



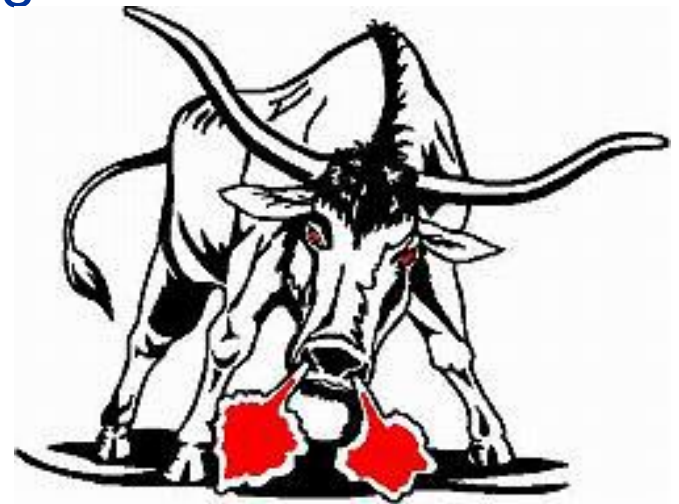
Charge of The Energy Bulls?

M&A Climate and Investor Sentiment
toward the Energy Sector

Robert E. Gillon
Senior Vice President
IHS / John S. Herold, Inc.
London – 15 April 2008

Agenda

- Transactions in Investment Strategy
- Value Added Hard to Quantify
- Overview of the M&A Market
- What's Different in Coming Months





Is It Cheaper To Buy Than To Drill?



Is It Cheaper To Buy Than To Drill?

You're In The Wrong Room!



Add Value, Make Money

Competitive Advantage Needed



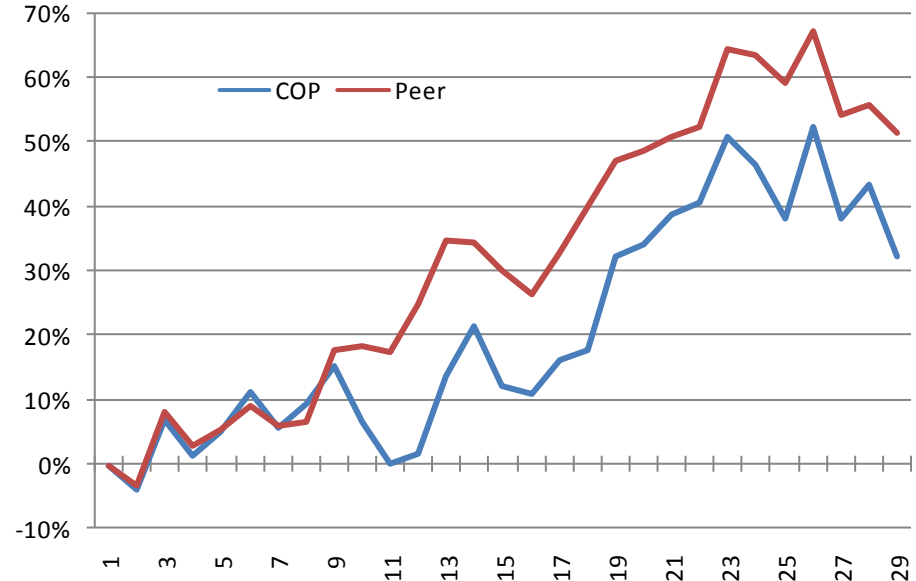
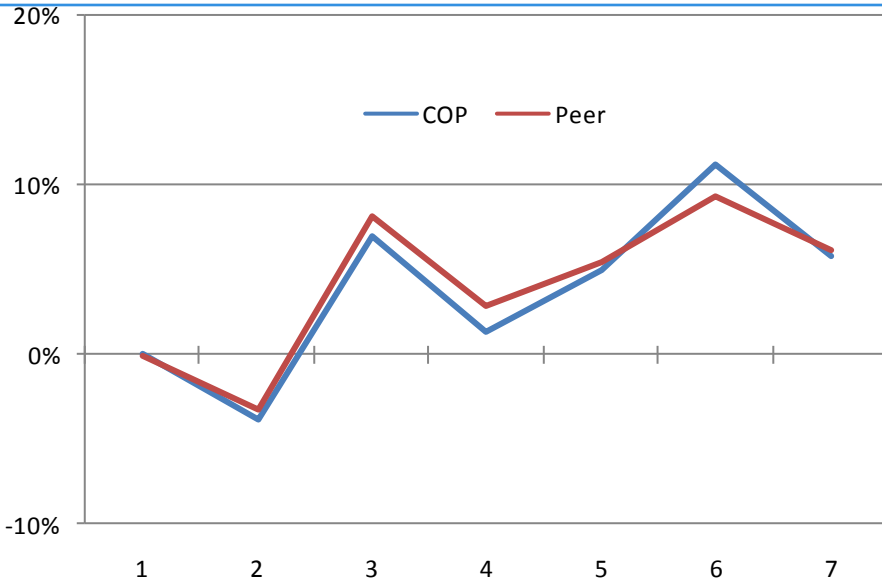
Purpose Of M&A&D?

