



CAPITAL MARKETS

Serving the Property & Prospect Marketplace with Capital Insight & Market Opportunities

Plenty of capital driving independent & small cap market

Interview by Bertie Taylor (btaylor@plsx.com)

The capital markets with a penchant for oil and gas investments have gained more momentum during the past several quarters, and the trickle-down effect has left many small producers with cash they couldn't access once upon a time. But while the financing options are good for the microcaps in the space these days, it could get even better during the quarters to come.

QuickTake

While the stability of production in select regions and interest in resource plays may be shifting, one financier says the opportunities for small independents seeking funding still looks solid for 2008. Read On!



Years ago, smaller E&P companies had slim pickings when it came to financial resources. Their limited operating history and fewer assets often qualified them for smaller financing packages that were too tiny for many investment banks to bother. Even

today, several banks are looking to do deals that start at a minimum of \$50 million. But the good news is the number of financing resources for the smaller operators has grown by leaps and bounds, with some shops often offering advisory services and/or funding in packages as small as \$3 million.

Energy-focused investment-banking boutique **C.K. Cooper and Co.** is one such firm. Alex Montano, Managing Director, Corporate Finance Group, leads the firm's investment-banking practice in California, which has closed on \$725 million worth of transactions in the past three years and \$990 million in the past five.

Montano recently shared his take on investors' appetite for energy deals, which producing regions have lost their mojo and how small-caps can improve their chances of funding success.

PLS: Describe the capital climate for small E&P companies here at the end of 2007. How might this change in 2008?

Montano: In general, 2007 will be remembered as a very strong year for capital market activity for the energy industry. In our opinion, smaller E&P issues have enjoyed an unprecedented ability to access capital through a variety of approaches in 2007. There is ample capital and investor appetite for smaller E&P issues in today's market with the exception of private equity. We believe that the recent turmoil in the subprime/private-equity markets has not closed this window, but has definitely changed our expectations on the speed and ease of completing those types of transactions.

We think that the market will remain very active. We believe that E&P Master Limited Partnerships are here to stay and that institutional money will continue to be available for creative financing structures including debt, project financing and field development.

PLS: What are some of the challenges tied to placing capital with smaller companies?

Montano: First, liquidity. Many of these issues lack real liquidity, which increases the relative risks of the investment. Second, lack of track record. In many cases these smaller companies require a relatively large amount of capital for their size, yet lack in field results. As a result, we tend to favor tranching style investments based upon operational objectives being met.

PLS: For several quarters, the industry was flush with cash and there weren't enough prospects/management teams to spend it. What's changed?

Montano: I think that in the bigger picture, there remains excess cash and fewer opportunities. I think the gap has even widened as it is difficult to justify new investments in the Rocky Mountain area -given natural gas prices- which was one area that could consume large amounts of capital.

CONTINUED on page 4

NORTH LOUISIANA

NORTH LOUISIANA OPPORTUNITY

16-Wells Plus 4-PUD Locations.
Fredericksburg Interval.
SHALLOW GAS (3,500 Ft.)
Operational & Maintenance Opportunity.
50% OPERATED WI; 73% NRI (lease)
Offset Development Incl Horizontal Work
Simple Remedial WorkOver Potential.
-SELLER MANAGING DATA ROOM
-LOOKING FOR PARTNER & RIG
PP 8774RE

**500
MCFD/DV**

SOUTH LOUISIANA

LAFOURCHE PH., LA PROSPECT

465-Acres. 3-D Fault Trap.
13,200 Ft. TVD Directional Well
Deeper Pool Wildcat/Normal Pressure.
50% OPERATED WI; ~69% NRI Delivered.
Est Reserves: 62 BCFe
DV 7915

WILDCAT

GULF COAST

GULF COAST PROPERTY

19-Wells.
NonOperated WI Available
Net Production: ~42 BOED
Net Cash Flow: \$23,809/Mn
Est Net Reserves: ~92 MBOE
Net Proved PV12: \$2,000,000
Engineering Available for Review.
Negotiated Sale.
In House Data Room.
AGENT WANTS OFFERS NOVEMBER 14
PP 8495DV

PP/DV/GC

EAST TEXAS

ANDERSON CO., TX SALE PKG

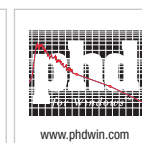
3-Active. 1-New 1-SI/WO 1,600-Acres.
ELKHART DOME
~40% NonOperated WI ; 31% NRI.
3-Current Wells Make: 2.3 MMCFD
1-New Pettit Well: 500 -1,000 MCFD
Proved Rsrvs: ~4.5 BCFe (PDP 1.0 BCFe)
Project Rsrvs: 9-11 BCFe Based POS/PRB
Excellent Development/Exploration Upside
PP 8392DV

