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PRESIDENT

OIL-TECH, INC.

TESTIMONY
BEFORE THE SUBCOMMITTEE ON
ENERGY AND MINERAL RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES

HEARING ON "THE VAST NORTH AMERICAN RESOURCE
POTENTIAL OF OIL SHALE, OIL SANDS, AND HEAVY OILS - PART 1."

June 23, 2005

OIL-TECH: THE COMPANY

Oil-Tech, Inc. was incorporated in the State of Utah in February 2000. Oil-Tech (OT/the Company) is current in meeting all state regulations and requirements and is considered a corporation of good standing. OT is a nonoperating company which has just completed its research and development project, has received independent validation of its representations as to its ability to produce oil from oil shale, cost per barrel, feasibility of up sizing to full commercial scale, efficiency of process, etc. Patents have been filed with the US Patent Office, the Patent Cooperation Treaty (PCT) and the country of Jordan.

OT is a privately held Utah corporation formed exclusively to complete the research and development and refinement of patent pending technology which has its roots back to the year 1993. OT's intended purpose is to be an operating entity for the mining of oil shale and the production of shale oil on leased oil shale acreage currently held by the Company in order to capitalize on the Company's patent pending shale oil production technology.

MARKET SUPPLY AND DEMAND

According to the World Energy Council, the largest oil shale reserves occur in the United States in an area of 5.5 million acres covering northeastern Utah, northwestern Colorado and southern Wyoming. It is estimated that this area contains approximately 3.3 trillion tons, or two-thirds of the worlds's potentially recoverable oil shale resource. This same resource is estimated to be capable of producing more than 2.5 trillion barrels of recoverable shale oil. These reserves contain potential oil supplies that would completely meet the United States' energy demands for the next several hundred years.

The oil demand in the United States is approximately 20 million barrels per day with a major portion of all consumption, both crude and finished product, currently imported at a cost of over $150 billion per year, amounting to the largest single element of the United States trade deficit.

United States crude oil production capacity is estimated at 5.5 million barrels per day (mbd) from approximately 533,000 oil wells, averaging less than 12 barrels per well per day.

OIL-TECH ADVANTAGES

To the best of the Company's knowledge, no other entity has a technological or economic advantage or has developed oil shale technology to the level that Oil-Tech has reached. Dr. Anton Damer of the Department of Energy believes OT to be 10 years ahead of any other company engaged in the commercialization of shale oil. Dr. James Bunger, consultant to the Department of Energy on oil shale matters believes OT to be the leader in surface oil shale retort technology.

OIL-TECH'S TECHNOLOGY AND ASSOCIATED PROCESSES

The Company currently operates a small capacity, commercial retort in eastern Utah, approximately 40 miles southeast of Vernal, Utah. The retort has a capacity to process one ton of oil shale per hour. On average, one ton of oil shale will produce one barrel of shale oil. The proprietary retort produces 30 degree API gravity oil with a pour point of 53 degrees Fahrenheit. When the nitrogen compounds are removed from the shale oil, the resulting product is very close to JP-8 fuel. The refinery

ready crude is comprised of approximately 10% Naphtha, 40% Kerosene, 40% diesel and 10% heavy residual gas oil. The entire blend is low in sulfur.

The Company's existing, small capacity commercial retort was designed and fabricated to be full scale vertically. Full, commercial size on the vertical scale is essential to enable sufficient "soaking" time of the oil shale in the retort produced heat. A less than full size laboratory model would be insufficient to prove the methodology of OT's proprietary technology. To move to a full capacity (1,000 barrel per day) commercial retort, increasing the size of the "foot print" and adding additional heaters is all that remains. Up sizing to the full commercial scale of 1,000 barrels per day with anticipation of equal or enhanced results of the current operating model has been validated by the independent engineering firms of Unifield Engineering, Billings, Montana, and Tulsa Combustion, LC, of Tulsa, Oklahoma.

The proprietary retort is modular by design. One full capacity commercial retort can be assembled and/or disassembled as quickly and easily as a standard drilling rig. Accordingly, it is easy and cost efficient to move these portable retorts when an area of oil shale has been mined out.

The 1,000 barrel per day capacity retort was designed as such to be economical in the fabrication process (approximately $2 million for each retort), to be portable and any number of retorts can be mass manufactured and clustered together to, in combination, process the daily tonnage capacity of any given mine. For example, if the desired oil production is 20,000 barrels per day, 20 1,000 barrel per day retorts will be clustered together to reach the desired production rate. Additionally, if one retort is shut down for repair or service, 19,000 barrels of oil are still being produced. Conversely, with a single, highly capital intensive 10,000 barrel per day retort, if shut down for service or repair, the loss of oil production is much more significant.

Contrary to some oil shale processes, the Company's proprietary technology utilizes very little purchased energy to manufacture shale oil. Initially, the oil shale is heated electrically. After approximately 6 hours of operation, there is sufficient "spent" shale to enable co-generation. The spent shale exits the retort at approximately 1,000 degrees Fahrenheit. Fixed carbon remains in the spent shale and is combustible with the addition of air. The temperature of the spent shale is then raised to approximately 2,500 degrees Fahrenheit. This is a sufficient heat source to enable purchased electrical power to be turned off and new oil shale to be adequately heated with direct heat from the spent shale. Every 60 minutes approximately 41 tons of 2,500 degree spent shale is produced. This is an impressive thermal mass, to say the least. Heat is available for generating steam, heating refinery feeds, generating electricity, etc.

