



Changing Philosophy of the Oil & Natural Gas Industry

Sayer Securities Limited

Sayer Securities Personnel

Tom Pavic, CFA, Vice-President

- 6 years industry experience

Alan W. Tambosso, P.Eng. P.Geol., President

- 24 years industry experience

Brent Heinz, Vice-President

- 9 years industry experience

Agenda

- Background of Sayer Securities Limited
- Changing Philosophy of the Oil & Natural Gas Industry
- Examples
- How this could benefit the City of Medicine Hat
- Recent M&A Activity Statistics

Sayer Securities Limited

- **Corporate Advisory Services**
 - Divestitures, Mergers, Acquisitions
 - Valuations and Fairness Opinions
 - Expert Witness Assignments
- **Industry Publications**
 - Well-known, independent M&A market analysis
 - Publish complete Canadian oil industry M&A and Financing information
 - Only source for Canadian oil & gas industry asset sale listing

Past to Present

- **Past: Build Imperial Oil, Shell type companies**
 - Explorers, Developers
 - Refiners, Marketers
 - Multi-faceted, international
- **Present: Build to a certain size, sell, and start over**
 - Explorers, Developers
 - Focused
- **How? and Why?**

Long-term, Sustainable

- **Esso, Shell**
 - Building relationships in the community
 - Sponsor a number of initiatives
- **City of Medicine Hat Gas Utility**
 - 100 year history of natural gas production
 - Provides “Medicine Hat Advantage” for residents

Why?

- Company life-spans are shorter
 - Liquid exit strategies available
- Ultimate production targets are lower
- Royalty Trusts demand assets to feed their model of growth
- Cycle of turnover created
 - Rapid growth

Shorter Life Cycles



Bellator

- Started in 1993
- Went public in 1997
- Sold in 2000
- 7,358 boe/d
- 7 years



Viracocha

- Started in 2000
- Sold in 2004
- 5,261 boe/d
- 4 years



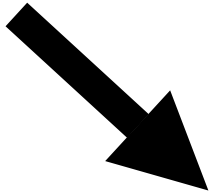
Chamaelo

- Started in 2004
- 2005 split into Trust & ExploreCo
- 3,103 boe/d
- 1 year

Decreasing Exit Points

Poco Petroleums Ltd

- Started in 1992
- Sold in 1999
- 122,509 boe/d

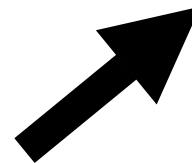


Meota Resources Corp

- Took over in 2000
- Sold in 2002
- 11,452 boe/d

Rider Resources Inc/Ltd

- Management bought-in
- Took over Dec 2002
- Production was:
1,713 boe/d
- Current production:
5,006 boe/d
- Next...?



Start-Up, Sell, and Repeat

Encal Energy

- Sold to Calpine in 2001
- 35,914 boe/d



Progress Energy Ltd

- Took over in late 2001
- Sold in 2004
- 9,953 boe/d

Cypress Energy

- Sold to PrimeWest 2001
- 11,099 boe/d



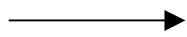
Cequel Energy

- Took over Argonauts Energy in 2002
- Feb 2002 changed name
- Sold in 2004
- 11,312 boe/d

