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Joel Musante, CFA
Senior Analyst

jmusante@ckcooper.com

AMERICAN OIL & GAS, INC. (AMEX: AEZ) – EXPLORATION & PRODUCTION

RESUMING COVERAGE

- We are resuming coverage of American Oil and Gas, Inc. (AMEX: AEZ) with a **BUY** rating and a price target of **\$6.00**. AEZ is an emerging E&P company with three early stage exploration projects in the Rocky Mountains. Our price target is based on our NAV/share range of \$5.71 to \$6.03. Current trading levels reflect only a fraction of the substantial upside reserve potential from the three projects. Unrisked reserve potential of the Fetter Field, the company's most advanced project, accounts for about \$3.75/share of our price target, and the remaining \$2.25/share is attributable to proved asset value. We think AEZ offers an attractive risk/reward tradeoff, albeit a speculative investment.
- We think the company's 56% net revenue interest in the 51,000 acre Fetter Field could translate into hundreds of drilling locations and over 700 bcf of unrisked reserve potential. So far very few reserves have been booked and production from the field has been minimal, but significant gas shows in test wells, as evidenced by high oil and gas production rates during drilling (ranging from 10-35 mmcfepd), indicates a substantial resource may be in place.
- 2008 appears to be a turning point for AEZ in the Fetter Field as the company moves from exploration to development. After testing a number of different well designs, AEZ and its partner RTA have developed a well completion suitable for recovering hydrocarbons at Fetter, while overcoming a difficult drilling environment characterized by high reservoir pressures and unstable geology. The company will move forward with a development plan to drill 6-8 vertical wells over the next twelve months, the first of which was spud in mid May 2008.
- Implementation of the Fetter drilling plan is expected to drive production, earnings and cash flow growth. Production is expected to increase from 0.5 mmcfepd in 1Q08 to over 3.6 mmcfepd in 4Q08 and to over 5.1 mmcfepd in 4Q09. We estimate that EPS will turn positive in 4Q08 and the company will be capable of internally funding a modest drilling program by late 2009. Note that there is still significant uncertainty surrounding these estimates with regards to well production rates and timing of drilling wells. We expect the company will also grapple with limited gathering and processing capacity and curtailment of some production from new wells at least through the end of 3Q08.
- AEZ also has a meaningful interest in the Krejci Project in the Powder River Basin in Wyoming, and the Goliath Project in the Williston Basin in North Dakota, where the company holds a sizeable acreage position. The Krejci acreage is located within an area identified in a recent study by the USGS where geologists estimate a potential 3.6 billion barrels of recoverable oil from the Bakken Shale formation. Although a well drilled in the Bakken on AEZ's acreage was deemed non commercial, advances in well completion technology successfully applied to other Bakken wells in the Williston Basin hold promise for this area. Wells drilled in the Krejci area have encountered oil but results to date have been inconsistent. Likewise, advances in well completion technology hold promise for this area. Brigham Exploration, operator for Krejci, is currently applying some of the latest well completion techniques to the Mowry Shale at Krejci and we expect the company to release test results in the next few weeks.

Stock Data

Report Date	6/2/2008
Stock Price (5/30/08)	\$3.73
Price Target	\$6.00
Resumption Date	6/2/2008
Rating	BUY
52 Week Range	\$2.75 - \$7.74
Shares Out Diluted (million)	47.5
Symbol/Exchange	AMEX: AEZ
NAV Range Proved (per share)	\$1.98-\$2.30
Net Debt-to-cap (3/31/08)	0%
Net Debt per BOE (3/31/08)	\$0.00
Average Volume	241,073
Oil/Gas Reserve Mix (12/31/07)	41%/59%
Market Cap (\$ million)	\$177
Enterprise Value (\$ million)	\$162

Stock Price Chart, \$ per Share



Estimates

(US\$)	2006 A	2007 A	2008 E	2009 E
Gas & Oil Rev., ('000)	\$ 2,257	\$ 1,957	\$ 7,765	\$ 17,380
GAAP EPS	\$ 0.00	\$ (0.09)	\$ (0.03)	\$ 0.06
Clean EPS	\$ (0.02)	\$ (0.10)	\$ (0.02)	\$ 0.06
CFPS	\$ (0.03)	\$ (0.03)	\$ 0.05	\$ 0.24
Dividend Rate	N/A	N/A	N/A	N/A
EBITDA, (\$ '000)	\$ 1,009	\$ (1,894)	\$ 2,675	\$ 11,981

Valuation

(US\$)	2006 A	2007 A	2008 E	2009 E
GAAP P/E	1,063.9x	N/A	N/A	63.3x
Clean P/E	N/A	N/A	N/A	63.3x
P/CF	N/A	N/A	71.3x	15.2x
Dividend Yield	N/A	N/A	N/A	N/A
EV / EBITDA	160.8x	N/A	60.7x	13.5x

INVESTMENT THESIS

We are resuming coverage of American Oil and Gas, Inc. (AMEX: AEZ) with a Buy rating and a price target of \$6.00 for AEZ shares. In our opinion, current trading levels largely reflect acreage value and a small fraction of the upside in three early-stage high profile exploration projects in the Rocky Mountains where AEZ owns a significant interest. The upside potential of any of these project could be substantial, if successful, and drive the share price well above current levels and our price target. Our price target reflects acreage value and a risk adjusted valuation of the upside reserve potential based on a conservative scenario of the Fetter Project. The Fetter Project is the most advanced of the three early stage projects, and in our opinion has the greatest promise of success. Although each project is unproven and contains substantial exploration risk, we have rated AEZ shares a Buy reflecting the attractive risk/reward tradeoff, albeit a speculative investment.

