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Quantum Energy Inc.



FEATURED COMPANY

It is rare that I would market and write about a pink sheet company but this company is special. There's a reason why this stock has climbed up from \$.06 to ten times that amount. Read and find out why.

Quantum Energy, Inc. engages in the acquisition and exploration of oil and gas properties in the United States. The company was founded in 2004. It was formerly known as Boomers Cultural Development Inc. and changed its name to Quantum Energy, Inc. in 2006.

Synopsis

QUANTUM ENERGY, INC. proposes to develop a 20,000 barrel-per-day diesel refinery at the center of both the diesel demand and the supply of crude in the Williston Bakken field region of North Dakota. Removing the transportation component cost of moving crude to remote refineries

combined with the ability to distribute high-demand diesel to the market within the immediate vicinity of the proposed refinery, creates margins sufficient to justify the capital investment. Based on the long-term projections for continued development of the well fields (expected to last a minimum of 20 years), the refinery should continue to remain economically viable for the long term and the projected decades of drilling ensures a steady market over the long run. The Bakken play, including the Three Forks formation in the Williston Basin is perhaps the most well-known of the shale oil plays that are the major new sources of crude in the United States.

Current Project Updates

Quantum Energy, Inc. recently purchased a refinery site which is 80 acres in size adjacent to the Northstar

Transload LLC in East Fairview, North Dakota for the construction of the Fairview Refinery. The refinery is looking to process about 20,000 barrels a day of the 900,000 barrels of crude being produced in the Bakken field. The fuel will be sold to the local North Dakota and Montana markets to meet local demand. The refined diesel will meet the new 2014 ultra-low sulphur standards. Quantum Energy announced that an agreement has been reached with Northstar Transload LLC to increase the number of acres to be acquired by Quantum from 80 acres to 122+ acres to allow Quantum to construct a crude stabilization processing facility that will enhance the safety of the crude as it is loaded on the tank cars for shipment.

Management

The management team consists of two uniquely experienced individuals who bring the leadership, business acumen and connections to see this project through to completion [Stanley F Wilson, Chairman and President](#)

Mr. Wilson is corporate executive as well as an M&A securities attorney whose legal and business career has placed primary emphasis in business combinations involving small cap publicly traded companies across a wide range of industries including oil and gas, fuel trading and marketing, telecommunications, specialty finance, insurance and retail automotive. This specialization has taken many forms including numerous going-public transactions, serving as President and General Counsel to multiple publicly traded holding companies trading on NASDAQ, OTCBB and the Pink Sheets, as well as legal counsel to new car dealerships, general counsel to statewide automotive dealer associations, automotive trade association executive, automotive industry lobbyist and CEO of sub-prime automotive finance companies both public and privately-held. Mr. Wilson has been an active member of the Nebraska State Bar Association since 1974, was appointed by the Governor as an acting Lancaster County Court Judge and served as The Staff Judge Advocate of the 67th Infantry Brigade of the Nebraska Army National Guard with the rank of Captain. Mr. Wilson is a partner with the Tempe, Arizona law firm of Davis, Miles, McGuire Gardner, PLLC www.davismiles.com.

[Andrew J Kacic, CEO and Board Member](#)

Mr. Kacic is an experienced oil & gas executive and investment banker with the following background: A seasoned expert in primary and secondary finance strategies, capital management and corporate organization, Mr. Kacic brings more

Projected First Year Operating Income

Financial Summary	
Revenue	\$ 665,890,372
Cost of Goods Sold	563,179,699
Gross Profit	\$ 102,710,673
Operating Costs	(28,460,000)
Depreciation	(5,451,488)
Total Costs	(33,911,488)
Net Earnings	\$ 58,812,234
EBITDA	\$ 74,250,673

than 28 years of progressive experience as a chief executive in investment banking, insurance services, public securities, automotive and oil and gas markets. Mr. Kacic served as CFO of an automotive and RV retailer with annual sales in excess of \$350 million., 1999/2001. Mr. Kacic was president and founder of American Resources of Delaware, Inc. and its subsidiary Southern Gas Company. This company grew from \$220,000 to \$40 million in less than 4 yrs. Mr. Kacic also served as CEO for the oil and gas companies Proper Power & Energy, Inc. and Barclay Road Inc. to assist in their SEC filings and corporate restructuring. Mr. Kacic was founder and CEO of Securities Network, Inc. (formerly Design Capital Securities Corp), an Arizona based NASD broker dealer with 22 offices and over 140 registered representatives. Advisory Services, Inc. (ASI) has acted as an advisory and consulting firm since 1982 based in Scottsdale, Arizona. In March of 2004, ASI successfully orchestrated the structuring and funding of a \$221 million (Canadian) IPO in Canada that set precedence in the industry. Mr. Kacic is currently based in Williston, ND involved in oil field related services.

Valuation

After closing, permitting, and completing construction, the refinery which is modeled after the Dickinson refinery is projected to produce

annual revenues of \$665,890,372 with EBITDA (Earnings Before Interest Expense, Tax, Depreciation/Amortization) of \$74,250,673 (approx. \$1.70 per issued and outstanding share!) and employ 100 plus full time staff. These are figures that need to be put into perspective. The numbers forecasted are accurate as they are based on current bakken crude oil prices which is conservative considering market demand for bakken crude oil is only expected to increase in the near future and only 5.5 million of the total 28.5 million operating costs are variable, the rest are fixed, so that shouldn't change much. Please see detailed figures below provided by Quantum Energy, Inc.

