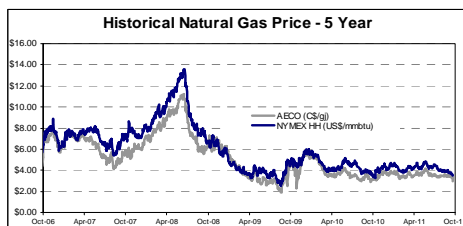
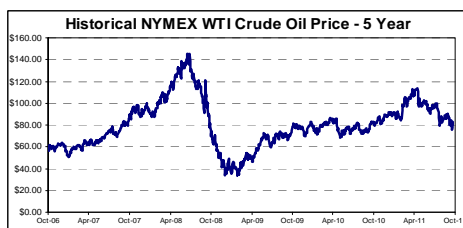
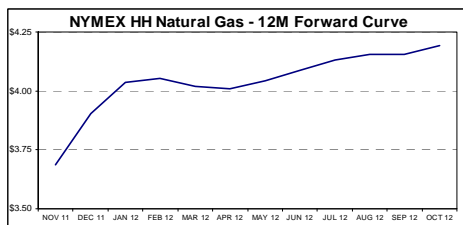
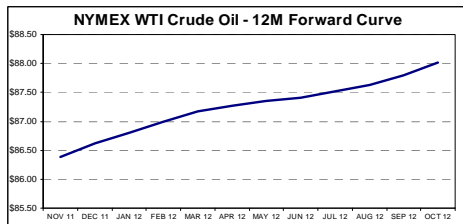


ENERGY LEVELS

MORNING NOTE
OCTOBER 19, 2011

Salman
Partners

COMMODITY PRICING



Source: Bloomberg

OIL (US\$/BBL)	CLOSE	CHANGE	GAS (US\$/MMBTU)	CLOSE	CHANGE
NYMEX WTI (October 18)	\$88.34	\$1.54	NYMEX HH (October 18)	\$3.553	(\$0.015)
Intraday/Overnight	\$88.22	(\$0.12)	Intraday/Overnight	\$3.590	\$0.037
Dated Brent (October 18)	\$111.44	(\$4.52)	NYMEX 12-Month Forward Strip	\$3.933	(\$0.045)
Intraday/Overnight	\$111.24	(\$0.20)	AECO Spot (Cdn\$/mcf)	\$3.439	\$0.169
NYMEX 12-Month Forward Strip	\$89.07	(\$0.13)			
NYMEX 321 Crack Spread	\$31.26	(\$2.46)			

Source: Bloomberg Thomson One

AT A GLANCE

Industry News

- 65% rig utilization rate last week
- B.C. land sale bonuses total \$24.3 million

Company News

- **Antrim Energy Inc. (AEN – TSX \$0.90; SPECULATIVE BUY; Target Price: \$1.95)**
New Concession Off the Coast of Ireland
- **Canadian Spirit Resources Inc. (SPI – TSX \$0.91; HOLD; Target Price: \$0.90)**
Looking for Liquids

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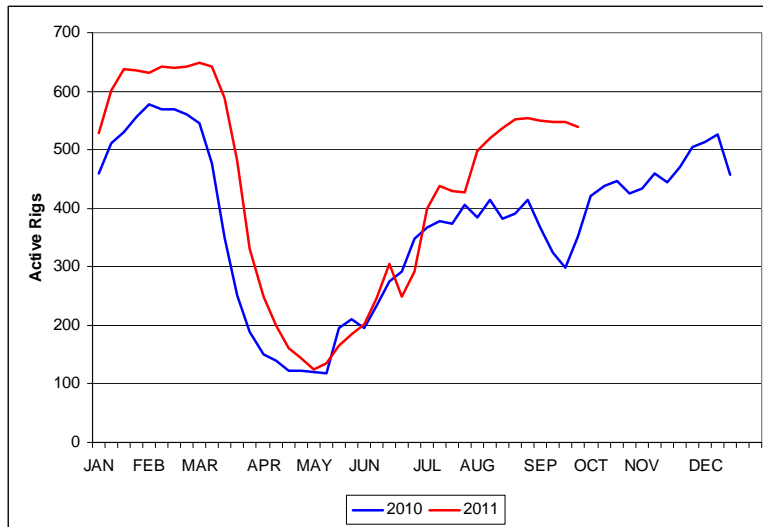
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INDUSTRY NEWS

Drilling Activity Leveling Off

There were 521 active drilling rigs in Western Canada last week, representing a 65% utilization rate. That compares to a utilization rate of only 52% at this time last year. The fleet was down by two rigs to 803 available rigs.