KEY VALUE DRIVERS

- Risk Adjusted Reserve Value for Fetter Adds ~\$3.75/share to NAV. Our estimated NAV/share of the Fetter Field asset is ~\$3.75, which assumes on a risk-adjusted basis that only 20% of the field is prospective for development. On an unrisks basis, we estimate the field could contain over 700 bcfe of upside reserve potential to the company's net revenue interest. Our estimate depends to a great extent on the success of a vertical well program in the Fetter Field, which is designed to complete and commingle several formations in the field, including the Dakota, Mowry, Frontier and the Niobrara.
- Results from Wallis Well Should Help Better Define Fetter Development Potential. Our unrisks reserve estimate of ~700 bcfe for Fetter assumes the 51,000 acre field can be efficiently developed on 80 acre spacing with vertical wells having an average EUR of 2.0 bcfe. The Wallis 6-23 well, which is currently undergoing a multizone completion, is expected to be the model for future wells drilled in the field. Third party reserve engineer Ryder Scott has estimated 2.0 bcfe of reserves in the Dakota and Mowry formations of the Wallis well. We expect the reserve number will increase with an assessment of shallower zones in the Wallis well, specifically the Frontier formation, which has historically had some of strongest gas shows in the play. This is evidenced by high production rates from the Frontier (ranging from 10-35 mmcfepd) observed in test wells during the drilling process. Management indicated that the recent completion of the Frontier formation in the Wallis well showed "encouraging preliminary results", and an extended production test isolating the Frontier will commence in late May/early June, 2008.
- Douglas Field Extends Upside Potential for Fetter. AEZ has a 36% net revenue interest in 40,000 acres in the West Douglas Field. West Douglas is located about 15 miles to the northwest of the Fetter Field in the Powder River Basin and is believed to be a continuation of the Fetter Field in that direction. Applying the same assumptions to West Douglas as we did for Fetter (~20% of acreage is prospective, 80 acre spacing, 2 bcf/well EUR), we estimate 32 bcfe risks potential reserves or 160 bcfe on an unrisks basis.
- Krejci Project. AEZ has a 36% net revenue interest in the Krejci Project, which consists of 111,000 acres in the Powder River Basin in Wyoming. Brigham Exploration (NASDAQ: BEXP), the operator, is currently testing the Mowry formation in a horizontal well using the latest swell packer technology to isolate and fracture stimulate targeted zones. This is essentially the same fracture stimulation system being used by oil and gas operators in the Williston Basin of North Dakota to recover oil from the Bakken Shale. Wells drilled prior to using the swell packer system met with mixed success. If the swell packer system works and results are repeatable, AEZ could have a significant interest in hundreds of potential well locations in the field. We currently value this asset on an acreage basis at a unit value of about \$500/acre.
- USGS Report Holds Promise for Future Bakken Development at the Goliath Project. AEZ has a 40% net revenue interest in 64,000 acres in the Williston Basin of North Dakota (a.k.a. the Goliath Project). The acreage is located within a large study area identified by the US Geological Survey (USGS) where geologists have estimated about 3.6 billion barrels of recoverable oil resources in the Bakken Shale. This estimate, which was released in an April 10, 2008 report, amounts to 25 times the 151 million barrels estimated in the Bakken by the USGS in 1995. The increase in recoverable barrels is attributable to higher commodity prices,

advances in fracture stimulation and horizontal drilling technology, and improvements in geologic modeling. AEZ participated in one well on its acreage thus far that was deemed non-commercial. However, this well was not completed using the swell packer system that is attributable to much of the recent success by other operators in the Bakken. We are optimistic that development of this acreage will become more prospective with the application of the swell packer system and other advances in well completions in the Basin.

INVESTMENT RISKS AND CONCERNS

- Exploration Risk. AEZ is an exploration company that operates in three relatively undeveloped areas in the Rocky Mountains. Although drilling success could result in attractive returns, the likeliness of success is typically lower than exploitation and development oil and gas projects.
- Technical Risk.
 - There is significant technical risk associated with the company's operations in the Fetter and West Douglas Fields. Wells drilled to date have encountered high reservoir pressures and unstable geologic conditions. In several cases, the company's efforts to control these conditions have lead to impairment of reservoir permeability and a non commercial well. Although significant progress has been made overcoming these obstacles, this remains a challenging drilling environment that could have a negative impact on well results.
 - The company has encountered a phenomenon known as "liquid loading", where gas transport pressures are insufficient to lift the high concentration of liquid hydrocarbons in the well. Addressing this problem will likely incur additional cost that may be detrimental to the economics of the project.
 - High reservoir pressures may prevent the company from commingling zones in the Fetter and West Douglas fields. Not being able to commingle zones would delay the timing of production in some zones, which could materially impact the economics of the project.
- Reserve Estimation Methodology Poses a Greater Likelihood for a Revision. Reserve estimates are based on a volumetric methodology by the third party reserve engineer. While this meets engineering standards, this method is used in fields that lack well and production history. Given the lack of information, there is greater likelihood for a negative reserve revision when reserves estimated by production data do not support volumetric estimates.
- Gathering, Processing and Marketing Risk. The company operates in several emerging plays where the level of oil and gas pipeline and processing infrastructure may not exist or may be limited, and at the very least is not controlled by AEZ. As a result, a successful exploration and development program may incur higher future costs for infrastructure or for transportation and processing by third party providers than are immediately evident at this early date.
- Financial Risk. At the end of 1Q08, AEZ's working capital was \$14.7 million. This will fund a significant amount of the company's 2008 capital spending budget. Once the positive working capital balance is expended, the company will rely more heavily on cash flow from operations to fund future activities. Cash flow from operations will be heavily dependent on the level of success of the company's drilling program. Securing a credit facility will depend on the company's ability to book reserves and provide asset coverage for a lender, which will also require positive drilling results.