Maximize Competitive Advantage
Minimize Low Return Assets

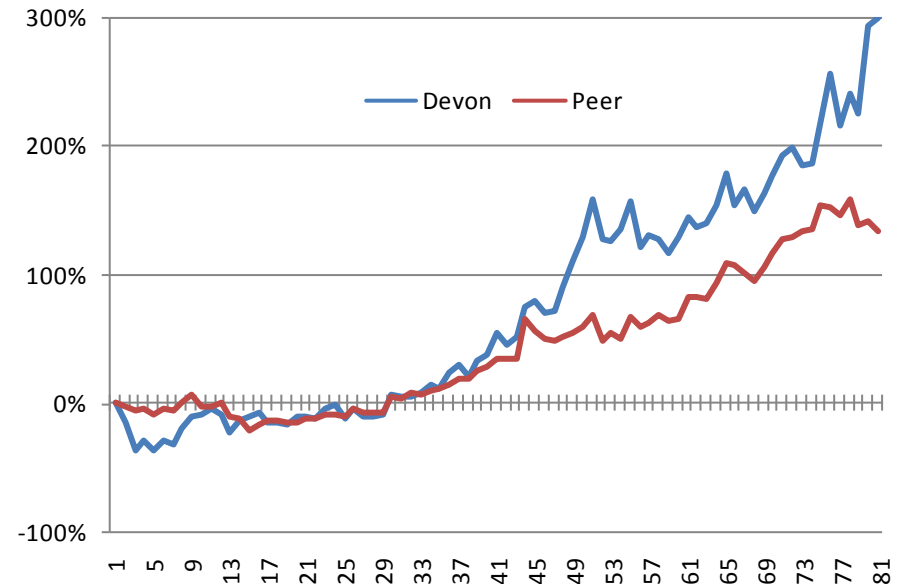
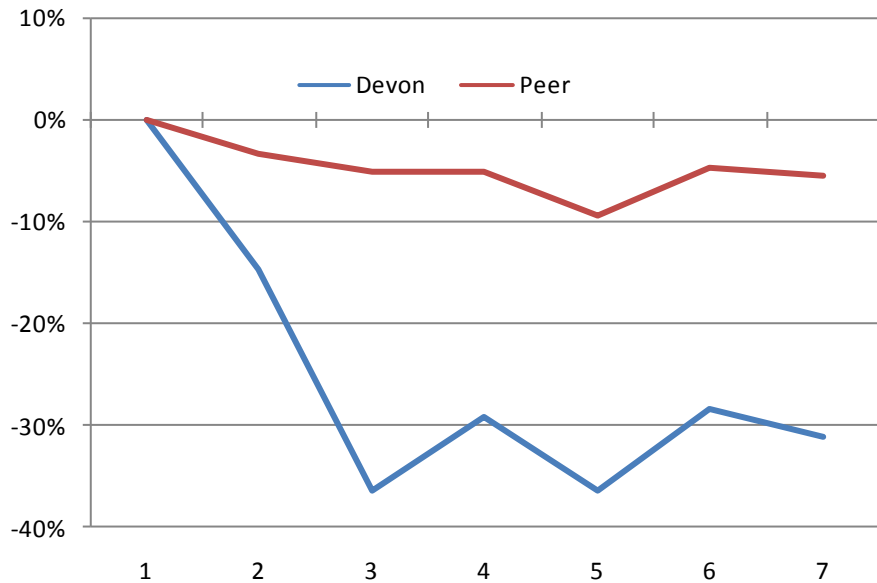


