



New Upleg in Place. S&P TSX Energy Index Target Remains 400<sup>+</sup> for 2H/07.

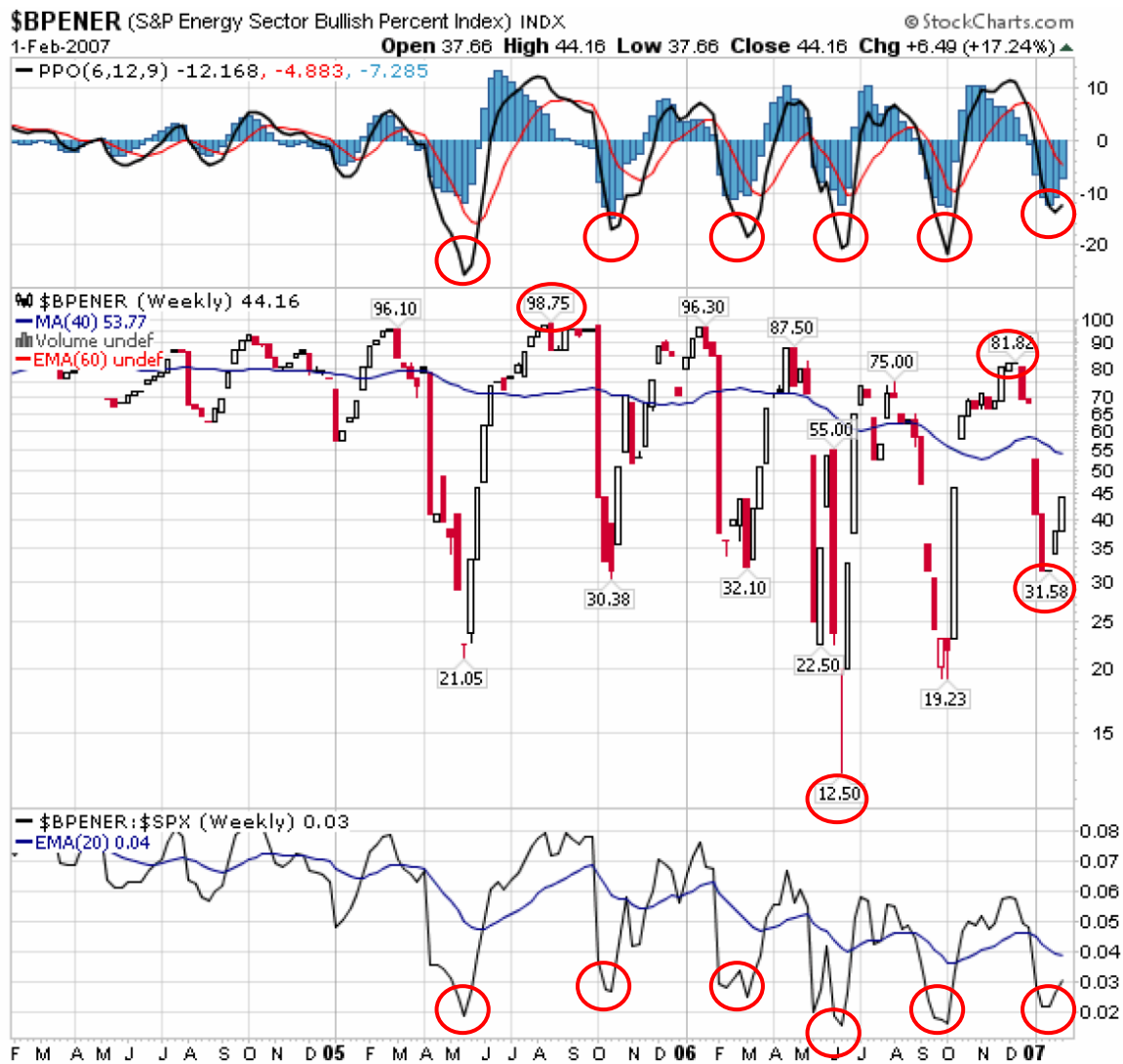
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# Energy Factoids

## 1 Cold Weather is Lifting Commodity Prices. The Longer and More Severe the Winter, The Higher The Energy Commodities Will Go.

With winter finally hitting the mid-west of North America and temperatures falling below -10 Celsius (without wind-chill) with many feet of snow, the concern about another warmer than normal winter caused by global warming has dissipated. Nothing helps energy prices more than an Arctic front hovering over the middle of the continent for a few weeks. If harsh winter weather lasts into the end of February, we may see oil prices back in the low-60's and natural gas prices reach nearly \$9/mcf. The correction which lasted into the early part of the year due to a late winter start is now over and we are in the early stages of a new robust up-leg in this ongoing bull market.



Source: [www.stockcharts.com](http://www.stockcharts.com), Feb 2<sup>nd</sup>, 2007

This next phase of the commodity up-leg is expected to be energized by another down-leg in the U.S. Dollar. We expect that a breach of 84 on the U.S. Dollar Index will set off a powerful rally in commodities based in U.S. Dollars. During this next decline, we expect a move to the lows (80) seen in late 2004.



Source: [www.stockcharts.com](http://www.stockcharts.com), Feb 2<sup>nd</sup>, 2007

For the Euro, the breakdown in the U.S. Dollar will mean another significant up-leg which could breach the 2006 high of 133.55 and probably even above the high of 2004 of 136.59. This could occur later this year as the battle lines for the 2008 Presidential election become intransigent and polarized, giving the world the impression of a quagmire in the U.S. A concerted move by owners of U.S. Dollars to the Euro to escape the tornado of American politics could spike up the Euro as well as commodities based in U.S. Dollars. If the high Euro level of 136.59 is reached or breached, we may see the price of crude back in the US \$70's.



Source: [www.stockcharts.com](http://www.stockcharts.com), Feb 2<sup>nd</sup>, 2007

Our target for the S&P/TSX Energy Index for the first half of 2007 remains 360. In a more robust commodity price environment our S&P/TSX Energy Index target is 400+ for the second half of 2007. We see many bargains in the energy sector and with stronger commodity prices and a more optimistic investment environment we should see strong M&A activity that will reward investors. Shell Canada already has a bid from its parent, and market rumours have Nexen on a large European E&P's radar screen. As these deals come to fruition, there will be a lot of money chasing new ideas and the next big takeout. This should result in a very exciting and rewarding time for investors in 2007.



Source: [www.stockcharts.com](http://www.stockcharts.com), Feb 2<sup>nd</sup>, 2007

## ➤ Oil

With the warm winter weather in early 2007 and concern about El Nino and global warming, the price of crude fell below US\$55 early this year. This, in addition to the bout of losses in hedge funds and commodity funds speculating on the long side of energy, pushed the price of crude momentarily below US\$50 as positions were liquidated. This drop in crude prices below US\$50 resulted in many fearless forecasters calling for US \$40 as the next target.

### ***Wrong again!***

We are now on the verge of breaching US\$60 and still a bearish tone remains. Assumptions of large amounts of non-OPEC crude coming on this year, greater than demand growth, do not stand up in our view. Yes, there is more oil coming on in Angola, Brazil and some of the FSU countries, but high decline problems in Mexico, the North Sea and in some OPEC countries like Indonesia and Iran remain. Overall, new supply may be as much as 0.6MB/d but demand growth is expected to be over 1.5MB/d. As a result of OPEC's cutbacks we should see declines in inventories. With India now joining China and the U.S. (*The US Gov is planning to build the SPR to 1.5Bb from the current 720Mb over the next 20 years*) in building strategic reserves, the normal shoulder seasons of spring and fall will see major buying. While we expect prices to retreat during the upcoming shoulder seasons, these declines in prices will not be as pronounced due to this build up in strategic reserves. We expect to see prices range in the US\$50-70 area in the first half and US\$60-85 in the second half of 2007.



Source: [www.stockcharts.com](http://www.stockcharts.com), Feb 2<sup>nd</sup>, 2007

Demand for petroleum product in the U.S. is rising due to greater use of motor gasolines (up 3.4%) and jet fuel (up 3.6%). Total product stocks have not risen materially so far this year even with the significant decline in the use of residual fuel (down 24.8%). The past week a +0.3 Mb build occurred in total crude stocks. We expect the present cold spell to reverse the residual trend in the coming weeks and expect increased draw downs from this week's 1.5Mb decline. Assuming normal petroleum product usage and the current winter conditions, we are targeting total American petroleum supplies to be at the 980Mb mark for the end of March. This would be well within the 5 year band.