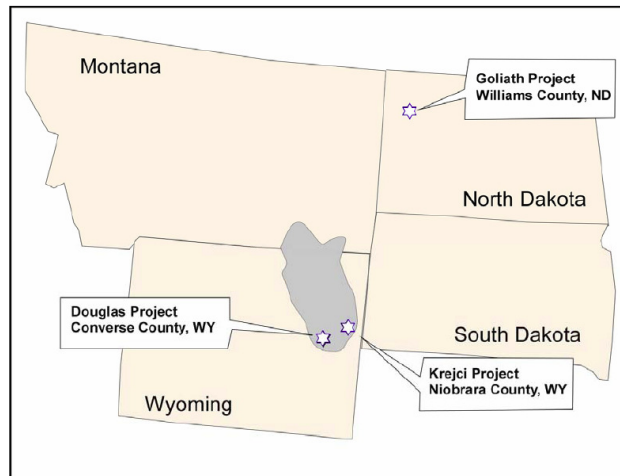
COMPANY HISTORY AND STRATEGY

American Oil and Gas, Inc. is an emerging independent oil and gas company focused on exploration and development of undeveloped properties in Wyoming and North Dakota. AEZ emerged from a failed dental supply company, "DrGoodTeeth.com", which traded as a shell company in the OTC market. In anticipation of changing its focus to E&P, DrGoodTeeth.com changed its name to American O&G in 2003. In conjunction with the change in focus, AEZ began trading on the OTC bulletin board under the symbol "AOGI". On May 17, 2005, the company was listed on the American Stock Exchange and began trading under the ticker AEZ. From the outset, the company's strategy was to grow organically from undeveloped acreage in the Rocky Mountain region.

KEY ASSETS & PROPERTIES

AEZ holds a substantial acreage position in three emerging plays in Wyoming and North Dakota, including the Douglas Project (Fetter and West Douglas fields) and the Krejci Project in eastern Wyoming, and the Goliath Project in northwestern North Dakota, shown in the map below. Well results to date indicate that all three projects offer substantial upside reserve potential, with the Douglas Project being the area where the company has made the most progress. At December 31, 2007, proved reserves totaled 2.1 bcfe, which is relatively insignificant compared to the overall potential of the property.

PROJECT AREAS



Source: Company Presentation

THE DOUGLAS PROJECT

The Douglas Project consists of the Fetter and West Douglas Fields located in the Powder River Basin of Wyoming. In the Fetter Field, AEZ holds a 69.375% working interest (55.5% on net revenue interest basis) in 51,000 acres, which comprise most of the 56,000 acre field. AEZ also owns a 45% working interest (36% n.r.i.) in the 40,000 acre West Douglas Field, which is located about 15 miles to the northwest of the Fetter Field and believed to be a continuation of Fetter in that direction. Both Fetter and West Douglas have numerous stacked formations from where hydrocarbons can potentially be recovered.

The Fetter Field

Exploration activity in the Fetter Field began in the 1960s. Since then, a number of major oil companies and large independents have drilled exploration wells in the field. Despite encountering significant gas shows, the field was not developed, mainly because the previous operators were looking for oil. AEZ entered the Douglas Project in June 2004. The first three wells that the company drilled showed very encouraging production rates of over 10 mmcfepd during the drilling process, but were not commercial successes due to the intrusion of drilling mud into the reservoir. It was evident after the first three wells that AEZ did not have the inhouse expertise to

design a well completion that could recover the substantial oil and gas resource that was apparently contained in the field. As a result, AEZ formed a joint venture with Red Technology Alliance, LLC (RTA) to develop the property. RTA is a privately funded limited partnership that was formed to leverage Halliburton's technological expertise and project management services to gain participation and ownership interest in technically challenging projects such as Douglas Project. RTA agreed to drill three wells, including two horizontal wells and one vertical well in the Fetter Field for a 25% working interest in the acreage. Additionally, RTA was given the option to enter a farm-in agreement in the West Douglas Field, agreeing to carry AEZ on one vertical well in exchange for a 50% working interest in the 40,000 acre field. The results and status of the three wells drilled before the RTA agreement and the four wells drilled with RTA are discussed in detail below.

PRE-RTA WELL RESULTS

The Sims 16-26 Well - In May 2005, AEZ drilled its first well in the Fetter Field, the Sims 16-26 well, testing the Frontier formation. The well was drilled to a total depth of about 11,500 feet with a 225 foot horizontal lateral in the Frontier formation. The well encountered encouraging flow rates of 3-12 mmcfepd for natural gas and 300-500 bopd of condensate, or about 5-15 mmcfepd on an equivalent basis. Due to high reservoir pressures and unstable geologic conditions, the horizontal section could not be extended 2,000 feet as planned. Despite high production rates, the completed well was deemed non commercial. It appears that drilling mud, which was introduced to the wellbore during the drilling process to control high reservoir pressures and shore-up the unstable rock, entered the reservoir and impaired its permeability.