Problems In Measuring Value Added

Share Performance, Post-Deal Announcement



Share Performance, Post-Deal Announcement



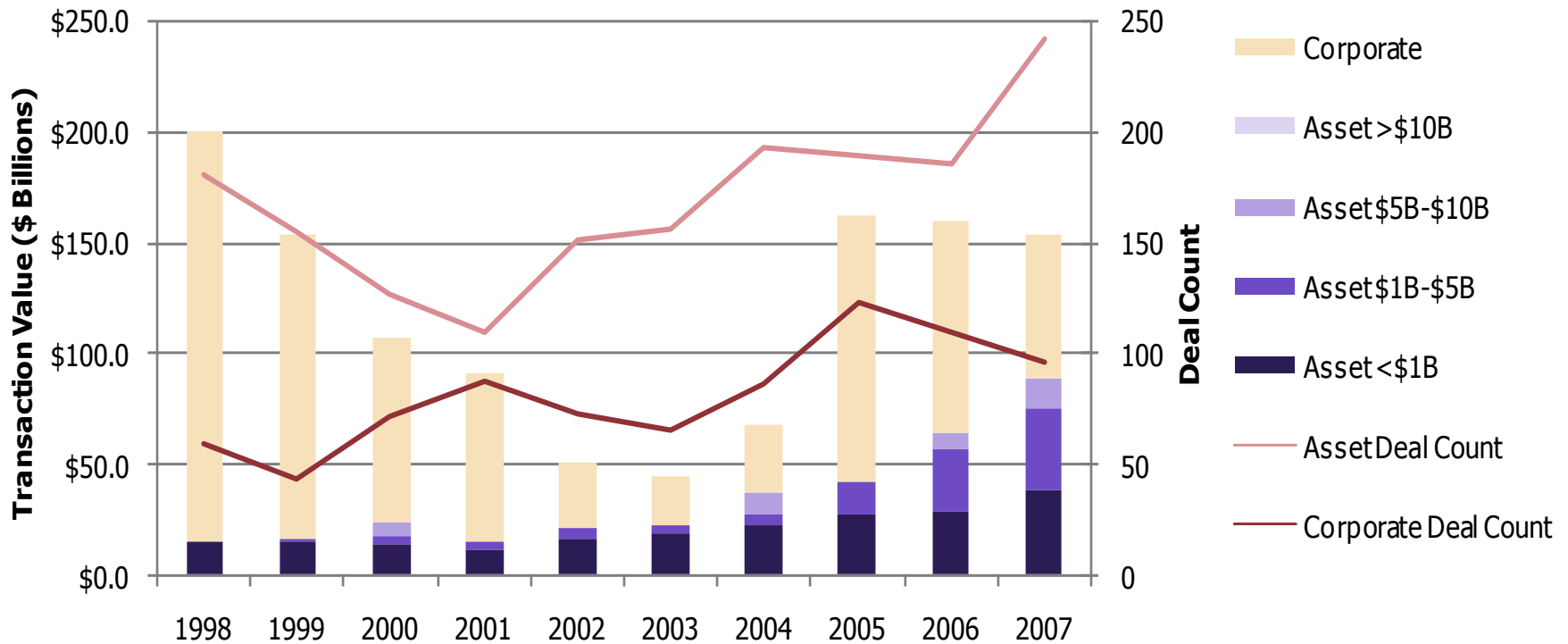


Trends in Capital Investment



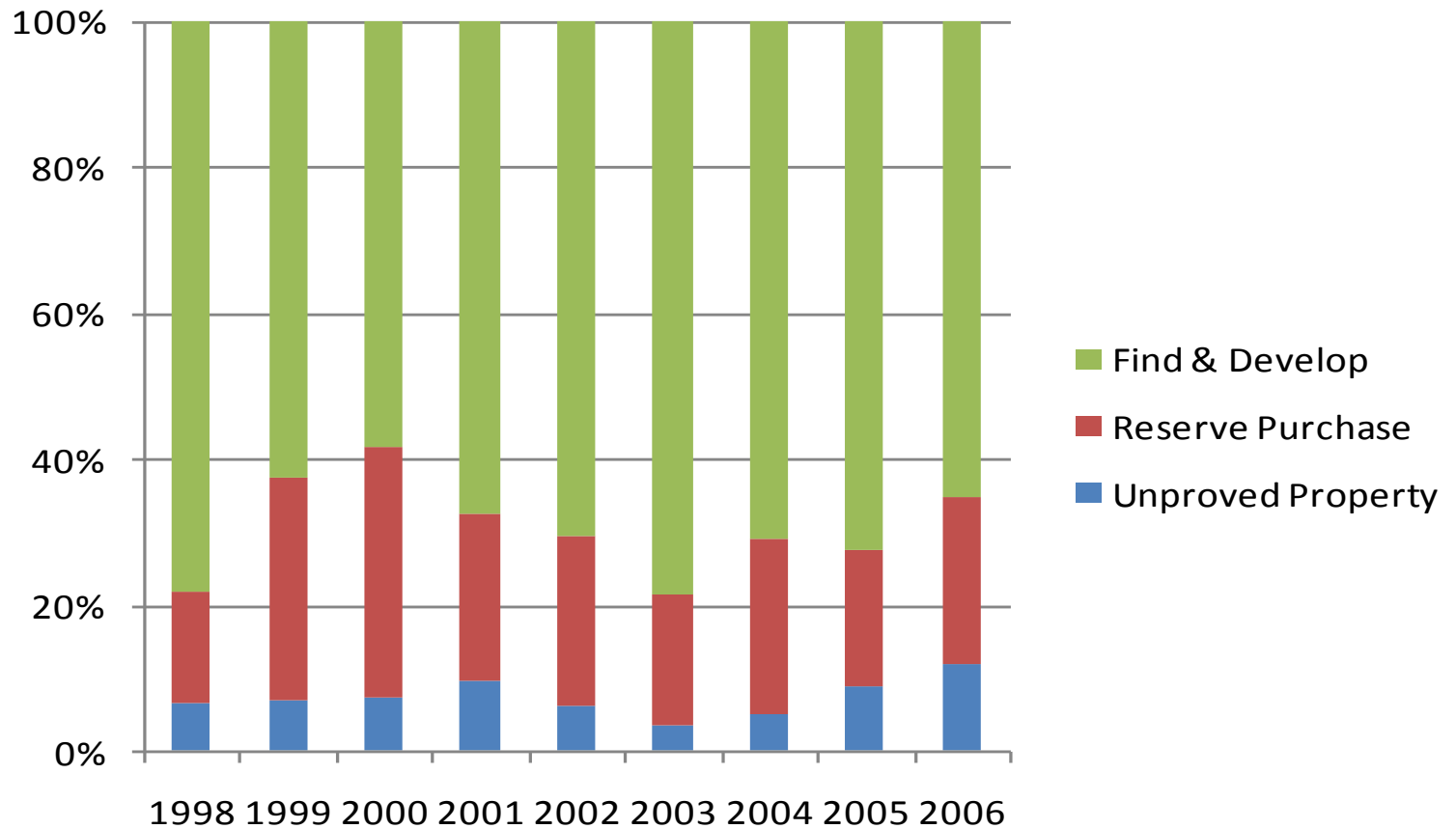
Slight Value Decline In Large, Liquid Market

