Zacks Small-Cap Research

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# New Western Energy (NWTR-OTCBB)

## NWTR: Zacks Initiates coverage with an outperform rating

| | |
|---|---|
| **Current Recommendation** | **Outperform** |
| Prior Recommendation | N/A |
| Date of Last Change | 12/07/12 |
| Current Price (12/07/12) | $0.59 |
| **Six- Month Target Price** | **$1.30** |

## OUTLOOK

New Western Energy Corp. is involved in the acquisition, exploration, development and production of oil and gas from properties in the United States.

The company owns the rights to drill on a significant number of properties in Texas, Oklahoma and Kansas. Estimated reserves as of Dec. 31, 2011 were 13.3 million barrels of oil. As of Oct. 30, 2012 acreage under lease was 4,264 on which there were 89 wells.

We are initiating coverage with an Outperform rating and a price target of $1.30

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$0.70** |
| **52-Week Low** | **$0.52** |
| **One-Year Return (%)** | **N/A** |
| **Beta** | **N/A** |
| **Average Daily Volume (sh)** | **5,135** |
| **Shares Outstanding (mil)** | **66.89** |
| **Market Capitalization ($mil)** | **$40** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **N/A** |
| **Insider Ownership (%)** | **61** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/A** |
| **P/E using N4Q Estimate** | **N/A** |
| **P/E using 2013 Estimate** | **N/A** |

| | |
|---|---|
| **Risk Level** | **N/A,** |
| **Type of Stock** | **N/A** |
| **Industry** | **Oil-Us Exp&Prod** |

## ZACKS ESTIMATES

### Revenue
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| **2011** | **$0.00A** | **$0.00A** | **$0.04A** | **$0.04A** | **$0.08A** |
| **2012** | **$0.04A** | **$0.02A** | **$0.02A** | **$0.05E** | **$0.13E** |
| **2013** | **$0.20E** | **$0.25E** | **$0.35E** | **$0.55E** | **$1.35E** |
| **2014** | **$0.85E** | **$1.15E** | **$1.50E** | **$1.70E** | **$5.20E** |

### Earnings per Share
(EPS is operating earnings before non recurring items)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| **2011** | **-$0.01A** | **-$0.05A** | **-$0.06A** | **-$0.11A** | **-$0.22A** |
| **2012** | **$0.00A** | **$0.00A** | **$0.00A** | **$0.00E** | **-$0.01E** |
| **2013** | **$0.00E** | **$0.00E** | **$0.00E** | **$0.00E** | **$0.00E** |
| **2014** | **$0.00E** | **$0.00E** | **$0.01E** | **$0.01E** | **$0.02E** |

| | |
|---|---|
| Zacks Projected EPS Growth Rate - Next 5 Years % | **N/A** |
| N/A | **N/A** |

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## RECENT NEWS

New Western Energy filed its 10Q for the third quarter of 2012 on Nov. 5, 2012. Revenue of $24,000 was above second quarter levels with oil prices within a similar range over the two quarters.

**New Western Energy Corp.**

| | | 1Q12 | 2Q12 | 3Q12 A | 4Q12 E | 2012 E | 1Q13 | 2Q13 | 3Q13 | 4Q13 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year Dec. 31. | | | | | | | | | | |
| Well count at end of quarter. | | | 1 | 2 | 3 | 3 | 12 | 15 | 20 | 25 |
| Operating oil well average. | | 1.0 | 0.5 | 1.5 | 2.5 | 3.0 | 7.5 | 13.5 | 17.5 | 22.5 |
| QLY Output bbl per well | | 354.8 | 325.4 | 173.6 | 222.2 | 444.462 | 200.000 | 200.000 | 220.000 | 250.000 |
| Oil, BBL Equiv | | 354.782 | 162.689 | 260.360 | 555.556 | 1333.387 | 1500.000 | 2700.000 | 3850.000 | 5625.000 |
| | | | | | | | | | | |
| ASP WTI. Spot* | | $102.88 | $93.43 | $92.18 | $90.00 | $94.62 | $90.00 | $90.00 | $85.00 | $85.00 |
| Oil Revenue GROSS | | | | | | | | | | |
| Oil revenue NET | | $36,500 | $15,200 | $24,000 | $50,000 | $125,700.00 | $135,000 | $243,000 | $327,250 | $478,125 |
| * QTLY average price of WTI, Cushing OK | | | | | | | | | | |
| Data is based on net ownership of leases. | | | | | | | | | | |
| Producing well count is based on the average of the preceeding and current well count | | | | | | | | | | |
| All revenue in $ millions | $0.01 | $0.04 | $0.02 | $0.02 | $0.05 | 0.126 | $0.14 | $0.24 | $0.33 | $0.48 |

On Oct. 16, 2012 New Western Energy announced that its subsidiary, Royal Texan Energy, started a major work-over program on Well #1 on its Sam Cannon unit in the 680 acre Moran Lease in Shackelford County, Texas. The work-over is initially focused on the Mississippian production zone at a depth of 3,902 ft. However, a broken tube at 2,500 ft. will have to be removed before the well bore is open and production started.

Well #1 and well #4 on the same property, have together produced over 190 BOPD (**B**arrels of **O**il **p**er **D**ay) in the past, or close to $1.5 million per quarter at current oil prices.

The company completed its drilling program on Swenson #1 oil well on the 160 acre Swenson Lease in Jones County Texas in mid-Sept. 2012. Surrounding leases have been very productive in the past. This well has been a producing well for the company over the past year.

New Western Energy announced on Sept. 17, 2012 that its operating partner on the Glass Lease in Rogers County Oklahoma has completed phase one of a new work-over program. Out of the 14 wells on the property 8 have been plugged to increase oil pressure in the Bartlesville Formation. These 8 wells had not been in use for several years. This work-over will increase oil production from the other 6 wells.

## KEY POINTS

- Coverage has been initiated by Zacks Small Cap. Research.
- Revenue and earnings are expected to show significant growth over the next few years.
- We expect positive earnings in 2013.

