

AMERICAN OIL & GAS, INC. (AEZ)

1Q08 Generally in Line with Our Estimates, Most Fetter 2008 Drilling Activity to be Vertical – Reiterating **BUY** Rating

COMPANY & MARKET DATA

Price	\$3.19
Price Target, Excl Dividends (YE08)	\$8.50
52 - Week Range	\$2.75-\$7.74
Mkt. Capitalization (mm)	\$159
Enterprise Value (mm)	\$139
FD Shares Outstanding (mm)	54
Avg. Daily Trading Vol. (000)	178
Book Value per Share (1Q08A)	\$1.81
Dividend (FY08E) / Yield	\$0.00 0.0%

ESTIMATES

	FY2006A	FY2007A	FY2008E
Revenue (mm)	\$3.8	\$2.0	\$4.6
1Q EPS	\$0.06	(\$0.02)	(\$0.02)A
2Q EPS	\$0.04	(\$0.02)	(\$0.02)
3Q EPS	(\$0.04)	(\$0.01)	(\$0.02)
4Q EPS	(\$0.06)	(\$0.04)	(\$0.02)
EPS	\$0.00	(\$0.09)	(\$0.10)
Prior EPS		(\$0.06)	(\$0.02)
Consensus EPS		(\$0.05)	\$0.04
P/E	NMF	NA	NA
EV/EBITDA	NA	NA	NA
P/DCFPS	NA	NA	NA

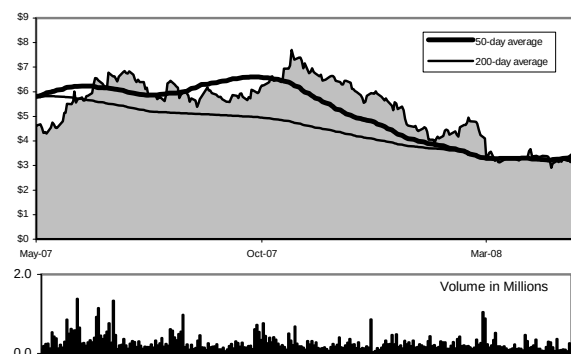


Chart data: Bloomberg

Highlights

We maintain our BUY rating on AEZ shares and our \$8.50 price target. The Company released its 1Q08 earnings and 10-Q yesterday. Only a few new details were included:

- **AEZ sees verticals as the way to go, for now** – The Company indicates that it has indeed come to the conclusion that vertical well economics may be more attractive at Fetter for the near term, due to their lower cost and complexity than horizontals.
- **Last week AEZ announced that it had secured a 12-month rig contract**, in partnership with RTA and AEZ affiliate North Finn. AEZ has previously indicated that it planned to drill 3 – 6 wells in 2008 at Fetter, with \$11 - \$12 million net capital requirements.
- **Earnings of a (\$0.02) loss per share met consensus** and were a penny better than our (\$0.03) forecast, with slightly less production than we expected offset by much stronger realized pricing.

Where the story stands – With the spudding of the newest Fetter well, the Company should make progress on getting more drilling results, particularly to demonstrate the repeatability of the play. By our estimates, the Company has sufficient capital to carry out its 2008 drilling plans and cover the basics (G&A). With its large acreage position (220,000 net), the vast majority of which is undeveloped, we see the Company as having many options, such as additional partnerships, in addition to its main Fetter drilling program. Other potential catalysts could include activity by other operators near AEZ's plays, most prominently in the Bakken.

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Disclosures and Analyst Certifications can be found in Appendix A.

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Investment Conclusion

Reiterating BUY Rating and \$8.50 Price Target

We reiterate our **BUY** rating on AEZ shares and our \$8.50 price target. AEZ filed its 10-Q last night, and had a few incremental bits of information beyond last week's Douglas/Fetter operations update. As has been the case over the past six months or so, progress with the drillbit is likely to be the main driver for the stock. AEZ and its partners have newly secured a drilling rig for a 1-year contract, consistent with AEZ's plan to drill 3-6 wells at Fetter this year. If the rig performs satisfactorily, we believe the lock-in may prove to be a good move, as we expect rigs could become increasingly scarce in the Rockies if commodity prices remain strong this year in historic terms. In addition, AEZ disclosed that it has concluded that vertical wells will be its main focus for the year at Fetter, which we would applaud, particularly if it helps demonstrate repeatability of the play.

