

AUTHORS

Manuj Nikhanj, CFA, FRM
 Vice President
 403.294.6494
 mnikhanj@rseg.com

Trevor Sloan, B.A.
 Vice President, Finance
 403.294.6498
 tsloan@rseg.com

COMPANIES MENTIONED IN THIS REPORT:

| Public | Ticker |
|---------------------------|----------------|
| Anadarko Petroleum | (NYSE: APC) |
| Apache | (NYSE: APA) |
| BP | (NYSE: BP) |
| Bill Barrett | (NYSE: BBG) |
| Cabot Oil & Gas | (NYSE: COG) |
| Chesapeake Energy | (NYSE: CHK) |
| ConocoPhillips | (NYSE: COP) |
| EOG Resources | (NYSE: EOG) |
| El Paso | (NYSE: EP) |
| Exxon Mobil | (NYSE: XOM) |
| Forest Oil | (NYSE: FST) |
| Murphy Oil | (NYSE: MUR) |
| Petrohawk Energy | (NYSE: HK) |
| Pioneer Natural Resources | (NYSE: PXD) |
| Rosetta Resources | (NASDAQ: ROSE) |
| Royal Dutch Shell | (NYSE: RDS) |
| Southwestern Energy | (NYSE: SWN) |
| St. Mary Land | (NYSE: SM) |
| Swift Energy | (NYSE: SFY) |
| TXCO Resources | (OTC: TXCOQ) |
| Williams Companies | (NYSE: WMB) |
| XTO Energy | (NYSE: XTO) |

Private

Common Resources
 GeoSouthern Resources

NEED MORE INFORMATION?

Ross Smith Energy Group
 Call 1-888-RSEG-NOW
 +1 888 773 4669
 or email us at
 rsegnow@rseg.com

Instinet Access Sales
 +1 888 819 5236

Important Information: Please see last page of this report for all disclaimer/disclosure information.

ROSS Smith
 www.rseg.com energy group ltd.

INSTINET.
ACCESS
 INDEPENDENT RESEARCH

EAGLEFORD SHALE: MORE COMPANIES JOINING THE PARTY

FOCUS

Eagleford Shale well performance and activity update

METHODOLOGY

- Reviewed public data on recent wells.
- Examined company news releases, presentations and regulatory filings.
- Talked to producers, consultants and land agents active in the Texas play.

KEY POINTS

BP (BP), Williams Companies (WMB), Royal Dutch Shell (RDS), Exxon Mobil (XOM), Bill Barrett (BBG), Forest Oil (FST) and Chesapeake Energy (CHK) are all window-shopping or actively leasing in the Eagleford.

Southwest

Some notable new wells in the Eagleford's southwest region since our last update include a test by Common Resources (Southwestern Energy's (SWN) and Cabot Oil & Gas' (COG) partner in the Haynesville) that offsets Petrohawk (HK) acreage. Privately owned Common's well had a rate of 4.7 MMcf/d of gas and 474 bbl/d of condensate on a 24/64-inch choke.

HK's test rates in La Salle County, continue to impress, with the latest few in the 6-13 MMcf/d range. HK is moving from 10- to 12-stage fracture stimulations to 15-18 stages. The wells for which we have completion information show increasing proppant volumes as well.

St. Mary Land & Exploration (SM) drilled and completed two follow-up wells in Webb County, which will be about 1,000 feet deeper than its first well, the Briscoe G 1H. The Briscoe had a true vertical depth (TVD) of about 7,500 feet and tested at 4.4 MMcf/d plus ~190 bbl/d of condensate on a 48/64 choke, but the rate declined to 2.2 MMcf/d in the second month of production. The Eagleford where HK is drilling is found about 3,000 feet deeper than at Briscoe. Compared to HK, SM will likely see lower rates because of the shallower depths but also lower well costs.

El Paso (EP) spudded a well in southern La Salle while Murphy Oil (MUR) has one drilling in McMullen. MUR currently holds six Eagleford permits, spread over Karnes, La Salle and McMullen counties.

We've heard Anadarko Petroleum (APC) is constructing a 12-tank oil battery offsetting its recent Briscoe Cochina East Ranch #1H on the La Salle/Dimmit county line.

Consistent with comments made in HK's 2Q09 conference call, the company is leasing updip in the Eagleford's oil window in Zavala County. This would be a low-cost call option on oil if HK can make it work as acreage costs should be significantly lower than in the derisked, higher productivity gas window. In addition, CHK has taken some leases in the oily area and is getting active in the trend. When analyzing exposure to the Eagleford, investors should be sure to differentiate between the oily and gassy areas as they are very different plays.

