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American Liberty Petroleum Corp. (OTC:OREO)

- Overview & Analysis -

American Liberty Petroleum Overview

American Liberty Petroleum is a publicly traded company (OTCBB:OREO) with a deliberate focus on achieving three goals: (1) discovering major, new onshore U.S. energy resources that reduce the nation's need for imported oil, (2) tapping overlooked or undervalued onshore domestic resources through exploration and development technologies not previously available, and (3) rewarding shareholders by doing so. The Bakersfield, California-based company is cultivating two key properties in the surprisingly energy-rich state of Nevada that could satisfy all three goals.

Domestic Oil Opportunity Overview

Production Paradigm Shift

According to the International Energy Agency's (IEA) forecast through 2035, OPEC countries will account for a growing share of global oil production, with the greatest increases stemming from Saudi Arabia and Iraq. But by discovering and developing new oil and gas sources on American soil, and using the latest reservoir management techniques to increase recovery of proven resources, it's possible for the U.S. to keep more of its wealth inside its borders, and as a result, also reward OREO shareholders.

"Mr Obama's target to decrease U.S. oil imports by a third by 2022 may well be doubled, given the pace of US discoveries in the Gulf of Mexico and onshore."

- "The new geopolitics of oil." Financial Times website, Apr. 6, 2011

Though American oil production has fallen by nearly 50% since its peak in the 1970s - and isn't expected to ever return to those levels - new domestic production combined with big oil discoveries in places such as California helped U.S. oil production rise in 2009 for the first time since 1991, and then rise again in 2010 (by nearly 3%).

Rising Oil Demand

According to the same IEA forecast, by 2035 the world's primary energy demand will have increased by 36% from its level in 2008, with fossil fuels remaining dominant around the world. Oil, in particular, will remain the leading fuel, with demand growing steadily to reach roughly 99 million barrels of oil per day (bopd) by 2035, up by 15 million bopd over 2009's level.

As a result of these two growing factors, the IEA foresees the price of oil rising amidst what it calls "the growing insensitivity of both demand and supply to price"... which lays the groundwork for the new, and unavoidable, geopolitics of oil.

New Geopolitics of Oil

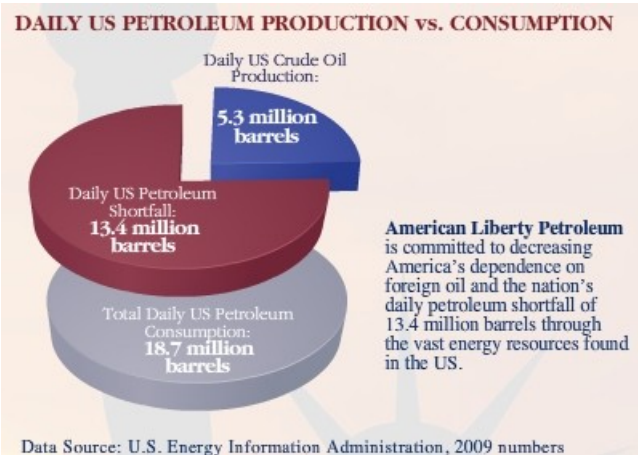
The Financial Times refers to "the new geopolitics of oil" as a collection of emerging critical dimensions in oil markets. These oil-related factors are "likely to push prices on to a higher path in the years ahead" than almost anyone would have forecasted before.

The three main reasons the Financial Times cited to fear rising prices are:

1. . Increased probability of an "apocalyptic oil supply disruption" due to the recent trend of explosive civil disorder and regime change among oil producing countries
2. . Oil producing countries dramatically increasing public expenditures to ward off popular discontent, thereby increasing the price per barrel they need to offset such spending
3. . Potentially tight markets due to the likelihood that oil producers will continue domestic energy subsidies, thereby increasing their domestic oil demand while decreasing oil available for exports

In the Middle East, for example, domestic oil consumption among producing nations is set to be 1 million bopd more in 2015 than in 2010, and another 1.5 million bopd higher by 2020.6

This growing demand and the expectation of rising prices point to a timely market opportunity for nimble, progressive companies - such as American Liberty Petroleum - that are able to respond as needed. Of course, successfully tapping the two-pronged opportunity is entirely a matter owning and developing properties where crude oil can be found.



Why Nevada?

