

FULL OF ENERGY AND IDEAS FOR INVESTORS!

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Canadian Superior Energy Inc. (SNG: TSX, AMEX)

BUY
Twelve Month Target: \$5.00
Updating Coverage

Market Data

Last Price (May 23, 2008)	\$4.04
52 Week High	\$4.32
52 Week Low	\$2.52
Share Capital - MM	
Shares Outstanding - Basic	148.6
Shares Outstanding - FD*	172.0
Capitalization - \$MM	
Net Debt (Pro Forma YE 2008)	44.3
Market Value	600.4
Enterprise Value	644.7

*Assumes conversion of convertible preferred shares



Stock chart courtesy of GlobeInvestor.com

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Operations

	2007	2008 Q1	2008E	2009E
Oil & NGL - BOPD	594	590	900	1,000
Natural Gas - MCF per Day	13,496	15,123	21,000	25,000
BOE per Day 6:1	2,843	3,110	4,400	5,167
Reserves (P+P) - MM BOEs	8.55	n/a	n/a	n/a
Financials - \$MM				
Revenue (Net of Royalties)	41.5	13.0	68.3	72.6
Net Earnings	-9.9	-1.9	-6.6	-4.8
Cash Flow	13.9	9.2	40.8	42.7
Net Debt	-12.7	11.3	44.3	61.6
Capital Expenditures	66.3	12.0	75.0	60.0
EPS - FD	-\$0.07	-\$0.01	-\$0.04	-\$0.03
CFPS - Basic W/A	\$0.10	\$0.07	\$0.27	\$0.29
CFPS - FD	\$0.10	\$0.07	\$0.24	\$0.25

Market Valuations

P/E - FD (x)	-41.7	-61.5	-104.6	-143.8
P/CF - Basic W/A (x)	29.9	12.5	14.7	14.1
P/CF - FD (x)	29.9	12.5	17.0	16.3
DACFM - FD (x)	23.4	11.5	16.5	16.1
EV per BOEPD - \$M	\$148.5	\$158.9	\$146.5	\$128.1
EV/DACF - Basic (x)	24.5	12.1	14.4	14.1
Net Debt to Cash Flow	-0.91	0.31	1.09	1.44
Price Assumptions				
WTI - U.S.\$	\$72.23	\$97.86	\$92.00	\$92.00
Natural Gas - C\$ per MCF	\$6.46	\$8.14	\$7.50	\$7.50
Exchange Rate (U.S.\$/C\$)	\$1.06	\$1.00	\$1.01	\$1.01

- 2008E - 2009E fully diluted share calculations assume "all-in" options and warrants
- Market & Enterprise Values are based on total basic shares outstanding
- Historical market values based on weighted average share prices
- Net Debt includes all debt plus working capital (negative value implies cash surplus)
- DACFM (debt adjusted cash flow multiple)
- Oil price assumptions adjusted for corporate differential

We continue to reason that our \$5.00 price target is a fair valuation given the upside potential of the Bounty prospect (1.0 – 4.0 TCF of gross, liquids rich natural gas reserves) that is interpreted by Canadian Superior and its partner BG International to be potentially the most prolific target in Intrepid Block 5(c).

CORPORATE UPDATE – We are updating our previous April 25, 2008 research report to reflect Canadian Superior’s recently released Q1 2008 financial and operations results. Highlights are as follows:

- Increased Q1 average production to 3,110 BOEPD, with current production at approximately 4,200 – 4,300 BOEPD
- Generated \$9.2 million in cash flow in Q1, or \$0.07 per share – basic and fully diluted, a 40% increase over Q1 2007
- Drilled six (5.0 net) wells resulting in three (2.6 net) gas wells and three (2.4 net) oil wells
- Successfully acquired Seeker Petroleum, adding 1,035 BOEPD of production and 2.1 million BOE’s of proven plus probable reserves from western Canada
- Successfully drilled the Victory well offshore Trinidad with two zones testing at combined gross production capacity of up to 200 mmcf per day (Canadian Superior 45%)
- Successfully spudded the Bounty well, the second of three offshore Trinidad drilling projects