The big picture, strategically – Our guess is that things are headed toward either more of a focus on production growth (and less on proceeding up the steepest part of the Fetter engineering learning curve), or toward a more concentrated focus on whichever set of properties AEZ deems most promising as it evaluates its 2008 activity throughout the year. While progress at Fetter has been slower than we would like, we consider the AEZ value proposition to remain intact, particularly in terms of its risked net asset value potential.

Liquidity and capex – Slower progress also translates into slower spending, and AEZ in 1Q spent less than half what we expected on capex at \$2.0 million vs. our \$4.8 million estimate. The Company has no long term debt, and had cash and equivalents of \$26 million on the balance sheet at 3/31/08. We estimate that capex plus cash G&A for 2008 will amount to about \$24 million. We believe the Company has little interest in raising equity at current stock levels, which could prove significantly dilutive. (Also see "Cash Update" section below.)

Big acreage position adds some flexibility – If the Company desired additional cash to move forward more aggressively with any of its projects, we believe it would have a variety of options, including perhaps divesting some of its sizable undeveloped acreage position which AEZ grew by about 20% (38,000 net) during 2007 to almost 220,000 net acres. In our opinion, at the Company's current drilling pace and capital-conserving farm-out strategy, it enjoys a deep acreage portfolio, particularly for a company its size. While we have no sense of management's specific plans, we could envision the Company choosing to tie up less capital on acreage and instead concentrate its focus on a subset of its properties that present the most attractive near-term drilling opportunities. Similarly, with strong industry activity currently, particularly in the Bakken (56 rigs running), as well as in the Powder River Basin, new partnership opportunities on its acreage position are also an option.

Property Updates

Douglas / Fetter

Looking Ahead

AEZ sees verticals as the way to go, for now – AEZ indicates that it has indeed come to a conclusion it has been hinting at for some time, namely that vertical well economics may be more attractive at Fetter, due to their lower cost and complexity than horizontals. Last week AEZ announced that it had secured a 12-month rig contract, in partnership with AEZ's operating partner, Red Technology Alliance (RTA), and AEZ affiliate North Finn. In yesterday's filings, AEZ did not disclose any updates to its past assumptions of how many wells it will drill, but it had previously indicated it would drill 3 – 6 wells in 2008 at Fetter, with \$11 - \$12 million net capital requirements.

New Hageman well has spud – The Hageman 11-22 well at Fetter recently began drilling, with a planned TD of 13,000'. The intention is to commingle production from multiple zones. If successful, this will be AEZ's fourth Fetter well, and its second vertical.

Wells in Progress

Hageman 16-34HR – AEZ reports that the first Hageman well has had pressure problems, and is online but flowing at puzzlingly low rates, given strong gas shows during drilling. The Company and its partners are investigating whether the completion of the well somehow went wrong.

The Wallis 16-23, the first Fetter vertical well, continues to test the Frontier formation, having completed the deeper Dakota and Mowry tests. AEZ is planning for the construction of a pipeline extension to connect the well to sales.

The State Deep 7-16 vertical well at West Douglas is testing the Niobrara formation, having previously completed the deeper Dakota, Mowry and Frontier. AEZ plans an extended production test of the commingled zones.

Sims 15-26H – Infrastructure permitting, the original Fetter success, the Sims 15-26H, continues to flow both gas and condensate steadily at a 1.7-2.3 mmcf/d rate, which is good news. Apparently, however, third-party infrastructure limitations do still continue to impact the well. While frustrating, we consider the infrastructure issues at this time to primarily be growing pains resulting from increased industry activity in the area.

Goliath

The Solberg 32-2 well (11.9% WI, 9.5% NRI) continues to await the startup of operator Whiting's (WLL-\$79.09-NR) sour gas processing plant. Current thinking is that AEZ and an operating partner (we assume Evertson, the operator of the first Bakken well, and an interest owner) will drill another Red River test based on last year's 3-D seismic shoot, sometime during 3Q08.

