

TERMO



INDEPENDENTLY FOCUSED. PARTNERED IN DISCOVERY.



Corporate Presentation

THE TERMO COMPANY, LONG BEACH, CALIFORNIA

January 2012

WWW.TERMOCO.COM

CORPORATE CONTACT AND DISCLAIMER

The Termo Company

3275 Cherry Avenue
Long Beach, CA 90807
(562) 595.7401
www.termoco.com

Business Development

Francis Roth or Ralph Combs
development@termoco.com
(562) 595.7401
www.termoco.com

DISCLAIMER

The information contained herein (the "Information") includes certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Forward-looking statements in this presentation include statements regarding Termo's exploration, drilling and development programs and plans, Termo's expectations regarding the timing and success of such programs, Termo's capital plans, the expected benefits therefrom and Termo's expectations regarding the future production of its oil & gas properties. Factors that could cause or contribute to such differences include, but are not limited to, fluctuations in the prices of oil and gas, uncertainties inherent in estimating quantities of oil and gas reserves and projecting future rates of production, the timing of development activities, competition, operating risks, acquisition risks, the effects of governmental regulation, adverse changes in the market for Termo's oil and gas production, dependence upon third-party vendors, and other risks not detailed here. Statements of reserve quantities are estimates and may not correspond to the ultimate quantities of oil and gas recovered. Nothing in this presentation should be construed or understood to be a solicitation or proposal for investment. Oil and gas projects are inherently risky and the oil and gas exploration and production industry is subject to numerous identified and unidentified risks. All forward-looking statements are expressly qualified in their entirety by this cautionary statement. THE INFORMATION IS PROVIDED "AS IS" WITHOUT ANY EXPRESS OR IMPLIED WARRANTY OF ANY KIND INCLUDING WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT OF INTELLECTUAL PROPERTY OR FITNESS FOR ANY PARTICULAR PURPOSE. IN NO EVENT SHALL TERMO OR ITS AGENTS OR REPRESENTATIVES BE LIABLE FOR ANY DAMAGES WHATSOEVER ARISING OUT OF THE USE OF OR INABILITY TO USE THIS INFORMATION, EVEN IF TERMO HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. In addition, Termo does not warrant the accuracy or completeness of the Information.



The Termo Company is a privately held Long Beach, California-based company specializing in Oil and Gas Exploration and Production.



HISTORY

Termo was founded in 1933 by EE Combs, a true entrepreneur and family man. He worked on all aspects of the early company operations, and instilled a strong family value and concern for his employees — establishing the ideology we practice today.



HISTORY

The historical evolution of Termo mirrors the oil and gas industry as a whole:

- Early years were marked by a pioneer spirit, a ‘wildcat’ mentality, and success at any cost.
- However, several external economic crises drove consolidation and innovation both within the industry and Termo.

HISTORY

- In 1981, David Combs followed in his father and grandfather's footsteps and became president. He launched an aggressive effort to build Termo's California operations through several significant purchases from major oil companies.
- This instilled a culture of willingness to take measured risks, innovate and adapt, and respond decisively.

TODAY

- We are a fourth-generation, family-owned company built on partnerships, trust, and a deep and abiding respect for the industry's role in society.
- Our major areas of activity include central and southern California, eastern Wyoming, and onshore southern Louisiana.



INDUSTRY CHALLENGES AND TRENDS

- Increasing Competition for Mineral Leases
 - Drives up acquisition and prospect costs
 - California mineral acreage has gone from \$50 / acre in 2000 to \$1,000 + (depending on locations)
- Navigating the Regulatory Landscape
 - Undertaking costly (but necessary) facilities upgrades
 - Strategically planning California drilling for next 5-7 years

INDUSTRY CHALLENGES AND TRENDS

- Dealing with Climate Change Legislation
- Taxation Proposals
- Industry Consolidation
- Global Economic Turmoil
- Middle East Turmoil
- The US as a Natural Gas Exporter

TERMO'S VISION

Our vision is to be a prominent independent oil and gas company in the western United States through exploration, property acquisition and optimization...we aspire to sustain value and create strong financial returns for our shareholders, employees, and partners. By continually innovating and improving our operational and organizational performance, we aim to meet or exceed the success of our peers.