OPERATIONS UPDATE

- ❑ **First well in Intrepid Block 5(c), offshore Trinidad/Tobago tests production capacity up to 200 mmcf per day from two zones** – Early in Q1 Canadian Superior announced that the Victory well offshore Trinidad was successfully drilled and cased after testing natural gas and liquids from two zones. On a combined basis, the well tested at a restricted rate (within the confines of production testing equipment) of 75 mmcf per day under high pressure. Subsequent pressure and flow rate data suggest the well is capable of producing at up to 200 mmcf per day. Canadian Superior has a 45% working interest in the well. Canadian Superior also spudded the second of three wells planned for this area over the Bounty prospect, the potentially most prolific target. Canadian Superior estimates that the productive horizons could be penetrated by the end of May 2008 with testing completed by the end of June 2008. Additional plans are in place to spud the third well at Endeavour before year-end 2008.
- ❑ **Seeker acquisition adds production, reserves and net undeveloped land** – Furthering interests in western Canada, Canadian Superior successfully acquired Seeker Petroleum in Q1 adding 1,035 BOEPD of production, 2.1 million proven plus possible reserves and 55,385 net acres of undeveloped land.

SUBSEQUENT EVENTS

- ❑ **Canadian Superior acquires Fair Sky assets from receiver** – Early in Q2, Canadian Superior announced the acquisition of the assets of Fair Sky Resources through a receivership process. The acquisition adds 70,000 acres of undeveloped land and approximately 50 BOEPD of production.
- ❑ **Canadian Superior announces 50:50 joint venture participation in LNG project** – Canadian Superior recently announced a 50% joint venture participation, along with a New York based private company (Global LNG Inc.), in an estimated \$550.0 million LNG import re-gasification project for the northeast U.S. that will be operated by a newly established company, Excalibur Energy Inc. The proposed facility (gas import hub) will be located underwater, approximately fifteen miles offshore New Jersey. Subject to regulatory approval, the project will have the capacity to ship 2.4 BCF per day of natural gas into the existing on-shore pipeline grid, located

near Linden, New Jersey, by the end of 2011. The regulatory approval process is expected to get underway early in 2009 and be up to twelve months in duration.

SUMMARY & RECOMMENDATION – In consideration of Q1 2008 results and estimated capital expenditures, we are maintaining our average 2008 and 2009 western Canada production estimates of 4,400 BOEPD and 5,167 BOEPD respectively. With an increase in our oil price forecast for 2009 (\$90 to \$92 WTI), we are revising our 2009 western Canada cash flow forecast upwards from \$38.7 million to \$42.7 million or \$0.25 per share – fully diluted.

Since our last report, dated April 25, 2008, Canadian Superior shares have rebounded 35% from \$3.08 per share to the closing May 23, 2008 share price of \$4.04. We reasoned at the time that there was little if any value from the Bounty well reflected in the April 25, 2008 share price.

With the Bounty well now within four to five weeks of the testing phase of operations, **Acumen Capital Partners** is maintaining its **BUY** recommendation on **Canadian Superior Energy Inc.** with a price target of **\$5.00**. We continue to reason that this price target is a fair valuation given the upside potential of the Bounty prospect (1.0 – 4.0 TCF of liquids rich natural gas reserves) that is interpreted by Canadian Superior and its partner BG International to be potentially the most prolific target in Intrepid Block 5(c). This translates to a **23.7%** increase in value from the May 23, 2008 closing share price of \$4.04. ■

Company: Canadian Superior Energy Inc.

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Acumen Recommendation Structure: Buy Speculative Buy Hold-positive bias Hold-neutral bias Hold-negative bias Sell Under Review Tender
Full Recommendation Structure explanation can be found at the Acumen Capital Partners website: www.acumencapital.com

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