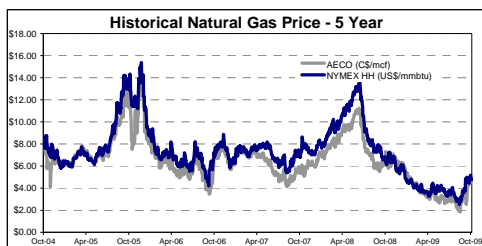
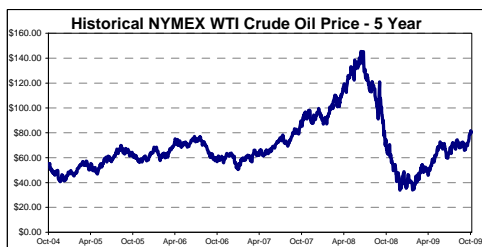
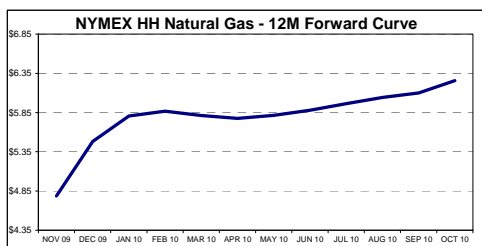
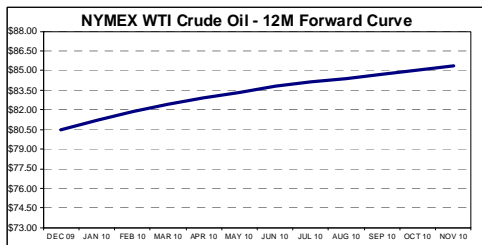


ENERGY LEVELS

MORNING NOTE
OCTOBER 26, 2009

Salman
Partners

COMMODITY PRICING



OIL (US\$/BBL)	CLOSE	CHANGE	GAS (US\$/MMBTU)	CLOSE	CHANGE
NYMEX WTI (Dec09)	\$80.50	(\$0.69)	NYMEX HH (Nov09)	\$4.79	(\$0.16)
<i>Intraday/Overnight</i>	\$80.81	\$0.31	<i>Intraday/Overnight</i>	\$4.50	(\$0.28)
Dated Brent (Dec09)	\$78.92	(\$0.59)	NYMEX 12-Month Forward Strip	\$5.80	(\$0.10)
<i>Intraday/Overnight</i>	\$79.95	\$1.03	AECO Spot (Cdn\$/mcf)	\$4.97	(\$0.26)
NYMEX 12-Month Forward Strip	\$83.30	(\$0.49)	NYMEX HH Open Interest	125,977	
NYMEX 321 Crack Spread	\$6.43	\$0.33	(Near Month contracts)		
Differential WTI to LLB Blend	\$12.25	\$0.00			

COMMODITY NEWS

The price of crude oil remained relatively flat in early morning trading. Positively, a cease fire was announced yesterday at midnight between the Movement for the Emancipation of the Niger Delta (MEND) and the African government.

In other news, the president of the Organization of Petroleum Exporting Countries (OPEC) indicated that they may increase production numbers at the next meeting, to be held on December 22, if prices remain above \$75.00/bbl.

AT A GLANCE

- **Oil & Gas Coverage Group Weekly Review**
Mixed Performance
- **Canadian Spirit Resources Inc. (SPI – TSXV Cdn\$1.25; Not Rated)**
Land of Value

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Tim Murray, CFA
Oil & Gas Analyst
tmurray@salmanpartners.com
(403) 444-4448

COMPANY NEWS

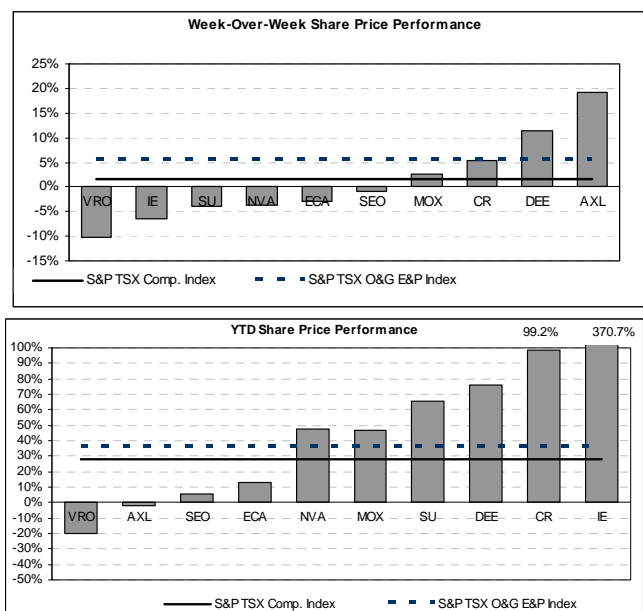
Oil & Gas Coverage Group Weekly Review

Mixed Performance

Energy equities produced a mixed performance last week. The price of WTI closed on Friday at US\$80.50/bbl, gaining US\$1.97/bbl (2.5%) last week. The price of November NYMEX natural gas continued to have slight gains week-over-week, ending last week at US\$4.79/mmbtu. The TSX E&P Index fell by 2.3%, compared to the broader TSX Composite Index decline of 1.1%.

