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Diversified Energy and Velocys Selected to Develop Portable Fuel Unit for the U.S. Department of Defense

Team wins contract to develop portable renewable fuel production system

PLAIN CITY, Ohio, December 11, 2007 – Diversified Energy Corporation (DEC) and Velocys Inc. have been selected by the U.S. Department of Defense (DOD) to design a portable renewable fuel production system based on DEC's breakthrough HydroMax gasification technology and Velocys' advanced Fischer-Tropsch approach. The goal of the DOD funded effort is to develop a transportable system that can convert waste products generated at military installations into 50 to 500 barrels per day of high performance renewable fuels, such as diesel and aviation fuel.

DOD is the single largest fuel consumer in the country, with an annual fuel budget of \$9 billion. Forward operating military bases generate scores of waste material and have an enormous demand for fuel products. As a result, an opportunity exists to incorporate advanced energy conversion technologies that can utilize waste materials to generate high performance fuels; thereby, reducing the logistical burden of fuel transportation for military operations. These benefits will ultimately result in lower military operating costs and markedly improved energy security.

DEC's HydroMax gasification technology, under license from Alchemix Corporation, will be used to convert waste products (biomass, solid-waste, etc.) into a synthesis gas, also known as syngas. A Velocys microchannel Fischer-Tropsch unit will then convert the syngas into diesel and jet fuel for a variety of military applications. This DOD Small Business Innovative Research (SBIR) Phase I project will include bench-scale test data analysis, conceptual design of a transportable fuel production system, economic analysis, and a detailed assessment of system modularity and transportability.

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“We are extremely pleased to be working with the U.S. Department of Defense to advance and commercialize technologies that will improve energy security and stabilize military fuel costs,” said Phillip Brown, DEC President and CEO. “Our HydroMax gasification technology offers a highly efficient and economical approach for converting waste material into valuable energy products for military use.” Velocys Business Development Manager Jeff McDaniel commented: “Working with Diversified Energy on this critical DOD fuel project is ideal for Velocys as our technology integrates nicely with DEC’s HydroMax gasification approach. Our gas-to-liquids technology is one-tenth the size of conventional systems and, as a result, we are able to achieve the transportability objective outlined by the DOD.”

At the conclusion of the Phase I SBIR effort, the DEC/Velocys team will compete for a Phase II project that will fund development of a prototype integrated fuel production system.

About Velocys

Velocys, Inc. is changing the way the world produces energy, chemicals and biofuels with revolutionary microchannel technology. Velocys, a subsidiary of Battelle Memorial Institute, was launched in 2001 and has developed a portfolio of 70 patents and received \$100 million of investment from industry leading partners, including Dow Chemical, Toyo Engineering and MODEC. Velocys is headquartered near Plain City, Ohio. For more information, visit www.velocys.com.

About Diversified Energy Corporation

Headquartered in Gilbert, Arizona, a suburb of Phoenix, Diversified Energy Corporation (www.diversified-energy.com) is a privately held alternative and renewable energy company focused on maturing innovative technologies, developing commercial energy projects, and providing engineering services support to project developers. Principal areas of expertise include gasification, biofuels, and algae production.