Europe: Energy: Oil & Gas - E&P

50 E&Ps to change your portfolio: More stocks, more potential, more investment themes

41 new E&P stocks: High return potential

We initiate coverage of 41 new stocks in the European E&P universe. We see 47% average upside to our expanded universe of 52 stocks at US$85/bl oil; 11 stocks have over 100% upside, excluding liquidity adjustments. We introduce E&P stock screens which use the enhanced diversification our expanded universe offers to exploit key industry themes.

Buy exploration early

Our analysis indicates that stocks rally up to 12 months into exploration catalysts, with excessive discounts applied to longer dated drilling. We recommend exposure to a screen of longer dated explorers and avoiding short term exploration.

Buy cheap exposure not geological edge

High risk, binary stocks individually attract excessive discounts. We select a screen of such stocks to provide diversified exposure to this theme. We also screen for high-impact exploration, supported by core value, mitigating the downside risk of exploration catalysts.

Buy newly opened basins

The examples of Cairn and Tullow suggest the market undervalues the potential of newly de-risked basins in the early phases of exploration. Rockhopper is our top pick for this theme.

How to make money through M&A

We recommend buying screens of concentrated core value, strategic assets and financially constrained companies with large assets.

Oil price leverage

We select companies with high oil price leverage and exposure to unconventional assets.

Corporate governance assessed

We apply GS SUSTAIN analysis to our E&P universe to determine which companies offer the best governance and shareholder protection.

Analysis of the regions

We identify winners in different geographic regions and analyse the key regional drivers.

KEY RECOMMENDATIONS

	Potential upside to 12m TP	Market Cap (USDmn)
Conviction Buy		
Rockhopper	107%	1284
Panoro	99%	160
Buy		
BPC	159%	99
Global Energy Development	155%	35
Nighthawk Energy	105%	64
Aminex Plc	103%	54
Falkland Oil & Gas	96%	240
Northern Petroleum	93%	145
Desire Petroleum	89%	574
IGas	86%	94
Green Dragon	81%	1006
Det Norske	74%	480
Amerisur	69%	173
Salamander	60%	519
Borders and Southern	59%	452
Aurelian	59%	320
PA Resources	55%	519
Nautical Petroleum	52%	511
Bowleven	50%	591
Bankers Petroleum	47%	1798
Sell		
DNO	-19%	1425
Encore	-10%	579
Gulf Keystone	-15%	2286
Lundin Petroleum	-6%	3258

Coverage view: Attractive

See the Financial Advisory Disclosure section of this document for important disclosures about transactions in which The Goldman Sachs Group, Inc. or an affiliate is acting as financial advisor.

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The prices in the body of this report are based on the market close of November 3, 2010 unless otherwise stated.

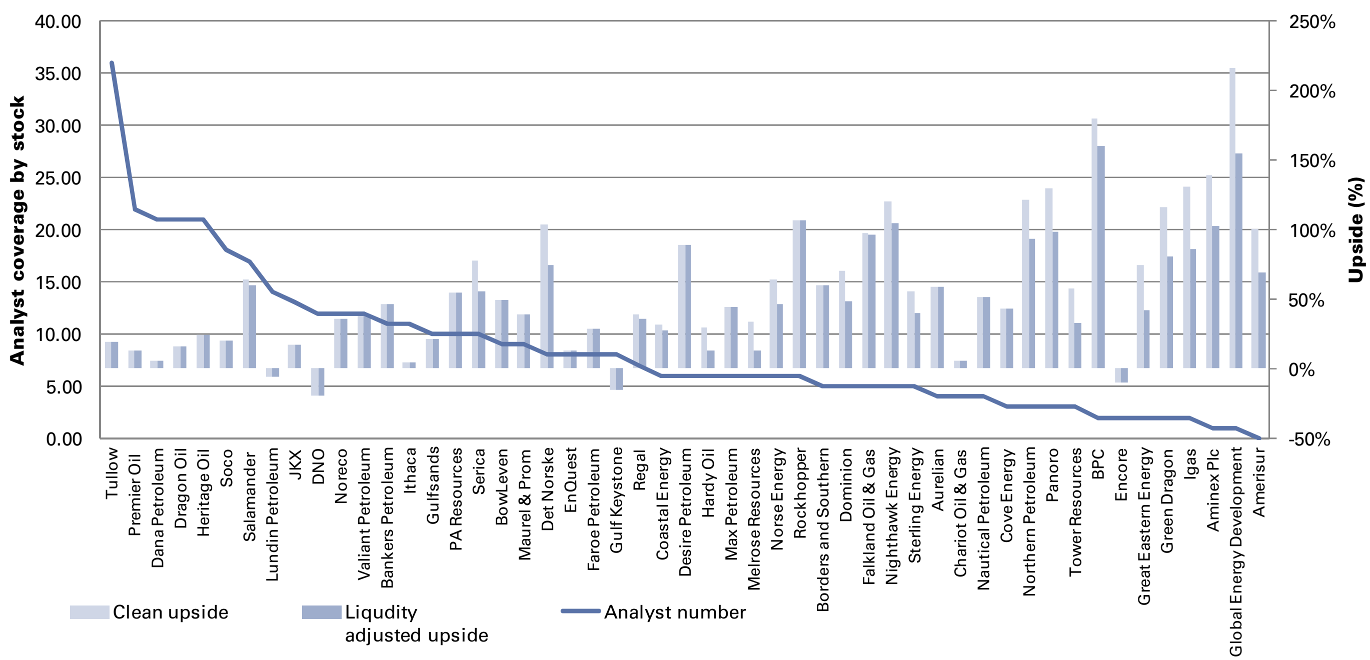
Expanding our universe: Lower liquidity and market focus but potentially greater rewards

We initiate coverage of 41 companies and resume coverage of 2, with average potential upside of 57% (clean) and 47% on a liquidity-adjusted basis for the new stocks under our coverage. A large proportion of these stocks are small cap with limited liquidity, but we believe that the potential rewards from a focus on these stocks more than outweighs the risks inherent in investing in them:

- We see a clear correlation between the magnitude of deviation from our price targets and the level of market coverage for each company: the fewer analysts covering the stocks, the greater the potential upside/downside to our target prices – despite the application of a liquidity adjustment of up to 20% of our NAV, offering greater opportunities for alpha generation.
- Greater breadth of coverage allows investors access to a variety of different themes (short term/long term exploration, new basins, M&A, unconventional resource etc.).
- A larger number of stocks allows exposure to themes through a screen approach which diversifies potentially volatile company-specific risk.

As a result of the increased opportunity we see in our expanded universe, we have upgraded our E&P coverage view to Attractive (from Neutral).

Exhibit 1: Lack of coverage could offer investment opportunities
Upside/downside to target price and analyst coverage



Source: Bloomberg, Goldman Sachs Research estimates.

Exploration, M&A and commodity prices are the key drivers of our E&P universe

The E&P space is driven by exploration, M&A and the commodity price. Within these drivers we have identified some structural themes that can generate substantial outperformance. By buying groups or screens of stocks levered to these themes, the company-specific risks inherent in the industry can be diversified away to a degree, allowing clearer exposure to a particular theme.

Exhibit 2: Our investment recommendations are driven by exploration, M&A and our view on the oil price

DRIVER	THEMES	INVESTMENT THESIS	RECOMMENDATIONS
Exploration	• Companies perform well into drilling catalysts • Early potential of new basins often underestimated • High, binary risk attracts additional discount from market	• Buy companies 12-24 months before material drilling to exploit time value • Buy companies in newly opened plays • Buy groups of binary risk stocks to diversify risk • Exposure to short term exploration is usually expensive	• Short term explorer screen - **avoid** • Balanced explorer screen - **buy** • Med. term explorer screen- **buy** • New basin exposure screen**- buy** • High, binary risk screen**- buy** • **CL BUY:** Rockhopper • **BUY:** Bowleven, Desire, BPC
M&A	• Majors struggling to grow reserves organically • Emerging market governments seeking security of supply	• Companies with high upside to discovered resources are attractive targets • Companies with strategic assets should carry a valuation premium • Value can be unlocked via M&A when large companies can better develop large/complex assets	• M&A screen **- buy** • Strategic asset screen - **buy** • Unrealised potential screen - **buy** • **BUY:** Bankers, GED, Det Norske, Nighthawk, Green Dragon, IGas,
Commodity Prices	• Constructive on oil price as demand outpaces supply • Constructive on global gas outside the US	• Remain constructive on oil levered names • Exposure to EM and Euro gas • Unconventional resource becomes attractive as commodity prices and technology aid commerciality	• Unconventional screen - **buy** • Oil levered screen - **buy** • **Sector view raised to attractive** • Build positions in EU/EM gas exposure for a longer term view • **Buy:** PA Resources, Nautical, IGas, Green Dragon, Nighthawk

Source: Goldman Sachs Research.

E&P thematic screens: The exploration screen

Our exploration screens offer exposure to inexpensive exploration catalysts, newly de-risked basins, longer dated exploration and binary risk which we believe trades at a discount. Unless there is another structural reason to buy a particular company, we do not believe that Short Term Exploration as a theme offers attractive risk/reward.

Exhibit 3: We have created five exploration screens
Exploration screens for exposure to themes within our E&P coverage universe

	Exploration screens				
	Balanced explorers	**Short term exploration**	**Medium term exploration**	**Play openers**	**High binary risk**
DESCRIPTION	We are sceptical of having a geological "edge" entering into drilling catalysts. This screen includes companies which combine strong core value and high levels of exploration impact	We believe that short term exploration catalysts are often aggressively valued to the point at which the risk/reward balance becomes less compelling. We have isolated explorers with the potential to double from exploration in the next 12 months and see relatively little upside to this screen, especially when members of other screens are excluded	Companies without short term catalysts tend to have long term catalysts discounted excessively by the market. Despite our application of a 50% discount to medium term exploration, the screen still offers substantial average upside. We believe that a screen of these stocks can outperform as drilling catalysts approach, rigs are booked and seismic interpretations clarified	We believe that companies which have significant de-risked acreage and high levels of follow-on potential from de-risked discoveries have a structural advantage over peers with access to material, lower risk exploration catalysts over a period of 2-3 years which may not be fully priced in by the market at an early stage. This screen includes companies which have recently participated in opening up new basins	In our view, the market is overly conservative in assessing companies with high levels of binary risk. Screens of these stocks can therefore offer diversified risk with attractive value. This screen includes a diversified selection of companies with a large proportion of value in high-risk assets.
SCREENING CRITERIA	* Short term exploration impact of >50% in next 12 months * Greater than 100% of market cap supported by core value	* Short term exploration impact of >75% in next two quarters	* Over 40% of valuation in exploration catalysts expected beyond 12 months	* 30%+ of value in net acreage of >1000 km2 which contains at least one discovery of commercial size, which has been successfully flow tested but has no production	* Greater than 40% of value in a single asset / play risked at greater than 50% * Potential uplift of 100% from de-risking event
AV UPSIDE	57%	38%	65%	59%	72%
COMPANIES	Faroe Petroleum Bowleven Det Norske Coastal Energy Rockhopper	Borders and Southern Desire Petroleum Bowleven Hardy Oil Noreco Max Petroleum DNO Coastal Energy	BPC Chariot Oil & Gas Tower Resources Sterling Energy Dominion Aminex Plc	Rockhopper Desire Petroleum Cove Energy Tullow Green Dragon Hardy Oil	Norse Energy Desire Petroleum Falkland Oil & Gas Borders and Southern Nighthawk Energy Regal

Source: Goldman Sachs Research.

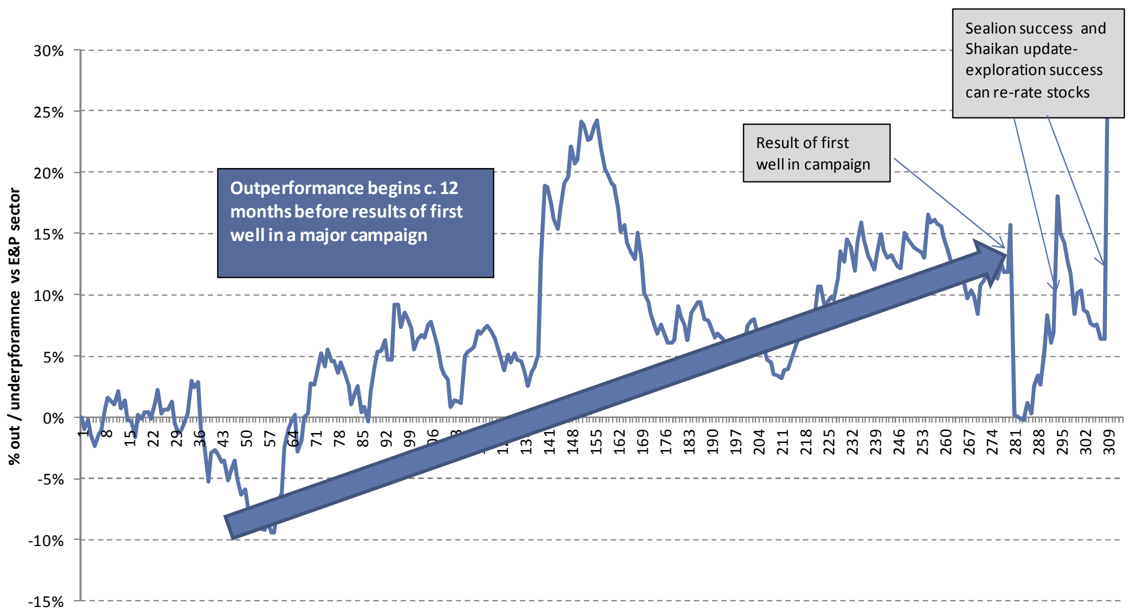
Exploration timing: Outperformance tends to start c.7-8 months ahead of well results – buy early to avoid the rush

We have conducted a number of case studies of companies approaching high impact drilling programmes in order to ascertain the point at which the market begins to price in these catalysts and typically see substantial outperformance beginning between a year and seven months prior to the results of the first well. Particular events that appear to be taken positively by the market before drilling include farm-ins to acreage, securing rigs, the start of drilling and publication of competent persons' reports and prospect sizes. Exhibit 4 shows the aggregate performance of 14 stocks from 280 days before the first results of a drilling programme, to highlight performance into a drilling campaign relative to the rest of the E&P universe.

We recommend buying companies more than 12 months from a material drilling campaign with a longer term view, in order to be positioned in the stocks before anticipated activity is priced in by the market, especially if a significant portion of their value is in the exploration programme. We would expect to see our medium term explorers re-rate substantially more than the performance suggested by Exhibit 4 due to the level of value the stocks have in longer dated exploration assets. Conversely, companies that are about to embark on a drilling campaign are often pricing in the risked value of the exploration efficiently.

Our **Medium Term Explorer** screen includes BPC, Chariot, Tower, Sterling, Dominion and Aminex. Our **Short Term Explorers** are Borders and Southern, Desire, Bowleven, Hardy, Noreco, Max, DNO, and Coastal.

Exhibit 4: Performance of 14 stocks aggregated vs. E&P universe, from 280 days before first well announcement
Rockhopper, FOGL, Borders & Southern, Desire, Cairn, Salamander, Tower, Soco, Gulf Keystone, Valiant, Serica, Bowleven, Cove & Dominion

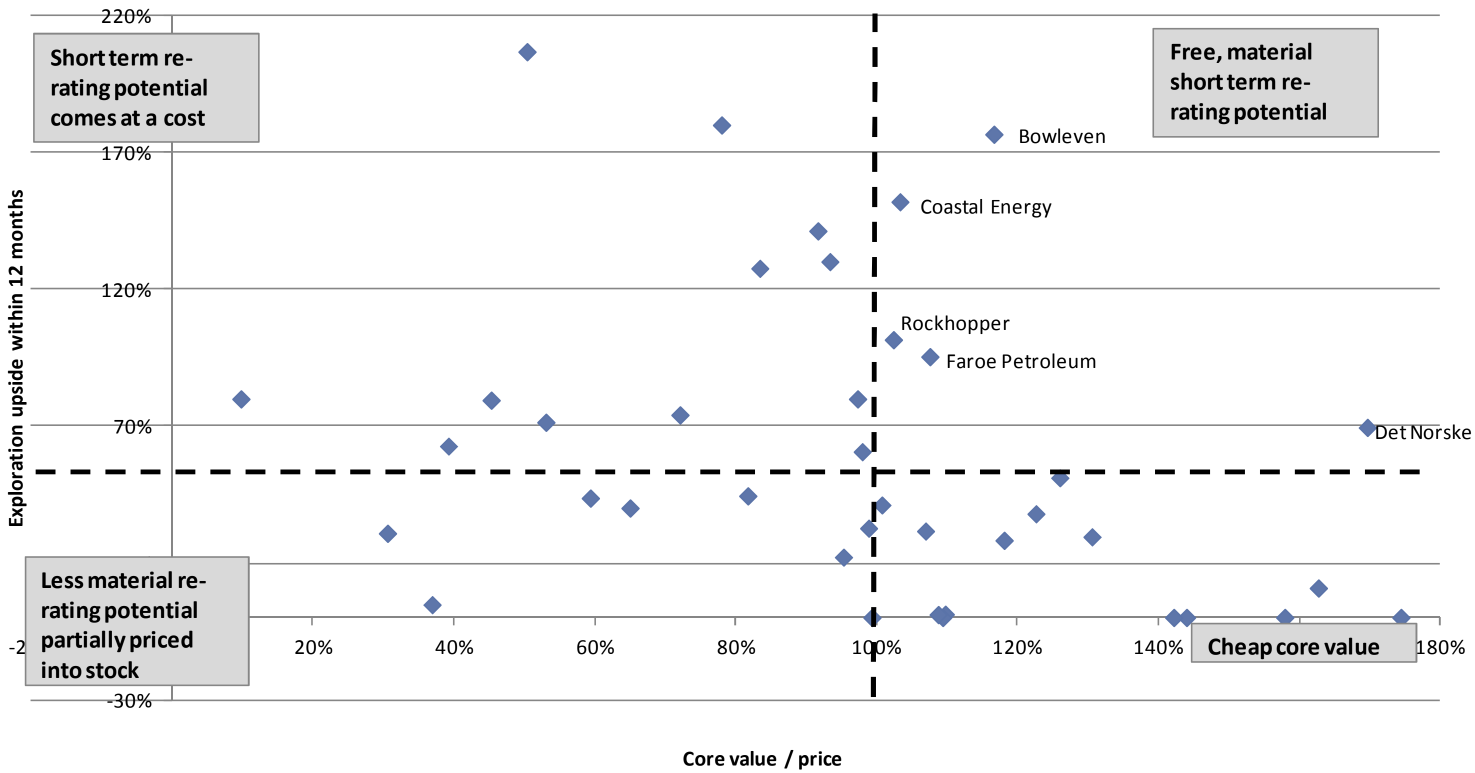


Source: Datastream.

Balanced exploration: What is the best type of drilling programme? – A "free" one

We are sceptical that it is possible to have a geological "edge" in predicting the possible outcomes of drilling campaigns and do not subscribe to the theory that buying before a drilling campaign is a robust method of generating alpha (unless stocks are bought significantly before a campaign has been priced in by the market). Instead we believe that buying exploration catalysts that are well supported by core value is the best way of generating alpha. Our balanced explorer screen contains five stocks which we believe have re-rating potential in the next 12 months of at least 50%, but whose share prices are 100% justified by the companies' core valuation (before liquidity discounts or assumed equity raises), effectively providing a "free option" on the exploration potential. Our **Balanced Explorer** screen contains Bowleven, Rockhopper, Det Norske, Nautical, and Coastal.

Exhibit 5: Companies in the Balanced Explorer screen must have re-rating potential of >40% and a "free" exploration option with core discoveries accounting for 100% or more of the share price
Upsides excluding adjustments



Core value including assumed drilling costs, not including cash from options / warrants / assumed equity raises.

Source: Goldman Sachs Research estimates.

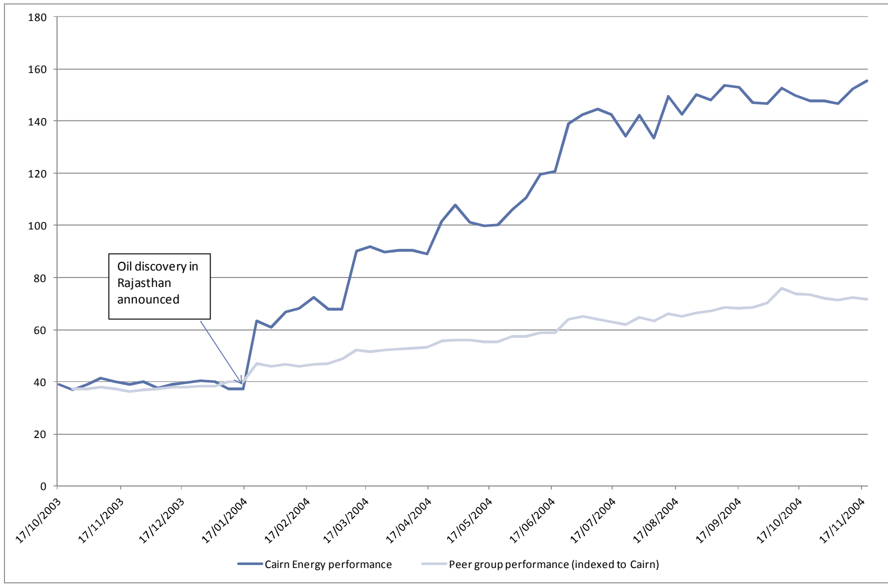
Newly discovered basins provide a structural drilling advantage

We believe that the market also offers opportunities to invest in situations in which companies open up new exploration plays in basins where they hold large and strategic acreage.

The two highest profile new plays in the European E&P universe in recent years have been Cairn's discovery of Mangala, which opened up the Rajasthan play, and Tullow's discoveries in Uganda and Ghana. In our view, it is noteworthy that although the initial discovery in each case resulted in a substantial outperformance relative to peers as the individual prospects were de-risked, even higher levels of outperformance were to come over the next 2-3 years as the potential of each basin became clearer. In each case, the drilling of additional exploration prospects in the vicinity of the original discovery that had been substantially de-risked drove the share prices to significant levels of outperformance. In our view, this suggests that the market is uneasy with ascribing value to additional prospectivity that has not been highlighted in drilling programmes. In order to capture this potential upside, in certain situations, where we believe a new material play has been opened up, and in which the company holds significant strategic acreage (>1000 square net kilometers), we extend our time horizon for rewarding exploration catalysts into the middle of 2013.

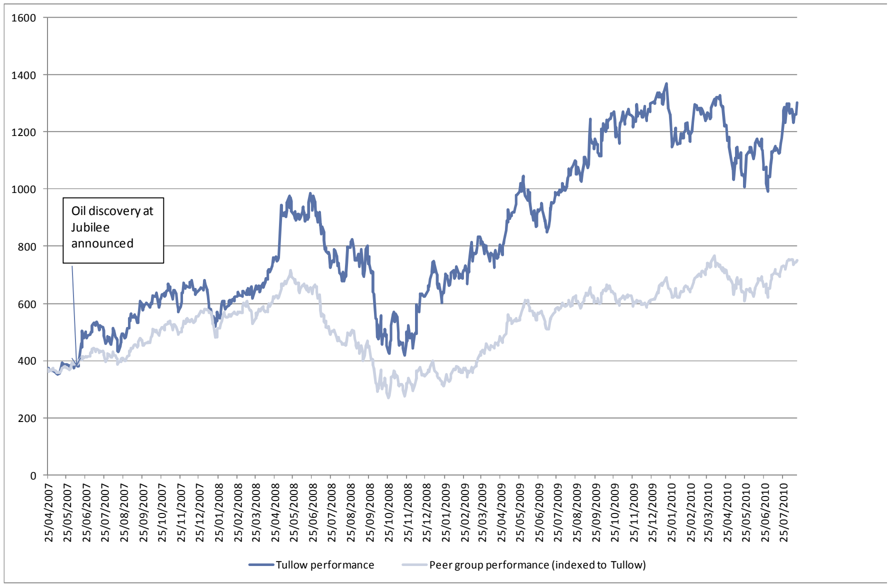
We note that risks remain in the early stages of a new play (as demonstrated by the disappointing results in Mauritania in the last decade) but believe that buying a group of such stocks should go some way to mitigating these risks. Our **Play Opener** screen contains Rockhopper, Desire, Cove, Tullow, Green Dragon and Hardy.

Exhibit 6: Cairn's share price rose 270% in the two years after the initial reaction to the Mangala discovery; >100% outperformance relative to peers
Cairn performance vs. large cap E&Ps following Mangala discovery



Source: Datastream.

Exhibit 7: Tullow's share price more than doubled after the initial reaction to the Jubilee discovery; >100% outperformance relative to peers
Tullow performance vs. large cap E&Ps following Mangala discovery

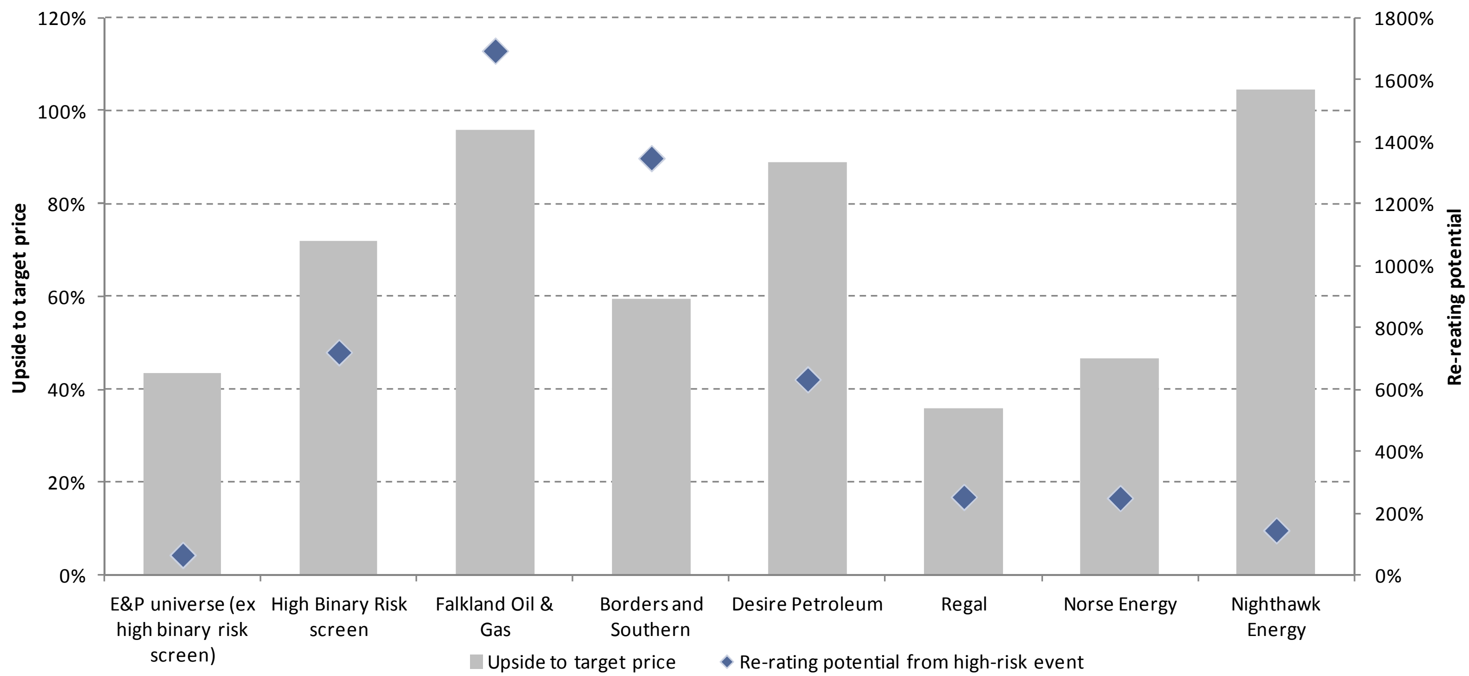


Source: Datastream.

Stocks with binary risk/reward trade at a discount in our view

It is only natural that stocks which have very high upside/downside leverage to single catalysts trade at a discount in order to compensate a holder for the binary nature of the investment case. While we accept the rationale for this, we believe that this results in an objective undervaluation of the risk. We would therefore recommend buying a group of high risk binary names. In this way, investors can obtain access to mispriced risk while at the same time mitigating the binary nature of the investment in each individual stock. Despite applying what we regard as conservative risks to the individual stocks (in order to reflect the binary nature of the investment case on a single stock basis), we still see average upside potential of over 70% (vs. 41% for the E&P universe excluding the high binary risks stocks). A "success" scenario for each of the individual catalysts results in average potential upside of c.700% across the screen (weighted towards exploration in Kazakhstan and the South Falklands basin). Our **High Binary Risk** screen contains Norse, Desire, FOGL, Borders and Southern, Nighthawk and Regal.

Exhibit 8: The high binary risk screen offers high-impact catalysts at an undemanding valuation
Potential upside for E&P universe based on 12 month drilling; potential upside for screen based on single, high impact event



Source: Goldman Sachs Research estimates, Bloomberg.

The M&A and commodity price screens

We have also constructed screens to gain exposure to M&A and our bullish commodity price view. We highlight companies with undervalued, concentrated resource (M&A screen), smaller companies which cannot fully monetize their large assets without a cash injection (Unrealised potential) and companies which have assets that could be of interest to NOCs (Strategic Assets). Our commodity leverage screens highlight those companies with high oil price sensitivity and exposure to unconventional resources.

Exhibit 9: We have constructed three M&A screens and two commodity price screens

	M&A screens			Commodity price screens	
	M&A	**Unrealised potential**	**Strategic assets**	**Oil price leverage**	**Unconventional resource**
DESCRIPTION	Concentrated and sizable resource in core valuations are attractive value targets for potential industry acquirers	Stocks with high-class assets that have insufficient cash to fully develop these trade at a discount in our view. Attractive as M&A candidates as a stronger balance sheet can unlock additional NPV	Our analysis suggests that large, oily assets are attractive to NOCs who are willing to pay premiums to equity market valuations. Buying companies with significant value in these types of assets therefore offers exposure to an NOC / equity market discount rate arbitrage	We are constructive on the oil price with a forecast price of US$100/bl in 2011. Stocks exposed to oily assets with higher operating leverage and licence based fiscal regimes are the most leveraged to the commodity	We believe that higher commodity prices should encourage additional investment in unconventional resource technology as well as making more marginal fields profitable. We include companies with material exposure to unconventional resource plays in this screen
SCREENING CRITERIA	* Core value offers over 30% upside to current valuations when valued at the forward curve and our costs of capital * >95% of value concentrated in one region	* Over 50% of company's valuation in an asset whose value could be increased by greater than 30% due to a significant capital injection * Over 100 mnboe net recoverable in the asset	* More than 30% of company's value sits in a "strategic" asset (>200 mnboe) * Net stake is greater than 50 mnboe * Asset is oil, LNG or EM based gas	* Sensitivity to a US$10/bl move in the oil price of greater than 20% without inflation (15% with inflation) * Greater than 90% of reserves in oil price levered barrels * Low portfolio risk	* Greater than 70% of value lies in either CBM, shale gas or shale oil
AV UPSIDE	80%	87%	38%	55%	72%
COMPANIES	Amerisur Global Energy Development Northern Petroleum Norse Energy Det Norske Nighthawk Energy Great Eastern Energy Bankers petroleum Igas Green Dragon	Igas Global Energy Development Norse Energy Nighthawk Energy Great Eastern Energy	Great Eastern Energy Bankers Petroleum Green Dragon Dragon Oil Soco Gulf Keystone Heritage Oil Rockhopper Tullow Cove Energy DNO	Noreco Nautical Petroleum PA Resources Igas Bankers petroleum	Igas Norse Energy Great Eastern Energy Nighthawk Energy Green Dragon

Source: Goldman Sachs Research.

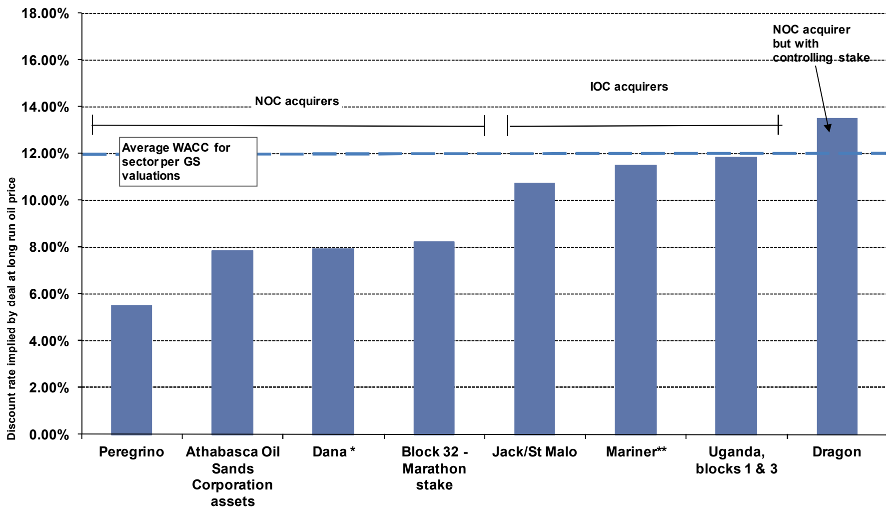
M&A: Strategic assets – the right assets justify a valuation premium

Although IOCs, in our view, are only likely to undertake transactions that offer value at commercial costs of capital, we believe NOCs are more price insensitive, potentially buying for strategic reasons of national supply rather than for value. We have analysed a number of recent large deals and calculated the discount rates implied assuming the oil forward curve as a price deck. Our analysis suggests that deals attempted by Chinese NOCs were at substantially lower discount rates than those used by IOCs or the equity market.

KNOC's approach for Dana implied an 8% cost of capital (excluding exploration) on our estimates as did Sinopec/CNOOC's attempted purchase of Marathon's stake in Block 32 in Angola and PetroChina's bid for Athabasca Oil Sands Corporation assets. Sinochem's purchase of a stake in Statoil's Peregrino field implied even lower costs of capital on our numbers – lower than 6%. Our strategic assets screen contains companies with assets we regard as "strategic" and which could benefit from this discount rate arbitrage.

Our **Strategic Asset** screen contains Dragon, Green Dragon, Bankers, Heritage, Gulf Keystone, Tullow, Soco, Great Eastern, Rockhopper, DNO and Cove Energy.

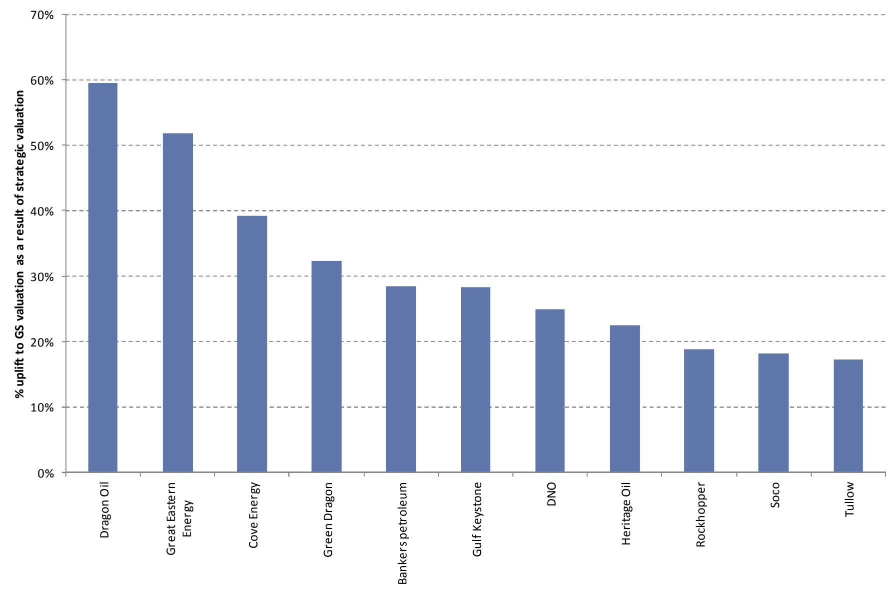
Exhibit 10: NOC transactions have been more price insensitive than the equity market or IOCs, suggesting a premium for strategic assets
Implied discount rates of deals valued at the forward curve



* Excluding exploration value
** Assuming 80% development risking

Source: Company data, Goldman Sachs Research estimates.

Exhibit 11: Strategic asset valuations can result in substantial increases in operational value
Impact on value of operational assets of moving from commercial discounts to 8% discount rate for strategic assets



Source: Goldman Sachs Research estimates.

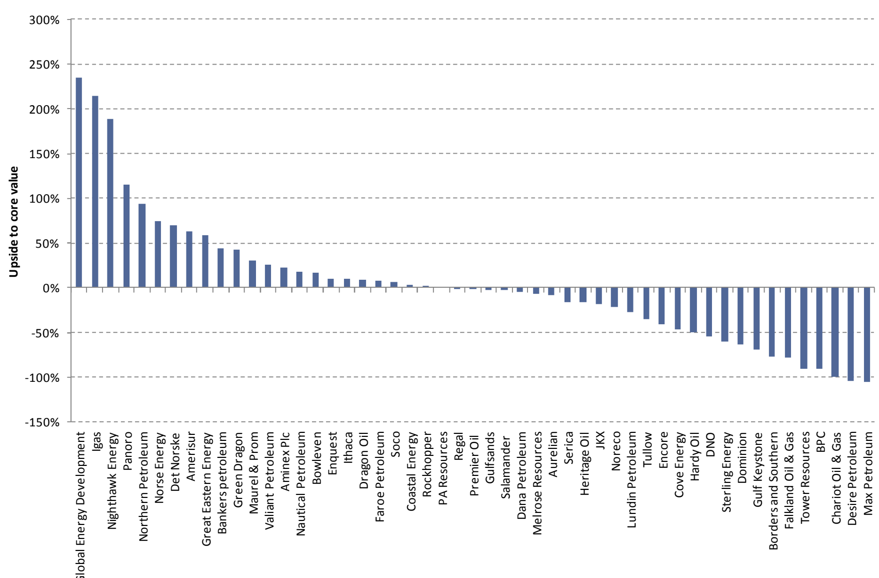
M&A: Focus on core value in geographically concentrated areas

We believe that industry acquirers typically prefer to purchase discovered resource over exploration. Of the three acquisitions in our E&P coverage universe over the last three years (Burren, Venture and Dana), the average ratio of core value to total risked NAV was c.86%. We would also regard geographical concentration as an advantage (another characteristic of the three transactions), allowing a purchaser a less complicated portfolio, with the advantage of potential operational and fiscal synergies. Our M&A screen therefore includes companies which combine potential upside to our core valuations of greater than 30% to the current share price and which have at least 95% of their value in a single region.

Stocks in our **M&A** screen are Amerisur, Global Energy Development, Northern Petroleum, Norse Energy, Det Norske, Nighthawk Energy, Great Eastern Energy, Bankers Petroleum, IGas and Green Dragon.

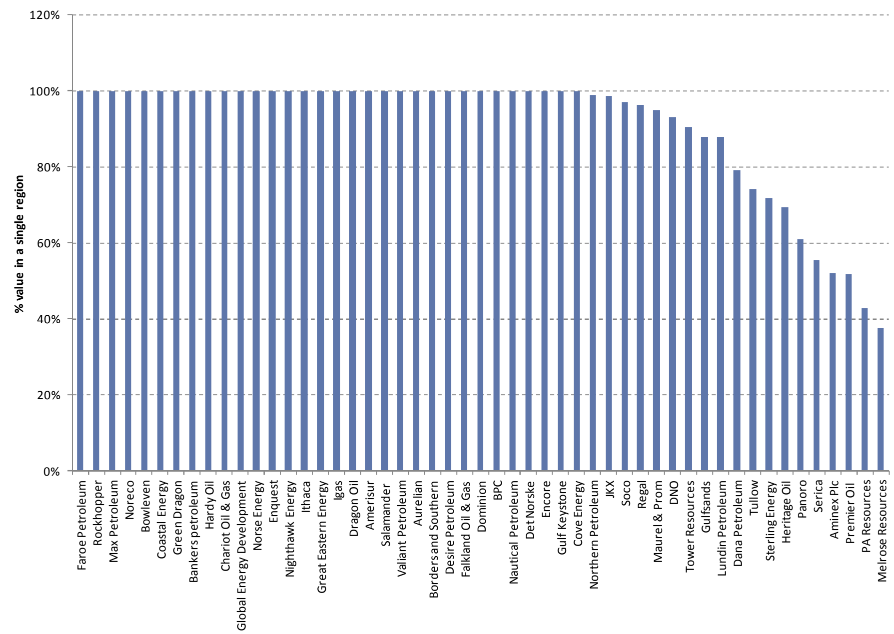
Note that throughout this report, our analysis of price versus core value excludes assumed equity raises, strategic premiums, liquidity discounts, and options.

Exhibit 12: Upside to core value an attraction for corporate acquirers
Potential upside/downside to core valuations, excluding adjustments



Source: Goldman Sachs Research estimates, Bloomberg.

Exhibit 13: Geographical concentration of discovered resource also a positive
% concentration in largest geographical area (excluding exploration)



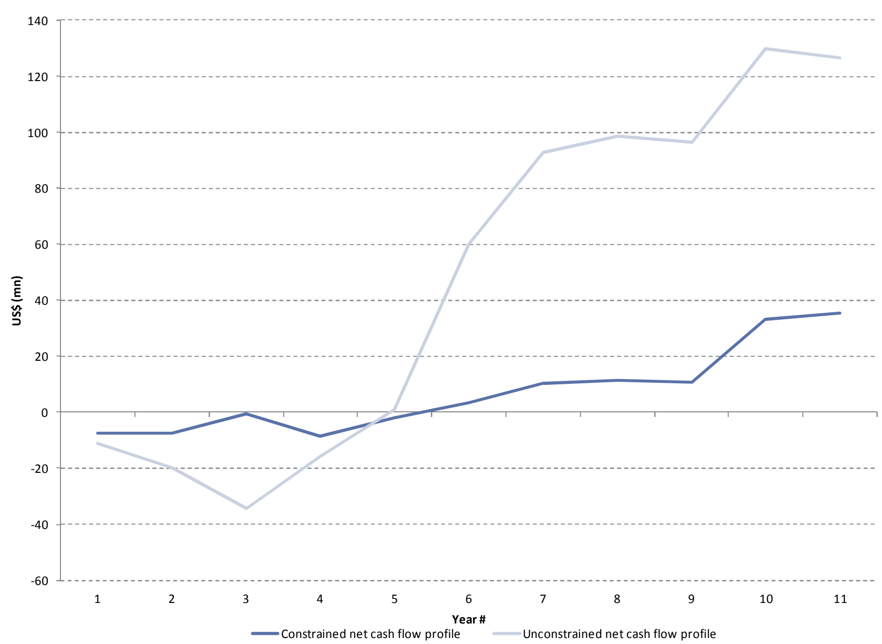
Source: Goldman Sachs Research estimates.

M&A: Unrealised potential – buy large assets owned by small companies

We see substantial upside potential in small stocks which hold significant assets, even after adjusting for liquidity, as we believe that the market is generally only willing to give value for the development potential offered by the current holder of the asset. However, if true, this would leave an arbitrage opportunity for larger companies with more funding power to realize more value from the asset by injecting additional capital up front in order to bring forward the timings of incoming cash flows significantly. We give companies in the unrealized potential screen risked M&A upside potential in which part of our valuation represents the value of the asset assuming a higher capital injection and, consequently, a higher NPV for the asset.

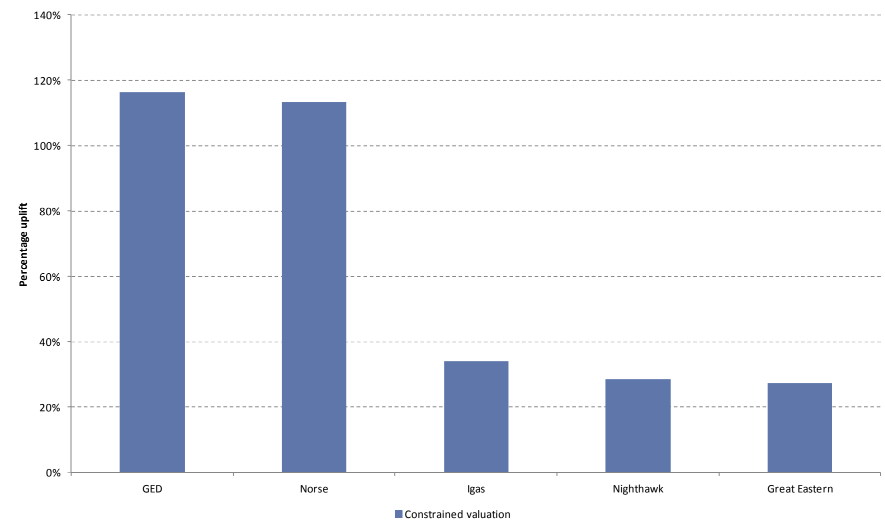
Our **Unrealised Potential** screen contains IGas, GED, Norse, Nighthawk and Great Eastern.

Exhibit 14: Greater capital input up front results in higher cash flows in the medium term…
Indicative cash flows from US oil shale asset assuming different levels of initial capital input



Source: Goldman Sachs Research estimates.

Exhibit 15: … Leading to greater NPV for small companies' assets
Difference in company valuations based on slow vs. fast ramp-ups



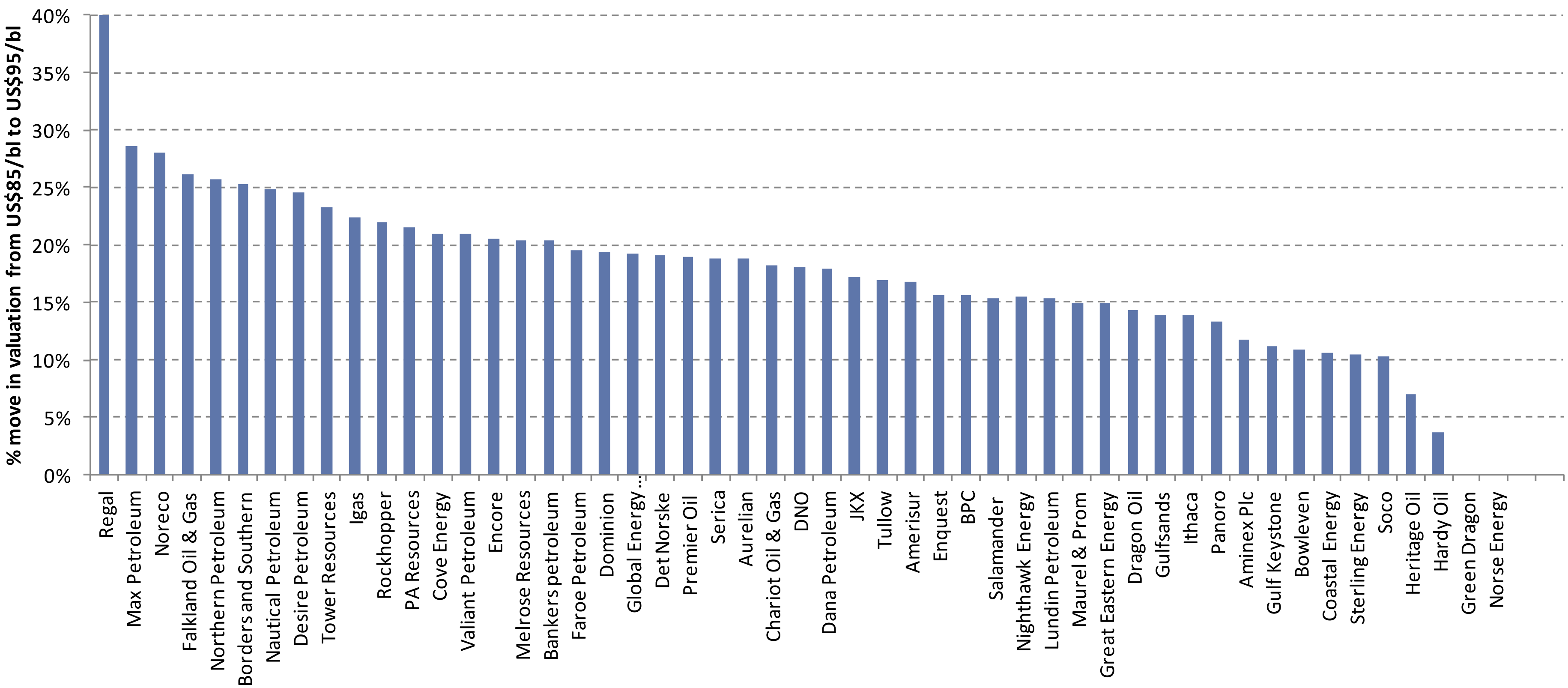
Source: Goldman Sachs Research estimates.

Oil price leverage: Ways to capture medium-term value from a bullish oil price view

The companies in our oil price leverage screen exhibit high sensitivity to the oil price. This is usually the result of a combination of high operating or financial leverage, exposure to oil assets and a lack of exposure to production sharing contracts (PSCs) which generally reduce sensitivity to the commodity price. We exclude companies with high levels of risk from this screen in order to provide a cleaner exposure to our assumption of a rising oil price.

Noreco, Nautical, PA Resources, Bankers and IGas are the stocks in our **Oil Price Leverage** screen.

Exhibit 16: Oil price levered stocks typically have high operating leverage and exposure to oil assets located in licence regimes
Sensitivity of company valuations to an increase in oil prices from US$85 to US$95/bl (assuming no inflation)



Source: Goldman Sachs Research estimates.

Introducing the expanded coverage universe

We initiate coverage of 41 stocks and resume coverage of 2. The average upside on our expanded universe is now 47% using an US$85/bl oil price which is consistent with our long term oil price and within 10% of the current three-year forward oil price. We initiate coverage of Rockhopper and Panoro as Buys and add the stocks to our Conviction List.

Exhibit 17: 12-month price targets and ratings for our coverage universe ranked by liquidity

												Screens									
#	Company	Region / asset grouping	Market cap (USDmn)	3m average daily liquidity (US$mn)	Clean upside	Upside before liquidity adjustment *	Upside after liquidity adjustment	Impact of liquidity adjustment on valuation	Upside to core value **	Exploration upside potential (12 months)	Balanced explorers	Short Term explorers	Medium Term explorers	New basin plays	High binary risk	M&A	Unrealised potential	Strategic assets	Oil price leverage	Unconventional Resource	Rating
1	Tullow	Mixed	17,351	51.9	12%	19%	**19%**	0%	**-35%**	**40%**				x				x			N
2	Cairn Energy	Asia	8,581	42.8	NR	NR	**NR**	NR	**NR**	**NR**											NR
3	Bankers petroleum	Middle East	1,798	31.9	49%	47%	**47%**	0%	**44%**	**0%**						x		x	x		B
4	Dana Petroleum	North Sea	2,680	29.3	6%	6%	**6%**	0%	**-5%**	**22%**											N
5	Gulf Keystone	Kurdistan	2,286	21.7	-19%	-15%	**-15%**	0%	**-69%**	**31%**								x			S
6	Lundin Petroleum	Norway	3,258	21.2	-6%	-6%	**-6%**	0%	**-28%**	**74%**											S
7	Rockhopper	Falklands	1,284	19.6	113%	107%	**107%**	0%	**2%**	**101%**	x			x				x			CB
8	Premier Oil	Mixed	3,196	11.3	11%	13%	**13%**	0%	**-1%**	**33%**											N
9	Desire Petroleum	Falklands	574	11.2	120%	89%	**89%**	0%	**-104%**	**366%**		x		x	x						B
10	Encore	North Sea	579	9.7	-3%	-10%	**-10%**	0%	**-41%**	**44%**											S
11	PA Resources	North Africa	519	8.7	60%	55%	**55%**	0%	**1%**	**41%**									x		B
12	Maurel & Prom	West Africa	1,818	6.2	39%	39%	**39%**	0%	**31%**	**29%**											N
13	Heritage Oil	Kurdistan	1,597	6.1	19%	24%	**24%**	0%	**-17%**	**128%**								x			N
14	DNO	Kurdistan	1,425	5.4	-26%	-19%	**-19%**	0%	**-55%**	**79%**		x						x			S
15	Nautical Petroleum	North Sea	511	5.4	54%	52%	**52%**	0%	**18%**	**28%**									x		B
16	Soco	Asia Pacific	1,775	5.3	16%	21%	**21%**	0%	**7%**	**32%**								x			N
17	Enquest	North Sea	1,661	4.7	11%	13%	**13%**	0%	**10%**	**1%**											N
18	Ithaca	North Sea	599	4.5	9%	5%	**5%**	0%	**9%**	**0%**											N
19	Cove Energy	East Africa	438	4.3	43%	43%	**43%**	0%	**-47%**	**71%**				x				x			N
20	Bowleven	West Africa	591	4.2	52%	50%	**50%**	0%	**17%**	**176%**	x	x									B
21	Dragon Oil	Caspian	3,747	3.5	9%	16%	**16%**	0%	**9%**	**1%**								x			N
22	Noreco	Norway	692	2.6	37%	36%	**36%**	0%	**-22%**	**180%**		x							x		N
23	Max Petroleum	Caspian	133	2.0	166%	44%	**44%**	0%	**-106%**	**304%**		x									N
24	Chariot Oil & Gas	East Africa	424	2.0	13%	5%	**5%**	0%	**-100%**	**0%**			x								N
25	Faroe Petroleum	Norway	484	2.0	34%	29%	**29%**	0%	**8%**	**95%**	x										N
26	Gulfsands	Middle East	663	1.9	27%	22%	**22%**	0%	**-2%**	**61%**											N

* Upside before liquidity adjustment includes: Equity issuance, warrants, options and strategic premium

** Upside to core before any adjustments

Source: Goldman Sachs Research estimates.

Exhibit 17 cont'd: 12-month price targets and ratings for our coverage universe ranked by liquidity

	Company	Region / asset grouping	Market cap (USDmn)	3m average daily liquidity (US$mn)	Clean upside	Upside before liquidity adjustment *	Upside after liquidity adjustment	Impact of liquidity adjustment on valuation	Upside to core value **	Exploration upside potential (12 months)	Screens: Balanced explorers	Short Term explorers	Medium Term explorers	New basin plays	High binary risk	M&A	Unrealised potential	Strategic assets	Oil price leverage	Unconventional Resource	Rating
27	JKX	Ukraine	802	1.7	18%	17%	**17%**	0%	**-18%**	**44%**											N
28	Borders and Southern	Falklands	452	1.5	60%	59%	**59%**	0%	**-78%**	**1347%**		x			x						B
29	Aurelian	Europe	320	1.5	63%	59%	**59%**	0%	**-8%**	**141%**											B
30	Falkland Oil & Gas	Falklands	240	1.4	99%	97%	**96%**	-1%	**-78%**	**1694%**					x						B
31	Valiant Petroleum	North Sea	373	1.4	45%	41%	**38%**	-2%	**26%**	**51%**											N
32	Regal	Ukraine	70	1.4	39%	39%	**36%**	-2%	**-1%**	**0%**					x						N
33	Salamander	Asia Pacific	519	1.3	64%	64%	**60%**	-2%	**-3%**	**80%**											B
34	Coastal Energy	Asia Pacific	503	1.3	47%	31%	**28%**	-3%	**3%**	**152%**	x	x									N
35	BPC	USA	99	1.0	181%	179%	**159%**	-7%	**-91%**	**0%**			x								B
36	Nighthawk Energy	US	64	1.0	189%	120%	**105%**	-7%	**189%**	**0%**					x	x	x			x	B
37	Sterling Energy	Kurdistan	206	0.8	56%	56%	**40%**	-10%	**-61%**	**63%**			x								N
38	Norse Energy	US	117	0.7	74%	64%	**47%**	-10%	**74%**	**0%**					x	x	x			x	N
39	Serica	North Sea	107	0.6	77%	77%	**56%**	-12%	**-16%**	**304%**											N
40	Hardy Oil	India	211	0.5	30%	30%	**13%**	-13%	**-50%**	**207%**		x		x							N
41	Dominion	East Africa	92	0.5	70%	70%	**48%**	-13%	**-63%**	**5%**			x								N
42	Northern Petroleum	Europe	145	0.5	135%	122%	**93%**	-13%	**93%**	**24%**						x					B
43	Panoro	South America	160	0.5	135%	130%	**99%**	-14%	**115%**	**48%**											CB
44	Det Norske	Norway	480	0.4	104%	104%	**74%**	-14%	**70%**	**69%**	x					x					B
45	Aminex Plc	East Africa	54	0.4	152%	139%	**103%**	-15%	**23%**	**38%**			x								B
46	Amerisur	South America	173	0.3	112%	101%	**69%**	-16%	**63%**	**11%**						x					B
47	Melrose Resources	Egypt	485	0.3	35%	34%	**13%**	-16%	**-7%**	**130%**											N
48	Tower Resources	East Africa	65	0.3	63%	58%	**33%**	-16%	**-90%**	**80%**			x								N
49	Green Dragon	Coal Bed Methane	1,006	0.3	119%	116%	**81%**	-16%	**42%**	**0%**				x		x		x		x	B
50	Great Eastern Energy	Coal Bed Methane	813	0.1	58%	74%	**42%**	-18%	**58%**	**0%**						x	x	x		x	N
51	Igas	Coal Bed Methane	94	0.0	215%	131%	**86%**	-19%	**215%**	**0%**						x	x		x	x	B
52	Global Energy Development	South America	35	0.0	235%	216%	**155%**	-19%	**235%**	**0%**						x	x				B

* Upside before liquidity adjustment includes: Equity issuance, warrants, options and strategic premium

** Upside to core before any adjustments

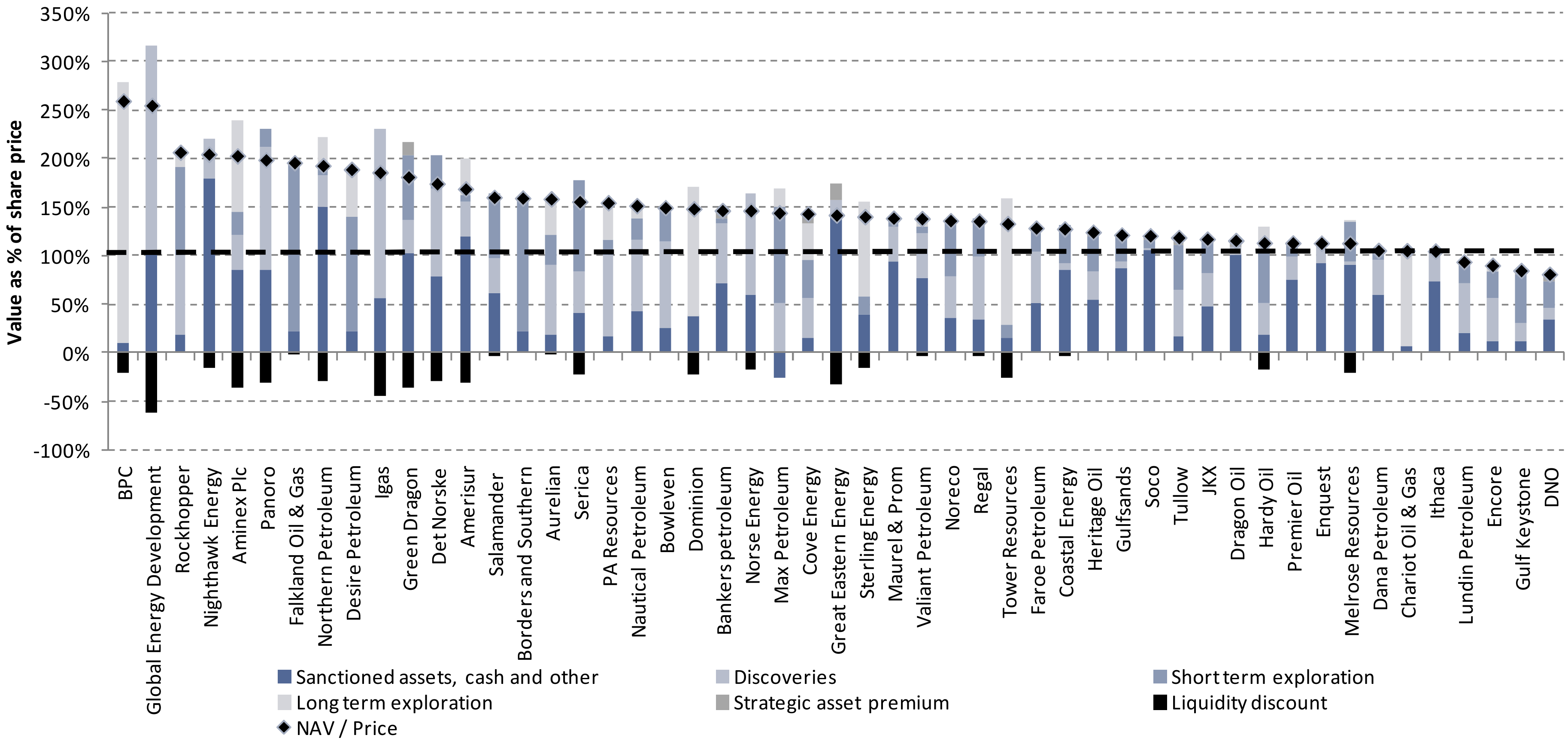
Source: Goldman Sachs Research estimates.

43 new companies: Average upside potential of 47% (ex liquidity discount)

Upside to risked NAV is the key driver of our investment view, and on this basis BPC and Global Energy Development are the companies with the most potential upside to risked NAV. We also have a preference for more liquid companies with core value support and add Panoro Energy and Rockhopper Exploration to our Conviction Buy List.

Exhibit 18: Valuations at US$85/bl (long run crude price)

Valuations by sanctioned projects and cash, discoveries, short-term exploration and long-term exploration. Includes impact of warrants, options and assumed equity raises. Dotted line = 0% upside



Source: Goldman Sachs Research estimates.

Ratings, target price and estimate changes for currently covered companies

We adjust the 12-month target prices of the companies currently under our coverage, primarily as a result of moving to a valuation methodology using an US$85/bl flat oil price. Other specific factors that impact our target prices are:

- Updating exploration pipeline and adding additional value for exploration around the Avaldsnes prospect for Lundin
- Appraisal failure at the TGD prospect and a dry well at the D-Prospect in Congo for Soco
- West Rochelle success for Premier

Exhibit 19: 12-month target price and ratings changes for companies currently under our coverage

Target price changes									
Company	Currency	Old rating	New rating	New target price	Current price	Upside	Previous target price	% change	Risks to target price
Lundin	SEK	Neutral	Sell	64	68	**-6%**	62.0	2.9%	Greater than expected exploration success, especially around Alvadsnes in Norway, and weak commodity prices
Premier	p	Neutral	Neutral	1932	1706	**13%**	2163.6	-10.7%	Exploration failure at Catcher, cost overruns in developments and weak commodity prices
Salamander	p	Buy	Buy	337	210	**60%**	364.6	-7.7%	Weakening SE Asian gas price environment, exploration failure
Soco	p	Neutral	Neutral	391	324	**21%**	589.8	-33.7%	Development problems on TGT
Tullow	p	Buy	Neutral	1443	1214	**19%**	1662.2	-13.2%	Greater than expected exploration failure, delays or cost overruns in development or a failure to progress Ugandan farm out
Heritage	p	Buy	Neutral	433	348	**24%**	466.3	-7.1%	Negation / alteration of KRG oil contracts by Iraq, lower than expected recoverability rates, high CGT from Uganda
Dragon	p	Neutral	Neutral	523	452	**16%**	579.7	-9.7%	Weaker than expected commodity prices, delays in production ramp up, poor well performance

We remain Not Rated on Cairn Energy

We exclude Dana (Neutral) as it is in the process of being delisted following its acquisition by KNOC

Source: Goldman Sachs Research estimates, Bloomberg

We also make the following adjustments to our earnings:

Exhibit 20: EPS estimate changes for existing companies

		2010E			2011E			2012E			
		Old	New	% change	Old	New	% change	Old	New	% change	Reasons for movements
Dana	p	127.07	127.07	0%	186.01	186.01	0%	229.98	229.98	0%	
Lundin	SEK	2.95	2.33	-21%	6.10	5.04	-17%	6.79	5.60	-18%	fx, removal of Salawati assets
Premier	USD	1.11	1.12	0%	2.98	2.98	0%	6.23	6.23	0%	
Salamander	USD	0.01	-0.05	-596%	0.62	0.61	0%	0.73	0.73	0%	Increase of exploration expense for 2010
Soco	USD	0.13	0.13	0%	0.59	0.59	0%	1.18	1.18	0%	
Tullow	USD	0.21	0.21	0%	1.07	1.07	0%	1.74	1.74	0%	
Heritage	USD	-0.01	-0.01	0%	-0.01	-0.01	0%	0.08	0.07	-1%	
Dragon	USD	0.79	0.79	0%	1.09	1.09	0%	1.21	1.21	0%	

Source: Goldman Sachs Research estimates.

Other industry themes

Regional analysis: What, where and why

We have divided the stocks in our expanded E&P universe into regions where a number of stocks have particular concentration. Based on our estimates, the market applies substantially different valuations to assets within the same country, despite making allowances for asset-specific differences. We believe Heritage Oil in Kurdistan, Nautical Petroleum in the UK and Det Norske in the Norwegian North sea offer particularly inexpensive exposure to their respective regions with IGas and Green Dragon screening as offering attractive value among their global gas-based peers.

Risk assessment: Political and technical risks increasing for the subsector

We analyse the technical and political risk for the companies under our coverage. We believe that as the larger, integrated companies begin to vacate areas of higher political risk, the smaller E&Ps are increasingly seeking high rewards in these areas. Although the re-rating potential in these areas can be vast, higher political risk has implications for the discount rates we use in valuing these assets. In line with the rest of the industry, we see technical risk increasing as companies ramp up expenditure in unconventional assets or increase exploration activities in deeper waters than before. Although we expect farm-outs to mitigate some of the disadvantages, this may cause a higher level of cost overruns and delays relative to that we have seen previously, increasing the importance of strong execution. We also see an increase in political risk in areas where the companies are currently exploring which may hamper the ability of the sector to farm out assets to large oil companies which appear to be becoming increasingly averse to political risk.

GS SUSTAIN: Assessing corporate governance

We apply our GS SUSTAIN framework to the E&P companies in our newly expanded universe. Our analysis of companies' management of governance issues is designed to apply objective and quantifiable measures across key areas of corporate governance. We believe that these indicators provide an objective gauge of the extent to which ordinary shareholders' interests are represented in board decisions, the degree of independent oversight of business performance and strategic decisions, as well as the alignment of management incentives with shareholder interests.

Moving to US$85/bl valuation; coverage view now Attractive

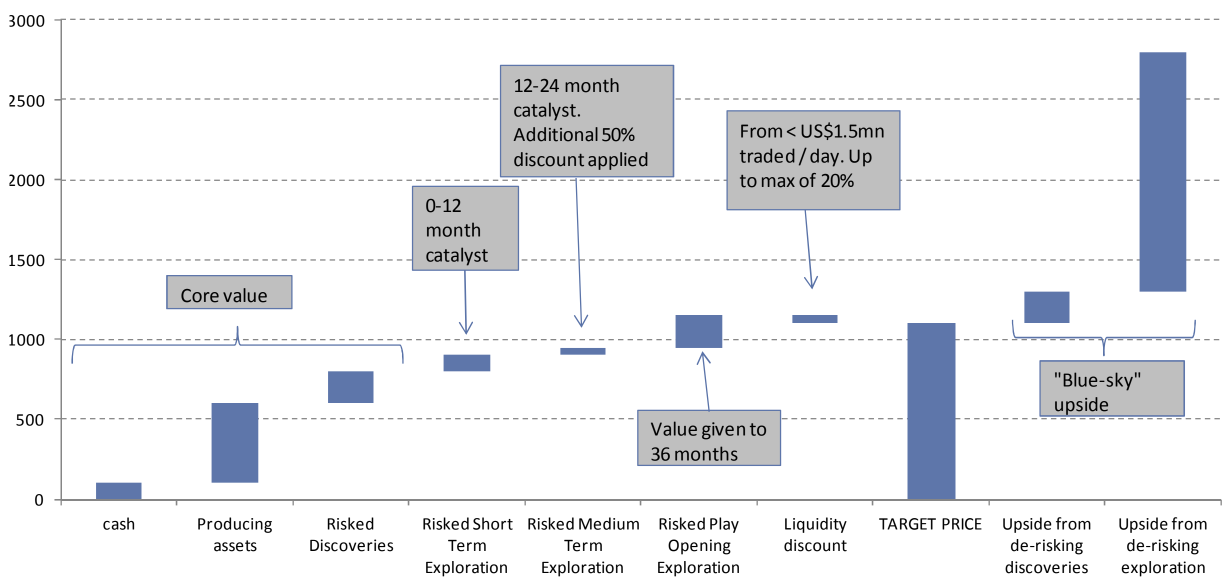
We previously valued the E&P coverage group using a blend of the forward curve and our front year oil price forecast. We have simplified this methodology and now use our long run oil price of US$85/bl flat to value the stocks in the universe. This is within 5% of the 2012 Brent price per the forward curve. Given the potential upside we see, despite this valuation methodology change, we upgrade our coverage view to Attractive from Neutral to reflect the potential we see in a large number of the stocks in our expanded universe.

E&P valuation methodology

We use a standard NAV approach to value the E&P stocks in our coverage universe:

- **Net cash/debt and producing assets** – typically given 100% of value.
- **Discoveries/developments** – based on NPV/bl and risked for technical complexity and likelihood of commercialization.
- **Exploration** – based on NPV/bl and risked according to likelihood of ultimate commercial success. We have typically given value only for exploration catalysts within the next 12 months, but now give value (with a 50% discount) for exploration catalysts falling between 12 and 24 months and for exploration up to three years out in de-risked strategic basins in certain cases. For exploration programmes in new, unproved basins, we only give value for the first 1-2 prospects (dependent on drilling plans).
- **Liquidity discount** – we apply a discount of up to 20% to our valuations for stocks whose most recent three-month average daily trading volumes have been lower than US$1.5 mn.
- **Equity raises and farm-outs** – where appropriate we make adjustments for anticipated equity raises or assumed farm-outs to fund drilling.
- **Assets determined to be strategic are given an M&A premium** in which they are valued at an 8% discount rate. Assets in capital constrained companies are only given the value of higher NPVs implied by fast ramp-ups as an M&A premium.

Exhibit 21: Valuation methodology of E&Ps in our coverage universe
Generic assumptions

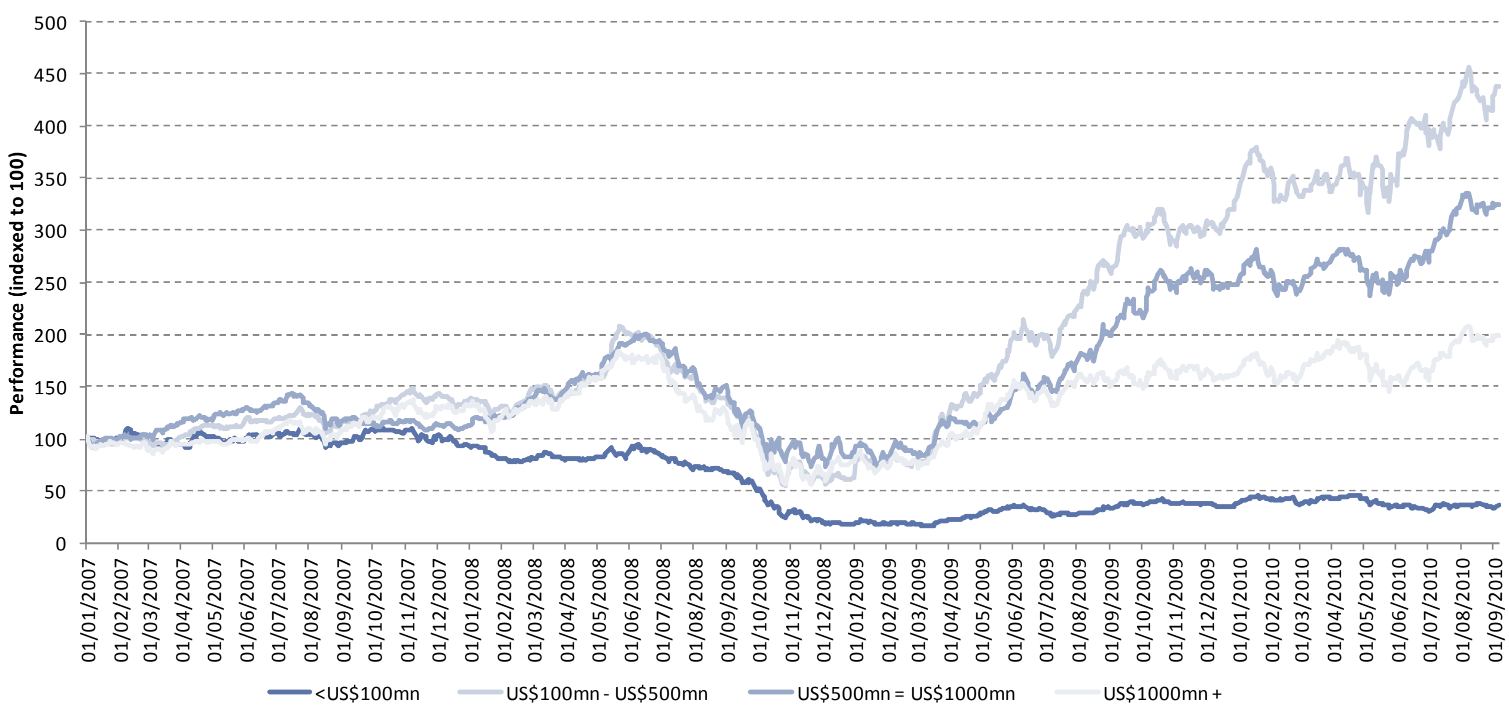


Source: Goldman Sachs Research.

Smaller companies can offer greater re-rating potential…

Our expanded coverage universe encompasses a wide range of companies with substantially different market caps and free floats. We have tracked the performance of this universe of stocks over the last four years to determine whether market cap is a major determinant in performance. While we recognize that high levels of liquidity are attractive in allowing significant positions to be built, we note that the companies that have outperformed the most over the last four years are those in the US$100-500 mn band. Exhibit 22 shows the performance of stocks by market cap since the beginning of 2007, with companies being reclassified into different categories as and when they cross category boundaries. This indicates that it is the companies in the US$100-500 mn band that have outperformed most since the trough of the sector in late 2008, followed by those in the US$500mn to US$1 bn range. We believe that smaller companies typically offer greater potential to re-rate as catalysts tend to have more impact on a smaller capital base and as market inefficiencies in pricing tend to be greater at the smaller end of the spectrum. We note that the worst performers, however, are companies below US$100 mn – a significant underperformance driven by lack of liquidity and focus, and an "anti-survivor bias" (in which small companies will tend to be small as a result of their underperformance) will tend to keep underperformers more concentrated in this group. We believe that there are some compelling investment opportunities at this end of the investment scale.

Exhibit 22: Small size no barrier to strong performance although very small companies have lagged



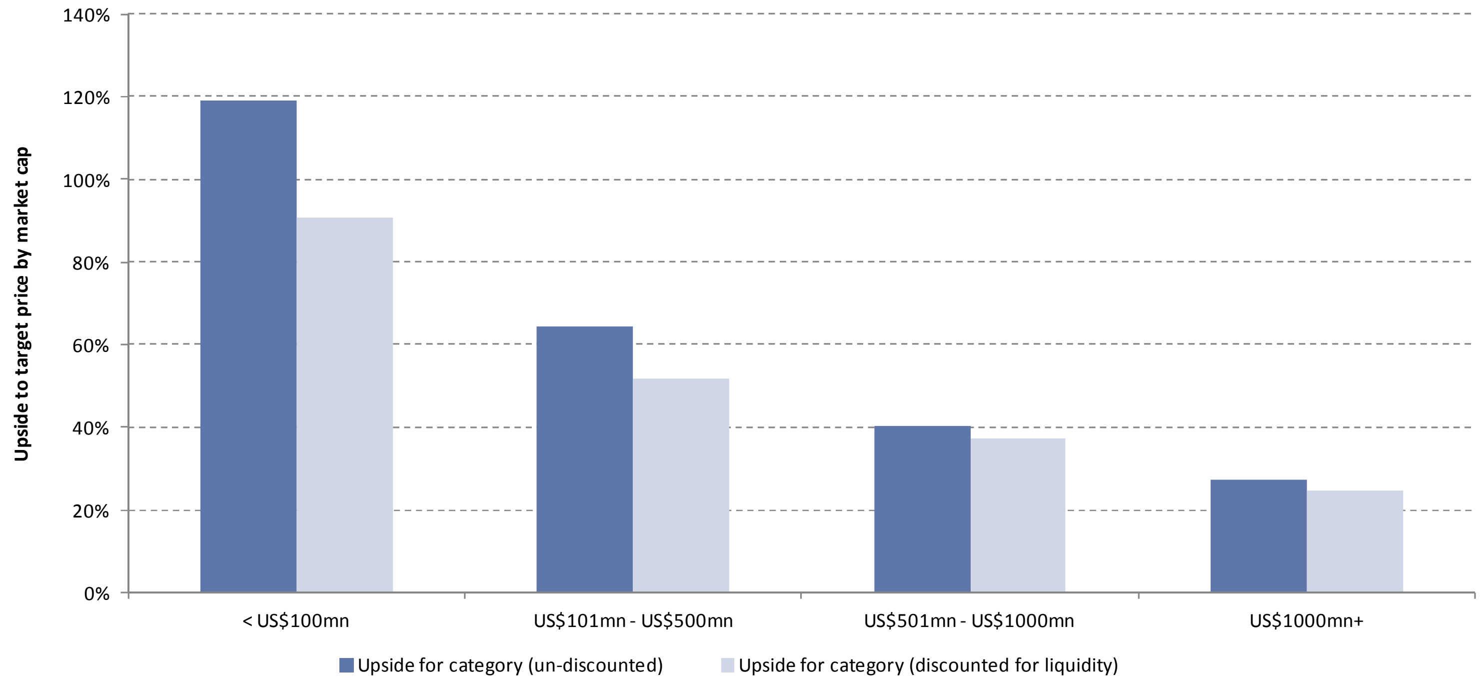
Source: Datastream.

… but less liquid firms need a liquidity adjustment; smaller firms remain inexpensive despite this adjustment

Due to the trading costs involved in building positions in smaller firms, we apply a discount to our target prices depending on the size of the company. We apply no discount to firms with an average three-month daily trading volume in excess of US$1.5 mn. Below this level, however, we apply a discount on a sliding scale up to a maximum of 20%.

On both an undiscounted and a discounted basis, we see substantially more upside potential in small companies. We believe that there is opportunity in some of these smaller names and that there may be pricing inefficiencies due to a lack of market focus.

Exhibit 23: Smaller names look attractive despite a liquidity discount of up to 20% being applied
Potential upside to discounted and undiscounted target price by size category



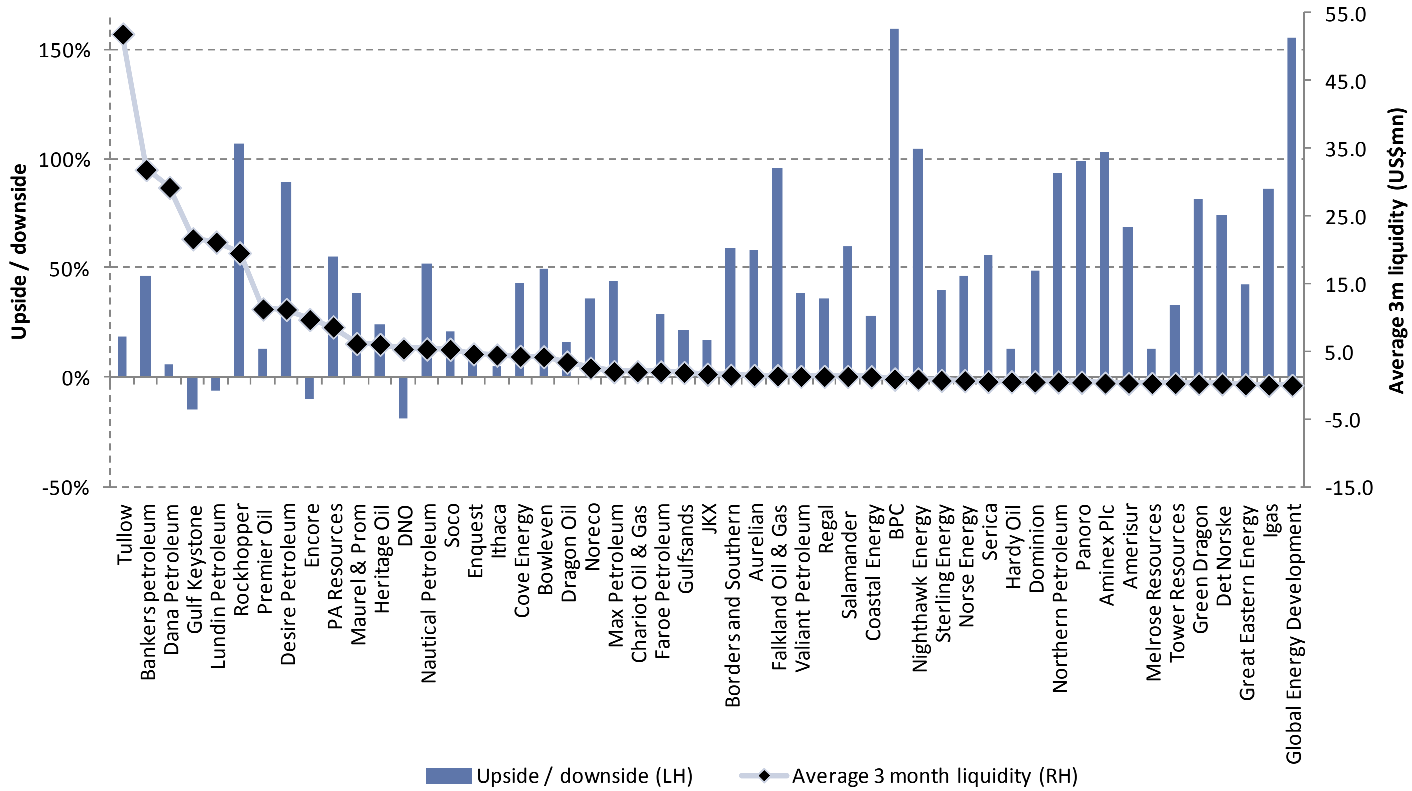
Source: Goldman Sachs Research estimates.

Coverage overview

A combination of upside and liquidity is particularly attractive; Rockhopper, PAR and Nautical

Of the 52 companies in our expanded coverage, 14 have market capitalisations of over US$1 bn, 26 of over US$500 mn and 43 of over US$100 mn. We prefer upside in those companies which also have sufficient liquidity to allow a material position to be built and closed out. Rockhopper, PA Resources, Bankers, Desire and Nautical stand out as being particularly attractive in having this combination of value and size. Although a number of the companies in our coverage universe are small, we believe that several have sufficiently compelling upside potential to merit particular attention, despite the relative lack of liquidity. Of particular note in this respect are BPC, Global Energy Development and Panoro. We note that our liquidity discount should help redress the valuation discrepancies caused by differing levels of liquidity.

Exhibit 24: Rockhopper (107%) combines strong liquidity with attractive upside on our numbers
Upside vs. liquidity

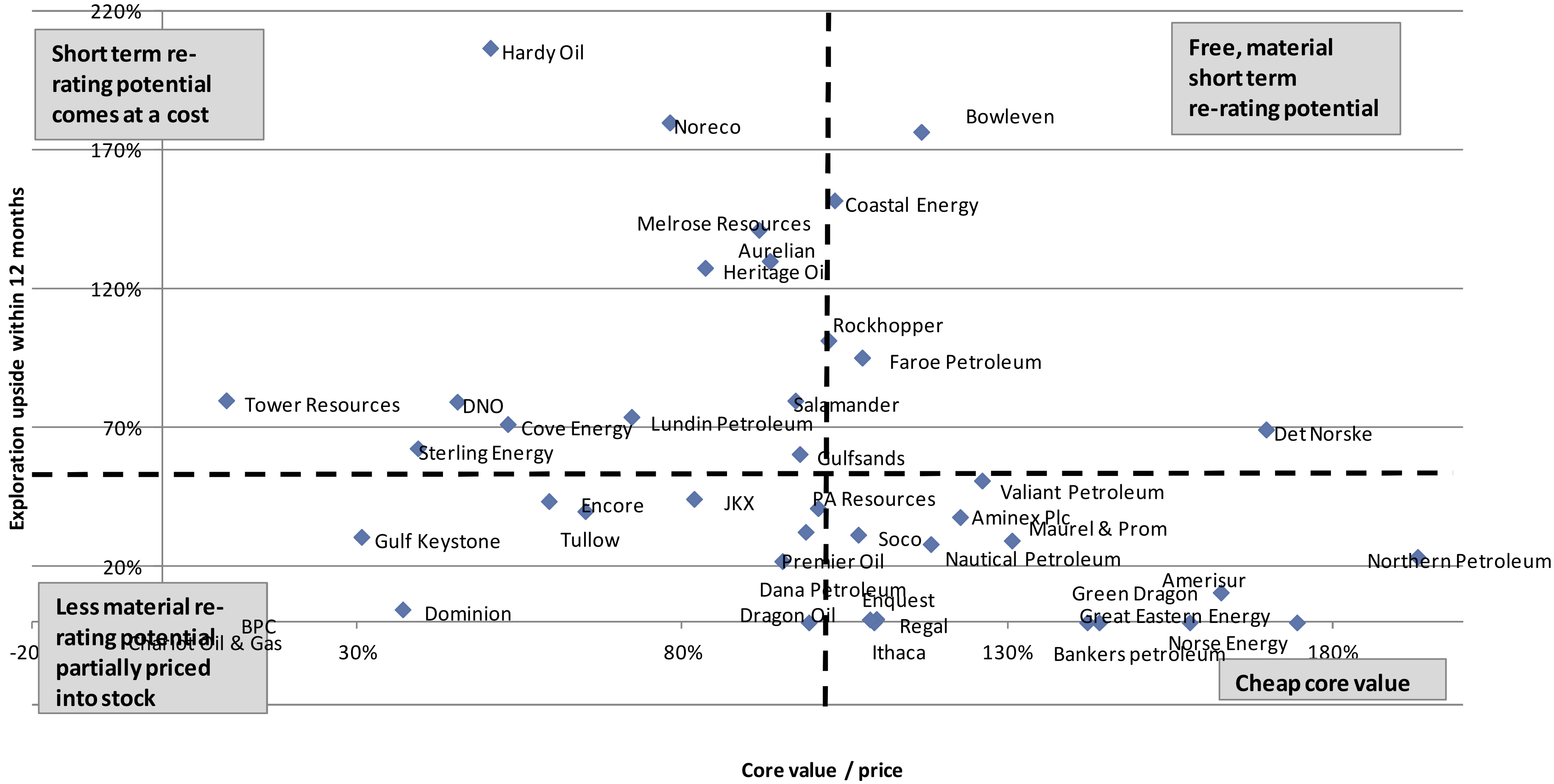


Source: Goldman Sachs Research estimates.

Strong core value and high re-rating potential provides a compelling investment case

Although investment cases in companies with no exploration, or high-impact explorers with little core value can be compelling, we see a combination of high impact exploration in companies where the valuation is well supported by the core value in the company as attractive. Bowleven, Coastal, Rockhopper, Det Norske and Faroe stand out as being particularly attractive from this perspective; these companies feature as winners in our Balanced Explorers screen. We note that a number of companies such as Salamander, Gulfsands and Aminex are very close to making it into this screen.

Exhibit 25: % of value in core vs. short term exploration upside potential
Upsides excluding adjustments



Borders & Southern (1347% re-rating potential, 22% core value / price), FOGL (1694%, 22%), Desire(,356% -4$, Max 304%,-5%, Serica 304%, 82%). BPC, Chariot, exhibit 0% uplift as drilling is medium-term and exhibit shows only short term re-rating potential.

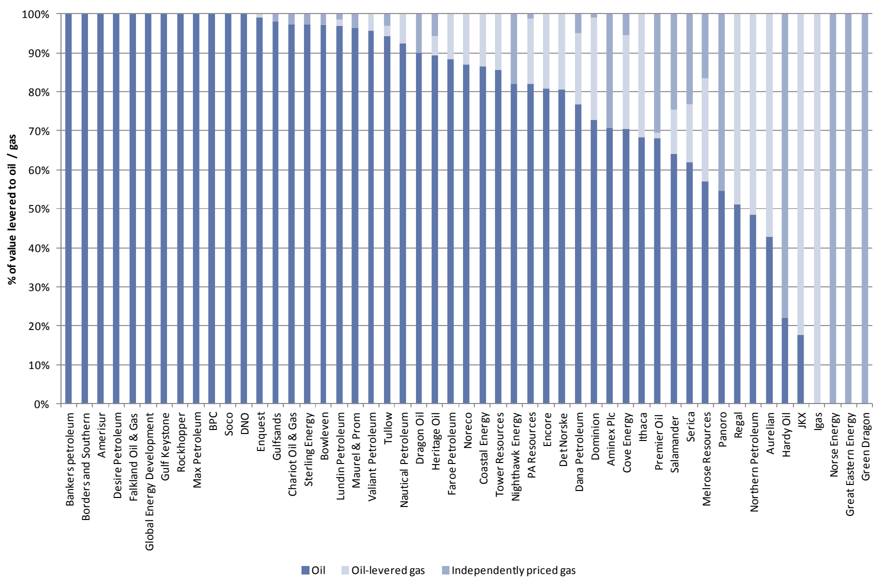
Source: Goldman Sachs Research estimates.

Regional and hydrocarbon exposure

Our E&P universe is heavily levered to oil with over 75% of the average company's portfolio value being generated from oil. Of the remaining value, 12% is gas that we believe will be linked to oil prices in the long run (primarily LNG and European gas exposure). There are relatively few companies with substantial exposure to what we would regard as independently priced gas (being primarily emerging market gas and Henry Hub).

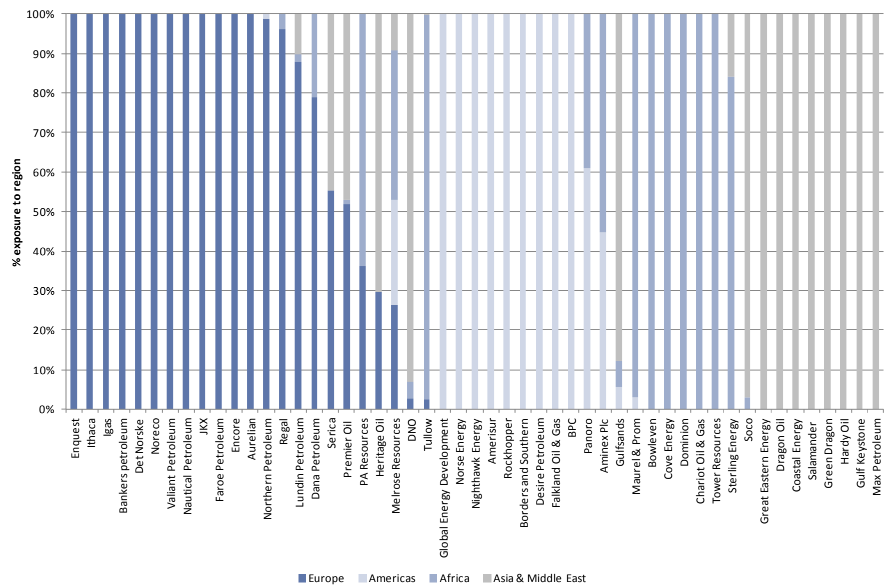
Regionally, the companies are most levered to Europe, although the universe exhibits a diversified spread through Europe, Africa the Americas, Asia and the Middle East. The Americas value is primarily driven by South America, with Norse Energy and Nighthawk offering the only ways to gain exposure to the unconventional plays in North America. The majority of Middle Eastern exposure is obtained via Kurdistan, with Gulfsands present in Syria and Dragon Oil 100% levered to Turkmenistan.

Exhibit 26: % of asset portfolio value linked to oil



Source: Goldman Sachs Research estimates.

Exhibit 27: Regional exposure by company



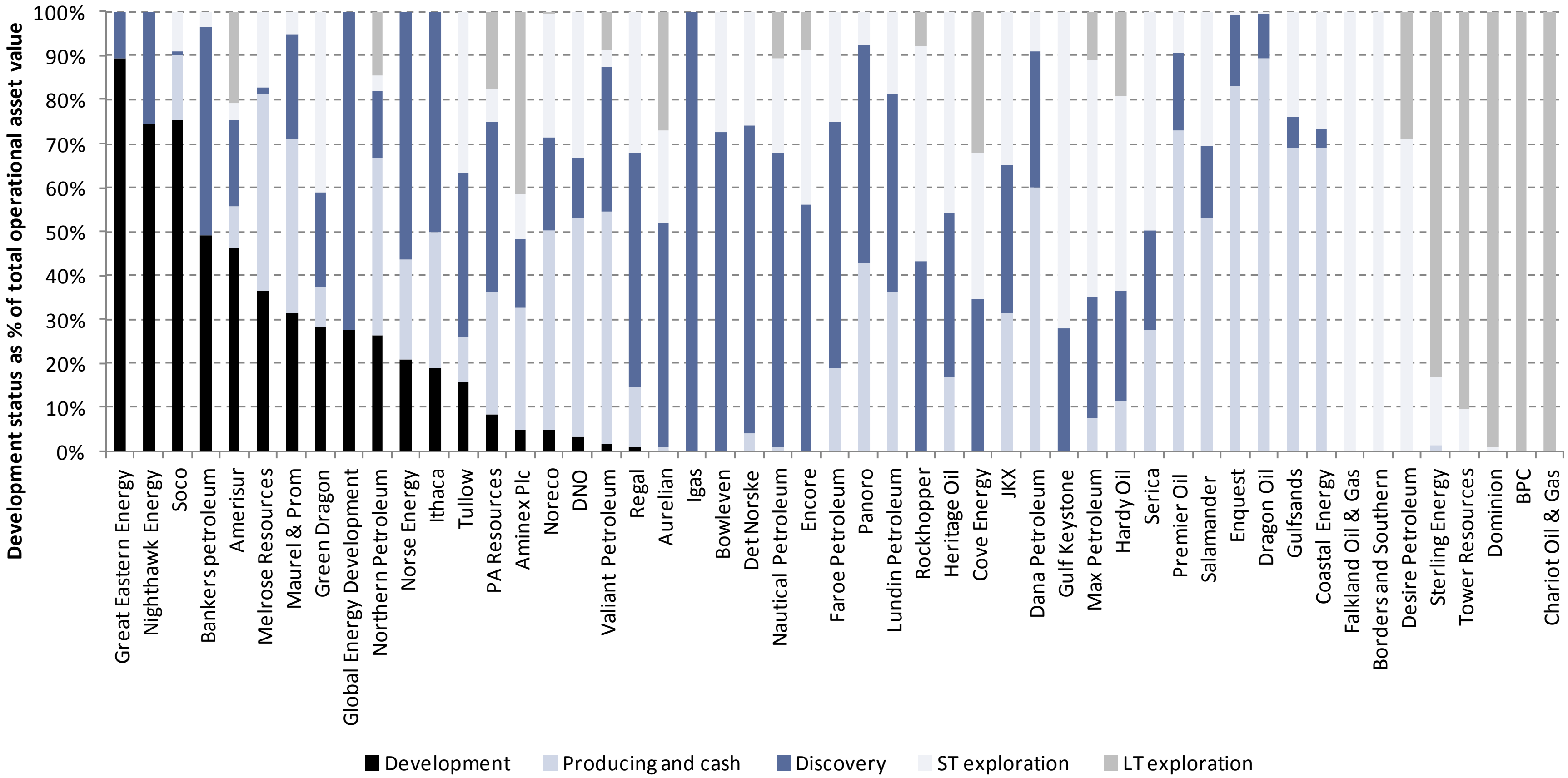
Source: Goldman Sachs Research estimates.

E&P universe tends to steer clear of development projects

We have analysed value levels of our E&P universe by development status. On an equal weighted basis, value is split fairly evenly between production (24%), discoveries (28%) and short-term exploration (24%), with medium-term exploration only being a relatively smaller part (14%) due to the 50% discount we attach to this type of activity and the fact that we are selective in when to give value to this. Development only accounts for 10% of the overall value. This is not unexpected given that the business model of many firms in the universe is to discover and farm out to companies with higher levels of technical ability. We note that the companies with substantial value in development are often those with unconventional or particularly large assets (i.e. Great Eastern, Nighthawk, Bankers). We believe that development for these companies should actually be a positive catalyst – as additional reserves are proved up, development risk decreases and production levels increase.

Exhibit 28: Our E&P universe has relatively little value sitting in assets under development

% value exposure of operational assets by development status



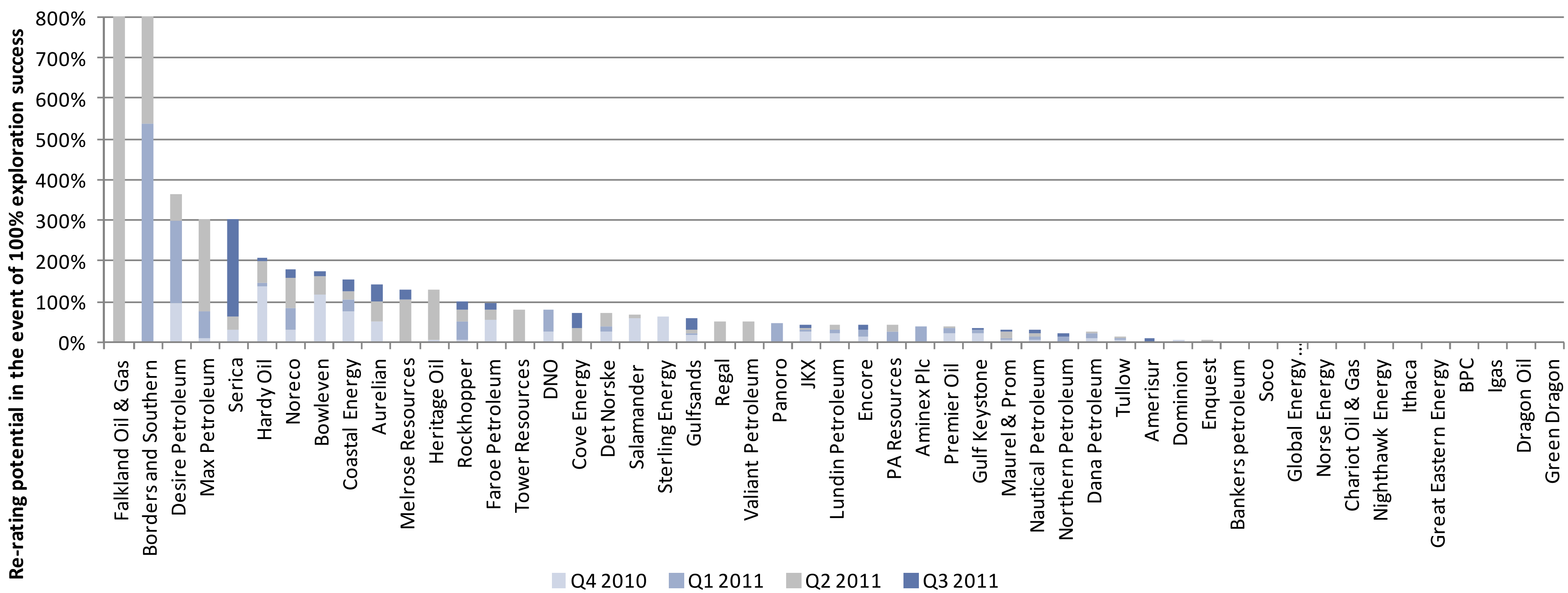
Source: Company data, Goldman Sachs Research estimates.

Exploration portfolios: Re-rating potential should come at the right price

Exploration is a key driver of share prices in the E&P space. We expect significant exploration catalysts over the next 12 months. Most of the companies with the highest re-rating potential are the smaller companies – a result of the greater impact that exploration catalysts have on a smaller capital base with higher leverage to the catalyst. We see the biggest re-rating potential in Borders and Southern and Falklands Oil and Gas as both companies are highly levered to exploration success in a frontier basin (the South Falklands basin) and neither has substantial core value outside these exploration catalysts. Desire also sees substantial re-rating potential in the northern Falklands basin. Other companies with high-impact re-rating potential include Hardy (offshore exploration in India) and Max Petroleum (Kazakhstan). Of the larger companies (in excess of US$500 mn market cap), Rockhopper, Heritage, Noreco and Bowleven have the most leverage to exploration catalysts over the next 12 months on our estimates.

Exhibit 29: Falklands basin offers the biggest potential to re-rate at present but risks are high

Re-rating potential in the event of 100% success in the next 4 quarters; based on date of well spud (not TD). FOGL and Borders have 1347% and 1694% respectively

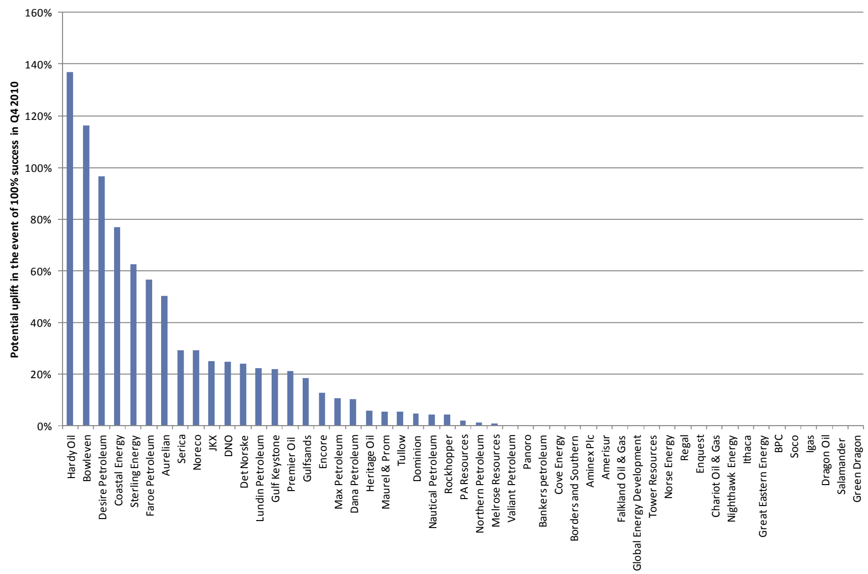


Source: Goldman Sachs Research estimates.

Upcoming catalysts most significant for Falklands drillers Bowleven and Hardy

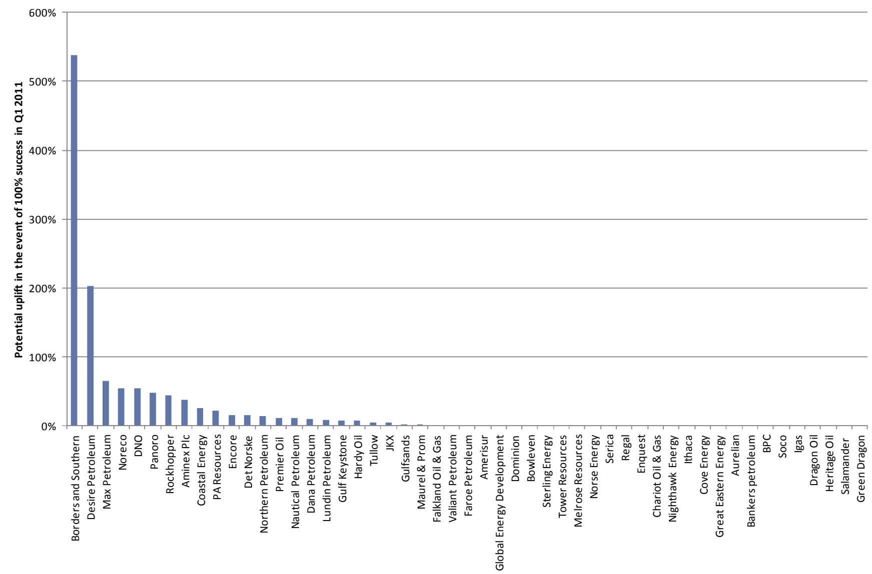
Of the exploration wells spudded in 3Q 2010 for which we are still awaiting results, Bowleven's Sapele well is of particular significance. Other significant catalysts to watch for include the deeper section of Sterling's Sangaw North Prospect. Hardy's Indian programme in the KG basin should also provide significant materiality, as should Desire's continuing exploration programme. In terms of potential upside materiality we expect 1Q 2011 to be dominated by wells in Falklands from Borders and Southern and Desire.

Exhibit 30: Potential impact of exploration catalysts spudded in 4Q 2010
Potential upside in event of 100% success



Source: Goldman Sachs Research estimates.

Exhibit 31: Potential impact of exploration catalysts to spud in 1Q 2011
Potential upside in event of 100% success

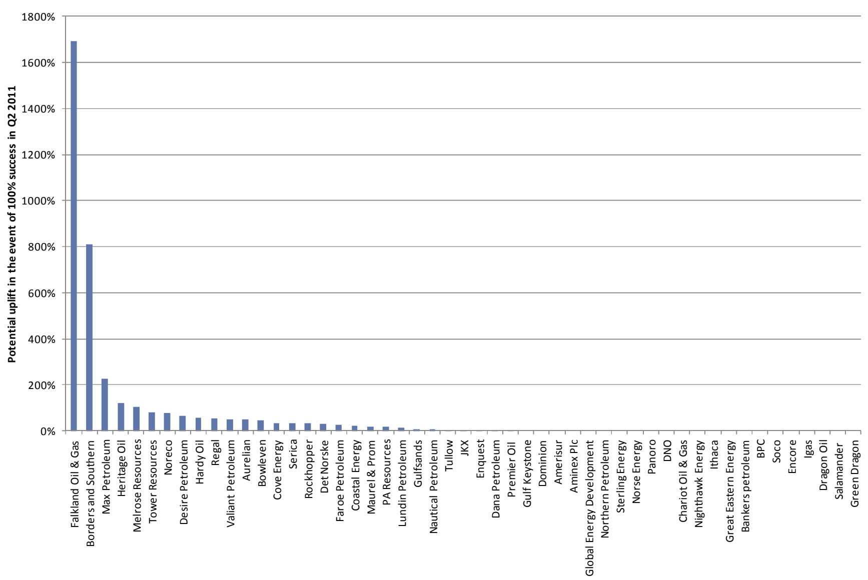


Source: Goldman Sachs Research estimates.

Falklands dominates early 2011; East Africa becomes more important into 3Q

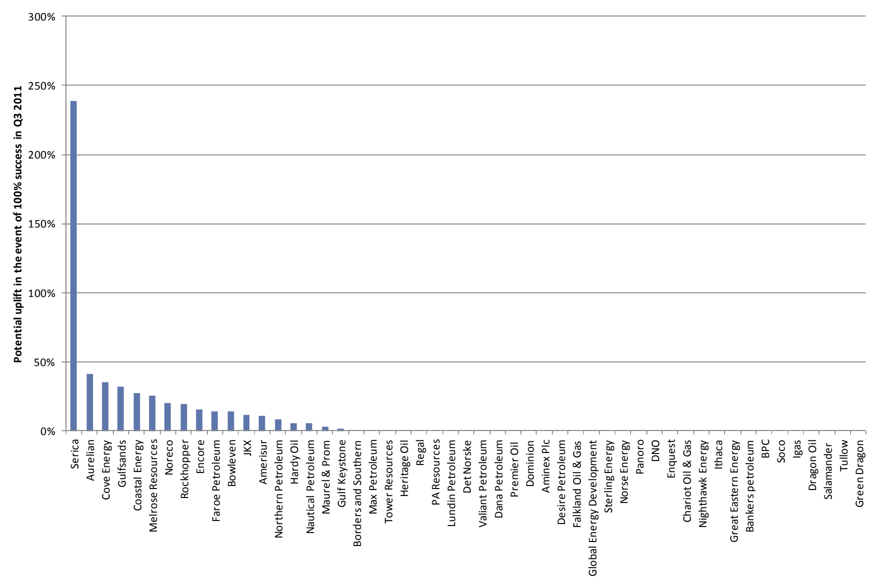
Expected drilling catalysts in the South Falklands basin again provide the most potential upside for Borders & Southern and FOGL on our estimates in 2Q 2011. Rockhopper could also see additional activity in the Northern basin while we expect Hardy's exploration programme to continue; Max Petroleum's Kazakh programme is also of interest. We believe Tower could see an additional well in Uganda and currently model a well in Turkey for Melrose. In 3Q 2011 we expect East Africa to continue to be important with Cove likely to be drilling. We note that a farm-out and rig availability could lead to a well in Tanzania for Dominion but currently estimate its potentially significant Alpha well to spud towards the end of 2011. Serica's Irish campaign could potentially be high impact. We also note that the Rovuma onshore well, which we currently model as being drilled in 4Q 2011, is of great potential significance to Aminex. Aurelian's Polish exploration could be material over a similar timeframe.

Exhibit 32: Potential impact of exploration catalysts to spud in 2Q 2011
Potential upside in event of 100% success



Source: Goldman Sachs Research estimates.