On trend gassy acreage along HK's position is now going upwards of \$2,000/acre.

Along with expected results from Rosetta Resources (ROSE), SM and Swift Energy's (SFY) farm-out, expect more news flow soon from this part of the play.

Central

We have peak calendar-month production data on Pioneer Natural Resources' (PXD) Friedrichs 1H in DeWitt County, which had a botched completion. It produced only 570 Mcfe/d in its second month (June) and was down to 350 Mcfe/d in July. PXD reported an initial flow rate of 3.7 MMcf/d.

PXD is drilling its second Eagleford horizontal well, this one in Live Oak, about 57 miles southwest of the Friedrichs #1. FST and PXD are reportedly leasing in this area at \$1,500/acre.

GeoSouthern Resources drilled the Migura 1 horizontal in DeWitt County, which tested at 789 Mcf/d of gas and 129 bbl/d of condensate.

XTO Energy (XTO) applied for a new Eagleford field designation in southeast Atascosa County, in its Fashing field. The vertical discovery well had a condensate yield of 147 bbl/MMcf, which is even higher than the yields seen out of APC/TXCO Resources (TXCOQ) wells in southern Dimmit.

EOG Resources (EOG) is drilling a second horizontal well offset the Milton Unit 1. The company continues to lease in the area and is moving updip into Wilson and Gonzales counties. EOG applied for a new field designation called the "Golden Eagle" (second and third preferences are "Osprey" and "Eagle's Claw").

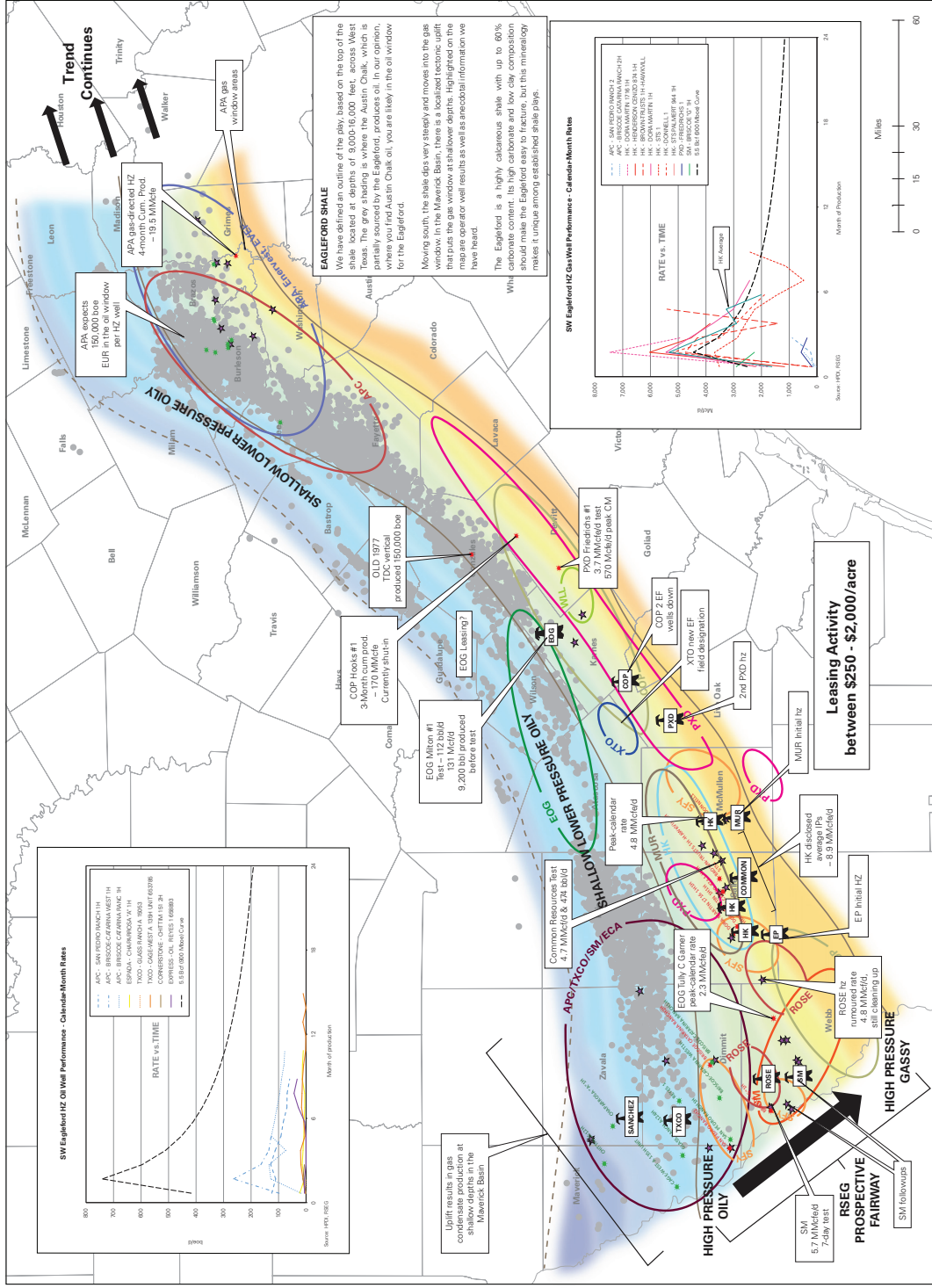
ConocoPhillips (COP) drilled two wells in northern Live Oak County, which we are keeping an eye on. There is no information available at this time.

