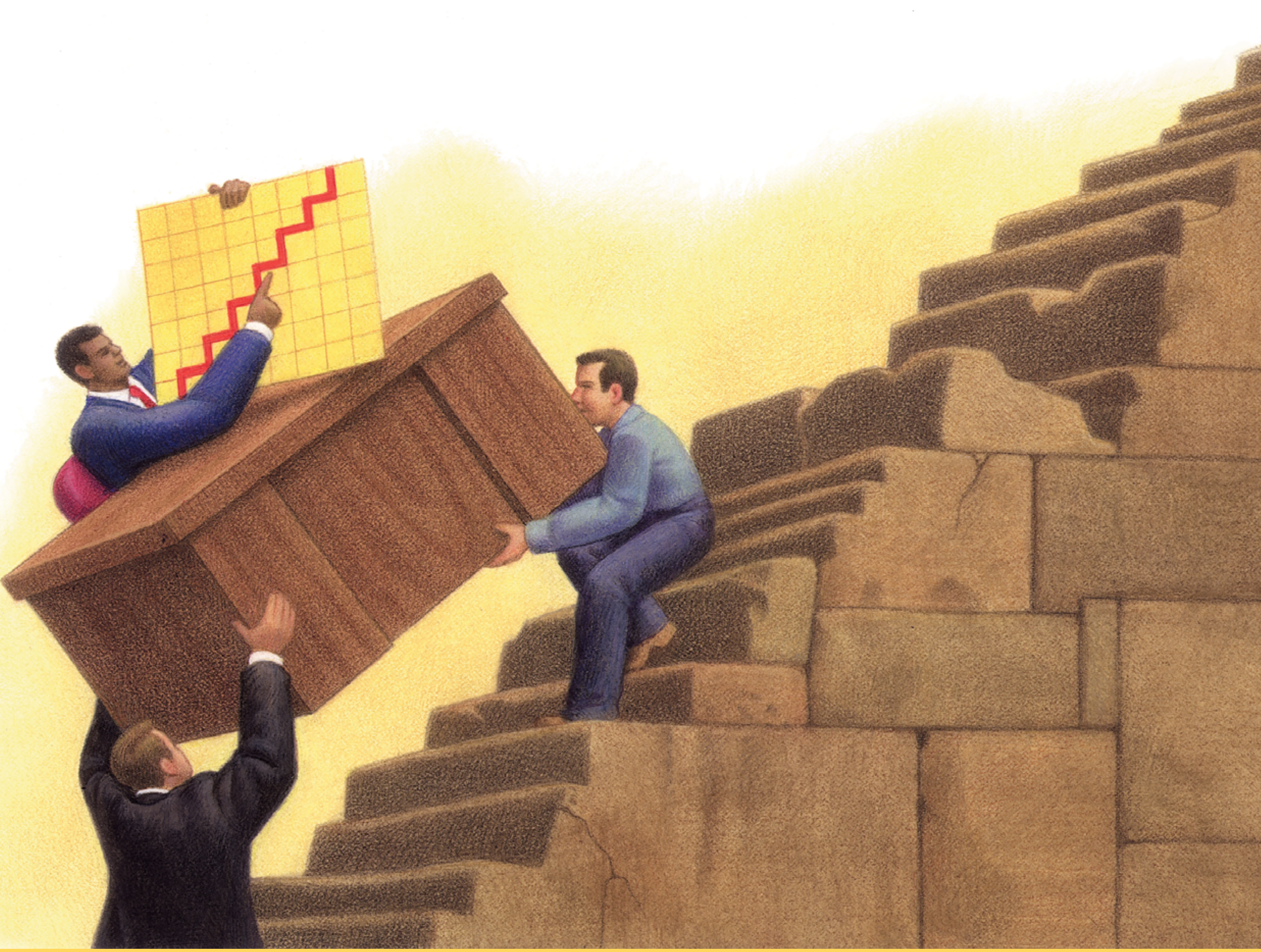
A Supplement to

Oil and Gas Investor



Small-Cap E&P Investment Opportunities

FEBRUARY 2006

A supplement to

Oil and Gas Investor

SMALL-CAP E&P INVESTMENT OPPORTUNITIES

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Now is Their Time

In 2004 and 2005, as company after company saw its stock price soar and its oil and gas production generate ever-higher cash flow, we noticed analysts began to turn their attention to more members of the small- and midcap E&P fraternity.

For example, the number of analysts covering Houston's ATP Oil & Gas had risen to 17 in 2005 from only four in 2001 as the company's results have begun to bear fruit in the Gulf of Mexico and North Sea.

After all, the bigger E&P names have reached their zenith, or so everyone thought. "For the fourth straight year, the larger producers outperformed all broad market indices and the integrated names…the median return, at 59.4%, is sensational…," according to a January report from the research team at John S. Herold Inc.

Still, according to Herold data, total shareholder return for the U.S. small caps was 54.4%; it was even higher for the Canadians. Some examples: the shares of GMX Resources Inc. of Oklahoma City rose from $6.97 at year-end 2004 to $36 per share by December 30, 2005, based on investor anticipation about the company's East Texas lease position and activity in the huge North Carthage tight-gas field.

Midland-based Parallel Petroleum saw its stock take off, going from $5.39 to $17.01 in the same time frame, thanks to acquisitions and increased drilling in West Texas.

The list of such successful examples is long. The results stem not just from high commodity prices, but from strategies taking off as smaller companies tend to show the most rapid growth trajectories.

The question now is what's ahead for 2006. Analysts expect oil and gas prices to remain healthy this year, if not quite as high for as long as last year. Most oil and gas producers have announced more aggressive spending plans.

For a small cap, a good position in any repeatable gas-resource play seems the winning ticket. "We recommend being selective…and to focus on names that have the best growth potential, and have enabling factors (access or ownership of drilling rigs, economies of scale, etc.) that will allow these companies to meet that potential," says Petrie Parkman analyst Larry Busnardo in a late December outlook on small caps.

Luckily, there are many worthy small caps from which to choose, and their growth strategies vary from domestic development plays to exploration to a pure focus on international activity. We hope this report helps introduce you to some ideas.

—Leslie Haines, Editor in Chief

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Pathways to Growth

The lure of small-cap companies is great because they have so many different opportunities to achieve growth and deliver returns.

By Leslie Haines, Editor in Chief

There is no one path to glory for E&P companies. Bill Barrett Corp. is 88% natural gas and focuses mostly on exploration in the Rocky Mountain region. Meanwhile, Whiting Petroleum, also based in Denver, is only 39% gas, and it focuses on acquisitions and exploitation in various regions from the Rockies to West Texas. Seasoned teams, who have created E&P value in the past, manage both companies. Both have gone public within the past two years and have grown recently to market caps between $1.5- and $2 billion.

Pritchard Capital Partners' director of research, Chris Edmonds, says the firm is attracted to funding small caps because of their growth potential, but he cites other good reasons as well. "A smaller company is typically more nimble and focused on doing just a few things really well. So I think they tend to do better work and they are probably hungrier.

"They work harder to get to the next level. They are aggressive, but at the same time, more careful...."

Indeed, news of one poor well or postponed acquisition closing can be a killer, and one good announcement can be a game-changer. Even the announcement of a company getting into a hot play for the first time, or partnering with a much larger and more experienced E&P partner, can make a stock climb.

No matter the strategic path taken, small-cap E&P firms grow the fastest in reserves, production and income on a percentage basis. For the investor, choosing the right company is a tough contest. These companies can be challenged in a number of ways, like a gangly teenager suffering growing pains. But like a teenager, they are fun to watch.

Warren Resources Inc., New York, has a market cap of about $838 million. Chief executive officer Norman Swanton says 2006 could be a breakout year for Warren. It has increased its drilling budget a stunning 260% to $108 million, planning to drill or recomplete 155 wells. It operates in the Los Angeles Basin, where it has development drilling and a waterflood under way, and in the Washakie Basin of Wyoming, where it participates in a joint venture with Anadarko Petroleum to pursue coalbed-methane plays.

