

Western Canada's intermediate oil and gas players outperform the market in 2011

CALGARY, ALBERTA – Western Canada's intermediate oil and gas explorers and producers outperformed the overall stock market in 2011, a survey released today shows. Although the average investor would have lost money by buying and holding a basket of intermediate oil and gas companies in 2011, dividends helped limit the median loss to 6.6 percent. This compares with a median loss of 26.5 percent in 2011 for Western Canada's junior oil and gas companies, a loss of 16.9 percent for the S&P/TSX Capped Energy index and a loss of 11.0 percent for the broad S&P/TSX Composite index.

Financial communications firm Bryan Mills Iradesso released its 2011 share price survey in conjunction with the distribution of its quarterly iQ Report comparing the third quarter 2011 operating and financial results for all the junior and intermediate oil and gas companies that operate in Western Canada and trade on the TSX and TSX Venture Exchange. The iQ Report defines junior oil and gas companies as those with production between 500 and 10,000 barrels of oil equivalent per day (boe/d) and intermediates as companies with production between 10,000 and 100,000 boe/d. A total of 29 intermediates and 56 juniors fit into these categories in the third quarter of 2011.

Bryan Mills Iradesso's share price survey measures each company's total return, which is defined as the change in the share price plus any dividends paid during the year. Five juniors and 13 intermediates paid dividends to shareholders in 2011.

The range in the total return is significant. For the intermediates, Compton Petroleum delivered the poorest performance in 2011, losing 95 percent of its market value. The strongest performance in the group in 2011 came from Trilogy Energy, offering investors a return of 208 percent, including a monthly dividend of \$0.035 per share.

The share price swing isn't as dramatic for the juniors. Skope Energy sits at the bottom of the list with a loss of 77.5 percent despite a quarterly dividend of \$0.175 per share. On December 15, 2011, Skope announced the suspension of its dividend. Skope pointed to "low natural gas prices and volatile capital markets" as the reasons for the decision. The top performer among the juniors in 2011 was Crocotta Energy with a total return of 105.7 percent. Crocotta did not pay dividends in 2011.

Although share prices are immediately measurable, investors will have to wait to find out the financial and operating performance. The results for 2011 won't be known until the last TSX Venture issuer reports its annual numbers at the end of April 2012. In fact, public companies just finished reporting their third quarter 2011 results. To help investors compare and contrast Western Canada's junior and intermediate oil and gas companies, Bryan Mills Iradesso compiled the third quarter 2011 results into its latest iQ Report.

Highlights from the Q3 2011 iQ Report

Enterprise Value

- The median enterprise value of Western Canada's junior oil and gas companies slid in the third quarter of 2011. Enterprise value is calculated by adding a company's market capitalization to its net debt. Companies with high valuations are often better positioned to access capital or use equity to complete accretive deals.
- For the juniors, the median enterprise value in the third quarter of 2011 fell to \$59,912/boe compared with a median enterprise value of \$74,834/boe in the second quarter of 2011 and \$59,692 in the third quarter of 2010. The range in the latest quarter is from \$19,229/boe to \$244,464/boe.

- The median enterprise value for the intermediates stayed consistent in the third quarter of 2011 at \$74,958/boe compared with \$72,751/boe in the second quarter of 2011 and \$70,968/boe in the third quarter of 2010. The enterprise values in the latest quarter range from \$14,338 per boe to \$184,073 per boe.

Production per Share

- The stock market malaise faced by Canada's oil and gas companies was not a function of their operational performance in the third quarter of 2011. In fact, both the juniors and intermediates managed the rare feat of increasing their production per share during the quarter.
- From the second quarter to the third quarter of 2011, the intermediates showed a median increase of 5.0 percent in overall production and 4.0 percent in production per share. The juniors performed almost as well, with the median overall production level increasing 4.2 percent while production per share increased 1.9 percent.
- By comparison, from Q1 to Q2 2011 the intermediates showed a median decline of 2.9 percent in production per share. The juniors fared even worse, with the median production per share dropping 5.3 percent from Q1 to Q2 2011. The production per share growth in Q3 2011 is noteworthy.

Gas Pains

- Given the low natural gas prices, Western Canada's junior oil and gas companies have been making slow but steady progress on the path to decreasing their dependence on natural gas since the second quarter of 2010. Despite the trend, the average junior and intermediate exploration and production company is still producing more natural gas than oil. The median junior had a natural gas weighting of 55.5 percent in Q3 2011 compared with an almost identical 55.6 percent in Q2 2011. Meanwhile, the median intermediate natural gas weighting was 65.0 percent in Q3 2011 compared with 67.9 percent in the previous quarter.

About the iQ Report

The quarterly iQ Report tracks the performance of all junior and intermediate conventional oil and gas companies that operate primarily in Western Canada and trade on the TSX and TSX Venture Exchange. Select information is also provided on oil sands players, international operators and emerging producers. The comparison is available free at <http://iq.bmir.com>.

About Bryan Mills Iradesso

Bryan Mills Iradesso helps clients identify, reach and influence key audiences through a broad spectrum of disciplines, including investor relations, websites, annual reports, branding and marketing. With offices in Calgary and Toronto, Bryan Mills Iradesso has professionals with backgrounds in communications, investor relations, brand strategy, design, marketing and journalism. The firm's Calgary office publishes the iQ Report as part of its specialty communications services for energy clients. Bryan Mills Iradesso is an MDC Partners Inc. company.

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