Exhibit 33: Potential impact of exploration catalysts to spud in 3Q 2011
Potential upside in event of 100% success

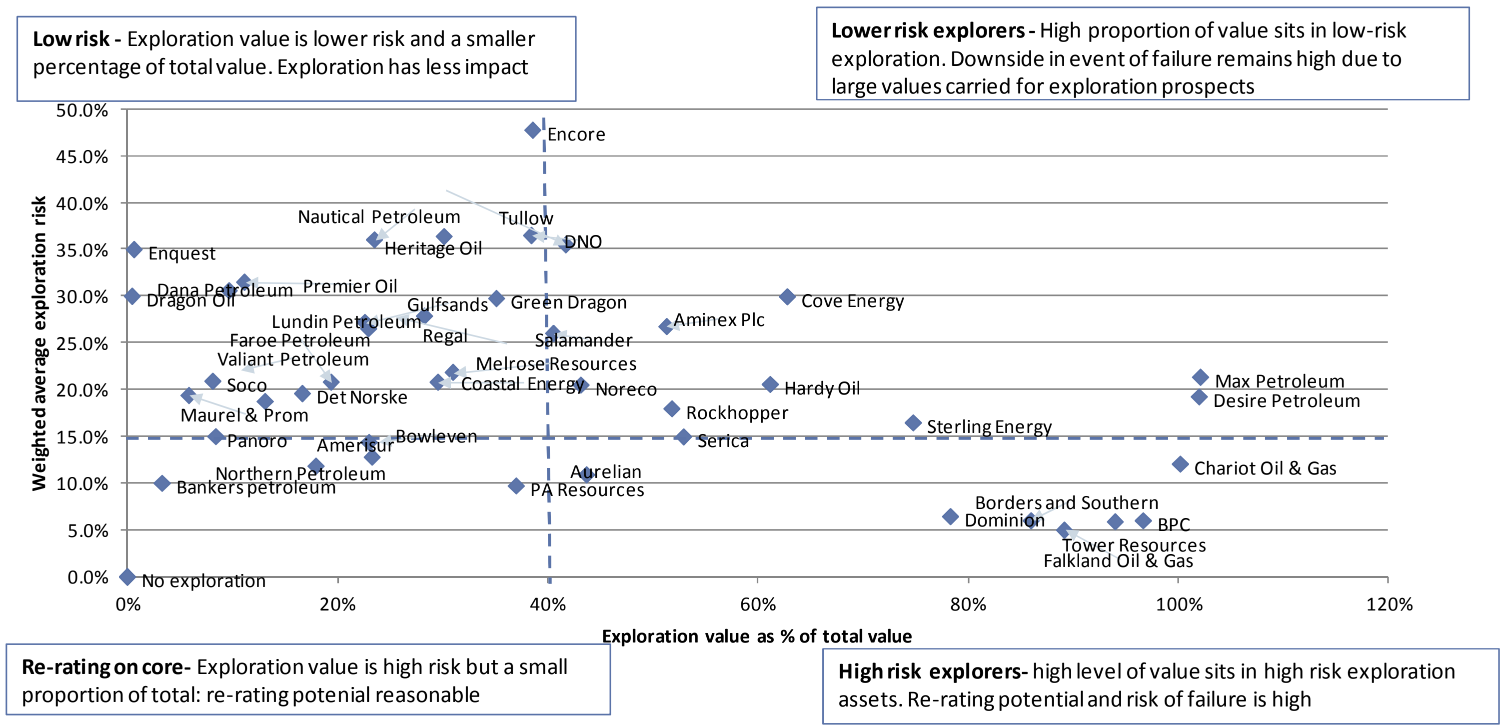


Source: Goldman Sachs Research estimates.

Exploration risk comes in different sizes: Assessing probability of success in exploration portfolios

We recognize that high-impact exploration can come either from the drilling of high-risk wells, from drilling lower risk wells with potentially larger volumes, or from having little value outside of exploration (and therefore having high operational leverage to the exploration catalysts). Re-rating potential alone does not therefore give the full picture and we have analysed each exploration portfolio to determine the weighted average likelihood of success and the proportion of the company's value that it accounts for. We regard those companies with a high proportion of value in exploration, but a low likelihood of success as being potentially high-risk, high-impact plays. While our valuation work suggests that these are often inexpensive, we would recommend them being bought in a group to diversify risk. Companies with a high chance of success and a high proportion of value in exploration remain highly levered to exploration failure due to the high level of potential downside, but have a greater chance of succeeding in their exploration programmes, thereby making it easier to buy them as single entities. One implication of a highly successful exploration campaign is typically that it de-risks nearby wells and increases the capital base of the company, resulting in future exploration wells having less impact – hence the presence of a number of more successful explorers (i.e. Encore, Tullow) in the top left quadrant.

Exhibit 34: Relationship between exploration risk and exploration materiality will determine the nature of exploration

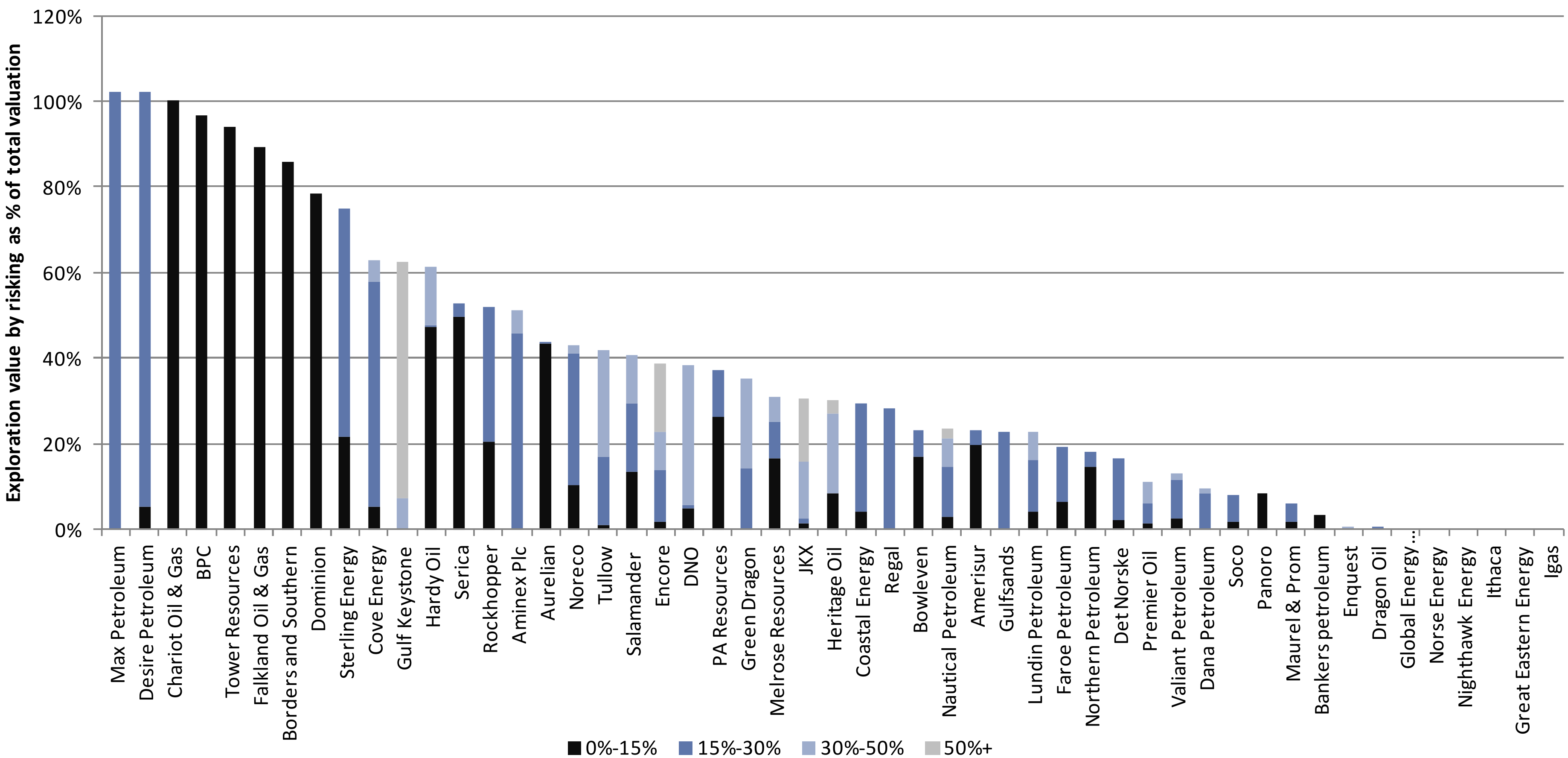


Source: Goldman Sachs Research estimates.

Exploration portfolio risk: Pure play explorers tend to be higher risk; balanced risk attractive

We have focused on exploration risk in more detail, splitting the weighted average risk shown above into its component parts. Chariot, BPC, Tower, FOGL and Borders & Southern stand out as having all of their value in prospects that have a less than 15% likelihood of succeeding – not an unexpected result for a group looking to open up new basins. In general we tend to favour a mix of exploration risk in an asset portfolio – a combination of high impact catalysts alongside lower risk catalysts to maintain momentum. We highlight Rockhopper, Cove, Tullow and Salamander as having an attractive mix.

Exhibit 35: Pure play explorers tend to be higher risk as they bid to open new basins
Exploration value vs. total value split into likelihood of success



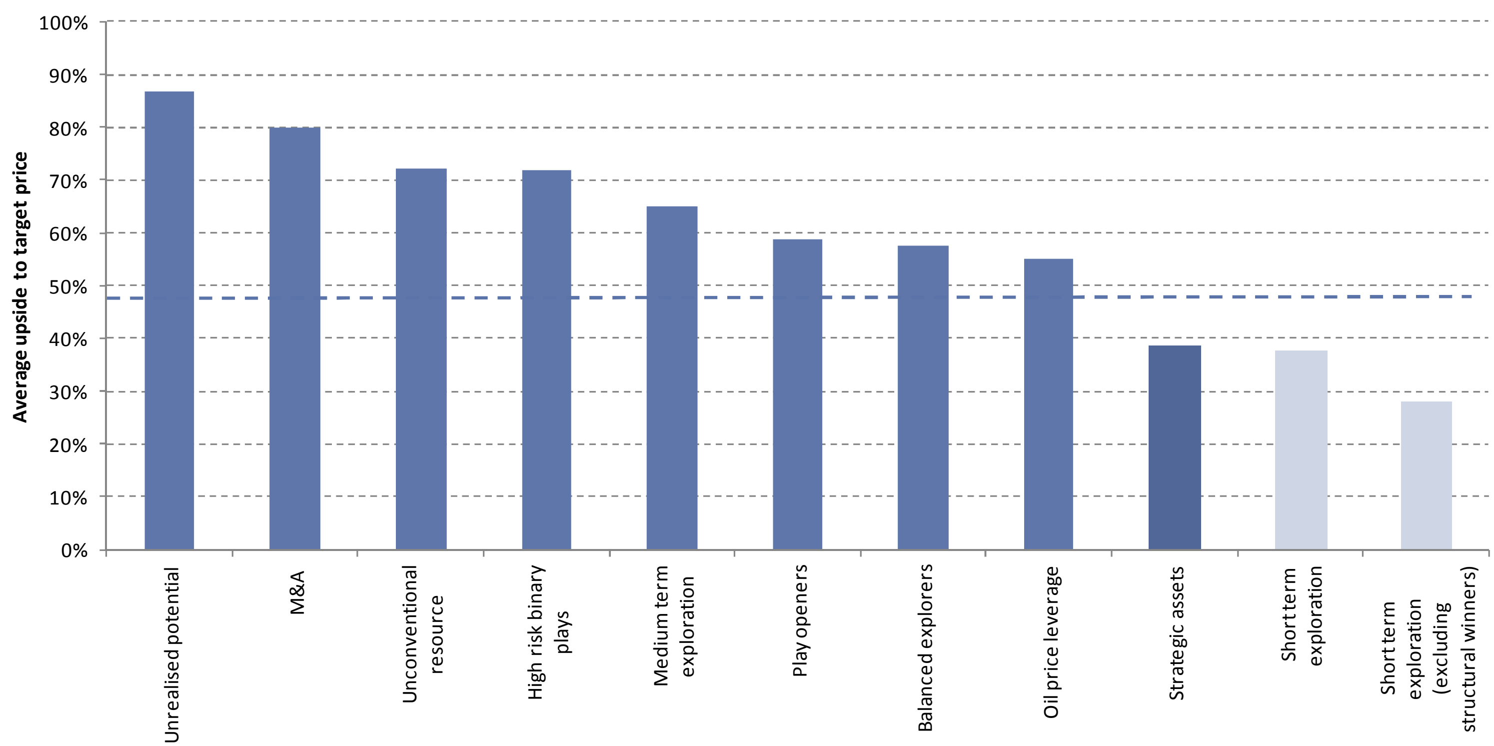
Source: Goldman Sachs Research estimates.

The short-term explorers: Buying near-term activity unlikely to offer value

We believe that the market is more positive in valuing near-term, visible exploration than it is in valuing other exploration themes (i.e. play openers and medium-term explorers discussed later). Given our scepticism regarding geological "edge" in determining the probability of specific exploration catalysts being successful, we prefer to let value be our main guide in determining whether or not an exploration programme is attractive. As a result, we generally consider companies about to embark on material drilling campaigns to be relatively unattractive investments. Our "short term explorers" stocks fulfill the single criteria that they can increase our valuation by greater than 75% in the next six months in the event of a total de-risking of the company's exploration assets.

Compared to other screens and the average upside of the universe as a whole, this screen trades at a lower premium to our valuation than any apart from the strategic asset screen and offers significantly less upside vs. the sector average. Excluding stocks which are in other screens and therefore have other structural advantages (mainly the play openers and the high binary risk stocks), the upside offered by this screen would be even less (i.e. less than 30%).

Exhibit 36: Value of near-term drilling is more efficiently priced in by the market, showing unattractive relative risk/reward
Average upside/downside of screens on an equal weighted basis



Source: Goldman Sachs Research estimates.

The short-term explorers: Excluding play openers or binary risk stocks would reduce upside

We include any stock in our short-term explorers screen which we estimate could double as a result of fully de-risking exploration prospects over the next 12 months. This universe includes stocks which we believe have other structural advantages – namely companies such as Rockhopper and Desire which we regard as play openers (and therefore grant a longer time horizon to exploration catalysts), and Borders and Southern and Falklands Oil & Gas which in our view are high binary risk stocks, and therefore trade at a structural discount in any case. Excluding companies which are members of other screens (apart from the balanced explorer screen which essentially simply filters for cheap explorers), upside in the short term explorers screen would be below 30% – a reflection of how aggressive the market is at pricing in near term exploration.

Exhibit 37: Short term explorers see high re-rating potential but downside in event of failure could be significant

	Market cap (US$mn)	Potential uplift from 12 month (short term) exploration	% of value supported by core value	Weighted average exploration chance of success	Potential upside / downside to target price	Key prospects	Membership of other screens
Desire Petroleum	574	300%	-4%	19%	89%	North Falkland Basin	Play Opener
Bowleven	591	116%	117%	14%	50%	Sapele	M&A
Coastal Energy	503	103%	103%	21%	28%	Bua Ban prospects	
Borders and Southern	452	538%	22%	6%	59%	South Falkland Basin	High Binary Risk
Noreco	692	84%	78%	21%	36%	Albert, Barchan, Lupin	
Hardy Oil	211	144%	50%	21%	13%	D3 / D9	Play Opener
Max Petroleum	133	76%	-6%	21%	44%	Kazakhstan drilling	High Binary Risk
DNO	1425	79%	45%	37%	-19%	Tanzania, Kurdistan	
Average		**180%**	**51%**	**20%**	**38%**		

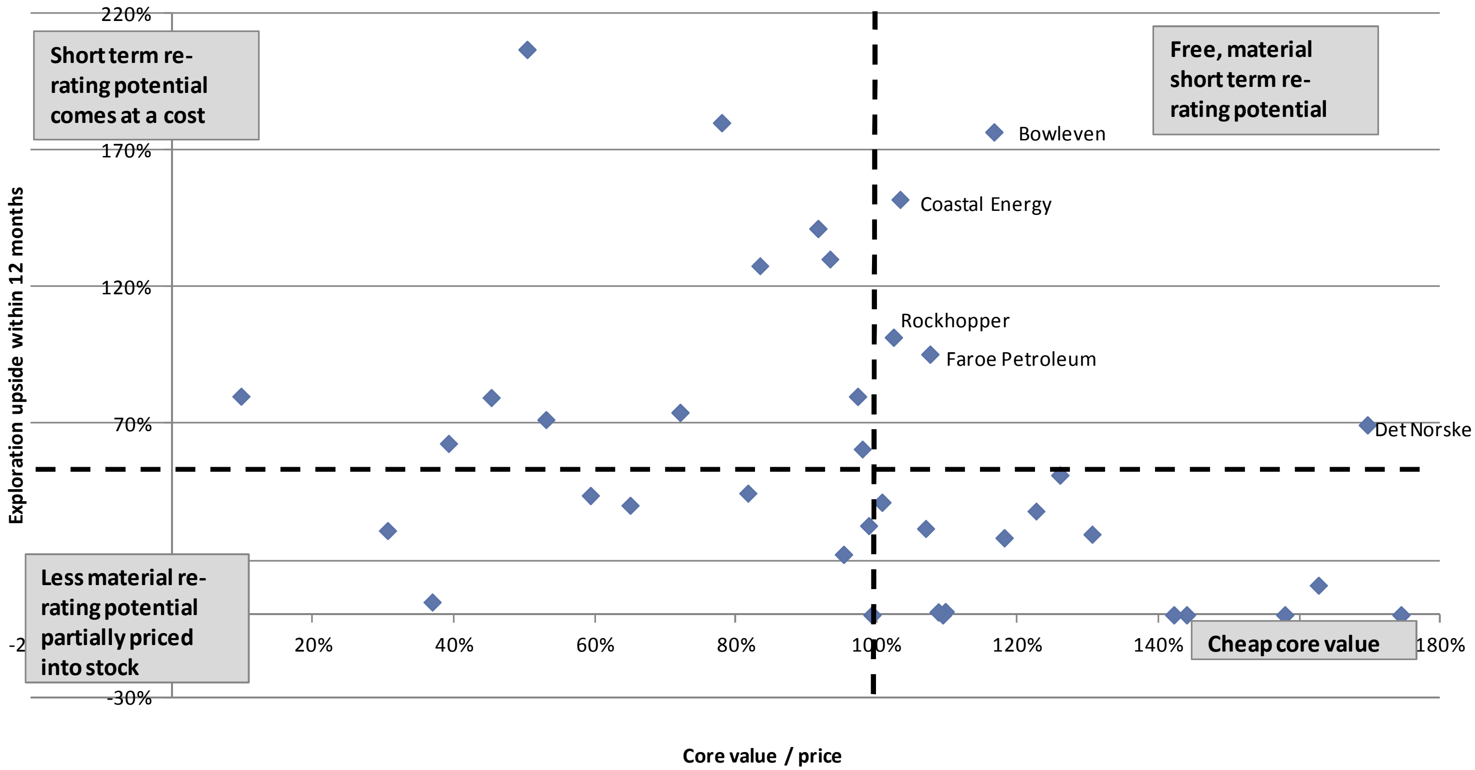
Source: Goldman Sachs Research estimates.

Balanced explorers: The best type of drilling programme is a "free" one

We are sceptical that it is possible to have a geological "edge" in predicting the possible outcomes of drilling campaigns and, as discussed above, do not subscribe to the theory that buying just before a drilling campaign is a robust method of generating alpha (unless stocks are bought far enough in advance of a campaign before it has been priced in by the market). Instead we believe that buying exploration catalysts that are well supported by core value is the best way of generating alpha from short term exploration. Our balanced explorer screen therefore identifies re-rating potential in the next 12 months of at least 50%, where the share price is justified by a company's core valuation (before liquidity discounts or assumed equity raises).

Exhibit 38: Stocks in the top right quadrant are in our balanced explorer screen and offer a material "free" exploration option

Core value / price vs. exploration re-rating potential



Source: Goldman Sachs Research estimates.

Balanced explorers: A more selective approach than the short term explorers

Our balanced explorer screen contains a number of the same names as are in our short term explorers screen. However, we believe that the more selective approach of buying "free" exploration options is one that could substantially outperform over the next 12 months. While our short term explorer screen has only 51% on average of its value supported by core assets, our balanced explorers justify over 100% of their share prices with core value, essentially meaning that the re-rating exploration potential comes for "free". Despite the strong core value support, these stocks still have substantial re-rating potential in our view with an average potential uplift from exploration success of almost 120%. Bowleven and Coastal Energy screen as particularly attractive with the potential for material re-rating in the event of 100% exploration success, although we note that Coastal Energy's drilling campaign includes a substantially higher number of prospects, meaning that risk is more diversified and that it is less likely to be as volatile as Bowleven as a result of activity with the drill bit.

Exhibit 39: Bowleven and Coastal offer the highest re-rating potential of the balanced explorers

	Market cap (US$mn)	Potential uplift from 12 month (short term) exploration	% of value supported by core value	Weighted average exploration chance of success	Upside / downside to target price	Key prospects
Faroe Petroleum	484	95%	108%	21%	29%	North Sea
Bowleven	591	176%	117%	14%	50%	Sapele
Det Norske	480	69%	170%	20%	74%	Kavlklumpen
Rockhopper	1284	101%	102%	18%	107%	North Falkland basin
Coastal Energy	503	152%	103%	21%	28%	Bua Ban prospects
Average		**119%**	**120%**	**19%**	**57%**	

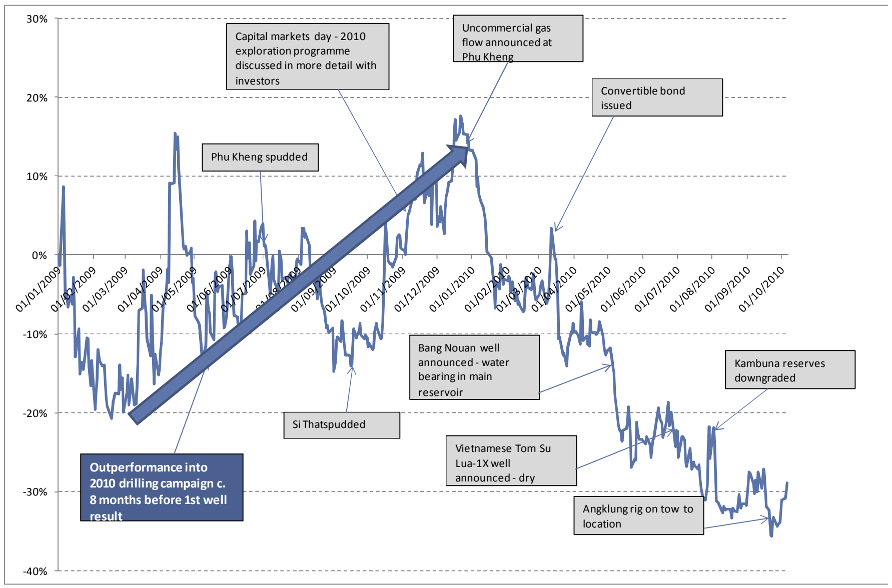
Source: Goldman Sachs Research estimates.

Medium term explorers: Buy early to avoid the rush – outperformance ahead of drilling has tended to start at least 7-8 months ahead of well results

We have conducted a number of case studies of companies approaching high impact drilling programmes in order to ascertain the point at which the market begins to price in these catalysts. In the case of Cairn and the Falklands-focused companies, we have seen substantial outperformance beginning between a year and seven months prior to the results of the first well. Particular events that appear to be taken positively by the market before drilling include farm-ins to acreage, securing rigs, the start of drilling and publication of competent persons' reports and prospect sizes.

Exhibit 40: Salamander volatile but showed outperformance from eight months prior to 2010 programme; uninterrupted performance from three months

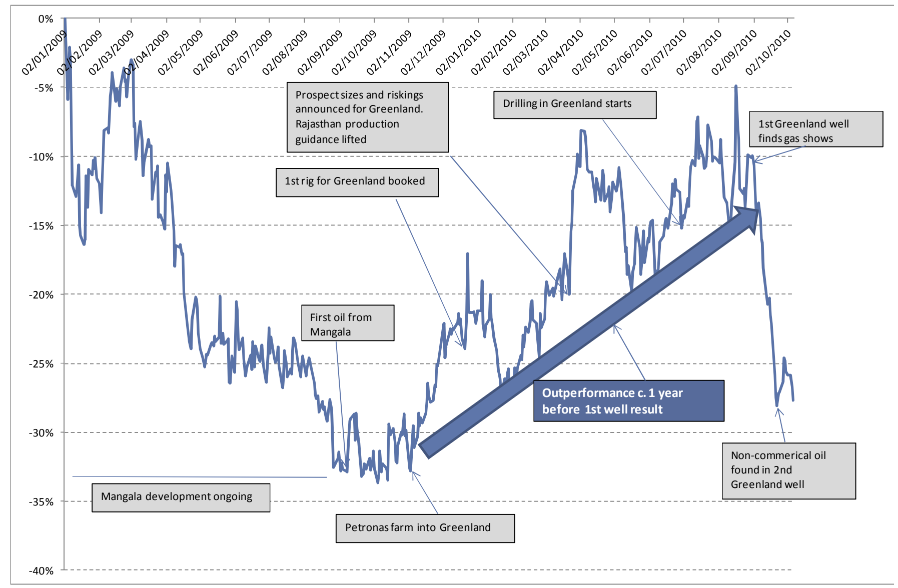
Salamander vs. E&P universe from 01/01/09



Source: Datastream.

Exhibit 41: Cairn began outperforming up to a year before Greenland drilling announcements

Cairn performance vs. E&P universe from 01/01/09



Source: Datastream.

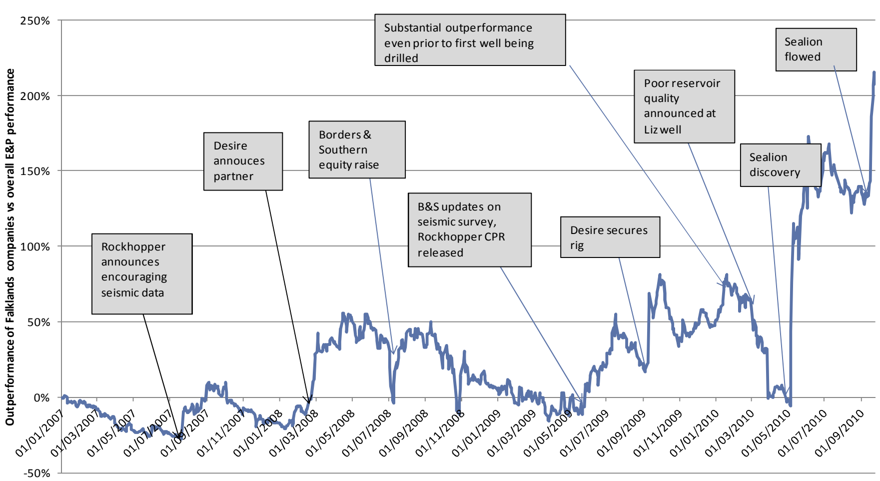
Companies with few other assets experience great leverage to this trend: The Falklands explorers saw c.75% relative outperformance vs. the sector before drilling

Looking at the share price performance of the Falklands players vs. the rest of our newly expanded coverage universe in more detail highlights the potential for outperformance from companies which have a large proportion of the asset base levered to longer dated exploration. The four Falklands players in aggregate outperformed the rest of the E&P sector by c.75% from the beginning of 2007 to early 2010, without a well even having been drilled. Catalysts for the stocks, aside from the increasing imminence of the drilling catalysts, included CPRs, booking of rigs and the release of seismic information. We note that a period of relative underperformance in the latter half of 2008 coincided with a steep rise in market volatility – an expected consequence of the effect of lower risk appetite on companies with little or no core value.

The removal of the medium term exploration discount we apply would have a significant impact on our Medium Term Explorers screen.

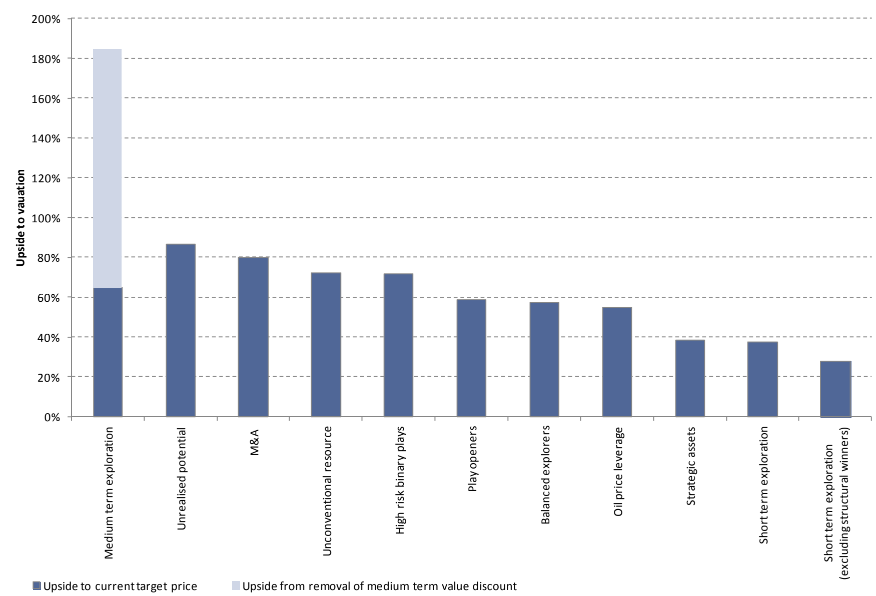
Exhibit 42: Falklands explorers showed c.75% outperformance vs. universe prior to drilling

Performance of Rockhopper, Borders & Southern, FOGL and Desire vs. E&P coverage universe



Source: Datastream.

Exhibit 43: The stocks in our Medium Term Explorers screen are especially levered to the re-risking of medium-term exploration



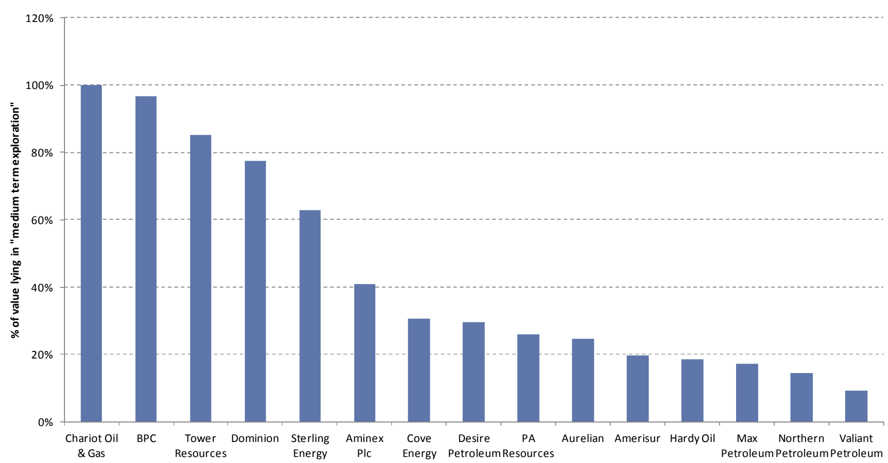
Source: Goldman Sachs Research estimates.

Medium term explorers: Long dated re-rating potential could be significant

In order to gain exposure to this theme, we have isolated those companies which have little exploration activity in the short term but which have high levels of high-impact exploration beyond 12 months. In order to account for the increased risk associated with longer dated exploration (i.e. delay of drilling catalysts and potential issues with securing rigs) we apply a 50% discount to exploration value beyond 3Q 2011. We also include only the first few prospects in any new basin as in the event of dry wells we would not expect drilling to continue. The companies that we would highlight as having particular exposure to this theme are BPC (Bahamas), Chariot Oil & Gas (Namibia), Tower Resources (Namibia), Sterling Energy (Cameroon and Madagascar), Dominion (East Africa) and Aminex (onshore Tanzania).

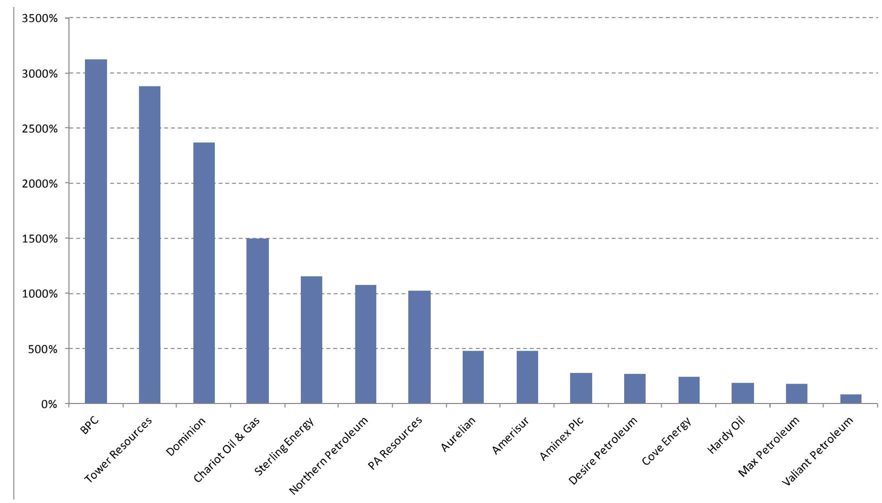
We note that we are less likely to ascribe value for medium term exploration to larger companies (apart from those involved in new plays) except where the medium term exploration is a significant part of the investment case and we typically we exclude catalysts being drilled beyond 12 months.

Exhibit 44: Medium term exploration as % of value
Includes cash/debt



Source: Goldman Sachs Research estimates.

Exhibit 45: Re-rating potential from exploration catalysts beyond 12 months
Assuming 100% de-risking



Source: Goldman Sachs Research estimates.

Medium term explorers: Market more conservative than our 50% discount to medium term value

To isolate the value in our estimates that can be attributed to the Medium Term Explorers theme we strip out core value and short-term exploration value. This allows us to calculate the value implied by the market for medium term barrels. We find that, despite our 50% discount applied to all medium term exploration (on top of what is effectively a discount for later assumed sanction dates in the event of success), the market is even more conservative – our estimates still suggest 65% upside to our target prices, despite this downward adjustment.

Of the medium term explorers, we consider Aminex's exploration onshore Tanzania to be a "free option", given sufficient value in its core value in the US to justify the current share price. Chariot is the most expensive of the medium term explorers, with the market either ascribing value beyond the first prospects that the company is likely to drill or (more likely in our view) beginning to remove the time horizon discount as drilling approaches (we currently estimate the company's first well in 4Q 2011). Although there is still room for the stock to outperform if we remove our medium term discount, we believe that the other companies in our screen offer a cheaper way in which to gain exposure this theme.

Exhibit 46: Medium term exploration value generally undervalued despite our 50% discount – Chariot the most expensive name; Aminex a "free option" on medium term exploration

	Market cap (US$mn)	Cash (US$mn)	Non medium term exploration value (per GS) (US$mn)	Implied medium term exploration value given by market (US$mn)	Medium term value per GS (US$mn)	Risked medium term exploration barrels	Implied EV/boe in medium term exploration per GS (US$/bl)	Implied % GS value ascribed by market to barrels	% value in medium term exploration	Upside / downside to target price	Upside to target price if medium term discount removed	Catalysts
BPC	99	1.5	8	90.0	269.6	53	5.1	33%	97%	159%	410%	Bahamas
Aminex Plc	54	11.6	68	-26.1	55.4	18	3.0	-47%	45%	103%	170%	Tanzania
Dominion	92	-22.4	58	56.4	121.0	85	1.4	47%	68%	48%	161%	DRC, Tanzania
Tower Resources	65	8.6	7	49.0	90.1	63	1.4	54%	93%	33%	142%	Namibia, Uganda
Sterling Energy	206	113.9	5	86.4	201.1	56	3.6	43%	97%	40%	128%	Cameroon, Madagascar
Chariot Oil & Gas	424	16.2	-17	424.6	478.6	184	2.6	89%	104%	5%	99%	Namibia
Average								**37%**	**84%**	**65%**	**185%**	

Source: Goldman Sachs Research estimates, Bloomberg.

High risk binary stocks: A portfolio approach buys inexpensive diversified risk

We believe that companies levered to a concentrated number of high risk assets generally trade at a discount as the market also applies a discount for the binary nature of the investment case. While we understand this approach (and to a degree apply this ourselves) we also note that this tendency offers an opportunity to buy a group of such stocks – thereby exploiting the mis-pricing of this risk while also buying sufficient diversity to mitigate the asset concentration risk. Although we would be buyers of some of these stocks as independent entities, we believe that a group of such stocks is an effective way to purchase high impact, yet diversified risk, thereby offering exceptional weighted average value.

We have isolated those companies within our universe which we define as having high levels of binary risk. We define high risk as companies which have greater than 50% of their value in a single discovered asset/play where the combined risking (technical and political) is greater than or equal to 50%

While we expect a number of these companies to be worth little to nothing in the medium term, we believe that the level of mispriced risk in aggregate is sufficiently high and diversified that these stocks could outperform the overall universe substantially.

Exhibit 47: High risk binary stocks typically show high levels of potential upside and high re-rating potential

Company	Asset	Risk type	Value in high risk asset *	Weighted average risk of high risk event	Potential upside in success case	Potential upside to 12 month target price
Norse Energy	New York state shale gas	Political	70%	33%	249%	47%
Desire Petroleum	North Falkland Basin	Exploration	102%	19%	632%	89%
Falkland Oil & Gas	South Falkland Basin	Exploration	89%	5%	1694%	96%
Borders and Southern	South Falkland Basin	Exploration	86%	6%	1347%	59%
Regal	Ukraine gas	B-sands Development	78%	39%	253%	36%
Nighthawk Energy	US Shale oil	Execution and geological	45%	30%	145%	105%
Average			**78%**	**22%**	**720%**	**72%**

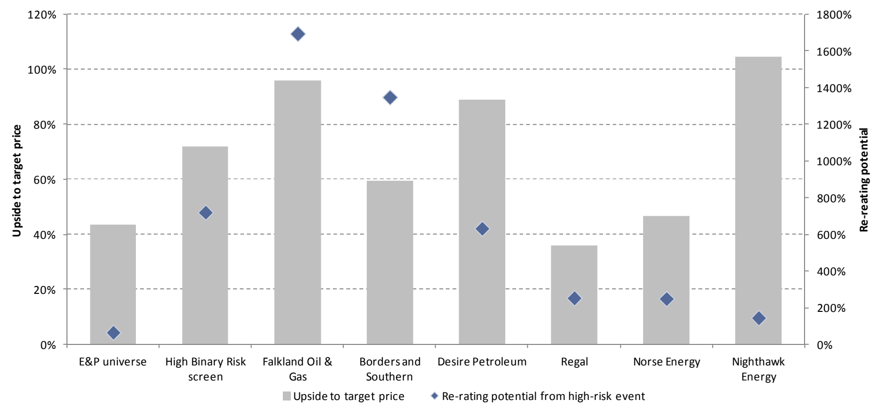
* Vs EV

Source: Goldman Sachs Research estimates.

High binary risk stocks: Value and re-rating potential vs. coverage universe

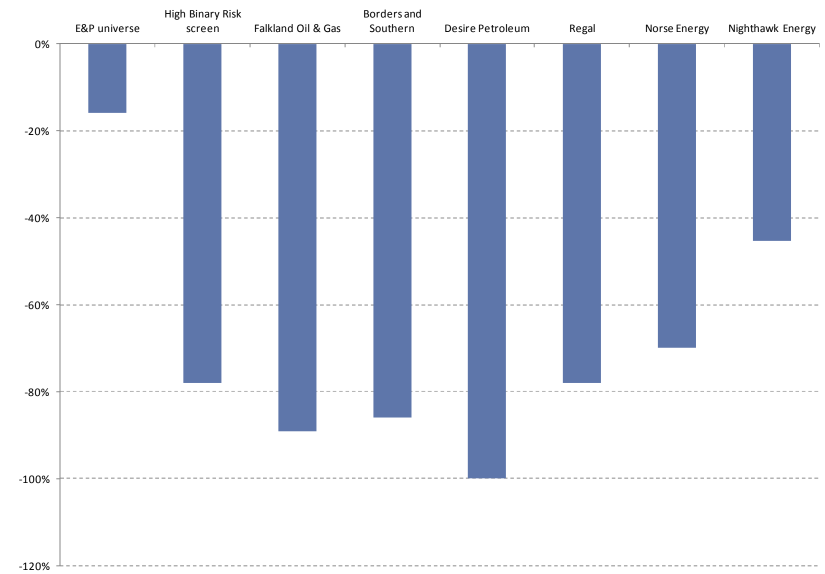
On our estimates, our High Binary Risk stocks screen offers attractive potential upside of over 70% on average relative to c.47% for our E&P coverage universe. In addition, the re-rating potential of the screen is far higher The average potential uplift to our valuations for the universe as a whole through exploration drilling success over the next 12 months is c.65% excluding the high risk binary stocks. While impressive, this pales in comparison to the average 720% of the high risk screen overall. We note that this is highly levered to exploration in the South Falklands Basin, but even the lowest re-rating potential (Nighthawk) offers almost 150% potential upside in the event of its oil shale play proving successful and the company being able to fund a faster ramp-up than we currently assume.

Exhibit 48: Rewards are potentially substantial from the high risk screen…
Potential upside and impact from 100% success in high risk events (exploration success for universe)



Source: Goldman Sachs Research estimates.

Exhibit 49: … but potential downside highlights need to diversify
Potential downside in event of failure of high risk events (exploration failure in next 12 months for universe)



Source: Goldman Sachs Research estimates.

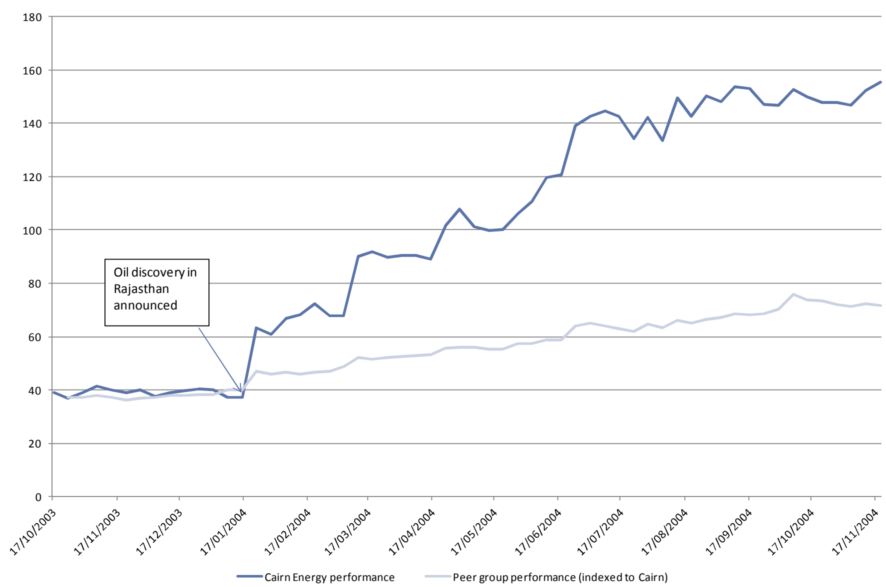
The play-openers: Still time to generate returns

We believe that there are opportunities where companies open up new exploration plays in basins where they hold large and strategic acreage.

The two highest profile new plays that have been opened up in the European E&P universe in recent years have been Cairn's discovery of Mangala which opened up the Rajasthan play and Tullow's discoveries in Uganda and Ghana. It is noteworthy that although the initial discovery in each case resulted in a substantial outperformance relative to peers, even higher levels of outperformance were to come over the subsequent 2-3 years as the potential of each basin became clearer. In each case, the drilling of additional exploration prospects in the vicinity of the original discovery that had been substantially de-risked drove the share prices to compelling levels of outperformance. In our view, this suggests that the market is uneasy ascribing value for additional prospectivity that has not been highlighted in drilling programmes. In order to capture this potential upside, in certain situations, where we believe a new material play has been opened up, and in which the company holds significant strategic acreage, we extend our time horizon for rewarding exploration catalysts into the middle of 2013.

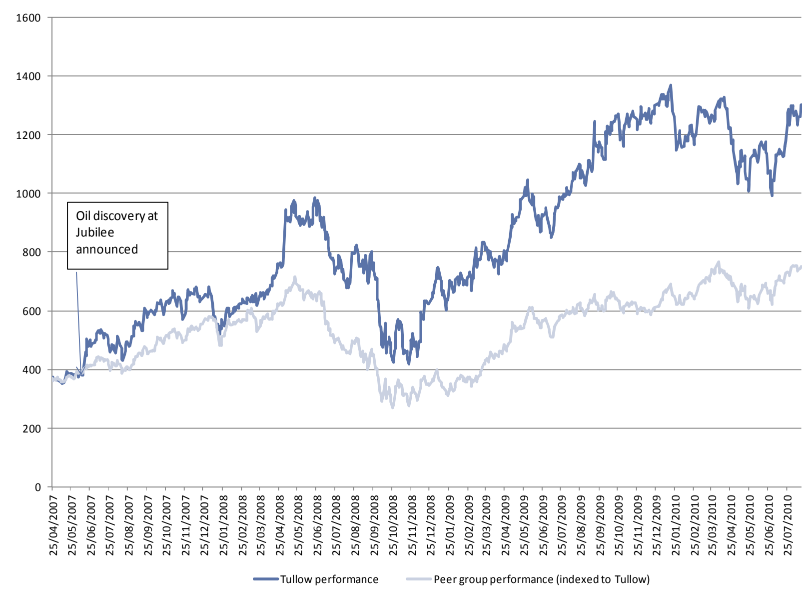
Note that our requirement for only one flow-tested discovery means there is a risk that future drilling may disappoint. We believe, however, that buying a group of stocks exposed to this theme should help diversify away some of this risk.

Exhibit 50: Cairn's share price rose 270% in the two years after the initial reaction to the Mangala discovery



Source: Datastream.

Exhibit 51: Tullow more than doubled after the initial reaction to the Jubilee discovery



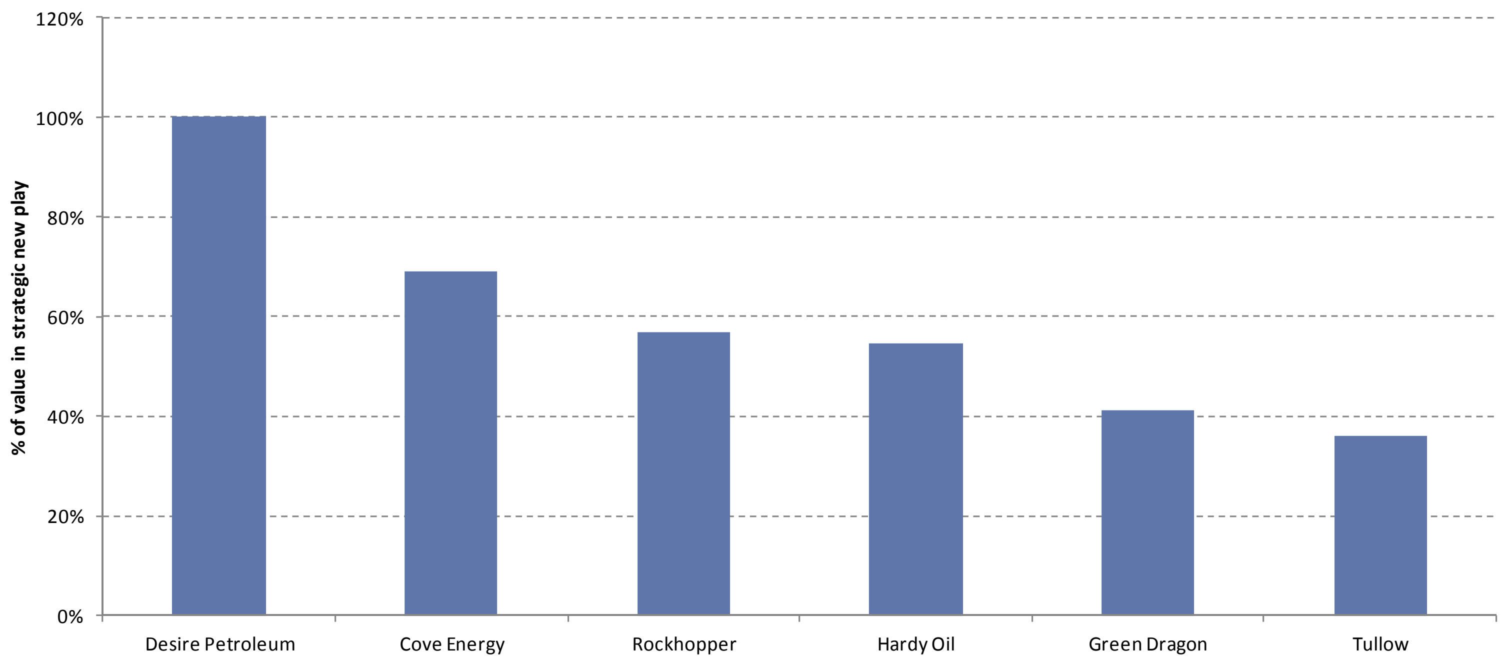
Source: Datastream.

The play openers: Rockhopper, Desire, Cove, Hardy, Green Dragon and Tullow are in our "Play-opener" screen

We screen for "play opener" stocks that we believe have proved the viability of a significant number of prospects in substantial acreage (typically over 1000 km^2 net to the company) where the company holds what we regard to be a strategic position. We highlight Rockhopper, Desire (North Falkland Basin), Cove (Rovuma offshore basin), Tullow (Uganda and the West Africa Transform Margin), Hardy (KG basin) and Green Dragon (China CBM acreage) in this respect.

We believe that the substantial, de-risked acreage close to new discoveries held by these companies can provide material, de-risked drilling catalysts over the medium term which may not currently be priced in by the market.

Exhibit 52: Value of companies in new basin exploration vs. total valuation
% of company valuation in exploration in de-risked basins

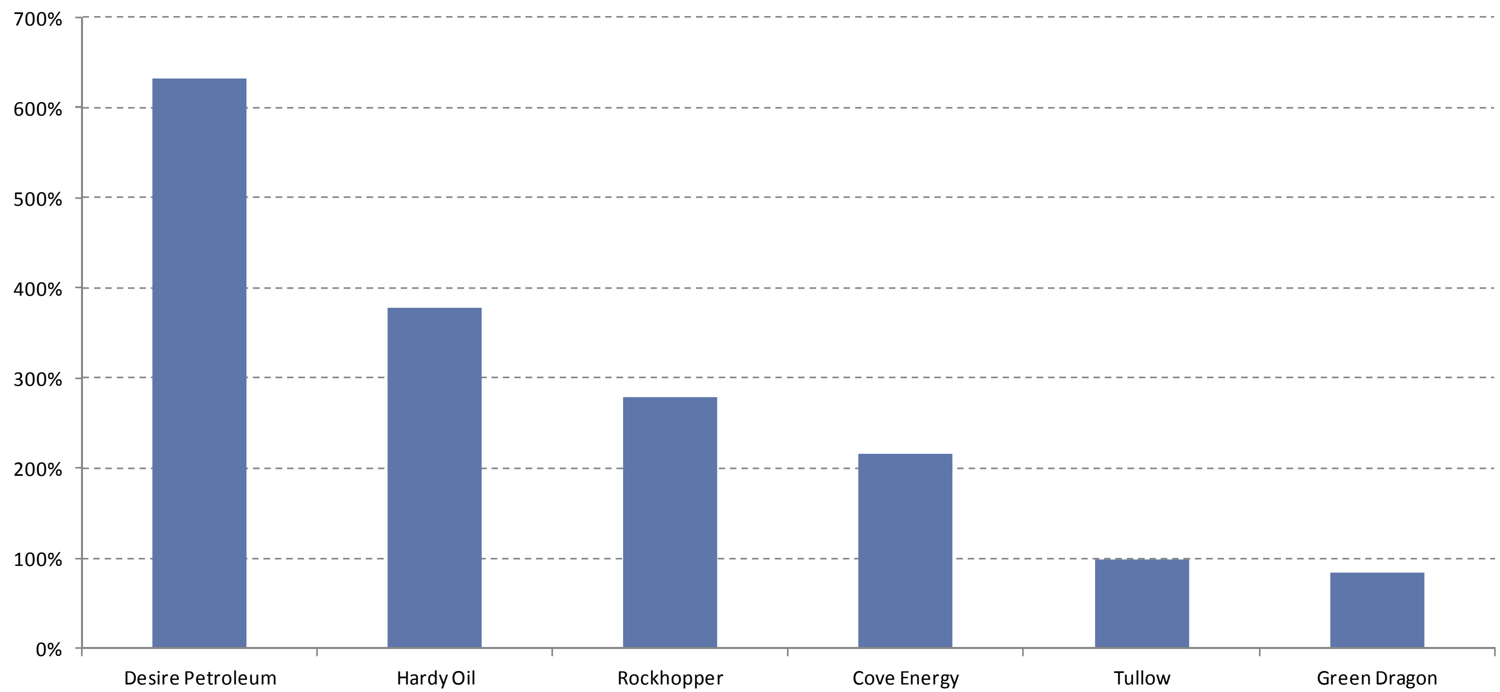


Source: Goldman Sachs Research estimates.

The play openers: Re-rating potential through time

The pure leverage of Cove, Rockhopper and Desire to the new basins results in high levels of re-rating potential in the event of success at all the plays we have modeled in our valuations, while the size and high risk involved in the potentially large volumes in the D9 block mean that the potential uplift for Hardy is also significant. For Tullow and Green Dragon the impact of converting prospective resource into reserves is more limited, not because the volumes involved are insignificant but because we already see substantial value in the companies' already de-risked assets, muting the impact of future resource conversion.

Exhibit 53: Re-rating potential through time of drilling in new basins
Potential uplift to our valuation in the event of 100% success



Source: Goldman Sachs Research estimates.

M&A screens: Look for cheap core value in sizable assets

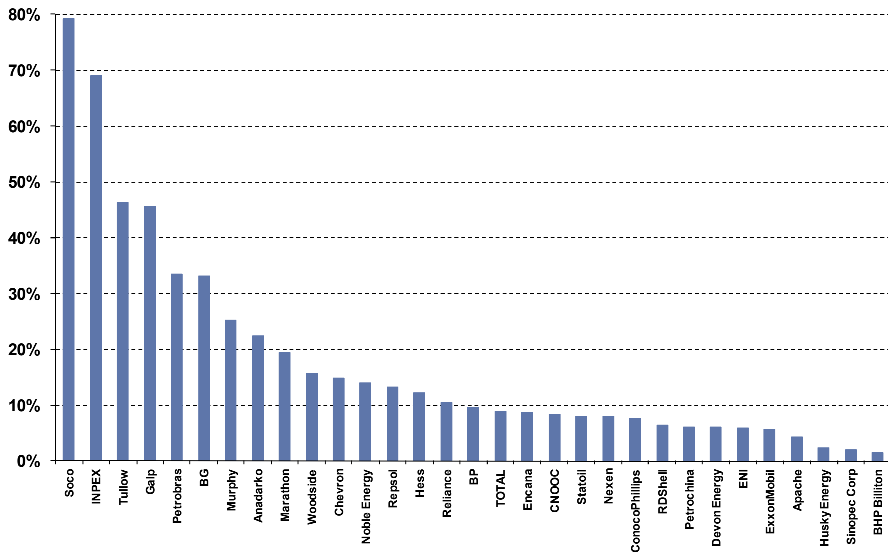
In our view, larger oil companies will struggle for organic growth in the medium term, increasing the attractiveness of smaller companies with large, concentrated resource bases.

We have tested the industry's ability to create value organically in our Top 280 Projects to Change the World (January 15, 2010) by calculating the reserves discovered by companies since 2000 (excluding non-exploration led areas such as heavy oil, exploitation, unconventional gas, Russia and adjusting for asset transactions) and their value at the time of discovery (i.e. before development).

Exhibit 54 shows the value of this exploration success as a % of EV. For only seven companies has the exploration success of the past decade created more than 30% of the current market cap with the Majors having added less than 10% of current market cap. The rest of the value of the companies comes from the older legacy assets, from the capital invested to develop these reserves, and from their time value.

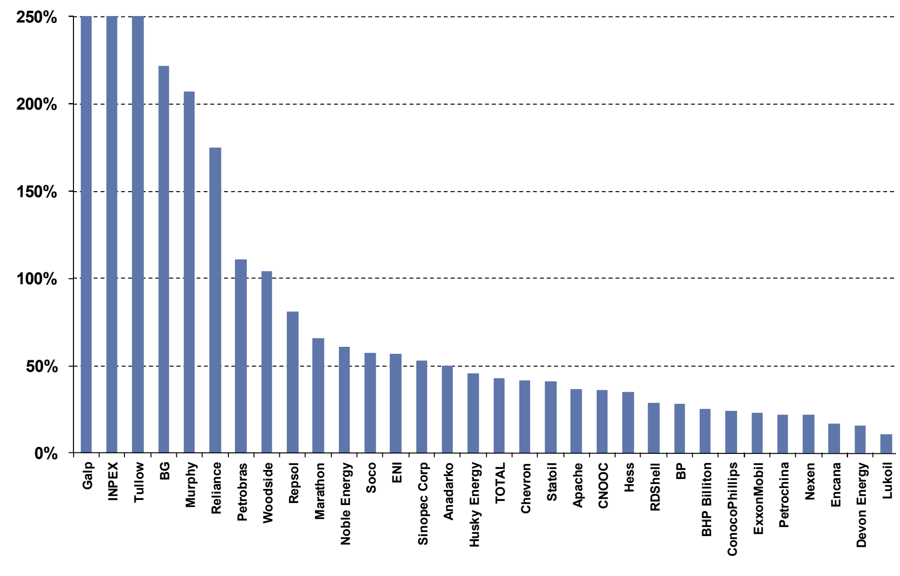
We believe that this lack of organic growth will force larger companies to grow inorganically, making strategic reserves, and follow-on potential of low risk exploration upside an important consideration in assessing the attractiveness of E&P companies.

Exhibit 54: Value added through exploration by large companies since 2000
NPV of discovered hydrocarbon resources at the time of discovery as a % of EV (as of Jan 2010)



Source: Goldman Sachs Research estimates.

Exhibit 55: Reserves added from exploration by large companies since 2000
Discovered hydrocarbon resources as a % of corporate 2008 SEC reserves as of Jan 2010

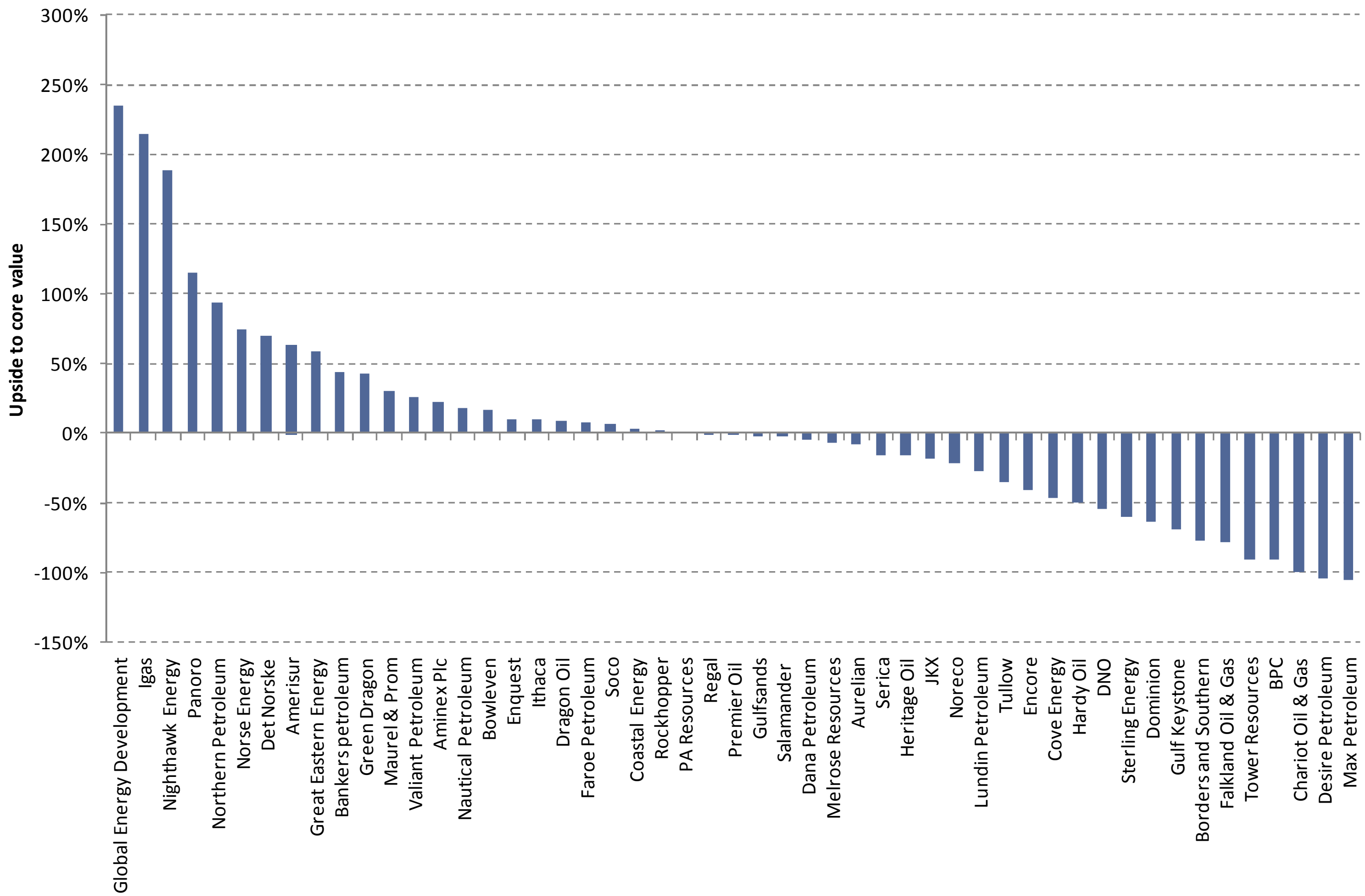


Source: Goldman Sachs Research estimates.

M&A: Companies with cheap, concentrated core value are attractive M&A candidates

We believe that acquirers are most interested in buying discovered resources, with recent transactions seemingly not focusing on exploration assets. The last three corporate transactions in our E&P coverage universe (Burren, Venture and Dana) had an average of c.86% of their value in core assets at the time of the transaction. As a result we believe that assets which exhibit high upside to core valuations are of particular interest in any M&A screen. We would regard those companies with more than 30% potential upside as being particularly attractive as we believe that this level of upside is sufficient to justify a control premium and to begin providing an acquirer with upside to their purchase while still giving exploration for free. We have analysed the companies in our universe for upside to core value using what we regard as being a commercial cost of capital (typically 10%-15%) in Exhibit 56.

Exhibit 56: Upside to core value is a key determinant of attractiveness to industry buyers in our view
Upsides excluding adjustments

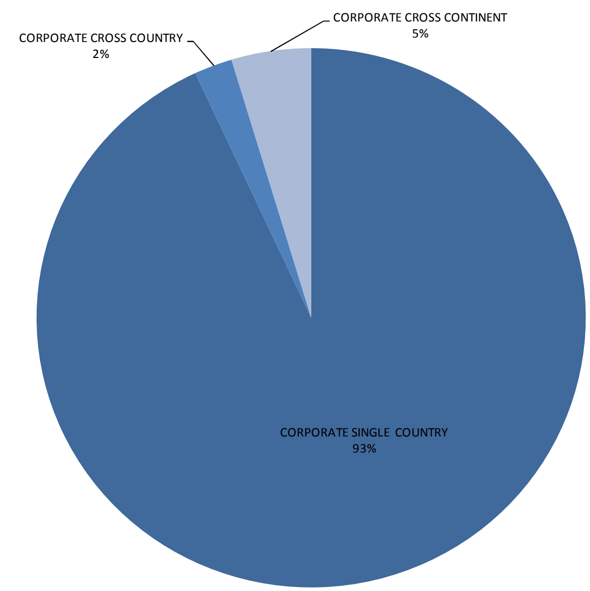


Source: Goldman Sachs Research estimates.

M&A: Geographical concentration also a positive in our view

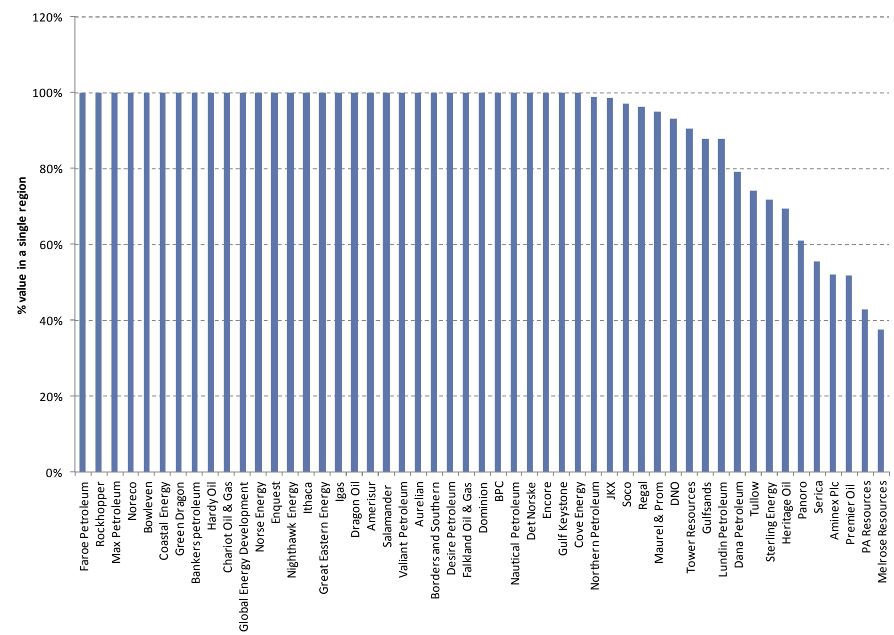
We also believe that a geographical concentration is a positive when assessing M&A candidates. We have analysed corporate deals performed since the beginning of 2006 and found only 5% that have involved assets in more than a single continent. We therefore believe that a geographical focus results in a more attractive acquisition candidate as it provides a simpler portfolio, and enhanced ability to exploit any fiscal or operational synergies. As a result, we screen the companies in our coverage universe to determine the concentration of the largest area of value, viewing high concentration of discovered value in a single region as a positive indicator for potential M&A.

Exhibit 57: Cross-continent deals are rare
Corporate deals since 2006 by regional spread



Source: Herold HIS.

Exhibit 58: We therefore favour regional concentration in our M&A analysis
% of discovered resource value in a single region



Source: Goldman Sachs Research estimates.

M&A: A combination of cheap core value, geographical concentration and lack of a blocking shareholder is required

Our M&A screen comprises stocks which exhibit both strong potential upside to core value and geographical concentration. We also exclude stocks where we believe there is a possible blocking shareholder (i.e. a strategic holder of at least 30% of the shares). If we exclude the liquidity discount, potential upside for some of the stocks would be well in excess of 200% based on core value alone – something which we believe could be especially attractive to potential industry buyers.

Exhibit 59: M&A screen highlights a combination of geographical concentration and strong core value

	Market cap (US$mn)	Total risked reserves (mn boe)	Risked discovered reserves (mn boe)	% of reserves already discovered	% value in one region	Upside to core valuation (excluding liquidity adjustment)	Asset base
Global Energy Developmen	35	44	44	100%	100%	235%	South America, oil
Igas	94	73	73	100%	100%	215%	UK, CBM gas
Northern Petroleum	145	66	49	74%	99%	93%	Netherlands, gas
Nighthawk Energy	64	60	60	100%	100%	189%	US, shale oil
Great Eastern Energy	813	191	191	100%	100%	58%	India, CBM gas
Amerisur	173	70	36	51%	100%	63%	South America, oil
Bankers petroleum	1798	671	633	94%	100%	44%	Albania, oil
Det Norske	480	158	104	66%	100%	70%	Norway, oil and gas
Norse Energy	117	230	230	100%	100%	74%	US, shale gas
Green Dragon	1006	304	140	46%	100%	42%	China, CBM gas

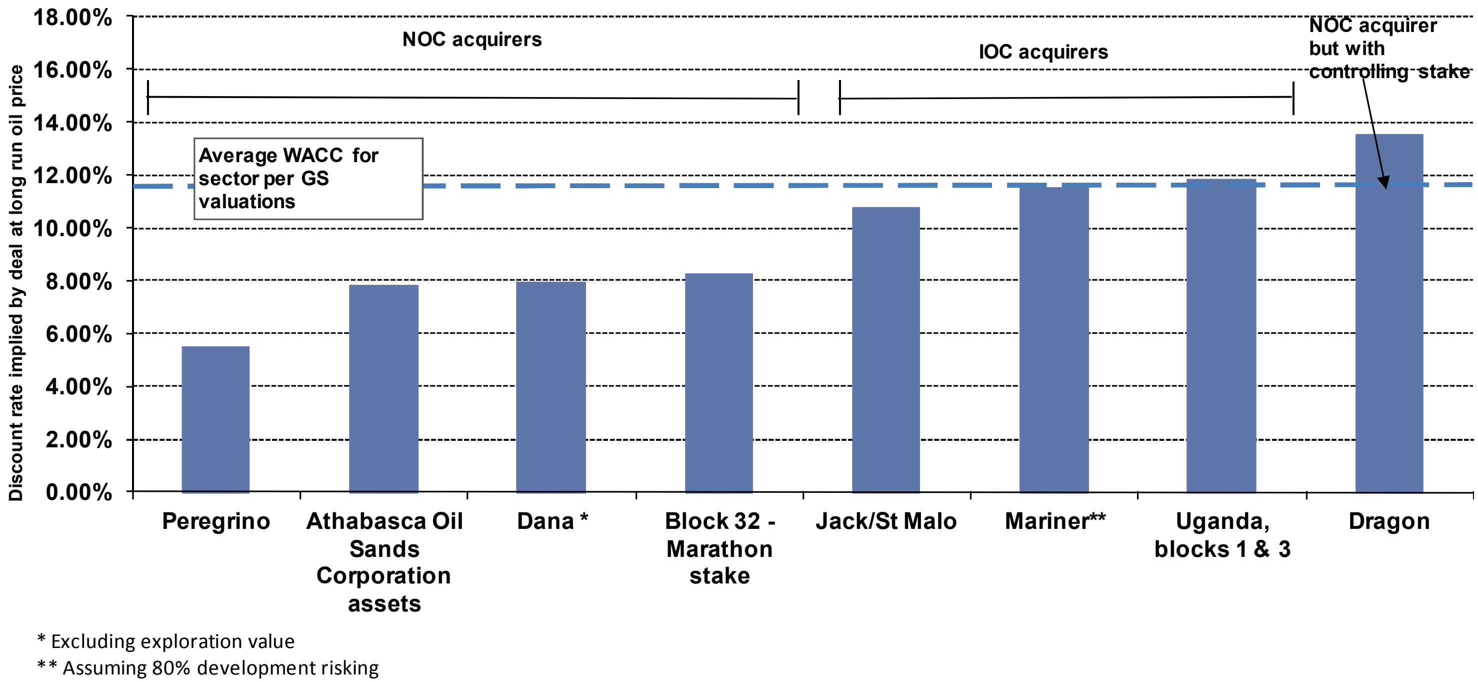
Source: Goldman Sachs Research estimates.

Strategic asset screen: Large strategic assets deserve a valuation premium

Although IOCs, in our view, are only likely to undertake transactions that offer value at commercial costs of capital, we believe NOCs are more price insensitive, potentially buying for strategic reasons of national supply rather than for value. We have analysed a number of recent large deals and calculated the discount rates implied assuming the oil forward curve as a price deck. Our analysis suggests that deals attempted by Chinese NOCs were at substantially lower discount rates than those used by IOCs or the equity market.

KNOC's approach for Dana implied an 8% cost of capital (excluding exploration) on our estimates as did Sinopec/CNOOC's attempted purchase of Marathon's stake in Block 32 in Angola and PetroChina's bid for Athabasca Oil Sands Corporation assets. Sinochem's purchase of a stake in Statoil's Peregrino field implied even lower costs of capital on our numbers – lower than 6%.

Exhibit 60: NOC transactions have been more price insensitive, suggesting a premium for strategic assets
Implied discount rates of deals valued at the forward curve



Source: Goldman Sachs Research estimates.

Strategic asset screen: Chinese buyers look for large oily or LNG-based assets

We believe that the companies most likely to benefit from NOC interest are those which hold what we would regard as “strategic” assets. We have analysed deals done by Chinese NOCs since the beginning of 2008 to identify the types of assets bought in these transactions. Of the 17 deals we have analysed, 12 involved net reserves of over 100 mnbls of oil, and one with liquids of over 50 mnbls. Of the other four, two were LNG-related and another involved Asian gas. In view of this, we define strategic assets as those that have discovered reserves, are either oily, or gas to be monetized in emerging markets and that have in excess of 200 mnbls of recoverable reserves with the stake in the field having net reserves of over 50 mnboe. Although we believe that stakes in such fields could make companies attractive corporate targets, in some cases, asset transactions alone would be sufficient to give a material uplift to share prices if that transaction took place at a lower cost of capital.

Exhibit 61: Chinese NOC deals have tended to focus on large, oily assets or gas that can be monetized in Asia
Most recent upstream deals performed by Chinese NOC companies with IOCs (excluding investment deals)

Date	Buyer	Seller	Bid type	Region	Asset	Asset type (GS defined)	Total liquids (2P + 3P + contingent)	Total gas (2P + 3P + contingent)
10/10/2010	CNOOC	Chesapeake	Asset	US	Eagle Ford shale	Liquids > 100 mn bls	0	0
01/10/2010	Sinopec	Repsol	Asset	South America	Santos Basin	Liquids > 100 mn bls	360	120
21/05/2010	Sinochem Corporation	Statoil	Asset	South America	Peregrino	Liquids > 100 mn bls	200	0
19/05/2010	CNPC	RD Shell	Asset	Asia-Middle East	Syria Shell stake	Liquids > 100 mn bls	215	0
30/04/2010	CNOOC	Devon	Asset	China	Block 15/34		16	32
12/04/2010	CNPC	ConocoPhillips	Asset	Canada	Syncrude	Liquids > 100 mn bls	882	0
14/03/2010 *	CNOOC	Bridas	Asset	South America	Share in S American JV	Liquids > 100 mn bls	394	242
08/03/2010	PetroChina	Arrow	Asset	Australia and Oceania	Corporate	LNG	0	590
31/08/2009	PetroChina	AOSC	Asset	Canada	Mackay River / Dover	Liquids > 100 mn bls	5220	0
12/08/2009	Sinochem	Emerald Energy	Corporate	Globally Diversified	Corporate	Liquids > 100 mn bls	187	0
24/06/2009	Sinopec	Addax	Corporate	West Africa	Corporate	Liquids > 100 mn bls	1275	0
29/04/2009 **	CNOOC, Sinopec	Talisman	Asset	Carribean	Trinidad assets	LNG	20	65
01/04/2009	Sinopec, SinoCanada	Total	Asset	Canada	Northern Lights	Liquids > 100 mn bls	107	0
25/09/2008 **	Sinopec / CNOOC	Marathon	Asset	West Africa	Block 32	Liquids > 100 mn bls	300	0
25/09/2008	Sinopec	Tanganyika	Corporate	Asia-Middle East	Corporate	Liquids > 100 mn bls	2102	0
18/04/2008	CNOOC	Husky Energy	Asset	Asia-Southeast Asia	Madura	Asian gas	11	43
07/03/2008	Sinopec	AED	Asset	Australia and Oceania	Puffin / Talbot		60	0

* = 1P reserves only

** = GS research estimates

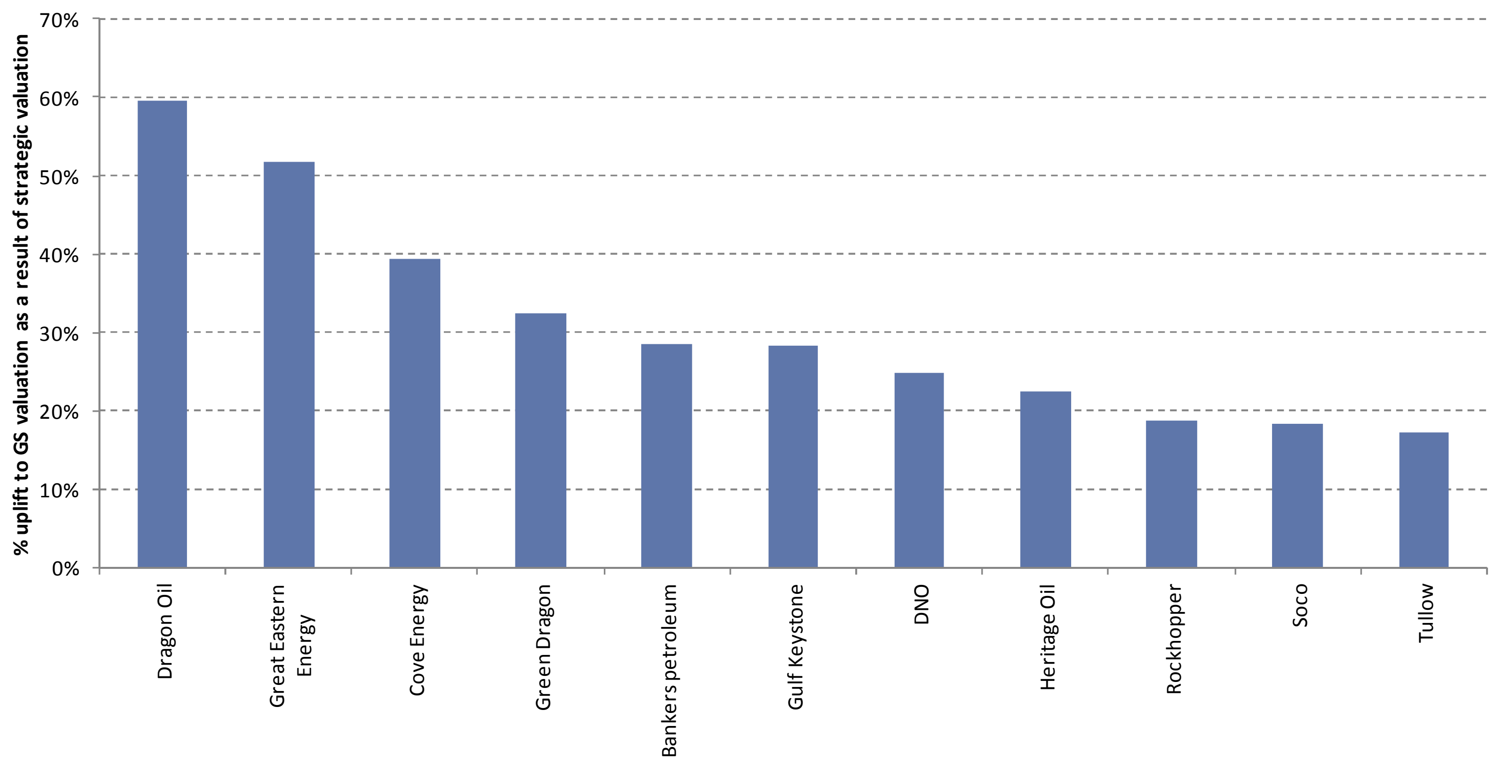
Source: Herold HIS, Goldman Sachs Research estimates, Company data.

Strategic asset screen: Strategic valuations of assets could have material impact on overall upside

Although we believe that stakes in strategic fields could make companies attractive corporate targets, in some cases asset transactions alone would be sufficient to give a material uplift to share prices if such a transaction took place at a lower cost of capital. We believe that in many cases, this uplift can be material.

Companies in areas which attract higher discount rates will tend to be the biggest beneficiaries of this effect. Dragon Oil, Gulf Keystone, Cove Energy, Green Dragon, Bankers Petroleum, Heritage and Tullow all own substantial assets in areas we believe carry a valuation discount in the equity market due to market concerns about the stability of the business environment. For companies holding what we regard as strategic assets, we include a strategic premium in our valuation (we value strategic assets at an 8% WACC and include a percentage of that value in the target price, dependent on our estimate of the likelihood of a transaction taking place).

Exhibit 62: Strategic asset valuations can result in substantial increases in value to companies in our screen
Impact on value of operational assets of moving from commercial discount rates to 8% discount rate on strategic assets



Source: Goldman Sachs Research estimates.

Strategic asset screen: Dragon offers highest upside but blocking shareholder reduces probability

Our strategic asset screen identifies stocks that have greater than 30% of their risked reserves in assets which we define as being strategic, and which experience an uplift of greater than 15% under a strategic valuation. Dragon Oil stands out as having the highest leverage to this theme, with 100% of its reserves in an area we regard as relatively high risk and to which we apply a 15% discount rate. Conversely Soco's TGT asset represents proportionally fewer risked reserves with a discount rate (of 12%) closer to the 8% assumption we make for strategic acquisitions, thereby having less of an impact.

While we include a strategic premium in our price targets, we assume different likelihoods for M&A transactions among the stocks holding strategic assets. ENOC's 51.5% stake in Dragon for example, decreases the probability of high value M&A activity in our view and as a result we attribute a lower likelihood of an acquisition for this stock in our price target. Similarly, we estimate a relatively low likelihood of a strategic acquisition for assets in Kurdistan until the political situation regarding exports is resolved.

We believe that both Lundin (Avaldsnes) and Nautical (Kraken) also have strategic assets and apply a premium to these in our target price, but neither sees a sufficiently large uplift from a strategic valuation to be included in this screen, partly as a result of our discount rate for the North Sea (10%) being relatively close to our 8% assumed discount rate for strategic assets

Exhibit 63: Companies in the strategic asset screen offer exposure to advantaged assets

	Market cap (US$mn)	Total risked reserves (mn boe)	Risked reserves in strategic assets (mn boe)	% of value in strategic reserves	Average WACC under normal valuation scenario	Potential uplift from 100% strategic valuation	Estimated chance of strategic acquisition	Reason for estimated chance of strategic acquisition	Strategic assets identified
Great Eastern Energy	813	191	191	100%	12%	52%	Higher	EM gas should prove attractive	India CBM
Bankers Petroleum	1798	671	622	93%	12%	29%	Higher	Large oily asset	Albania oil
Green Dragon	1006	304	238	78%	12%	32%	Higher	EM gas should prove attractive	China CBM
Dragon Oil	3747	955	593	62%	15%	60%	Lower	ENOC is a blocking shareholder	Turkmenistan oil
Soco	1775	126	76	60%	12%	18%	Higher	Large oily asset	Vietnam oil
Gulf Keystone	2286	1093	480	44%	15%	28%	Lower	Kurdistan political situation a hurdle	Kurdistan oil
Heritage Oil	1597	766	305	40%	14%	23%	Lower	Kurdistan political situation a hurdle	Kurdistan oil
Rockhopper	1284	369	137	37%	12%	19%	Low	Value in very new basin	Falklands oil
Tullow	17351	3678	1261	34%	12%	17%	Lower	Significant value in exploration	Ghana oil
Cove Energy	438	272	87	32%	13%	39%	Lower	Significant value in exploration	Mozambique LNG and oil
DNO	1425	345	152	44%	15%	25%	Higher	Stake already take by RAK	Kurdistan oil

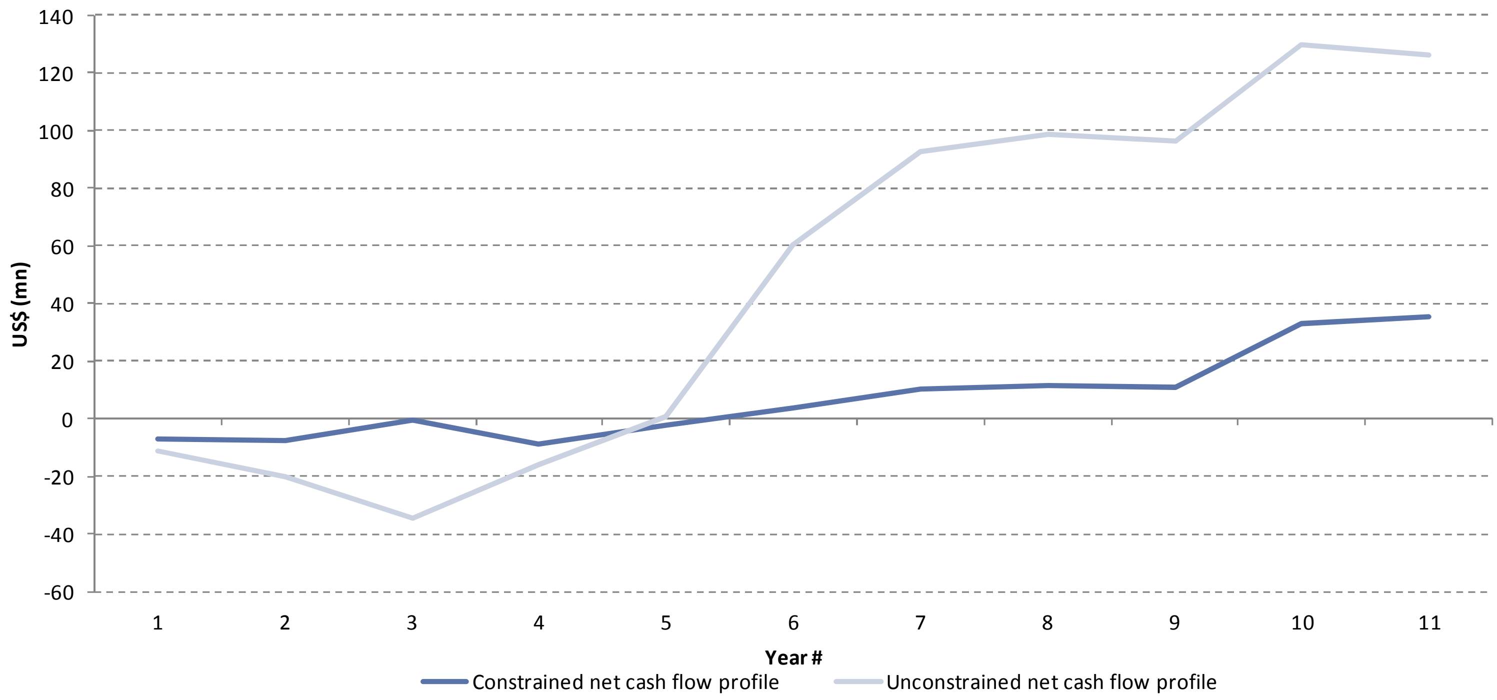
Source: Goldman Sachs Research estimates.

Unrealised potential: Companies with large assets and capital restrictions can offer substantial upside to acquirers

A number of companies in our newly expanded E&P universe have assets of a significant size but for which we assume relatively slow ramp-ups due to the companies' size and balance sheet constraints. In our opinion, companies such as this would also be attractive to larger companies as any control premium could be justified simply from the increase in NPV as a result of more capital being applied to an asset, thereby speeding up the pace of ramp-up.

Exhibit 64 shows the potential impact that a large upfront injection of capital can have on an asset. In this example we assume a US oil shale play. By year four, the cumulative net cash outflow under the "unconstrained" scenario is US$80 mn, while under the "constrained" scenario, the outflow is limited to US$26 mn. However, the higher production levels brought about by the increased spend in the early phase means that by year six, the unconstrained scenario has already generated higher levels of net cash.

Exhibit 64: Higher upfront spend can result in higher NPV and greater medium-term cash in-flows
Net cash flow based on generic US oil shale model



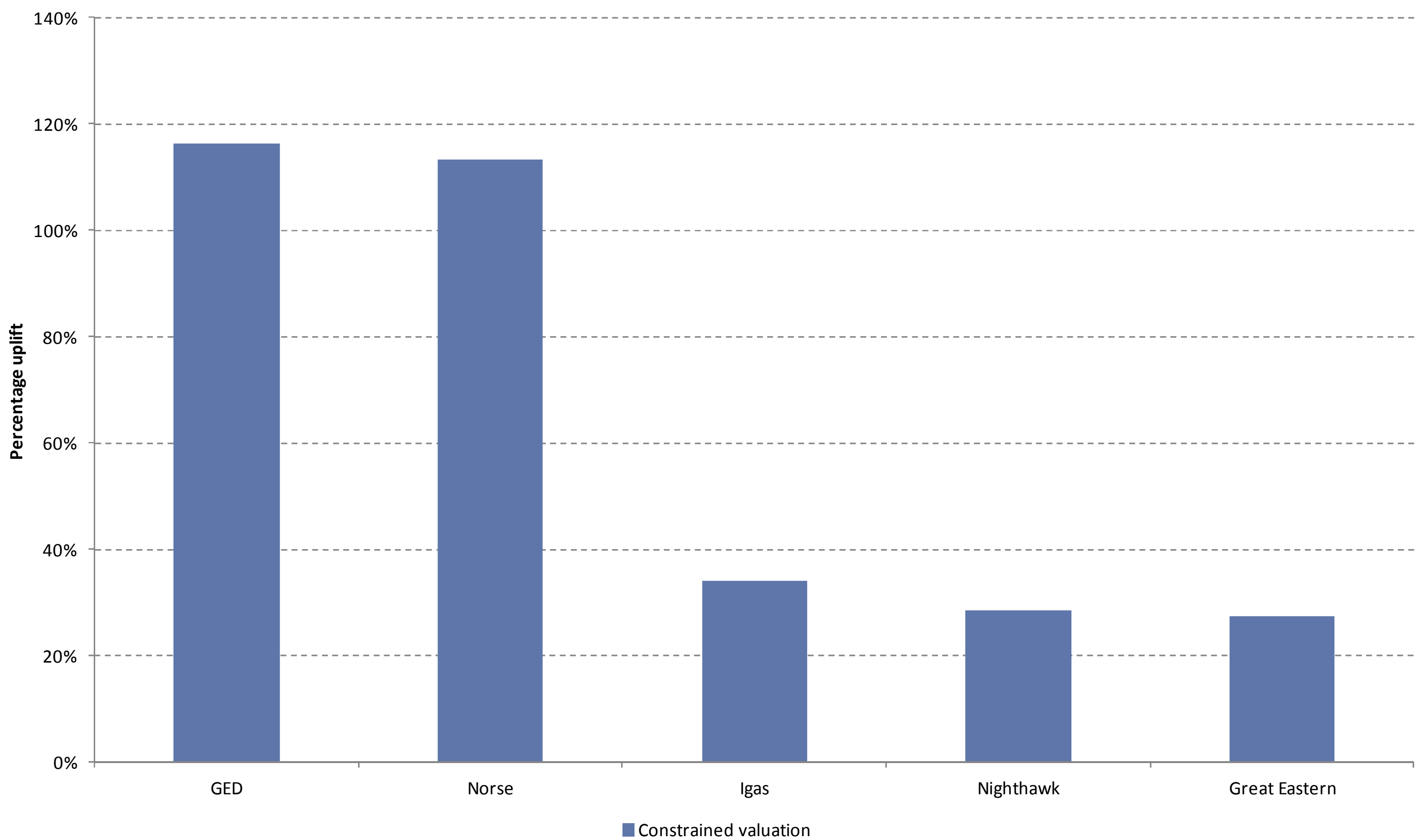
Source: Goldman Sachs Research estimates.

Unrealised potential screen: Norse and GED would benefit most from a larger balance sheet

We have identified Norse Energy, Global Energy Development, Nighthawk, Great Eastern Energy and IGas as those stocks with the most leverage to this theme. Each company has substantial reserves in assets which require a large number of wells to be drilled in order to monetize the reserves. Even in the case of IGas which we estimate is the least levered of the four (due in part to our assumption of an equity placing in the company giving a degree of capital spending power in the initial phases of the project), the potential uplift with an unconstrained balance sheet is in excess of 30% – a level that we believe could justify paying a control premium to equity holders. Great Eastern is helped further by the Minimum Applied Tax in India that allows a lower initial rate of income tax in the early years of production, meaning that the more volumes that can be produced early, the more valuable the cash flows.

Exhibit 65: Small companies with constrained balance sheets can see substantial uplifts in the event of greater capital spend on their assets

% increase from a faster ramp-up from major assets



Source: Goldman Sachs Research estimates.

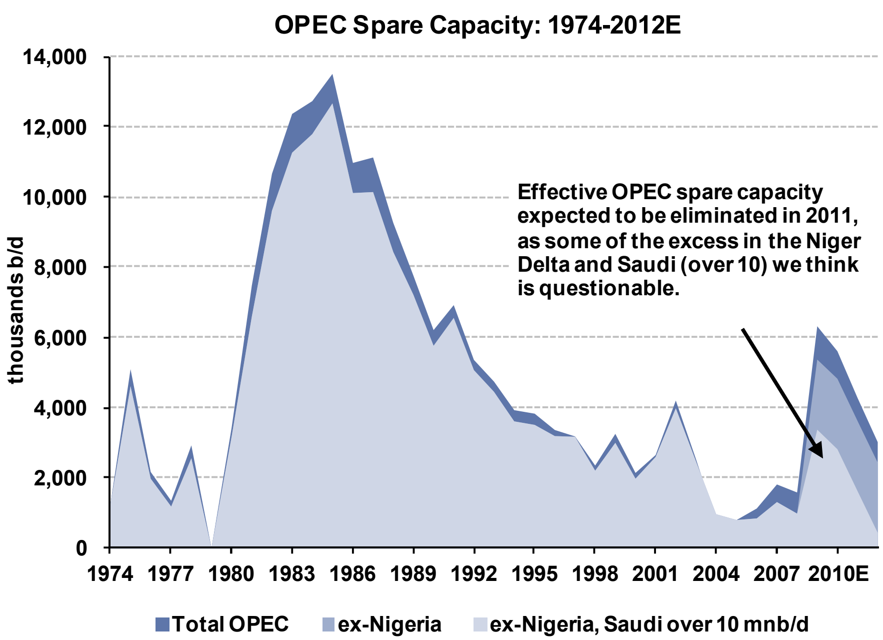
Profitability, commodity price and the E&Ps; costs and fiscal regimes can erode oil price returns

We remain constructive on the oil price, and expect growing global demand to push oil prices above the current forward curve. We therefore favour companies well positioned to benefit from a higher commodity price environment.

We currently forecast oil prices of US$100/bl in 2011, US$110/bl in 2012 and US$85/bl in 2013 (vs. the current forward curve prices of c. US$88 for 2011). We believe that global growth will continue to drive demand higher and lead it to outstrip supply, therefore prices are likely to rise to regulate demand. We expect OPEC spare capacity to disappear by end-2011.

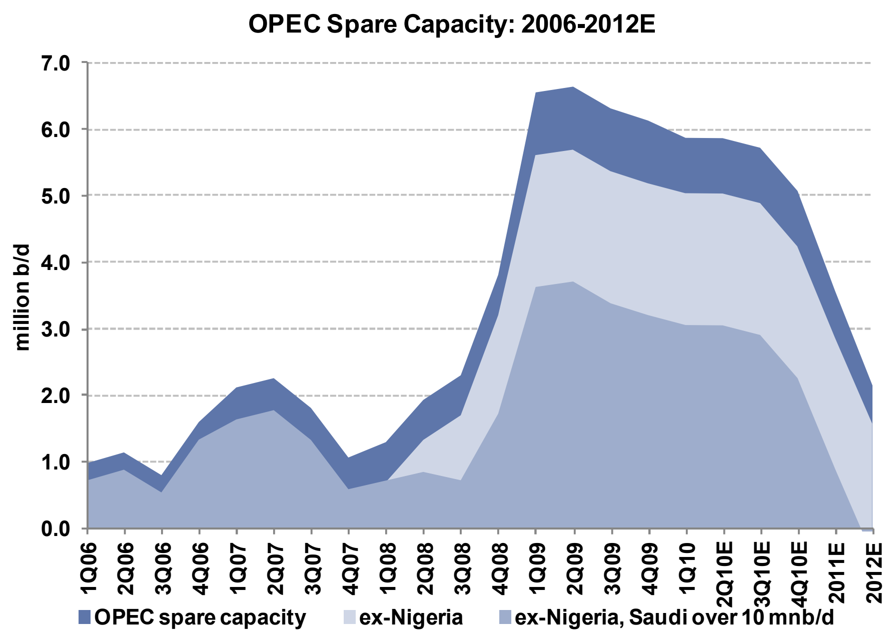
We currently value our E&P companies at a flat US$85/bl oil price. However, for those investors with a longer investment horizon, exposure to companies with high sensitivity to the oil price is something we would advocate.

Exhibit 66: We see OPEC spare capacity tightening by 2011/2012



Source: Goldman Sachs Research estimates.

Exhibit 67: We believe some of the excess in the Niger Delta and Saudi production over 10 mn b/d is questionable



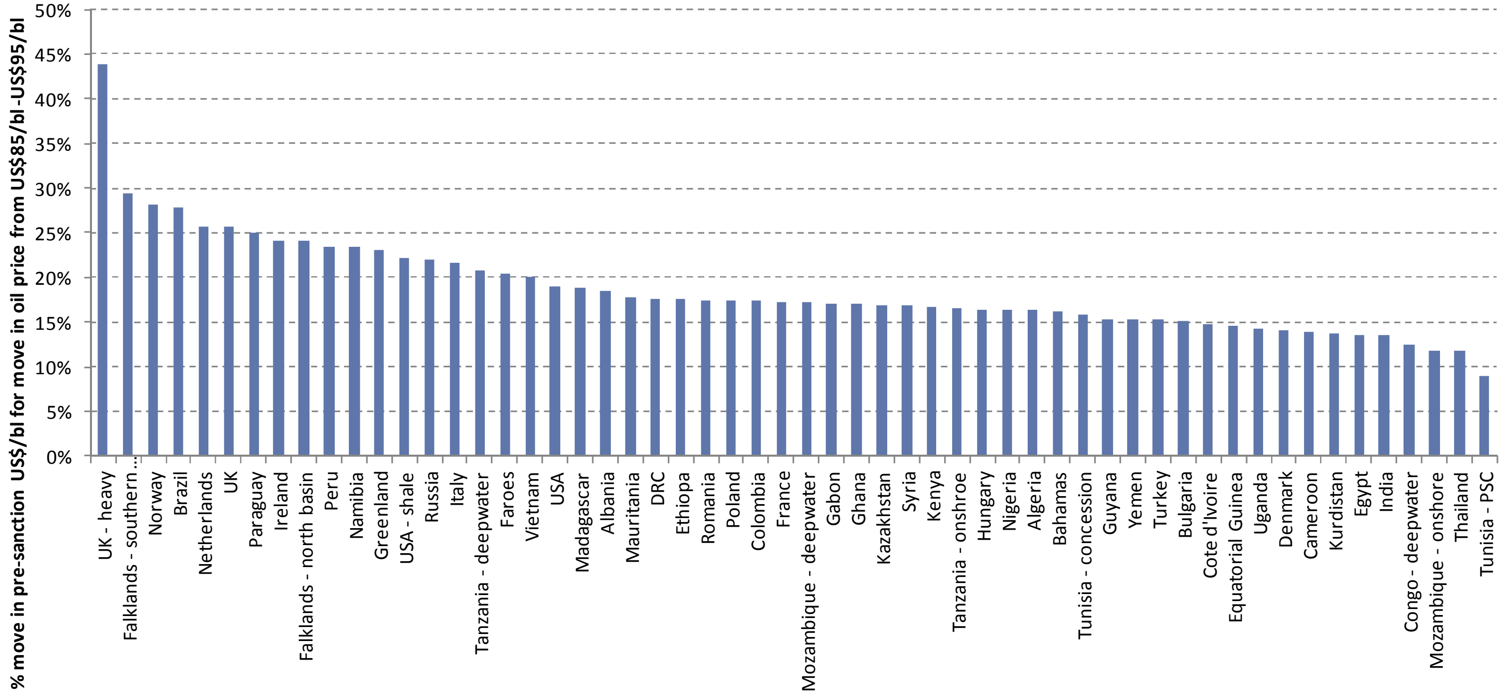
Source: Goldman Sachs Research estimates.

North Sea and Falklands provide attractive oil price leverage

The fiscal regime under which oil is produced is a major driver of a company's sensitivity to the oil price. As a result, we have analysed the sensitivity of the oil price on a country-by-country basis. Countries which operate a tax or tax and royalty regime are the most levered, and countries which use a PSC regime are less levered as a rule. We also note that countries where cost bases are relatively high (i.e., Norway and the Falklands) tend to also exhibit greater leverage, while companies with lower costs (i.e. onshore US) tend to have lower leverage. We also note that as we exclude the impact of cost inflation from this analysis, assets in production tend to have lower leverage to changes in the commodity price as a result of their having lower operating leverage and a far lower breakeven than assets which have not yet been sanctioned.

Exhibit 68: Sensitivity of assets to oil price is determined by costs and fiscal regimes

Sensitivity between US$85/bl and US$95/bl by country assuming no cost inflation



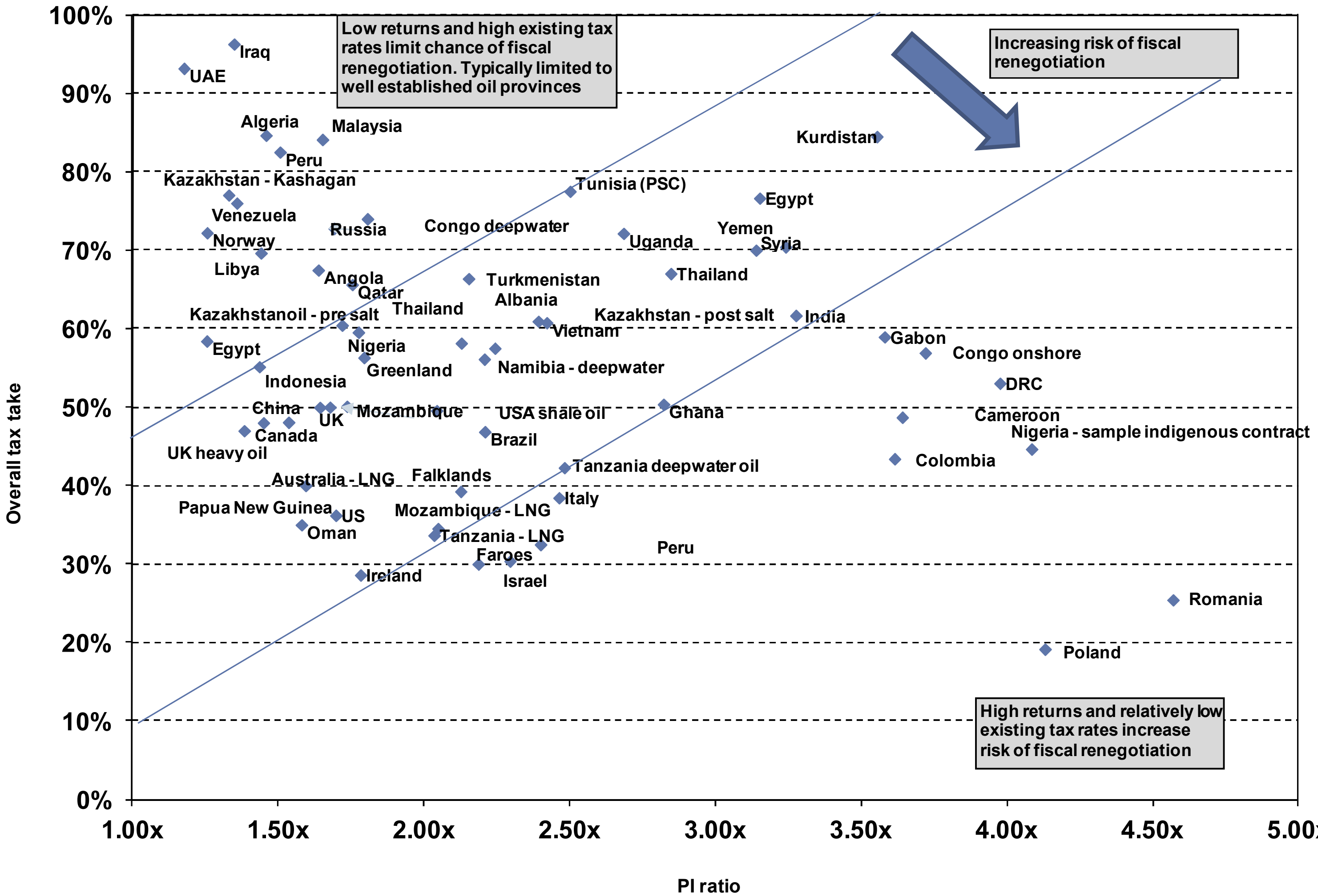
Source: Goldman Sachs Research estimates.

High returns and low taxation can result in high risk of fiscal renegotiation

In recent years we have seen a number of countries adjust their fiscal terms in order to effectively tax away outsized returns generated by a rising oil price (i.e., Kazakhstan, Nigeria, Canada, UK, Venezuela). We believe that the pre-conditions for such adjustments are high returns for producers in the country and a low existing tax rate. Where returns are lower, we see lower risk of fiscal renegotiations as we expect tax rates to be kept low in order to encourage investment in the country's hydrocarbon industry.

Exhibit 69: High returns and low government takes raises the risk of fiscal renegotiation

Fields are not of a same type throughout but representative of a typical field in that country



Source: Goldman Sachs Research estimates.

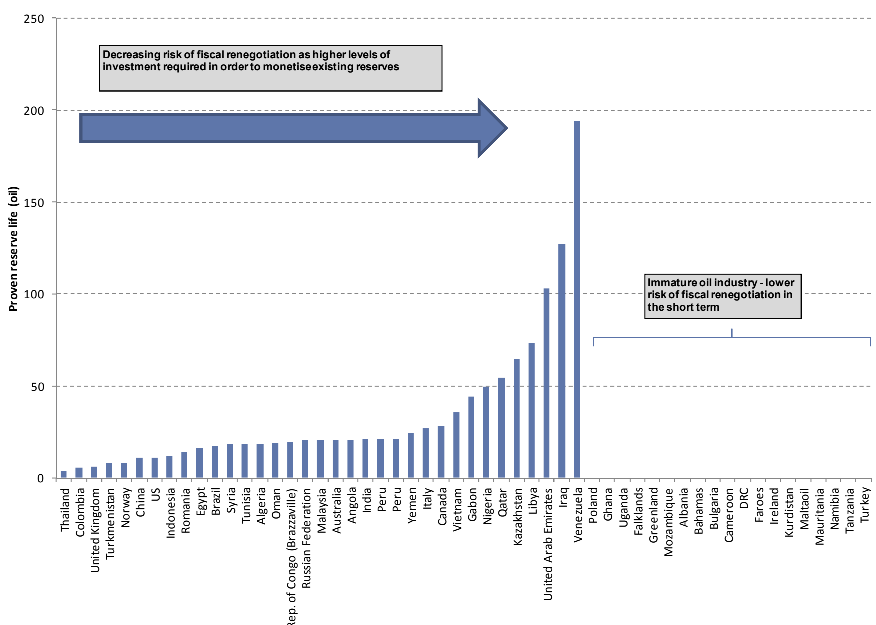
High levels of production create a greater risk; frontier nature of European E&Ps offers some protection from fiscal renegotiation in the near term

Most of the countries with both high returns and low taxes generally have few hydrocarbon reserves and companies must therefore be encouraged to invest due to the higher exploration risks involved. Conversely, those companies with high taxes and low returns are often OPEC countries where there are vast reserves, and where IOCs are more willing to take poor fiscal terms as a result of the lower geological risks. Typically countries in the early stages of an investment cycle are unwilling to alter fiscal terms in the short term for fear of discouraging further investment. As a result, we also screen countries to assess the proportion of production vs. reserves. We believe that a combination of high production vs. reserves and a low tax regime highlights particular risks for companies operating in the country. Of particular note on this analysis is Colombia, which has both a high return/low tax rate under some of the more lenient fiscal contracts and a relatively low reserve life, indicating a degree of maturity in the country's hydrocarbon industry. We would highlight Global Energy Development as being particularly exposed to the country and, partly as a result of this, apply a 33% likelihood of success to the company's major assets in the country.

In general, however, we note that countries with particularly favourable tax regimes have generally immature oil and gas industries, suggesting that in the most part the E&P companies in our universe are reasonably low risk, until more capital has been invested in the countries.

Exhibit 70: Country oil reserve life

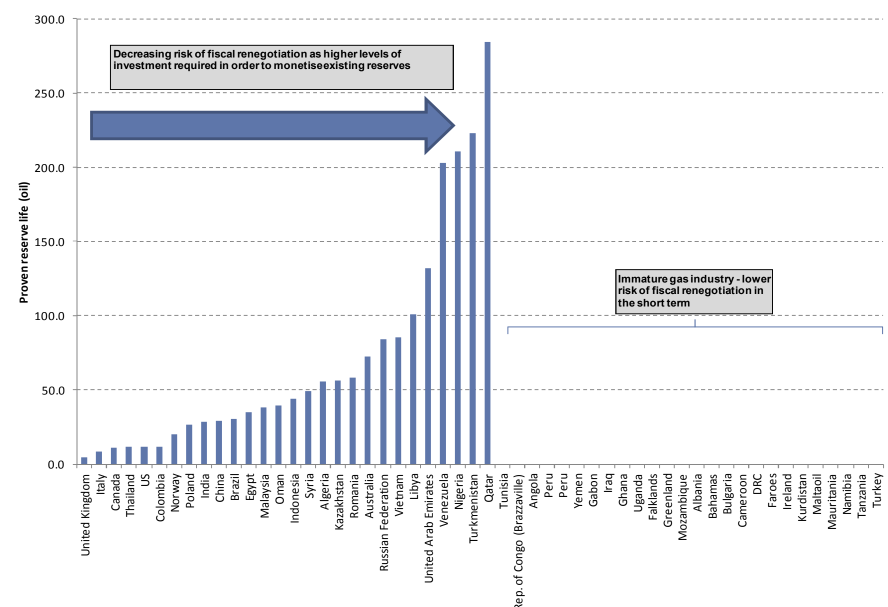
Shorter reserve lives tend to indicate more mature oil industries



Source: BP Statistical Review.