Changing Philosophy of the Oil & Natural Gas Industry

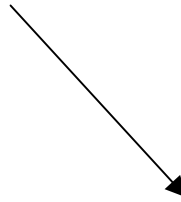
Start-Up, Sell, and Repeat

Encal



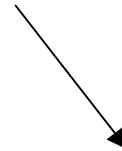
Progress

ProEx

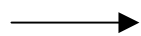


Progress Energy Trust

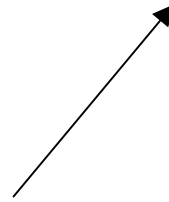
Trust



Cypress

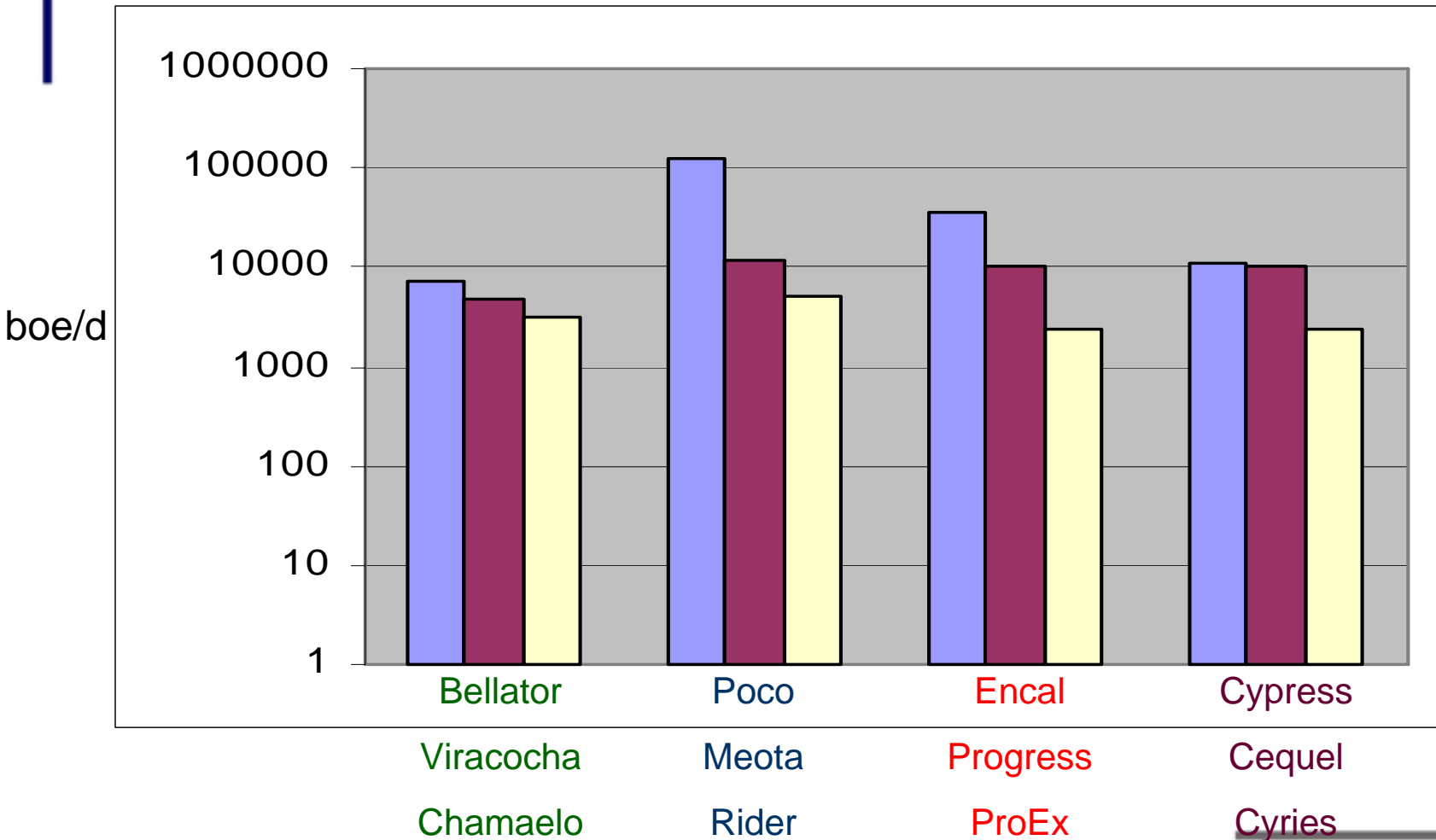


Cequel



Cyries

Declining Exit Production Levels



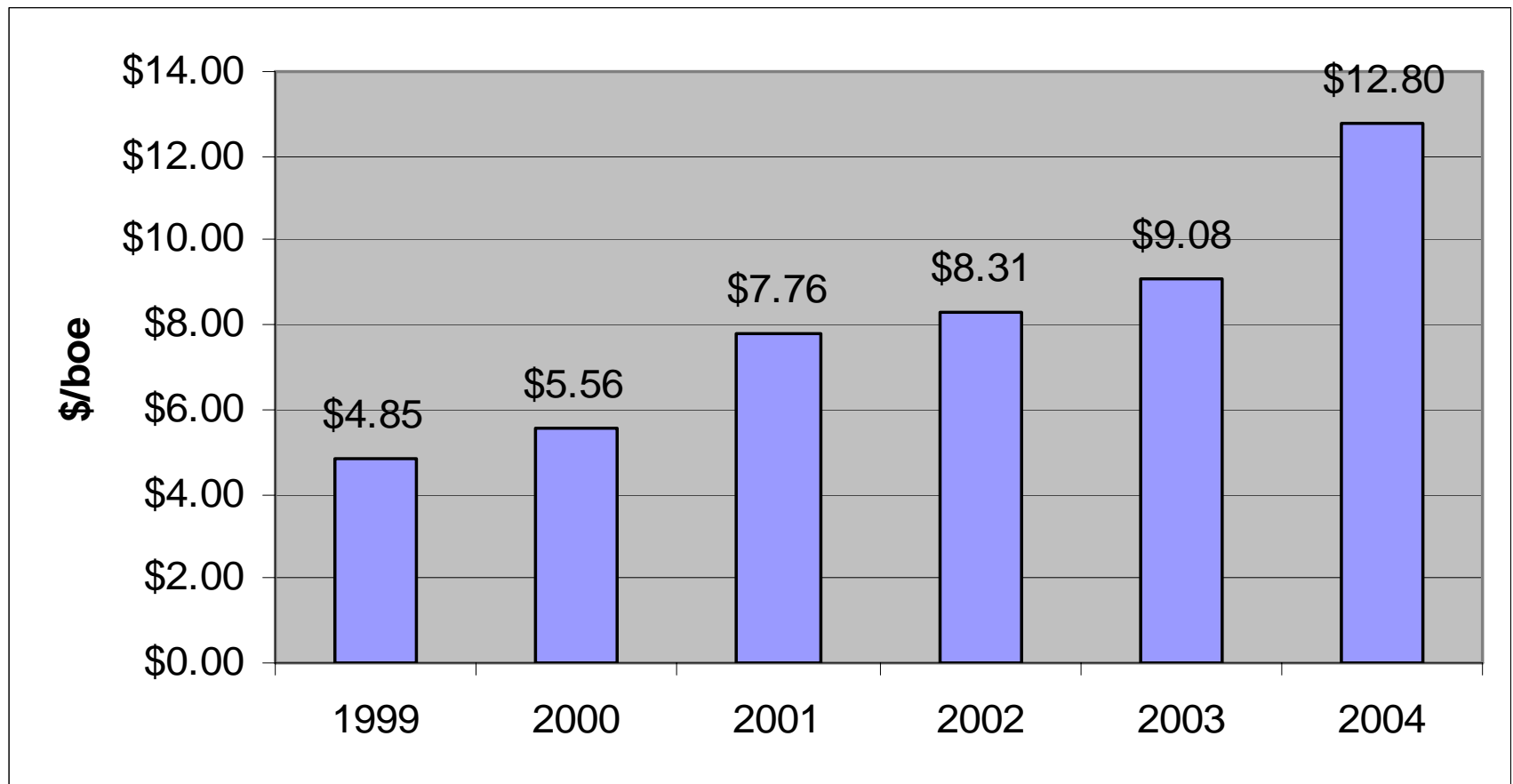
Explaining the Current Trend

- Juniors break into two pieces (or sell pieces):
 - Trust
 - Exploration Company
- Hand-picked high growth assets

