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THE BIG PLAYS!!

“Oil & Gas Plays That May Change Your Lifestyle—The High-Risk/High-Reward Plays For The Next Six Months”

We go to some of our favorite oil and gas analysts and ask them to pick the “big-plays” out there; the ones that could change a person’s lifestyle. One better be aware of the math though, because when they say an exploration play has only a 1 in 4 or a 1 in 10 chance of success that’s telling you the odds are they are going to miss. The reason oil companies keep drilling is because if you hit on one of these big plays it makes up for more than a few big misses! So once again, we go to some of our favorite analysts for the “big-plays” that should be coming up over the next six months and if they hit we would expect, considering the big-risk taken, to have a nicely sized reward!

Pick Number One: **Corridor Resources (T-CDH)**

Dominick & Dominick analyst *Andy Gustajtis* has done well with this pick over the last year, as it has already tripled in value and it has done so at a time when most natural gas stocks have been clobbered with lower natural gas prices.

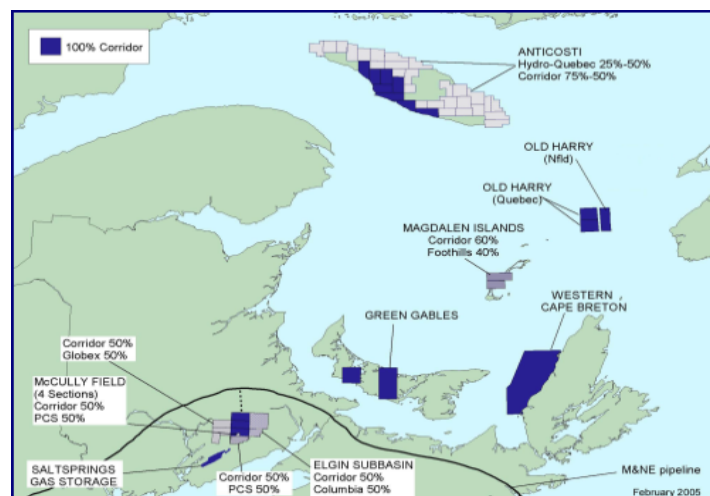
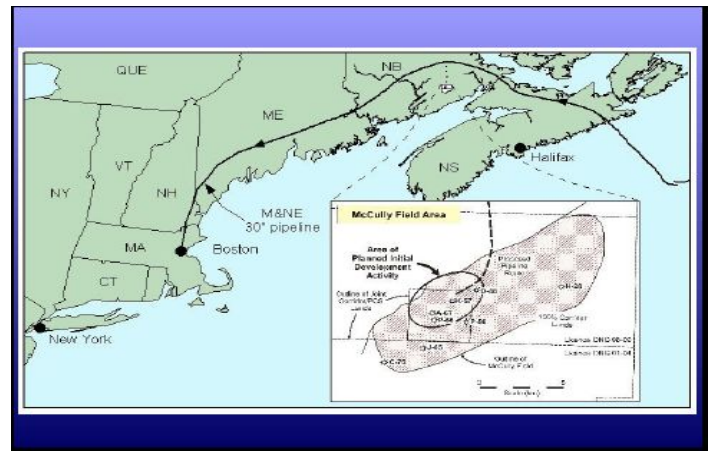
Corridor is working on the McCully play in New Brunswick (of all places) and recent fracing has come up with some amazing results with wells producing as much as 5.5 million cubic feet a day or 6.6 million cubic feet a day. Shortly the company should start work on a 20 mile pipeline to the Maine and New England Pipeline, that will give the company some sizeable cash flow for a change, but at this point the easy money has probably been made.

What next is going to be very interesting. Underneath their McCully play, which continues to grow in size and probably justifies current prices, if not slightly higher, is the Dawson Settlement—a huge target and depending on who you talk to might have somewhere between 1 TCF and 4 TCF.

Drilling is expected sometime this winter, probably between November and December and if it hits it should be enormous! If it does hit, *Andy Gustajtis* suggests that the stock is on its way to \$15.00 to \$50.00, but one of the more intriguing reports written recently is by *Gregory Chornoboy* of *Jennings Capital*. He suggests that if they find 1 TCF it adds \$14.00 to \$18.00 in asset value to the company. One might than extrapolate and suggest that if there is more than 1 TCF or say there is 2 or 3, the math is quite simple.