Exhibit 71: Country gas reserve life

Shorter reserve lives tend to indicate more mature gas industries

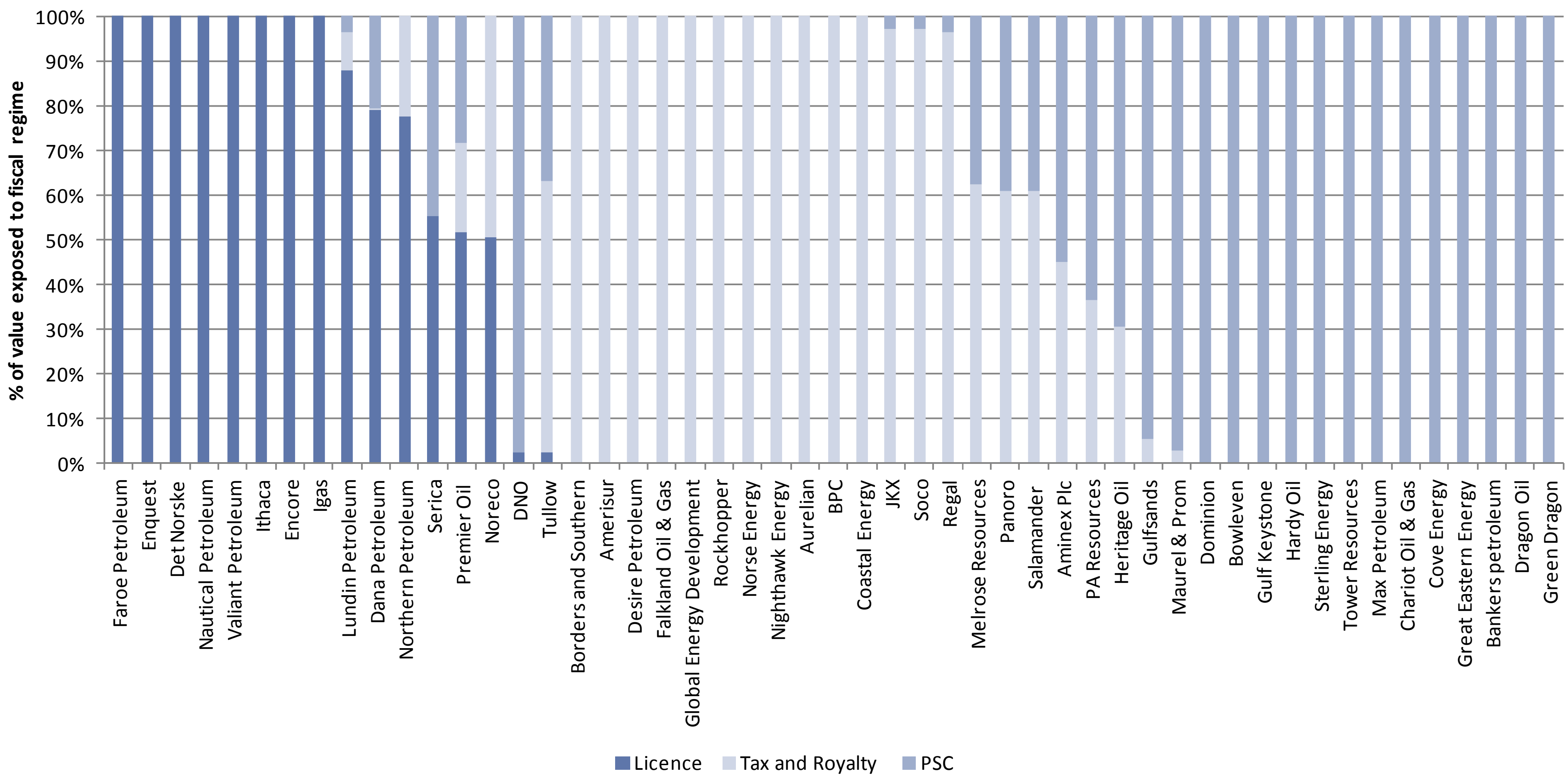


Source: BP Statistical Review.

Oil price leverage screen: Exposure to fiscal regimes

The impact of the government take from PSCs and service contracts can be significant at high oil prices. Those companies which have more commodity upside are those with the most exposure to licence regimes – typically countries in the OECD. Although this creates high leverage to the oil price, licences typically give less protection for capital invested in the event of a severe and sustained drop in the oil price.

Exhibit 72: Exposure to licence regimes tends to increase sensitivity to the oil price
Exposure to fiscal regime type by company by value



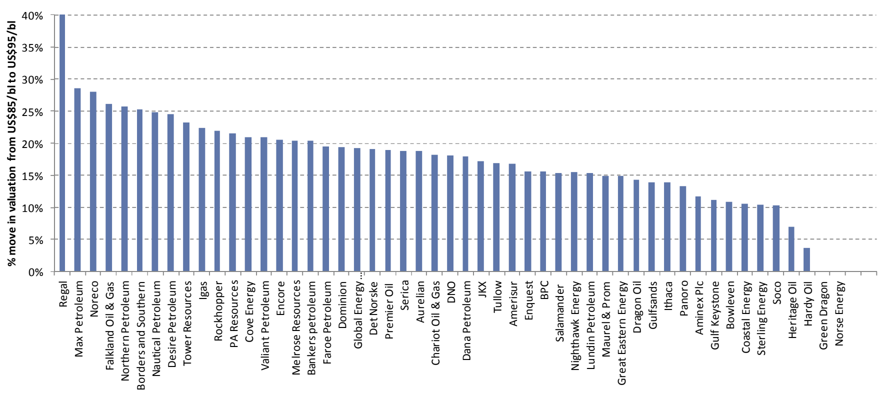
Source: Goldman Sachs Research estimates.

Oil price leverage: Companies exposed to high-cost licence regimes offer most upside. Financial leverage plays a significant part

Unsurprisingly, on a company basis, it is generally those companies with most exposure to undeveloped value in high cost, oily PSC-levered countries such as Norway and the Falklands that exhibit the most leverage to the oil price. High financial or operating leverage increases this sensitivity, thereby accounting for the high sensitivity of Max and Regal Petroleum. In this analysis, we assume that European gas exhibits a relationship to oil (albeit at a discount) resulting in leverage for companies such as IGas. Companies which sell gas into domestic markets which we believe are unaffected by movements in the oil price (i.e. US, India, China) exhibit no leverage to the oil price.

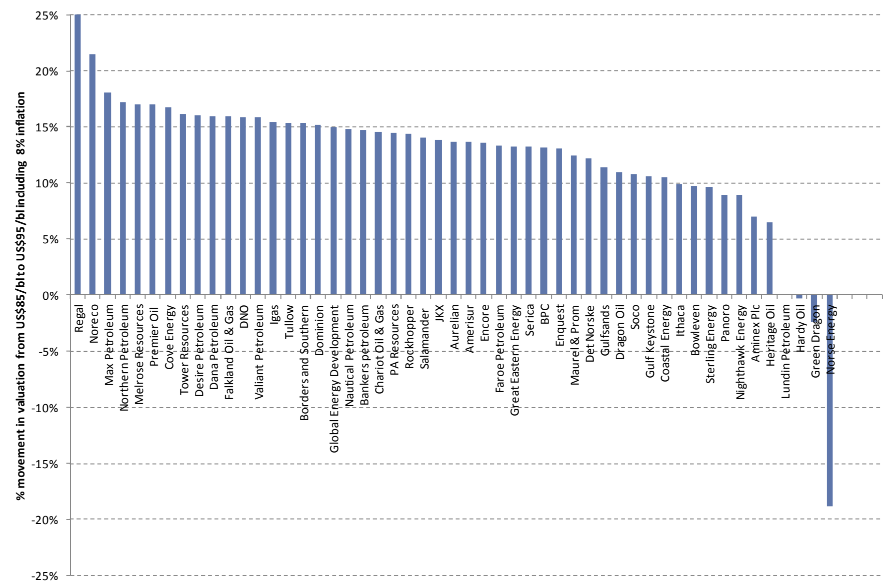
When inflation is also factored in, companies with more assets already in production are favoured relatively, as they get direct leverage to increased cash flows with no erosion of value from increased upfront costs. We assume that costs increase across the industry, impacting gas producers in markets which have no leverage to the oil price negatively – we appreciate that in markets such as US shale gas (Norse) or CBM (Green Dragon) this may not necessarily be the case, however.

Exhibit 73: Oil price sensitivity – no inflation assumed
Change in valuation from US$85 to US$95 with no inflation (axis limited to 40%; Regal sensitivity of 75% is due to high assumed operating leverage)



Source: Goldman Sachs Research estimates.

Exhibit 74: Oil price sensitivity – inflation assumed
Change in valuation from US$85 – US$95 with inflation



Source: Goldman Sachs Research estimates.

Oil price leverage screen: High commodity leverage and low risk assets; portfolio risk keeps Regal, Max and South Falklands explorers out

We screen companies based on the following criteria:

- Oil price leverage of greater than 20% between US$85/bl and US$95/bl with no inflation
- Oil price leverage of greater than 15% between US$85/bl and US$95/bl including inflation
- Weighted average portfolio likelihood of success of more than 50%
- More than 90% of reserves in oil-levered barrels

On this basis, Noreco exhibits the highest potential uplift in value as a result of a higher oil price – due to its relatively high levels of debt and high operating leverage. PA Resource's financial leverage also gives it substantial leverage. Despite cash representing a large portion of our valuation following the Mariner deal, Nautical still has high levels of leverage due to its bias towards operationally levered heavy offshore oil in the UK. Our assumption that UK gas prices will ultimately be driven by the oil price means IGas also shows high leverage.

Regal and Max exhibit very high oil price leverage as a result of their high operating and financial leverage. However, the risks surrounding the portfolios are too high, in our view, to make the companies clean plays on the commodity price.

Exhibit 75: Oil price levered companies have relatively low risk portfolios and high levels of oil price leverage

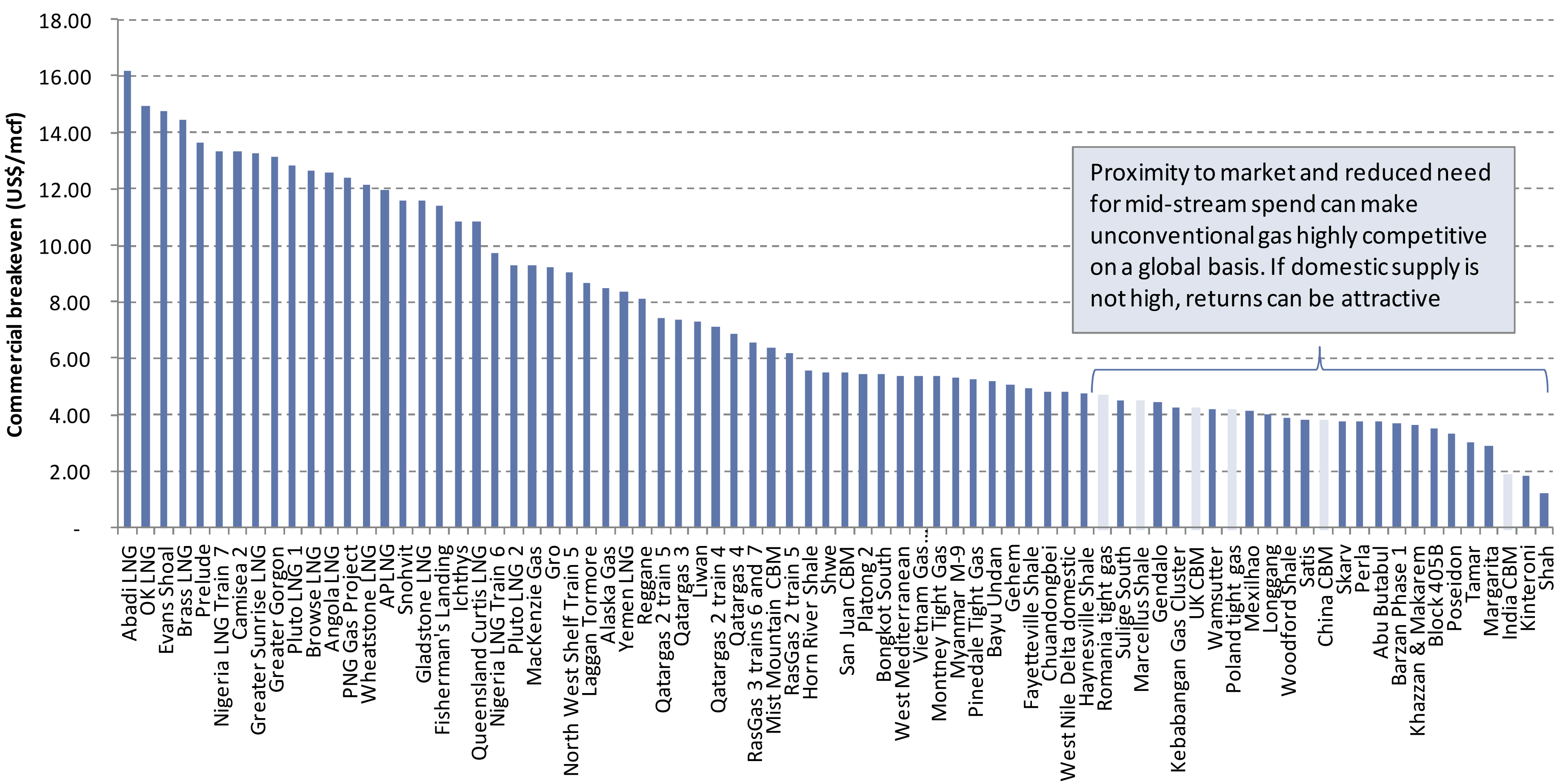
	Market cap (US$mn)	Uplift in value from US$10 increase from US$85/bl (inflation excluded)	Uplift in value from US$10 increase from US$85/bl (inflation included)	% of total value in discovered resource	% of assets with oil leverage gas (mn bls)	Weighted average portfolio chance of success
Noreco	692	28%	21%	108%	100%	68%
Nautical Petroleum	511	25%	15%	50%	100%	63%
Igas	94	22%	15%	91%	100%	52%
PA Resources	519	22%	14%	110%	93%	60%
Valiant Petroleum	373	21%	16%	92%	100%	73%
Bankers Petroleum	1798	20%	15%	92%	100%	73%
Average		**23%**	**16%**	**90%**	**99%**	**65%**
Excluded due solely to high risk nature of portfolio						
Regal	70	79%	42%	60%	100%	39%
Max Petroleum	133	29%	18%	55%	100%	42%
Borders and Southern	452	25%	15%	0%	100%	6%
Falkland Oil & Gas	240	26%	16%	0%	100%	5%

Source: Goldman Sachs Research estimates.

Unconventional screen: Proximity to market can make EM unconventional gas highly competitive

Unconventional gas plays are usually drilling intensive, typically consist of a large number of wells tied back to simple processing facilities. Although CBM in Australia is increasingly being regarded as a feedstock for LNG plants, if a domestic market exists for the gas, these projects can be highly competitive, with the need for an expensive mid-stream solution removed. In areas where access is problematic (i.e. inland India, or China) competing fuels can often be LNG or oil cracks, making potential selling prices especially attractive. All the unconventional gas assets in our E&P universe are bottom quartile when compared to the gas assets in the Top 280.

Exhibit 76: Unconventional gas assets can be attractive if a nearby domestic market exists
Breakeven of global gas assets at commercial hurdle rates



Source: Goldman Sachs Research estimates.

Unconventional assets: Leverage to cost assumptions and flow rates is high

Due to the intensive nature of the drilling, unconventional asset valuations experience relatively high leverage to drilling flow rates and well costs. We believe that there is potential upside to our numbers as experience in Australian coal bed methane plays and US Shale plays suggests that improving technology can generally improve drilling performance, thereby lowering costs and improving economics. Lessons learnt elsewhere in the world could also be applied to emerging unconventional gas basins to great effect.

Exhibit 77: Sensitivity of economics to flow rates

	Flow rate sensitivities				
NPV (US$/boe)	**-20%**	**-10%**	**Base**	**+10%**	**+20%**
UK CBM	2.89	3.41	**3.80**	4.11	4.37
China CBM	6.67	7.23	**7.41**	7.55	7.67
India CBM	7.24	7.37	**7.48**	7.57	7.64
Marcellus shale	1.82	2.10	**2.32**	2.50	2.64

Source: Goldman Sachs Research estimates.

Exhibit 78: Sensitivity of economics to well cost

	Well cost sensitivities				
NPV (US$/boe)	**-20%**	**-10%**	**Base**	**+10%**	**+20%**
UK CBM	4.48	4.14	**3.80**	3.45	3.08
China CBM	7.82	7.61	**7.41**	7.20	6.98
India CBM	7.69	7.59	**7.48**	7.37	7.27
Marcellus shale	2.70	2.51	**2.32**	2.13	1.94

Source: Goldman Sachs Research estimates.

Unconventional screen: Australian transactions suggest compelling upside for international CBM

Comparing the valuation of recent transactions involving Australian CBM assets with valuations of the CBM focused companies in our coverage universe generally shows compelling upside. This is an imperfect metric due to differences in the performance of assets in different parts of the world and the differences in fiscal regimes, but we would regard this as a conservative read-across as the fiscal regimes for all CBM plays in our universe are relatively benign and, most importantly, these assets are located next to domestic markets with capacity to take additional volumes. These companies will therefore not need to spend substantial amounts of money on liquefaction infrastructure in order to monetize these assets (a cost which we currently estimate at being in the region of US$1-1.2 bn/mtpa for a greenfield build.

Exhibit 79: UK listed CBM plays are trading at substantial discounts to Australian CBM transaction multiples

Implied valuations of UK listed CBM plays from Australian transactions(on a US$/3P basis)

	Volumes (3P) (bcf) *	Cash & other value (USDmn)	Current market cap (USDmn)	GS Valuation (USD mn)	Upside to average implied valuation
Green Dragon	2627	327	1006	2102	189%
Igas	1176	27.125	94	287	1160%
Great Eastern Energy	1800	-33.768677	813	1156	113%
Average					**487%**

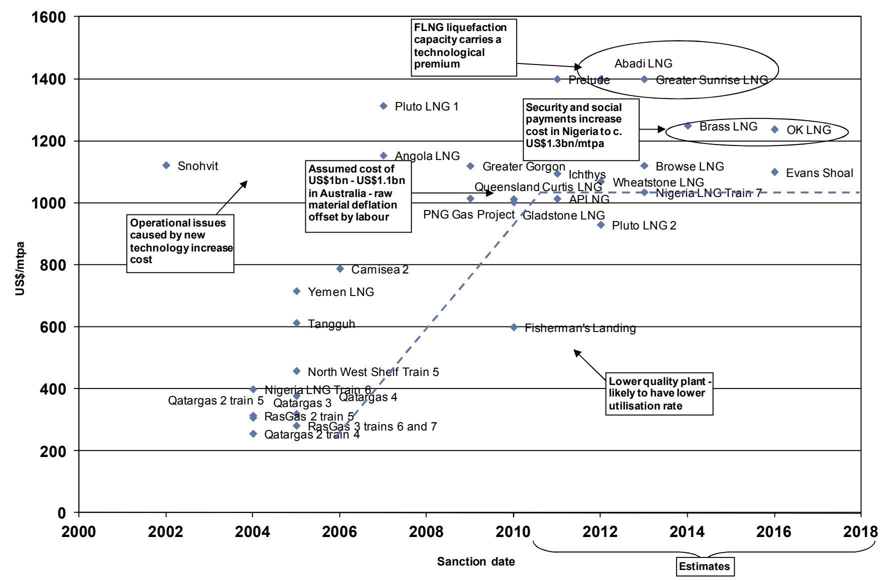
USD$mn	Valuation implied by Shell / Arrow	Valuation implied by Conoco / Origin	Valuation implied by BG / QGC	Valuation implied by Total / GLNG	Valuation implied by average of 4 deals
Green Dragon	2698	4824	2128	1981	2908
Igas	1088	2040	833	768	1182
Great Eastern Energy	1591	3048	1200	1100	1735

**** Great Eastern 3P assumed at 60% of gas in place***

Source: Origin Energy, Company data.

Exhibit 80: … despite being located near domestic markets, thus saving US$1-1.2 bn/mtpa of infrastructure spend

Cost of LNG trains – US$ mn per MTPA



Source: Goldman Sachs Research estimates.

Unconventional screen: Shale oil transactions suggest Nighthawk also trading at a substantial discount

A similar comparison of transaction values vs. the values that equity markets in Europe are prepared to give unconventional assets shows a similar story in relation to shale oil. Nighthawk Energy gives investors exposure to a new shale oil play – the Jolly Range shale in Colorado where the company owns a 50% stake in c.410,000 gross acres. Although we note that the performance of wells varies significantly from shale to shale and the Jolly Ranch is in the very early stages of drilling, the transactions we have identified suggest an average upside of c.500% to Nighthawk on an asset transaction multiple, should the play prove commercial.

Exhibit 81: Although the Jolly Ranch shale is in its infancy, applying other shale metrics to Nighthawk suggests high levels of upside if the play can be efficiently monetised

Oil shale transaction implications for Nighthawk

Buyer	Seller	Date	Asset	000 acres	Price (US$mn)	000' US$ / acre	Implied Nighthawk value	Implied upside
High Bid	Wyoming lease sale	4/9/10	Niobrara	0.6	3.8	5.9	1282	1913%
Hess	Marathon	28/7/10	Bakken	85.0	445.0	5.2	1147	1701%
XTO	Headington	15/7/08	Bakken	352.0	1800.0	5.1	1122	1662%
High Bid	Wyoming lease sale	9/7/10	Niobrara	0.3	1.0	3.2	734	1052%
High Bid	Wyoming lease sale	12/5/10	Niobrara	0.6	1.9	3.0	693	988%
Northern Oil	Windsor bakken	1/6/09	Bakken	3.0	7.3	2.4	578	808%
El Paso	UoT lease sale	23/9/10	Wolfcamp	123.1	180.0	1.5	381	498%
Rex Energy	Private company	30/6/10	Niobrara	18.7	18.7	1.0	287	351%
Hilcorp Energy	Lucas Energy	5/7/10	Eagle Ford	9.525	8.9	0.9	274	330%
Average						**2.9**	**664.5**	**944%**

Source: Company data, Goldman Sachs Research estimates, Wyoming Land Auction data.

Focus on the regions

Regional valuations vary according to fiscal regime, development type and country-specific risks

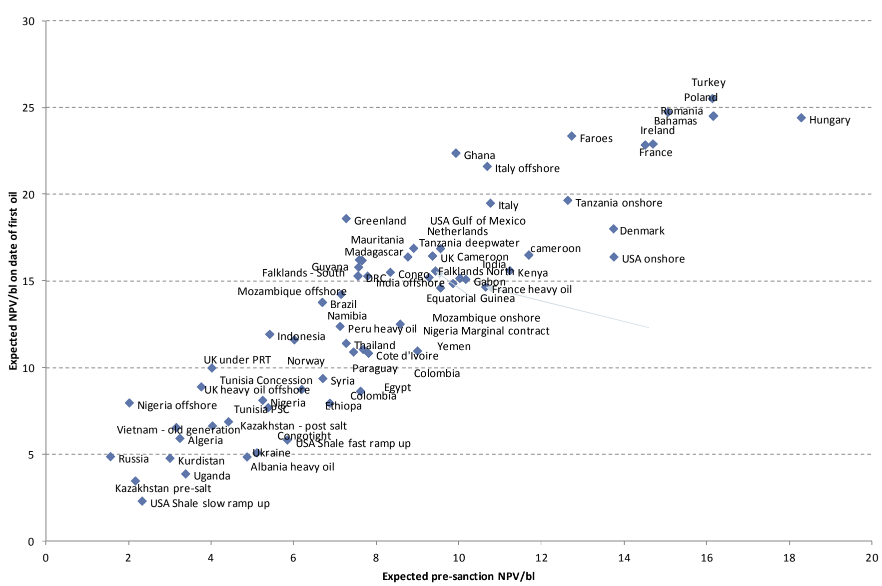
The location of hydrocarbons is a vital aspect in assessing the companies in our coverage. Regions impact valuations in a number of ways, including the fiscal regimes under which hydrocarbons are produced, the type of developments required, domestic gas prices and country-specific risks. As a result, we have, where appropriate, split our coverage universe into key regions.

Exhibits 82 and 83 show the value on a per barrel basis of oil and gas for what we assume to be generic developments in different countries of the world. Differences in production profiles, costs and, in some cases, different fiscal regimes can vary the valuations of barrels between different assets within the same country therefore the valuations below are intended to be no more than a guide. Some trends that are noteworthy, however, are the relatively high valuations in countries where there is currently limited hydrocarbon production. As a rule this is due to the advantaged fiscal terms that are offered by these countries in an effort to encourage exploration activity, so that higher exploration risk is rewarded by higher returns. Conversely, countries with significant hydrocarbon reserves tend to have tighter fiscal terms which reduces per barrel valuations.

More unconventional developments also tend to have lower valuations – a reflection of the additional capital required in drilling or the building of infrastructure. Finally, different discount rates will impact valuations of similar projects in different countries.

Exhibit 82: Generic oil based values change according to region, asset type and maturity

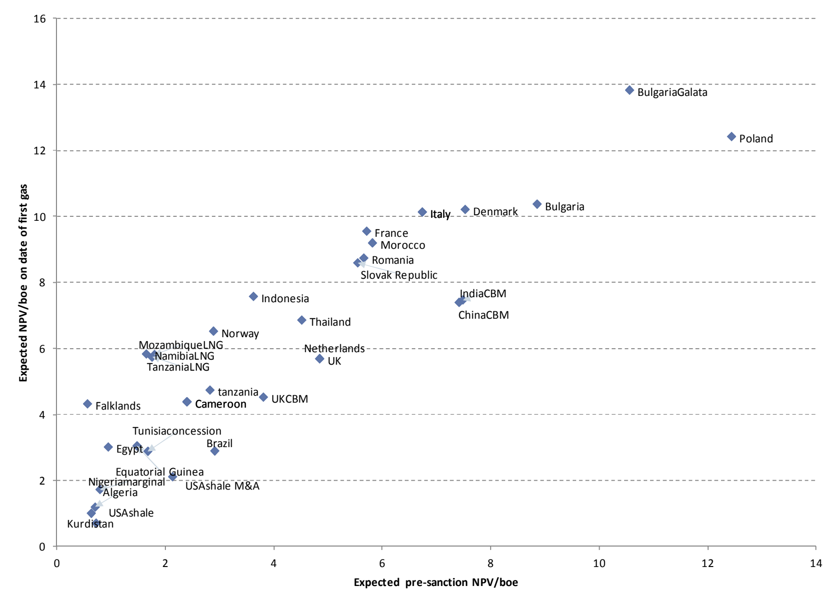
Changing value of bl of oil by region, development type and maturity



Source: Goldman Sachs Research estimates.

Exhibit 83: Generic gas values driven by region, type, maturity and prevailing gas price

Changing value of boe of gas by region, development type and maturity

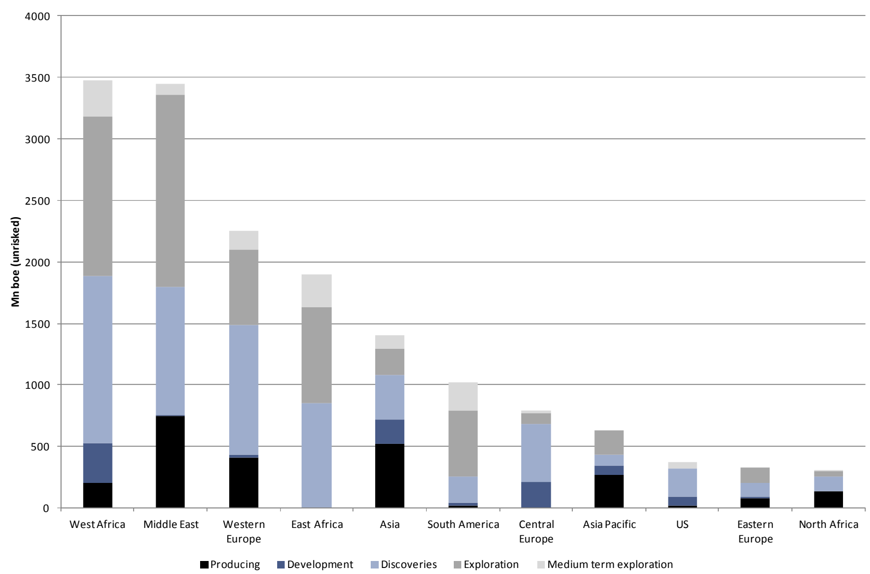


Source: Goldman Sachs Research estimates.

East Africa and South America offer new areas for re-rating potential. Western Europe remains a source of high value, although exploration impact is limited. Tullow's presence boosts the importance of West Africa.

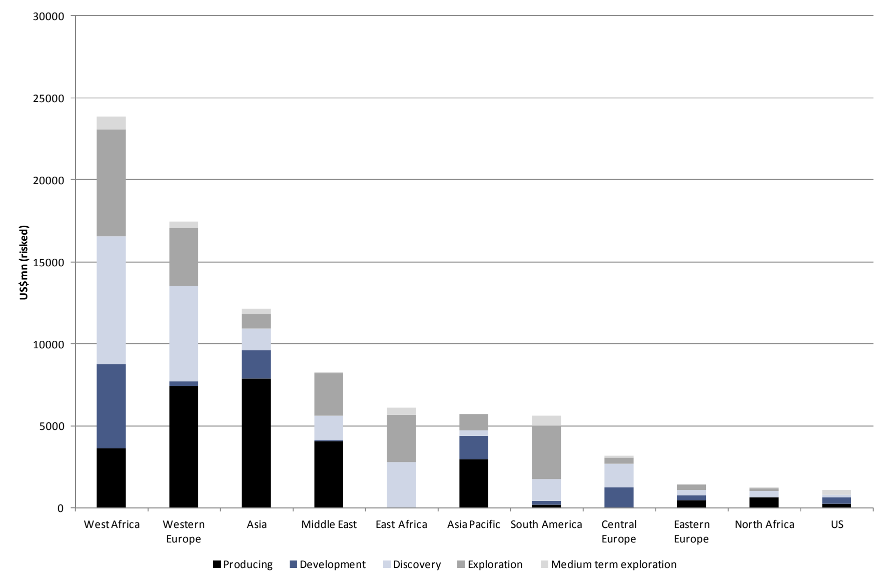
Tullow's disproportionate influence on the sector's value increases the importance of West Africa which is the biggest repository of value for the sector. Our coverage universe as a whole has the second highest exposure in risked, volumetric terms to the Middle East – a result of the huge discoveries being made in Kurdistan. The risks inherent in Kurdistan, however, mean that the Middle East is not a source of particularly high value for the sector based on our estimates. We note that in the event that the export situation is resolved in a manner that is favourable to Western companies, the impact on the valuation of the region could be substantial. After West Africa and the Middle East, East Africa holds the most volumes for risked exploration barrels – an indication of the re-rating potential in the area should exploration programmes meet with success. The long timeline to potential production in the area and the possibility of finding gas rather than oil, however, depresses its value relative to its volume. South America is also notable as a source of potential exploration upside for the sector, driven in large part by the exploration programmes taking place in the Falklands. Western Europe is the second biggest source of value for the sector as a whole, significantly ahead of Asia which is helped disproportionately by Cairn's MBA asset. This is a result of lower discount rates, benign fiscal terms in countries such as the UK and the Netherlands and the relatively high volume of barrels in production/development.

Exhibit 84: Risked reserves by region and development status



Source: Goldman Sachs Research estimates.

Exhibit 85: Value by region and development status



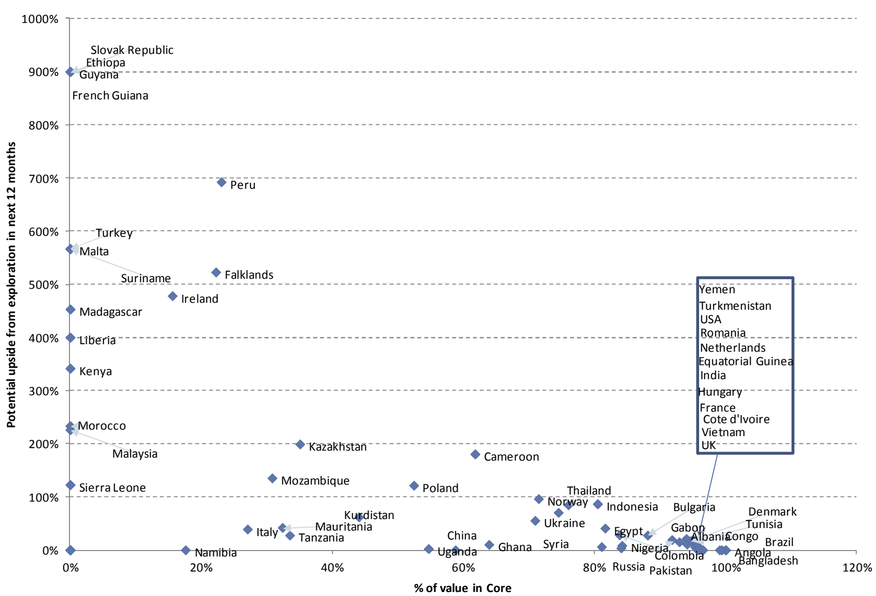
Source: Goldman Sachs Research estimates.

North Sea and Falklands the highest value regions outside the Tullow and Cairn portfolios.

Tullow's success in Ghana and Uganda and Cairn's success in India mean that these three countries are disproportionately important to the sector in value terms. Outside the portfolios of the two largest companies in our universe, however, the North Sea and the Falklands hold the highest value. The UK is the third largest source of value, with much of the value in production. There is also a substantial amount of undeveloped but discovered value in both the UK and Norway – however, given the complexity of some of the developments and the difficulty in accessing infrastructure in certain parts of the North Sea, especially for gas, we see potential delays to this development as a source of potential downside to the E&P space in aggregate. Kurdistan's large volume of discoveries that are yet to be sanctioned represents an even more extreme potential swing factor in the sector's aggregate valuation.

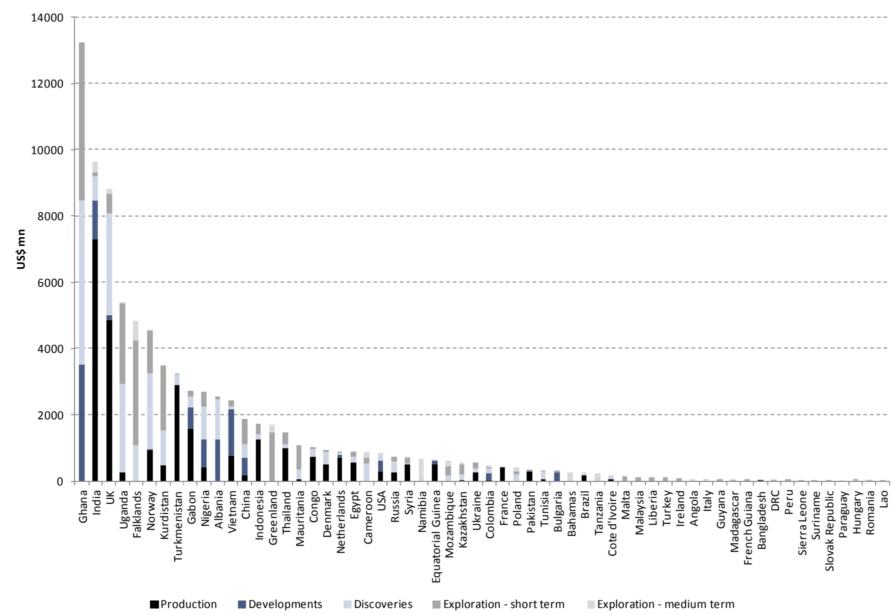
We have also assessed the potential upside to exploration by country. Unsurprisingly, countries in frontier exploration with little current exploration success appear most likely to re-rate, with Guyana, Greenland, Malta and Tanzania all offering high rewards from a small base. The more mature basins have too much value in their "core" assets to re-rate substantially in our view but noteworthy are those countries where success has been achieved but further drilling is still material. An obvious example is the Falklands, but DRC, Romania, Cameroon and Colombia are all countries with proven hydrocarbons provinces with the potential for substantial additional discoveries – offering a lower risk possibility of material exploration catalysts.

Exhibit 86: Core value vs. upside by country



Source: Goldman Sachs Research estimates.

Exhibit 87: Value split by country



Source: Goldman Sachs Research estimates.

Regional analysis: What, where and why

We have divided the stocks in our E&P universe into regions where a number of stocks have particular concentration. Based on our estimates, the market applies substantially different valuations to assets within the same country, despite making allowances for asset-specific differences. We believe Heritage Oil in Kurdistan, Nautical Petroleum in the UK and Det Norske in the Norwegian North sea offer particularly inexpensive exposure to their respective region, with IGas and Green Dragon screening as offering very attractive value among their global gas-based peers.

Exhibit 88: The E&Ps by region

Value and concentration of regional specific E&P companies

UK North Sea

Typcially strong core value in politically stable environment. Recent Catcher discovery has highlighted that exploration potential remains and Dana has showed that M&A is potentially back on the agenda

Company	Market value of regional barrels / GS valuations	% exposure to region
Nautical Petroleum	44%	63%
Valiant Petroleum	68%	96%
Premier Oil	82%	57%
Ithaca	86%	61%
Enquest	90%	96%
Encore	104%	80%

Kurdistan

Hugely prospective with large structures and large volumes of resource discovered in the last 3-4 years. Political risks are high, giving companies in this area a degree of risk uncorrelated with the rest of the sector

Company	Market value of regional barrels / GS valuations	% exposure to region
Heritage oil	64%	46%
Gulf keystone	127%	86%
DNO	139%	91%

Falklands

New basin opened up in the north by Rockhopper's Sealion well, offering the potential for extended, de-risked drilling. High impact, deepwater exploration in the south

Company	Market value of regional barrels / GS valuations	% exposure to region
Rockhopper	42%	42%
Falkland Oil & Gas	44%	44%
Desire Petroleum	46%	46%
Borders and Southern	56%	56%

High impact Africa

Increasingly attracting attention from investors and majors as a new exploration region, helped by Anadarko's Windjammer success. Risk of stranded gas could impact valuations. Namibia offers a high impact story on a medium term investment horizon

Company	Market value of regional barrels / GS valuations	% exposure to region
Aminex plc	-17%	52%
Dominion	47%	78%
Tower Resources	59%	94%
Cove Energy	69%	96%
Chariot Oil & Gas	89%	100%

Norwegian North Sea

Less mature area than the UK North Sea, with attractive tax incentives offered for exploration. The high impact potential of a relatively underexplored basin can be substantial for smaller companies. Stable political regime

Company	Market value of regional barrels / GS valuations	% exposure to region
Det Norske	21%	64%
Faroe Petroleum	29%	35%
Noreco	61%	69%
Lundin Petroleum	107%	92%

Gas exposure

Bearish on US gas, but constructive on the medium term on European gas. Emerging market players can benefit from high prices as a result of substitution difficulties

Company	Market value of gas / GS value of gas	% exposure to gas
Igas	25%	91%
Green Dragon	36%	85%
Great Eastern Energy	64%	103%
Hardy Oil	66%	67%
Norse Energy	66%	124%

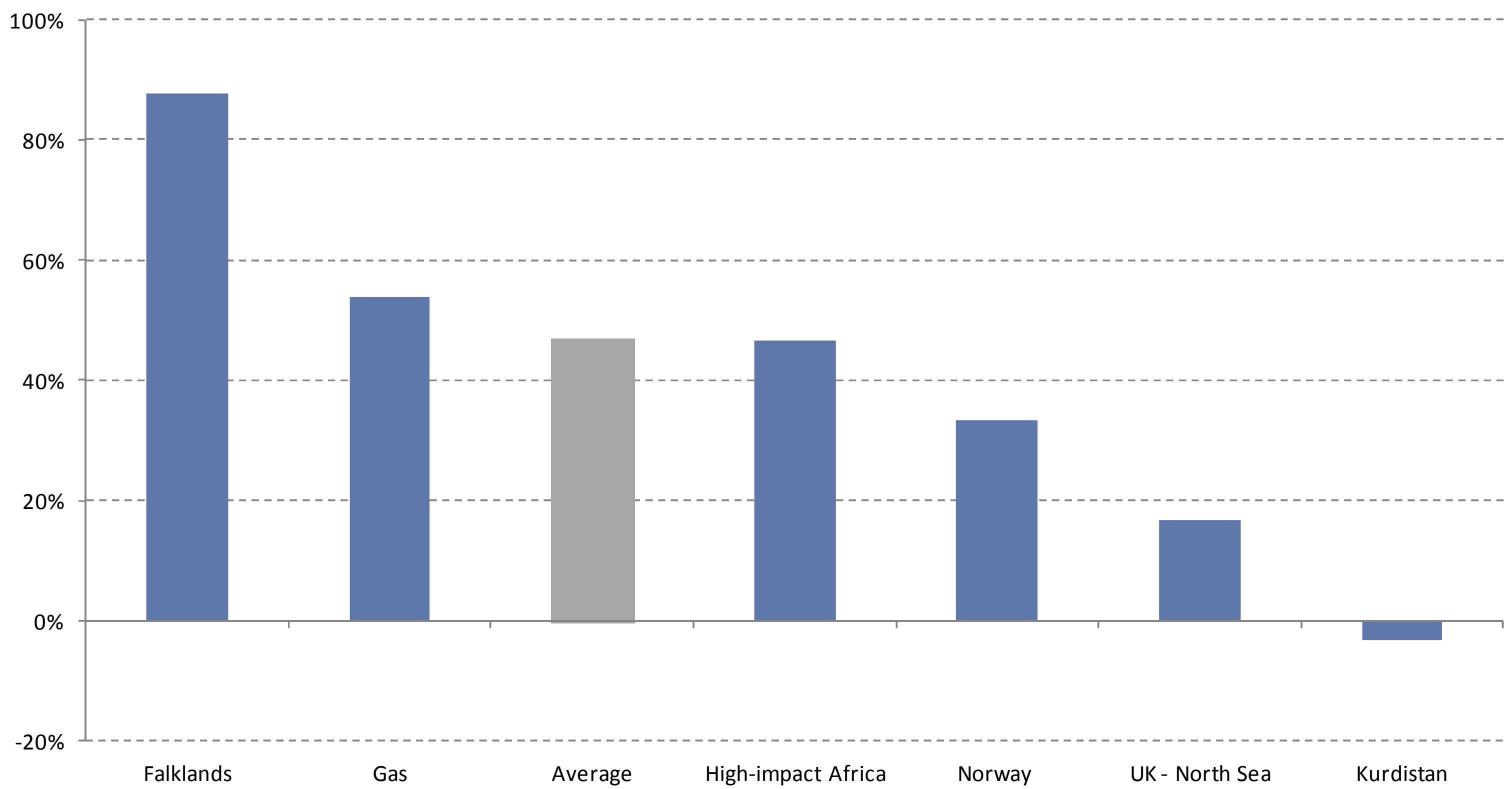
Source: Goldman Sachs Research estimates.

Falklands offers the best regional value on our estimates; we are more bearish than the market on the risks in Kurdistan

We have assessed the average upside for companies particularly levered to specific areas in order to provide a ranking of the regions by value. On our estimates, the Falklands is the cheapest area, despite the good performance relative to the rest of the sector over the past 3-4 years – reflecting our belief that the market typically undervalues new plays and high binary risk stocks. Conversely, we are more bearish than the market on the probability of a favourable short term political outcome in Kurdistan that maintains the current status quo – we apply a 50% value discount to all barrels in Kurdistan resulting in a number of the companies which are highly leveraged to the region having lower than average upside/downside to our target prices.

Exhibit 89: Falklands offers the best value on our estimates; we are more bearish on Kurdistan than the market

Value and concentration of regional specific E&P companies



Source: Goldman Sachs Research estimates.

Kurdistan: High political risk, high volume potential

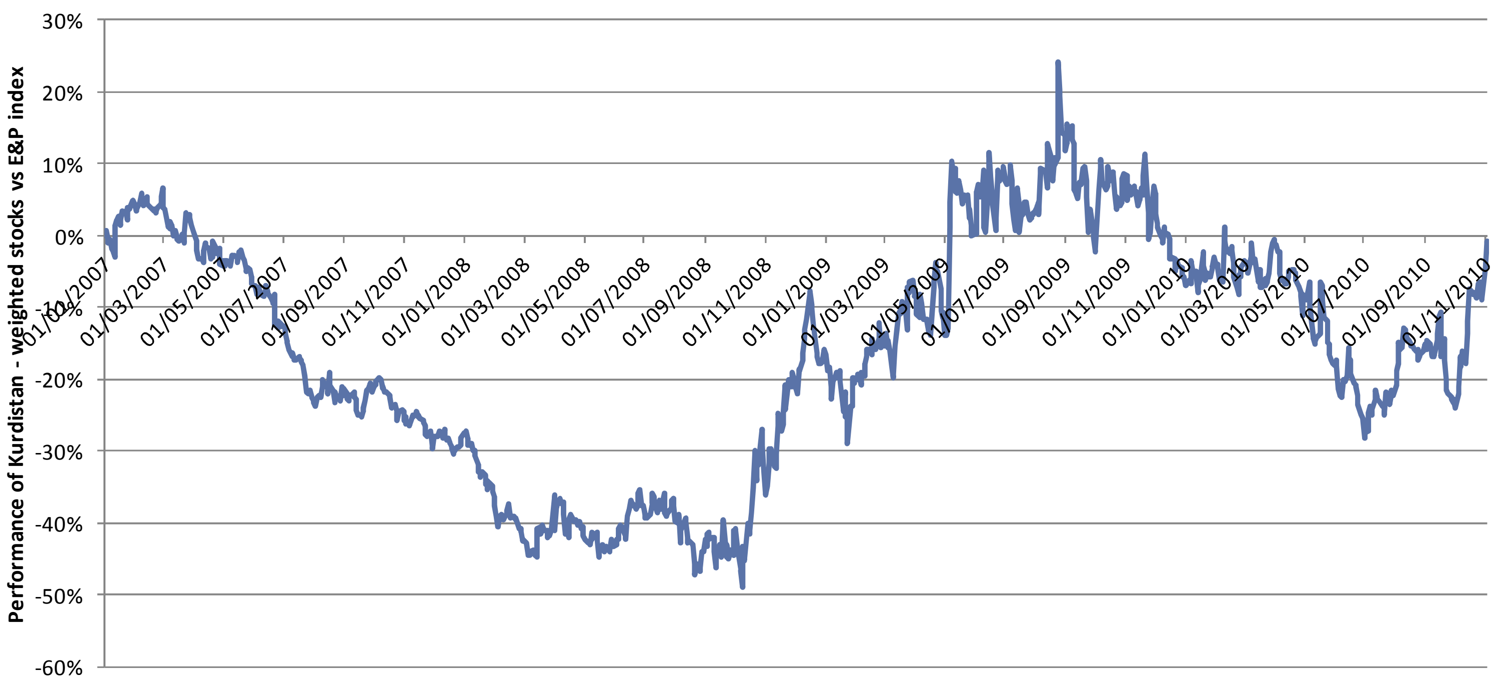
Huge discoveries have been offset by political concerns

We have analysed the performance of the Kurdistan levered plays relative to the rest of the E&P coverage universe from the beginning of 2007. For the purposes of this analysis, we have classified Heritage Oil, Sterling Energy, Gulf Keystone and DNO as Kurdistan levered companies.

In the last four years, the companies under our E&P coverage have discovered almost 1 bn net risked barrels of oil on our estimates (including potential upside from Shaikan P50, but also including a 50% risking for political considerations). Despite this impressive success with the drill bit, however, the stocks have only performed in line with the rest of the sector, as concerns over the ability of the companies to export oil under the terms of their existing licences have grown. This performance indicates the levels of re-rating potential held by these companies in the event of a favourable resolution to the current political issues stopping the ability to export.

Exhibit 90: Kurdistan levered companies' performance vs. index

Equal weighted basis – Heritage, Sterling, Gulf Keystone, DNO vs. E&P index



Source: Datastream.

Market not ascribing value evenly across Kurdistan; Heritage cheapest for Kurdistan exposure

We do not believe that the market is ascribing value equally to companies across Kurdistan. Exhibit 91 shows the implied premium / discount per barrel that we believe that market is ascribing to barrels in Kurdistan for different firms, We note that our riskings, assumed volumes and assumptions of value outside Kurdistan may not be exactly the same as the markets, but nonetheless, the relative discount that Heritage's Kurdistan barrels appear to be trading on is substantial.

In aggregate across the three companies we are more conservative than the market in ascribing value to Kurdistan – likely a result of the 50% political risking that we apply to assets in the region, in addition to any geological risks.

We see DNO's barrels as more valuable than its peers as a result of the Tawke asset already being production, therefore raising the value on a per unit basis. The value of Gulf Keystone's oily portfolio is brought down by the additional profit oil share it pays to KRG, while Heritage's NPV/bl is brought down by the gas potential we see in some of the exploration assets and a cautious view on capex for Heritage's Miran assets given our current uncertainty over flow rates.

Exhibit 91: Heritage the cheapest Kurdistan barrels on our estimates

GS values excluding equity raises, liquidity discounts or strategic asset premiums. Sterling excluded due to relatively low exposure.

	Market cap	Cash	Value ex Kurdistan (GS - US$mn)	Implied Kurdistan value from market (US$mn)	Value in Kurdistan per GS (US$mn)	Risked barrels in Kurdistan	Implied EV/boe in Kurdistan per GS (US$)	Implied % value ascribed by market to barrels vs GS	% of value in Kurdistan
Heritage oil	1597	752.0	287	557.5	868.7	661	1.3	64%	46%
Gulf keystone	2286	19.2	233	2033.6	1606.4	1093	1.5	127%	86%
DNO	1425	-247	337	1335.3	960.8	316	3.0	139%	91%

Source: Goldman Sachs Research estimates.

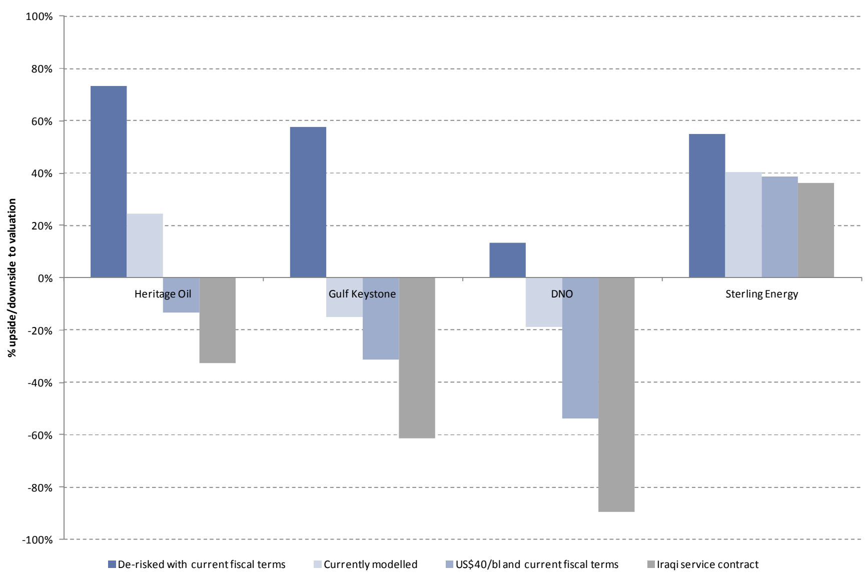
Outcome of licence dispute is key to valuations

We currently value barrels in Kurdistan using the PSCs agreed between the companies and the Kurdistan Regional Government (KRG) but with a 50% discount applied. We believe that there is a risk of renegotiation given that Baghdad is yet to ratify these licences and that ratification is likely a necessity before export can commence. We have analysed company upside/downsides under three different licencing scenarios to assess the impact on Kurdistan levered companies of different outcomes:

- Exports allowed with no change to the fiscal terms
- No change to fiscal terms but sales only allowed at domestic market prices (assumed to be c.45% of oil price)
- Service contracts as seen in the south of Iraq (i.e. Rumaila)

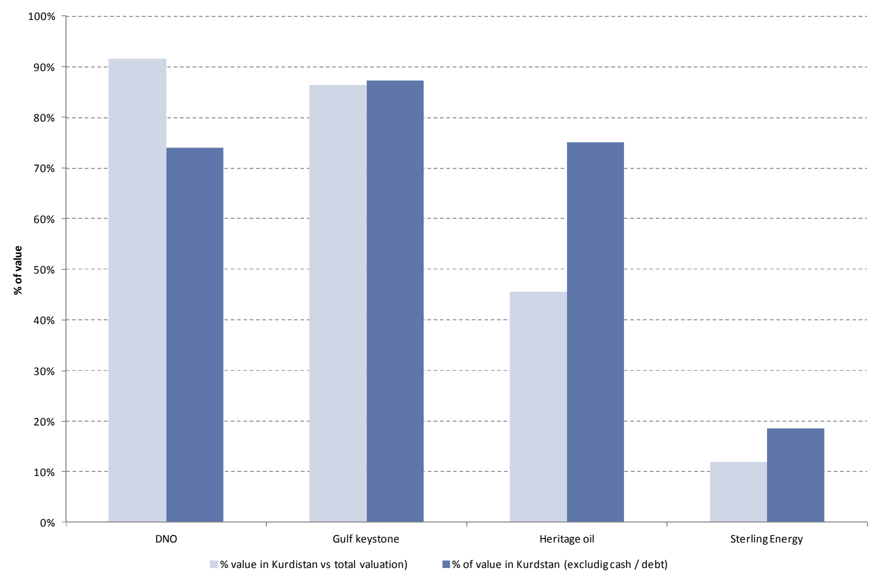
Gulf Keystone is most levered to this issue on our estimates. Although its PSCs are already the most severe by virtue of the additional 40% of profit oil the company pays to the KRG, the company's higher exposure to the country is key. Sterling's lower exposure to the country makes this theme a less important driver of the stock. DNO would benefit least from a de-risking on our estimates, as we currently give Tawke a lower political risking as it was one of the first PSCs signed in the region.

Exhibit 92: Significant downside if Iraqi style service contracts are introduced; favourable resolution would be a significant positive
Upside/downside under different contract scenarios. Less favourable scenarios carry no political risking.



Source: Goldman Sachs Research estimates.

Exhibit 93: Gulf Keystone and DNO have the most concentrated exposure to Kurdistan
Exposure to Kurdistan as a % of whole

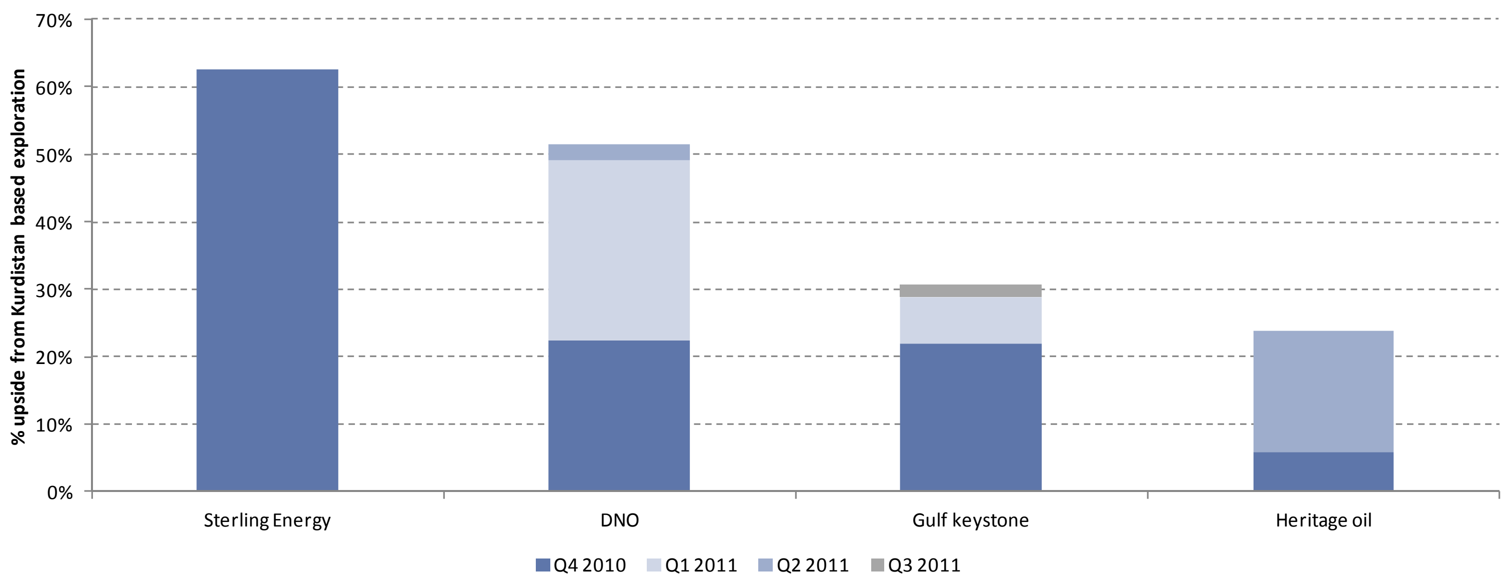


Source: Goldman Sachs Research estimates, Company data.

Exploration catalysts to come; activity likely to be high in coming months

Despite the lack of exports preventing the Kurdistan based companies reaching their full potential upside, exploration can remain a driver. Drilling continues at Sterling's Sangaw North well despite the disappointment of the upper sections, with potential upside still high due to the price reaction to the news on the upper section. Heritage's Miran deep well could provide a substantial uplift although the magnitude is likely to be substantially greater if this is oil rather than gas. Gulf Keystone's drilling at its Shaikan prospect also has the potential to realize substantial upside in our view if the oil water contact is low enough to prove upper estimates of volumes. We base estimates for DNO's potential upside on the assumption of 500 mnbl sized prospects.

Exhibit 94: Sangaw North Deep is Sterling's major catalyst; Gulf Keystone and DNO could add substantial volumes from exploration and proving upside
% uplift to valuation in the event of 100% success by spud quarter



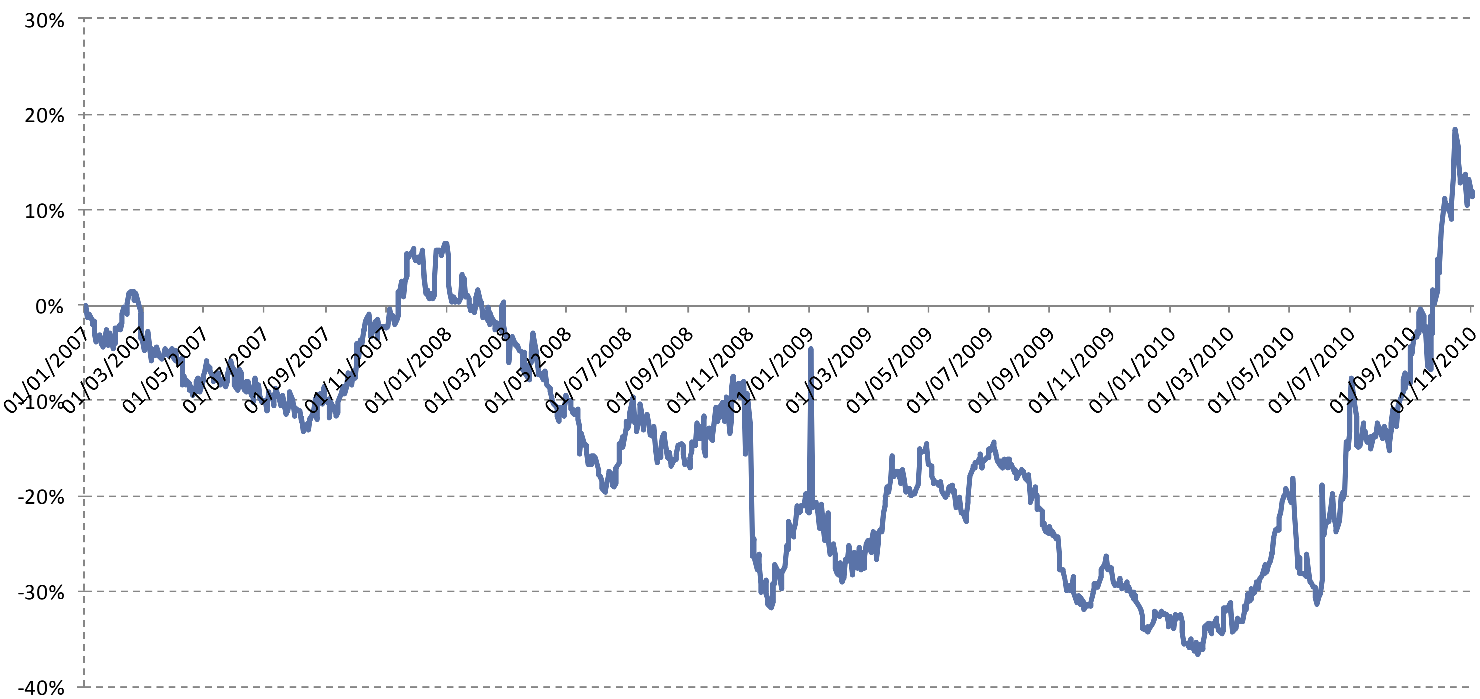
Source: Goldman Sachs Research estimates.

UK North Sea – hotting up: Exploration and M&A has re-rated the region

From the beginning of 2007 to early 2010, the North Sea companies de-rated significantly vs. the rest of the E&P sector. We believe that this was a result of an increased investor appetite for exploration in new and immature basins. Since then, a combination of M&A activity (e.g., KNOC's approach for Dana and Statoil's purchase of part of Nautical's stake in the Mariner field) and success with the drill bit in prospects such as Catcher (Premier, Encore, Nautical), and appraisal (Nautical's Kraken and Encore's Cladhan) have re-rated the North Sea.

The recent good news and the subsequent revival of the share prices, has brought the UK North Sea into positive territory relative to the rest of the E&Ps since 2007. We include Dana, Premier, Serica, EnQuest, Valiant, Ithaca, Encore and Nautical in our UK North Sea screen.

Exhibit 95: Recent positive news flow has re-rated the UK North Sea sector



Source: Datastream.

Re-rating of area has eroded some upside, but bargains remain; Nautical is cheapest UK North Sea stock

The beneficial news flow has rerated the UK North Sea stocks and we now think that the market is pricing in a respectable 81% of the value on a risked barrels basis valued at the forward curve vs. our estimates. We believe that some value remains, with Nautical providing attractive upside potential. Although we believe that the company's assets are worth less on a per barrel basis than its peers as a result of its exposure to heavy oil, we believe that the discount being applied to the company by the market is excessively harsh. Although higher breakevens are a risk, this cuts both ways and we see Nautical as attractive for investors looking for higher oil price exposure.

Ithaca's higher level of gas vs. peers and the development work required on many of its assets reduces its NPV/bl while Encore's exploration/pre-sanction portfolio also limits the potential value per barrel on our estimates.

Exhibit 96: Despite a recent rally in North Sea share prices as a result of recent good news, share prices are still low relative to our E&P universe
GS values excluding equity raises, liquidity discounts or strategic asset premiums

	Market cap (US$mn)	Cash (US$mn)	Value ex UK North Sea per GS (US$mn)	Implied UK North Sea value (US$mn)	Value in UK North Sea per GS (US$mn)	Risked barrels in UK North Sea	Implied EV/boe in UK North Sea per GS (US$)	Implied % value ascribed by market to UK North Sea barrels vs GS	% value in UK North Sea
Nautical Petroleur	511	27.6	262	221.1	499.4	110	4.5	44%	63%
Valiant Petroleum	373	-75.5	95	353.0	507.1	45	11.3	70%	96%
Ithaca	576	35.1	222	319.0	398.1	45	8.8	80%	61%
Premier Oil	3196	-434.0	1966	1664.8	2027.0	140	14.5	82%	57%
Enquest	1661	23.4	46	1591.6	1766.1	133	13.3	90%	96%
Dana Petroleum	2680	-250.0	1297	1632.2	1781.6	160	11.1	92%	63%
Encore	579	69.2	43	466.8	448.2	55	8.2	104%	80%

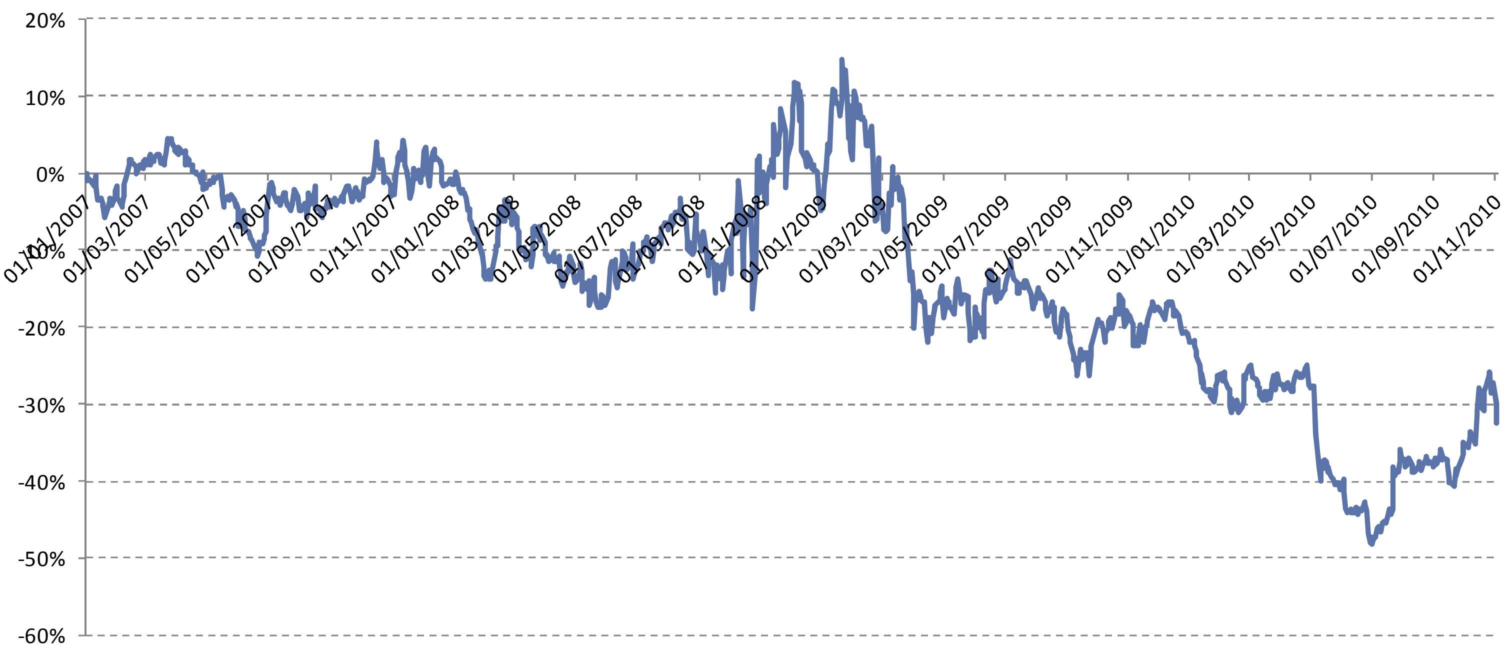
Source: Goldman Sachs Research estimates.

Norwegian North Sea: De-rating highlights exploration risk, but rewards are large

The Norwegian players followed a similar trajectory from the beginning of 2007 to their UK peers. However, the stocks have continued to de-rate in 2010, the result of some disappointments with the drill bit and questions over funding in some cases. Recent discoveries such as Maria (Faroes) and Avaldsnes (Lundin) may help refocus attention on an area where high impact gains are still possible and where the tax regime offers significant benefits to explorers.

We believe that some stocks in the region can offer interesting potential to investors looking for high-impact exploration in a proven basin with a stable political regime given the beneficial tax rebate system and the high impact exploration potential. Although concerns over deepwater activity following Macondo may also have impacted sentiment towards the area, we believe that the Norwegian regulatory system is already so tight that further material tightening is unlikely.

Exhibit 97: Norwegian North Sea exposed names have de-rated vs. the rest of the UK E&P sector



Source: Datastream.

Det Norske our preferred pick in the region

On average we believe that the share prices imply a valuation of around 54% of the value of Norwegian barrels valued at the forward curve – substantially lower than that factored in for the North Sea, and we see c.10% more upside in names levered to Norway than to the UK, making it our preferred way to gain exposure to the North Sea. Of the four companies with material exposure to the region, we believe that Det Norske offers the most attractive value, with 80% of the stock's value being supported by its YE2009 cash plus expected tax rebate value. We see Lundin as being more aggressively priced, although we note that the company's excellent success at Avaldsnes has boosted sentiment on the stock.

Lundin's higher value barrels are a result of significant levels of production and near-term developments, while the value ascribed to Det Norske and Faroe's portfolios highlights their higher level of exploration exposure.

Exhibit 98: Despite a recent rally in North Sea share prices as a result of recent good news, share prices are still low relative to our E&P universe
GS values excluding equity raises, liquidity discounts or strategic asset premiums

	Market cap (US$mn)	Cash (US$mn)	Value ex Norway (per GS - US$mn)	Implied Norway value (US$mn)	Value in Norway per GS (US$mn)	Risked barrels in Norway	Implied EV/boe in Norway per GS (US$)	Implied % value ascribed by market to barrels vs GS	% in Norway
Det Norske	480	358.9	-9	130.4	627.7	158	4.0	21%	64%
Faroe Petroleum	484	53.9	365	65.1	227.3	55	4.1	29%	35%
Noreco	692	-517.0	810	399.1	657.0	132	5.0	61%	69%
Lundin Petroleum	3258	-463.3	714	3007.1	2800.2	440	6.4	107%	92%

Source: Goldman Sachs Research estimates.

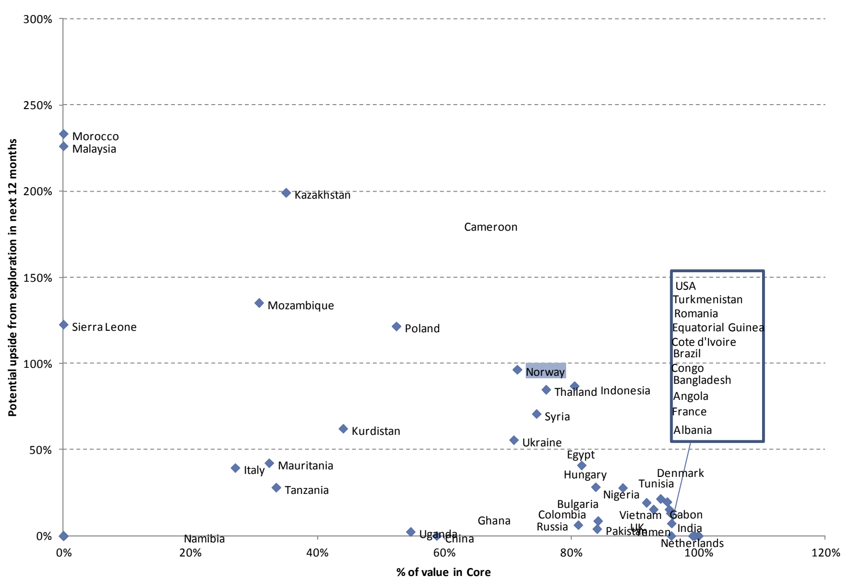
Balance of core value support and exploration impact in the region

We regard some exposure to exploration in the Norwegian North Sea as attractive given the tax rebates available, and that the potential size of prospects being targeted by the European explorers is material. We believe the area provides a good balance of core value support and re-rating potential. On our estimates c.75% of our E&P companies' value is in production or discoveries but we still see almost 100% re-rating potential. As mentioned above, we do not believe that Norway represents the cheapest exposure to E&P companies, but it is a relatively "balanced explorer" among the countries.

We believe Noreco is most exposed to Norwegian exploration in the next 12 months but note that all companies have re-rating potential of over 40% in the event of total success (although Faroe has a degree of high-impact exploration outside the region).

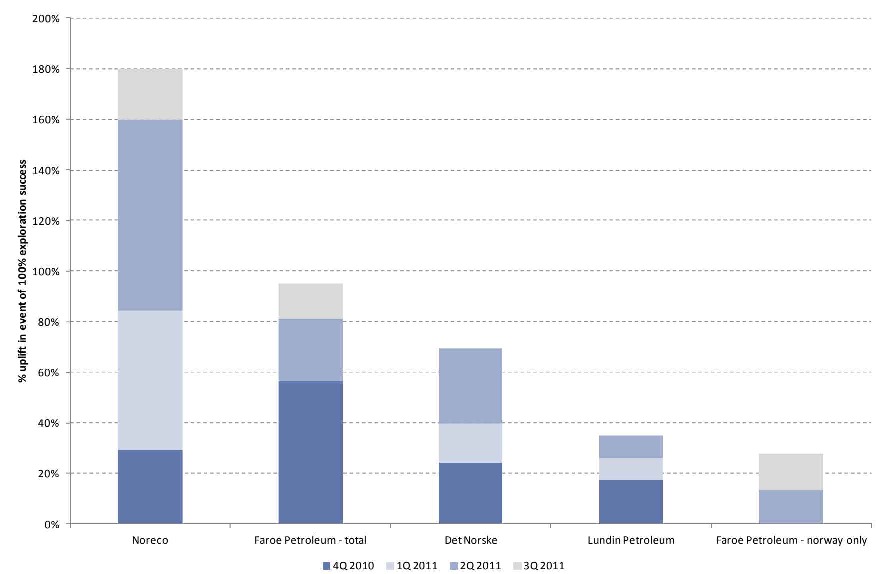
On our estimates Noreco has the most leverage to short term Norwegian exploration, and Faroe the least, although Faroe's drilling campaign is more diversified with additional wells in the Faroes and the UK North Sea.

Exhibit 99: Norway shows an attractive mix of core value and exploration upside
Proportion of core value and 12-month potential re-rating through exploration by country



Source: Goldman Sachs Research estimates.

Exhibit 100: Noreco the most exposed to Norwegian exploration
Potential uplift in valuation in the event of 100% exploration success next 12 months



Source: Goldman Sachs Research estimates.

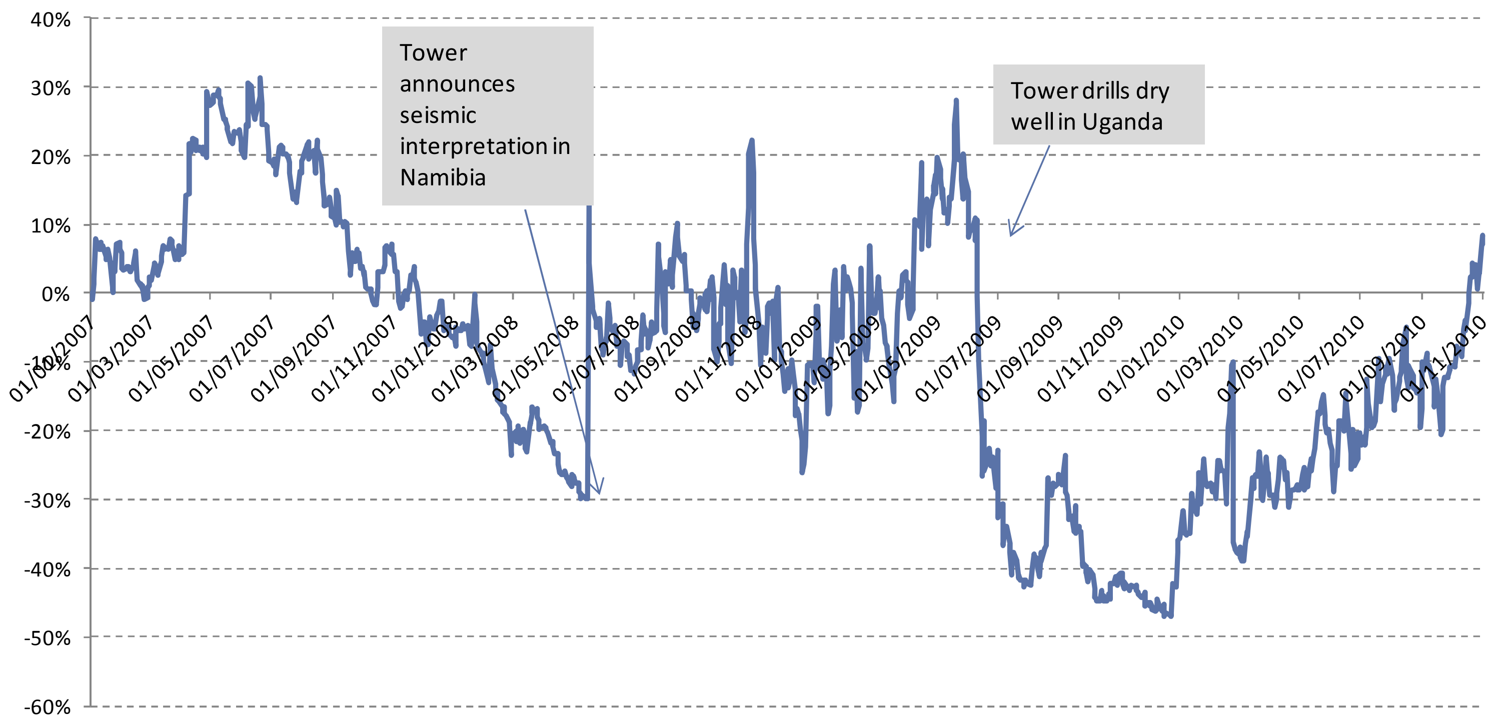
High impact Africa: East Africa and Namibia offer small cap exposure to large cap exploration territory

Our coverage universe offers a number of opportunities for exposure to high impact exploration in Africa, for example, Cove's success in Mozambique is a potential new play in a region which has attracted a number of Majors. Seismic in Namibia has suggested the potential for significant upside. We include Cove Energy, Tower Resources, Chariot, Sterling Energy, Dominion and Aminex in our assessment of high-impact African potential.

The performance of the companies in aggregate shows the potential volatility of investing in a newly emerging exploration region. Overall, the high-impact African stocks are slightly down relative to the overall E&P universe since 2007, with success such as Cove's in Mozambique and excitement about upcoming drilling programmes offsetting some disappointing drilling results in Uganda. Since the Windjammer success, the regionally exposed names have rallied relative to peers, especially with interest in Namibia building following Chariot's recent Competent Person's Report.

Exhibit 101: Performance has been volatile; some Ugandan disappointment largely offset by East Africa success and anticipation of wells still to come

High Impact Africa performance vs. rest of our E&P universe



Source: Datastream.

Aminex offers a "free option" on Tanzania

Aminex's core value in the US and exploration in Tanzania in our view offers as an interesting value combination. On our estimates the value of its core assets means that drilling onshore in Tanzania can be considered a "free option"; the first well in the acreage was encouraging for future drilling with oil and gas shows and thick reservoir being encountered.

We see Tower as a less expensive way to gain exposure to Namibian exploration than Chariot; however we note that as Chariot's drilling campaign is approaching, any long-dated drilling discount it attracts could soon begin to unwind.

Aminex should benefit from slightly higher valuations on a per barrel basis – a result of its onshore acreage which we believe will be likely to be developed at relatively low unit development costs. However, the market valuation of the company currently implies a "free option" for this potential. Low valuations per barrel in the region reflect the likely high development costs in deepwater areas, the risk of discovering gas, the long dated nature of the exploration (to which we apply a 50% discount) and the possible delays this may cause to sanctioning. Chariot's slightly higher value per barrel reflects our view that its prospects are more likely to be oily.

Exhibit 102: Aminex offers attractive price exposure to the region
GS values excluding equity raises, liquidity discounts or strategic asset premiums

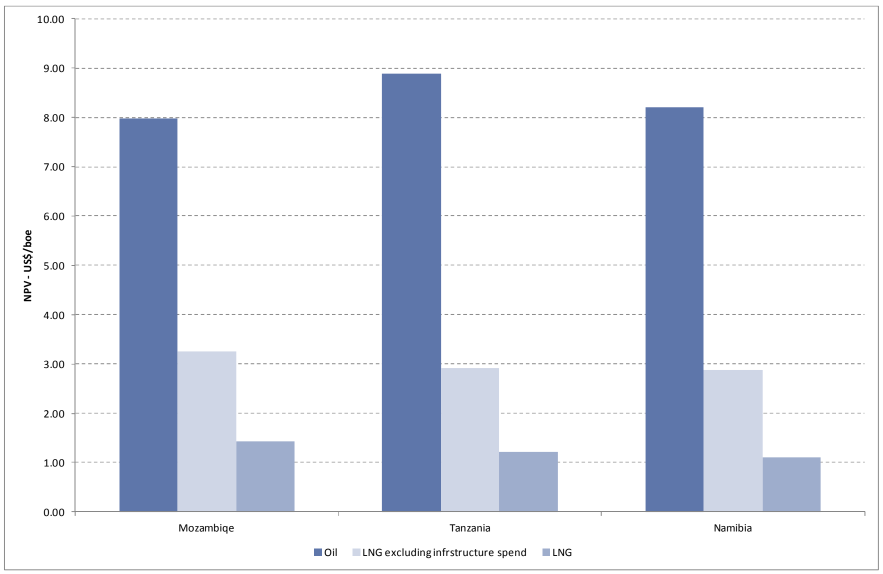
US$mn	Market cap (US$mn)	Cash (US$mn)	Value ex high impact Africa per GS (US$mn)	Implied high impact Africa value (US$mn)	Value in high impact Africa per GS (US$mn)	Risked barrels in high impact Africa	Implied EV/boe in high impact Africa per GS	Implied % value ascribed by market to barrels vs GS	% in high impact Africa
Aminex plc	54	11.6	54	-11.6	69.9	29	2.4	-17%	52%
Dominion	92	-22.4	56	57.7	122.3	86	1.4	47%	78%
Tower Resources	65	8.6	-2	58.4	99.5	67	1.5	59%	94%
Cove Energy	438	51.2	-28	414.2	601.5	272	2.2	69%	96%
Chariot Oil & Gas	424	16.2	-17	424.6	478.6	184	2.6	89%	100%

Source: Goldman Sachs Research estimates.

High volume gas is a valuation risk

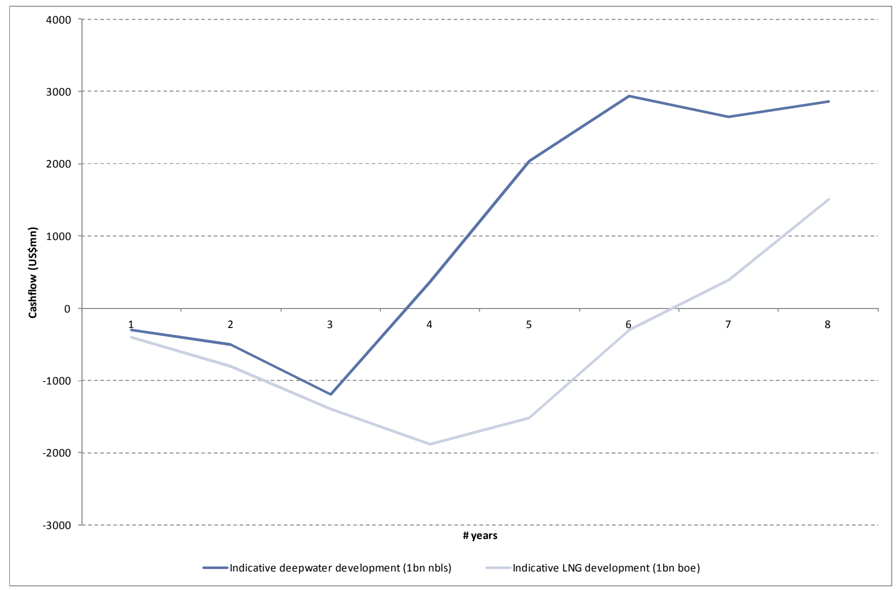
While the targeted volumes in East Africa and Namibia are huge, we are cautious regarding the risk of gas. High volumes of gas in areas where there is no nearby market capacity are significantly less valuable than liquids due to the need to build mid-stream infrastructure to monetize the gas. Based on our Top 280 analysis we believe that the current cost of an LNG plant is US$1-1.2 bn for each million tonnes per annum of capacity in a greenfield train – substantial incremental capex to a project. Combined with our estimated build time for an LNG plant (typically 4-5 years on our assumptions), economics begin to look stretched, especially when combined with the higher discount rates implicit in the region. Finally, we note that volumes required for LNG monetization are significant. We work on an assumption that 6tcf is typically required for a 3-4 mtpa train. Although additional trains can reduce capex by 30%-40% relative to the initial train, this necessitates at least 12 tcf being found in the region in our view – certainly a possibility given the size of prospects in the regions but a volume that should increase risk of commerciality at this early stage.

Exhibit 103: Variance in value between liquids and LNG
NPV/boe (US$)



Source: Goldman Sachs Research estimates.

Exhibit 104: Cash flow profile of oil is far more attractive than LNG
Cash flow per year (US$ mn)



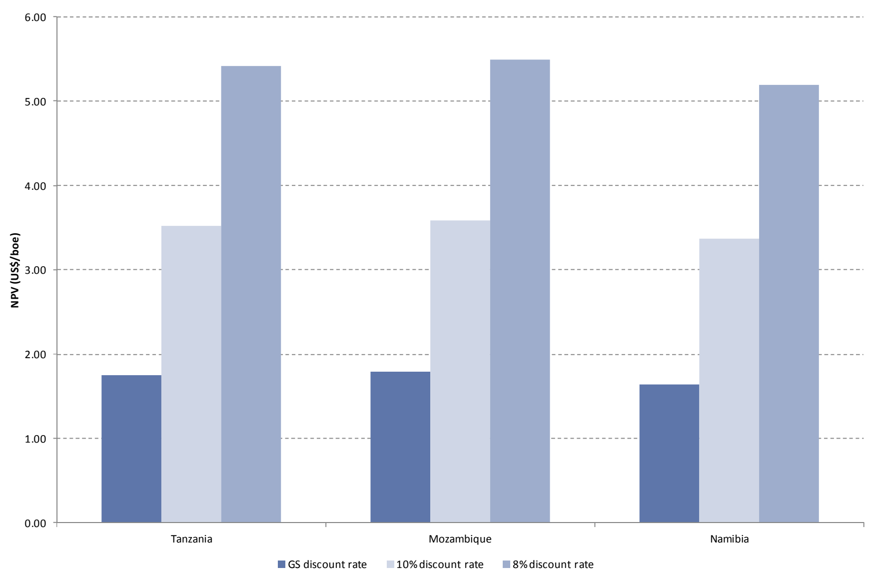
Source: Goldman Sachs Research estimates.

Discount rates a key sensitivity in valuing EM LNG

We vary the discount rates we use to value assets based on region – primarily on our perceptions of political risk. Given the upfront capex and time before first gas production is likely, the sensitivity of NPV to discount rates used for LNG is particularly high.

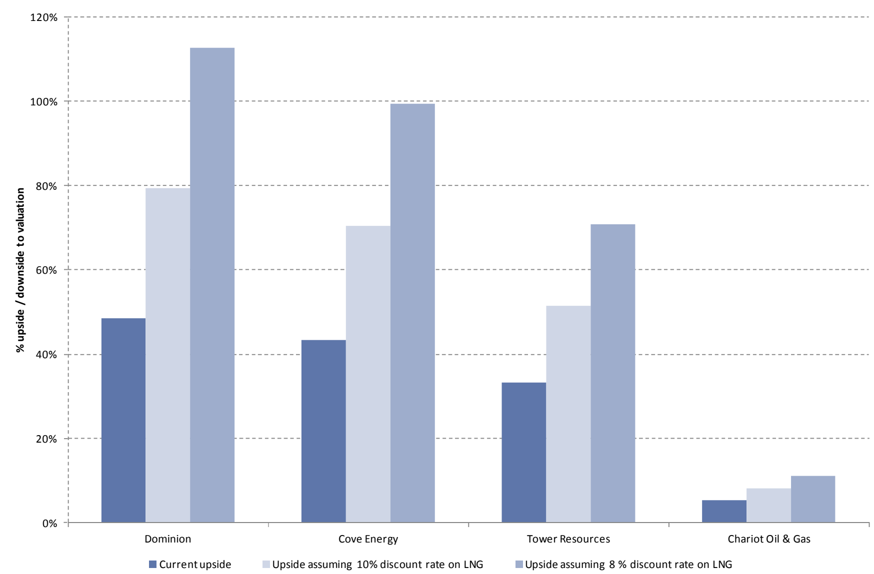
Below we show the potential variance in valuation on a per barrel basis for a movement from our current discount rate, to a 10% and an 8% discount rate. With a variance of over US$3/boe, the movement is significant. This clearly also has a big impact on the companies; using these different discount rates could result in substantial additional upside for some of the companies under our coverage.

Exhibit 105: NPV for LNG is sensitive to discount rates
US$/boe NPV for LNG projects in Africa at GS discount rate, 10% and 8%



Source: Goldman Sachs Research estimates.

Exhibit 106: A lowering of discount rates could lead to additional upside to our East African names
Upside to valuations at different discount rates for LNG



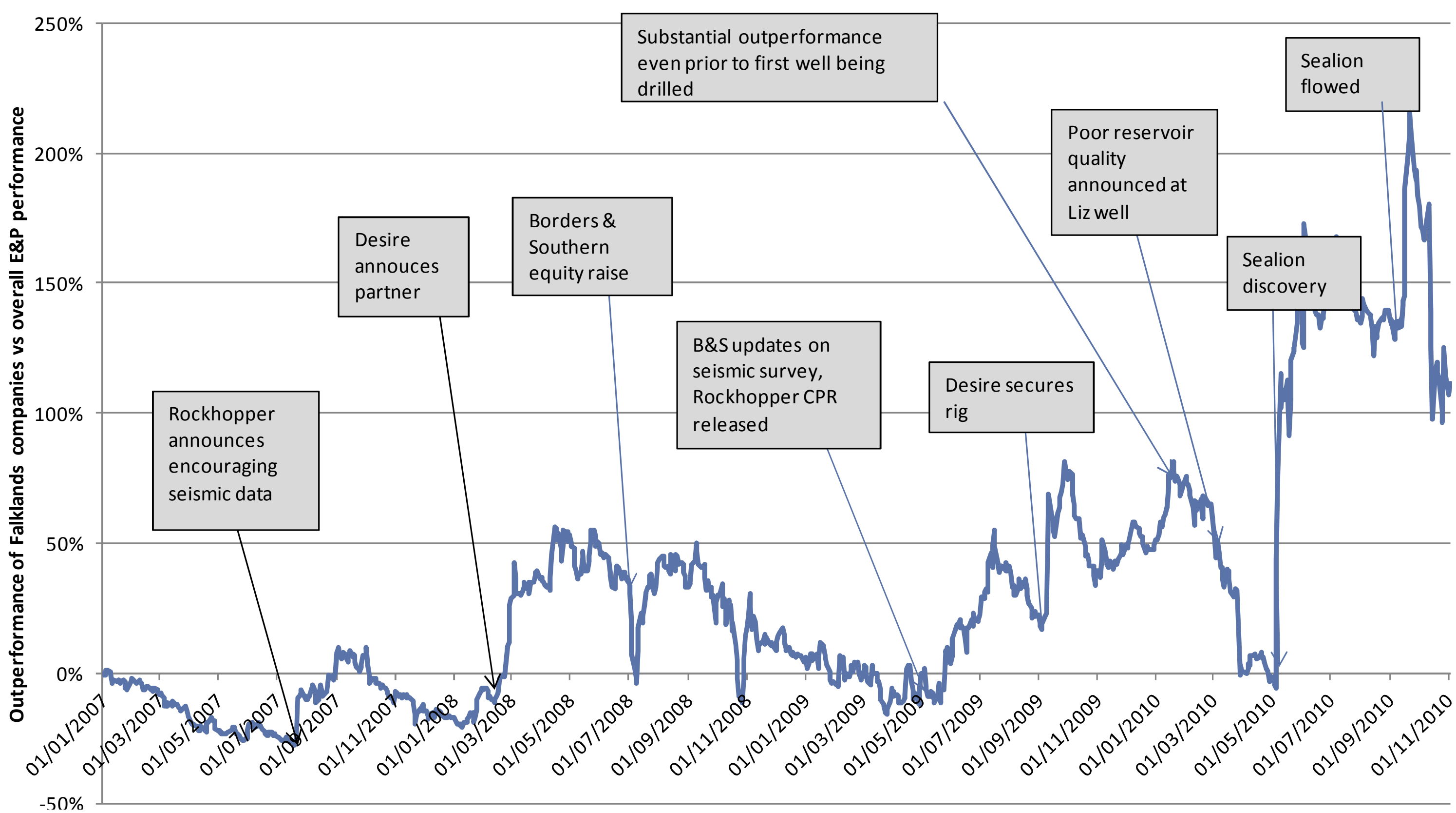
Source: Goldman Sachs Research estimates.

Falklands: High impact to the south, a potential play opening to the north

Between the beginning of 2007 and early 2010, the Falklands players outperformed the wider E&P universe by over 75% without a well even having been drilled. The anticipation has proven justified in the north where Rockhopper's Sea Lion discovery has opened a new potential play, although the failure at Rachel highlights that risks remain. Despite FOGL's disappointment at Toroa, the southern basin offers higher potential upside than the partially de-risked northern play but with a higher geological risk.

The price trajectory of the Falklands explorers serves as a reminder of the advisability of buying into stocks before material catalysts. Given a combination of high impact exploration and a proven basin in the north, we expect the Falklands to be an important focus for the European E&P investor in the near term.

Exhibit 107: Falklands performance was strong in run up to drilling but Sea Lion has re-rated the northern basin
Falkland company performance vs. E&P sub-sector



Source: Datastream.

Falklands looks undervalued given binary nature of south and embryonic north in our view

We see value in all the Falklands players under our coverage; the market values Falkland barrels at an average discount of over 50% relative to our own views on the potential in the area. As a result, all Falklands explorers look cheap on our estimates. We believe there are two main reasons for this.

- In the south, the companies offer options on the potential of the southern basin. Although the re-rating potential is vast, the outcome is binary – in the event of the basin being successful, the companies will re-rate, but the downside in Borders and Southern and Falkland Oil & Gas is large in the event of failure. We believe that the market is applying an additional discount to these companies as a result of the relatively binary nature of the investment case (although we note that multiple potential plays exist in the basin). While we understand the rationale for this, we believe that this offers an opportunity for investors able to hold multiple stocks. By buying other binary plays with similar discounts, we believe that risk can be diversified and an attractively valued, high-impact exploration portfolio constructed. As a result we would recommend both FOGL and Borders and Southern for exposure to our undervalued, binary risk theme.
- The companies in the northern basin also look inexpensive on our numbers but for a different reason. Now that the Sea Lion discovery has flowed, the risk profile of the stock has reduced, in our view, and it is no longer such a binary call as its peers to the south. Instead, we believe that the value is a result of the market's inefficiency in pricing in the value for the potential of a newly opened play. We give Rockhopper value for exploration catalysts out to 2013 (although discounted by 50% beyond 12 months) and believe that de-risked drilling should result in outperformance in the medium term vs. the rest of the sector.

The slightly higher valuations in the north reflect the shallower water depths which we believe will more than offset the larger volume potential in the south. Given the generally smaller size of the fields in the northern basin, we also see less discounting impact on the barrels.

Exhibit 108: Rockhopper and Desire offer lower risk drilling opportunities in the Falklands and an inexpensive price

GS values excluding equity raises, liquidity discounts or strategic asset premiums

	Market cap (US$mn)	Cash (US$mn)	Value ex Falklands (US$mn - per GS)	Implied Falklands value (US$mn)	Value in Falklands per GS (US$mn)	Risked barrels in Falklands	Implied EV/boe in Falklands per GS (US$)	Weighted average exploration chance of success	Implied % value ascribed by market to barrels vs GS	% in Falklands
Rockhopper	1284	54.4	189	1040.3	2485.8	369	6.7	18%	42%	91%
Falkland Oil & Gas	240	80.8	-29	188.1	426.6	78	5.4	5%	44%	89%
Desire Petroleum	574	112.3	-137	599.1	1288.4	282	4.6	19%	46%	102%
Borders and Southern	452	206.3	-105	350.6	621.2	122	5.1	6%	56%	86%

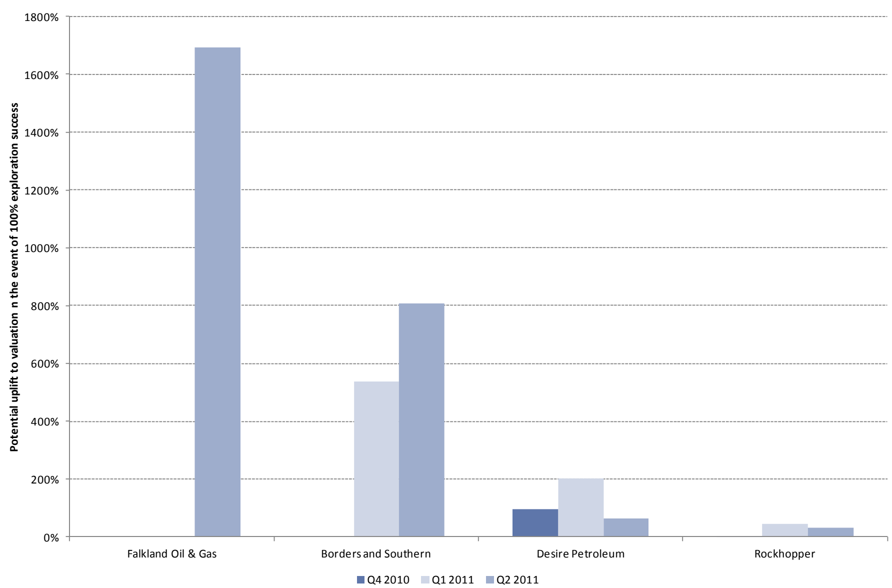
Source: Goldman Sachs Research estimates.

Sea Lion has reduced the relative risk profile in the north

Success at Sea Lion has caused a re-rating of the northern plays relative to the southern plays. This, in combination with the potentially larger size of the prospects in the south, means that FOGL and Borders and Southern have the largest re-rating potential in the event of exploration success. However, given our view that Desire and Rockhopper are both able to offer in excess of 100% re-rating potential and that Rockhopper's discovery provides support to its share price, the north offers arguably a more balanced investment opportunity.

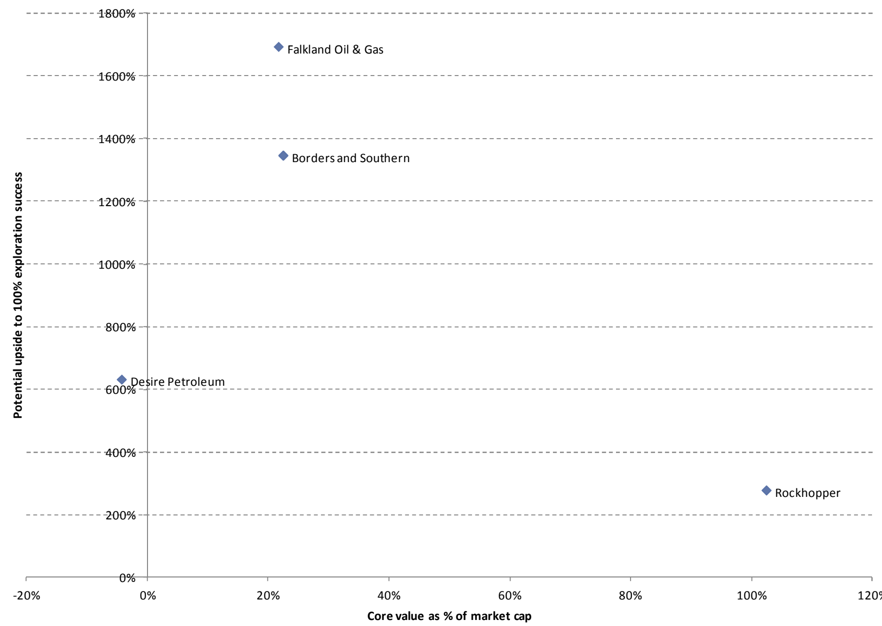
The next major catalysts are Desire's ongoing drilling campaign in the north and Borders and Southern and FOGLs drilling in the south, which we expect to take place in 1H 2011, dependent on rig availability.

Exhibit 109: Re-rating potential substantially higher in the south…
Exploration catalysts by quarter



Source: Goldman Sachs Research estimates.

Exhibit 110: … but the north offers more balanced risk/reward
upside to core value vs. exploration upside potential

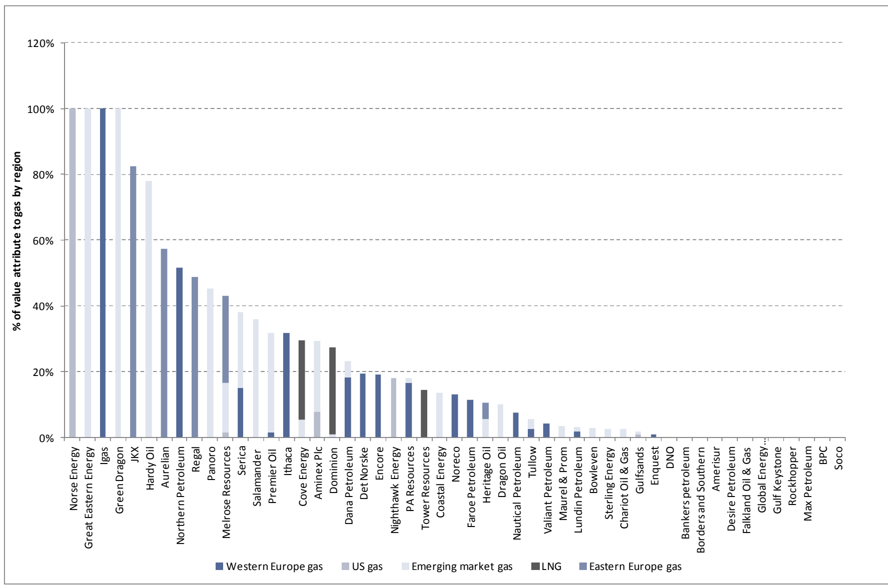


Source: Goldman Sachs Research estimates.

Gas: Bullish on gas outside the US

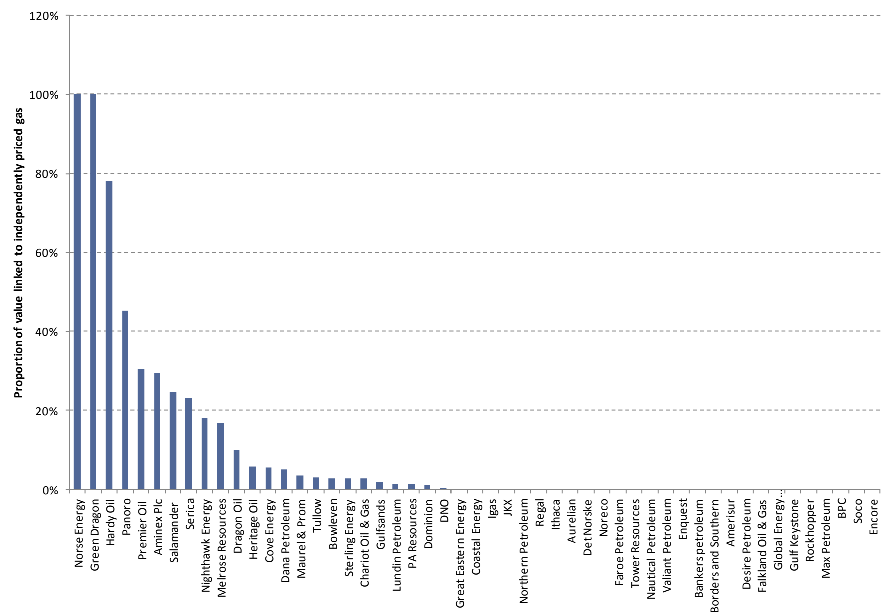
Although oil is by far the most important commodity driver of the E&P universe as a whole, exposure to gas remains significant for certain stocks. Gas as a commodity accounts for an average of almost 25% of the value in our coverage universe on an equal weighted basis. That said, we believe that much of this gas exposure, particularly in Western Europe and in LNG, will actually be driven by the oil price in the long term. Excluding those gas assets which we believe will link with oil in the medium term, we see an average 11% of the value of companies in our universe as being driven by independently priced gas, with emerging market gas and Henry Hub significant drivers.

Exhibit 111: Exposure to gas by region



Source: Goldman Sachs Research estimates.

Exhibit 112: Exposure to gas un-linked to oil

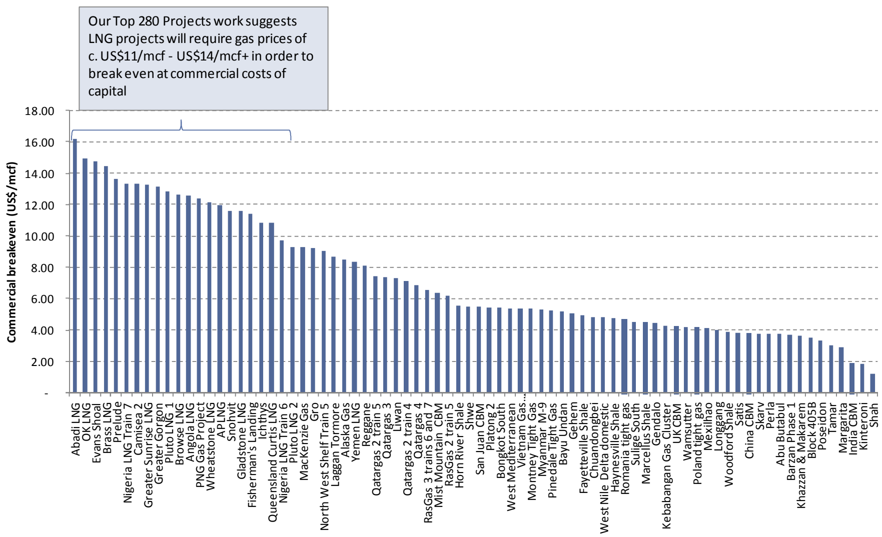


Source: Goldman Sachs Research estimates.

LNG and European gas markets to tighten in the medium term

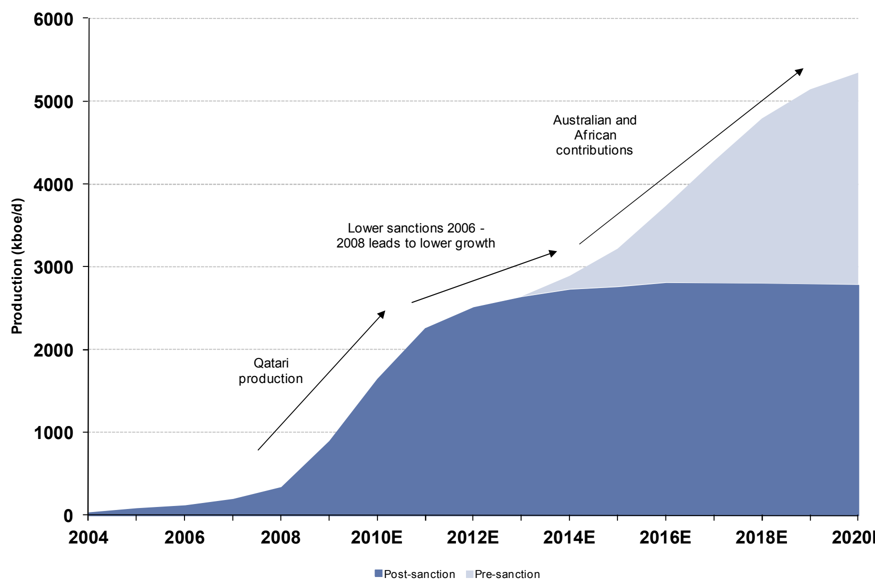
We believe that pre-sanction LNG projects will require in excess of US$11/mcf to break even at commercial costs of capital. We also believe that the recent high levels of LNG supply on the market will slow rapidly once the Qatargas projects are fully ramped up. As a result, we believe that gas markets will tighten on a global basis in the medium term, with the exception of the US where we believe the vast potential of the country's shale gas makes the market insular and unlikely to be driven by global factors. We believe that in emerging market areas where current fuel sources for power generation are fuel oil and LNG, that realizations could be high. For Europe, we believe that there will be muted strength in gas prices over the next 1-2 years but that the market will tighten from 2012 onwards.

Exhibit 113: Using LNG as a proxy for global oil suggests tightening gas prices outside the US
Breakeven of major pre-sanction global gas projects from Top 280 Projects to Change the World



Source: Goldman Sachs Research estimates.

Exhibit 114: Our LNG profile suggests low growth for four years to come
LNG capacity of the Top 280 Projects

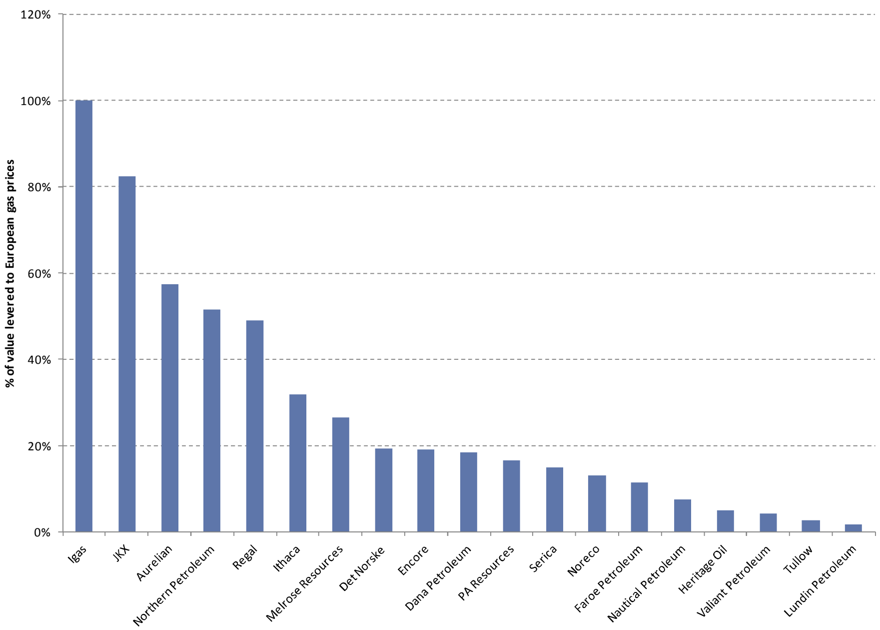


Source: Goldman Sachs Research estimates.