### U.S. Petroleum Balance

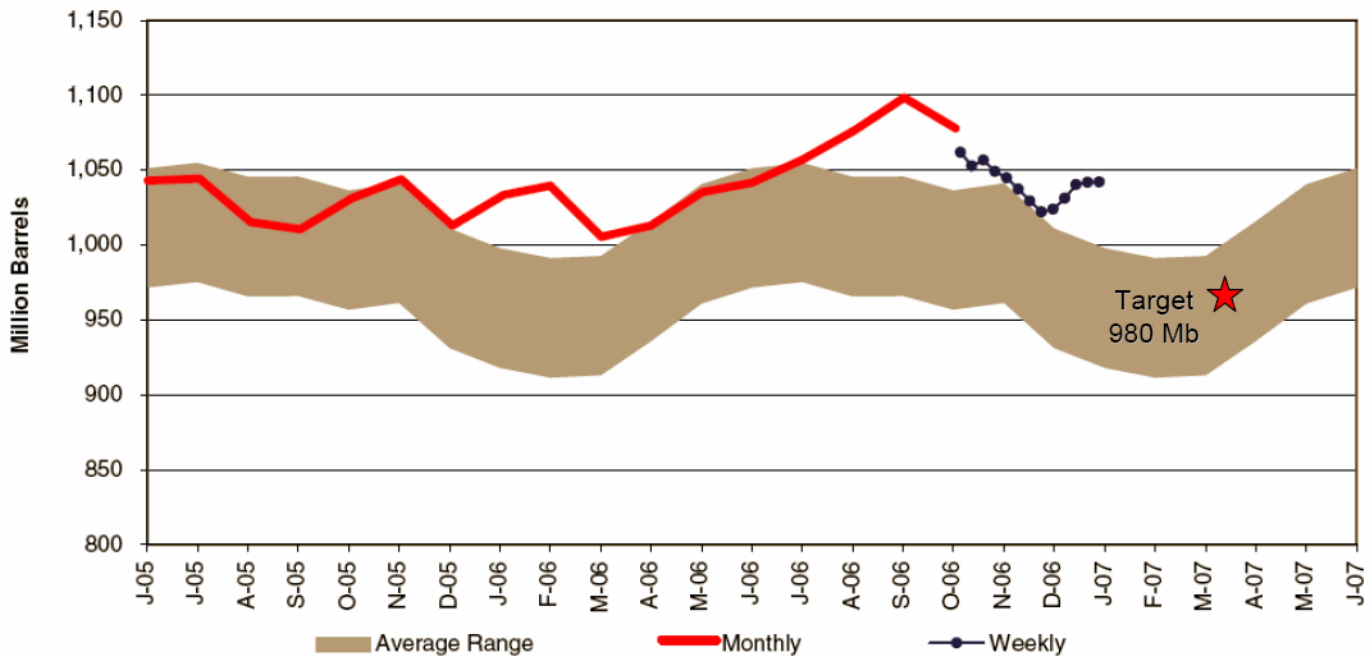
Other Supply	01/26/07	01/26/06	
(11) Natural Gas Liquids Production <sup>4</sup>	2,343	1,987	17.9
(12) Other Liquids New Supply	40	154	-74.0
(13) Crude Oil Product Supplied	0	0	0.0
(14) Processing Gain	998	1,012	-1.4
(15) Net Product Imports <sup>5</sup>	2,236	2,785	-19.7
(16) Gross Product Imports <sup>5</sup>	3,458	3,830	-9.7
(17) Product Exports <sup>5</sup>	1,222	1,045	16.9
(18) Product Stocks Withdrawn (+) or Added (-) <sup>6,7</sup>	-463	-512	--
(19) Total Product Supplied for Domestic Use	20,250	20,259	0.0
<b>Products Supplied</b>			
(20) Finished Motor Gasoline <sup>4</sup>	9,090	8,788	3.4
(21) Kerosene-Type Jet Fuel	1,609	1,553	3.6
(22) Distillate Fuel Oil	4,151	4,180	-0.7
(23) Residual Fuel Oil	661	879	-24.8
(24) Propane/Propylene	1,618	1,492	8.1
(25) Other Oils <sup>8</sup>	3,121	3,367	-7.3
(26) Total Products Supplied	20,250	20,259	0.0
Total Net Imports	12,299	12,501	-1.6

Cumulative daily averages will be shown beginning with the week ending April 6, 2007, issue when Petroleum Supply Monthly data for January 2007 become available.

Petroleum Stocks (Million Barrels)			Percent Change from			
	01/26/07	01/19/07	01/26/06	Previous Week	Year Ago	
Crude Oil (Excluding SPR) <sup>9</sup>	+ 2.7Mb	324.9	322.2	323.8	0.8	0.3
Total Motor Gasoline	+ 3.8 Mb	224.6	220.8	219.5	1.7	2.3
Reformulated		1.4	1.7	22.7	-17.6	-93.8
Conventional		122.7	121.0	119.1	1.4	3.0
Blending Components		100.6	98.1	77.7	2.5	29.5
Kerosene-Type Jet Fuel	N/A	40.2	40.2	44.2	0.0	-9.0
Distillate Fuel Oil <sup>7</sup>	-2.6 Mb	140.0	142.6	138.3	-1.8	1.2
15 ppm sulfur and Under		60.1	59.1	1.9	1.7	3063.2
> 15 ppm to 500 ppm sulfur		24.5	24.7	78.2	-0.8	-68.7
> 500 ppm sulfur		55.4	58.8	58.2	-5.8	-4.8
Residual Fuel Oil	-1.5 Mb	44.1	45.6	41.6	-3.3	6.0
Propane/Propylene		51.5	53.6	49.9	-3.9	3.2
Unfinished Oils		85.7	85.9	87.8	-0.2	-2.4
Other Oils <sup>10</sup>		131.0	130.9	124.6	0.1	5.1
Total Stocks (Excluding SPR) <sup>7</sup>	+ 0.3 Mb	1,042.1	1,041.8	1,029.5	0.0	1.2
Crude Oil in SPR <sup>11</sup>	N/A	688.6	688.6	683.7	0.0	0.7
Total Stocks (Including SPR) <sup>7</sup>	+ 0.3 Mb	1,730.7	1,730.4	1,713.2	0.0	1.0

Source: [www.eia.doe.gov](http://www.eia.doe.gov), Petroleum Status Report, January 31<sup>st</sup>, 2007

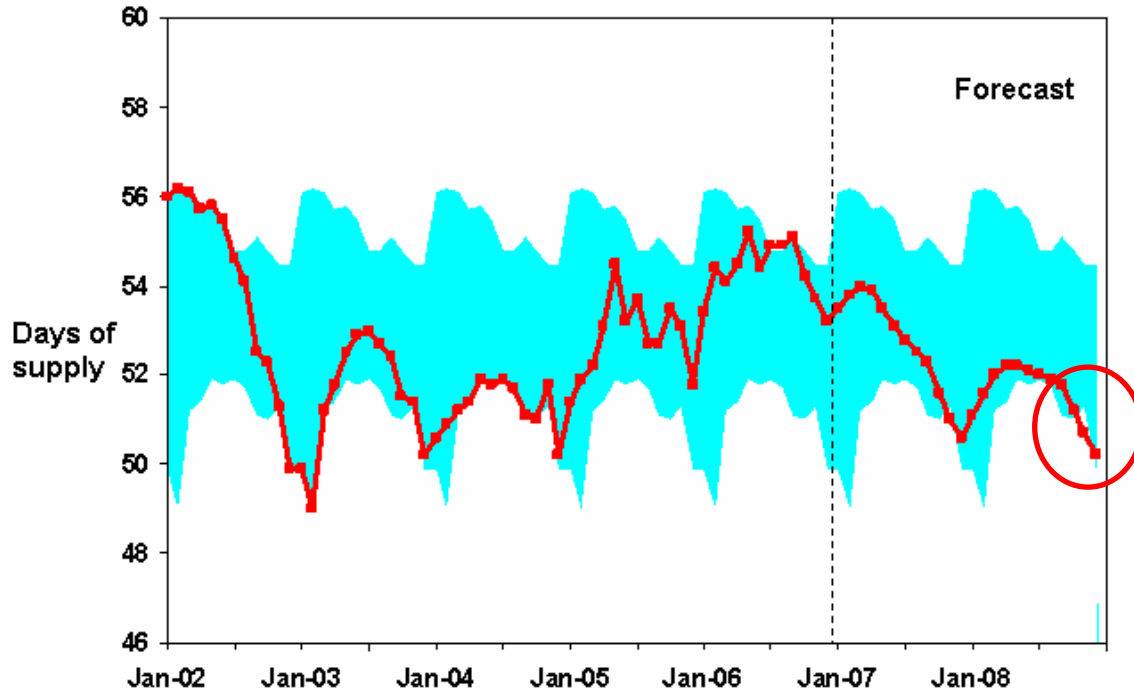
## U.S Stocks of Crude Oil and Petroleum Products, December 2004 to Present



Source: [www.eia.doe.gov](http://www.eia.doe.gov), Petroleum Status Report, January 31<sup>st</sup>, 2007

This fall season, during the bullish mania resulting from the Israel-Lebanon conflict, oil prices rallied to record highs (just under \$80/barrel) in the face of almost full American petroleum inventories of ~1,100Mb. Subsequently, US petroleum product supplies fell sharply into the December window, bottoming out just over 1,029Mb. This decline in petroleum inventories mirrored the decline in crude prices with recent lows of \$50/barrel. In the near term, inventory levels have stabilized and prices are on the rebound. In the OECD countries, petroleum supplies are now in the normal range and are expected to fall to a 5 year low in 2008. In the past several years product pricing has become less correlated with inventories and more related to political events that could materially impact production and future supplies. This shift in pricing is a result of market participants realizing that crude production and demand equilibrium has been reached. With long lead times to bring on new supplies, having a larger inventory position has become prudent for users.

