

Energy

Industry Comment - Changes

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International Oil & Gas

3Q11 Preview: Up 31% From the Lows, Yet Still Down 56% From the Highs. Value Waiting To Be Unlocked.

- ◆ The International Oil & Gas companies in our coverage universe are scheduled to report 3Q11 results starting November 2.
- ◆ We expect several of these companies – including Strong Buy-rated Bankers Petroleum (BNK), Gran Tierra (GTE), Pacific Rubiales (PRE) and Outperform-rated Parex Resources (PXT) – to post their third consecutive record or near-record quarters. This is a direct result of continued strength in Brent pricing and growing production profiles.
- ◆ We anticipate companies to start providing formal 2012 budgets in upcoming weeks and months. We believe 2012 capital spending will be equal to or higher than those in 2011 due to robust cash flow generation.
- ◆ Assuming our Brent forecast of US\$100/bbl, we expect 2012 capital programs to be self-funded. We anticipate that new capital spending will continue to generate double-digit organic growth amongst most production-stage companies under coverage.
- ◆ Despite modest gains since the end of September, share prices in our universe are still down 56% from their 52-week highs, on average. Our International Producer subsector has fared only marginally better, down 48% from the highs and currently trading roughly in-line with their 2P Reserve NAVs.
- ◆ It is our view that these three factors –i) record YTD corporate results; ii) projected double-digit, self-funded organic growth; and iii) depressed valuations – combine to create a compelling investment case. We believe that current shareholders may be rewarded via both a multiple expansion as well as underlying fundamental growth.
- ◆ We believe BNK continues to offer the most compelling valuation in our coverage universe, with the stock trading below our 1P NAV of C\$5.14/shr, and well below our 2P NAV of C\$8.45/shr. We also note that BNK offers high leverage to Brent pricing. For example, a 10% increase in our Brent forecast (to US\$110/bbl, in line with current spot) yields a 14% increase in 2P NAV.
- ◆ We also continue to recommend one or both of Strong Buy-rated GTE and PRE as longer-term core holdings.

Company	Ticker Primary	Ticker Secondary	Current Price	Target Price (6-12mo)		Tot. Return To Target	Rating Old	Rating New
				Old	New			
ArPetrol Ltd.	RPT-TSXV		C\$0.09	C\$0.30	C\$0.30	233%	Outperform 2	Outperform 2
Bankers Petroleum Ltd.	BNK-TSX	BNK-AIM	C\$4.88	C\$10.50	C\$10.50	115%	Strong Buy 1	Strong Buy 1
Gran Tierra Energy Inc.	GTE-TSX	GTE-AMEX	C\$6.17	C\$10.50	C\$10.50	70%	Strong Buy 1	Strong Buy 1
Greenfields Petroleum Corp.	GNF-TSXV		C\$7.00	C\$12.00	C\$12.00	71%	Outperform 2	Outperform 2
Niko Resources Ltd.	NKO-TSX		C\$51.36	C\$60.00	C\$60.00	17%	Outperform 2	Outperform 2
Pacific Rubiales Energy Corp.	PRE-TSX	PREC-BVC	C\$24.68	C\$42.00	C\$42.00	72%	Strong Buy 1	Strong Buy 1
Pan Orient Energy Corp.	POE-TSXV		C\$2.37	C\$5.00	C\$5.00	111%	Outperform 2	Outperform 2
Parex Resources Inc.	PXT-TSX		C\$7.32	C\$9.00	C\$9.00	23%	Outperform 2	Outperform 2
PetroAmerica Oil Corp.	PTA-TSXV		C\$0.10	C\$0.30	C\$0.30	216%	Outperform 2	Outperform 2
PetroDorado Energy Ltd.	PDQ-TSXV		C\$0.17	C\$0.40	C\$0.40	135%	Outperform 2	Outperform 2
PetroMagdalena Energy Corp.	PMD-TSXV		C\$1.13	C\$1.50	C\$1.50	33%	Outperform 2	Outperform 2
Petromanas Energy Inc.	PMI-TSXV		C\$0.14	C\$0.40	C\$0.40	186%	Outperform 2	Outperform 2
Petrominerales Ltd.	PMG-TSX	PMGC-BVC	C\$25.27	C\$20.00	C\$20.00	-19%	Market Perform 3	Underperform 4
PetroNova Inc.	PNA-TSXV		C\$0.63	C\$1.80	C\$1.80	186%	Outperform 2	Outperform 2
Porto Energy Corp.	PEC-TSXV		C\$0.28	C\$0.80	C\$0.80	186%	Outperform 2	Outperform 2
Shamaram Petroleum Corp.	SMN-TSXV	SNM-OMX	C\$0.36	C\$0.40	C\$0.40	13%	Market Perform 3	Outperform 2
Suroco Energy Inc.	SRN-TSXV		C\$0.50	C\$1.10	C\$1.10	122%	Outperform 2	Outperform 2
Talisman Energy Inc.	TLM-TSX	TLM-NYSE	C\$13.97	C\$14.00	C\$14.00	2%	Outperform 2	Market Perform 3
WesternZagros Resources Ltd.	WZR-TSXV		C\$0.64	C\$0.55	C\$0.55	-14%	Market Perform 3	Underperform 4