Longer dated gas assets suit our European price forecasts. Buy into any short term weakness

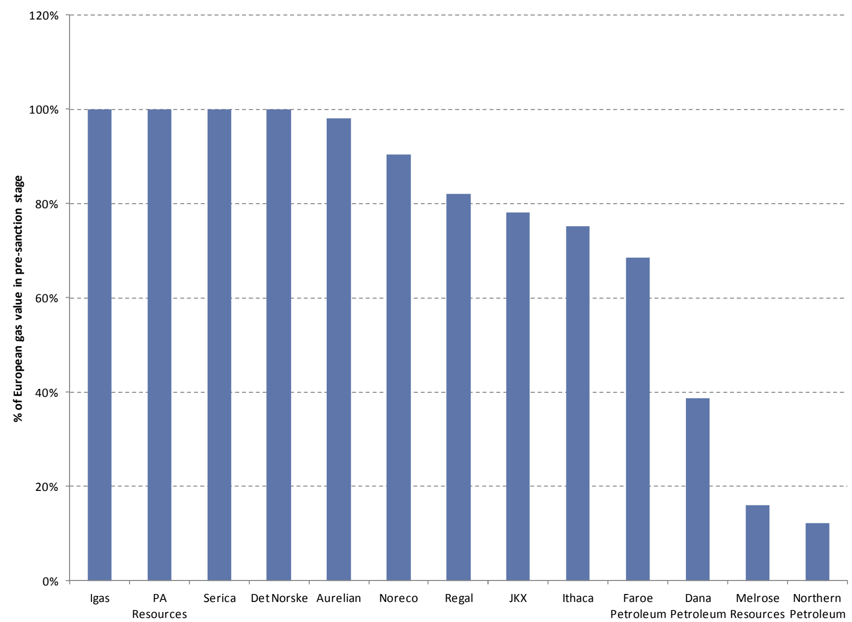
Given our forecast of muted European gas prices followed by relative strength, we believe that those companies with a more substantial portion of European gas value are advantaged relative to those that are currently producing. Although we accept the counter argument that investment often tracks the spot price of a commodity and that short term weakness could still harm these stocks, we believe that the impact on NPV will be minimal and as a result would see any short term weakness in the gas price as a buying opportunity,

Exhibit 115: European gas exposure



Source: Goldman Sachs Research estimates.

Exhibit 116: Timing of value for European gas assets – short term weakness unlikely to have a major impact on long term value. Pre-sanction gas unlikely to be impacted by our forecast gas price weakness

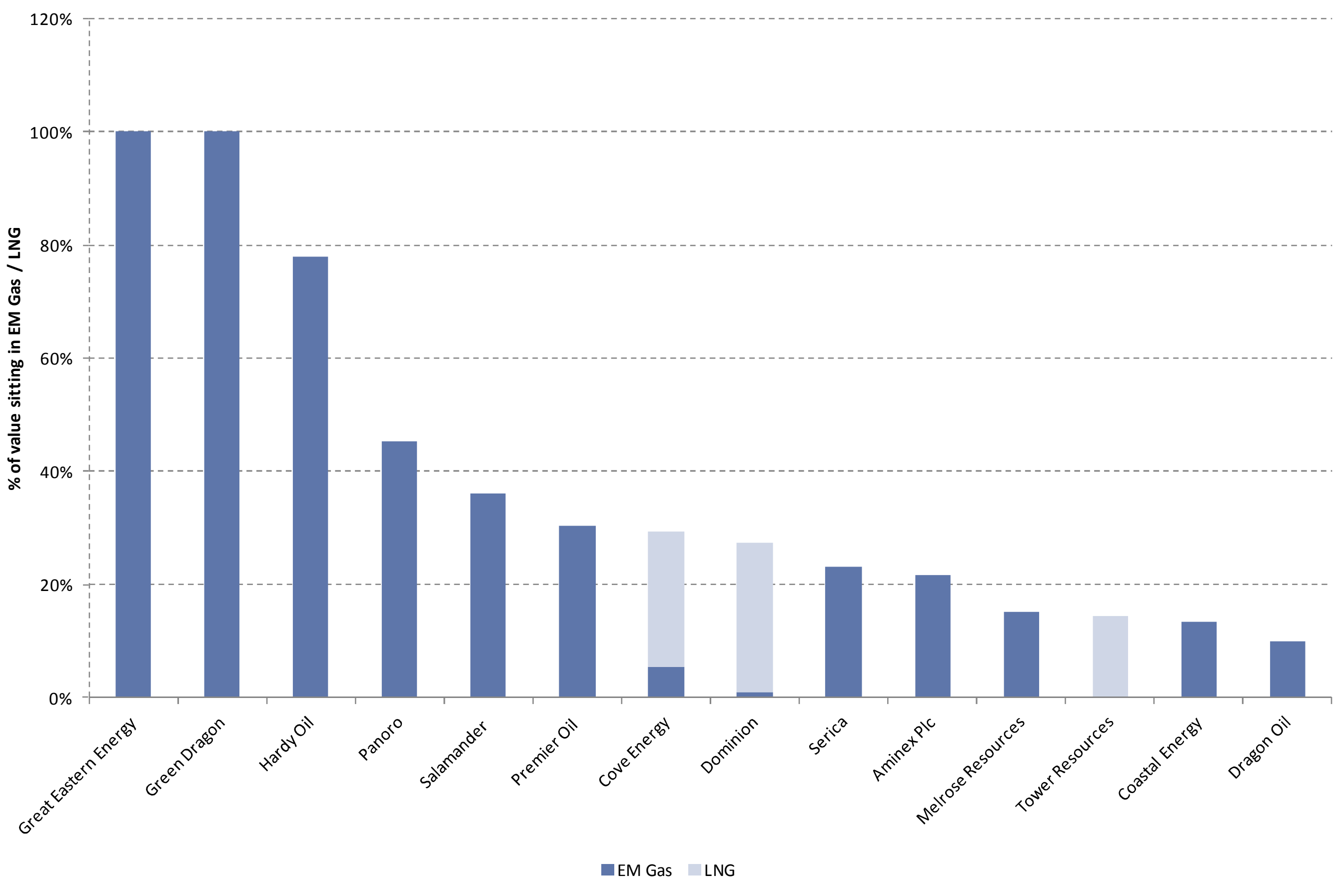


Source: Goldman Sachs Research estimates.

EM exposed gas can be attractive if competing with expensive substitutes

We see a number of ways in which to gain exposure to Emerging Market gas in our E&P universe, through companies exposed either to the relevant domestic markets or to LNG. Of particular note are Great Eastern Energy (India), Green Dragon Gas (China) and Hardy (India) all of which have over 50% of their operational value levered to emerging market gas prices. Given the imbalances between supply and demand between China and India, we believe that prices are likely to increase or remain strong for the foreseeable future, especially in areas which cannot be accessed by domestic supply, meaning that substitutes in these areas are often fuel oil or LNG. Also worthy of note are Panoro (significant exposure to Brazilian gas) and Salamander (exposed to Thailand and Indonesia).

Exhibit 117: Good leverage to EM gas/LNG among a number of E&Ps
% of operational value in EM gas or LNG



Source: Goldman Sachs Research estimates.

Political and technical considerations: Exploration risk is not the only risk

As mature basins in politically stable environments continue to decline and offer less potential for incremental growth, oil companies are increasingly taking on additional risk in order to replace reserves and keep returns attractive. We split these risks into two types – technical (i.e. risks related to the complexity of extracting hydrocarbons from the ground) and political (the risk of doing business in a particular location). We believe that larger IOCs are increasingly moving to countries with lower political risk and levering their increasing technical capabilities in order to generate returns (such as heavy oil in Canada, LNG in Australia or shale gas in the US). We believe, however, that the picture for the UK E&Ps is slightly different, with companies not only taking on technically more challenging projects, but also moving into areas of increasing political risk. We believe that farm-outs and asset sales may mitigate the increasing risk profile of the sub-sector but that execution will become increasingly important in realizing value from an increasingly challenging asset base.

Technical risk – water depth, environment, technology, geology and infrastructure all considered

We have identified five main areas of technical risk and ranked the projects accordingly.

Exhibit 118: Water depth and technological risk the most material risk factors for the E&Ps
Summary of key technical risk criteria

Category	Description	Example fields	% of Top 280 technical risk score
Water depth	Fields in greater water depths are assumed to have higher risk profiles	South Falklands, Nambia	44%
Environment, geography & climate	Fields subject to hostile operating conditions, e.g. Arctic operations, environmentally sensitive areas or other complex geographies, e.g. sub--salt or hostile weather patterns	Greenland, Barents Sea, Peru	11%
Technology dependence	Greater than average dependency on new or complex production technologies, e.g. subsea systems, early generation deepwater developments, LNG, GTL, heavy oil	Any LNG, CBM, shale oil assets	23%
Geological issues	Risks regarding complex reservoirs, heavy oil, HPHT, sour gas or sour liquids	Kristin Tyrihans, Kashagan, Shah	20%
Infrastructure dependence	Technologically and politically complex issues surrounding the development and exporting of hydrocarbons	Uganda, inland DRC	2%

Source: Goldman Sachs Research.

Technical risks in greater detail

We subdivide each of the five categories of technical risk and assign a score to each. In the water depth category, we assign anything less than 100m zero risk; the risk score increases with increasing water depth up to a maximum of 2000m to which we assign a risk score of 1.

For the other risks, we have assigned the following risk scores, depending on the asset type:

Exhibit 119: Risk factors and applied risk scores

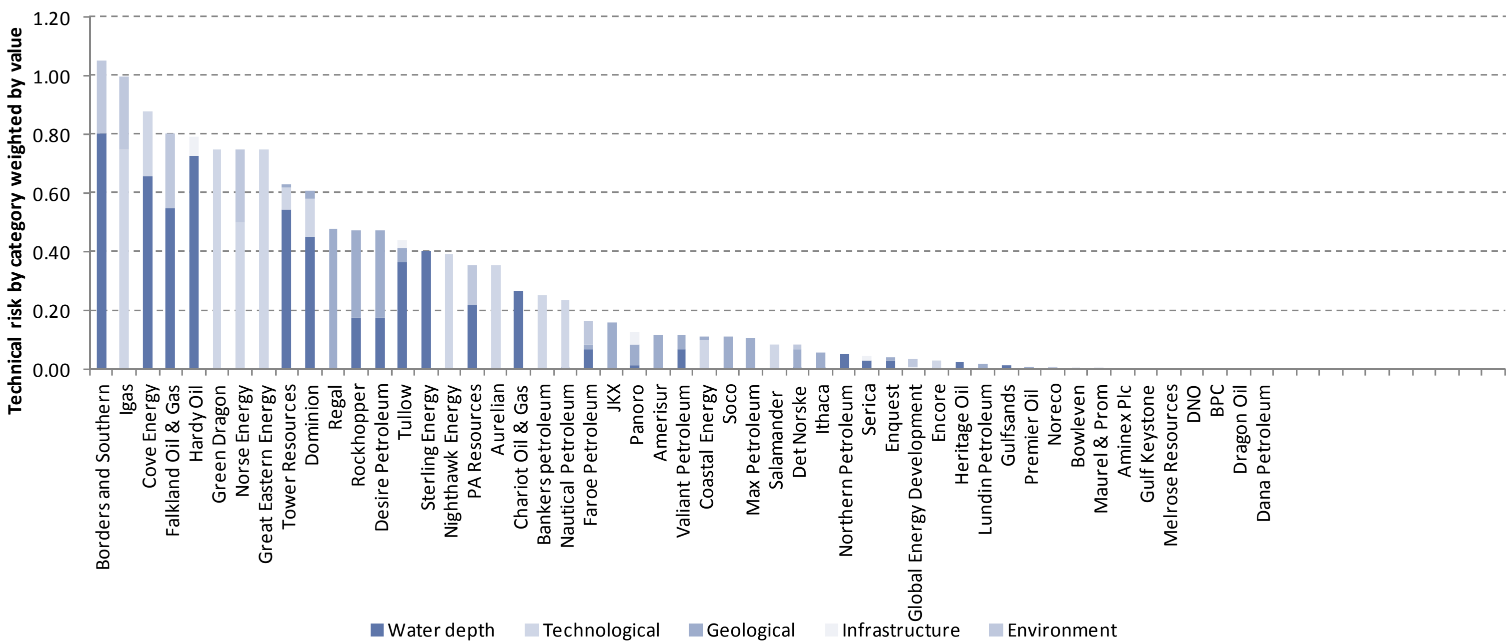
Technological risk		Geological risk		Infrastructure risk		Environmental risk	
Risk type	**Risk rating**	**Risk type**	**Risk rating**	**Risk type**	**Risk rating**	**Risk type**	**Risk rating**
CBM	0.75	Complex reservoir	0.5	Pipeline	0.1	Arctic	0.75
Shale oil	0.75	High sulphur	0.5	Difficult access	0.1	Environmentally sensitive	0.25
Tight gas	0.75	Sub-salt	0.5			Planning permission	0.25
Heavy oil offshore	0.5	Waxy oil offshore	0.3			Harsh environment	0.25
LNG	0.5	Tight reservoir	0.25				
Shale gas	0.5	Pre-salt	0.25				
Heavy oil	0.25	Waxy oil	0.15				

Source: Goldman Sachs Research.

Unconventional resource and deepwater companies the more risky in our coverage universe

We have calculated the weighted average of each of the risk scores attributed to each company's assets by value to determine an overall risk score for the companies in our coverage universe. The higher risk end of the spectrum is dominated mainly by companies with high exposure to unconventional resource and to deepwater. We note that the additional costs associated with these asset types are reflected in our valuations for the companies and that technological improvements could increasingly mitigate risks in these areas, especially in unconventional assets where case studies in other basins have highlighted the potential for drilling costs and times to come down.

Exhibit 120: Technical risk by risk type

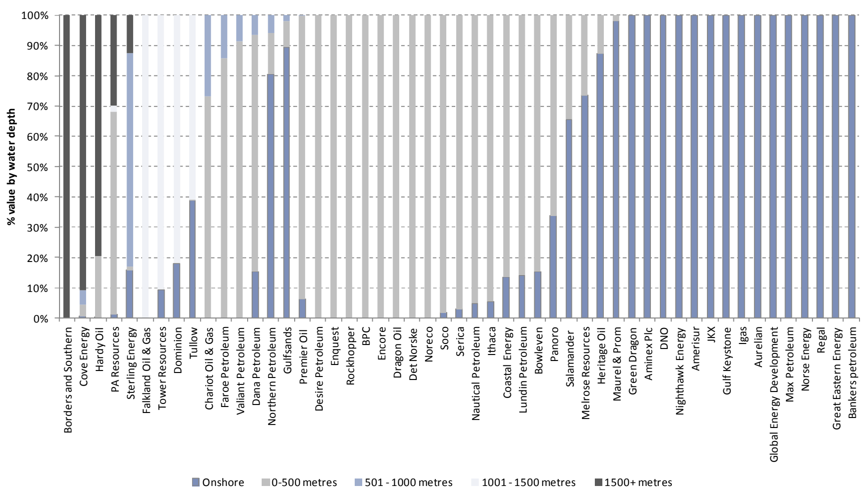


Source: Goldman Sachs Research estimates.

Macondo highlights the risk of deep water

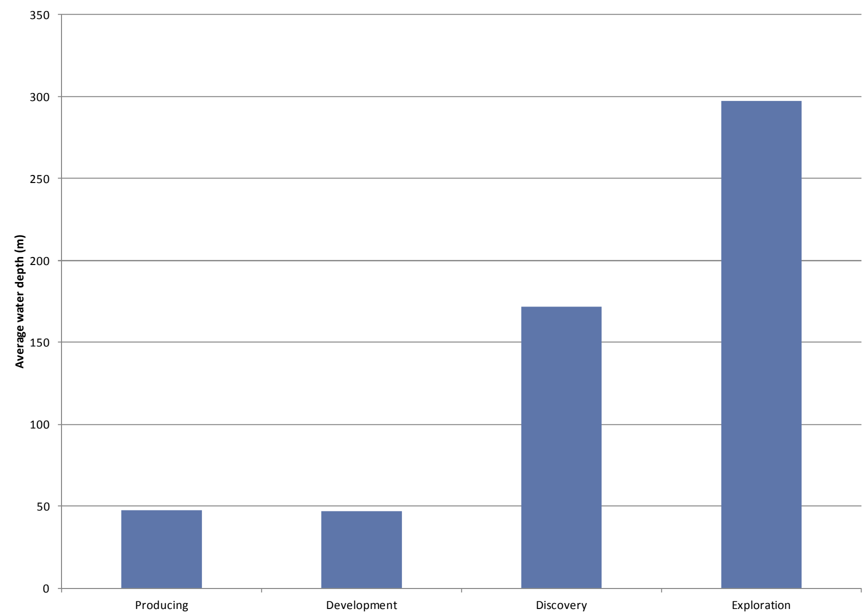
A high level of value in deepwater developments will clearly raise the risk of a portfolio in normal circumstances. We believe that the risks posed by a deepwater environment have increased following the Macondo spill in the Gulf of Mexico. Aside from the higher levels of technical risk, Macondo raises questions about the increased costs of insurance, and the potential for delays caused by tightening regulation on deepwater drilling in certain countries. On our estimates, the E&Ps are increasingly attempting to exploit deeper waters, with assets in exploration in the deepest average water depths, followed by discoveries that have not yet been sanctioned. All else equal, we would have a preference for companies operating onshore or in shallow waters. Those most exposed to waters of extreme depths are the high-impact explorers in the Falklands and East Africa with Hardy's D9 block also worthy of note. While we would not expect many of these companies to be operators on particularly complex developments, we believe that the technical risk is likely to be reflected to a degree in the terms of any potential farm-out or asset sale.

Exhibit 121: Value split by water depth
% of operational value by water depth



Source: Goldman Sachs Research estimates.

Exhibit 122: E&P activities are getting into increasingly deep water
Average water depth of universe by development stage



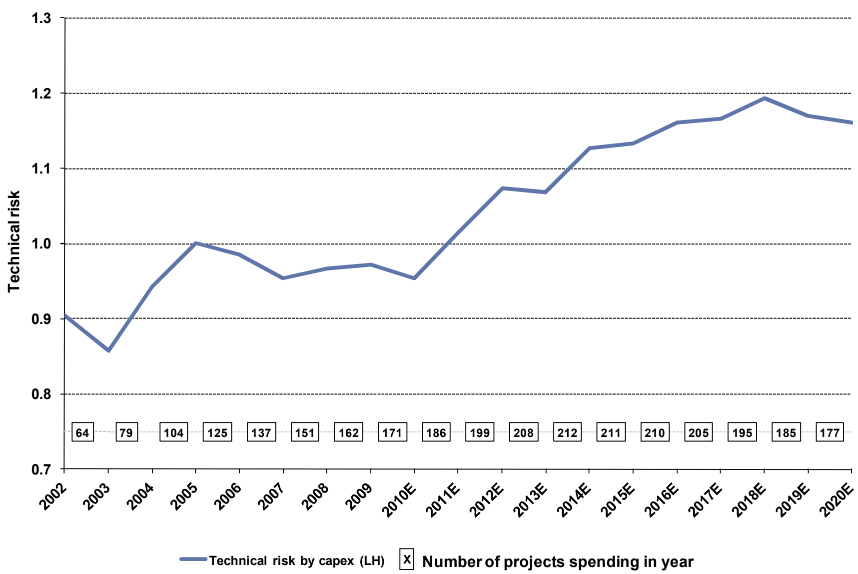
Source: Goldman Sachs Research estimates.

Technical risk increasing for Majors and E&Ps alike; increasing development risk puts premium on execution abilities

We believe that the technical risk profile of the large developments being undertaken by the IOCs, as modelled in our Top 280 analysis, is set to increase over the coming years as companies lever balance sheets and technological capabilities to continue replacing production. We believe that this increase is to be driven by: 1) a change in the production mix where more traditional and easily monetized fields are replaced by fields with greater complexity (i.e. LNG, GTL and Heavy Oil); 2) increased water depth and increased exposure to pre/sub-salt plays; and 3) the tackling of increasingly more geologically complex, HPHT and high sulphur reservoirs.

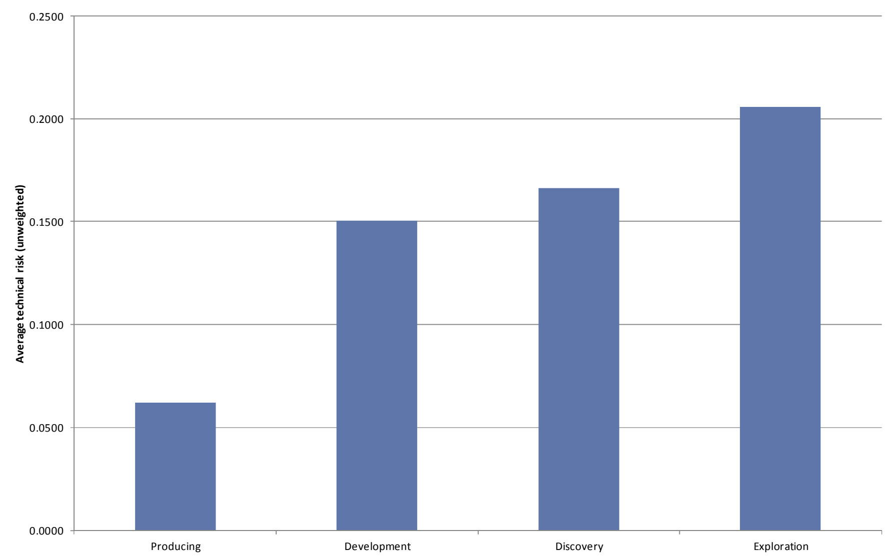
We believe that the technical risks implicit in our E&P universe's asset base shows a similar trend. Fields in production are of a far lower risk than current developments which in turn are of a lower complexity than discoveries and exploration targets. To a degree this is a result of smaller companies farming out more technically complicated fields on discovery. However, the higher technical risk of assets under development relative to production assets suggests that the technical risk being taken on by the E&P industry through the development phase is also increasing. As a result, partnerships with reliable operators or effective execution skills are likely to become increasingly important. It is also worth noting that technical risk is likely to be taken into account by buyers when assessing transaction values.

Exhibit 123: Technical risk of the Top 280 Projects by capex



Source: Goldman Sachs Research estimates.

Exhibit 124: Technical risk is increasing through the E&P universe life cycle
Unweighted average risk by development type

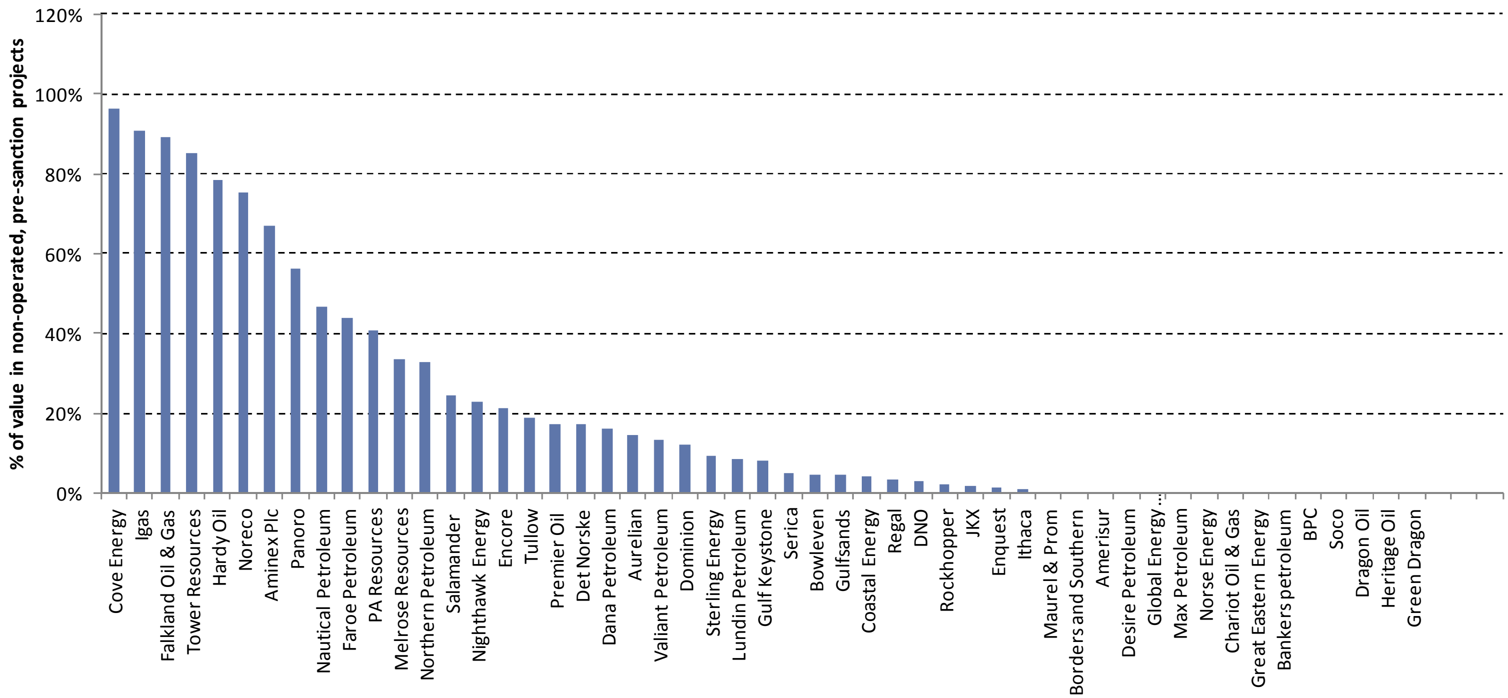


Source: Goldman Sachs Research estimates.

Lack of operatorship in pre-sanction fields can increase risk of delays

Another risk in the E&P space is the ability to realize value from an asset. It is in this context that we believe operatorship is of relevance. We do not believe that operatorship confers substantial benefit on smaller companies once assets are in production, and there is a compelling argument that being a minority stakeholder in a development being operated by a larger, more experienced company is an advantage. In the pre-sanction stage, however, we see a lack of operatorship as a potential negative, especially if the operator in a field is of such as size that the assets are immaterial to the operator. In this situation, we believe that the risk of sanctioning being delayed is increased – which would have a negative impact on valuation. Even in the event of a farm-out, the lack of operatorship can result in a lower transaction value as acquirers tend to put a premium on project control. In Exhibit 125 we highlight those companies with substantial amounts of value in non-operated, pre-sanction assets. We note that for companies with particularly large assets or prospects (such as Cove, FOGL or Tower) this is less likely to pose a risk as timely development is of benefit to even a sizable operating partner. We also note that IGas is better protected than others as it has the ability to sole operate some gas sites, giving it greater flexibility than a minority owner would have in an asset with a single development plan.

Exhibit 125: High levels of value in non-operated pre-sanction projects can increase the risk of delayed sanctioning
Exposure to pre-sanction projects operated by other companies



Source: Goldman Sachs Research estimates.

Political risk: Corruption, rule of law, regulatory quality and human development index considered in assessing country risk

Exhibit 126: Summary of political risk analysis

	Rank	Country	Rating	Risked reserves in country
Very high risk	1	DRC	1.04	36.54
	2	Kurdistan	1.00	995.24
	3	Yemen	0.85	15.10
	4	Mozambique	0.83	105.28
	5	Pakistan	0.82	0.00
	6	Cameroon	0.81	166.56
	7	Uganda	0.81	50.69
	8	Congo	0.80	36.98
	9	Nigeria	0.80	119.97
	10	Turkmenistan	0.79	0.00
	11	Bangladesh	0.78	0.00
	12	Tanzania	0.77	119.29
	13	Madagascar	0.75	13.50
	14	Mauritania	0.75	4.21
	15	Equatorial Guinea	0.74	26.34
High risk	16	India	0.73	96.52
	17	Indonesia	0.67	20.80
	18	Syria	0.67	80.08
	19	Egypt	0.67	146.85
	20	Gabon	0.65	143.69
	21	Namibia	0.64	110.21
	22	Paraguay	0.64	47.76
	23	Falklands	1.29	1067.33
	24	Kazakhstan	0.61	215.20
	25	Ukraine	0.61	187.49
	26	Colombia	0.60	59.78
	27	Vietnam	0.60	0.00
	28	Russia	0.59	75.60
	29	Panama	0.59	0.00
	30	Turkey	0.58	8.50
Medium risk	31	Peru	0.58	4.21
	32	Guyana	0.58	0.88
	33	Morocco	0.57	23.09
	34	Albania	0.56	182.70
	35	Brazil	0.56	51.13
	36	Tunisia	0.55	116.13
	37	Algeria	0.54	0.00
	38	Romania	0.53	37.48
	39	Thailand	0.52	0.00
	40	Bulgaria	0.48	17.93
	41	Oman	0.48	0.00
	42	Poland	0.44	75.04
	43	Hungary	0.44	6.58
	44	Italy	0.41	47.05
	45	Slovak Republic	0.37	10.20
Low risk	46	Malta	0.35	0.00
	47	Bahamas	1.00	66.30
	48	France	0.32	73.88
	49	USA	0.32	195.54
	50	Slovenia	0.31	5.67
	51	UK	0.29	661.59
	52	Faroes	0.29	7.50
	53	Australia	0.27	0.00
	54	Ireland	0.26	10.00
	55	Greenland	0.22	70.00
	56	Denmark	0.22	88.40
	57	Switzerland	0.21	0.00
	58	Netherlands	0.17	43.75
	59	Norway	0.17	415.90

In our political risk analysis we attempt to reflect index components from external political risk indices (the World Bank, Governance Matters Index and the UNDP Human Development Index). We select five indicators from these indices that we believe reflect the risks of the operational environment the companies face in each country.

The components are:

- **Corruption** (World Bank Index) - the extent of corruption which can distort international competitive conditions

- **Political stability** (World Bank Index) - the likelihood that the government in power will not be destabilised or overthrown by possibly unconstitutional and/or violent means, including domestic violence and terrorism

- **Rule of law** (World Bank Index) - the extent to which individuals and businesses have confidence in and abide by the rules of society

- **Regulatory quality** (World Bank Index) - the level of market-friendly policies such as price controls

- **Human development Index** (UNDP Index) - characteristics of the population such as life expectancy

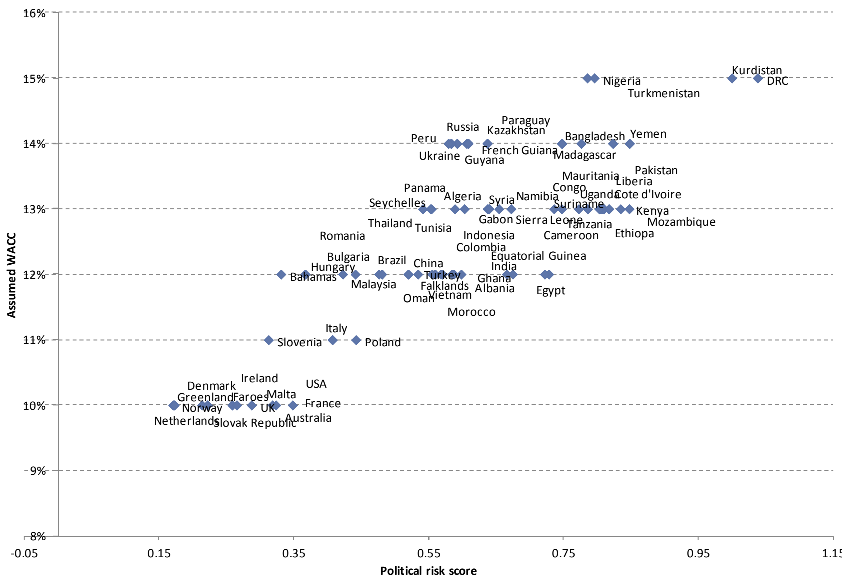
We have combined the scores from these individual components into an overall political risk index and made minor adjustments where necessary to reflect oil and gas specific risks. Our index has higher scores for more politically risky countries and has a weighting which brings overall political risk scores in line with the overall technical risk scores for our E&P universe.

Source: Goldman Sachs Research estimates, World Banks Index, UNDP Index.

Political risk and WACCs – feeding political risk into our valuations

We use the above political risk scores as guidelines for determining the costs of capital that we use in valuing assets in different parts of the world. To reflect this in our valuations, we use the following discount rates for the countries. There is a general trend for high political risks to generate higher discount rates but we exercise a degree of discretion in certain areas and are more likely to favour countries which have a history of oil and gas production with few political problems with lower discount rates than their political risk score may indicate.

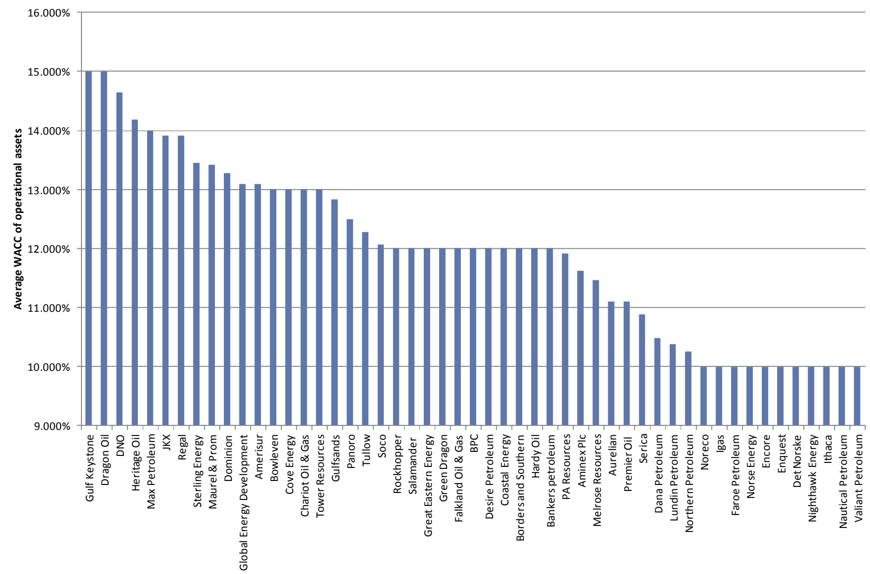
Exhibit 127: Country WACC vs. political risk score



Source: Goldman Sachs Research estimates.

Exhibit 128: Average WACC by company

Weighted average WACC by value

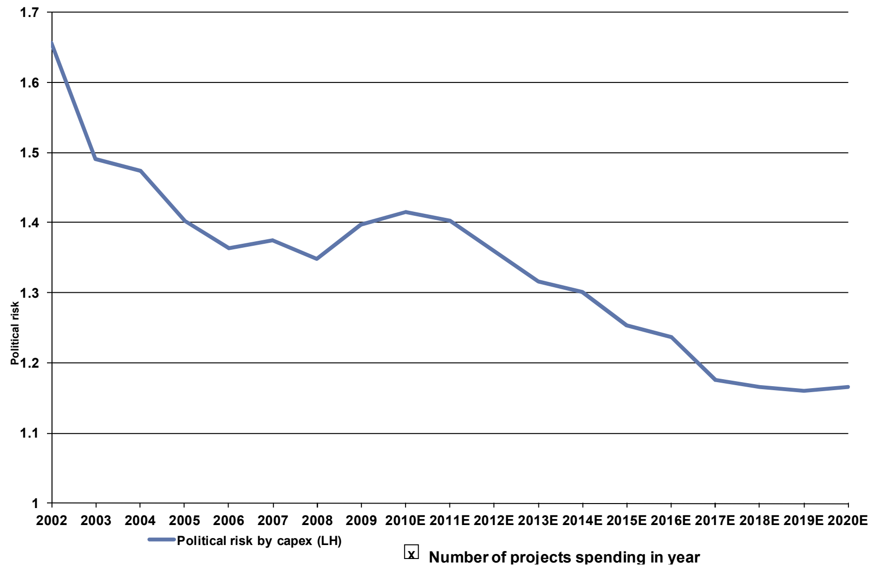


Source: Goldman Sachs Research estimates.

Political risk of the E&Ps increasing through exploration: Divergence from the expected profile of the large IOCs; potential risk for future asset sales

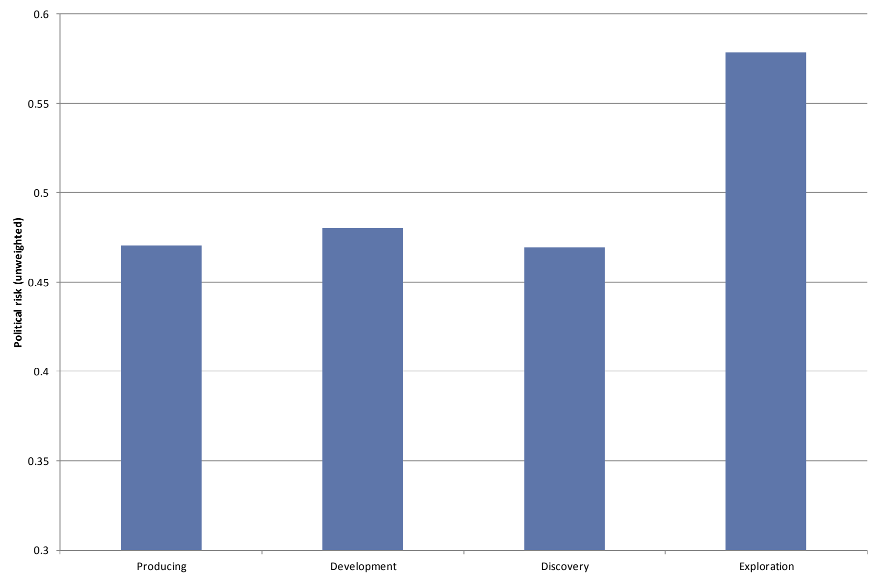
Using the Top 280 as a proxy for the larger IOCs, we believe that investment from more sizeable oil companies will increasingly focus on areas with lower political risk. On the gas side this is primarily due to the large unconventional gas portfolios which have been built up and the large weight of capital intensive LNG projects in Australia. We believe that the picture is similar for oil with substantial investment ramping up in the oil sands projects in Canada, the Brazilian pre-salt and the Gulf of Mexico (although we await the implications of Macondo on this). By contrast, while there is not a substantial difference between the producing, development and discovery phases, the E&Ps look to be exploring in increasingly risky areas. We would expect farm-outs and asset sales to change the make-up of the exploration category substantially but we note that the increased political risk being accessed with the drill bit does not fit well in an environment of potential acquirers looking to reduce political risk.

Exhibit 129: Political risk of the Top 280 projects weighted by capex



Source: Goldman Sachs Research estimates.

Exhibit 130: E&Ps are exploring in areas of increasing political risk

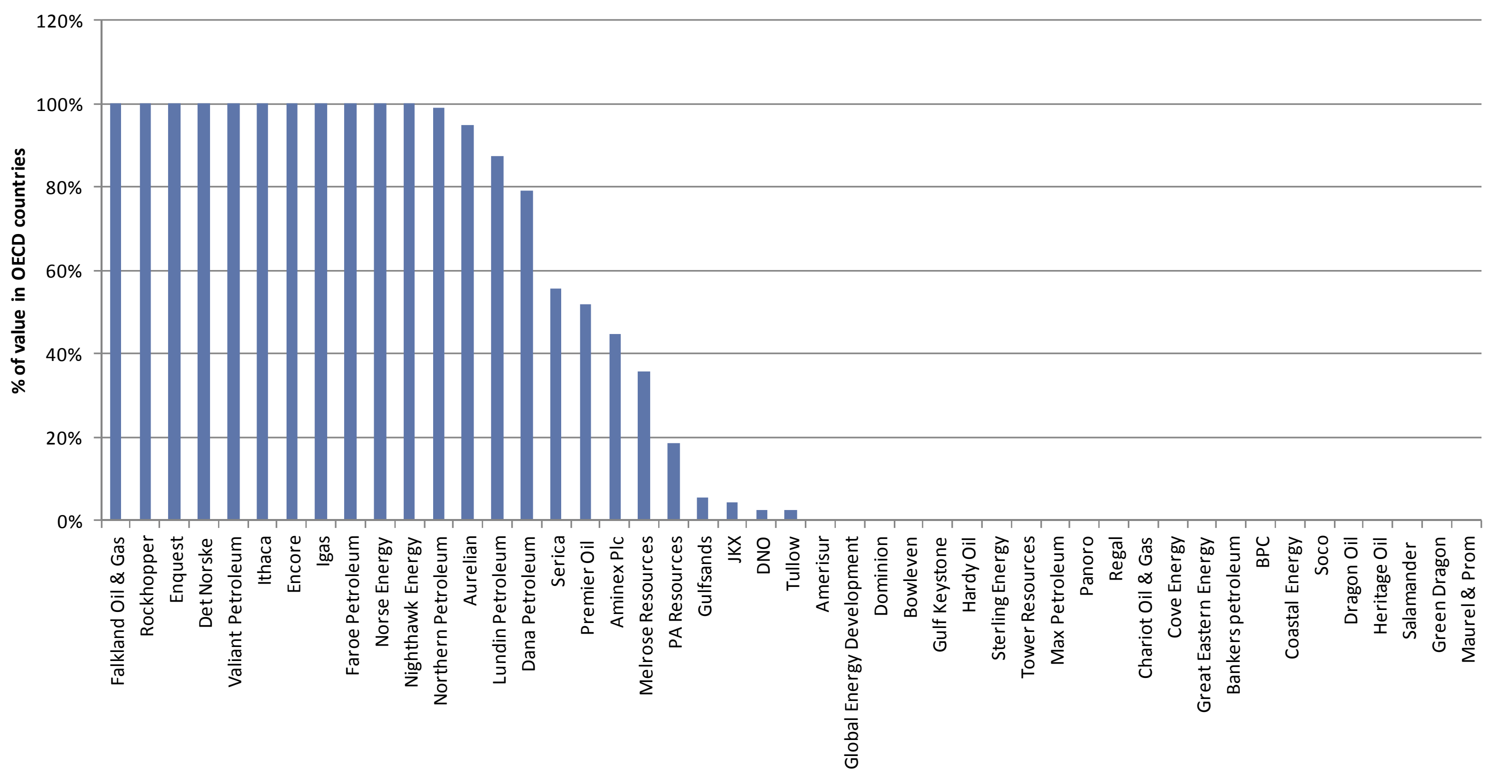


Source: Goldman Sachs Research estimates.

OECD exposure generally means North Sea or US exposure

There are a number of E&Ps which are wholly levered to OECD countries. Although OECD countries are no strangers to altering fiscal regimes (as we have seen in countries such as Canada, the UK and Australia) we believe that these areas provide stability of political environment and a high level of comfort over contract sanctity. Exhibit 131 shows the level of OECD exposure by value for each of the companies in our E&P coverage universe. As can be seen, OECD exposure is not even the norm, and to a great extent the only viable way to maintain high exposure to OECD countries in this universe is via the North Sea or the US.

Exhibit 131: % of value lying in OECD countries

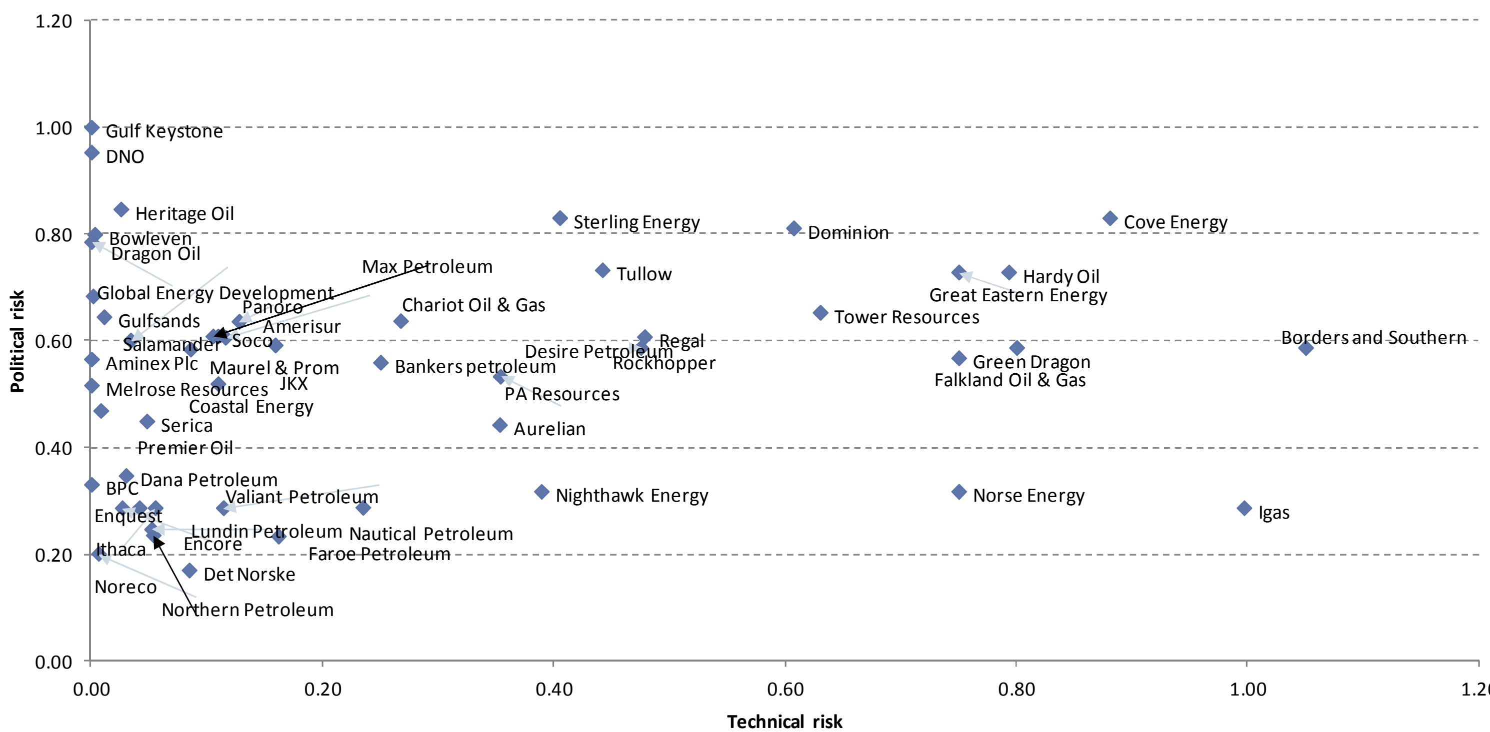


Source: Goldman Sachs Research estimates.

Deepwater Falklands explorers, technical Indian plays and deepwater gas at most overall risk

On a combination of political risk and technical risk, the companies most exposed tend to be the deepwater explorers. Companies in the South Falklands Basin such as FOGL and Borders & Southern are impacted by the depth of their prospects as well as the potential for political dispute between Argentina and the UK. Cove stands out as particularly risky, with the country risk inherent in East Africa combining with deep waters and the probable need to build an LNG plant to monetize gas. Indian companies Hardy Oil and Great Eastern Energy are impacted by their 100% exposure to India combined with water depth (Hardy) and the technical demands of unconventional gas (Great Eastern). The unconventional plays typically see relatively low country risk but higher technical risk – an issue exacerbated by the difficulty of obtaining planning permission (IGas) or the environmentally sensitive nature of the operations (Norse).

Exhibit 132: Political risk vs. technical risk by company



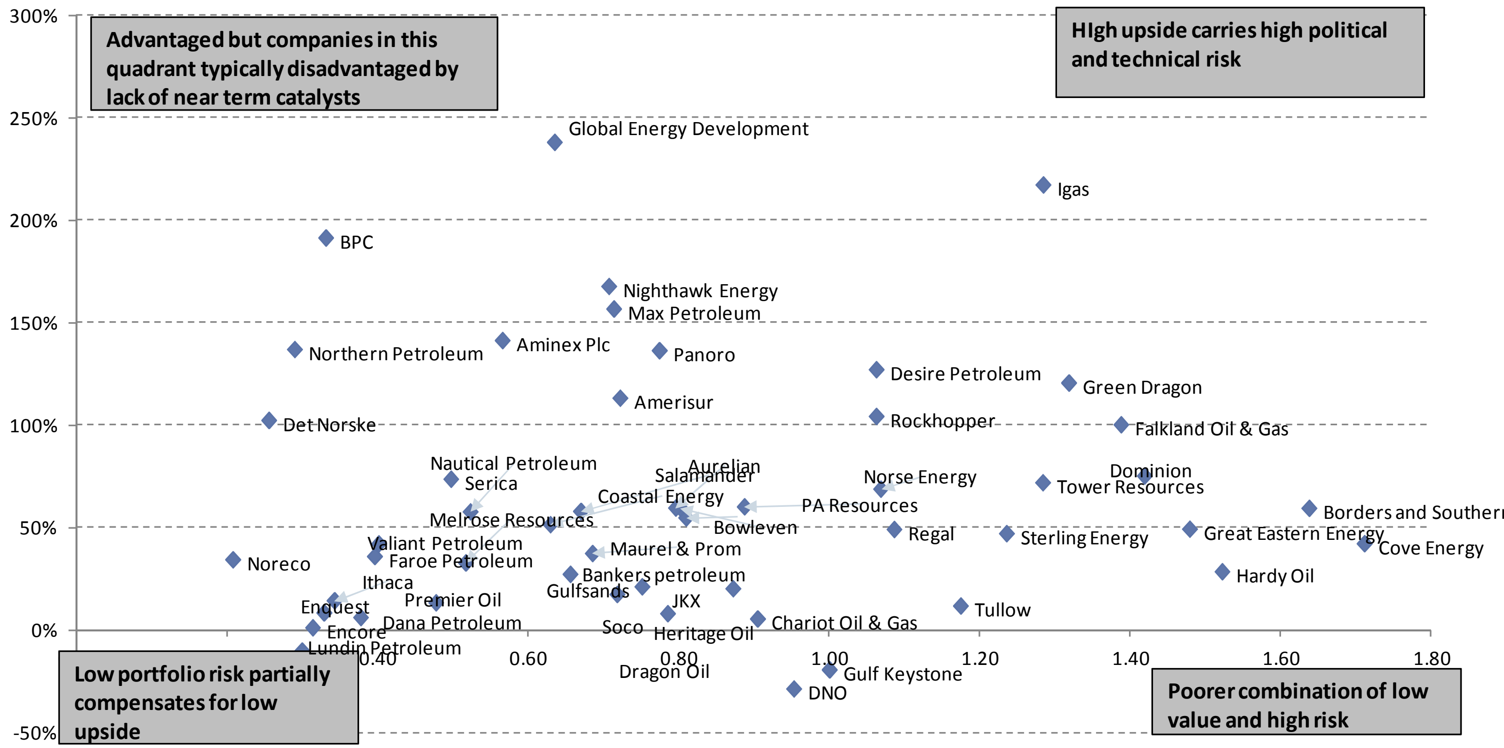
Source: Goldman Sachs Research estimates, World Banks Index, UNDP Index.

Combination of value vs. risk; Cove Energy at particular risk

We are content to take on high levels of risk if the reward is sufficient to justify it but of course prefer companies whose potential upside is high and risk low. BPC, Northern Petroleum and GED screen relatively well in this regard but we note the potential for fiscal risk in Colombia (GED). We are more bearish on those companies which display low levels of upside/downside in combination with high levels of technical and political risk. We note that Exhibit 133 does not include the exploration risk attached to each company's portfolio.

Exhibit 133: Companies with high upside and low overall risk are most advantaged

Technical and political risk vs. overall upside



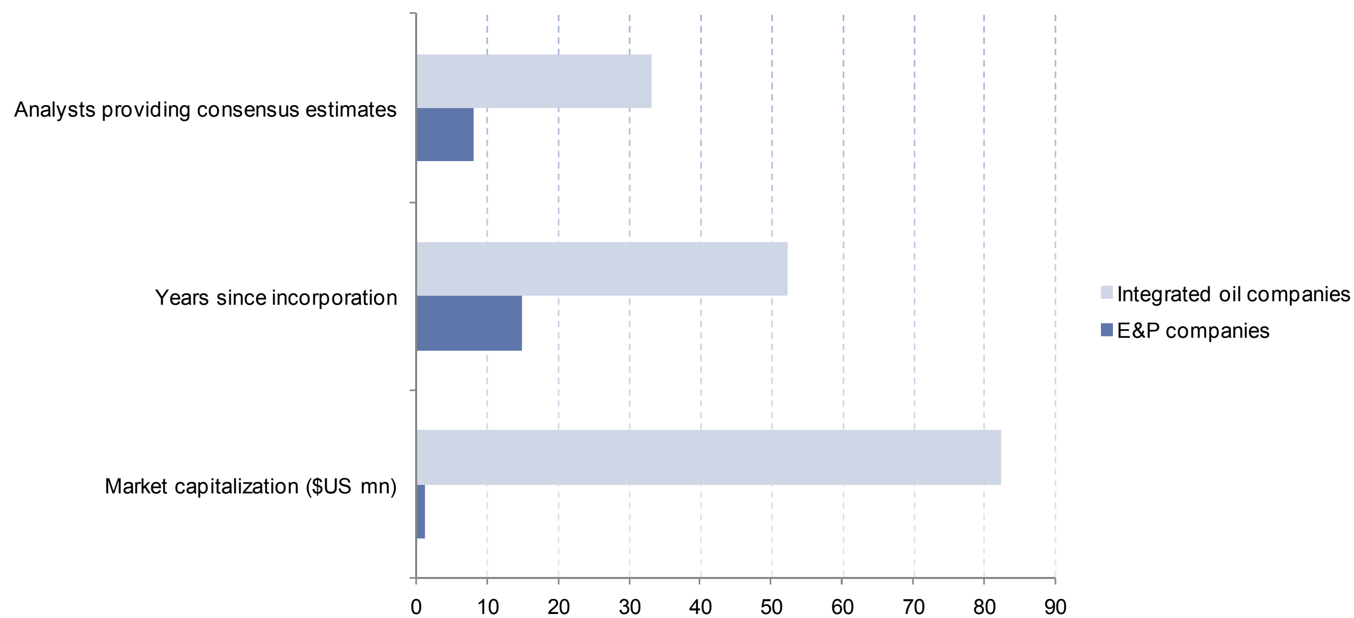
Source: Goldman Sachs Research estimates.

Corporate governance a key factor in smaller companies

We apply the analysis GS SUSTAIN has developed to the E&P companies in our newly expanded universe to assess the strength of their corporate governance. Our analysis of companies' management of governance issues is designed to apply objective and quantifiable measures across key areas of corporate governance. We believe that these indicators provide an objective gauge of the extent to which ordinary shareholders' interests are represented in board decisions, the degree of independent oversight of business performance and strategic decisions, as well as the alignment of management incentives with shareholder interests. This type of analysis is of particular importance given that our E&Ps are smaller and newer than other companies in our Oil & Gas universe and therefore lack a track record with shareholders. Exhibit 134 shows that average market capitalisation of our E&P universe is approximately eight times less than that of our integrated oil companies, while the average number of years since incorporation is only 15 (versus over 50). The E&Ps are also less widely covered by research analysts, which could mean greater potential for inefficient information in the marketplace. There are 18 E&P stocks currently being covered by fewer than five analysts, for example.

Following the approach used in the GS SUSTAIN methodology, we gather objective, quantifiable data across six criteria. To ensure fair analysis, we use only publically available data from companies' most recent annual reports and other documents.

Exhibit 134: Average number of analysts, years since incorporation, and market capitalization for E&Ps versus our integrated oil universe



Source: Bloomberg, Datastream, Company data..

Corporate Governance indicators: An explanation

We assess companies' corporate governance on six measures:

Independent board leadership: We view the separation of roles and division of responsibilities between the Chief Executive Officer and the Chairman of the Board as an indication of the balance of power at the head of a company. The appointment of an independent lead director (also known as a presiding director in the US or a senior independent director in the UK) to convene the non-executive directors in the absence of the CEO/Chair is an effective measure to ensure balance of power, in our view, and allows concerns to be conveyed to the board independently of the CEO/Chair.

Independent board directors and committees: In our view, to ensure effective independent oversight of companies' activities and strategic decision-making, boards should include a majority of independent, non-executive directors, as recommended by corporate governance codes, including the Higgs Combined Code in the UK and the NYSE in the US. In addition, Board committees should be comprised of solely independent directors. Directors are considered to be independent when they have served on the board for more than six months out of the reporting year and when they (1) have not been employed by the company in the past five years, (2) are not a significant (>1%) shareholder in the company, (3) are not a representative or family member of a significant shareholder, and (4) have not been involved in a related-party transaction.

Auditor independence: The central role of the audit committee and external auditors is to ensure the integrity of financial disclosure and present an accurate view of a company's financial position. The appointment of wholly independent, non-executive directors to the audit committee represents best practice to ensure the integrity of financial disclosure. To safeguard auditor independence and prevent potential conflicts of interest, we believe that the ratio of non-audit to audit fees paid to the company assigned as auditor should be as low as possible.

CEO compensation: We believe equity owners' interests are best represented where senior management is adequately incentivised and CEO compensation is widely disclosed; and we assess this as an indication of the remuneration level of senior executive leaders. CEO compensation includes salary, bonus, and other cash-based compensation. We calculate this indicator by dividing CEO compensation by market capitalisation to compare how boards incentivise performance relative to their size.

Share-based compensation: We believe equity owners' interests are best represented where the interests of managers (agents) are aligned with those of shareholders (principals). We view the use of stock option compensation positively, as it aligns the interests of management with those of shareholders. However, we believe that the value of such share-based compensation compared with market capitalisation should be moderated within the mid-range of the peer group, to minimize the risk that executives engage in fraudulent activities when over-incentivised in the form of stock options.

Minority shareholder rights: We evaluate whether companies' shareholder registers include strategic block shareholdings and view the absence of a large block-holding as an indicator of a well-balanced ownership structure. Staggered or classified boards (in which board members are not elected annually by shareholders), poison pills (provisions that allow existing shareholders to prevent hostile takeovers by purchasing shares at a substantial discount to market price), unequal voting rights (limitations on the voting rights of shareholders and dual listings in which different voting rights apply to different share classes), and other restrictions in which a single large shareholder holds voting rights exceeding share ownership or voting rights are restricted to a certain limit, can all have a negative impact on minority shareholder rights.

Exhibit 135: Scores within each indicator are driven by objective criteria

Indicator	Score 5	Score 4	Score 3	Score 2	Score 1
Independent Board leader	Separate CEO/Chair -AND- existence of a lead director	Separate CEO/Chair, no lead director	Existence of a lead director, no separate CEO/Chair		No separate CEO/Chair, no lead director
Independent Board directors and committees	>= 75% independent directors with independent nomination -AND- compensation committees	50 - 75% independent directors with independent nomination -AND- compensation committees	> 50% independent directors with independent nomination -OR- compensation committee	>= 50% independent directors -OR- independent nomination -OR- compensation committee	< 50% independent directors, non-independent nomination and compensation committees
Independent auditors	Audit committee comprised of independent board directors and < 10% non-audit to audit fees	Audit committee comprised of independent board directors and < 25% non-audit to audit fees	Audit committee comprised of independent Board directors and > 25% non-audit to audit fees	Non-independent audit committee and disclosure of audit fees and non-audit fees	No disclosure of audit fees and non-audit fees
CEO compensation as % of market cap	1st quartile CEO compensation as % of market cap	2nd quartile CEO compensation as % of market cap	3rd quartile CEO compensation as % of market cap	4th quartile CEO compensation as % of market cap	No disclosure
Share-based compensation as % of market cap	Share-based compensation as % of market cap in the 2nd tercile		Share-based compensation as % of market cap in the 1st or 3rd tercile		No disclosure of share-based compensation
Protection of minority shareholders	No block shareholdings > 5% -AND- no defences against minority shareholders, staggered boards, poison pills, unequal voting rights and restrictions on voting rights	No block shareholdings > 5% and one defence against minority shareholders -OR- block shareholdings < 25% and no defence against minority shareholders	25% >=No block shareholdings > 5% and one defence against minority shareholders -OR- block shareholdings < 25% and two defences against minority shareholders	25% < Block shareholdings < 50% -AND- less than three defences against minority shareholders	Block shareholdings >= 50% -OR- three or more defences against minority shareholders

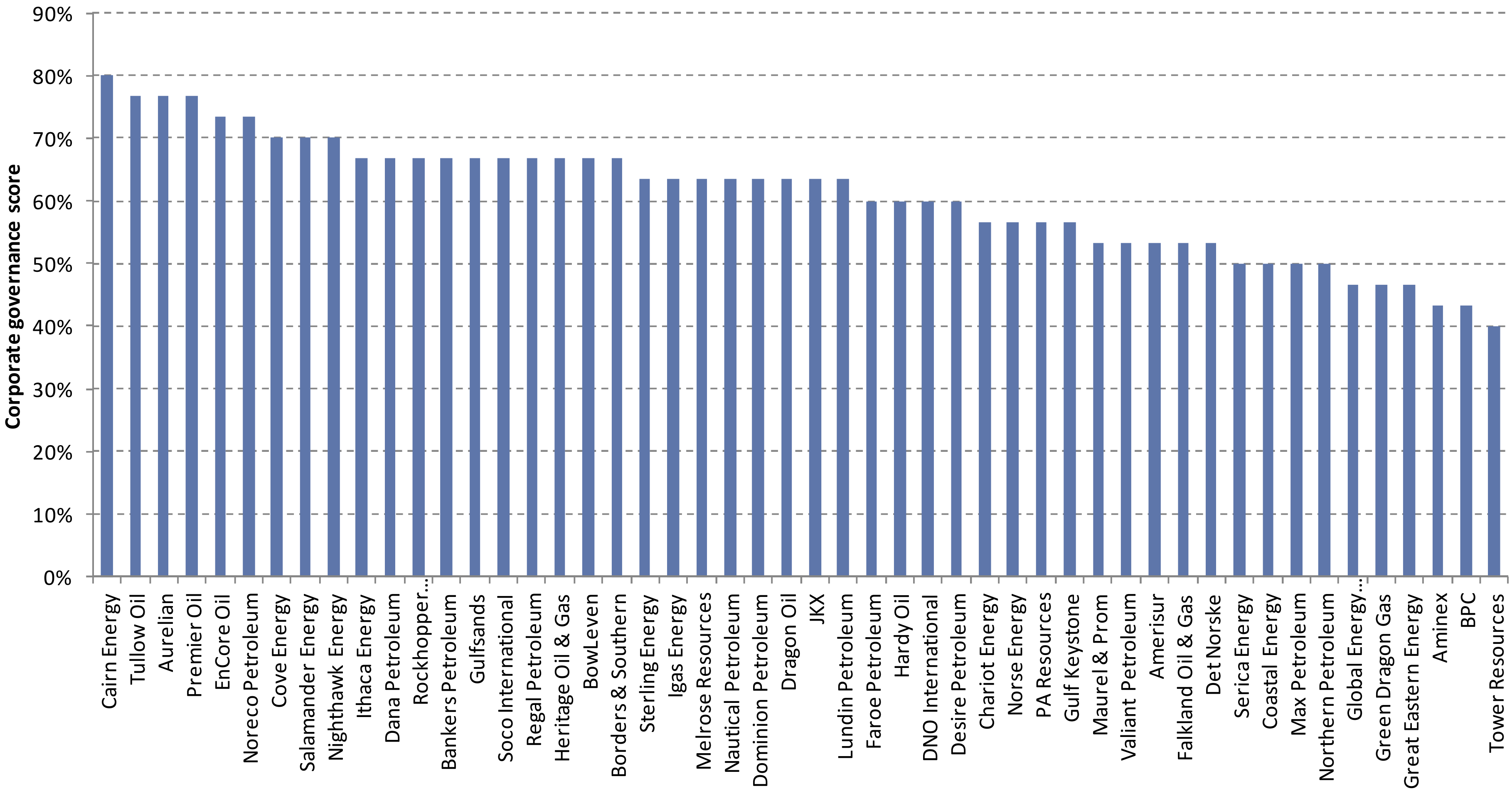
Source: Goldman Sachs Research.

Cairn Energy scores best on corporate governance, followed by Tullow, Aurelian and Premier

Our analysis suggests that Cairn Energy leads the industry in the strength of its corporate governance, closely followed by Tullow, Aurelian, and Premier. Aurelian is of particular note as it is a smaller company with an excellent corporate governance score.

Exhibit 136: Cairn Energy leads the E&Ps on corporate governance

Corporate governance score by company



Note: EnQuest and Panoro were not included in this analysis given that they had not yet published a full year of results. Changes in company leadership and Board independence made after the year-end will be reflected in the next year's data

Source: Goldman Sachs Research, Company data.

Corporate governance results: Larger companies fare better

Exhibit 137: Overall corporate governance data based on latest available data

Company	Independence			Incentives and transparency			Overall Governance Score	**Overall Governance score (% of maximum)**	Quartile
	Independent board leadership	Independent Board directors & committees	Auditor independence	CEO compensation	Share-based compensation	Minority shareholder rights			
Cairn Energy	5	2	3	5	5	4	24	80%	1
Aurelian	4	2	5	4	5	3	23	77%	1
Premier Oil	5	3	3	5	3	4	23	77%	1
Tullow Oil	5	3	3	5	3	4	23	77%	1
EnCore Oil	4	2	5	4	3	4	22	73%	1
Noreco Petroleum	4	3	3	4	5	3	22	73%	1
Cove Energy	4	2	2	4	5	4	21	70%	1
Nighthawk Energy	4	2	4	2	5	4	21	70%	1
Salamander Energy	5	4	3	3	3	3	21	70%	1
Bankers Petroleum	4	2	2	5	3	4	20	67%	1
Borders & Southern	4	1	2	5	5	3	20	67%	1
BowLeven	4	2	3	4	3	4	20	67%	1
Dana Petroleum	5	2	3	4	5	1	20	67%	1
Gulfsands	4	2	2	4	5	3	20	67%	1
Heritage Oil & Gas	4	3	3	3	5	2	20	67%	1
Ithaca Energy	4	2	3	3	3	5	20	67%	1
Regal Petroleum	4	3	4	2	3	4	20	67%	1
Rockhopper Exploration	4	2	3	4	3	4	20	67%	1
Soco International	5	3	3	4	3	2	20	67%	1
Dominion Petroleum	4	2	5	2	3	3	19	63%	2
Dragon Oil	5	2	3	5	3	1	19	63%	2
IGas Energy	4	2	5	2	5	1	19	63%	2
JKX	5	3	3	3	3	2	19	63%	2
Lundin Petroleum	4	1	2	5	3	4	19	63%	2
Melrose Resources	5	2	3	3	5	1	19	63%	2
Nautical Petroleum	4	2	3	4	3	3	19	63%	2
Sterling Energy	4	2	3	2	5	3	19	63%	2
Desire Petroleum	4	1	2	5	3	3	18	60%	3
DNO International	4	2	2	5	3	2	18	60%	3
Faroe Petroleum	4	2	4	3	3	2	18	60%	3
Hardy Oil	5	1	3	3	3	3	18	60%	3
Chariot Energy	4	1	2	5	3	2	17	57%	3
Gulf Keystone	1	1	2	5	5	3	17	57%	3
Norse Energy	4	2	2	2	3	4	17	57%	3
PA Resources	4	2	2	1	3	5	17	57%	3
Amerisur	4	1	2	3	3	3	16	53%	4
Det Norske	4	2	3	3	3	1	16	53%	4
Falkland Oil & Gas	4	2	2	1	5	2	16	53%	4
Maurel & Prom	1	1	2	5	5	2	16	53%	4
Valiant Petroleum	4	1	2	3	5	1	16	53%	4
Coastal Energy	4	2	2	2	3	2	15	50%	4
Max Petroleum	4	1	2	2	3	3	15	50%	4
Northern Petroleum	4	1	2	2	3	3	15	50%	4
Serica Energy	4	1	2	2	3	3	15	50%	4
Global Energy Development	4	1	2	2	3	2	14	47%	4
Great Eastern Energy	1	2	3	4	3	1	14	47%	4
Green Dragon Gas	1	2	1	4	5	1	14	47%	4
Aminex	1	1	2	2	3	4	13	43%	4
BPC	1	1	2	3	3	3	13	43%	4
Tower Resources	1	1	2	3	3	2	12	40%	4
Average	3.8	1.9	2.7	3.4	3.7	2.8	18.2	61%	
Maximum	5	5	5	5	5	5	30	60	

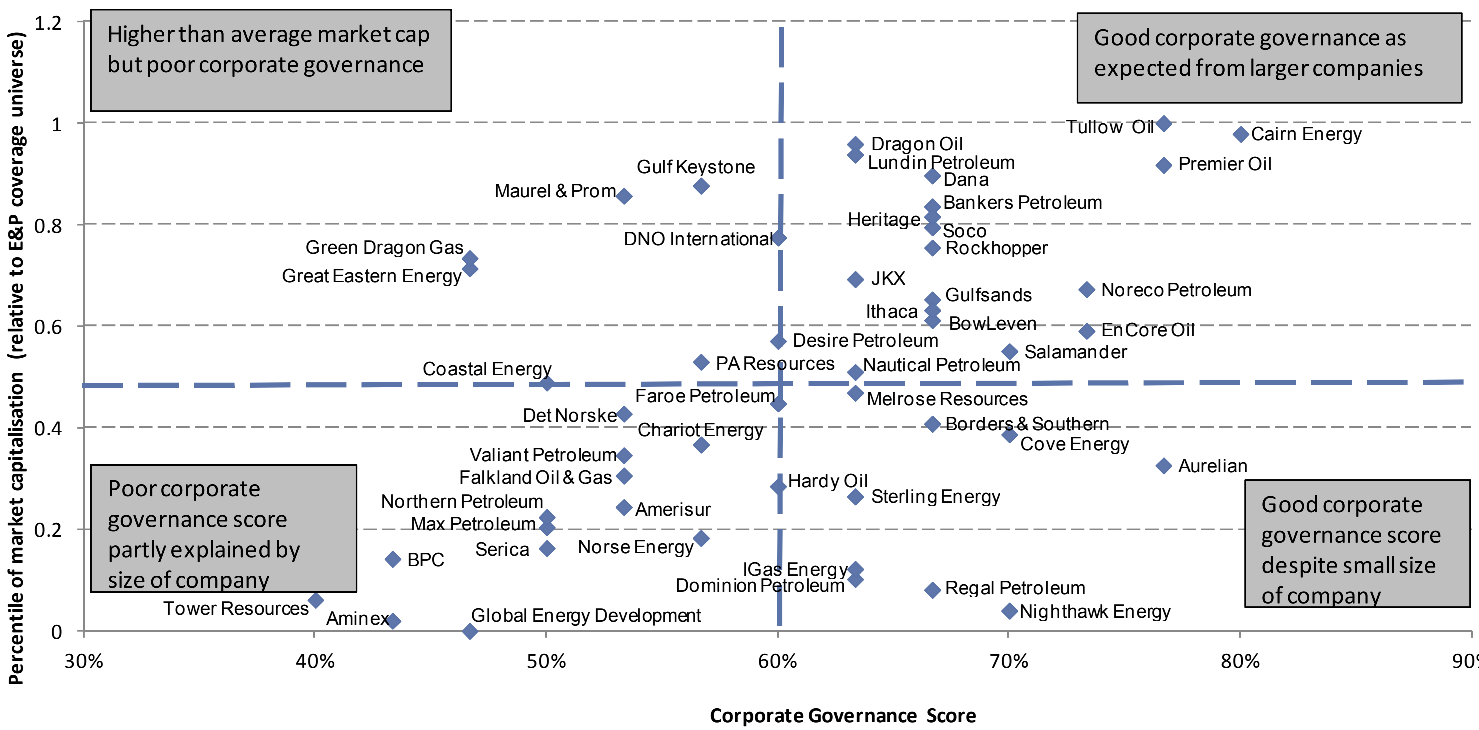
Note: EnQuest and Panoro were not included in this analysis given that they had not yet published a full year of results.

Source: Company data, Goldman Sachs Research estimates.

We expect a relationship between governance capabilities and resources

We believe that a small company will struggle to achieve the same levels of corporate governance as a larger company, partly as a result of having fewer resources. In any case, we apply a discount to illiquid stocks (which are generally smaller stocks) which we believe partially takes account of some of the risks of a weaker corporate governance system. As a result, we have analysed governance scores in relation to the company's size (judged in this instance by market capitalization). We note that outliers on the negative side are Great Eastern and Green Dragon, which both score low on independent board leadership and minority shareholders rights. In both these cases, liquidity is low, therefore attracting a substantial discount to our target price. Other companies which score below 50% on their governance score but have a reasonable market cap are Maurel & Prom and Gulf Keystone. Positive outliers include Aurelian, Cove, and Nighthawk Energy.

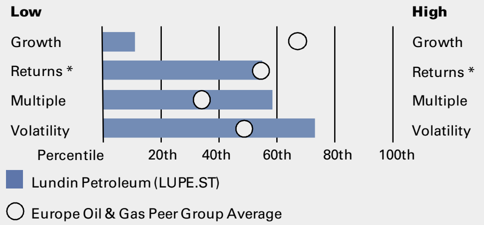
Exhibit 138: Larger companies tend to score more highly on corporate governance



Source: Company data, Goldman Sachs Research estimates, Bloomberg.

Lundin Petroleum (LUPE.ST): Avaldsnes could be a game changer but now in price; Sell

Investment Profile

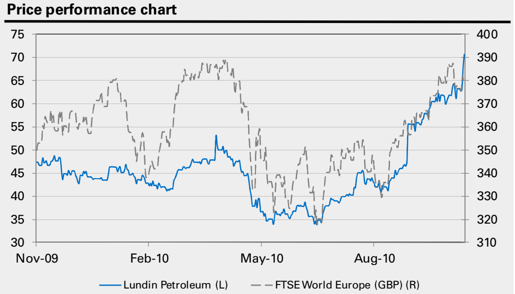


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Skr)	70.60
12 month price target (Skr)	64.00
Upside/(downside) (%)	(9)
Market cap (Skr mn)	22,240.4
Enterprise value (Skr mn)	32,627.8

	12/09	12/10E	12/11E	12/12E
EBIT (Skr mn)	1,323.1	3,240.4	4,934.1	5,015.7
EPS (Skr)	(14.84)	2.33	5.04	5.60
P/E (X)	NM	30.2	14.0	12.6
EV/DACF (X)	NM	12.4	10.1	8.9
Dividend yield (%)	NM	NM	NM	NM
FCF yield (%)	(28.5)	1.4	11.0	11.9
CROCI (%)	(5.4)	11.7	13.9	15.6
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	1.1	1.5	1.5	1.4

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	60.4	62.4	49.2
Rel. to FTSE World Europe (GBP)	49.9	57.9	35.6

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Source of opportunity

We believe that Lundin's recent discovery at the Avaldsnes asset is significant and the follow-on drilling potential in the acreage position that Lundin has built up in the surrounding area is of strategic importance. We are typically structurally positive on large amounts of de-risked acreage and, in addition to Lundin's announced drilling programme, give further prospectivity in the block to allow for follow-on drilling and to reward the company for this structural advantage. As a result, despite a reduction in our assumed oil prices with which we run valuation and accounting for the substantial strengthening in the Skr vs. the USD in recent weeks, we have raised our target price by 3%. The company's plans to grow production are plausible, given the resource backing that is available and could also prove attractive.

Despite this, however, we believe that the market's reaction to the Avaldsnes news has been overdone and that the risk/reward is now skewed to the downside on the stock. As a result we downgrade the stock to Sell (from Neutral).

Catalyst

We believe that expectations are now very high on the company's Norwegian exploration campaign and that the company will be highly levered to exploration failure in this area. Cost overruns and delays in development projects could also prove to be a negative catalyst.

Valuation

Our 12-month, SOTP-based target price is calculated using a US$85/bl oil price with exploration and appraisal assets being valued on a risked NPV/bl basis. Some 20% of our target price includes a valuation of the company's strategic assets (namely Avaldsnes) valued at an 8% discount rate to reflect its potentially strategic importance.

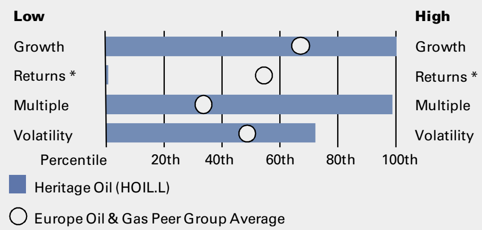
Key risks

The main risk to our view and target price is greater than expected exploration success in the company's exploration programme. We note that a stake in a field the size of Avaldsnes, could become the focus of M&A activity.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Heritage Oil (HOIL.L): Downgrade to Neutral

Investment Profile

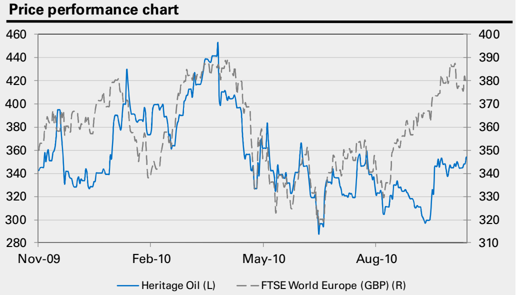


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	354
12 month price target (p)	433
Upside/(downside) (%)	22
Market cap (£ mn)	1,017.9
Enterprise value ($ mn)	872.4

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(20.7)	(13.0)	10.0	114.4
EPS ($)	(0.14)	(0.01)	(0.01)	0.07
P/E (X)	NM	NM	NM	76.4
EV/DACF (X)	NM	NM	NM	25.9
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(18.9)	(1.5)	0.1	3.0
CROCI (%)	(8.0)	(1.0)	0.0	7.5
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	3.2	1.9	2.0	2.0

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(0.3)	3.2	3.4
Rel. to FTSE World Europe (GBP)	(6.8)	0.4	(6.0)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

What happened

We downgrade Heritage to Neutral from Buy as we no longer see sufficient upside to justify a Buy rating. Since being added to the Buy List on September 3, 2010 the stock is up 7.3% vs. FTSE World Europe up 7.2%; over 12 months the performance is +3.4% and +10% respectively.

We continue to believe that Heritage offers the most attractive value exposure to Kurdistan, but are bearish relative to the market on the region and see better value elsewhere in our expanded universe. We believe the performance since September was driven by a recognition of the relatively cheap exposure that the company offered to a high-impact region in the E&P space.

Current investment view

We believe that upside potential remains, with results of the Miran 2 well still pending, and further drilling scheduled in 2011 in Kurdistan and Malta. The biggest potential driver of the share price in the short term, however, is likely to be a resolution of the situation regarding exports from Kurdistan. A positive resolution under the current fiscal terms could result in potential upside increasing to c.70%, while a worst case scenario (an implementation of service contracts similar to those in Iraq) could result in c.30% downside. With more stocks in our coverage universe, however, we now see more attractive upside elsewhere without the political risk we see in Kurdistan. As a result we downgrade the stock to Neutral.

Our 12 month SOTP based price target is calculated using a US$85/bl oil price. Some 20% of our target price includes a valuation of the company's Kurdish assets valued at an 8% discount rate to reflect our view of the strategic nature of the asset. We apply an additional 50% discount to assets in Kurdistan to reflect our uncertainty over the political situation.

The key downside risk to our view and price target include an unfavourable resolution to the export ban in Kurdistan. Upside risks include drilling success at the Miran prospect.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 139: Share price performance of Heritage Oil versus peer group
Prices as of the close of November 4, 2010

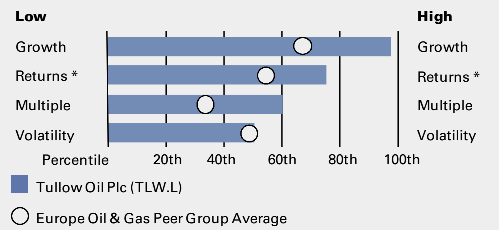
Company	Ticker	Primary analyst	Price currency	Price as of Nov 4, 2010	Price performance since Sep 3, 2010	3 month price performance	6 month price performance	12 month price performance
Europe Oil & Gas Peer Group								
Heritage Oil	**HOIL.L**	**Christophor Jost**	**p**	**354.00**	**7.3%**	**-0.3%**	**3.2%**	**3.4%**
BG Group	BG.L	Michele della Vigna, CFA	p	1296.00	18.6%	24.6%	21.7%	18.6%
BP plc	BP.L	Michele della Vigna, CFA	p	445.10	10.8%	5.6%	-20.3%	-23.4%
BP plc (ADS)	BP	Michele della Vigna, CFA	$	43.91	17.3%	11.5%	-14.2%	-23.7%
Cairn Energy PLC	CNE.L	Christophor Jost	p	387.00	-15.9%	-18.4%	-1.2%	39.5%
CEPSA	CEP.MC	Henry Morris	€	18.05	6.3%	1.4%	-9.9%	-24.4%
Dana Petroleum Plc	DNX.L	Christophor Jost	p	1799.00	-0.3%	5.8%	52.8%	43.6%
Dragon Oil PLC	DGO.L	Christophor Jost	p	456.75	6.2%	3.3%	-6.2%	2.3%
ENI	ENI.MI	Michele della Vigna, CFA	€	16.49	0.6%	0.9%	1.3%	-3.4%
ERG	ERG.MI	Henry Morris	€	9.98	1.7%	-2.8%	-3.4%	-3.2%
Galp	GALP.LS	Henry Morris	€	14.51	15.2%	13.9%	26.3%	22.6%
Hellenic Petroleum	HEPr.AT	Henry Morris	€	5.41	-12.0%	-16.1%	-27.6%	-32.4%
JKX Oil and Gas	JKX.L	Investment Research	p	294.10	-6.3%	-0.3%	13.1%	3.4%
Lundin Petroleum	LUPE.ST	Christophor Jost	Skr	70.60	60.7%	60.4%	62.4%	49.2%
MOL	MOLB.BU	Henry Morris	HUF	20410.00	-4.6%	-1.4%	4.0%	37.9%
Motor Oil Hellas	MORr.AT	Henry Morris	€	7.70	-9.6%	-13.4%	-10.5%	-34.0%
Neste Oil	NES1V.HE	Henry Morris	€	12.01	8.0%	1.4%	1.2%	-1.6%
OMV	OMVV.VI	Michele della Vigna, CFA	€	27.27	4.2%	1.3%	1.8%	-3.0%
Petroplus Holdings	PPHN.VX	Henry Morris	SFr	11.21	-6.9%	-28.5%	-39.7%	-51.6%
PKN	PKNA.WA	Henry Morris	PLN	44.40	9.9%	5.9%	19.2%	51.5%
Premier Oil	PMO.L	Christophor Jost	p	1764.00	9.2%	14.5%	42.8%	47.9%
Regal Petroleum	RPT.L	Investment Research	p	14.75	-56.9%	-55.0%	-64.9%	-83.1%
Repsol YPF	REP.MC	Michele della Vigna, CFA	€	20.10	6.9%	5.9%	18.7%	10.2%
Royal Dutch Shell plc (A ADR)	RDSa	Michele della Vigna, CFA	$	68.29	21.3%	17.8%	13.6%	15.0%
Royal Dutch Shell plc (A)	RDSa.AS	Michele della Vigna, CFA	€	23.88	9.7%	8.8%	4.3%	18.7%
Royal Dutch Shell plc (B ADR)	RDSb	Michele della Vigna, CFA	$	67.34	23.3%	20.6%	15.7%	16.6%
Royal Dutch Shell plc (B)	RDSb.L	Michele della Vigna, CFA	p	2054.00	17.1%	17.3%	8.0%	17.8%
Salamander Energy PLC	SMDR.L	Christophor Jost	p	218.20	-8.8%	-4.0%	-8.3%	-12.5%
Saras	SRS.MI	Henry Morris	€	1.51	7.4%	0.7%	-12.4%	-32.3%
Schoeller-Bleckmann	SBOE.VI	Rudolf Dreyer	€	52.07	20.4%	32.4%	28.9%	59.1%
Soco International Plc	SIA.L	Christophor Jost	p	328.10	-24.9%	-26.2%	-18.0%	-2.3%
Statoil	STL.OL	Michele della Vigna, CFA	Nkr	122.80	-0.2%	-4.2%	-13.7%	-11.6%
TOTAL SA	TOTF.PA	Michele della Vigna, CFA	€	40.62	4.7%	0.9%	2.8%	-2.4%
Tullow Oil Plc	TLW.L	Christophor Jost	p	1248.00	8.0%	-3.9%	14.4%	3.1%
Tupras	TUPRS.IS	Henry Morris	YTL	38.40	8.2%	6.7%	20.9%	43.6%
FTSE World Europe (GBP)				**378.51**	**7.2%**	**7.0%**	**2.8%**	**10.0%**

Note: Prices as of most recent available close, which could vary from the price date indicated above
This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: FactSet, Quantum database.

Tullow Oil (TLW.L): Down to Neutral; catalysts remain but better risk/reward elsewhere

Investment Profile

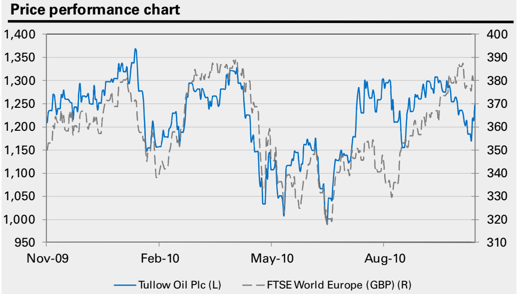


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	1,248
12 month price target (p)	1,443
Upside/(downside) (%)	16
Market cap (£ mn)	11,032.3
Enterprise value ($ mn)	19,755.3

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	149.3	336.7	1,513.8	2,438.1
EPS ($)	0.03	0.21	1.07	1.74
P/E (X)	518.2	97.8	18.8	11.5
EV/DACF (X)	31.3	30.9	14.2	9.5
Dividend yield (%)	39.0	29.9	29.9	29.9
FCF yield (%)	(8.3)	(5.0)	6.6	10.4
CROCI (%)	8.1	9.8	17.3	25.3
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	2.5	2.5	2.5	2.5

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(3.9)	14.4	3.1
Rel. to FTSE World Europe (GBP)	(10.1)	11.2	(6.2)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

What happened

We downgrade Tullow to Neutral from Buy as the expansion of our coverage universe leaves us with better upside and risk/reward balance elsewhere. Since being added to the Buy List on May 11, 2010, the stock is up 14.7% vs. FTSE World Europe up 7.5%. In the same period our E&P coverage universe is up 12.5%. Over the last 12 months the stock is up 3.1% vs. FTSE World Europe up 10%.

Although some potential headwinds remain for the stock, notably in Uganda where its planned farm-out of assets to TOTAL and CNOOC is being delayed, catalysts remain in the form of potentially high impact drilling over the next six months. Nevertheless, following the expansion of our coverage universe, we see higher upside elsewhere in the sector and downgrade the stock to Neutral.

Current investment view

We still see a number of positives for the company. We see the exposure to substantial de-risked in acreage in Uganda and West Africa as a structural advantage and believe that this will provide the company with potential drilling catalysts for a significant period of time to come. We remain confident that the delay in farming out the company's assets in Uganda will be resolved in a positive manner, given the operational benefits of keeping the stakeholder structure aligned through the three blocks and the benefits to all parties concerned in moving operations forward quickly. Upcoming drilling catalysts could prove significant for the stock as wells in Liberia, Sierra Leone, Mauritania and South America all look to open up or confirm the potential of possibly material new plays. We also view the company's asset base positively and include the company in our Strategic Asset screen, as we believe that its assets in Ghana could attract the interest of price insensitive acquirers. We believe, however, that these structural advantages are being reflected in the share price to a reasonable degree and see more attractive upside elsewhere in the space. As a result, we downgrade the stock to Neutral.

Our 12 month SOTP based price target is calculated using a US$85/bl oil price. Some 20% of our target price includes a valuation of the company's Ghanaian assets valued at an 8% discount rate to reflect our view of the strategic nature of the asset. .

The key risks to our view and price target include M&A activity on the upside, and continuing delays in the Ugandan farm-out or worse than expected drilling success on the downside.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 140: Share price performance of Tullow Oil versus peer group
Prices as of the close of November 4, 2010

Company	Ticker	Primary analyst	Price currency	Price as of Nov 4, 2010	Price performance since May 11, 2010	3 month price performance	6 month price performance	12 month price performance
Europe Oil & Gas Peer Group								
Tullow Oil Plc	**TLW.L**	**Christophor Jost**	**p**	**1248.00**	**14.7%**	**-3.9%**	**14.4%**	**3.1%**
BG Group	BG.L	Michele della Vigna, CFA	p	1296.00	23.0%	24.6%	21.7%	18.6%
BP plc	BP.L	Michele della Vigna, CFA	p	445.10	-18.4%	5.6%	-20.3%	-23.4%
BP plc (ADS)	BP	Michele della Vigna, CFA	$	43.91	-9.9%	11.5%	-14.2%	-23.7%
Cairn Energy PLC	CNE.L	Christophor Jost	p	387.00	-2.1%	-18.4%	-1.2%	39.5%
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Dana Petroleum Plc	DNX.L	Christophor Jost	p	1799.00	62.2%	5.8%	52.8%	43.6%
Dragon Oil PLC	DGO.L	Christophor Jost	p	456.75	6.2%	3.3%	-6.2%	2.3%
ENI	ENI.MI	Michele della Vigna, CFA	€	16.49	-0.4%	0.9%	1.3%	-3.4%
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JKX Oil and Gas	JKX.L	Investment Research	p	294.10	17.0%	-0.3%	13.1%	3.4%
Lundin Petroleum	LUPE.ST	Christophor Jost	Skr	70.60	88.2%	60.4%	62.4%	49.2%
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Neste Oil	NES1V.HE	Henry Morris	€	12.01	1.9%	1.4%	1.2%	-1.6%
OMV	OMVV.VI	Michele della Vigna, CFA	€	27.27	5.0%	1.3%	1.8%	-3.0%
Petroplus Holdings	PPHN.VX	Henry Morris	SFr	11.21	-35.7%	-28.5%	-39.7%	-51.6%
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Repsol YPF	REP.MC	Michele della Vigna, CFA	€	20.10	17.2%	5.9%	18.7%	10.2%
Royal Dutch Shell plc (A ADR)	RDSa	Michele della Vigna, CFA	$	68.29	21.6%	17.8%	13.6%	15.0%
Royal Dutch Shell plc (A)	RDSa.AS	Michele della Vigna, CFA	€	23.88	7.8%	8.8%	4.3%	18.7%
Royal Dutch Shell plc (B ADR)	RDSb	Michele della Vigna, CFA	$	67.34	24.3%	20.6%	15.7%	16.6%
Royal Dutch Shell plc (B)	RDSb.L	Michele della Vigna, CFA	p	2054.00	13.1%	17.3%	8.0%	17.8%
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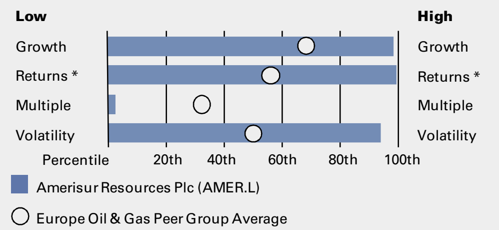
Saras	SRS.MI	Henry Morris	€	1.51	-13.9%	0.7%	-12.4%	-32.3%
Schoeller-Bleckmann	SBOE.VI	Rudolf Dreyer	€	52.07	30.2%	32.4%	28.9%	59.1%
Soco International Plc	SIA.L	Christophor Jost	p	328.10	-18.9%	-26.2%	-18.0%	-2.3%
Statoil	STL.OL	Michele della Vigna, CFA	Nkr	122.80	-11.7%	-4.2%	-13.7%	-11.6%
TOTAL SA	TOTF.PA	Michele della Vigna, CFA	€	40.62	1.7%	0.9%	2.8%	-2.4%
Tupras	TUPRS.IS	Henry Morris	YTL	38.40	24.9%	6.7%	20.9%	43.6%
FTSE World Europe (GBP)				**378.51**	**7.5%**	**7.0%**	**2.8%**	**10.0%**

Note: Prices as of most recent available close, which could vary from the price date indicated above
This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: FactSet, Quantum database.

Amerisur Resources (AMER.L): South American value; Buy

Investment Profile

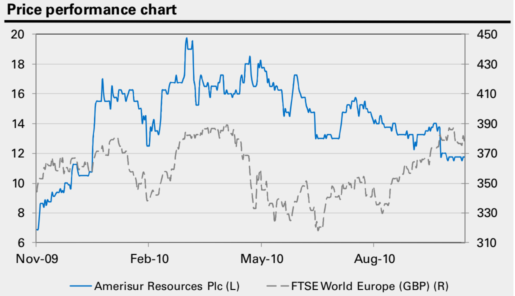


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	11.75
12 month price target (p)	19.9
Upside/(downside) (%)	69
Market cap (£ mn)	107.3
Enterprise value (£ mn)	105.9

	3/10	3/11E	3/12E	3/13E
EBIT (£ mn)	(1.8)	7.0	71.2	119.2
EPS (p)	0.06	0.27	4.13	6.55
P/E (X)	131.4	43.7	2.8	1.8
EV/DACF (X)	NM	36.2	2.2	0.4
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(5.8)	(16.3)	13.9	60.0
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(24.2)	(34.7)	70.9
Rel. to FTSE World Europe (GBP)	(29.2)	(36.5)	55.4

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

Amerisur's operations are based in South America with a focus on Colombia and Paraguay. In Colombia, the company owns a 100% stake in the Platanillo and Fenix blocks; Platanillo is already producing and Fenix is in the appraisal/development stage. Paraguay represents longer term, high-impact exploration potential. We believe Amerisur's discoveries and production in Colombia provide strong support for the share price: despite applying a relatively conservative likelihood of success to the Iguasa and Isabel assets of c. 35% as a result of the early stage of development and initial problems with well tests, we estimate that 80% of the share price is backed up by the company's core assets. Additional upside could be realised in the event of a better understanding of and additional drilling in the Fenix block where the potential upside is significant. Although we do not expect wells to be drilled in Paraguay until 4Q11 at the earliest, we note that the acreage could be transformational if currently estimated lead sizes hold up to further analysis. As the catalyst approaches, the 50% discount we apply to drilling taking place in the medium term could begin to unwind. Just the removal of this discount would, on our estimates, result in a c.20% uplift to our valuation. As a result of the attractive combination of core value and potentially transformational upside that we believe is not currently being fully priced in by the market, we initiate coverage of Amerisur with a Buy recommendation and a 12-month price target of 19.9p.

Catalysts

We believe that continuing development in the Platanillo block and a better understanding of the geology in the Fenix block could provide short-term support to the share price. In the longer term, potentially transformational drilling is likely to be the main catalyst.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We give value for the potential drilling of one lead in Paraguay (risked at a 5% likelihood of success and with a 50% discount applied due to the long-dated nature of the catalyst). We also give some value for additional drilling potential in the Fenix block.

Key risks

A failure to unlock the geology in the Fenix block or a failure of the company's assets in Paraguay to progress to a drill-ready stage are the biggest risks in our view.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 141: Company metrics vs. sector average

	Amerisur	Average	% difference to average
Potential upside from short term exploration	11%	133%	-122%
Potential upside from medium term exploration	475%	304%	172%
% value supported by core value	163%	103%	59%
Oil price leverage	14%	13%	1%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	13%	12%	1%
Technical risk	0.12	0.27	-15%
Political risk	0.61	0.54	6%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 142: Value breakdown

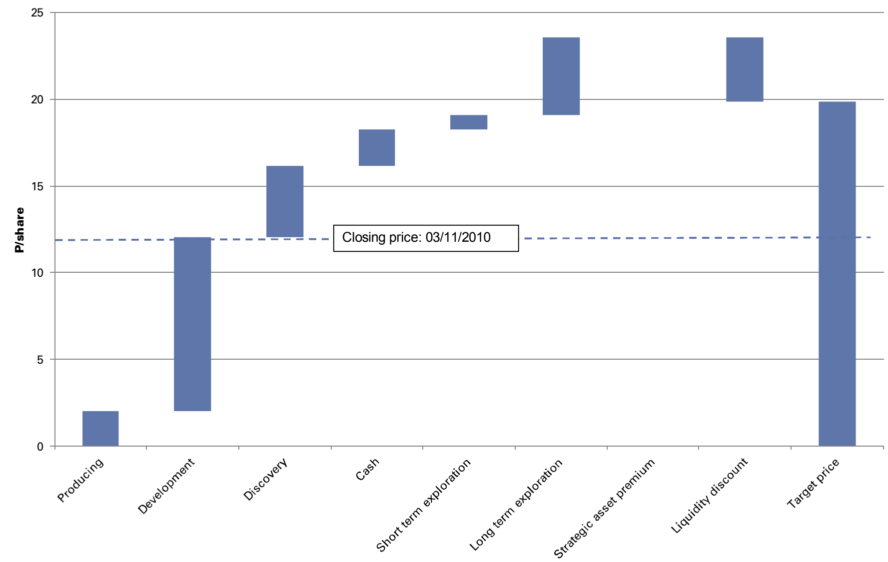


Exhibit 143: Top five shareholders

Holder	% held
Williams de Broe	17.63
Rex Harbour and Associates	8.23
AXA Framlington Investment Management	6.54
Michinoko Ltd	6.04
Northern Trust Global Investments	5.74
Other	55.82

Exhibit 144: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 145: Asset summary

Amerisur									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Colombia	oil		Producing	2.0	100%	2.0	16.2	32	2
Colombia	oil		Development	30.0	70%	21.0	7.6	160	10
Colombia	oil		Discovery	36.0	35%	12.6	5.3	66	4
Colombia	oil		Exploration - short term	10.0	25%	2.5	5.3	13	1
Colombia	oil		Exploration - medium term	115.0	15%	17.3	2.3	40	3
Paraguay	oil		Exploration - medium term	290.0	5%	14.5	2.2	32	2
Cash (net of assumed exploration drilling costs and transactions) and other assets								22.5	1
Cash from options / warrants / assumed equity raises								10.6	1
Sub-total								377.1	23.6
Strategic asset premium								0.0	0
Liquidity discount								-59.4	-4
TOTAL								**318**	**19.85**
# shares (current)	**913.274**		# shares (inc. assumed equity issuances, options and warrants)			**994.284**			

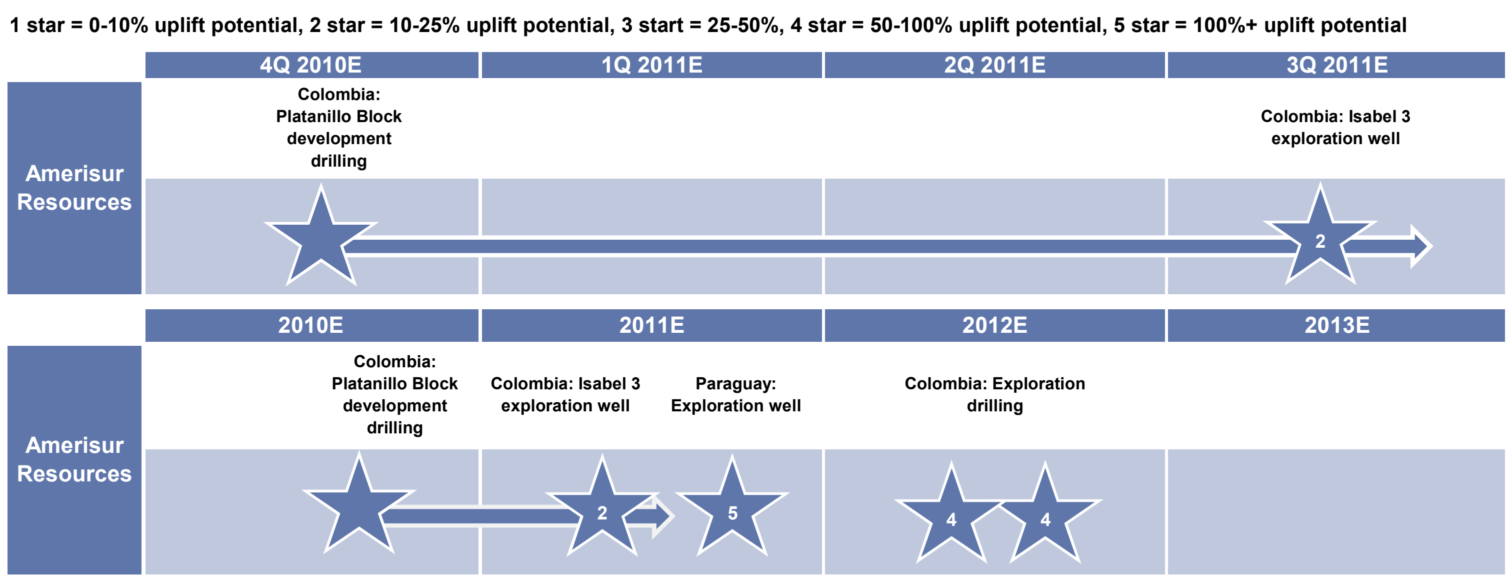
Source: Company data, Goldman Sachs Research estimates.

Exhibit 146: Management biographies

Name	Position	Background
Giles Clarke	Chairman	Chairman of England and Wales Cricket Board and Chairman of several private organisations. Founded companies including Majestic Wine in 1981 and Pet City in 1990 (subsequently sold in 1996 for US$150 mn).
John Wardle	Executive Director - Chief Executive Officer	Previously worked with BP and other oil exploration companies as a drilling engineer. Worked for BP Exploration Colombia and was General Manager for Emerald Energy in Colombia. Holds a BSc in Mining Engineering from the University of Nottingham and PhD in Rock Mechanics and Geophysics from the University of Wales.
Victor Valdovinos	Regional Director - South America	Former legal advisor to the United Nations Development Programme and Minister of the Environment for the Government of Paraguay. Holds a Master's degree in Energy and Environmental Law from Tulane University School of Law.
Nick Harrison	Finance Director	Qualified with Arthur Andersen. Worked at Deloitte, Midland Bank (International) and Coopers & Lybrand. Was Finance Director of Pet City among other private companies.
Douglas Ellenor	Non-Executive Director - Technical	Over 37 years' experience in the E&P industry, including 25 years with the Royal Dutch Shell Group in Australasia, Europe, and North and South America. CEO of the Colombian E&P company Hocol SA and CEO of Orca Petroleum Inc.

Source: Company data.

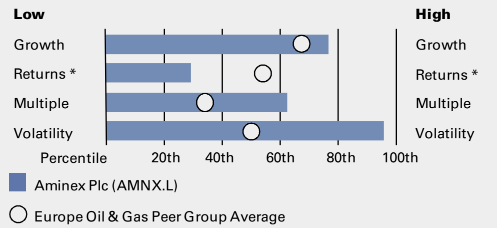
Exhibit 147: Catalyst timeline



Source: Company data, Goldman Sachs Research estimates.

Aminex (AMNX.L): Inexpensive exposure to positive themes; initiate as Buy

Investment Profile

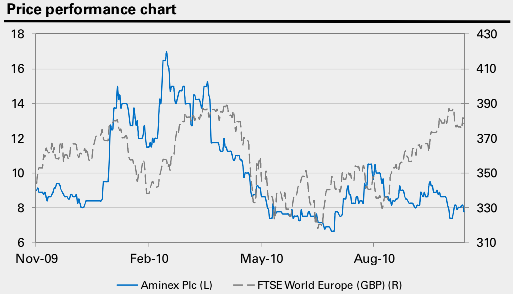


* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	7.75
12 month price target (p)	15.7
Upside/(downside) (%)	103
Market cap (£ mn)	33.3
Enterprise value ($ mn)	50.5

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(2.8)	(5.6)	7.7	9.2
EPS ($)	(0.01)	(0.01)	0.01	0.02
P/E (X)	NM	NM	8.9	7.0
EV/DACF (X)	87.5	NM	7.2	5.6
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(22.5)	(18.9)	(24.4)	4.1
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(10.2)	(22.5)	(13.9)
Rel. to FTSE World Europe (GBP)	(16.1)	(24.6)	(21.7)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We initiate coverage of Aminex with a Buy rating and a 12-month price target of 16p. In our view Aminex offers excellent value exposure to a number of attractive themes. The company's share price is well supported by its core value in the US and Tanzania: on our estimates its core value alone offers 23% upside to the current share price. Combined with this, however, is a varied exploration programme which offers the potential for re-rating of the stock. Of particular interest, in our view, is the Ruvuma licence onshore Tanzania. The Likonde-1 well drilled earlier in 2010 was not a discovery but encountered both thick reservoir and the presence of crude oil – highlighting the potential for future drilling. We believe that a further well could be drilled on the block towards the end of 2011 – arguably too far away to be given substantial value by the market but an attractive catalyst that should help drive share price performance as drilling approaches. In the event of success at the prospect, we would expect an uplift of c. 200% to our target price, with the potential for follow-on drilling. The company's assets in Nyuni, also in Tanzania, offer further potential upside for the stock. A discovery has already been made on the block and we believe there is further potential in the area – potentially providing shorter term drilling catalysts; progress in being able to monetize this asset would also have a positive impact on the stock in our view.

Catalyst

We believe that the company's US assets provide solid support to the share price, which we expect to be driven by the approach of the next well in the Ruvuma licence and drilling in Nyuni. Progress in monetizing existing gas reserves in Nyuni would also be a positive for the stock.

Valuation

Our 12 month SOTP based price target is calculated using a US$85/bl oil price. We include value for the Ruvuma 2 well, with a 50% discount applied as we currently assume that it will be drilled in the last quarter of 2011, therefore falling outside the time horizon within which we give 100% of value.

Key risks

The main downside risks to our view and price target are failures in the exploration programme or a delay or cancellation of upcoming exploration catalysts. Weaker commodity prices would also be a drag on the share price.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 148: Company metrics vs. sector average

	Aminex Plc	Average	% difference to average
Potential upside from short term exploration	38%	133%	-95%
Potential upside from medium term exploration	272%	304%	-32%
% value supported by core value	123%	103%	19%
Oil price leverage	7%	13%	-6%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	12%	12%	0%
Technical risk	0.00	0.27	-27%
Political risk	0.57	0.54	2%
% value in pre-sanction non-operated fields	67%	23%	44%

Exhibit 149: Value breakdown

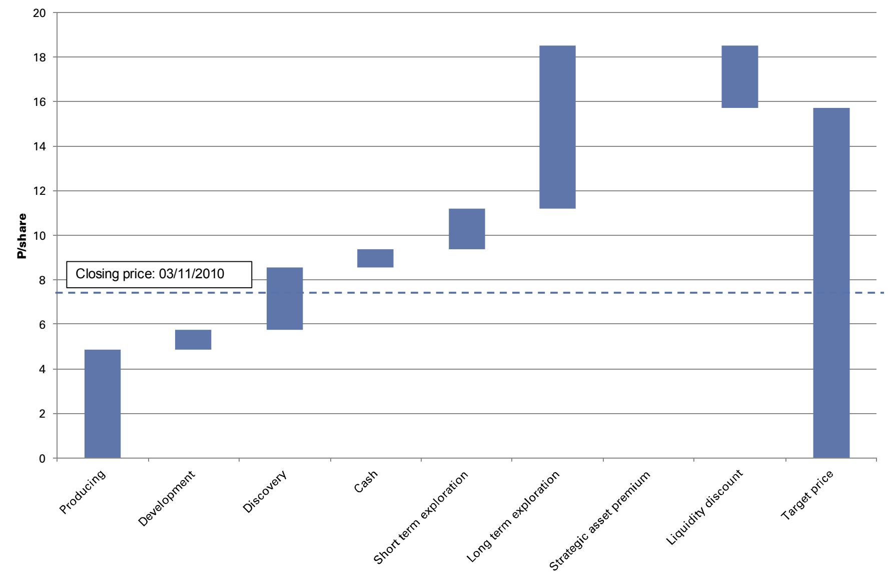


Exhibit 150: Top five shareholders

Holder	% held
Aventus Capital Management	4.61
JPMorgan Asset Management	2.97
Schroder Investments	1.96
Brian Hall	0.93
Capita Financial Management	0.79
Other	88.74

Exhibit 151: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 152: Asset summary

Aminex Plc

Country	Hydrocarbon	Type	Development status	Reserves	Chance of success	Risked reserves	US/bl	Value (USDm)	p/share
Tanzania	oil	onshore	Exploration - medium term	37.5	25%	9.4	4.37	41	5
Tanzania	gas		Discovery	13.9	50%	7.0	1.73	12	2
Tanzania	gas		Exploration - short term	32.5	20%	6.5	1.73	11	1
Tanzania	gas		Exploration - medium term	32.5	20%	6.5	0.86	6	1
Egypt	oil		Exploration - short term	2.8	30%	0.8	3.22	3	0
Egypt	oil		Exploration - medium term	2.8	30%	0.8	1.61	1	0
USA	oil		Producing	1.9	100%	1.9	18.78	35	5
USA	gas		Producing	0.4	100%	0.4	5.64	2	0
USA	gas		Development	2.8	90%	2.5	2.71	7	1
USA	oil		Discovery	1.1	60%	0.6	12.50	8	1
USA	gas		Discovery	0.6	60%	0.3	2.73	1	0
USA	oil		Exploration - medium term	2.1	50%	1.1	6.25	7	1
USA	gas		Exploration - medium term	1.1	50%	0.6	1.36	1	0
Cash (net of assumed exploration drilling costs and transactions) and other assets								1.2	0
Cash from options / warrants / assumed equity raises								5.0	1
Sub-total								140.2	18.5
Strategic asset premium								0.0	0
Liquidity discount								-21.2	-3
TOTAL								**119**	**15.73**
# shares (current)	**429.934**		# shares (inc. assumed equity issuances, options and warrants)			**470.013**			

Source: Company data, Goldman Sachs Research estimates.