**715
MCFED**

EAST TEXAS PROSPECTS

1,000-Acres.
Est Reserves: 60-200 BCFe
Solid Opportunity.
No Upfront Promote.
Flexible Terms.
OFFERED BY PLS' PROSPECT CENTRE
DV 8836

**60-200
BCFe**



NORTH TEXAS

CORYELL CO., TX ACREAGE

12,500-Acre Project.
Horizontal Test- Upper Barnett. 6,000 Ft.
Similar Wells Make 750-2,500 MCFD **BARNETT**
Expected Reserves: 80 BCF Per Sq Mile
DV 872Z

WISE CO., TX SALE PACKAGE

2-Wells. 10-PUDs. >338-Acres.
NEWARK EAST FIELD
Bend Conglomerate UpHole Potential.
39.46% NonOperated WI; 75% NRI **780**
Gross Prod: 4.2 BOPD & 1,974 MCFD **MCFeD**
Net Production: 1.2 BOPD & 580 MCFD
Est Reserves: 14-15 BCF
-Operated By Large Barnett Player
-Offset Horizontal Well IP'D 3.0MMCFeD
PP 7740DV

PERMIAN TEXAS

FLOYD & MOTLEY PROJECT

2-Wells Drilled. 1-Compl. 46,000-Acres.
PALO DURO BASIN PLAY-
3rd Well Ready To Drill. Price To Sale.
Wolfcamp Behind Pipe Gas @7,400 Ft.
Penn. Bend Shale Production @10,000 Ft.
30-50% OPERATED WI; 75% NRI **WOLFCAMP**
1-Vertical Test Well Is Producing. **BEND**
5-10 Year Leases w/Lease Extensions.
DV 9064PP

TOM GREEN CO., TX PROSPECT

3-Wells.
MIDLAND BASIN - EASTERN SHELF
Obj 1: Strawn Limestone @ 4,600 Ft.
Obj 2: Canyon Sand @ 4,300 Ft.
Significant Development/Offset Upside.
Structure Defined By Subsurface Geo.
100% OPERATED WI; 75% NRI **~100**
Est Reserves: 75-100 MBOE Per Well **MBOE/WELL**
DV 8513

SOUTH TEXAS

DUVAL CO., TX PROSPECT

1,600-Acres.
Obj 1: House Target @ 17,500 Ft.
Obj 2: Reagan @ 16,500 Ft.
50% OPERATED WI; 75% NRI **100 BCF**
Targeting Hostetter (Sands) Field **3D**
High Side 3-Way Closure.
Est Reserves: 100 BCF
DV 8886

SAN PATRICIO CO., TX PROSPECT

320-Acres.
Chamberlain/Sinton Gas @ 6,400 Ft
Structure Defined By SubSurface Geo.
45% NonOperated WI For Sale; 74% NRI **5.1**
1/4 Working Interest To Casing Point. **BCF**
Est Reserves: 5.1 BCF
DV 8489



Listings Marked By PLS Logo are Opportunities Being Handled By The PLS Marketing Arm.

SOUTHEAST TEXAS

BRAZOS CO., TX PROSPECT

3-Well Project. 1,968-Contiguous Acres. **PLS**
Obj 1: Buda & Georgetown @ 5,000 Ft.
+ SubClarksville, Woodbine & Austin Chalk
~55-Wells Possible. Strata Graphic Trap.
100% OPERATED WI; 70% NRI **DV**
5-Horiz Buda/George Wells w/in 7,000 Ft. **SETX**
All Rights To Be Earned: All Depths
Est Rsrvs: 28 MMBO & 558 BCF
3-Horizontal Well Commitment Plus
-51 Additional Vertical Wells
HANDLED BY PLS' PROSPECT CENTRE
DV 9955HZ

WEST TEXAS

WEST TEXAS PROSPECT

24-Potential Wells. 2,650-Acres. **PLS**
MIDLAND BASIN-EASTERN SHELF
Obj 1: Palo Pinto Reef @ 5,200 Ft.
Obj 2: Capps Reef @ 5,800 Ft. **WTX**
Obj 3: Odom Oolite Shoals @ 6,200 Ft. **OIL**
Obj 4: Caddo Komia Reef @ 6,300 Ft.
>62% NonOperated WI; 77% NRI
SubSurface Geology. 2-D Seismic.
GeoChemistry. Paleontology.
Est Per Well Reserves: 161 MBO & .4 BCF
PLS HAS COMPREHENSIVE PACKAGE
DV 982Z