Bakken activity – AEZ also observes that current industry Bakken drilling activity, which is extensive with about 56 rigs operating currently, is pursuing quite different drilling and completion practices from the ones AEZ used in its 2006 Bakken well, the Champion 1-25H, which was not considered economic. AEZ anticipates applying the industry consensus methods in its future drilling to the middle Bakken at Goliath.

Partnerships – We believe the Company continues to mull additional Bakken partnerships with other operators who are investing more aggressively in the play this year. We envision that the Company would form farmout arrangements with other operators to enable test drilling on AEZ's 49,000 net (131,000 gross) acreage position at Goliath, which is located in Williams and Dunn counties in North Dakota.

Krejci

Operating partner Brigham Exploration (BEXP-\$10.48-NR) announced last week that the fifth Krejci well has been fraced, and is testing.

Other Items

Infrastructure issues – As previously discussed, infrastructure in 1Q08 was a headache. Fetter third-party infrastructure issues slowed progress during the quarter, and the Goliath-area sour gas processing plant being built by a AEZ partner continued to see delays. While frustrating, these are largely beyond the Company's control and represent growing pains in the region as industry activity continues to ramp up.

Valuation and Financials

Valuation

Net asset value – Our price target is equal to our risked net asset value calculation, which arrives at approximately an \$8.50 per share value for AEZ. Our model uses what we believe to be modest per-well expectations: at Fetter, we have so far assumed EURs of only 2.2 bcfe per horizontal well. The previously disclosed 10 mmcfe/d test rate in the first month at the Sims 15-26H, and the 4 mmcfe/d of the 50-day rate, suggests that at least some wells in the play could have considerably higher EURs than our 2.2 bcfe or the 2.9+ bcfe engineered so far from the Sims and Hageman wells.

Pricing upside potential – In addition, our RNAV is based on long term commodity price assumptions of \$6.00/mmbtu and \$48/bbl crude. If the current 36-month strip prices of \$10.66/mmbtu and \$120.75/bbl prove accurate, our calculations could prove conservative.

The Quarter

AEZ has little current production, so we do not believe the shares trade based on near-term cash flow, but rather on perception of long-term asset value. For 1Q08, clean EPS were a loss of (\$0.02), a penny better than our (\$0.03)

estimate and in line with consensus of (\$0.02). DCFPS were also (\$0.02) vs. our (\$0.03) estimate and consensus of (\$0.01). AEZ production was 0.521 mmcfe/d in the quarter, which was less than our 0.671 forecast, but realized pricing of \$10.72/mmcfe was stronger than our \$7.03 estimate, likely due to liquids content.

Cash Update

Cash parked in auction rate assets appears to be further getting freed up. Out of AEZ's \$17.25 million in the securities, issuers have announced the redemption of \$8.25 million by June 30, AEZ expects another \$4.35 million will be redeemed by June 30, and the remaining \$4.65 million by September 30.

Primary Risks

We are quick to remind investors that AEZ is still a very early-stage company, and that there is no guarantee that the next well drilled in any of its plays will give results so conclusive that they will significantly clarify the aggregate play's value.

The primary risks of an investment in AEZ shares include (but are not limited to) the following: like any E&P, weakening commodity pricing is a significant risk factor; other risk factors include poor drilling results; difficulty in controlling service costs or in securing service and/or infrastructure availability; difficulty in marketing crude oil and natural gas produced; the possibility of dilution from future offerings of equity; and, further difficulty in converting short-term investments such as auction-rate securities into cash. See Appendix A for additional risk factors.