As of 2009, California's average crude oil production was 568,000 barrels per day, making it the third highest oil producing state behind Texas and Alaska. Yet, abundant oil and gas reserves still remain untapped in the western U.S... and not just in California. Right next door in the under-explored state of Nevada are American Liberty's holdings, situated on a structure with enough estimated oil reserves (4+ billion barrels) to dwarf the Occidental discovery.

Nevada's petroleum industry began with the discovery of oil in February 1954 at Shell Oil Company's Eagle Springs #1 well in Railroad Valley, Nye County (to the east of American Liberty Petroleum's Nevada prospects). Since that time, less than 1,000 wells have been drilled in the state (by comparison, over 110,000 wells have been drilled in California's Great Central Valley to date).

Despite the limited exploration, Nevada had produced 51.1 million barrels of oil (mmbo) as of March 2010. At that time, there were nine producing oil fields in the state, eight of which are located in Nye County.

Included among those fields is the prolific Grant Canyon oil field in Railroad Valley, which is recognized as a world class discovery. The Grant Canyon Field was discovered in 1983, and for some years was the site of two of America's highest producing wells, each of which have produced in excess of 9 mmbo and are still producing. As of February 2010, the field had produced a total of 21.13 mmbo, despite the American Association of Petroleum Geologists (AAPG) setting its estimated ultimate recoverable oil reserves at only 13 mmbo back in 1987.

Recovery rates are also generally very high in Nevada due to an active fresh water drive that commonly provides the energy for oil production, eliminating the need for secondary recovery efforts. Strong evidence suggesting that the primary recovery at Grant Canyon was essentially 100% has been logged. The net result is that Nevada oil production can be very efficient, effective and economical, with none of the trouble and expense associated with secondary and tertiary recovery efforts.

Nevada's Crude Oil Highlights

- **Nevada Production History: 50+ years since 1954 discovery in Railroad Valley**
- **Cumulative State Production: 51.12 million barrels of oil (mmbo) as of March 2010**
- **Producing Oil Fields: 9 fields as of March 2010, 8 of which are in Nye County**
- **Grant Canyon Oil Field: between 1983 and Feb. 2010, produced 21.13 mmbo2**
- **State Recovery Rates: very high due to active fresh water drive**
- **Natural Gas: little to none in oils, but existing pipeline infrastructure in case of discovery**

Nye County's Railroad Valley is also home to Nevada's only oil refinery. Should this refinery not be able to process the large volumes of crude that would be associated with a giant oil discovery, Geologist Jerry Walker points out that alternate markets include refineries in the San Francisco Bay area, Bakersfield, California, or Salt Lake City, Utah.

The strength of these producing wells and prospects along with the needed infrastructure is why production and exploration continues in Nevada with the goal of furthering the nation's great tradition of western U.S. energy production and discoveries, such as Occidental Petroleum's discovery in 2009 of 1+ billion barrels of oil and natural gas equivalents next door in California.

Liberty Petroleum's Projects

Kibby Flat Prospect, NV

American Liberty Petroleum's Kibby Flat Prospect is located in the southeastern part of Nevada's Monte Cristo Valley, and represents estimated ultimate recovery as high as 669 million barrels of oil.

The 7,270-acre Kibby Flat Prospect is located ~135 miles southeast of Reno in the southeastern part of Nevada's Monte Cristo Valley, an elongated northwest-southeast trending basin connected to Gabbs Valley by Stewart Valley.

A report by Jerry Walker, Consulting Geologist, in September 2008 concluded that estimated ultimate recovery (EUR) for the prospect could be as high as 669 million barrels of oil (mmbo). At current prices, the potential valuation for the prospect's ultimate recovery estimate of 669 mmbo is $71.15B (calculated at $106.36/bbl WTI Cushing Spot, Apr. 12, 2011).

By way of comparison, Occidental Petroleum's (NYSE:OXY discovery in 2009 of 1+ billion barrels of oil and natural gas equivalents next door in California is believed to be the largest in that state in over 35 years.

A separate report prepared in August 2008 by Geologist Alfred H. Pekarek, Ph.D. expected the Kibby Flat prospect to represent the following three types of reservoirs and their respective estimated reserves: Tertiary sandstones (10.47 mmbo); Tertiary volcanics (6.98 mmbo); fractured Triassic carbonates (13.96 mmbo).

The Pekarek report's estimates were calculated based on a "nominal" 300 acres, while pointing out that the productive area may also be larger, such as in the case of Nye County's Trap Spring field, which has a productive area of ~2,500 acres.