This is compulsory reading. He has written a great report looking at the company plus some of its other down-east plays that you have probably never heard of such as Old Harry which is a very intriguing play offshore Newfoundland, but it’s caught in all the border problems between Quebec, Newfoundland and the Federal Government.

The company also has had past disappointments in Prince Edward Island, but hope to try there again, as well as offshore New Brunswick and on the Magdalen Islands. But, the big play starts November / December with the drilling of the Dawson Settlement.



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Play Number Two:

Laurel Valley

Partners:

Oilexco (T-OIL)
 International Frontier Resources (V-IFR)
 Gulf Shores Resources (V-GUL)

Most of the big players have left the North Sea, because the assumption has been for sometime that all the “big-plays” there have been discovered and it is time for the big-guys with the big-bucks to move on!

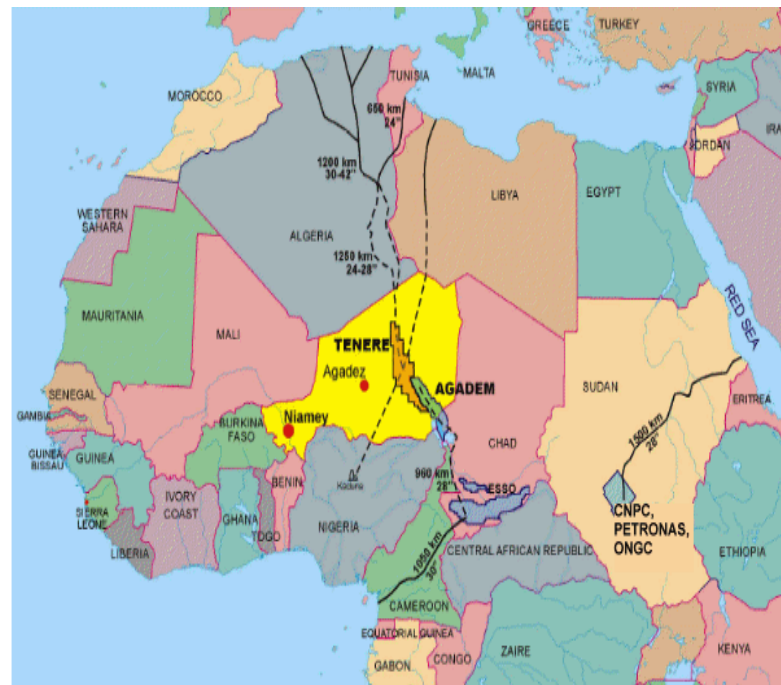
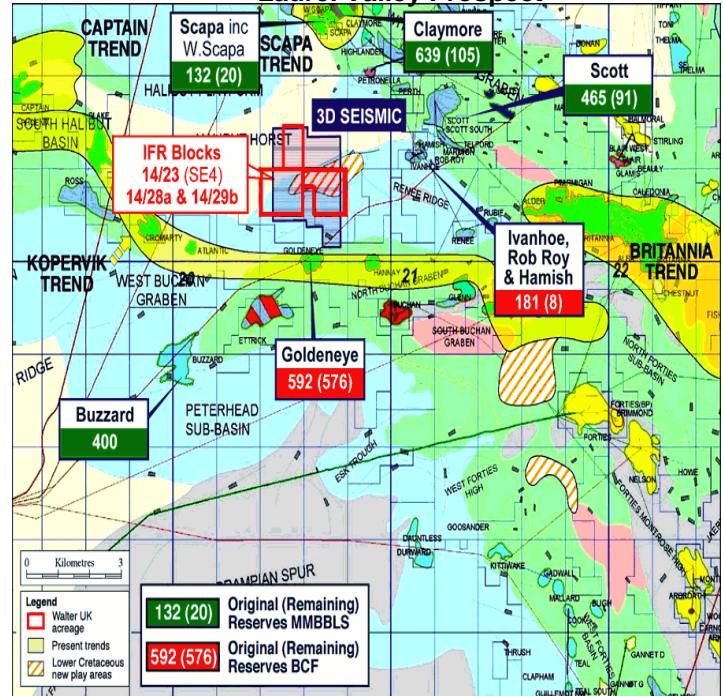
That has allowed a lot of smaller companies to come up with some intriguing, but smaller plays except for Laurel Valley which is surrounded by huge successes such as Golden Eye, which is a gas discovery, Buzzard roughly 80 km away, which is now close to 500 million barrels; Scapa—45 km away with around 130 million barrels; Claymore—roughly 45 km away with 639 million barrels discovered. Or how about Scott—roughly 80 km away with 465 barrels. You get the drift. By the way, the scale on this map is a little off. Instead of 0—3 km, it's 0-30.