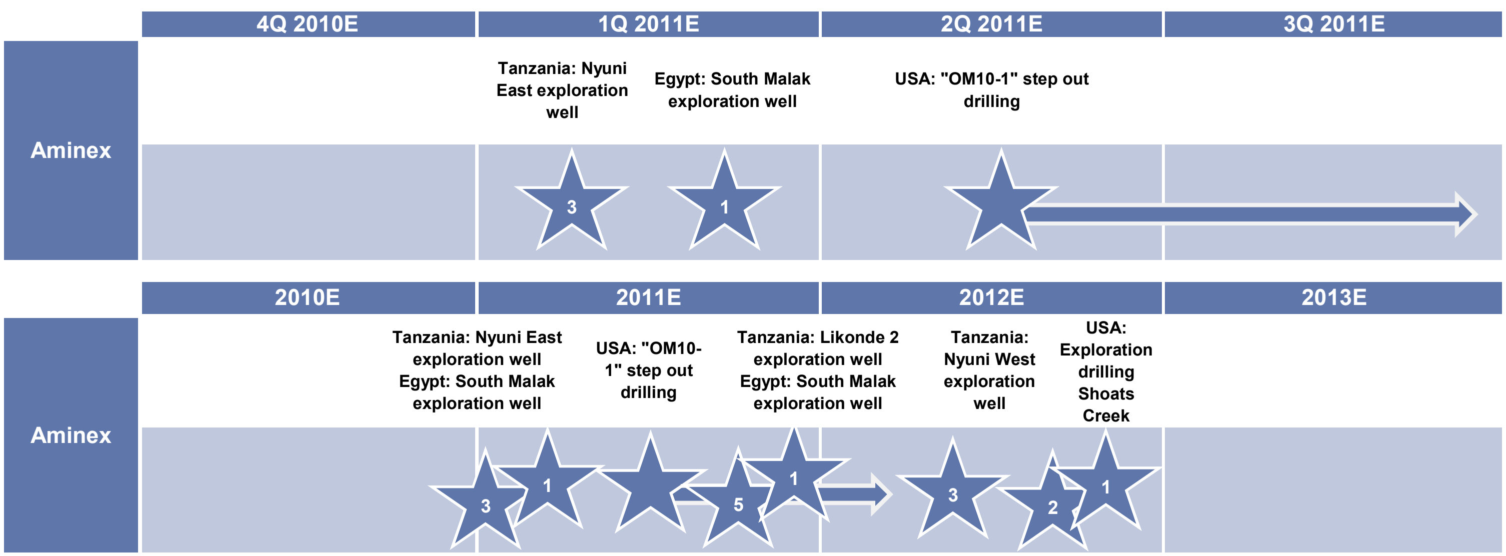
Exhibit 153: Management biographies

Name	Position	Background
Brian Hall	Executive Chairman	Director of Aminex and its predecessor, Eglinton Exploration, since 1987. Began his career with Hamilton Brothers (now part of BHP Billiton) and helped develop the UK North Sea's first oilfield. Also founded Halyard Offshore Ltd, which has since become part of the Aminex Group.
Didier Murcia	Chief Operating Officer	Founder and formerly Managing Director of Tanzoil NL, acquired by Aminex in March 2002. Honorary Consul for the United Republic of Tanzania in Australia and Director of Gindalbie Gold NL, listed on the Australian Stock Exchange.
Michael Pereira-Rego	Group Exploration Director	Joined Aminex in 1998 as Resident Manager in Tatarstan. Previously worked for BP and Lasmo and lived and worked in Russia, Libya, Egypt, the USA and the United Kingdom. Petroleum geologist by training.
Antonio Prado	Executive Director & President of Aminex USA, Inc.	Former Vice President, Finance at City Exploration Company in Houston, USA. Spent 9 years managing its Latin American operations including oil production in Ecuador. Holds an MBA from the University of Arizona.

Source: Company data.

Exhibit 154: Catalyst timeline

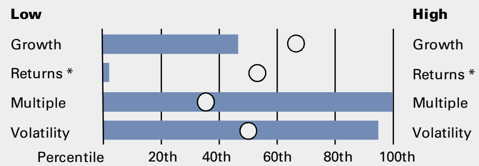
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Aurelian (AUL.L): Central European core value with compelling potential upside; Buy

Investment Profile



Aurelian Oil & Gas Plc (AUL.L)

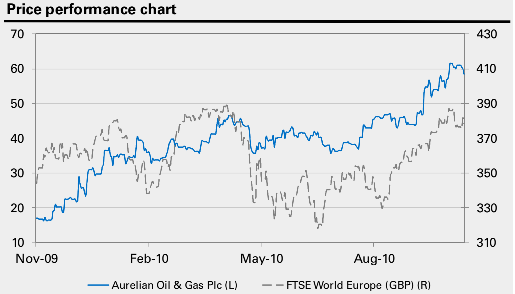
Europe Oil & Gas Peer Group Average

* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	58.5
12 month price target (p)	93
Upside/(downside) (%)	59
Market cap (£ mn)	198.7
Enterprise value (€ mn)	215.8

	12/09	12/10E	12/11E	12/12E
EBIT (€ mn)	0.0	0.0	1.1	1.7
EPS (€)	0.00	0.00	0.00	0.00
P/E (X)	NM	889.7	479.9	NM
EV/DACF (X)	38.9	272.1	233.2	179.2
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(13.4)	(16.9)	(15.3)	(0.9)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	61.7	47.9	254.4
Rel. to FTSE World Europe (GBP)	51.2	43.8	222.2

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We initiate coverage of Aurelian with a Buy recommendation and a 12-month price target of 93p. The company's operations are focused in central Europe, with Poland and Romania the key sources of value, in our view. Aurelian offers exposure to a number of attractive investment themes in our view, with strong core value supporting the share price (c.92% support to the current price on our estimates), and a high level of potential uplift from short-term exploration at the Bieszczady and Svidnik assets (over 100% potential uplift to our valuation in the event of de-risking). In addition, the company's Karpaty East asset in Poland is of potentially great interest given large possible volumes of oil in an attractive fiscal regime. While we do not expect drilling on the asset to take place before end-2011, we believe that the potential prize is large, with an uplift of over 450% to our valuation in the event of total de-risking. We see this catalyst as material enough to include medium term value for it and believe that this should be supportive for the company's shares as it moves into an investible time horizon. As a result of these positives, we initiate coverage of Aurelian with a Buy recommendation and a 12-month price target of 93p.

Catalysts

We believe the main catalysts for the stock will be exploration-led, with wells at the company's Bieszczady and Svidnik assets the biggest potential short-term catalysts. In the longer term we see Karpaty East as being a material catalyst.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We give value for the company's Karpaty East prospect that we expect to be drilled in late 2011, but apply a 50% discount as it takes place beyond 3Q 2011.

Key risks

Cost overruns or delays on the company's development programme or a worse than expected exploration programme are the key risks in the short term. A delay or failure to drill the Karpaty asset would also be a negative.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 155: Company metrics vs. sector average

	Aurelian	Average	% difference to average
Potential upside from short term exploration	141%	133%	8%
Potential upside from medium term exploration	478%	304%	174%
% value supported by core value	92%	103%	-12%
Oil price leverage	14%	13%	1%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	11%	12%	-1%
Technical risk	0.35	0.27	8%
Political risk	0.44	0.54	-10%
% value in pre-sanction non-operated fields	15%	23%	-8%

Exhibit 156: Value breakdown

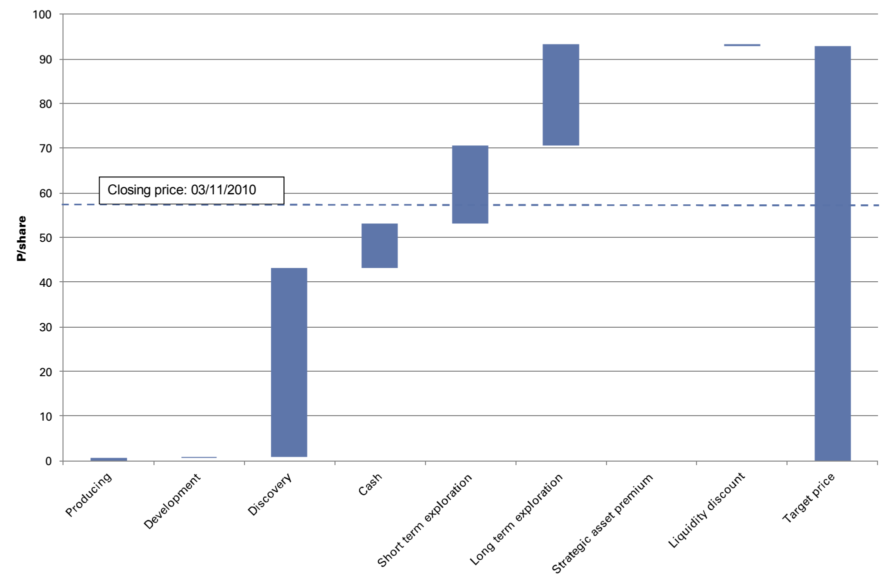


Exhibit 157: Top five shareholders

Holder	% held
Lord Sainsbury of Preston Candover	12.96
Kulczyk Investments SA	10.1
Palo Alto Investors	6.11
Credit Suisse	5.15
Fidelity International Ltd	5.06
Other	60.62

Exhibit 158: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 159: Asset summary

Aurelian									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Poland	gas	tight	Discovery	57.6	70%	40.3	5.5	222.4	39
Poland	oil		Exploration - short term	50.0	13%	6.3	11.8	73.7	13
Poland	oil		Exploration - medium term	246.5	10%	24.1	5.3	128.1	23
Romania	gas		Producing	0.4	100%	0.4	10.8	4.3	1
Romania	gas		Discovery	9.3	57%	5.3	3.2	17.1	3
Romania	gas		Development	0.2	80%	0.1	6.9	0.9	0
Bulgaria	gas		Exploration - short term	1.0	30%	0.3	6.3	1.9	0
Slovak Republic	gas		Exploration - short term	68.0	10%	6.8	3.5	23.9	4
Cash (net of assumed exploration drilling costs and transactions) and other assets								48.8	9
Cash from options / warrants / assumed equity raises								7.6	1
Sub-total								528.7	**93**
Strategic asset premium								0.0	0
Liquidity discount								-2.2	0
TOTAL								**527**	**93**
# shares (current)	**339.695**		# shares (inc. assumed equity issuances, options and warrants)			**352.373**			

Source: Company data, Goldman Sachs Research estimates.

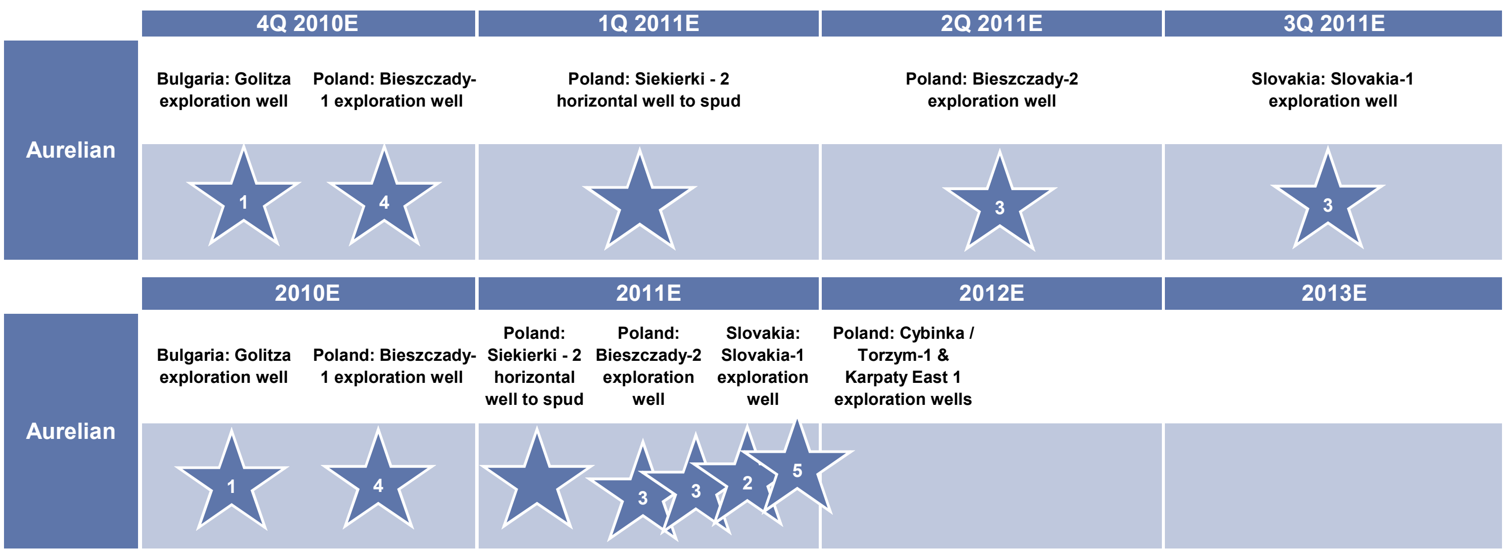
Exhibit 160: Management biographies

Name	Position	Background
John Conlin	Chairman	Petroleum engineer with over 34 years' experience in the oil and gas industry, including 28 years at Shell in senior management and operational roles. Additional experience through secondments to Maersk, Woodside, Sakhalin Energy and Exxon Mobil. Currently chairman of Nautical Petroleum and former director at Hardman Resources and Delphian Technology.
Rowen Bainbridge	Chief Executive Officer	Over 22 years' experience in energy and petrochemicals sectors, including key roles at Ferrexpo Petroleum and BHP. In 2009 founded Warrior Energy Resources LLP, a private equity backed vehicle focused on underperforming oil and gas assets in Eastern Europe and the FSU.
Mark Reid	Chief Financial Officer	Over 20 years' experience in investment banking and financial services. Former Head of Oil and Gas at BNP Paribas Fortis. Also held senior positions in the Oil and Gas team at National Australia Bank and in Ernst & Young's Corporate Finance division.
Roy Hartley	Operations Director	Chartered petroleum engineer with more than 30 years' experience in the oil industry, including 13 years with Shell in operations and research and development. Previously at Helix-RDS where he worked with Aurelian developing Romanian and Polish licences.

Source: Company data.

Exhibit 161: Catalyst timeline

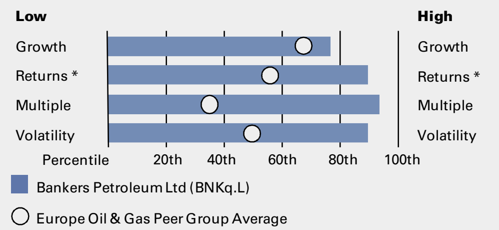
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Bankers Petroleum (BNKq.L): Reserves growth in Albania & potential M&A; Buy

Investment Profile

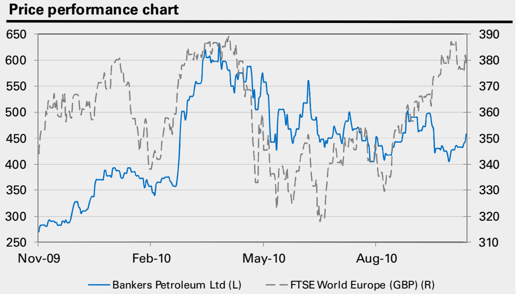


* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	457.5
12 month price target (p)	671
Upside/(downside) (%)	47
Market cap (£ mn)	1,116.8
Enterprise value ($ mn)	1,737.1

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	7.9	69.9	201.1	408.8
EPS ($)	0.00	0.19	0.46	0.16
P/E (X)	NM	39.1	15.8	47.0
EV/DACF (X)	19.0	36.2	13.3	23.4
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(5.3)	(4.1)	0.5	(2.6)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(2.7)	(22.1)	69.4
Rel. to FTSE World Europe (GBP)	(9.0)	(24.3)	54.0

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

The value in Bankers is driven by its stakes in the Patos-Marinza and Kucova oil fields in Albania. In place volumes for the fields are substantial: Patos Marinza holds c.5.7 bnbls of original oil in place and the Kucova field almost 300 mnbls of original oil in place. We believe that further development has the potential to increase assumed recovery factors and drive 2P reserves up from current levels; the company has 838 mnbls of contingent and an additional 384 mnbls of prospective resources in the area, and we believe that additional drilling and success of the thermal pilot programme could see some of these moved into the 2P category. We believe that given this potential to increase reserves, the valuation is undemanding, with 2P reserves and cash supporting c. 80% of the current share price assuming a US$85/bl long term oil price. De-risking the contingent reserves (to which we currently apply a 50% discount) would result in an uplift of c.45% to our target price. We also view the asset as attractive from an M&A perspective. Over the last two years, we have seen a number of asset transactions attempted by Chinese NOCs. These have typically focused on large, oily assets (e.g., AOSC's Canadian oil sands assets, Block 32 in Angola, Peregrino in Brazil and Tanganyika in Syria to name but a few), similar to those held by Bankers. Our analysis suggests that these deals have typically been done assuming the forward curve oil price and an 8% cost of capital. Applying similar metrics to Bankers' assets would imply an uplift to our valuation of c.30%. As a result of the M&A potential, the potential for reserves growth and the undemanding valuation, we initiate coverage of Bankers Petroleum as a Buy with a 12 month price target of 671p.

Catalyst

We expect increasing reserves and production at the company's Albanian assets to be the main drivers of growth in the short term. In the medium term we believe the company screens attractively as a potential M&A target for a national oil company.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We include value for contingent resources, at a 50% likelihood of success. We risk prospective resources assuming a 10% likelihood of success. Some 20% of our target price is based on a valuation using a discount rate of 8% to reflect the strategic nature of the assets.

Key risks

Risks to our view and price target are disappointing production numbers, worse than expected conversion of contingent resource to 2P reserves, or a significant drop in the oil price. A failure of the thermal programme and a resulting failure to convert contingent resource to 2P would also be a risk

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 162: Company metrics vs. sector average

	Bankers Petroleum	Average	% difference to average
Potential upside from short term exploration	30%	133%	-103%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	144%	103%	41%
Oil price leverage	15%	13%	2%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	12%	12%	0%
Technical risk	0.25	0.27	-2%
Political risk	0.56	0.54	2%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 163: Value breakdown

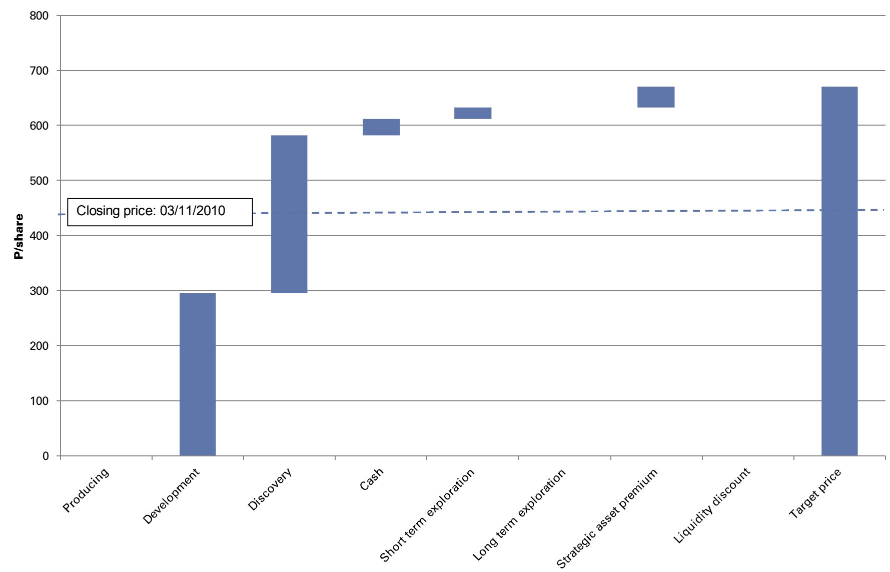


Exhibit 164: Top five shareholders

Holder	% held
Goodman & Co, Investment Counsel	9.79
BlackRock Investment Management	7.79
Sprott Asset Management	7.78
Carmignac Gestion	2.71
RBC Asset Management	2.27
Other	69.66

Exhibit 165: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 166: Asset summary

Bankers Petroleum

Country	Hydrocarbon	Type	Development status	Reserves	Chance of success	Risked reserves	US/bl	Value (USDm)	p/share
Albania	oil		Development	214.0	100%	214.0	5.8	1249	294.8
Albania	oil		Discovery	838.0	50%	419.0	2.9	1212	286.3
Albania	oil		Prospective	384.0	10%	38.4	2.3	89	20.9
Cash (net of assumed exploration drilling costs and transactions) and other assets								128.7	30.4
Cash from options / warrants / assumed equity raises								0.7	0.2
Sub-total								2678.9	**632.60**
Strategic asset premium								161.8	38.2
Liquidity discount								0.0	0.0
TOTAL								**2841**	**670.80**
# shares (current)	**244.105**		# shares (inc. assumed equity issuances, options and warrants)			**263.075**			

Source: Company data, Goldman Sachs Research estimates.

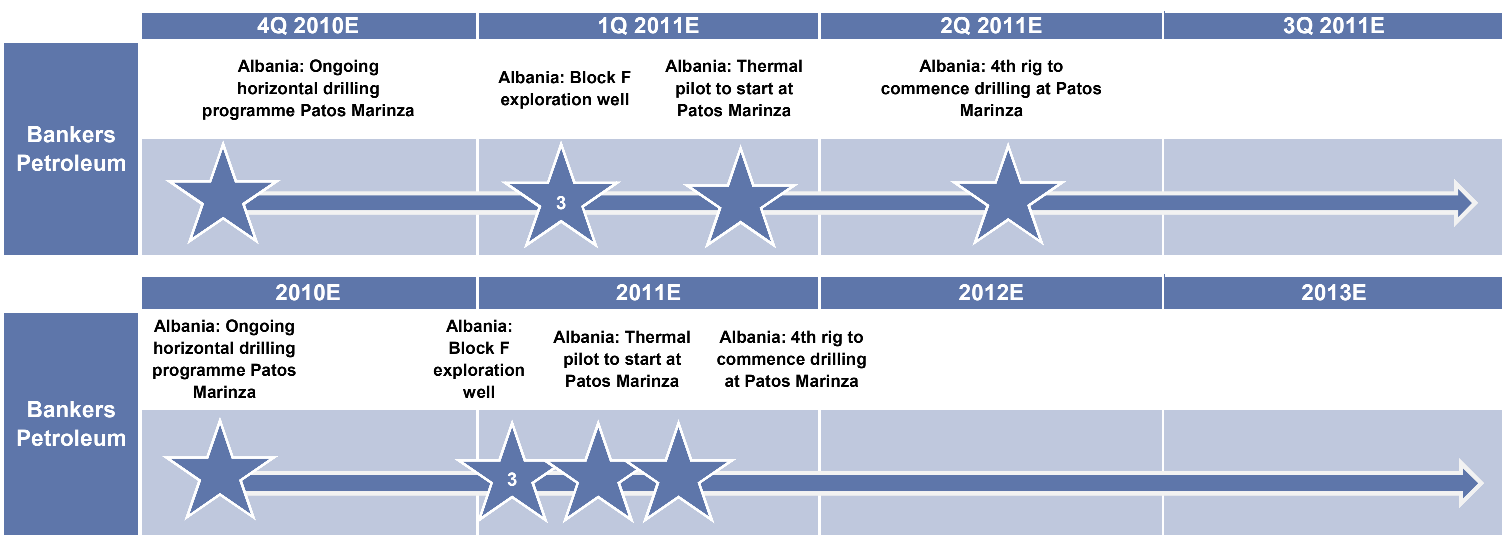
Exhibit 167: Management biographies

Name	Position	Background
Robert Cross	Chairman	More than 20 years' experience as a financier in the mining and oil and gas sectors. Co-Founder and Non-Executive Chairman of Bankers Petroleum, Non-Executive Chairman of B2Gold Corp, and former Non-Executive Chairman of Northern Orion Resources.
Abdel Badwi	President & Chief Executive Officer	Geologist with more than 35 years' experience with oil and gas fields in North America, South America, Europe, Asia and the Middle East. Former President and CEO of Rally Energy Corp, an oil and gas company with operations in Egypt, Pakistan and Canada.
Douglas Urch	Executive Vice President, Finance & Chief Financial Officer	Former Vice President, Finance and Chief Financial Officer of Rally Energy Corp. Over 30 years' oil and gas industry experience, including financial management services for Mohave Exploration, Sunshine Oilsands, Barrington Petroleum, TriGas Exploration and Ryerson Oil and Gas.
Ian McMurtrie	Executive Vice President, Exploration & Development	Former Vice President, Exploration of Rally Energy Corp. Currently President of Cawdor Investments Ltd, which manages oil and gas royalties and provides technical oil and gas consulting services. Began his exploration career with Texaco Exploration Canada Ltd and worked with companies such as Czar Resources Ltd and United Rayore Gas Ltd.
Suneel Gupta	Vice President, Production & Operations	Over 16 years' oil and gas experience including work on the Patos Marinza field with Bankers and Anglo-Albanian Petroleum. Holds an MSc in Chemical and Petroleum Engineering from the University of Calgary.

Source: Company data.

Exhibit 168: Catalyst timeline

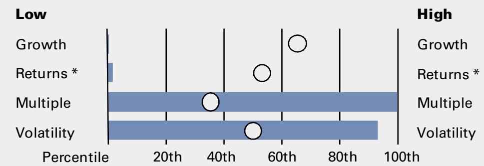
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Borders and Southern (BSTH.L): Binary but inexpensive stock; initiate as Buy

Investment Profile



Borders and Southern (BSTH.L)

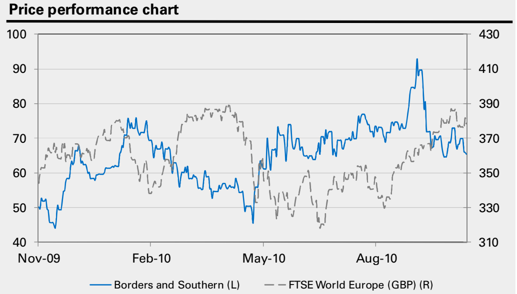
Europe Oil & Gas Peer Group Average

* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	65.5
12 month price target (p)	104
Upside/(downside) (%)	59
Market cap (£ mn)	280.7
Enterprise value ($ mn)	245.0

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(1.2)	(1.2)	(1.2)	(1.2)
EPS ($)	0.02	0.00	0.00	0.00
P/E (X)	42.2	371.1	655.4	NM
EV/DACF (X)	17.9	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	1.1	0.3	(23.1)	(0.1)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(14.4)	29.7	30.3
Rel. to FTSE World Europe (GBP)	(20.0)	26.1	18.5

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We initiate coverage of Borders and Southern with a Buy rating and a 12-month price target of 104p, implying 59% potential upside. Borders and Southern is planning to drill two wells in the South Falkland Basin in early 2011 (at Darwin and Stebbing and subject to rig availability) – high-risk, high-impact exploration that has the potential to transform the stock. In the event of the two prospects being totally de-risked, we believe that the stock could re-rate upwards to the tune of over 1500%. Failure, however, would result in significant downside in our view (potentially as much as 85%) unless there was sufficient encouragement for follow-on wells. Given the high and binary risk inherent within the stock, we apply a more conservative risking to the asset than might otherwise be the case and apply a 6% likelihood of success. Given the upside we see, despite this conservative risking, we believe that the stock offers inexpensive risk and add the stock to our Buy List. We see advantages in combining exposure to similar binary stocks to mitigate company-specific risk and therefore also include the stock as part of our High Binary Risk screen.

Catalyst

The key drivers of growth will be the wells at Darwin and Stebbing with success or failure the key determinant of share price performance over the next 6-9 months. We believe that securing drilling slots will also likely be a positive driver for the stock.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We include value for Borders and Southern's first two wells only. We assume a 12% discount rate for the Falklands – higher than the normal 10% we use for OECD countries – to reflect the higher political risk that we assume in the Falklands.

Key risks

The main downside risk to our view and price target is failure in the company's wells in 2011, which we would regard as a severe negative for the stock. A deterioration of political relations between the UK/Falklands and Argentina that impacts exploration activities would also be a negative. Delays in securing rig slots for drilling are also a risk in the shorter term. In the event of success we would not expect the market to focus initially on the technical challenges of developing the deepwater, harsh condition assets but note that this will be a consideration should Borders and Southern attempt to farm out a discovery or retain a stake in the ultimate development.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 169: Company metrics vs. sector average

	Borders and Southern	Average	% difference to average
Potential upside from short term exploration	1347%	133%	1214%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	22%	103%	-81%
Oil price leverage	15%	13%	3%
% value in water depths over 1000m	100%	13%	87%
Average WACC	12%	12%	0%
Technical risk	1.05	0.27	78%
Political risk	0.59	0.54	5%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 170: Value breakdown

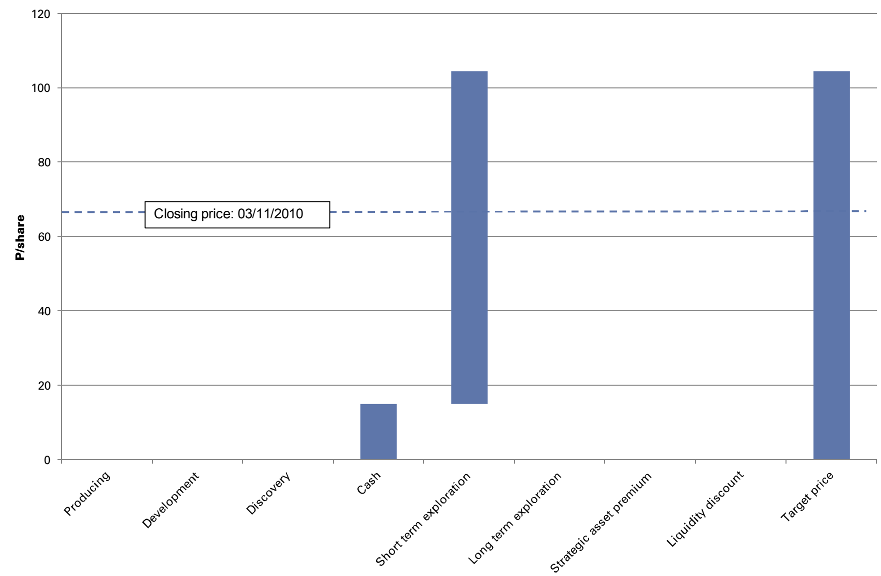


Exhibit 171: Top five shareholders

Holder	% held
Lansdowne Partners Ltd Partnership	15.86
RCM	10.52
Dit Deutscher Investment	9.15
BlackRock Investment Management	7.26
Stephen Posford	6.42
Other	50.79

Exhibit 172: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 173: Asset summary

Borders and Southern									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Falklands	oil		Exploration - short term	2040.0	6%	122.4	5.1	621	90
Cash (net of assumed exploration drilling costs and transactions) and other assets								101.3	15
Cash from options / warrants / assumed equity raises								1.9	0
Sub-total								724.4	104.5
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**724**	**104.46**
# shares (current)	**428.578**		# shares (inc. assumed equity issuances, options and warrants)			**430.828**			

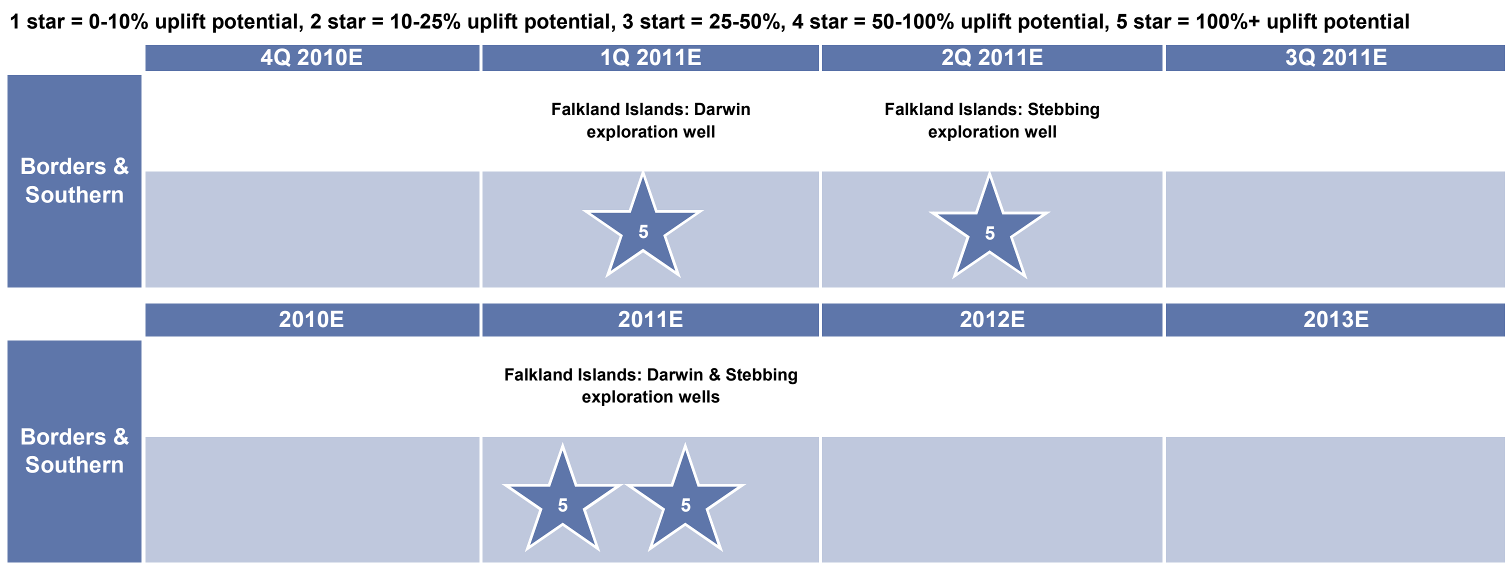
Source: Company data, Goldman Sachs Research estimates.

Exhibit 174: Management biographies

Name	Position	Background
David Harry Williamson Dobson	Non-Executive Chairman	Former investment banker. Senior partner of Yorkston Securities. Has been Chairman of American Pacific Mining Company Inc. and Lytton Minerals Ltd. Currently Chairman of Kirkland Lake Gold Inc and Rambler Metals and Mining plc.
Howard Obee	Chief Executive	Trained as exploration geologist and has a PhD in structural geology. 20 years' experience in the oil industry with BP and BHP as West Africa Asset Team Leader and Exploration Manager, London.
Peter Fleming	Finance Director	Over 15 years' upstream oil and gas experience, primarily at BHP. Previously at Bridge Oil and Banque Indosuez.
Bruce Farrer	Business Development Manager	Holds a BSc in Geology and a Master's in Stratigraphy and Basin Analysis. Trained as a petroleum geologist and spent 15 years with BHP. Worked on exploration and development projects across basins in Europe, North and West Africa and the Caribbean.

Source: Company data.

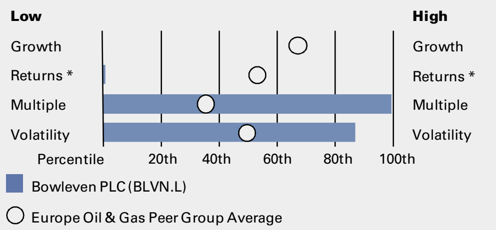
Exhibit 175: Catalyst timeline



Source: Company data, Goldman Sachs Research estimates.

Bowleven (BLVN.L): Discovered value supports high impact exploration potential; Buy

Investment Profile

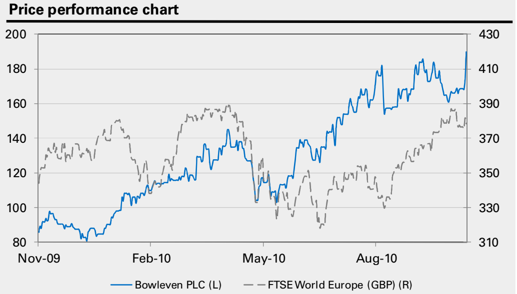


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	190
12 month price target (p)	284
Upside/(downside) (%)	49
Market cap (£ mn)	367.4
Enterprise value ($ mn)	481.2

	6/09	6/10E	6/11E	6/12E
EBIT ($ mn)	(60.3)	(9.8)	(9.8)	(9.8)
EPS ($)	(0.12)	(0.03)	(0.03)	(0.03)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(26.0)	(3.4)	(6.8)	(2.7)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	15.9	49.6	121.6
Rel. to FTSE World Europe (GBP)	8.3	45.5	101.4

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We view Bowleven's high-impact exploration opportunities, combined with its strong core value, as attractive, and initiate coverage with a Buy recommendation and 12-month price target of 284p; we also include the stock in our Balanced Explorers screen. The company's assets are primarily focused in Cameroon where the company has made a number of oil and gas-condensate discoveries and has some potentially significant exploration opportunities. We believe that the risked value of Bowleven's discoveries in block MLHP-7 (primarily IE and IF) more than support the share price, meaning that the exploration that comes with the company is not being paid for. We note that these discoveries are not without risk as further appraisal is required, and the revision of the Vitol option is likely to have highlighted this to the market. We therefore apply a 70% likelihood of success to these assets but assume that Vitol exercises its revised 10% option over MLHP-7 given the value upside we see in the block. The exploration programme offers a degree of diversity and the major near-term catalyst is the Sapele well in the MLHP-5 block. In the event of oil being found, we see over 100% re-rating potential. We expect wells in the Bomono permit and the Epaemeno permit to follow in 2011 which together could add c.60% to our valuation. Overall we view the concentration of value in a single region and the relatively diverse exploration programme with no value attached to it in the shares as attractive, and believe that the market is applying too high a risking to the company's discovered resource.

Catalyst

The Sapele well is the major short-term catalyst, with the potential to more than double the stock. Further appraisal on MLHP-7 and exploration in 2011 will also act as catalysts in our view.

Valuation

Our 12 month SOTP based price target is calculated using a long run oil price of US$85/bl. Discoveries and exploration assets are valued using a risked NPV/bl approach.

Key risks

The key downside risks to our view and price target are failures in the company's exploration and appraisal programmes.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 176: Company metrics vs. sector average

	Bowleven	Average	% difference to average
Potential upside from short term exploration	176%	133%	43%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	117%	103%	14%
Oil price leverage	10%	13%	-3%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	13%	12%	1%
Technical risk	0.00	0.27	-27%
Political risk	0.80	0.54	26%
% value in pre-sanction non-operated fields	5%	23%	-18%

Exhibit 177: Value breakdown

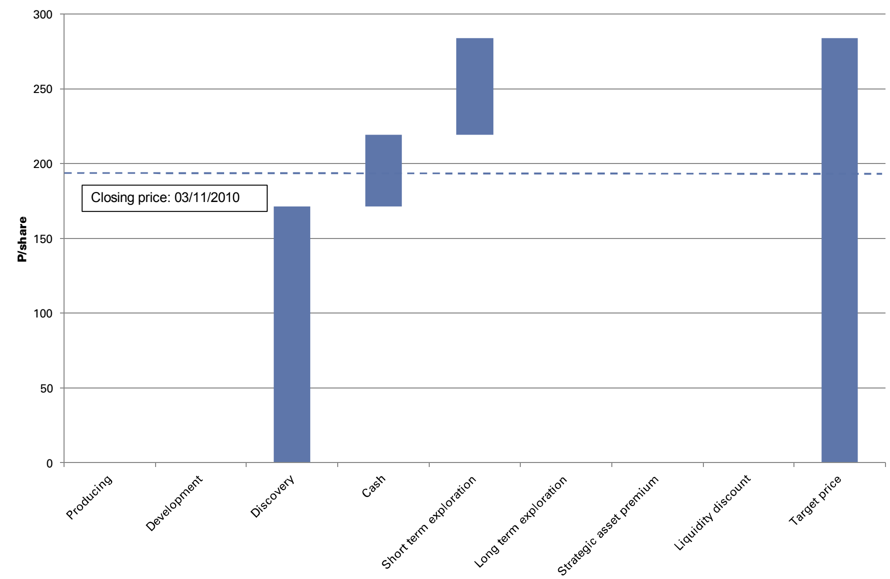


Exhibit 178: Top five shareholders

Holder	% held
BlackRock Investment Management	14.31
JPMorgan Asset Management	12.01
F&C Asset Management	9.24
Aegon Asset Management	6.57
BNY Mellon Fund Management	5.28
Other	52.59

Exhibit 179: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 180: Asset summary

Bowleven									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Cameroon	condensate		Discovery	32.3	75%	24.1	10.3	249	79
Cameroon	gas		Exploration - short term	107.6	12%	12.5	1.7	21	7
Cameroon	oil		Discovery	42.6	75%	32.0	9.1	293	93
Cameroon	oil		Exploration - short term	193.9	9%	17.7	8.1	143	45
Gabon	oil		Exploration - short term	27.0	25%	6.8	6.2	42	13
Cash (net of assumed exploration drilling costs and transactions) and other assets								149.0	47
Cash from options / warrants / assumed equity raises								1.5	0
Sub-total								897.8	284.3
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**898**	**284.27**
# shares (current)	**193.380**		# shares (inc. assumed equity issuances, options and warrants)			**196.190**			

Source: Company data, Goldman Sachs Research estimates.

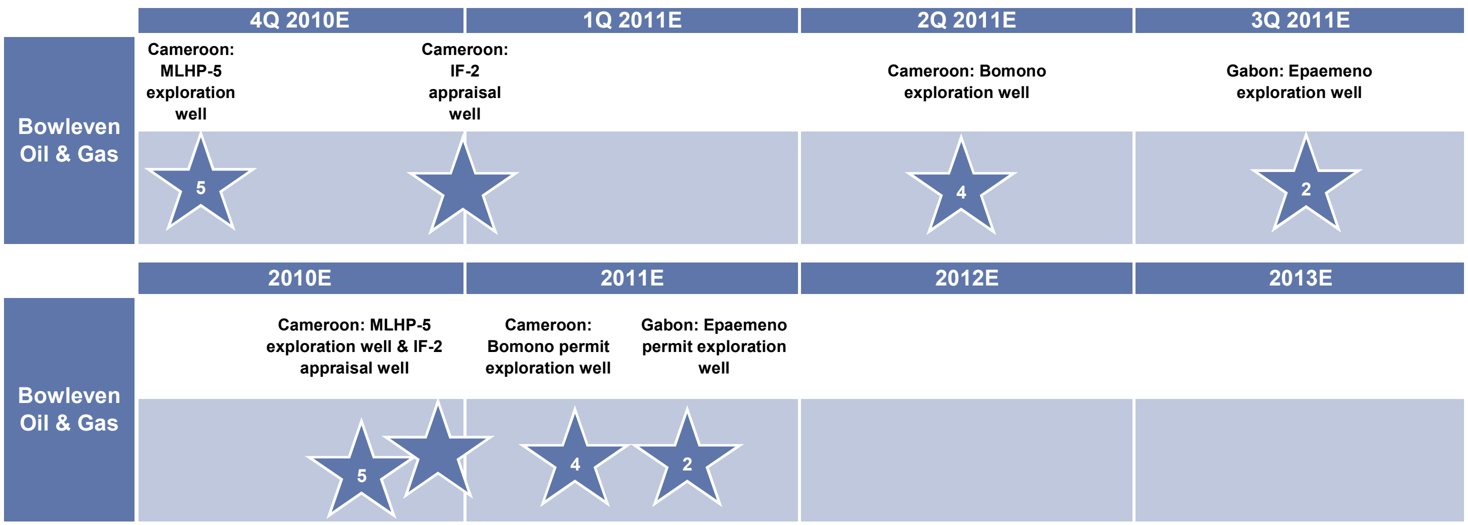
Exhibit 181: Management biographies

Name	Position	Background
Ronnie Hanna	Non-Executive Chairman	Former Chief Executive of house builders and property developers Bett Brothers plc. Currently Chairman of Glasgow Income Trust, where he holds a non-executive role.
Kevin Hart	Chief Executive Officer	Previously Finance Director at Cairn Energy for over 8 years. Prior to this, Senior Associate Director with Deutsche Morgan Grenfell Group, specialising in oil and gas M&A. Also Non-Executive Director of Glasgow Income Trust.
John Morrow	Chief Operating Officer	Spent 10 years at BG Group as Project Director (Middle East), where he developed its LNG project in Iran. Also responsible for BG's effort in the Mediterranean Basin and its African assets. Worked with Shell for 15 years prior to this in the UK, Malaysia and the Netherlands.
Chief Tabetando	Chairman of EurOil	Cameroonian citizen who is Senior Attorney-at-Law and head of a law firm in Cameroon since 1975. Holds an LLM from the University of London. Founder and Chairman of EurOil Ltd.
John Brown	Finance Director	Previously the Group Finance Director for Thistle Mining Inc, a Canadian gold mining company. Also former Director of British Linen Advisers and Finance Director for Paladin Resources.
Ed Willett	Exploration Director	24 years' experience in the oil & gas exploration business. Previously at Cairn Energy in senior positions including Head of Exploration for Nepal and Bangladesh. Holds a degree in Geology from Cardiff University.

Source: Company data.

Exhibit 182: Catalyst timeline

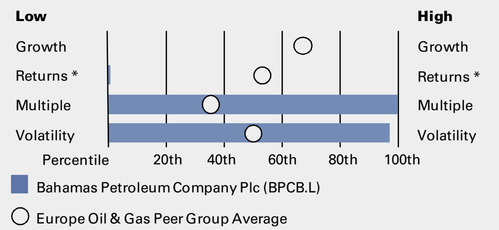
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

BPC (BPCB.L): Attractive medium-term potential; initiating coverage as a Buy

Investment Profile

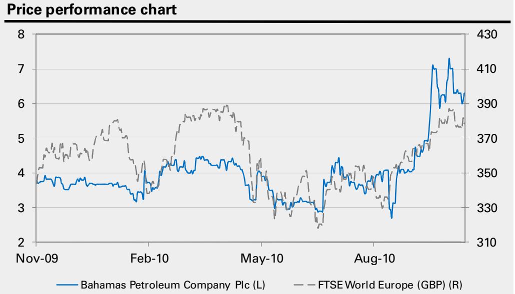


* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	6.3
12 month price target (p)	16.4
Upside/(downside) (%)	160
Market cap (£ mn)	61.7
Enterprise value ($ mn)	90.8

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(1.0)	(0.9)	(0.9)	(0.9)
EPS ($)	0.00	0.00	0.00	0.00
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(8.2)	(4.7)	(4.7)	(0.6)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	78.5	72.6	66.9
Rel. to FTSE World Europe (GBP)	66.8	67.8	51.7

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We believe that the need to wait for drilling on Bahamas Petroleum Company's assets has resulted in their undervaluation by the market, and, of the stocks in our Medium Term Explorers screen, it has the most potential upside. We therefore initiate coverage of BPC with a Buy recommendation and a 12 month price target of 16.4p. BPC owns exploration acreage in the Bahamas with 100% of five licences (which we expect the company to farm out a stake of) and an application in conjunction with Statoil for a further three blocks in the west awaiting approval. Early indications suggest potentially transformational prospects within the area. A CPR from Moyes & Co has (based on relatively limited data) stated that there are a number of leads capable of holding in excess of 500 mnbls, and work done by Tenneco in the area in the 1980s suggested 3.9 bnbls of recoverable resources over seven identified leads in the acreage. BPC estimates of potential lead sizes are in some cases substantially higher than this, with the early estimates of the C1 lead potentially holding P50 resource of c.4.4 bnbls. Five wells have been drilled to date in the Bahamas encountering oil shows, reservoirs and seals. Despite this, and despite the acreage being close to onshore oil provinces in Cuba and Florida, we give a conservative 6% likelihood of success to the acreage, due to the early stage of the exploration programme. We also apply a 50% discount for medium-term drilling, but still see 160% upside, and believe that with more news flow on the acreage and the approaching of drilling activity, the stock will re-rate vs. peers. Based on our potentially conservative assumptions of 2.5 bnbls of prospective resources, success would result in an uplift of c.3100% to our price target. A removal of the medium-term drilling discount we apply would almost double our valuation.

Catalyst

Success at a prospect will be the biggest catalyst to re-rate the stock but we do not expect drilling to take place in the short term. We believe, however, that other milestones on the way to drilling could also be positive, including further indications of prospect sizes, farm-outs in the current acreage that BPC owns and, ultimately, the booking of rig contracts.

Valuation

Our 12-month SOTP-based price target is calculated using a US$85/bl oil price. We currently give value for 2.5 bnbls of prospective resources (substantially lower than the BPC P50 estimates for C1 and slightly bigger than the largest two leads identified by Tenneco) of which we assume BPC retains a 35% stake post an assumed farm-out, with a full carry on drilling. We apply a 50% discount to drilling taking place later than 12 months from now.

Key risks

Risks to our view and price target are disappointing CPRs, delays in or a failure to farm out acreage, a refusal of the application for the Western blocks and, ultimately, failure in the exploration programme.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 183: Company metrics vs. sector average

	BPC	Average	% difference to average
Potential upside from short term exploration	0%	133%	-133%
Potential upside from medium term exploration	3125%	304%	2821%
% value supported by core value	9%	103%	-94%
Oil price leverage	13%	13%	0%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	12%	12%	0%
Technical risk	0.00	0.27	-27%
Political risk	0.33	0.54	-21%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 184: Value breakdown

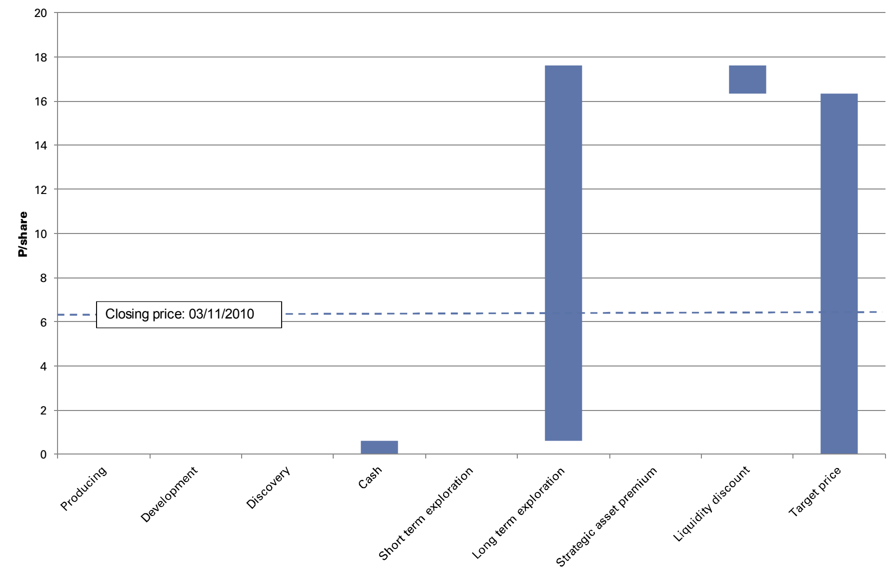


Exhibit 185: Top five shareholders

Holder	% held
RAB Capital	13.12
Alan Robert Burns	4.58
Rowan Dartington & Co.	4.32
Gartmore Group Ltd.	4.17
JM Finn & Co.	4.08
Other	69.73

Exhibit 186: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 187: Asset summary

BPC									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Bahamas	oil		Exploration - medium term	875.0	6%	52.5	5.1	270	17
Cash (net of assumed exploration drilling costs and transactions) and other assets								9.4	1
Cash from options / warrants / assumed equity raises								0.6	0
Sub-total								279.5	17.6
Strategic asset premium								0.0	0
Liquidity discount								-19.7	-1
TOTAL								**260**	**16.35**
# shares (current)	**979.483**		# shares (inc. assumed equity issuances, options and warrants)			**987.379**			
Farm out assumed									

Source: Company data, Goldman Sachs Research estimates.

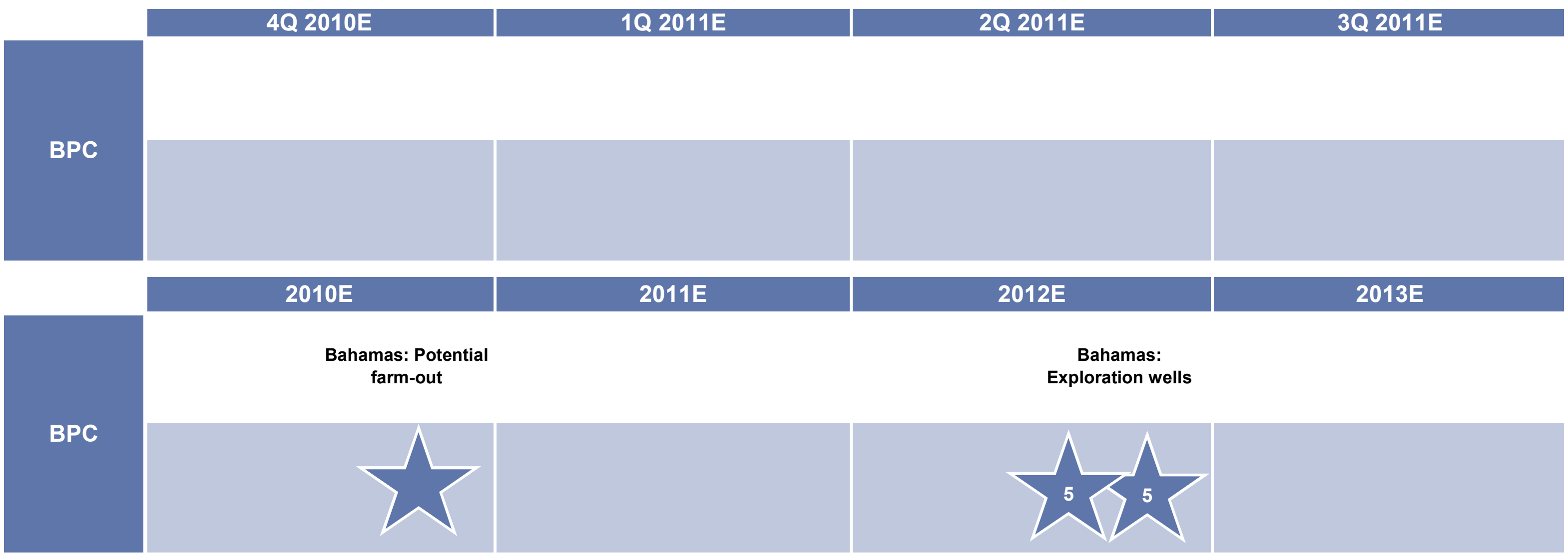
Exhibit 188: Management biographies

Name	Position	Background
Alan Robert Burns	Chairman & Chief Executive Officer	Over 35 years' experience in oil and mining industries. Founder and Chairman of Hardman Resources in Australia (later acquired by Tullow Oil). Founder of the BPC Group.
Paul Daniel Crevello	Chief Operating Officer	30 years' experience in US domestic and international exploration in over 40 countries. Previously with Marathon Oil Company. Founded Petrex Asia, with exploration interests in the Gulf of Mexico, Italy and North Africa. Received graduate degrees from the University of Miami and Colorado School of Mines.
Michael Joseph Proffitt	Non-Executive Finance Director	Fellow Chartered Accountant of England and Wales and former Chairman of Barclays Private Clients International.
Dursley Stott O.B.E.	Non-Executive Director	Currently an investment consultant with Ramsey Crookall and Co, members of the London Stock Exchange. Former Chairman of RL Stott & Co, Stockbrokers among other AIM and fully listed companies.

Source: Company data.

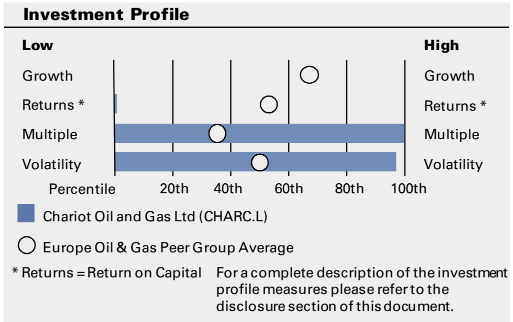
Exhibit 189: Catalyst timeline

1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

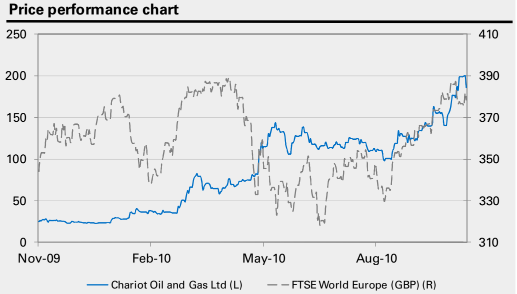
Chariot Oil & Gas (CHARC.L): Vast potential beginning to be priced in; Neutral



Key data	Current
Price (p)	186.5
12 month price target (p)	196
Upside/(downside) (%)	5
Market cap (£ mn)	263.3
Enterprise value ($ mn)	413.2

	2/10	2/11E	2/12E	2/13E
EBIT ($ mn)	(3.2)	(3.2)	(3.2)	(3.2)
EPS ($)	(0.02)	(0.02)	(0.01)	(0.01)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(51.1)	(1.4)	(1.4)	(6.7)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	50.4	148.7	653.5
Rel. to FTSE World Europe (GBP)	40.6	141.8	585.0

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

We initiate coverage of Chariot Oil & Gas with a Neutral recommendation and a 12-month price target of 196p, as we believe that the market has priced in the company's Namibian exploration campaign ahead of other companies drilling in a similar time frame. Chariot's value lies in its exploration licences offshore Namibia which could hold potentially material volumes of oil. We see a number of positives for Chariot: the company holds eight licences with a total acreage of over 30,000 sq km – substantial running room in the event of success. Petrobras has farmed into one of the company's blocks bringing the benefit of an experienced partner. In the event of success at the company's prospects, the upside is likely to be substantial (almost 1500% potential uplift to our target price if all four wells we currently model come in). Despite this, however, we note that risks remain. There is obviously a risk of exploration failure with any frontier drilling, and as such we assume an average likelihood of success of c.13% for the prospects we model. We also believe that there is a risk that a hydrocarbon discovery could be gas (although we note that the company believes its prospects to be oil prone) which would substantially reduce the potential value of the asset. Although we conservatively apply a 50% discount to medium-term drilling, Chariot's potential upside (5%) is below the average for other medium-term explorers in our universe (65%) – which we believe reflects the possibility that Chariot could start drilling its acreage as early as late 2011. Given the potential for our valuation to increase as drilling approaches, however, we initiate coverage of the stock with a Neutral rating.

Core drivers of growth

Success at a prospect will be the biggest driver to re-rate the stock but we do not expect drilling to take place in the short term. Although we apply a 50% discount to the stock's medium-term exploration catalysts (an approach which we take consistently across our universe), we note that the unwinding of this discount as drilling approaches could be a positive.

Risks to the investment case

Upside risks to our view and price target are an aggressive pricing of exploration potential into the drilling programme and, ultimately, success at one of the company's prospects. Downside risks are exploration failure or a delay in the drilling timetable. We assume that there is a possibility (c.25%) that some of the prospects are gas prone – an oilier outcome would be a positive for the stock.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We currently give value for four prospects, two in the southern block and two in the northern block. We apply a 50% discount to drilling taking place later than 12 months from now and assume a farm-out of 50% in the northern blocks in return for a free carry on drilling.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 190: Company metrics vs. sector average

	Chariot Oil & Gas	Average	% difference to average
Potential upside from short term exploration	0%	133%	-133%
Potential upside from medium term exploration	1495%	304%	1192%
% value supported by core value	0%	103%	-103%
Oil price leverage	15%	13%	2%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	13%	12%	1%
Technical risk	0.27	0.27	0%
Political risk	0.64	0.54	10%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 191: Value breakdown

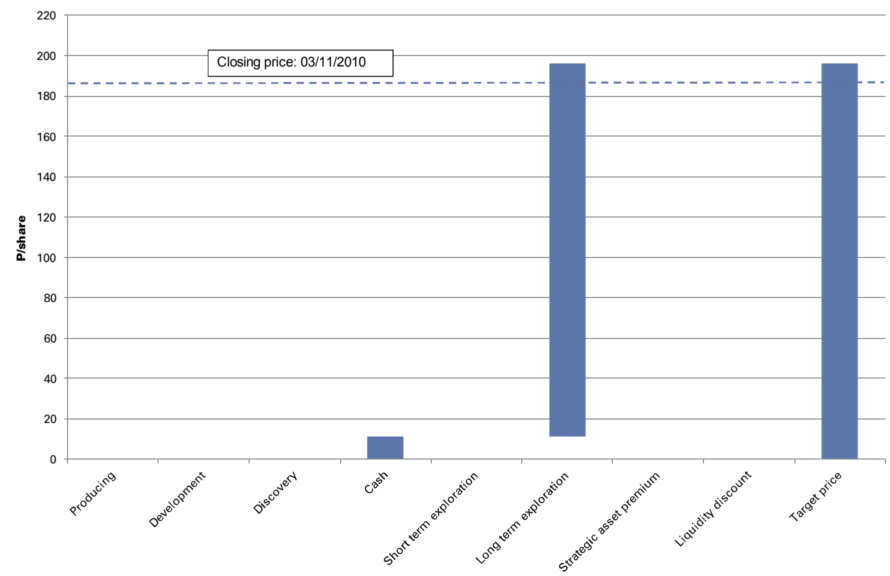


Exhibit 192: Top five shareholders

Holder	% held
Westward Investments Ltd	16.18
Heindrich Steven Ndume	15.14
Citigroup Global Markets	14.71
Generali Investments France S.A.	5.60
Baillie Gifford & Co.	5.09
Other	43.28

Exhibit 193: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 194: Asset summary

Chariot Oil & Gas									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Namibia	oil		Exploration - medium term	472.5	12%	56.7	2.2	124	48
Namibia	oil	shallow	Exploration - medium term	827.0	12%	101.7	3.4	341	132
Namibia	gas	LNG	Exploration - medium term	1299.5	2%	26.0	0.5	13	5
Cash (net of assumed exploration drilling costs and transactions) and other assets								-0.8	0
Cash from options / warrants / assumed equity raises								30.0	12
Sub-total								507.9	196.4
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**508**	**196.39**
# shares (current)	**141.174**		# shares (inc. assumed equity issuances, options and warrants)			**160.651**			

Farm out from current stakes assumed in some Namibia licences

Source: Company data, Goldman Sachs Research estimates.

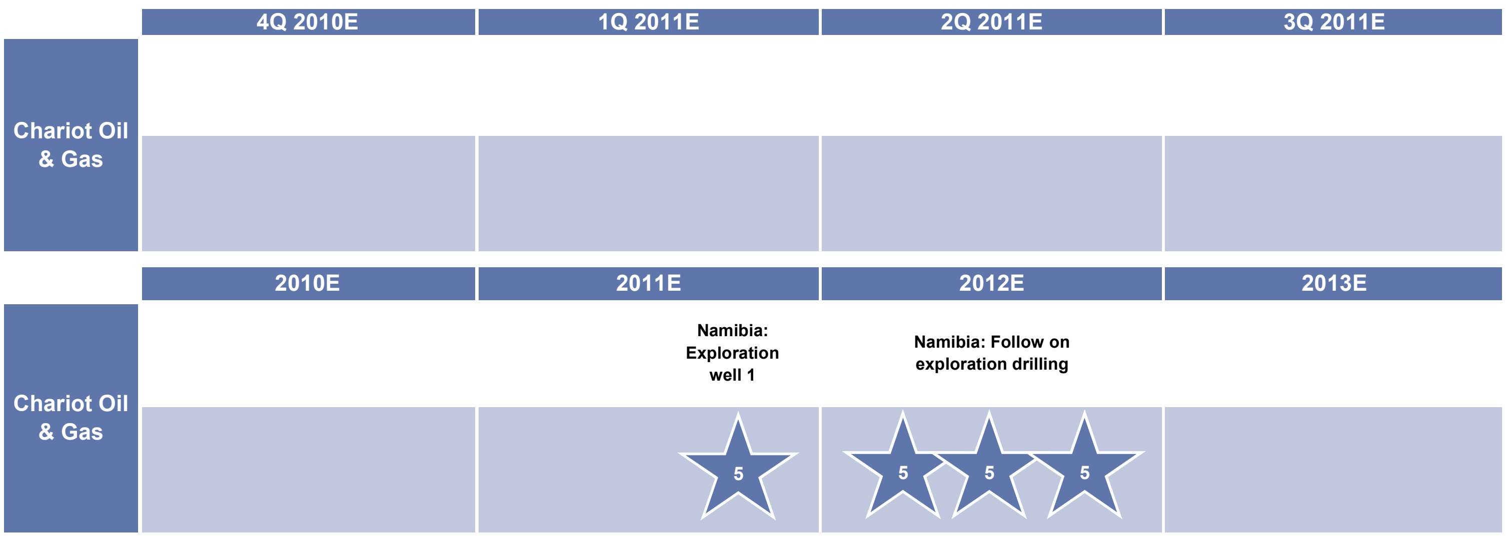
Exhibit 195: Management biographies

Name	Position	Background
Adonis Pouroulis	Non-Executive Chairman	One of the founders of Chariot and Enigma. Also Chairman and founder of Petra Diamonds, a pan-African diamond mining company listed on AIM in 1997.
Paul Welch	Chief Executive Officer	Worked for Shell International for 12 years. Spent 9 years with independent companies, most recently Hunt Oil and Pioneer Natural Resources. Worked with Pioneer in Northern Africa, where he was responsible for producing assets in Tunisia and overseeing new business development in Algeria, Libya, Morocco, Egypt and Iraq.
James Burgess	Commercial Director	Established Everett Financial Management Ltd in 1992 and sold it in 2003. Previously worked with Hoare Govett, now part of RBS.
Heindrich Ndume	Country Director Namibia	Namibian national with experience in mining exploration throughout sub-Saharan Africa. Served as National Energy Council Secretary and World Energy Council Representative for the Namibian Ministry of Mines and Energy. One of the founding shareholders of Enigma.

Source: Company data.

Exhibit 196: Catalyst timeline

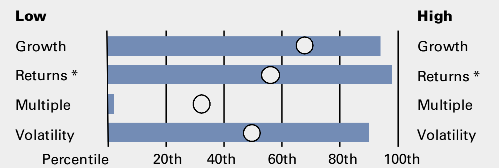
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Coastal Energy (CEO.L): Strong core value with re-rating potential; initiate as Neutral

Investment Profile

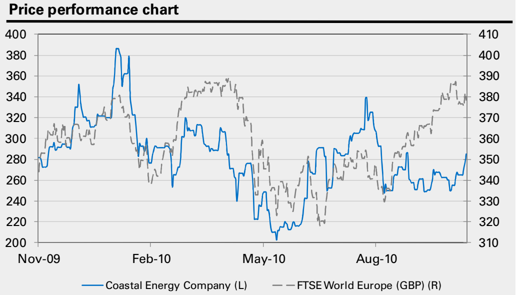


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	285
12 month price target (p)	364
Upside/(downside) (%)	28
Market cap (£ mn)	312.4
Enterprise value ($ mn)	525.2

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	3.7	213.9	348.0	456.8
EPS ($)	(0.26)	0.92	1.61	2.20
P/E (X)	NM	5.0	2.8	2.1
EV/DACF (X)	7.8	4.4	2.3	0.7
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(8.9)	(1.2)	14.1	50.4
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(6.6)	3.3	1.2
Rel. to FTSE World Europe (GBP)	(12.7)	0.4	(8.0)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

We believe Coastal Energy has strong core value combined with a large number of exploration catalysts that offer significant potential upside and therefore initiate coverage with a Neutral rating and a 12 month price target of 364p. The company's operations are focused on Thailand where it holds a 12.6% interest in the onshore Sinphuhorm gas field, and an operated 100% interest in blocks G5/43 and G5/50 in the Gulf of Thailand. With 2P reserves of 55 mnboe, we believe Coastal's core value more than supports the current share price, meaning that exploration drilling in the company's Gulf of Thailand blocks essentially comes for free. We expect a number of wells to be drilled over the next 12 months, with activity likely to focus on various plays around the Bua Ban asset. We believe that the relatively high number of exploration wells due to be drilled offer relatively little upside individually but that, combined, the high level of activity gives the exploration programme attractive materiality; we believe that 100% success at the Bua Ban wells alone could result in an uplift of almost 60% to our price target. Additional upside could result if the fracture test at the Bua Ban Eocene is successful and if it transpires that the shale play (currently risked at 5% likelihood of success) at Bua Ban main is commercial. Overall we believe that the stock offers a solid combination of core value and exploration upside across a diverse number of wells which helps spread the risk, and we include the stock in our Balanced Explorers screen. However, we see better risk / reward elsewhere and therefore initiate coverage of the stock with a Neutral rating.

Core drivers of growth

We believe that success in the step-out drilling at Bua Ban could be a double positive in generating additional value as a result of the de-risking of assets and also in focusing market attention on the company's core value.

Risks to the investment case

Risks to our view and price target include a drop in the commodity price, delays or cost overruns in the development of existing assets, less success in the exploration programme than we model or a failure to commercialise Bua Ban Eocene.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We currently give value for six exploration prospects around Bua Ban North, and two Miocene exploration wells at Bua Ban South. We also give a small amount of risked value (risked at 5% likelihood of success) for potential commercialisation of the Lacustrine shale play.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 197: Company metrics vs. sector average

	Coastal Energy	Average	% difference to average
Potential upside from short term exploration	152%	133%	19%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	103%	103%	0%
Oil price leverage	10%	13%	-2%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	12%	12%	0%
Technical risk	0.11	0.27	-16%
Political risk	0.52	0.54	-2%
% value in pre-sanction non-operated fields	4%	23%	-19%

Exhibit 198: Value breakdown

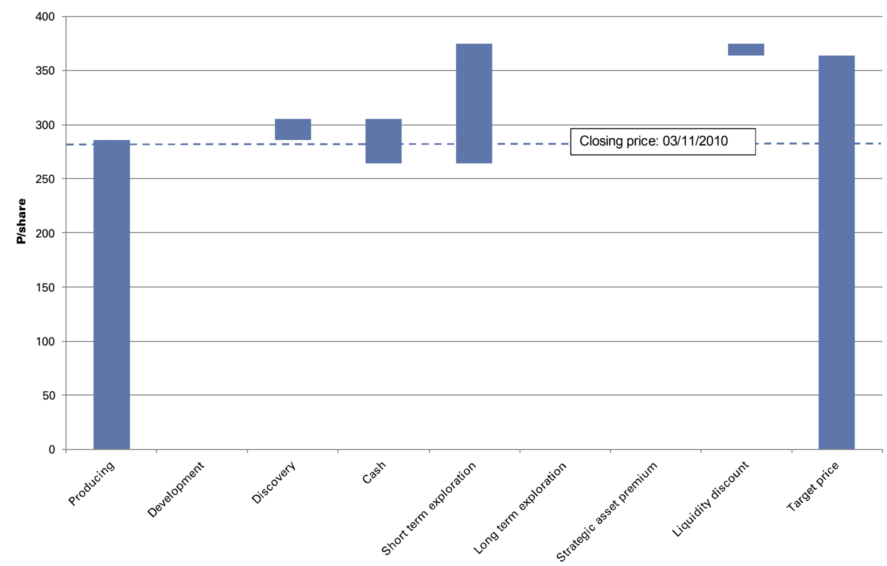


Exhibit 199: Top five shareholders

Holder	% held
Oscar Wyatt Jr.	30.78
BlackRock Investment Management	1.72
Albert Whitehead	1.21
Bernard de Combret	1.12
Elliott & Page Ltd	1.11
Other	64.06

Exhibit 200: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 201: Asset summary

Coastal Energy									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Thailand	gas		Producing	8.7	100%	8.7	9.4	81	41
Thailand	gas		Discovery	23.1	55%	12.6	2.3	29	15
Thailand	oil		Producing	32.9	100%	32.9	14.7	483	245
Thailand	oil		Exploration - short term	95.0	24%	22.5	6.5	146	74
Thailand	oil	deep reservoir	Discovery	8.8	20%	1.8	4.2	7	4
Thailand	oil	deep reservoir	Exploration - short term	195.0	9%	18.3	4.0	72	37
Cash (net of assumed exploration drilling costs and transactions) and other assets								-81.1	-41
Cash from options / warrants / assumed equity raises								0.6	0
Sub-total								738.5	**374.56**
Strategic asset premium								0.0	0
Liquidity discount								-20.7	-11
TOTAL								**718**	**364.06**
# shares (current)	**109.613**		# shares (inc. assumed equity issuances, options and warrants)			**122.490**			

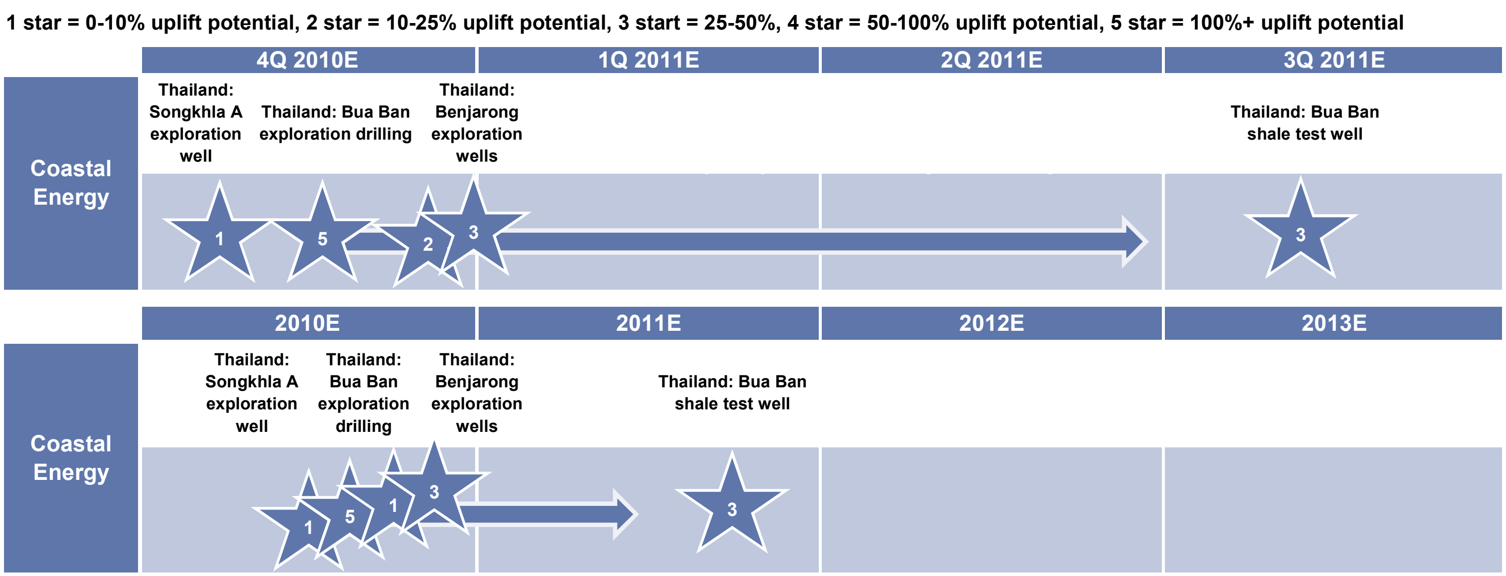
Source: Company data, Goldman Sachs Research estimates.

Exhibit 202: Management biographies

Name	Position	Background
Bernard de Combret	Chairman	Former Deputy Chairman of the Executive Committee of Total. Held senior positions in the Ministry of Foreign Affairs and Ministry of Finance in France. Spent 24 years with Elf and Total in a variety of senior positions, including CEO for Refining and Marketing and CEO for Gas, Power and New Energies.
Randy Bartley	Director and Chief Executive Officer	Previously worked for Erskine Energy, a private equity-sponsored company. Over 30 years' experience in the oil and gas industry. Worked with companies such as El Paso Corporation, Coastal Corporation and Texaco and spent the last 10 of those years in senior management positions.
William Phelps	Chief Financial Officer	Former Chief Financial Officer of NuCoastal Corporation and NuCoastal Thailand. Prior to that, Vice President in the Energy Investment Banking Group of Citigroup.
John Griffith	Thailand Country Manager	Over 30 years' experience in the energy industry. Served as drilling and operations manager both domestically and in West Africa, the North Sea, Latin America and Southeast Asia. Previously worked with Zilkha Energy, its successor companies Sonat and El Paso, and Erskine Energy.

Source: Company data.

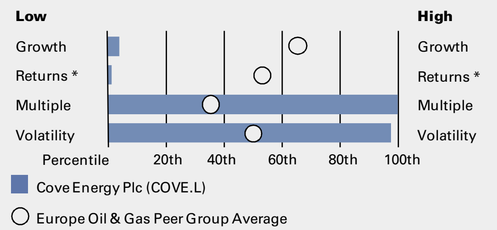
Exhibit 203: Catalyst timeline



Source: Company data, Goldman Sachs Research estimates.

Cove Energy (COVE.L): Enormous potential partially priced in; initiate as Neutral

Investment Profile

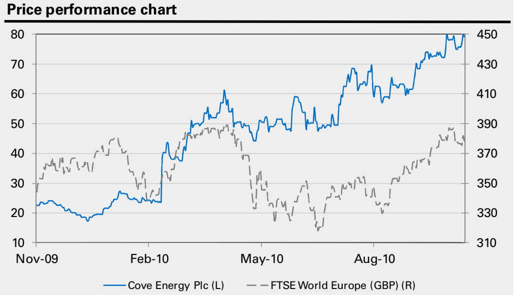


* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	79.25
12 month price target (p)	114
Upside/(downside) (%)	44
Market cap (£ mn)	271.9
Enterprise value ($ mn)	396.8

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(1.9)	(1.3)	(1.3)	(1.3)
EPS ($)	(0.02)	0.00	0.00	0.00
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	14.2	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(66.8)	(8.9)	(9.6)	(8.9)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	17.8	60.9	252.2
Rel. to FTSE World Europe (GBP)	10.1	56.5	220.2

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

We believe that the quality of Cove's world class acreage in East Africa is already partly reflected in the share price and as a result initiate coverage with a Neutral rating, despite the company's obvious advantages. The company's primary driver of value is its acreage offshore Mozambique in which the company holds an 8.5% stake. This block is of particular interest as a result of the large (multi-tcf) gas discoveries made at Windjammer and Barquentine, and oil having been discovered at the Ironclad prospect further to the south. The block spans 10,000 km^2 offering the potential for substantial follow-on drilling that we believe has been de-risked by the previous discoveries – operator Anadarko has identified more than 50 leads and prospects. We believe that discoveries to date should justify an LNG development, and, with additional prospectivity, we believe that the prospects for commercialisation are good. We also regard the results of the recent Ironclad well as significant: the discovery of oil enhances the possibility of other oil discoveries on the block – a significant advantage in value terms over gas due to the reduced need for mid-stream capex, potentially higher realizations and a likely faster timetable for commercialisation. The Ironclad well found low porosity and permeability but the structure appears to be large and we retain risked value in our estimates for this asset. Cove also has interests in blocks onshore Mozambique, onshore Tanzania and in deepwater blocks in Kenya with Anadarko. We view the partnership with Anadarko positively, and as the Belford Dolphin is on contract to Anadarko until 2013, we believe that there could be significant drilling activity to come. We therefore give the company credit for a further c.510 mnbls of net, unrisked potential to be drilled over the next three years (50% oil, 50% gas) offshore Mozambique. Although we see attractive potential upside to our target price, we believe that these positives are reflected in the share price to a greater extent than for other companies with similarly attractive acreage, and see more attractive upside in other names – possibly a result of our more bearish valuations of LNG in the region (c.US$1.8/boe from the start of development). We include the stock in our Play Openers screen.

Core drivers of growth

We believe the key short-term drivers of growth are likely to be additional drilling in the acreage offshore Mozambique. Greater clarity on the monetization of the gas assets at Mnazi bay and drilling on the company's other acreage could also be drivers.

Risks to the investment case

Downside risks to our price target include worse than expected drilling success or, in the longer term, delays or problems in the development of LNG.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price, with LNG assumed to trade at a 20% discount. We include value for Cove's exploration programme on a three-year time horizon, with catalysts falling after 12 months being given a 50% discount.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 204: Company metrics vs. sector average

	Cove Energy	Average	% difference to average
Potential upside from short term exploration	71%	133%	-62%
Potential upside from medium term exploration	237%	304%	-67%
% value supported by core value	53%	103%	-50%
Oil price leverage	17%	13%	4%
% value in water depths over 1000m	91%	13%	78%
Average WACC	13%	12%	1%
Technical risk	0.88	0.27	61%
Political risk	0.83	0.54	29%
% value in pre-sanction non-operated fields	96%	23%	73%

Exhibit 205: Value breakdown

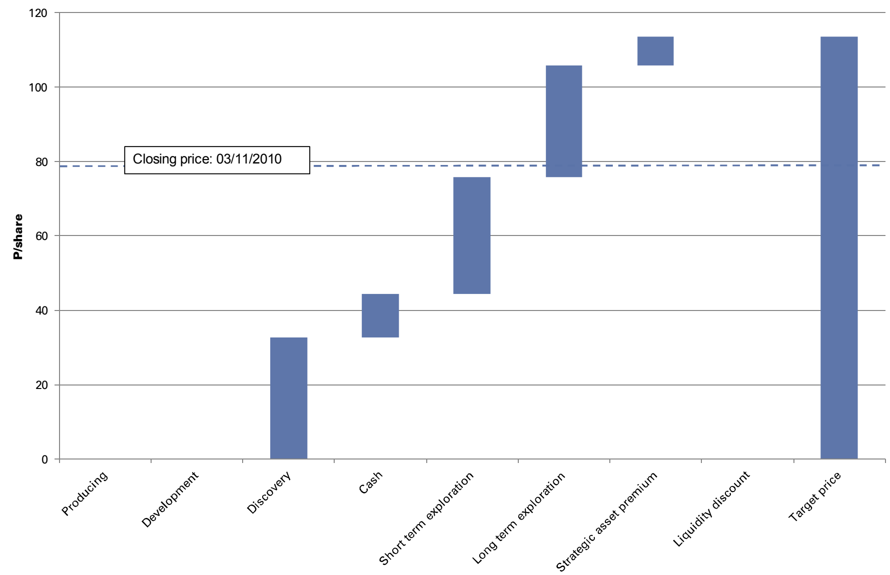


Exhibit 206: Top five shareholders

Holder	% held
JPMorgan Asset Management	12.87
BlackRock Investment Management	10.88
Gartmore Investment Management	3.85
Aegon Asset Management	3.30
Petroleum Geo Services ASA	2.43
Other	66.67

Exhibit 207: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 208: Asset summary

Cove Energy									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**Value (USDm)**
Mozambique	gas	LNG	Exploration - short term	51.0	50%	25.5	1.24	32	5
Mozambique	gas	LNG	Exploration - medium term	204.0	30%	61.2	0.62	38	6
Mozambique	gas	LNG	Discovery	85.0	80%	68.0	1.24	84	13
Mozambique	oil	offshore	Exploration - short term	102.0	30%	30.6	5.39	165	26
Mozambique	oil	offshore	Exploration - medium term	153.0	30%	45.9	2.70	124	19
Mozambique	oil	onshore	Exploration - short term	5.0	10%	0.5	6.42	3	1
Mozambique	oil	offshore	Discovery	63.8	30%	19.1	5.39	103	16
Kenya	oil		Exploration - medium term	75.0	10%	7.5	3.89	29	5
Tanzania	gas		Discovery	20.7	60%	12.4	1.73	22	3
Tanzania	gas		Exploration - medium term	6.8	25%	1.7	0.86	1	0
Cash (net of assumed exploration drilling costs and transactions) and other assets								23.4	4
Cash from options / warrants / assumed equity raises								50.9	8
Sub-total								675.8	105.9
Strategic asset premium								49.1	8
Liquidity discount								0.0	0
TOTAL								**725**	**113.60**
# shares (current)		**343.064**		# shares (inc. assumed equity issuances, options and warrants)				**396.384**	

Source: Company data, Goldman Sachs Research estimates.

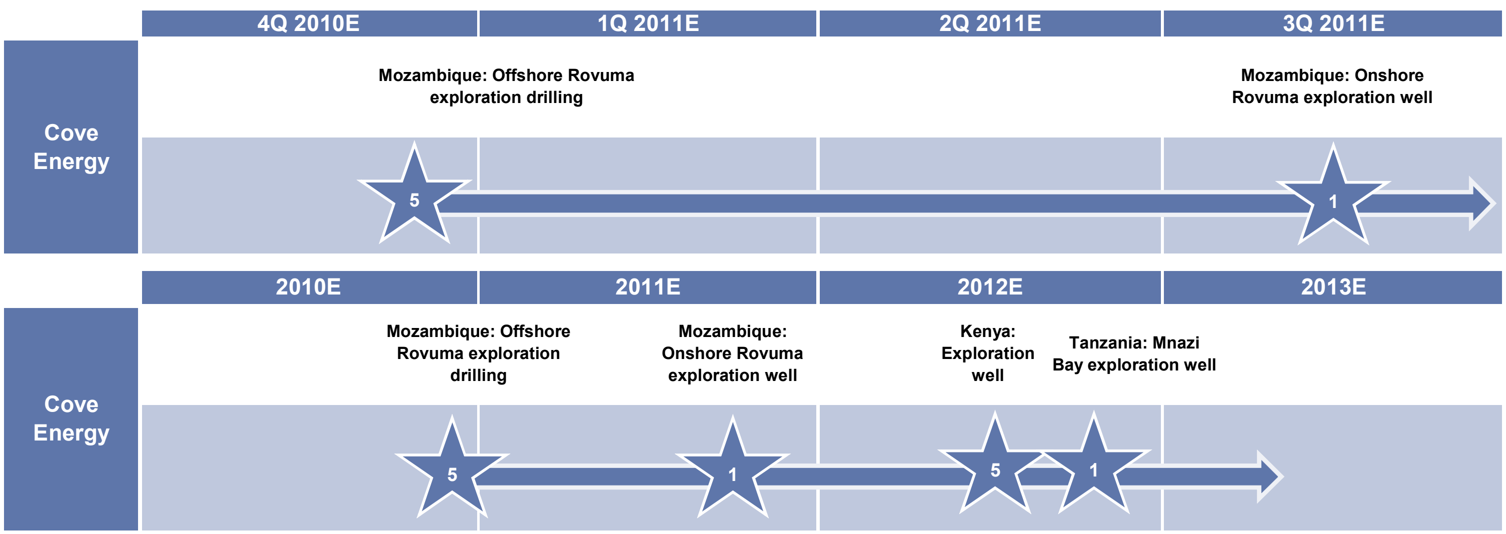
Exhibit 209: Management biographies

Name	Position	Background
Michael Blaha	Executive Chairman	Petroleum engineer with 29 years' industry experience working with the Royal Dutch Shell Group in a variety of senior positions. Most recently Country Chairman for Shell in Algeria. Prior to that, Director of External Relations for EP Africa; Vice President of EP Russia and Vice President EP Iran.
John Craven	Chief Executive Officer	Petroleum geologist with 35 years' experience in senior technical and commercial roles in upstream oil and gas exploration and production companies. Founder and former Chief Executive of Petroceltic International, an African and Mediterranean focused exploration company. Holds an MSc in Petroleum Geology from the Royal School of Mines in London and MBA from Queens University in Belfast.
Michael Nolan	Finance Director	Chartered Accountant who worked for Deloitte & Touche in Dublin. Currently executive chairman of Rathdowney Resources Ltd, a private natural resources company based in Vancouver and operating in Ireland.
Frank Moxon	Non-Executive Director	Corporate financier with over 25 years' industry experience. Started his career as an equities analyst at Capel Cure Myers and has worked in corporate finance roles at Beeson Gregory, Societe Generale, Old Mutual, Williams de Broe and Evolution. Also started his own natural resources consultancy, Hoyt Moxon Ltd.

Source: Company data.

Exhibit 210: Catalyst timeline

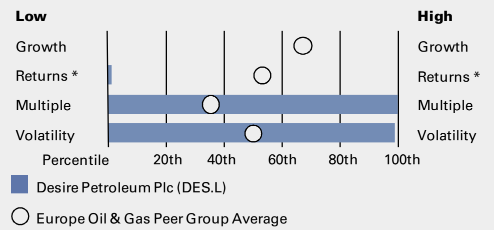
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Desire Petroleum (DES.L): Object of Desire; initiating coverage as a Buy

Investment Profile

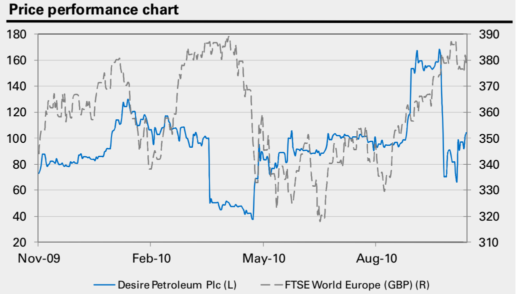


* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	104.25
12 month price target (p)	197
Upside/(downside) (%)	89
Market cap (£ mn)	356.7
Enterprise value ($ mn)	501.9

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(3.9)	(31.7)	(3.9)	(3.9)
EPS ($)	(0.02)	(0.09)	0.00	0.00
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	3.9	(15.1)	(10.5)	(15.7)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	4.8	146.7	42.8
Rel. to FTSE World Europe (GBP)	(2.1)	139.9	29.8

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We initiate coverage of Desire with a Buy recommendation and a 12-month price target of 197p, believing that the company's sizable de-risked exploration acreage in the North Falklands provides it with a structural exploration advantage. We believe that Rockhopper's Sea Lion discovery has helped to de-risk Desire's substantial acreage in the north eastern part of the North Falklands basin, and, in view of this, regard our assumed likelihood of success of 20% for prospects in this acreage as conservative. Desire's acreage in this part of the basin amounts to over 1000 sq km giving it substantial running room to drill a significant number of potentially transformational wells over the next few years. As Desire does not have what we would regard as an immediately commercial discovery (with the Liz discovery finding gas), it does not possess the same level of core value to support its share price as its neighbour in the basin, Rockhopper, making the stock more levered to the exploration potential in the area in our view. In the event of 100% success at the prospects that we include for Desire our valuation would increase by over 6x. Conversely, if Sea Lion has raised expectations too high and no further discoveries are made in the basin, the downside in the stock would be close to 100%. We believe that the market tends not to be aggressive enough in valuing new basins after the initial discovery, and while we appreciate the risks involved, we are willing to give Desire value for exploration drilling out to 2013 in the area. As a result we see substantial upside to our target price and add the stock to our Buy List. We also include Desire in our Play Openers screen.

Catalyst

We expect the key catalysts to be exploration and appraisal drilling in the company's acreage in the north east of the basin. We believe that Sea Lion has partially de-risked the area, meaning that Desire has a large and potentially material pipeline of exploration prospects to drill. Success at a Rachel follow-up or one of the other upcoming wells in Desire's drilling programme are the obvious near-term catalysts.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We include value for Desire's exploration programme with a three-year time horizon, with catalysts falling after 12 months being given a 50% discount. We assume an equity raise of US$200 mn to fund further drilling in the Falklands in our valuation. We assume a 12% discount rate – higher than the normal 10% we use for OECD countries – to reflect the higher political risk that we assume in the Falklands.

Risks

Risks to our view and price target include worse than expected drilling success in the company's acreage, a deterioration of political relations between the UK/Falklands and Argentina that impacts exploration activities, or the waxiness of the oil increasing costs to a higher level than we expect.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 211: Company metrics vs. sector average

	Desire Petroleum	Average	% difference to average
Potential upside from short term exploration	366%	133%	233%
Potential upside from medium term exploration	267%	304%	-37%
% value supported by core value	-4%	103%	-108%
Oil price leverage	16%	13%	3%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	12%	12%	0%
Technical risk	0.48	0.27	21%
Political risk	0.59	0.54	5%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 212: Value breakdown

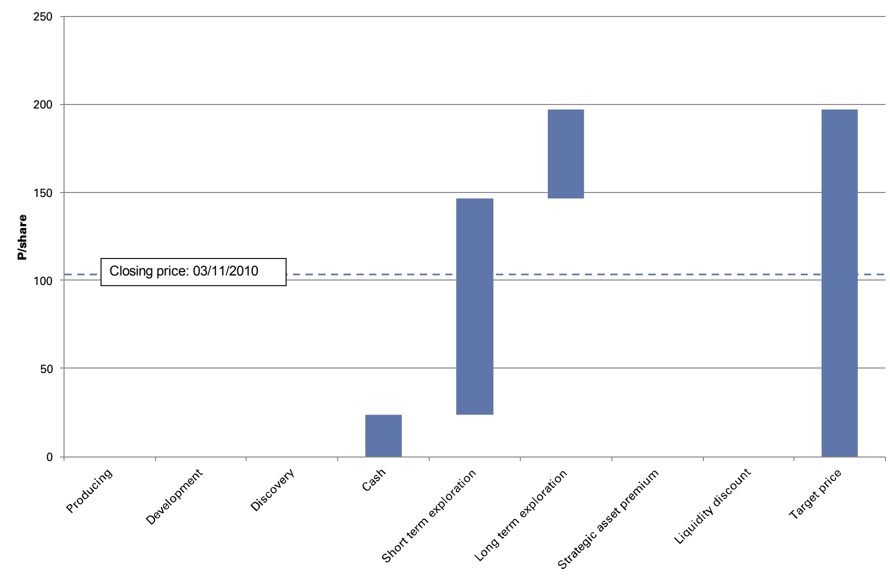


Exhibit 213: Top five shareholders

Holder	% held
Phipps & Company	10.32
TD Waterhouse Group	7.76
Halifax Share Dealing	7.23
Charles Stanley & Co.	5.73
Barclays Personal Investment	4.62
Other	64.34

Exhibit 214: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 215: Asset summary

Desire Petroleum									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Falklands	oil	north	Exploration - short term	938.0	16%	153.1	6.0	914	123
Falklands	oil	north	Exploration - medium term	644.8	20%	129.0	2.9	374	50
Cash (net of assumed exploration drilling costs and transactions) and other assets								-24.8	-3
Cash from options / warrants / assumed equity raises								200.0	27
Sub-total								1463.6	**197.07**
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**1464**	**197.07**
# shares (current)	**342.185**		# shares (inc. assumed equity issuances, options and warrants)			**461.367**			

Source: Company data, Goldman Sachs Research estimates.

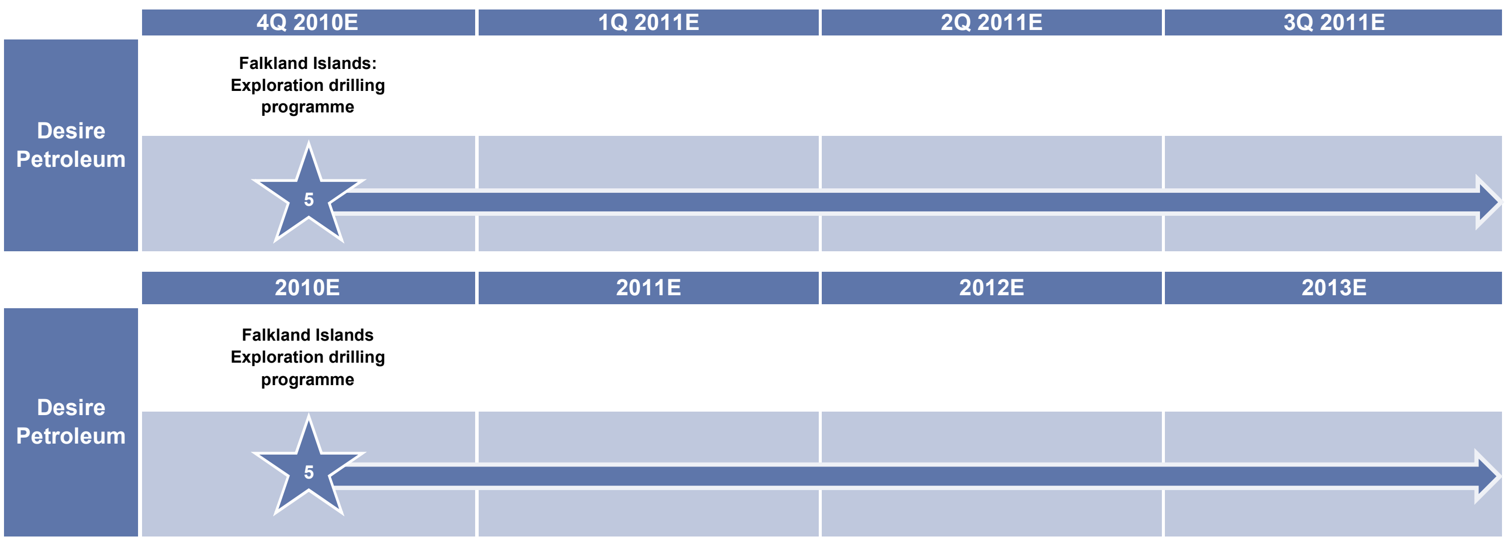
Exhibit 216: Management biographies

Name	Position	Background
Stephen Lawrey Phipps	Chairman	Director of Phipps & Company Limited. Over 20 years' experience as a stockbroker in London and New York.
Ian Gordon Duncan	Chief Executive Officer	Petroleum geologist with over 30 years' experience in oil exploration industry. Previously worked for Clyde Petroleum plc as Managing Director of Clyde's subsidiary in the Netherlands, and for Esso.
Andrew Guy Windham	Non-Executive Director	Solicitor with over 25 years' experience in the oil exploration industry. Managing Director for the Africa Region of Tullow Oil plc. Also non-executive director of Aminex Plc and Commercial Director of Energy Africa Ltd.
Edward Wisniewski	Non-Executive Director	Chartered Accountant with over 15 years' experience in the oil exploration and production industry. Previously with Alstec Ltd as Finance Director and Clyde Petroleum's subsidiary in the Netherlands.

Source: Company data.

Exhibit 217: Catalyst timeline

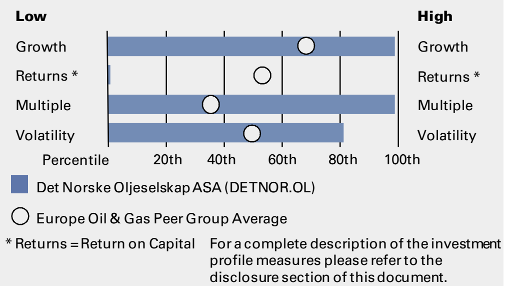
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Det Norske Oljeselskap (DETNOR.OL): Norwegian exploration is “free”; initiate as a Buy

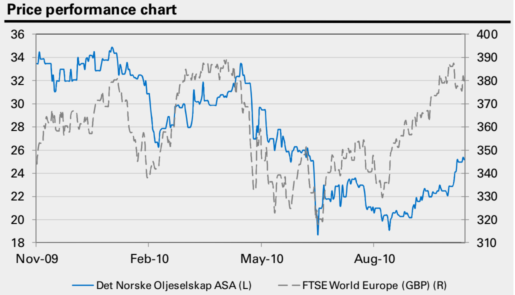
Investment Profile



Key data	Current
Price (Nkr)	25.20
12 month price target (Nkr)	43.90
Upside/(downside) (%)	74
Market cap (Nkr mn)	2,800.0
Enterprise value (Nkr mn)	3,595.2

	12/09	12/10E	12/11E	12/12E
EBIT (Nkr mn)	(1,435.5)	(240.3)	(97.9)	(17.2)
EPS (Nkr)	(5.68)	(2.06)	(0.94)	(1.00)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	119.1	245.7	337.2
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(32.8)	(33.3)	(23.7)	(3.2)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	8.6	(20.8)	(24.8)
Rel. to FTSE World Europe (GBP)	1.5	(22.9)	(31.6)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

Det Norske is focused on exploration and development of oil and gas on the Norwegian Continental Shelf. Det Norske’s core value alone gives substantial upside to the company’s current share price on our estimates, and a large proportion of its exploration costs are refunded as a result of tax rebates. We therefore believe it offers a low risk way to gain exposure to North Sea exploration in Norway. The company plans to drill a number of wells in the coming quarters, resulting in further diversity of risk, but in aggregate we believe that success at each of these wells could result in an uplift of c.61% to our valuation. We view “free” exploration options of that order of magnitude as a particularly attractive investment opportunity and include the stock in our Balanced Explorers screen. As a result of the strong core value, beneficial tax regime for exploration and 12-month re-rating potential from exploration success of 69%, we initiate coverage of the stock with a Buy recommendation and a 12-month price target of Nkr43.9.

Catalyst

Exploration success at prospects such as Dalsnuten and Kalvklumpen are the most obvious potential catalysts. We believe that, in the event of success at a material prospect, the company could benefit disproportionately as the market not only de-risks the specific asset but focuses attention on the core value of the company being implied by the share price which we believe is too low at present.

Valuation

Our 12 month SOTP-based price target is calculated using a long run oil price of US$85/bl. Discoveries and exploration assets are valued using a risked NPV/bl approach.

Key risks

The main downside risk to our view and price target is greater than expected failure in the company’s exploration programme. Other risks include a fall in the commodity price, or further tightening of the regulation of offshore/deepwater drilling in any of the countries in which the company operates – something we view as relatively low risk given the generally high standards currently in place.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 218: Company metrics vs. sector average

	Det Norske	Average	% difference to average
Potential upside from short term exploration	69%	133%	-64%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	170%	103%	66%
Oil price leverage	12%	13%	0%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.08	0.27	-18%
Political risk	0.17	0.54	-37%
% value in pre-sanction non-operated fields	17%	23%	-6%

Exhibit 219: Value breakdown

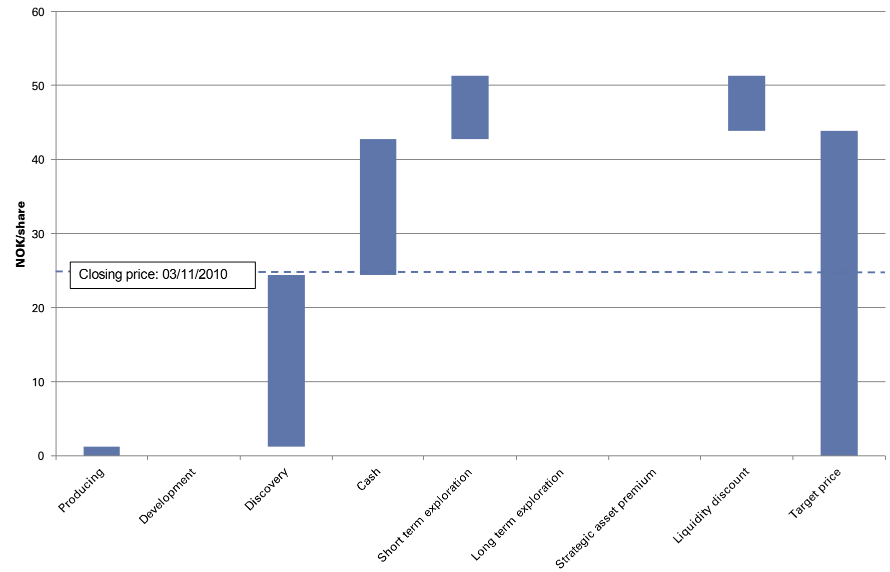


Exhibit 220: Top five shareholders

Holder	% held
Aker ASA	40.45
DNO International	11.66
ODIN Forvaltning AS	5.14
DnB NOR Asset Management	2.93
Holberg Fondsforvaltning AS	1.96
Other	37.86

Exhibit 221: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 222: Asset summary

Det Norske									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**NOK/share**
Norway	oil		Producing	1.7	100%	1.7	14.2	25	1
Norway	gas		Producing	0.0	100%	0.0	9.2	0	0
Norway	oil		Discovery	136.2	65%	88.6	4.6	410	22
Norway	gas		Discovery	27.8	48%	13.4	2.2	30	2
Norway	oil		Exploration	77.1	20%	15.8	4.5	71	4
Norway	gas		Exploration	207.6	19%	38.5	2.4	91	5
Cash (net of assumed exploration drilling costs and transactions) and other assets								349.7	18
Cash from options / warrants / assumed equity raises								0.0	0
Sub-total								977.4	51.3
Strategic asset premium								0.0	0
Liquidity discount								-140.5	-7
TOTAL								**837**	**43.93**
# shares (current)	**111.111**		# shares (inc. assumed equity issuances, options and warrants)			**111.111**			

Source: Company data, Goldman Sachs Research estimates.

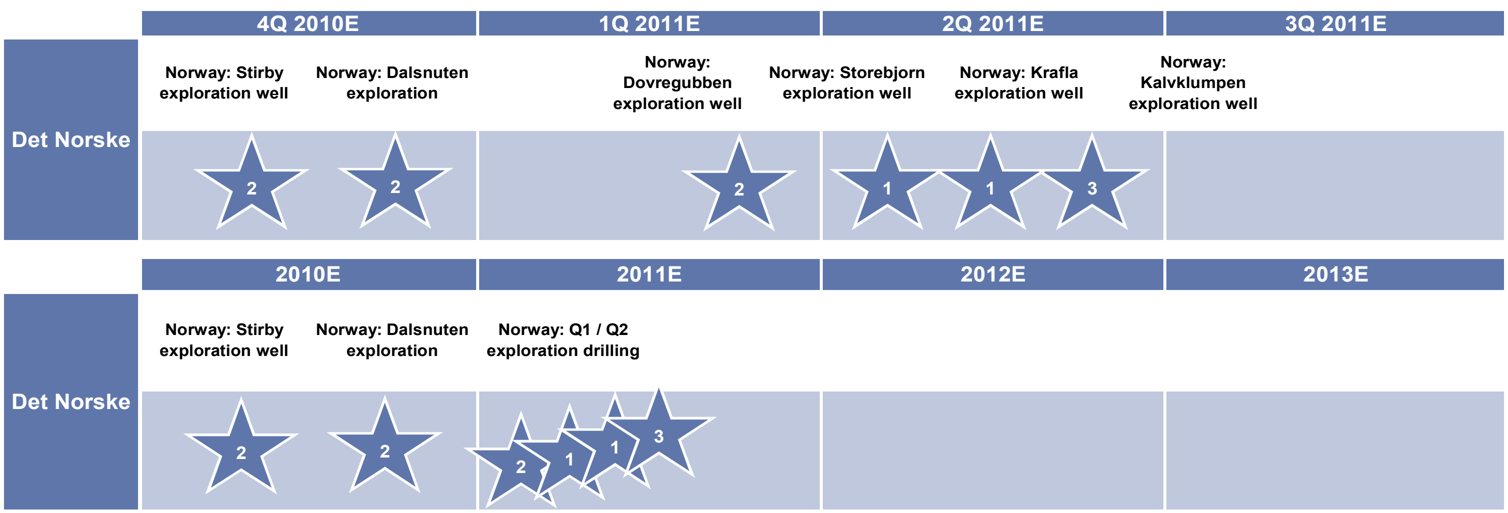
Exhibit 223: Management biographies

Name	Position	Background
Kjell Inge Røkke	Chairman	Aker ASA's largest shareholder since 1996. Built a worldwide fisheries business involving harvesting and ocean-going processing of white fish.
Erik Haugane	Chief Executive Officer	Founded Det Norske (previously Pertra) in 2001. Over 25 years' experience in the industry. Has worked with Esso, SINTEF, and for the governor of Sør-Trøndelag. Holds a Cand. Real. Degree in Exogene Geology from the University of Tromsø.
Øyvind Bratsberg	Chief Operating Officer	24 years' experience in the industry. Previously responsible for early-phase field development at Statoil. Holds an MSc in Engineering from NTNU (previously NTH).
Odd Ragnar Heum	Senior Vice President, Reserve and Area Development	Over 30 years' experience in Norwegian and international oil business, mainly within exploration and business development. Holds an MSc in Petroleum Geosciences from the Norwegian University of Science and Technology in Trondheim.
Vidar Bergo Larsen	Senior Vice President, Exploration	30 years of experience at Statoil, where he held senior positions within exploration, on the NCS and internationally. Was Exploration Manager for Russia in Statoil. Holds a Cand. Real. in Petroleum Geology from the University of Bergen.

Source: Company data.

Exhibit 224: Catalyst timeline

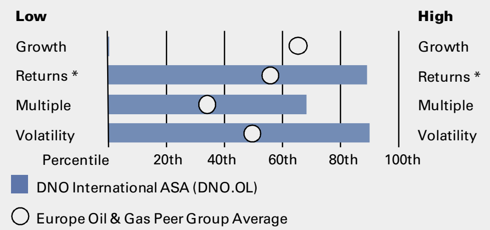
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

DNO (DNO.OL): Volume potential in Kurdistan and M&A priced in; initiate as Sell

Investment Profile

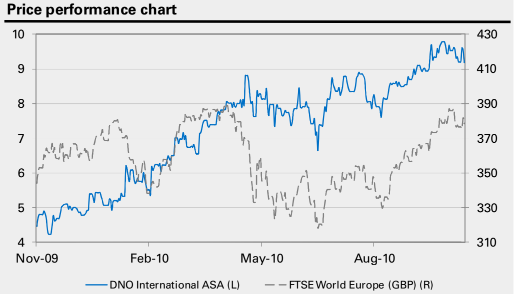


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Nkr)	9.19
12 month price target (Nkr)	7.45
Upside/(downside) (%)	(19)
Market cap (Nkr mn)	8,311.1
Enterprise value (Nkr mn)	9,494.8

	12/09	12/10E	12/11E	12/12E
EBIT (Nkr mn)	(179.1)	600.6	920.0	626.1
EPS (Nkr)	(0.32)	0.67	1.02	0.71
P/E (X)	NM	13.8	9.0	13.0
EV/DACF (X)	NM	12.3	8.4	10.6
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(1.6)	2.9	4.9	8.1
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	5.1	6.9	105.9
Rel. to FTSE World Europe (GBP)	(1.8)	3.9	87.2

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We initiate coverage of DNO with a Sell recommendation and a 12-month price target of Nkr7.45 as we believe that the current share price gives too much credit for M&A and exploration potential, and that there are less expensive ways to gain exposure to Kurdistan. The company has a 55% stake in the producing Tawke field in the Kurdistan region of Iraq and stakes in oil fields at various stages of the development cycle in Yemen. The exploration portfolio is diverse, with prospects in Kurdistan, Yemen and Mozambique likely to be the main areas of activity over the next 12 months. RAK Petroleum – a private Emirati oil company – has built up a 30% stake in DNO which has driven M&A speculation recently. We are more bearish on Kurdistan relative to the market than we are on other regions as a result of the uncertainty surrounding exports and the licences granted by the KRG. We typically apply a 50% discount to the valuation of barrels in the region in order to account for this uncertainty although we apply only a 25% discount to DNO's Tawke asset as the licence agreement for this field was signed earlier, which we believe means there is a greater chance of the original fiscal terms being retained. We also give credit for the M&A potential associated with the stock: 40% of our target price based on a "strategic" company valuation applying an 8% discount rate to the Tawke field. Despite this and our assumption of "reasonable" sizes for DNO's exploration prospects in Kurdistan (500 mnbls), we still see 19% potential downside. Although we recognize the potential for exploration and M&A upside, we would rather obtain exposure to Kurdistan through Heritage, which we believe offers less expensive exposure to the region. We add DNO to our Sell List.

