

# Growth Stocks Weekly

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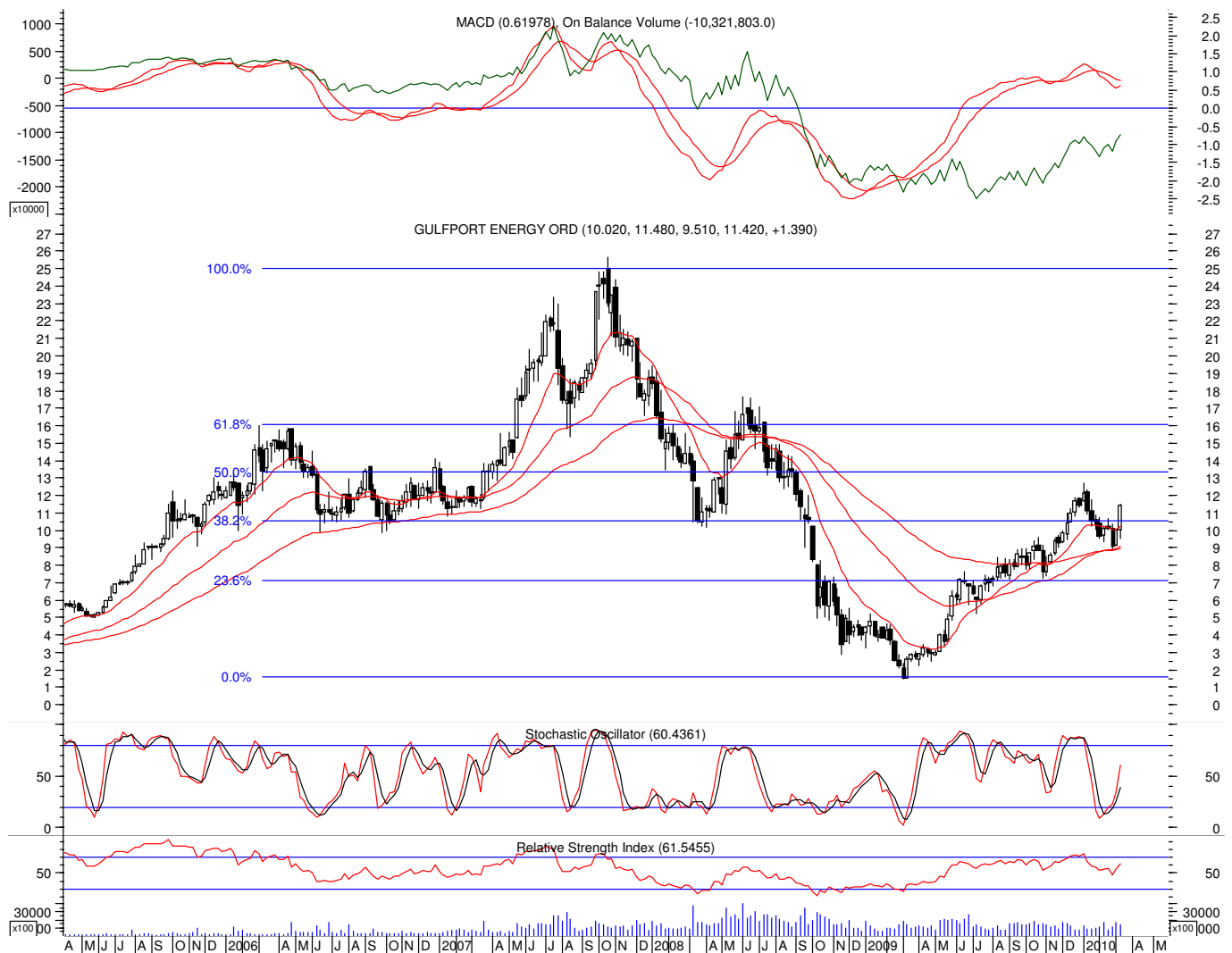
Y/E Apr 30: 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%; 2008 -25.2%; 2009 -50.3%

## Junior Gold and Natural Resource Sector Report

March 11, 2010

### GULFPORT ENERGY (GPOR-NASDAQ)

#### INITIAL REPORT



**Weekly chart: High \$25.62, Low \$1.51, Last \$11.42**

Several of our American subscribers would prefer that we throw in some US-traded company opportunities from time to time, that are well positioned to take advantage of the secular resource bull market and US-dollar bear market we have been pounding the table about this last decade.

Effective today we own a wonderful oil and gas investment based in Louisiana called **Gulfport Energy (GPOR-NASDAQ)** which the market has been less kind to. Principal shareholder is Charles Davidson who owns 36% of the company, and has a team in place that has made many wise moves. A glaring example of their stewardship is that GPOR never had to do any dilutive offerings of any kind during the depth of the past crisis. It continued to generate cash and maintain a strong balance sheet.

GPOR rallied strongly this week on good news but the market is like a 2-year-old and needs constant reminders of the story here. The big story beyond exceptional low-cost operations that will generate a lot of free cash flow in 2010 is its interest in Grizzly Oil Sands. GPOR owns 131,000 net acres of oil sands leases. Management gave an excellent idea of what this could be worth in its latest quarterly presentation.

UTS just sold a 50% interest in its 16,000 net acres to Imperial Oil and Exxon for \$14,000 an acre. There was no production here -- it's just the raw acreage. GPOR owns 11,228 net acres adjacent to UTS' acreage. Just this alone would be worth \$158 million -- and that's only 9% of GPOR's total oil sands acreage! (Remember, GPOR owns 131,000 net acres.)

Keep in mind that the market values GPOR at only \$530 million (equity and debt). So in theory, GPOR's oil sands acreage alone is worth \$1.7 billion at that multiple -- about three times the value of total company, excluding the actual producing assets!

GPOR also shared another transaction in which PetroChina bought a 60% interest in Athabasca oil sands projects at \$10,000 an acre. Again, GPOR owns 38,000 acres right next to this. At \$10,000, GPOR's acreage here is worth \$380 million. And this is only 29% of its total 131,000 acres.

Any way you slice it, GPOR is cheap. The oil sands investment alone makes it a buy. The ongoing operations you get are cheap, too. These operations are low cost, producing oil at cash costs around \$20 a barrel. The company also has a large resource base of 30 million barrels of just proved and probable reserves -- and this excludes the oil sands stuff.

The consensus earnings estimate on GPOR, which it always seems to top, is \$1.80 for 2010. At \$11 per share, it goes for six times 2010 estimated earnings -- and you get all that upside in oil sands for nothing. So that's another way to look at it.

Gulfport is a buy and we added 10,000 shares to the Model Portfolio at US\$11, or C\$11.19. We figure someday the market will catch on to the value here, and then it will trade for three times today's price. Patience will win out.

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