**Exhibit 1: Quarterly Production & CFPS Estimates, and 3Q11 Reporting Dates**

Company	Ticker	Production			Y-o-Y % chg	Q-o-Q % chg	CFPS			Y-o-Y % chg	Q-o-Q % chg	CFPS Consens. 3Q11E	Reporting Date
		RJ Est. 3Q11E	Actual 3Q10	Actual 2Q11			RJ Est. 3Q11E	Actual 3Q10	Actual 2Q11				
Talisman Energy	TLM	400,018	388,772	419,832	3%	-5%	\$0.77	\$0.71	\$0.88	8%	-13%	\$0.80	2-Nov-11
Petrominerales	PMG	36,300	32,667	40,308	11%	-10%	\$1.78	\$1.29	\$1.88	38%	-5%	\$1.73	3-Nov-11
Gran Tierra Energy <sup>(3)</sup>	GTE	19,376	13,367	18,141	45%	7%	\$0.29	\$0.14	\$0.32	107%	-9%	\$0.31	7-Nov-11
ShaMaran Petroleum	SNM	0	0	0	nm	nm	\$0.00	\$0.00	\$0.00	nm	nm	na	7-Nov-11
Pacific Rubiales Energy	PRE	238,167	144,115	221,896	65%	7%	\$1.34	\$0.63	\$1.49	113%	-10%	\$1.26	8-Nov-11
Parex Resources	PXT	7,346	0	1,619	nm	354%	\$0.33	(\$0.06)	\$0.00	nm	nm	\$0.33	9-Nov-11
Niko Resources <sup>(1)</sup>	NKO	40,165	51,284	41,065	-22%	-2%	\$1.05	\$1.49	\$1.17	-30%	-10%	\$1.09	10-Nov-11
Bankers Petroleum	BNK	13,667	9,826	12,152	39%	12%	\$0.20	\$0.07	\$0.17	186%	18%	\$0.19	11-Nov-11
Petromanas Energy	PMI	0	0	0	nm	nm	\$0.00	\$0.00	\$0.00	nm	nm	na	17-Nov-11
WesternZagros Resources	WZR	0	0	0	nm	nm	nm	\$0.00	(\$0.01)	nm	nm	(\$0.01)	18-Nov-11
Pan Orient Energy	POE	2,000	4,211	2,052	-53%	-3%	C\$0.22	C\$0.32	C\$0.23	-31%	-4%	C\$0.23	24-Nov-11
Suroco Energy	SRN	1,007	821	1,011	23%	0%	\$0.04	\$0.00	\$0.02	nm	100%	\$0.05	24-Nov-11
Petronova	PNA	0	0	0	nm	nm	(\$0.01)	(\$0.01)	(\$0.01)	0%	0%	na	25-Nov-11
ArPetrol Ltd.	RPT	305	414	288	-26%	6%	C\$0.00	C\$0.00	C\$0.00	nm	nm	na	25-Nov-11
PetroMagdalena Energy	PMD	2,500	2,561	2,410	-2%	4%	\$0.04	\$0.01	\$0.02	300%	100%	\$0.03	29-Nov-11
Porto Energy <sup>(2)</sup>	PEC	0	na	0	nm	nm	(\$0.01)	na	(\$0.01)	nm	0%	na	End of Nov
Greenfields Petroleum	GNF	1,057	0	1,039	nm	2%	(\$0.10)	(\$0.12)	(\$0.06)	nm	67%	na	TBA
PetroDorado Energy	PDQ	160	0	223	nm	-28%	\$0.00	\$0.00	\$0.00	nm	nm	na	Week of Nov 28
PetroAmerica Oil	PTA	450	0	291	nm	55%	C\$0.00	(C\$0.01)	(C\$0.01)	nm	nm	na	Week of Nov 28