## OVERVIEW



The company was incorporated in the State of Nevada on September 25, 2008. The principal executive offices are located at 20 Truman, Suite 204, Irvine, California 92620.Telephone and fax numbers are (949) 435-0977 and (949) 861-3123, respectively. On December 1, 2010 an entity named New Western Texas Oil and Gas Corporation ("NWT") was incorporated in the State of Nevada as a wholly-owned subsidiary. NWT started its operations in January 2011.

Over the years the company has purchased (and sold) a number of properties to build a portfolio of oil and gas leases. The current strategy is to build the business through acquisition and partnerships, adding proven reserves and increasing production through the use of advanced technologies and using existing wells to minimize costs. The properties are outlined below in reverse order of acquisition.

Chautauqua Lease – **Smith Lease**, Chautauqua County, Kansas ("Chautauqua Lease") On **May 11, 2012,** the Company entered into an Assignment of Oil and Gas Lease with a third party for an oil and gas property in Kansas named as "Chautauqua Lease – Charles and Nancy Smith", whereby the assignor(s) granted the rights to the Company to explore and produce oil and gas. This property is adjacent to the **B&W Ranch** lease purchased in **Dec. 2011**. No hydrocarbons have been produced as of Sept. 30, 2012.

On **January 2, 2012**, **RTE** was acquired by New Western Energy pursuant to a Plan and Agreement of Reorganization dated December 1, 2011, in exchange for 1,000,000 shares of common stock and other considerations. RTE was acquired for its lease properties as well as its expertise in developing properties for exploration and production.

As part of the acquisition of RTE New Western Energy acquired a number of leases known as **the Mrs. W.G. Trice, Trice and Methodist Home and Trice Methodist "400"** in Shackelford County, Texas **("Trice Lease").** This lease had been acquired by RTE on April 1, 2010 when they entered into an assignment of oil and gas lease agreement with a Mr. Richard Windham JR, dba Tracker Mineral.

The **Reeves Lease** in Jones County TX was acquired on Oct. 10, 2012. This is about 84 acres and includes an area for a tank battery.

On Aug. 8, 2011 the **McLellan** lease was assigned to New Western Texas, a wholly owned subsidiary of New Western Energy, from a third party. This 160 acre property includes a tank battery site.

**Swenson Lease**, Jones County, Texas. On January 27, 2011 the Company's subsidiary New Western Texas acquired a 50% working interest (39.66 % net revenue interest) in 160 acres of oil and gas leases in Jones County, Texas.

Another property in Rogers County Oklahoma acquired by New Western Energy (a 60.94% net revenue lease) on June 27, 2009 is the **Phillips Lease**, again from RC Oil. This is about 150 acres. PEMCO became the lease operator when it acquired the interest from RC Oil.

On May 21, 2009 a lease was signed with RC Oil Co. Inc for the acquisition of 60.94% net revenue interest of the **Glass Lease** in Rogers County, Oklahoma. This 120 acre property is overseen by PEMCO LLC which acquired the ownership of RC Oil's share in Nov. 2011 and is the operator of the property.

New Western Energy also owns a land lease near Middlebury Township in Tioga County, Pennsylvania, the **Wellsboro Lease**. This is not far from Mansfield and US 15. This is in the Marcellus Shale formation. The lease has sand and gravel deposits that are essential components of the shale fracking process. There may also be natural gas in formations below the lease.

| 3Q12 | Reserves | Wells | % owned | Capitalzed costs | Acres |
|---|---|---|---|---|---|
| **Kansas** | | | | **Thousand $** | |
| | | | | | |
| **B&W Ranch** | 9.141 | 0 | 70.45% | $75.00 | 1700 |
| bbl/day | | | | | |
| | | | | | |
| **Smith** | 2.958 | 0 | 73.13% | $24.75 | 550 |
| bbl/day | | | | | |
| | | | | | |
| | | | | | |
| **Oaklahoma** | | | | | |
| | | | | | |
| **Phillips** | 0.647 | 7 | 60.94% | $130.00 | 150 |
| bbl/day | | | | | |
| | | | | | |
| **Glass** | 0.298 | 14 | 60.94% | $221.00 | 120 |
| bbl/day | | | | | |
| | | | | | |
| | | | | | |
| **Texas** | | | | | |
| | | | | | |
| **Swenson** | 0.089 | 1 | 39.66% | $23.07 | 160 |
| bbl/day | | 2.86 | | | |
| **Swenson/RTE** | | 43 | | | |
| bbl/day | | | | | 1260 |
| | | | | | |
| **Reves** | 0.046 | 0 | | $6.56 | 80 |
| bbl/day | | | | | |
| | | | | | |
| **McLellan** | 0.088 | 0 | | $4.19 | 160 |
| bbl/day | | | | | |
| | | | | | |
| **Trice** | 0.04 | 24 | 75.60% | $25.33 | 84 |
| and | | | | | |
| **Terry Hiers** | | | | $9.72 | |
| bbl/day | | | | | |
| | | | | | |
| | | | | | |
| **Pennsylvania** | | | | | |
| Wellsboro | Gravel | 0 | | $103.50 | |
| | | | | | |
| Totals | 13.307 | 91.86 | | | 4264 |



