BryanMillsIradesso bmir

December 12, 2007 For Immediate Release

Slumping energy shares create opportunities for savvy investors; Comparative research helps investors decide which companies will thrive

CALGARY, ALBERTA – The third quarter of 2007 took a heavy toll on Canada's natural-gas focused industry, a report released today shows. Seventy-one percent of Western Canada's public junior oil and gas companies reported a loss in the third quarter, losing an average of $4 million while paying $2.7 million in royalties. In total, the 77 junior companies included in the comparison reported losses of $306 million while paying $205 million in royalties. Although only 18 percent of conventional energy trusts reported a loss in the quarter, royalty payments on their production totalled $620 million on total earnings of only $669 million. Instability in the industry was reflected in the 18 percent drop in juniors' share prices in the third quarter, with a further 13 percent decline in the months of October and November.

These are just a few of the findings in the latest iQ Report by Bryan Mills Iradesso, an investor relations firm based in Calgary and Toronto. Bryan Mills Iradesso tracks the performance of energy trusts and junior oil and gas companies that operate primarily in Western Canada and trade on the TSX and TSX Venture Exchange. The comparison, released quarterly and made available free of charge to investors, includes every trust that focuses on conventional oil and gas production and every public company that produces between 500 and 15,000 barrels of oil equivalent per day (boe/d). Bryan Mills Iradesso's latest comparison includes the third quarter 2007 results of 77 juniors and 22 trusts.

Peter Knapp, president of Bryan Mills Iradesso, says many junior companies have decided to sell the corporation, dispose of assets or merge to stay afloat.

"When it comes to juniors, the companies that have shown strong returns – or any returns at all – in the market are those that have been or are in the process of being acquired," says Knapp. "Their deal-making gives hope to investors in the sector and shows how important an exit strategy can be."

The iQ Report offers several parameters for evaluating the industry to guide investors in their search for companies or trusts that deserve further research.

Other highlights of the latest iQ Report include the following:

- Based on the ratio of enterprise value to cash flow, the junior companies that are showing best value are Eagle Rock Exploration (TSXV-ERX), Tusk Energy (TSX-TSK), Grand Banks Energy (TSXV-GBE), Zapata Energy (TSXV-ZCO), Endev Energy (TSX-ENE) and Delphi Energy (TSX-DEE).

- Only four of the 77 junior companies currently have no debt. These companies include Questerre Energy (TSX-QEC), Petro-Reef Resources (TSXV-PER), Trafalgar Energy (TSX-TFL) and One Exploration (TSXV-OE.A). None of the conventional energy trusts are without debt, however Crescent Point Energy Trust (TSX-CPG.UN), Zargon Energy Trust (TSX-ZAR.UN) and Arc Energy Trust (TSX-AET.UN) have the cleanest balance sheets, with debt of less than one times annualized third quarter cash flow.

- Only 22 energy trusts fit the criteria for inclusion in the iQ Report for the third quarter, compared to 25 in the second quarter of 2007 and 34 at their height in mid 2005. No new trusts have been formed since the Canadian government announced the decision in 2006 to tax trusts starting in 2011. Trusts continue to be acquired with another three transactions announced since the end of the third quarter.

- The median return for trusts including monthly cash distributions was a loss of four percent for the third quarter, followed by another eight percent loss in October and November.

- Based on enterprise value (market capitalization plus net debt) versus third quarter production rates, juniors continue to be valued significantly lower than trusts. The juniors showed a median enterprise value of $44,965 per boe/d, while the trusts had a median enterprise value of $66,085 per boe/d.

- Net debt levels in relation to cash flow rose for juniors in the third quarter versus the previous quarter. Juniors showed median net debt to be 1.7 times annualized cash flow compared to 1.4 times for the second quarter. Meanwhile trusts continued to show median net debt of 1.6 times annualized cash flow, the same as the second quarter.

- Depletion, depreciation and accretion (DD&A) expenses per boe have declined for the second quarter in a row, a new development since the steep increases through 2005 and 2006. DD&A expenses are an approximation of finding and development costs for oil and gas reserves. DD&A expenses are down from the second quarter of 2007 at median levels of $23.76 per boe for juniors and $19.28 per boe for trusts. The fact that DD&A is lower for trusts than juniors means that in general the trusts are acquiring their reserves at lower prices than the juniors.

Though the numbers may seem bleak, Knapp says this could be the ideal time for investors to regain some of the ground they may have lost in the past year.

“I believe in the sector, and see this market weakness as an opportunity to accumulate positions in companies that have first-rate management teams and strong balance sheets,” Knapp says. “The last time things looked this glum, investors ended up doing extremely well in the end.”

Bryan Mills Iradesso’s complete iQ Report is available free to investors who fill out an online form on the following website: http://iq.bmir.com.

For further information contact:

Peter D. Knapp, President
Bryan Mills Iradesso
400, 805 10th Avenue SW
Calgary, Alberta T2R 0B4
T: (403) 503-0144 x202
ircontact@bmir.com
http://iq.bmir.com