(1) Results for the 3-month period ended September 30 correspond to Niko Resources's 2Q12 fiscal quarter

(2) Results for the 3-month period ended August 31 correspond to Porto Energy's 4Q11 fiscal quarter

(3) Production estimates / actuals for Gran Tierra reflect volumes net after royalties

Note: Consensus estimates for TLM based on company survey; consensus for remaining companies as reported by Bloomberg

Source: Company reports, Bloomberg, Raymond James Ltd.

## Company Updates

### ArPetrol

We continue to recommend ArPetrol to investors looking for exposure to Argentina's oil & gas industry. We currently forecast ArPetrol to exit 3Q11 with US\$35 mm in positive working capital (no debt), allowing it to fund its 2012E capital plans internally. Going forward, we expect the company to drill exploration starting in November 2011, with development drilling to follow in early 2012.

ArPetrol also indicated plans to evaluate the shale oil potential on its Catriel Viejo Sur block in the Neuquen basin (located 60 km from the YPF shale oil well drilled in the Loma La Lata field).

### Bankers Petroleum

While the stock is up over 40% from its recent low, Bankers remains one of the cheapest (P/2P NAV) stocks within our coverage universe.

As the company has already reported third quarter production and realized pricing, we do not anticipate any material surprises from the 3Q11 results. We note that the company is hosting an investor field trip to Albania in late-October, which we believe could create share price momentum as the company showcases its ongoing achievements. This includes self-funded and organic production growth of ~20% year-to-date.

We also expect that continued solid operational performance (included our anticipated yoy reserve increase) should lead to a multiple increase (P/2P NAV) on Bankers' share price over the next 2 to 6 months, more in line with current multiples on other larger cap international oil & gas companies under coverage.

## Gran Tierra

We expect 3Q11 results to further demonstrate the cash flowing ability of Gran Tierra at current Brent oil prices. We continue to recommend Gran Tierra as a core holding, especially for investors looking for defensive names in the international oil & gas sector (no debt, low operating costs, cash in the bank, expected self-funded 2012 growth).

We believe that the company's booked 2P reserves at 2010YE, in addition to an expected increase from 2011 Moqueta delineation wells drilled to-date, supports the current GTE share price, offering investors a free option on the company's exploration &/or appraisal portfolio in four countries (Colombia, Brazil, Argentina and Peru). Looking out to year-end, we also expect 4Q11 to be a catalyst quarter for Gran Tierra, with expected exploration results from Colombia and Brazil.

## Greenfields

Greenfields is one of the few pure-play vehicles to invest in Azerbaijan's oil & gas industry. Initial redevelopment operations on the Gum Deniz oil field and the Bahar gas field started in August, with the first two well recompletions (of 29 planned through 2012) only concluded in mid-September. As such, no incremental production will be reflected in 3Q11 reporting. Testing results of the newly logged and re-completed pay zones could be potential short-term catalysts for the stock. However, we believe that investors will remain mainly focused on GNF's medium-term operational performance, in particular after the arrival of the new "western-style" rigs in late 2011/early 2012.

## Niko Resources

As Reliance Industries (Niko's partner on the D6 block) has reported fiscal 2Q12 production in line with our estimates, we are not expecting any major surprises from Niko's fiscal 2Q12 press release.

We believe investors' key focus remains on the details on the company's upcoming exploration program, including spud dates for the high impact wells in Indonesia. We also expect Trinidad to spud before the end of November 2011.

While Niko shares remain at a 18% premium to core NAV (2P reserves + unbooked discoveries) we believe the upcoming exploration campaign could lead to a further increase in premium as investors focus on the size of the prize rather than the existing reserves base.