## Days of Supply of OECD Commercial Oil Stocks



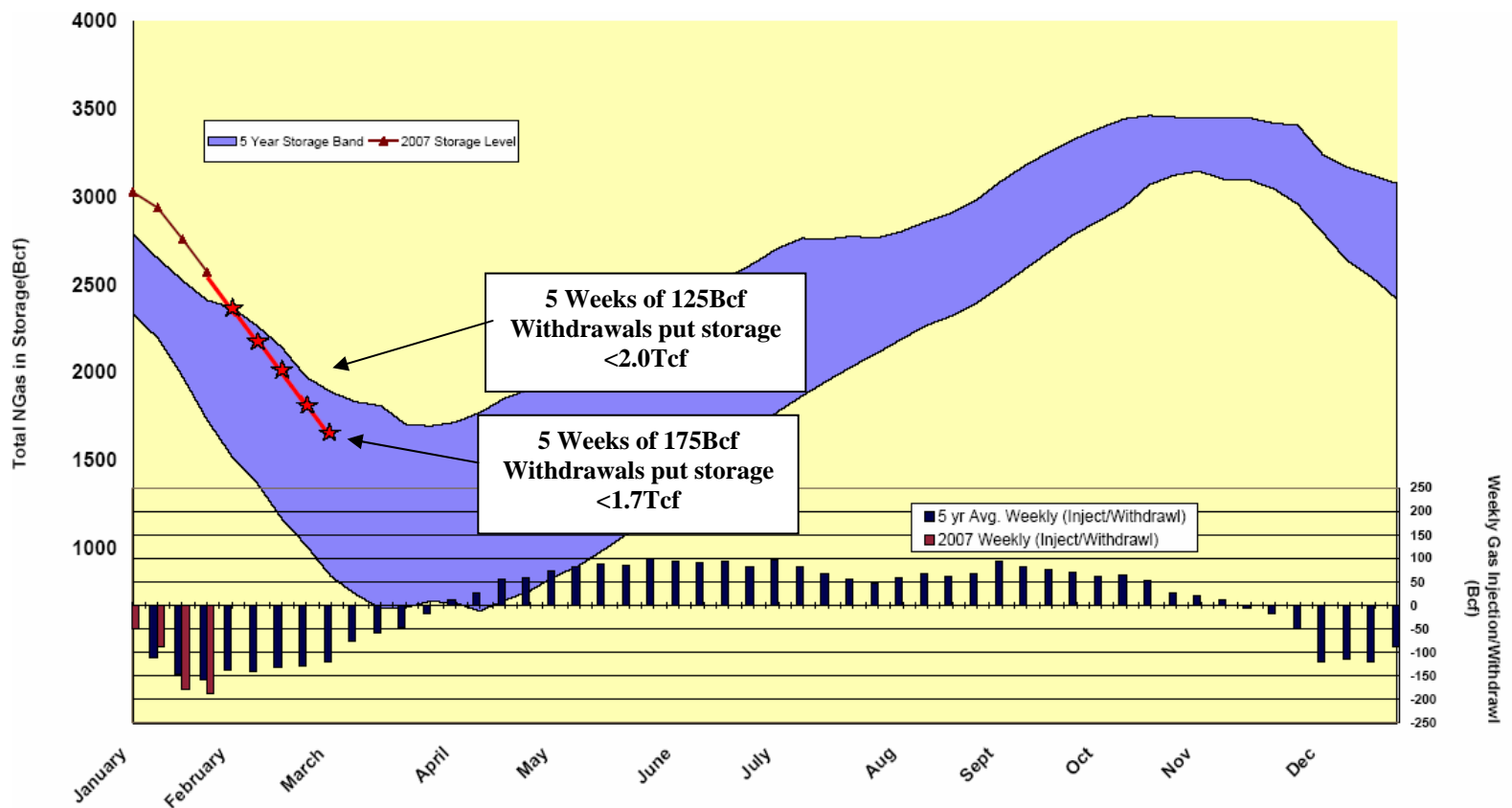
NOTE: Colored bands represent 5-year minimum/maximum ranges for Jan. 2002 - Dec. 2006.

Source: [www.eia.doe.gov](http://www.eia.doe.gov), Short Term Energy Outlook, January, 2007

## ➤ Natural Gas

With the recent below average temperatures in the eastern USA and Canada, natural gas prices have rallied sharply. Watching the weekly natural gas storage reports we are just starting to see the effects of the cold weather. Last week's draw of 186Bcf was larger than the 5 year average of 158Bcf and last year's 88Bcf, when winter was mild. Going forward we are anticipating several weeks of >180Bcf withdraws which should materially lower the storage overhang. Projecting forward 5 weeks of 175Bcf withdraws (conservative estimate based on current weather patterns) we should see storage levels below the key 1.7Tcf mark for mid-March when the withdrawal season relaxes. Prior to this cold weather spell there was fear that withdrawals would be moderate in the 125Bcf window and this would have left inventories around 2Tcf at the end of the withdrawal season (end of March). It now appears that a number around 1.5 – 1.6Tcf will be the end of season level. This compares to 1.695Tcf at the end of 2006's withdrawal season. With drilling activity slowing down in North America, lower deliverability will become more noticeable as storage build season commences. If the build is materially lower on a weekly basis than last year or even the 5-year average, we may see some very robust natural gas prices this summer if the hurricane season is active. Our near term target is for natural gas prices to firm up to the \$9/mcf level over coming months.

### Natural Gas Storage



Source: [www.eia.doe.gov](http://www.eia.doe.gov), Natural Gas Injection Report, Feb 1<sup>st</sup>, 2007



Source: [www.stockcharts.com](http://www.stockcharts.com), Feb 2<sup>nd</sup>, 2007

## 2 International Political Problems Bode Well For Energy Bulls.

Moving forward we are seeing more and more sources of supply being found in regions that are characterized by volatile politics and policies unfriendly to western nations. Reviewing the past year we recall Russia using natural gas supplies as a political weapon in dealing with their former states of Belarus and the Ukraine. This is in addition to an ongoing attempt to form a natural gas cartel with Iran and Qatar along the lines of OPEC (*of note: according to the 2005 BP Statistical Review of World Energy, Russia, Qatar and Iran have 47.8 Tcf, 25.8 Tcf and 26.7 Tcf of natural gas reserves, or 55.8% of the world total*). The nationalization trend continues with the Sakhalin project where the Russian government has used “environmental” excuses to shoulder their way into a massive multi-billion dollar LNG project. This has conveniently occurred post the detailed engineering and big ticket spending. Moving around the globe we are seeing similar rhetoric and politicking in Venezuela, Ecuador and Bolivia, as well as unrest in Nigeria, Iran and the central Asian exporting “stans”.

Coinciding with the sharp sell-off in energy equities over the past 6 months we have watched the broad U.S. markets rally to multi-year highs. In an examination of the VIX – the implied volatility on the S&P 100 (OEX) options and a proxy for market risk – we are noticing that option volatility is near 10 year lows and the Bulls are pricing the general markets to perfection with no consideration for the unexpected, be it inflation or commodity prices. At ~\$50/barrel oil the fear premium has been removed.



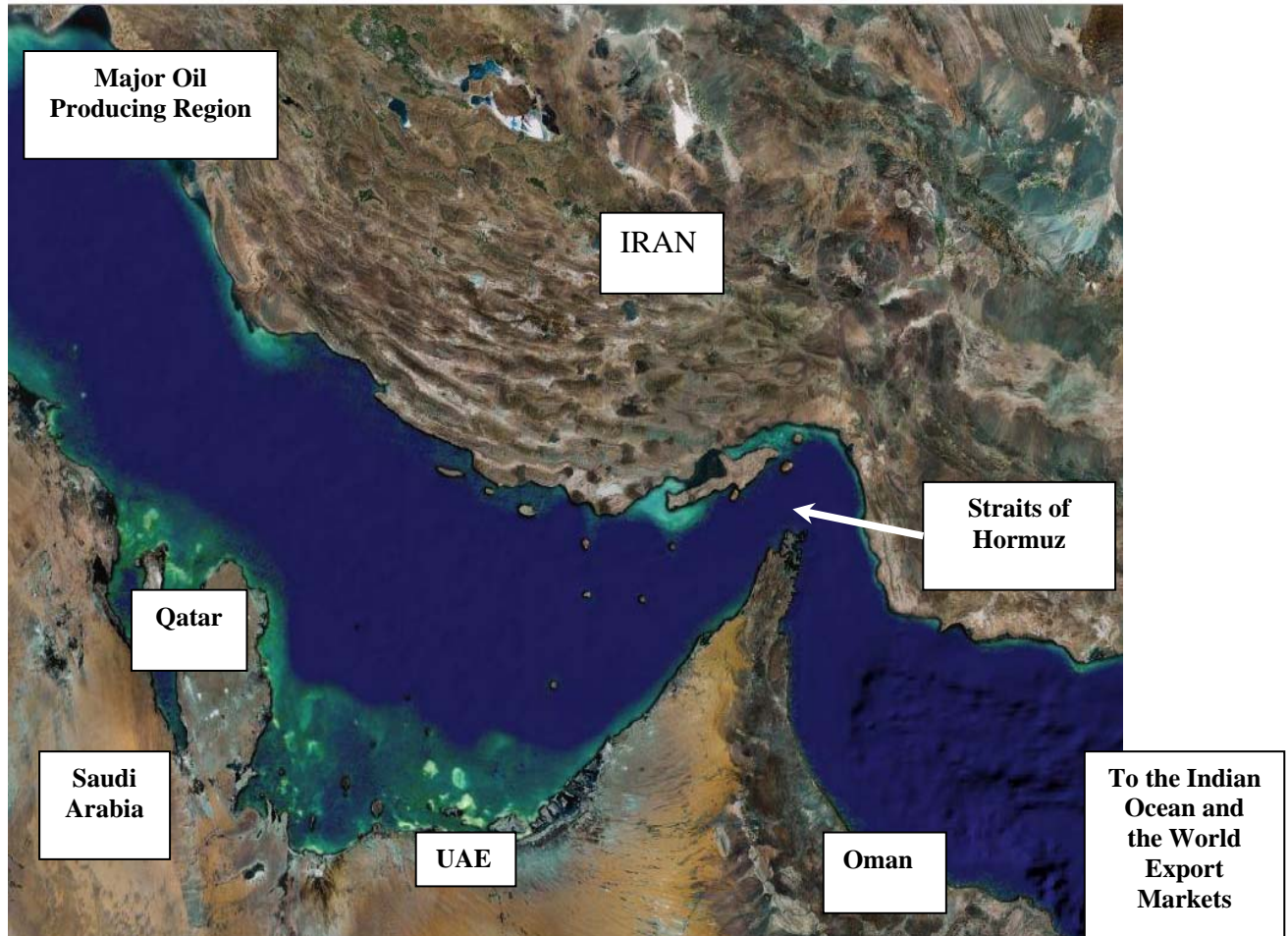
Source: [www.stockcharts.com](http://www.stockcharts.com), Feb 2<sup>nd</sup>, 2007

We would like to remind readers that although the crude markets are global and have proven built-in redundancies and flexibility, there remains several key choke points and/or swing producers which have such large influence on the markets that any disruptive or negative event could send prices sky rocketing.