Catalyst

Delays in allowing the company to export Kurdistan oil or any change to the company's fiscal terms in the country are key catalysts to the downside – although at this stage resolution of the export issue could drive either upside or downside. Failures in the company's drilling programmes in Kurdistan and Tanzania could also be downside catalysts in the short term.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. Some 40% of our target price is based on a company valuation in which the Tawke asset is valued at a discount rate of 8% to reflect the strategic nature of the asset.

Key risks

Key upside risks to our view and price target are a positive resolution between the KRG and Baghdad allowing exports from the region on existing fiscal terms, exploration success in Kurdistan and Tanzania, or a bid for the company.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 225: Company metrics vs. sector average

	DNO	Average	% difference to average
Potential upside from short term exploration	79%	133%	-54%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	45%	103%	-58%
Oil price leverage	16%	13%	3%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	15%	12%	3%
Technical risk	0.00	0.27	-27%
Political risk	0.95	0.54	41%
% value in pre-sanction non-operated fields	49%	23%	26%

Exhibit 226: Value breakdown

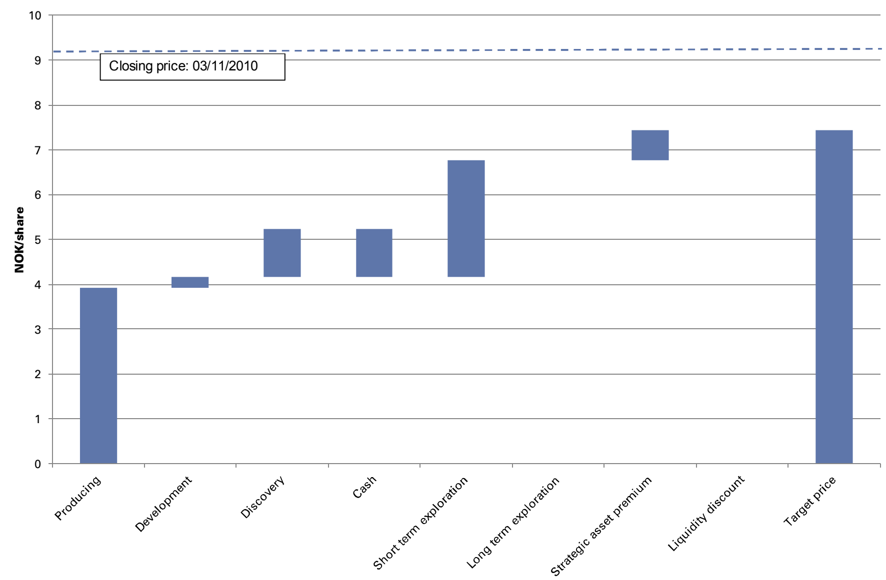


Exhibit 227: Top five shareholders

Holder	% held
RAK Petroleum	30.00
JPMorgan Asset Management	6.31
OppenheimerFunds, Inc.	5.34
Larsen Oil & Gas AS	2.97
Clearstream Banking	2.45
Other	52.93

Exhibit 228: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 229: Asset summary

DNO									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**NOK/share**
Kurdistan	oil		Producing	126.5	75%	94.9	5.1	484	3
Kurdistan	oil		Discovery	94.4	62%	58.6	2.3	133	1
Kurdistan	oil		Exploration - short term	675.0	24%	162.5	2.1	344	2
Yemen	oil		Producing	9.9	100%	9.9	12.6	124	1
Yemen	oil		Development	5.0	85%	4.3	9.0	38	0
Yemen	oil		Exploration - short term	3.8	25%	0.9	7.9	7	0
Mozambique	oil		Exploration - short term	54.0	15%	8.1	6.4	52	0
UK	oil		Discovery	10.0	50%	5.0	6.4	32	0
Equatorial Guinea	gas		Discovery	1.7	50%	0.8	1.2	1	0
Cash (net of assumed drilling costs and transactions) and value of listed holdings								-165.4	-1
Cash from options / warrants / assumed equity raises								0.0	0
Sub-total								1050.4	6.8
Strategic asset premium								104.6	1
Liquidity discount								0.0	0
TOTAL								**1155**	**7.45**
# shares (current)	**904.857**		# shares (inc. assumed equity issuances, options and warrants)			**904.857**			

Chances for succes in Kurdistan include an additional 50% risking due to political considerations

Source: Company data, Goldman Sachs Research estimates.

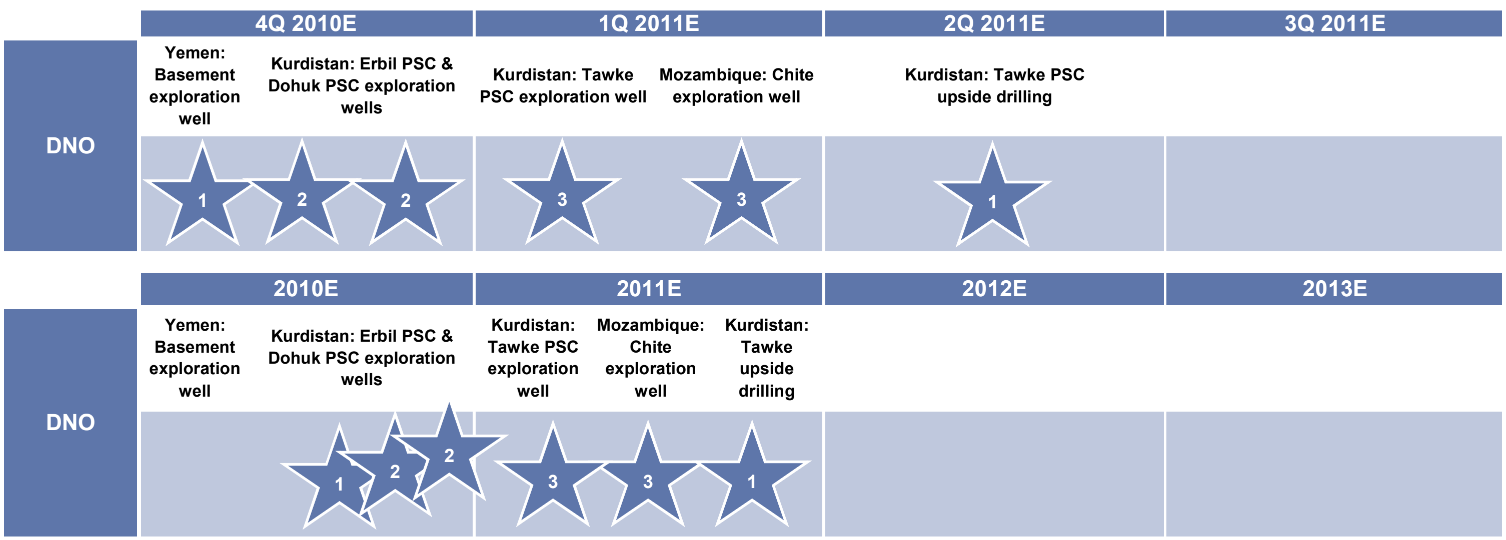
Exhibit 230: Management biographies

Name	Position	Background
Berge Gerdt Larsen	Chairman	Former Chief Executive Officer of DNO from 1996-2002. More than 30 years' experience in the oil and offshore industry. Previously managing director of Odfjell Drilling & Consulting Company AS. Holds a BSc in Chemical Engineering from the University of Newcastle and an MBA from the University of Texas, Austin.
Helge Eide	President and Managing Director	More than 30 years' experience in the oil industry. Held senior positions in oil and offshore companies, including Smedvig Group, Norsk Hydro AS, Read Petroleum Energy and Elf. Holds a Bachelor's degree in petroleum engineering from Rogaland College.
Haakon Sandborg	Chief Financial Officer	Over 25 years' experience in financial positions in the oil industry and banking. Previously worked with Aker Maritime and held senior positions at Den norske Bank and Bergen Bank.
Tore Lilloe-Olsen	Head of Exploration	25 years' experience in the oil and gas industry. Previously at Norsk Hydro ASA, where he held senior positions such as Exploration Manager, NCS. Prior to that, worked with Elf Aquitaine Norge AS.

Source: Company data.

Exhibit 231: Catalyst timeline

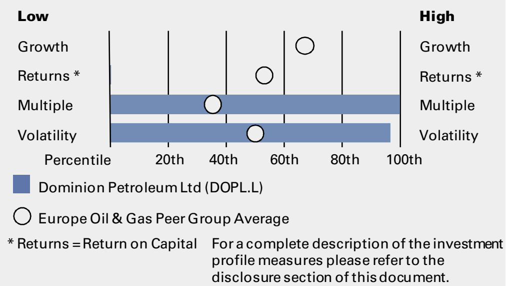
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Dominion Petroleum (DOPL.L): Tanzania the medium-term prize; Neutral

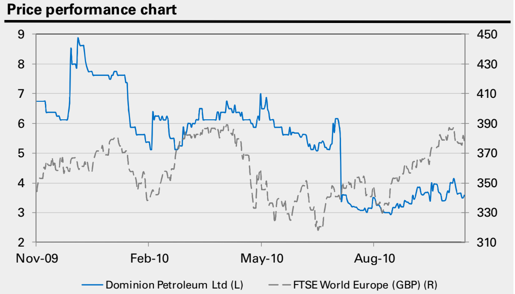
Investment Profile



Key data	Current
Price (p)	3.58
12 month price target (p)	5.32
Upside/(downside) (%)	49
Market cap (£ mn)	56.9
Enterprise value ($ mn)	115.0

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(10.3)	(17.3)	(10.3)	(10.3)
EPS ($)	(0.03)	(0.01)	(0.01)	(0.01)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(19.9)	(53.4)	(20.8)	(10.0)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	12.6	(41.6)	(47.0)
Rel. to FTSE World Europe (GBP)	5.2	(43.2)	(51.8)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

Dominion has exploration licences around Lake Edward in Uganda and the DRC and Tanzania – the most material of which is the offshore Block 7, containing the potentially vast Alpha prospect which we believe has been partially de-risked by BG's recent discovery in the area. Despite a dry well at the Silverback prospect in Uganda earlier in 2010, we believe that there is still a possibility of success in this basin, and give the company value for one more prospect in the block (Prospect B) with a 10% likelihood of success (c.40% uplift in the event of success). Drilling in the DRC and on Block 7 falls into our medium-term horizon, and therefore currently attracts a 50% discount, consistent with our methodology for other companies. Although there appear to be rig slots available in Tanzania that could allow drilling to take place on Block 7 in 3Q11, we do not assume such an early drill in the absence of a partner to carry costs but note that drilling so early would be a positive for the stock. We believe that Dominion will ultimately farm out c.50% of the prospect in return for a full carry on the first well and back costs. Although we conservatively apply a 50% discount to medium-term drilling, we see 49% potential upside to our target price. As drilling approaches, this discount should begin to reduce, however, we see a more attractive combination of short-term catalysts and upside in other stocks – hence our Neutral rating.

Core drivers of growth

Success in the company's drilling campaign is a key driver of growth but we do not expect drilling to take place in the short term (with the exception of the relatively small Kianika well).

Risks to the investment case

Upside risks to our view and price target are an aggressive pricing of exploration potential into the drilling programme and, ultimately, success at one of the company's prospects. Downside risks include failure at these prospects or delays in farming out a stake in Block 7.

Valuation

Our 12-month SOTP-based price target is calculated using a US$85/bl oil price. We currently give value for Prospect B (Uganda), a prospect in DRC and the Alpha prospect in Tanzania. We apply a 50% discount to exploration drilling catalysts taking place later than 12 months from now.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 232: Company metrics vs. sector average

	Dominion	Average	% difference to average
Potential upside from short term exploration	5%	133%	-128%
Potential upside from medium term exploration	2368%	304%	2065%
% value supported by core value	37%	103%	-66%
Oil price leverage	15%	13%	2%
% value in water depths over 1000m	82%	13%	69%
Average WACC	13%	12%	1%
Technical risk	0.61	0.27	34%
Political risk	0.81	0.54	27%
% value in pre-sanction non-operated fields	12%	23%	-11%

Exhibit 233: Value breakdown

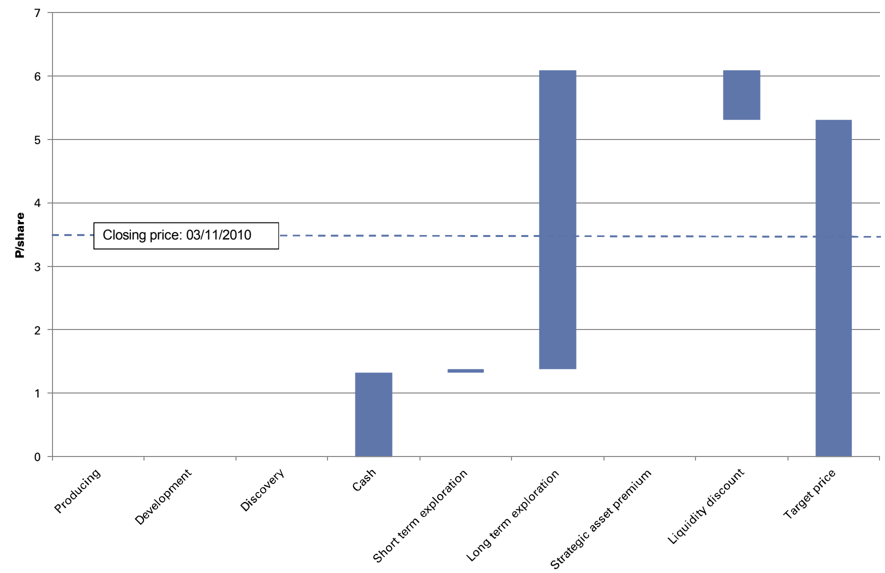


Exhibit 234: Top five shareholders

Holder	% held
BlueGold Capital Management	10.26
Plainfield Asset Management	10.25
Polygon Investment Partners	7.01
Camulos Capital	4.16
Michael Garland	3.93
Other	64.39

Exhibit 235: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 236: Asset summary

Dominion									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Uganda	oil		Exploration - medium term	29.6	10%	3.0	1.2	3	0
Tanzania	oil		Exploration - medium term	552.0	4%	22.1	3.1	68	3
Tanzania	gas	LNG	Exploration - medium term	589.1	9%	53.0	0.6	32	1
Tanzania	gas		Exploration - short term	4.4	15%	0.7	2.0	1	0
DRC	oil		Exploration - medium term	70.1	10%	7.0	2.5	17	1
Cash (net of assumed exploration drilling costs and transactions) and other assets								33.9	1
Cash from options / warrants / assumed equity raises								0.0	0
Sub-total								156.2	6.1
Strategic asset premium								0.0	0
Liquidity discount								-20.1	-1
TOTAL								**136**	**5.32**
# shares (current)	**1589.781**		# shares (inc. assumed equity issuances, options and warrants)			**1589.781**			

Farm out of Alpha prospect in Tanzania assumed

Source: Company data, Goldman Sachs Research estimates.

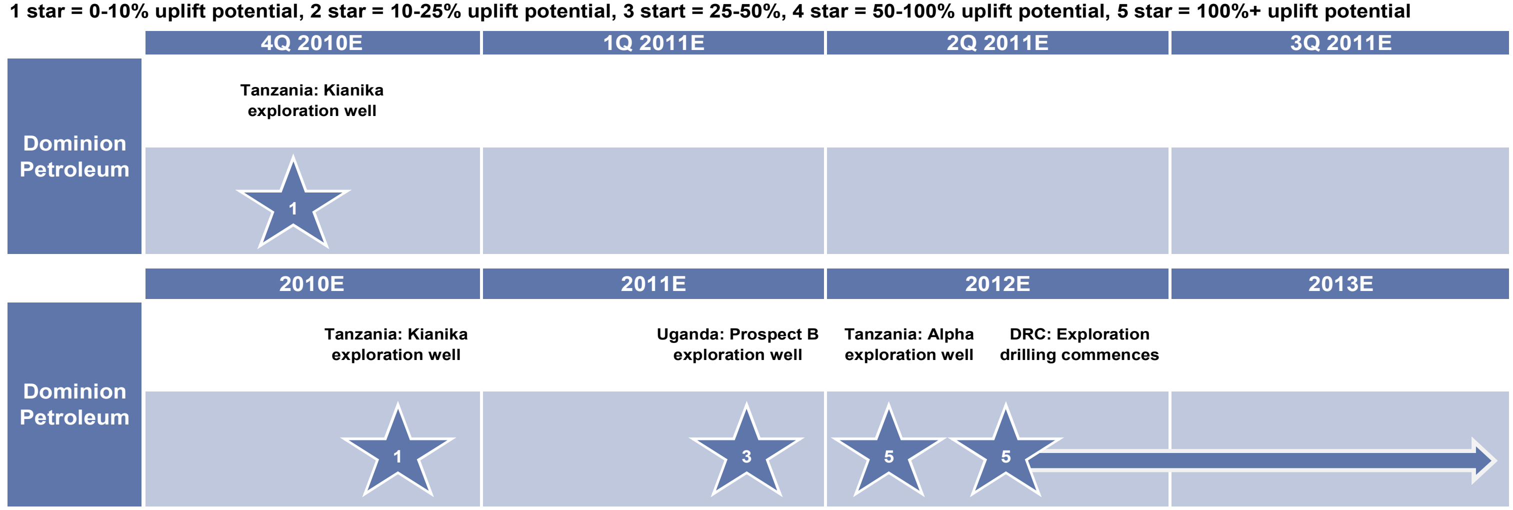
Exhibit 237: Management biographies

Name	Position	Background
Roger Cagle	Non-Executive Chairman	Executive Vice President, Deputy Chief Executive Officer and Chief Financial Officer of Soco International and member of Soco's board since 1997. Over 30 years' experience in oil and gas industry, including senior positions with Exxon Corporation and Superior Oil Company. Also Chief Financial Officer of Snyder Oil Corporation's international subsidiary and of Conquest Exploration Company.
Andrew Cochran	Chief Executive Officer	Previously Business Development Director and founder of Salamander Energy plc. Prior to that, New Ventures Manager at Endeavour International Corporation and Exploration Advisor at Anadarko Petroleum.
Rob Shepherd	Finance Director	Former executive director with ABN AMRO bank where he had 9 years' experience in international finance, particularly in the oil and gas sector. Also former facilities engineer with Shell and non-executive director with Imperial Energy Corporation.
Mike Thomas	Chief Operating Officer	Geologist with 35 years' experience in oil and gas exploration business. Previously worked for Texaco, AGIP, Clyde Petroleum, Gulf Canada and Paladin Resources. Experience managing exploration and producing fields in the Netherlands, Yemen, and Tanzania, among other countries.

Source: Company data.

Exhibit 238: Catalyst timeline

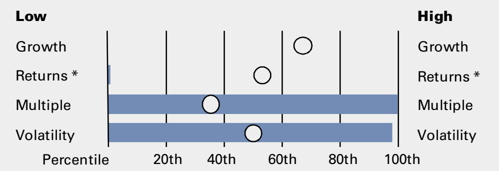
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Encore Oil (EO.L): Re-igniting the North Sea, but success priced in; initiate as Sell

Investment Profile



Encore Oil Plc (EO.L)

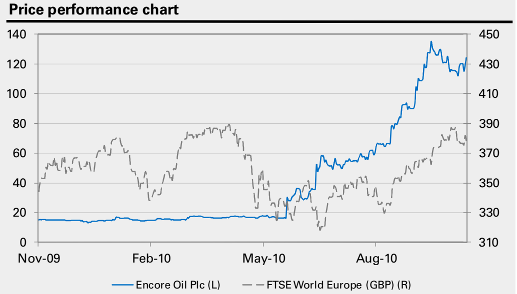
Europe Oil & Gas Peer Group Average

* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	124
12 month price target (p)	112
Upside/(downside) (%)	(10)
Market cap (£ mn)	359.9
Enterprise value (£ mn)	339.6

	6/10	6/11E	6/12E	6/13E
EBIT (£ mn)	(15.1)	(2.8)	(2.8)	(2.8)
EPS (p)	3.86	(0.58)	(0.61)	(0.64)
P/E (X)	4.4	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(5.7)	(3.0)	(3.1)	(0.5)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	120.4	640.3	726.7
Rel. to FTSE World Europe (GBP)	106.0	619.9	651.4

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We initiate coverage of Encore Oil with a Sell recommendation and a 12-month price target of 112p. The company has had significant success with the drill bit in recent months at its operated Catcher discovery in which it has a 15% stake, and the Cladhan discovery (16.6% stake). We expect substantial follow-on activity: two firm well slots and two options are available for drilling on Catcher, and further drilling on Cladhan is likely in early 2011 in our view. Despite the recent successes and the future potential, however, we believe expectations are high and that failure, or even success that fails to match expectations, could put the share price under pressure. We assume potential gross upside (on top of existing, discovered resource) through exploration of 170 mnbls at the Catcher prospects, and c.84 mnbls at Cladhan, and see a potential uplift of c.30% in the event that these prospects are totally de-risked through success. While this would clearly be attractive, there are other names in our universe which offer more upside with a “free” exploration option and we note that despite the attractive drilling campaign, the success the company has achieved to date has expanded its capital base resulting in future wells being likely to have a smaller impact than was previously the case. On a slightly longer term view, we regard Spaniards as a potentially interesting exploration play, with the potential for high upside in the event of proving up additional reserves, while Tudor Rose and the potential for a gas storage project as Esmond offer further portfolio optionality. In our view, despite the quality of its asset base and track record of its management team, Encore is one of the more expensive ways to gain exposure to the UK North Sea and prefer Nautical (Buy) for exposure to the drilling at Catcher.

Catalyst

Any failure in exploration activity in the area surrounding Catcher and in appraisal work on Cladhan, or success that fails to meet current high expectations, would likely result in share price weakness.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. Exploration and discoveries are valued using a risked NPV/bl approach.

Key risks

Key risks to our view and price target are greater than expected volumes at Cladhan and greater than expected success around the Catcher discovery. We note that Wintershall is a partner in both Catcher and Cladhan which may make Encore an attractive bid candidate should Wintershall want to increase its exposure to two attractive assets, but we believe that at present the price is too high for such an approach. An approach for the company’s Esmond asset (which could be used in a potential gas storage project) could also be a positive, although we would expect only a contingent upfront payment initially, with additional payments in the event that the project were sanctioned.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 239: Company metrics vs. sector average

	Encore	Average	% difference to average
Potential upside from short term exploration	46%	133%	-87%
Potential upside from medium term exploration	45%	304%	-258%
% value supported by core value	54%	103%	-49%
Oil price leverage	21%	13%	8%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.03	0.27	-24%
Political risk	0.29	0.54	-25%
% value in pre-sanction non-operated fields	22%	23%	-1%

Exhibit 240: Value breakdown

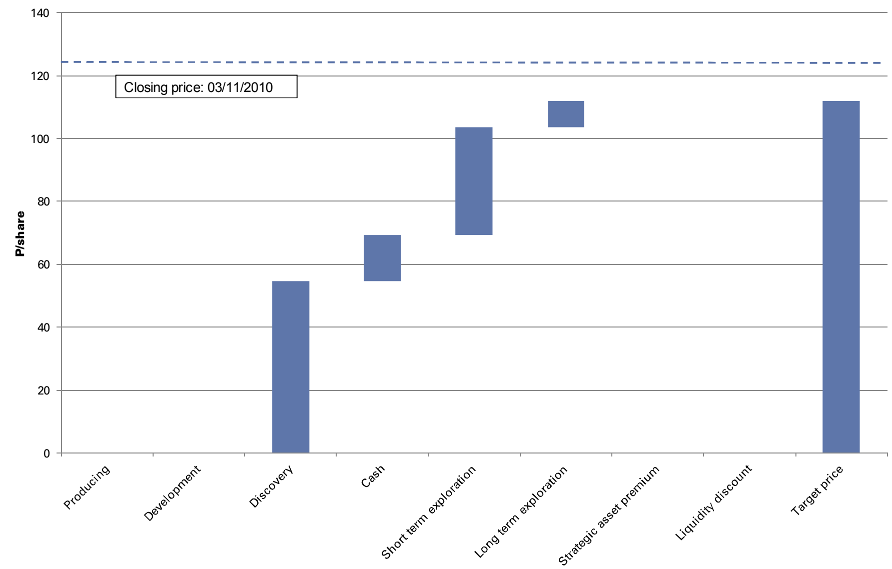


Exhibit 241: Top five shareholders

Holder	% held
BlackRock Investment Management	9.87
Ingalls & Snyder	6.12
TD Waterhouse Group	5.00
Barclays Personal investments	4.66
Credit Suisse Securities	4.17
Other	70.18

Exhibit 242: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 243: Asset summary

Encore									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
UK	oil		Discovery	23.1	88%	20.5	8.3	169	33
UK	oil	heavy	Discovery	19.6	25%	4.9	2.8	14	3
UK	gas		Discovery	10.0	60%	6.0	4.0	24	5
UK	oil		Exploration - short term	39.4	51%	20.2	8.2	165	32
UK	oil	heavy	Exploration - short term	33.6	10%	3.4	2.8	9	2
UK	oil		Exploration - medium term	40.0	30%	12.0	3.5	42	8
UK	gas		Gas storage	0.0	100%	0.0	0.0	67	13
Ireland	gas		Discovery	1.8	30%	0.5	5.5	3	1
Cash (net of assumed drilling costs / transactions) and NPV of tax losses								67.5	13
Cash from options / warrants / assumed equity raises								7.6	1
Sub-total								568.3	111.9
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**568**	**112**
# shares (current)	**290.237**		# shares (inc. assumed equity issuances, options and warrants)			**315.494**			

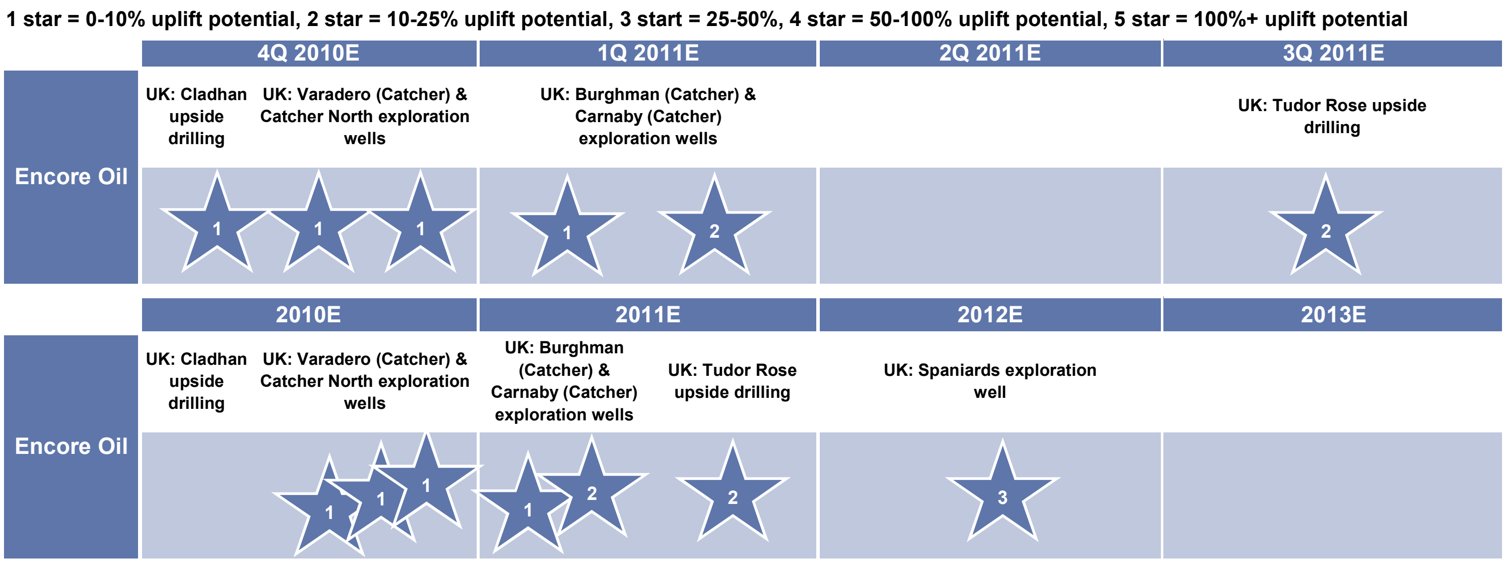
Source: Company data, Goldman Sachs Research estimates.

Exhibit 244: Management biographies

Name	Position	Background
Alan Booth	Chief Executive Officer	Former Chairman and Managing Director of EnCana (UK) Ltd, now Nexen Petroleum UK Ltd. Led the UK team which sold EnCana (UK) to Nexen Corporation for US$2.1 bn. Prior to this, worked in senior positions for Amerada Hess and Oryx Energy. Elected President of the Petroleum Exploration Society of Great Britain in 2003 and awarded the Petroleum Group Silver Medal by the Geological Society in 2004.
Eugene Whyms	Chief Financial Officer and Company Secretary	Co-founder of EnCore and previously Finance Director of EnCana (UK) Ltd. Over 20 years' experience in oil industry. Held various positions at Enterprise Oil including Head of Group Finance, Group Audit Manager and Manager, Financial Accounting.
Graham Doré	Exploration Director	Former senior geologist with Nexen Petroleum UK Ltd. Over 20 years' experience in the oil industry, initially as a geologist with Amerada Hess in the UKCS and Norway.
James Clark	Commercial Director	Previously worked for EnCana (UK) Ltd and Harrison Lovegrove & Co, and at Enterprise Oil, where he was tax manager.

Source: Company data.

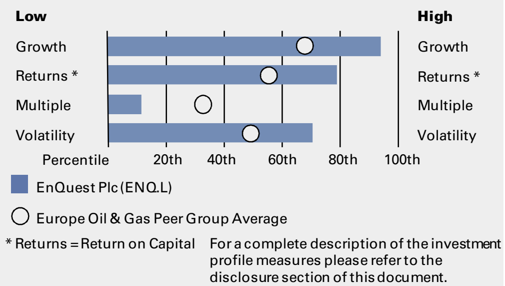
Exhibit 245: Catalyst timeline



Source: Company data, Goldman Sachs Research estimates.

EnQuest (ENQ.L): Cash flow and growth in the North Sea; initiate as Neutral

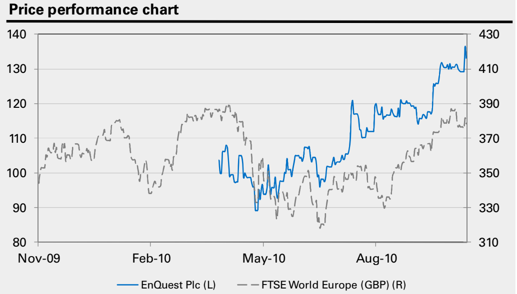
Investment Profile



Key data	Current
Price (p)	133.1
12 month price target (p)	151
Upside/(downside) (%)	13
Market cap (£ mn)	1,031.6
Enterprise value ($ mn)	1,503.3

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	0.0	295.5	592.4	796.1
EPS ($)	0.00	0.12	0.30	0.42
P/E (X)	NM	17.8	7.1	5.2
EV/DACF (X)	NM	7.5	3.5	2.0
Dividend yield (%)	NM	0.0	0.0	0.0
FCF yield (%)	NM	(3.5)	5.5	18.8
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	14.7	34.9	--
Rel. to FTSE World Europe (GBP)	7.2	31.1	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

We initiate coverage of EnQuest with a Neutral rating and a 12-month price target of 151p. The company's operations are based in the relatively low political risk UK North Sea where the focus is on maximizing the potential of producing fields and potential development of assets, with near field appraisal and business development providing additional growth. In our view the company offers a strong core value and cash flow growth story but with less exploration activity than other companies in our universe. We note that there is a discrepancy in the reserves reported by the partners in the Don fields: EnQuest's estimated reserves are lower than Valiant's. We take the mid point of these volumes but note that a reserves upgrade would be a positive for both companies. Following KNOC's purchase of Dana, we believe a degree of speculation on the possibility of EnQuest becoming an acquisition candidate is inevitable. We see the potential attraction of a concentrated number of producing, oily resources in the North Sea and include a premium in our target price to account for this potential. Using the same metrics as we believe the KNOC deal for Dana implied (8% cost of capital on core assets), would imply c.24% upside to the current share price on our estimates. While attractive, we see more obvious M&A candidates and more upside in other stocks in our E&P universe – hence our Neutral rating on the stock.

Core drivers of growth

Production growth and attractive asset acquisitions are the main drivers of growth in the stock in our view. Any M&A speculation surrounding EnQuest would clearly also be a positive.

Risks to the investment case

The key downside risks to our view and price target are worse than expected production volumes or drops in the commodity price. We would see an approach for the company or a value generating acquisition by EnQuest as the main upside risks.

Valuation

Our 12 month SOTP based price target is calculated using a long run oil price of US$85/bl. Some 20% of our target price is an M&A element that we calculate by valuing the company's assets at an 8% discount rate (similar metrics to those implied by the KNOC/Dana transaction).

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 246: Company metrics vs. sector average

	EnQuest	Average	% difference to average
Potential upside from short term exploration	1%	133%	-132%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	110%	103%	6%
Oil price leverage	13%	13%	0%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.04	0.27	-23%
Political risk	0.29	0.54	-25%
% value in pre-sanction non-operated fields	1%	23%	-22%

Exhibit 247: Value breakdown

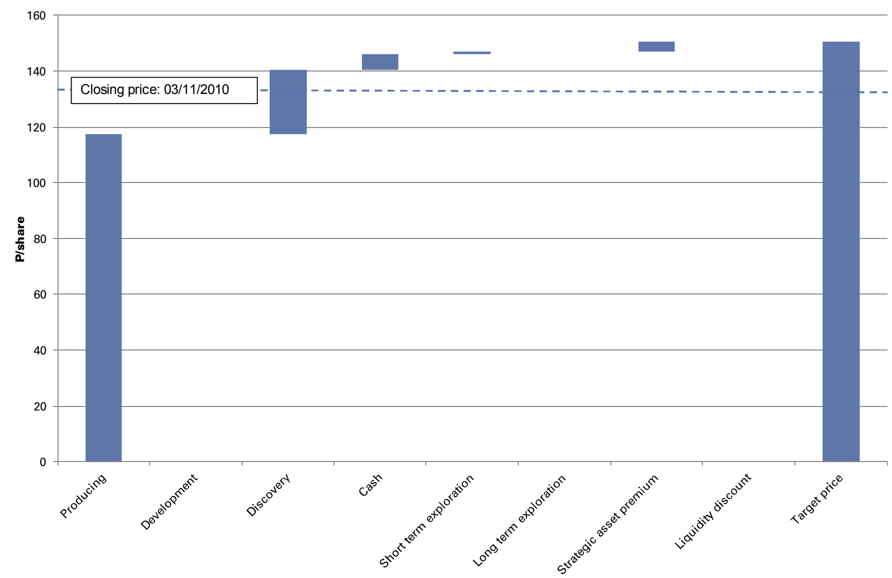


Exhibit 248: Top five shareholders

Holder	% held
Julius Baer Holding	16.51
Lorito Holdings	14.61
Lamia Trust	4.10
Nola Trust	3.88
Swedbank Robur Fonder	2.88
Other	58.02

Exhibit 249: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 250: Asset summary

EnQuest

Country	Hydrocarbon	Type	Development status	Reserves	Chance of success	Risked reserves	US/bl	Value (USDm)	p/share
UK	oil		Producing	58.3	100%	58.3	18.5	1076	86
UK	oil	PRT	Producing	29.2	100%	29.2	13.4	391	31
UK	oil		Discovery	65.4	54%	35.2	7.3	257	21
UK	oil	PRT	Discovery	8.1	60%	4.9	3.0	15	1
UK	gas		Discovery	5.8	69%	4.1	4.0	16	1
UK	oil		Exploration - short term	4.8	35%	1.7	7.0	12	1
Cash (net of assumed drilling costs / transactions) and NPV of tax losses								69.0	6
Cash from options / warrants / assumed equity raises								0.0	0
Sub-total								1835.0	147.1
Strategic asset premium								43.5	3
Liquidity discount								0.0	0
TOTAL								**1879**	**150.58**
# shares (current)	**775.028**		# shares (inc. assumed equity issuances, options and warrants)			**775.028**			

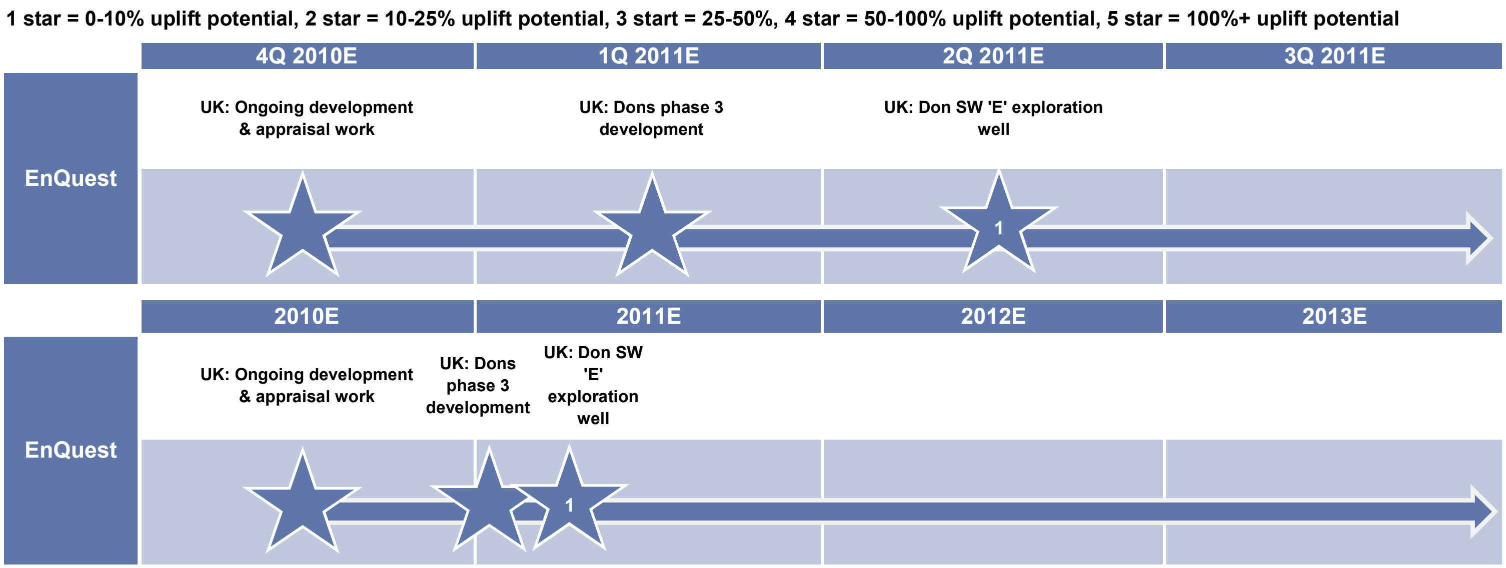
Source: Company data, Goldman Sachs Research estimates.

Exhibit 251: Management biographies

Name	Position	Background
W.T. David Murray	President & Chief Executive Officer	Founder and former Chairman and CEO of Irontree Oilfield Services Corp. Previously President and CEO of Bayridge Resources Ltd, which was sold to APF Energy Trust in 1997. Also worked at Sharwood and Company, an investment bank with a focus on energy.
Mark Voorhies	Senior Vice President, US Operations	Responsible for Caprock Pipe & Supply Inc, a subsidiary of the Corporation with operations in New Mexico and Houston. Prior to this, worked with Dell Computers in Canada and Australia.
Geoff Kritzinger	Senior Vice President & Chief Financial Officer	Partner with Shimmerman Penn LLP in Toronto. Formerly with KPMG, where he obtained a CA designation. Was also a member of the Practice Inspection Committee of the Institute of Chartered Accountants of Ontario.
Ben Lorencz	Vice President, Transportation	General Manager of Twilight Oilfield Hauling. Over 30 years' experience in oilfield transportation, heavy hauling and rig relocation experience and leads the Transportation division in Canada.

Source: Company data.

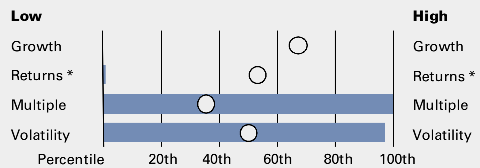
Exhibit 252: Catalyst timeline



Source: Company data, Goldman Sachs Research estimates.

Falkland Oil & Gas (FOGL.L): High risk/high reward – story not dead; initiate as Buy

Investment Profile



Falkland Oil & Gas Ltd (FOGL.L)

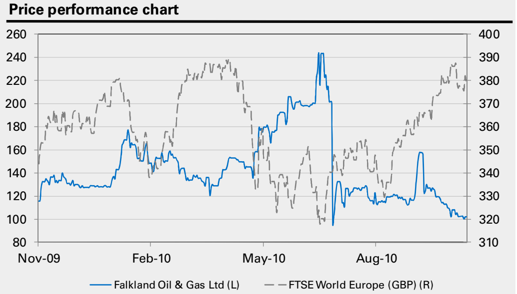
Europe Oil & Gas Peer Group Average

* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	102
12 month price target (p)	200
Upside/(downside) (%)	96
Market cap (£ mn)	149.2
Enterprise value ($ mn)	192.7

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(2.8)	(21.8)	(2.6)	(2.6)
EPS ($)	(0.05)	(0.14)	(0.01)	(0.01)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(11.0)	(14.0)	(12.9)	(1.0)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(19.7)	(29.8)	(11.9)
Rel. to FTSE World Europe (GBP)	(24.9)	(31.7)	(19.9)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We initiate coverage of Falkland Oil and Gas with a Buy recommendation and a 12-month price target of 200p, implying 96% potential upside. The company has acreage across a large number of licences obtained in 2002 and 2004 in the South Falkland basin where a number of leads and prospects have been identified. The company farmed out 51% of its acreage to BHP Billiton in 2007, although BHP has recently decided not to enter the second phase in the southern (2002) licences. The Toroa well was drilled earlier in 2010 and failed to encounter hydrocarbons, but we expect drilling to take place on the Loligo prospect, which targets a different play to Toroa, in early 2011, subject to rig availability. We believe success at Loligo would re-rate the stock, with potential upside of c.1700% to our target price in the event of a total de-risking of the prospect. Failure, however, would result in significant downside in our view unless the wells gave some encouragement for follow-on drilling. Given the high and binary risk inherent within the stock, we apply a more conservative risking to the asset than might otherwise be the case and give a 5% likelihood of success to the asset (this percentage is slightly higher for Borders and Southern to reflect the 3D seismic Borders possesses). Despite this conservative approach, we see 96% upside to our target price. The stock features in our Undervalued Binary Risk screen and we add it to the Buy List.

Catalyst

The key catalyst will be the next well at Loligo – success or failure will be the key driver of share price performance. We believe that securing drilling slots will also likely be positive catalysts for the stock.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We assume a 12% discount rate for FOGL – higher than the usual 10% we use for OECD countries to reflect the higher political risk that we assume in the Falklands.

Key risks

The main downside risk to our view and price target is failure at Loligo, which would be a major negative for the stock. A deterioration in political relations between the UK/Falklands and Argentina that impacts exploration activities would also be a negative. In the event of success we would not expect the market to focus initially on the technical challenges of developing the deepwater, harsh condition assets but note that this will be a consideration should FOGL attempt to farm out a discovery or retain a stake in the ultimate development.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 253: Company metrics vs. sector average

	Falkland Oil & Gas	Average	% difference to average
Potential upside from short term exploration	1694%	133%	1561%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	22%	103%	-82%
Oil price leverage	16%	13%	3%
% value in water depths over 1000m	100%	13%	87%
Average WACC	12%	12%	0%
Technical risk	0.80	0.27	53%
Political risk	0.59	0.54	5%
% value in pre-sanction non-operated fields	89%	23%	66%

Exhibit 254: Value breakdown

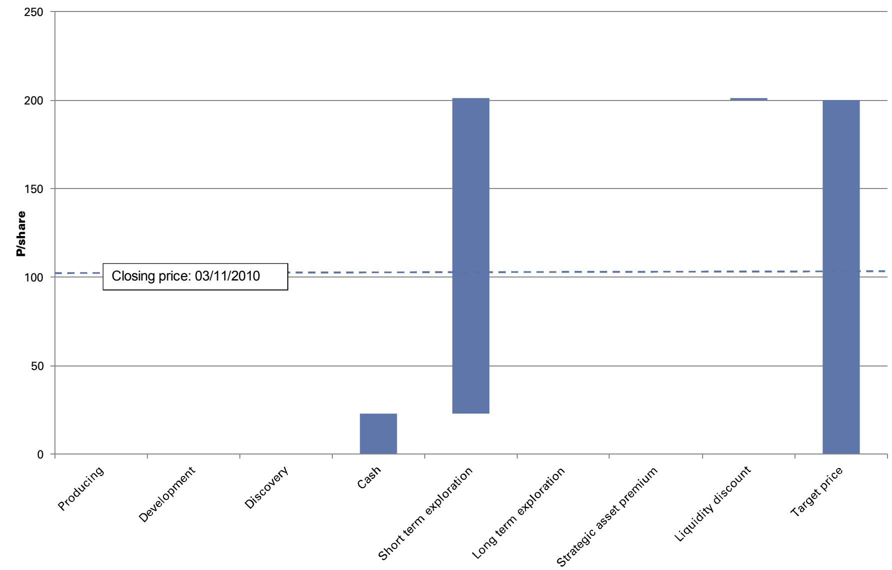


Exhibit 255: Top five shareholders

Holder	% held
RAB Capital	16.83
Erebus Ltd	10.26
Dampier Oil Ltd	8.30
Falkland Islands Holdings Plc	8.21
Fidelity Management & Research	5.55
Other	50.85

Exhibit 256: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 257: Asset summary

Falkland oil & gas									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Falklands	oil		Exploration - short term	1568.0	5%	78.4	5.4	427	178
Cash (net of assumed exploration drilling costs and transactions) and other assets								52.0	22
Cash from options / warrants / assumed equity raises								3.6	1
Sub-total								482.1	201.1
Strategic asset premium								0.0	0
Liquidity discount								-3.3	-1
TOTAL								**479**	**199.79**
# shares (current)	**146.252**		# shares (inc. assumed equity issuances, options and warrants)			**148.909**			

Source: Company data, Goldman Sachs Research estimates.

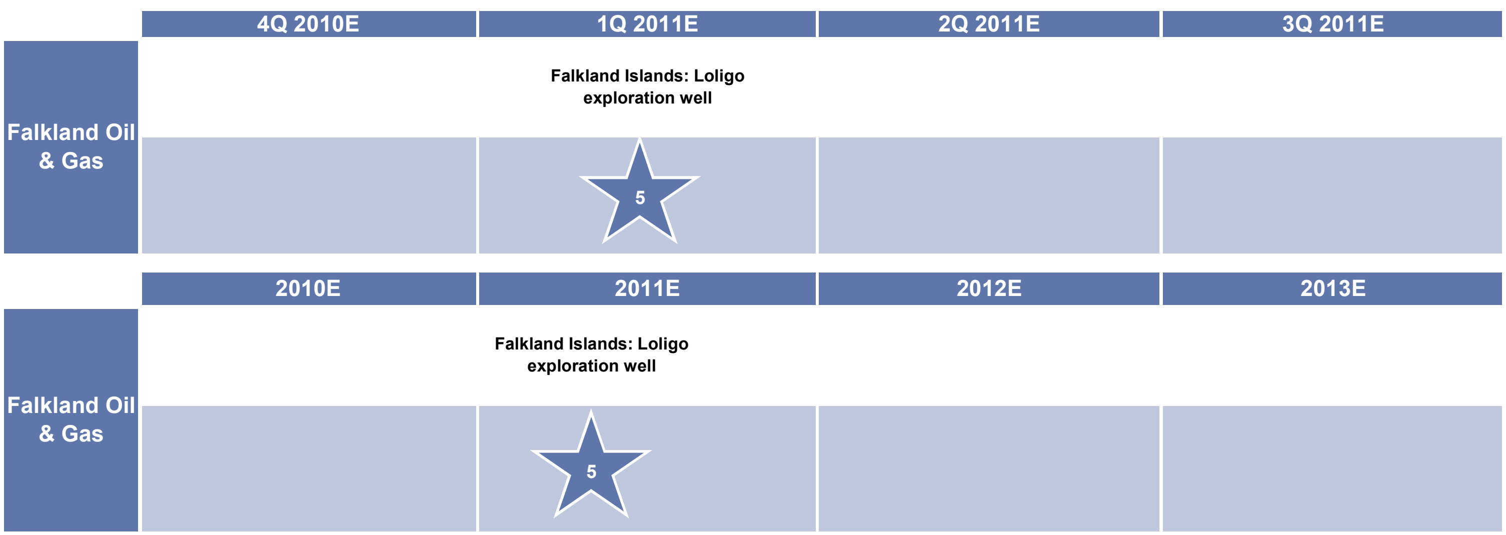
Exhibit 258: Management biographies

Name	Position	Background
Richard Liddell	Chairman	Previously Operations Director of Premier Oil. Prior to that, Director of Development at BG Exploration and Production. Held a number of senior positions in his 18 years at Phillips Petroleum Company.
David Hudd	Deputy Chairman	Founding Director of the company in 2004. Previously a partner in Price Waterhouse and Chairman or Chief Executive of a number of listed companies.
Tim Bushell	Chief Executive Officer	Previously Managing Director, Norway at Paladin Resources plc. Prior to that, spent 10 years at Lasmo where he managed North Sea assets and the South Atlantic business unit. Also worked for Ultramar, British Gas and Schlumberger.
Timothy Jones	Finance Director	Qualified as a Chartered Accountant with Price Waterhouse. Founded his own accountancy and consultancy practice in 1990.
Colin More	Exploration Director	27 years' experience in the oil and gas industry. Previously with Paladin Resources where he was Exploration Manager in the UK. Prior to that, Exploration Manager at Cairn Energy, responsible for China and then India. Also worked in technical positions at Conoco and Scott Pickford.

Source: Company data.

Exhibit 259: Catalyst timeline

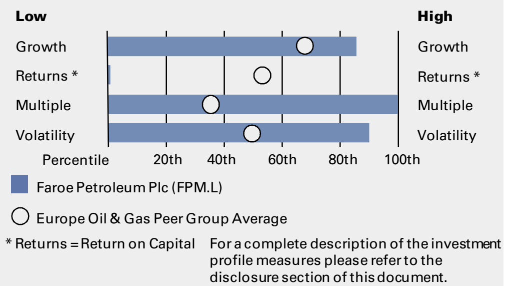
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Faroe Petroleum (FPM.L): Diverse and high impact drilling programme in the price; Neutral

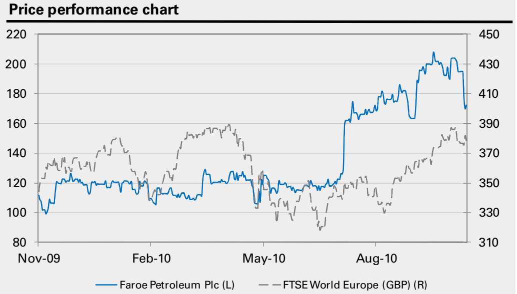
Investment Profile



Key data	Current
Price (p)	172.25
12 month price target (p)	222
Upside/(downside) (%)	29
Market cap (£ mn)	300.7
Enterprise value (£ mn)	295.6

	12/09	12/10E	12/11E	12/12E
EBIT (£ mn)	(28.6)	1.0	1.1	2.0
EPS (p)	(6.60)	(4.44)	(2.17)	(2.15)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	11.8	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	1.4	(8.4)	(8.8)	(8.8)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	5.8	41.2	54.3
Rel. to FTSE World Europe (GBP)	(1.1)	37.3	40.3

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

We initiate coverage of Faroe Petroleum with a Neutral rating and 29% potential upside to our 222p 12-month target price. The company's activities are focused on exploration in the North Sea, West of Shetland, Norway and the Faroe Islands. It is levered to exploration: we estimate less than 20% of its operational value is in production, and none in development, although discoveries help core value to support the share price in our view. Potential upside from exploration, is still relatively high however, with the possibility of an uplift of almost c.100% to our valuation in the event of success over the next 12 months. Downside potential exists in the event of total failure of the exploration programme – we envisage a reduction of c.20% in our valuation if there are no successes at any of the exploration prospects being drilled over the next year. However the high level of drilling activity should provide a reasonably diversified portfolio which should mean the company is unlikely to experience a total failure/success scenario in its programme. Faroe has had success with a number of wells recently, including Maria, Fogelberg, Tornado and Glenlivet. We believe that it will want to stay levered to exploration and expect these prospects to be monetized or partially farmed out at some point. We view the company's high levels of exploration activity and diversified portfolio positively, but believe that this is reasonably well reflected in the share price already. As a result, we initiate coverage of the stock with a Neutral rating, as we see better risk/reward elsewhere in the sector. We do, however, view the combination of core value support and exploration leverage positively and include the stock in our Balanced Explorers screen.

Core drivers of growth

The Lagavulin exploration well is likely to be the main drivers in the short term. Success at the prospect could result in a c.55% uplift to our valuation.

Risks to the investment case

The main downside risk to our view and price target is greater than expected failure in the company's exploration programme. Other risks include a drop in the commodity price, or further tightening of the regulation of offshore/deepwater drilling in any of the countries in which the company operates – something we view as relatively low risk given the generally high standards currently in place. Upside risks to our view primarily related to success at the more material prospects in the company's portfolio.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We give full value for exploration prospects being drilled by the company over the next 12 months, but apply a 50% discount to prospects being drilled 12-24 months from now.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 260: Company metrics vs. sector average

	Faroe Petroleum	Average	% difference to average
Potential upside from short term exploration	95%	133%	-38%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	108%	103%	4%
Oil price leverage	13%	13%	1%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.16	0.27	-11%
Political risk	0.23	0.54	-31%
% value in pre-sanction non-operated fields	44%	23%	21%

Exhibit 261: Value breakdown

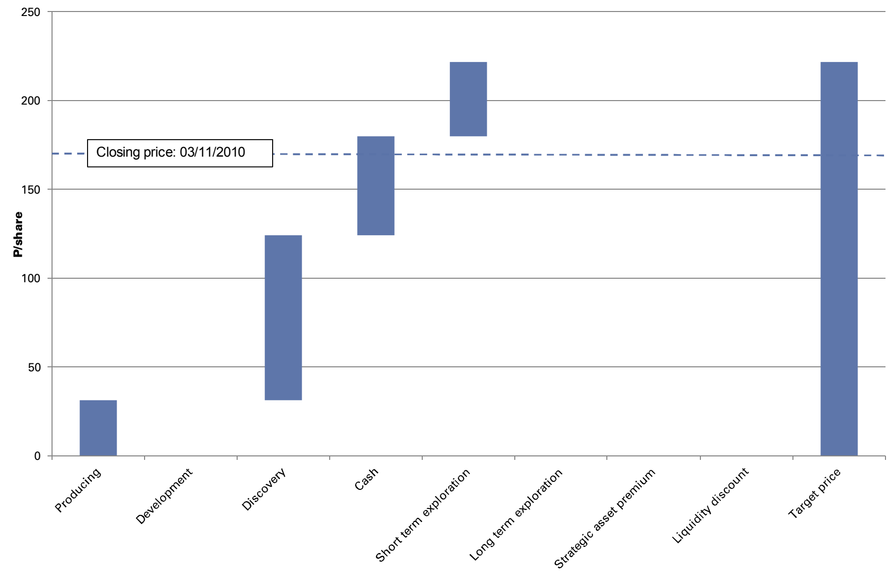


Exhibit 262: Top five shareholders

Holder	% held
Dana Petroleum	27.50
AXA Framlington Investment Management	5.60
Artemis Investment Management	5.45
BlueGold Capital Management	5.02
Lansdowne Partners	3.80
Other	52.63

Exhibit 263: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 264: Asset summary

Faroe Petroleum									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Norway	oil		Producing	0.3	100%	0.3	17.6	5	2
Norway	gas		Producing	0.0	100%	0.0	9.2	0	0
Norway	oil		Discovery	58.6	53%	30.8	4.5	139	46
Norway	gas		Discovery	18.0	56%	10.1	2.1	22	7
Norway	gas		Exploration - short term	3.8	20%	0.8	2.2	2	1
Norway	oil		Exploration - short term	51.6	26%	13.2	4.5	60	20
UK	oil		Producing	3.0	100%	3.0	23.7	71	24
UK	gas		Producing	1.7	100%	1.7	10.5	18	6
UK	oil		Discovery	29.6	49%	14.5	7.1	102	34
UK	gas		Discovery	7.0	63%	4.5	3.6	16	5
UK	oil		Exploration - short term	71.1	13%	9.1	7.0	64	21
Cash (net of assumed exploration drilling costs / transactions) and NPV of tax losses								147.2	49
Cash from options / warrants / assumed equity raises								19.8	7
Sub-total								666.0	221.6
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**666**	**221.55**
# shares (current)	**174.568**		# shares (inc. assumed equity issuances, options and warrants)			**186.744**			

Source: Company data, Goldman Sachs Research estimates.

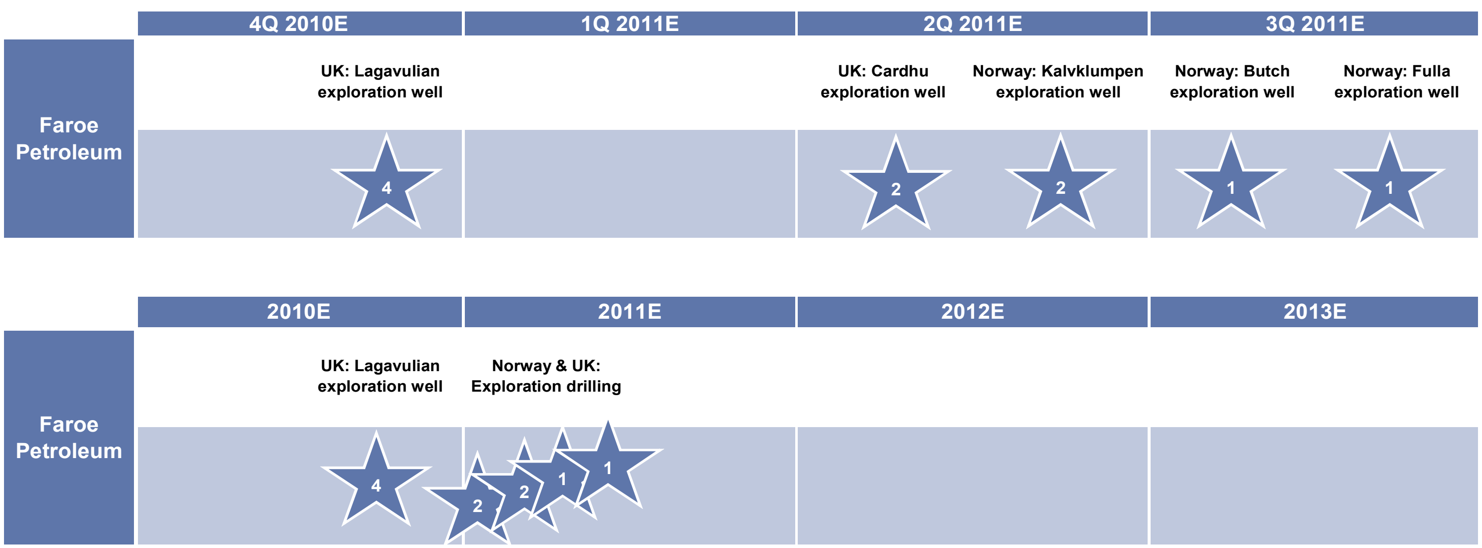
Exhibit 265: Management biographies

Name	Position	Background
John Bentley	Non-Executive Chairman	40 years' experience in natural resources sector. Previously Executive Chairman of FirstAfrica Oil plc until its acquisition by BowLeven. Prior to that, Chief Executive of Energy Africa. Managing Director of Gencor's Brazilian mining company, Sao Bento Mineracao, and also Chief Executive of Engen's E&P division.
Graham Stewart	Chief Executive Officer	Non-Executive Chairman of Faroe Petroleum until 2002. Previously Finance Director and Commercial Director at Dana Petroleum. Also worked with Schlumberger, DNV Technica and the Petroleum Science and Technology Institute.
Iain Lanaghan	Finance Director	Finance Director of FirstGroup Plc, Powergen International and Atlantic Power Limited. More recently involved in the private equity sector and founded a German transport group, Abellio.
Helge Hammer	Executive Director	Previously Asset Manager and Deputy Managing Director at Paladin Resources. Worked for Shell for 13 years in a variety of senior positions including Business Manager in Norway, Oman, Australia and Holland. Technical Director and Managing Director of Faroe Petroleum's Norway subsidiary, Faroe Petroleum Norge.

Source: Company data.

Exhibit 266: Catalyst timeline

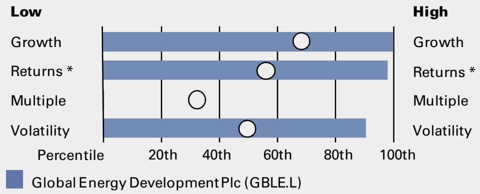
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Global Energy Development (GBLE.L): Big volume, small market cap; Buy

Investment Profile

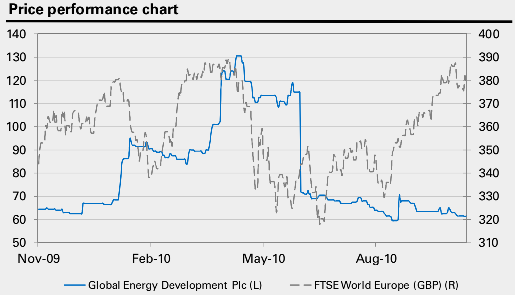


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	61.5
12 month price target (p)	157
Upside/(downside) (%)	155
Market cap (£ mn)	21.8
Enterprise value ($ mn)	48.5

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	4.1	20.6	89.2	230.5
EPS ($)	0.02	0.32	1.70	4.41
P/E (X)	49.6	3.1	0.6	0.2
EV/DACF (X)	5.0	3.1	0.2	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(2.6)	(1.5)	102.4	282.7
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(11.5)	(48.5)	(4.7)
Rel. to FTSE World Europe (GBP)	(17.3)	(50.0)	(13.3)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We believe that the valuation of Global Energy Development (GED) is too low given the level of reserves the company owns and the M&A potential that this provides. We initiate coverage with a Buy recommendation. The company had almost 150 mnbls of 2P reserves (audited by Ralph E Davis Associates) at the end of 2009, despite a market capitalization of c.US$35 mn – which, combined with a small amount of debt, implies an EV/bl of just over US$0.30. We believe that the market is applying an excessive discount to the stock due to its low liquidity and its low levels of capital strength; the concern is that if no partner is brought into the field, this would result in a relatively slow ramp-up of production which would reduce overall value and could ultimately mean that not all of the reserves are produced before the end of the licence terms (between 2022 and 2024). Even if the reserves were developed organically, however, with operational cash flows being used to fund a gradual increase in the licences, we estimate there is c.100% potential upside to the current share price. In our view, however, the size and concentration of resource is sufficient to attract a partner, thereby increasing the speed of ramp-up and the value of the assets. In our model we assume a 20% likelihood of a farm-out in which a larger partner takes 50% of the contract in return for US$50 mn (which we consider to be a conservative valuation). In the event of such a deal, we estimate that the increase in NPV on a unit basis would result in a c.75% increase in our valuation, even without any technical de-risking of the assets. We currently ascribe a conservative 33% likelihood of success to the larger Bocachico and Bolivar fields to account for potential development risk, given the magnitude of development required, the relatively few wells drilled to date and the small size of the company. The company has a three-year plan to reinvest operational cash flows in the field and take production to over 8 kb/d by 2012.

Catalyst

Successful execution of the company's three-year plan should act as a positive, focusing market attention on the potential of the licences and de-risking of the reserves. However, we believe that the more material catalyst is likely to come from a farm-in of a larger, better-funded partner or a bid for the company.

Valuation

Our 12 month SOTP-based price target of 157p implies 155% upside and is calculated using a US$85/bl oil price. Some 20% of our target price is based on a company valuation assuming a farm-out on the terms described above takes place.

Key risks

Key risks to our view and price target are technical difficulties in executing the three-year plan, failure to obtain a farm-in partner or a fall in the oil price which, aside from reducing the value of the licences, would result in less available cash flow to execute an increase in production..

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 267: Company metrics vs. sector average

	Global Energy Development	Average	% difference to average
Potential upside from short term exploration	0%	133%	-133%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	335%	103%	232%
Oil price leverage	15%	13%	2%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	13%	12%	1%
Technical risk	0.03	0.27	-23%
Political risk	0.60	0.54	6%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 268: Value breakdown

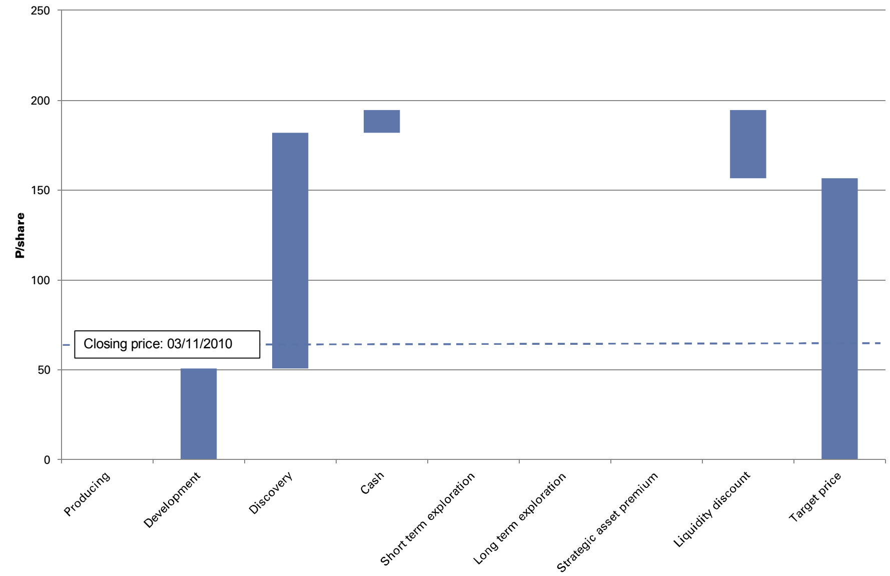


Exhibit 269: Top five shareholders

Holder	% held
HKN Inc	33.56
Lyford Investment Enterprise	15.04
Pictet Asset Management	5.38
2008 Annuity Trust	5.22
BlackRock Investment Management	4.94
Other	35.86

Exhibit 270: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 271: Asset summary

Global Energy Development									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Colombia	oil	Bolivar - farm out	Discovery	18.7	7%	1.2	8.5	10	16
Colombia	oil	Bocachico - farm out	Discovery	39.2	7%	2.6	4.2	11	16
Colombia	oil	Bolivar - no farm out	Discovery	37.3	26%	9.8	2.2	22	34
Colombia	oil	Bocachico - no farm out	Discovery	78.4	26%	20.7	0.3	7	11
Colombia	oil	Other	Development	4.5	85%	3.8	8.6	33	50
Colombia	oil	Other	Discovery	4.8	85%	4.1	6.0	24	37
Peru	oil	Heavy	Discovery	21.0	10%	2.1	5.5	12	18
Cash (net of assumed exploration drilling costs and transactions) and other assets								-1.6	-2
Cash from options / warrants / assumed equity raises								9.9	15
Sub-total								127.5	194.4
Strategic asset premium								0.0	0
Liquidity discount								-24.7	-38
TOTAL								**103**	**156.77**
# shares (current)	**35.439**		# shares (inc. assumed equity issuances, options and warrants)			**40.724**			

Bolivar and Boccachico "farm out" represents a different valuation of the same reserves as "Bocachico" and "Bolivar" and are not additive

Source: Company data, Goldman Sachs Research estimates.

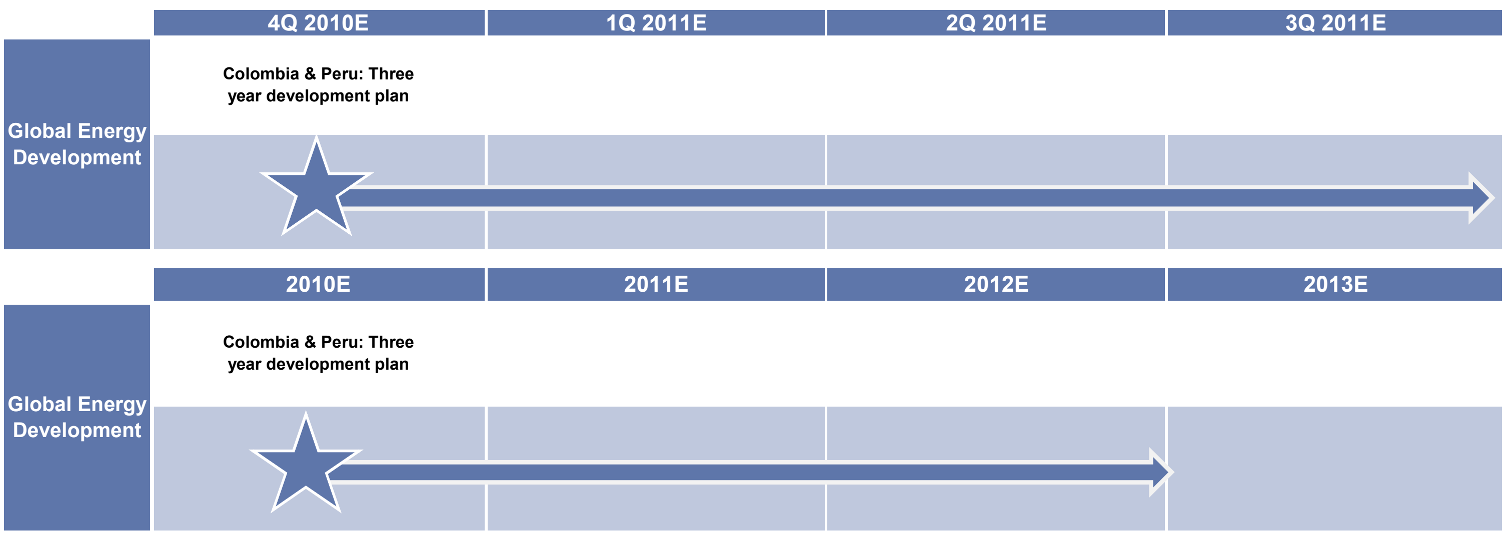
Exhibit 272: Management biographies

Name	Position	Background
Mikel Faulkner	Executive Chairman	Former Chairman and current Chief Executive Officer at HKN (previously Harken Energy Corporation). Served as an officer in the US Naval Nuclear Power Programme. Member of the audit staff at Arthur Andersen & Co. and financial officer for American Quasar Petroleum.
Stephen Voss	Vice Chairman	Worked with Goldrus Drilling Company as Executive Vice President and Chief Operating Officer. Also worked with Chevron Oil Company and Burmah Oil and Gas Company in Louisiana. Holds a BSc in Petroleum Engineering from Texas A&M and an MBA from Harvard University.
Alan Henderson	Non-Executive Director	Chairman of Aberdeen New Dawn Investment Trust Plc and non-executive director of Public Service Properties Investments Ltd. Previously chairman of Forum Energy plc, Ranger Oil (UK) Ltd and director of ADT Ltd and Ranger Oil Ltd.
David Quint	Non-Executive Director	Founder and Chief Executive Officer of RP&C International, an investment-banking firm with offices in London and New York. Previous experience as Managing Director of the London-based international financing arm of a US oil and gas company.

Source: Company data.

Exhibit 273: Catalyst timeline

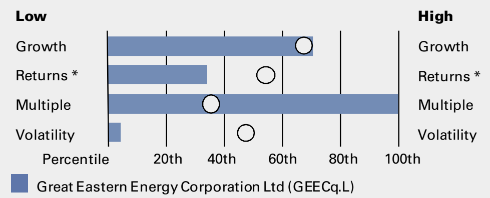
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Great Eastern Energy (GEECq.L): Attractions of Indian CBM partly priced in; Neutral

Investment Profile

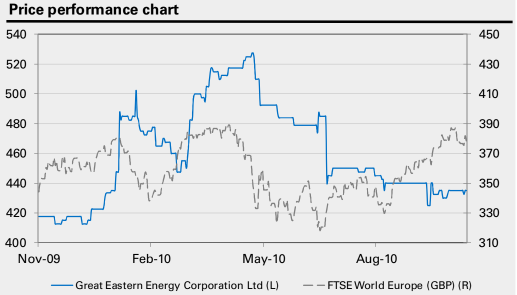


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	435
12 month price target (p)	618
Upside/(downside) (%)	42
Market cap (£ mn)	505.1
Enterprise value ($ mn)	876.5

	3/10	3/11	3/12E	3/13E
EBIT ($ mn)	(3.4)	11.4	17.2	19.4
EPS ($)	(0.15)	0.06	0.10	0.11
P/E (X)	NM	111.6	69.6	60.8
EV/DACF (X)	210.6	87.9	59.6	52.7
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(9.4)	0.1	(1.7)	(3.0)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(2.8)	(17.1)	4.2
Rel. to FTSE World Europe (GBP)	(9.1)	(19.4)	(5.3)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

We initiate coverage of Great Eastern Energy with a Neutral rating and a 12-month price target of 618p. The company has two licences in India which will focus on producing coal bed methane. We believe that the Raniganj asset holds c.2 tcf gas in place and the Tamil Nadu just under 1 tcf in place. We assume 50% recovery rates for the assets, which is within the range of recovery factors we would expect to see for this type of asset. The company's access to such a large resource base in an emerging market is clearly a positive, however, we believe that a key driver of the investment case will be realisable prices inland India in the long term. We believe Great Eastern currently receives c.US$13/mcf for its gas – a reflection of the expense of substitution fuels in the region (typically fuel oil/LNG). Although we believe that in the longer term, as gas from the KG basin is developed and infrastructure is built to transport it, prices may begin to fall in the inland areas of the country, the building of infrastructure will take some time to reach the areas in which Great Eastern does business. We therefore currently assume a price of US$12/mcf – broadly in line with our long run crude prices less a 15% discount which we believe is a reasonable proxy for LNG prices, although we note that a faster than expected development of infrastructure would likely put downward pressure on this price. Although our Great Eastern target price implies reasonable upside, the stock trades on a higher EV/mcf in place than the other CBM stocks in our universe (Green Dragon Gas and IGas); we therefore prefer to gain exposure to the CBM theme through these companies. We regard the stock as a potentially attractive acquisition candidate and include it in our Strategic Assets and M&A screens.

Core drivers of growth

We believe that the core drivers for the stock will be a rise in the commodity prices of either oil or LNG, and increasing production at the company's assets.

Risks to the investment case

The main downside risks to our view and target price are a drop in gas prices in the regions of India where Great Eastern operates, or technical difficulties concerned with bringing the company's resources on line. M&A or a spike in LNG/fuel oil prices (which we see as the main competing fuels for Great Eastern's gas) are the main upside risks in our view.

Valuation

Our 12 month target priced is based on a SOTP methodology. We apply a 50% recovery factor to Great Eastern's in place volumes for its two main assets. Some 20% of our target price is based on a valuation of the company in which its Indian CBM assets are valued at an 8% discount rate to reflect our view of the strategic nature of the asset.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 274: Company metrics vs. sector average

	Great Eastern Energy	Average	% difference to average
Potential upside from short term exploration	0%	133%	-133%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	158%	103%	55%
Oil price leverage	13%	13%	1%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	12%	12%	0%
Technical risk	0.75	0.27	48%
Political risk	0.73	0.54	19%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 275: Value breakdown

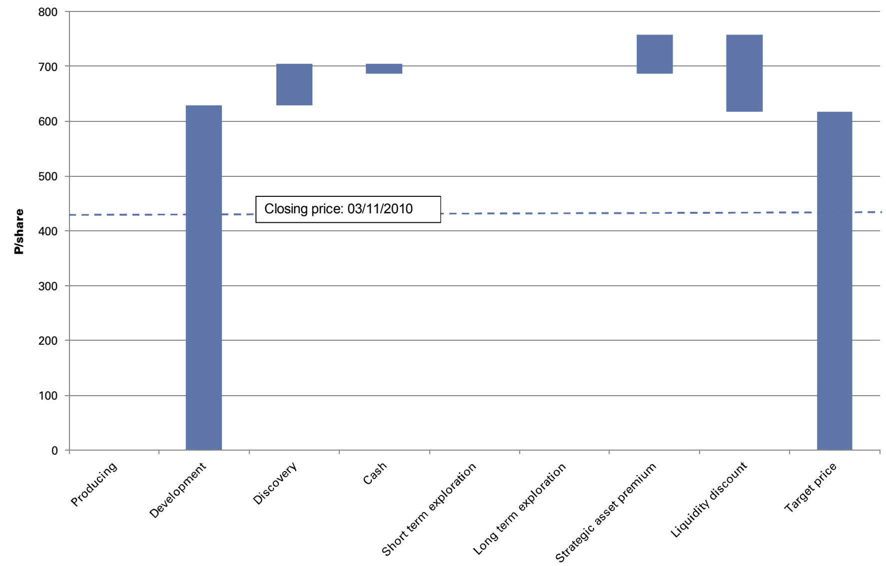


Exhibit 276: Top five shareholders

Holder	% held
Yogendra Modi	60.54
Lloyds Banking Group	8.89
Standard Life Investments	5.73
Prudential	5.38
Aegon Asset Management	5.13
Other	14.33

Exhibit 277: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 278: Asset summary

Great Eastern Energy									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
India	gas	CBM - Raniganj M&A	Development	166.7	64%	106.7	8.35	891	476
India	gas	CBM - Raniganj M&A	Development	166.7	16%	26.7	10.68	285	152
India	gas	CBM Tamil Nadu	Discovery	81.7	56%	45.7	2.32	106	57
India	gas	CBM Tamil Nadu M&A	Discovery	81.7	14%	11.4	3.18	36	19
Cash (net of assumed exploration drilling costs and transactions) and other assets								-33.8	-18
Cash from options / warrants / assumed equity raises								0.7	0
Sub-total								1285.2	687.1
Strategic asset premium								133.1	71
Liquidity discount								-262.3	-140
TOTAL								**1156**	**617.97**
# shares (current)	**116.124**		# shares (inc. assumed equity issuances, options and warrants)			**116.202**			

Source: Company data, Goldman Sachs Research estimates.

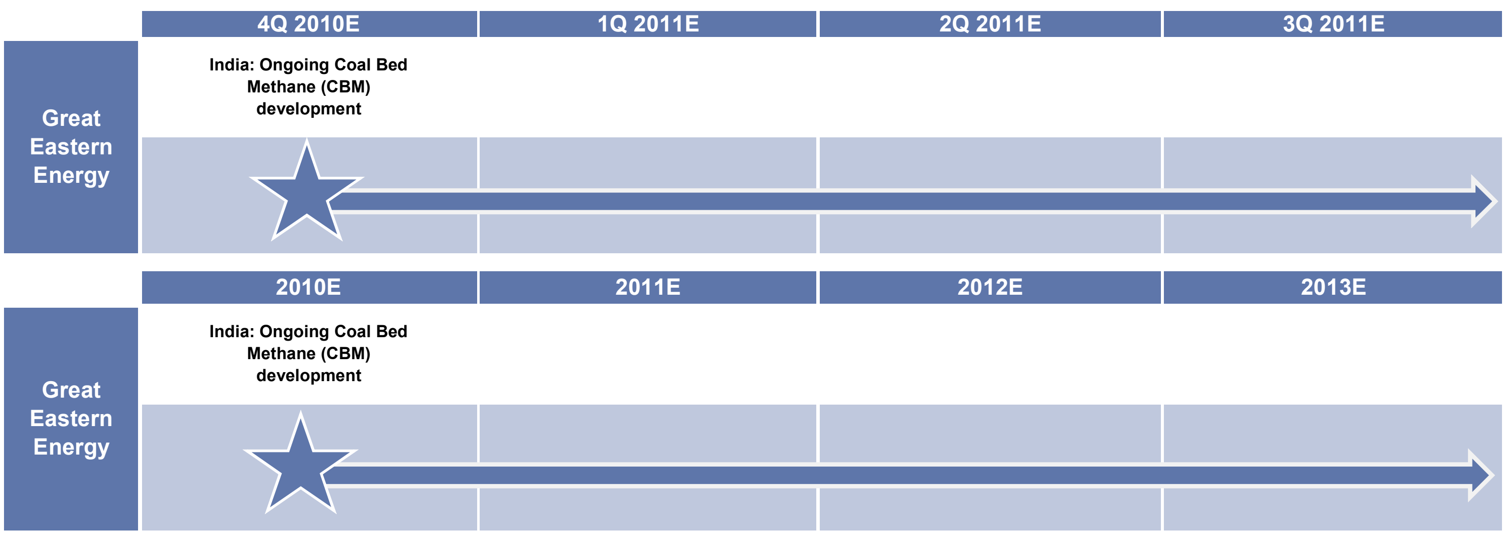
Exhibit 279: Management biographies

Name	Position	Background
Yogendra Kumar Modi	Executive Chairman & Managing Director	Operated projects in industrial textiles, chemicals, cement, electronics and auto-components businesses. Member of the Dean's Council at John F Kennedy School of Government, Harvard University. Held offices in many national level business bodies, including the Federation of Indian Chambers of Commerce & Industry, where he was President.
Prashant Modi	President & Chief Operating Officer	Previously worked with ANZ Bank in London and Qualcomm in San Diego. Holds a BSc in Business Administration from Boston University. Member of several national and international bodies.
Paul Sebastian Zuckerman	Non-Executive & Independent Director	Former investment banker and Chairman of Zuckerman & Associates Ltd, a boutique firm specialising in start-up companies. Holds an MA from the University of Cambridge and PhD from the University of Reading. Has 40 years' experience in the field of finance.
Pejavar Murari	Non-Executive & Independent Director	Served as a civil servant for 37 years and member of public bodies including committees within the Department of Atomic Energy and the Ministry of Heavy Industries and Public Enterprises.

Source: Company data.

Exhibit 280: Catalyst timeline

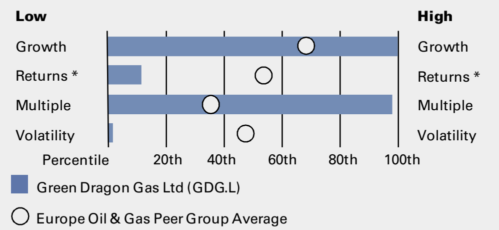
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Green Dragon Gas (GDG.L): Attractive CBM exposure in China; initiate as Buy

Investment Profile

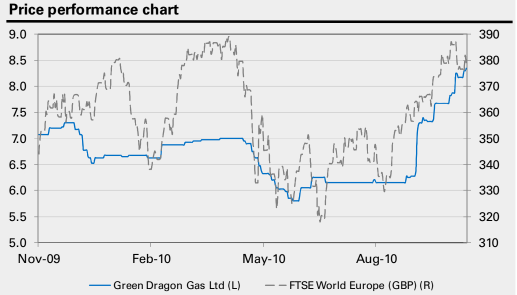


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price ($)	8.35
12 month price target ($)	15.10
Upside/(downside) (%)	81
Market cap ($ mn)	1,006.4
Enterprise value ($ mn)	1,038.9

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(10.1)	(3.7)	46.6	125.6
EPS ($)	(0.28)	(0.01)	0.34	0.90
P/E (X)	NM	NM	24.9	9.3
EV/DACF (X)	49.3	NM	27.9	8.8
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(5.1)	(12.0)	(12.5)	(17.4)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	35.8	21.0	18.0
Rel. to FTSE World Europe (GBP)	26.9	17.7	7.3

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We initiate coverage of Green Dragon Gas with a Buy recommendation and a 12-month price target of 15.1p. The company's operations are solely in China, where it is focused on the production, development, distribution and sale of coal bed methane gas. In the upstream, Green Dragon has six PSCs in the provinces of Shanxi, Anhui, Jiangxi and Guizhou. The licences cover over 7,500 km^2 and contain over 25tcf of gas in place. The company also has mid-stream and down-stream exposure to provide vertical integration and access to market. It is planning an aggressive ramp-up of its production rates in the GSS PSC – an indication of the confidence it has in its ability to move into the engineering phase of production, and its understanding of the geology in this area in our view. We believe that rising gas prices in the Chinese market will encourage further work on the other PSCs, which we believe could begin to bring ultimate recovery factors closer to a more normal global level (3P recovery on the 25tcf currently implies well under the recovery factors we see elsewhere in the world). As a result, we give the company benefit for its 3P resources (risked at 80% in the GSS PSC and 65% in the others where we believe more work will be needed to achieve drilling efficiency similar to that of GSS). We also give value for high case prospective resources (risked at a c.33% likelihood of success), which would result in a c.85% uplift to our valuation if de-risked and take recovery factors to a more reasonable global average. The company has an agreement with Conoco allowing Conoco to farm into 50% of the PSCs in Shanxi by end-2010; we currently assume this option is exercised given our view on the value of these reserves. We believe that the company's mid-stream and downstream assets allow it flexibility in monetizing its upstream assets and view the likelihood of rising gas prices in China as a positive. As a result, we initiate coverage of the stock with a Buy recommendation. We also believe that the company's strategic position in the Chinese domestic gas market could make it attractive to a potential buyer and include the stock in our Strategic Assets, M&A and Unconventional Resource screens.

Catalyst

We believe that the key catalysts for the stock will be improvements in drilling efficiency, increasing 2P and 3P reserves and rising gas prices in China.

Valuation

Our 12 month target priced is based on a SOTP methodology. We give risked value for the high case prospective resources to reflect our bullish view on improving recovery rates. Some 20% of our valuation includes a valuation of the company valuing the CBM assets at an 8% discount rate to reflect our view of the strategic nature of the asset.

Key risks

The main risks to our target price and view are difficulties in the development of the resources, especially outside the GSS PSC, and political risks.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 281: Company metrics vs. sector average

	Green Dragon	Average	% difference to average
Potential upside from short term exploration	85%	133%	-48%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	142%	103%	39%
Oil price leverage	-2%	13%	-15%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	12%	12%	0%
Technical risk	0.75	0.27	48%
Political risk	0.57	0.54	3%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 282: Value breakdown

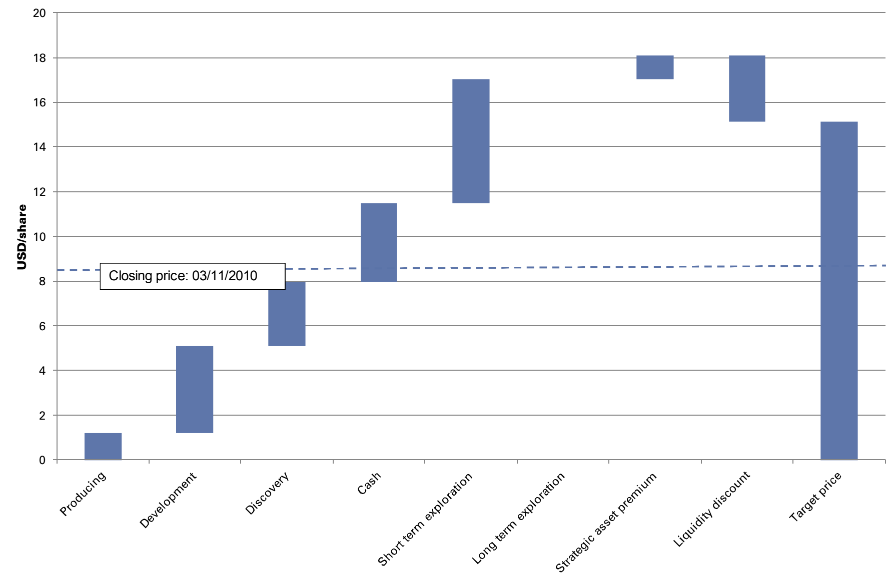


Exhibit 283: Top five shareholders

Holder	% held
Green Dragon Gas Holdings	73.01
BlackRock Investment Management	10.68
PB Commerce	7.18
Platinum Asset Management	3.61
Martin Currie Investment Management	2.96
Other	2.56

Exhibit 284: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 285: Asset summary

Green Dragon									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**USD/share**
China	gas	CBM	Development	90.2	80%	72.1	7.4	534	3.85
China	gas	CBM	Discovery	104.3	65%	67.8	5.9	401	2.88
China	gas	CBM	Prospective resources	563.0	29%	164.5	4.7	775	5.58
China	gas		Mid-stream / downstream etc.	0.0	100%	0.0	0.0	170	1.22
Cash (net of assumed exploration drilling costs and transactions) and other assets								326.7	2.35
Cash from options / warrants / assumed equity raises								162.4	1.17
Sub-total								2368.2	**17.05**
Strategic asset premium								142.6	1.03
Liquidity discount								-408.9	-2.94
TOTAL								**2102**	**15.13**
# shares (current)	**120.532**		# shares (inc. assumed equity issuances, options and warrants)			**138.926**			

Source: Company data, Goldman Sachs Research estimates.

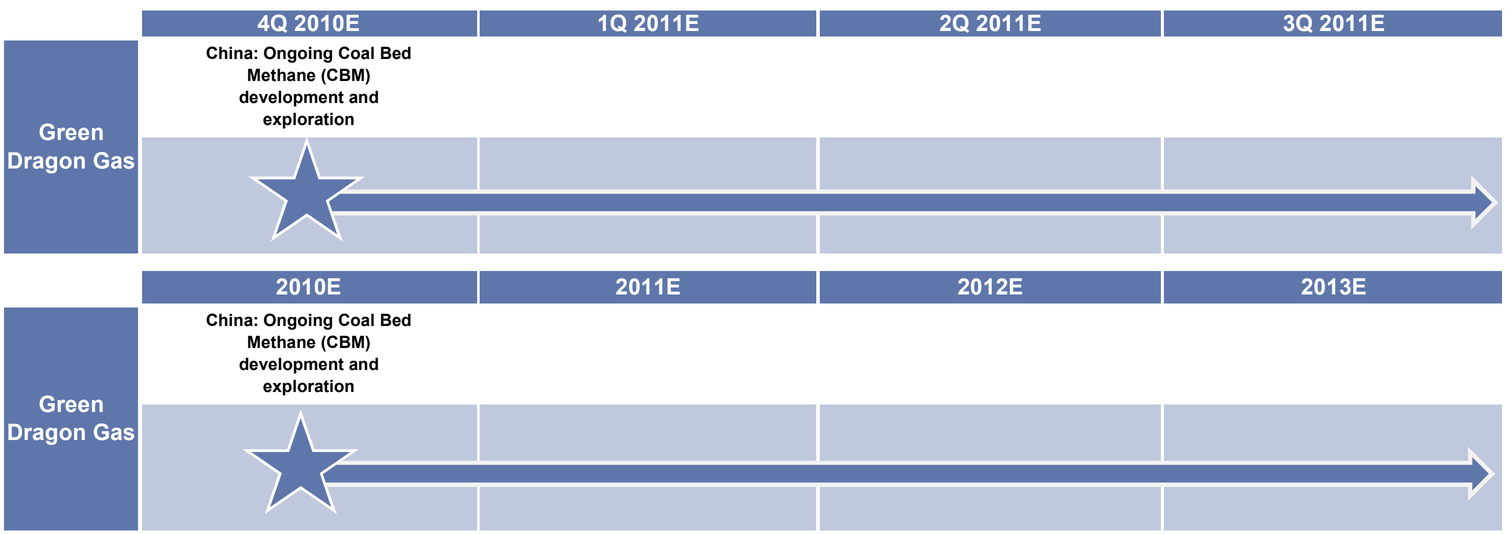
Exhibit 286: Management biographies

Name	Position	Background
Randeep Grewal	Chairman & Chief Executive Officer	Founded Greka in 1997 and Chairman and Chief Executive Officer since inception. Former Chairman and CEO for Horizontal Ventures, an oil and gas horizontal drilling technology company that became a subsidiary of Greka in 1997. Also Corporate Vice President for the Rada Group. Holds a BSc in Mechanical Engineering from Northrop University.
Alfred Yan	Chief Financial Officer	Over 18 years' experience in accounting, auditing and corporate finance. Previously worked as CFO at Chinese People Holding Company Ltd. Also held various positions at True Seating Concepts Ltd, Deloitte Touche Tohmatsu, KPMG and BDO.
Lisa He	Chief Accounting Officer	16 years' experience in accounting and financial management. Previously worked for AES Wanfang Company as Chief Financial Controller. Also Chief Accounting Officer for Xinyuan Real Estate Group.
Zhang Bao Zhuang	Vice President & Chief Operation Officer, GTS	Over 30 years' experience in the oil and gas engineering technical services. Previously worked for Huabei Petroleum Administration Bureau, a drilling and engineering services subsidiary of China National Petroleum Corp. Also General Manager of Southern Petroleum Development Company.

Source: Company data.

Exhibit 287: Catalyst timeline

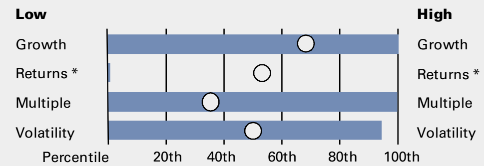
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Gulf Keystone (GKP.L): Vast volume potential already in the price; Sell

Investment Profile



Gulf Keystone Petroleum Ltd (GKP.L)

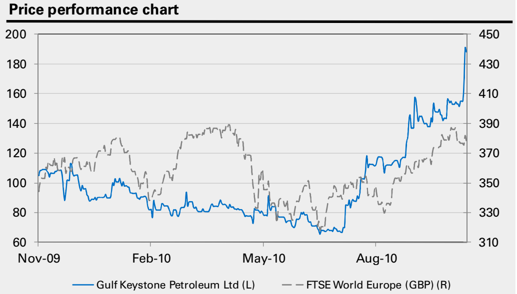
Europe Oil & Gas Peer Group Average

* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	188.25
12 month price target (p)	160
Upside/(downside) (%)	(15)
Market cap (£ mn)	1,419.9
Enterprise value ($ mn)	2,035.0

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(95.1)	(19.8)	(18.4)	(8.7)
EPS ($)	(0.23)	(0.02)	(0.01)	0.00
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(17.4)	(6.3)	(7.8)	(2.6)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	110.3	142.1	79.3
Rel. to FTSE World Europe (GBP)	96.6	135.4	63.0

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

Upgrades to reserves estimates at the company's Shaikan field in Kurdistan as the oil water contact is sought are a distinct possibility in our view. We believe, however, that the share price is reflecting a positive outcome to such a revision fairly aggressively. We give the company credit for over 1.6 bn net, risked barrels of reserves in Shaikan (prior to political risking for Kurdistan) on a net basis after accounting for the KRG back-in – ahead of the P10 case assuming a 30% recovery rate. We believe that the potentially huge size of Shaikan could be of interest to strategic buyers (i.e. NOCs) and therefore see the potential for M&A involving the stock. Offsetting these potential attractions, however, is our more bearish view on Kurdistan relative to the market and relative to other regions as a result of the uncertainty surrounding exports and the licences granted by the KRG; we typically apply an additional 50% discount to the valuation of barrels in the region to account for this uncertainty. Therefore despite the volumes we attribute to the stock and the M&A potential we include in our valuation, we continue to see more attractive upside in other stocks in our coverage universe. We also believe that Heritage offers a less expensive way in which to gain exposure to Kurdistan and therefore initiate coverage of Gulf Keystone with a Sell rating and a 12-month price target of 160p.

Catalyst

Further appraisal and volumetric updates on Shaikan and drilling in other exploration prospects in the area are the key growth catalysts for the stock in the short term. We also recognize the potential for the Shaikan asset to attract industry purchasers although we believe that the situation regarding exports will need to be resolved before M&A becomes a viable driver. The stock also has exploration prospects elsewhere in Kurdistan that could act as growth drivers.

Valuation

Our 12 month SOTP based price target is calculated using a long run oil price of US$85/bl. Some 20% of our target price includes the company's Shaikan asset valued at an 8% discount rate to reflect our view of the strategic nature of the asset.

Key risks

The key upside risks would include M&A activity involving the stock, exploration success in Kurdistan or higher reserves than we currently expect in Shaikan. Should the company be allowed to export crude under its existing fiscal terms, this would also be a significant positive in our view.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 288: Company metrics vs. sector average

	Gulf Keystone	Average	% difference to average
Potential upside from short term exploration	31%	133%	-102%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	31%	103%	-73%
Oil price leverage	11%	13%	-2%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	15%	12%	3%
Technical risk	0.00	0.27	-27%
Political risk	1.00	0.54	46%
% value in pre-sanction non-operated fields	8%	23%	-15%

Exhibit 289: Value breakdown

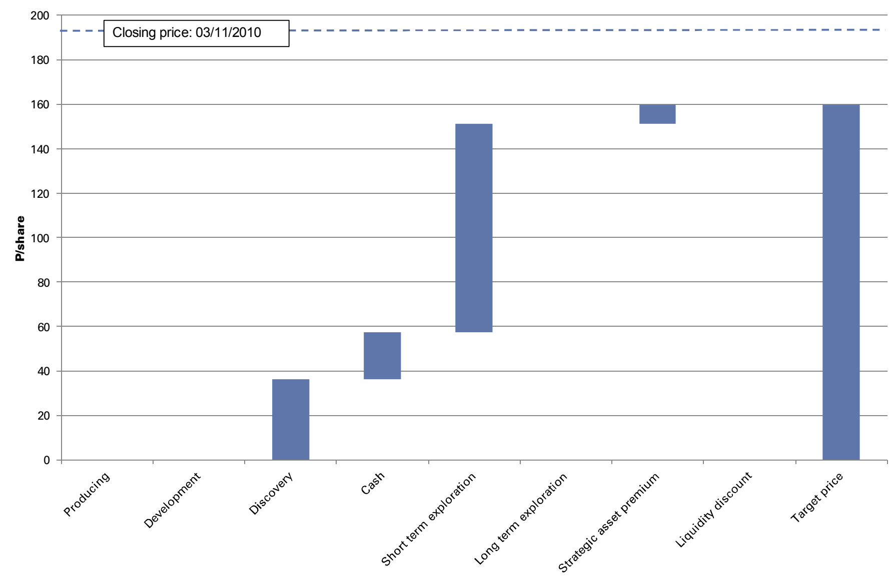


Exhibit 290: Top five shareholders

Holder	% held
Capital Research Group	6.89
Prudential	5.38
Gulf Keystone Petroleum Company	5.30
TD Waterhouse Group	5.09
Barclays Personal Investments	4.51
Other	72.83

Exhibit 291: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 292: Asset summary

Gulf Keystone									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Kurdistan	oil	GKP	Discovery	669.5	42%	283.9	1.6	449	36
Kurdistan	oil	GKP	Exploration - short term	2430.8	33%	808.8	1.4	1158	94
Cash (net of assumed exploration drilling costs and transactions) and other assets								252.0	20
Cash from options / warrants / assumed equity raises								5.7	0
Sub-total								1864.0	151.3
Strategic asset premium								105.3	9
Liquidity discount								0.0	0
TOTAL								**1969**	**159.88**
# shares (current)	**754.243**		# shares (inc. assumed equity issuances, options and warrants)			**765.243**			

Chances for succes in Kurdistan include an additional 50% risking due to political considerations

Source: Company data, Goldman Sachs Research estimates.

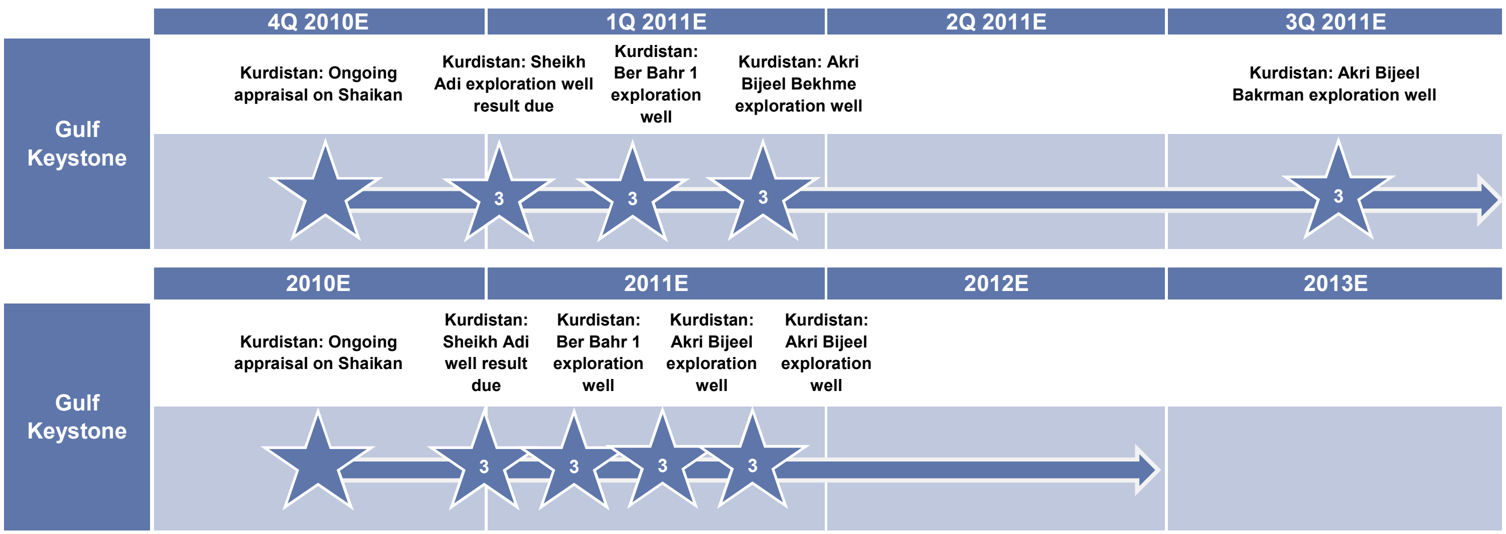
Exhibit 293: Management biographies

Name	Position	Background
Todd Kozel	Chairman and Chief Executive Officer	Co-founder of the Company. In 1988 founded Texas Keystone, an independent oil and gas exploration, development and production company in the USA. Also co-founded Falcon Drilling Company, an American independent drilling and oilfield services company, in 2001.
Ali Al-Qabandi	Business Development Director	Co-founder of the company. Previously worked for the Kuwait Oil Company (KOC) in various executive positions and committee chairmanships. Most recently, Executive Assistant Managing Director of Planning and Finance for KOC and Director of the Kuwait National Petroleum Company.
John Gerstenlauer	Chief Operating Officer	Previously Managing Director of BASF's Wintershall Nederland Group. Prior to that, International Engineering Manager and then International Operations Manager for UMC Petroleum, where he focused on offshore West Africa. Also held a variety of positions with Shell Oil and its subsidiaries.
Ewen Ainsworth	Finance Director	Over 20 years' experience in financial roles within the oil and gas industry. Previously Finance Director of Europa Oil & Gas (Holdings) plc. Also held senior finance positions with Conoco, Murco Petroleum, Texaco and CIECO Exploration and Production.

Source: Company data.

Exhibit 294: Catalyst timeline

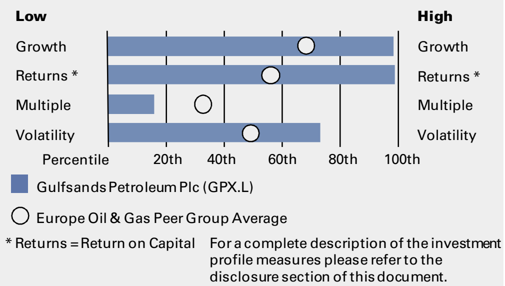
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Gulfsands Petroleum (GPX.L): A Syrian growth story but valuation is fair; Neutral

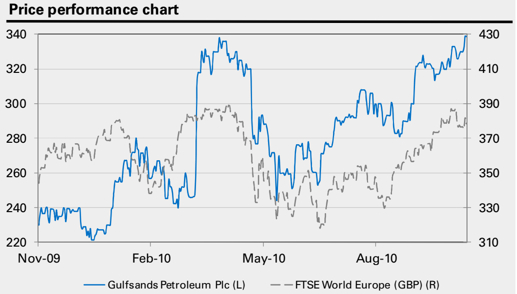
Investment Profile



Key data	Current
Price (p)	338.75
12 month price target (p)	412
Upside/(downside) (%)	22
Market cap (£ mn)	411.8
Enterprise value ($ mn)	592.7

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	30.9	77.9	142.1	251.8
EPS ($)	0.23	0.64	1.16	2.09
P/E (X)	13.2	8.6	4.7	2.6
EV/DACF (X)	12.0	9.3	4.3	1.4
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(1.0)	1.9	8.1	30.2
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	12.7	5.9	47.3
Rel. to FTSE World Europe (GBP)	5.4	2.9	33.9

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

We initiate coverage of Gulfsands Petroleum with a Neutral rating and a 12-month price target of 412p. The company's main source of value lies in its Syrian acreage where it has production, development and exploration activities. It has also recently moved into the upstream sector in Tunisia where it has acquired two licences. It also has a number of mature, non-operated oil and gas properties in the Gulf of Mexico; the group considers the US business to be non-core and intends to dispose of it as and when market conditions are favourable. We regard the company as well balanced and estimate that almost 100% of its share price is supported by core assets with a potential uplift of c.60% in the event of 100% de-risking of exploration prospects being targeted over the next 12 months. Clearly this is an attraction and the stock only narrowly misses out on inclusion in our Balanced Explorers screen. We also note that c.94% of the company's operational value is located in the North Africa/Middle Eastern region – a regional focus which we regard as a positive. Despite these attractions, however, we see greater potential upside elsewhere in our E&P universe and therefore initiate coverage with a Neutral rating.

Core drivers of growth

The company's exploration programme and production growth profile are core drivers of growth. A sale of the Gulf of Mexico assets would also be a positive in our view.

Risks to the investment case

The main downside risks to our view and target price are a drop in the commodity price or worse than expected exploration success. Upside risks would be better than expected exploration success at its Syrian assets or high levels of success in the company's Tunisian acreage.

Valuation

Our 12 month target priced is based on a SOTP methodology with an oil price assumption of US$85/bl. Exploration and discoveries are valued using a risked NPV/bl approach.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 295: Company metrics vs. sector average

	Gulfsands	Average	% difference to average
Potential upside from short term exploration	61%	133%	-72%
Potential upside from medium term exploration	1%	304%	-302%
% value supported by core value	98%	103%	-5%
Oil price leverage	11%	13%	-1%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	13%	12%	1%
Technical risk	0.01	0.27	-26%
Political risk	0.64	0.54	10%
% value in pre-sanction non-operated fields	5%	23%	-18%

Exhibit 296: Value breakdown

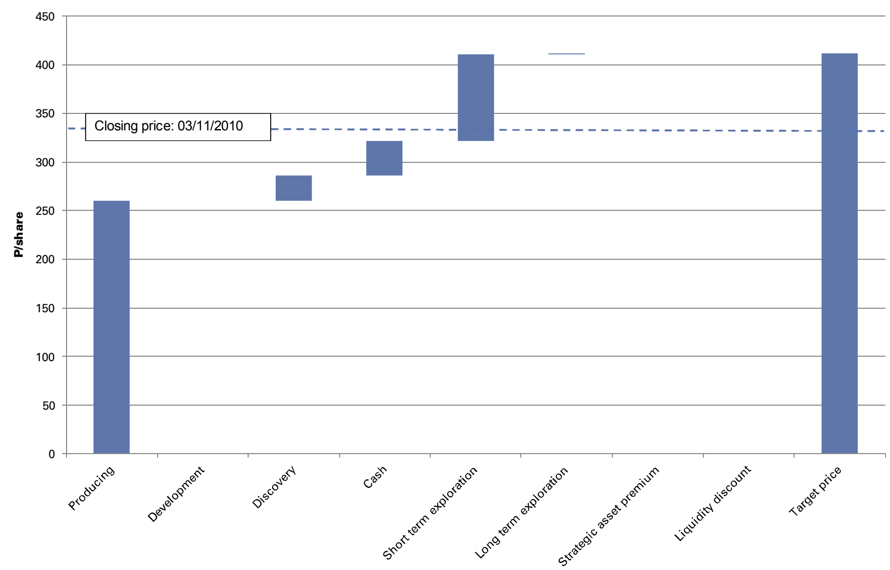
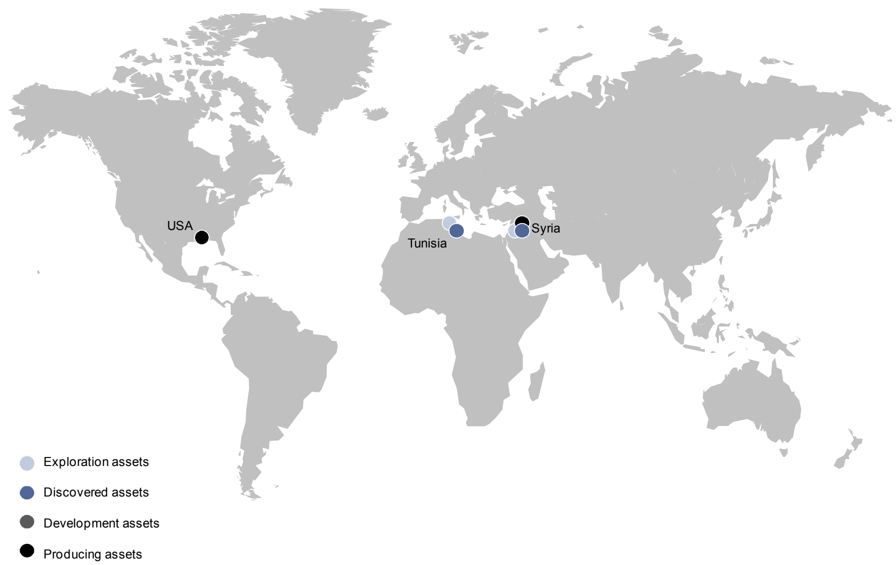


Exhibit 297: Top five shareholders

Holder	% held
Scroder Investment Management	20.03
Abdul Kayed	9.46
Nordman Continental	7.12
Al Mashreq Investments	5.76
Hugh Sloane	4.12
Other	53.51

Exhibit 298: Map of operations



Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 299: Asset summary

Gulfsands									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Syria	oil		Producing	46.0	100%	46.0	10.9	501	239
Syria	oil		Discovery	7.0	40%	2.8	5.9	16	8
Syria	oil		Exploration - short term	120.0	27%	32.5	5.4	175	84
Syria	oil		Exploration - medium term	2.5	25%	0.6	2.6	2	1
Tunisia	oil		Discovery	23.3	35%	8.3	4.0	33	16
Tunisia	gas		Discovery	21.1	43%	9.1	0.7	6	3
Tunisia	oil		Exploration - short term	11.6	25%	2.9	3.7	11	5
Tunisia	gas		Exploration - short term	11.7	25%	2.9	0.7	2	1
USA	oil	Gulf of Mexico	Producing	2.2	100%	2.2	16.9	37	18
USA	gas	Gulf of Mexico	Producing	2.5	100%	2.5	2.8	7	3
Cash (net of assumed exploration drilling costs and transactions) and other assets								49.7	24
Cash from options / warrants / assumed equity raises								24.3	12
Sub-total								863.9	411.6
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**864**	**411.59**
# shares (current)	**121.578**		# shares (inc. assumed equity issuances, options and warrants)			**130.388**			

Source: Company data, Goldman Sachs Research estimates.