## Pan Orient

Pan Orient recently pre-reported 3Q11 production (2,000 bopd average came in below our forecast of 2,400 bopd), and as such we do not expect any major surprises from the company's quarterly results press release.

We believe investors' key focus continues to be the company's ongoing exploration activity in Indonesia. The first of a three-well program on the Citarum PSC is expected to spud in mid-November, followed by drilling on Batu Gajah in 1Q12 and East Jabung in late 2012.

## Parex Resources

Parex recently provided an operational update, with production reported at 9,300 bopd in mid-September and on track to exit 2011 at the guided rate of 14,000. As such, we don't expect any major surprises from 3Q11 reporting. Potential news on results from the Sulawesi-3 appraisal well and the testing of recently drilled development wells, however, could be a potential catalyst for the stock. Looking ahead, PXT has indicated that it plans to drill spud an exploration well in Trinidad during 4Q11 (subject to regulatory approval), results from which we believe could also be a material catalyst.

While PXT shares currently trade at a premium to 2P NAV, we remain of the view that the company should have no issues increasing reserves. In addition, given our expected growing demand for light oil (as a diluent for projected heavy oil production growth in the Llanos basin), we believe Parex might become a potential acquisition target.

### **PetroAmerica**

We expect one of the areas investors will focus on in the 3Q11 results will be revenues and cash flow from Balay production during 3Q11. We also believe the company continues to focus on streamlining its Colombia portfolio. For 4Q11, we anticipate the Balay-3 well could act as a catalyst, with another key catalyst being the first planned well on CPO-1 (1Q12).

### **PetroDorado**

As PetroDorado is an exploration stage company, we do not believe investors will be focused on 3Q11 results. Much more material to PDQ, in our view, is the upcoming drilling program at CPO-5 (late 2011/early 2012). The company has mapped what it refers to as “Corcel-type” prospects on the block, which lies adjacent to Petrominerales’ Corcel and Guatiquia blocks, and plans to drill 2 to 5 wells over the next 9 months.

### **PetroMagdalena**

Given that PetroMagdalena had provided various production data points during the quarter, we do not expect any major surprises from the 3Q11 results. We believe investors will remain focused on both production growth as well as exploration results as further confirmation of the company’s ability to execute its restructuring plan and deliver on expectations.

### **Petromanas**

As Petromanas is an exploration-stage company, we do not believe investors will be looking to the 3Q11 update for much more than further granularity on the company’s exploration timelines &/or any updates on potential farm-outs (bids are due November 15th). We expect the company to spud its first exploration well (Jubani) in 1Q12, followed by Shpiragu in 2Q12.

### **PetroNova**

PetroNova is an exploration-stage company. As such, we don’t expect that investors will be looking to 3Q11 reporting for much more than updates on the company’s exploration timelines. We believe the company is on track to spud its first exploration well by the end of 2011, and that 2012 will be a key, catalyst-rich year for PNA, with 10+ new wells planned.

### **Petrominerales**

We believe investors will be looking to current production as one key potential catalyst on the stock, in addition to exploration results from the company’s ongoing program (Caspio-1 and Socaco-1 on LLA-31, Zacay on the Casimena block). Later this year, we believe the high impact foothills wells (including final results from the Bromelia well on LLA-25) and the spud of La Colpa 2X in Peru could also act as material catalysts.

We are lowering our rating on PMG to Underperform from Market Perform, following the recent stock price appreciation. Our target remains unchanged at C\$20.00/shr, which is based on our unchanged risked NAV of C\$20.32/shr.

### **Porto Energy**

Porto is expected to report its fiscal 2011 results by the end of November. As with other exploration-stage companies, we do not believe Porto’s results are likely to yield many

surprises. We anticipate investors will be focusing rather on exploration timelines &/or potential updates on the Alj-4 location &/or economic assessment.

### **Pacific Rubiales**

As a result of production shut-ins during 3Q11, reported production might not be fully indicative of the actual growth achieved during the quarter, although we do expect capital markets to be focused on current production (we expect another record number).

We continue to highlight Pacific Rubiales as a core holding, especially given that the stock is currently trading in line with 2P NAV, thus offering investors a free option on the company's extensive exploration portfolio in 4 countries (including the recent CGX transaction).

