



Carrizo Gorge Rail way, Inc.

2295 Fletcher Pkwy, Suite 101, El Cajon, CA 92020
Phone: (619) 938-1943 Fax: (619) 561-4367

May 5th 2007

Dr. Dennis Leung, CEO & President
Mach 3 Technologies Group, LLC
17188 Hazelwood Drive
Riverside, CA 92503

Dear Dr. Leung,

Carrizo Gorge Railway agreed to run tests in their engines using the Mach 3 SEFS-HD ecological fuel additive product. Our plan was to first test the Mach 3 SEFS-HD in one of our high rail vehicles and then run tests in one of our locomotives. We conducted tests in the high rail vehicle and decided to delay testing in the locomotive. The main reason for delaying the tests in the locomotive was that we intended to switch out our locomotives over the next two months for more modern units. A secondary reason is that we were aware of your plans to test the Mach 3 SEFS-HD in RailAmerica, the largest short line railroad in America.

The high rail vehicle used for testing Mach 3 SEFS-HD was a 1998 Chevrolet Suburban V8 5.7 liter. On April 20th 2007 we filled the tank with 89 octane gasoline and added two ounces of Mach 3 SEFS-HD during the filling process. Then we drove the vehicle from San Diego, California to Tijuana, Mexico, a distance of approximately 30 miles. At this point we put the vehicle on our railway line and rode the rail to El Centro, California, a distance of 120 miles. We left the rail at El Centro to return to San Diego by road, a distance of 120 miles. At this point we filled the vehicle and checked the gas consumption.

Average miles per gallon pre-Mach 3 SEFS-HD was 12 mpg
Average miles per gallon post- Mach 3 SEFS-HD was 14.5 mpg

Fuel improvement was 2.5 mpg or 21%

The purpose for this trip was to show Carrizo Gorge Railway to a top Union Pacific Executive. During this trip we explained to him that we were testing the Mach 3 SEFS-HD and discussed the benefits of the product. We use Union Pacific locomotives on lease and we mentioned to him that we would like to test the Mach 3 SEFS-HD in one of the engines. He showed an interest in being kept informed. You may already be aware that Union Pacific is the largest railroad operator in America. Every \$0.01 per gallon saving in diesel fuel to Union Pacific means a total fuel saving of \$3 million.

We continued to use the Mach 3 SEFS-HD in the vehicle. The fuel consumption is averaging 14.2 mpg, an improvement of over 18%.

We would very much appreciate your keeping us informed of your testing with RailAmerica. If they see similar improvements in their locomotive using diesel fuel then we would bypass the testing in our engines and purchase the Mach 3 SEFS-HD. We spend an average of \$6,000 per week on diesel fuel for our locomotives. A savings of 18% would yield an annual reduction in our fuel costs of \$56,160.

Please keep me informed.

Best regards,

A handwritten signature in blue ink that reads "Grahame Rance". The signature is written in a cursive style with a large, stylized initial "R".

Grahame Rance
President, Carrizo Gorge Railway

c.c. Mr. William Wu
President
Chinaoil (USA) Inc.