



June 2, 2011

## Duvernay Drives Record \$841 Million Land Sale

### Highlights

- Yesterday, the AB government had its largest land sale in its history, receiving \$841 million in bonuses.
- YTD, bonuses have now surpassed \$1.7 billion and are on track to exceed last year's record of \$2.3 billion.
- Yesterday's land sale was nearly double any previous sale as well. Out of the ten sales so far in 2011, six of these sales have recorded bonuses greater than \$75 million now.
- As we show within, most of the land sales purchases were in the Willesden Green, Wilson Creek, Ferrier fields with prices upward of \$5,823/ac paid and likely targeting Duvernay rights.
- We re-emphasize our Outperform rating on Bonavista given its significant land position in the area. Although the company continues to focus its attention on its Glauconite, Cardium, Montney and Deep Basin programs, with the prices paid yesterday, both the company and the market, will nonetheless be watching the progress and well results over the next year. Perhaps a new play will emerge.

### Nearly Double Any Previous Land Sale

**Record \$841 Million Land Sale:** Yesterday, the Alberta government had its largest land sale in its history, receiving \$841 million in bonuses. YTD, bonuses have now surpassed \$1.7 billion and are on track to exceed last year's record of \$2.3 billion. We highlight yearly total bonuses paid since 1978 to show just how significant the prior two years have been in terms of activity. Despite recent weakness in share prices, the E&P sector is still clearly optimistic about the future.

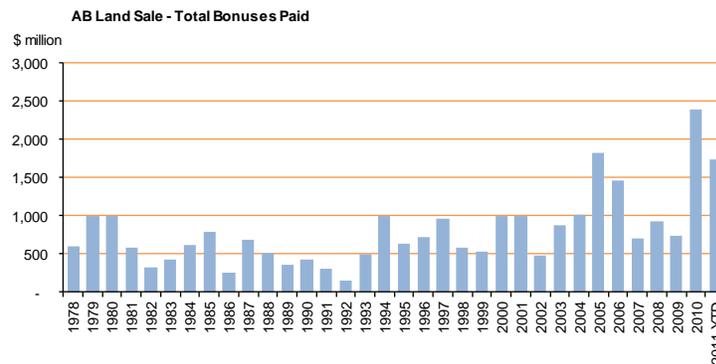


Figure 1. AB Land Sale – Total Bonuses Paid

Source: Bloomberg, AltaCorp Capital

**Nearly Double Any Previous Land Sale:** We also highlight the top-grossing land sales (since 2005) and note yesterday's land sale was nearly double any previous sale. Out of the ten sales so far in 2011, six of these sales have recorded bonuses greater than \$75 million.

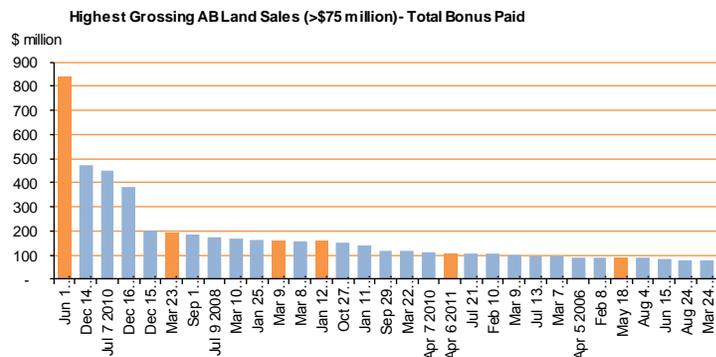


Figure 2. Highest Grossing AB Land Sales – Total Bonus Paid

Source: Bloomberg, AltaCorp Capital

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**Where, What, Who:** Not surprisingly, most of the purchases were paid through land brokerages, however we suspect Encana (ECA-T, Not rated) would likely have been quite active in sale (given their recent interest in the Duvernay, presence in the area and the exceptional amount of funds needed to acquire the land). As we show below, most of the land sales purchases (green) were in the Willesden Green, Wilson Creek, Ferrier fields with prices upward of \$14,389/ha paid. The following link provides a complete list of parcels purchased: <http://www.energy.alberta.ca/FTPNG/20110601PSR.pdf>