ARKANSAS

ARKANSAS LEASES FOR SALE

~250,000-Gross & 206,000-Net Acres.
~170,000-Net Fayetteville Shale Acres.
~5,000-Smackover Play Acres.
All Depths. **AUCTION**
100% WI For Sale
High Ratio Of Net-To-Gross Acres.
Lease Terms Ranging 10-5 Years.
TWO DAY AUCTION NOV 14-15, 2007
L 9933

AK ACREAGE FOR SALE

>20,000-Net Acres. 2-Counties. **PLS**
Lessor Seeks Operator For Drilling & Exploitation
Mineral Owner Can Deliver 80% NRI **DV/LSE**
Expected IP: 2,000-3,000 MCFeD
Reserves Vary: 1.5 BCFe/Well
NEW Infrastructure-Pipelines In Place.
DV 9685M

MIDCONTINENT

MIDCONTINENT SALE PACKAGE

ARKANSAS, LOUISIANA, TEXAS
MISSISSIPPI & ALABAMA
NonOperated WI Available
Net Production: ~124 BOED **226-Wells**
Net Cash Flow: \$130,952/Mn **-124 BOED**
Est Net Reserves: ~540 MBOE
Net Proved PV12: \$10,000,000
Engineering Available for Review.
Negotiated Sale. In House Data Room.
AGENT WANTS OFFERS NOVEMBER 14
PP 8494DV

OKLAHOMA

ELLIS CO., OK SALE PACKAGE

23-Wells. >30,000-Gross Ac. >50-PUD
SHATTUCK & ARNET
Significant Proven Undeveloped Potential.
Avg 8.7% NonOperated WI; ~7.1% NRI
Net Production: 54 BOPD & 425 MCFD
Inclining Prod: On Going Drilling Program **HORIZ**
Net Cash Flow: \$200,000/Mn **Negotiated**
Evaluation CD Available. No CA Required. **Sale**
AGENT WANTS OFFERS MID NOVEMBER
PP 8316HZ

OKLAHOMA SALE PACKAGE

+/- 70-Wells. 46,141-Gross Acres.
ARKOMA BASIN
Currently Drilling SWD Well Lowering Costs.
Significant Upside In Development Drilling.
Horizontal Drilling in Hartshorne Coal. **4.0**
80% OPERATED WI Available **MMCFD**
Gathering & Compression In Place.
AGENT WANTS OFFERS BY MID-NOV
PP 9355HZ

WEST LINCOLN CO., OK DEALS

640-Contiguous Ac. 2x 320 Acre Spacing.
Hunton Limestone @ 4,800-4,900 Ft.
Possible ReEntry Available.
100% OPERATED WI; 78% NRI **DV/OK**
SEEKING PARTNERS TO DRILL
Control Well: >20 BOPD & >200 MCFD
Est Reserves: >170 MBO & 2.9 BCF
Drilling Location, Electric Power, SWD
DV 8729RE

EASTERN REGION

PENNSYLVANIA-OHIO-W. VIRGINIA

2,400-Wells. >390,000-Gross Acres.
APPALACHIAN BASIN
Some Unconventional Reservoirs in Area
Gas Shales/CBM. >2,000 Devel Drilling Loc.
97% OPERATED WI For Sale **16,780**
Net Cash Flow: \$3,200,000/Mn **MCFeD**
Low-Cost. Long-Life. Stable Cash Flow.
CA Required To View Data.
D&M Reserves Report Available.
AGENT WANTS OFFERS NOV 15, 2007
PP 8857DV

New Century Exploration, Inc.



SOUTH TEXAS SALE PACKAGE

23-Wells. 3-PDNP. 33-PDBP
SWEET HOME, LYDIA, NEW TAITON
Jones Creek, Seadrift, NW Hope.
Yegua & Frio Production (3,900 - 7,300 Ft.)
Significant UpSide Potential. 3-D Seismic Available.
100% OPERATED WI; 73-75% NRI
Gross Production: ~1 BOPD & 3,296 MCFD
Net Production: 2,465 MCFeD
Net Cash Flow: \$305,000/Mn
Estimated Net Proved Rsrvs: 2.9 BCFe
Estimated Net Prob + Poss: 2.3 BCFe
Total PV 10 Value: \$19,105,770
PP 8571