Crude is a global commodity with the vast majority of product being shipped around the world from key energy suppliers to energy consumers in either super tankers or massive pipelines. The most critical energy choke point exists at the Straits of Hormuz. The Straits of Hormuz are the gateway and more importantly exit to the Persian Gulf which remains the world's single most important energy producing region. The straits are a narrow passage with Iran to the north and Oman to the south. Currently it is estimated that >17 Mb/day of oil pass through the straits on a daily basis to Japan, the USA and Europe. The second most important energy transportation choke point (in terms of volumes) is located at the Straits of Malacca (Indonesia). These narrows link the Indian and Pacific oceans with an estimated 12 Mb/d of oil being transported to Japan, Korea, China and various other Asian countries from destinations in the Middle East and Africa. Another series of key energy choke points begin at the "Bab el-Mandab" which is located between Eritrea and Yemen and connects the Red Sea with the Arabian Sea and provides access to the Suez Canal and Sumed Pipeline choke points. The Bab el-Mandab, Suez Canal and Sumed Pipeline provide passage for >3 Mb/day of oil and petro-products from the Middle East travelling to Western Europe and the USA. Other key choke points of note include the Bosphorus (~3 Mb/day) the Panama Canal (~0.5 Mb/day), transit pipelines (oil and natural gas) from Russia to Western Europe (~ 2 Mb/day and >5.5 Tcf/year) as well as the various crude offloading facilities in the Gulf of Mexico.

Also of note are the key energy producers. Saudi Arabia produces an estimated 8.8 Mb/day or over 10% of global production. All of this production is produced from a handful of key mega-fields (Ghawar at over 6Mb/d is the largest) with virtually no technical transparency about reserves and depletion. Key ports such as the Abqaiq processing facility which handles a staggering two thirds of Saudi Arabia's volumes are potential terrorist targets.

Any attack on infrastructure that materially shuts in production for any length of time would move prices above our forecast – possibly by a significant amount. We do not need such an event to be bullish, just to point out that this risk has not gone away and yet the market is now pricing such fears with minimal concern. We expect that later this year the risk premium will return.



Source: [www.google.ca/maps](http://www.google.ca/maps), Feb 2007.

### 3 Re-Introducing Coverage



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February 6, 2007

**Canadian Superior Energy SNG \$2.32**

**Outperform**

**Potential Upside 47% Target Price \$3.40**

	2005 Actual	2006 Estimate	2007 Estimate	
<b>Production</b>				<b>Reporting Periods</b>
Oil & Liquids b/d	618	660	875	Year-end: December 31st
Natural Gas mmcf/d	12.1	13.3	15.8	Next Report: Q4 Mar 15/07
Total 6:1	2,632	2,880	3,500	<b>Shares O/S</b>
Volume Growth	3%	9%	22%	Basic: 131M
Per million shares	22.1	22.0	23.2	Fully diluted: 151M
Gross wells drilled	67	60	55	<b>Financial Data</b>
<b>Volumes Mix %</b>				Market Cap \$M: \$304M
Oil & Liquids	23%	23%	25%	Enterprise Value \$M: \$304M
Natural Gas	77%	77%	75%	Enterprise Value per 2007 avg. production \$: \$86,857
<b>Financials</b>				<b>Reserve Life Index (years)</b> 2005
Cash Flow/Share	\$0.27	\$0.17	\$0.22	<b>Proven:</b> 5.0
Price/Cash Flow	8.6x	13.6x	10.5x	<b>P+P</b> 7.7
Capital Exp	\$44.1M	\$50M	\$150M	<b>Net Asset Value @ 10% BT</b> Dec 2006
Cash Flow	\$30.3M	\$22M	\$32M	SAMI Est. \$2.00
CapEx/Cash Flow	1.5x	2.3x	4.7x	<b>Debt</b> Dec-06
<b>Commodity Prices</b>				Debt Line: \$30M
				Net Debt Utilized: \$0M
				<b>Insider Ownership</b> 5%
				CEO: Greg Noval 1.8M
				Pres&COO: Mike Coolen 213k
				Director: Alex Squires 508k
				Institutions: Trapeze Capital ~13%
				Total Institutions ~40%
				<b>Service Providers</b>
				Bankers: Canadian Western & HSBC
				Auditors: Meyers Norris Penny LLP
				Engineers: GLJ and McDaniels

	Quarterly Results					
	Production (b/d)			Cash Flow per Share		
	2005	2006E	2007E	2005	2006E	2007E
Q1	2,411	2,889	3,200e	0.05	0.06	0.04e
Q2	2,451	2,682	3,200e	0.05	0.04	0.05e
Q3	2,705	2,808	3,600e	0.08	0.03	0.06e
Q4	2,953	3,150e	4,000e	0.09	0.04e	0.07e
Exit	3,120	3,350e	4,300e			

Disclosure: Maison Placements has acted as an agent on a securities offering for this company during the last 12 months



## 4 Research Updates



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February 6, 2007

## Accrete Energy Inc.

GZ

\$5.52

**Outperform**

Potential Upside **85%**

Target Price **\$10.20**

	2005 Actual	2006 Estimate	2007 Estimate	
<b>Production</b>				<b>Reporting Periods</b>
Oil & Liquids b/d	448	805	1,110	Year-end: Dec 31st
Natural Gas mmcf/d	5.0	10.3	15.5	Next report: Q4 Feb/28/07
Total 6:1	1,276	2,515	3,700	<b>Shares O/S</b>
Volume Growth	419%	97%	47%	Basic: 16.5M
Per million shares	83.9	152.4	206.7	Fully diluted: 17.9M
Gross Wells Drilled	32	40	45	<b>Financial Data</b>
<b>Volumes Mix %</b>				Market Cap \$M: \$91M
Oil & Liquids	35%	32%	30%	Enterprise Value \$M: \$130M
Natural Gas	65%	68%	70%	Enterprise Value per 2007 avg. production \$: \$35,135
<b>Financials</b>				<b>Reserve Life Index (years)</b> Dec 05
Cash Flow/Share	\$0.90	\$1.36	\$1.89	Proven: 7.2
Price/Cash Flow	6.1x	4.0x	2.9x	P+P 10.8
Capital Exp	\$49M	\$39M	\$41M	<b>Net Asset Value @ 10% BT</b>
Cash Flow	\$14M	\$21M	\$33M	Dec-05 \$ 8.05
CapEx/Cash Flow	3.6x	1.9x	1.2x	<b>Debt</b> Jan 07
<b>Commodity Prices</b>				Debt Line: \$50M
(SAMI forecasts)				Debt Utilized: \$39M
	<u>Actual</u>	<u>Actual</u>	<u>SAMI Est.</u>	<b>Insider Ownership</b> 26%
			<u>Bear</u>	<u>Bull</u>
US\$ WTI	\$56.70	\$66.27	60	70
C\$ AECO	\$8.90	\$6.61	\$6.00	\$9.00

	<b>Quarterly Results</b>					
	<b>Production (b/d)</b>			<b>Cash Flow per Share</b>		
	2005	2006e	2007e	2005	2006e	2007e
Q1	1,010	2,224	3,200e	0.14	0.35	0.41e
Q2	668	2,437	3,700e	0.09	0.30	0.47e
Q3	1,202	2,602	3,900e	0.22	0.32	0.50e
Q4	2,216	2,800e	4,000e	0.46	0.39e	0.51e
Exit	2,300	3,000e	4,100e			

### Service Providers

Bankers: National Bank of Canada

Auditors: KPMG LLP

Engineers: GLJ

**Disclosure:** Maison Placements has participated as an agent on a securities offering for this company in the last 12 months.

*The analyst(s) and/or immediate family member(s) have a direct/indirect ownership in this company's shares*

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### Company History & Management Info:

- Accrete was formed in June 2004 after the sale of the Olympia Energy Inc. to Provident Energy Trust with a newly incorporated exploration company spin-out (GZ).
- Management team: Peter Salamon–President & CEO Ray Dobek–Exec VP Exploration Tom Dalton–VP Finance & CFO

### Core Areas:

- Currently Accrete has greater than 37k net acres with options on 19k additional acres. The two core areas for development and growth are at Harmattan and Claresholm with the prize on these lands potentially in excess of 10MB. The greatest near term exploration potential for the company exists at Pouce Coupe, Edson and Saxon.