The Hageman 16-34 Well - In August 2005, AEZ commenced the drilling of its second well, the Hageman 16-34. The well was drilled to a vertical depth of 11,234 feet. The company encountered mechanical problems, which were followed by a formation collapse. The borehole was cased to a depth of 8,625 feet in preparation to be re-entered at a later date.

The State 4-36H Well - In July 2006, AEZ began drilling a third Fetter well, the State 4-36H well, a 2,000 foot horizontal lateral in the Frontier formation. However, after drilling the horizontal leg, it was determined that the lateral section was drilled at a 53 degree angle instead of a 90 degree angle, hence encountering a much shorter section of the Frontier formation than was intended. Despite the error, a production spike of 35 mmcfepd was observed in the well during the drilling process. Similar to the Sims 16-26 well, the well was not commercial. Apparently, drilling mud also entered the reservoir, impairing the deliverability of the well.

POST RTA WELL RESULTS AND STATUS

The Sims 15-26H Well - The Sims 15-26H well was drilled to a vertical depth of about 11,500 feet with a horizontal lateral extending 1,165 feet into the Frontier formation. A production rate of 20 mmcfepd was observed in the well during the drilling process. During a 50 day well test, the well flowed at an average rate of about 4.1 mmcfepd, but was constrained during part of the test. Like the wells that were drilled before it, the Sims 15-26H encountered high reservoir pressures and unstable geologic conditions. Due to the challenging drilling environment, the horizontal lateral section was extended only 1,165 feet and not 2,000 feet as originally intended. Despite the shorter horizontal completion, the well was viewed a technological achievement, as it was the first well construction that was completed, nearly as planned, without impairing the permeability of the reservoir. To RTA's credit, the drilling feat was accomplished by allowing the well to sustain a positive reservoir pressure, which prevented the mud from entering the formation. In previous wells, the weight of the drilling mud exceeded the reservoir pressure, allowing mud to enter the reservoir. At last report on May 8, 2008, production rates from the Sims 15-26H well had stabilized at a production rate of 1.5-2.0 mmcfepd of natural gas and 40-50 bopd of high gravity oil. Ryder Scott estimates reserves of about 3.0 bcfe for this well.

The Hageman 16-34HR Well - RTA finished drilling the Hageman 16-34R in early January 2007. The well was completed as a tri-lateral with a cumulative horizontal lateral section totaling about 5,200 feet in the Frontier formation. Like previous wells, high pressures and oil and gas production flow rates were observed in the well during drilling. However, at last report on May 8, 2008, the well was exhibiting low reservoir pressures and production flow rates. As a result, the well was shut in to allow pressures to build and determine if the reservoir's permeability was impaired by drilling mud. Ryder Scott estimates reserves of about ~3.0 bcfe for this well.

The Wallis 6-23 Well - The Wallis 6-23 well is a vertical well drilled to a depth of ~13,000 feet. The well is designed to test the many stacked formations that exist in the Fetter field, including the Steel formation (~9,000-10,800 feet), the Niobrara formation (~10,800-11,500 feet), the Frontier formation (~11,500-12,000 feet), the Mowry Shale (~12,300-12,600 feet) and the Dakota Sand (~12,600-12,800 feet). To date, the Dakota, Mowry and Frontier formations have been perforated and frac'd, but so far only the Dakota and Mowry have been production tested. Ryder Scott estimates that the Mowry and Dakota formations contain about ~2.0 bcfe of reserves. An extended production test is scheduled to commence in the Frontier formation by the end of May/early June 2008, but the schedule is somewhat contingent on the availability of gas pipeline and processing capacity.

WEST DOUGLAS FIELD

After extending the Sims 15-26H well in the Fetter Field to a depth of 15,000 feet, to evaluate the potential of the Dakota Sand and Mowry Shale formations, RTA exercised its option to farm-in to the West Douglas Field acreage. Under the agreement, RTA will sponsor AEZ on the first vertical well and receive a 50% working interest in the field. AEZ retains a 45% working interest in the 40,000 acres that comprise the field.

The State Deep 7-16 Well - The State Deep 7-16 well was recently drilled to a depth of 14,255 feet, and completion operations are currently underway. In the last operational update on May 8, 2008, the company was completing the Niobrara formation. Test results in some of the deeper formations yielded minor quantities of oil and natural gas. Once the Niobrara formation is completed and tested, AEZ and RTA will make a final determination on which formations will be commingled and put on production.

RESERVE ESTIMATES/ECONOMICS FOR FETTER WELLS AND DOUGLAS PROJECT

On February 21, AEZ released reserve estimates prepared by Ryder Scott on the Hageman 16-34HR well, the Wallis 6-23 well and the Sims 15-26H well. AEZ was carried on these three wells by RTA for an 18% net revenue interest. As shown in the table below, the horizontal wells were estimated to have reserves of about 3.0 bcfe (or ~2.5 bcfe assuming the NGLs are left in the gas stream) and the vertical well (the Wallis 6-23) about 2.0 bcfe (or ~1.5 bcfe assuming the NGLs are left in the gas stream). As indicated earlier, the Ryder Scott's estimate for the Wallis well reflect reserves from the Mowry and Dakota formations, so there is still considerable potential for reserve additions from the Frontier and other shallower formations. The cost of the Hageman, Sims and Wallis wells were not disclosed, but the company estimates the future cost to drill a horizontal well at about \$8-\$9 million and the future cost to drill a vertical well at about \$4-\$5 million. Based on estimated cost and reserve data, it appears that a vertical well program at Fetter is the most economic option.