Northeast

Apache (APA) drilled its first gas-directed Eagleford horizontal in Brazos County. Results were unimpressive – the well's peak calendar-month rate was 260 Mcf/d, and it had cumulative production of only 19.5 MMcf after four months.

**Related
RSEG Research**
RSEG Alert:
Eagleford Shale
*"A Bird's Eye View
of the Eagleford"*
June 5, 2009

RSEG Alert:
Eagleford Shale
*"Something More
in the Eagleford"*
June 17, 2009
www.rseg.com



Legend

- Oil Wells
- Gas Wells
- Permits
- Estimated Operator Leasehold
- Drilling
- Austin Chalk oil trend

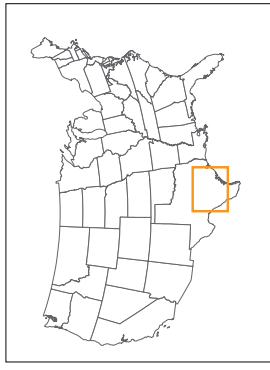
Eagleford Depth

1,000 ft. 16,000 ft.

Eagleford Exposure

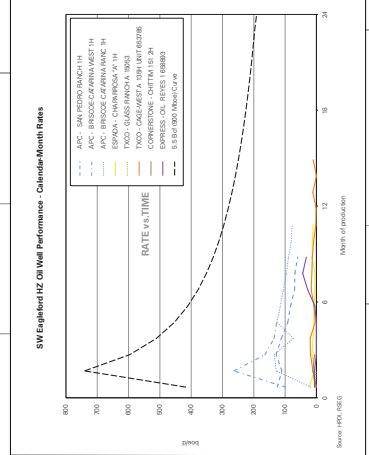
Net Acreage

| | |
|------------------|-------------|
| Company | Net Acreage |
| COP | 300,000 |
| APC | 172,000 |
| HK | 156,000 |
| PXD | 310,000 |
| SM | 210,000 |
| SFY | 82,000 |
| ROSE | 28,000 |
| TXCO | 312,900 |
| APAC/Energy/EVEP | 400,000 |
| EOG | ??? |
| MUR | 100,000 |



EAGLEFORD SHALE
ACTIVITY MAP
 SEPTEMBER 2009

ROSS Smith
 www.rseg.com energy group ltd.

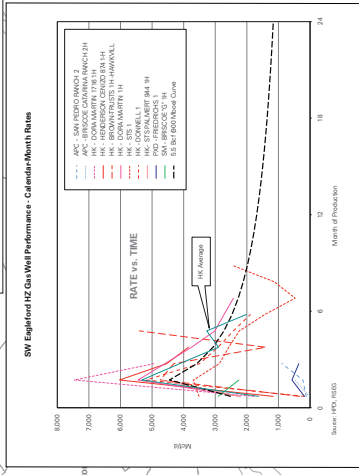


EAGLEFORD SHALE

We have defined an outline of the play, based on the top of the shale, located at depths of 3,000-16,000 feet, across West Texas. The grey shading is where the Austin Chalk, which is partially sourced by the Eagleford, produces oil. In our opinion, where you find Austin Chalk oil, you are likely in the oil window for the Eagleford.

Moving south, the shale dips very steeply and moves into the gas window in the Marcellus Basin. There is a localized tectonic uplift that puts the gas window at shallower depths. Highlighted on the map are operator well results as well as anecdotal information we have heard.

The Eagleford is a highly calcareous shale with up to 60% carbonate content. Its high carbonate and low clay composition makes it unique among established shale plays.



