



La Grande Arche © Johan Otto Von Spreckelsen

Roughneck

Company	Recommendation
Afren	Buy
Bowleven	Buy
Cairn Energy	Hold
Dana Petroleum	Sell
Egdon Resources	Buy
Energy XXI	Buy
Faroe Petroleum	Hold
Granby Oil & Gas	Buy
Island Oil & Gas	Hold
JKX Oil & Gas	Hold
Melrose Resources	Sell
OHM	Hold
Premier Oil	Hold
Salamander Energy	Sell
Soco International	Buy
Sondex	Buy
Venture Production	Buy

Source: Natixis Bleichroeder estimates

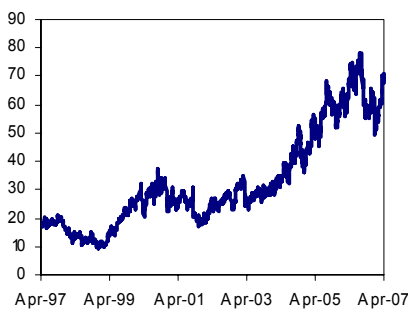
AURELIAN STEALS A MARCH IN EASTERN EUROPE; ANOTHER DOMESTIC DEAL FOR ENERGY XXI; AND WE UPGRADE ISLAND AFTER FARM-OUTS

This week, we were lucky enough to spend some time in Romania and Poland with Aurelian Oil & Gas (55p). The company listed on the Alternative Investment Market (AIM) last summer, raising £14 million in the process. Added to the \$53 million it had raised in a private placement earlier in the year, this enabled Aurelian to exit 2006 with net cash of €50 million. As a result, it is probably one of the best capitalised oil and gas exploration and production companies on AIM and, in a zero success case, expects to be able to fund all of its expenditure requirements until a least mid-2009. However, total failure over the next 2 1/2 years or so seems almost as unlikely as total success. During this period, Aurelian will probably drill upwards of 15 wells, perhaps two-thirds of which will target small, low risk prospects near existing infrastructure. Added to its current portfolio of three producing gas fields, these should enable Aurelian to build a sustainable business and provide investors with some downside protection. However, at the same time, the company intends to take on a couple of much bigger, if higher risk, targets every year in the hope of generating a step change in its value. We regard this as a sensible strategy which, combined with an experienced management team that (as we can testify) is well connected in the countries where Aurelian operates, will likely prove attractive for many investors. In the meantime, shareholders can expect a steady stream of news over the next few months. This could start as early as next week with the result of the first of five wells in Romania that, in total, could add 20 to 30 bcf to Aurelian's net reserves. It will also include the outcome of two rather more exciting wells – one in Poland and one in Bulgaria – that could lead to upwards of 1.5 tcf being added to the group's net reserves in due course.

Energy XXI is paying Pogo (\$49.39) \$420 million for 26 mmboc in the Gulf of Mexico. This is the third major deal announced by the group in less than a year and will take the total amount it has spent on acquisitions to \$1.2 billion. The consideration will be satisfied in cash out of a new bank facility and a private placement of debt that will total approximately \$700 million. Net debt will rise to almost \$1 billion and gearing to over 200% as a result. On the face of it, these are fairly aggressive numbers, but they do not concern us too greatly given our forecast that Energy XXI will generate cash flow of over \$500 million in 2007/08. However, we are wrestling with our valuation approach, which has been based on our view of Energy XXI's net asset value thus far. However, we are beginning to doubt that management will pursue its original plan of building an international business and we're not sure our methodology is particularly relevant to a domestic US company with a NASDAQ listing.

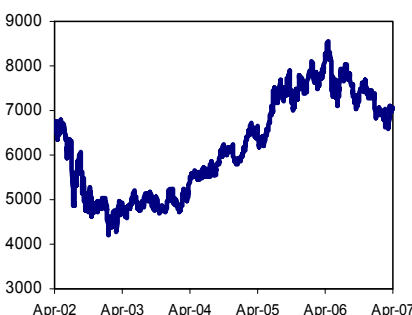
Island Oil & Gas completed a series of farm-outs during April that reduced its exposure to the Old Head of Kinsale gas field offshore Ireland from 100% to 65% and to the Amstel oil field offshore Holland from 60% to 50%. In return it received cash of \$10 million and cut its future expenditure commitments. As a result, we have increased our estimate of Island's core net asset value by one-third to 24p/share. In addition, we estimate the group's retained interests in the Amstel, Old Head, and Schull fields have the potential to be worth another 65p/share. Even if we risk this figure at 50%, we are left with a fair value estimate of 57p/share or 4% more than our previous estimate. Meanwhile, Island's share price has fallen by 11% to 63.5p since 28 February 2007. Hence, we are now upgrading to HOLD.