The course of rapid growth experienced by small-cap E&Ps may not be smooth. Take Delta Petroleum Corp. for example. A few operational bumps in its Austin Chalk, Texas, play, where it has 14 drilling locations, meant it failed to produce its estimated gas volumes in fourth-quarter 2005. The Denver independent, however, still merits a Buy rating from Petrie Parkman & Co. Delta met its goal of a year-end exit rate of 56 million cubic feet per day. The company's market cap is about $1.1 billion.

Several important projects are coming up for Delta in the Austin Chalk and in the Gulf Coast region. But even more intriguing, the company has a wildcat play getting started in the Columbia River Basin of Washington state—an area the industry will be watching with great interest. Often, small caps are the very companies most willing to make a run at the highest-risk wells, opening up new E&P trends in the process.

This barge rig recently drilled three successful wells for Dune Energy Inc. and its partners at the Bayou Couba Field in St. Charles Parish, Louisiana. (Photo courtesy of Dune Energy Inc.)

"We believe Delta has several operational catalysts in place that could meaningfully increase reserves and production growth over the next several years," says Petrie Parkman E&P analyst Larry Busnardo.

Here's a look at how some other companies are growing. As they gain traction, look for their financial results to impress. (Those firms pursuing growth through international activities are profiled elsewhere in this report.)

Resource Plays

Unconventional and tight-gas plays, where the risk is not geological so much as it is engineering-related, are becoming more important to the industry as well as many individual companies. Abraxas Petroleum Corp., a San Antonio-based oil and gas exploitation and production company, pursues such so-called resource plays with operations in Texas and Wyoming.

In the Oates SW Field of West Texas, Abraxas at press time was installing gas production facilities on its initial Woodford shale re-entry well, after which the well will be placed online. Because of the competitive nature of these resource gas plays, specific production rates and completion techniques will be kept confidential, according to the company. In Wyoming, production testing continues on the first of three zones in each of the four recently drilled wells.

"Exceeding our exit-rate guidance for 2005 provides a jump start to 2006," said Bob Watson, president and chief executive officer, in a prepared statement. "Although well tests may ultimately differ from optimal, sustainable long-term production rates, we have established a production point that we can build on throughout 2006. Even though individual production rates for our West Texas play are being kept confidential, they will be included in the overall production figures we announce publicly and report with the SEC."

Acquire and Exploit

Dune Petroleum Inc., Houston, is a typical small-cap story. Starting basically from scratch in 2003 with no oil and gas assets, it went public through a merger with an inactive public shell company. Next, chairman and chief executive Alan Gaines had to raise capital, buy some initial properties and prove to a South Texas ranch owner that the nascent firm can drill and operate.

Now, Dune is on its way. It recently graduated to the American Stock Exchange. It is backed by some equity from a Russian entity and is making deals to grow.

Dune has a joint development agreement with American Natural Energy Corp. and ExxonMobil, the largest public oil company in the world, on interests at Bayou Couba Field in St. Charles Parish in south Louisiana.

These companies can be challenged in a number of ways, like a gangly teenager suffering growing pains. But like a teenager, they are fun to watch.

Says Gaines, who formerly ran his own investment-banking firm, "I'm a deal guy—I enjoy putting things together. But I'd like Dune to be known as a drillbit-growth company.

"In addition to the numerous development locations Dune intends to exploit during the coming year, we look forward to drilling high-impact exploratory prospects at Bayou Couba…targeting the flanks of the salt dome at depths approximating 12,000 feet, as well as a subsalt test...." Any one of these wildcats could be a company-maker for Dune, he adds.

Dune follows a balanced growth strategy, however, for in addition, it recently acquired assets in the booming Barnett Shale resource play near Fort Worth for $30 million. Further tranches of the acquisition were pending at press time, such that in the end, Dune will end up with about 100 locations in Denton and Wise counties, the fairway of the Barnett play.

Its capital-spending plan for 2006 is $24 million. Current production is 3.5 million cubic feet a day, but the company has so far concentrated on financing and getting the right acreage. This year will tell the tale, as Dune starts deploying newly raised capital for drilling, Gaines says. "I don't know of many companies our size that have the potential we do. Now all we have to do is find some hydrocarbons." □

Still Running Room

Analysts believe small-cap E&P stocks have legs left and greater running room than their larger-cap brethren.

Interview by Brian Toal, Senior Financial Editor

As commodity prices exploded to record levels last year, the market was in runaway mode for small-cap upstream stocks—those generally under $2 billion in market cap—with many of them posting nearly 100% to as high as more than 400% gains in share price.

Take the small-cap E&P stocks picked in this same feature a year ago. From January 1 through mid-December, the shares of Southwestern Energy rose from about $12 to $36; Quicksilver Resources, from about $24 to $46; Range Resources, from $13 to $27; Denbury Resources, from $13.50 to $24; GMX Resources, from $7 to $31; and Edge Petroleum, from $14 to $26.

One would reasonably assume that after that sort of run-up in market valuation, such small-cap would be out of steam, in terms of further share-price appreciation. That's not the thinking, however, of many market mavens who cover the sector. In fact, a pair of Denver E&P analysts see as much as 65% share-price growth remaining in some of the under $2-billion and sub $3-billion market-cap producers they follow.

Moreover, because such stocks are, by their nature, growing off a much smaller base than their larger-cap counterparts, they continue to make better investment sense, from the standpoint of production, earnings and cash flow growth and hence, share-price appreciation.

So which small-cap E&P stocks have the steam to continue making waves at the corner of Wall and Broad streets? Mile High City market seers Michael S. Scialla, senior E&P analyst for A.G. Edwards & Sons Inc., and Larry Busnardo, upstream oil and gas analyst for Petrie Parkman & Co., provide the answers.

Investor Before we get into specific picks, tell us a little about your 2006 macro outlook for the oil and gas industry, in terms of supply/demand fundamentals and commodity prices. Mike?

Scialla For 2006, we're looking for an average $60 price for oil and $8.75 for natural gas. To us, that looks conservative given where recent strip prices have been, particularly for gas.

Investor What is the rationale for this outlook?

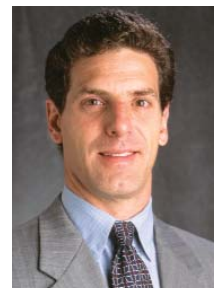
Scialla The industry is still struggling to grow supply for both commodities, and we believe this situation will continue through 2006, while demand continues to remain strong for both products. We see consumption rising by 2.2% in the case of oil and by about 1% in the case of natural gas.

Investor What is the reason for that 2.2% growth in oil demand?

Scialla In 2005, there were some internal price-control issues in China that were masking demand, as the government attempted to keep prices artificially low for the consumer. But these issues should recede this year, prompting a resumption of strong demand growth. Meanwhile, India continues to show strong GDP growth as well, which will add to global oil demand.

Investor Larry, what's your take?

Busnardo We're looking for a 2006 average of $9.75 for natural gas and $52 for oil. Fundamentally, we see tight supply/demand fundamentals, more so for natural gas than oil. Going into 2006, crude inventories are sufficient; however, as of year-end 2005, about 550 billion cubic feet (Bcf) of domestic gas supply had been deferred because of the hurricanes last fall. Obviously, the future price of natural gas depends on how this winter unfolds and where gas-



Mike Scialla of A.G. Edwards & Sons Inc.

Larry Busnardo of Petrie Parkman & Co.

storage levels are at the end of March.

Investor Given this outlook, why do you believe small-cap E&P stocks remain a good investment?

Busnardo We still think small-caps have the biggest growth potential because they're building off a smaller base than larger-cap names and hence, have the ability to make greater percent gains in terms of increased production and cash flow. This isn't to suggest that an investor should buy the whole group, but rather select names within that group.

Our preference within the small-cap universe is for producers with established, multi-year double-digit production growth profiles arising from identified development projects such as resource plays. We also look for operators with high-impact exploration programs or at least large acreage positions that give them the opportunity for substantially growth. Finally, either of those two types of companies needs to have attractive valuations versus its peers, in terms of trading at relatively low multiples or discount to net asset value (NAV).

Investor Mike, why do you think small-caps are still a good investment?

Scialla Because there are still selected stocks within this group that will do extremely well, even in the absence of any growth in commodity prices—or even if prices ease back as we're predicting in the case of natural gas. The producers I'm talking about are those with good margins and low-risk drilling inventories that have the ability to add a lot of NAV even at lower gas prices.