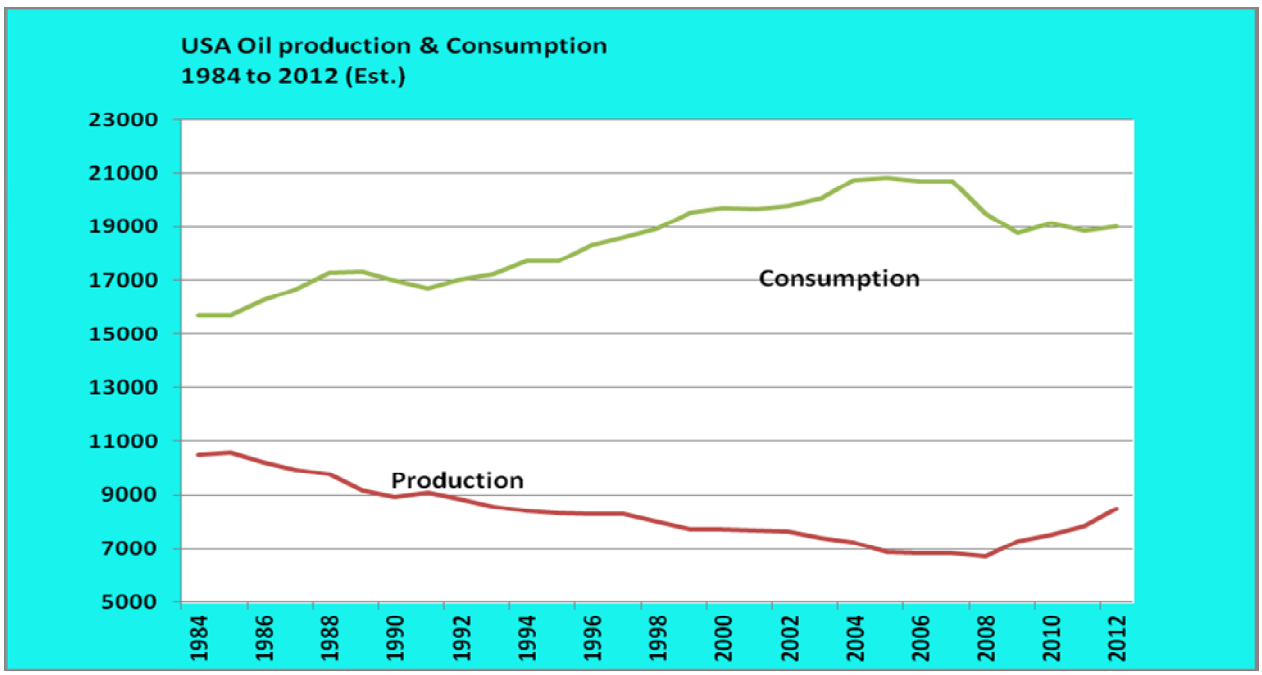
## INDUSTRY OUTLOOK

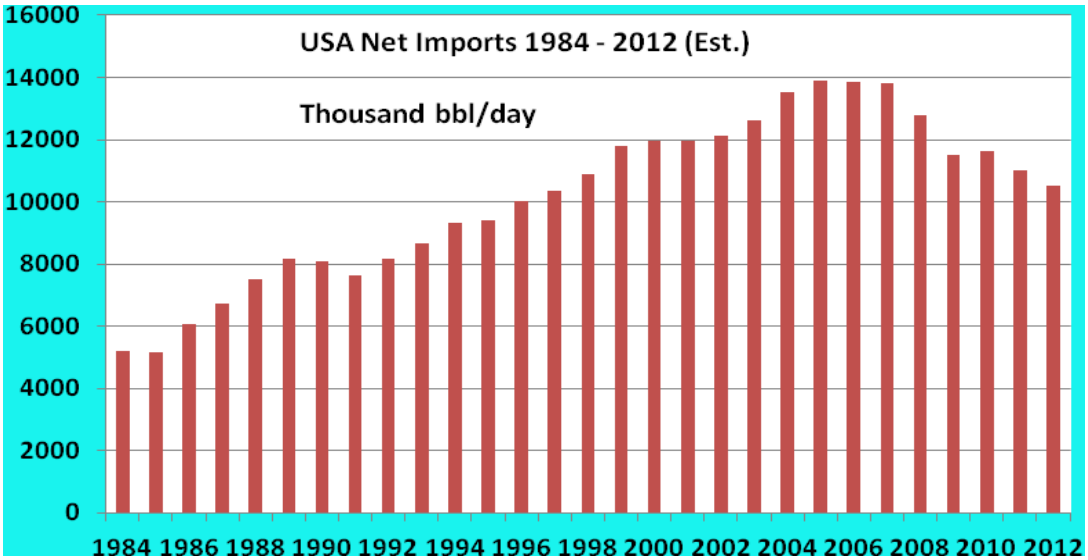
Oil and gas are the predominant sources of energy in the world and are likely to remain so in the foreseeable future. Natural gas will remain a "local" fuel. Given the reluctance to replace the nuclear power stations in Japan, Germany and the United States, dependence worldwide on oil will increase over time. The EPA is pressurizing the coal fired generating stations to close or switch to cleaner fuels, thereby moving electricity generation to natural gas where available or to fuel oil, although at present prices, gas is cheaper than coal. Natural gas currently exceeds coal as the energy source for power stations in the US.

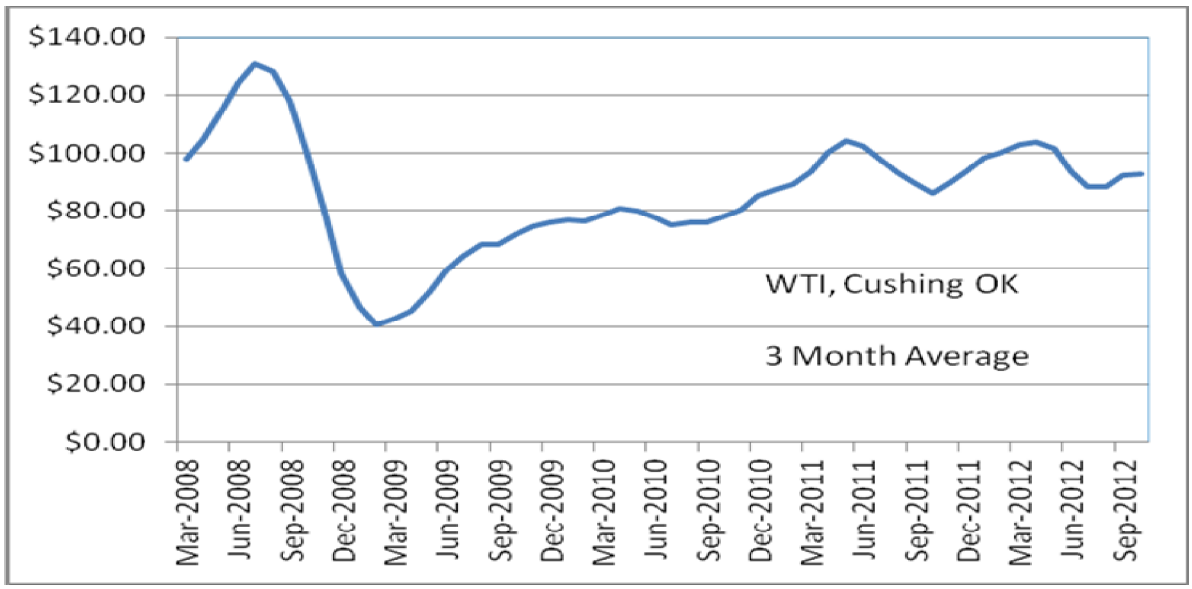
Over the past three to four years the poor economic conditions world-wide have reduced the demand for both oil and gas.. When the economies recover crude demand will increase, as will the price. Consumption has also declined due to the Ethanol and Biodiesel mandates. Biofuels account for about 5% of crude consumption. If you include the biofuel as a crude oil component, then crude consumption would be about 20,000 bbl/day, and the import gap would be larger.

