



Far East Energy

Corporate Presentation

远东能源公司

Cautionary Statement

Forward Looking Statements:

Certain statements in this presentation regarding future expectations and plans for oil and gas exploration and development may be regarded as “forward looking statements” within the meaning of the Securities Litigation Reform Act. They are subject to various risks including, but not limited to, the inherent uncertainties in interpreting engineering data related to underground accumulations of oil and gas, timing and capital availability, and other factors to be discussed in detail in the Company’s SEC filings. Any information provided herein is qualified in its entirety by the Company’s SEC filings and any subsequent filing updates, changes or adjustments. Information is current as of the date presented, but as events change, the information herein may become out of date. We encourage you to read our SEC filings to review the more complete discussions of the risks outlined above.

Note to Investors:

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proven reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this presentation, such as “total gas-in-place” and “recoverable CBM resources”, that the SEC’s guidelines prohibit us from including in filings with the SEC. U.S. investors are urged to consider closely the disclosure in our Form 10-KSB, File No. 0-32455, available from us at our website under the heading, SEC Filings”. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

This presentation also contains information about adjacent properties on which we have no right to explore. U.S. investors are cautioned that petroleum/mineral deposits on adjacent properties are not necessarily indicative of such deposits on our properties.

Definitions of technical terms:

Certain technical terms used in this presentation associated with descriptions of the potential for oil and gas properties are not consistent with “Proven Reserves” and thus the Securities and Exchange Commission (“SEC”) guidelines prohibit us from including such terms in filings with the SEC. Such terms used herein are defined as follows:

Total Gas-In-Place: This term refers to discovered and undiscovered Gas-In-Place which is the quantity of hydrocarbons which is estimated, on a given date, to be contained in known accumulations, plus those quantities already produced therefrom, plus those estimated quantities in accumulations yet to be discovered.

Recoverable CBM Resources: This term refers to a calculation based on geologic and/or engineering data similar to that used in estimates of proven reserves; but technical, contractual, economic, or regulatory uncertainties preclude such resources from being classified as proven reserves. Recoverable CBM may also be estimated assuming future economic conditions differ from those prevailing at the time of the estimate.

Key Investment Highlights

- Significant acreage position in China's coal rich Shanxi and Yunnan Provinces
- Estimated potential total gas-in-place of approximately 18 Tcf in held acreage
- China's CBM characteristics combined with ripening western technologies improves rate of successful CBM development
- Company's key CBM play is strategically located between two national pipelines
- Extremely seasoned management team with extensive gas industry, international, and China-specific experience
- Sustained growth in the Chinese gas market provides compelling economics for locally sourced CBM
- Two multi-lateral horizontal wells currently in progress in Shanxi Province
- ❖ **A tremendous CBM asset at a time when technologies, commodity prices, and market demands promote CBM development**

Corporate Overview

- **Third largest CBM acreage holder in China with over 1.3 million acres**
- **CBM Partners with ConocoPhillips and China United Coalbed Methane Company (“CUCBM”)**
- **Based in Houston, Texas with offices in Beijing, Taiyuan and Kunming**
- **Performing production test on first multi-lateral horizontal well in Shanxi Province**



What is Coalbed Methane

- **Coalbed Methane (CBM) is simply natural gas found in coal beds buried beneath the earth's surface – the gas is actually molecularly attached to the coal and is released by a process called “desorption”**
- **In 2003, CBM accounted for 10% of total US gas reserves (EIA) and 8.9% of all US natural gas production in 2002 (USGS)**
- **Fastest growing sector of US lower 48 states gas production**

远东能源公司



Strong Team

Management

Michael McElwrath, Chief Executive Officer, President and Director,
formerly Acting Assistant Secretary of Energy

Bruce N. Huff, Chief Financial Officer, Secretary and Treasurer
formerly President and Chief Operating Officer of Harken Energy

Garry Ward, Senior Vice President - Engineering

Dr. Alex Yang, Senior Vice President – Exploration and Production

Jeff Brown, China Country Manager – formerly China Asset Manager, Kerr-McGee

Board of Directors

John C. Mihm, Chairman, retired Senior Vice President ConocoPhillips

Michael R. McElwrath

Donald A. Juckett, retired US Department of Energy

Randall D. Keys, Chief Financial Officer BPZ Energy, Inc.

Tim Whyte, Sofaer Capital, Inc.