Investor So small-cap stocks still have plenty of running room left?

Scialla Yes, but we're not looking for a repeat of 2005 when the E&P stocks in our entire coverage universe rose an average of 65% in value. Rather, we believe there's another 15% to 20% of share-price appreciation remaining in the group as a whole—and much more than that for particular names.

Investor Before turning to those names, what are the metrics you use to value E&P stocks?

Scialla We look at EV (enterprise value or market cap plus long-term debt minus working capital)/EBITDA (earnings before interest, taxes, depreciation and amortization). This metric adjusts for debt and normalizes the cash flows of all companies. We also screen for price/NAV based on proved reserves and the implied value of a producer's reserves in the ground relative to the market price of that company's stock.

Investor Larry, what are the metrics you emphasize the most?

Busnardo We, too, emphasize price/NAV, as well as price/discretionary cash flow and EV/EBITDAX (earnings before interest, taxes, depreciation, amortization and exploration expenses). Lastly, we look at EV/proved reserves, which tells you how the market is valuing the proved reserves of a company versus its peers.

Investor Mike, your top small-cap pick?

Scialla Quicksilver Resources (NYSE: KWK), which is focused on the Barnett Shale in the Fort Worth Basin in Texas; a major coalbed-methane (CBM) play in Alberta, Canada; and the Antrim Shale in Michigan.

An expert on unconventional reservoirs, this Fort Worth-based operator is now in the process of developing two extremely large acreage positions in the first two plays. Assuming 60% of the company's Barnett Shale position is developed, the unbooked resource potential there alone could be worth north of $60 per share to KWK.

We're looking for its production to grow by about 24% year over year, from a daily average of 140 million cubic feet (MMcf) for 2005 to 174 MMcf in 2006.

Investor How does the stock hold up, in terms of your valuation metrics?

Scialla Frankly, it looks expensive under all three metrics. It's trading at about 10 times estimated 2006 EV/EBITDA versus an average group multiple of about 5.5, and the implied value of its reserves in the ground is $2.93 per thousand cubic feet equivalent, again above the average for the group. However, if we were to add the company's unbooked reserve component in the Barnett Shale to its NAV, then the stock would look very cheap.

I would also add that our $75 price target for the stock doesn't give any credit for downspacing in the Barnett Shale play, which is likely to happen, and it doesn't give credit for any exploration success the company might enjoy as it extends westward in that play. In addition, in Canada, Quicksilver is now focusing on the deeper 4,000-foot Manville Coal in its CBM play [besides the shallower horseshoe Canyon coal], which could also be additive to reserves.

Investor Larry, your top pick?

Busnardo Bill Barrett Corp. (NYSE: BBG), a Denver-based producer focused in the Rockies, in Colorado's Piceance Basin, Wyoming's Wind River and Powder River basins and Utah's Uinta Basin.

Our investment thesis is that BBG is the premier Rockies player with a dominant acreage position—more than 1 million net undeveloped acres with multiple trillion cubic feet (Tcf) of gas potential. This should drive visible growth for the next three to five years.

During the past year, with a 100-plus-well drilling program, the company has moved several of its exploration projects in the Picenace, Uinta and Wind River basins into the development phase. As a result of this strategy throughout the Rockies, we see the company increasing its daily production in 2006 by 32%, to 141 million cubic feet equivalent (MMcfe) from a 2005 daily average of 107 MMcfe.

Investor How does the stock look in terms of the metrics you use to value small-caps?

Busnardo It trades at a slight discount to other resource plays in our coverage universe, in terms of price/NAV, price/discretionary cash flow and EV/EBITDAX.

Investor Mike, our next pick?

Scialla Denbury Resources (NYSE: DNR), a Plano, Texas-based producer focused on enhanced oil recovery projects in Mississippi, drilling in the Barnett Shale and development along the onshore Gulf Coast, mostly in Louisiana.

The company has a true competitive advantage in this industry since it has the only natural source of carbon dioxide in the southwestern U.S.—the Jackson Dome in western Mississippi—which it's using to develop old oil fields throughout that state through tertiary recovery. We believe Denbury, whose output in Mississippi is currently 10,000 barrels of oil equivalent (Boe) per day, can grow its annual production there at 30%-plus rates for the foreseeable future.

In the Barnett Shale, the company has about 50,000 net acres on which it has drilled about 30 horizontal wells and will drill another 50 wells in 2006. Given this, we expect Denbury to grow annual production in the region at double-digit rates going forward, and companywide, to increase year-over-year output by 25%, from 30,000 Boe per day in 2005 to 37,000 equivalent barrels per day in 2006.

Investor How does Denbury fare under your valuation metrics?

Scialla It's a little more expensive than the group, trading at 5.6 times 2006 EV/EBITDA; 145% of NAV versus a group average of 130%; and at $3.29 per Mcfe, in terms of implied value in in-ground reserves, compared with a group average of $2.75. That said, this is a company with highly visible growth and very strong returns, with an estimated 44% return on investment for 2006.

Investor What's your next favorite small-cap?

Busnardo Comstock Resources (NYSE: CRK), a Frisco, Texas-based operator primary focused on the onshore Gulf Coast and East Texas.

Since Comstock spun off Bois d'Arc Energy (NYSE: BDE), a Gulf of Mexico-focused subsidiary, which went public in 2005, we're now looking at a pure onshore E&P player in CRK whose main growth is going to come from East Texas assets targeting the Cotton Valley formation.

Last year, Comstock had a 50-well

Financial Forecasts

Company	Avg. 2005/2006 EPS Estimates ($)	Avg. 2005/2006 CFPS Estimates ($)	Recent Price ($) (12/13/05)	12-Month Target Price
Bill Barrett Corp. (NYSE: BBG)	1.15/2.45	4.30/6.95	42.03	50
Comstock Resources (NYSE: CRK)	2.60/4.40	5.50/6.10	32.75	40
Delta Petroleum Corp. (Nasdaq: DPTR)	0.78/1.15	1.35/2.10	16.60	22
Denbury Resources (NYSE: DNR)	1.52/1.85	2.91/3.62	24.33	30
Forest Oil Corp. (NYSE: FST)	3.20/3.70	11.15/10.15	48.56	60
Gasco Energy (Amex: GSX)	0.01/0.12	0.08/0.25	7.40	8
Houston Exploration (NYSE: THX)	4.76/7.31	17.27/23.62	55.28	78
Quicksilver Resources (NYSE: KWK)	1.17/2.15	2.33/3.90	44.99	75

drilling program in East Texas, but in 2006 the company will have a 100-well-plus drilling program there where it has identified some 600 prospects. This is low-risk, predictable drilling, and we expect that Comstock will be able to grow daily 2006 production by around 20%, to 111 Bcfe, from 92 Bcfe per day in 2005.

The company trades at a pretty big discount to its peers, based on all the valuation metrics we use. Another point: if an investor owns Comstock, he automatically gets an indirect 48% ownership in Bois d'Arc—a highly successful Gulf of Mexico exploration story.

Investor Mike, what other small-cap E&P stories do you like?

Scialla Houston Exploration (NYSE: THX), which has been focused on the Gulf of Mexico, South Texas, the Arkoma Basin in Arkansas, East Texas and the Uinta Basin in Utah.

This company's Gulf of Mexico operations were adversely affected by the hurricanes last year, so it's year-over-year production actually declined in 2005. THX, however, has made a strategic decision to sell off its Gulf of Mexico assets and use the cash proceeds to focus on a solid, low-risk, onshore drilling inventory, through which we believe it can achieve double-digit growth in production in 2006. South Texas will be the cash cow for the company, with the growth drivers being East Texas, the Arkoma Basin and the Uinta Basin.

Houston Exploration is by far the cheapest stock in our universe. It's selling at almost a 50% discount to the group, trading at 2.7 times 2006 EV/EBITDA; a price/NAV of 70%; and just over $2 per Mcfe, in terms of implied value of in-ground reserves.

Investor Larry, any other Rockies operators you like, besides Bill Barrett?

