Energy

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Industry Brief

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International Oil & Gas

Colombia is Listening to the Issues; Realise They Are in a Global Competition for Investment

Colombia's Vice Minister of Energy and Mines recently held a luncheon presentation in Calgary on the topic of the country's oil & gas sector growth and current issues/risks.

We believe his speech demonstrated that the current administration is not only aware of several issues that have been raised by investors in the sector in 2011, but also focused on addressing these issues and minimizing the risk;

- With regards to environmental permits taking longer than in prior years, the government is increasing the manpower allocated to this task, as well as planning to streamline the process for things such as indigenous community consultations
- With regards to oil & gas royalties, the vice minister indicated a view that current royalties are competitive on a global scale given the resource potential of the country, and thus did not see any need to change this
- With regards to recent protests/demonstrations, the administration is working on increasing the prosperity of all Colombians. We believe this is one of the fundamental issues leading to the various protests reported by various oil companies (such as PRE and PMG). The message to oil companies seems to be one of "let us work together on this".

We believe the key message can be summed up by his statement that not only does Colombia need investment to continue growing its oil & gas sector, the country is aware that it competes for this investment on a global scale and thus has to work hard to keep attracting the investors.

Company	Ticker Primary	Ticker Secondary	Current Price	Rating
International Oil & Gas				
Gran Tierra Energy	GTE-TSX	GTE-AMEX	US$6.42	Strong Buy 1
Pacific Rubiales Energy	PRE-TSX		C$24.22	Strong Buy 1
Parex Resources Inc.	PXT-TSX		C$8.17	Outperform 2
PetroAmerica Oil Corp.	PTA-TSXV		C$0.10	Outperform 2
PetroDorado Energy Ltd.	PDQ-TSXV		C$0.22	Outperform 2
PetroMagdalena Energy Corp.	PMD-TSXV		C$1.60	Outperform 2
Petrominerales	PMG-TSX		C$27.20	Underperform 4
Petronova Inc.	PNA-TSXV		C$0.63	Outperform 2
Suroco Energy Inc	SRN-TSXV		C$0.49	Outperform 2
Talisman Energy Inc.	TLM-TSX	TLM-NYSE	C$14.88	Market Perform 3

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Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, possibly a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG) Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

Rating Distributions

	Coverage Universe Rating Distribution			Investment Banking Distribution		
	RJL	RJA	RJ LatAm	RJL	RJA	RJ LatAm
Strong Buy and Outperform (Buy)	74%	58%	38%	56%	15%	33%
Market Perform (Hold)	25%	37%	55%	29%	5%	3%
Underperform (Sell)	1%	5%	8%	0%	7%	0%

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Company Name	Disclosure
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Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the projected target prices included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation.

Risks - International Oil & Gas

International oil & gas companies within our research universe are subject to a range of risks, including, but not limited to: environmental risk, political risk, operational risk, financial risk, hedging risk, commodity price fluctuation risk, and currency risk. Any difference between our oil & gas price forecasts and realized commodity prices will likely have an impact on our earnings and valuation estimates for the international oil & gas companies in our research coverage universe. International oil companies in our coverage universe are inherently complex and exposed to a number of risks, most of which are beyond the company's control. These include: environmental compliance issues; personal accidents; production problems; availability of labour and equipment, and interruption due to inclement, weather conditions, road closures, and/or local protests. Other risks include, but are not limited to: uncertainties surrounding capital and operating costs; aging equipment and facilities which could lead to increased costs; actions taken by host governments; and changes in fiscal regimes.

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Risks - PetroDorado Energy Inc.

Competition - The oil & gas industry is highly competitive and the corporation competes with a substantial number of companies. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of PetroDorado or enter markets that PetroDorado is active in. In certain aspects of its business, PetroDorado also competes with a number of 'local' companies, which may have certain competitive advantages.

Commodity Price Volatility - It is anticipated that the international oil & gas industry has an inherently high capital cost due to large construction projects. Nevertheless, changes in commodity prices could result in a decision by PetroDorado to suspend or reduce operations because such operations are no longer economically viable. If production is not suspended or reduced during such period, the low differential between the price of the corporation's end products and the cost of production could lower PetroDorado's revenues.

Reserve and Resource Risks - PetroDorado currently provides third-party as well as internal resource evaluations on its assets, and calculations remain dependent on long-term oil pricing, geological assumptions made, and the company's ability to discover and ultimately produce said resources.

Regulatory and Political - PetroDorado's operations are subject to a variety international laws, regulations and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment and the manufacture, management, transportation, storage and disposal of certain materials used in operations. Changes to laws, regulations and guidelines due to environmental changes, unforeseen environmental effects, general economic conditions and other matters may cause adverse effects to operations. The company's exploration, producing and potential properties are located in Colombia, Peru and Paraguay. The company's operations, financial results, and valuation could be adversely affected by events beyond its control taken by the current or future governments in those countries with respect to policy changes regarding taxation, regulation, and other business environment changes.

Environmental Liability - PetroDorado is subject to various environmental laws and regulations enacted in the jurisdictions in which it operates. Including the governance of the manufacturing, processing, importation, transportation, handling and disposal of certain materials used in operations. PetroDorado may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons. PetroDorado may be required to increase operating expenses or capital expenditures in order to comply with any possible new restrictions or regulations.

Operating Risk and Insurance - Operational risks and hazards could expose PetroDorado

Risks - PetroMagdalena Energy Corp.

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Risks - Petronova Inc.
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Risks - Pacific Rubiales Energy
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Risks - PetroAmerica Oil Corp.
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Risks - Talisman Energy

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