



Press Release

For Immediate Release:
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Dallas-based Palo Petroleum, Inc. Receives Exclusive License Rights

Dallas, Texas. Dallas-based independent oil and gas producer, Palo Petroleum, Inc. ("Palo") announces that it has entered into an exclusive license agreement with Drilling Technology, Inc. for the use of its patented CHOP (Continuous Heavy Oil Production) Process for recovery of heavy, low gravity, oil. The CHOP Process represents a revolutionary new procedure for injecting steam into a low gravity, oil bearing formation and producing the more viscous heated oil through a single 2,000-3,000 foot long horizontal wellbore. The CHOP Process promises to be more economical and efficient than any other method currently used by the oil industry to produce low gravity oil today. "The revolutionary CHOP Process will likely transform heavy oil into a major source of the world's oil market," says Drilling Technology's president, Frank J. Schuh. Mr. Schuh, a former petroleum engineer and inventor for Arco (now BP) developed and patented the CHOP Process with the assistance of Halliburton, Vetco Gray Engineering (a division of General Electric), and Principal Technology, Inc., a Dallas, Texas based engineering company which specializes in the design and installation of steam generating facilities.

Palo president, James P. Graham, states, "Palo has been in the oil and gas business for 34 years, and the CHOP Process affords us the greatest upside potential for low risk development of oil reserves we have ever seen."

The pilot program for the CHOP Process will be in western Missouri where Palo has leased a key acreage block. Palo geologist, William M. Frew, states, "We evaluated heavy oil deposits throughout the United States, and believe the Bushwhacker acreage block we have assembled in Missouri is the optimal place to launch the CHOP Process." Petroleum reservoir engineering firm Cawley, Gillespie and Associates of Fort Worth, Texas estimates that the oil in place under Palo's leases is between 31.5 and 45.2 million barrels of oil. Palo is currently securing funding for the \$10 million pilot project which is scheduled to commence in late spring of 2011.

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