Total Worldwide Upstream Transaction Value by Deal Level





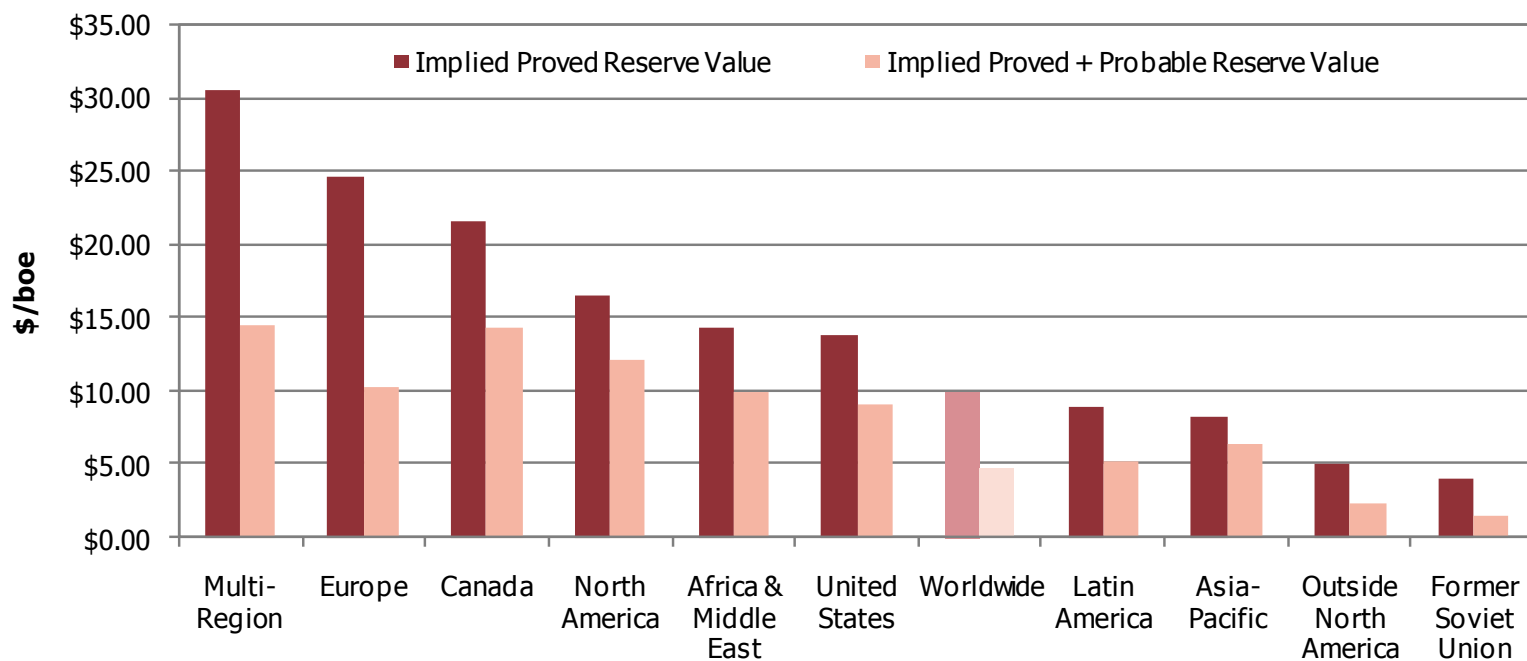
Budget Allocations Shift Over Time





