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# INDEPENDENT RESEARCH



## Great Plains Exploration Inc. (GPX : TSX)

Date: September 1, 2009  
 Price: \$0.29



### SHARE DATA

52-Week High/Low	\$0.70 - \$0.145
3-Mth Avg. Daily Trading Volume	226,660 shares
Shares (millions)	Basic 91.5
	F/D (insiders 19%) 101.5
Market Capitalization	\$26.5 million
Market Cap per Flowing boe (1,400 boepd)	\$18,954
Enterprise Value	\$50.0 million

KEY INFORMATION	2007A	2008A	2009E
Average Production (boepd)	1,184	1,552	1,495
Cash Flow (000's)	9,121	15,153	6,000
per share	0.20	0.21	0.07
Price/CF	1.6	1.5	4.7
Debt/CF	1.7	1.5	3.7
Production Costs per boe	16.22	16.31	20.00
Netback	31.29	34.92	18.50

### FINANCIAL DATA (000's of Canadian Dollars)

	3 Months Jun. 30		6 Months Jun. 30	
	2009	2008	2009	2008
Revenues	5,367	9,832	11,190	17,033
Cash Flow	1,444	4,920	2,410	8,519
per share	0.016	0.071	0.026	0.14
Net Income	(2,373)	(1,354)	(4,953)	(2,432)
per share	(0.026)	(0.020)	(0.054)	(0.041)

### PRODUCTION DATA

	2009	2008	2009	2008
Nat. Gas (mcf/d)	5,235	5,351	5,589	3,944
Oil & NGLs (bpd)	428	580	464	613
Boepd (6:1)	1,301	1,472	1,395	1,270

### BALANCE SHEET (as at June 30, 2009)

Current Assets	\$ 7,808,747
Total Assets	151,629,108
Current Liabilities	30,044,271
Long-Term Debt	nil
Shareholders' Equity	97,669,104

## Highlights:

- recently tested Pembina oil well at 2,222 boepd (40% interest)
- 140,000 net acres of undeveloped land valued at over \$23 million
- oil and gas behind pipe could more than double production during next 12 months
- net asset value of \$1.03 per share (before recent drilling success)

Great Plains Exploration Inc. was incorporated in March 2004 and commenced oil and gas operations in June 2004. The company has completed a number of acquisitions, including the purchase of RedStar Oil & Gas Inc. in May 2008 for an effective price of \$29.0 million.

Great Plains has an average working interest of 31% in 31,296 acres at Pembina/Crossfire, Alberta, a region characterized by Nisku targets which average 1 million barrels and over 1,000 boepd per well. The company has a stable production base in the area and is planning to reactive its 9-1 well (200 net boepd) by the end of Q3/09. With this well onstream, Pembina produces about 23% of corporate production.

Also at Pembina, Great Plains recently tested a 40% interest oil well that flowed at rates of up to 2,222 boepd with estimated reserves of 2.3 million barrels of light oil. The company has now made 6 discoveries in this area and has between 1,200 and 1,600 net boepd behind pipe. Great Plains is evaluating plans to construct a \$2.5 million pipeline to bring its production online with a scheduled completion date of mid-2010. Up to 2 additional wells are planned at Pembina for the balance of 2009.

At Randell, Alberta, Great Plains has an average working interest of 80% in 30,925 undeveloped acres. The company has identified 16 oil locations on its lands with average target production of 150 bopd each.

In northeast BC, Great Plains has a 69% working interest in 19,572 acres plus exclusive access to 283,667 acres. Up to 5 wells are

planned on farm-in lands throughout 2009/2010 with an additional 23 locations in inventory. The company drilled 2 wells in the area during Q1/09 resulting in 2 gas discoveries. Average targets in NE BC range from 500 to 3,000 mcf/d with pools of 2 to 10 bcf.

At Gunnel and Kotcho in NE BC, Great Plains has 3 mmcf/d of 100% working interest gas behind pipe with 7 follow up locations. The company has planned the drilling of 3 wells in the area over the next year with an additional 3 locations contingent on success. A twin location to the recent 1.8 mmcf/d test well (100% interest) is expected to be drilled in September 2009.

Finally at Klua, also in NE BC, Great Plains has a 91% working interest in 28,000 acres of undeveloped land. The company is in the process of bringing 1.2 mmcf/d back onstream which will boost production in NE BC to about 43% of total output. Great Plains also has a follow-up development well and several well recompletions planned over the next 2 years. The company is also evaluating the unconventional shale gas potential at Klua with encouraging initial results.

During the first half of 2009, Great Plains completed the drilling of 3 (1.08 net) wells. The company disposed of non-core assets comprising 30 boepd and 230,000 boe of reserves for \$4.1 million during Q2/09. Great Plains now operates 70% of its production and as of the latest release was producing 1,400 boepd (65% gas) with an additional 1,500 boepd (74% oil) behind pipe and 400 boepd temporarily shut-in. The company has identified 27 drilling opportunities and has 32 additional contingent locations in inventory.

During the remainder of 2009, Great Plains plans to maintain momentum on core projects, while protecting balance sheet integrity. This focus includes the short-term tie-in of 400 boepd with an additional 700-900 boepd planned for tie-in during the first half of 2010. Expenditures have been budgeted to remain within cash flow in order to continue to reduce overall debt.

The company's proven and probable reserves were evaluated as at December 31, 2008, to be 5,732 mboe consisting of 21,412 mmcf of natural gas and 2,163 mbbls of oil and NGLs. Great Plains also has over 140,000 net acres of undeveloped land valued at \$23.3 million plus 280,000 acres under option. The company's net asset value was estimated to be \$95.4 million (\$1.03/share) at year-end using a discount rate of 10%. This estimate does not include recent drilling success. Great Plains currently has net debt of about \$22.1 million on a line of \$27 million. While this is considered high based on typical cash flow ratios, most gas producers currently exhibit elevated debt ratios due to low commodity prices. Great Plains should show improvement in its debt to cash flow ratio as new production is added and prices improve.

It should also be noted that the company has a number of commodity hedges in place including 3,000 GJ/d at an average price of \$7.02 per GJ until October 31, 2009, and 2,000 GJ/d at \$6.23 per GJ from November 1, 2009 to March 31, 2010.

Through its inventory of high impact projects and behind pipe volumes, Great Plains continues to offer growth in a challenging environment. The company has a number of high profile projects which could add material amounts of oil production. This alone makes Great Plains an attractive takeover candidate, along with tax pools of \$91.0 million, a stable base of existing production, and a net asset value of more than 3 times the current trading price. On a cash flow basis, Great Plains is currently trading at just over 4 times cash flow which should improve significantly once production is brought onstream. Forward cash flow can also be significantly impacted by commodity prices which have been extremely volatile this past year. Regardless of whether we see a takeover offer or improvement in cash flow, Great Plains appears poised for considerable growth now that the company has reversed the trend of production loss and has a war chest of production (mainly oil) behind pipe.

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