A play put together by *Pat Boswell* of *International Frontier* has attracted partners *Oilexco*, which will be the operator and tiny *Gulf Shores* into this play and the target is somewhere between 500 and 600 million barrels between the three horizons.

Depending on who you talk to the chances of success are 1 in 4 or 1 in 10 and remember there are three different zones being targeted! Needless to say, if this does come up with the goods all three companies will be affected and the cheap ones could be affected very dramatically.

Spud date is expected to be sometime in December with 30-45 days for a person to know how happy to be. *Clive Stockdale* has been suggesting this play for sometime now and it will be interesting to see how high little guys, *International Frontier* and *Gulf Shores* can be before results come out!

Laurel Valley Prospect



Play Number Three:

Rift Basin - Niger

Partners:

Chinese National Oil Company
 TG World Energy (V-TGE)

A pick by *Clive Stockdale*, we've learned watching this play over the last while that there is only one thing you can count on when it comes to junior exploration plays.....that they will never happen on time.

A delay of as much as 6 to 8 months has disappointed some people, but now that they are getting closer to a spud date in October the market is definitely starting to pay attention.

The Rift Basin targets in Africa have come up with some absolutely enormous successes—witness the interview we did with the President of *TG World Energy*, *Clifford James*, where he talks of the successes of companies such as *Esso* (7 out of 8 drilling successes) or you look in the Sudan area where *TGE's* partner *Chinese National Oil Company* has come up with a billion barrels plus).

TGE also has some high-risk/high-reward plays in Northern Alaska to drill this winter, so tiny TGE will be involved in as many as seven (3 in Niger and 4 in Alaska) potential barn-burner exploration holes this winter and will be a junior that one will have to be paying attention to.

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Play Number Four: Exxel Energy (V-EXX)
Delta Petroleum (US-DPTR)

One of the smarter people in the investment world that we know of is *Eric Sprott* and his firm has taken an enormous position in *Delta Petroleum*, which is currently their biggest holding.

Delta Petroleum currently owns 300,000 acres as does *Exxel Energy* in what is being talked about as the Columbia Basin, a Basin-centered gas play in Washington State. It is an unconventional gas play that some people, based on very little data, are suggesting could have as much as 100 trillion cubic feet of gas.

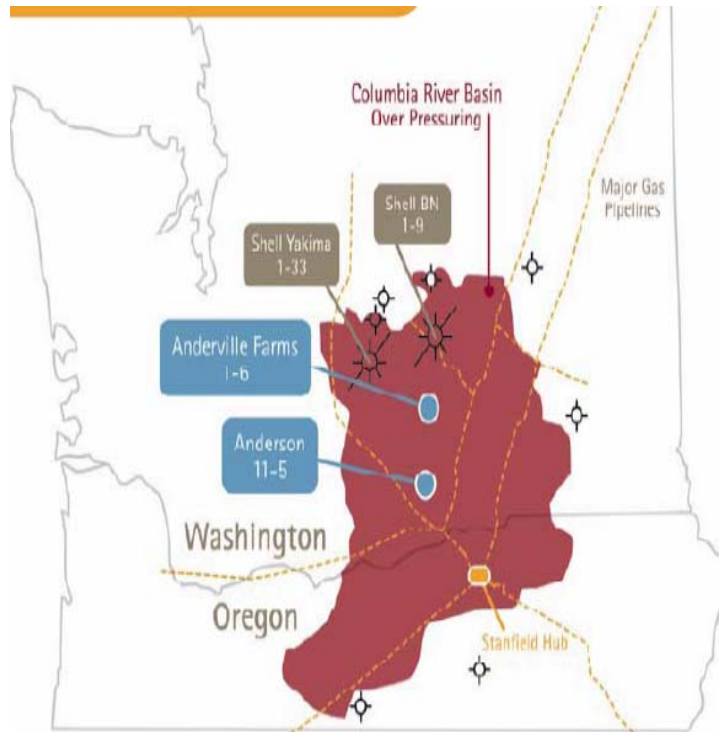
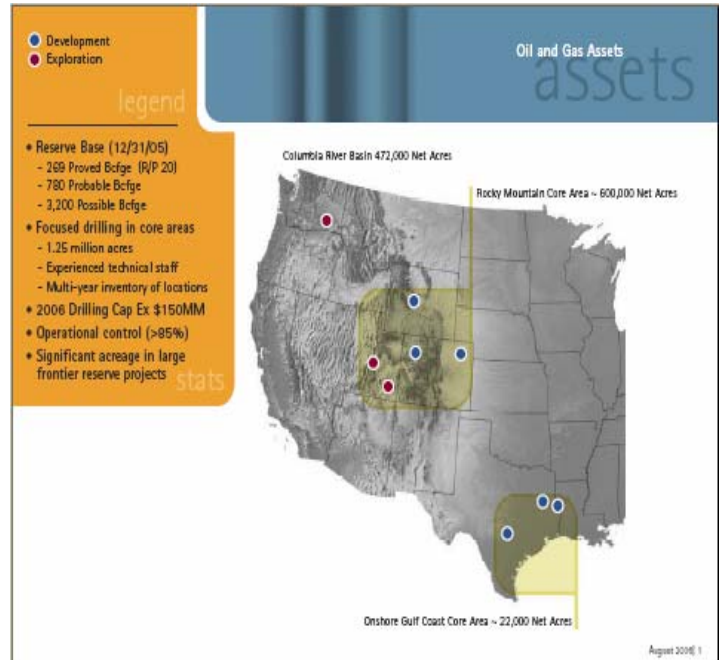
Sprott suggests that this could be bigger than Ultra Petroleum! (See Interview we did on August 30th with Eric Sprott—e-mail Debbie at debbie_lewis@canaccord.com for a copy). This Columbia Basin play is in an area that has delivered gas in drilling before over the decades, but the latest in the 1980's had the usual problems with old technology recovering the gas, particularly at those depths. Now the partnership of Encana, Shell and Delta, has spent almost two years on one well and the testing has yet to be completed, but expectations needless to say, are extremely high.