Wide Range Of Valuations, By Region

2007 Implied Reserve Values by Region

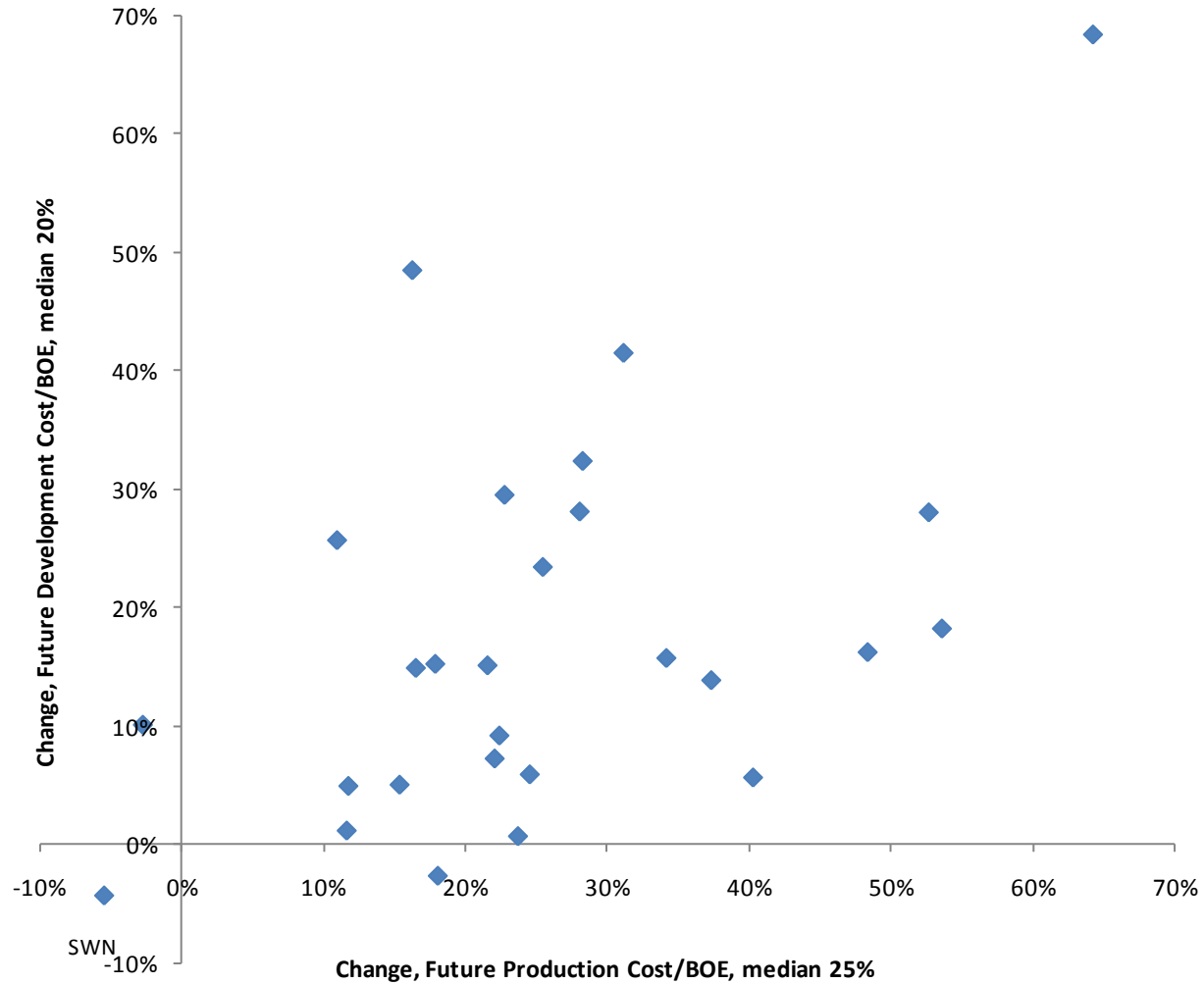




What Should We Expect Next?