### **Suroco**

We continue to view Suroco as the lowest-risk junior international oil & gas name within our coverage universe, given the company's existing reserves and production base. While Suroco shares are currently trading at a premium to our 2P NAV, we believe the company has already demonstrated the growth potential from its current assets, including the 2011 step-outs in the Cohembi pool.

### **Shamaran**

As Shamaran is a development and exploration-stage company, we do not believe investors will focus on 3Q11 results other than for updates on the company's various drilling plans in Kurdistan.

We are increasing our rating on Shamaran to Outperform, from Market Perform previously, as the stock price now reflects a 13% return to target. Our target of C\$0.40/shr is based on our unchanged risked NAV of C\$0.43/shr.

### **Talisman**

Talisman recently provided an operational update, reporting 3Q11 production of approximately 400,000 boepd. Thus, we believe investors will be looking more at the company's cost structure, as well as indications that the North Sea issues are being resolved.

With Talisman's share price running up over 15% in the past couple of weeks, we are now lowering our rating to Market Perform from Outperform. Our target remains unchanged at C\$14.00/shr, which is based on our unchanged risked NAV of C\$14.28/shr.

### **WesternZagros**

We do not believe investors will focus on WesternZagros' 3Q11 results, other than to look for updates on the company's various drilling plans in Kurdistan.

We are lowering our rating on WesternZagros to Underperform from Market Perform previously, following the recent stock price appreciation. Our unchanged target of C\$0.55/shr reflects our risked NAV estimate of C\$0.54/shr.

**Greenfields Petroleum Corporation** GNF-TSXVRating: **Outperform**

Current Price(Oct-21-11)	C\$7.00	Target Price (6-12 mos)	C\$12.00
52-Week Range	C\$11.00 - C\$6.00	Total Return to Target	71%
Market Capitalization (mln)	C\$104	Dividend/Yield	C\$0.00/0.0%
Shares Outstanding (mln, f.d.)	16.7	Current Net Debt (mln)	-C\$56
Average Daily Volume (000s)	5	Enterprise Value (mln)	C\$48

Cash Flow/Share	CASH					Full Year	Revenues (mln)	Risky NAVPS	P/CFPS	P/NAV
	1Q Mar	2Q Jun	3Q Sep	4Q Dec	4Q Dec					
2010A	na	na	US\$(0.12)	US\$(0.22)	US\$(0.35)	US\$5		nm		
Old 2011E	(0.05)A	(0.06)	(0.01)	0.09	(0.03)	27	11.81			
<b>New 2011E</b>	<b>(0.05)A</b>	<b>(0.06)</b>	<b>(0.10)</b>	<b>0.09</b>	<b>(0.13)</b>	<b>26</b>	<b>11.74</b>	<b>nm</b>		<b>60%</b>
Old 2012E	0.11	0.17	0.36	0.40	1.05	67	na			
<b>New 2012E</b>	<b>0.11</b>	<b>0.17</b>	<b>0.36</b>	<b>0.40</b>	<b>1.05</b>	<b>67</b>	<b>na</b>	<b>6.7x</b>		<b>0%</b>

	Brent Oil (US\$/bbl)	Exchange Rate (US\$/C\$)	Production: Crude Oil (b/d)	Production: Natural Gas (mmcf/d)	Production (boe/d)	Cash Flow (mln)	Net Debt/Cash Flow
2010A	C\$80.00	0.97	496	5	1,314	US\$(4)	nm
Old 2011E	106.00	1.02	604	4	1,263	0	nm
<b>New 2011E</b>	<b>106.00</b>	<b>1.02</b>	<b>550</b>	<b>4</b>	<b>1,225</b>	<b>(2)</b>	<b>nm</b>
Old 2012E	115.00	1.00	1,314	16	3,940	16	nm
<b>New 2012E</b>	<b>100.00</b>	<b>1.00</b>	<b>1,314</b>	<b>16</b>	<b>3,940</b>	<b>16</b>	<b>nm</b>

