

Pacific Energy Res. (PFE-T, \$1.30)

Recommendation: Buy

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All values in C\$ unless otherwise noted.

Current Price	\$1.30
Target Price (12-Month)	\$3.00
Implied Capital Gain	130%

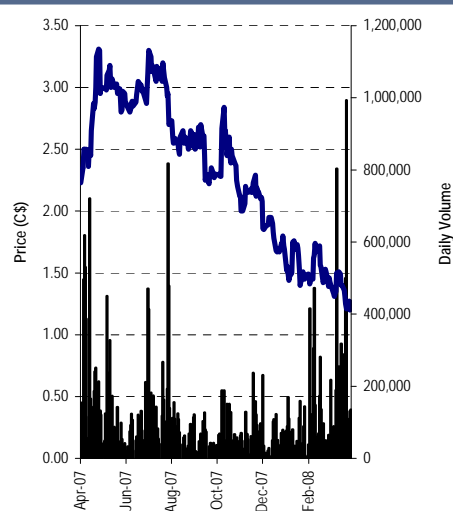
Changes

	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 Proves Pacific Energy has Key to Unlocking Shut-in Oil Production

- Eureka first phase production restarts – set to add 1–2 kbopd**
 Oil is flowing through U.S. MMS approved 6” pipeline solution connecting Eureka to Elly platform; PFE has 100% W.I. in Beta Unit.
- Ramp to full Eureka production of ~4–5 kbopd in focus for Q3**
 PFE remains on-track to fully restore Eureka through 12” pipeline solution in Q3; we maintain our '08 all-in exit target of 12,400 bopd.
- PFE trades at 0.5x our risked NPV/sh estimate of \$2.45**
 PFE’s Beta Unit (\$1.86/sh) and Alaska (\$1.73/sh) assets dominate our risked NPV/sh estimate, which is mitigated by \$1.93/sh in net debt.
- Eureka restart shows PFE plans are on-track – Buy rating**
 Risked NPV/sh of \$2.45 and 2009E CFPS of \$0.32 drive our \$3.00 price target; PFE currently trades at a modest US\$8/bbl on a 2P reserves basis.

Financial Summary

Shares O/S (FD, M)	234.0	52-Week Trading Range	\$1.17-\$3.75	
Market Capitalization (M)	\$295	Average Weekly Volume	580,676	
Net Debt - 2007E (M)	\$452	Market Float (M)	\$263	
Enterprise Value (M)	\$747	Risked NPV/Share	\$2.45	
Forecasts	2006	2007	2008E	2009E
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
Valuation	2006	2007	2008E	2009E
EV/DACF		n/m	11.3x	5.0x
EV/BOE/d (per unit production)		n/m	\$79,424	\$52,485
P/E		n/m	n/m	15.4x
Debt/CF		n/m	n/m	6.8x
Target EV/DACF		n/m	17.5x	7.8x

* Estimates exclude 4 mmcf/d in gas production from Alaskan assets

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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