



DIRECTIONAL TECHNOLOGIES INC.

News Release

Latest development in directional technology creates significant advantage for oil and gas industry

January 4, 2008 – Calgary-based Mostar Directional Technologies Inc. has unveiled its latest technology for the directional drilling industry. The Dual Telemetry MWD system is the first of its kind to enable MWD changeovers, between electromagnetic (EM) and mud pulse technologies, to be completed *without tripping*. Following months of field testing, it is now operating with great commercial success. It's also the first system of its kind to be both retrievable and reseatable, minimizing some of the risk incurred in exploration.

"Tripping to change MWD (Measurement While Drilling) technology is time consuming for oil and gas companies - and can greatly inflate the costs of their directional projects," says John Petrovic, Vice President. "We understand that it's crucial to make optimal use of rig time, so we're continuously looking for innovative solutions. With Dual Telemetry MWD, you have *both EM and mud pulse capabilities in the ground at the same time.*"

As the downhole environment is both complex and unpredictable, oil and gas companies drilling directional wells are often challenged with production delays. Many spend thousands in downtime to change MWD telemetry and continue drilling. "Neither EM nor mud pulse are perfect sciences," Petrovic remarked, "...So imagine having the benefits of both technologies – combined with the flexibility you need to adapt underground. We've made it possible."

Petrovic pointed to an example in a well where resistivity was excellent for EM up to 1,900 metres, but then encountered a 200-metre formation where resistance was quite high. "We drilled with EM down to 1,900 metres, then downlinked to mud pulse for 200 metres," he notes. "As soon as we got out of that formation, we downlinked again to EM and finished the well." That, he says, is where the tool is most effective and produces the most appeal.

Greg Kuipers, president of Black Sea Oil & Gas Ltd., used it to drill near Worsley, Alberta. "It saved me probably \$110,000 in rig time," Kuipers remarked. "Our total well out there came in under budget by \$220,000 and I attribute a lot of that to the motor."

Mostar is a privately owned directional drilling and MWD company in its fourth year of operation. This downhole system is just the latest development in their push to produce innovative technology for the industry. The company has already created a host of technological solutions, including their own EM MWD tool. "Our primary focus is on providing complete directional drilling solutions for our customers and creating improved directional technology for the betterment of the industry," Petrovic remarked. The company is now expanding into the U.S.A.

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