VALUES: Managerial & Organizational

Termo's production and asset management teams are invested in a culture that promotes:

- Integrity
- Strong fiscal discipline
- Open and honest communication
- Continuous improvement and learning

VALUES: Safety Conscious

Our strong focus on safety has resulted in 8 years of zero-lost time injuries; the equivalent of 614,000 incident-free hours.

- Employee involvement is key to safety
- Adapt and use technology and operational improvements to lessen risk
- Consistent focus and improvement of safety culture

VALUES: Environmental Responsibility

We recognize that we are guests of the landowners on whose property we operate, and:

- Actively work to lessen our impact on the land
- Employ Best Management Practices (BMP) at all facilities
- Support wildlife conservation and environmental improvement efforts

VALUES: Social Awareness

We actively contribute to the social well-being of the communities in which we operate, by:

- Supporting local charitable organizations, such as community museums, and art and youth development programs
- Contributing to health and disease research that has personally affected our personnel

STRENGTHS

- Being small and agile enables us to respond quickly to economic fluctuations.
- We have a high operating revenue margin.
- Our advanced industry experience and ability to adapt to the ever-changing market environment, has enabled us to stay ahead of the curve and prosper through more than seven decades.

STRENGTHS

- Our management team is strong, with vast knowledge and diverse skills and experience.
- We specialize in turning around marginal and under-producing fields.

AREAS OF OPERATIONS AND INVESTMENT

INDEPENDENTLY FOCUSED.
PARTNERED IN DISCOVERY.



STRATEGIC FOCUS: Acquisitions

We review numerous property and working interest prospects for opportunistic investments near our core operating areas.

STRATEGIC FOCUS: Optimization

By performing extensive assessments of our properties, and through the use of advanced technology, we're able to improve production capacity — and at a reasonable cost.

STRATEGIC FOCUS: Exploration

We have concentrated our efforts on discovering reserves that are in proximity to our existing operating areas, and are amenable to 3-D seismic imaging.

PERFORMANCE

Production Data – 2011

Gross Operated Production – Monthly Average (Jan - Oct)	56,964 BOEPM
Net Operated Production – Monthly Average (Jan - Oct)	32,050 BOEPM
Increase in Production (January through October, 2011)	10.04%
Average Monthly Production Costs (All expenses associated with production including taxes and down-hole repairs)	\$19.90/BOE
Oil to Gas Ratio on a BOE Basis	3:1
Total Net Proved Reserves (Unaudited, Dec. 2011)	5.37 MM BOE
Increase in Total Proved Reserves (Unaudited, Dec. 2011)	24%
Wells drilled or Participated / Success Rate	13 / 84%

PERFORMANCE

Financial Data – Quarterly – 2011

(Unaudited, Third Quarter, 2011)

Capital Expenditure Budget (Total expenditures and budgeted through Oct. 2011)	\$8.5 MM
Operating Profit Margin	60%
Net Profit Margin	20%
Return on Equity	7%
Weighted Average Cost of Capital	8%
Return on Invested Capital (ROIC 1) ((NOPAT + Cash & Interest) / (Net Working Capital))	49%
Return on Invested Capital (ROIC 2) (NOPAT / Net Working Capital)	54%

