

Today's Notes:

- 1. Oil: \$1 Billion a Day**
- 2. Don't Leave Home without It: Silver Solution**
- 3. Terraco Gold Strikes Silver at Moonlight**

1. OIL: \$1 BILLION A DAY

The price of oil has fallen dramatically. The price of natural gas has fallen even more. This is good – for the time being. But energy declines, like all other commodities in great demand in the burgeoning QOL cycle, cannot last. There is a gigantic de-leveraging (debt snuffing) now underway in the world. This is presenting serious problems for commodities.

Gary Shilling, for whom I have utmost respect, suggests that the foreordained rescue of Fannie Mae and Freddie Mac will cost the Federal Government \$50 billion. That doesn't include shoring up Sheila Bair's FDIC (10 bank failures to date) with \$10 or \$20 billion and keeping the spigots open on the various new lending facilities for the banking system. To add injury to insult mom and pop will be asked to throw another \$1 billion at the sovereign country of Georgia, now clearly under Russia's sway. Her troops are driving away in captured Humvees. It is becoming clear that the United States cannot continue to spend hundreds of billions of dollars on fighting in Iraq, containing Iran and also confront Russia in her back yard over oil access. The worm has turned. The November elections will likely arbitrate the conundrum.

The following US oil import statistics from the US Energy Information Agency show some US demand destruction. The US still imports more than 10 million barrels of petroleum and exports about \$1 billion every day.

	Jun-08	May-08	YTD 2008	May-07	YTD 2007
CANADA	1,883	1,840	1,888	1,905	1,881
SAUDI ARABIA	1,479	1,579	1,523	1,501	1,407
MEXICO	1,124	1,116	1,193	1,392	1,454
VENEZUELA	1,085	1,030	1,012	1,135	1,109
NIGERIA	946	851	1,036	893	1,022
IRAQ	693	583	674	573	476
ANGOLA	636	464	496	502	568
BRAZIL	280	318	221	121	158
ALGERIA	269	440	319	504	494
RUSSIA	228	119	109	29	135
KUWAIT	179	263	219	263	193
ECUADOR	178	162	192	166	195
COLOMBIA	177	245	182	143	108
CHAD	107	57	101	80	69
LIBYA	89	96	76	144	66
Total Oil Imports	9,353	9,163	9,241	9,351	9,335
Petroleum Imports	11,484	10,906	11,161	11,212	11,463

Year to date through June 2008 demand destruction has been relatively minor at 93 thousand barrels per day. Perhaps we should tax gasoline like the Europeans – say \$5 or \$6 per gallon gasoline.

Notice, Canadian daily oil imports have increased YTD.

I wonder how many barrels of domestic oil and gas the US might discover if the \$1 billion we will now send to Georgia were invested in domestic discovery. Which is the better investment? These are strategic questions that will require non-partisan leadership. Perhaps the key to the November elections in the US will be this vibrant, lady governor from Alaska who seems to understand more about oil and energy than any of the candidates, including Senator McCain. She certainly has been vetted in the ANWAR debate and knows Big Oil personally.

I am convinced most of our problems stem from our dependence on foreign resources. I have written frequently about the new Resource Nationalism that is clouding the commodity picture. It will, of course, eventually force our discovery dollars away from countries like Russia and Venezuela to the North America where ownership is more certain. The recent decline in commodities is a mirage induced, in part, by the dollar rescue by the world's central bankers. Anyone who believes that this \$ strength is simply an efficient market move to a new lower equilibrium, is mistaken. The resurgent \$ will last as long as it lasts – but not forever. On top of the billions of \$s we must create and tax to save the financial system the Treasury just published a research note on Social Security suggesting that by 2041 (33 years hence, in time for your children) the fund will be \$13.6 trillion in deficit. This does not include Medicare which is an even larger problem. Please consider owning gold and “things” at these levels.

I am indebted to Ian Doig who writes the excellent *Doig Digest* on happenings in the Canadian, US and international energy space. Ian writes, this AM, that Barrack Gold will buy into the Canadian oil patch through purchase of Cadence Energy and a Trust.

“In two separate moves, Barrick Gold is spending \$497.5 million cash to purchase production of approximately 4,500 b/d of crude oil equivalent that will cover about 30% of its direct annual fuel consumption.”

Teck Cominco also bought into Fort Hills Oil Sands and Elk Valley's met coal assets. This diversified Teck into the energy space for value creation on the revenue and cost side of the income statement. The equity markets are fleeing commodity stocks **BUT THE STRATEGIC PLAYERS ARE NOW BEGINNING TO LOCK UP VALUE PLAYS IN THE RESOURCE SECTOR.** It is not the time to follow the herd out of the resource discovery space – quite the opposite.