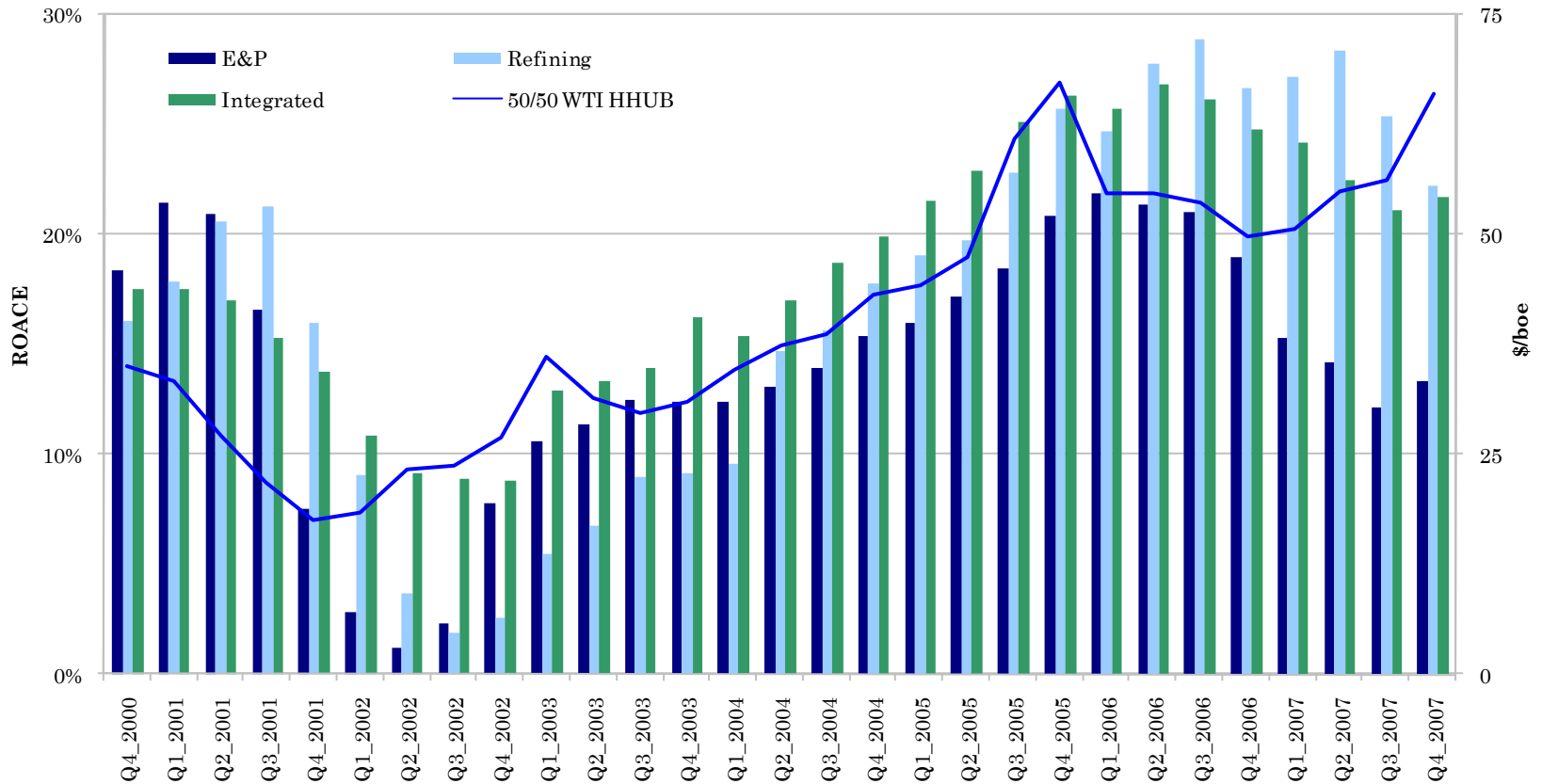
Cost Pressures are Severe



Return On Incremental Investment Very Low



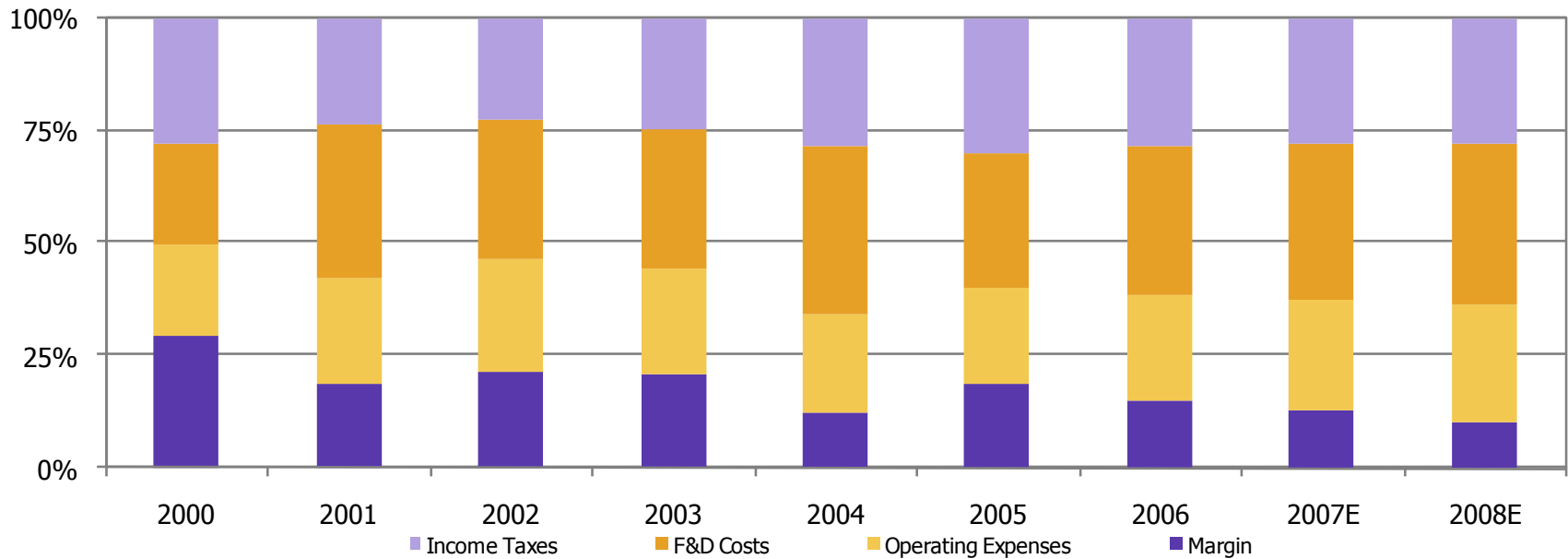
Composite ROACE, Trailing 12-Months





Pronounced Pressure On Margins

Two Year Trend of Declining Margins Likely to Continue



Footnote: 2007E and 2008E estimated by John S. Herold, Inc. (Revenue gains 5%, costs gain 10%)