Busnardo Delta Petroleum (Nasdaq: DPTR), a Denver-based producer that's an early-stage tight-sands gas resource play in the Rockies where its holds 575,000 net acres in various exploration plays. There, it's primarily focused in the Wind River and Piceance basins, as well as in the Colorado/Utah Paradox Basin. In addition, the company is involved in exploitation and development drilling in the Texas Gulf Coast. In particular, the company has been developing the Wind River's Howard Ranch play, which has 350 Bcfe of reserve potential, thus it may be a real production growth driver for the company going forward. Meanwhile, its tight-sands gas drilling in the Piceance Basin's Vega Unit has the potential to add upward of another 100 Bcfe of reserves. In addition, in the Paradox Basin, the company has just established a 50,000-net-acre position in a shale play, which may have major reserve potential. Keep in mind, this is a company with only 238 Bcfe of proved reserves, so we're looking at significant upside from these projects.

For 2006, we see a 36% growth in daily production for Delta, to 58 MMcf per day versus a 2005 average of 43

MMcf. Also, Delta owns a drilling company called DHS Drilling, which allows it to get first call on all that company's rigs. I would add that the company trades at a significant discount, $16 to $17 per share, to our estimated NAV of $22 to $24.

Investor Mike, any smaller-cap names among your picks?

Scialla Gasco energy (Amex: GSX), an Englewood, Colorado-based producer focused on the Uinta Basin in Utah. There, it's involved in an early-stage, low-risk, development project that has a lot of unbooked reserve potential—around 1.5 trillion cubic feet—with as many as 3,000 possible drilling locations spread out over 130,000 net acres in the River Bend area.

The company is essentially extending the Natural Buttes Field to the west, focusing on the Mesaverde and Wasatch formations, and the deeper and even more promising Blackhawk formation at 12,500 to 14,000 feet.

Gasco's third-quarter 2005 gas production in the Uinta was only around 5 MMcf per day. However, we see the company growing daily 2006 output there to an average of about 12 MMcf and exiting the year north of 16 MMcf per day.

While Gasco's proved reserves are worth only $1 per share based on our discounted cash flow models, its unproved reserves are worth another $7 per share, which assumes that only 25% of that unbooked potential is realized. On the other hand, if the company successfully drills up 50% of its unbooked reserve potential in the Uinta, we could easily see a $15 stock price.

Investor Larry, any other small-cap you like?

Busnardo Forest Oil Corp. (NYSE: FST), a Denver-based producer that's now completely focused on North American onshore assets, after the spinoff of its Gulf of Mexico assets to Mariner Energy.

The company's principal North American assets—Buffalo Wallow in the Texas Panhandle, the Permian Basin in West Texas and the Wild River play in Alberta, Canada—hold the most growth opportunities for the company in terms of production and reserves.

In Buffalo Wallow, the company has identified 400 drilling locations where there are lots of downspacing opportunities. Meanwhile, Forest's Greater Haley/Atoka deep gas play in the Permian Basin offsets acreage successfully drilled by Chesapeake Energy and Anadarko Petroleum, and the company's tight-sands gas play in Wild River again holds lots of downspacing opportunities.

Overall, Forest now has focused onshore assets that should allow it to grow production by 10% in 2006, up from a fourth-quarter 2005 average of 283 MMcf per day excluding Gulf of Mexico output. At the same time, Buffalo Wallow has an estimated 350 to 450 Bcfe of additional reserve potential while the Haley/Atoka play could add another 500-plus Bcfe and the Wild River play, another couple hundred Bcfe.

Once more, this is a producer that trades at a significant discount to all the valuation metrics we consider. □

Note: Interviews took place in mid-December.

Tall Aspen trees surround Unit Drilling Co.'s Saur Rig No. 31 at a Delta Petroleum Corp. drill site in western Colorado's Mesa County. (Photo by Lowell Georgia)

Investing Abroad

Small caps willing to manage international risk can reap rewards—and so can investors.

By David Wagman, Contributing Editor

For a small-cap company with an international focus, patience can be a virtue—both for the executive team and the company investors. Project lead times are often longer than in the U.S., and the above-ground risks are sometimes worse than the geological ones.

Robert L. "Bob" Gerry III, chairman and chief executive officer of Houston-based Vaalco Energy Inc. (Amex: EGY), can attest to that. Virtually all of the company's assets are in Gabon, on Africa's Atlantic coast astride the equator.

Gerry spends much of his time talking to his largely U.S. investor base about the history of and political situation in Gabon in addition to the company's onshore and offshore resource plays. U.S. investors tend not to be as knowledgeable about Africa as they are of other oil and natural gas-producing regions.

"Something happens in Nigeria or the Sudan and the inclination is to think the whole African continent is on fire," he says. "To a degree it is a detriment, but once we get through the initial concerns, [investors] become interested."

Working internationally presents challenges typically not found in North America. Infrastructure often isn't well developed, tax policies can be hard to understand and legal systems may not be well established. Companies often need to maintain and staff multiple offices. Endeavour International (Amex: END), which operates in the North Sea, has offices in London, Aberdeen and Oslo, in addition to its home in Houston. Having a presence in so many places leads to higher general and administrative expenses than a U.S.-focused company might have, says William L. "Bill" Transier, co-chief executive officer.

When executives at Endeavour began putting together their business strategy in early 2004, they thought a lot about the relative risks of doing business internationally. They sought to mitigate the risk by electing to work only in the North Sea, in the sectors belonging to the U.K., Norway, Germany, Denmark and The Netherlands.

"It's different than dealing in Russia, China or Indonesia," says Transier.

Insulating a company entirely from risk is all but impossible, however. Endeavour's risk mitigation efforts didn't protect the company from British government action three years in a row to change the tax rate on oil and natural gas producers.

"We were closing a transaction the day the tax went through, and we had to adjust the deal because of it," Transier says. (For more on Endeavour, see *Oil and Gas Investor*, October 2005.)

"Absolutely" Riskier

The combination of political, financial, managerial and operational risks makes it "absolutely" riskier for a North American-based small-cap company to work internationally, says Leo Mariani, Austin, Texas-based equity analyst with Jefferies & Co. Fossil fuel markets are not uniformly developed around the world.

"Natural gas is not a world commodity," he says. Then, too, some parts of the world have too much natural gas, depressing prices.

Nevertheless, an overseas focus presents several advantages that may balance the negatives, Mariani says. For one thing, there's a growing perception that North American resource fields are largely played out. Companies think they may have more running room in frontier regions overseas. Then, too, a small-cap company can be more influential in a country that has only a handful of players.

