

## Pacific Energy Res. (PFE-T, \$1.50)

Recommendation: Buy

Malcolm Shaw, P.Geol. (416) 640-4949; [mshaw@wwcm.com](mailto:mshaw@wwcm.com)Kyle Hunter, MBA (416) 640-4953; [khunter@wwcm.com](mailto:khunter@wwcm.com)

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All values in C\$ unless otherwise noted.

Current Price	\$1.50
Target Price (12-Month)	\$3.00
Implied Capital Gain	78%

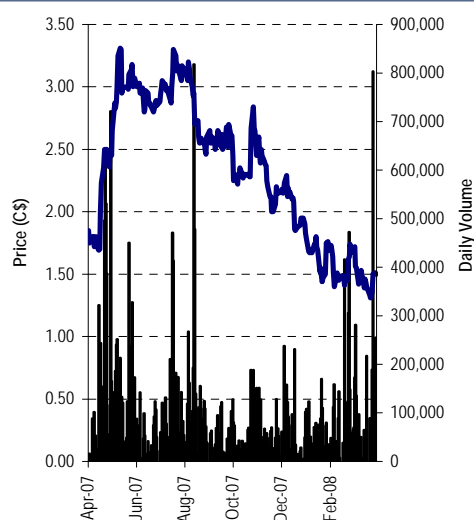
## Changes

	Old	New
Production (boe/d) '08E	9,408*	Unch.
CFPS FD 2008E	(\$0.04)	Unch.
Production (boe/d) '09E	14,237*	Unch.
CFPS FD 2009E	\$0.32	Unch.
Recommendation	Buy	Unch.
Target Price	\$3.00	Unch.

## Company Profile

Pacific Energy is an oil exploration and production company based out of Long Beach, California. The company has core areas in California, Alaska, and Wyoming. The company has a large, established, long-life reserve base that is currently producing ~6,800 bopd. The company plans to ramp-up production by redeveloping proven producing fields, while drilling selected high-impact exploration plays on existing lands.

## Price Chart



Source: PCQuote

## Eureka Restart in Focus as Pacific Energy Executes 2008 Production Growth Plans

- Net 2P reserves of 101.5 mmboe underpins 34-year RLI**  
 We expect current prod<sup>n</sup> of 6.8 kbopd to become ~12.4 kbopd by late '08 with infill drilling in California & Alaska and successful Eureka restart.
- Eureka restart in focus for April – up to 2k bopd planned (1<sup>st</sup> phase)**  
 U.S. MMS approved short-term pipeline solution connecting Eureka to Elly platform; full prod<sup>n</sup> return of ~5 kbopd planned for Q4 2008.
- PFE trades at 0.6x our risked NPV/sh estimate of \$2.45**  
 Note that PFE's auditors calculated an after-tax 2P NPV10 of ~US\$1.5B; net debt of ~\$452M implies a debt adjusted 2P NPV10 value of \$4.68/sh.
- \$3.00 target price and Buy recommendation maintained**  
 Risked NPV/sh of \$2.45 and 2009E CFPS of \$0.32 drive our \$3.00 price target; exploration-weighted risked EMV/sh totals \$6.37.

## Financial Summary

Shares O/S (FD, M)	234.0	52-Week Trading Range	\$1.27-\$3.75	
Market Capitalization (M)	\$351	Average Weekly Volume	542,522	
Net Debt - 2007E (M)	\$452	Market Float (M)	\$313	
Enterprise Value (M)	\$803	Risked NPV/Share	\$2.45	
<b>Forecasts</b>	<b>2006</b>	<b>2007</b>	<b>2008E</b>	<b>2009E</b>
Production (BOE/d) *	705	4,000	9,408	14,237
Weighted Avg. Realized Price (US\$/boe) *	\$44.69	\$72.12	\$66.98	\$63.88
Revenues (M)	\$11.5	\$105.2	\$237.8	\$339.8
DACF (M)	(\$2.8)	(\$4.6)	\$66.0	\$148.9
CAPEX (M)	\$36.7	\$21.3	\$81.5	\$81.5
EPS (FD)	(\$0.17)	(\$0.57)	(\$0.20)	\$0.08
CFPS (FD)	\$0.07	(\$0.33)	(\$0.04)	\$0.32
<b>Valuation</b>	<b>2006</b>	<b>2007</b>	<b>2008E</b>	<b>2009E</b>
EV/DACF		n/m	12.2x	5.4x
EV/BOE/d (per unit production)		n/m	\$85,392	\$56,429
P/E		n/m	n/m	18.4x
Debt/CF		n/m	n/m	6.8x
Target EV/DACF		n/m	17.5x	7.8x

\* Excludes 4 mmcf/d in gas production from Alaskan assets; estimates have been revised

Source: Company reports, Wellington West Capital Markets Inc.

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Company Name	Ticker Symbol	Applicable Disclosure
Pacific Energy Resources Ltd.	PFE-T	2, 3, 11

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