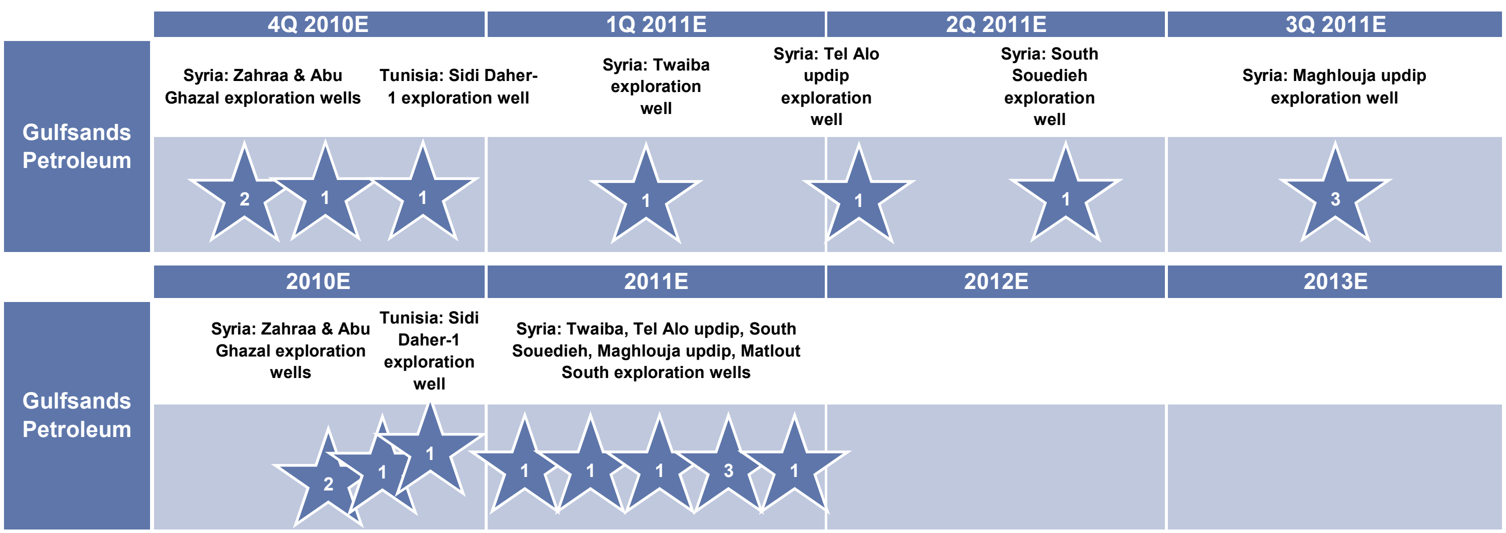
Exhibit 300: Management biographies

Name	Position	Background
Andrew West	Non-Executive Chairman	Investment banker and businessman with nearly 30 years' experience. Previously Managing Director of Strand Partners, a privately owned investment banking firm. Also worked with Guinness Mahon & Co, Lehman Brothers, and Smith Barney.
Richard Malcolm	Chief Executive Officer	Professional geoscientist with over 29 years' oil and gas experience. Previously worked in a variety of senior positions with OMV, including as Managing Director for OMV UK, General Manager of OMV Norway and Exploration and Reservoir Manager for OMV Libya. Also worked with Mobil and Ampolex Ltd.
Mahdi Sajjad	Executive Director and President	Previously with International Development Corporation in Dubai as Managing Director and Director of Oil & Minerals Development Corporation. Has established a number of companies with interests in the Middle East and a particular focus on energy and mining sectors.
Andrew Rose	Director and Chief Financial Officer	Former Chief Financial Officer of Burren Energy, which was sold to ENI in 2008. Worked in investment banking in advisory, capital markets and structured finance roles. Most recently head of Corporate Finance for Eastern Europe, Middle East and Africa at Societe Generale.
Jason Oden	Vice President, Exploration Manager	20 years' experience in domestic and international exploration. Worked for BHP Petroleum in a number of technical roles, primarily in offshore basins in Australia, the Gulf of Mexico and West Africa. Team Leader for Trinidad and Tobago Operated Exploration.

Source: Company data.

Exhibit 301: Catalyst timeline

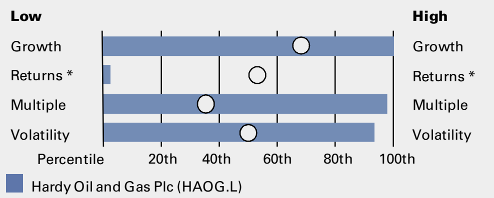
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Hardy Oil & Gas (HAOG.L): Advantaged Indian exploration story in the price; Neutral

Investment Profile

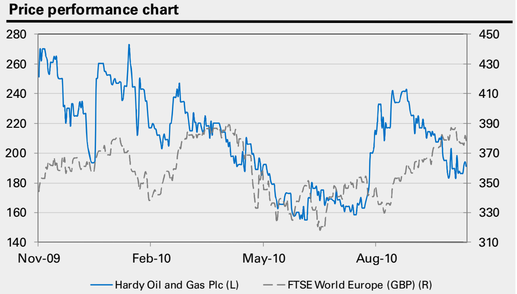


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	191
12 month price target (p)	217
Upside/(downside) (%)	14
Market cap (£ mn)	130.9
Enterprise value ($ mn)	203.2

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(8.1)	(1.3)	6.9	29.8
EPS ($)	(0.10)	0.00	0.06	0.40
P/E (X)	NM	NM	47.7	7.7
EV/DACF (X)	NM	89.3	25.4	5.2
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(13.1)	(3.4)	(4.7)	9.9
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	15.8	(7.3)	(24.0)
Rel. to FTSE World Europe (GBP)	8.2	(9.8)	(30.9)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

The company is focused on India, having recently sold its interest in Nigeria. It has one asset (PY-3) in production, and discoveries in the Cauvery, Saurashtra and Krishna Godavari (KG) basins. We believe the most interesting potential source of future value is the KG basin where the company holds a 10% stake in two licences – D3 and D9 (where Reliance is operator). We believe the large acreage held by the company in this basin (over 1,500 km^2 net) offers good visibility on future exploration activity. We consider D3 to be a relatively low risk play: there have already been four gas discoveries on the acreage and there is potential to aim for a number of other de-risked projects on the block. D9, however, has the potential for higher materiality in the event of success, albeit with higher exploration risks and costs as a result of the deeper water in the block. We estimate an uplift of almost 300% to our target price in the event of 100% success at the prospects we include in our valuation for this basin. In our valuation we give Hardy credit for 10 exploration catalysts out to the middle of 2013 in the D3 and D9 blocks to account for the advantage of its extensive acreage in the KG basin. We also believe that Hardy will benefit from a gradually increasing Indian gas price and assume a long run gas price of US$5.75/mcf for KG projects. Despite its advantaged position in the basin, we believe that these benefits are partially priced in and initiate coverage of Hardy Oil with a Neutral rating and a 12-month target price of 217p.

Core drivers of growth

The company's exploration programme in the D9 basin and the potential for Indian gas prices to increase will be the key drivers of growth in our view. D3 also offers lower impact, lower risk drilling in the short term.

Risks to the investment case

The main downside risks to our view and target price are a lack of success of the D9 block or delays in the sanctioning of the company's discoveries in the KG basin as a result of operator Reliance prioritising other projects.

Valuation

Our 12 month target priced is based on a SOTP methodology using a long run oil price of US$85/bl. We include three years' worth of drilling catalysts in our valuation as a result of Hardy's substantial net acreage in the KG basin. Exploration catalysts being drilled after 12 months from now are given a 50% discount.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 302: Company metrics vs. sector average

	Hardy Oil	Average	% difference to average
Potential upside from short term exploration	207%	133%	74%
Potential upside from medium term exploration	184%	304%	-119%
% value supported by core value	50%	103%	-53%
Oil price leverage	0%	13%	-13%
% value in water depths over 1000m	79%	13%	67%
Average WACC	12%	12%	0%
Technical risk	0.79	0.27	52%
Political risk	0.73	0.54	19%
% value in pre-sanction non-operated fields	78%	23%	55%

Exhibit 303: Value breakdown

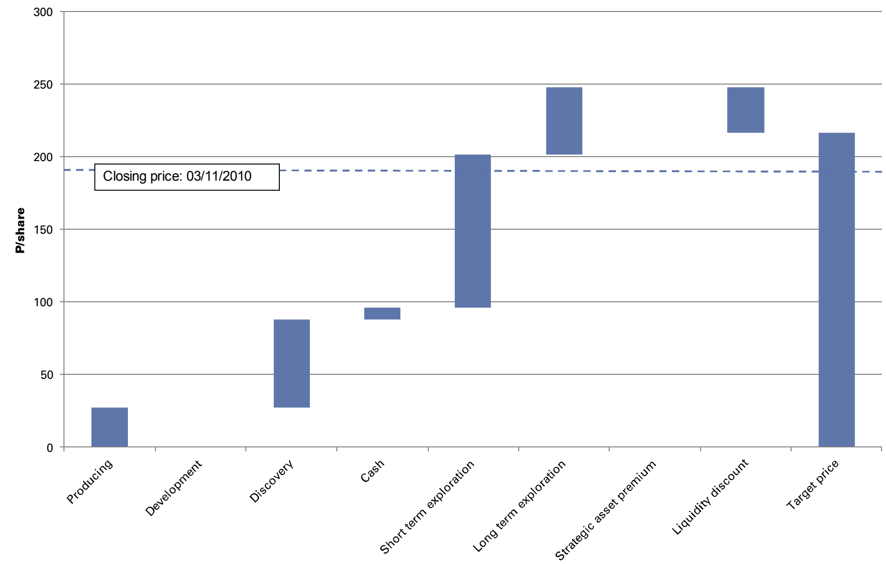


Exhibit 304: Top five shareholders

Holder	% held
Hoegh Capital Partners	16.14
Lloyds Banking Group	11.96
Scottish Widows Investment	7.07
Aegon Asset Management	7.03
Universities Superannuation Scheme	6.90
Other	50.9

Exhibit 305: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 306: Asset summary

Hardy Oil									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
India	oil		Producing	2.9	100%	2.9	10.3	30	27
India	oil		Exploration - short term	0.3	25%	0.1	7.1	0	0
India	gas	offshore	Discovery	36.9	57%	21.0	3.2	67	61
India	gas	offshore	Exploration - short term	18.4	40%	7.3	3.0	22	20
India	gas	deepwater	Exploration - short term	266.7	15%	40.0	2.3	94	85
India	gas	deepwater	Exploration - medium term	48.3	15%	7.3	1.2	8	8
India	gas	offshore	Exploration - medium term	24.5	40%	9.8	1.5	15	13
India	oil	offshore	Exploration - medium term	54.2	15%	8.1	3.4	28	25
Cash (net of assumed exploration drilling costs and transactions) and other assets								9.3	8
Cash from options / warrants / assumed equity raises								0.0	0
Sub-total								273.7	248.0
Strategic asset premium								0.0	0
Liquidity discount								-34.8	-32
TOTAL								**239**	**216.54**
# shares (current)	**68.553**		# shares (inc. assumed equity issuances, options and warrants)			**68.553**			

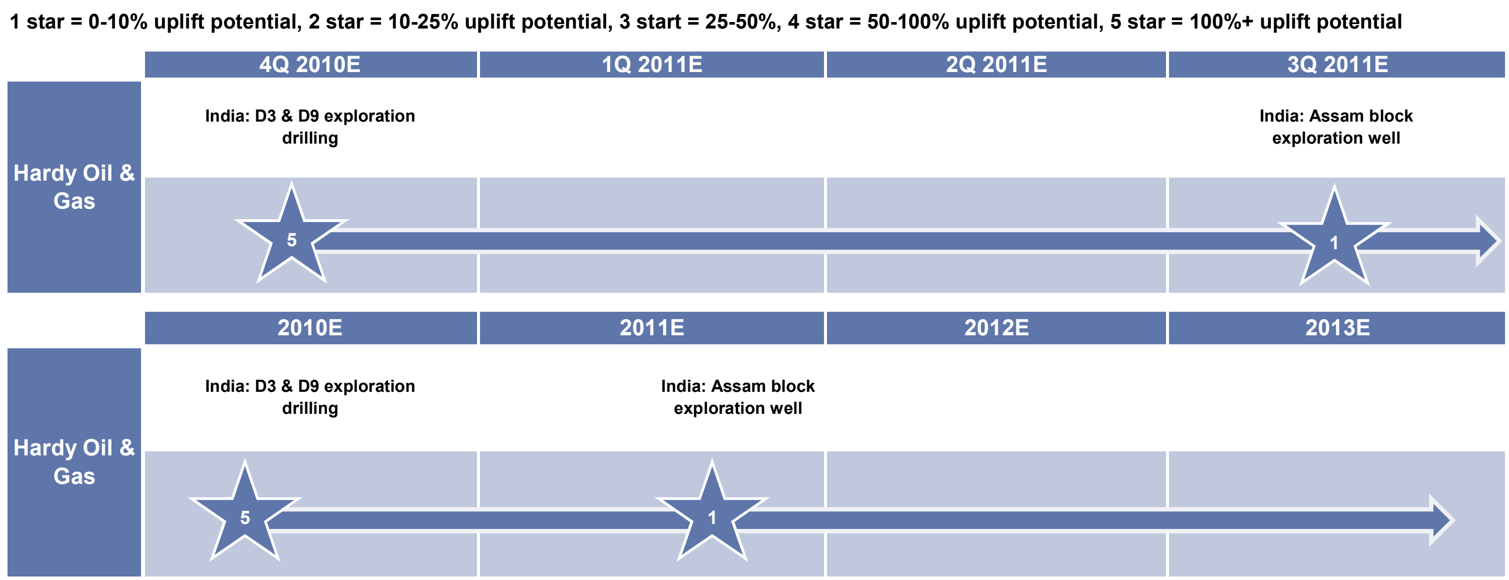
Source: Company data, Goldman Sachs Research estimates.

Exhibit 307: Management biographies

Name	Position	Background
Paul Mortimer	Non-Executive Chairman	Over 30 years' experience in the oil, gas and mining industries. Held senior management positions with Exxon Corporation. Responsible for Corporate Development and Coal at Newmont Mining Corporation and was Director of Peabody Coal. Consultant to Morgan Stanley and gold mining companies.
Yogeshwar Sharma	Chief Executive Officer	Founding director of Hardy. Over 30 years' experience in international oil and gas industry. Held senior technical positions at Schlumberger and Elf International and helped found the Elf Geoscience Research centre in London in 1991. Also non-executive director of LongReach Oil and Gas Venture Ltd.
Dinesh Dattani	Finance Director	Chartered Account with over 30 years' industry and corporate experience. Served in senior finance capacities with Canoro Resources, Bow Valley Energy, Sherritt International Corporation, and Home Oil Company.
Carol Bell	Senior Non-Executive Director	Over 20 years in oil and gas sector, most recently as Managing Director of Chase Manhattan's Investment Bank. Prior to this, Global Head of JP Morgan's Energy team in Equity Research. Also worked with RTZ Oil and Gas and Charterhouse Petroleum.

Source: Company data.

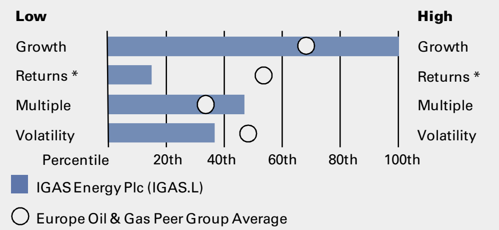
Exhibit 308: Catalyst timeline



Source: Company data, Goldman Sachs Research estimates.

IGas (IGAS.L): UK CBM potential being undervalued by the market; initiate as Buy

Investment Profile

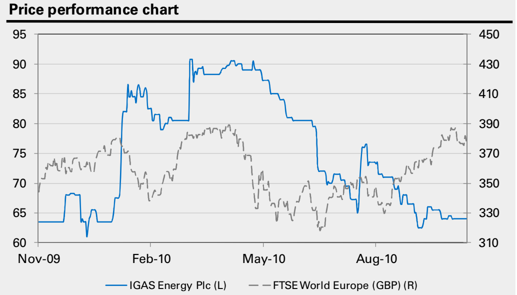


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	64
12 month price target (p)	119
Upside/(downside) (%)	86
Market cap (£ mn)	58.3
Enterprise value (£ mn)	42.8

	12/09	12/10E	12/11E	12/12E
EBIT (£ mn)	(0.5)	(0.5)	5.5	19.7
EPS (p)	(0.76)	(0.28)	1.90	6.58
P/E (X)	NM	NM	33.7	9.7
EV/DACF (X)	NM	NM	0.7	0.6
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(2.2)	(3.5)	(37.7)	(28.7)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(3.0)	(28.1)	0.8
Rel. to FTSE World Europe (GBP)	(9.4)	(30.1)	(8.4)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Source of opportunity

We believe that IGas offers attractive exposure to unconventional gas assets in the UK and that the market is applying excessive risk to the company's coal bed methane (CBM) assets. As a result, we initiate coverage of the stock with a Buy rating and a 12-month target price of 119p. IGas has interests in various licences in the North West of England covering c.1,750 km^2. We believe that even conservative estimates highlight significant potential upside in the stock given the large reserve size; Equipoise has estimated that gas in place net to the company is almost 4 tcf, although a study by DeGolyer and MacNaughton has put 2C reserves at just over 800 bcf – taking into account that access to the gas will not be obtained in certain areas of the acreage. We take an even more conservative approach, further risking these reserves to give an 80% likelihood of success. Given the relative infancy of the CBM industry in the UK, we also apply an additional 35% development risk to the assets. This leads to an overall likelihood of success (post the D&G discount) of 52%. Despite this conservative approach, and despite also applying a liquidity discount of c.20%, we see substantial upside in our valuation of the company, assuming a long run gas price of c. US$8.50mcf – in line with the current forward curve. IGas shares its acreage with Nexen. We believe IGas has attractions as an acquisition candidate as a faster ramp up would allow faster realisations of cash flow, potentially adding up to 33% to our base case valuation. The company also has access to shale gas on its acreage. We are bullish on European gas prices in the medium term and view the risk/reward in the stock as attractive. We believe the stock offers attractive exposure to an emerging gas technology with direct proximity to a politically stable domestic market, and add the stock to our Buy List.

Catalyst

Development of the company's resource base should begin to de-risk the assets and improve sentiment, especially if the company continues to be successful in obtaining planning permission for access to the resource. A bullish gas price should also be of benefit, as should any M&A activity involving the stock.

Valuation

Our 12 month SOTP-based price target is calculated using a long run gas price of c.US$8.50/mcf – a 40% discount to our long run oil price on an energy equivalency basis. Some 20% of our valuation is based on the assumption of M&A in which we model a faster ramp-up for the company's CBM assets. We assume a rights issue of US$60 mn, with an assumption that remaining cash required for our assumed ramp-up can be sourced from the debt market.

Key risks

The key downside risks to our view and price target are technical failures in the development of the gas or persistent weakness in the UK gas price.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 309: Company metrics vs. sector average

	IGAS	Average	% difference to average
Potential upside from short term exploration	0%	133%	-133%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	315%	103%	211%
Oil price leverage	15%	13%	3%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	1.00	0.27	73%
Political risk	0.29	0.54	-25%
% value in pre-sanction non-operated fields	91%	23%	68%

Exhibit 310: Value breakdown

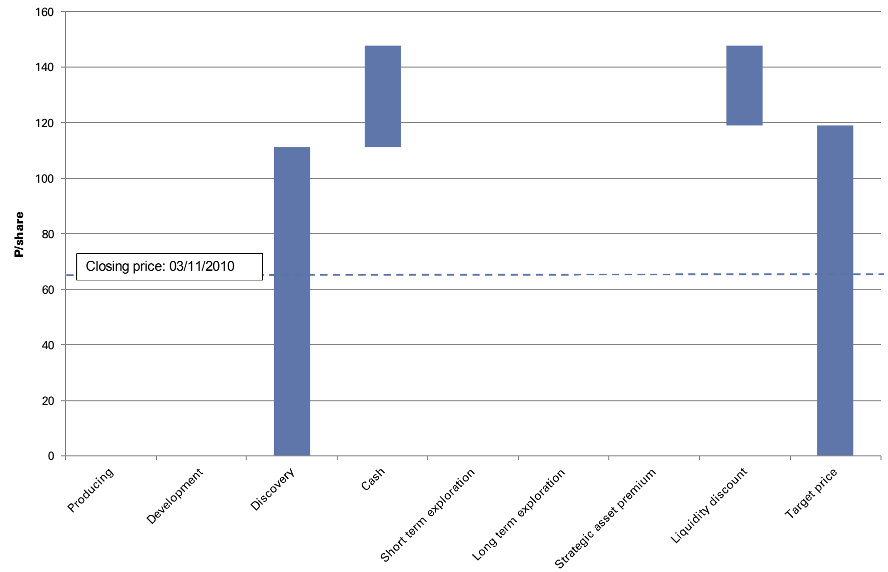


Exhibit 311: Top five shareholders

Holder	% held
Francis Gugen	30.32
Peter Levine	13.02
Andrew Austin	12.55
Brent Cheshire	12.55
Schroder Investment Management	4.03
Other	27.53

Exhibit 312: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 313: Asset summary

Igas									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
UK	gas	CBM	Discovery	134.5	42%	56.0	3.46	193	80
UK	gas	CBM M&A	Discovery	134.5	10%	14.0	5.09	71	30
UK	gas	Shale	Discovery	13.3	23%	3.0	1.21	4	2
Cash (net of assumed exploration drilling costs and transactions) and other assets								27.1	11
Cash from options / warrants / assumed equity raises								60.4	25
Sub-total								355.8	147.6
Strategic asset premium								0.0	0
Liquidity discount								-68.9	-29
TOTAL								**287**	**118.98**
# shares (current)		**91.095**		# shares (inc. assumed equity issuances, options and warrants)				**149.776**	

Source: Company data, Goldman Sachs Research estimates.

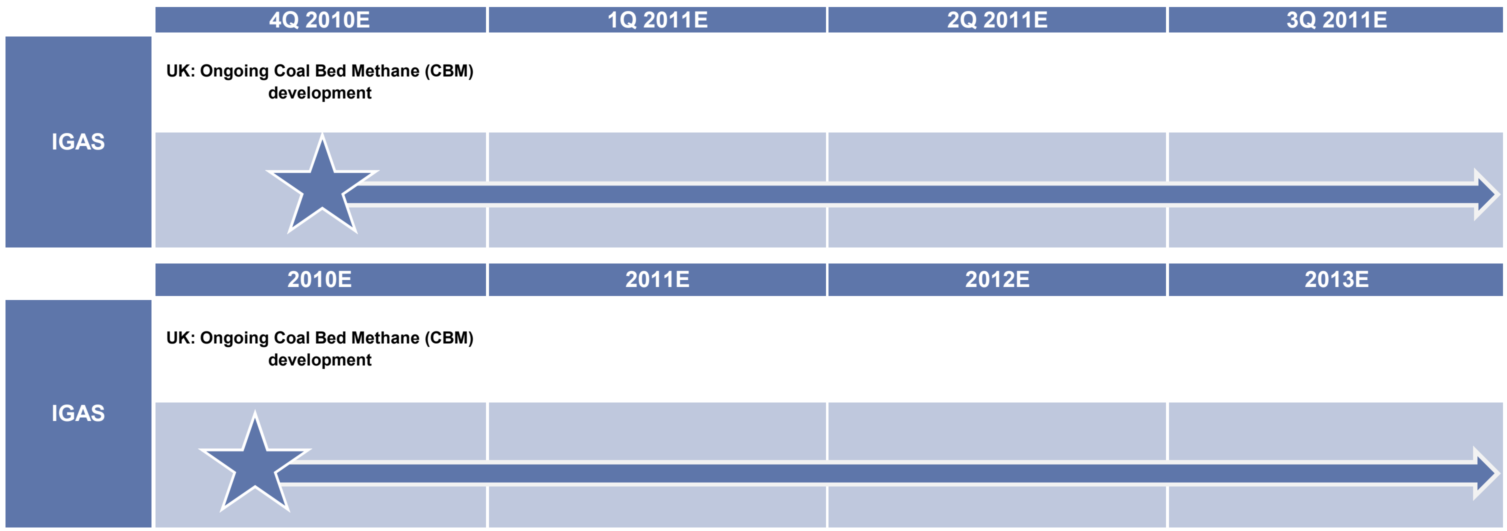
Exhibit 314: Management biographies

Name	Position	Background
Francis Gugen	Executive Chairman	Founder and largest shareholder of company. Previously helped grow Amerada Hess in North West Europe and became its Chief Executive Officer. Worked for Arthur Andersen for 8 years, principally as oil and gas specialist. Chairman of the board of Petroleum Geophysical Services ASA and Non-Executive Director of the Britannia Building Society. Also Non-Executive chair of Chrysaor Ltd, focusing on North Sea oil and gas fields.
Andrew Austin	Chief Executive Officer	One of the founders of the Company. Previously specialised in energy projects in the gas, electricity and renewables sectors. Spent 17 years in investment banking in London with Merrill Lynch, Nomura, Citibank and Barclay's Capital. Also has 6 years of management and consulting experience.
Brent Cheshire	Executive Technical Director	One of the founders of the Company. Spent 14 years at Shell and then joined Amerada Hess in a variety of senior positions, including Senior Vice President E&P Worldwide Technology and CEO Scandinavia. Also Managing Director of DONG E&P UK Ltd.
John Bryant	Senior Independent Non-Executive Director	Chairman of Gas Turbine Efficiency plc and Non-Executive Director of Weatherly plc. Previously President of Cinergy Global Resources Corp, responsible for global renewable power operations. Prior to that, Executive Director, Generation with Midlands Electricity plc.

Source: Company data.

Exhibit 315: Catalyst timeline

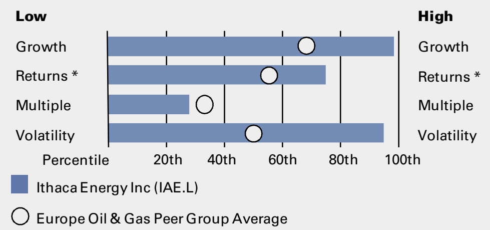
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Ithaca Energy (IAE.L): Strong core value and growth but better value elsewhere; Neutral

Investment Profile



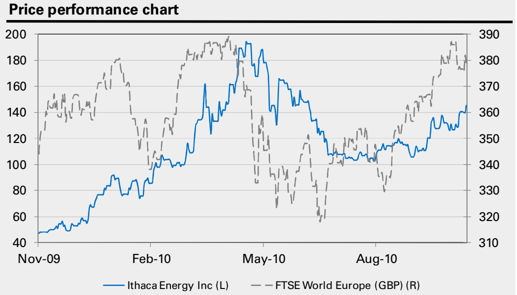
* Returns = Return on Capital

For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	145.5
12 month price target (p)	153
Upside/(downside) (%)	5
Market cap (£ mn)	372.0
Enterprise value ($ mn)	485.0

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	6.3	98.4	215.1	368.4
EPS ($)	0.05	0.18	0.40	0.70
P/E (X)	12.9	12.9	5.8	3.4
EV/DACF (X)	1.1	7.0	4.2	1.7
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(24.6)	(8.3)	(16.5)	31.0
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	36.0	(24.6)	207.9
Rel. to FTSE World Europe (GBP)	27.1	(26.7)	179.9

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

We view Ithaca's strong core value (offering 10% upside to the current share price) and potential for production growth as attractive, but see better upside in other stocks in our E&P universe. As a result we initiate on the company with a Neutral rating and a 12-month target price of 153p. Ithaca's activities are focused on the UK North Sea where it has a combination of assets in production (Beatrice and Jacky, and the recently added Anglia and Topaz) and near-term development from Athena, Carna, Stella and Harrier, which should substantially increase production levels. We believe Ithaca is well funded following a recent placing, agreement of debt capacity, and operational cash flow from the producing assets. Although the stock looks cheap on an EV per barrel basis versus many of its UK peers, we believe this is justified to a degree as a result of the development work required to put a substantial portion of the company's reserves into production. While we see upside to the stock and positives to the story, we prefer other companies which offer greater upside and potential to re-rate.

Core drivers of growth

The development programme, if well executed, should result in a substantial uplift to cash flows. We believe there is potential for a reserves upgrade in the Jacky field as a result of recent strong performance from this field.

Risks to the investment case

The key downside risks to our view and price target concern delays or cost overruns in the company's development programme.

Valuation

Our 12 month SOTP based price target is calculated using a long run oil price of US$85/bl. Discoveries are valued using a risked NPV/bl approach.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 316: Company metrics vs. sector average

	Ithaca	Average	% difference to average
Potential upside from short term exploration	0%	133%	-133%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	109%	103%	6%
Oil price leverage	10%	13%	-3%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.06	0.27	-21%
Political risk	0.29	0.54	-25%
% value in pre-sanction non-operated fields	1%	23%	-22%

Exhibit 317: Value breakdown

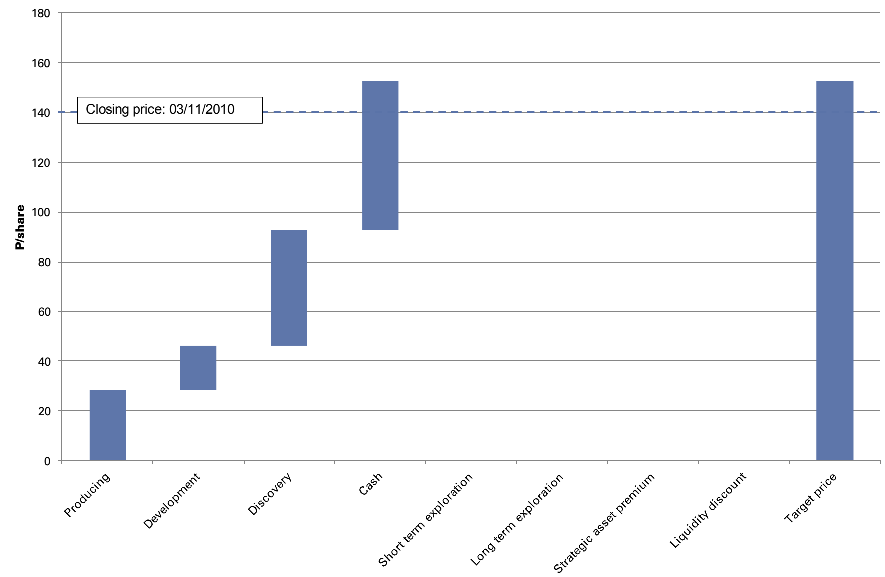


Exhibit 318: Top five shareholders

Holder	% held
RAB Energy Fund	4.26
JPMorgan Asset Mangement	2.74
Capita Financial Management	1.37
Lawrence Payne	0.94
Neil Carson	0.92
Other	89.77

Exhibit 319: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 320: Asset summary

Ithaca								
Country	**Hydrocarbon Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
UK	oil	Producing	3.8	100%	3.8	23.7	91	21
UK	gas	Producing	3.0	100%	3.0	10.5	31	7
UK	oil	Discovery	13.0	89%	11.6	9.1	105	25
UK	oil	Development	5.5	90%	4.9	15.3	76	18
UK	gas	Discovery	25.9	85%	22.0	4.3	95	22
Cash (net of assumed drilling costs / transactions) and NPV of tax losses							257.2	60
Cash from options / warrants / assumed equity raises							0.3	0
Sub-total							655.5	153
Strategic asset premium							0.0	0
Liquidity discount							0.0	0
TOTAL							**656**	**153**
# shares (current)	**255.678**	# shares (inc. assumed equity issuances, options and warrants)			**266.721**			

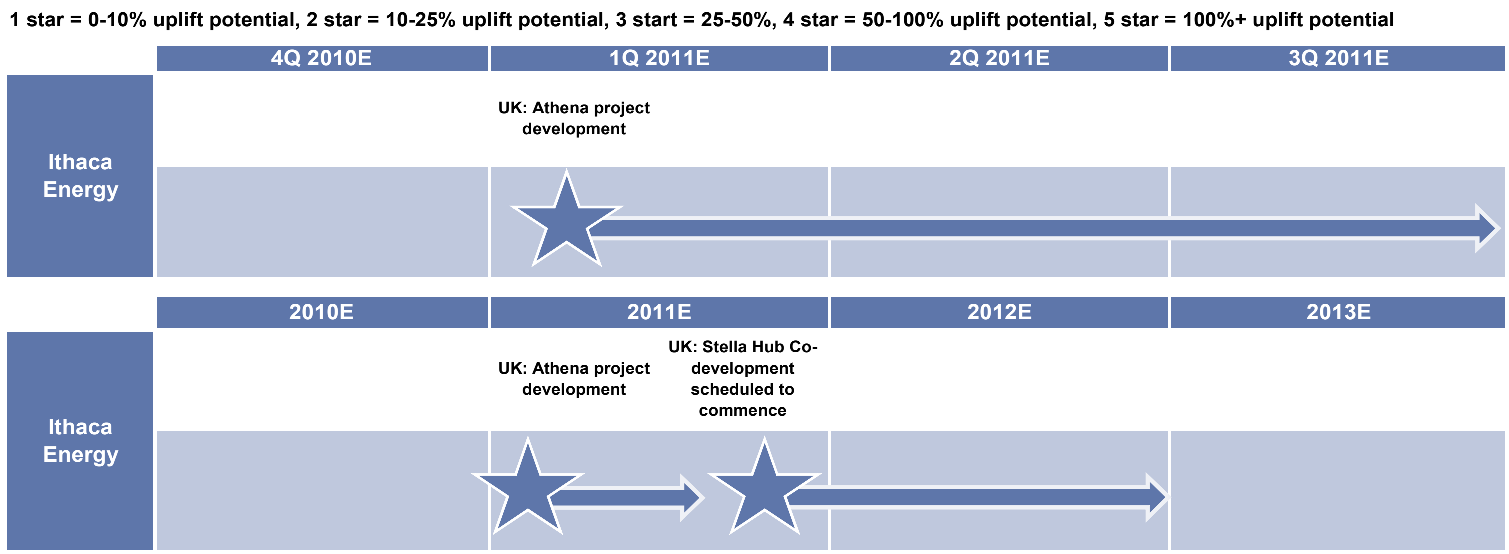
Source: Company data, Goldman Sachs Research estimates.

Exhibit 321: Management biographies

Name	Position	Background
Lawrence Payne	Chairman	Over 40 years' senior management experience in the oil and gas industry. Began his career as a landman with Pan American Petroleum (Amoco) and then as exploration geologist with Kerr-McGee. Former Exploration Manager and then President of Sunningdale Oils Limited. Led Stag Valley Management, an oil and gas drilling fund management company, and founded Atlantis Resources and Sceptre Resources Limited.
Iain McKendrick	Chief Executive Officer	Experience in the UK Continental Shelf as well as Colombia, South American and Houston, USA. Held senior leadership positions with Total as Joint Venture Manager UKCS and Vice President, Business Development and Strategy in Houston.
Graham Forbes	Chief Financial Officer	Over 19 years' experience in oil and gas in the UK and Africa. Worked for ExxonMobil for 5 years on operational and acquisition based projects. Also Chief Director for First Oil plc for 3 years.
John Woods	Chief Development Officer	28 years' Petroleum Engineering and Development Management experience in the North Sea. Director of Wood Group Engineering. Worked with Helix RDS and spent over 13 years with Amerada Hess in operations management.
Nick Muir	Chief Exploration Officer	Over 25 years' technical experience in oil and gas industry. Exploration Commercial Lead for the North Sea for Shell. Prior to that, worked for Enterprise and Elf in the UK and France. Holds a degree in Geology from Edinburgh University and Master's degree in Geophysics from Imperial College, London.

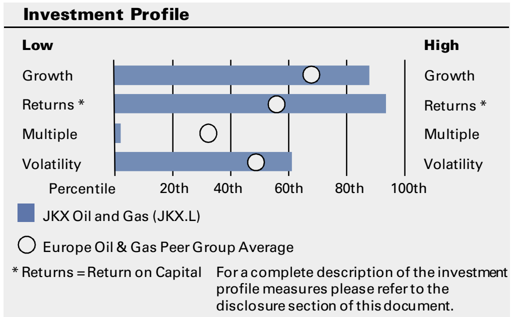
Source: Company data.

Exhibit 322: Catalyst timeline



Source: Company data, Goldman Sachs Research estimates.

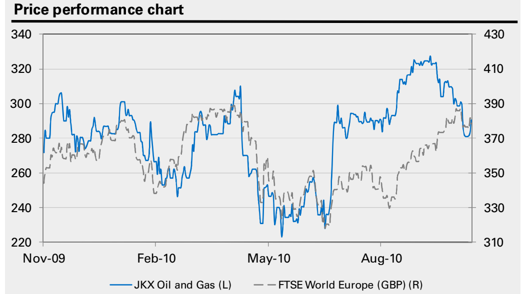
JKX Oil and Gas (JKX.L): Growth potential in Eastern Europe broadly priced in; Neutral



Key data	Current
Price (p)	290.4
12 month price target (p)	341
Upside/(downside) (%)	17
Market cap (£ mn)	498.4
Enterprise value ($ mn)	623.8

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	119.4	137.9	300.0	372.1
EPS ($)	0.54	0.48	1.03	1.29
P/E (X)	7.0	9.8	4.5	3.6
EV/DACF (X)	4.3	5.7	2.1	1.0
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	3.0	6.4	21.1	27.2
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	0.4	10.8	6.9
Rel. to FTSE World Europe (GBP)	(6.2)	7.8	(2.8)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

We initiate coverage of JKX with a Neutral rating and a 12-month price target of 341p as we believe that the exploration, appraisal and production growth offered by the stock is broadly priced into the company's shares. JKX's main assets are located in Russia and Ukraine, although more peripheral interests are also held in other areas of Eastern Europe. The share price has reasonable support from its core operation, as we estimate that cash, discoveries and production in Russia and Ukraine account for c.82% of the share price. The portfolio offers upside potential from production growth as a result of the company's interests in Rudenkovskoye and in Russia. We also believe that exploration/appraisal could add a further 40% to our valuation in the event of total de-risking. Of particular note are the Rudenkovskoye asset in Ukraine and the Koshekhablskoye asset in Russia, where the de-risking potential through exploration/appraisal accounts for the majority of the potential upside to our price target. We therefore view the portfolio as well balanced but we see more attractive upside elsewhere in the sector.

Core drivers of growth

We expect Rudenkovskoye and Koshekhablskoye to be the assets most likely to provide the potential for significant share price growth. Increases in Ukrainian and Russian domestic gas prices would also be a positive.

Risks to the investment case

Disappointing flow rates and a lack of success in the Callovian horizon in Russia are the key risks to our target price and view.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price and assumed realizations of c.US$7.75 for JKX in the Ukraine. Discoveries and exploration assets are valued using a risked NPV/bl approach.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 323: Company metrics vs. sector average

	JKX	Average	% difference to average
Potential upside from short term exploration	44%	133%	-89%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	82%	103%	-22%
Oil price leverage	14%	13%	1%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	14%	12%	2%
Technical risk	0.16	0.27	-11%
Political risk	0.59	0.54	5%
% value in pre-sanction non-operated fields	59%	23%	36%

Exhibit 324: Value breakdown

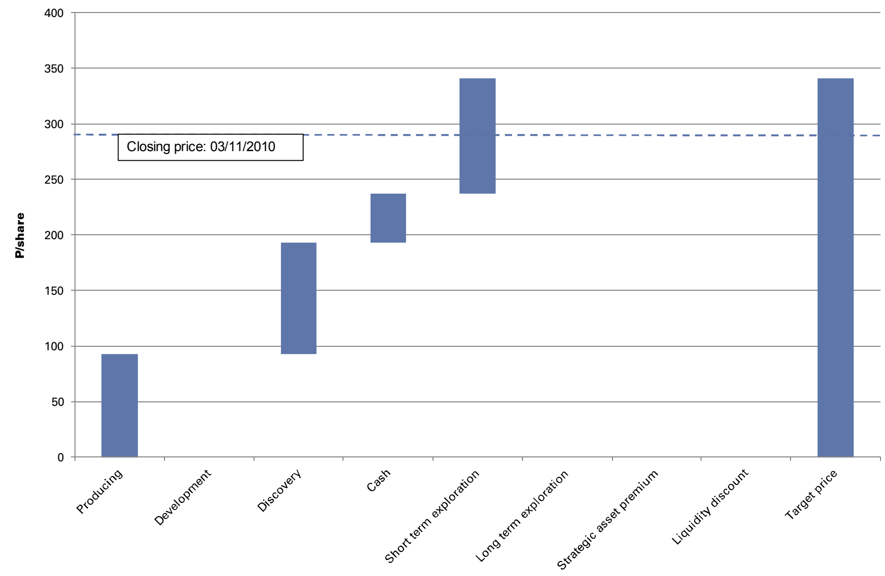
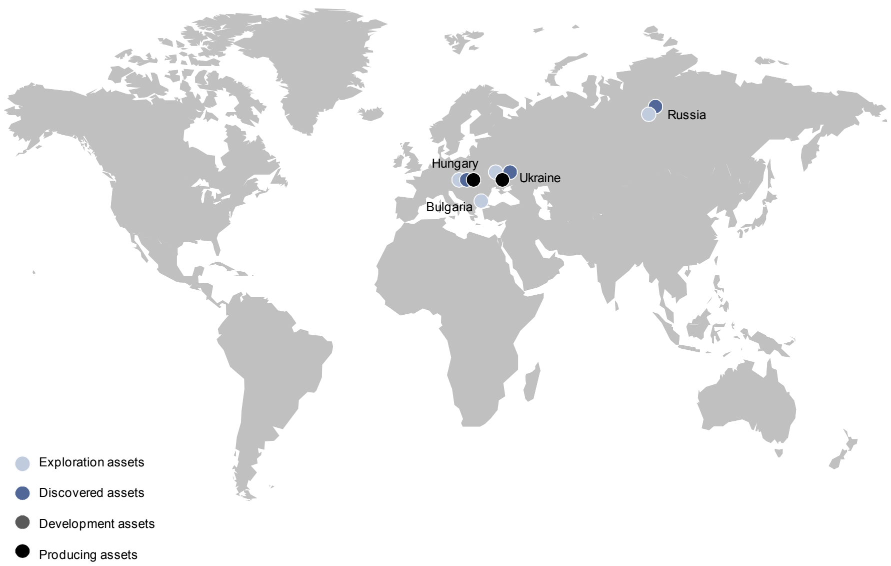


Exhibit 325: Top five shareholders

Holder	% held
Ralkon Commercial	25.00
Glengary Overseas	11.45
Interneft	6.62
Naftogaz of Ukraine	5.80
Aberforth Partners	5.24
Other	45.89

Exhibit 326: Map of operations



Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 327: Asset summary

JKX									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Ukraine	oil		Producing	5.7	100%	5.7	19.4	111	40
Ukraine	gas		Producing	13.3	100%	13.3	10.8	144	51
Ukraine	oil		Discovery	0.0	0%	0.0	0.0	0	0
Ukraine	gas		Discovery	0.0	0%	0.0	0.0	0	0
Ukraine	gas		Exploration - short term	2.0	25%	0.5	16.5	8	3
Ukraine	gas	Rudenkovkoye	Discovery	20.4	80%	16.3	4.7	77	28
Ukraine	gas	Rudenkovkoye	Exploration - short term	65.3	35%	22.9	4.7	108	39
Ukraine	oil	Rudenkovkoye	Discovery	1.2	80%	1.0	4.7	5	2
Ukraine	oil	Rudenkovkoye	Exploration - short term	9.9	35%	3.5	4.7	16	6
Hungary	gas		Producing	0.6	100%	0.6	9.3	6	2
Hungary	gas		Discovery	2.2	75%	1.6	2.1	3	1
Hungary	gas		Exploration - short term	2.1	35%	0.7	1.9	1	0
Hungary	oil		Discovery	1.1	75%	0.8	16.3	13	5
Russia	gas		Discovery	47.5	80%	38.0	4.8	181	65
Russia	gas		Exploration - short term	47.0	75%	35.3	3.9	139	50
Slovak republic	gas		Exploration - short term	34.0	10%	3.4	3.5	12	4
Bulgaria	gas		Exploration - short term	1.7	30%	0.5	6.3	3	1
Cash (net of assumed exploration drilling costs and transactions) and other assets								116.5	42
Cash from options / warrants / assumed equity raises								8.1	3
Sub-total								952.4	340.6
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**952**	**340.59**
# shares (current)	**171.618**		# shares (inc. assumed equity issuances, options and warrants)			**173.717**			

Source: Company data, Goldman Sachs Research estimates.

Exhibit 328: Management biographies

Name	Position	Background
Rt Hon Lord Fraser of Carmyllie QC	Non-Executive Chairman	Former Lord Advocate and Minister of State at the Department of Trade and Industry. Minster of Energy until May 1997. Director of London Metal Exchange and ICE Futures.
Paul Davies	Chief Executive	Over 30 years' experience in the oil and gas industry. Founding member of JP Kenny Exploration and Production Ltd, the forerunner of JKX Oil & Gas. Holds an Honours degree in Civil Engineering and PhD in Structural Mechanics from University College, London.
Bruce Burrows	Finance Director	Previously at Ernst & Young where he held positions in the Wellington (New Zealand) and London offices. Holds a BSc Honours degree from Canterbury University (New Zealand) and is a member of the Institute of Chartered Accountants.
Martin Miller	Technical Director	Over 30 years of experience in the oil and gas industry, including senior positions with Mobil and BP. Has assumed responsibility for JKX's ventures in Russia and Ukraine.
Peter Dixon	Commercial Director	Worked in senior management positions in SSL and Schlumberger for 15 years. Holds a degree in Physics and Geology from Sunderland University.

Source: Company data.

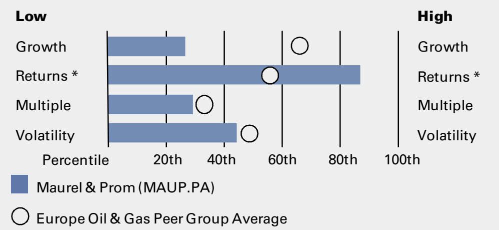
Exhibit 329: Catalyst timeline

1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential

Source: Company data, Goldman Sachs Research estimates.

Maurel & Prom (MAUP.PA): Well balanced, diversified portfolio; initiate as Neutral

Investment Profile

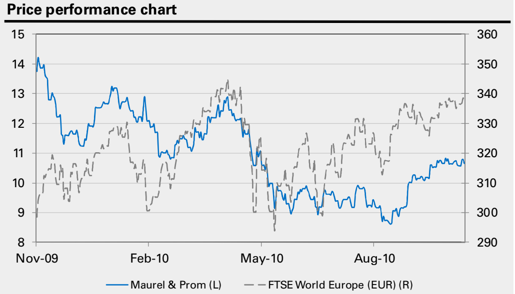


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (€)	10.67
12 month price target (€)	14.80
Upside/(downside) (%)	39
Market cap (€ mn)	1,293.2
Enterprise value (€ mn)	1,847.5

	12/09	12/10E	12/11E	12/12E
EBIT (€ mn)	(25.5)	138.6	314.8	329.9
EPS (€)	(0.33)	0.73	2.37	2.51
P/E (X)	NM	14.6	4.5	4.3
EV/DACF (X)	NM	11.5	5.4	4.3
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(30.0)	(10.5)	3.1	23.0
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	8.5	(9.6)	(22.5)
Rel. to FTSE World Europe (EUR)	6.6	(11.4)	(31.4)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/03/2010 close.

Investment view

Maurel et Prom offers exposure to organic growth in South America and Africa, and the fiscal benefits afforded to indigenous Nigerian companies through its 45% stake in SEPLAT. In our view, the key to the future performance of the shares will be the company's ability to develop its Nigerian reserves, the success of future exploration and appraisal activities and, in the longer term, the ability to do more deals in Nigeria. We view the company's stake in SEPLAT as a positive, as it gives the company the ability to access attractive fiscal terms and therefore inexpensive resources through acquisitions, although we believe that the recent deal with Shell will be digested before new opportunities are pursued. Maurel et Prom's acreage in Gabon also offers an attractive combination of core value and exploration upside. We believe that the market is underpricing the value inherent in Maurel et Prom's core assets, and see c.30% potential upside to our valuation of these assets. Combined with the potential for a c.30% uplift from successful exploration over the next 12 months, we believe the company offers a well balanced and diversified portfolio. However, we see more value and re-rating potential elsewhere in our coverage and initiate coverage with a Neutral rating and a 12 month price target of €14.9.

Core drivers of growth

Production growth in Nigeria and (to a lesser degree) in Gabon will help drive the stock as will exploration success in the company's African and South American exploration programmes. Additional deals in Nigeria could also drive the stock, although we do not expect another deal in the short term as we believe it will take time to develop the assets most recently acquired.

Risks to the investment case

The key downside risks to our view and price target are failures in ramping up production of the Nigerian portfolio or worse than expected failure in the company's exploration programme.

Valuation

Our 12 month SOTP based price target is calculated using a long run oil price of US$85/bl. Discoveries and exploration assets are valued using a risked NPV/bl approach.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 330: Company metrics vs. sector average

	Maurel & Prom	Average	% difference to average
Potential upside from short term exploration	29%	133%	-104%
Potential upside from medium term exploration	1%	304%	-303%
% value supported by core value	131%	103%	27%
Oil price leverage	12%	13%	0%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	13%	12%	1%
Technical risk	0.00	0.27	-27%
Political risk	0.68	0.54	14%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 331: Value breakdown

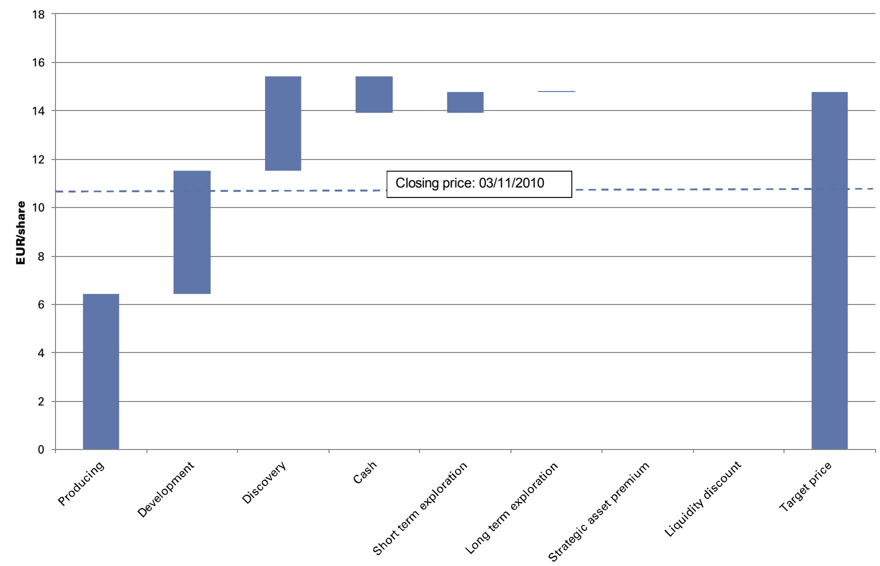


Exhibit 332: Top five shareholders

Holder	% held
Pacifico	23.71
MACIF Gestion	6.87
Maurel et Prom	4.94
Financiere de Rosario	1.24
MMA Finance	0.60
Other	62.64

Exhibit 333: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 334: Asset summary

Maurel & Prom									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**Euro/share**
Nigeria	oil		Development	34.2	80%	27.4	7.2	197	1.2
Nigeria	oil		Discovery	67.4	65%	43.8	7.2	316	1.9
Nigeria	gas		Development	33.4	80%	26.7	0.8	21	0.1
Nigeria	gas		Discovery	42.7	65%	27.8	0.8	22	0.1
Gabon	oil		Producing	48.9	100%	48.9	18.1	887	5.2
Gabon	oil		Development	66.7	80%	53.3	12.2	650	3.8
Gabon	oil		Discovery	36.6	68%	24.8	10.2	252	1.5
Gabon	oil		Exploration - short term	40.0	25%	10.0	7.5	75	0.4
Colombia	oil		Discovery	5.0	75%	3.8	5.3	20	0.1
Colombia	oil		Exploration - short term	20.0	20%	4.0	5.3	21	0.1
Tanzania	gas		Discovery	48.4	60%	29.0	1.7	50	0.3
Tanzania	gas		Exploration - short term	11.6	10%	1.2	1.7	2	0.0
Tanzania	gas		Exploration - medium term	15.9	25%	4.0	0.9	3	0.0
Mozambique	oil	onshore	Exploration - short term	12.0	10%	1.2	6.4	8	0.0
Peru	oil	heavy	Exploration - short term	80.0	10%	8.0	4.8	38	0.2
Caroil								210	1.2
Cash (net of assumed exploration drilling costs and transactions) and other assets								-250.9	-1.5
Cash from options / warrants / assumed equity raises								0.0	0.0
Sub-total								2521.8	**14.8**
Strategic asset premium								0.0	0.0
Liquidity discount								0.0	0.0
TOTAL								**2522**	**14.80**
# shares (current)	**121.252**		# shares (inc. assumed equity issuances, options and warrants)			**121.252**			

Source: Company data, Goldman Sachs Research estimates.

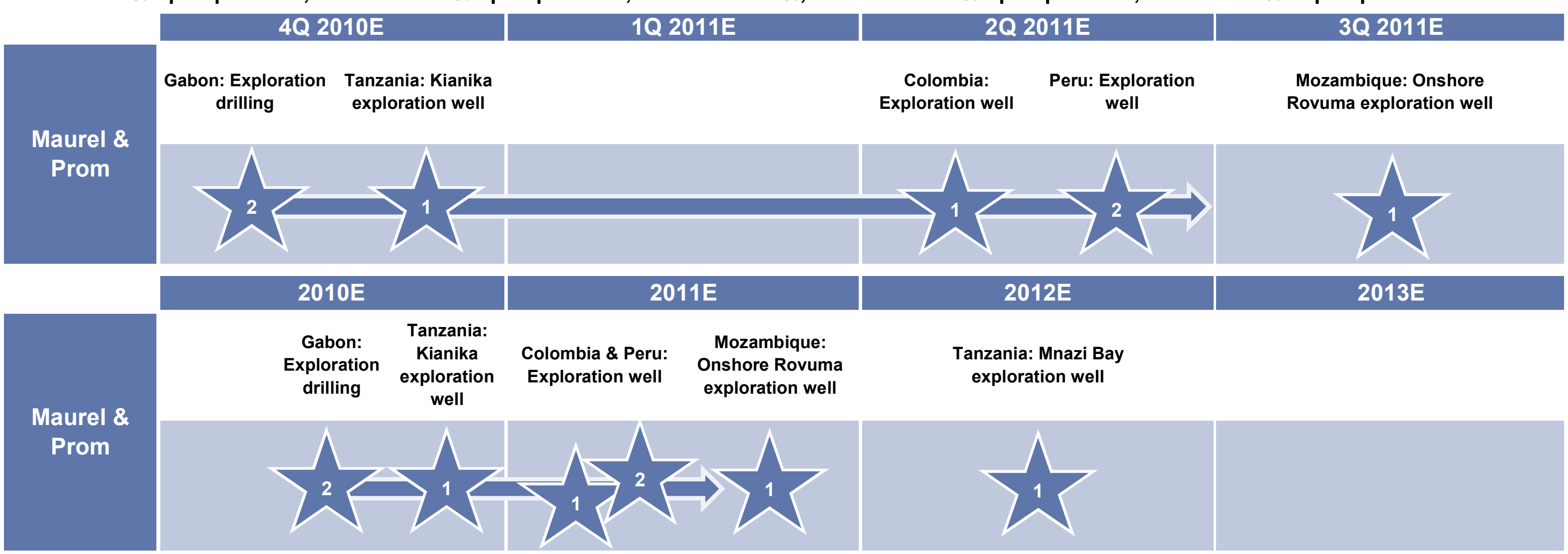
Exhibit 335: Management biographies

Name	Position	Background
Jean-François Hénin	Chairman	Director of Treasury and Foreign Exchange of the Lyonnaise de Dépôts company. Treasurer of Thomson CSF, Chief Executive Officer of Altus Finance, Vice-Chairman of the supervisory board of Altus Finance, and Chairman and Chief Executive Officer of Electricité et Eaux de Madagascar (EEM).
Michel Hochard	Chief Financial Officer	Internal auditor in the Department of Finances of ELF Aquitaine. Head of the Finance Division of Afrique-Moyen Orient, Director of Finances of the SNEAP, then of ELF Aquitaine production and of ELF E&P. Director of Operations of Price Waterhouse Coopers BPO.
Daniel Pélerin	Exploration Director	Head of the Geophysics Department of ELF Congo and Director of Exploration of several subsidiaries of ELF Aquitaine, in particular in Latin America.
Philippe Corlay	Production Manager	Graduate of Hautes Etudes Industrielles in Lille and the School of Oil and Motors Engineer for Beicip-Franlab. Head of the Reservoir Department of Coparex, in charge of oil field activities.

Source: Company data.

Exhibit 336: Catalyst timeline

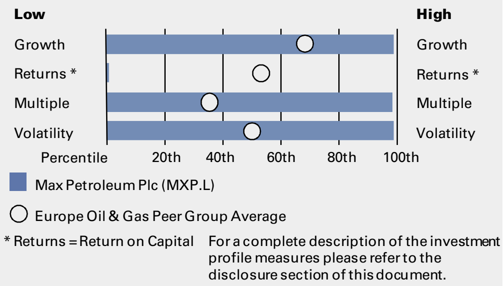
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Max Petroleum (MXP.L): Vast potential in the pre-salt but risks remain; Neutral

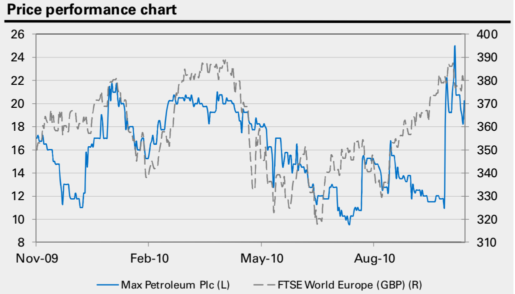
Investment Profile



Key data	Current
Price (p)	20.25
12 month price target (p)	26.3
Upside/(downside) (%)	30
Market cap (£ mn)	91.4
Enterprise value ($ mn)	253.9

	3/10	3/11E	3/12E	3/13E
EBIT ($ mn)	(10.0)	0.5	30.7	54.7
EPS ($)	(0.58)	(0.03)	(0.03)	(0.01)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	13.9	26.8	42.0	17.7
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(13.6)	(24.1)	(37.5)	(24.9)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	88.4	9.5	19.1
Rel. to FTSE World Europe (GBP)	76.1	6.4	8.3

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Investment view

Max Petroleum's operations are focused on Kazakhstan where the company is currently in the middle of a high-impact exploration programme. The initial prospects being drilled are shallower, post-salt prospects – meaning wells are faster and cheaper to drill than the deeper, pre-salt wells that the company hopes to drill in the future. Although Max Petroleum has had some success to date (the recent success at the Uytas well highlights the potential impact of this exploration programme), there have been a number of failures in the programme as well. This shows that while the oil charge appears not to be an issue, plotting the migration pathways would appear somewhat more challenging. Nevertheless, the company plans to drill a further seven post-salt wells in the coming months. We believe that success at these prospects could result in an uplift to our valuation of almost 100% on a de-risked basis. We believe the company's pre-salt portfolio offers the potential for a more material re-rating, however. Max Petroleum has 10 prospects and 5 leads in the pre-salt portfolio, and we estimate that in the event of success at all of these prospects, our valuation would rise by almost 2000%. However, exploration wells to this depth will take substantially longer and cost substantially more (c.US$25-35 mn on our estimates). Given the size of the company and the lack of a farm-out to date, we are cautious about giving credit for more than two of these prospects, despite the large acreage position and prospectivity of the area. We note, however, that further success in the post-salt wells would be a major positive for the share price, and could make funding easier. A farm-out could allow also more wells to be drilled. In short, while the potential is vast, the current capital constraints and remaining risks in the post salt-portfolio make us cautious at this point. As a result, we initiate coverage of Max Petroleum with a Neutral rating and 12 month a price target of 26.3p.

Core drivers of growth

Success in the company's post-salt exploration programme is the key driver at this stage in our view. In the longer term, success in the pre-salt will have a potentially significant impact on the shares.

Risks to the investment case

The key downside risk to our view and target price is greater than expected failure in the company's post-salt exploration. We assume a rights issue to fund two deeper wells and note that failure in the shallow wells could impact the amount of money that can be raised.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We give the company full credit for its post-salt exploration programme and the first two wells in its pre-salt programme; catalysts being drilled beyond 12 months are given a 50% discount. We also assume equity issuance of US$45 mn to fund the pre-salt drilling programme, but assume that the company can hold 100% of the assets.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 337: Company metrics vs. sector average

	Max Petroleum	Average	% difference to average
Potential upside from short term exploration	304%	133%	171%
Potential upside from medium term exploration	179%	304%	-125%
% value supported by core value	-6%	103%	-109%
Oil price leverage	18%	13%	5%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	14%	12%	2%
Technical risk	0.11	0.27	-16%
Political risk	0.61	0.54	7%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 338: Value breakdown

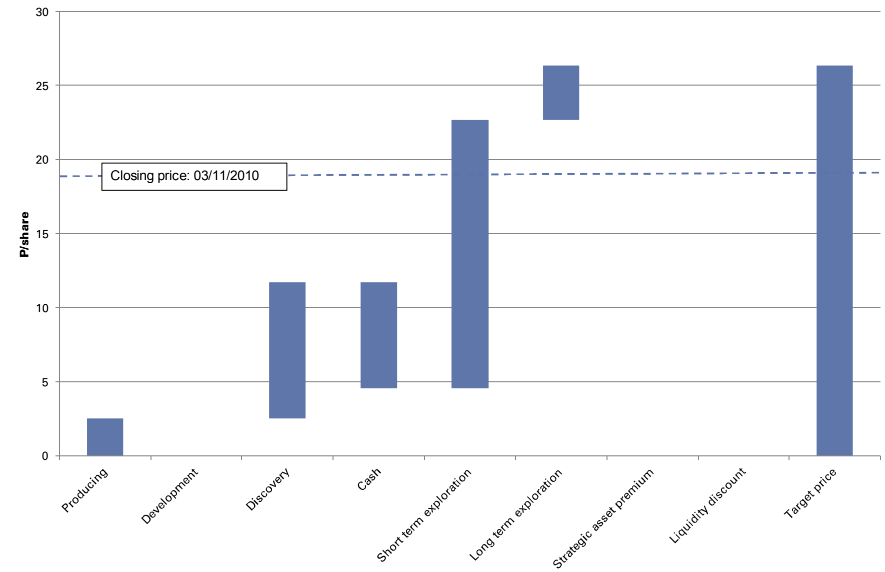


Exhibit 339: Top five shareholders

Holder	% held
GLG Partners Inc	11.97
Garifoll Kachshapov	10.90
Credit Suisse Private Investment	4.87
TD Waterhouse Group	4.69
Ceska Sporitelna	4.40
Other	63.17

Exhibit 340: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 341: Asset summary

Max Petroleum									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Kazakhstan	oil		Producing	5.8	100%	5.8	7.2	42	3
Kazakhstan	oil		Discovery	54.0	73%	39.5	3.9	153	9
Kazakhstan	oil		exploration - short term	168.0	22%	37.0	3.4	127	8
Kazakhstan	oil	Pre-salt	exploration - medium term	475.0	18%	83.1	0.7	61	4
Kazakhstan	oil	Pre-salt	exploration - short term	593.0	20%	118.6	1.5	173	10
Cash (net of assumed exploration drilling costs and transactions) and other assets								-201.8	-12
Cash from options / warrants / assumed equity raises								83.0	5
Sub-total								435.9	26.3
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**436**	**26.34**
# shares (current)	**451.575**		# shares (inc. assumed equity issuances, options and warrants)			**1028.270**			

Source: Company data, Goldman Sachs Research estimates.

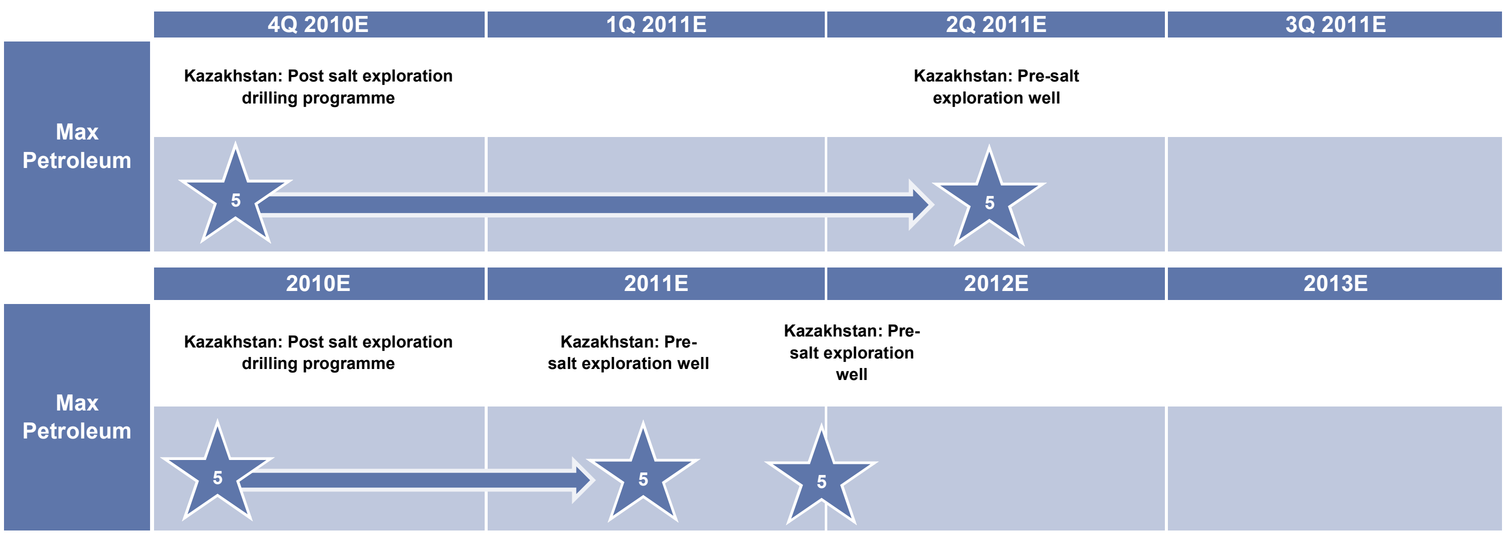
Exhibit 342: Management biographies

Name	Position	Background
Michael Young	President & Chief Executive Officer	Over 18 years' experience in financial roles in the oil and gas industry. Former CFO of Whittier Energy Corporation, based in the United States. Also served as Vice President and CFO of Chaparral Resources, operating in the Republic of Kazakhstan.
James Jeffs	Executive Co-Chairman	Director of several oil and gas exploration and production companies, investment banker, and trust fund manager. Managing Director and Chief Investment Officer of the Whittier Trust since 1994. Former Chairman of Whittier Energy Corporation and Director and Chairman of Chaparral Resources.
Robert Holland III	Executive Co-Chairman	Former member of the Bush administration who served as US Executive Director of the World Bank. Held various senior positions with Triton Energy Ltd, which was sold to Amerada Hess.
Lee Kraus	Non-Executive Director	Founder and President of Composite Capital, a financial advisory firm for the oil, gas, mining and chemicals sectors. Previously with Dresdner Kleinwort, Jnana Technologies Corporation, Lazard Freres & Co, and Morgan Stanley.

Source: Company data.

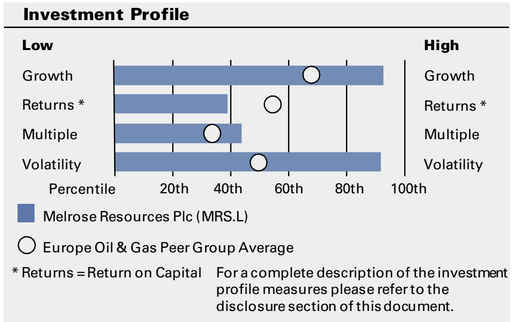
Exhibit 343: Catalyst timeline

1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

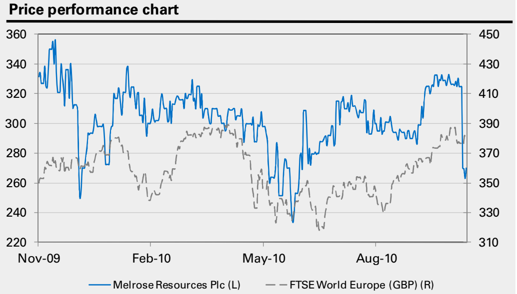
Melrose Resources (MRS.L): Diverse but balanced portfolio; initiate as Neutral



Key data	Current
Price (p)	270
12 month price target (p)	297
Upside/(downside) (%)	10
Market cap (£ mn)	309.6
Enterprise value ($ mn)	1,035.7

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	55.1	34.8	83.9	113.9
EPS ($)	(0.21)	0.14	0.54	0.78
P/E (X)	NM	31.2	8.1	5.6
EV/DACF (X)	7.1	8.9	6.4	4.6
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(12.4)	(16.4)	3.7	22.2
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(11.2)	(10.0)	(18.6)
Rel. to FTSE World Europe (GBP)	(17.0)	(12.5)	(26.0)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Investment view

Melrose Resources offers a geographically diverse portfolio (with assets in Egypt, the US and Europe), across all stages of the development cycle, combined with exploration and gas storage potential. We do not believe the stock is expensive, as on our estimates the core value accounts for 93% of the current share price, and the stock offers an attractive combination of catalysts and value given that substantial potential upside in the event of exploration success (c.130% potential uplift to our current valuation). The Neutral rating with which we initiate coverage of the stock is a relative call based on the greater upside we see elsewhere in the sector, but we still see 10% upside to our 12-month target price. The diversity of the company's portfolio spreads risk, but arguably makes it less attractive from an M&A perspective, as we believe industry will tend to focus on resource concentrated in a particular area. The exploration programme is also diverse but we see the greatest potential uplift from the company's South Mardin prospect in Turkey which we expect to be drilled in the middle of 2011 and which, if successful, would result in a c.94% uplift to our valuation. The company has a relatively high level of debt but we expect this to be manageable given the operating cash flows and a possible sale of the company's US assets.

Core drivers of growth

The company has initiated a US divestment plan which could be a positive driver if an attractive price is secured and proceeds are used to pay down debt. Exploration success would also be a growth driver.

Risks to the investment case

The key downside risks to our view and price target are delays or cost overruns in the development of the company's assets in Bulgaria, exploration failure or difficulties with the sale of the company's US assets.

Valuation

Our 12 month SOTP based price target is calculated using a long run oil price of US$85/bl. Discoveries and exploration assets are valued using a risked NPV/bl approach. We also include a risked DCF value for the company's gas storage potential in Bulgaria.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 344: Company metrics vs. sector average

	Melrose Resources	Average	% difference to average
Potential upside from short term exploration	130%	133%	-3%
Potential upside from medium term exploration	0%	304%	-303%
% value supported by core value	93%	103%	-10%
Oil price leverage	17%	13%	4%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	11%	12%	0%
Technical risk	0.00	0.27	-27%
Political risk	0.52	0.54	-2%
% value in pre-sanction non-operated fields	34%	23%	11%

Exhibit 345: Value breakdown

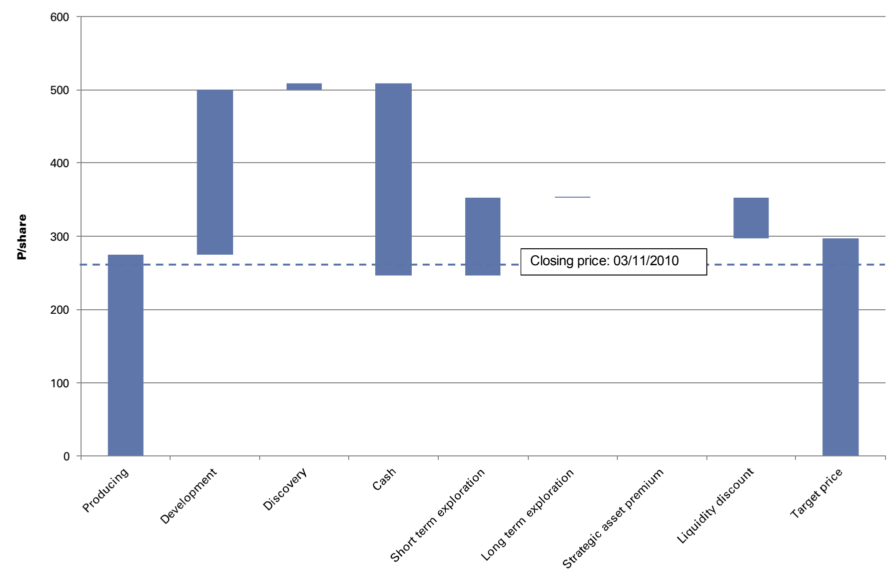
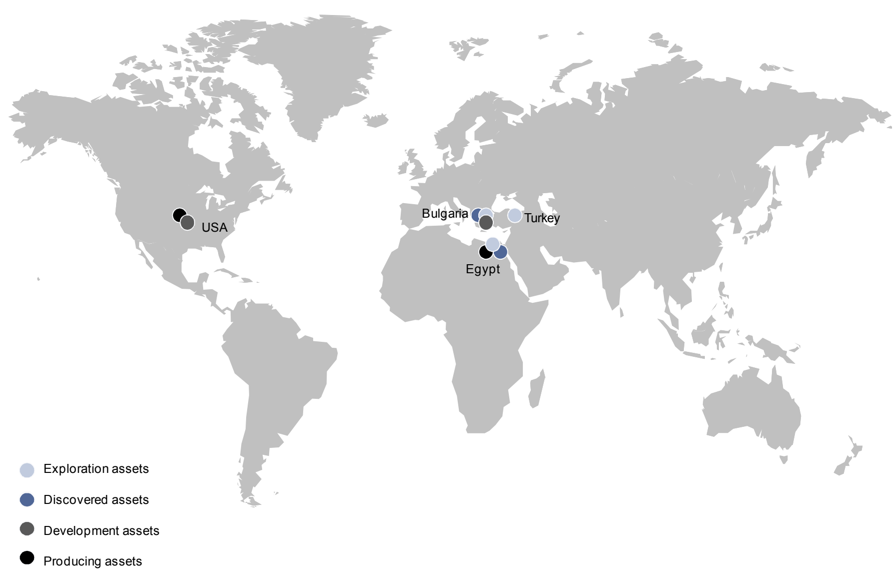


Exhibit 346: Top five shareholders

Holder	% held
Robert Adair	50.86
Caledonia Investments	10.28
AXA Framlington Investment Management	6.06
Aberforth Partners	4.70
Legal & General Investment Management	1.90
Other	26.2

Exhibit 347: Map of operations



Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 348: Asset summary

Melrose Resources									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Egypt	oil	step out	Producing	20.0	100%	20.0	10.2	204	107
Egypt	gas	step out	Producing	89.3	100%	89.3	1.9	174	92
Egypt	gas	step out	Discovery	1.8	85%	1.6	0.7	1	1
Egypt	oil	step out	Exploration - short term	41.8	25%	10.7	5.5	59	31
Egypt	gas	step out	Exploration - short term	8.0	50%	4.0	0.7	3	2
Egypt	gas	step out	Exploration - medium term	4.3	20%	0.9	0.3	0	0
Bulgaria	gas		Development	12.3	100%	12.3	13.8	171	90
Bulgaria	gas		Discovery	2.0	90%	1.8	9.4	17	9
Bulgaria	gas		Exploration - short term	9.8	35%	3.4	9.4	32	17
Bulgaria			Gas storage	0.0	100%			89	47
Turkey	oil		Exploration - short term	56.7	15%	8.5	12.9	109	58
USA	oil		Producing	6.7	100%	6.7	20.3	136	72
USA	oil		Development	13.8	70%	9.7	16.4	158	83
USA	gas		Producing	1.2	100%	1.2	5.9	7	4
USA	gas		Development	4.0	70%	2.8	3.6	10	5
Cash (net of assumed exploration drilling costs and transactions) and other assets								-514.7	-271
Cash from options / warrants / assumed equity raises								14.4	8
Sub-total								671.6	353.2
Strategic asset premium								0.0	0
Liquidity discount								-106.1	-56
TOTAL								**566**	**297.41**
# shares (current)	**114.668**		# shares (inc. assumed equity issuances, options and warrants)			**118.136**			

Source: Company data, Goldman Sachs Research estimates.

Exhibit 349: Management biographies

Name	Position	Background
Robert Adair	Executive Chairman	Founder of Melrose's predecessor company. Chairman of Skye Investments, the company's principal shareholder, as well as Terrace Hill Group, Leed Petroleum, and Plexus Holdings. Holds a degree in Geology from Oxford University.
David Thomas	Chief Executive Officer	Over 30 years' experience in the oil and gas industry. Previously worked in senior positions for Centurion Energy, where he was Chief Operating Officer, as well as for ENI, Lasmo, and Conoco. Holds a BSc in Mining Engineering and an MSc in Petroleum Engineering.
David Archer O.B.E.	Operations Director	Over 30 years' experience in the oil industry, primarily with BP and Texaco. Previously Melrose's country manager for Bulgaria. Awarded the OBE in 2002 for services to British industry and foreign investment.
Diane Fraser	Finance Director	Qualified as a Certified Accountant in 1985. Accounting and finance experience in industry with Marconi plc and Vickers plc, in the financial sector with Country NatWest, and in the oil and gas industry with Cairn Energy.

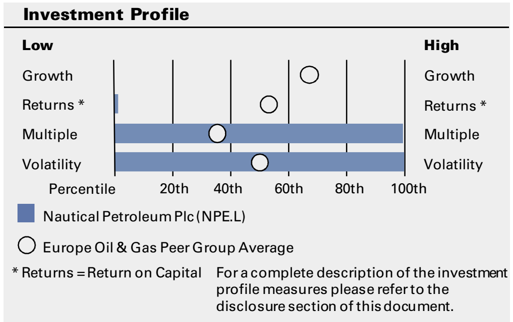
Source: Company data.

Exhibit 350: Catalyst timeline

1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential

Source: Company data, Goldman Sachs Research estimates.

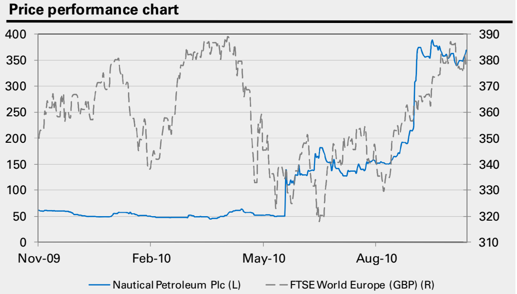
Nautical Petroleum (NPE.L): Core value and M&A a compelling combination; Buy



Key data				Current
Price (p)				370
12 month price target (p)				549
Upside/(downside) (%)				48
Market cap (£ mn)				324.4
Enterprise value (£ mn)				240.4

	6/10	6/11E	6/12E	6/13E
EBIT (£ mn)	(2.4)	(2.0)	(2.0)	(1.0)
EPS (p)	(3.60)	(1.80)	(0.69)	(0.74)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(22.1)	(12.5)	(2.5)	0.0
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	145.8	543.5	499.2
Rel. to FTSE World Europe (GBP)	129.8	525.7	444.7

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Source of opportunity

We initiate coverage of Nautical Petroleum with a Buy recommendation and a 12-month price target of 549p. The company's activities and value are focused on the UK North Sea, although it also has some more peripheral assets in Ireland and France. It has particular expertise in the heavy oil fields, but we note that the portfolio is not exclusively heavy. We regard the company's core value as a major positive – on our estimates there is almost 20% upside to the current share price in core value alone. A large proportion of this core value is in cash (a result of an equity placing and sale of a 20.667% stake in the Mariner field to Statoil) and the company's Kraken field which has just undergone a successful appraisal programme. We regard the strong cash position as a positive given our bullish view on the commercial probability of sanctioning Kraken. Nautical Petroleum also has short-term exploration exposure through its 15% stake in the 28/9 and 28/10c licences in the UK North Sea, which contain the recent Catcher discovery, and a number of follow-on prospects which we expect to be drilled over the next six months. In the event of success, we believe that these prospects could add a further 15% to our target price – an attractive upside case given the "free" nature of the exploration option in the stock. We also believe that the recent sale of part of the company's Mariner stake to Statoil highlights the potential attractiveness of material heavy oil assets in the North Sea, and therefore see the company's stake in Kraken (a field which we believe could see better economics than Kraken) as a positive in this regard. We believe the stock is highly leveraged to the oil price and include it in our Oil Price Leverage screen.

Catalyst

Further exploration activity in the area surrounding Catcher and appraisal work on Kraken are likely to be short-term catalysts for the stock. Any acquisition activity surrounding the Kraken asset is also likely to be a positive for the stock.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. Some 20% of our target price is based on a valuation of the company with its Kraken asset valued at an 8% discount rate to reflect our view of the strategic nature of the asset.

Key risks

Key risks to our view and price target are a poor exploration programme around the Catcher prospects or the Kraken asset proving to be more complicated than we currently expect. The company is also particularly levered to oil prices due to the operational leverage of offshore heavy oil assets in the UK North Sea.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 351: Company metrics vs. sector average

	Nautical Petroleum	Average	% difference to average
Potential upside from short term exploration	28%	133%	-105%
Potential upside from medium term exploration	76%	304%	-228%
% value supported by core value	118%	103%	15%
Oil price leverage	15%	13%	2%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.23	0.27	-3%
Political risk	0.29	0.54	-25%
% value in pre-sanction non-operated fields	47%	23%	24%

Exhibit 352: Value breakdown

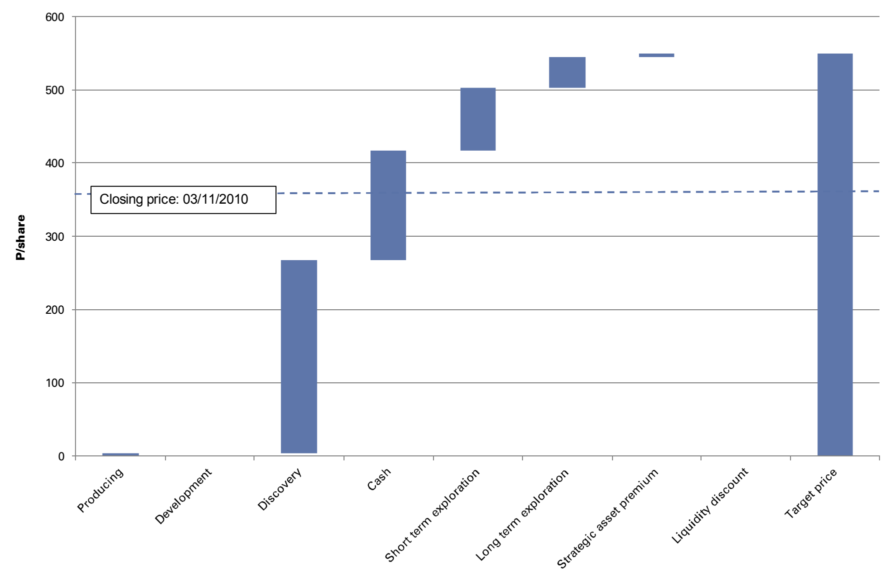


Exhibit 353: Top five shareholders

Holder	% held
International Energy Group	19.85
MHR Fund Management	7.34
BlueGold Capital Management	5.14
Shin Cheon Co.	4.52
JPMorgan Asset Management	3.16
Other	59.99

Exhibit 354: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 355: Asset summary

Nautical Petroleum									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
UK	oil		Producing	0.2	100%	0.2	23.2	5	3
UK	oil		Discovery	15.8	90%	14.2	8.5	121	83
UK	oil	heavy	Discovery	110.5	68%	75.5	3.3	250	171
UK	oil		Exploration - short term	25.5	44%	11.2	8.5	95	65
UK	oil		Exploration - medium term	40.0	30%	12.0	3.5	42	29
UK	oil	heavy	Exploration - short term	16.8	10%	1.7	2.8	5	3
UK	gas		Exploration - short term	25.0	30%	7.5	3.3	25	17
UK	gas		Exploration - medium term	0.0	0%	0.0	0.0	0	0
Ireland	oil	heavy	Discovery	26.6	10%	2.7	4.1	11	8
France	gas		Exploration - medium term	121.0	10%	12.1	1.6	19	13
France	oil	heavy	Discovery	1.4	50%	0.7	7.3	5	3
Cash (net of assumed drilling costs / transactions) and NPV of tax losses								212.8	146
Cash from options / warrants / assumed equity raises								6.1	4
Sub-total								795.4	545
Strategic asset premium								6.5	4
Liquidity discount								0.0	0
TOTAL								**802**	**549.15**
# shares (curre	**87.688**		# shares (inc. assumed equity issuances, options and warrants)			**90.718**			

Source: Company data, Goldman Sachs Research estimates.

Exhibit 356: Management biographies

Name	Position	Background
John Conlin	Non-Executive Director and Chairman	Over 34 years' experience in the oil and gas industry, including 28 years with Shell, where he held senior and technical positions. Also worked in executive positions with Sakhalin Energy Investment Company, Woodside Petroleum, and served as non-executive director of Hardman Resources and Delphian Technology Ltd.
Stephen Jenkins	Chief Executive Officer	One of the co-founders of Nautical Petroleum with 27 years' experience in the oil and gas industry. 11 years with Nimir Petroleum as Business Development and HSE Manager. Led teams that explored opportunities in the Americas, the Middle East, North Africa, and other OECD countries.
Paul Jennings	Commercial Director	Over 30 years' experience in the oil and gas sector. Worked with BP for 17 years. Established exploration and production companies in Russia and Nigeria before founding Nautical Petroleum with Steve Jenkins.
Will Mathers	Chief Financial Officer	Chartered Accountant, qualifying with Deloitte Touche Tohmatsu in Australia. Held financial roles with Woodside Petroleum. Also worked for Shell as Global Office Controller for Shell Gas (LPG) in London.

Source: Company data.

Exhibit 357: Catalyst timeline

1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential

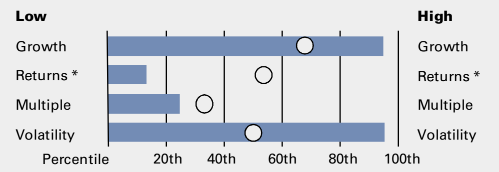
	4Q 2010E	1Q 2011E	2Q 2011E	3Q 2011E
Nautical Petroleum	UK: Varadero (Catcher) & Catcher North exploration wells	UK: Burghman (Catcher) & Carnaby (Catcher) exploration wells	UK: Merrow exploration well	UK: Tudor Rose upside drilling
	1, 1	1, 2	1	1

	2010E	2011E		2012E		2013E
Nautical Petroleum	UK: Varadero (Catcher) & Catcher North exploration wells	UK: Burghman (Catcher) & Carnaby (Catcher) exploration wells	UK: Merrow exploration well & Tudor Rose upside drilling	France: Audingnon Ridge exploration well	UK: Spaniards exploration well	
	1, 1	1, 2	1, 1	4	3	

Source: Company data, Goldman Sachs Research estimates.

Nighthawk (NGTE.L): Shale oil potential could be transformational if unlocked; Buy

Investment Profile

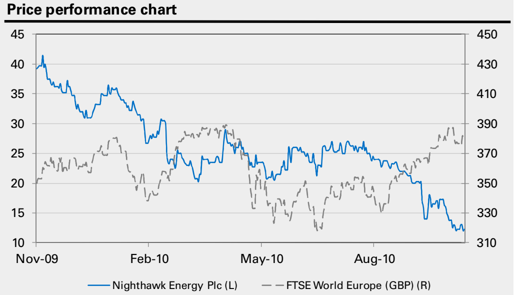


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	12.25
12 month price target (p)	24.6
Upside/(downside) (%)	101
Market cap (£ mn)	40.4
Enterprise value ($ mn)	38.3

	6/10	6/11E	6/12E	6/13E
EBIT ($ mn)	(1.6)	3.9	15.5	20.9
EPS ($)	0.00	0.01	0.03	0.03
P/E (X)	NM	21.9	7.5	6.0
EV/DACF (X)	NM	8.7	4.4	3.5
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(19.7)	(24.0)	(14.3)	(7.6)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(52.4)	(49.0)	(68.8)
Rel. to FTSE World Europe (GBP)	(55.5)	(50.4)	(71.6)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Source of opportunity

We initiate coverage of Nighthawk with a Buy recommendation and a 12-month price target of 24.6p. The company has assets onshore in the US with the main driver, in our view, its 50% stake in the Jolly Ranch oil shale project in Colorado. The shale play type is relatively new to the industry and work to date has been focused on developing the best drilling and fracturing techniques in order to produce the oil efficiently. We believe that development risks remain, but apply a conservative 30% chance of success to the asset, and model initial flow rates of 90 kb/d from each well and costs of US$2mn/well. A 2009 Schlumberger report put gross oil in place at c.1.4 bnbls in place over c.68% of the acreage, implying total in place volumes of just over c.2.2 bnbls over the whole acreage in the event of the play being homogenous. Our gross reserves figure of 187 mnbls implies a recovery factor of c.8.5% – broadly in the range we have seen for other US shales. We believe that the size of the asset makes the company a potential M&A candidate and that a greater capital injection into the field could increase the value of barrels by more than 100%. Nighthawk also has production from its Revere project (which is more conventional but which requires water injection due to the low reservoir pressure), and has gas assets in the Cisco Springs project in Utah. We believe the share price implies excessive risking around the Jolly Ranch asset. Despite the risking we apply and what we regard as conservative assumptions, we still see 90% upside to our valuation even excluding any potential M&A premium for the stock. We therefore put the stock onto our Buy List.

Catalyst

Further work to prove commerciality of the shale in Jolly Ranch is the main visible catalyst for the stock in our view. We believe that, if the company can increase production rates and flow rates from individual wells, then additional confidence over the ability to commericalise the resource will begin to de-risk the asset. We also believe that M&A activity around the company and its assets is a possibility if the potential of this shale play is proven.

Valuation

Our 12 month SOTP based price target is calculated using a long run oil price of US$85/bl. Some 20% of our target price is accounted for by a valuation which assumes a Jolly Ranch disposal, with a faster ramp-up assumed in this scenario.

Key risks

The key downside risks to our view and price target are technical failures in the development of the company's oil shale project or persistent weakness in the oil price.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 358: Company metrics vs. sector average

	Nighthawk Energy	Average	% difference to average
Potential upside from short term exploration	0%	133%	-133%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	289%	103%	185%
Oil price leverage	9%	13%	-4%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.39	0.27	12%
Political risk	0.32	0.54	-22%
% value in pre-sanction non-operated fields	23%	23%	0%

Exhibit 359: Value breakdown

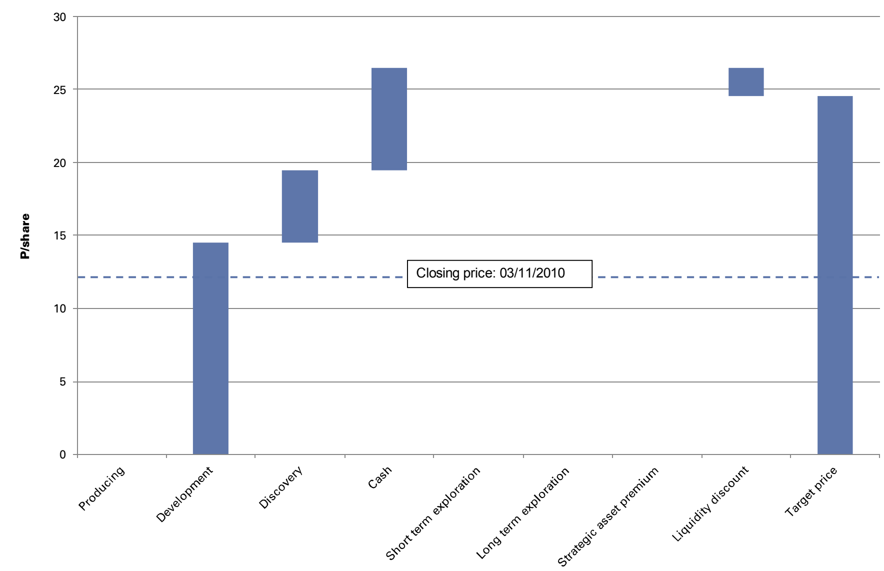


Exhibit 360: Top five shareholders

Holder	% held
TD Waterhouse Group	10.35
Barclays Personal Investment	9.62
Halifax Share Dealings	7.37
Carmignac Gestion	5.92
Hargreaves Lansdown	4.11
Other	62.63

Exhibit 361: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 362: Asset summary

Nighthawk Energy									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
USA	oil	shale	Development	93.4	24%	22.4	2.3	52	6
USA	oil	shale M&A	Development	93.4	6%	5.6	5.1	29	3
USA	oil		Development	14.2	70%	9.9	4.1	41	5
USA	oil		Discovery	1.9	75%	1.4	8.5	12	1
USA	gas		Discovery	39.2	52%	20.4	1.4	29	4
Cash (net of assumed exploration drilling costs and transactions) and other assets								20.6	2
Cash from options / warrants / assumed equity raises								37.6	4
Sub-total								221.4	27
Strategic asset premium								0.0	0
Liquidity discount								-15.9	-2
TOTAL								**205.564**	**25**
# shares (current)	**329.640**		# shares (inc. assumed equity issuances, options and warrants)			**520.083**			

"Shale M&A" represents a different valuation of part of the "Shale" resource - resource numbers are not additive

Source: Company data, Goldman Sachs Research estimates.

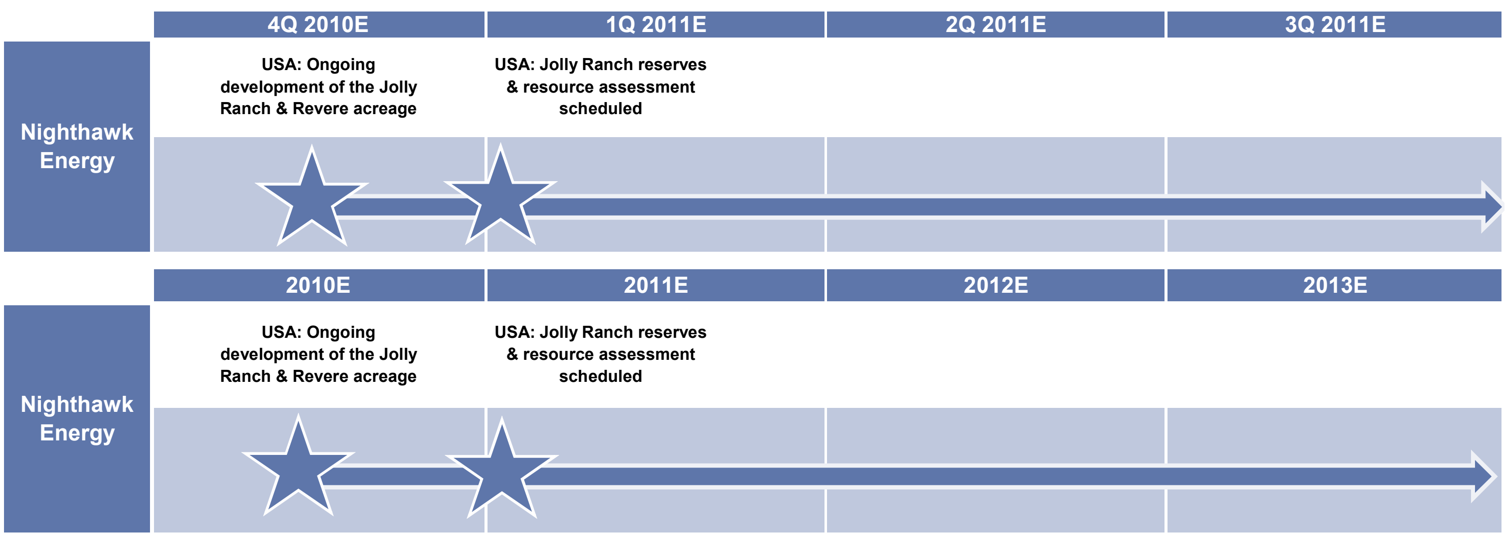
Exhibit 363: Management biographies

Name	Position	Background
Michael Thomsen	Executive Chairman	Over 30 years' experience in the natural resources industry. Directed a number of energy and minerals companies, including as Chairman of Oil Quest Resources. Previously Chief Geologist with Freeport-McMoRan Inc, a US energy and minerals producer, where he directed programmes in the Permian Basin of west Texas and the Gulf of Mexico.
Tim Heeley	Chief Executive Officer	Previously head of oil and gas research at Daniel Stewart & Co. Prior to that, Senior Manager of Standard Bank's Oil and Gas team and Senior Oil and Gas Analyst at Panmure Gordon. Also Project Development Engineer with Shell, BP, Exxon and BG.
Stuart Eaton	Non-Executive Director	Former head of UK Equity Alpha at Insight Investment Management, founded by HBOS in 2002.
Geoffrey Metzger	Non-Executive Director	Member of London Stock Exchange for 25 years and member the Securities Institute. Over 20 years' experience raising finance for natural resources companies.
Brian Marshall	Financial Controller and Company Secretary	Chartered accountant who established his own independent accountancy practice in Bath 10 years ago.

Source: Company data.

Exhibit 364: Catalyst timeline

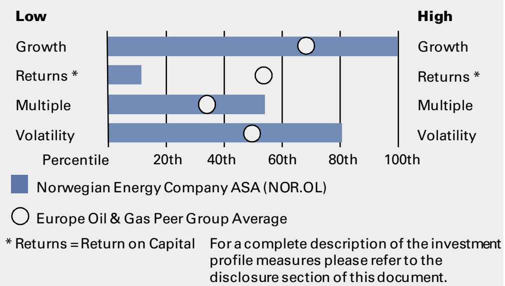
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Noreco (NOR.OL): Growth potential broadly priced in; initiate as Neutral

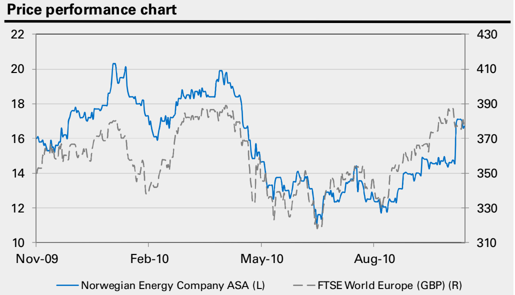
Investment Profile



Key data	Current
Price (Nkr)	16.70
12 month price target (Nkr)	22.60
Upside/(downside) (%)	35
Market cap (Nkr mn)	4,058.7
Enterprise value (Nkr mn)	7,328.3

	12/09	12/10E	12/11E	12/12E
EBIT (Nkr mn)	(195.9)	424.6	872.3	2,174.9
EPS (Nkr)	(1.23)	0.33	0.63	2.74
P/E (X)	NM	50.1	26.5	6.1
EV/DACF (X)	35.7	5.9	6.4	3.1
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(52.0)	(14.0)	1.0	25.8
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	16.0	5.0	4.4
Rel. to FTSE World Europe (GBP)	8.4	2.1	(5.1)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Investment view

We initiate coverage of Norwegian Energy Company (“Noreco”) with a Neutral rating and a 12-month price target of Nkr22.6. The company operates in Norway, Denmark and the UK with a mixture of production, development potential and exploration. We believe it has some of the highest re-rating potential in the Norwegian North Sea of the companies under our coverage principally from the Luna, Albert, Lupin and Barchan wells. A total de-risking of the exploration portfolio in the next 12 months would result in an uplift of c.180% to our valuation. However, we believe that much of the potential of this attractive programme is priced into the shares; on our estimates core value supports around half of the current share price. We view exploration in the Norwegian North Sea positively given the potential for large discoveries and the attractive tax rebate system for exploration. However, we prefer to gain exposure to this theme through Det Norske which we believe offers more attractive value, albeit with a lower impact exploration campaign in the area. Recent asset sales have provided adequate funding for the company in our view and highlighted the value of the Norwegian assets.

Core drivers of growth

The company has recently announced a broad strategic review which will examine a potential sale or merger of the company or its assets. A successful sale of either at a high price would be a positive for the shares. Aside from this, we believe that exploration activity is likely to be the main driver of the stock in the short term.

Risks to the investment case

A disappointing exploration campaign or lower oil and gas prices are the biggest downside risks to our price target and view. A more successful than expected exploration programme, high realizations in asset sales as a result of the strategic review or a sale of the company are the main risks to the upside.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. Discoveries and exploration assets are valued using a risked NPV/bl approach.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 365: Company metrics vs. sector average

	Noreco	Average	% difference to average
Potential upside from short term exploration	180%	133%	47%
Potential upside from medium term exploration	15%	304%	-289%
% value supported by core value	78%	103%	-25%
Oil price leverage	21%	13%	9%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.01	0.27	-26%
Political risk	0.20	0.54	-34%
% value in pre-sanction non-operated fields	75%	23%	52%

Exhibit 366: Value breakdown

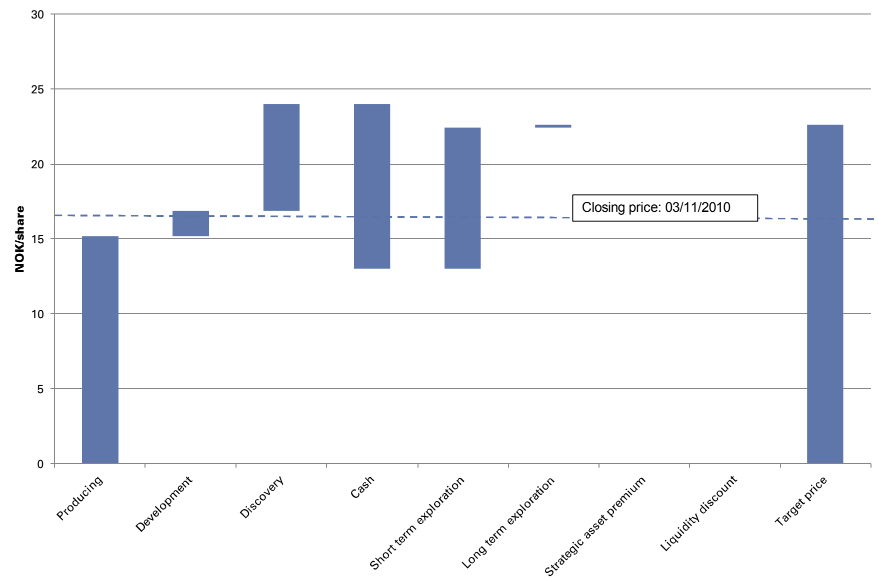


Exhibit 367: Top five shareholders

Holder	% held
Sector Asset Management	16.43
Lyse Energi AS	9.73
Goldman Sachs International	8.50
IKM Industri-Invest AS	6.00
Government Pension Fund	4.59
Other	54.75

Exhibit 368: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 369: Asset summary

Noreco									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**NOK/share**
Norway	oil		Producing	6.7	100%	6.7	20.9	139	3.3
Norway	gas		Producing	0.7	100%	0.7	10.5	8	0.2
Norway	oil		Development	3.6	90%	3.2	6.0	19	0.5
Norway	oil		Discovery	16.6	58%	9.6	5.2	50	1.2
Norway	gas		Discovery	24.8	52%	12.8	2.4	31	0.7
Norway	oil		Exploration - short term	437.5	19%	83.6	4.5	376	8.8
Norway	gas		Exploration - short term	63.8	19%	12.3	2.2	27	0.6
Norway	oil		Exploration - medium term	33.4	10%	3.3	2.3	8	0.2
Denmark	oil		Producing	21.0	100%	21.0	23.3	489	11.5
Denmark	gas		Producing	0.7	100%	0.7	15.1	10	0.2
Denmark	oil		Discovery	10.5	81%	8.5	11.4	96	2.3
Denmark	gas		Discovery	39.3	50%	19.7	5.6	111	2.6
UK	oil		Discovery	7.7	23%	1.8	9.4	17	0.4
UK	oil		Development	6.0	90%	5.4	9.4	50	1.2
Cash (net of assumed exploration drilling costs / transactions) and NPV of tax losses								-481.4	-11.3
Cash from options / warrants / assumed equity raises								12.5	0.3
Sub-total								962.1	22.6
Liquidity discount								0.0	0.0
TOTAL								**962**	**22.62**
# shares (current)	**243.038**		# shares (inc. assumed equity issuances, options and warrants)			**248.067**			

Source: Company data, Goldman Sachs Research estimates.

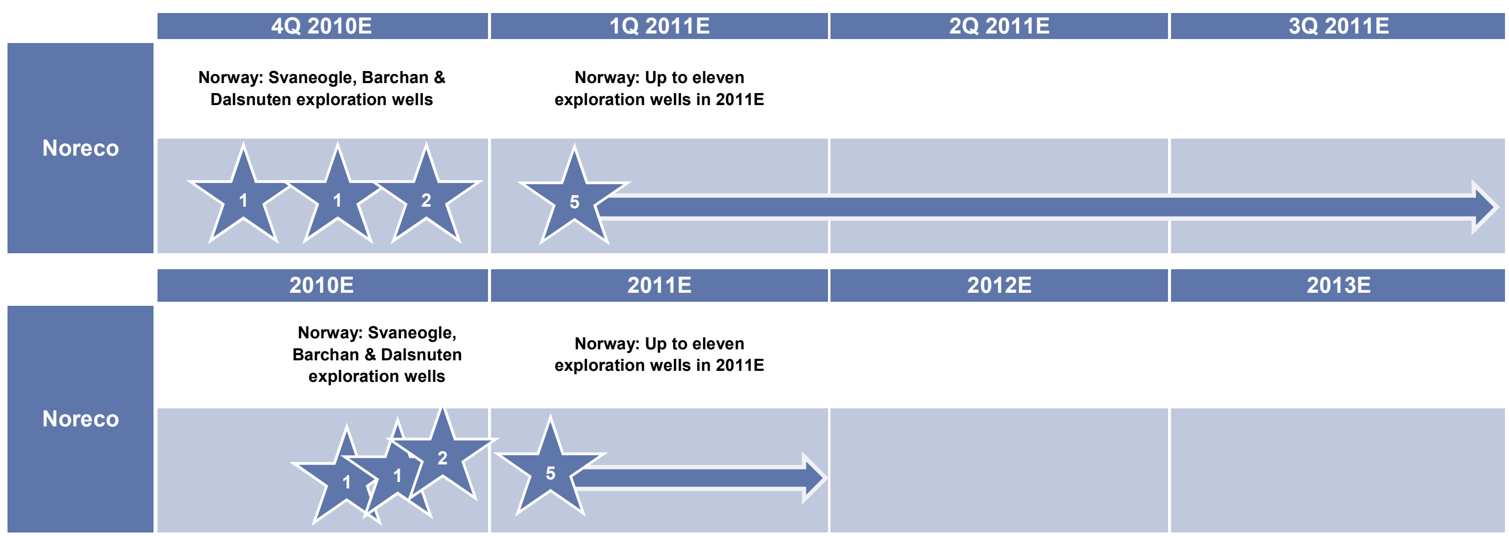
Exhibit 370: Management biographies

Name	Position	Background
Lars Takla	Chairman	One of the founders of Noreco. Over 40 years' industry experience, including Region Manager of Phillips Operations and Managing Director of Phillips and ConocoPhillips.
Scott Kerr	Chief Executive Officer	Over 30 years' experience in the oil industry. Previously Managing Director for BP Norway. Served as Manager for Russia and Kazakhstan for Arco, and president for CIS and North Africa regions. Holds a BSc in Petroleum Engineering from the University of Wyoming.
Jan Nagell	Chief Financial Officer	25 years' experience within the Norwegian and international offshore industry, working in exploration, construction and production. Holds an MSc in Business and Economics from the Norwegian School of Management (BI).
Rune Martinsen	Vice President, Strategy & Investor Relations	Over 20 years' experience with North Sea and Norwegian Sea E&P activities. Held various technical and business leadership positions in BP and Amoco. Holds an MSc in Petroleum Engineering.
Einar Gjelsvik	Chief Operating Officer	More than 10 years' experience in oil and gas industry. Held various positions in BP, including Business Development Analyst. Holds an MSc in Business Administration and Strategic Management and MSc in Chemical Engineering.