Table 1: AEZ – Financial Summary

	2003	2004	2005	2006	2007	2008E
FINANCIAL SUMMARY						
EPS	(\$0.03)	(\$0.02)	\$0.02	\$0.00	(\$0.09)	(\$0.10)
P/E ratio	-92.6	-161.0	201.4	1,112.4	-37.3	-33.6
EBITDAPS	(\$0.03)	(\$0.01)	\$0.07	(\$0.13)	(\$0.07)	(\$0.06)
P/EBITDAPS	(99.2)	(287.9)	46.3	(24.7)	(47.0)	(49.2)
Discretionary CFPS	(\$0.02)	\$0.00	\$0.07	(\$0.06)	(\$0.04)	(\$0.05)
P/Discretionary CFPS	(139.0)	773.6	43.7	(57.3)	(73.3)	(61.1)
DPS	0	0	0	0	0	0
Dividend yield	0%	0%	0%	0%	0%	0%
BV PS	\$0.11	\$0.40	\$1.12	\$1.60	\$1.83	\$2.08
P/BV PS	28.6	7.9	2.9	2.0	1.7	1.5
Diluted Shares Out (millions)	24	25	35	38	44	47
Enterprise value (USDmm)	\$54	\$59	\$96	\$110	\$112	\$125
EV/Sales	554.1	79.0	20.5	29.2	56.7	27.1
EV/EBITDA	(70.9)	(211.0)	39.9	(22.6)	(37.1)	(41.3)
EV/EBIT	(67.7)	(124.8)	109.7	(18.3)	(26.1)	(19.5)
INCOME STATEMENT (USDmm)						
Revenues	\$ 0.1	\$ 0.7	\$ 4.7	\$ 3.8	\$ 2.0	\$ 4.6
Daily production (mmcf)	0.1	0.3	1.5	0.7	0.7	1.7
Operating EBITDA	\$ (0.8)	\$ (0.3)	\$ 2.4	\$ (4.9)	\$ (3.0)	\$ (3.0)
Depreciation & Amortization	\$ 0.0	\$ 0.2	\$ 1.5	\$ 1.2	\$ 1.3	\$ 3.4
EBIT	\$ (0.8)	\$ (0.5)	\$ 0.9	\$ (6.0)	\$ (4.3)	\$ (6.4)
Interest expense (income)	\$ -	\$ (0.0)	\$ (0.2)	\$ (0.4)	\$ (1.0)	\$ (0.7)
Income tax expense	\$ -	\$ -	\$ 0.0	\$ 0.3	\$ (1.5)	\$ (2.2)
Net income	\$ (0.8)	\$ (0.5)	\$ 0.6	\$ 0.1	\$ (3.8)	\$ (4.5)
Net income per share	(\$0.03)	(\$0.02)	\$0.02	\$0.00	(\$0.09)	(\$0.10)
CASH FLOW (USDmm)						
Discretionary cash flow	\$ (0.5)	\$ 0.1	\$ 2.6	\$ (2.1)	\$ (1.9)	\$ (2.4)
Capital expenditures	\$ 1.7	\$ 2.9	\$ 14.1	\$ 16.5	\$ 16.2	\$ 19.0
Net change in cash	\$ 1	\$ 4	\$ 1	\$ 10	\$ 5	\$ (13)
Increase (decrease) in net debt	\$ (1)	\$ (4)	\$ (1)	\$ (10)	\$ (5)	\$ 13
Free cash flow	\$ (2)	\$ (3)	\$ (12)	\$ (19)	\$ (18)	\$ (21)
BALANCE SHEET (USDmm)						
Cash and marketable sec	\$ 1.1	\$ 5.3	\$ 6.0	\$ 15.9	\$ 20.7	\$ 7.7
Total assets	\$ 3.1	\$ 9.1	\$ 45.8	\$ 69.1	\$ 88.1	\$ 109.5
Total debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ 0.5	\$ 0.2	\$ 3.4	\$ 7.0	\$ 3.2	\$ 11.3
Shareholders' equity	\$ 2.7	\$ 8.9	\$ 42.3	\$ 62.1	\$ 84.9	\$ 98.2
RATIO ANALYSIS						
Sales growth (%)	NA	662.3%	528.7%	-19.3%	-48.0%	134.9%
Production growth (%)	NA	392.0%	324.3%	-52.1%	-4.9%	156.5%
EBIT/Assets	-25.8%	-5.2%	1.9%	-8.7%	-4.9%	-5.9%
CFO/Assets	-17.5%	1.1%	5.6%	-3.0%	-2.2%	-2.2%
ROA	-26.3%	-5.5%	1.2%	0.2%	-4.3%	-4.1%
ROE	-30.9%	-5.6%	1.3%	0.2%	-4.5%	-4.5%
Total debt/total capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net debt/total capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA/interest expense	NA	8.2	(11.8)	12.4	3.0	4.2

Source: Ladenburg Thalmann & Co., Company reports

Table 2: AEZ – Income Statement

American Oil & Gas, Inc.