Needless to say this company is taking off. Also, since this is a small cap stock, what the average investor needs to understand is that due to the lower market capitalization, it does not react to news as fast as more liquid and larger stocks do, that is to say, markets are not as efficient with small cap equities. That being said, there is still opportunity to make money, not to mention that Quantum Energy is still expecting further funding on the \$250,000,000 investment for the production of the refinery.

Other Sources of Revenue

There are a fair bit of secondary products being produced as well, these include: Off-Gas/Propane and Butane, Naphta, Kerosene, Industrial Diesel – Atmospheric Gas Oil, and Heavy Fuel Oil. In this case, the propane and butane could be sold separately as a commodity or used as a heat energy source for the boilers and heat exchangers depending on market conditions. The Naphtha produced will be sold in the Canadian market as diluent for tar sands oil transportation since it does not make financial sense to process and sell in the region given current market demand. Kerosene in this case will be blended with the diesel fuels to maximize the refinery's diesel output, since current commodity prices make it unreasonable to process it and sell it as jet-fuel. Industrial Diesel will be sold as catalytic cracking feedstock to Midwest or Gulf Coast refineries until the market can prove the suitability of the material as a drilling distillate. Heavy Fuel Oil is also known as Bunker C Fuel Oil in the marine industry and is used to fuel very large diesel engines. The distilled bakken crude heavy fuel oil is relatively light compared to many other crude feedstocks, in the of API 20 gravity. They are also relatively free of asphaltenes and heavy metals and relatively low in sulfur (3,960 ppm), making them a premium heavy fuel oil product. This product could be sold into the bunker fuel market, or most likely as feedstock for coker units or fluid catalytic converter (FCC) units, which take this heavy and produce diesel, coke (in the case of the coker unit) and other distillation products. The company has made no clear statement on what they plan on doing with it. The expected production levels of the secondary products are as follows...

- Off-Gas/Propane & Butane – 900 barrels/day
- Naphtha – 5,000 barrels/day
- Kerosene – 2,000 barrels/day
- Industrial Diesel – 1,400 barrels/day
- Heavy Fuel Oil – 5,000 barrels/day

CO2 Capturing and Storage

Amongst other things, the oil being produced in this region is going to have processes in place to ensure minimal environmental impacts. The use of CO2 Capturing and Storage is one example of how Quantum Energy is utilizing and it is a method already employed in the Alberta Oil Sands and is proven to work. The way it basically works is that it separates CO2 from other emissions before releasing it and then dehydrates and compresses the CO2, which converts into a liquid form. It is a unique refinery design that will capture the CO2 that is generated so as to reduce greenhouse emissions and will remarket the CO2 to existing oil producers in the Bakken for use as an alternative to water to enhance Oil Recovery (EOR)...a 'Green' refinery!

Going Forward

The 80 acres requires \$10.5 million for the purchase price and they have signed an agreement that, "has secured a refinery site by signing a Purchase and Sale Agreement with Northstar Transloading LLC to purchase eighty (80) acres adjacent to the Northstar transload in East Fairview, North Dakota for the construction of the Fairview Refinery, a 20,000 barrel per day diesel refinery." The rest of this exciting news release can be found:

<http://www.quantum-e.com/news/quantum-energy-announces-refinery-site-purchase-agreement/>

There are multiple construction funding sources which have expressed interest in refineries of this type.

Examples of such sources include...

- PDC Capital
- Whitehall & Company
- Deutsche Bank
- DeVere Group
- Falcon Holdings
- International Monetary
- Ventech

The task will take approx. 33 months to complete once the permits are in place expected in a few short months and funding is secured.

In Summary

There are 43 million shares issued and outstanding of 300,000,000 authorized and currently 7.2 million shares are free trading. The price is stabilizing between \$.50 and \$.60. With so little shares currently free trading, it wouldn't be hard for the stock price to appreciate so any piece of good news could send this stock soaring. Quantum currently has \$240,000 in cash. From what I have heard from management, Quantum engaged an auditing firm to become fully reporting so they can apply to NASDAQ or AMEX which will make trading a lot easier. I plan on meeting the management team in person and I expect to fly to North Dakota to get a look at the project first hand. From all of my research and investigation, this company seems like it can deliver. Quantum could also become a takeover candidate. Bob Moriarty from 321gold stated, "depending on conditions, the stock could do another 1000% return". Click below to view Bob's write up on Quantum:

<http://www.321energy.com/editorials/moriarty/moriarty041414.html>

On April 22nd, Quantum received a refinery funding conditional commitment letter! Click here to view: <http://www.stockwatch.com/News/Item.aspx?bid=U-i1108466-U%3aQEGY-20140422&symbol=QEGY®ion=U>

JGR has been given options at a higher price to help market Quantum. Please visit their site at:

www.quantum-e.com

As always, please conduct your own research and due diligence before making any investment decision, this includes consulting with your own financial advisor.

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