I offer one final puzzling question. If the mining companies see the value of hedging their energy costs, why don't the airlines see the same value? After all fuel costs are by far the largest and most volatile expense item for airlines. Here are two ideas that are beginning to look like real opportunities in the Incubator and Mature Discovery spaces.

The first is **Derek Oil and Gas (DRK TSXV)**. The stock sells for pennies yet is flowing about 30 barrels of oil per day in its LAK Ranch field. There is a refinery nearby that produces jet fuel for the US Air Force. I have visited the site twice and also the refinery nearby. Derek is now installing two 50 MM BTU steam generators that should increase the steam by a factor of 6 times. The yield on the viscous oil field will increase to about 200 barrels per day according to COO Robert Hurkmans (July 2008 News release). This is on one small area of the property. This discovery play is definitely worth a look.



The second company of interest is **MegaWest Energy (MGWSF OTCBB)**. MegaWest has 110,000 acres of heavy oil in 5 land positions within the US as well. In Missouri MGWSF's drilling indicated that each acre holds 28,000 barrels and is at least 50% recoverable. They are now steaming in Missouri and producing. They expect 400 to 500 barrels per day production by year end from this one 10 acre area alone. There are refineries close by Coffeyville Kansas and they claim to be profitable at \$55 oil. Both these companies would be ideal investments for any energy intensive industry such as mining or airlines. The shares of MegaWest are now trading for \$.37. I include a newspaper article on MegaWest's progress from *the Joplin Business Journal*. Please read this article on the web site.

MegaWest Energy: meeting demand, reducing foreign dependence

[Don Wilkinson, Associate Editor](#)



Standing near the new oil treatment tank battery, Jim Long, area superintendent for MegaWest Energy, pauses for a moment to check on progress at the new Grassy Creek facility, the second oil production site being developed by the company near Deerfield, Mo. The energy company shipped their first barrels of crude extracted recently from the Marmaton River Project to the Coffeyville refinery. *Don Wilkinson/JBJ*

DEERFIELD, Mo. — As the demand for foreign petroleum continues to increase, domestic energy producers are turning to alternative solutions to reduce U.S. dependence on imports, and promote reliance on in-country resources. Exploration methods once considered unproductive, impractical, or cost-prohibitive are becoming profitable again, due largely to market prices and improved technology.

MegaWest Energy (OTC BB:MGWSF), a publicly held oil and gas company based in Calgary, Alberta, Canada, has for the past several months been exploring a 10-acre patch west of here in search of untapped oil pools below the surface. Using an improved method of thermal heavy oil recovery, the reservoir is responding to the process, which has encouraged further drilling on an adjoining 10-acres, and the opening of a larger, second site a few miles away.

This first heavy oil shipments extracted from the Upper Warner sandstone in the Marmaton River Project Phase 1 site left the site in early August bound for the refinery at Coffeyville, Kan. Production at this site is expected to ramp up to target rate of 400-500 barrels per day by the end of 2008.

SEE Web Site for full article.

Both these companies, Derek and MegaWest are in production. Both are selling for pennies. Most important they are both **PRODUCING DOMESTIC OIL RESOURCES.**

Boone Pickens has called our predicament “*the greatest wealth transfer in the world’s history.*”

2. DON’T LEAVE HOME WITHOUT IT

You must read the New Yorker magazine’s recent (08/11/08) article on “Superbugs.”

This is scary stuff! The title is “**SUPERBUGS: The new generation of resistant infections is almost impossible to treat.**”

The article focuses on gram negative bacteria. One in particular is called *Klebsiella pneumoniae*. It is fast becoming a resident of ICU’s, hospitals and even football locker rooms. That’s right; there is no treatment for Kleb except for a drug called colistin, a last resort drug that may damage the human kidney. The New Yorker article notes, “*we can carry it on our skin and in our noses and throats ... contamination at the hands of caregivers is the most frequent source of infection.*”

This little guy I’ll call him Kleb, has internal pumps that pump out the antibiotic and long hairy arms called Fimbria that attach to the lining of your throat, bronchi, trachea, lungs, alveoli and digestive tract. It can swim in your blood stream and migrate to all organs. In the bloodstream it releases a fatty substance, an endotoxin that damages the lining of the blood vessels and can cause septic shock. It can disable the white blood cells that should protect a normally healthy person. NYU’s Tisch Hospital in New York reported that even with washing down the 4 ICU’s several times a day with bleach, many infections occurred. In 2000, 17 of 34 patients infected by Kleb at the Tisch hospital died. Kleb has since migrated to other New York hospitals. The New Yorker article suggests that this is potentially a “Doomsday bug” with a mortality rate much higher than MRSA, for example – and - it is “spreading out.”