The current cost of corn has resulted in a lack of profits by the ethanol industry causing plant closures. If a waiver is not granted to the ethanol/gasoline blenders, there will not be enough ethanol to meet the quotas, and ethanol will be replaced by gasoline from crude oil

Much of the interest is in the new fields that contain both oil and gas. However, there is still a large gap between production and consumption, one that is unlikely to shrink to much less than 10,000,000 barrels a day. So there will always be a demand for domestic sources of crude oil. Natural gas is hard to transport outside of a pipeline. As a result, the current transportation infrastructure is not in place to transport oil from such places as the Bakken shale formation to refineries or for gas production from shale fracking in the Marcellus, Utica and Huron structures in New York, Pennsylvania and Ohio. This has had a negative impact on gas prices, as supply exceeds local demand.

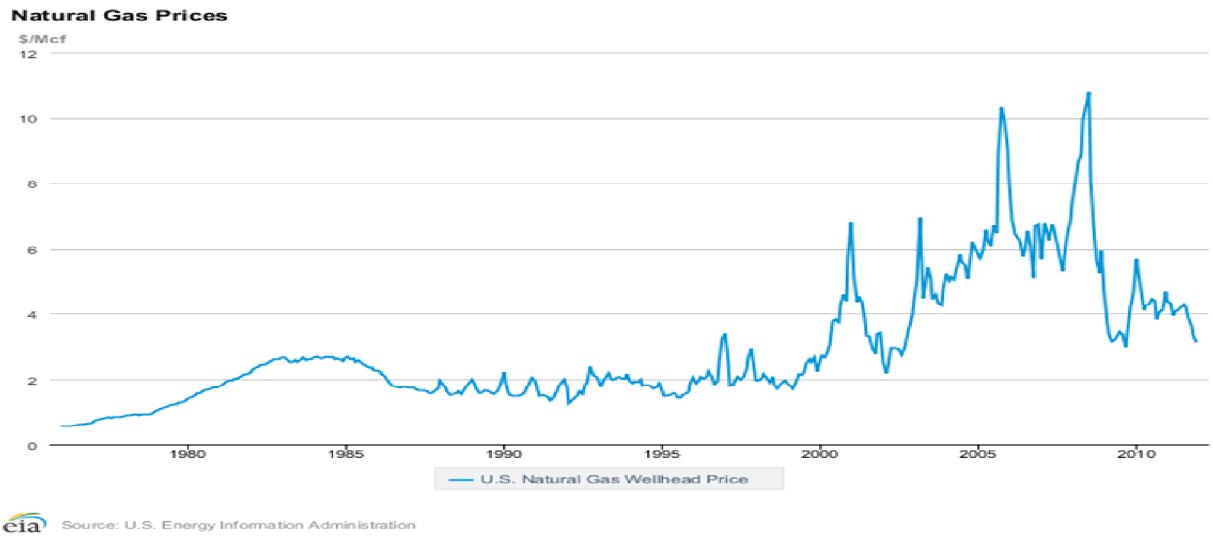


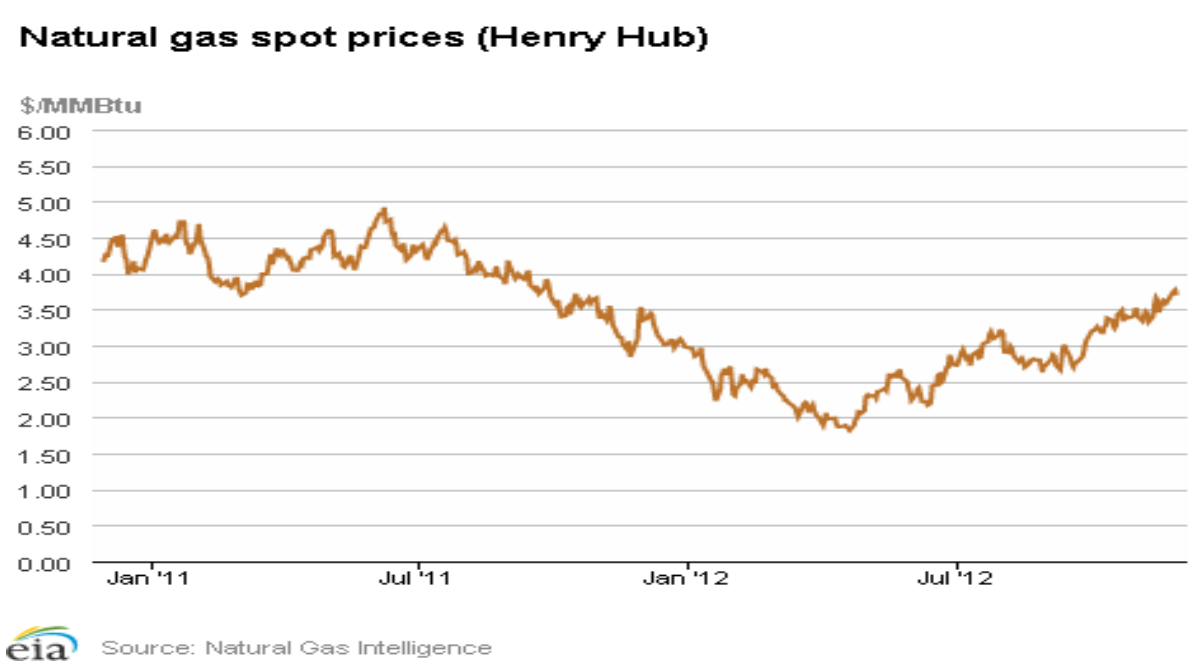



Recently the price of gas has been low enough, due to a supply glut, that power generating stations have been switching from coal to natural gas as a heat source. As a result railcar shipment of coal in the US has declined 10.5% year to date but has increased by 5% in Canada.

