

“Gran Tierra extraordinarily well positioned in 2009”

Gran Tierra Energy Inc. is an international oil and gas exploration and production company headquartered in Calgary, Canada, operating in South America. The Company currently holds interests in producing and prospective properties in Colombia, Argentina and Peru. Their strategy is focused on establishing a portfolio of drilling opportunities to exploit undeveloped reserves to grow production, as well as undertaking exploration drilling to grow future reserves.

We first introduced Gran Tierra to our readers in early 2006 and while the company has gone through several ups and downs in the market since then, their growth within the company has been quite consistent. The story began in 2005 as a group of ex-major professionals formed their own exploration and production company with the dream of turning their little company into a profitable producer in South America. Their exploration, development, and acquisition efforts over the last three years have proved successful as they are targeting 15,000 boepd by end of Q1, 20,000 by Q2 and 25,000 by end of year. In our opinion, this is no small task given the time.

On December 11, 2008, the company announced a **capital spending program of USD \$198 million** for this year. In a market environment where companies are holding and conserving cash, we believe this to be aggressive and a true testament to the strength of Gran Tierra’s balance sheet and cash flow levels. This budget includes the drilling of seven exploration wells and six development wells in Colombia, in addition to seismic acquisition programs in Colombia, Peru, and Argentina. The bulk of this will be dedicated to further development on the Costayaco field with four additional development wells are budgeted for the year, Costayaco-7 through 10. In addition, one water injector well is scheduled to be drilled, and 3 existing well workovers undertaken. New infrastructure construction is planned to continue, including support facilities, crude gathering lines, water lines, two pumping stations and storage batteries.

Gran Tierra Energy currently has approximately US\$140 million in cash and no debt. The 2009 work program and budget is expected to be executed using cash and cash-flow from operations, assuming a West Texas Intermediate oil price remaining above US\$22 per barrel of oil in 2009. The company was producing at approx 13,000 boepd at the end of November 2008 before an area-wide general strike that shut down the Orito facilities and the TransAndino pipeline.

On January 12, 2009, Gran Tierra announced that the company had resumed oil transportation from the Costayaco region in Colombia. The production downtime from the Costayaco field caused an interruption in a large portion of the company's production but with approx \$140 million of cash on hand this is not a major issue in our opinion. On the same day of this announcement, Canaccord

Capital's analysts, J. Frederick Kozak and Timothy Clark, who cover the company, maintained their BUY rating and target price of C\$5.50.

In the December press release, Dana Coffield, President and Chief Executive Officer of Gran Tierra Energy, stated, "In today's troubled markets, Gran Tierra Energy is extraordinarily well positioned to execute its work program and budget to develop its existing land base and grow its production from current undeveloped reserves, and simultaneously undertake an active exploration program to continue its growth strategy, within its available cash and cash flow from operations. As operator of 24 of its 26 blocks of land, encompassing 7.1 million gross acres in three countries, the company is well positioned to continue being a solid growth company in the international oil and gas arena."

Their mission is to create value, sensibly and aggressively, in oil & gas exploration and development. Their business model is based on four principles – qualified and experienced people, an effective corporate and local presence, common sense and integrity. The next newsworthy items will be the full test results from Costayaco #6 as well as the commencement of drilling of Costayaco #7. This is a company with no debt, plenty of cash, and a growth strategy that will potentially take them from boepd of 15,000 in Q1 to 25,000 by end of Q4. That's an increase of almost 70 %. Oil prices are at their lowest in years as well so if you are bullish on crude prices plenty of room for growth just on the price of oil alone, that's with or without any production increases.