

Growth Stocks Weekly

www.gsweekly.com

Publisher: Diversified Financial Solutions ~ **Since:** May, 1995 ~ **Editor:** Richard Reinhard ~ **E-Mail:** reinhard@shaw.ca

Performance: Year ended April 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%**

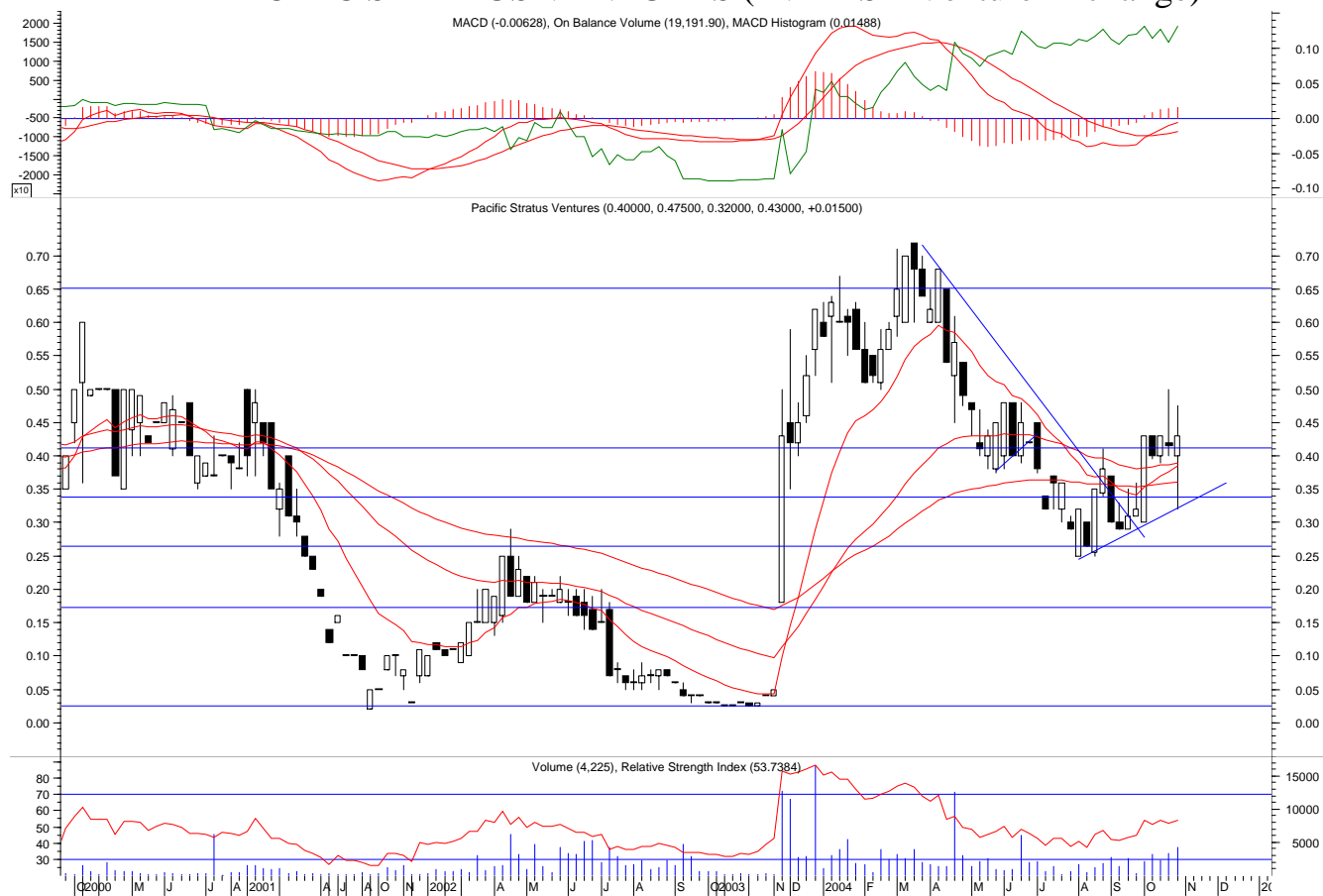
Junior Gold and Natural Resource Sector Report

October 28, 2004

Another Early-Stage Oil & Gas Opportunity (South American Exposure)

UPDATE

PACIFIC STRATUS VENTURES (PVL-TSX Venture Exchange)



Weekly chart, High C0.72, Low C\$0.025, Last Trade C\$0.43

Commentary

Much has happened since our initial report issued October 1, 2004 (see Recent Events below). With a fresh \$5 million in the bank, a listing upgrade to TSX Venture Exchange Tier 2, completion of the Gran Columbia acquisition and the new management team and financial backers coming out of the closet, it is becoming clear that this company is fast-tracking to become a serious oil & gas player in South America.

