the retail investor will tell his broker that he saw this company that did a real good thing in my community and I would like to own 100 or 200 shares of their stock. That broker will then start looking

at our company. My day is spent talking to 5 or 6 different brokers every single day; these are people that call in. Therefore, we really try to reach out to the brokerage community because it is really that we want the individual investor to know about us. I'm not so concerned about the large private equity funds or the hedge funds. A lot of companies over these difficult financial times, even though their companies did very well, their stock was hurt very badly, because the majority was owned by institutional investors and they needed to liquidate in order to meet calls that were coming upon them. Therefore, I look to do ours a little differently; to let mainstream America really know who we are and show them that we have a financial model that makes sense. Basically, what we are doing, every other industry does, except the oil and gas industry. Most companies out there that are in a particular industry try to diversify within that industry. They are not only providing the products and services, but maybe being able to provide the equipment to provide those products or services. What we are doing is nothing really new for industry; it is just something really new for the oil and gas industry."

CEOCFO: Sum it up for potential investors; why should they be paying attention to Capital City Energy Group, particularly today?
Mr. Crawford: "By making an investment in Capital City Energy Group, people are investing in their own future, by investing in America's energy future. We keep the dollars here at home and we are going to continue to invest in America, not overseas. We will work to have energy independence for the United States and we'll be doing it right at home."



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