

CGX ENERGY INC. (OYL -TSXV)

Recent Price: \$2.09
Target Price: \$12.00

Recommendation: Speculative Buy
Potential Upside: 470%



Repsol/Noble Suriname Exploration Well Non-Commercial

Event

Noble Energy, Inc. announced that its West Tapir well in offshore Suriname did not contain commercial hydrocarbons.

Highlights

- The West Tapir well was drilled on Block 30, offshore Suriname, by partners Repsol, Nobel, and Occidental. It was drilled in 300' of water to a depth of 12,700'. The well location was approximately 100km to the southeast of CGX's Corentyne Block.
- This well was being watched by CGX shareholders and others with interests in the Guyana/Suriname Basin. CGX shares reacted negatively to the Noble news, closing at \$2.09, down 23% yesterday.
- Repsol was targeting a 70-170 million barrel prospect on one of a series of slope and channel canyons on the edge of the continental shelf. The channel prospects were Oligocene targets.
- We talked with Kerry Sully, CEO of CGX, to ascertain management's view of this result. **These results in no way negatively affect CGX's view of its prospects on its Corentyne Block.**
- Mr. Sully stated that the results of the West Tapir well support CGX's interpretation of the basin and their decision to target Paleocene prospects, which lie deeper than the thinner Oligocene structures targeted by Repsol.
- CGX's primary targets at Wishbone and Eagle are turbidite fans in the Paleocene at approximately 13,000' and Eagle Deep in the Cretaceous at approximately 18,000'.
- Despite Repsol's lack of success with this one well, the Guyana/Suriname Basin remains a highly attractive region for exploration and has the potential for tremendous upside.

Recommendation

We believe the prospects for CGX remain undiminished and that the sharp selloff is unwarranted. We reiterate our SPECULATIVE BUY recommendation and \$12.00 price target.



Source: Bigcharts.com

52-Week Range	\$1.75 - \$3.50
Basic Shares O/S	124.5 million
Fully Diluted Shares O/S	132.6 million
Market Capitalization	\$260.2 million
Fiscal Year End	December 31
Cash (Dec. 31, 2007)	\$37.0 million

Stock Ownership	Shares (mm)	% Total
Institutional	31.0	25.0
Management	11.2	9.0
Public Float	82.3	66.0
Total	124.5	100.0

All figures in Canadian dollars, unless otherwise stated

CGX Energy Inc. is a Canadian-based oil and gas company focused on exploring for oil in the Guyana-Suriname basin. Its licenses in Guyana cover 9.5 million gross acres, 7.2 million net.

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