Evidence of the overall potential of the Monte Cristo basin is provided by an exploratory well in addition to gravity, magnetic, and surface geology. Additional work, such as seismic, soil-gas survey, high-resolution gravity, is required to identify a drillable location. An 8,000 foot test of the Tertiary Esmeralda Formation will provide needed data to further evaluate the basin's hydrocarbon potential.

If the nearby exploration and regional production is an indication of what OREO (cont)

Liberty Petroleum's Projects (cont.)

investors can expect from Kibby Flat, there's much to be excited about.

One exploratory well has been drilled in the basin - the Monte Cristo Oil #1 William Wright - only a few hundred feet from one of American Liberty Petroleum's prospect leases. The well reached total depth of 4,776 feet in 1969. Hydrocarbon shows in samples and oil recovered during a completion attempt demonstrate the potential for a hydrocarbon accumulation while critically establishing the presence of oil in the Tertiary section.

The #1 William Wright well is one of only 10 wells drilled to date in the search for hydrocarbons in the southwest Nevada region. Six of these 10 wells encountered shows of oil and/or natural gas. The 2008 Walker report notes that "this high percentage of exploratory wells with shows" encourages the continued search for the first oil field in southwest Nevada.

According to the Walker report, the most important results to date were numerous oil and gas shows recorded in 2001 in Isern Oil's #1-4 Gigante well in Gabbs Valley from sediments in the Tertiary Esmeralda Formation. This formation appears to extend into Kibby Flat from Gabbs Valley by way of Stewart Valley. Thus, source rocks are likely to exist under Kibby Flats.

Meanwhile, a little over 100 miles to the east is Nevada's Railroad Valley. The valley contains dozens of producing oil wells, including Grant Canyon #3, which claimed the title of best producing onshore oil well in the lower 48 states, flowing an average 4,150 barrels of oil per day in 1988.

The next steps in getting the Kibby Flat prospect into a production states e are clear.

The Walker report proposed an 8,000 foot well to test the Tertiary (Miocene) Esmeralda Formation. While structural, stratigraphic, and combination traps are possible in the basin, initial recognition of traps would focus on structures identified by seismic and possibly high-resolution gravity.

And the payoff? Estimated initial production (IP) from Tertiary sandstone reservoirs is 50 to 150 barrels of oil per day (bopd), and up to 1,000 bopd day from fractured Tertiary welded tuffs or fractured Mesozoic/Paleozoic rocks.

Assuming wells are drilled on a 40-acre spacing pattern, the most likely case for areal extent of reservoir implies the need for 12 wells to produce the most likely estimated ultimate recovery of ~7.5 mmbo at a rate of 625,000 barrels of oil per well.

Gabbs Valley Prospect, NV

American Liberty Petroleum's Gabbs Valley Prospect is located on the Cobble Cuesta structure, a faulted anticline estimated to represent reserves of 4+ billion barrels of oil.

American Liberty Petroleum's 2,557-acre Gabbs Valley Prospect is located in Nye County on the 26,000-acre Cobble Cuesta structure in the northwest part of Gabbs Valley, Nevada. A report by Alfred H. Pekarek, Ph.D., Geologist from January 2008 estimated the Cobble Cuesta structure represents reserves of 4+ billion barrels of oil based on reservoir and production data from producing Nevada oil fields.

The Nevada-based Cobble Cuesta structure's 12 mile by 5 mile faulted anticline appears to be positioned to receive oil migrated from deeper areas in the eastern part of the valley. Pekarek goes on to note that, based on the location and structural position of oil seeps and radiometric and soil gas anomalies, "a significant part, perhaps all, of the structure has been filled."

The report concludes that if only a fraction of the estimated reserves are found to be in the Cobble Cuesta structure, it will still rank among the largest oil accumulations in the western United States.

Numerous other geological studies, including 2D seismic and gravity data, electrotellurics, photogeologic mapping, surface geochem, radiometric and soil gas anomalies, all support the presence of trapped hydrocarbons in the prospect.

As was the case with Kibby Flat, similar geology near the area strongly suggests crude can be found and extracted at this site. (cont)

Kibby Flat Prospect Highlights

- **Holdings: 7,270 acres**
- **Location: Monte Cristo Valley, Nevada (~135 miles southeast of Reno)**
- **Estimated Ultimate Recovery: up to 669 million barrels of oil**
- **Potential Valuation: up to $71.15B (669 mmbo @ $106.36/bbl WTI Cushing Spot, Apr. 12/11)**
- **Nearby Exploration: #1 William Wright well (a few hundred feet away); established presence of oil in Tertiary section1**
- **Regional Production: Grant Canyon Field just over 100 miles east; produced 20+ million barrels of oil on only 300 acres**

Liberty Petroleum's Projects (cont.)