### Key Impact Plays / Black Gold Wealth Creation:

- At **Harmattan**, the company has a 20 section land spread and **production is currently flat lined at 2,500 boe/d net to GZ**. Accrete does not anticipate significant production growth from this area beyond current levels and is now moving to a “drill to fill” strategy to keep production flat as natural declines occur. GZ currently has 35 wells on production and sees 16 more drilling or re-completion candidate zones. The primary play concept is the Cardium with wells that potentially IP at 60-160 boe/d of 48-degree oil, liquids rich gas and natural gas to a depth of 2,500 metres. Wells are capable of IP'ing at 1 mmcf/d with 80 b/d of associated oil. Other play possibilities on these lands include the Lower Mannville and Basalt Quartz along with delineating the western extent of the Upper Cardium Shore Face Conglomerate trend. To the NE of the existing pool development GZ sees another Cardium Bar Sand and will move forward to acquire land and begin extension drilling (Feb/07). This play extension could add 200 to 400 boe/d net to GZ for June/07. Harmattan was evaluated with 6.3 Mboe of P+P reserves for exit 2005. We anticipate the reserves to increase significantly in the coming year as well production data increases and the evaluators become more comfortable with the play and its long life nature.
- With **Edson** Accrete has farmed into and purchased 17 sections of 100% WI lands and is currently working on a greater land position. GZ currently has acquired 3D seismic over the southern and eastern portions of their land spread and will be drilling 2 more wells in Q1/07 with the “6-3” well having spudded in early Jan/07. The area has multi-zone potential in the Cardium, Viking, Basalt Quartz and Rock Creek formations. Current production from the area is 150 boe/d of liquids rich natural gas. Edson is currently a hot area with expensive drilling, facilities and services. GZ is budgeting \$3M/well D&C.
- At **Claresholm/Eastmont**, the company has a natural gas play on 12 1/2 sections of land. Production is currently ~500 boe/d from 4 wells. GZ has significant behind pipe production and is expecting to bring on another 500 boe/d by the end of Mar/07. The potential is for 2 Bcf/well from the Bow Island, Glauco, and Sunburst target zones to a depth of 2,200 meters with >10 locations. Additionally, Accrete is proving up a new play concept targeting several structures in the Livingstone formation. The structures are 3D defined and each potentially has 3 to 5 Bcf of gas (slightly sour ~ 100 ppm) with typical IP rates of 2 mmcf/d/well. The anticipated cost would be \$700k/well D&C and GZ has the lands at 100% WI. The area has sufficient capacity with a 28 mmcf/d metering station at the pipeline and a 10 mmcf/d GZ processing facility which is modular and can be upgraded if successes warrant.
- At **Pouce Coupe** Accrete currently has >5 sections but will be looking to build a new core area and extend the play into BC. Targeted zones include the Kiskatinaw (most prolific zone with potential rates of 3 mmcf/d IP, 10 Bcf pools), Halfway and Doig. Accrete believes that this developing area can be grown >1,000 boe/d over time. GZ has 4 wells with 400 boe/d behind pipe. The focus will be the tie-in of the 100% WI wells on the northern lands for Feb/07. Successes on the Southern lands may be sour and would require processing that would take longer to hook up.
- A developing area for GZ is **Saxon**. GZ currently has 10 sections of year round access lands over an exciting Cardium trend (typical well ~1 mmcf/d) with up-hole oil potential (adjacent operators are producing 100 b/d/well from the prospective up-hole zone). Well costs are estimated at \$1M D&C with 10 day drilling times. GZ is looking to build Saxon into a new core area.

### Recent Operational & Financial Results:

- Q3/06 production averaged 2,602 boe/d missing our 3,200 boe/d expectation due to 3<sup>rd</sup> party facility downtime. Cash flow for Q3/06 was \$0.32/share which missed our expectation of \$0.38/share due to weakness in natural gas pricing and the production shortfall.
- In Dec/06 GZ completed a PP financing where 1.09M flow-through shares were issued at \$8.40/share for proceeds of \$9.156M. An additional 158k flow-through shares were issued to corporate insiders raising \$1.33M.
- Production is currently ~3,100 boe/d. Our 12 month stock price target of \$10.20 is based on the annualized Q4/07 cash flow estimate of \$2.04 multiplied by a 5.0x. We anticipate that as natural gas prices firm-up due to declining deliverability in 2H/07 gas weighted producers to begin trading at multiples closer to their RLI instead of at the current discount. Using our “Bear Case” commodity call of \$6/mcf and \$60, we believe that GZ generate \$26M in cash flow for 2007. Annualized Q4/07 cash flow in this price scenario is estimated to be \$1.56 and using a 5.0x multiple our downside 12 month target is \$7.80.**

## Balance of Evidence

Growth Drivers	Limits to Growth
<ul style="list-style-type: none"> <li>The company is operating in areas that have been successful for the management team in the past.</li> <li>Established dominance in the core area of Harmattan.</li> <li>High impact exploration at Pouce Coupe, Saxon and Edson.</li> </ul>	<ul style="list-style-type: none"> <li>Backlogs at the various regulatory agencies may lead to delays across the whole E&amp;P sector.</li> <li>Third party natural gas processing restrictions, especially for sour gas.</li> <li>Removal of the “Trust Takeout” exit strategy.</li> </ul>

# Maison Placements Canada

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February 6, 2007

## Niko Resources Ltd.

NKO \$88.01

## Outperform

Potential Upside

36%

Target Price \$120.00

Fiscal Year*	2007	2008	2009			
	Estimate	Estimate	Estimate			
<b>Production</b>				<b>Reporting Periods</b>		
Oil & Liquids b/d	355	488	3,325	Year-end:	March 31st	
Natural Gas mmcf/d	87	115	257		Q3 Feb 15/06	
Total 6:1	14,860	19,650	46,150	<b>Shares O/S</b>		
Volume Growth	7%	32%	135%	Basic:	42.9M	
Per million shares	337.0	426.2	1001.1	Fully diluted:	46.4M	
Gross Wells Drilled	20	30	30	<b>Financial Data</b>		
<b>Volumes Mix %</b>				Market Cap \$M:	\$3,776M	
Oil & Liquids	2%	2%	7%	Enterprise Value \$M:	\$3,776M	
Natural Gas	98%	98%	93%	Enterprise Value per F2008		
<b>Financials</b>				exit production (BOE equiv) \$:	\$137,309	
Cash Flow/Share	\$1.55	\$2.05	\$6.33	<b>Reserve Life Index</b> (years)	March 06	
Price/Cash Flow	56.8x	42.9x	13.9x	Proven:	17.4	
Capital Exp	\$140M	\$260M	\$300M	P+P	43.1	
Cash Flow	\$68M	\$94M	\$292M	<b>Net Asset Value @ 10% BT</b>		
CapEx/Cash Flow	2.1x	2.8x	1.0x	March 2006	\$31.58	
<b>Commodity Prices</b>				<b>Debt</b>		
(SAMI forecasts)				Debt Line:	\$0.0M	
		<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	Net Debt Utilized:	\$0.0M
US\$	WTI	\$66.27	\$70.00	\$70.00	<b>Insider Ownership</b>	
US\$	NGas (India/Bangladesh)	\$3.45/\$1.75	\$3.65/\$1.75	\$4.50/\$1.75	18%	
				CEO: Edward Sampson		2.9M*
				*In addition Edward Sampson is the		
				executor of Robert Ohlson's estate, +2.8M		
				GEEMF II S.Asia		1.0M
				Centennial Funds		~10%
				<b>Service Providers</b>		
				Bankers: RBC/ICICI/ABN/Citibank		
				Auditors: KPMG LLP		
				Engineers: Ryder Scott /DeGolyer & MacNaughton		
				Gaffney, Cline & Assoc.		

\*Niko's fiscal year end is Mar 31. ie: Fiscal 2006 Year End March 31st 2006, Q1, Q2 and Q3 occur in Calendar 2005

Disclosure: Maison Placements has acted as an agent on a securities offering for this company during the last 12 months

**Company History & Management Info:**

- Niko was formed in March 1987 to engage in exploration and development of natural gas and oil prospects in India and later in Bangladesh and Thailand. The economics are excellent in India due to the 300% cost recovery fiscal regime.
- Management: Executive Chairman and Pres. – Edward Sampson COO-William Hornaday VP Finance & CFO- Murray Hesje

**Core Areas:**

- Niko currently has O&G concessions on the west coast of India (Hazira and Surat blocks), east coast of India (D6, NEC25, D4 and Cauvery blocks), onshore Bangladesh (Block 9, Feni, Chattak) and the Fang block in Thailand.

**Key Impact Plays / Black Gold Wealth Creation:**

- **India west coast:** Niko has a 33.3% WI in the offshore **Hazira** block. Current production is estimated to be 38 mmcf/d (net) natural gas and 250 b/d (net), of light paraffinic oil. Additionally, Niko is producing ~11 mmcf/d (net) of natural gas from the onshore Surat block. These properties are mature and have been experiencing normal production declines. To offset this NKO is planning a seismic and small scale exploration program over the onshore and tidal areas of the Hazira & Surat blocks in 2007.
- **East coast of India:** The offshore (1,800m of water) **D6 Block** encompasses 1.9M gross acres with Niko at 10% WI and partner Reliance at 90% WI. Natural gas production could be phased in starting calendar 2008 at a gross cost of \$5.2B for field development. This is a world-class play with an estimated 35.4Tcf of OGIP! Partner Reliance has been publicly quoting **50 Tcf** with **>1 Billion barrels of oil** from the original seismic area; utterly staggering reserves. Initial natural gas production could be 2.8 Bcf/d from the first series of “pods” beginning in mid calendar 2008. At full ramp-up the field may be able to produce over 4.2 Bcf/d (net NKO 420 mmcf/d). The Deepwater Frontier drill ship is currently drilling top-hole locations on multiple development wells. Onshore production infrastructure is also nearing completion. Niko has had success finding sweet light oil in the deeper Cretaceous sections. This development is being fast tracked with potential rates of 60,000 b/d being quoted in the Indian media to be produced into a FPSO by mid-2008 (NKO 10%). An oil development program would add significant upfront capital expenditures which will help push Niko’s cost recovery further out. Every year that the government back-in is delayed adds >US\$400M to NKO’s bottom line. Niko has also begun to explore in the deeper water, targeting turbidite fan structures with the recently drilled MG-1 well successfully finding natural gas and condensate. **Going into the next fiscal year NKO should see significant reserve additions as the development drilling at D6 moves significant 3P & 2P to 1P. There are further reserves potential from the deep water turbidite fans and the Cretaceous oil. Rigs:** Additional semi-sub rigs will arrive for the D6 and D4 development and exploration programs. The first is expected in June/07 following re-fit with the 2<sup>nd</sup> in Dec/07. A shallow jack-up rig will arrive at NEC-25 later this month. At **NEC 25**, a 2.7M-acre concession, there have been multiple exploration successes by operator Reliance (NKO 10% WI). The prospects are located in 80 m of water, to a depth of 3,800 m and have potential in 4 zones. Engineers Gaffney, Cline & Assoc estimate 2.3 Tcf OGIP with another 1.4 Tcf on un-drilled prospects. Additional anomalies seen on the newly shot 1,700 km<sup>2</sup> of seismic have the potential for 1-2TCF each. NKO has secured a jack-up rig to begin an 8 well program starting in late January 2007 with typical drill times of 60 days/well. First production could conceivably start in 2009. The **D4 block** has 4.2M gross acres with a 15% WI for NKO. Niko sees 5 overlaid stacked structures each analogous to those in the D6 block. *This project could be double the size of D6.* 3D seismic is planned for late 2007 with exploration drilling in 2008. At the **Cauvery** block onshore **South East India** Niko holds 236k acres with 100% WI. Niko shot 550 km<sup>2</sup> of 3D seismic (interpreted July/06) and is planning 5 wells over 3 years starting in late 2007. The block holds multiple targets with potential up to 100Mb of light oil.
- **Bangladesh:** Niko had previously experienced troubles in receiving payment for gas produced at their Feni property and future production from Chattak. This issue has been resolved with the negotiated price for natural gas being \$1.75/mcf; this is lower than the \$2.20/mcf NKO originally estimated. At **Block 9**, a 1.72M-acre concession, NKO has a 60% interest. The Bangora-1 well has 3 productive zones and tested 120 mmcf/d. Bangora-2, 3 and 4 have been completed and tested. Rates similar to B1 are expected (50 mmcf/d/well). Bangora-5 is currently drilling. Current production from the block is ~61 mmcf/d (40 mmcf/d net) and gross 2P reserves estimated at 225 Bcf. The plant and pipeline infrastructure will need to be upgraded in order to accommodate the recent successes. Tullow (partner) has declared commerciality and first revenue receipts should be made in January 2007.
- Niko recently announced the strategic move into **Thailand** through a 50% WI in all new production from the Fang block. The program will involve 12 development wells and a number of exploration wells to the north and south of the existing field. The field is estimated to have 100 Mb OOIP at depths <1,000m. Wells are estimated to cost \$500k, have a 1 week drill time and produce on average 150 b/d/well.