BRENT CRUDE (\$/BBL, -10Y)



Source: Reuters

FT ALL SHARE OIL & GAS INDEX (-5Y)



Source: Reuters

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 27 April 2007

COMPANY STATISTICS

COMPANY RATINGS

Year-end 31 Dec.	Price/Earnings Ratio			Price/Cash Flow Ratio			Est. NAV (p/share)	Change in NAV (%)	Share Price (p)	+/- vs. NAV (%)
	2005A	2006E	2007E	2005E	2006E	2007E				
Afren	n/a	n/a	n/a	n/a	n/a	n/a	71	2%	53	-26%
Bowleven*	n/a	n/a	n/a	n/a	n/a	n/a	205	1%	211	3%
Cairn Energy	142.1	431.3	117.6	38.3	29.4	n/a	2051	7%	1668	-19%
Dana Petroleum	18.8	16.2	8.0	9.7	7.6	5.2	778	2%	1045	34%
Egdon Resources**	n/a	388.2	57.8	n/a	2483.5	71.2	58	1%	215	272%
Energy XXI*	40.3	15.4	4.2	21.2	3.5	1.9	323	-1%	242	-25%
Faroe Petroleum	n/a	n/a	n/a	174.4	n/a	n/a	56	0%	115	104%
Granby Oil & Gas***	n/a	n/a	5.0	n/a	n/a	5.4	53	1%	59	11%
Island Oil & Gas**	n/a	n/a	n/a	n/a	n/a	n/a	24	35%	64	161%
JKX Oil & Gas	25.4	14.4	10.3	16.6	11.1	8.4	271	2%	320	18%
Melrose Resources	23.5	82.5	10.5	9.8	10.5	4.7	302	2%	342	13%
OHM****	n/a	n/a	60.2	630.4	99.3	34.9	n/a	n/a	216	n/a
Premier Oil	51.9	32.2	30.7	16.9	9.0	7.7	1164	2%	1224	5%
Salamander Energy	n/a	n/a	137.7	n/a	32.9	13.7	195	1%	282	45%
Soco International	109.6	77.1	101.7	72.9	67.4	72.1	1284	2%	1601	25%
Sondex*****	26.4	19.8	16.5	40.0	36.2	16.9	n/a	n/a	346	n/a
Venture Production	28.1	11.0	11.8	11.2	3.3	3.7	803	2%	711	-11%

Source: Company data, Natixis Bleichroeder estimates, Reuters

* Years to 30 June 2006, 2007, and 2008

** Years to 31 July 2006, 2007, and 2008

*** Years to 31 March 2006, 2007, and 2008

**** Years to 31 August 2006, 2007, and 2008

***** Years to 28 February 2006, 2007, and 2008

OTHER COMPANY DATA

Year-end 31 Dec.	Market cap. (£m)	Balance sheet (£m)*	Ent. value (£m)	Gearing (%)	Production (boe/d)			Reserves (mboe)*	EV per boe (p)
					2005A	2006E	2007E		
Afren	112	0	111	n/a	0	0	0	0	n/a
Bowleven**	156	83	74	n/a	0	0	0	34	218
Cairn Energy	2080	607	1472	n/a	28240	24780	21355	177	832
Dana Petroleum	906	66	840	n/a	19683	23087	36321	120	703
Egdon Resources***	132	13	119	n/a	0	108	520	1	11871
Energy XXI*	203	-242	445	115%	2348	17807	30463	49	907
Faroe Petroleum	85	33	52	n/a	0	0	128	0	n/a
Granby Oil & Gas****	21	14	7	n/a	0	0	0	1	774
Island Oil & Gas***	49	2	46	n/a	92	250	313	0	29026
JKX Oil & Gas	481	34	447	n/a	9311	11367	12500	48	925
Melrose Resources	421	-96	517	54%	12288	13654	23313	70	743
OHM	73	5	68	n/a	n/a	n/a	n/a	n/a	n/a
Premier Oil	1034	-26	1061	13%	28700	29122	33705	204	521
Salamander Energy	275	68	207	n/a	0	2474	5510	43	485
Soco International	1141	-16	1158	11%	5694	6766	7560	161	721
Sondex	198	-31	229	49%	n/a	n/a	n/a	n/a	n/a
Venture Production	958	-206	1164	78%	29864	44706	49252	221	526

Source: Company data, Natixis Bleichroeder estimates, Reuters

* Last published figure adjusted for any subsequent corporate activity.