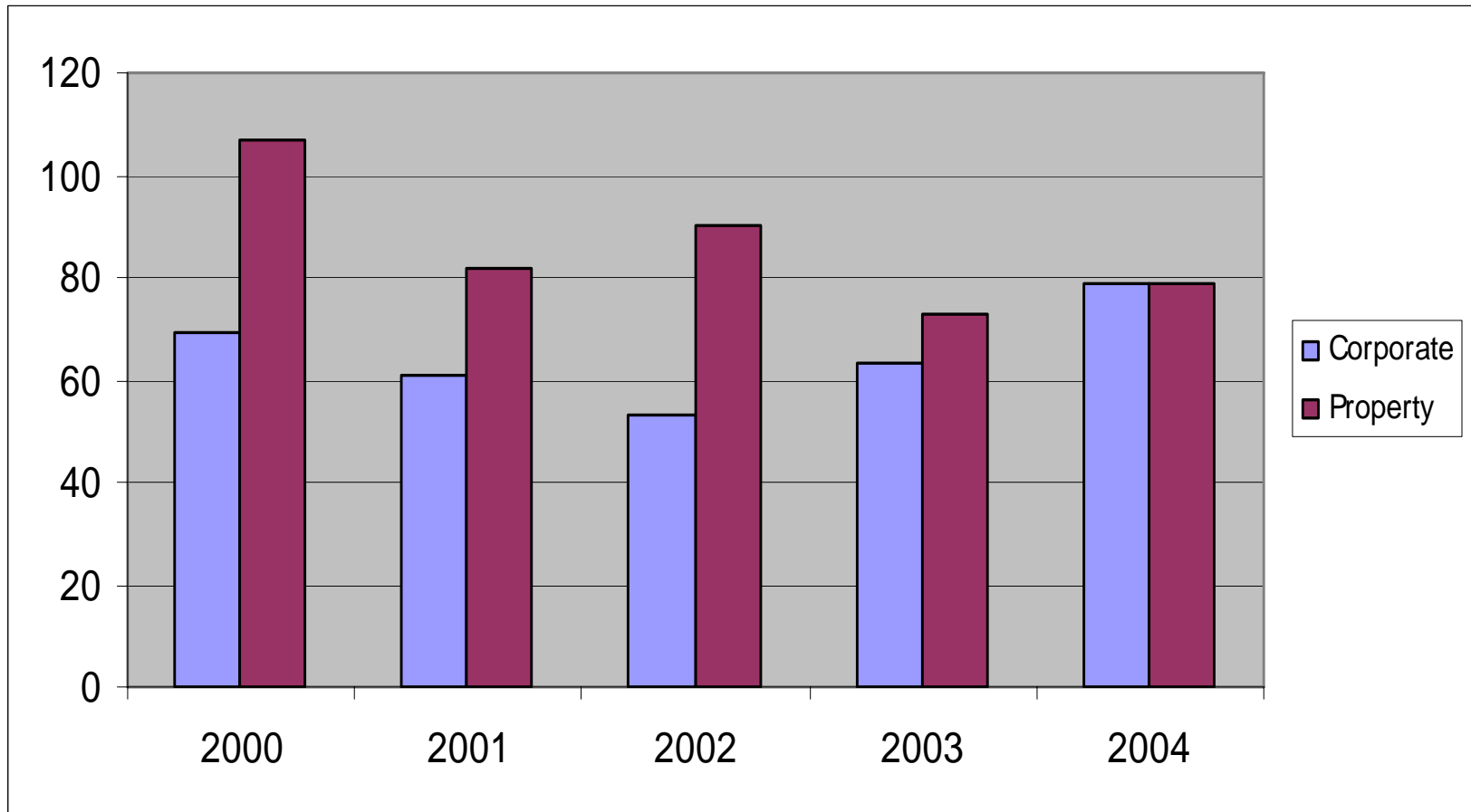
How could the City of Medicine Hat benefit from this?