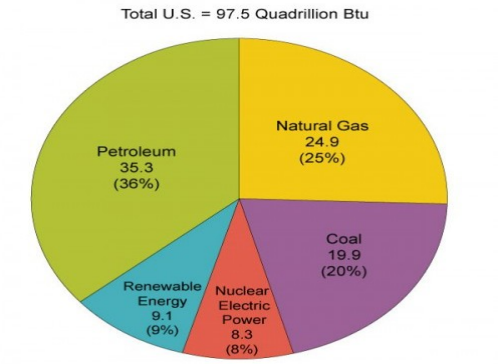
Since March, 2012 gas prices have recovered and are now over $3.00 a million BTUs (which is 1,000 cubic feet). The low prices of $C_2$, $C_3$ and $C_4$ hydrocarbons have allowed the petro chemical industry to match import prices for such things as plastics and increase production


Natural Gas Prices
$/Mcf
12
10
8
6
4
2
0
1980
1985
1990
1995
2000
2005
2010
U.S. Natural Gas Wellhead Price
eia
Source: U.S. Energy Information Administration


Natural gas spot prices (Henry Hub)
$/MMBtu
6.00
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
Jan '11
Jul '11
Jan '12
Jul '12
eia
Source: Natural Gas Intelligence

**Primary Energy Use by Source, 2011**

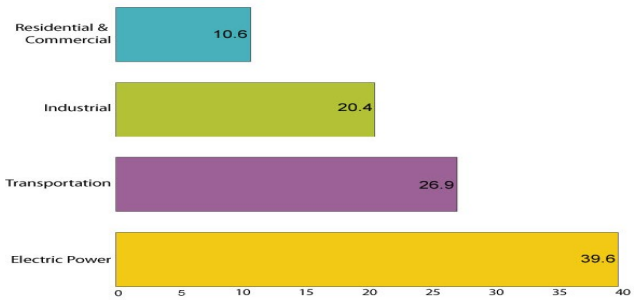
Quadrillion Btu and Percent




Source: U.S. Energy Information Administration, *Monthly Energy Review,* Table 1.3 (April 2012), preliminary 2011 data.

**Primary Energy Use by Sector, 2011**

Quadrillion Btu




Source: U.S. Energy Information Administration, *Monthly Energy Review,* Table 2.1 (April 2012), preliminary 2011 data.

Figure 3. Total U.S. petroleum and other liquids production, consumption, and net imports, 1970-2035

(million barrels per day)

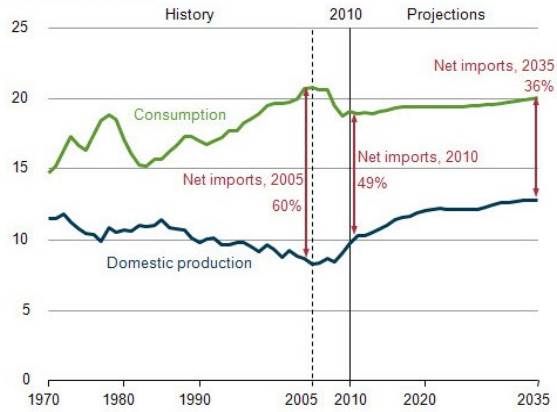
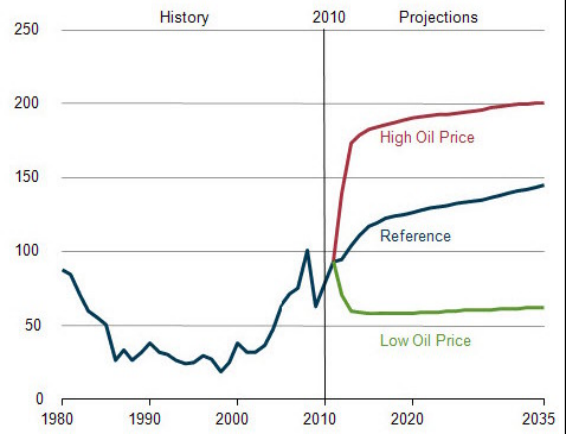



Figure 18. Average annual world oil prices in three cases, 1980-2035

(2010 dollars per barrel)




In the 2012 Annual Energy Outlook, the U.S. Energy Information Administration estimates that net imports of crude oil will decline from 49% of consumption in 2010 to 35% (of a higher rate of consumption) in 2035. The reference and high price targets in 2035 are $140 a bbl and $200 a bbl.

Even the most optimistic of forecasts do not see an elimination of crude oil imports within the next decade.

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## INDUSTRY POSITION

There is a large number of small oil and gas companies in an industry dominated by very large multinationals. Most of the very small companies are not profitable at this time The industry is highly competitive at all levels as well as competing with other sources of energy such as coal and synthetic fuels. No single company is able to control its selling prices, which are set by the international markets in conjunction with OPEC. The oil and gas industry is subject to changes in regulation and legislation that may not be favorable to small companies

