

Rocky Mountain News

Little-known Gasco goes to head of class

By David Milstead, Rocky Mountain News
January 1, 2005

This was a year for oil and gas stocks, so it's fitting that the top Colorado performer is the little-known Gasco Energy.

Arapahoe County-based Gasco returned 232.8 percent in 2004, with most of the gain coming since Sept. 1.

It was one of four large Colorado stocks in triple digits and among 31 that beat the Standard & Poor's 8.99 percent return.

Thanks to Colorado's heavy concentration of both energy companies and small-capitalization stocks, the Bloomberg Rocky Mountain News Index returned 17.7 percent in 2004, hitting all-time highs in the last days of the year.

Each of the four quarterly winners among larger companies - Titanium Metals, Pharmion, Red Robin Gourmet Burgers and KFx Inc. - placed in the year's top 10. Isonics, the fourth quarter's best performer among smaller Colorado companies, also took the full-year crown with a return of 369.2 percent.

The *Rocky Mountain News* tracks stock prices for all Colorado-headquartered companies, including closed-end mutual funds, that trade on a major exchange and have a market value of \$10 million or more.

The *News* segments the list into larger and smaller companies, with \$250 million in market capitalization as the dividing line.

Gasco CEO Mark Erickson says it's not coincidental that his company's late-year run happened at a time that Denver's Bill Barrett Corp. was preparing Wall Street for its initial public offering.

Gasco focuses its oil-and-gas development activities on the Uinta Basin of northeastern Utah. Its neighbors in exploration and production include Denver's Westport Resources, now owned by Kerr-McGee, Denver's Western Gas Resources, Houston's Newfield Exploration Co. and Barrett's new company.

It was Bill Barrett Corp.'s Wall Street roadshow, Erickson said, that called attention to the Uinta Basin - and made investors realize there was another company, well below the size of the industry giants, seeking profit there.

"It's one thing to have me talking about it," Erickson said. "It's another thing to have Bill Barrett talking about it."

This is not, however, purely a story of Gasco riding an industry legend's coattails.

Gasco spent most of 2003 watching its stock languish below \$1 per share as it traded on the over-the-counter bulletin board. One of the "dark clouds that always hung over Gasco," Erickson said, was the question of how the liquidity-challenged company would be able to actually use new extraction technologies and get the natural gas out of its Utah acreage.

The answer came in January, when Gasco entered into a deal with Nabors Drilling, Schlumberger Oilfield Services and Red Oak Capital Management to accelerate its drilling plan. The outside parties brought their technology and their capital; Gasco gave up a chunk of earnings in the projects in exchange.

Gasco, which had closed 2003 at \$1.28, passed the \$2 mark, but had difficulty maintaining that price through August.

Then, energy analysts finally began to take notice, with Harris Nesbitt initiating coverage in August. First Albany, which helped underwrite a \$65 million convertible debt offering in October, initiated coverage in December.

And early in December, Gasco gained a listing on the American Stock Exchange.

The listing ends a lengthy quest for Erickson, who founded Pannonian Energy as a private company in mid-1999.

He merged it into a public company called San Joaquin Resources in 2001 and changed the name to Gasco Energy. An attempt several weeks later to get listed on the Nasdaq by merging into Internet company First Ecom.com Inc. ultimately failed.

Erickson knows the value of the public markets: He was a 1997 co-founder of Pennaco Energy, which became one of the three biggest energy companies operating in the Powder River Basin of Wyoming before it was acquired in 2000 for \$446 million by USX-Marathon Group.

Being public, Erickson says, has its regulatory hassles, but it's easier to raise capital, and "you get a much better valuation of your company."

Considering Gasco, worth \$30 million in late 2003, is now worth \$300 million, who's to argue?

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