Sprott defers to a report by First Albany, where analysts Eric Hagan has probably written the authoritative report to date. He writes, "Two world-class prospects expose investors to \$175 per share in potential asset value, initial results anticipated in next 3-6 months." He adds, "We consider this play to be the highest potential natural gas resource play being evaluated in North America. The CRB boasts the potential for a thicker pay section (1000' versus 600') and better permeability than the Pinedale (Ultra Petroleum) and has similar pressures." This report is must-reading for anyone considering Delta Petroleum and to get copies just e-mail Sandra at sandra_wicks@canaccord.com.

Delta also has an interesting website, just go to www.deltapetro.com.

Also owning land in the area is Exxel Energy, a junior with the usual aspects of a Marc Bruner play. He has put together an enormous land position which he has usually been able to accomplish with other companies, Ultra and Falcon Oil and Gas, but also with some of the usual problems. Remember new and stronger management had to be brought in to save Ultra, and Falcon, has yet to test its first well and already has 500 million shares outstanding.

We think Exxel has a great shot and a big interest in this play, but if they start minting shares...well, our interest will disappear.



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Laurel Valley Play

OILEXCO INC. (T-OIL)

This is a story that we have been following for a long time, because of analysts like *Fred Kozak* who have been keen on their collection of plays in the North Sea that will soon see production. We had an interview with *Oilexco* President *Art Millholland* who briefly talked about the potential of Laurel Valley and that they have hired three former *EnCana* employees who worked on *EnCana's* Buzzard play, which was a "Monster" find in the North Sea. Millholland told us in the interview that those employees think that what they may have at Laurel Valley is a Buzzard look-a-like and he does suggest that if this play does hit, it would send Oilexco stock into the stratosphere! (See Stocktalk Interview of June 26/06) They have a 40% interest in the play. (E-mail Debbie if you would like a copy of the interview)



INTL. FRONTIER RES. (V-IFR)

As the chart shows you on *IFR* its been beaten up, because of concerns about lack of high-profile drilling on their plays in the Canadian Arctic. That's a nice asset to have in the background and it does depress the hopes of those who were in IFR originally because of the hopes in the Arctic. But IFR now is quite a different company, with four and possibly more exploration wells in the North Sea coming up and Laurel Valley where they have a 12.5% carried interest could be enormous for tiny IFR. Heck of a deal put together by *Pat Boswell* and we wonder how high IFR's stock could be by spud date! We printed an interview with Pat Boswell on August 24/06. If you would like a copy, e-mail Sandra at sandra_wicks@canaccord.com.