There is much fertile ground in long-neglected Colombia and Ecuador, with better royalties and government programs available to well-capitalized applicants seeking to take advantage of under-developed assets. Significant economic reforms are well underway. An opportunity exists for experienced and locally conversant fast-movers to step into low-risk exploration and production fields.

We took great pains in our initial report to point out the value of the apparent strong relationship Pacific Stratus enjoys with Endeavour Mining Capital group. Probably best known for the incredible success of Wheaton River (WRM-TSX) and its company-building abilities within the mining sector, Endeavour continues to prosper from a winning combination of talent and timely ventures.

We believe Endeavour has shifted its focus to include oil and gas, and set out to acquire the necessary talent and resources to execute several well-thought-out strategies. Our recently [profiled](#) early stage oil & gas-focused Bankers Petroleum (BNK-TSXv), also strongly backed by Endeavour, just raised a quick \$17 million last week. Bankers is a story about access to capital and the implementation of North American oil & gas engineering methods. There are many discovered but undeveloped oil & gas fields in Eastern Europe that can quickly increase production given technical know-how and cash. South America offers similar significant opportunities, hence the creation of Pacific Stratus.

An evaluation was made of Pacific Stratus interests in the La Creciente Exploration & Exploitation Contract in the Lower Magdalena Valley, Colombia. Petrotech Engineering prepared an engineering and economic [evaluation](#) of these interests as at September 1, 2004:

Current Case, Present Worth Net Cash Flow (in \$US Millions)	Discounted @			
	0%	10%	15%	20%
Resources				
Total Prospects:				
Low Estimate	125,153	68,100	52,734	41,823
Best Estimate	230,908	103,288	74,750	56,214
High Estimate	408,835	135,385	90,825	65,322

Obviously La Creciente offers significant potential value to the company, but this is just their initial project. South America is an overlooked region, with many opportunities available for well connected and funded operators.

Technical management is key. The newly assembled management team includes South American nationals who have each spent 20 years in the oil and gas business. Pacific Stratus operates in a niche market: exploring for and developing production in known fields where technical risk is low, but target reserves are high – but not high enough to attract competition from major oil companies.

The recently announced acquisitions (not yet done-deals) of the Casa Grande and Puli-B fields offer further exceptional upside opportunities for relatively modest work commitments. We believe several other opportunities are being considered and will be announced over the following weeks if and when completed.

The next several months will also see much reprocessing and interpretive work of seismic data on these fields in order to define well location ahead of drilling, expected to start in March 2005 and to continue through to the fall of 2005.

Recent Events

October 18, 2004 – Closing of Gran Colombia Acquisition

- Pacific Stratus closed its acquisition of Gran Colombia Oil and Gas A.V.V., an oil and gas company with offices in Caracas and Toronto focused on identifying and obtaining exploration and/or production opportunities in the sub-Andean basins. Gran Colombia carries out technical and economic evaluations on prospective properties. A wholly owned subsidiary of Gran Colombia recently executed an exploration and exploitation contract for the La Creciente block with the National Agency of Hydrocarbons for Colombia.
- Including the \$5 million private placement and the 850,000 common shares issuable on closing to the sellers of the Gran Colombia shares, Pacific Stratus will have 39,790,728 common shares issued and outstanding.

October 19, 2004 - Symbol Change and Private Placement, Acquiring Gran Colombia Oil and Gas

- The company met the requirements to be listed as a TSX Venture Exchange Tier 2, category 3, oil and gas company effective Oct. 20, 2004.
- The Exchange accepted for filing documentation to a \$5 million non-brokered private placement consisting 12.5 million shares at a \$0.40 and 6.25 million warrants to purchase 6.25 million shares at an exercise price of \$0.60 for a two-year period.

October 26, 2004 - Agreement to Acquire Additional Interests in Columbia

- The company agreed to acquire all of the issued and outstanding shares of Sheridan Corp. AVV from its two shareholders, Orinoquia Belt CA and Juan Manuel Pelaez.