** Years to 30 June 2006, 2007, and 2008

*** Years to 31 July 2006, 2007, and 2008

**** Years to 31 March 2006, 2007, and 2008

COMMODITY PRICE INPUTS

	2006	2007E	2008E	2009E	2010E	2011E	2012E	Long run
Brent crude (\$/bbl)	65.27	68.48	68.89	67.48	66.34	65.69	58.57	45.10
UK gas (p/therm)	43.12	25.94	37.65	37.46	28.90	n/a	n/a	29.22
US gas (\$/mcf)	6.73	8.51	8.54	7.98	7.80	7.45	6.73	5.86

Source: Reuters, Natixis Bleichroeder

UK INDEPENDENT OIL AND GAS COMPANY DRILLING ACTIVITY

CURRENT AND FORTHCOMING EXPLORATION AND APPRAISAL WELLS

Company	Country	Well type	Prospect	Size	Risk	Interest	Spud date
Afren	Congo	Exploration	Dongou	50 mmbbl	Medium	14.0%	Q2 2007
	Gabon	Exploration	Themis	40 mmbbl	Medium	12.9%	Q3 2007
Bowleven	Cameroon	Exploration	D-1	Not disclosed	Medium	100.0%	Drilling
	Cameroon	Exploration	IF-1	Not disclosed	Medium	100.0%	Q2 2007
Cairn Energy	Bangladesh	Exploration	Hatia	1,000 bcf	Medium	75.0%	Q4 2007
Dana Petroleum	Mauritania	Exploration	Lead 26	360 mmbbl	High	6.3%	Q2 2007
Egdon Resources	UK	Exploration	Burton Agnes	40 bcf	Medium	25.0%	Q3 2007
	UK	Exploration	Tees	60 bcf	Medium	10.0%	Q3 2007
Energy XXI	USA	Exploration	McIlenny	170 bcf	Medium	16.9%	Q2 2007
Faroe Petroleum	UK	Appraisal	Breagh	250 bcf	Medium	10.0%	Q3 2007
	UK	Appraisal	Freya	30 mmbbl	Medium	100.0%	Q3 2007
Granby Oil & Gas	UK	Exploration	Burton Agnes	40 bcf	Medium	10.0%	Q3 2007
Island Oil & Gs	Ireland	Appraisal	Old Head	60 bcf	Low	100.0%	Q2 2007
	Ireland	Appraisal	Schull	40 bcf	Medium	55.0%	Q3 2007
JKX Oil & Gas	Ukraine	Appraisal	Rudenskoye	500 bcf	High	100.0%	Drilling
	Bulgaria	Exploration	Bulgaria	1,500 bcf	High	50.0%	Q2 2007
Melrose Resources	Bulgaria	Exploration	Izrev	100 bcf	Medium	100.0%	Q1 2007
	Bulgaria	Exploration	Obzor	200 bcf	Medium	100.0%	Q2 2007
	Bulgaria	Exploration	Ropotamo	1,000 bcf	High	100.0%	Q2 2007
Premier Oil	India	Exploration	Masimpur	2,000 bcf	High	14.8%	Drilling
Salamander Energy	Thailand	Appraisal	Phu Horm S.	69 bcf	Low	27.2%	Q2 2007
	Thailand	Appraisal	Dong Mun	75 bcf	Low	27.2%	Q3 2007
	Indonesia	Appraisal	Tutung	33 bcfe	Medium	70.0%	Q3 2007
Soco International	Vietnam	Exploration	S	225 mmbbl	Medium	24.8%	Drilling
	Vietnam	Exploration	E	1,300 mmboe	High	24.8%	Q2 2007
Venture Production	UK	Exploration	Channon	43 bcf	Medium	100.0%	Q2 2007

Source: Company data, Natixis Bleichroeder estimates

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RATINGS DEFINITIONS (except as otherwise noted, expected performance within 12-month period from rating date):

Buy Greater than 20% increase in share price

Hold Price changes between +20% and -20%

Sell More than 20% decrease in share price

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On the front cover: La Grande Arche de la Défense

Located just outside the Paris city limits, the Grand Arche de la Défense was designed by Johan Otto von Spreckelsen to symbolize France's role in art, politics, and the global economy. The modern arch is actually a 35-story office building anchoring the eastern point to the historic axis that stretches from the Louvre up the Champs-Élysées to the Arc de Triomphe. The area surrounding La Défense serves as a business district for 14 of France's top 20 corporations.