Contact rmartin@plsx.com

ILLINOIS

ILLINOIS SALE PACKAGE

18-Wells. 3-SI. 1-SWD.
HAMILTON & WHITE
100% OPERATED WI; 75% NRI
Gross Production: 87 BOPD
Net Revenue: \$140,000 - \$150,000/Mn
Engineering Data Set Available.
Power Tools & PHDWIN READY
OFFERS WANTED BY MID DECEMBER.
PP 8641

PLS

**67
BOPD/
OIL**

KENTUCKY

UNION CO., KY PROSPECT

~1,400 Acres (Pot. Add'l Acreage)
ILLINOIS BASIN KY
New Albany Shale. Trenton-Black River.
8 Pay Zones Possible (2,400-6,500 Ft.)
Mt Simon Structure @ 17,000 Ft.
100% OPERATED WI; 81.25% NRI
2-D Seismic & SubSurface Well Control.
Fault-Bounded Closure With Structural Relief
Est Reserves: 100-250 MBO/Well
Deeper Potential: Knox/Mt Simon 3 BCF/Well
DV 9306LSE

SHALE

MONTANA

FALLON CO., MT PROSPECT

29,000-Gross Acres. 20,000-Net Acres.
Red River B&C Porosity Zones, Devonian
Duperow, Lodgepole & Mission Canyon
Good Oil Shows.
100% OPERATED WI; 80% NRI
Wells In C Zone Have Cumm'd: ~300 MBO
Porosity Zones Cumm'd: 500-1,000 MBO
Est Reserves: 20 MMBO
DV 8195L

**20
MMBO**

ROCKY MOUNTAINS

WY & CO PROPERTIES

155-Wells. 4-Fields. 100,000-Gross Acres.
WASHAKIE & SAND WASH
Wyoming: Table Rock, Higgins & Brady
Colorado: Tear Drop & Great Divide
MultiStack Pays. Recompletion & Drilling Upside.
~60% OPERATED WI Available
Net Production: 39,366 MCFeD (96% gas)
Net Cash Flow: \$4,308,333/Mn
Assets Are Low Cost & Long Life.
3rd Party Engineering.
AGENT WANTS OFFERS NOV 27, 2007
PP 8679DV

**39,366
MCFeD**

NEW MEXICO

HARDING CO., NM PROJECT

16,000-Acres HBP
SHALLOW CO2 PLAY
100% OPERATED WI FOR SALE
CO2 Wells IP: 500 - 2,000 MCFD
Acreage Needs To Be Worked/Drilled.
Est Reserve Potential: 70-80 BCF
Infrastructure In Place.
Exploitation Opportunity & Project
DV 8343L

**CO2
80 BCF**

UTAH

GRAND & EMERY CO., PROSPECT

15,000-Acres. Up To 150 Proposed Wells.
GREENTOWN. (PARADOX) FIELD
MultiPay Interval. Up to 29 Intervals.
Original Oil Play To Mississippian Horizon
New Frac Technologies Improving Play
Seeks 50% WI Partner; 80% NRI Delivered
Analogous Prod:125 BOPD + 4.5 MMCFD
OffSet (2) Wells: Reference 6-10 BCF
170 Miles SE of Salt Lake City.
Estimated Area Project Reserves: >1 TCF
Individual Wells Could Make: 2.0-6.0 BCFe
21 New Permits By Large Operators.
Delta. Samson Encana & PetroCanada
DV 8321

**1 TCF
PLAY**

WYOMING

CORPORATE SALE OF ASSETS

389-Wells. 49,000-Gross Contiguous Ac.
1,330-Adjacent "non-unit" Gross Acres.
Frontier & Dakota Production Plus
-CBM Wells in Campbell County
99% OPERATED WI AVAILABLE
Company Offering Of 100% Stock.
Majority Of Prod, Rsrvs Value &
-Significant Upside In Hilight Field
Add'l Upside & Adjacent NonUnit Ac/CBM
Primary is Headquartered In Tulsa, OK
AGENT WANTS OFFERS EARLY DEC
CO 9948PP/DV

**ASSETS
STOCKS**

NATRONA CO., WY ACREAGE

7-Sections.
SALT CREEK
Seller Can Deliver 100% Plus 80% NRI
Offset To Production.
Includes Land Schedule
L 2194DV

**LEASE
HOLD**

WYOMING FRONTAL THRUST

47,895-Gross & Net Acres For Sale.
Multiple Objectives. 9-Pay Intervals
Define-Darby/Hogsback East Thrust Sheet.
Ground Floor Opportunity. Company Maker.
Seller Can Deliver 80% NRI; All Federal Leases.
Recent Reinterpretation Shows Potential
COVENANT & TIP TOP LOOK-A-LIKE
TipTop Field Held 650 BCFe
Easy Access. Flat Terrain. Infrastructure.
Leases Have 4-5 Year Terms Remaining.
DV 9965L