Leasing Activity
 between \$250 - \$2,000/acre

Contacts:

Manoj Nikhani, CFA, FRM
 Vice President
 P. 403.294.6494
 mnkhan@rseg.com

Trevor Sloan
 Vice President, Finance
 P. 403.294.6498
 tsloan@rseg.com

David J. Howard, P.Eng.
 Senior Analyst, Engineering
 P. 403.213.6551
 dhoward@rseg.com

Kerry Gregory
 Manager, Technical Research
 P. 403.294.6890
 kgregory@rseg.com

Source: HPDI, RSEG

About Ross Smith Energy Group

Ross Smith Energy Group is a collaborative effort of over 30 in-house professionals and over 150 of the top specialists in the oil and gas industry worldwide. This makes Ross Smith Energy Group the leading energy (exploration and production company) research firm in North America. Assignments are provided to experts who provide a technical, unbiased perspective with the sole objective of helping professional investors make informed decisions. Clients include pension plans, mutual funds, private portfolio managers, hedge funds, arb funds, energy companies, governments, and individuals. Our goal is to provide confidence to clients by employing a rigorous, grass roots research procedure. We call this unique approach The Consensus Challenge Process™. The confirmation of an existing view or identification of an area where the opinion of the expert differs from consensus has proved to be invaluable to our clients.

© 2009 Ross Smith Energy Group Ltd. (RSEG). The material presented in this report is provided for information purposes only and is not to be used or considered as a recommendation to buy, hold or sell any securities or other financial instruments. Information contained herein has been compiled by RSEG and prepared from various public and industry sources that we believe to be reliable, but no representation or warranty, expressed or implied is made by RSEG, its affiliates or any other person as to the accuracy or completeness of the information. Such information is provided with the expectation that it will be read as part of a mosaic of analysis and should not be relied upon on a stand-alone basis. Past performance should not be taken as an indication or guarantee of future performance, and we make no representation or warranty regarding future performance. The opinions expressed in this report reflect the judgment of RSEG as of the date of this report and are subject to change without notice. This report is not an offer to sell or a solicitation of an offer to buy any securities. The offer and sale of securities are regulated generally in various jurisdictions, particularly the manner in which securities may be offered and sold to residents of a particular country or jurisdiction. Securities discussed in this report may not be eligible for sale in some jurisdictions. To the full extent provided by law, neither RSEG nor any of its affiliates, nor any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No RSEG directors, officers or employees are on the Board of Directors of a covered company and no one at a covered company is on the Board of Directors of RSEG. RSEG does not invest in any securities. One or more of its directors, officers, employees or consultants of RSEG may at times be invested in the securities of a company that is the subject of a report. Manuj Nikhanj has a financial interest in the subject company (CHK, HK, SWN) in the form of shares. The views expressed in this report accurately reflect the research analysts personal views about the subject securities. RSEG analysts are compensated from overall firm revenue only and are not compensated to express any view about an issuer or from proceeds derived from any particular transaction between RSEG or any of its affiliates or issuer. Within the last twelve months neither RSEG nor any of its affiliates received compensation from the subject company for any products or services.

From time to time RSEG may publish a report on petroleum and natural gas shale formations, such as the Marcellus Shale located in the Appalachian basin. RSEG or its affiliates, their respective directors, officers, employees may directly or indirectly have an economic interest in these locations and does have economic interest in the Marcellus Shale.

About Instinet

© 2009, Instinet Incorporated and its subsidiaries. All rights reserved. INSTINET is a registered trademark in the United States, and other countries throughout the world. Instinet, LLC is a member of SIPC. This report is provided for informational purposes only. It does not take into account the particular investment objectives, financial situation, or needs of any individual or entity. Under no circumstances is it to be used or considered as an offer to purchase or sell any security, or as a solicitation or recommendation for any such purchase or sale. While the information contained herein has been obtained from sources deemed reliable, neither Instinet nor its licensors, nor any other party through whom the user obtains this information: (i) makes any guaranties that it is accurate, complete, timely or contains correct sequencing of information; (ii) makes any warranties with regard to the results obtained from its use; (iii) shall have any liability for claims, losses or damages arising from or occasioned by any inaccuracy, error, delay or omission, or from the use of the report or actions taken in reliance on the information. Instinet, LLC has distribution agreements with third-party research providers via Instinet Access. Instinet (including its affiliated companies) does not operate, control or maintain any ownership interest in any of these third-party research providers. Reproduction or redistribution of this information in any form is prohibited except with written permission.