in thousands, except per-share amounts



Noel A. Parks, Analyst

	2005A	1Q06A	2Q06A	3Q06A	4Q06A	2006A	1Q07A	2Q07A	3Q07A	4Q07A	2007A	1Q08A	2Q08E	3Q08E	4Q08E	2008E
Production data:																
Gas (mmcf)	60	23	7	11	7	48	27	24	51	38	140	29	29	117	213	388
Oil (mbbls)	79	25	4	2	3	35	4	5	7	1	17	3	3	3	31	40
Gas equivalent (mmcf)	533	173	30	25	28	256	53	51	95	45	243	47	47	133	398	626
Percent gas	11%	13%	23%	44%	26%	19%	51%	47%	54%	84%	57%	62%	62%	88%	54%	62%
y-o-y growth	323.2%					-52.1%					-4.9%					157.2%
Daily gas (mmcf/d)	0.2	0.3	0.1	0.1	0.1	0.1	0.3	0.3	0.6	0.4	0.4	0.3	0.3	1.3	2.3	1.1
Daily oil (mbbls/d)	0.2	0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.3	0.1
Gas equivalent (mmcf/d)	1.5	1.9	0.3	0.3	0.3	0.7	0.6	0.6	1.0	0.5	0.7	0.5	0.5	1.4	4.3	1.7
Realized pricing:																
Gas (/mmcf)	\$7.31	\$8.70	\$7.01	\$6.51	\$5.85	\$7.53	\$6.39	\$5.77	\$5.76	\$6.53	\$6.09	\$8.90	\$6.00	\$5.00	\$5.60	\$5.70
Oil (/bbl)	\$53.89	\$54.96	\$54.64	\$60.97	\$49.46	\$54.79	\$51.39	\$59.40	\$67.18	\$108.87	\$64.11	\$81.84	\$77.50	\$58.50	\$57.50	\$60.96
Gas equivalent price (/mmcf)	\$8.79	\$9.10	\$8.63	\$8.55	\$7.62	\$8.83	\$7.46	\$7.97	\$8.25	\$8.41	\$8.05	\$10.72	\$8.65	\$5.59	\$7.45	\$7.39
Oil equivalent price (/bbl)	\$52.77	\$54.59	\$51.81	\$51.29	\$45.74	\$52.98	\$44.74	\$47.82	\$49.49	\$50.46	\$48.28	\$64.30	\$51.91	\$33.54	\$44.69	\$44.35
Income statement:																
Revenue																
Oil	\$436	\$200	\$47	\$73	\$42	\$362	\$173	\$137	\$296	\$244	\$850	\$260	\$175	\$583	\$1,193	\$2,212
Gas	4,255	1,371	212	144	169	1,895	223	267	485	132	1,107	248	235	161	1,768	2,412
Other	0	0	1,530	0	0	1,530	0	12	0	0	12	0	0	0	0	0
Total Revenue	\$4,691	\$1,571	\$1,789	\$216	\$211	\$3,787	\$396	\$416	\$781	\$376	\$1,969	\$508	\$410	\$745	\$2,962	\$4,624
Expenses																
Lease operating expenses	\$246	\$101	\$65	\$56	\$69	\$291	\$103	\$150	\$214	\$180	\$646	\$255	\$95	\$266	\$795	\$1,411
General and administrative	2,032	1,073	759	964	1,214	4,009	1,133	1,169	970	1,036	4,308	1,390	1,494	1,607	1,727	6,218
DD&A	1,532	565	144	188	256	1,153	284	238	447	298	1,267	354	248	698	2,084	3,384
Asset retirement accretion	6	1	1	7	3	11	5	6	7	6	24	8	8	8	8	32
Impairment	0	0	0	860	3,500	4,360	0	0	0	0	0	0	0	0	0	0
Total expenses	\$3,816	\$1,740	\$968	\$2,075	\$5,042	\$9,824	\$1,526	\$1,562	\$1,637	\$1,519	\$6,245	\$2,007	\$1,846	\$2,579	\$4,615	\$11,046
Operating income	875	(169)	821	(1,858)	(4,831)	(6,037)	(1,130)	(1,146)	(857)	(1,143)	(4,276)	(1,499)	(1,436)	(1,835)	(1,653)	(6,422)
EBITDA	2,407	396	965	(1,671)	(4,575)	(4,884)	(846)	(909)	(409)	(846)	(3,009)	(1,145)	(1,187)	(1,137)	431	(3,038)
Interest expense (income)	(204)	(33)	(138)	(123)	(99)	(393)	(67)	(298)	(368)	(281)	(1,015)	(200)	(243)	(172)	(109)	(725)
Other income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss on extinguishment of debt, sale of sec:	0	0	0	0	0	0	0	0	0	952	952	331	0	0	0	331
Gain on sale of assets	0	4,262	2,898	0	0	7,159	0	108	0	(123)	(15)	0	0	0	0	0
Pre-tax income	1,079	4,126	3,856	(1,735)	(4,732)	1,515	(1,063)	(740)	(488)	(1,937)	(4,228)	(1,629)	(1,192)	(1,663)	(1,544)	(6,028)
Income tax expense	46	1,656	1,624	(474)	(2,503)	304	(353)	(194)	(220)	(718)	(1,485)	(458)	(465)	(648)	(602)	(2,174)
rate	4%	40%	42%	27%	53%	20%	33%	26%	45%	37%	35%	28%	39%	39%	39%	36%
percent deferred	339%	100%	100%	100%	100%	99%	100%	100%	100%	100%	100%	100%	90%	90%	90%	92%
deferred tax dollars	157	1,656	1,624	(474)	(2,503)	304	(353)	(194)	(220)	(718)	(1,485)	(458)	(419)	(584)	(542)	(2,002)
Net income	1,033	2,470	2,232	(1,262)	(2,228)	1,211	(710)	(546)	(268)	(1,219)	(2,743)	(1,171)	(727)	(1,014)	(942)	(3,855)
Less: Preferred stock dividends	(479)	(266)	(269)	(272)	(272)	(1,080)	(155)	(149)	(149)	(599)	(1,053)	(149)	(149)	(149)	(149)	(596)
Net income to common	\$554	\$2,203	\$1,962	(\$1,534)	(\$2,501)	\$131	(\$865)	(\$695)	(\$417)	(\$1,818)	(\$3,796)	(\$1,320)	(\$876)	(\$1,163)	(\$1,091)	(\$4,451)