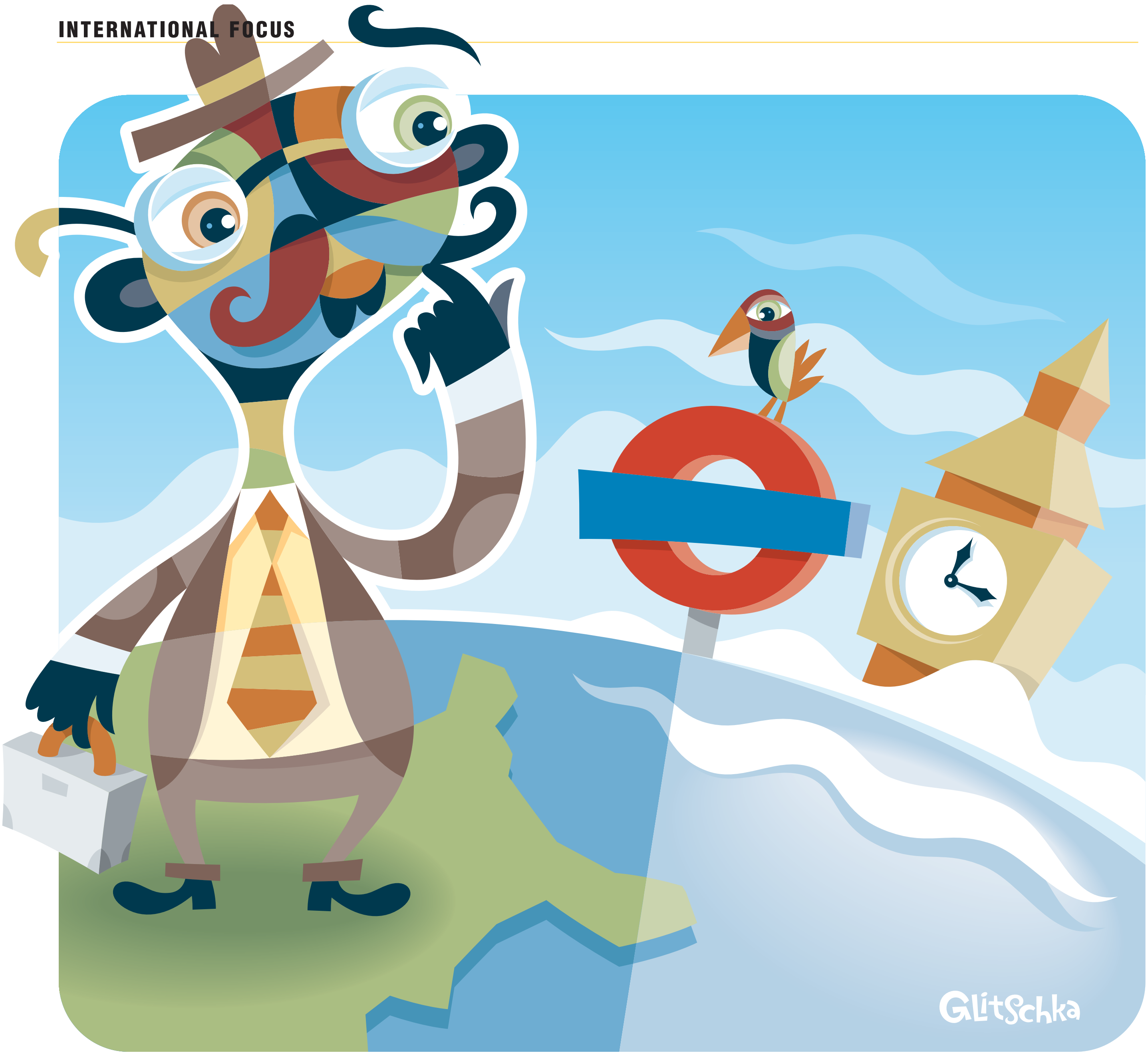
"We are a respected name in Gabon and sub-Saharan Africa," says Gerry. "Companies bring us transactions." That means many more opportunities may exist for a company to expand.

Working internationally offers many prospecting opportunities that may be too small for the majors but just right for a small-cap, says G. Thomas "Tom" Graves III, CEO of Dallas-based Toreador Resources (Nasdaq: TRGL). Earlier in his career, Graves was an executive in an independent that took a shotgun approach to its international business, scattering interests in Australia, France, Nepal, Colombia, Thailand, New Zealand and the North Sea. Investors had a hard time following the logic of this strategy, so Graves and his team have focused on underexplored basins in Europe and the Mediterranean basin that are net importers of fossil resources and which have favorable fiscal and regulatory views. The company's operations now include Turkey, Hungary, Romania and France.

"As we look around to develop a comparative group of peer companies, we don't find a lot that look like us," Graves says.

Working in a place like equatorial Gabon is not quite like working in the Gulf of Mexico, however. Infrastructure, where it exists, is not always as robust or widespread, and equipment is not always available, where or when a company would like it.

"Where it's 24 hours here (in the U.S.), it's four days there (in Gabon)," Gerry says. Nigeria is a relatively accessible supplier of field equip-



ment, and equipment yards are being built in Guinea and elsewhere along the West African coast to serve a growing number of exploration and development companies. "We just have to plan it better," Gerry says. "It's not the Gulf."

The fact that it's not the Gulf is one reason companies such as Vaalco keep their home offices in Houston or Calgary, but focus internationally.

Ross G. Clarkson, president and CEO of TransGlobe Energy (Toronto: TGL; Amex: TGA), is not exaggerating much when he says that some 600 oil and gas companies have offices within a 10-block radius of one another in Calgary. Like a trout fisherman avoiding a crowded stretch of river, Clarkson likes the idea of looking outside of North America for large properties that hold potentially big resource plays.

Much of TransGlobe's international activity is focused on Yemen, where Clarkson has worked for almost 20 years, and Egypt, where the company is increasing its holdings. TransGlobe also has producing properties in Alberta, which generate enough cash to "pay the bills and keep the lights on," Clarkson says, but about 80% of its assets are in Yemen and Egypt.

TransGlobe is currently developing three properties of 150,000, 250,000 and 450,000 acres in Yemen. That acreage is dwarfed by a 7.5 million-acre prospect in Egypt, known as the Nuqra Concession. In mid-2004, TransGlobe signed a farmout agreement with Quadra Egypt Ltd., a unit of Quadra Resources Corp. based in Calgary, and Rampex Petroleum International based in Cairo. The agreement provides TransGlobe Egypt the opportunity to participate in and earn a 50% working interest in the Nuqra Concession.

TransGlobe's board of directors approved a US $45 million capital spending plan for this year, an increase of 30%. About $21 million is earmarked for new exploration projects and another $24 million is targeted to develop currently producing properties.

The total international plan includes 12 high-impact exploration wells, six development and appraisal wells, facilities and seismic.

Egypt is a "natural outflow" of TransGlobe's current work in Yemen, Clarkson says. He says Egypt stood out as an attractive place for a small-cap company because the deal flow is good and there are regular bidding rounds for drilling concessions. In both countries, well-established oil ministries exist that have well-established resource development plans and are keen to see foreign investment, Clarkson says.

"Relations in the Middle East are key," Clarkson says. TransGlobe focuses on hiring and training locals instead of expatriates. More than 90% of the company's Yemeni workforce is local.

Eventually, TransGlobe's Alberta operations may become a minority interest. At that point, Clarkson says, the company might consider divesting those assets and focusing entirely overseas. (For more information on Yemen, see *Oil and Gas Investor*, March 2004).

Net Importers

Graves has a similar outlook. He says that although the U.S. has approximately 20% of the world's sedimentary rock, it accounts for about 80% of the world's oil and gas wells.

"It's a relatively straightforward case of prospectivity and competitiveness that has turned our attention overseas to seek more prospective and less competitive hunting grounds," he says.

Toreador's exploration and development work is bounded roughly by the North Sea, Turkey and North Africa.

"We see that as an area with multiple play types and numerous prospective basins," he says. "We look for countries that are net importers of oil and natural gas." Governments in such countries are "much more aggressive in terms of attracting capital and exploration," he says.

The bulk of the company's current production is in France, where tax policy exempts the company from paying any production royalties on fields that produce fewer than 1,000 barrels of oil a day. "Everything up to 1,000 barrels per field is royalty free," Graves says of Toreador's French production. "We pay a nominal tax to the local municipality, which endears us to the local community" and helps pay for local road and bridge projects.

Encompassing about 50,000 square miles, the Paris Basin has perhaps 1,500 wells in operation. "We're talking about virgin country, compared to a typical county in West Texas, which may have over 10,000 wells and counting," he says. Farther south and east, Toreador is exploring the near-shore Turkish waters of the Black Sea to develop a

962,000-acre exploration permit acquired in 2002 from BP. Toreador began drilling in late 2004 and discovered natural gas. Three out of five subsequent wells proved successful.

The company brought in a second jackup rig and in the spring will mobilize a floater to add production this year. To date, the company has shot 3-D seismic on about 50,000 acres. It has finished a high-resolution, 2-D seismic survey over another 100,000 acres, leaving about 800,000 acres in the rest of its permit area to evaluate.

When the company's first phase of production comes online later this year, it is expected to produce between 50- and 65 million cubic feet of gas a day. "That is about equal to the total indigenous gas produced in Turkey today," Graves says. The Turkish parliament is considering reducing the one-eighth royalty payment oil and gas companies currently pay.

"The Turkish government is encouraging outside operators to bring their capital and expertise to the country," Graves says.