Figure 1: Rig Utilization



Source: Daily Oil Bulletin

Alberta Dominates 2011 Land Sales

British Columbia's October land sale attracted \$24.3 million in bids on 18,797 hectares for an average price of \$1,295/hectare. Brokers paid \$7.1 million and \$5.8 million, respectively, for a pair of licenses. So far this year the province has collected \$147.5 million in bonus payments, down dramatically from \$801.0 million through the first ten months of 2010, and the average purchase price has fallen from \$2,257/hectare to \$1,054/hectare.

Across the country, provincial governments collected \$3.4 billion through the first nine months of 2011. That was down from a record high \$4.1 billion in 2008, but compares favorably to \$3.0 billion last year. The rush to acquire Duvernay rights propelled Alberta's share of the proceeds to \$3.1 billion from only \$1.9 billion during the first nine months of 2010.

COMPANY NEWS

Antrim Energy Inc. (AEN – TSX \$0.90; SPECULATIVE BUY; Target Price: \$1.95) – 184.0M Shares Outstanding

New Concession Off the Coast of Ireland

Antrim has been awarded a 1,400 square kilometer concession in the Porcupine Basin off the southwest coast of Ireland, and will spend two years conducting a review of existing seismic and well control. The company can then secure a 15-year exploration license that would come with a dollar commitment to shoot additional seismic and drill a well.

Antrim describes the area as “frontier” acreage, which has been lightly explored, but shares geological characteristics in common with Canada’s east coast. Hibernia is, after all, the classical Latin name for Ireland. The neighboring block was awarded to ExxonMobil in 2004, and they are getting around to drilling it eight years later. This is a long-term project for Antrim, and one that will have no immediate impact on reserves, production or the stock price.

Antrim has three wells planned for the central North Sea this fall and winter, but continues to wait on a rig that is working west of the Shetland Islands for another operator. It will drill the Erne (50%) and Carra (100%) prospects, while another rig will drill an appraisal well at East Fyne. We currently rate the stock a **SPECULATIVE BUY** and our 12-month target price is **\$1.95**.

Canadian Spirit Resources Inc. (SPI – TSX \$0.91; HOLD; Target Price: \$0.90) – 74.2M Shares Outstanding
Looking for Liquids

Canadian Spirit Resources has drilled another good Montney gas well at Farrell Creek, B.C. It tested 5 mmcf/d, or 1.5 mmcf net to CSRI, and will be tied-in to a small gas plant owned by CSRI (35%) and its partner. That will boost Canadian Spirit’s production to 3.5 mmcf/d, although at current natural gas prices we forecast only \$1 million in cash flow next year, or about a penny per share.

Canadian Spirit’s problem is that all its existing wells are on its West Block and produce only dry gas. There is an invisible line that seems to run right through CSRI’s property; wells drilled below the line produce only dry gas, while those drilled above the line produce as much as 30 bbls/mmcf of natural gas liquids (which really enhance the economics). Canadian Spirit has drilled a vertical test on its East Block to check for liquids content in the thick Montney section.

Sinopec’s recent acquisition of Daylight Energy Inc. (DAY - TSX) suggests that there may ultimately be a buyer for Canadian Spirit, but the lack of liquids makes the economics challenging. We maintain our **HOLD** recommendation and **\$0.90** target price.