Table 2: AEZ – Income Statement (continued)

Cash Flow calculation:																
Net income	\$554	\$2,203	\$1,962	(\$1,534)	(\$2,501)	\$131	(\$865)	(\$803)	(\$417)	(\$1,818)	(\$3,796)	(\$1,320)	(\$876)	(\$1,163)	(\$1,091)	(\$4,451)
DD&A	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred taxes	46	1,676	1,624	(474)	(2,503)	324	(353)	(194)	(220)	(718)	(1,485)	(458)	(419)	(584)	(542)	(2,002)
Asset retirement accretion expense	6	1	1	7	3	11	5	6	7	7	25	7	7	7	7	26
Stock compensation expense	0	0	0	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Preferred divs. paid in shares of common	1,532	565	144	188	256	1,153	284	238	447	298	1,267	354	248	698	2,084	3,384
Discretionary cash flow	\$2,552	\$1,286	\$1,193	(\$54)	(\$4,503)	(\$2,078)	(\$601)	(\$582)	\$89	(\$945)	(\$1,931)	(\$821)	(\$1,040)	(\$1,042)	\$458	(\$2,445)
Per share data, reported																
Earnings per share (basic)	0.02	0.06	0.05	(0.04)	(0.06)	0.00	(0.02)	(0.02)	(0.01)	(0.04)	(0.09)	(0.03)	(0.02)	(0.02)	(0.02)	(0.10)
Earnings per share (diluted)	0.02	0.06	0.05	(0.04)	(0.06)	0.00	(0.02)	(0.02)	(0.01)	(0.04)	(0.09)	(0.03)	(0.02)	(0.02)	(0.02)	(0.10)
PER SHARE DATA, recurring																
Per share data, recurring																
Earnings per share (basic)	0.02	0.06	0.05	(0.04)	(0.06)	0.00	(0.02)	(0.02)	(0.01)	(0.04)	(0.09)	(0.03)	(0.02)	(0.02)	(0.02)	(0.10)
Recurring earnings per share (diluted)	0.02	0.06	0.04	(0.04)	(0.06)	0.00	(0.02)	(0.02)	(0.01)	(0.04)	(0.09)	(0.02)	(0.02)	(0.02)	(0.02)	(0.10)
Cash flow per share (basic)																
Cash flow per share (basic)	0.07	0.04	0.03	(0.00)	(0.12)	(0.06)	(0.02)	(0.01)	0.00	(0.02)	(0.04)	(0.02)	(0.02)	(0.02)	0.01	(0.05)
Cash flow per share (diluted)	0.07	0.03	0.03	(0.00)	(0.12)	(0.06)	(0.02)	(0.01)	0.00	(0.02)	(0.04)	(0.02)	(0.02)	(0.02)	0.01	(0.05)
Basic shares outstanding																
Basic shares outstanding	34,148	36,620	36,688	37,050	38,904	37,315	39,908	44,974	46,250	46,403	44,384	46,478	46,711	46,944	47,179	46,828
Diluted shares outstanding (reported)																
Diluted shares outstanding (reported)	34,956	37,536	37,271	37,763	38,904	37,868	39,908	44,974	46,250	46,403	44,384	46,478	46,711	46,944	47,179	46,828
Shares pro forma for dilution	34,956	44,400	44,400	47,000	47,235	45,759	47,558	52,709	53,990	52,753	51,753	54,061	54,331	54,603	54,876	54,468
Per unit data (per mcfe)																
LOE / mcfe																
LOE / mcfe	0.46	0.59	2.15	2.22	2.48	1.14	1.95	2.95	2.26	4.01	2.66	5.38	2.00	2.00	2.00	2.26
DD&A / mcfe																
DD&A / mcfe	2.87	3.27	4.81	7.42	9.26	4.51	5.36	4.69	4.73	6.64	5.21	7.46	5.24	5.24	5.24	5.41
G&A / mcfe																
G&A / mcfe	3.81	6.21	25.29	38.09	43.86	15.68	21.36	23.06	10.24	23.13	17.71	29.34	31.54	12.06	4.34	9.94
Interest / mcfe																