Reserve Estimates for Wells in the Fetter Field (American/RTA JV)					
Well Results	Natural Gas (mmcfe)	Oil (mbbl)	NGLs (bbl)	w/ NGLs Equiv. (mmcfe)	w/o NGLs Equiv. (mmcfe)
Hageman 16-34HR	1,805	89	97	2,924	2,342
Wallis 6-23	1,221	61	67	1,989	1,587
Sims 15-26H	2,095	95	95	3,230	2,663
Source: Company Reports and CKCC Research					

KREJCI PROJECT – MOWRY OIL

The Krejci Project consists of 116,000 acres in the Powder River Basin of Wyoming. AEZ owns a 45% working interest in about 111,000 net acres in the field through a joint venture with Brigham Exploration, the operator of the project. Thus far, Brigham has drilled four wells in the field with mixed results. The first well was drilled to a vertical depth of about 7,500 feet with 1,600 foot horizontal lateral completed in the Mowry Shale formation. The well flowed at rates of as high as 250 boepd from a 200 foot open hole section. However, when the well was fracture stimulated the most productive zone of the well collapsed and the production rate dropped to about 35 boepd, which is not sufficient to be considered commercial. The next three wells were drilled consecutively

without changing the well design, and results were less impressive. After redesigning the well completion, Brigham drilled a fifth well, the Krejci Family Trust 32-1H, which is currently being tested. The alterations in the well design included reorienting the lateral completion to optimize the intersection of the borehole with natural fractures of the rock, changing the fracture and drilling fluid, and using swell packers to implement a targeted fracture stimulation. If the well is successful and the results are repeatable, it could translate into hundreds of well locations for AEZ.

GOLIATH PROJECT – ND BAKKEN/WINNIPEG AND RED RIVER

The Goliath Project comprises 80,000 gross acres in Williams County, North Dakota, on the western side of the Nessen Anticline. AEZ has a 50% working interest on 64,000 net acres in the project area. AEZ purchased this acreage with the intent of targeting the Bakken Shale play. The company drilled the Champion 128 well to test the Bakken formation, and the well was deemed non-commercial only producing at an initial rate of about 30 boepd. More recently, AEZ participated in a well drilled by Whiting Petroleum, which was an offset well to a discovery made by Whiting on an adjacent block. While originally viewed a secondary target, the Solberg 32-2 offset well was a commercial success, coming on at a very attractive IP rate of 750 boepd. The reserves from the Solberg well were relatively minor to AEZ, given its small interest (11.9% w.i., 9% n.r.i.). However, the discovery bodes well for future drilling prospects on the acreage. The Red River targets are structural in nature, so it's likely not appropriate to estimate the number of locations that could be prospective based "acreage math" (i.e. acreage size and well spacing). Whiting Petroleum indicates that a Red River well costs about \$2.7-\$3.5 million to drill and complete and has an average EUR of about 450,000 boe. AEZ plans to participate in two Red River wells in 2008.

VALUATION

We estimate an NAV range of \$5.71-\$6.03 for AEZ shares. Our NAV/share estimate for proved assets is \$1.98 to \$2.30 and accounts for about 36% of the total NAV at the mid point of the range. Our proved NAV includes a valuation of proved reserves and acreage, adjusted for balance sheet items. Reserves bookings are minimal and most of the proved NAV is comprised of acreage value. We value the company's net revenue interest in 100,000 net acres in West Douglas, Krejci and Goliath projects at an average of about \$700-\$850/acre.

Our NAV/share estimate for potential reserves of ~\$3.75 reflects our risk adjusted asset value for the Fetter Field, and accounts for 64% of total NAV. Our NAV/share for the risked adjusted upside reserve potential reflects an assumption of a 20% risk factor for ~700 bcfe of unrisks reserve potential. On an unrisks basis, we assume that the company has a 56% net revenue interest in ~630 potential drilling locations and with an EUR/well of 2.0 bcfe. The EUR/well of 2.0 bcfe reflects Ryder Scott's estimate of reserves from the Dakota and Mowry formations in the Wallis well. However, the estimate excludes any reserves from the completion of shallower formations, including the Frontier formation which is the most productive reservoir in the play based on gas shows from test wells. We think reserve additions from the completion of the Frontier formation in the vertical wells could be significant to the economics of the projects and our NAV.