Access to Capital

Canadian investors show more "mining savvy" and U.S. capital markets are "not that interested in wildcat exploration projects, especially in Africa," says Jeff Greenblum, chairman of Vancouver-based EnerGulf Resources (Toronto: ENG; Frankfurt: EKS). The company has development prospects in Nigeria, Namibia, Democratic Republic of Congo and Tanzania. As a result, the company is listed on both the Toronto and the Frankfort stock exchanges, although EnerGulf's investor base appears to be largely European. European investors tend to favor "high-risk, high-reward" international projects more than U.S. investors do. One of the hottest exchanges for emerging E&P companies is the London stock exchange's Alternative Investment Market (AIM). Greenblum expects EnerGulf eventually to list on the AIM, if for no other reason than some investment banks expect such a listing if a company is raising large sums of capital. (For more on AIM, see "London-Listed," *Oil and Gas Investor*, November 2005.)

Endeavour currently is listed on the American Stock Exchange, but Transier says the company is watching developments on both the AIM and the Oslo stock exchanges. He worries that

Small-Cap Companies and Their International Plays

Company, Exchange, City	Principal Plays	Reserves/Production
Vaalco Energy, Amex: EGY, Houston	30.35% interest in the 750,000-acre Etame Marin Block offshore Gabon, West Africa	8.7 MMBOE (reserves)
	Ebouri No. 1 was drilled in January 2004, offshore Gabon. The well logged 48 ft of net oil pay 7 miles from Etame Field.	
	Exploration well EAVOM-1 was drilled and tested at the Avouma prospect offshore Gabon on the Etame permit 10.5 miles from Etame Field.	
Endeavour International, Amex: END, Houston	Brage Field, Norway, 125 km west of Bergen; 4.44% working interest	26,000 BOPD gross (production)
	Njord Field, Norway in Haltenbanken Area; 2.5% working interest	27,000 BOPD gross (production)
	Agat Field (Non-producing), North Sea; 49% working interest	0 production
	Dutch North Sea	Exploration
	U.K. North Sea	Exploration
Toreador Resources, Nasdaq: TRGL, Dallas	France: Neocomian Field; Nemours Field; Charmottes Field	11.8 million barrels of oil P1 reserves, 1,087 BOPD production
	Hungary: Szolnok block, Tompa Block	Four wells in 2006
	Romania: Fauresti Field rehabilitation project; Viperesti and Moinesti exploration permits	Exploration wells in 2006 or 2007, 7 MMCFD plus 50 bbl/d condensate from Fauresti project
	Turkey: South Akcakoca Sub-basin in the Black Sea; development drilling is budgeted at $19 million, infrastructure spending at $11 million and exploration spending at $7 million. Three other offshore permits and two onshore permits totalling over 1.9 million acres.	Currently 1.7 MMBOE P1 reserves, 200 BOPD from onshore permits, projected 50-75 MMCFD gas from South Akcakoca Sub-basin in 2006.
TransGlobe Energy, Toronto: TGL; Amex: TGA, Calgary	Yemen: Tasour Field; An Nagyah Field, Exploration blocks in Yemen & Egypt	10.4 MMBOE (2004); 4,980 BOEPD (average 2005)
	Egypt: Nuqra Concession	Seismic analysis
EnerGulf Resources, Toronto: ENG; Frankfurt: EKS, Vancouver	Nigeria; OPL 252	
	Democratic Republic of Congo; Lotshi Block	
	Tanzania; Tanga Block	
	Namibia; Block 1711 (17% interest)	

Source: Company web sites

both are showing signs of overheating. While significant amounts of money are available on the exchanges for E&P companies, Transier worries Endeavour might be exposed to undue financial risk should one or more companies fail and send the Oslo and AIM exchanges into a tailspin.

"The markets are heated to a point where we're a little fearful of a collapse," he says. Even so, Endeavour continues to look at raising capital in both U.S. and European markets, seeking the best share price valuation and cost of capital. Transier says the company has looked at dual and even triple exchange listings for the company's stock.

Endeavour is committed to shopping among capital and debt markets in the U.S., U.K. and Norway for the most attractive deals. Early last year, the company raised $81.25 million in New York, where the market for convertible debt was as attractive as it had ever been for energy companies, Transier says. Not long after, the market cooled. If Endeavour were to try to complete the same deal today, it probably would do so in Europe rather than the U.S.

For a small-cap company working internationally, dry holes can be drilled, governments can collapse, equipment may be hard to find and capital markets may not quite understand the logic behind the company's development strategy.

Operator Vaalco Energy Inc. waits for construction to be finished on this new rig off of Gabon, West Africa. (Photo courtesy of Vaalco Energy Inc.)

Graves looks at the nearly 2 million acres his company is exploring in Turkey and wonders where in North America a company his size could put together such a project. He also looks at issues that dog U.S. operators such as possible windfall profits taxes, treatment of "old" and "new" oil and sometimes excessive regulation, and wonders whether the risks aren't just about even.

"From our perspective," Graves says, "we see the U.S. as probably having a greater political risk." □

Speaking E&P

These are definitions of some of the key terms used in oil and gas companies' investor presentations.

M is the Roman numeral for a *thousand*. So, production of 67 Mcf of gas per day is 67,000 cubic feet.

MM represents a *million* in the Roman-numeral system, so production of 67 MMcf of gas per day is 67 million cubic feet.

B represents a *billion*, thus production of 67 Bcf of gas per day is 67 billion cubic feet.

T represents a *trillion*, so proved reserves of 2 Tcf of gas are 2 trillion cubic feet of gas.

Bbl represents a *barrel*. Production of 80 Mbbl of oil per day is 80,000 barrels.

Cf represents *cubic feet* and is usually the measurement of natural gas.

Cfe represents *cubic feet of gas equivalent*. It is usually the measurement of the mathematical combination of natural gas and oil or gas liquids. The conversion is usually 10,000 or 6,000 cubic feet of gas per one barrel of oil or gas liquids. (The ratio usually reflects the recent market value of 1 Mcf of gas in comparison with 1 barrel of oil or gas liquids.) Thus, 10 MMcfe is 10 million cubic feet of gas equivalent. If the true mixture is 50% natural gas and 50% liquids (oil or gas) and the mathematical rate is 10:1, then 10 MMcfe consists of 5 MMcf of gas and 500 barrels of oil or gas liquids.

BOE is *barrels of oil equivalent*. It is usually the measurement of a mathematical combination of natural gas and oil or gas liquids. The conversion is usually 10,000 or 6,000 cubic feet of gas per one barrel of oil or gas liquids. Thus, 10 MMBOE is 10 million barrels of oil equivalent. If the true mixture is 50% natural gas and 50% liquids (oil or gas) and the conversion rate is 10:1, then 10 MMBOE consists of 500 Bcf of gas and 5 million barrels of oil or gas liquids.