**Recent Operational & Financial Results:**

- NKO closed a \$187.5M financing in February 2007, issuing 2.3M common shares at \$81.50/share.
- **In valuing NKO the traditional cash flow multiple does not make sense due to the multi-year time windows and massive scale of the reserves and projects. NKO will see significant production and cash flow growth once the D6 oil and gas production comes on-stream in mid 2008. (Until that time) We believe that a reserves & NAV estimation approach is most appropriate. (We believe) a conservative estimation of reserves value can be made with a NPV of CDN \$.75/mmcf for natural gas reserves and CDN \$15/barrel of oil reserves. Assuming just NKO’s 10% WI in the estimated D6 reserves of 35 Tcf the value attributed to NKO is \$94/share. If the 50 Tcf and 1B of oil is included, this results in an estimated NAV of \$85 + \$35 = \$120/share. This NAV estimate does not make any allowance for unexplored portions of D6, D4, NEC-25, Bangladesh, Thailand, Cauvery & Hazira/Surat.**

**Balance of Evidence**

Growth Drivers	Limits to Growth
<ul style="list-style-type: none"> <li>▪ Niko has significant production coming on in the next few years, and we would expect the company to draw the attention of a multi-national/national.</li> </ul>	<ul style="list-style-type: none"> <li>▪ NKO appears expensive on a cash flow multiple basis.</li> <li>▪ Payment problems with the Bangladeshi government.</li> </ul>

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February 6, 2007

## Real Resources Inc.

RER \$14.35

**Outperform**

Potential Upside 67%

Target Price \$24.00

	2005 Actual	2006 Estimate	2007 Estimate		
<b>Production</b>				<b>Reporting Periods</b>	
Oil & Liquids b/d	5,152	5,615	6,450	Year-end:	December 31st
Natural Gas mmcf/d	31.4	33.7	38.7	Next Report:	Q4 Mar/30/07
Total 6:1	10,394	11,230	12,900	<b>Shares O/S</b>	
Volume Growth	41%	8%	15%	Basic:	37.4M
Per million shares	278.7	300.3	319.3	Fully diluted:	40.4M
Gross wells drilled	135	116	105	<b>Financial Data</b>	
<b>Volumes Mix %</b>				Market Cap \$M:	\$537M
Oil & Liquids	50%	50%	50%	Enterprise Value \$M:	\$692M
Natural Gas	50%	50%	50%	Enterprise Value per	
<b>Financials</b>				2007 avg. production \$:	\$53,643
Cash Flow/Share	\$3.92	\$3.21	\$3.67	<b>Reserve Life Index (years)</b>	
Price/Cash Flow	3.7x	4.5x	3.9x	Proven:	6.2
Capital Exp \$M	\$269.2M	\$230M	\$170M	P+P:	8.9
Cash Flow \$M	\$133.4M	\$120M	\$148M	<b>Net Asset Value</b>	
CapEx/Cash Flow	2.0x	1.9x	1.1x	10% BT	
<b>Commodity Prices</b>				Apr 2006	\$17.26
			<b>SAMI Est.</b>		
(SAMI forecasts)			<b>Actual</b>	<b>Bear</b>	<b>Bull</b>
US\$ WTI	\$56.70	\$66.27	\$60	\$70	
C\$ AECO	\$8.90	\$6.61	\$6.00	\$9.00	
<b>Debt</b>					
				Bank Debt Line:	\$185M
				Bank Debt Utilized:	\$155M
<b>Insider Ownership</b>					
				Pres&CEO: Lowell Jackson	425k
				VP Exp: Frank Muller	105k
				Dir: Frans Burger	657k
				Ingalls and Snyder	9 - 10%
<b>Service Providers</b>					
				Bankers: CIBC/Scotia/BMO	
				Auditors: PricewaterhouseCoopers LLP	
				Engineers: Sproule	

	Quarterly Results					
	Production (b/d)			Cash Flow per Share		
	2005	2006E	2007E	2005	2006E	2007E
Q1	8,483	11,196	12,000e	0.66	0.73	0.84e
Q2	10,620	11,067	12,400e	0.98	0.78	0.87e
Q3	10,710	11,566	13,200e	1.11	0.87	0.95e
Q4	11,719	11,100e	14,000e	1.17	0.81e	1.01e
Exit	12,200	12,000e	14,300e			

Disclosure: Maison Placements has participated as an agent on a securities offering for this company in the last 12 months.

The analyst(s) and/or immediate family member(s) have a direct/indirect ownership in this company's shares

## Real Resources Inc.

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 Phone: 403 262-9077 Fax: 403 262-6403  
 Website: [www.realres.com](http://www.realres.com)

### Company History & Management Info:

- Real Resources was founded in 1978 and the present team took over in 1997 when RER was producing 400 b/d.
- Management: CEO—Lowell Jackson CFO—Pamela Orr VP Exp—Frank Muller VP Land—Mike Stone VP Op—Dean Tucker VP Engineering – Rodger Trimble

### Core Areas:

- The company has 5 core areas: East Central AB, Central AB, Southern AB, West Central AB and SE Saskatchewan with 471k net acres of undeveloped land. Corporate declines are estimated at 30% and approximately 1/3 of drilling is focused on exploratory wells.

### Key Impact Plays / Black Gold Wealth Creation:

- In **West Central AB**, RER has had tremendous success in the Judy Creek/Whitecourt/Windfall area. RER holds interests in 301k net acres of land with 276k acres of 3D seismic coverage. The current productive capability from the area is >3,500 boe/d with current production >2,500 boe/d. The company has drilled multiple high-impact plays targeting Devonian oil and gas with the two best wells testing at 1,400 b/d and 1,000 b/d. Recent success with the Nisku "A" pool could yield RER 15-20 MB OOIP and has water flood potential. At Sakwatamua legal & partner issues have finally been resolved and the key well is producing ~750 b/d of light oil with 1.1 mmcf/d of solution gas. RER believes that near term well optimization initiatives will result in 200 to 400 b/d of incremental production additions. Currently the production is being sold to Canadian Crude Separators (CCS) who is blending the light oil. Due to the nature of the sales arrangement, daily sales volumes fluctuate between 0 to 1,500 b/d. The RER team will meet with CCS to negotiate a sales agreement in the coming weeks to stabilize the sales rate. In the **Carson Creek/Virginia Hills** area Real is planning to drill 7 high impact wells; 4 will target Swan Hills anomalies and 3 will target Nisku reef anomalies. The first of the high impact wells has been drilled to total depth and has been cased (Jan/07). At this point RER is encouraged by what they see and a second deep rig will begin drilling high impact targets starting in early Feb/07. Further natural gas upside exists in the Jurassic, Gething and Notikewin with wells capable of 5 mmcf/d.
- In **SE Sask**, Real has ~29k net acres and current net production of ~2,500 boe/d. Due to the high netback low-risk nature of the area Real will be making this project a major focus. The prize asset is a 40° API **Alida-Frobisher** oil pool with an estimated 55Mb OOIP. In the 1H/07 an additional 500 boe/d may be added as water handling facilities are brought online and optimized. Over the past several months RER has seen improved field pressure maintenance and the average per well production rate has increased from 80 b/d to 110 b/d due to the water handling improvements. Currently a 1.5 year inventory of 150m spaced infill horizontals exists. RER believes the pool can be further developed using tightly spaced (75m) horizontal wells which will more than double the drilling inventory. Ultimate recovery may be 35% to 50%. Due to the large drilling inventory (>200 locations) RER will have two rigs dedicated to this project full time. RER believes there is further potential in a deeper Kibbey sandstone (1,600 m) and Bakken formation and is planning 6 or 7 vertical exploration wells targeting >10Mb sweet light oil targets near Hastings and Rocanville.
- In **East Central, Central and Southern Alberta**, RER is estimated to be producing 1,200, 2,300 and 3,500 boe/d respectively. In East Central AB, RER has 24k net undeveloped acres and is chasing Glauco sands, Viking, Ellerslie and Colony gas and sees good potential in the up-hole Mannville CBM and Edmonton sands. At Ferrybank RER estimates their two oil pool developments have 40 MB of 35° API oil. Currently the recovery factor is ~5% but RER anticipates this can be improved to 35% adding 10 MB of recoverable oil. In Southern AB RER has a large low-risk inventory of shallow gas development targeting the Medicine Hat and Milk River shallow gas. The shallow gas and CBM drilling program will be curtailed until natural gas prices strengthen.