Source rock similar to that found in the Cobble Cuesta structure is found in the Grant Canyon Field, 180 miles to the east. The Grant Canyon Field generated oil for the highest single producing well in the lower 48 states, flowing at an average of 4,150 barrels of oil per day in 1988. The nearby field is one of the highest per acre producing fields in the country, and, according to a 2001 US Department of Energy report, had produced more than 20 million barrels of oil on only 300 acres.

More than that, two wells have already been drilled on the Cobble Cuesta structure. The first was Isern Oil's #1-4 Gigante in 2001 on what are now American Liberty's holdings. The second was Empire Petroleum's #1-12 Cobble Cuesta Unit Federal in 2006-2007, drilled in the structure's crestal area.

Both wells had shows of live hydrocarbons, indicating that significant amounts of oil have been generated and are present in the Cobble Cuesta structure. By comparison, the shows greatly exceed that which is typical of producing wells in Nevada, especially in thickness. Specifically, the wells confirmed the presence of organic-rich mud rocks in the lower part of the Esmeralda Formation and the presence of fractured Tertiary volcanics for reservoirs.

Empire Petroleum was scheduled to begin drilling operations on a follow-up Cobble Cuesta test well. Empire plans for the new test to be drilled to the Triassic Formation at an estimated depth of 6,000 feet, while having a testing unit on location to test oil shows immediately.

Gabbs Valley Prospect Highlights

- **Holdings: 2,557 acres**
- **Location: Gabbs Valley, Nye County, Nevada (~140 miles southeast of Reno)**
- **Underlying Structure: Cobble Cuesta faulted anticline**
- **Estimated Structure Reserves: 4+ billion barrels of oil**
- **Multiple Targets: Tertiary sandstones, Tertiary volcanics, fractured Triassic carbonates**
- **Onsite & Nearby Exploration: two wells drilled in Cobble Cuesta, both with live hydrocarbon shows**

Management Team

American Liberty Petroleum is built on strong leadership marked by proven business-building success, oil and gas industry experience, and passion for moving the U.S. down the path to energy independence.

Alvaro Vollmers - President

Alvaro Vollmers is an internationally trained and experienced executive with experience managing multi-million dollar projects, and business strengths ranging from strategy development to cost control, project financing, and startup management. He has held both private and government positions.

Alvaro earlier served as Manager of Marine and Aviation Insurance with Credicorp Ltd. (NYSE: BAP) owned Pacifico Seguros, one of Peru's most prominent insurers. He held profit and loss responsibility for three business sectors with premium income exceeding $32 million. He also conceived and executed a business strategy that increased the company's share of marine insurance from 28% to 40%, helping Pacifico Seguros become the most profitable marine insurer in Peru.

Alvaro also worked for Peru's Ministry of Economy and Finance, the nation's counterpart to the US Department of the Treasury. In this role, he led a group of managers and oversaw a project portfolio exceeding $10 million and implemented a $9.8 million project funded by the World Bank. Internationally educated, Alvaro holds an industrial engineering degree from the prestigious University of Lima, Peru, where he earned magna cum laude honors.

He also earned an MBA from the London Business School and received procurement training from the Washington, D.C.-based World Bank. He has also taught projects evaluation courses at the University of Lima Industrial Engineering school.

Vincent Ramirez - VP Operations

Vincent Ramirez has successfully built an oil and gas career spanning roles in exploration, production, finance, management, research, and lecturing while working with major industry players such as Shell and Amoco along the way. Equally comfortable in the field and the boardroom, he represents the combination of operations and executive leadership skills essential to the ongoing development and sustainability of American Liberty Petroleum Corp.

Vincent is currently Managing Director of privately-held Hangtown Oil, LLC, managing the firm's financial, exploration and production activities, which include 11 successful wells drilled out of 12 since 2008. Prior to this role, he was Chairman of the Board of Directors for 6 years with Siberian-based Vostochnaya Transnational Company. Responsibilities with the 80-million-barrel oil (mmbo) company included, among others, raising $60 million capital, managing operations for the drilling of 7 wells and construction of a 70 mile pipeline, and supervising regulatory compliance and ongoing sales operations.