- Sheridan in turn signed a letter of intent to acquire a 50-per-cent interest in the Puli-B block, located in the Upper Magdalena basin of Colombia and is adjacent to the Puli-3 well, producing approximately 300 barrels of oil per day.
- The company will pay the vendors US\$100,000 and issue one million common shares of Pacific Stratus for its rights to Puli-B, assume Sheridan's obligations w/r/t the Puli-B (reprocessing of 30 kilometres of seismic data estimated to cost US\$500,000; drilling an exploratory hole estimated cost of US\$1.2-million).
- Sheridan may also have the right to a 60-per-cent interest to the Casa Grande block in the Llanos basin of Colombia, being acquired from the Colombian Hydrocarbons Agency (ANH). If acquired, Pacific Stratus will have the obligation to pay the vendors US\$100,000 and issue two million common shares of Pacific Stratus for its rights to Casa Grande, and assume the obligation to complete a first phase exploration program of seismic reprocessing, building an access road and drilling an exploration well over an expected 18 months at a cost approximately US\$2.8-million.
- Pacific Stratus indicates it has identified prospective properties in Ecuador for investment and will make further announcements if negotiations are successful.

October 27, 2004 – Reconstitution of the Board, Grant of Options and appointment of Investor Relations

- The company appointed Jose Francisco Arata (who was also named non-executive chairman) and Gordon Keep. Dr. Marino Ostos remains on the board and was appointed president and chief executive officer. Dr. Jairo Lugo, who has over 20 years experience as a basin and petroleum system analyst, was appointed executive vice-president, exploration, of the company.
- Arata has two decades of experience in the oil and gas and mining industries, having started his career with PDVSA, the Venezuelan national oil company. More recently, he has served as an officer and director of a Canadian-listed company with oil and gas exploration properties in Colombia. Mr. Arata is a director of Bolivar Gold Corp. and Medoro Resources Ltd., both publicly traded companies.
- Keep is the managing director, corporate finance, at Endeavour Financial, a mining and oil and gas financial advisory firm, and is responsible for equity financings, regulatory compliance and public company administration. His career in corporate finance has spanned over 20 years and he has served on several public company boards.
- The company hired a PR firm.
- The company granted 3,605,000 incentive stock options at an exercise price of 38 cents.

Oil's secular bull market

"Despite record high oil prices in the third quarter of 2004, the entire developed world achieved economic growth. Part of the reason for this growth is that oil prices are still not high enough to substantially alter spending habits. Spending on gasoline and home heating oil remains a small percentage of many consumers' disposable income. To put today's oil price in perspective, let's compare the price of oil to the cost of housing.

*In 1981, the cost of a barrel of oil domestically produced was \$31.77 (Source: US Department of Energy) and the average cost of a new home in the US was \$83,000 (Source: National Association of Home Builders). In 2003, the average price of a new home was \$246,300 (Source: *ibid*) and the average cost for a barrel of domestically produced crude was \$27.56 (Source: *ibid*). Over the course of 22 years, the average price of a home has tripled while the price of a barrel of domestically produced oil went **down** in price. With the exception of weakness in select markets in the late 1980's and early 1990's, the price of housing has gone straight up for nearly a quarter of a century. Even with today's low interest rates, spending on housing consumes a larger percentage of household income than anytime in history. If the price of oil kept up with the price of housing, domestically produced oil would cost **\$95.31 a barrel** today.*

*Another reason that many analysts are holding out for lower oil prices is that they believe today's high oil prices will bring on additional supply. In past years when there was excess production capacity, both inside and outside of OPEC, high prices always brought additional supply into the market. Times have changed. Now that the world has reached the apex of Hubbert's Peak (See below for more information on Hubbert's Peak), **the world's supply of oil will go down irrespective of price.** This is an extremely bullish situation for the price of oil.*

*The reaching of Hubbert's Peak is not an economic event but rather a **geological** event. Oil, unlike many other commodities such corn and wheat, was not created during a growing season but rather over geologic time. Since oil was created over millions of years and for all intents and purposes, the world contains a finite amount of oil, there is strong evidence to suggest there is a limit to what can be produced at any given time."*

*Source: Canadian Energy Viewpoint - November 1, 2004 - Issue 26, Editor: Bill Powers www.canadianenergyviewpoint.com

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