Interest / mcfe	(0.38)	(0.19)	(4.60)	(4.86)	(3.59)	(1.54)	(1.27)	(5.88)	(3.89)	(6.27)	(4.17)	(4.22)	(5.13)	(1.29)	(0.27)	(1.16)
All-in cost / mcfe																
All-in cost / mcfe	6.76	9.88	27.66	42.87	52.01	19.80	27.40	24.81	13.34	27.51	21.41	37.95	33.65	18.01	11.31	16.45
Cash flow / mcfe																
Cash flow / mcfe	4.78	7.45	39.77	(2.15)	(162.70)	(8.13)	(11.33)	(11.48)	0.94	(21.10)	(7.94)	(17.32)	(21.95)	(7.82)	1.15	(3.91)

Source: Ladenburg Thalmann & Co., Company reports

APPENDIX A: IMPORTANT RESEARCH DISCLOSURES

ANALYST CERTIFICATION

I, Noel A. Parks, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

COMPANY BACKGROUND

American Oil & Gas, Inc. (AEZ) is a four-year-old Rocky Mountain emerging oil and gas exploration and production company. Its key projects are in the Powder River Basin of Wyoming and the Williston Basin of North Dakota.

VALUATION METHODOLOGY

We value equities using a multi-faceted approach which includes: net asset value, leading P/CF, leading EV/CF, and sum-of-the-parts valuations.

RISKS

On top of normal economic and market risk factors that impact most all equities, American Oil & Gas, Inc. is uniquely at risk as follows:

- AEZ has little current production, and as such has little current ability to generate cash flow or earnings.
- Poor drilling results, production, operational or permit delays, a decline in commodity prices and difficulty in accessing needed rigs, services or midstream infrastructure.
- Inadequate performance by AEZ's partners and operators in its current projects, which to date are non-operated by AEZ, could negatively impact reserve and production growth.
- Concentration of ownership (officers and insiders own 28%) currently limits the float for the stock.
- Disappointing results from drilling activity; production and operational performance not proceeding according to expectations; negative market reaction to pricing of future acquisitions or asset divestments; and/or lower spot or forward commodity prices.
- Refining and transportation capacity in the Rockies and the volatility in differentials that has been common in recent years may continue, particularly as industry crude oil projects in the Williston and elsewhere in the Rockies ramp up.
- It is possible that leases on the Company's properties may expire and may not be able to be re-leased under terms that are advantageous to AEZ.
- Should the Company successfully prove its nascent plays to be viable, it will likely require additional financing to develop its oil and gas assets. Future offerings of equity could result in dilution to AEZ shareholders.
- The Company could experience difficulty in converting short-term investments such as auction-rate securities into cash.