25+ Corporate Deals Per Year

Lost in 2007

Atlas Energy Ltd	Norsk Hydro ADR
Bass Strait Oil Trust (\$A)	Pogo Producing Co.
Centurion Energy International (\$C)	Point North Energy Ltd.
Eastshore Energy	PYR Energy Corp.
Giant Industries	Rally Energy Corp.
GlobalSantaFe Corp.	Real Resources Inc.
Grand Petroleum Inc.	Shell Canada Ltd.
Hallador Petroleum Co.	Shiningbank Energy
Hanover Compressor Co.	Sound Energy Trust
Hardman Resources (\$A)	Thunder Energy Trust
Houston Exploration Co.	Veritas DGC Inc.
Innova Exploration Ltd.	Western Oil Sands
Lone Star Technologies	Whittier Energy

Lost in 2006

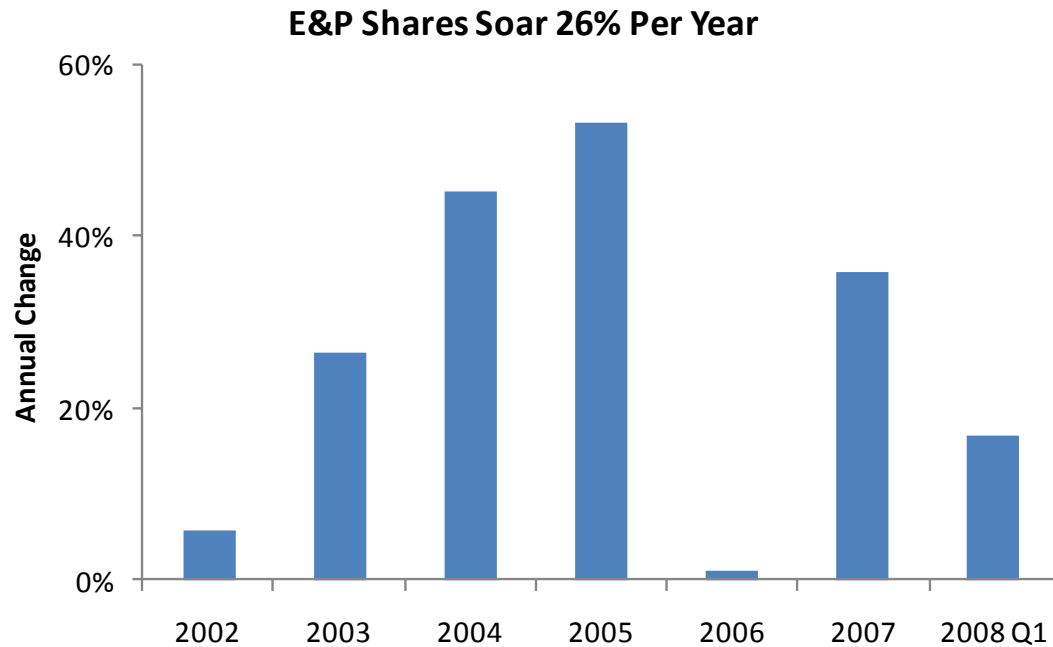
BlackRock Ventures Inc.	Northern Border Partners
Burlington Resources Inc.	NS Group
Castle Energy Corp.	Offshore Logistics Inc.
Chaparral Resources Inc.	Pacific Energy Partners, L.P.
Clear Energy	Pan-Ocean Energy Corp.
Dynamic Oil & Gas	Petrofund Energy Trust
Impco Technologies	Remington Oil & Gas Corp.
KCS Energy, Inc.	StarPoint Energy Trust
Kerr-McGee Corp.	Teikoku Oil Co Ltd
Ketch Resources Trust	Torch Offshore
Kick Energy	TransMontaigne Inc
Maverick Tube	Vintage Petroleum Inc.
Mirant Corp.	Western Gas Resources