PERFORMANCE

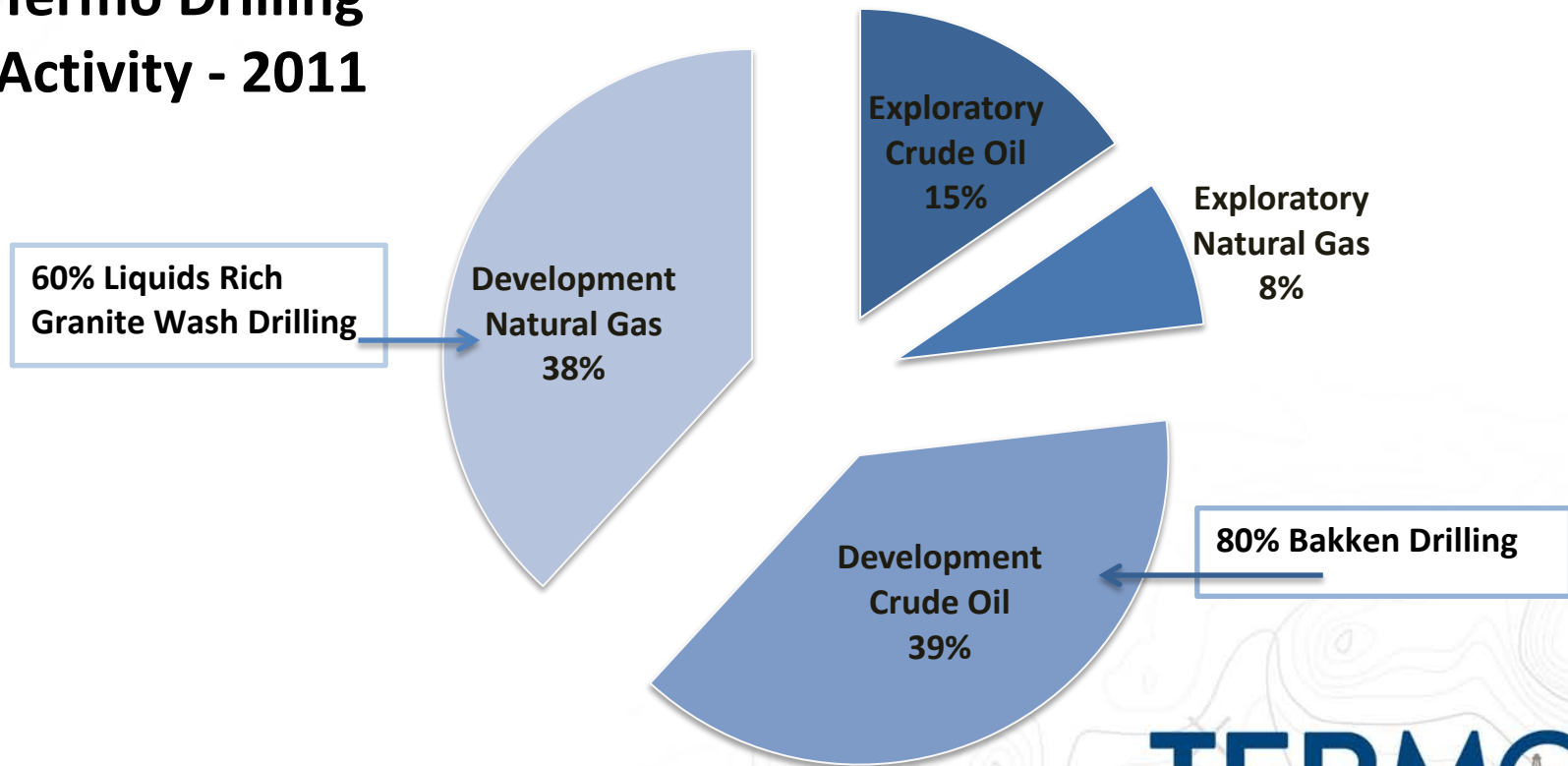
Operational Information - 2011

(Through Third Quarter, 2011)

Number of Employees	45
Average Annual Employee Turnover	< 5%
Number of Regional Offices	3
Number of Field Offices	5
Number of Operated Wells	146
Working Interest Participation Wells	211