I suggest that you read the New Yorker article very carefully.

There is good news out there. I have always liked the Immtech Pharma infectious disease platform since I spent hours interviewing its principal scientists Boykin, Wilson and Tidwell in 2002/2003. I believe they are onto a new type of antibiotic – we sometimes call it a new mechanism of action. I believe this to be true even though the current drug, Pafuramidine failed in late stage tests on healthy subjects with some kidney effects. Could it be any worse than colistin???? I am keeping my eye on Immtech and its current development efforts. Second, Senesco Technologies (SNT AMEX) ran a series of pre clinical tests at the University of Virginia that showed promise in stopping septic shock dead in its tracks. The SNT Factor 5A1 (gene) therapy worked like a charm on mice. It may be that such therapy will also work on patients infected by Kleb and his multiple drug resistant cousins, to halt the immune systems overreaction to such foreign invaders. I am strongly in favor of Senesco’s discovery technology as well.

Finally, I must suggest that you consider colloidal silver in the fight against these multiple drug resistant bacteria. If you are going to a hospital (don’t leave home without it. American Biotech Labs in Utah produces this colloidal silver material. I have used it externally for many years and it heals wounds and sunburns like a charm. Recent research shows that it kills all gram positive and gram negative bacteria that it has encountered.

I assume that means that our persistent little “friend” Kleb would not survive a dose of colloidal silver. I use colloidal silver both internally and externally though some people prefer only to use it externally. All I can say is that **from personal observation** it works for me. I am convinced that it kills bacteria. It heals wounds much faster. I have less infections as bacteria do not seem to develop a resistance as easily. The silver solution I obtain is from Nutronix International in Richmond, Virginia. Please access their web site (www.nutronix.com) for a description of how to obtain it. I have no financial affiliation whatsoever with Nutronix International.



3. TERRACO GOLD

Good news this AM from Terraco Gold. This is another Incubator stock with great management and excellent properties. Good drill results from its Moonlight property are evident. It is silver that the firm has discovered. In fact one hole intersected 80 feet of an ounce of silver (results below). It is unusual in my experience to see such results early in a drill program.

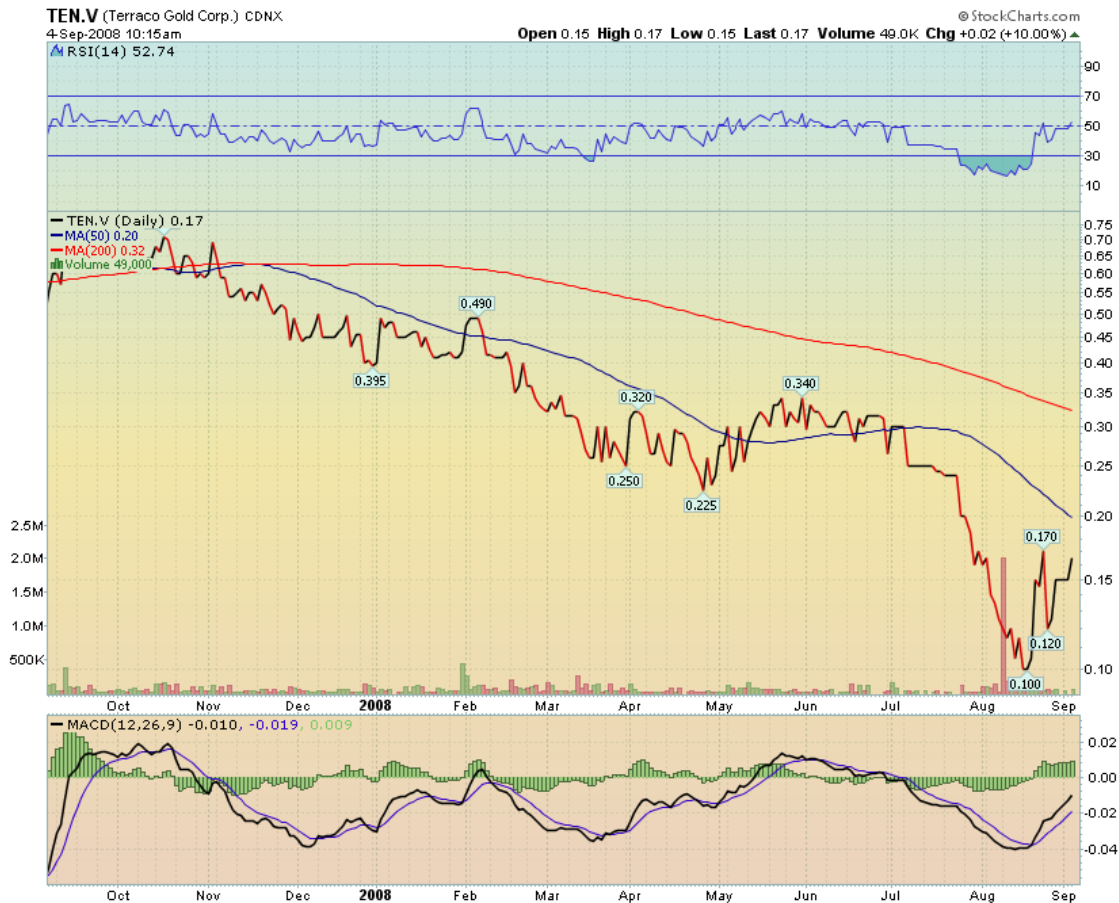
Take another of my favorites, Quaterra resources, for example. Quaterra now has drilled about 80 holes at its Nieves silver project and as of March 11, the results are beginning to show real promise (448 years since the Spanish first mined the Santa Rita vein).