Per barrel of oil production/retorting cost is $8.00 per barrel when utilizing purchased electrical heat and decreases dramatically to $4.00 per barrel when using co-generated heat. This per barrel of oil cost considers only the retorting costs and does not consider the mining costs. Mining costs range from $5.60 per ton of oil shale mined to $22.00 per ton depending on the development stage of the mine and the type of equipment utilized. Accordingly, OT's technology and processes can produce one barrel of shale oil at approximately $9.60 per barrel in the best case scenario and approximately $30.00 per barrel in the worst case scenario.

The Oil-Tech technology is environmentally friendly. The retort is an oxygen free, sealed unit under vacuum. No gases are deployed to the atmosphere. In fact, the only non-condensed gas produced is propane. This gas is captured, processed and is then marketable. OT would be the most environmentally friendly operation in the eastern Utah oil shale area which is already dotted with oil and gas wells, transportation pipes on the earth's surface, open, mined out, abandoned gilsonite veins, abandoned structures, etc.

DISPELLING THE MYTHS

For many years, individuals and companies have wrestled with producing oil from oil shale. Along with this knowledge, several myths evolved explaining why the production of oil from shale is seemingly 'impossible.' These myths can be found through any Internet search. Previous efforts have significantly assisted Oil-Tech in attempting to overcome earlier identified problems. These out-of-date 'facts' are dispelled by the Oil-Tech technology and development plans.

There is oil in oil shale . . . UNTRUE - there is no oil in oil shale, only organic material. The Oil-Tech process vaporizes this organic material and condenses this vapor into shale oil.

The process requires huge volumes of water . . . UNTRUE - past efforts used water to transport a shale oil 'slush' through pipelines to a central processing center. The Oil-Tech technology processes oil shale on site and does not require water in the process. There is a nitrogen compound removal on site to separate the refinery feedstock from the asphalt additive, and water is not required in this process. Water is required for personnel and safety use (showers, potable water, fire suppression), and for mining operations, most of which is recyclable.

The oil shale mining costs are excessive . . . UNTRUE - mining is indeed required. In the last 15 years, the technology of mining has dramatically changed and the cost of large scale mining operations has dropped from $20 to $25 per ton of material produced, to as low as $6 per ton, depending on depth of the mining operation. The longwall and continuous mining technologies are key to these better economics. The technologies were not available during the last period of heavy research and the attempted production of oil from oil shale.

Mining is environmentally disastrous . . . UNTRUE - with longwall and continuous mining technologies, very little evidence of the operation exists above ground and the techniques allow for an easy and acceptable reclamation of the surface when operations are complete.

The technology of producing oil from oil shale is highly polluting . . . UNTRUE - the Oil-Tech process is completely contained, with no harmful emissions to the atmosphere. All products from the process are utilized within the sealed system. Even the leftover spent shale has the qualities of desiccated charcoal which is used in many ways to absorb pollutants.

It is not economically feasible to produce oil from shale because of the capital required . . . UNTRUE - early attempts by other required heavy capital expenditures on huge facilities based on the alleged benefits of economies of scale. The Oil-Tech process reverses that trend and uses smaller, easily replicated and fabricated modular units. These may be easily transported and assembled on site, or disassembled for movement to another location. Any operational/service problems do not disrupt production by more than a minimal percentage.

It is not economically feasible to produce oil from shale because of the energy required . . . UNTRUE - the Oil-Tech process has been validated to produce shale oil with a very low energy cost. The system can also be upgraded by utilizing co-generation and a variety of BTU recovery technologies that virtually eliminate the need for external power for any site operations.

Transportation of the product is prohibitively expensive . . . UNTRUE - this statement is based on the idea piping shale oil sludge to various processing centers, involving pipelines, pumping facilities and rights-of-way disputes. It also was based on shipping raw shale oil to potential refining centers for pre-processing prior to normal refinery operation. The Oil-Tech process does not need to transport shale sludge or raw shale oil to a refinery based pre-processing center. Refinery grade feedstock is either transported in tanker trucks or injected into a local pipeline. The asphalt additive is easily transported with heated tanker trucks. On sites where the nitrogen extraction process will not be available, the shale oil is easily transported in tanker trucks.

OIL-TECH HAS COMPLETED R & D

I t is important to understand that the Oil-Tech technology has met the standards of independent validating engineering firms and is now poised to begin commercialization of shale oil. From the point of receiving required capital investment, Oil-Tech can be producing 1,000 barrels of shale oil within 12 months. Production will be at 20,000 barrels of shale oil per day at the end of a 36 month period.

INVITATION

Oil-Tech invites any and all US Congressmen/Congresswomen to visit the proprietary retort site near Vernal, Utah, and experience first hand the economical production of shale oil from our nation’s vast supply of natural resource.