Thomas E. Williams, President Maurer Technology

Technical Advisor

Don Gunther, Former Vice Chairman Bechtel Group



China

- **Average GDP growth of over 9% during the last decade**
- **World's 2nd largest energy consumer**
- **China's Achilles' heel is insufficient energy supply**
- **Approximately 70% of China's 34 Provinces suffered large scale electricity shortages in 2004**
- **60-70% of China's energy comes from coal**
- **China ranks second in the world in carbon emissions**
- **Seven of world's ten most polluted cities in China**
- **China must increase energy supply while combating pollution**

China's Natural Gas Mandate

- **China State Council pushing for four-fold increase in natural gas usage by 2010**
- **China has mandated natural gas replace coal as major source for electricity generation by 2008 Olympics in Beijing**
- **Natural gas currently accounts for less than 3.5% of China's energy use; by mandate it is expected to reach 8% by 2010**
- **Gas expected to have largest growth in terms of percentage of fuel supply through 2025**
- **China will spend in excess of US\$9 Billion (74 Billion RMB) to achieve this target**
- **Development of the CBM resource provides an opportunity to improve coal mine production safety and reduce emissions while easing China's energy supply tension**



CBM Addresses Energy Shortage and Environment

- **Conventional gas – to date, onshore results somewhat disappointing**
- **CBM Supply – China’s enormous resources estimated 31.46 Trillion m³ (1100 TCF) (China United Coalbed Methane Corporation, Ltd.)**
- **Clean – burns substantially cleaner than coal**
- **Net environmental benefit – Net reduction in emission of methane into atmosphere**
- **Saves lives – drilling in advance of mining can save many of 6,000 plus lives lost annually**
- **Proximity to market – Primarily in Central & Eastern China – relatively close to major cities and institutions**