## VALUATION

| COMPARISON TABLE | Ticker | Price | Mkt | ROE | P/E | P/E | P/B | P/S | EV/Sales | EV/EBITDA | PEG | Inst. | Mkt Cap |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 12/10/12 | Cap | (%) | L4Q | N4Q | LQ | L4Q | L4Q | L4Q | | Ownership | per reserve bbl |
| | | | (in million) | | | | | | | | | % | |
| | | | | | | | | | | | | | |
| **New Western Energy Corp.** | NWTR | **$0.59** | **$39** | **-7.62%** | **-5.1** | **-588.3** | **44.82** | **301.96** | **46.39** | **-406.51** | **N/A** | **N/A** | $2.97 |
| | | | | | | | | | | | | | |
| Abraxas Petroleum Corp. | AXAS | $1.91 | $177.4 | 43.20 | N/A | 14.85 | 2.87 | 2.52 | 4.69 | 11.94 | N/A | 54.4 | $6.12 |
| Clayton Williams Energy Inc. | CWEI | $39.70 | $482.9 | 4.87 | 16.99 | 11.66 | 1.30 | 1.15 | 2.90 | 5.52 | NA | 46.3 | $7.67 |
| Dejour Energy Inc. | DEJ | $0.23 | $34.5 | N/A | N/A | N/A | 1.76 | 5.19 | 5.60 | 8.45 | 0.79 | 6.6 | N/A |
| Duma Energy Corp. | DUMA | $1.81 | $24.0 | N/A | N/A | N/A | 1.59 | 3.35 | 3.22 | N/A | N/A | N/A | $2.00 |
| Hyperdynamics Corp | HDY | $0.65 | $109.8 | N/A | N/A | N/A | 1.50 | N/A | N/A | N/A | N/A | 28.70 | N/A |
| Lucas Energy, Inc | LEI | $1.42 | $60.0 | N/A | N/A | 14.30 | 1.25 | 5.05 | 7.99 | N/A | N/A | 5.4 | $6.82 |
| Native American Energy Group | NAGP | $0.20 | $7.4 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Primary Petroleum Corp. | PETEF | $0.19 | $27.4 | 10.65 | 11.62 | N/A | 1.10 | N/A | N/A | N/A | NM | N/A | N/A |
| LGX Oil & Gas Inc. | ROAOF | $0.71 | $63.2 | N/A | N/A | N/A | 0.33 | N/A | N/A | N/A | N/A | N/A | $21.79 |
| Royale Energy Inc. | ROYL | $3.06 | $34.3 | N/A | N/A | N/A | 5.68 | 6.55 | 6.46 | N/A | N/A | 9.3 | $5.93 |
| Samson Oil & Gas Inc. | SSN | $0.79 | $71.7 | N/A | N/A | 13.17 | 1.59 | 10.44 | 9.03 | 9.19 | N/A | 0.8 | $73.16 |
| Triangle Petroleum Corp. | TPLM | $6.00 | $265.4 | N/A | N/A | 10.70 | 1.37 | 12.47 | 12.63 | N/A | 8.61 | 54.8 | N/A |
| Xtreme Oil & Gas Inc. | XTOG | $0.04 | $1.6 | 9.60 | 17.80 | N/A | 0.46 | N/A | N/A | N/A | N/A | N/A | N/A |
| Vanguard Natural Reseources | VNR | $26.68 | $1,580.0 | N/A | N/A | 15.69 | 1.53 | 5.04 | N/A | N/A | 3.46 | 18.60 | $21.97 |
| Data from Yahoo Finance and Zacks Investment Research | | | | | | | | | | | | | |
| **Mean** | | | | 13.65 | 10.32 | -87.28 | 4.80 | 35.37 | 10.99 | -74.28 | | | 15.81 |
| **Median** | | | | 9.60 | 14.31 | 12.42 | 1.50 | 5.19 | 6.46 | 8.45 | | | 6.47 |

A method of valuing oil and gas companies is the ratio of market capitalization to proven reserves. Although this does not include a value for the undeveloped properties the equity markets do include such a value and the reserve values would be under stated. We have chosen to value New Western Energy at the median value $6.50 per barrel of oil equivalent. Given an estimated reserve of 13.3 million barrels of oil this implies a market capitalization of $87 million or $1.30 a share.

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## RISKS

- If the history of losses, continues it will have negative impacts on the company's ability to achieve its business objectives. Since the company will need additional funding to expand its drilling program. Without such additional capital New Western Energy will not be able to meet its objectives on sustainable positive net free cash flow.

- The company has no control over the price of crude oil and a decline in that price would impact its ability to raise capital.

- Exploration, drilling and producing oil and natural gas are high risk operations and actual production may differ significantly from estimates and forecasts.

## INSIDER TRADING AND OWNERSHIP

Terry L. Carroll is the only listed owner in Yahoo.

Terry L. Carroll, director, owns 50,000 shares as of 31 Oct. 2012 and has options to buy 200,000 shares.

Amir Eskarous, director, owns 50,000 shares as of 31 Oct. 2012 and has options to buy 200,000 shares.

Javan Khazali, director and CEO, owns 38,800,000 shares as of 31 Oct. 2012 and has options to buy 200,000 shares.

