

4) Top Picks

Domestic: Delphi Energy Corp.



Delphi Energy Corp (DEE-T)

www.delphienergy.ca

Present Price: \$2.49

12-month Target Price: \$4.00

Upside: 60%

Key Purchase Reasons:

1. DEE has a strong balance sheet, high netbacks, a successful hedging program and a growing liquids business. Currently ~60% of natural gas production is hedged at an average AECO price of \$4.81/mcf, well above benchmark prices. As a result of a 26% growth in proven reserves in 2010, the company was able to increase its credit facilities by \$5M to \$145M. In addition, the increasing oil and liquids-rich component of the company's production have increased realized cash netbacks. DEE's successful Q1/11 drilling program resulted in an increase in the oil and liquids weighting to 26% of production volumes. The company also increased its proven reserves in liquids by 55% YOY. Higher netbacks have also been the result of DEE's high heating content natural gas for which it receives a premium. Delphi has continued to decrease its op costs and expects Q2 costs to be less than \$6.80/b. Definitely in the top tier of its peers for cost efficiencies. Currently DEE's production is ~9,500 boe/d.
2. In addition to its core conventional targets, Delphi has been active in acquiring and targeting play types that if proven to be successful, would increase the asset base and production over the longer term. These play types include the Duvernay oil and gas shale play north of Bigstone, the Second White Specks and Cardium in Bigstone, and the high impact Nikanassin across its Wapiti/Gold Creek acreage.
3. DEE is very cheap trading below our NAV of \$3.78. Our 12-month target of \$4.00/share reflects a multiple of 5.4x on Q4/11 annualized cash flow of \$.74, a multiple materially below DEE's 7.3 year Proven RLI. Market Cap is currently \$294M and Enterprise Value is just under \$400M.

DEE.TO (Delphi Energy Corp.) TSE



Source: Stock Charts May 19, 2011

4) Top Picks

International: WesternZagros Resources

WesternZagros Resources (WZR-V)

www.westernzagros.com

Present Price: \$0.57

12-month Target Price \$1.50

Upside: 163%

Key Purchase Reasons:

1. WesternZagros's block in Kurdistan is on trend with the super-giant Kirkuk oil field. Costs of drilling are high, and technically challenging. However, success can mean significant reserves and prolific wells (>3,000 b/d). Pay zones can be >300 metres and discoveries could be in the hundreds of millions of barrels of oil. WZR believes that they are exposed to contingent reserves that could reach 1BB on the prospects on their block.
2. Currently WZR is finished a re-entry well at Saqala doing a side-track on a previously drilled well to test an up hole zone in the Jeribe reservoir. The prize could be 100MB and a well that tests >2,000 b/d of medium grade oil. *News on this well should be out shortly.* When this is completed, the rig will move to drill a shallower well at Mil Qasim to test an Upper Fars reservoir and meet the company's 3-well commitment. The prize here could also be 100MB. Each of these could be worth >70 cents/share to WZR.
3. The high impact play for 2011 will be the drilling of K-2 at Kurdamir by Talisman (TLM) as the operator with a big 2,000HP rig starting in Late Q3 or Q4/11. This well will follow on TLM's drilling of a well (Topkhana -1) to the NW of K-2 which if successful will be supportive of this seismically continuous play. The Kurdamir structure could have reserves in excess of 500MB.
4. WZR had US \$31M at year end cash on the balance sheet and added >\$40M from an issue in March/11. This should cover the WZR operated program. The largest investors in WZR are: Paulson (19.5%) and Soros (14.1%). They were key buyers of the recent stock issue.

WZR.V (WesternZagros Resources Ltd.) CBNX



Source: Stock Charts May 19, 2011

Maison Placements Canada Inc.