### Recent Operational & Financial Results:

- Real raised \$30M in June 2006, issuing 1.177M flow-through shares at \$25.50/share.
- In Q3/06 RER's production was 11,566 missing our est. of 12,000 boe/d. Cash flow per share was \$0.87 beating our expectation of \$0.78 mostly due to their strong light oil weighting (50%) and some one time royalty recoveries.
- Current production is in the 12,000 boe/d to 13,000 boe/d range with >1,500 boe/d behind pipe. Cash flow netbacks were modeled at \$32/boe in 2007. RER's Q3/06 cash flow netbacks were ~\$31/boe.**
- Our 12-month stock target of \$24 is based on 6.0x our 2007 Q4 annualized cash flow estimate of \$4.04. Using a more bearish commodity call of \$60 WTI and \$6/mcf we believe RER's downside cash flow is ~\$3.00/share for 2007. This floor is partially protected by having sold forward ~50% of natural gas production between \$7.27/mcf and \$7.54/mcf in early 2007. RER is currently trading below the 2005 NAV estimate of \$17.26.**

## Balance of Evidence

Growth Drivers	Limits to Growth
<ul style="list-style-type: none"> <li>High risk/reward drilling in W. Central Alberta could add substantially to production and reserves.</li> <li>RER believes that the company has 39Mb of easily added reserves with existing development projects.</li> <li>With strengthening commodity prices RER's management is prepared to raise the 2007 CAPEX to \$250M from \$150M with \$180M for drilling.</li> </ul>	<ul style="list-style-type: none"> <li>As RER grows, fighting the decline treadmill will become increasingly difficult.</li> <li>Facilities and operational issues that have historically handicapped growth.</li> <li>Reduced credibility with the "street" regarding growth.</li> </ul>

# 5 Top Picks this Month

## Domestic Pick »

### Galleon Energy (GO.A - T)

[www.galleonenergy.com](http://www.galleonenergy.com)



Present Price: \$16.55

12-month Target Price: \$25.00

Upside: 51%

#### Key Purchase Reasons:

1. GO.A is currently developing one of the largest sweet light oil pools found in Alberta in the past 10 years at Puskwa. GO.A will develop some with horizontal wells that should have higher initial rates of >500 boe/d which should help increase production prior to the granting of GPP. Current productive capability from the Puskwa pool is >11,150 b/d – **while current production from this key field is only 2,000 b/d**. They recently extended the field 5 miles from the initial well in the pool.
2. In addition to the Puskwa discovery, GO.A has several high rate tight gas development projects with very favorable economics. The tight gas fairway runs between Dawson and Calais where GO.A possess a dominant land position (379k gross acres) and major infrastructure. GO.A sees >150 locations, and expects the inventory to grow as they continue drilling.
3. Galleon's stock is now oversold down from the \$25 high. GO.A is an attractive intermediate with a 45/55 mix between oil and natural gas, positioned with a large dominant position in the Peace River Arch. Current production is 13,000 boe/d and GO.A has a healthy balance sheet.

## International Pick »

### Oilexco (OIL – T)

[www.oilexco.com](http://www.oilexco.com)



Present Price: \$8.65

12-month Target Price: \$13.00

Upside: 50%

#### Key Purchase Reasons:

1. The Brenda development work is on the cusp of being completed. It is estimated that they need 5 days of decent weather required to finish final work before first oil. Initial production levels of 35,000 b/d expected by the company for Feb 2007. Once Brenda is completed, the running 12-month average production could be ~**30,000 b/d** resulting in estimated cash flow/share of >\$3.00 at these commodity prices.
2. Encouraging appraisal results from Shelley. The formation was appraised with an 8-leg cluster with the final leg (extended reach) testing at 3,082 b/d of light oil. Oilexco is planning to fast track this development with first oil planned for late Q4/07 or early 2008. Additional development projects that will add near term production (1 to 2 year time frame) include Ptarmigan, Blackhorse & Bugle and the Sheryl discovery with Oilexco having the potential to exceed **50,000 b/d** in the coming years.
3. Other near term high impact exploration is at **Kildare** (50% WI) where the partners see 100 MB and 200 Bcf of gas in the Jurassic Ettrick and Tweedsmuir sands. We expect results this month. At **Laurel Valley** (75% for a 45% WI) the partners see 52MB, 200MB and 350MB in the Piper, Birch and Kopervik horizons. This play will be drilled Q1/07. At **Huntington** Oilexco has a 40% WI and will be targeting oil in the Forties and Fulmar sands.
4. Oilexco currently has the Sedco 712 contracted into 2010 and the Ocean Guardian tied-up with a 1 year + 1 year option starting in April. OIL has enough exploration and development projects to keep both rigs busy well into 2008.

## ➤ Previous Top Picks

The top picks featured in the December 7<sup>th</sup> edition of the Maison Monthly were Accrete Energy (GZ) @ \$6.26 and Oilexco (OIL) @ \$6.66. Since the recommendation, GZ is down 12% to \$5.52 and Oilexco, is up 30% to \$8.65.

The weakness in Accrete's stock is due to the recent sloppy natural gas markets and the juniors falling as a result of the income trust fiasco. Oilexco has shown considerable strength due to the excellent appraisal results at Shelley and near term production additions from the Brenda field (within the month). We believe that Accrete and Oilexco remain very attractive at these prices and would encourage investors to build positions.

All of the previous top picks in the Maison Monthlies have significant upside for the future and we remain bullish on their prospects. Our focus on these monthly picks is to highlight those companies in our Universe with near term events that could materially add to shareholder value.

## ➤ Buy the Junior E & P Sector

We have clearly seen a bottom in the sector with the panic climax in early October, courtesy of the Amaranth collapse and subsequent portfolio liquidations. The October Index low of 277 was the absolute low for 2006 and we now expect the market to move upward into Q2/07 breaching 360. We recommend investors to focus on both oil and gas stocks. The gas stocks have been hit hard by tax loss pressure and there are some wonderful bargains to be had.

Our long term view remains that the S&P/TSX Energy Index will breach 1,000 – or a triple from current levels before this ongoing commodity bull market is over. We don't have a specific time line for this cycle peak, but we feel it is years away. We recommend an orientation towards E&P companies with meaningful exploration projects, excellent experienced managements, large land spreads (if they are successful to give size to the wins), high working interest and are well financed to execute their programs. Our top picks and our recommendations highlight our best ideas.

**Be fully invested to enjoy this new up-leg!**

## 6 Recommended Buy List

**Our Current Buy Recommendations include:**

- **Accrete Energy**
- **Bow Valley Energy**
- **Canadian Superior**
- **Cirrus Energy**
- **Crossfire Energy Services**
- **Defiant Resources**
- **Delphi Energy**
- **Galleon Energy**
- **Gentry Resources**
- **GEOCAN Energy**
- **International Frontier Resources**
- **Niko Resources**
- **Oilexco**
- **Questerre Energy**
- **Real Resources**
- **Sterling Resources**
- **Vero Energy**

# Maison Placements Canada

## Junior & Intermediate Energy Companies Recommended Buy List

Feb 6, 2007



**SCHACHTER**  
ASSET MANAGEMENT INC.

Company	Sym	Feb 6/07		APPRECIATION %			RECOMMENDATION													
		Stock Price \$	Target Price*	Present Price	On the Week	Capitalization \$M	Price \$	Increase fr. Rec \$	Date	TSX Energy Index										
<b>Domestic E&amp;P</b>																				
Accrete Energy	GZ	5.50	10.20	85%	2%	98.5	2.35	134%	Aug13/04	171.43										
Defiant Resources	DFR	1.81	5.20	187%	-20%	45.1	3.80	-52%	Feb 10/06	332.14										
Delphi Energy Corp.	DEE	2.14	U.R.		3%	138.9	4.87	-56%	Mar 24/06	351.26										
Galleon Energy	GO.A	16.52	25.00	51%	9%	1045.7	5.17	220%	May 3/04	167.67										
Gentry Resources	GNV	4.50	6.20	38%	-2%	189.0	1.34	236%	Dec 16/02	126.79										
Geocan Energy	GCA	1.38	U.R.		-7%	81.3	1.80	-23%	Nov 4/05	306.41										
Questerre Energy	QEC	1.32	U.R.		4%	218.1	0.86	53%	Nov 6/06	317.87										
Real Resources	RER	14.40	24.00	67%	2%	581.8	4.75	203%	Dec 2/02	117.32										
Vero Energy	VRO	5.90	9.20	56%	6%	165.8	5.71	3%	Feb 10/06	331.47										
<b>International E&amp;P</b>																				
Bow Valley Energy	BVX	6.34	9.70	53%	-2%	477.4	1.50	323%	Jul 25/03	133.98										
Canadian Superior	SNG	2.38	3.40	43%	2%	359.4	2.14	11%	Jan 11/07	302.46										
Cirrus Energy	CYR-V	1.20	2.00	67%	-4%	54.8	1.15	4%	July 12/06	344.28										
International Frontier	IFR-V	1.56	2.50	60%	12%	93.9	1.50	4%	Mar 15/06	345.94										
Niko Resources	NKO	88.19	120.00	36%	0%	4092.0	23.80	271%	Mar 31/03	124.90										
Oilexco Inc.	OIL	8.66	13.00	50%	11%	1844.6	4.04	114%	Sep 30/05	332.10										
Solana Resources	SOR	0.83	U.R.		-3%	74.6	1.27	-35%	Jul 20/05	274.95										
Sterling Resources	SLG-V	1.88	5.00	166%	2%	184.6	0.80	135%	Dec 22/04	198.99										
<b>Oilfield Services</b>																				
Crossfire Energy Serv.	CFE-V	0.90	1.40	56%	7%	21.2	0.84	7%	Oct 19/06	319.42										
<table border="0"> <tr> <td>TSX Energy Index</td> <td>324.74</td> </tr> <tr> <td>WTI</td> <td>59.14</td> </tr> <tr> <td>Nymex</td> <td>7.49</td> </tr> <tr> <td>AECO (C\$/GJ)</td> <td>7.48</td> </tr> <tr> <td>AECO (C\$/mcf)**</td> <td>8.01</td> </tr> </table>											TSX Energy Index	324.74	WTI	59.14	Nymex	7.49	AECO (C\$/GJ)	7.48	AECO (C\$/mcf)**	8.01
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\* Our stock price targets are based upon the Proven Reserve Life Index times our future cash flow expectations.