So I am very positive about Terraco’s prospects this early on in the program. There are now several properties in Terraco’s portfolio. When new permits are finished, the company will next drill its Moonlight property a mile away from this discovery at or near

the junction of the property line with Midway Gold. This is near where Midway Gold has discovered high grade gold. I reserve the right to a buy Terraco Gold within 24 hours.

Significant Moonlight / Phlueger Drill Intercept Table:

<u>Drill Hole Number</u>	<u>Interval (ft)</u>	<u>Silver (opt)</u>	<u>From (ft)</u>	<u>To (ft)</u>	<u>Interval (m)</u>	<u>Silver (gpt)</u>
TML 24	70	0.55	135	205	21.3	17.7
	including					
	35	1.00	145	180	10.7	43.7
	including					
	5	3.37	145	150	1.5	115.4
TML 27	80	1.03	165	245	24.4	35.2
	including					
	35	2.13	205	240	10.7	72.8
	including					
	5	6.14	210	215	1.5	211.5



The material herein is for informational purposes only and is not intended to and does not constitute the rendering of investment advice or the solicitation of an offer to buy securities. The foregoing discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (The Act). In particular when used in the preceding discussion the words “plan,” confident that, believe, scheduled, expect, or intend to, and similar conditional expressions are intended to identify forward-looking statements subject to the safe harbor created by the ACT. Such statements are subject to certain risks and uncertainties and actual results could differ materially from those expressed in any of the forward looking statements. Such risks and uncertainties include, but are not limited to future events and financial performance of the company which are inherently uncertain and actual events and / or results may differ materially. In addition Dr. Berry may review investments that are not registered in the U.S. Dr. Berry has been awarded 10,000 stock options exercisable at \$7.50 from Senesco Technologies, 200,000 options from Aura Silver (strike C\$.30), 150,000 options which strike at \$.50 from Birch Mountain for Corporate Finance consulting services. He has been awarded 100,000 options of Derek Oil and Gas exercisable at C\$.47. He is a consultant to Piedmont Mining (250,000 options), Valcent Products (300,000 options), Global Green Solutions (400,000 options) and War Eagle Mining. He owns shares in Goldcorp, Golden Predator, Senesco Technologies, Birch Mountain Resources, DataMeg, Immtech International, Horseshoe Gold, Midway Gold, Derek Oil and Gas, Terraco Gold, Stealth Ventures, Kenrich-Eskay Gold, US Silver, Galway Resources, Neuralstem, Oil Sands Quest, Enhanced Oil Resources, Piedmont Mining, MegaWest Energy, Valcent Products, CGX Energy, MacMillan Gold and Quaterra Resources. He has been awarded 250,000 options on Terraco Gold exercisable at C\$.50 for 5 years, for services as a consultant. He has also been retained as an advisor by Dejour Enterprises (200,000 options plus retainer of \$2,500 per month), Grande Portage (210,000 options, \$5,000 per month retainer and Galway Resources (200,000 options and \$5,000 per month). In his role as advisor he has been awarded 75,000 options from Polymet which strike at C\$2.76. We cannot attest to nor certify the correctness of any information in this note. Please consult your financial advisor and perform your own due diligence before considering any companies mentioned in this informational bulletin.