Junior & Intermediate Energy Companies Recommended Buy List

May 20, 2011



Company	Sym	May 20/11		APPRECIATION %		Capitalization \$M	RECOMMENDATION			
		Stock Price \$	Target Price*	Present Price	On the Week		Price \$	Increase fr. Rec \$	Date	TSX Energy Index
Domestic E&P										
Argosy Energy	GSY-T	3.20	U.R.		-3%	73.3	1.76	82%	Nov 27/08	233.68
Delphi Energy Corp.	DEE-T	2.54	4.00	57%	0%	306.1	4.87	-48%	Mar 24/06	351.26
Forent Energy Ltd	FEN-V	0.190	U.R.		-7%	13.3	0.18	6%	Jan 15/10	296.26
Galleon Energy	GO-T	3.41	5.50	61%	0%	305.9	5.17	-34%	May 3/04	167.67
Orion Oil & Gas Corp.	OIP-T	0.90		Tender to Take Over						
Vero Energy	VRO-T	5.86	9.25	58%	-1%	311.8	5.71	3%	Feb 10/06	331.47
Vulcan Minerals Inc.	VUL-V	0.280	U.R.		40%	17.8	0.36	-22%	Dec 14/10	311.06
International E&P										
Niko Resources Ltd.	NKO-T	73.09	150.00	105%	-2%	4020.0	23.80	207%	Mar 31/03	124.90
Sea Dragon Energy	SDX-V	0.180	U.R.		-5%	74.5	0.265	-32%	Sep 04/08	358.08
WesternZagros Res.	WZR-V	0.570	1.50	163%	-3%	124.8	2.45	-77%	May 15/08	436.67
							TSX Energy Index			326.82
							WTI			100.05
							Nymex			4.25
							AECO (C\$/GJ)			3.48
							AECO (C\$/mcf)**			3.30

* Our stock price targets are based upon the Proven Reserve Life Index times our future cash flow expectations.

** Based on approximate conversion of 1.0504 GJ heat value = 1mcf NatGas

Source: Schachter Asset Management Inc. May 20, 2011

Research Coverage List - May 20, 2011

Legend: O Out perform
M Market perform
U Under perform



Companies Covered	Symbol	Stock Price \$ May 20/11	12-M Target Price \$	Appreciation Potential %	Opinion	M Shares O/S *Basic	\$M Market Capitalization	Debt (Cash) \$M	Enterprise Value \$M	Production Mix 2011 Gas %	Oil %	\$ NAV	2010 BV (basic)
Domestic E&P*													
Argosy Energy	GSY-T	3.39	U.R.			19.6	68.4	11.0	77.4	73%	27%	2.20	\$2.71
Delphi Energy Corp.	DEE-T	2.55	4.00	57%	U	112.8	287.6	80.0	387.6	73%	27%	3.34	\$1.98
Forent Energy Ltd	FEN-V	0.205	U.R.			69.9	14.3	-1.5	12.8	40%	60%	n/a	\$0.12
Galleon Energy	GO-T	3.41	5.50	61%	O	84.0	286.4	136.0	422.4	66%	34%	5.48	\$7.97
Orion Oil and Gas Corp.	OIP-T	0.90	Tender to Take over										
Questerre Energy Corp.	QEC-T	1.02	U.R.			229.7	234.3	-173.0	61.3	59%	41%	6.06	\$1.10
Vero Energy Inc.	VRO-T	5.86	9.25	58%	O	48.9	286.6	78.0	364.6	73%	27%	8.23	\$4.04
Vulcan Minerals	VUL-V	0.280	U.R.			57.2	16.0	-3.0	13.0	n/a	n/a	n/a	\$0.24
International E&P*													
Bankers Petroleum Ltd.	BNK-T	8.08	6.25	-23%	U	230.0	1858.4	-52.0	1806.4	0%	100%	5.66	\$0.99
Gran Tierra Energy	GTE-T	6.94	8.00	15%	M	244.0	1893.4	-271.0	1422.4	0%	100%	4.04	\$3.47
Niko Resources Ltd.	NKO-T	73.09	150.00	105%	O	50.9	3720.3	-53.0	3667.3	94%	6%	99.26	\$24.38
Sea Dragon Energy**	SDX-V	0.180	U.R.			376.0	67.7	-26.0	41.7	n/a	100%	0.69	\$0.10
Sterling Resources Ltd.	SLG-V	1.96	U.R.			157.9	309.5	-99.0	210.5	n/a	n/a	3.97	\$1.46
Sonde Resources Corp.	SOQ-T	2.50	U.R.			62.3	155.8	20.3	176.1	76%	24%	n/a	\$2.78
WesternZagros Res.	WZR-V	0.570	1.50	163%	O	207.5	118.3	-50.0	68.3	n/a	n/a	n/a	\$1.06

* Our stock price targets are based upon the Proven Reserve Life Index times our future cash flow expectations

Opinion Ranking:
Current Price to Target next 12 Months
O Out Perform > 25%
M Market Perform 15-25%
U Under Perform < 15%

Research Coverage List

Commodity Price Assumptions			
WTI	2009A	2010A	2011E
AECO Nat. Gas	\$61.63	\$71.40	\$73.75
	\$4.19	\$3.85	\$4.38