\*\* Based on approximate conversion of 1.0704 GJ heat value = 1mcf NatGas

Maison  
Placements  
Canada

## Research Coverage List



**SCHACHTER**  
ASSET MANAGEMENT INC.

Legend: **O** Out perform  
**M** Market perform  
**U** Under perform

Companies Covered	Symbol	Stock Price \$ Feb 6/07	12-M Target Price \$	Appreciation Potential %	Opinion	M Shares O/S *Basic	\$M Market Capitalization	Debt \$M	Enterprise Value \$M	Production Mix 2006	Oil %	\$ NAV	% Insider Ownership
<b>Domestic E&amp;P*</b>													
Accrete Energy	GZ-T	5.50	10.20	85%	<b>O</b>	16.5	90.8	39.0	129.8	68%	32%	8.05	26%
Defiant Resources Corp.	DFR-T	1.81	5.20	187%	<b>O</b>	20.5	37.1	8.0	45.1	70%	30%	3.85	35%
Delphi Energy Corp.	DEE-T	2.14	<b>U.R.</b>			60.7	129.9	118.0	247.9	85%	15%	3.79	7%
Galleon Energy	GO-A-T	16.52	25.00	51%	<b>O</b>	58.1	959.8	130.0	1089.8	60%	40%	13.35	10%
Gentry Resources Ltd.	GNV-T	4.50	6.20	38%	<b>O</b>	38.7	174.2	38.3	212.5	65%	35%	6.20	10%
Geocan Energy Inc.	GCA-T	1.38	<b>U.R.</b>			56.1	77.4	36.0	113.4	36%	64%	2.38	9%
Questerre Energy Corp.	QEC-T	1.32	<b>U.R.</b>			155.0	204.6	0.0	204.6	85%	15%	0.32	21%
Real Resources Inc.	RER-T	14.40	24.00	67%	<b>O</b>	37.4	538.6	155.0	693.6	50%	50%	17.26	10%
Vero Energy Inc.	VRO-T	5.90	9.20	56%	<b>O</b>	25.9	152.8	30.0	182.8	70%	30%	5.24	12%
<b>International E&amp;P*</b>													
Bow Valley Energy Ltd.	BVX-T	6.34	9.70	53%	<b>O</b>	69.9	443.2	51.3	494.5	70%	30%	4.11	21%
Canadian Superior	SNG-T	2.38	3.40	43%	<b>O</b>	131.0	311.8	0.0	311.8	75%	25%	2.00	5%
Cirrus Energy	CYR-V	1.20	2.00	67%	<b>O</b>	43.2	51.8	0.0	51.8	0%	100%	2.41	17%
International Frontier Res.	IFR-V	1.56	2.50	60%	<b>O</b>	53.0	82.7	0.0	82.7	0%	100%	n/a	11%
Niko Resources Ltd.	NKO-T	88.19	120.00	36%	<b>O</b>	42.9	3783.4	0.0	3783.4	98%	2%	31.58	18%
Oilexco Inc.	OIL-T	8.66	13.00	50%	<b>O</b>	195.0	1688.7	176.0	1864.7	0%	100%	4.57	11%
Solana Resources Ltd.	SOR-V	0.83	<b>U.R.</b>			85.9	71.3	0.0	71.3	0%	100%	n/a	12%
Sterling Resources Ltd.	SLG-V	1.88	5.00	166%	<b>O</b>	93.9	176.5	0.0	176.5	0%	100%	n/a	12%
<b>Oilfield Services</b>													
Crossfire Energy Services	CFE-V	0.90	1.40	56%	<b>O</b>	20.0	18.0	8.5	26.5	n/a	n/a	0.60	40%

\*Our stock price targets are based upon the Proven Reserve Life Index times our future cash flow expectations  
**U.R. - Under Review**

## Research Coverage List

Commodity Price Assumptions		
WTI	2006A	2007E
AECO Nat. Gas	\$66.27	\$70.00
	\$6.61	\$9.00

Symbol	Production 6:1			% Production Growth		Enterprise Value/2007 Avg. Production \$	\$ Cash Flow/Share			Cash Flow Multiple		P RLI 2005	\$M Cash Flow			\$M Cap Ex			Capex/Cash Flow reinvestment rate		
	2005A	2006E	2007E	2006E	2007E		2005A	2006E	2007E	2006E	2007E		2005	2006E	2007E	2005	2006E	2007E	2005	2006E	2007E
GGZ-T	1276	2515	3700	97%	47%	35,068	0.90	1.36	1.89	4.0	2.9	7.2	14.0	21.0	33.0	49.0	39.0	41.0	1.9	1.2	
DFR-T	316	1020	2200	223%	116%	20,502	0.28	0.44	1.00	4.1	1.8	6.3	4.1	10.0	25.0	33.3	30.0	40.0	3.0	1.6	
DEE-T	4221	5280	5925	25%	12%	41,839	0.80	0.85	0.96	2.5	2.2	5.0	40.0	49.0	62.0	112.0	164.0	67.0	3.3	1.1	
GOA-T	6539	9690	15875	48%	64%	68,650	1.71	1.76	3.25	9.4	5.1	6.2	78.1	98.0	194.0	210.4	250.0	200.0	2.6	1.0	
GNY-T	3280	4215	5500	29%	30%	38,627	0.91	0.88	1.28	5.1	3.5	4.2	35.2	35.0	54.0	53.9	40.0	54.0	1.1	1.0	
GCA-T	2188	3175	4250	45%	34%	26,687	0.40	0.41	0.65	3.4	2.1	5.1	13.0	25.0	38.0	68.2	35.0	50.0	1.4	1.3	
QEC-T	112	740	1925	561%	160%	106,286	n/a	0.03	0.13	44.0	10.2	3.9	n/a	3.7	19.0	10.3	22.0	25.0	5.9	1.3	
RER-T	10394	11230	12900	8%	15%	53,764	3.92	3.21	3.67	4.5	3.9	6.2	133.4	120.0	148.0	269.2	230.0	170.0	1.9	1.1	
VRO-T	980	2390	3950	144%	65%	46,281	0.20	0.95	1.63	6.2	3.6	5.0	1.9	25.0	46.0	35.0	109.0	55.0	4.4	1.2	
BVX-T	3227	2480	5690	-23%	129%	86,901	0.49	0.35	1.09	18.1	5.8	6.8	32.0	24.0	82.0	39.5	115.0	130.0	4.8	1.6	
SNG-T	2632	2880	3500	9%	22%	89,080	0.27	0.17	0.22	14.0	10.8	5.0	30.3	22.0	32.0	44.1	50.0	150.0	2.3	4.7	
CYR-V	n/a	117	150	n/a	28%	345,600	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.0	5.0	n/a	n/a	
IIR-V	n/a	45	100	n/a	122%	826,800	n/a	n/a	n/a	n/a	n/a	14.0	n/a	n/a	n/a	n/a	16.0	20.0	n/a	n/a	
NKO-T	13412	14860	19650	11%	32%	192,537	1.75	1.55	2.05	56.9	43.0	17.4	67.6	68.0	94.0	135.0	140.0	260.0	2.1	2.8	
OIL-T	262	5880	32250	2144%	448%	57,820	-0.02	0.59	3.42	14.7	2.5	n/a	0.0	127.8	727.8	90.0	288.9	410.0	2.3	0.6	
SOR-V	265	U.R.	U.R.	n/a	n/a	n/a	0.05	U.R.	U.R.	n/a	n/a	n/a	3.6	U.R.	U.R.	33.7	U.R.	U.R.	n/a	n/a	
SLG-V	n/a	125	3300	n/a	2540%	53,495	n/a	0.02	0.61	94.0	3.1	n/a	n/a	2.0	51.0	5.5	30.0	75.0	15.0	1.5	
<b>Revenue (M)</b>																					
<b>Revenue Growth</b>																					
<b>EV/(2007 Rev)</b>																					
<b>EPS</b>																					
<b>P/E Ratio</b>																					
<b>Net Income (\$M)</b>																					
<b>\$M Cap Ex</b>																					
<b>Cap Ex/NI</b>																					
CFE-V	n/a	20	51	n/a	155%	0.5	n/a	0.07	0.21	n/a	n/a	4	n/a	1.6	5.0	n/a	17.0	18.0	10.6	3.6	

## Analyst Disclosure

Company Name	Trading Symbol	*Exchange	Disclosure code
Accrete Energy Inc.	GZ	T	1,5
Bow Valley Energy	BVX	T	5
Canadian Superior Energy	SNG	T	5
Cirrus Energy	CYR	V	5
Crossfire Energy Services	CFE	V	1,5
Delphi Energy Corp.	DEE	T	1
Galleon Energy	GO.A	T	5
Geocan Energy	GCA	T	1
International Frontier Resources	IFR	V	1
Niko Resources	NKO	T	5
Oilexco Inc.	OIL	T	1
Real Resources	RER	T	1,5
Solana Resources	SOR	V	1,5
Sterling Resources	SLG	V	1,5
Vero Energy	VRO	T	1

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