- Consider investing or joint-ventures
 - Concentrate on companies involved in shallow gas
 - Sell and seed “Spin-Cos” with non-core assets
 - Acquire companies when properties fully developed
- Public Relations
 - Remind the community/shareholders of added value
 - Long-term benefits

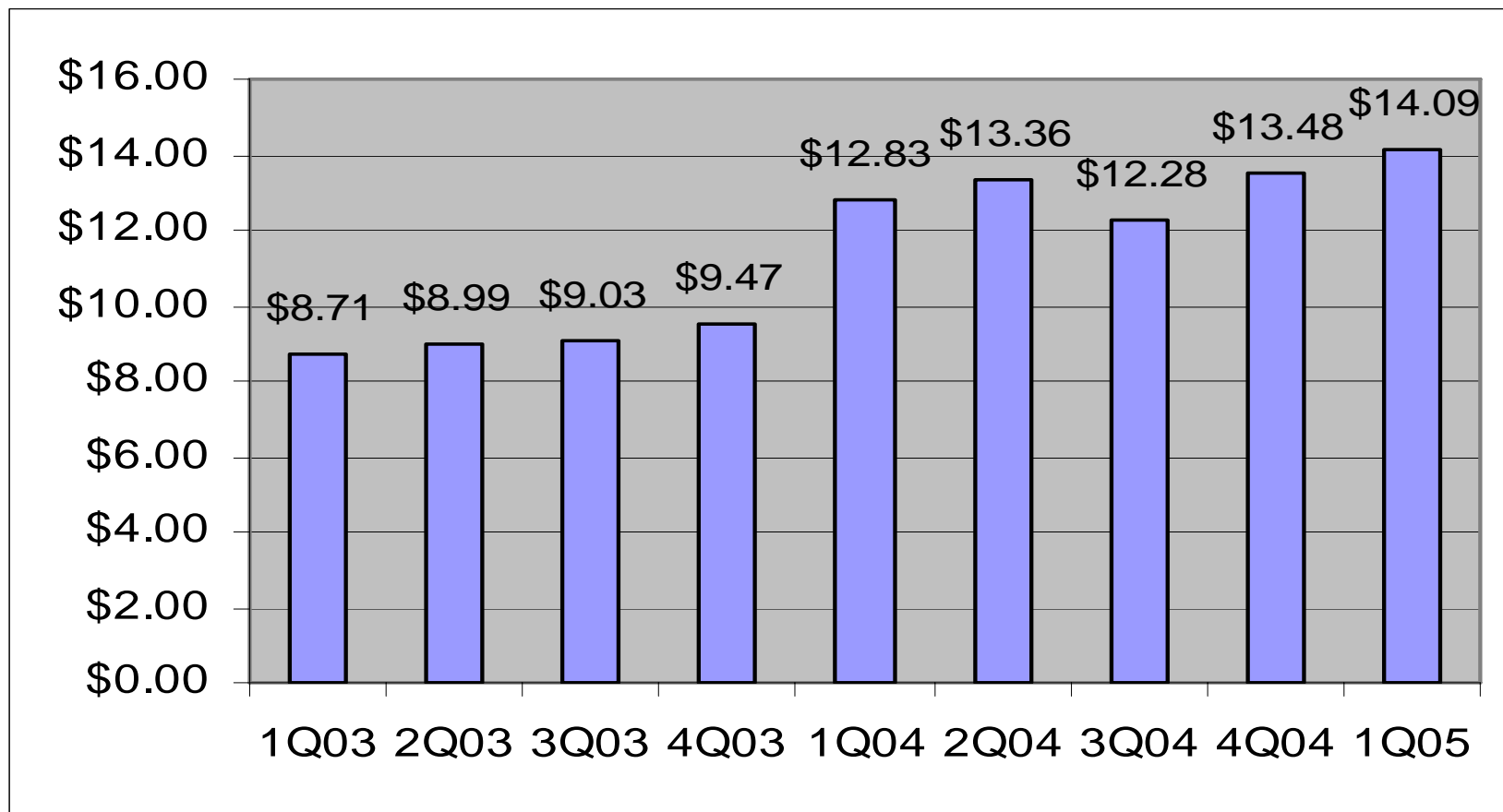
Reserves Median Acquisition Price (6:1)



