



Pacific Energy Resources Ltd.

PFE-TSX: \$1.35

Target Price: \$2.50

Recommendation: **BUY**

COMPANY UPDATE

March 28, 2008

Overview

- PFE announced that production on the Eureka Platform is scheduled to begin next month, with initial volumes of 1,000 to 2,000 bd, rising to 4,000 to 5,000 bd by Q3/08.
- We estimate 2008 diluted cash flow per share of \$0.25 (\$0.39 basic). Annualized cash flow based on Q4/08 is estimated at \$0.40 diluted (\$0.60 basic).
- We have already factored this news into our valuation. We are therefore maintaining our **BUY** recommendation and \$2.50 target price.

Price	\$1.35	Market cap. (\$mm)	\$ 399.3
Shares O/S Diluted (mm)	295.8	Net debt	497.3
Avg. daily vol.	100,000	Enterprise Value	\$ 896.6

	2005	2006	2007e	2008e
EPS	-0.05	-0.19	-0.16	-0.01
CFPS	0.01	-0.05	-0.01	0.25
Production/mm shares	11.1	9.9	23.5	42.6

	n/a	n/a	(217.9)	5.5
P/CF	n/a	n/a	(217.9)	5.5
EV/DACF	n/a	n/a	(675.0)	12.4

	\$7.4	\$13.0	\$139.7	\$304.6
Revenues (mm)	\$7.4	\$13.0	\$139.7	\$304.6
Cash Flow	0.2	(3.7)	(1.3)	72.5
Net earnings	(1.7)	(13.6)	(34.7)	(3.0)

	347	705	4,535	11,238
Oil & NGLs (bpd)	347	705	4,535	11,238
Natural gas (mmcf)	0.4	0.0	3.0	8.1
Equivalent (6:1 boed)	405	705	5,039	12,588

Quarterly CFPS (diluted)				
Q1	\$0.01	\$0.01	-\$0.03	\$0.03
Q2	\$0.01	\$0.01	\$0.00	\$0.04
Q3	\$0.02	\$0.00	\$0.00	\$0.08
Q4	\$0.01	\$0.00	\$0.05	\$0.10

Changes to Estimates	Previous Estimates Q4/07	FY08	Current Estimates Q4/07	FY08
Revenue		\$282.4	\$77.0	\$304.6
Cash Flow		\$67.6	\$11.6	\$72.5
Net Earnings		\$14.2	\$2.2	(\$3.0)
CFPS (diluted)		\$0.23	\$0.05	\$0.25

Eureka Platform: Return to Production

(Pacific Energy reports in U.S. dollars; all figures have been converted to Canadian dollars, except as noted. All per-share numbers are on a diluted basis.)

Event

Pacific Energy announced this morning that the Minerals Management Service, U.S. Department of Interior, has approved the Company's request for the "Pipeline Change of Service and Corrosion Protection and Monitoring Plans for the 6" and 10" Platform Eureka to Elly pipelines".

Details

Since Pacific Energy assumed operation of the Beta Oil Field in March 2007, the Company has been working on mechanical repairs and inspections of facilities and pipelines to satisfy safety and regulatory requirements. This work has allowed the connection of the offshore Eureka Platform, which has been idle since June 1999 due to the condition of the sub-sea pipeline that enables the transportation of crude oil to neighbouring Platform Elly, to be re-established,

Production is scheduled to begin next month on the Eureka platform, with initial volumes of 1,000 to 2,000 bd, rising to 4,000 to 5,000 bd by Q3/08.

With Eureka fully onstream, corporate production could increase by approximately 50%, although asset sales currently being pursued likely include producing properties.

Eureka volumes are unhedged and will lower per-unit operating costs, as the fixed costs of the offshore facilities are allocated over larger volumes.

Pending asset sales would strengthen the balance sheet and reduce interest payments.

After fine-tuning our forecast, we estimate 2008 diluted cash flow per share of \$0.25 (\$0.39 basic). Annualized estimated cash flow based on Q4/08 is \$0.40 diluted (\$0.60 basic).

Recommendation

We have already factored this news into our valuation. We are therefore maintaining our **BUY** recommendation and \$2.50 target price.

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