Cf/d is *cubic feet of gas per day*. □

SMALL-CAP UPSTREAM STOCKS TO WATCH*

* Market cap and other data are as of January 12. Stocks shown are those with market caps of $2.0B or under. Source: Yahoo! Finance	Market Cap ($MM)	Long-Term Debt/ Equity	Price/ Book	Net Profit Margin (Most Recent Quarter)	Price to Free Cash Flow (Most Recent Quarter)
E&P Companies					
San Juan Basin Roylty Trust	1,980	0	80.417	98.352	NA
Provident Energy Trust	1,880	0.3	1.927	6.231	-796.311
Encore Acquisition Co.	1,630	1.005	3.316	16.347	463.584
Bill Barrett Corp.	1,630	0.074	2.815	18.666	79.646
Whiting Petroleum Corp.	1,570	1.162	1.995	21.698	3.654
BP Prudhoe Bay Roylty Trust	1,520	0	133.604	98.991	NA
Houston Exploration Co.	1,510	0.675	2.928	6.444	6.608
Hugoton Royalty Trust	1,450	0	8.301	99.911	NA
Berry Petroleum Co.	1,450	0.342	4.977	31.287	245.542
KCS Energy Inc.	1,380	1.363	6.377	24.074	21.472
Swift Energy Co.	1,360	0.618	2.396	27.233	66.14
Comstock Resources Inc.	1,340	0.529	2.513	19.74	-71.007
Stone Energy Corp.	1,220	NA	1.287	68.511	NA
Black Hills Corp.	1,180	1.016	1.651	-6.408	83.596
ATP Oil & Gas Corp.	1,150	1.592	32.126	-25.894	14.22
Penn Virginia Corp.	1,120	1.368	4.431	10.623	16.116
Delta Petroleum Corp.	1,100	0.751	3.407	-6.239	-13.516
Remington Oil and Gas Corp.	1,080	0	2.725	33.521	-122.274
Petrohawk Energy Corp.	1,040	0.958	2.164	-44.721	7.563
Bois d'Arc Energy Inc.	1,040	0.059	2.563	30.55	-100.084
Energy Partners Ltd.	927.84	0.638	2.627	7.083	21.899
Dorchester Minerals LP	760.80	0	3.835	69.348	70.508
Warren Resources Inc.	734.20	0.127	4.604	-11.803	-102.527
Permian Basin Roylty Trust	727.10	0	433.333	99.298	NA
Goodrich Petroleum Corp.	686.65	0.398	7.663	-112.84	25.409
Gastar Exploration Ltd.	664.18	2.19	11.567	-59.09	-36.709
GeoGlobal Resources Inc.	657.77	0	17.372	NA	-1029.31
Parallel Petroleum Corp.	624.08	0.893	8.194	33.673	178.692
Enterra Energy Trust	598.44	0.392	2.376	19.081	24.09
Carrizo Oil & Gas Inc.	581.13	1.022	3.971	3.295	11.298
Petroleum Development Corp.	558.26	NA	NA	5.898	NA
Brigham Exploration Co.	552.74	0.425	2.773	30.437	-182.429
Syntroleum Corp.	538.12	0.569	11.993	NA	-60.092
Transmeridian Exploration Inc.	527.24	1.275	12.577	-65.495	40.81
Clayton Williams Energy Inc.	500.56	1.92	4.271	-2.986	12.163
Gasco Energy Inc.	496.49	1.428	10.9	14.65	-38.993
McMoRan Exploration Co.	495.68	NA	NA	16.148	31.117
Edge Petroleum Corp.	467.15	0.116	2.697	26.284	466.337
PetroQuest Energy Inc.	447.87	1.189	3.59	16.348	-14.034
Arena Resources Inc.	408.86	0.008	7.677	43.591	-28.529
Gulfport Energy Corp.	404.89	0.04	4.934	52.479	-154.033
Apco Argentina Inc.	401.06	0	3.479	76.302	81.958
Toreador Resources Corp.	393.81	0.699	2.996	12.292	5.379
Meridian Resource Corp.	386.97	0.219	1.1	8.92	26.73
Callon Petroleum Co.	362.01	0.862	1.653	11.61	33.005
GMX Resources Inc.	348.12	0.031	6.061	47.914	-26.643
Harvest Natural Resources Inc.	333.81	0.02	1.148	13.301	9.608
Resource America Inc.	324.37	0.787	1.738	-10.27	3.899
CanArgo Energy Corp.	322.73	0.232	2.883	-113.991	61.462
TransGlobe Energy Corp.	299.37	0	4.34	39.374	145.983
Cross Timbers Roylty Trust	280.68	0	11.864	99.298	NA
Hiland Partners LP	267.01	1.311	3.735	6.402	2.73
Vaalco Energy Inc.	262.76	0.028	3.604	44.762	44.81
MarkWest Hydrocarbon Inc.	256.48	5.932	5.245	-1.141	-137.8
Endeavor International Corp.	249.87	1.292	3.959	-132.897	-63.746
North European Oil Roylty Trust	248.34	0	3864.29	95.924	NA
Canadian Superior Energy Inc.	236.72	0.116	2.394	0.144	-1007.45
Abraxas Petroleum Corp.	231.32	NA	NA	-22.974	-17.338
Big Sky Energy Corp.	225.80	0.044	6.807	NA	-23.03
Cano Petroleum Inc.	224.62	0	5.98	-23.534	-179.134
NGas Resources Inc.	223.55	0.401	3.696	1.241	-66.612

	Market Cap ($MM)	Long-Term Debt/ Equity	Price/ Book	Net Profit Margin (Most Recent Quarter)	Price to Free Cash Flow (Most Recent Quarter)
Jed Oil Inc.	218.53	0.731	7.986	16.314	12.463
ERHC Energy Inc.	213.27	0.009	50	NA	422.899
The Exploration Co.	211.93	0.003	2.738	89.219	-4.754
Chaparral Resources Inc.	197.54	0.255	2.518	26.399	-6.74
Contango Oil & Gas Co.	193.52	0	3.161	17.803	55.684
Castle Energy Corp.	188.04	0	1.42	NA	NA
Barnwell Industries Inc.	187.97	0.321	5.218	14.691	100.191
Castle Energy Corp.	187.82	0	1.419	NA	NA
BPI Energy	184.67	0.026	5.633	NA	NA
Tri-Valley Corp.	178.75	0.55	19.203	-5.127	-38.109
Santa Fe Energy Trust	175.96	0	30.965	95.128	NA
Dune Energy Inc.	170.83	0.55	11.039	-61.759	-919.819
Double Eagle Petroleum Co.	170.78	0	6.048	18.574	-178.015
Panhandle Royalty Co.	168.22	0.134	4.354	34.291	-697.521
Credo Petroleum Corp.	167.72	0	6.662	39.663	1048.23
PrimeEnergy Corp.	165.98	0.245	4.986	75.48	-3.895
Harken Energy Corp.	165.60	0.021	1.743	283.627	-13.781
American Oil & Gas Inc.	126.38	0	5.357	35.214	11.049
Mesa Royalty Trust	126.17	0	14.594	99.596	NA
Far East Energy Corp.	125.90	0	6.075	NA	-34.661
Canada Southern Petroleum Ltd.	98.83	0	2.292	16.532	-26.231
Maverick Oil and Gas Inc.	98.40	0.004	7.727	NA	-10.598
Adams Resources & Energy Inc.	97.81	0.193	1.641	0.667	NA
Teton Energy Corp.	89.30	0	4.504	NA	-59.874
Tidelands Oil & Gas Corp.	74.07	0.639	8.727	NA	-71.793
Westside Energy Corp.	64.82	0	3.625	NA	-35.126
Marine Petroleum Trust	63.44	0	21.801	125.943	67.546
LL&E Royalty Trust	62.48	0	34.271	92.845	NA
Wilshire Enterprises Inc.	60.87	0.607	2.195	-16.362	35.207
Torch Energy Roylty Tr	60.46	0	2.761	85.771	NA
Houston American Energy Corp.	59.90	2.023	38.462	24.635	-378.956
Geokinetics Inc.	56.98	5.74	NA	2.682	162.138
National Energy Group Inc.	55.39	NA	NA	142.901	25.903
Tel Offshore Trust	54.55	0	765.333	97.422	NA
PYR Energy Corp.	52.40	0.851	5.349	10.781	-24.269
Delta Oil & Gas Inc.	52.09	0.093	22.83	NA	-183.278
Unicorp Inc.	49.68	0.249	25	-153.48	NA
Petrol Oil and Gas Inc.	49.54	0.861	7.787	-81.497	27.335
Royale Energy Inc.	48.59	0.377	2.826	3.28	38.981
Magellan Petroleum Corp.	47.96	0	1.771	-0.46	79.13
Tremisis Energy Acqustn Co.	44.20	0	1.598	NA	-281.235
American Energy Group Ltd.	43.42	NA	NA	NA	-498.907
Surge Global Energy Inc.	42.57	NA	NA	NA	-22.431
Isramco Inc.	40.25	0.154	1.309	59.795	61.986
GeoResources Inc.	39.54	0.145	4.455	24.249	49.003
Basic Earth Science Systems Inc.	35.52	0	5.121	39.244	-496.806
Aspen Exploration Corp.	34.81	0	4.868	38.979	-991.745
Natural Gas Systems Inc.	34.44	0.823	7.092	-147.372	-46.828
Austral Pacific Energy Ltd.	31.73	0	2.007	-43.745	-26.553
Sonoran Energy Inc.	30.02	0.413	5.612	NA	-10.477
Spindletop Oil & Gas Co.	29.58	0.249	4.551	21.827	234.566
Ness Energy International Inc.	28.43	0.009	1.393	552.229	-20.617
Hallador Petroleum Co.	26.60	0	1.751	-58.974	14.436
Tengasco Inc.	25.74	0.128	1.229	35.209	-4.186
Blue Dolphin Energy Co.	22.86	0.288	5.99	48.893	-200.72
Quest Oil Corp.	22.37	2.93	68	NA	-29.379
Oakridge Energy Inc.	20.34	0	2.59	68.908	-120.928
Fellows Energy Ltd.	20.11	2.001	6.562	NA	12.446
CKX Lands Inc.	18.94	0	2.255	56.086	59.559
Petrogen Corp.	16.38	0	9.091	NA	99.413
Daleco Resources Corp.	14.97	0.108	0.952	-115.723	87.475
Mexco Energy Corp.	14.51	0.246	2.233	30.529	-111.11
United Heritage Corp.	13.55	0.109	0.502	-165.266	-39.412
Infinex Ventures Inc.	12.88	NA	NA	NA	-158984
Pyramid Oil Co.	12.20	0.02	3.171	28.907	31.059