										Diluted Per Share	
	Unrisked (bcfe)	% Gas	% PD	RF	Risked (bcfe)	Unit Value (\$/mcf)		Asset Value (\$ MM)		Low	High
						Low	High	Low	High	Low	High
Proved Reserves (12/31/07)											
Fetter Field	2.1	59%	100%	100%	2.1	\$4.00	\$4.00	8.6	8.6	\$0.18	\$0.18
					N.R.I. Acres	Unit Value (\$/acre)		Asset Value (\$ MM)		Diluted Per Share	
						Low	High	Low	High	Low	High
Undeveloped Acreage											
West Douglas					18,000	1,000	1,200	18.0	21.6	\$0.38	\$0.46
Krejci Project					49,950	400	500	20.0	25.0	\$0.42	\$0.53
Goliath Prospect					32,000	1,000	1,200	32.0	38.4	\$0.68	\$0.81
					99,950	700	850	70.0	85.0	\$1.48	\$1.80
Balance Sheet Adjustments								Asset Value (\$ MM)		Diluted Per Share	
								Low	High	Low	High
Cash balance at (9/30/07)								15.0	15.0	\$0.32	\$0.32
NAV Proved Reserves & Acreage								93.6	108.6	\$1.98	\$2.30
Source: Company Reports and CKCC Research											
Potential Reserves	Unrisked (bcfe)	% Gas	PD	RF	Risked (bcfe)	Unit Value (\$/mcf)		Asset Value (\$ MM)		Diluted Per Share	
						Low	High	Low	High	Low	High
Fetter	704	77%	0%	20%	141	\$1.25	\$1.25	176.0	176.0	\$3.73	\$3.73
NAV Proved Reserves & Acreage								269.5	284.5	\$5.71	\$6.03

EARNINGS OUTLOOK

We are forecasting "clean EPS" (adjusted for non recurring items) to grow from a loss of \$0.10 in 2007 to a loss of \$0.02 in 2008 and then to a profit of \$0.06 in 2009. 2008 is a pivotal year for AEZ, as the company turns from exploration to development in the Fetter Field. The exploration phase was focusing on determining the most suitable well construction to be used to develop the field. At least in the near-term, the vertical multizone completion of the Wallis 6-23 well appears to be the most economic and have the least complications. The commencement of the development phase includes a plan to drill 6-8 vertical wells in the Fetter Field over the next twelve months. Our forecast for EPS growth is driven by the increase in production (198% in 2008 and 133% in 2009) and decrease in unit costs, resulting in operating cost rising less rapidly than production. Note that there is still significant uncertainty surrounding these estimates with regards to well production rates and timing of wells. We expect the company will also grapple with limited gathering and processing capacity and the curtailment of some production from new wells at least through the end of 3Q08.

CASH FLOW OUTLOOK

We are forecasting cash flow per share to grow from negative \$0.03 in 2007 to positive \$0.05 in 2008 and then to \$0.24 in 2009, driven by higher production and lower unit costs. Total cash flow is expected to be \$2.7 million in 2008 and \$11.7 million in 2009. The company's capital budget for 2009 is \$19 million, which includes \$15 million for drilling and well completion (mainly in the Fetter Field) and \$4.0 million for lease acquisitions. The majority of the 2008 budget will be financed from working capital (marketable securities and cash), which was a positive balance of \$15 million at March 31, 2008. In 2009, we estimate a portion of the budget will be financed from long-term debt of ~\$6.5 million. Although the company has not secured a bank facility from which to borrow these funds, we think reserve additions from wells drilled in 2008 would provide some asset coverage. Given the level of uncertainty surrounding our estimates, we do not emphasize the 2009 funding shortfall, as it will be greatly influenced by drilling results which are difficult to estimate at this time.

BALANCE SHEET

AEZ has a relatively simple corporate structure, which at March 31, 2008 included:

- 138,000 preferred shares, convertible into 1,242,000 common shares at a conversion rate of \$6.00/share. The preferred shares automatically convert to common shares on July 22, 2008. These shares are reflected in our NAV, income and cash flow as if they've been converted;
- \$8.6 million of short-term notes payable, to be paid from short-term investments by September 30, 2008;
- \$17.4 million of AAA-rated auction rate preferred shares (ARPS), which due to market credit issues could not readily be liquidated in the primary auction market due to a lack of buyers; and
- \$8.8 million in cash.

CONCLUSION

AEZ is an early stage oil and gas explorer in three high profile projects in the Rocky Mountains. The upside potential of any of these project could be substantial, if successful, and drive the share price well above current levels and our price target. The Fetter Project is the most advanced of the three early stage projects and in our opinion, has the greatest promise of success. We think AEZ shares offer an attractive risk/reward tradeoff, albeit a speculative investment.

CATALYSTS

- Well results from the Fetter Field Wallis 6-23 well - Results from this well are expected to be released in late June/early July. Results from this well are expected to provide information that will help confirm Ryder Scott's estimate of reserves from the Dakota and Mowry formations and affirm our view that the Frontier formation could add significant reserves to the well.
- Repeatable and Successful Drilling Results will Reduce Perception of Risk – AEZ plans to drill 6-8 wells at Fetter over the next 12 months. Repeatable successful results would go help validate the acreage, reduce investors perception of risk and earn the company greater credit by the market for potential reserves.
- Well results from the Mowry well at Krejci - Brigham Exploration is currently testing the new well design in the Krejci project area. This well should help determine if the swell packer system used to improve oil recovery in the Bakken could also be used to improve oil recoveries at Krejci. If the technology is successful at Krejci, it could translate into hundreds of drilling locations for AEZ. Test results are expected to be released in the next few weeks.