Lost in 1997-2005

3 Tec Energy	Forceenergy Inc.	Petsec Energy
Abacan Resources	Fusion Oil	Phillips Petroleum
Alamco, Inc.	Garnet Resources	Pinnacle Resources
Alberta Energy	Gauntlet Energy	Poco Petroleum
Amber Energy	Genesis Exploration	Pontotoc Production
American Exploration	Getty Petroleum Marketing	Pool Energy Services
Amoco Corporation	Global Marine	Post Energy
Anderson Exploration	Great Northern Expl.	Premcor Inc.
APP Energy	Greka Energy	Prima Energy
Aquila Gas Pipeline	Gulf Canada Resources	Prize Energy
Arch Petroleum	Gulf Indonesia	Probe Exploration
Arco Chemical	HarCor Energy	Production Operators
Athabasca Oil Sands Trust	Hardy Oil & Gas	Pure Resources
Atlantic Richfield	HS Resources	Quaker State Corp.
Auvia Petroleum	Hawker Resources	Questa Oil & Gas
Barrett Resources	Highridge Exploration	Ranger Oil
Barrington Petroleum	Howell Corp.	Remington Energy
Basic Petroleum	HS Resources	Renaissance Energy
Basin Exploration	Hugoton Energy	Renata Resources
Beau Canada Exploration	Impact Energy	Republic Resources
Beleo Oil & Gas	Ionic Energy	Resolute Energy
Belden & Blake	J. Ray McDermott	Rigel Energy
Berkley Petroleum	Jordan Petroleum	Rio Alto Exploration
Beta Oil & Gas	Kaneb Pipeline Partners	Rio Alto Resources
Big Bear Exploration	Ketch Energy	Rutherford Moran
Blue Range Resource	KeyWest Energy	Saga Petroleum
British Borneo	KN Energy Inc.	Santa Fe Snyder
Bula Resources	LASMO plc	Seagull Energy
Burlington Res. Coal Seam Tr.	Louis Dreyfus Natural Gas	Serenpet Inc.
Cabre Exploration	Louisiana Land & Expl.	Shell Transport & Trading
Calpine Natural Gas	Magin Energy	Snyder Oil Corp.
Canaan Energy	Magnum Hunter Res.	Sonat Inc.
Canadian Hunter Exploration	Mallon Resources	Southern Mineral
Carbon Energy	Maxx Petroleum	Southward Energy
Cavell Energy	Maynard Oil & Gas	Spinnaker Exploration
Cequel Energy	McFarland Energy	Stampeder Exploration
Chauvco Resources	Meota Resources	Startech Energy
Chieftain International	MESA Inc.	Storm Energy
Chiles Offshore	Miller Exploration	Summit Resources
Cimarron Petroleum	Mission Resources	Sun Energy Partners
Clyde Petroleum	Mitchell Energy & Dev.	Tarragon Oil & Gas
Coastal Corp.	Mobil Corporation	Tejas Gas Corp.
Coho Energy	Monterey Resources	Texaco Inc.
Columbia Energy Group	Monument Oil & Gas	Texoil Inc.
Columbus Energy	Morrison Petroleum	Tipperary Corp.
Consolidated Natural Gas	Nelson Resources	Titan Exploration
Contour Energy	Newport Petroleum	Tom Brown, Inc.
Convest Energy	Nicor Inc.	Tosco Corp.
Costilla Energy	Norcen Energy Resources	TransTexas Gas
Courage Energy	North Coast Energy	Transwest Energy
Crestar Energy	Northrock Resources	Tri Link Resources
Crown Central Petroleum	Northstar Energy	Triquest Energy
CS Resources	Nova Corp.	Triton Energy
Cypress Energy	Novus Petroleum	Triumph Energy
Daniel Industries	Nuevo Energy	True Energy
Devx Energy	Numac Energy	Ulster Petroleum
DLB Oil & Gas	Ocean Energy	Ultima Energy
Dorset Exploration	Oil Company of Australia	Ultramar Diamond Sham.
Drillers Technology	Olympia Energy	Union Pacific Resources
Edisto Resources	Orbit Oil & Gas	Union Texas Petroleum
EEX Corp.	Oryx Energy	United Meridian Corp.
ELAN Energy	Pacalta Resources	Unocal Corp.
Elf Aquitaine	Paladin Resources	USX-Delhi
Elk Point Resources	PANACO, Inc.	Varco International
Encal Energy	PanEnergy Corp.	Vastar Resources
Energy Africa	Parkland Industries	Vista Resources
Energy Ventures	Patina Oil & Gas	Wascana Energy
Enex Resources	Pendaries Petroleum	Washington Energy
ENSERCH Corp.	Pennaco Energy	WestCoast Energy
Enterprise Oil	PennzEnergy Co.	Westport Resources
Equity Oil	Pennzoil-Quaker State	Wiser Oil
Esenjay Exploration	PetroCorp	YPF Society Anonima
Evergreen Resources	Petrofina, S.A.	Zorin Exploration
EXCO Resources	Petroglyph Energy	Zydeco Energy
Fina, Inc.	PetroKazakhstan	
Fletcher Challenge Energy	Petromet Resources	
	Petroplus International	



For More Than 7 Years, It Has Paid To Wait





Conclusions

- Industry Remains Over-Capitalized
- Funding Options Curtailed, For Some
- Oil Prices Must Drop To Accelerate Mergers
- Some Sectors Are Always Attractive