	Market Cap ($MM)	Long-Term Debt/ Equity	Price/ Book	Net Profit Margin (Most Recent Quarter)	Price to Free Cash Flow (Most Recent Quarter)
Miller Petroleum Inc.	10.52	2.195	5.545	NA	-18.649
Mesa Offshore Trust	10.08	0	NA	0	NA
Continental Energy Corp.	9.59	NA	NA	NA	-8.934
New Frontier Energy Inc.	9.50	0.377	1.904	NA	10.526
Texas Vanguard Oil Co.	9.49	0.256	2.24	22.203	15.565
Siberian Energy Group Inc.	8.03	NA	NA	NA	11.027
EnerNorth Industries Inc.	7.67	0	1.262	-1.605	-6.812
BPK Resources Inc.	7.60	NA	NA	2693.25	-26.086
EnDevCo Inc.	6.42	NA	NA	NA	-16.115
Empire Petroleum Corp.	5.14	0.706	10	-100.773	-16.776
VTex Energy Inc.	4.83	0.997	0.682	NA	-35.716
Geocom Resources Inc.	3.98	0	21.111	NA	-85.303
Superior Oil & Gas Co.	3.56	NA	NA	-56.85	966.029
Trans Energy Inc.	3.48	12.627	8.642	-10.986	-9.332
Matrix Energy Services Corp.	0.93	NA	NA	NA	325.034
Castleguard Energy Inc.	0.17	0.205	0.192	-19.681	-8.401
Admiral Bay Resources	NA	NA	NA	NA	NA
BPZ Energy Inc.	NA	NA	NA	NA	NA
Cheetah Oil & Gas	NA	NA	NA	NA	NA
Kodiak Oil &Gas	NA	NA	NA	NA	NA
Storm Cat Energy Corp.	NA	NA	NA	NA	NA
United Fuel & Supply	NA	NA	NA	NA	NA
Fieldpoint Petroleum Corp.	NA	0.142	NA	24.26	NA
Galaxy Energy Corp.	NA	1.079	NA	NA	NA
Imperial Petroleum Inc.	NA	NA	NA	-27.554	NA

	Market Cap ($MM)	Long-Term Debt/ Equity	Price/ Book	Net Profit Margin (Most Recent Quarter)	Price to Free Cash Flow (Most Recent Quarter)
Terax Energy Inc.	NA	0	NA	NA	NA
Whittier Energy Corp.	NA	0.31	NA	25.149	NA
Wentworth Energy, Inc.	NA	NA	NA	NA	NA
Star Energy Corp.	NA	0	NA	33.747	NA
Quest Resource Corp.	NA	NA	NA	-31.49	NA
Petrosearch Energy Corp.	NA	0.24	NA	NA	NA
Pangea Petroleum Corp.	NA	NA	NA	NA	NA
TBX Resources Inc.	NA	0.037	NA	-225.553	NA
Sunrise Energy Resources Inc.	NA	NA	NA	-0.258	NA
Nova Oil Inc.	NA	0	NA	-29.684	NA
Monument Resources Inc.	NA	0	NA	361.334	NA
Energas Resources Inc.	NA	0.071	NA	-64.428	NA
EGPI Firecreek Inc.	NA	NA	NA	NA	NA
Service & Supply Companies					
Superior Energy Services Inc.	1,990	0.493	3.949	5.083	157.757
RPC Inc.	1,900	0	8.716	19.954	871.693
Oil States International Inc.	1,880	0.688	3.187	7.69	-239.623
Maverick Tube Corp.	1,840	0.329	2.554	8.005	-245.075
Lone Star Technologies Inc.	1,740	0.265	3.071	15.52	-81.267
Hydril Co.	1,580	0	4.666	21.094	125.207
Grey Wolf Inc.	1,500	0.831	4.534	17.507	-127.76
Hanover Compressor Co.	1,490	1.615	1.637	-4.039	-7.183
Universal Compression Holdings	1,480	0.901	1.624	9.76	-50.972
Veritas DGC Inc.	1,460	0.255	2.392	6.988	-46.188
Oceaneering International Inc.	1,450	0.339	2.801	6.733	79.75
Carbo Ceramics Inc.	1,430	0	5.124	19.425	-120.773
Global Industries Ltd.	1,400	0.16	2.895	2.876	42.483
Atwood Oceanics Inc.	1,390	0.249	3.833	14.441	-82.466
Tetra Technologies Inc.	1,310	0.505	4.986	5.058	343.071
General Geophysics Co.	1,190	1.634	2.53	-8.337	3.364
Core Laboratories NV	1,140	0.419	5.344	6.232	-1440.95
Parker Drilling Co.	1,110	2.099	5.536	14.125	1644.85
W-H Energy Services Inc.	1,070	0.589	3.413	7.947	-236.285
NS Group Inc.	973.52	0.002	3.578	21.99	30.923
Dril-Quip Inc.	955.12	0.19	3.953	10.325	-157.799
Hercules Offshore LLC	943.27	1.328	0.02	23.966	-46.492
Pioneer Drilling Co.	916.39	0	3.739	16.545	-35.203
Lufkin Industries Inc.	862.64	0.029	3.492	9.147	-775.494
Tesco Corp.	741.62	0.046	3.658	3.034	-94.998
Newpark Resources Inc.	709.16	0.624	2.071	3.626	-69.38
Basic Energy Services, Inc.	707.80	1.174	3.956	10.214	-51.117
Stewart & Stevenson Services	688.03	0.089	2.269	2.07	-8.086
Gulfmark Offshore Inc.	633.33	0.751	1.959	24.566	-41.791
Bronco Drilling Co. Inc.	560.83	0.36	3.195	-3.863	-39.819
InfraSource Services Inc.	540.28	0.381	1.816	2.856	-47.748
Superior Well Services Inc.	458.26	0.017	5.285	-13.291	-12.409
Natco Group Inc.	403.69	0.26	3.494	2.333	146.105
Seitel Inc.	399.60	NA	NA	-9.536	166.979
Willbros Group Inc.	350.06	0.475	2.173	-6.041	-40.295
Union Drilling Inc.	315.38	0.831	3.56	0.03	-374.796
Gulf Island Fabrication Inc.	312.50	0	2.295	5.903	-92.586
ENGlobal Corp.	282.38	0.061	7.22	2.734	-22.838
Allis-Chalmers Energy Inc.	270.13	0.978	4.675	4.473	-55.903
Dawson Geophysical Co.	252.90	0	2.479	7.366	-67.148
FX Energy Inc.	206.62	0	4.397	-55.64	-94.112
Natural Gas Services Group Inc.	156.43	0.638	3.01	8.756	-20.618
Infinity Energy Resources Inc.	112.34	0.409	1.778	-7.234	20.329
Bolt Technology Corp.	97.85	0	4.06	12.759	340.19
Omni Energy Services Corp.	58.88	2.182	5.637	-2.837	-17.302
United Energy Corp.	40.81	3.233	320	NA	-717.024
Boots & Coots International	35.40	2.541	15.385	-10.169	32.021
Horizon Offshore Inc.	NA	1.081	NA	3.319	NA
Particle Drilling Technologies	NA	0.008	NA	NA	NA
Caspian Services Inc.	NA	0.176	NA	23.964	NA
Blast Energy Services Inc.	NA	0.872	NA	NA	NA