American Oil & Gas, Inc. Earnings Forecast								
	2006 A	2007 A	Q1 - 08 A	Q2 - 08 E	Q3 - 08 E	Q4 - 08 E	2008 E	2009 E
REVENUES								
Oil and gas revenue	\$ 2,257	\$ 1,957	\$ 508	\$ 1,538	\$ 2,088	\$ 3,631	\$ 7,765	\$ 17,380
Other	\$ 1,530	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 3,787	\$ 1,969	\$ 508	\$ 1,538	\$ 2,088	\$ 3,631	\$ 7,765	\$ 17,380
COST AND EXPENSES								
Lease operating costs	\$ 69	\$ 180	\$ 646	\$ 255	\$ 387	\$ 498	\$ 578	\$ 653
G&A expense:								
Direct G&A	\$ 2,487	\$ 3,216	\$ 1,123	\$ 750	\$ 750	\$ 750	\$ 3,373	\$ 3,000
Stock-based G&A	\$ 1,522	\$ 1,092	\$ 267	\$ -	\$ -	\$ -	\$ 267	\$ -
Total G&A expense	\$ 4,009	\$ 4,308	\$ 1,390	\$ 750	\$ 750	\$ 750	\$ 3,640	\$ 3,000
DD&A expense	\$ 1,153	\$ 1,267	\$ 354	\$ 542	\$ 929	\$ 1,387	\$ 3,211	\$ 7,087
Accretion Expense	\$ 11	\$ 24	\$ 8	\$ 26	\$ 44	\$ 66	\$ 144	\$ 272
Other/Impairment	\$ 4,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 9,824	\$ 6,245	\$ 2,007	\$ 1,704	\$ 2,221	\$ 2,781	\$ 8,712	\$ 12,759
Operating Income	\$ (6,037)	\$ (4,276)	\$ (1,499)	\$ (166)	\$ (133)	\$ 850	\$ (947)	\$ 4,622
OTHER INCOME AND EXPENSE								
Gain on sale of oil and gas properties	\$ 7,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on sale of securities	\$ -	\$ (15)	\$ (331)	\$ -	\$ -	\$ -	\$ (331)	\$ -
Impairment of securities investment	\$ -	\$ (952)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense	\$ -	\$ (6)	\$ (24)	\$ (146)	\$ (146)	\$ -	\$ (316)	\$ (302)
Investment income	\$ 393	\$ 1,021	\$ 224	\$ 95	\$ 59	\$ 24	\$ 402	\$ 6
Total	\$ 7,552	\$ 48	\$ (131)	\$ (51)	\$ (87)	\$ 24	\$ (245)	\$ (296)
Income b/ taxes	\$ 1,515	\$ (4,228)	\$ (1,629)	\$ (217)	\$ (220)	\$ 874	\$ (1,192)	\$ 4,325
Income tax expense	\$ 303.7	\$ (1,485.0)	\$ (458.0)	\$ (76.0)	\$ (76.9)	\$ 305.8	\$ (305.0)	\$ 1,513.9
Effective tax rate	20%	35%	28%	35%	35%	35%	26%	35%
% Deferred	100%	100%	100%	100%	100%	100%	100%	100%
Net income	\$ 1,211	\$ (2,743)	\$ (1,171)	\$ (141)	\$ (143)	\$ 568	\$ (887)	\$ 2,812
Preferred Dividend	\$ (1,080)	\$ (603)	\$ (149)	\$ (149)	\$ -	\$ -	\$ (298)	\$ -
Net income to shareholders	\$ 131	\$ (3,796)	\$ (1,320)	\$ (290)	\$ (143)	\$ 568	\$ (1,185)	\$ 2,812
Clean Earnings to shareholders	\$ (890)	\$ (4,314)	\$ (891)	\$ (290)	\$ (143)	\$ 568	\$ (741)	\$ 2,812
Reported EPS (diluted)	\$ 0.00	\$ (0.09)	\$ (0.03)	\$ (0.01)	\$ (0.00)	\$ 0.01	\$ (0.03)	\$ 0.06
Clean EPS (diluted)	\$ (0.02)	\$ (0.10)	\$ (0.02)	\$ (0.01)	\$ (0.00)	\$ 0.01	\$ (0.02)	\$ 0.06
Common shares outstanding	37,429	44,384	46,478	46,478	47,700	47,700	47,093	47,700
Diluted shares outstanding	38,142	44,384	46,478	46,478	47,700	47,700	47,093	47,700
American Oil & Gas, Inc. Cash Flow Forecast								
	2006 A	2007 A	Q1 - 08 A	Q2 - 08 E	Q3 - 08 E	Q4 - 08 E	2008 E	2009 E
DISCRETIONARY CASH FLOW								
Net income (loss)	\$ 1,211	\$ (2,743)	\$ (1,171)	\$ (141)	\$ (143)	\$ 568	\$ (887)	\$ 2,812
Share-based compensation expenses	\$ 1,522	\$ 1,092	\$ 267	\$ -	\$ -	\$ -	\$ 267	\$ -
Depletion, depreciation and amortization	\$ 1,153	\$ 1,267	\$ 354	\$ 542	\$ 929	\$ 1,387	\$ 3,211	\$ 7,087
Accretion of asset retirement obligations	\$ 11	\$ 24	\$ 8	\$ 26	\$ 44	\$ 66	\$ 144	\$ 272
Deferred income taxes	\$ 304	\$ (1,485)	\$ (458)	\$ (76)	\$ (77)	\$ 306	\$ (305)	\$ 1,514
Preferred dividend	\$ (1,080)	\$ (603)	\$ (149)	\$ (149)	\$ -	\$ -	\$ (298)	\$ -
Other	\$ (4,329)	\$ 967	\$ 331	\$ -	\$ -	\$ -	\$ 331	\$ -
Discretionary Cash Flow	\$ (1,208)	\$ (1,482)	\$ (819)	\$ 201	\$ 753	\$ 2,327	\$ 2,462	\$ 11,685
DCF per Share	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ 0.00	\$ 0.02	\$ 0.05	\$ 0.05	\$ 0.24
EBITDA	\$ 1,009	\$ (1,894)	\$ (870)	\$ 401	\$ 840	\$ 2,303	\$ 2,675	\$ 11,981
EBITDA per Share	\$ 0.03	\$ (0.04)	\$ (0.02)	\$ 0.01	\$ 0.02	\$ 0.05	\$ 0.06	\$ 0.25
Capital Budget (estimated)			\$ -	\$ 4,219	\$ 6,300	\$ 6,300	\$ 16,819	\$ 18,900
Funding Shortfall (To Be Funded with Cash from WC or Debt)			\$ (819)	\$ (4,017)	\$ (5,547)	\$ (3,973)	\$ (14,357)	\$ (7,215)
Working Capital Surplus (Deficit)								
Beginning Period			\$ 19,965	\$ 14,700	\$ 10,683	\$ 5,136	\$ 19,965	\$ 1,163
End Period		\$ 19,965	\$ 14,700	\$ 10,683	\$ 5,136	\$ 1,163	\$ 1,163	\$ 494
LT Debt Balance								
Beginning Period			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
End Period		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,547
	2006 A	2007 A	Q1 - 08 A	Q2 - 08 E	Q3 - 08 E	Q4 - 08 E	2008 E	2009 E
UNIT ECONOMICS (\$/boe)								
Net Oil and Gas Revenue	\$ 8.83	\$ 8.05	\$ 10.72	\$ 11.93	\$ 9.44	\$ 11.00	\$ 10.67	\$ 10.30
Lease operating expense	\$ 1.14	\$ 2.66	\$ 5.38	\$ 3.00	\$ 2.25	\$ 1.75	\$ 2.36	\$ 1.42
Cash G&A expense	\$ 9.73	\$ 13.23	\$ 23.71	\$ 5.82	\$ 3.39	\$ 2.27	\$ 4.64	\$ 1.78
DD&A expense	\$ 4.51	\$ 5.21	\$ 7.46	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.41	\$ 4.20
Accretion expense	\$ 0.04	\$ 0.10	\$ 0.17	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.16
PRODUCTION								
Natural gas (mcfpd)	132	382	321	948	1,810	2,843	1,485	3,761
% growth	-19.3%	-6.3%	-21.3%	195.2%	91.0%	57.1%	288.3%	153.3%
Oil (bopd)	95	47	33	78	99	124	84	144
% growth	-56.2%	259.7%	153.0%	135.0%	26.6%	25.8%	77.3%	71.4%
Equiv. (mmcfepd)	700	666	521	1,417	2,404	3,590	1,988	4,623
Equiv. (boepd)	117	111	87	236	401	598	331	771
% growth	-52.1%	36.9%	7.0%	172.1%	69.6%	49.3%	198.4%	132.5%
% oil	81.1%	42.6%	38.3%	33.1%	24.7%	20.8%	25.3%	18.7%
Equiv. (mmcf)	256	243	47	129	221	330	728	1,687
REALIZED COMMODITY PRICES (estimates include hedges)								
Gas (\$/mcf)	\$7.53	\$6.09	\$8.90	\$9.75	\$8.00	\$10.25	\$9.41	\$9.49
Oil (\$/bbl)	\$54.79	\$64.11	\$81.84	\$98.00	\$83.00	\$83.00	\$86.36	\$83.00
Equiv. (\$/mcf)	\$8.83	\$8.05	\$10.72	\$11.93	\$9.44	\$11.00	\$10.67	\$10.30
*Financial Data in \$Thousands Except for Per Share Amounts and Unit Costs and Prices								
*Cash Flow is defined as Net Income, DD&A, Non-Cash Charges, & Deferred Taxes								