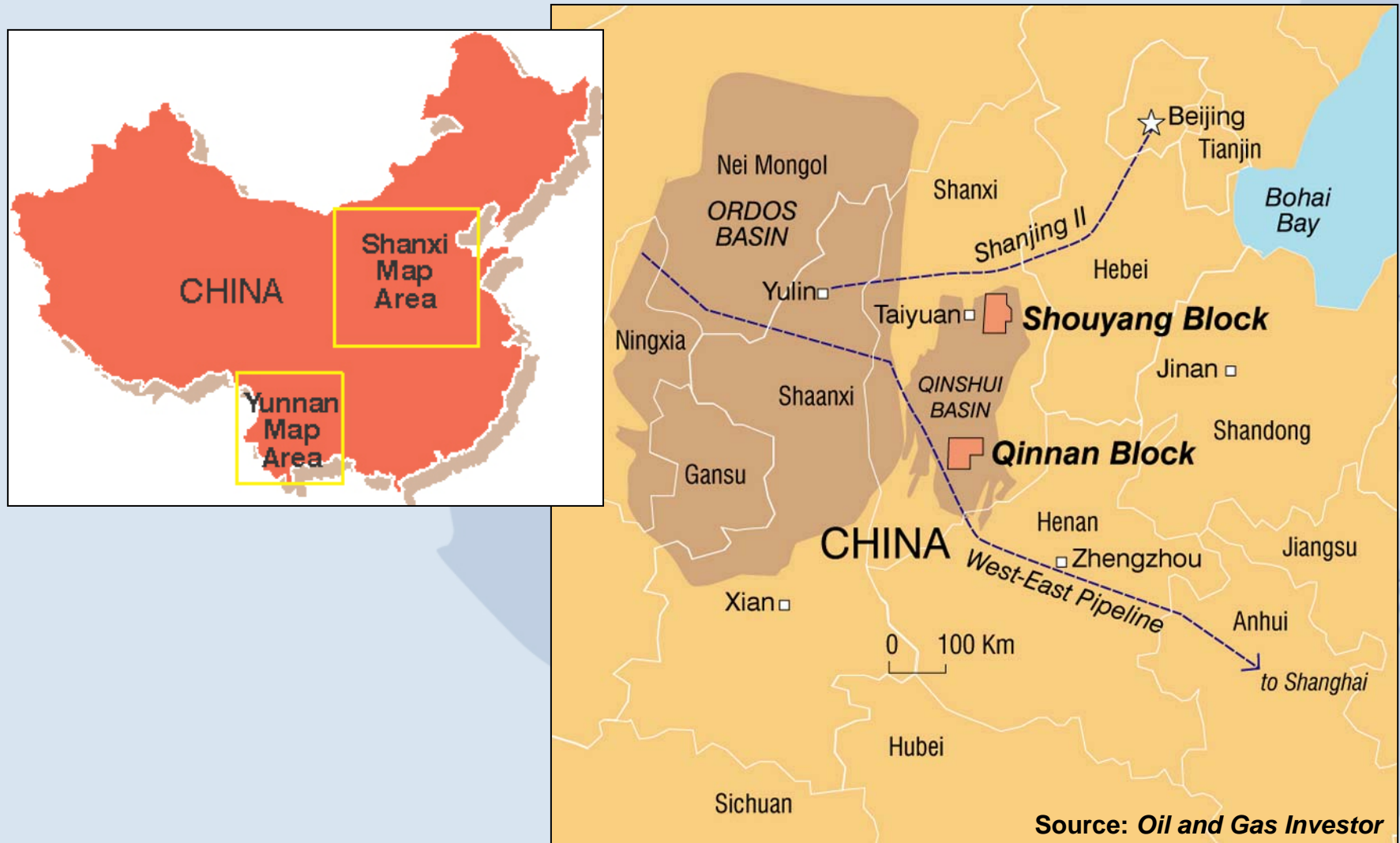
China Macro *Gas Markets*

The Markets

- **CBM receives favorable royalty treatment**
- **Market price vs. Government established price**
- **Price received ranges from \$4.50 to \$5.50 Mcf (city gate) vs. \$2.65 to \$3.25 Mcf (in the pipeline)**
- **Pipeline tariff approx \$1.60 Mcf / 1,000 km or \$1.60 Mcf / 621 mi**
- **Can potentially get higher prices for LNG, if necessary or available**
- **Strong profit potential after deducting lifting cost, tariff and taxes**
- **Shanxi project is located relatively close to major pipelines**
 - **Access of Shouyang to Shanjing-II highly probable**
 - **Qinnan access to West-East Pipeline highly probable**
 - **Shanxi Province has announced plans for regional pipelines**



China Macro *Basins & Coals*





Shanxi Project

- 1,057,638 Acres
- Partners with CUCBM and ConocoPhillips
- Pipelines in close proximity
- Potentially 6.5 Tcf – 9.8 Tcf of total recoverable CBM resources
- 40% - 66.5% participating interest potential
- Over 3,000 potential horizontal well locations



FECC
#FCC-HZ 01
Well Project
Spudded 6/8/05

ConocoPhillips Shanxi Data

Shanxi Analysis

- Significant amount of well data available

Type	Number of Shanxi Wells
Location data	1,015
Tops and thickness data	814
Production data	6

- Ash content, isotherm data, and gas content measurements for several wells in the region
- Three seismic profiles analyzed for each block covering areas of no well control
- Three main coal seams identified and evaluated:
 - Coals 3, 9, and 15 have substantial thickness in both blocks
 - Coals are laterally continuous and are of high grade
 - Coals capable of holding large volumes of gas

Source: ConocoPhillips

Conclusion

Acres Analyzed	Gas-in-place P10* (Tcf)
489,000	13.1

*- 10% probability that actual gas-in-place may be less than the estimated gas-in-place.



Basin Comparison

CBM Basin

		San Juan	Black Warrior	Shanxi
Reservoir Characteristics	Coal Gas Content (SCF/ton)	300-700	250-500	400-1,000
	Recovery Factor	80%	65%	50%
	Coal Thickness: Typical net coal (feet)	70	25	30
Total Produced and Recoverable CBM Resources (Tcf)		19.2	5.6	6.5

Yunnan Projects at a Glance



- Partners with CUCBM
- Two large CBM projects
- 159,000 - 265,000 net acres
- 5.3 Tcf estimated total gas-in-place
- 60% participating interest for FEEC
- E&P costs reimbursed to FEEC from initial production revenues





Far East Energy

Capitalization

Symbol	OTCBB: FEEC
Common shares outstanding	96.8 million
Recent price (November 11, 2005)	\$1.37 per share
Long-term debt	Nil
Market Capitalization	\$134.6 million

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Appendix - Shanxi Project

Contract Area: 1,057,000 acres (4,280 Km²)

Participating Interests:

Exploration: Far East Energy 100%

Development:	<u>If COP takes 30% WI</u>	<u>If COP takes 3.5% ORRI*</u>
Far East	40%-70% WI	70%-100% costs and 66.5%-96.5% of production
COP	30% WI	3.5% ORRI
CUCBM	30%-0% WI	30%-0% WI**

* ConocoPhillips (COP) has the right to elect either a 30% WI or a 3.5% ORRI (out of FEEC interest) at end of Phase II

** China United Coalbed Methane Corp Ltd. (CUCBM) has the right to participate in any development with up to 30% participating interest

Appendix - PSC Details

Shanxi Project

- **Production Sharing Contract (PSC) with China United Coalbed Methane Co. (CUCBM) government partner.**
- **30-year term in three phases: *Exploration, development, production***
- **Exploration costs borne solely by Contractor (FEEC), CUCBM share later recovered from cash flow on nominal basis**
- **FEEC commits to exploration work program and expenditures over a five year period in order to earn its interest in the acreage**
- **Technology from Outsource Contractors: Western directional tools, geosteering engineers, compression, well design and supervision**
- **Development costs borne in proportion to ownership, with FEEC preferentially receiving cash flow until 9% rate return on exploration investment is realized**
- **FEEC is Operator**

Appendix - Shanxi Project

- **Geologic evaluation has identified three prospective areas within the Shouyang and Qinnan Blocks from 900-3000 ft (300 to 1000 meters) in depth**
 - **Shouyang North Area 204,335 acres total (827 Km²); 82,710 acres (334 Km²) within well control area**
 - **Qinnan East Area 113,904 acres total (461 Km²); 53,431 acres (216 Km²) within well control area**
 - **Qinnan West Area 171,103 acres (692 Km²) total**
- **Three main coal seams have been identified and evaluated**
 - **Coals 3, 9, and 15 have substantial thickness in both blocks**
 - **Coals are laterally continuous and are of high grade**
 - **Semi-anthracite rank makes the coals capable of holding large volumes of gas**
 - **Coals are well-cleated and have good permeability**
 - **Coals demonstrate high desorption rates**
- **Other less continuous coals within the section offer additional potential not captured in this evaluation**

Appendix - Shanxi Project

- **Total gas-in-place distributions from Monte Carlo modeling (Coals 3, 9, and 15 only, 900-3000 ft (300-1000 meter) depths)**
 - **Shouyang North Area**
 - **Well Control Area: P10 - 1.8 Tcf (51 Bcm); P50 - 2.2 Tcf (62 Bcm); P90 - 2.7 Tcf (76 Bcm)**
 - **All Shouyang North Area: P10 - 3.9 Tcf (110 Bcm); P50 - 4.8 Tcf (136 Bcm); P90 - 6.1 Tcf (172 Bcm)**
 - **Qinnan East Area**
 - **Well Control Area: P10 - 1.8 Tcf (51 Bcm); P50 - 2.1 Tcf (59 Bcm); P90 - 2.5 Tcf (71 Bcm)**
 - **All Qinnan East Area: P10 - 3.7 Tcf (105 Bcm); P50 - 4.4 Tcf (125 Bcm); P90 - 5.2 Tcf (147 Bcm)**
 - **Qinnan West Area**
 - **All Qinnan West Area: P10 - 5.5 Tcf (156 Bcm); P50 - 6.8 Tcf (193 Bcm); P90 - 8.3 Tcf (235 Bcm)**
- **Total gas-in-place distribution in both Qinnan and Shouyang (Coals 3, 9, and 15 only, 900-3000 ft (300-1000 meter) depths; (Monte Carlo estimate)**
 - **P10 - 13.1Tcf (371.3 Bcm) P50 - 15.9 Tcf (451 Bcm) P90 - 19.6 Tcf (1006 Bcm)**



Appendix - The Horizontal Advantage

Horizontal

- Ability to stay in zone
- With directional control may test reservoir in multiple directions
- Maximizes exposure of coal face to open hole
- Limited fluid invasion
- Horizontal productivity greatly exceeds vertical productivity
- Requires more capital

vs.

Vertical

- No control over fracture growth and direction, which can contact aquifers
- Must pump large volumes of fluid into formation
- Chemicals, foams, etc. may damage coal face and negatively impact flow
- Fracture length usually less than design
- Requires less drilling capital



Far East Energy

Drilling Commences in Shouyang Block



Spudding Ceremony for FEEC's First Horizontal Well Project in the Shanxi Province - June 2005