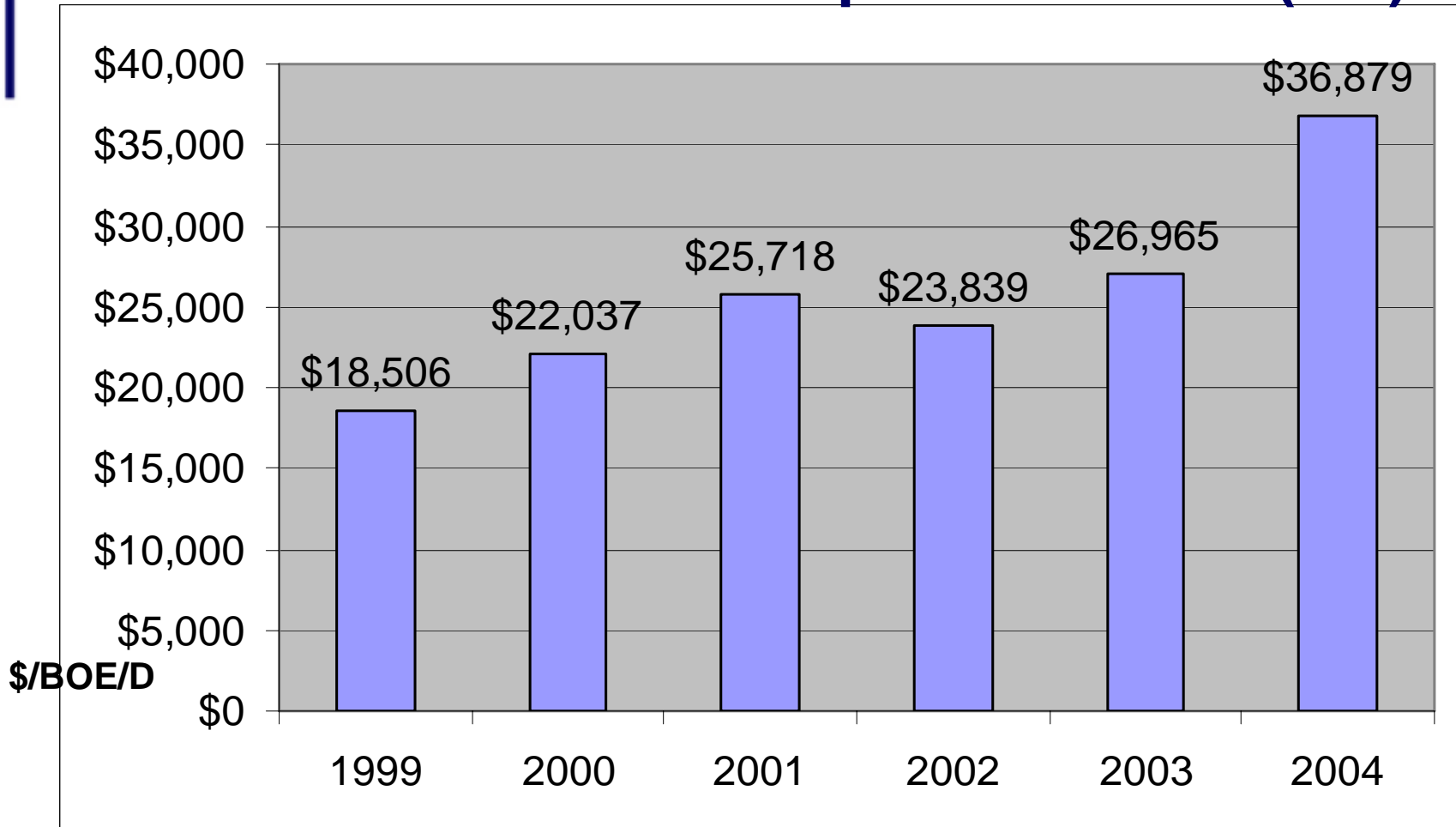
Number of Transactions Over \$5 Million



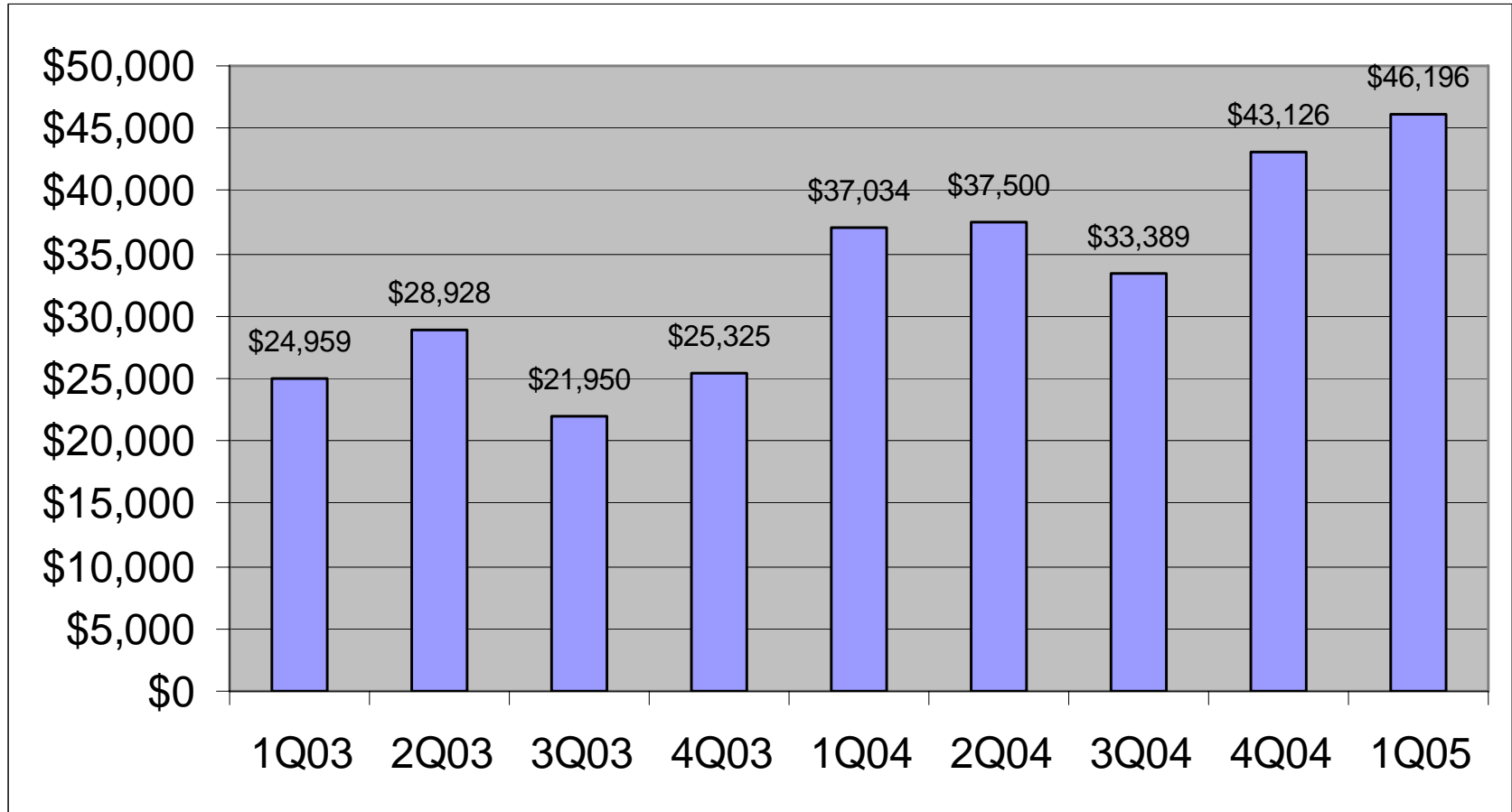
Quarterly Reserves Median Acquisition Price (\$/BOE)



Production Median Acquisition Price (6:1)



Quarterly Production Median Acquisition Price (6:1)



Conclusion

- The liquidity of the oil and natural gas M&A market
 - Lead to shorter life spans of these companies
- Investor mentality
 - Quick returns on investment
- Management mentality
 - Quick pay-out
 - “Ring the Register” and go on to the next one