Vincent's early career included geologic mapping in California for the US Geological Survey (USGS); preparing geologic maps of various California areas for Amoco; and filling Exploration and Operations Geologist roles for Shell Western E&P, including (cont)

Management Team (cont)

Production Geologist for San Joaquin Valley operations and exploration wildcats involving 12 oil fields and 120,000 barrels of oil per day (bopd) operations.

In the mid 1980s, Vincent worked as a Research Scientist at the Research Planning Institute, filling the role of Structural Geologist and Seismic Stratigrapher for consortiums of major oil companies. Projects included regional subsurface studies in Sacramento Valley and San Joaquin Valley, California.

Vincent earned a B.S. in Geology from the University of California, Santa Cruz, and an M.A. in Geology from the University of California, Santa Barbara. Since that time he has had 15 professional papers published, including several in conjunction with public presentations to the likes of the American Association of Petroleum Geologists, the American Geophysical Union, and the Geological Society of America.

James E. Melland - Advisory Board

James Melland is a Licensed Professional Engineer (KS & CA) and a Licensed Professional Geologist (CA) with over 22 years of broad-ranged experience in the oil and gas industry. Past duties include petroleum engineering (production, reservoir, & drilling), geology, property evaluation, project management, data management, and writing qualifying reports for multiple clients for presentation to the Vancouver Stock Exchange. Since 2004, he has worked as a Consulting Petroleum Engineer and Geologist through his own consulting business. Prior to that, James served as a Petroleum Appraisal Engineer for the Kern County Assessor's Office in California, performing annual appraisals on oil and gas properties in the sum of approximately $5B.

His extensive experience in the western US includes serving as Geological Engineer and Production Engineer for Shell Oil Company (NYSE:RDS.A) on the South Belridge Tulare, which included drilling 12 wells, increasing reserves by 700,000 barrels, and conducting a field study that located 3 million barrels of bypassed oil.

Other western US experience includes acting as Operations Engineer for Occidental Petroleum (NYSE:OXY) for the Eastern Shallow Oil Zone; as a Consulting Geologist for Texaco Exploration and Production (NSYE:CVN) and Mobil Exploration and Production (NYSE:XOM); providing technical expertise for Halliburton Energy Services (NYSE:HAL) in connection with Aera Energy's Ventura Avenue field; and performing all engineering and project management for a $3MM, six well drilling program in Kern County, California.

James holds a B.S. in Geological Engineering (Petroleum Engineering Option) from the University of Missouri-Rolla, Cum Laude, and has received engineering and geological training from Shell Oil Company. He has also continued his education through various college courses, including business related studies.

Alfred H. Pekarek, Ph.D. - Advisory Board

Dr. Alfred Pekarek is a seasoned geologist who represents 36 years of Oil and Gas Industry experience. He has consulted for, and worked with, such industry players as Wexpro Company (wholly owned subsidiary of Questar Corporation | NYSE:STR) and Husky Oil Company as Geologist in charge of their Railroad Valley, Nevada, exploration program, where he was directly responsible for 8 wells, and indirectly involved in nearly a dozen others.

Alfred's current consulting activities include oil and gas exploration, and prospect development and drilling, primarily in the Mid-continent, Rocky Mountains, and Basin and Range Province. His roles have included acting as geological manager for prospect development; as exploration and general manager; and as geologic consultant for drilling programs in Colorado, Wyoming, and Nevada.

Over the years, Alfred has served as Exploration Program Manager for Sun Exploration Company and Husky Oil Company; evaluated detailed gravity data covering more than

5,000,000 acres and regional gravity data for much of the western US; analyzed about 3,000 miles of seismic in Nevada alone, much more elsewhere; and worked on drilling programs involving over 300 wells in total.

Bottom Line

As is the case for all startups, the success of a stock is entirely dependent on the strength of the underlying opportunity, and the ability of an organization to rise to the goal (which is a function of its people, and its assets). American Liberty Petroleum has more than demonstrated the strength of all three aspects.

It's a startup, with a current capitalization of about $131 million. The size and newness does translate into risk, but it also translates into a significant upside - new investors can own a large piece of a small company starting to tap into a large (hundreds of millions of dollars) opportunity. It's rare that investors can jump into a budding company like this outside a true IPO.

With a relatively small float and now the impending beginning of company operations - and the subsequent news flow associated with it - OREO is seen as a speculative buy here. Given its assets, it's a potential acquisition target, though it's just as strong of a prospect if it moves forward with its planned oil well development.

Report Prepared by James Brumley
SmallCap Network Contributor

For questions and inquiries, please contact SmallCap Network.

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