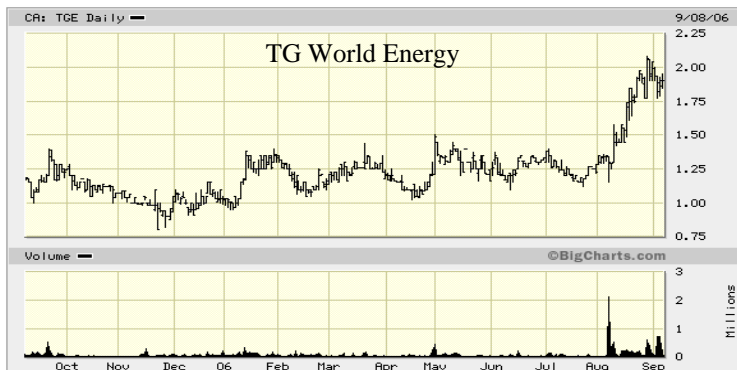
GULF SHORES RESOURCES (V-GUL)

GUL is a partner on several of the IFR plays developing in the North Sea, so it's not just not a one-trick-pony. But, of the ponies that they got in the herd this is the "big-pony" and could make a huge difference for GUL, which has a 9 1/2% interest in the play. If it hits little *GUL* would have a raison d'être.



TG WORLD ENERGY (V-TGE)

The stock has had a nice run up lately as we get closer to the spud date in October. Lots of targets to be drilled in Niger plus later this winter in Alaska. But the size of the potential targets in Niger is what is going to tantalize the speculator. Drilling is about six to eight months behind schedule, but it looks like they are finally going to be at it. We interview President Clifford James on August 29th. If you would like a copy, e-mail Sandra at sandra_wicks@canaccord.com.





CORRIDOR RESOURCES (V-CDH)

The easy money has been probably been made in Corridor, as recent fracing results have come up with wells producing as much as 5.5 and 6.6 million cubic feet a day—"monster wells"! Soon the pipeline should be built and cash flow on stream to justify Corridor's current (rather lofty) market capitalization, but they are not that far away from the big gas market of New England. Has the easy money been made? Probably, as it has nicely tripled and once again thank you analyst Andy Gustajtis, but now it gets interesting. Must reading is a report done by *Gregory Chornoboy* of Jennings Capital. His suggesting is that if they find 1 TCF on the Dawson Settlement Sand, it will increase the company's value by \$14.00 to \$18.00 and then of course if they find 2 or 3 TFC....well you can do the math. Andy Gustajtis says bluntly, "If they hit it is worth between \$15.00 and \$50.00."

DELTA PETROLUUM (US-DPTR)

One of the shrewdest investors and the original believers in the run for commodities has been *Sprott Asset Management's Eric Sprott* and guess what his biggest holdings are in the Mutual Funds he currently runs? And, by the way....have you seen those Mutual Funds lately—they have been some of the best performers by far in the country. You guessed it, *Delta Petroleum* is his top holdings in those different funds. *First Albany* has put out a research report that is must reading and while they give a modest target of \$23.00 U.S., if you read the second page it deals with the potential for the Washington play and you have to ask if they don't have a \$175.00 of potential value there!



EXXEL ENERGY (V-EXX)

Their a smart bunch of people that put together the land play that became Ultra, the land play that became Falcon Oil & Gas, and now the land play that has become Exxel Energy, but how good of managers are these people? Ultra had to be taken over by Mike Watford who had to cut back on costs and other things dramatically to save Ultra so it could eventually become the success it has done, Falcon Oil & Gas has issued 1/2 billion shares, that's right 1/2 billion shares, before they have fully completed their very first well and it concerns us that Exxel is yet again doing more financings to increase their chunk of shares outstanding they already have and they have seen a big chunk of shares go to the usual folks. How much should we worry about their ability to print so many shares? In the meantime, who has a bigger chunk of the action in what is going to become one of the more significant plays....if it works. The Basin Centered gas play in Washington State is already being talked about having the potential for 100 TCF by some, despite the fact that there isn't a single completed well yet.



Disclosure: Oilexco Inc: Canaccord Capital covers this stock and has a Buy rating on it. (Buy: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.) Canaccord has recently led financings for Oilexco Inc., Gulf Shores Resources and TG World Energy.

DEB'S DITTY:

Drive carefully. We need every taxpayer we can get.