Source: Raymond James Ltd., Thomson One

**Petrominerales** PMG-TSX

Rating Old: Market Perform

Rating New: **Underperform**

Current Price(Oct-21-11)	C\$25.27	Target Price (6-12 mos)	C\$20.00
52-Week Range	C\$41.83 - C\$18.81	Total Return to Target	-19%
Market Capitalization (mln)	C\$2,620	Dividend/Yield	C\$0.50/2.0%
Shares Outstanding (mln, f.d.)	111.0	Current Net Debt (mln)	C\$110
Average Daily Volume (000s)	699	Enterprise Value (mln)	C\$2,730

CFPS	CASH					Revenue (mln)	NAV	P/CFPS	P/NAV
	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year				
2010A	US\$1.42	US\$1.77	US\$1.29	US\$1.51	US\$6.00	US\$1,049		4.1x	
Old 2011E	1.76A	1.88A	1.78	1.94	7.23	1,359	20.32		
<b>New 2011E</b>	<b>1.76A</b>	<b>1.88A</b>	<b>1.78</b>	<b>1.82</b>	<b>7.23</b>	<b>1,359</b>	<b>20.32</b>	<b>3.6x</b>	<b>124%</b>
Old 2012E	1.86	1.83	1.83	1.77	7.29	1,280			
<b>New 2012E</b>	<b>1.86</b>	<b>1.83</b>	<b>1.83</b>	<b>1.77</b>	<b>7.29</b>	<b>1,280</b>		<b>3.5x</b>	

	Brent Oil (US\$/bbl)	HHub (US\$/mmbtu)	Exchange Rate (US\$/C\$)	Production: Oil (bbl/d)	Production: Natural Gas (mmcf/d)	Production: Total (boe/d)	Cash Flow (mln)	Net Debt/Cash Flow
2010A	US\$80.00	C\$4.38	0.97	37,027	0	37,027	US\$598	nm
Old 2011E	106.00	4.14	1.02	38,926	0	38,926	743	0.7x
<b>New 2011E</b>	<b>106.00</b>	<b>4.14</b>	<b>1.02</b>	<b>38,926</b>	<b>0</b>	<b>38,926</b>	<b>743</b>	<b>0.7x</b>
Old 2012E	100.00	4.00	1.00	39,404	0	39,404	739	0.5x
<b>New 2012E</b>	<b>100.00</b>	<b>4.00</b>	<b>1.00</b>	<b>39,404</b>	<b>0</b>	<b>39,404</b>	<b>739</b>	<b>0.5x</b>

Source: Raymond James Ltd., Thomson One

<b>Shamaran Petroleum Corp.</b> SNM-TSXV				Rating Old: Market Perform	Rating New: <b>Outperform</b>
Current Price(Oct-21-11)	C\$0.36			Target Price (6-12 mos)	C\$0.40
52-Week Range	C\$1.43 - C\$0.29			Total Return to Target	13%
Market Capitalization (mln)	C\$242			Dividend/Yield	C\$0.00/0.0%
Shares Outstanding (mln, f.d.)	683.7			Current Net Debt (mln)	-C\$62
Average Daily Volume (000s)	532			Enterprise Value (mln)	C\$179

CFPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	NAV	P/CFPS	P/NAV
2010A	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	na		nm	
Old 2011E	0.00A	0.00A	0.00	0.00	0.00	na	0.43		
<b>New 2011E</b>	<b>0.00A</b>	<b>0.00A</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>na</b>	<b>0.43</b>	<b>nm</b>	<b>83%</b>
Old 2012E	0.00	0.00	0.00	0.00	0.00	na			
<b>New 2012E</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>na</b>		<b>nm</b>	

	Brent Oil (US\$/bbl)	Exchange Rate (US\$/C\$)	Production: Oil (bbl/d)	Production: Natural Gas (mmcf/d)	Production: Total (boe/d)	Cash Flow (mln)	Net Debt/Cash Flow
2010A	US\$80.00	0.97	na	na	na	na	na
Old 2011E	107.00	1.02	na	na	na	na	na
<b>New 2011E</b>	<b>107.00</b>	<b>1.02</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
Old 2012E	100.00	1.00	na	na	na	na	na
<b>New 2012E</b>	<b>100.00</b>	<b>1.00</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>