IMPORTANT DISCLOSURE ON PAGES 11 & 12

18300 Von Karman Avenue, Suite 700 ■ Irvine, California 92612 ■ (949) 477-9300 ■ Fax (949) 477-9211

■ E-Mail: research@ckcooper.com ■

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Research rating percentages are representative of the percentage of each specific rating category (BUY, SELL, HOLD) assigned to each Company within the peer group. Within those categories, companies either currently or prior engaged in investment banking activities with C. K. Cooper & Company are identified based on their specific rating as percentage of each rating category.

Ratings Distribution vs. Investment Banking Clients*					
Research Coverage			Investment Banking Clients		
Rating	Issues	% By Rating	Issues	% of Issues	% by Rating
Buy	16	89%	6	100%	38%
Hold	2	11%	0	0%	0%
Sell	0	0%	0	0%	0%
Total	18	100%	6	100%	

* An issuer that has compensated C. K. Cooper & Company for investment banking services in the past 12 months is considered an Investment Banking Client.

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The following table documents the date of each report published by C. K. Cooper & Company related to this issue, the closing price of such date, the related goal price as published in the report and the related rating as determined by the analyst. This table only reflects such information for a period of three years since the date of this report.

Rating and Price Target History				
Date	Closing Price	Target Price	Rating	
5/30/2008	\$ 3.73	\$ 6.00	BUY	