Within our coverage group, **Vero Energy Inc.** (VRO – TSX Cdn\$4.35; Target Cdn\$4.25; HOLD) announced a flow-through equity financing early last week. The company is to issue 2.2 million shares at \$5.65 per share for gross proceeds of \$12.5 million. With the announcement of this financing, our YE-09 estimated net debt fell approximately 10%, reducing some of our previous balance sheet concerns. We transitioned the company to a **HOLD** recommendation (from BUY) on Monday October 19th, as the stock traded 14% higher than our target price. The Company's stock is down ~10% since our downgrade.

Week-over-Week & Year-to-Date Share Price Performance



Price Performance			
Weekly		YTD Total Return	
E&P			
AXL	19.1%	IE	370.7%
DEE	11.5%	CR	99.2%
CR	5.4%	DEE	79.8%
MOX	2.7%	SU	65.1%
SEO	-1.0%	MOX	54.7%
ECA	-2.8%	NVA	45.2%
NVA	-3.8%	ECA	12.3%
SU	-4.0%	SEO	5.3%
IE	-6.4%	AXL	-1.7%
VRO	-10.3%	VRO	-19.9%
Indices			
TSX E&P	-2.3%	TSX E&P	36.0%
TSX Comp.	-1.1%	TSX Comp.	27.5%
Commodities			
WTI	2.5%	WTI	56.2%
NYMEX HH	0.2%	NYMEX HH	37.2%

Source: Salman Partners Inc. and Thomson One

Source: Salman Partners Inc., Thomson ONE

Analyst Coverage: Tim Murray

COMPANY NEWS

Canadian Spirit Resources Inc. (SPI – TSXV Cdn\$1.25; Not Rated)*Land of Value*

We would like to follow up on last Friday's *Energy Levels* publication on **Canadian Spirit Resources Inc.** (SPI – TSXV Cdn\$1.25; Not Rated) outlining the company's recent press release. If we value the company's Montney land holdings at Farrell Creek (~4,011 net hectares) at the recent B.C. land sale price of \$16,300 per hectare, we come to a value of \$65.4 million. Canadian Spirit has 48.4 million common shares outstanding; meaning the potential value of the Montney lands is \$1.35 per share which is almost in line with the company's current share price of \$1.25. The company's working interest in the Montney lands could be reduced to 30% from 35%, if its partner, private company **Cambrian Energy**, fulfills certain requirements, which more than likely would mean drilling additional wells. We have provided a sensitivity table in Figure 1 below for Canadian Spirit's Montney lands.

Figure 1: Value of Montney Lands

		(\$/hectare)				
		\$12,300	\$14,300	\$16,300	\$18,300	\$20,300
WI (%)	30%	\$0.87	\$1.02	\$1.16	\$1.30	\$1.44
	35%	\$1.02	\$1.19	\$1.35	\$1.52	\$1.68

Source: Salman Partners Inc., Canadian Spirit Resources Inc.

In addition, the company has an ~\$10.4 million in working capital (\$0.21 per share) and 54 sections of land in the Gething formation. Given the back-of-the-envelope analysis for the Montney lands above, an investor would be receiving the Gething lands essentially for free, where **Royal Dutch Shell Plc** (RDS.A – NYSE US\$62.12; Not Rated) is the partner/operator and has a pilot project well underway and Canadian Spirit expects 7 wells on production by year end.

Analyst Coverage: Tim Murray

COMPANY FORECASTS

Oil & Gas Price Assumptions	2006A	2007A	2008A	2009F	2010F	Long -Term
WTI Crude Oil (US\$/bbl)	\$66.23	\$72.33	\$99.67	\$60.00	\$65.00	\$70.00
Henry Hub Natural Gas (US\$/mmbtu)	\$6.98	\$7.11	\$8.89	\$4.20	\$6.75	\$8.00
AECO Natural Gas (Cdn\$/mcf)	\$6.53	\$6.46	\$8.17	\$4.00	\$7.00	\$7.50
Foreign Exchange (US\$/Cdn\$)	\$0.88	\$0.94	\$0.94	\$0.86	\$0.87	\$0.88