Source: Raymond James Ltd., Thomson One

<b>Talisman Energy Inc.</b> TLM-TSX				Rating Old: Outperform	Rating New: <b>Market Perform</b>
Current Price(Oct-21-11)	C\$13.97			Target Price (6-12 mos)	C\$14.00
52-Week Range	C\$24.82 - C\$11.34			Total Return to Target	2%
Market Capitalization (mln)	C\$14,314			Dividend/Yield	C\$0.27/2.0%
Shares Outstanding (mln, f.d.)	1,081.6			Current Net Debt (mln)	C\$5,145
Average Daily Volume (000s)	4,265			Enterprise Value (mln)	C\$19,459

CFPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	NAV	P/CFPS	P/NAV
2010A	US\$0.82	US\$0.80	US\$0.71	US\$0.67	US\$3.00	US\$8,076		7.7x	
Old 2011E	0.79A	0.88A	0.89	0.88	3.44	9,161	14.28		
<b>New 2011E</b>	<b>0.79A</b>	<b>0.88A</b>	<b>0.77</b>	<b>0.70</b>	<b>3.13</b>	<b>9,288</b>	<b>14.28</b>	<b>4.4x</b>	<b>98%</b>
Old 2012E	0.89	0.85	0.91	1.01	3.66	8,882			
<b>New 2012E</b>	<b>0.73</b>	<b>0.64</b>	<b>0.73</b>	<b>0.95</b>	<b>3.04</b>	<b>8,882</b>		<b>4.6x</b>	

	Brent Oil (US\$/bbl)	HHub (US\$/mmbtu)	Exchange Rate (US\$/C\$)	Production: Oil (bbl/d)	Production: Natural Gas (mmcf/d)	Production: Total (boe/d)	Cash Flow (mln)	Net Debt/Cash Flow
2010A	US\$80.00	US\$4.38	0.97	192,673	1,446	433,641	US\$2,868	1.4x
Old 2011E	107.00	4.14	1.02	174,582	1,501	424,691	3,392	1.6x
<b>New 2011E</b>	<b>107.00</b>	<b>4.14</b>	<b>1.02</b>	<b>174,783</b>	<b>1,479</b>	<b>421,364</b>	<b>2,872</b>	<b>2.1x</b>
Old 2012E	100.00	4.00	1.00	179,531	1,649	454,444	3,750	1.6x
<b>New 2012E</b>	<b>100.00</b>	<b>4.00</b>	<b>1.00</b>	<b>179,531</b>	<b>1,649</b>	<b>454,444</b>	<b>2,718</b>	<b>2.7x</b>

Source: Raymond James Ltd., Thomson One

<b>WesternZagros Resources WZR-TSXV</b>		Rating Old: Market Perform	Rating New: Underperform
Current Price(Oct-21-11)	C\$0.64	Target Price (6-12 mos)	C\$0.55
52-Week Range	C\$1.00 - C\$0.38	Total Return to Target	-14%
Market Capitalization (mln)	C\$238	Dividend/Yield	C\$0.00/0.0%
Shares Outstanding (mln, f.d.)	390.7	Current Net Debt (mln)	-C\$46
Average Daily Volume (000s)	608	Enterprise Value (mln)	C\$192

CFPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	NAV	P/CFPS	P/NAV
2010A	nm	nm	nm	nm	nm	nm		nm	
Old 2011E	nm	nm	nm	nm	(0.02)	nm	0.54		
<b>New 2011E</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>(0.02)</b>	<b>nm</b>	<b>0.54</b>	<b>nm</b>	<b>1.2x</b>
Old 2012E	0.02	0.02	0.02	0.02	0.07	39			
<b>New 2012E</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.07</b>	<b>39</b>		<b>9.7x</b>	

	Brent Oil (US\$/bbl)	Exchange Rate (US\$/C\$)	Production: Oil (b/d)	Production: Natural Gas (mmcf/d)	Production: Total (boe/d)	Net Debt/Cash Flow
2010A	US\$80.00	0.97	nm	nm	nm	nm
Old 2011E	107.00	1.02	nm	nm	nm	nm
<b>New 2011E</b>	<b>107.00</b>	<b>1.02</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
Old 2012E	100.00	1.00	2,000	0	2,000	nm
<b>New 2012E</b>	<b>100.00</b>	<b>1.00</b>	<b>2,000</b>	<b>0</b>	<b>2,000</b>	<b>nm</b>

Source: Raymond James Ltd., Thomson One

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