Source: Company data.

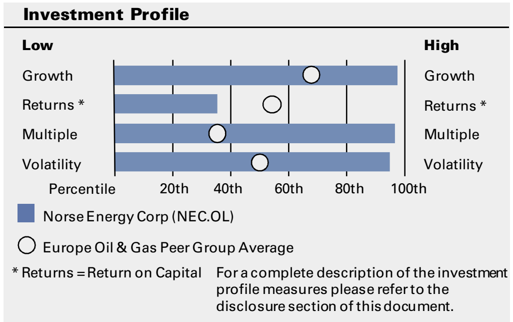
Exhibit 371: Catalyst timeline

1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

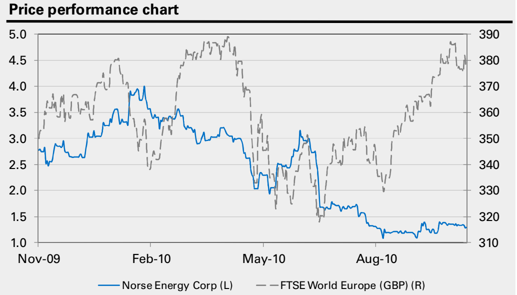
Norse Energy (NEC.OL): Political issues dampening potential value in New York; Neutral



Key data	Current
Price (Nkr)	1.29
12 month price target (Nkr)	1.88
Upside/(downside) (%)	46
Market cap (Nkr mn)	687.8
Enterprise value ($ mn)	197.8

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	2.4	(2.1)	5.1	13.4
EPS ($)	0.00	0.00	0.01	0.03
P/E (X)	NM	NM	21.1	8.3
EV/DACF (X)	32.6	37.2	12.9	7.3
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(4.6)	(7.1)	(6.2)	(1.5)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(14.0)	(46.1)	(53.5)
Rel. to FTSE World Europe (GBP)	(19.6)	(47.5)	(57.8)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Investment view

We initiate coverage of Norse Energy with a Neutral rating and a 12-month price target of Nkr1.9. The company has substantial acreage containing Marcellus and Utica shale in the US but is currently unable to monetize this as a result of the ban on hydraulic fracturing in New York state. However, it has more conventional assets which can be monetized through more standard drilling, and a gathering and transmission business which give the share price some support outside the shale plays. We are cautious on the prospects of allowing hydraulic fracturing in the short term and therefore apply a 50% discount to the company's shale assets as a result of the ban on fracturing on top of development risk and assume a date for sanctioning of 2013. We note, however, that while health and safety concerns are a headwind to allowing fracturing in New York state, budgetary pressures could potentially provide a counterweight to this. In the event that drilling is allowed, we believe that the stock would benefit on two fronts – first the de-risking of assets, and also raising the company's profile as an acquisition candidate given the large resources that it owns. De-risking the political situation would increase our valuation by over 70% and combining this with our M&A scenario would increase our valuation by c. 250%. We note that exploration of the Utica shale is still in its infancy and, as a result, apply a 40% development risk to the valuation of this play to account for development/commercialisation risk. While the potential upside is high in the event of fracturing being allowed in New York state, if the company's shale plays cannot be monetised, we estimate downside from the current price and see better risk/reward elsewhere – resulting in our Neutral rating. As a result of the significant impact that New York state legislation will likely have on the stock, we include it in our High Risk Binary screen.

Core drivers of growth

The major catalyst for the stock will be a lifting of restrictions on hydraulic fracturing in New York state. Execution and continued development of the company's Herkimer assets will also be a catalyst.

Risks to the investment case

An extension of the moratorium on hydraulic fracturing in New York state will likely be a negative. We also note that a potential full-scale development of Herkimer could require additional funding. The main upside risk is that hydraulic fracturing is allowed in New York state, thereby allowing development of the company's shale plays.

Valuation

Our 12 month SOTP-based price target is based on a risked NAV with value being given for 2P and contingent resources. Some 20% of our valuation is based on the assumption of M&A in which we model a faster ramp-up for the company's shale assets.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 372: Company metrics vs. sector average

	Norse Energy	Average	% difference to average
Potential upside from short term exploration	0%	133%	-133%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	174%	103%	71%
Oil price leverage	-19%	13%	-32%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.75	0.27	48%
Political risk	0.32	0.54	-22%
% value in pre-sanction non-operated fields	0%	23%	-23%

Exhibit 373: Value breakdown

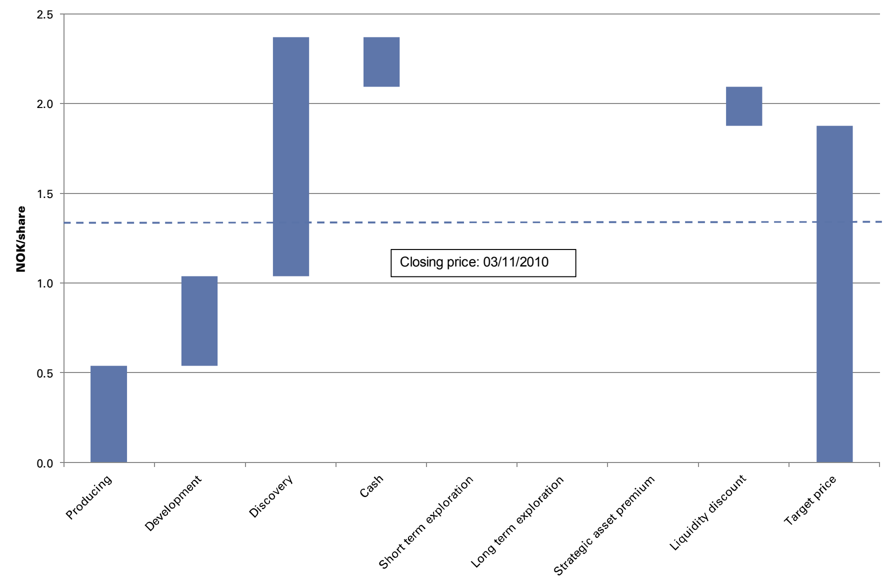


Exhibit 374: Top five shareholders

Holder	% held
Goldman Sachs International	17.74
UBS	4.15
Morgan Stanley	2.89
Nordea Investment Management, Norge	2.06
Nordnet	1.71
Other	71.45

Exhibit 375: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 376: Asset summary

Norse Energy									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**NOK/share**
USA	gas		Producing	6.7	100%	6.7	3.6	24	0
USA	gas	Marketing / G&T	Producing	0.0	100%	0.0	0.0	33	0
USA	gas		Development	23.7	70%	16.6	3.0	50	0
USA	gas	shale	Development	7.5	72%	5.4	0.8	4	0
USA	gas	shale	Discovery	622.0	26%	161.1	0.5	82	1
USA	gas	shale M&A	Discovery	622.0	6%	40.3	1.5	61	1
Cash (net of assumed exploration drilling costs and transactions) and other assets								-49.7	0
Cash from options / warrants / assumed equity raises								20.0	0
Sub-total								224.1	2.1
Strategic asset premium								0.0	0
Liquidity discount								-23.3	0
TOTAL								**201**	**1.88**
# shares (current)	**533.155**		# shares (inc. assumed equity issuances, options and warrants)			**624.294**			

"Shale M&A" represents a different valuation of part of the "Shale" resource - unrisked resource numbers are not additive

Source: Company data, Goldman Sachs Research estimates.

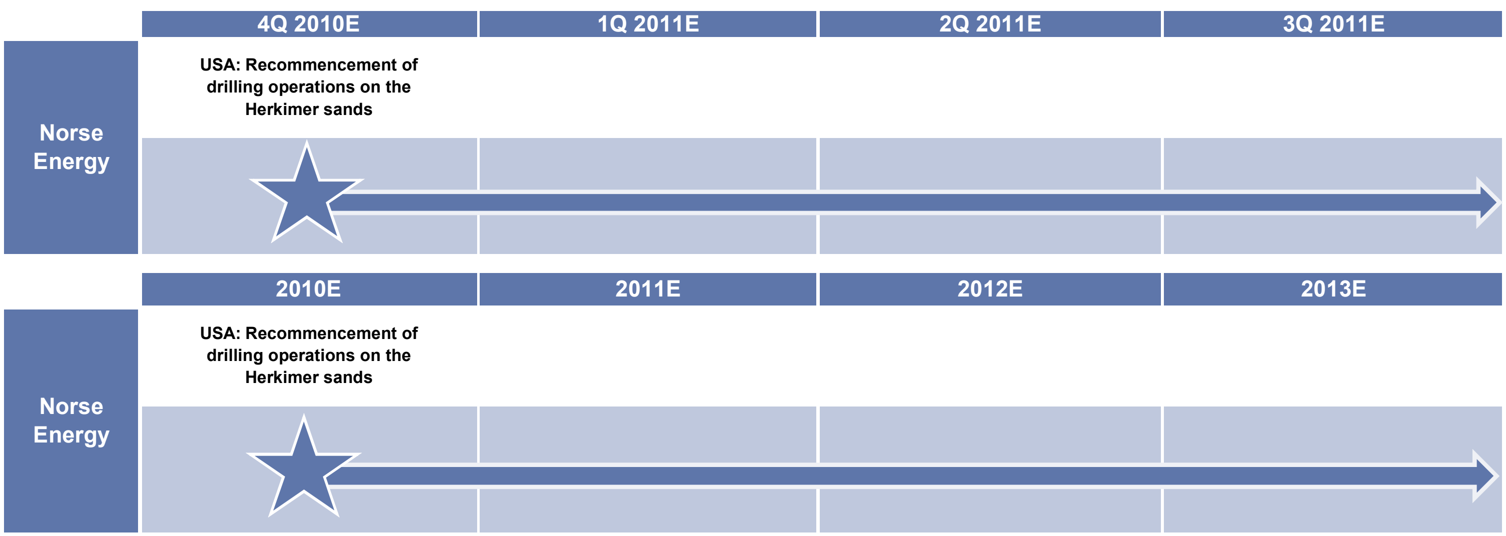
Exhibit 377: Management biographies

Name	Position	Background
Dag Erik Rasmussen	Chairman	Partner with Advokatfirmaet Selmer DA since 2000. Previously Secretary of the Board and Head of Legal Department at the Oslo Stock Exchange and Legal Counsel at the Oslo Stock Exchange. Also worked for Wiersholm, Mellbye & Bech; the Lillehammer Olympic Organisation Committee; and Hauge & Stange Lund, among others.
Mark Dice	Chief Executive Officer of the Norse Group	Over 28 years' experience in the oil and gas industry, with positions in BP and Amoco including Exploration Manager, Commercial Manager, and others. Holds an MBA from Northwestern University, an MS in Geology from Kent State University and a BS in Geology from Muskingum College.
Richard Boughrum	Chief Financial Officer of Norse Energy Corp.	More than 20 years' investment banking experience, primarily in the energy sector with Goldman Sachs in New York. Chief Financial Officer of a public energy marketing company and private multi-national telecom marketing company.
John Childers	Executive Vice President of Exploration and Production	Previously Vice President, Land with Norse. Held positions with private oil and gas exploration and production companies and an uranium mining company.

Source: Company data.

Exhibit 378: Catalyst timeline

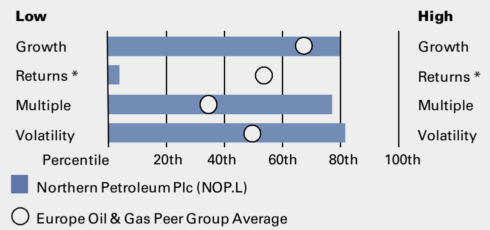
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Northern Petroleum (NOP.L): Netherlands value with an Italian option; Buy

Investment Profile

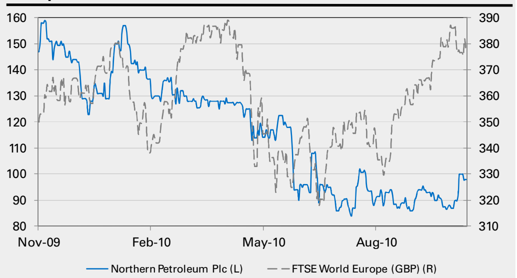


* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	98
12 month price target (p)	189
Upside/(downside) (%)	93
Market cap (£ mn)	90.1
Enterprise value (€ mn)	84.3

	12/09	12/10E	12/11E	12/12E
EBIT (€ mn)	(3.0)	5.9	18.4	22.3
EPS (€)	(0.02)	(0.01)	0.03	0.04
P/E (X)	NM	NM	40.0	27.7
EV/DACF (X)	NM	17.4	8.4	7.5
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(19.2)	(7.5)	(7.9)	1.6
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(0.5)	(17.3)	(33.3)
Rel. to FTSE World Europe (GBP)	(7.0)	(19.6)	(39.4)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Source of opportunity

Northern Petroleum offers, in our view, an attractive combination of strong core value in the Netherlands, and the possibility for high-impact exploration in the longer term. We believe that the company's producing and discovered gas assets in the Netherlands and other core value gives 93% upside to the current share price, before accounting for liquidity adjustments, and that the stock is therefore inexpensive. There are exploration catalysts in the Netherlands too, which we believe could add 10% to our valuation over the next 2-3 years. The real potential in our view, however, lies in the company's assets in Italy where it holds a number of offshore exploration licences with substantial potential. West of Sicily, the company has brought in Shell as a partner which gives a degree of credibility to the play, while in the South Adriatic Sea the company currently is 100% owner. We are cautious on the ability to monetize oil resources in Italy, noting the difficulties that companies have had in sanctioning assets such as Tempa Rossa and give the company's Italian oil assets a 75% political risking on top of the required geological risking. (We note that the company is confident the recent ban on drilling in Italian waters within five nautical miles of the coast should have "limited or no effect" on its prospects as they are further offshore than the areas the ban impacts.) In the event that exploration is successful, and the resource can be monetized, the potential is vast: success for one of the company's assets in the West of Sicily would add almost 500% to our valuation. The company's 1.25% stake in Tullow's exploration block in Guyana is also of potential interest, despite the stake being small, as it offers large volumes and the potential for follow-on drilling in the event of success. We initiate coverage of the company with a Buy rating and a price target of 189p.

Catalyst

Continued growth from the company's assets in the Netherlands is a relatively low risk catalyst. We expect the prospect in Guyana to be drilled in the coming months. We do not expect significant activity in Italy in the near term, but the approach of drilling in the country should also help share price performance.

Valuation

Our 12-month SOTP price target is calculated using a US$85/bl assumed oil price. We include risked value for two prospects in the West of Sicily licence in Italy but apply a 75% political risking on top of geological risk, and also apply a 50% discount to these catalysts as we expect them to be drilled later than 12 months from now.

Key risks

Key downside risks to our view and target price are a weakening of the European gas price, cost overruns and delays in the development of the company's assets in the Netherlands or delays in exploration and sanctioning activities in Europe.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 379: Company metrics vs. sector average

	Northern Petroleum	Average	% difference to average
Potential upside from short term exploration	24%	133%	-109%
Potential upside from medium term exploration	1076%	304%	772%
% value supported by core value	193%	103%	90%
Oil price leverage	17%	13%	5%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.05	0.27	-22%
Political risk	0.24	0.54	-31%
% value in pre-sanction non-operated fields	33%	23%	10%

Exhibit 380: Value breakdown

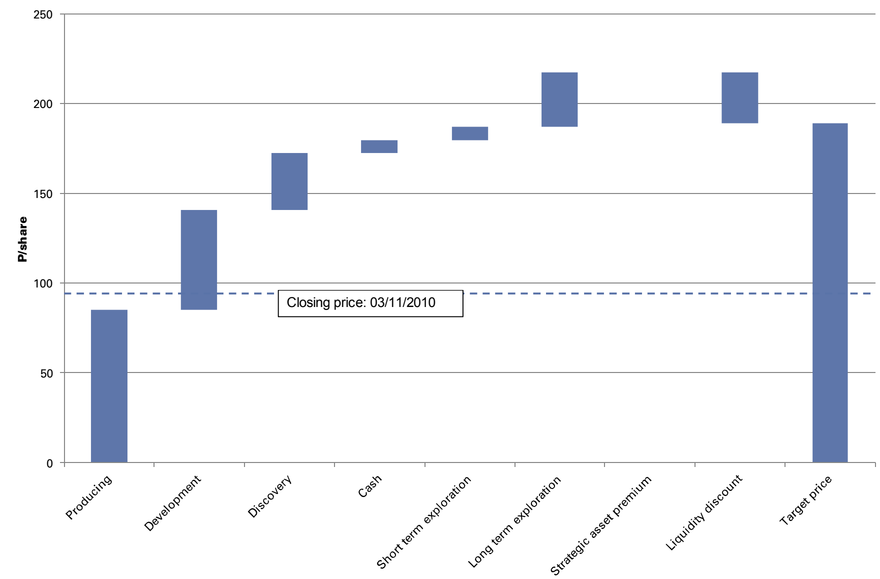


Exhibit 381: Top five shareholders

Holder	% held
Barry Lonsdale	6.56
Royal Bank of Scotland	5.77
ABN Amro Bank	5.77
JPMorgan Asset Management	4.48
Majedie Asset Management	4.02
Other	73.4

Exhibit 382: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 383: Asset summary

Northern Petroleum									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Netherlands	oil		Development	9.8	85%	8.3	8.4	70	43
Netherlands	gas		Producing	26.2	100%	26.2	5.1	135	83
Netherlands	gas		Development	5.1	87%	4.4	4.4	19	12
Netherlands	gas		Discovery	9.9	34%	3.4	3.3	11	7
Netherlands	gas		exploration - medium term	9.0	20%	1.8	1.6	3	2
Italy	oil	offshore	exploration - medium term	525.0	3%	13.1	3.5	46	29
Italy	oil	offshore	Discovery	53.2	7%	3.7	5.3	20	12
Italy	gas		exploration - short term	7.3	20%	1.5	4.9	7	4
UK	oil		Producing	0.2	100%	0.2	16.4	3	2
UK	oil		Discovery	6.6	40%	2.6	7.7	20	13
UK	oil		exploration - short term	0.8	20%	0.2	7.0	1	1
Guyana	oil		exploration - short term	8.8	8%	0.7	5.8	4	2
Cash (net of assumed exploration drilling costs and transactions) and other assets								1.6	1
Cash from options / warrants / assumed equity raises								9.6	6
Sub-total								350.9	217.4
Strategic asset premium								0.0	0
Liquidity discount								-45.8	-28
TOTAL								**305**	**189.06**
# shares (current)	**91.987**		# shares (inc. assumed equity issuances, options and warrants)			**100.263**			

Source: Company data, Goldman Sachs Research estimates.

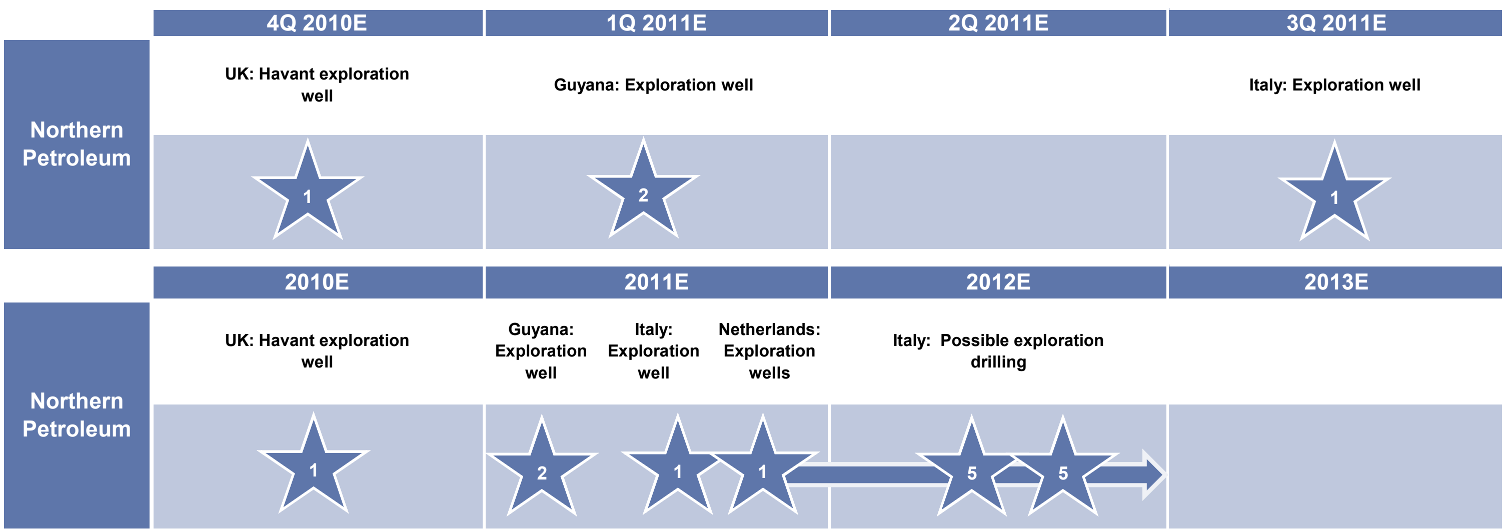
Exhibit 384: Management biographies

Name	Position	Background
Richard Latham	Chairman	Non-Executive Chairman of Strategic Natural Resources and Ascension Holdings. Former Deputy Chairman of Aberdeen Petroleum and Chairman and Managing Director of Claremount Oil and Gas Limited. Over 26 years' experience with companies in the upstream oil and gas industry.
Derek Musgrove	Managing Director	Previously held senior managerial or board positions with RTZ Oil & Gas Limited, Candecca Resources plc, Plascom plc, Anglo Scandinavian Petroleum and Bass Resources.
Chris Foss	Finance Director	Former Finance Director of PLUS quoted ATI Oil Plc until its acquisition by Northern in 2004. Held various finance positions with and acted as consultant to energy-related subsidiaries of GE Capital Corporation, Bechtel Group, United Technologies Corporation and Centrica Pl.
Graham Heard	Exploration and Technical Director	Former Chairman of the Petroleum Exploration Society of Great Britain. Over 35 years' experience as a petroleum geologist, including positions with Arco and Sibens Oil and Quintana Petroleum. Also held executive positions with Sovereign Oil & Gas plc, Neste Production Ltd and Sands Oil & Gas plc.

Source: Company data.

Exhibit 385: Catalyst timeline

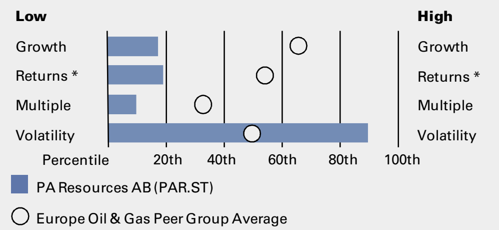
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

PA Resources (PAR.ST): A balanced portfolio with Greenland to come; initiate as Buy

Investment Profile

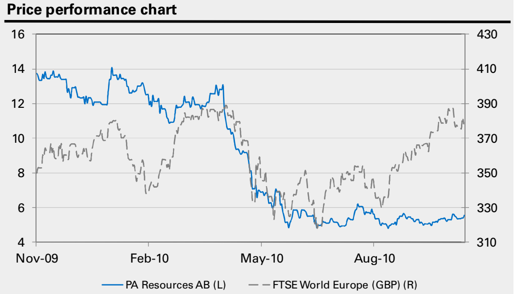


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Skr)	5.55
12 month price target (Skr)	8.36
Upside/(downside) (%)	51
Market cap (Skr mn)	3,537.9
Enterprise value (Skr mn)	6,201.1

	12/09	12/10E	12/11E	12/12E
EBIT (Skr mn)	570.2	477.4	1,663.4	1,220.6
EPS (Skr)	0.99	(0.13)	0.79	0.76
P/E (X)	11.5	NM	7.0	7.3
EV/DACF (X)	3.1	8.6	3.6	3.7
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(62.8)	(22.5)	2.9	(15.6)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(5.9)	(35.4)	(59.6)
Rel. to FTSE World Europe (GBP)	(12.1)	(37.1)	(63.3)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Source of opportunity

PA Resources focuses on North Africa, West Africa and the North Sea, with acreage in Greenland offering the potential for an interesting medium-term exploration story. The portfolio is balanced in our view with a reasonable level of the company's value sitting in production, development and discoveries, and offers an attractive combination of core support to the share price (core value vs. price of c.100% on our estimates) with short-term exploration which has uplift potential of c.40% in the event of 100% de-risking; with exploration/appraisal around the Azurite discovery in Congo and drilling in Denmark providing the most material catalysts. We believe that Greenland is likely to be drilled in the middle of 2012 and include risked value (at 5% likelihood of success) for two assumed prospects in our numbers, with a 50% discount attached – in line with our methodology for medium term exploration. We believe that the approach of drilling could be a positive catalyst for the stock once it falls into a more investible time horizon, and that any material exploration success in Greenland for Cairn Energy in the next 12 months would focus market attention on the area. We see the combination of risk and reward in the near-term portfolio as attractive relative to the rest of our universe and with the added advantage of a potentially material catalyst moving into an investible time horizon, we initiate coverage of the stock with a Buy rating and a 12 month price target of Skr8.4.

Catalyst

Exploration success at the company's near-term prospects could add value to the stock. News flow around the company's assets in Greenland could also be a significant positive catalyst, with seismic already having been shot and evaluation in progress.

Valuation

Our 12 month SOTP-based price target is calculated using a long run oil price of US$85/bl. We include value for two prospects in Greenland (assumed to be 1,000 mnbls each at a 5% likelihood of success) but apply a 50% discount to these catalysts as they take place later than 12 months from now.

Key risks

The downside risks to our view and price target are delays and cost overruns in the company's development programme, disappointing production levels, worse than expected exploration success or underperformance of assets currently in production.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 386: Company metrics vs. sector average

	PA Resources	Average	% difference to average
Potential upside from short term exploration	41%	133%	-92%
Potential upside from medium term exploration	1019%	304%	715%
% value supported by core value	101%	103%	-2%
Oil price leverage	14%	13%	2%
% value in water depths over 1000m	32%	13%	19%
Average WACC	12%	12%	0%
Technical risk	0.35	0.27	8%
Political risk	0.53	0.54	-1%
% value in pre-sanction non-operated fields	41%	23%	18%

Exhibit 387: Value breakdown

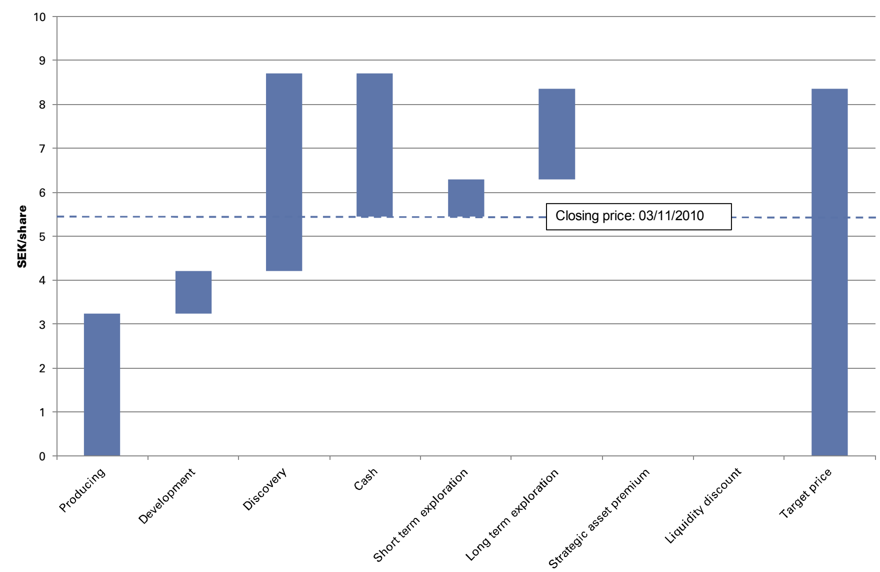


Exhibit 388: Top five shareholders

Holder	% held
Handelsbanken Asset Management	1.86
Ulrik Jansson	1.34
Bertil Lindqvist	1.32
Hunter Hall Investment Management	0.97
Avanza Pension	0.90
Other	93.61

Exhibit 389: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 390: Asset summary

PA Resources

Country	Hydrocarbon	Type	Development status	Reserves	Chance of success	Risked reserves	US/bl	Value (USDm)	SEK/share
Tunisia	oil		Producing	5.1	100%	5.1	11.9	61	0.6
Tunisia	oil		Development	0.0	0%	0.0	0.0	0	0.0
Tunisia	oil		Discovery	54.8	64%	35.2	5.3	188	1.8
Tunisia	gas		Discovery	22.9	10%	2.3	0.6	1	0.0
Tunisia	gas		Exploration - short term	19.2	20%	3.8	1.2	4	0.0
Congo	oil	deepwater	Producing	25.2	100%	25.2	11.1	281	2.7
Congo	oil	deepwater	Discovery	22.8	65%	14.8	4.5	67	0.6
Congo	oil	deepwater	Exploration - short term	17.5	25%	4.4	4.5	20	0.2
Congo	oil		Discovery	7.0	35%	2.5	5.1	13	0.1
Congo	oil		Exploration - short term	17.5	20%	3.5	5.8	20	0.2
Equatorial Guinea	oil		Development	11.6	80%	9.3	10.9	101	1.0
Equatorial Guinea	oil		Discovery	3.0	65%	2.0	7.4	14	0.1
Equatorial Guinea	gas		Discovery	18.0	65%	11.7	0.9	10	0.1
Denmark	gas		Discovery	64.3	50%	32.2	5.6	182	1.7
Denmark	gas		Exploration - short term	21.3	20%	4.3	5.1	22	0.2
Denmark	oil		Exploration - short term	12.8	20%	2.6	9.4	24	0.2
Greenland	oil		Exploration - medium term	1750.0	5%	87.5	2.5	217	2.1
Cash (net of assumed exploration drilling costs and transactions) and other assets								-393.9	-3.7
Cash from options / warrants / assumed equity raises								50.0	0.5
Sub-total								880.6	**8.4**
Strategic asset premium								0.0	0.0
Liquidity discount								0.0	0.0
TOTAL								**881**	**8.36**
# shares (current)	**637.465**		# shares (inc. assumed equity issuances, options and warrants)			**698.864**			

Source: Company data, Goldman Sachs Research estimates.

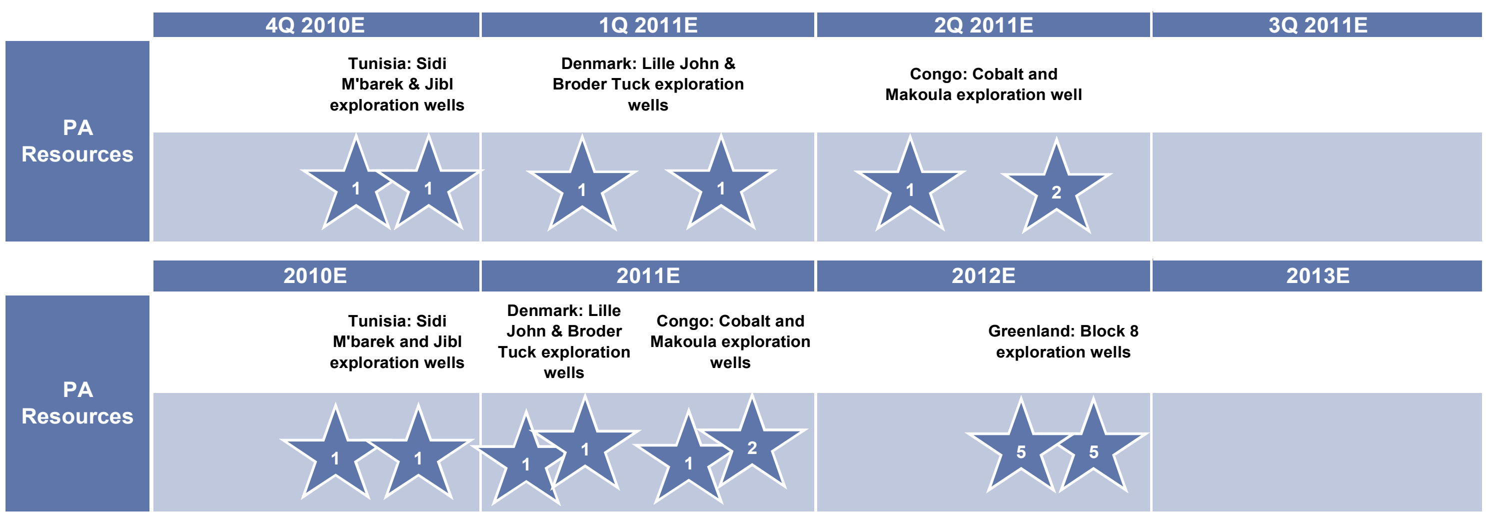
Exhibit 391: Management biographies

Name	Position	Background
Sven Rasmusson	Chairman	Lawyer and partner in the law firm Rasmusson & Partners Advokat AB. Previous experience as a lawyer and partner in Lindhs DLA Nordic. Also Chairman of the Board of Projektbyrån i Stockholm AB and Steelwrist AB, among others.
Bo Askvik	President & Chief Executive Officer	Previously Chief Financial Officer at Sanitec Corp, Intrum Justitia AB and SAPA. Also held positions with Borealis Coordination Centre, Neste Sverige AB, Östgöta Enskilda Bank and Nordstjernan AB.
Nicolas Adlercreutz	Chief Financial Officer	Previously Vice President, Group Control of Svenska Cellulosa Aktiebolaget SCA.
Mohamed Messaoudi	Managing Director, PA Resources Tunisia	Held international positions with Storm Ventures, Nexen, MBC Consulting, Shell, Petroleum Development of Oman and Elf.
Hans Ryckborst	Managing Director, PA Resources Congo	Previous experience with GGPC Limited Gabon, Bowleven (GGPC), Tullow Oil, ATP Oil & Gas and Vanco Energy.
Graham Goffey	Managing Director, PA Resources UK	Prior experience with Sterling Energy, Conoco, Lasmo and Paladin Resources.

Source: Company data.

Exhibit 392: Catalyst timeline

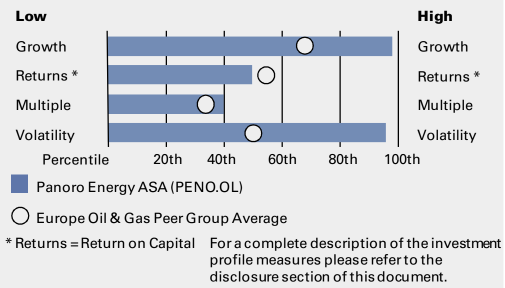
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Panoro Energy (PENO.L): Undervalued Brazilian production with Congo to come; CL Buy

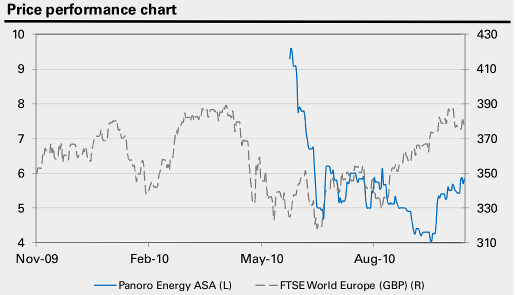
Investment Profile



Key data	Current
Price (Nkr)	5.84
12 month price target (Nkr)	11.30
Upside/(downside) (%)	93
Market cap (Nkr mn)	957.5
Enterprise value ($ mn)	306.1

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	0.0	26.0	53.3	78.0
EPS ($)	0.00	0.00	0.18	0.35
P/E (X)	NM	417.9	5.6	2.8
EV/DACF (X)	NM	15.0	6.7	3.9
Dividend yield (%)	NM	0.0	0.0	0.0
FCF yield (%)	NM	(13.1)	(16.6)	3.6
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(0.2)	--	--
Rel. to FTSE World Europe (GBP)	(6.7)	--	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Source of opportunity

We believe that Panoro's Brazilian production from the Manati field and risked value from the company's development in Congo alone give upside of c.30% to the current share price, even accounting for debt and liquidity adjustments. As a result, we believe the potential value from exploration in Gabon and from development in Brazil come for "free" – an attractive risk/reward balance in our view. We therefore initiate coverage of Panoro Energy with a 12-month price target of Nkr11.3 and a Buy recommendation and add the stock to our Conviction List. We believe that our assumptions for the Congolese development are conservative: we attribute it with a 40% likelihood of success given 1) the relative lack of experience of the operator, 2) the drill-intensive nature of the asset, and 3) the expectation that the current 2P reserve case will require a large numbers of injectors. We therefore assume risked net 2P reserves of only 26 mnbls for the asset – a number which we believe could increase if development drilling proves successful and increases the assumed oil in place number. We are also cautious in ascribing substantial value to the company's assets in the BS-3 block Santos basin as the operator, Petrobras, may currently be focused on the larger subsalt developments. We therefore push back our assumed sanction date for these assets to 2014 and assume a likelihood of success of 30%-40%. Despite our cautious assumptions, we see 93% upside to our 12-month target price. We believe Panoro represents a diversified story with good catalysts and an undemanding valuation given: 1) development in Congo offers the potential for production and reserve growth in the event of effective development, 2) assets in Gabon (Dussafu) and blocks in the Santos Basin in Brazil provide a potentially material exploration angle and 3) any move towards the sanctioning of the assets in the BS-3 block should also be a positive for the equity.

Catalyst

Pilot testing, appraisal drilling and development of the asset in Congo should give better visibility over potential reserves and increase operational reserves. Exploration at the Dussafu asset is also a potential catalyst. Any movement towards sanctioning assets in the Santos basin would also be a positive in our view.

Valuation

Our 12 month SOTP based price target is calculated using a long run oil price of US$85/bl. Exploration and discoveries are valued using a risked NPV/bl approach.

Key risks

Disappointing results in the pilot testing or appraisal drilling in Congo are possible downside risks. A disappointment at Dussafu would be a downside risk although we believe this exploration well comes for "free" in the share price while delays in sanctioning assets in the Santos basin are already factored into our assumptions.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 393: Company metrics vs. sector average

	Panoro	Average	% difference to average
Potential upside from short term exploration	48%	133%	-85%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	215%	103%	112%
Oil price leverage	9%	13%	-4%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	12%	12%	1%
Technical risk	0.13	0.27	-14%
Political risk	0.64	0.54	10%
% value in pre-sanction non-operated fields	56%	23%	33%

Exhibit 394: Value breakdown

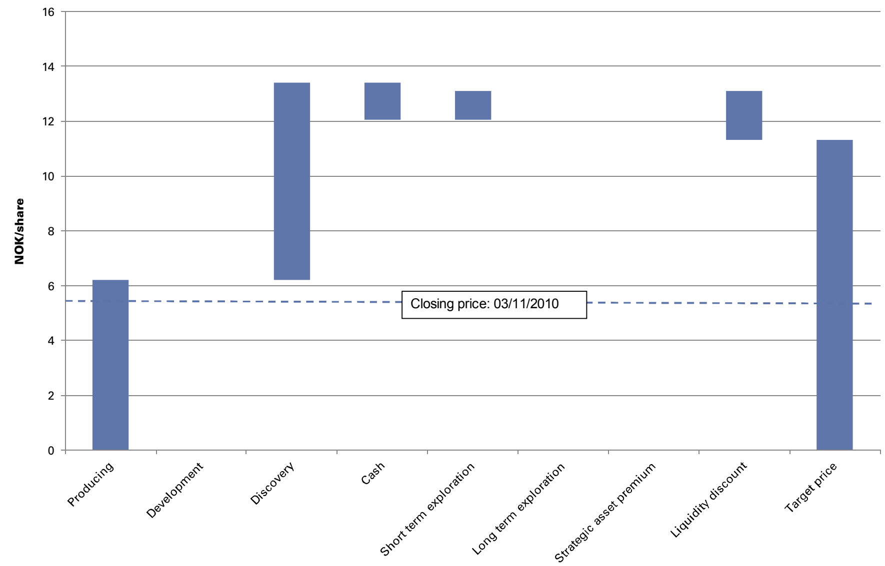


Exhibit 395: Top five shareholders

Holder	% held
Goldman Sachs International	31.34
UBS	29.29
Norse Energy Corp	5.67
BNY Mellon International Bank	4.84
Morgan Stanley & Co	0.97
Other	27.89

Exhibit 396: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 397: Asset summary

Panoro									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**NOK/share**
Brazil	gas	Camamu	Producing	15.8	100%	15.8	11.5	181	6
Brazil	gas	Camamu	Discovery	0.8	80%	0.6	2.4	2	0
Brazil	oil		Discovery	47.2	34%	16.1	4.2	68	2
Brazil	gas		Discovery	11.8	34%	4.0	1.8	7	0
Congo	oil		Discovery	64.8	40%	25.9	4.3	112	4
Nigeria	oil		Discovery	12.2	50%	6.1	3.4	21	1
Nigeria	gas		Discovery	12.2	50%	6.1	0.3	2	0
Gabon	oil		Exploration	30.0	15%	4.5	7.0	32	1
Cash (net of assumed exploration drilling costs and transactions) and other assets								-47.9	-2
Cash from options / warrants / assumed equity raises								7.8	0
Sub-total								384.4	13.1
Strategic asset premium								0.0	0
Liquidity discount								-52.4	-2
TOTAL								**332**	**11.33**
# shares (current)	**163.900**		# shares (inc. assumed equity issuances, options and warrants)			**170.900**			

Source: Company data, Goldman Sachs Research estimates.

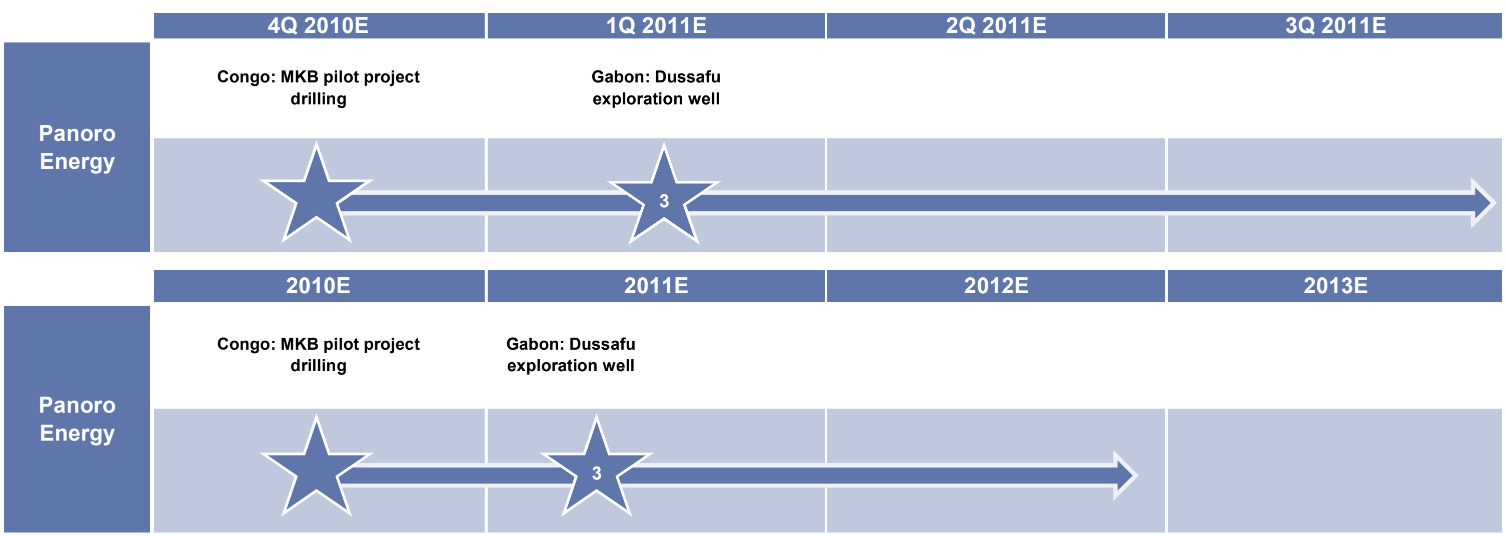
Exhibit 398: Management biographies

Name	Position	Background
Phil Vingoe	Chairman	Over 35 years of oil and gas experience across the globe. Spent 18 years with BP in positions ranging from interpreting geophysicist through General Management of multi-disciplinary teams to Technology Director. Co-led the IPO of Australian independent Novus Petroleum. Worked with Energy Equity Resources, which he left in 2007 to lead the creation of Pan-Petroleum. Played a significant role in the merger and creation of Panoro Energy.
Kjetil Solbrække	Chief Executive Officer	Chief Executive Officer of Norse Energy do Brasil SA prior to the demerger with Norse. Previously Senior Vice President for the South Atlantic Region for StatoilHydro, having first worked with Hydro, where he held various senior positions including Chief Financial Officer and Senior Vice President of International Business Development.
Anders Kapstad	Chief Financial Officer	Chief Financial Officer of Norse Energy Corp. until the demerger with Norse. 15 years' experience in investment banking, including positions in equity sales, portfolio management, private banking and corporate finance.
Nishant Dighe	Chief Operating Officer	Former Vice President of Energy Equity Resources and co-founder of Pan-Petroleum. Also worked for the strategy consultancy Marakon Associates, Sasol Petroleum International, and Mobil and ExxonMobil.

Source: Company data.

Exhibit 399: Catalyst timeline

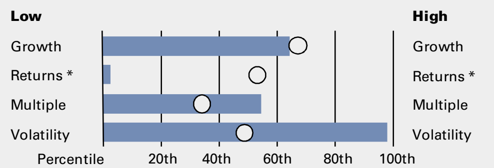
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Regal Petroleum (RPT.L): High leverage to operational success in Ukraine; Neutral

Investment Profile



Regal Petroleum (RPT.L)

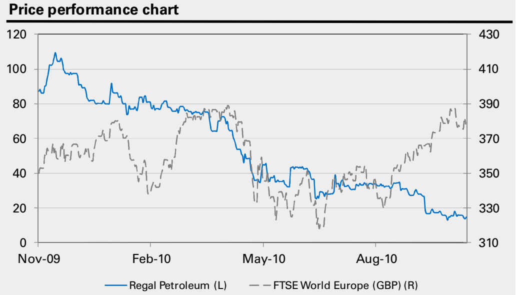
Europe Oil & Gas Peer Group Average

* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	14.75
12 month price target (p)	18.7
Upside/(downside) (%)	27
Market cap (£ mn)	47.0
Enterprise value ($ mn)	(2.9)

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(9.1)	10.1	13.5	16.4
EPS ($)	(0.04)	0.04	0.02	0.03
P/E (X)	NM	6.2	9.7	7.7
EV/DACF (X)	270.9	NM	16.9	10.4
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(21.1)	(78.8)	(24.0)	(22.7)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(55.0)	(64.9)	(83.1)
Rel. to FTSE World Europe (GBP)	(57.9)	(65.8)	(84.6)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Investment view

We initiate coverage of Regal Petroleum with a Neutral rating and a price target of 18.7p. The company's main assets are the MEX-GOL and SV gas-condensate fields in Ukraine. We believe the potential of these fields is high, with Ryder Scott audited reserves of 151.3 mnboe in a single horizon (the B-Sands) and additional potential in deeper horizons. However, the Ukrainian assets carry a high level of risk in our view. Recent drilling in the B-sands has been disappointing, with flow rates typically below the 400-450 boe/d that we believe is required to be commercial at current well costs and our assumed costs of capital. We believe many of the issues that have been seen in drilling are operational rather than geological but such issues are usually resolved through continued drilling and we are not convinced that Regal has sufficient resources to pursue this kind of programme at present. In addition, the company has received an order from the former Minister of Environmental Protection to stop operations and although an injunction suspending this order has been obtained, operations continue and the company remains confident that the situation will be resolved, this serves to increase the risk profile of the company in our view. The profile of these risks is too high for us to recommend the stock as a Buy, but we believe that the size of the asset is such that it could attract a bid from a larger company with sufficient capital to unlock the potential. Sensitivity to the assumed flow rates is high with a move from 500 boe/d per well to 600 boe/d increasing our valuation of the stock by 75%. Overall we see the risk/reward as finely balanced and initiate coverage of the stock with a Neutral rating and a 12 month price target of 18.7p.

Core drivers of growth

Aside from progress in understanding the reasons for the disappointing results from recent drilling in the B-Sands, a bid for the company or its assets is the most obvious material driver for the stock in our view. A resolution of the situation in relation to the Ministry of Environmental Protection in Ukraine would also serve to de-risk the story.

Risks to the investment case

The downside risks to our view and price target are that no bid is forthcoming for the company and that further drilling in the B-sands is unsuccessful.

Valuation

Our 12 month SOTP-based price target is calculated using a long run oil price of US$85/bl. Discoveries and exploration assets are valued using a risked NPV/bl approach.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 400: Company metrics vs. sector average

	Regal	Average	% difference to average
Potential upside from short term exploration	76%	133%	-57%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	99%	103%	-4%
Oil price leverage	42%	13%	29%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	14%	12%	2%
Technical risk	0.48	0.27	21%
Political risk	0.61	0.54	7%
% value in pre-sanction non-operated fields	3%	23%	-20%

Exhibit 401: Value breakdown

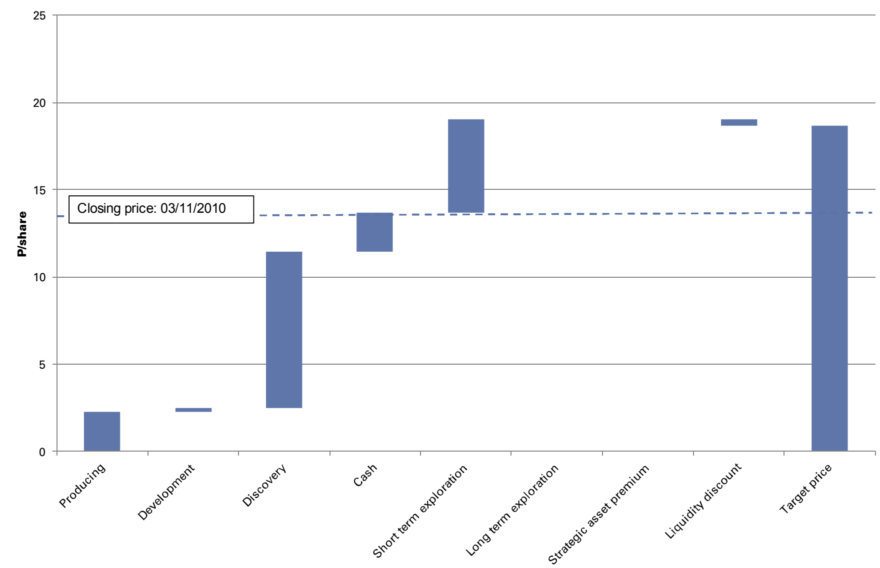


Exhibit 402: Top five shareholders

Holder	% held
Capital Research Global	6.81
Pope Asset Management	6.72
C.A. Fiduciary Service	6.34
BlackRock Investment Management	4.92
Skandinaviska Enskil	4.78
Other	70.43

Exhibit 403: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 404: Asset summary

Regal									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Ukraine	gas		Producing	1.1	85%	0.9	7.1	7	1
Ukraine	gas		Discovery	132.4	34%	45.0	0.4	19	4
Ukraine	gas		Exploration - short term	240.5	22%	52.3	0.3	16	3
Ukraine	oil		Producing	0.4	85%	0.3	14.8	5	1
Ukraine	oil		Discovery	17.4	34%	5.9	4.0	24	5
Ukraine	oil		Exploration - short term	17.3	26%	4.4	2.7	12	2
Egypt	oil		Discovery	1.3	70%	0.9	3.6	3	1
Romania	gas		Development	0.2	80%	0.1	6.9	1	0
Cash (net of assumed exploration drilling costs and transactions) and other assets								11.4	2
Cash from options / warrants / assumed equity raises								0.0	0
Sub-total								97.7	19.1
Strategic asset premium								0.0	0
Liquidity discount								-1.9	0
TOTAL								**96**	**18.68**
# shares (current)	**318.367**		# shares (inc. assumed equity issuances, options and warrants)			**318.367**			

Source: Company data, Goldman Sachs Research estimates.

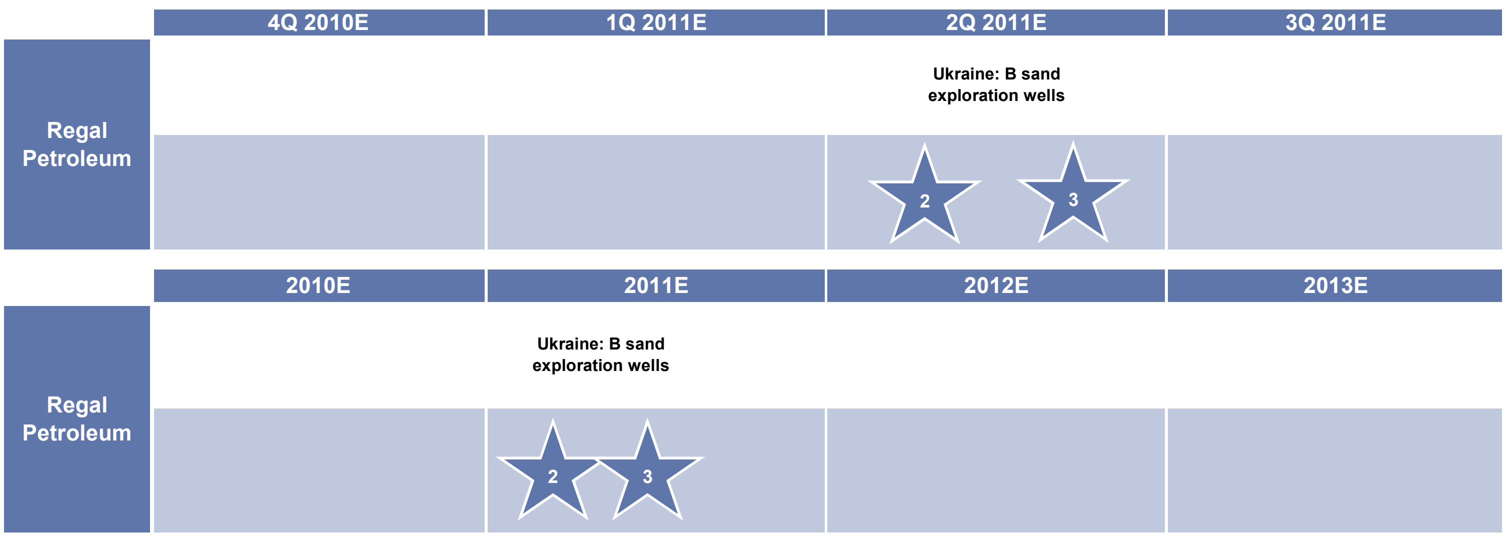
Exhibit 405: Management biographies

Name	Position	Background
Keith Henry	Non-Executive Chairman	Over 35 years' experience in the oil and gas industry. Former Chief Executive of National Power plc, Kvaerner Engineering and Construction Ltd. and Brown & Root Ltd. Currently Chairman of Helius Energy, the senior independent director of Emerald Energy plc and non-executive director of four privately owned companies.
Robert Wilde	Finance Director	Over 21 years' experience in the energy industry. Previously worked with Phillips Petroleum and Ranger Oil in upstream oil and gas and in the downstream power generation sector with Powergen and RWE. Most recently, Finance Director of Baltic Oil Terminals.
Hendrikus Verkuil	Chief Operating Officer	Worked for Shell International Exploration and Production for 25 years in a wide variety of well engineering, operational and management roles in the Netherlands, Brunei, United Kingdom, Pakistan, India and Saudi Arabia.
Adrian Coates	Non-Executive Director	Recently resigned from HSBC Bank after 10 years, where he held positions such as Global Sector Head, Resources and Energy Group, Global Banking and Markets Division. Also held senior positions with UBS, Warrior International and Credit Suisse First Boston.

Source: Company data.

Exhibit 406: Catalyst timeline

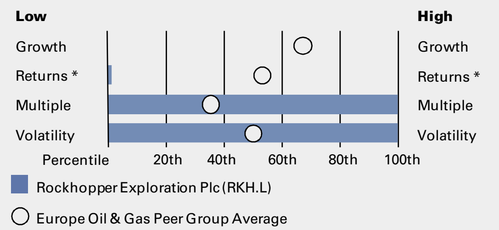
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Rockhopper (RKH.L): De-risked acreage to drive share price; Conviction Buy

Investment Profile

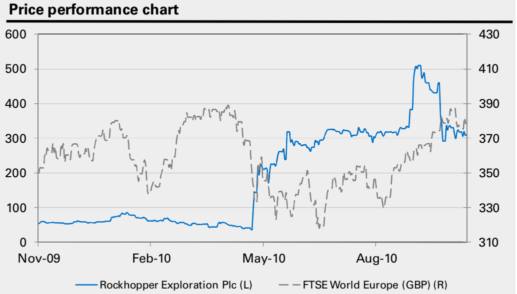


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	310
12 month price target (p)	640
Upside/(downside) (%)	106
Market cap (£ mn)	798.4
Enterprise value ($ mn)	976.4

	3/10	3/11E	3/12E	3/13E
EBIT ($ mn)	(4.3)	(33.7)	(3.7)	(3.7)
EPS ($)	(0.04)	(0.12)	0.00	(0.01)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(37.6)	(7.2)	(9.2)	(11.7)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(6.4)	705.2	463.6
Rel. to FTSE World Europe (GBP)	(12.5)	683.0	412.4

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Source of opportunity

We initiate coverage of Rockhopper with a Buy recommendation and add the stock to our Conviction List. We believe that the Sea Lion discovery fully supports the current share price, despite applying only a 2/3 likelihood of success to the asset to account for development/commercialisation risk. We believe that the Sea Lion discovery has also partially de-risked the company's substantial acreage surrounding it in the North Falkland basin and, in view of this, regard our assumed likelihood of success of c.20% for prospects in this acreage as conservative. In our view the extent of this acreage (greater than 1,500 sq km in Rockhopper's PL032 and PL033 blocks in the north of the basin alone) is a significant advantage, giving the company the opportunity to drill a potentially significant number of material, partially de-risked, exploration prospects over the next few years. The potential offered by this opportunity is significant in our view: in the event of 100% success over the next three years we calculate uplift of c.165% to our valuation. We believe that appraisal drilling could also result in reserve upgrades to the Sea Lion discovery, which would add further potential upside. We give no value to the company's southern blocks where the Ernest well was plugged and abandoned earlier in 2010 but note that this offers further optionality in the investment case. The company also has a 7.5% stake in a number of Desire's blocks in the basin. In light of the core value contributed by Sea Lion, we regard the exploration option on a partially de-risked basin as especially inexpensive and attractive relative to peers.

Catalyst

We expect the key catalyst to share price performance to be exploration and appraisal drilling in the company's PL032 and PL033 blocks in the north of the basin. We believe that Sea Lion has partially de-risked the basin, meaning that Rockhopper has high visibility on a potentially transformational pipeline of lower risk drilling catalysts. We believe that further appraisal drilling on Sea Lion could help to reduce the commercial risk on the asset and potentially increase the estimated volume of reserves.

Valuation

Our 12 month SOTP-based price target is calculated using a US$85/bl oil price. We include value for Rockhopper's exploration programme with a three-year time horizon, with catalysts falling after 12 months being given a 50% discount. We assume a 12% discount rate – higher than the normal 10% we use for OECD countries – to reflect the higher political risk that we assume in the Falklands.

Key risks

Risks to our view and price target include a downgrade of reserves at Sea Lion, technical difficulties that hamper monetization of the asset, worse than expected drilling success in the company's acreage, a deterioration in political relations between the UK/Falklands and Argentina that impacts exploration activities, or the waxiness of the oil increasing costs to a higher level than we expect.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 407: Company metrics vs. sector average

	Rockhopper	Average	% difference to average
Potential upside from short term exploration	214%	133%	81%
Potential upside from medium term exploration	64%	304%	-239%
% value supported by core value	102%	103%	-1%
Oil price leverage (US$85/bl - US$95/bl)	14%	13%	2%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	12%	12%	0%
Technical risk	0.48	0.27	21%
Political risk	0.59	0.54	5%
% value in pre-sanction non-operated fields	2%	23%	-21%

Exhibit 408: Value breakdown

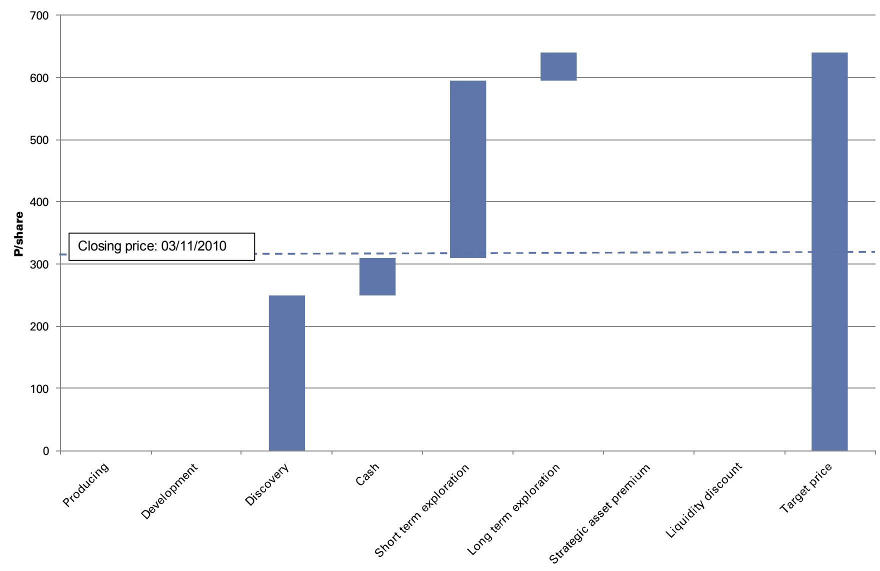


Exhibit 409: Top five shareholders

Holder	% held
Halifax Share Dealing	7.34
Richard Visick	5.85
Barclays Personal Investment	4.97
Royal London Asset Management	4.95
Capital World Investors	4.50
Other	72.39

Exhibit 410: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 411: Asset summary

Rockhopper									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Falklands	oil	north	Discovery	205.0	67%	136.5	7.8	1072	250
Falklands	oil	north	Exploration - short term	964.7	17%	167.9	7.3	1219	285
Falklands	oil	north	Exploration - medium term	325.3	20%	65.1	3.0	195	46
Cash (net of assumed exploration drilling costs and transactions) and other assets								243.8	57
Cash from options / warrants / assumed equity raises								9.7	2
Sub-total								2739.3	640.2
Strategic asset premium								0.0	0
Liquidity discount								0.0	0
TOTAL								**2739**	**640.20**
# shares (current)	**257.540**		# shares (inc. assumed equity issuances, options and warrants)			**265.814**			

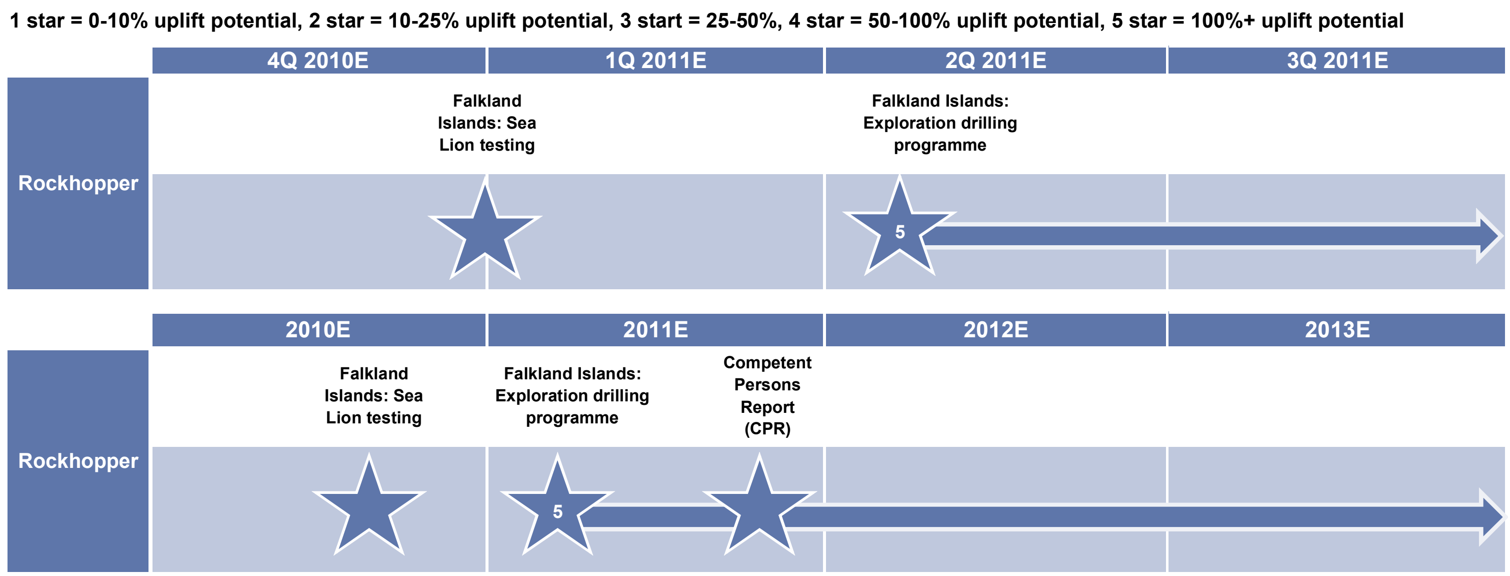
Source: Company data, Goldman Sachs Research estimates.

Exhibit 412: Management biographies

Name	Position	Background
Pierre Jungels CBE	Executive Chairman	Former Chief Executive of Enterprise Oil. Twice president of the Institute of Petroleum (now part of the Energy Institute) and chairman of the Centre for Marine & Petroleum Technology. Over 35 years' experience in the oil and gas industry including senior positions with British Gas and PetroFina. Holds a PhD in Geophysics & Hydraulics from the California Institute of Technology.
Sam Moody	Managing Director	Previous experience in the financial sector, including positions with AXA Equity & Law Investment Management and St Paul's Investment Management.
Peter Dixon-Clarke	Finance Director	Qualified as a chartered accountant at Deloitte & Touche in the Financial Services group. Worked at what is now Amlin plc and served as finance director for a number of projects.
Dave Bodecott	Exploration Director	Over 35 years' experience in the oil and gas industry. Has worked as an independent consultant in petroleum geology and seismic interpretation since 1981.

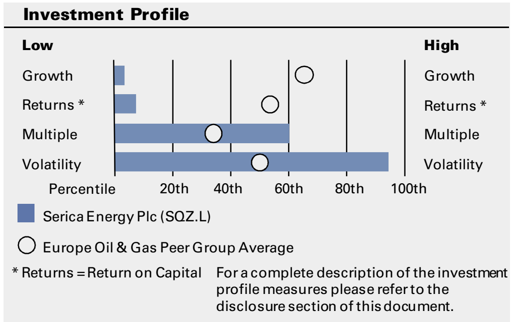
Source: Company data.

Exhibit 413: Catalyst timeline



Source: Company data, Goldman Sachs Research estimates.

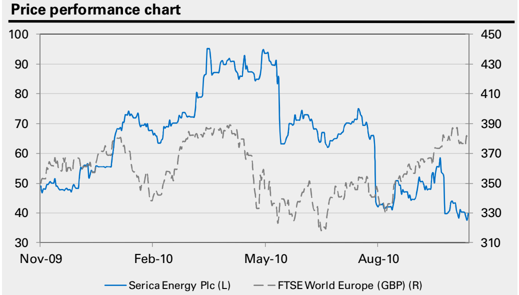
Serica Energy (SQZ.L): Exploration catalysts remain but at a cost; Neutral



Key data	Current
Price (p)	39.75
12 month price target (p)	58.4
Upside/(downside) (%)	47
Market cap (£ mn)	70.2
Enterprise value ($ mn)	99.2

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(15.0)	(1.3)	15.1	14.5
EPS ($)	0.04	(0.02)	0.05	0.04
P/E (X)	19.6	NM	14.2	14.3
EV/DACF (X)	NM	62.7	11.0	10.8
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(56.6)	(4.2)	3.5	3.4
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(45.5)	(54.4)	(18.9)
Rel. to FTSE World Europe (GBP)	(49.1)	(55.7)	(26.3)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Investment view

Despite the recent disappointments at exploration prospects such as Dambus, Conan and Oates, we continue to see potentially material exploration catalysts in the stock, but believe there are cheaper exploration options elsewhere in our universe. We therefore initiate coverage of Serica Energy with a Neutral rating and a 12-month price target of 58.4p. The company has operations in Indonesia, the UK North Sea and Ireland. In Indonesia, the producing Kambuna gas-condensate field provides operational cash flow while the company's position in the Kutai PSC offers exploration catalysts which we believe are unaffected by the recent failure at Dambus. The recent downgrade of reserves at Kambuna was a negative, but we retain risked value for the contingent reserves in our target price and believe that there is a possibility that future development and production history could de-risk this upside. In the North Sea, we expect the Columbus asset to be sanctioned shortly with first production due in 2013. We believe the company's exploration assets in Ireland provide the most material exploration catalysts with a potential impact of almost 300% in the event of success but believe that these are unlikely to be drilled until 2H2011. Despite the re-rating potential, we note that investors are, to a degree, paying for this potential as on our estimates the core value of the company only accounts for c.85% of the current price. Given that we see a number of stocks with high-impact exploration and "free" exploration options, we believe that the risk/reward is better elsewhere, hence our Neutral rating on the stock.

Core drivers of growth

We expect exploration to be the main driver of the stock with the Marindan well next up on the programme (c.30% potential uplift unrisked). We expect the potentially material Irish assets to be drilled towards the end of 2011. We believe there is a possibility that contingent reserves in Kambuna could ultimately be moved back into 2P reserves which would also be a potential source of value in the stock.

Risks to the investment case

We expect the stock to be driven primarily by exploration and therefore the biggest upside/downside risks to our view and target price are greater or worse than expected success in the programme.

Valuation

Our 12 month SOTP based price target is calculated using a long run oil price of US$85/bl. Discoveries and exploration assets are valued using a risked NPV/bl approach.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 414: Company metrics vs. sector average

	Serica	Average	% difference to average
Potential upside from short term exploration	304%	133%	170%
Potential upside from medium term exploration	0%	304%	-304%
% value supported by core value	84%	103%	-20%
Oil price leverage	13%	13%	1%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	11%	12%	-1%
Technical risk	0.05	0.27	-22%
Political risk	0.45	0.54	-9%
% value in pre-sanction non-operated fields	5%	23%	-18%

Exhibit 415: Value breakdown

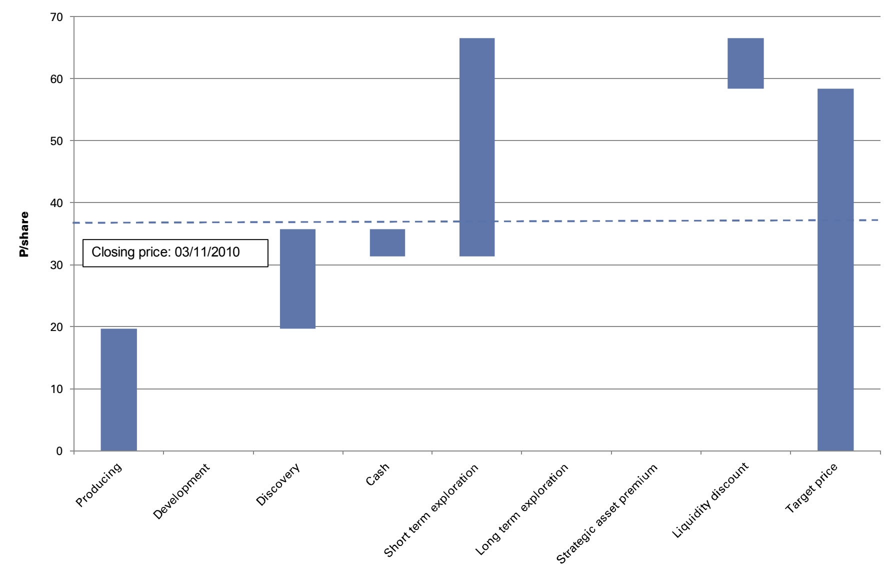


Exhibit 416: Top five shareholders

Holder	% held
Canadian Depository Filing	15.96
Caledonia Investments	14.45
BlackRock Investment Management	6.78
AXA Framlington Investment Management	5.81
Cenkos	4.80
Other	52.2

Exhibit 417: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 418: Asset summary

Serica									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
UK	oil		Discovery	1.0	80%	0.8	8.5	6	2
UK	gas		Discovery	8.6	80%	6.8	4.4	30	11
Ireland	oil		Exploration - short term	50.0	15%	7.5	10.0	75	26
Indonesia	oil		Exploration - short term	23.0	15%	3.5	3.8	13	5
Indonesia	gas		Exploration - short term	32.5	14%	4.4	2.6	11	4
Indonesia	oil		Producing	1.4	100%	1.4	19.4	27	10
Indonesia	gas		Producing	2.7	100%	2.7	10.8	29	10
Indonesia	oil		Discovery	1.0	40%	0.4	7.6	3	1
Indonesia	gas		Discovery	3.2	40%	1.3	5.1	6	2
Cash (net of assumed exploration drilling costs and transactions) and other assets								-12.7	-4
Cash from options / warrants / assumed equity raises								0.0	0
Sub-total								189.1	66.5
Strategic asset premium								0.0	0
Liquidity discount								-23.1	-8
TOTAL								**166**	**58.42**
# shares (current)	**176.518**		# shares (inc. assumed equity issuances, options and warrants)			**176.518**			

Source: Company data, Goldman Sachs Research estimates.

Exhibit 419: Management biographies

Name	Position	Background
Antony Craven Walker	Non-Executive Chairman	Began his career with BP in the early 1970s. Founded two British independent oil companies, Charterhouse Petroleum, where he was Chief Executive, and Monument Oil and Gas, where he was Chief Executive and later Chairman. Also a founder of BRINDEX (Association of British Independent Oil Exploration Companies).
Paul Ellis	Chief Executive Officer	Over 35 years' experience in oil and gas ventures. Previously Chief Operating Officer with Emerald Energy. Began his career with BP and held senior positions with Charterhouse Petroleum, British Gas and PanCanadian Petroleum.
Christopher Hearne	Finance Director	Previously with Intrepid Energy, an independent exploration and production company in the North Sea, where he led corporate finance activities for 8 years. Prior to that, worked as an investment banker with Lehman Brothers and Robert Fleming.
Peter Sadler	Chief Operating Officer	Over 30 years' experience with major and independent oil companies. Former Chief Executive of Indago Petroleum, a Middle-East based exploration and production company. Regional Manager, Middle East for Novus Petroleum in Dubai.

Source: Company data.

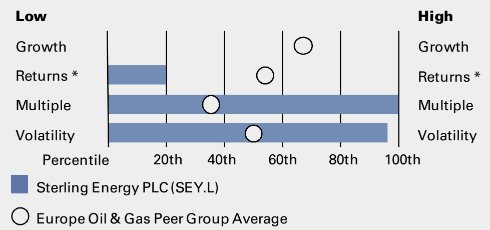
Exhibit 420: Catalyst timeline

1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential

Source: Company data, Goldman Sachs Research estimates.

Sterling Energy (SEY.L): Political and exploration risk offsets upside; Neutral

Investment Profile

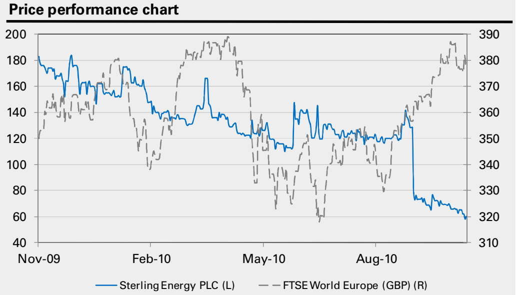


* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	60.25
12 month price target (p)	82
Upside/(downside) (%)	36
Market cap (£ mn)	132.2
Enterprise value ($ mn)	100.8

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(18.0)	(4.7)	(4.7)	(4.7)
EPS ($)	(2.10)	(0.01)	(0.01)	(0.01)
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	0.7	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	7.7	(0.6)	(12.5)	(15.6)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(51.8)	(50.0)	(67.0)
Rel. to FTSE World Europe (GBP)	(55.0)	(51.4)	(70.0)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Investment view

We initiate coverage of Sterling Energy with a Neutral rating and a 12-month target price of 82p. Sterling has high-impact exploration assets in Kurdistan, Cameroon and Madagascar, and a royalty share of certain assets in Mauritania. In Kurdistan, the company is currently drilling the Sangaw North well; in Cameroon, it has the Ntem block, which we would expect to be farmed down prior to drilling; and in Madagascar, it shares the Ampasindava block with Exxon and has 100% of the Ambilobe block. The Sangaw North well is still drilling but found gas in the upper part of the reservoir, which produced at 4mmcf/d before the flow was replaced by water. We carry value for the remainder of drilling on Sangaw which could result in an uplift of c.63% in the event of success. We estimate greater potential upside for Sterling's remaining assets – with success at Ampasindova and a single prospect in Cameroon having the potential to add over 1000% to our valuation. Both of these prospects however, carry a degree of political risk – a border dispute is currently delaying drilling in Cameroon, and Exxon is unlikely to go ahead with drilling in Madagascar while the current government is not recognized by the US. We expect these issues to delay drilling until early 2012 and include Sterling in our Medium Term Explorers screen. We apply a conservative 50% discount to this medium-term activity, in line with our treatment of other stocks and as a result do not see as much upside in Sterling as in other names. We note, however, that as drilling approaches this discount should begin to reduce.

Core drivers of growth

Success at the deeper sections of Sangaw North is the biggest near term growth driver in our view. Others, however, will include a resolution of the border dispute affecting the company's Cameroonian assets and an indication that Madagascar will see drilling activity. We would expect the stock to perform as drilling in these areas approaches.

Risks to the investment case

The key downside risks to our view and price target is a failure in the deeper sections of Sangaw North. The key upside risk is success at this prospect or a drill date emerging for Cameroon or Madagascar.

Valuation

Our 12 month SOTP based price target is calculated using a US$85/bl oil price. We currently give value for the first prospect in Cameroon and a well on the Ampasindava prospect in Madagascar but apply a 50% discount to exploration drilling catalysts taking place later than 12 months from now. We assume a farm down to a 75% stake in Ntem, in order to help fund drilling activities. We also apply a 25% political risk discount to the barrels in Cameroon and a 50% political risk discount to the barrels in Madagascar.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 421: Company metrics vs. sector average

	Sterling Energy	Average	% difference to average
Potential upside from short term exploration	63%	133%	-70%
Potential upside from medium term exploration	1152%	304%	849%
% value supported by core value	39%	103%	-64%
Oil price leverage	10%	13%	-3%
% value in water depths over 1000m	12%	13%	0%
Average WACC	13%	12%	2%
Technical risk	0.40	0.27	14%
Political risk	0.83	0.54	29%
% value in pre-sanction non-operated fields	9%	23%	-14%

Exhibit 422: Value breakdown

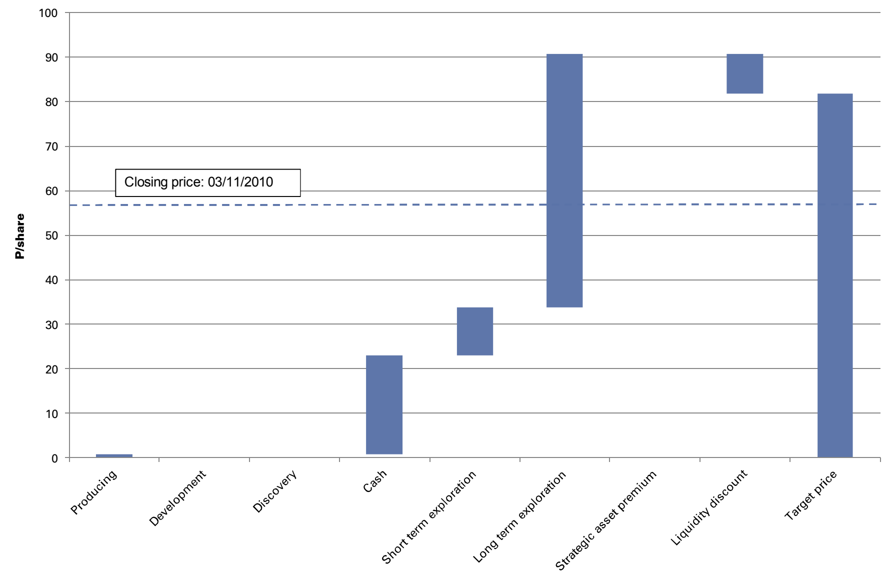


Exhibit 423: Top five shareholders

Holder	% held
Waterford Finance & Investments	29.81
Invesco	21.02
Denis O'Brien	7.33
Artemis Investment Management	5.08
Gartmore Investment Management	4.40
Other	32.36

Exhibit 424: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 425: Asset summary

Sterling Energy									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Kurdistan	oil		Exploration - short term	400.8	4%	14.0	2.3	32	9
Kurdistan	gas		Exploration - short term	400.8	4%	14.0	0.5	7	2
Madagascar	oil		Exploration - medium term	360.0	4%	13.5	2.2	30	9
Cameroon	oil		Exploration - medium term	281.3	15%	42.2	4.0	171	48
Mauritania	oil		Producing	0.0	0%	0.0	0.0	3	1
Cash (net of assumed exploration drilling costs and transactions) and other assets								77.9	22
Cash from options / warrants / assumed equity raises								0.0	0
Sub-total								320.4	90.7
Strategic asset premium								0.0	0
Liquidity discount								-31.7	-9
TOTAL								**289**	**81.76**
# shares (current)	**219.364**		# shares (inc. assumed equity issuances, options and warrants)			**219.364**			

Farmout assumed in Cameroon
Chances for succes in Kurdistan include an additional 50% risking due to political considerations

Source: Company data, Goldman Sachs Research estimates.

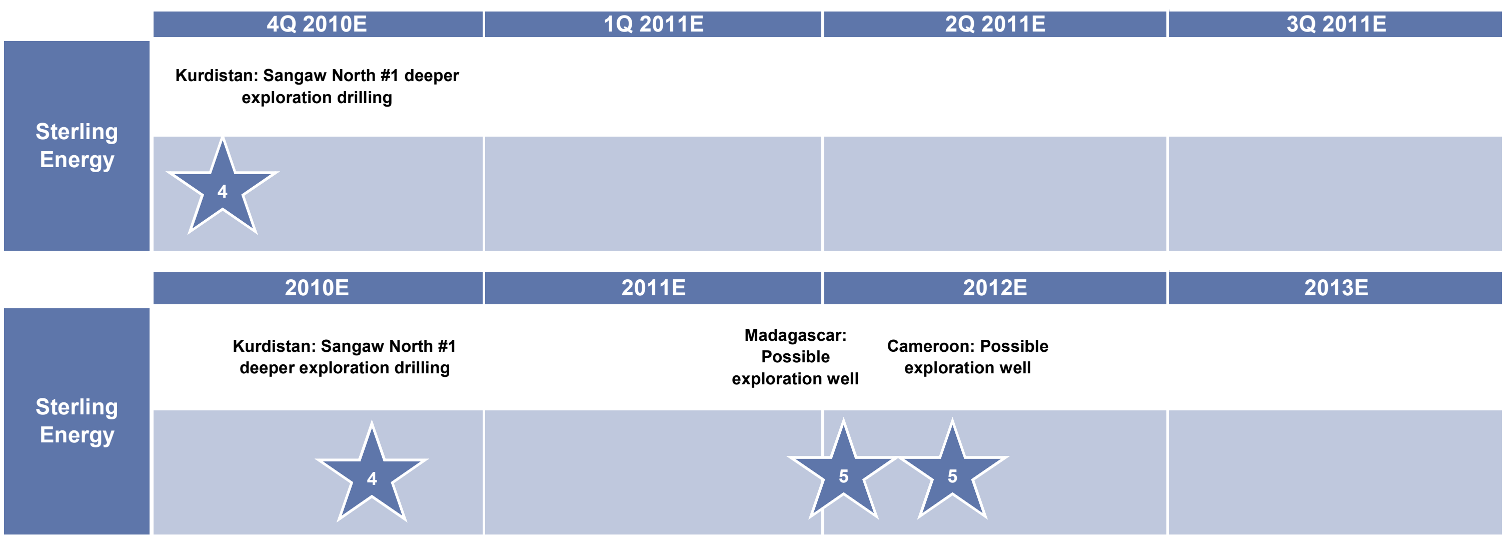
Exhibit 426: Management biographies

Name	Position	Background
Alastair Beardsall	Executive Chairman	Over 30 years' experience in the oil industry. Spent 12 years with Schlumberger working on international assignments. Executive Chairman of Emerald Energy plc until Emerald was acquired by Sinochem Resources in October 2009.
Andrew Grosse	Exploration and Technical Director	Previously British-Borneo's Exploration Manager for the Gulf of Mexico and then for International New Ventures. Prior to that, worked with Gulf Oil in Canada and with BP Exploration and Ultramar Exploration.
Jon Cooper	Financial Director and Company Secretary	Began his career with KPMG and qualified as a Chartered Accountant. Worked for Dresdner Kleinwort Wasserstein as Director in the Oil and Gas Corporate Finance Team. Worked on M&A and advising to companies including Gazprom, Lukoil, OMV, PKN Orlen, Unocal, Petronas and Harvest Natural Resources. Spent two years as Finance Director at Gulf Keystone Petroleum.
Dick Stabbins	Non-Executive Director	Geologist with more than 40 years' experience in the international energy industry, particularly in the independent sector. Worked for Saskatchewan (Canada) Department of Mineral Resources, Murphy Oil, and for Ranger Oil. Former Exploration Manager and Exploration Director of Goal Petroleum pl.

Source: Company data.

Exhibit 427: Catalyst timeline

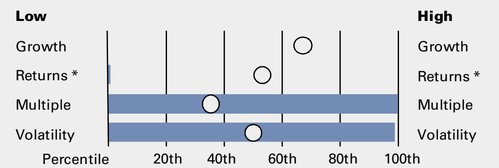
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Tower Resources (TOWR.L): Focus on Namibia; initiate as Neutral

Investment Profile

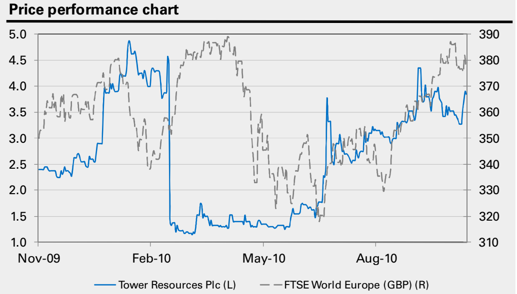


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	3.85
12 month price target (p)	5.2
Upside/(downside) (%)	35
Market cap (£ mn)	39.7
Enterprise value ($ mn)	63.0

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	(0.8)	(6.8)	(1.5)	(1.5)
EPS ($)	0.00	(0.01)	0.00	0.00
P/E (X)	NM	NM	NM	NM
EV/DACF (X)	NM	NM	NM	NM
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(16.9)	(19.9)	(6.9)	(2.2)
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	46.7	196.2	60.4
Rel. to FTSE World Europe (GBP)	37.1	188.0	45.8

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Investment view

We initiate coverage of Tower Resources with a Neutral rating and a 12-month target price of 5.2p. The company has exploration prospects in Uganda and Namibia. Over the last few years, the company's focus has been on exploring its acreage in the Rhino Camp Basin in Uganda. Two wells, Iti and Avivi have been drilled, which found evidence of reservoir development and oil presence; neither, however, was a discovery. We believe the company may drill one further well in Uganda, and a partial farm-out of its stake is likely in our view. We do not regard this as the key, medium-term driver of the company, however, despite success at the Ugandan prospect potentially adding c.80% to our valuation. Of greater potential is the acreage offshore Namibia, in our view, where Tower has a carried 15% interest in three blocks, in water depths ranging from 200 to 3,000 metres. A CPR by Oilfield International has suggested that the Delta prospect (which we expect to be drilled first) could contain almost 4.5 bnbls of oil across two horizons, with a 26% and 8% chance of finding hydrocarbons (including gas) in each of the horizons. We are more cautious in our estimates, giving the company a 14% likelihood of success in the Maastrichtian and 6% in the Paleocene, with a potential uplift of c.2800% in the event of oil being found in pre-drill estimate quantities in both horizons. Although we apply a 50% discount to medium-term drilling, we still see 35% potential upside, and note that as drilling approaches, this discount should begin to reduce. At the moment, however, we see a more attractive combination of short-term catalysts and upside in other stocks, and initiate coverage with a Neutral rating.

Core drivers of growth

Success in the company's exploration programmes in Namibia or Uganda will be the biggest growth drivers for the stock. We believe another Ugandan well could be drilled in the middle of 2011, but we do not expect drilling to take place in Namibia in the short term (we currently estimate 2012). Nevertheless, we believe that the approach of drilling in Namibia should also be a positive for the stock.

Risks to the investment case

Key downside risks to our view and price target are a poor exploration programme in Uganda, or a delay in drilling in Namibia. Upside risks mainly relate to exploration success in either Uganda or Namibia or an aggressive pricing in of the company's Namibian exploration activity.

Valuation

Our 12 month SOTP based price target is calculated using a US$85/bl oil price. We currently give value for the Delta prospect in Namibia. We apply a 50% discount to exploration drilling catalysts taking place later than 12 months from now.

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 428: Company metrics vs. sector average

	Tower Resources	Average	% difference to average
Potential upside from short term exploration	80%	133%	-53%
Potential upside from medium term exploration	2873%	304%	2570%
% value supported by core value	10%	103%	-93%
Oil price leverage	16%	13%	3%
% value in water depths over 1000m	91%	13%	78%
Average WACC	13%	12%	1%
Technical risk	0.63	0.27	36%
Political risk	0.65	0.54	11%
% value in pre-sanction non-operated fields	85%	23%	62%

Exhibit 429: Value breakdown

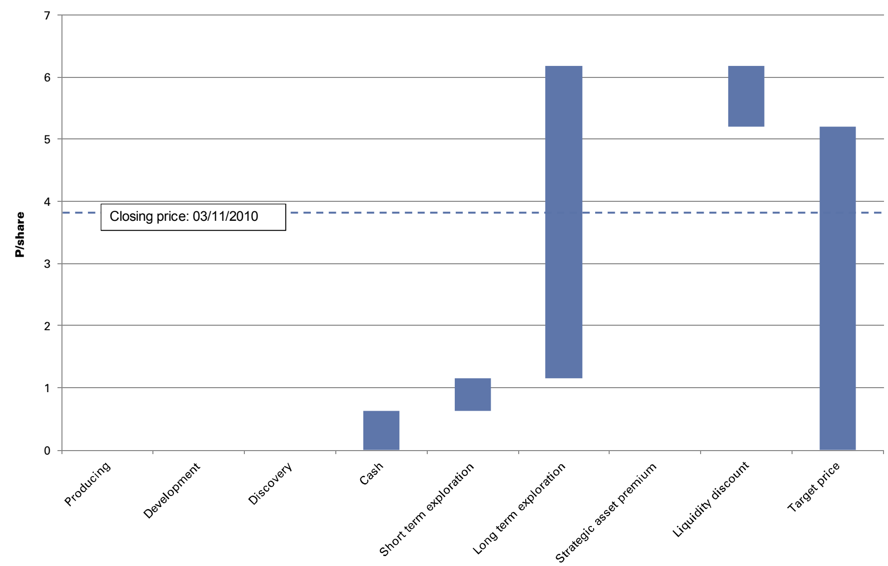


Exhibit 430: Top five shareholders

Holder	% held
Mark Savage	9.90
Jeremy Asher	8.51
Peter Taylor	8.21
TD Waterhouse Group	8.20
Peter Blakey	7.96
Other	57.22

Exhibit 431: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 432: Asset summary

Tower Resources									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
Namibia	oil		Exploration - medium term	716.0	5%	34.6	2.2	76	4
Namibia	gas	LNG	Exploration - medium term	593.8	5%	28.7	0.5	14	1
Uganda	oil		Exploration - short term	40.2	10%	4.0	2.3	9	1
Cash (net of assumed exploration drilling costs and transactions) and other assets								6.4	0
Cash from options / warrants / assumed equity raises								4.9	0
Sub-total								110.8	6.2
Strategic asset premium								0.0	0
Liquidity discount								-17.5	-1
TOTAL								**93**	**5.20**
# shares (current)	**1032.163**		# shares (inc. assumed equity issuances, options and warrants)			**1115.081**			

Source: Company data, Goldman Sachs Research estimates.

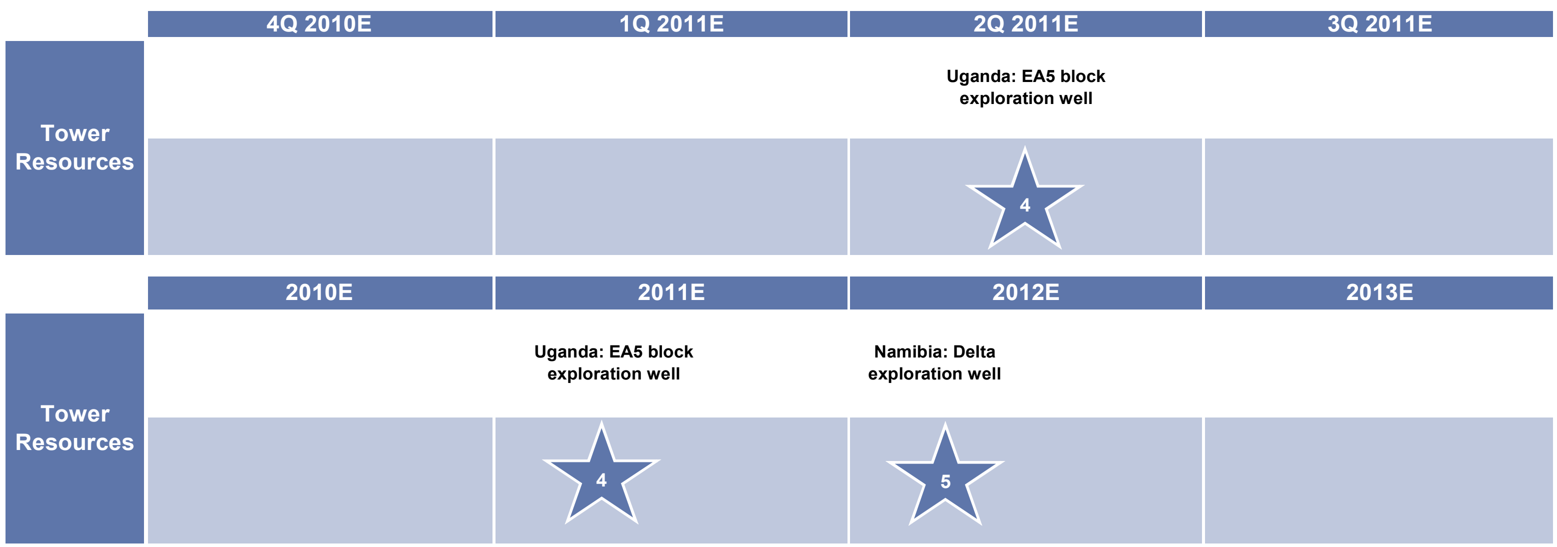
Exhibit 433: Management biographies

Name	Position	Background
Peter Kingston	Executive Chairman	Petroleum Engineer with more than 40 years' experience in technical, executive and advisory roles. Previously Joint Managing Director of Enterprise Oil plc. Currently Deputy Chairman and Senior Independent Director of Soco International. Founding director of Plexus Energy Limited, a consultancy for corporate governance and environmental and social risk management.
Peter Taylor	Non-Executive Director	Joint Chairman of TM Services Ltd, an international oil and gas consulting company. Founding member and director of TM Oil Production, now Dana Petroleum. Also founding member of Consort Resources, Planet Oil Limited, and Star Petroleum.
Mark Savage	Non-Executive Director	Experience in debt and equity markets and corporate advisory area. Chairman of Global Petroleum and CGA Mining Limited.
Jeremy Asher	Non-Executive Director	Chairman of Agile Energy Ltd, a privately held energy investment company. Director of other energy-related companies including Gulf Keystone Petroleum Ltd (until recently) and Better Place LLC, which develops infrastructure to support mass deployment of electric vehicles.

Source: Company data.

Exhibit 434: Catalyst timeline

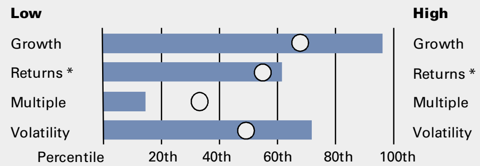
1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Valiant (VPP.L): A balanced North Sea portfolio but more upside elsewhere; Neutral

Investment Profile



Valiant Petroleum Plc (VPP.L)

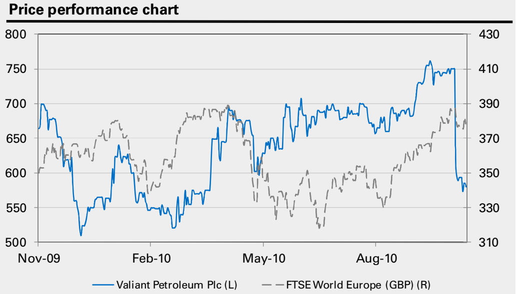
Europe Oil & Gas Peer Group Average

* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (p)	580
12 month price target (p)	809
Upside/(downside) (%)	39
Market cap (£ mn)	229.4
Enterprise value ($ mn)	434.4

	12/09	12/10E	12/11E	12/12E
EBIT ($ mn)	10.9	114.4	169.6	239.8
EPS ($)	0.55	1.20	1.92	2.83
P/E (X)	14.0	7.8	4.9	3.3
EV/DACF (X)	9.0	5.4	3.3	0.8
Dividend yield (%)	0.0	0.0	0.0	0.0
FCF yield (%)	(57.6)	(16.1)	(7.4)	31.8
CROCI (%)	NM	NM	NM	NM
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	NM	NM	NM

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(15.1)	(12.6)	(12.7)
Rel. to FTSE World Europe (GBP)	(20.6)	(15.0)	(20.6)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/04/2010 close.

Investment view

We initiate coverage of Valiant with a 12-month price target of 809p and a Neutral rating. Valiant's activities are focused on the UK North Sea where it has production from the Don fields, undeveloped discoveries (Tybalt, Crawford, Banquo, Helena) and exploration prospects (with further potential upside from Tybalt, longer dated exploration such as Handcross, and the Viola South prospect which we believe still has a chance of being drilled despite the recent disappointment at Viola North and to which we ascribe a 5% likelihood of success). We believe Valiant is a well balanced company, with the value of its producing assets and discoveries supporting over 120% of the share price and the exploration prospects offering re-rating potential in the event of success. There is a discrepancy in the reserves reported by the partners in the Don fields – EnQuest's reserve estimates are lower than those assumed by Valiant. We take the mid point of these volumes but note that a reserves upgrade would be a positive for Valiant. The Tybalt discovery also offers the potential for additional upside, with more appraisal needed in order to fully determine the possibility of commercialisation. We regard the presence of an almost "free" exploration option as a positive, but despite this advantage, there are other stocks in our expanded E&P universe which offer greater upside and nearer term catalysts in our view. We therefore initiate coverage of Valiant with a Neutral rating.

Core drivers of growth

A decision to drill Viola South and subsequent success could be a significant driver of growth in the short term in our view. Successful appraisal of Tybalt and a reserves upgrade at the Don field would also be a positive for the stock.

Risks to the investment case

The key downside risks to our view are a drop in oil prices, a shrinking of reserves at the Don fields or delays in the sanctioning and development of the Crawford field. If it transpires that the Viola North result has made the South prospect untenable, we believe that the removal of this catalyst would also be taken as a negative by the market. Upside risks mainly relate to the possibility for reserves upgrades in the Don fields in the short term.

Valuation

Our 12 month SOTP-based price target is calculated using a long run oil price of US$85/bl. We apply a 50% discount to exploration drilling catalysts taking place later than 12 months from now (such as Handcross).

Source: Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 435: Company metrics vs. sector average

	Valiant Petroleum	Average	% difference to average
Potential upside from short term exploration	51%	133%	-82%
Potential upside from medium term exploration	82%	304%	-222%
% value supported by core value	126%	103%	23%
Oil price leverage	16%	13%	3%
% value in water depths over 1000m	0%	13%	-13%
Average WACC	10%	12%	-2%
Technical risk	0.11	0.27	-16%
Political risk	0.29	0.54	-25%
% value in pre-sanction non-operated fields	13%	23%	-10%

Exhibit 436: Value breakdown

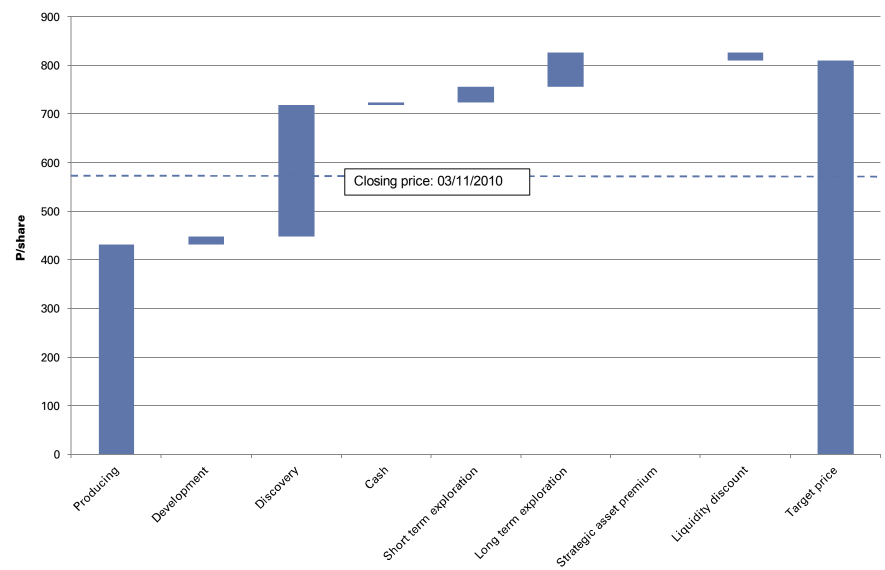


Exhibit 437: Top five shareholders

Holder	% held
AXA Framlington Investment Management	13.57
JPMorgan Asset Management	9.82
Peter Buchanan	7.90
Investec Asset Management	7.09
BlackRock Investment Management	6.61
Other	55.01

Exhibit 438: Map of operations

Sources: Bloomberg, Company data, Goldman Sachs Research estimates, FactSet.

Exhibit 439: Asset summary

Valiant Petroleum									
Country	**Hydrocarbon**	**Type**	**Development status**	**Reserves**	**Chance of success**	**Risked reserves**	**US/bl**	**Value (USDm)**	**p/share**
UK	oil		Producing	14.5	100%	14.5	20.8	301	432
UK	oil		Development	1.6	75%	1.2	9.4	11	16
UK	oil		Discovery	45.2	48%	21.7	7.6	164	236
UK	oil		Exploration - short term	34.7	8%	2.7	7.4	20	29
UK	oil		Exploration - medium term	70.0	20%	14.0	3.5	49	71
UK	gas		Discovery	13.5	47%	6.3	3.7	23	34
UK	gas		Exploration - short term	7.8	5%	0.4	4.0	2	2
Cash (net of assumed drilling costs / transactions) and NPV of tax losses								-29.7	-43
Cash from options / warrants / assumed equity raises								33.8	49
Sub-total								574.2	825.5
Strategic asset premium								0.0	0
Liquidity discount								-11.2	-16
TOTAL								**563**	**809.46**
# shares (current)	**39.561**		# shares (inc. assumed equity issuances, options and warrants)			**43.207**			

Source: Company data, Goldman Sachs Research estimates.

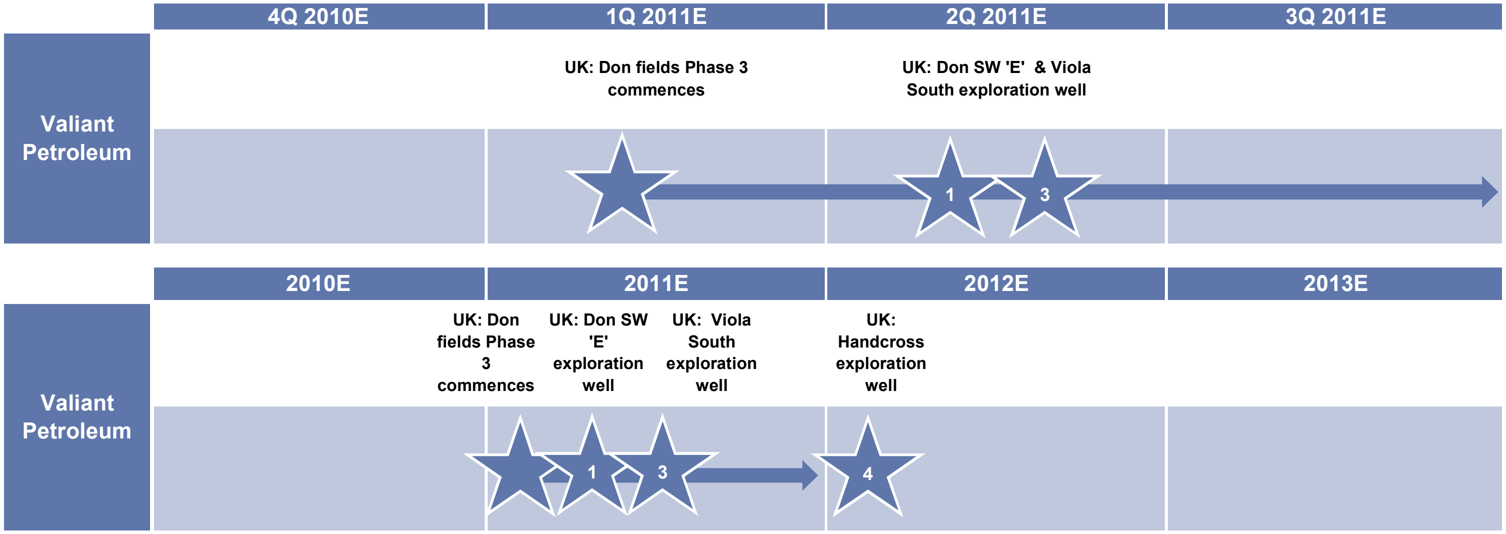
Exhibit 440: Management biographies

Name	Position	Background
Kevin Lyon	Non-Executive Chairman	Chartered Accountant who started his career with 3i plc, a private equity firm. Currently Chairman of Mono Global Group Limited, which provides infrastructure support to the telecoms sector and Wyndeham Press Group Limited, a printing and communications group.
Peter Buchanan	Chief Executive	18 years' experience in the oil industry. Previously Director on oil and gas team at RBS with responsibility for North Sea structured finance. Also had senior technical and managerial roles with CogniSeis Development (now Paradigm Geophysical Limited), Oil Search Limited and Premier Oil. Holds a PhD in structural geology.
Mark Lewis	Chief Financial Officer	Held senior finance roles in RAC plc and De Beers. Holds an engineering degree from Oxford and spent his early career in strategy consulting.
Sandy Shaw	Director & General Counsel	30 years' experience in the oil and gas industry. Acted as Group legal counsel and commercial director for companies such as Consort Resources, Lasmo, Esso Petroleum, Marathon Oil and Mobil. A founder of the company and previous Non-Executive Director.

Source: Company data.

Exhibit 441: Catalyst timeline

1 star = 0-10% uplift potential, 2 star = 10-25% uplift potential, 3 start = 25-50%, 4 star = 50-100% uplift potential, 5 star = 100%+ uplift potential



Source: Company data, Goldman Sachs Research estimates.

Financial Advisory Disclosures

Goldman Sachs is acting as financial advisor to Vedanta Resources Plc in an announced strategic transaction.

Reg AC

We, Christophor Jost and Ruth Brooker, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Investment Profile

The Goldman Sachs Investment Profile provides investment context for a security by comparing key attributes of that security to its peer group and market. The four key attributes depicted are: growth, returns, multiple and volatility. Growth, returns and multiple are indexed based on composites of several methodologies to determine the stocks percentile ranking within the region's coverage universe.

The precise calculation of each metric may vary depending on the fiscal year, industry and region but the standard approach is as follows:

Growth is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. **Return** is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. **Multiple** is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book. **Volatility** is measured as trailing twelve-month volatility adjusted for dividends.

Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

Coverage group(s) of stocks by primary analyst(s)

Compendium report: please see disclosures at http://www.gs.com/research/hedge.html. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research.

Company-specific regulatory disclosures

Compendium report: please see disclosures at http://www.gs.com/research/hedge.html. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research.

Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	30%	54%	16%	50%	43%	37%

As of October 1, 2010, Goldman Sachs Global Investment Research had investment ratings on 2,845 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by NASD/NYSE rules. See 'Ratings, Coverage groups and views and related definitions' below.

Price target and rating history chart(s)

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