# PROJECTED INCOME STATEMENT & BALANCE SHEET

| New Western Energy Corp. | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Consolidated Statements of Operations | | | | | | | | | | | | | | | | | | | | | |
| (Dollars in millions except per share data) | | | | | | | | | | | | | | | | | | | | | |
| **Fiscal Year Dec. 31.** | **2010A** | **2011A** | **1Q12** | **2Q12** | **3Q12** | **4Q12** | **2012E** | **1Q13** | **2Q13** | **3Q13** | **4Q13** | **2013E** | **1Q14** | **2Q14** | **3Q14** | **4Q14** | **2014E** | **1Q15** | **2Q15** | **3Q15** | **4Q15** | **2015E** |
| **Net sales** | **$0.53** | **$0.08** | **$0.04** | **$0.02** | **$0.02** | **$0.05** | **$0.13** | **$0.20** | **$0.25** | **$0.35** | **$0.55** | **$1.35** | **$0.85** | **$1.15** | **$1.50** | **$1.70** | **$5.20** | **$2.25** | **$2.50** | **$2.40** | **$2.25** | **$9.40** |
| % Change | | | | | | | | 447.95 | 1544.74 | 1358.33 | 1000.00 | 973.99 | 325.00 | 360.00 | 328.57 | 209.09 | 285.19 | 164.71 | 117.39 | 60.00 | 32.35 | 80.77 |
| Cost Goods | 0.57 | 0.06 | 0.01 | 0.01 | 0.03 | 0.03 | 0.09 | 0.12 | 0.15 | 0.20 | 0.31 | 0.77 | 0.47 | 0.62 | 0.80 | 0.92 | 2.80 | 1.13 | 1.25 | 1.20 | 1.13 | 4.70 |
| G & A | 1.56 | 0.26 | 0.12 | 0.10 | 0.09 | 0.10 | 0.41 | 0.10 | 0.10 | 0.10 | 0.10 | 0.40 | 0.10 | 0.15 | 0.20 | 0.25 | 0.70 | 0.34 | 0.38 | 0.36 | 0.34 | 1.41 |
| Accretion | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Depr. & Amort. | 0.09 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Op Income GAAP | (1.71) | (0.28) | (0.10) | (0.11) | (0.10) | (0.09) | (0.40) | (0.02) | 0.01 | 0.05 | 0.14 | 0.18 | 0.28 | 0.38 | 0.51 | 0.53 | 1.70 | 0.79 | 0.88 | 0.84 | 0.79 | 3.29 |
| Interest Expenses | 0.07 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 |
| Interest Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Op Income | (1.71) | (0.10) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Calc.Pretax | (3.49) | (0.38) | (0.10) | (0.11) | (0.11) | (0.09) | (0.41) | (0.02) | 0.00 | 0.05 | 0.14 | 0.16 | 0.28 | 0.37 | 0.50 | 0.53 | 1.68 | 0.78 | 0.87 | 0.83 | 0.78 | 3.27 |
| Taxes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (0.00) | 0.00 | 0.01 | 0.02 | 0.03 | 0.04 | 0.06 | 0.08 | 0.08 | 0.27 | 0.13 | 0.14 | 0.13 | 0.13 | 0.52 |
| Tax Rate | 0.00 | (0.27) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 |
| Other NAT Income | 0.00 | (0.05) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Pro-forma adj. | 0.00 | 0.00 | 0.00 | 0.07 | 0.00 | 0.00 | 0.07 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Income | (3.49) | (0.43) | (0.10) | (0.11) | (0.11) | (0.09) | (0.41) | (0.02) | 0.00 | 0.04 | 0.12 | 0.14 | 0.23 | 0.31 | 0.42 | 0.44 | 1.41 | 0.66 | 0.73 | 0.70 | 0.66 | 2.74 |
| Net For Common | ($3.49) | ($0.43) | ($0.10) | ($0.18) | ($0.11) | ($0.09) | ($0.48) | ($0.02) | $0.00 | $0.04 | $0.12 | $0.14 | $0.23 | $0.31 | $0.42 | $0.44 | $1.41 | $0.66 | $0.73 | $0.70 | $0.66 | $2.74 |
| Shares Used, millions | 1.83 | 64.17 | 65.54 | 66.51 | 66.89 | 68.00 | 66.73 | 70.00 | 70.00 | 70.00 | 70.00 | 70.00 | 72.00 | 72.00 | 72.00 | 72.00 | 72.00 | 74.00 | 74.00 | 74.00 | 74.00 | 74.00 |
| Earnings Per Share | | | | | | | | | | | | | | | | | | | | | | |
| **EPS** | **($1.91)** | **($0.01)** | **($0.00)** | **($0.00)** | **($0.00)** | **($0.00)** | **($0.01)** | **($0.00)** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.01** | **$0.01** | **$0.02** | **$0.01** | **$0.01** | **$0.01** | **$0.01** | **$0.04** |
| **Pro Forma EPS** | **($1.91)** | **($0.01)** | **($0.00)** | **($0.00)** | **($0.00)** | **($0.00)** | **($0.01)** | **($0.00)** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.01** | **$0.01** | **$0.02** | **$0.01** | **$0.01** | **$0.01** | **$0.01** | **$0.04** |
| Gross margins | | 30.38% | 61.10% | 15.13% | -20.83% | 40.00% | 31.50% | 41.00% | 42.00% | 43.00% | 44.00% | 42.93% | 45.00% | 46.00% | 47.00% | 46.00% | 46.13% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% |