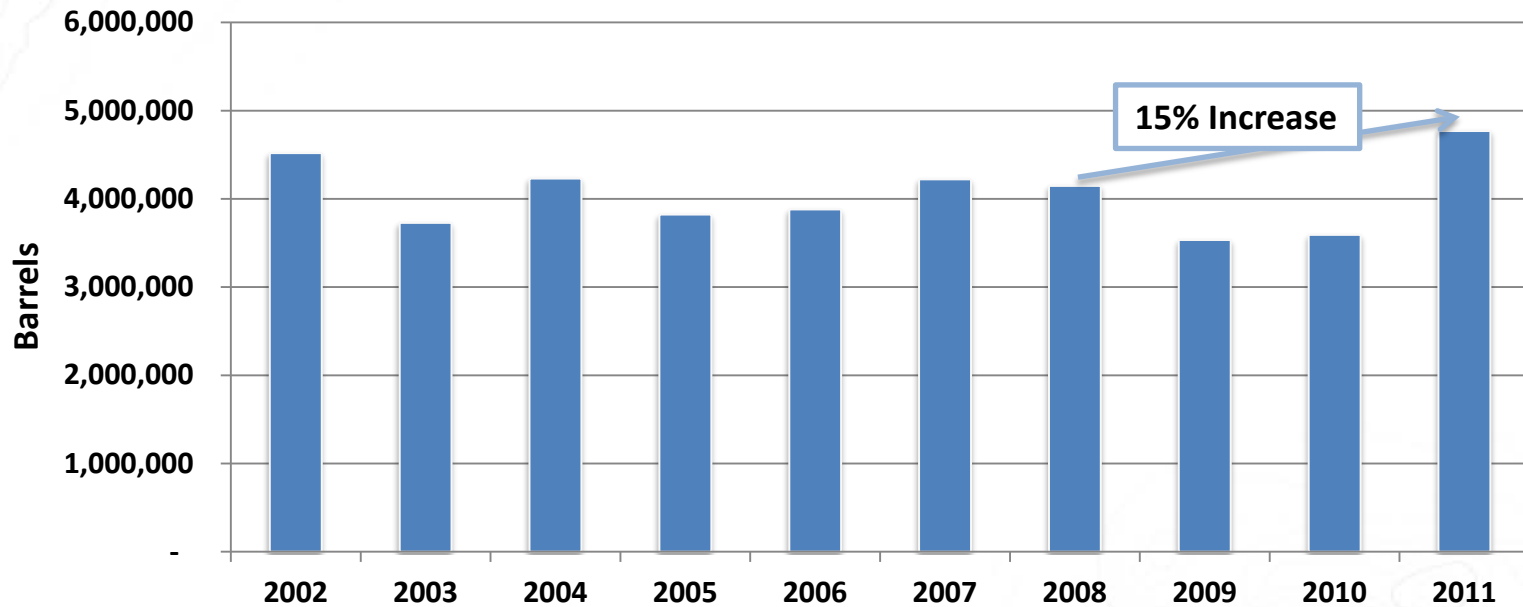
PERFORMANCE

Termo Drilling Activity - 2011

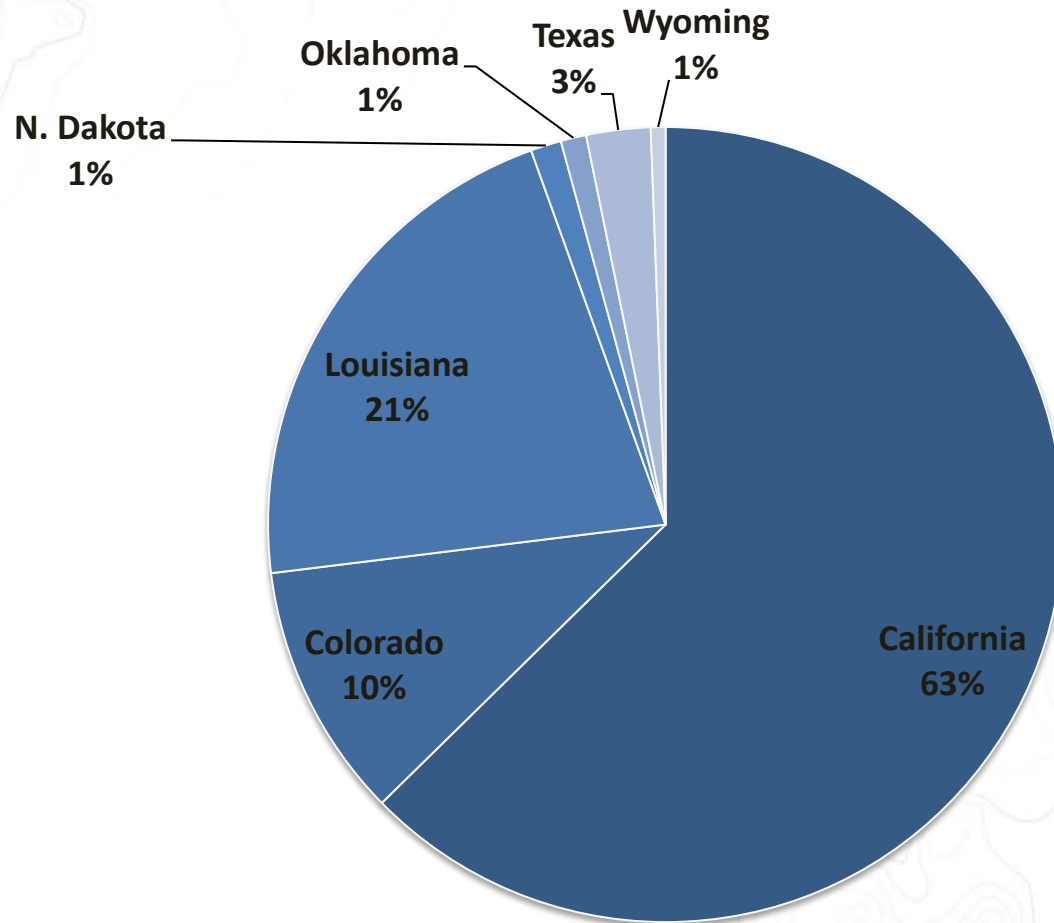


PERFORMANCE

Termo - Proved Reserves – Crude Oil



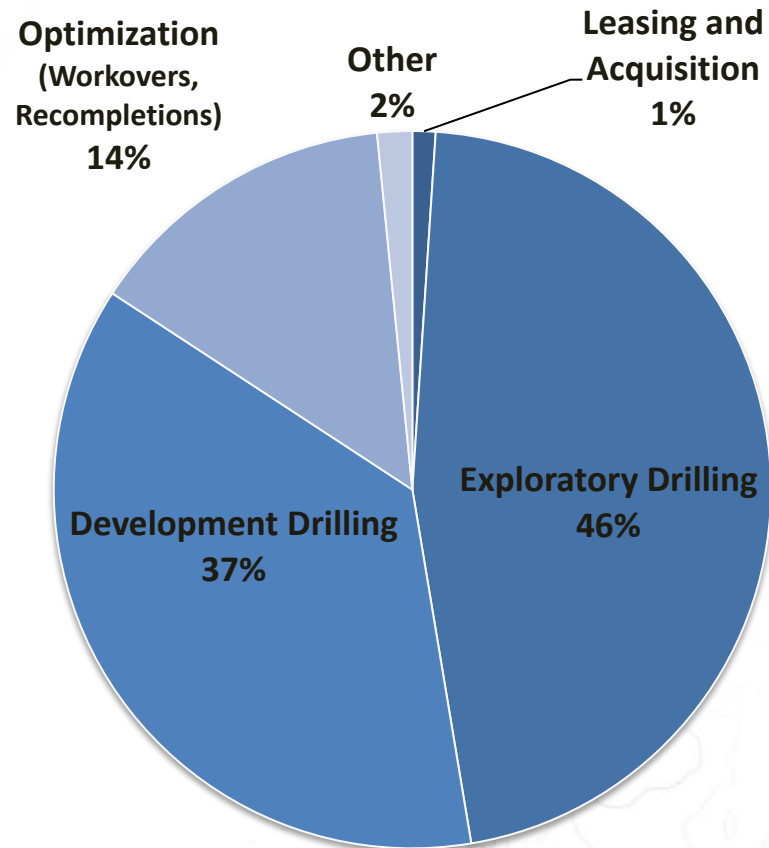
PERFORMANCE



**Forecasted Capital
Expenditure
per State - 2012**

PERFORMANCE

Forecasted Capital Expenditure per Strategic Area - 2012



NAVIGATING THE FUTURE

- We will continue to implement and adapt to technological advancements, in order to improve operational and production efficiencies.
- Our refined strategic focus is designed to neutralize competition from major players (Oxy, EOG, Chesapeake, etc.)



NAVIGATING THE FUTURE

- We are well positioned to build new partnerships, and seek new development opportunities.
- Maintain the same cultural integrity, operational excellence and fiscal responsibility that has sustained our longevity.



THE TERMO COMPANY

Thank you for your interest.

Please visit us at www.termoco.com for more information and additional contact options.