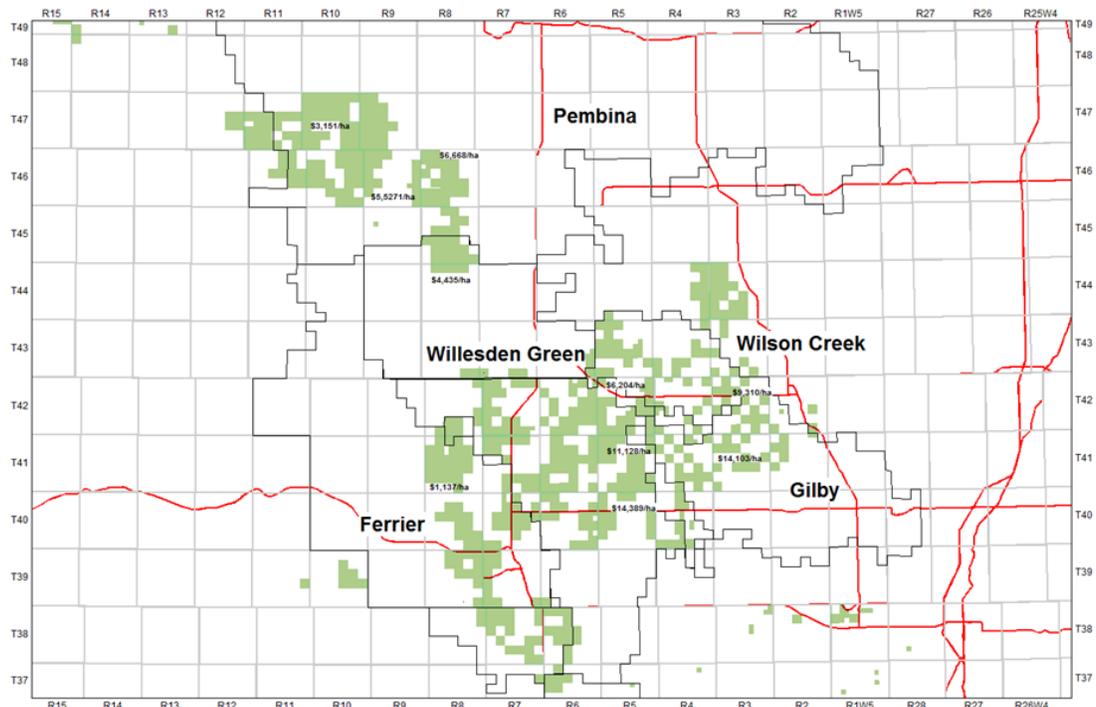


Figure 3. Land Sale Agreements (green) and Bonuses Paid per Hectare  
Source: AB Gov't, AltaCorp Capital

**Prior Presence:** Clearly, not everyone is in a position to pay upward of \$5,823/ac, so who already has a Duvernay position within the area? Based on our GeoSCOUT information (which will exclude company agreements through land brokerage), Encana (ECA-T; Not rated), Angle (NGL-T; Not rated), Birchcliff (BIR-T; Not rated), Bonavista (BNP-T; Outperform), Husky (HSE-T; Not Rated), NAL (NAE-T; Not rated), Omers Energy (Private), and Penn West (PWT-T; Not rated) have significant holdings throughout the area.

## Highlighting Bonavista

**Relative Valuation, and Un-evaluated Upside:** Our Outperform rating on Bonavista is premised on the relative valuation to its yield peers, (Consensus P/CF of 7.3x vs. its yield peers at 8.1x), flexible balance sheet, historical top-tier operational performance and its un-evaluated upside across its 2,350 net sections of land. Given its significant land holdings, we are not surprised to see a highly lucrative land sale surrounding Bonavista's acreage. Although the company continues to focus its attention on its Glauconite, Cardium, Montney and Deep Basin programs, with the prices paid yesterday, the company and the market, will nonetheless be watching the progress and well results over the next year. Perhaps a new play will emerge for Bonavista as a result. Please see our most recent report which includes our full disclosure.

### Bonavista Energy Corp: Q1 Results In-Line

Full Report: [http://research.altacorpcapital.com/BNP\\_5\\_MAY\\_2011.pdf](http://research.altacorpcapital.com/BNP_5_MAY_2011.pdf)