Figure 2: Comparative Valuations

Company Name	Stock Symbol	Exchange	Current Price	Target Price	Rating	2011F CFPS	P/CF	NAV	P/NAV	Enterprise Value Reserves (\$/boe)	Production (\$/boed)
P1											
ARC Resources	ARX	TSX	\$24.90	\$23.50	HOLD	\$2.75	9.0	\$24.00	1.0	\$16.16	\$95,168
Baytex Energy	BTE	TSX/NYSE	\$50.78	\$50.50	BUY	\$4.43	11.5	\$55.24	0.9	\$28.70	\$131,658
Bonavista Energy	BNP	TSX	\$25.56	\$27.50	TOP PICK	\$3.38	7.6	\$31.70	0.8	\$16.76	\$73,574
Crescent Point Energy	CPG	TSX	\$43.10	\$45.00	BUY	\$4.50	9.6	\$49.50	0.9	\$37.87	\$177,662
Daylight Energy	DAY	TSX	\$9.79	\$10.00	HOLD	\$1.36	7.2	\$8.74	1.1	\$16.30	\$73,257
Enerplus	ERF	TSX/NYSE	\$27.35	\$28.00	HOLD	\$3.66	7.5	\$29.76	0.9	\$17.58	\$69,646
NAL Energy	NAE	TSX	\$8.60	\$9.50	HOLD	\$1.70	5.0	\$10.60	0.8	\$17.32	\$63,208
Pengrowth Energy	PGF	TSX/NYSE	\$10.22	\$12.00	BUY	\$1.60	6.4	\$13.78	0.7	\$14.41	\$62,499
Progress Energy Resources	PRQ	TSX	\$13.99	\$15.00	BUY	\$1.04	13.4	\$16.82	0.8	\$14.49	\$79,283
Zargon Oil & Gas	ZAR	TSX	\$13.06	\$15.50	BUY	\$2.62	5.0	\$18.10	0.7	\$16.36	\$52,583
<i>Mean</i>							8.2		0.9	\$19.60	\$87,854
<i>Median</i>							7.5		0.9	\$16.56	\$73,415
P2											
Anderson Energy	AXL	TSX	\$0.42	\$0.60	BUY	\$0.29	1.5	\$1.16	0.4	\$7.13	\$29,614
Birchcliff Energy	BIR	TSX	\$14.17	\$12.25	HOLD	\$1.01	14.0	\$22.42	0.6	\$9.34	\$126,461
BlackPearl Resources	PXX	TSX	\$4.41	\$8.85	TOP PICK	\$0.25	17.9	\$8.63	0.5	\$50.54	\$157,190
Compton Petroleum	CMT	TSX	\$6.85	\$6.00	HOLD	\$1.06	6.5	\$14.40	0.5	\$3.93	\$24,353
Delphi Energy	DEE	TSX	\$1.87	\$1.85	HOLD	\$0.55	3.4	\$3.45	0.5	\$9.50	\$36,428
NuVista Energy	NVA	TSX	\$6.43	\$6.25	HOLD	\$1.50	4.3	\$13.16	0.5	\$8.25	\$36,714
Rock Energy	RE	TSX	\$2.41	\$2.50	HOLD	\$0.65	3.7	\$6.02	0.4	\$7.97	\$33,476
Sure Energy	SHR	TSX	\$1.39	\$1.40	BUY	\$0.28	5.0	\$1.32	1.1	\$21.38	\$74,585
TransGlobe Energy*	TGL	TSX/NASD	\$9.15	\$9.50	BUY	\$1.53	6.0	\$10.71	0.9	\$44.20	\$58,530
Twin Butte Energy	TBE	TSX	\$1.60	\$1.70	BUY	\$0.44	3.6	\$3.68	0.4	\$7.80	\$37,195
Vero Energy	VRO	TSX	\$2.80	\$3.25	HOLD	\$1.80	1.6	\$8.05	0.3	\$8.85	\$30,460
<i>Mean</i>							6.1		0.6	\$16.26	\$58,637
<i>Median</i>							4.3		0.5	\$8.85	\$36,714
P3											
Antrim Energy	AEN	TSX	0.90	\$1.95	SPEC BUY	\$0.00	-401.5	\$7.14	0.1	\$5.54	\$94,895
Canadian Spirit Resources	SPI	TSX.V	0.91	\$0.90	HOLD	-\$0.01	-146.4	\$1.24	0.7	\$3.38	\$215,725

* US\$

Source: Thomson One and Salman Partners Inc. estimates

Salman Partners Inc. Disclosure

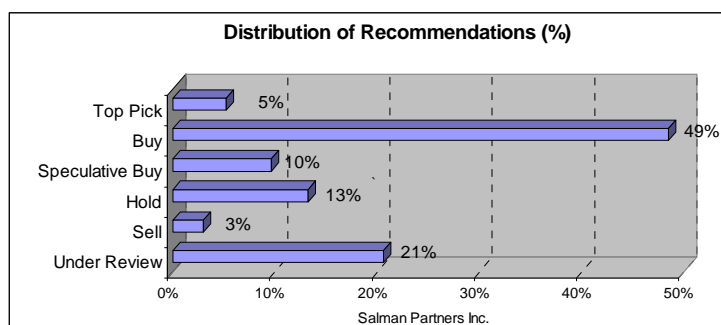
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Buy	A recommendation to purchase the stock at the current price.
Hold	A recommendation to maintain one's current position in the company, given the current share price and the outlook for the company, sector or underlying commodity.
Sell	A recommendation 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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