STOCK RATING DEFINITIONS

Buy: The stock's return is expected to exceed 15% over the next twelve months.

Neutral: The stock's return is expected to be plus or minus 15% over the next twelve months.

Sell: The stock's return is expected to be negative 15% or more over the next twelve months.

Investment Ratings are determined by the ranges described above at the time of initiation of coverage, a change in risk, or a change in target price. At other times, the expected returns may fall outside of these ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review.

RATINGS DISPERSION AND BANKING RELATIONSHIPS

Buy	66%	(12% are banking clients)
Neutral	33%	(6% are banking clients)
Sell	1%	(0% are banking clients)

OTHER COMPANIES MENTIONED/COMPANY SPECIFIC DISCLOSURES:

Brigham Exploration (BEXP-\$10.48-NR) / None

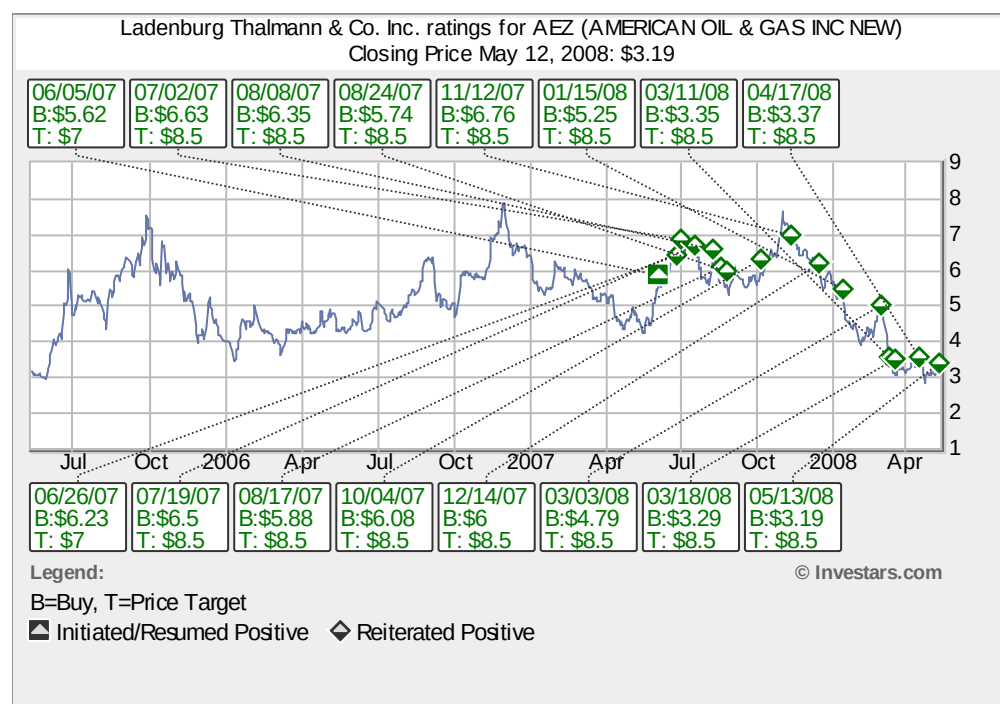
Whiting Petroleum (WLL-\$79.09-NR) / None

COMPANY SPECIFIC DISCLOSURES:

Ladenburg Thalmann & Co. Inc. does not make a market in American Oil & Gas, Inc.

Ladenburg Thalmann & Co. Inc. has not had an investment banking relationship with American Oil & Gas, Inc. in the past 12 months

Neither the Analyst, nor members of the Analyst's household own any securities issued by American Oil & Gas, Inc., or other companies mentioned in this report.

INVESTMENT RATING AND PRICE TARGET HISTORY

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