Symbol	% Insider Ownership	Production 6:1			% Production Growth		Enterprise Value/2011	\$Cash Flow/Share		Cash Flow Multiple		P	\$M Cash Flow		\$M Net Cap Ex		Capex/Cash Flow Reinvestment Rate	
		2009	2010E	2011E	2010E	2011E	Avg	2010E	2011E	2010E	2011E	RLI	2010E	2011E	2010E	2011E	2010E	2011E
GSY-T	32%	883	975	1,325	10%	36%	58,448	0.22	0.54	15.4	6.3	8.3	3.8	8.4	(7.0)	11.0	n/a	1.3
DEE-T	7%	6,808	8,174	9,100	20%	11%	40,400	0.54	0.65	4.7	3.9	6.1	59.0	70.0	100.0	75.0	1.7	1.1
FEN-V	45%	65	333	525	412%	58%	24,437	0.03	0.09	6.8	2.3	n/a	2.7	7.6	9.1	10.4	3.4	1.4
GOA-T	8%	15,976	14,808	14,400	-7%	-3%	29,336	1.19	1.48	2.9	2.3	6.4	100.0	122.0	22.9	131.0	0.2	1.1
OIP-T	Taken Over - Tender to Offer																	
QEC-T	11%	812	1,248	2,099	53%	68%	29,202	0.04	0.07	25.5	14.6	4.1	9.0	18.0	45.0	70.0	5.0	3.9
VRO-T	12%	6,941	8,787	10,050	10%	14%	36,274	1.24	1.64	4.7	3.6	5.9	53.0	72.0	120.0	100.0	2.3	1.4
VUL-V	<10%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.0	8.0	n/a	n/a
BNK-T	10%	6,435	10,958	18,499	70%	69%	97,649	0.32	0.67	25.3	12.1	12.0	76.0	165.0	152.0	165.0	2.0	1.0
GTE-T	11%	12,684	15,459	16,500	22%	7%	86,204	1.10	1.35	6.3	5.1	3.9	298.0	365.0	195.0	200.0	0.7	0.5
NKO-T	25%	13,710	39,277	61,333	186%	56%	59,793	3.94	6.95	18.6	10.5	7.2	213.0	382.0	534.0	235.0	2.5	0.6
SDX-V	8%	36	1357	5,309	3686%	291%	7,851	0.05	0.23	n/a	0.8	9.2	19.5	97.1	73.6	97.1	3.8	1.0
SLG-V	9%	n/a	n/a	n/a	n/a	n/a	n/a	0.08	0.79	24.5	2.5	n/a	n/a	14.0	70.0	90.0	n/a	6.4
SOQ-T		3,020	2,870				61,341	0.06				5.4	4.0		56.7		14.2	
WZR-V	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-7.5	-7.5	67.0	55.0	n/a	n/a

Source: Schachter Asset Management Inc. May 20, 2011

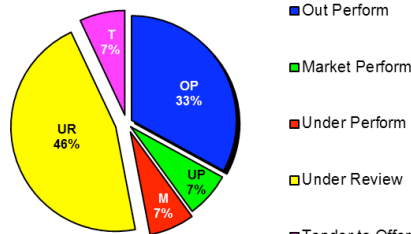
Analyst Disclosure

Company Name	Trading Symbol	*Exchange	Disclosure Code	Recommendation
Argosy Energy	GSY	T	4,6	U.R.
Bankers Petroleum	BNK	T		U
Delphi Energy	DEE	T	1,4,6	O
Forent Energy	FEN	V	1	U.R.
Galleon Energy	GO	T	1,4,6	O
Gran Tierra	GTE	T		M
Niko Resources	NKO	T	1	O
Orion Oil and Gas Corp.	OIP	T		T
Qesterre Energy	QEC	T	4,6	U.R.
Sea Dragon Energy	SDX	V	1,4,5,6	U.R.
Sonde Resources	SOQ	T		U.R.
Sterling Resources	SLG	V	4,5,6	U.R.
Vero Energy	VRO	T	1,4,6	O
Vulcan Minerals	VUL	V		U.R.
WesternZagros	WZR	V	1	O

Performance Ranking:

Current Price to Target next 12 Months

O	Out Perform	> 25%
M	Market Perform	15-25%
U	Under Perform	< 15%
U.R.	Under Review	
T	Tender to Offer	



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