LEASES

CALIFORNIA

KERN CO., CA PROSPECT

2,400-Acres.
Obj 1: Monterey Shale @ 10,000 Ft.
---Offsets New Production
Obj 2: Freeman Jewett/Vedder @14,000 Ft.
Obj 3: Eocene Sand @ 16,500 Ft.
2-D Seismic & SubSurface Defined.
LOOKING FOR DRILLING PARTNERS
On Trend To Recently Completed Well.
Est Prospect Rsrvs:>32 MMBO & >20 BCF
DV 8842

**>35
MMBOE**

WASHINGTON

ADAMS, FRANKLIN & GRANT CO.

74,507-Net Acres. 76,716-Gross Acres.
COLUMBIA RIVER BASIN
1,500-13,000 Ft. Gas Play
SEEKING EQUITY PARTNERS
Seismic/Magnetics/Gravity Define Prospects.
Adjacent To Gas Pipelines.
DV 6959

DV/WA

MULTISTATE

LARGE NONOP SALE PKG

188-Wells; 7-PUD; 14-PDNP
Multiple Formations
ORRI For Sale
Gross Prod: 385 BOPD & 3,106 MCFD
Net Production: 156 MCFeD
Net Cash Flow: ~\$80,000 - \$95,000
RR 8676

ORRI

ITALY

NORTHERN ITALY PROJECT

Two Large Stratigraphic Prospects.
BASTIGLIA & CENTRO
Tertiary Syncline Play.
Modern Reprocessed Seismic Defines-
Prospects Associated w/+ AVO Anomalies.
New Under Explored Proven Play Fairway.
50% WI FOR SALE
Down Dip of Existing Fields On The
-Structurally High Trends.
Lie w/In Area: 3-Fields Total Rsrvs: >1 TCF
North of Field Had Oil Rsrvs: 100 MMBO
Low Risk Gas Prospects w/in Mature Basin.
Est Cost: US\$10,000,000/Well
CA Needed To View Data.
DV 2014

ITALY

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MD 1964G

EQUIPMENT

JOB POSTINGS

ACTIVE GULF COAST OPERATOR

SEEKS INDEPENDENT
 GEOPHYSICIST/ GEOLOGIST
 Interested In Working 3-D Data
 For A Small Equity Interest In
 Each Prospect Drilled-
 PLS ACCEPTING RESUMES ON BEHALF
 -OF GULF COAST OPERATOR

J 9780

PLS

**JOB
 POSTING**

Plenty of capital driving small cap markets

CONTINUED from page 1

PLS: *What projects are commanding energy dollars these days? Which are losing steam?*

Montano: *We are focused strongly on enhanced oil recovery, domestic oil aggregation plays and what we believe are very opportunistic international plays. Resource plays are becoming more scrutinized and, as we said, Rockies gas is very difficult to find economic justification for.*

PLS: *Are investors as excited about E&P stocks as they were one year ago?*

Montano: *I think that investors remain excited about the industry. The long-term outlook remains simply too robust for a wide range of institutional investors to not be allocating a larger percentage of their portfolio to this industry sector. However, what they find exciting has changed. Resource plays have dwindled slightly, Rockies gas is out of favor, and generally domestic oil and enhanced recovery seems to be more attractive at this time.*



PLS: *Describe two of your more recent small-cap domestic involvements in E&P.*

Montano: *C. K. Cooper & Company recently closed a \$25-million private equity round for Kerogen Resources, Inc., a leading resource play, exploration and production company. In this case, we found a very solid management team that had built a solid portfolio of resource plays. The use of proceeds was primarily geared towards drilling and the development of production/reserve value.*

We also recently closed on a senior debt facility for EnerJex Resources, Inc. This company is aggregating smaller oil producers in Eastern Kansas and then utilizing newer recovery technologies, including water floods to enhance production. We find their acquisition costs and upside potential to be very intriguing.

PLS: *Finally, how would you advise microcaps about to launch a quest for capital?*

Montano: *We believe there are several things a small E&P company should do before seeking capital. Firstly, it should have a good, well thought-out story. Too many times, we are approached by an issuer with a solid play, or an exciting technology, but they have not put that in the context of a larger strategic picture. Also, corporate governance is important. In leading up to a capital raise, getting corporate governance issues in place, and appointing a board of directors can really save time.*

PLS CAPITALMARKETS

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