Company	Ticker	Last Price	12-mth Target	Rec.	Chg. to Target	Mkt Cap (MM)	CFPS			P/CF			EV/DACF			Production (BOE/DPD)			EV/BOE/DPD	Analyst	
							2008A	2009F	2010F	2008A	2009F	2010F	2008A	2009F	2010F	2008A	2009F	2010F	2009F		
Senior E&P																					
EnCana Corp.	ECA-US	\$60.11	\$61.00	REVIEW	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Suncor Energy Inc.	SU	\$38.37	\$33.00	REVIEW	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
International E&P																					
Ivanhoe Energy Inc.	IVAN-US	\$2.52	\$3.15	REVIEW	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Junior E&P																					
Vero Energy Inc.	VRO	\$4.35	\$4.25	HOLD	-2%	\$188	\$2.31	\$0.64	\$1.50	1.9x	6.8x	2.9x	3.6x	9.9x	4.2x	6,294	6,970	8,145	\$41,663	TM	
Nuvista Energy Ltd.	NVA	\$12.55	\$11.80	BUY	-6%	\$1,187	\$3.75	\$2.36	\$3.09	3.4x	5.3x	4.1x	4.9x	7.5x	5.6x	24,320	27,130	30,780	\$57,342	TM	
Storm Exploration Inc.	SEO	\$14.55	\$13.70	BUY	-6%	\$687	\$1.91	\$0.98	\$2.27	7.6x	14.9x	6.4x	8.6x	16.4x	7.3x	6,978	8,300	9,700	\$95,896	TM	
Delphi Energy Corp.	DEE	\$1.74	\$1.55	BUY	-11%	\$171	\$0.93	\$0.51	\$0.62	1.9x	3.4x	2.8x	3.5x	5.9x	4.2x	6,345	6,977	7,900	\$40,099	TM	
Anderson Energy Ltd.	AXL	\$1.12	\$0.95	BUY	-15%	\$169	\$0.91	\$0.22	\$0.38	1.2x	5.0x	2.9x	3.0x	7.8x	4.1x	7,787	7,650	7,500	\$31,782	TM	
Midnight Oil Exploration Ltd.	MOX	\$1.16	\$0.95	HOLD	-18%	\$87	\$0.53	\$0.17	\$0.39	2.2x	6.8x	2.9x	2.5x	9.7x	3.7x	1,834	2,050	3,150	\$49,698	TM	
Crew Energy Inc.	CR	\$10.50	\$5.80	SELL	-45%	\$820	\$2.06	\$1.06	\$1.65	5.1x	9.9x	6.4x	7.4x	11.5x	7.3x	11,617	13,670	14,680	\$71,698	TM	
Average					-15%	\$473				3.3x	7.4x	4.1x	4.8x	9.8x	5.2x	9,311	10,392	11,693	\$55,454		

Notes:

Analyst: (TM) Tim Murray

Salman Partners Inc. Disclosure

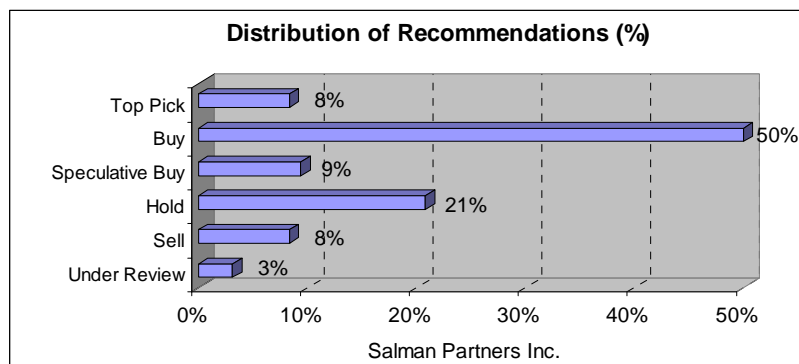
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Buy	A recommendation to purchase the stock at the current price.
Hold	A recommendation to maintain one's current position in the company, given the current share price and the outlook for the company, sector or underlying commodity.
Sell	A recommendation to reduce one's share position, either in part or in whole.
Speculative Buy	A recommendation to purchase shares in a company which is considered speculative because of the risk associated with owning shares. This added risk can be attributed to the company's size, financial stability, liquidity, the outlook for a commodity or commodities or other factors beyond Salman Partners' control. Suitable for risk-tolerant investors only.
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Suite 1700
1095 West Pender Street
Vancouver, B.C. V6E 2M6
Tel: (604) 685-2450 • Fax (604) 685-2471

Suite 1800
100 Yonge Street
Toronto, Ontario M5C 2W1
Tel: (416) 861-1270 • Fax: (416) 861-1935

Suite 835
401 - 9th Avenue S.W.
Calgary, Alberta T2P 3C5
Tel: (403) 261-6065 • Fax: (403) 261-6069

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