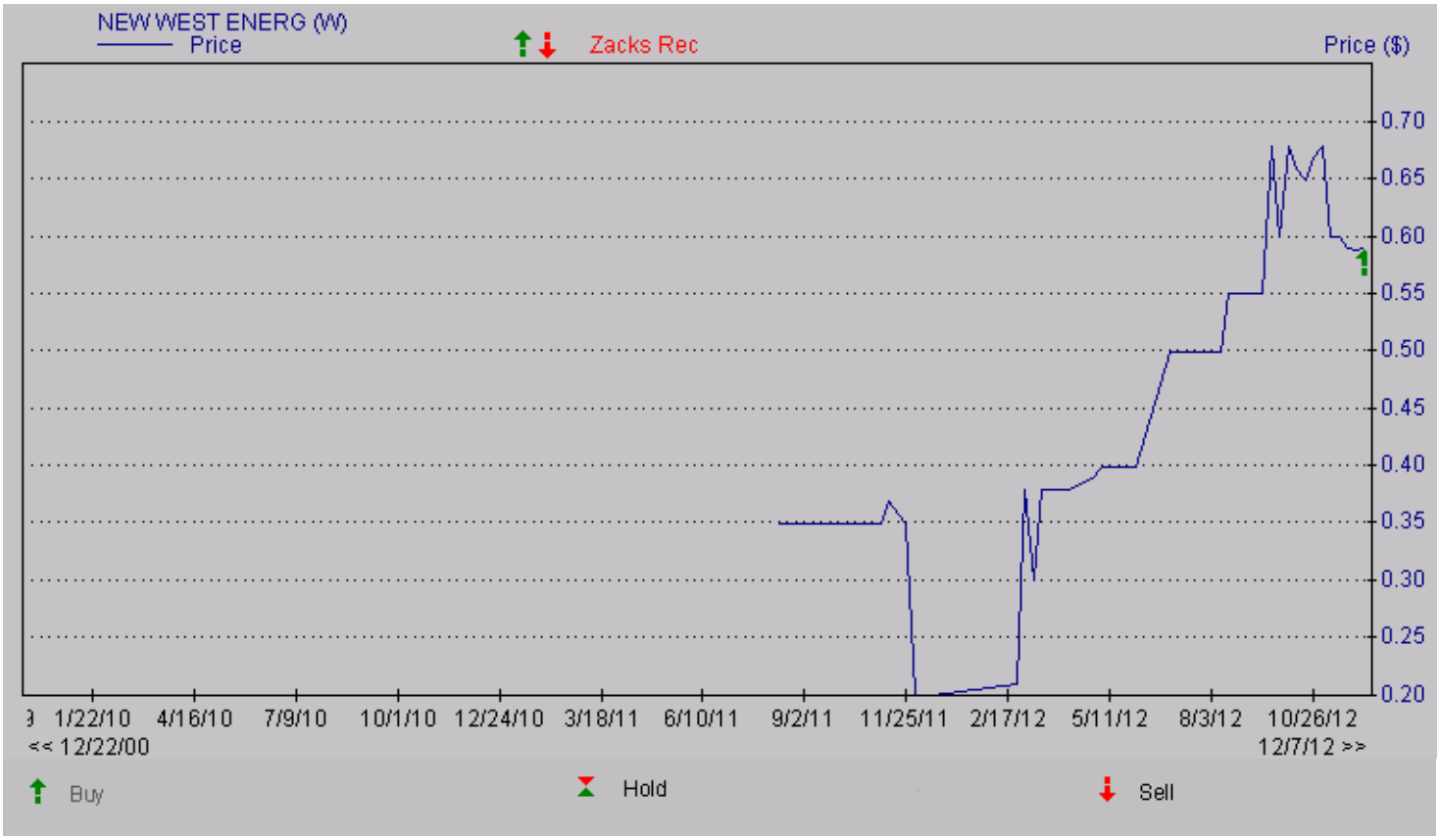
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| New Western Energy Corp. | | | | | |
|---|---|---|---|---|---|
| Consolidated Balance Sheet (in $ millions) | | | | | |
| Fiscal Year Dec. 31. | | | | | |
| | 2010A | 2011A | 1Q12 | 2Q12 | 3Q12 |
| **ASSETS** | | | | | |
| Cash & Equiv. | 0.11 | 0.02 | 0.00 | 0.10 | 0.03 |
| A/R, Oil & Gas | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 |
| Inventories | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | 0.02 | 0.19 | 0.00 | 0.03 | 0.03 |
| Total current assets | $0.13 | $0.21 | $0.00 | $0.13 | $0.07 |
| Oil & Gas properties | 0.49 | 0.47 | 0.00 | 0.54 | 0.55 |
| Acc. Impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Resticted Cash | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other PP&E | 0.11 | 0.10 | 0.00 | 0.11 | 0.21 |
| Other | 0.00 | 0.04 | 0.00 | 0.44 | 0.34 |
| **All Assets** | $0.72 | $0.82 | $0.00 | $1.22 | $1.16 |
| | | | | | |
| **LIABILITIES AND NET WORTH** | | | | | |
| Debt Due 1 Yr | 0.00 | 0.10 | 0.00 | 0.03 | 0.00 |
| Notes Payable | 0.00 | 0.14 | 0.00 | 0.13 | 0.10 |
| A/P | 0.01 | 0.02 | 0.00 | 0.00 | 0.01 |
| Taxes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other, inc warrant liability | 0.00 | 0.06 | 0.00 | 0.08 | 0.17 |
| Total current liabilities | $0.01 | $0.32 | $0.00 | $0.23 | $0.28 |
| Conv. Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| L.T.Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other LT | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Def. Taxes & ITC | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| All Liabilities | 0.01 | 0.32 | 0.00 | 0.24 | 0.28 |
| Pref.Stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Common Stock | 0.01 | 0.01 | 0.00 | 0.01 | 0.01 |
| Surplus | 1.75 | 1.91 | 0.00 | 2.61 | 2.61 |
| Retained Earnings | (1.04) | (1.42) | 0.00 | (1.63) | (1.74) |
| Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Treasury Stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Worth | 0.71 | 0.50 | 0.00 | 0.98 | 0.88 |
| **Total liabilities & stockholders' equity** | $0.72 | $0.82 | $0.00 | $1.22 | $1.16 |

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| New Western Energy Corp. | | | |
|---|---|---|---|
| Condensed Consolidated Statements of Cash Flows | | | |
| thousands of dollars | | | 9 months |
| Fiscal Year Dec. 31. | **2010A** | **2011A** | **2012 E** |
| Cash flow from operations: | | | |
| Net (Loss) Income | ($0.82) | ($0.43) | ($0.32) |
| Depreciation & amortization | | | |
| Depletion &Accretion | | | |
| | | | |
| Stock issued for services | | | |
| Stock based compensation | | | |
| Impairment | | | |
| Misc. | | | |
| Other | | | 0.13 |
| **Net cash provided by (used in) operating activites** | **($0.82)** | **($0.43)** | **($0.19)** |
| | | | |
| Investment in Oil & Gas properties | | | 0.06 |
| Purchase of PP&E | | | 0.00 |
| Proceeds from disposal of PP&E | | | |
| Other | | | 0.04 |
| **Net cash provided by (used in) investing activities** | **$0.00** | **$0.00** | **$0.10** |
| | | | |
| Cash flow from financing activities: | | | |
| Proceeds from issuance of common stock | | | 0.50 |
| Proceeds (payment) on lines of credit, net | | | (0.11) |
| Proceeds from debt - related parties | | | |
| Proceeds fromo debt | | | |
| Payment on debt - related parties | | | (0.19) |
| Payment on debt | | | |
| Other | | | 0.11 |
| **Net cash provided by (used in) financing activities** | **$0.00** | **$0.00** | **$0.31** |
| | | | |
| Increase (decrease) in cash and equivalents | ($0.82) | ($0.43) | $0.02 |
| Cash & equivalents at beginning of period | $0.02 | ($0.80) | $0.02 |
| Cash & equivalents at end of period | ($0.80) | ($1.23) | $0.04 |
| | | | |

## HISTORICAL ZACKS RECOMMENDATIONS




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