



Thunderbird Energy Corporation (TSX-V - TBD; \$0.13)



Source: www.bigcharts.marketwatch.com

Dr. David Evans⁽¹⁾ and his partner Mr. Rick Ironside⁽²⁾ who had successfully built and sold a number of Canadian oil and gas companies over their careers, in 2008 took a visit to a small natural gas field called Gordon Creek in Utah. After an extensive technical review both concluded that Gordon Creek, which sits adjacent to Utah's largest gas field "Drunkard's Wash", **holds a development opportunity that could transform Thunderbird Energy Corporation (TSX-V; TBD), the company that owns the Gordon Creek natural gas field, by an order of magnitude.**

Both oil and gas veterans invested directly into Thunderbird Energy, joined the Board of Directors and assumed senior positions. Insiders sell stocks for a variety of reasons: taxes, vacation homes, children's education, etc. **but they buy only for one reason – to make money.** Filed Insider Trading Reports have revealed that the Thunderbird's Board purchased over 30% of the recently completed \$7.5 million debenture which was primarily used to repay all bank debt. They also purchased more than half of the \$750,000 equity raise. We always like to see insiders speak with their wallets.

Recently we had an opportunity to spend two day's with Rick Ironside, Director, President and COO and Rupert Evans (David Evans' son) VP of Geosciences in Toronto for a series of meetings with a number of our institutional clients. **This note summarizes the Thunderbird story and we would be happy to share with interested readers a copy of the Company's Power Point Presentation (email: agustajtis@dominick.ca).**

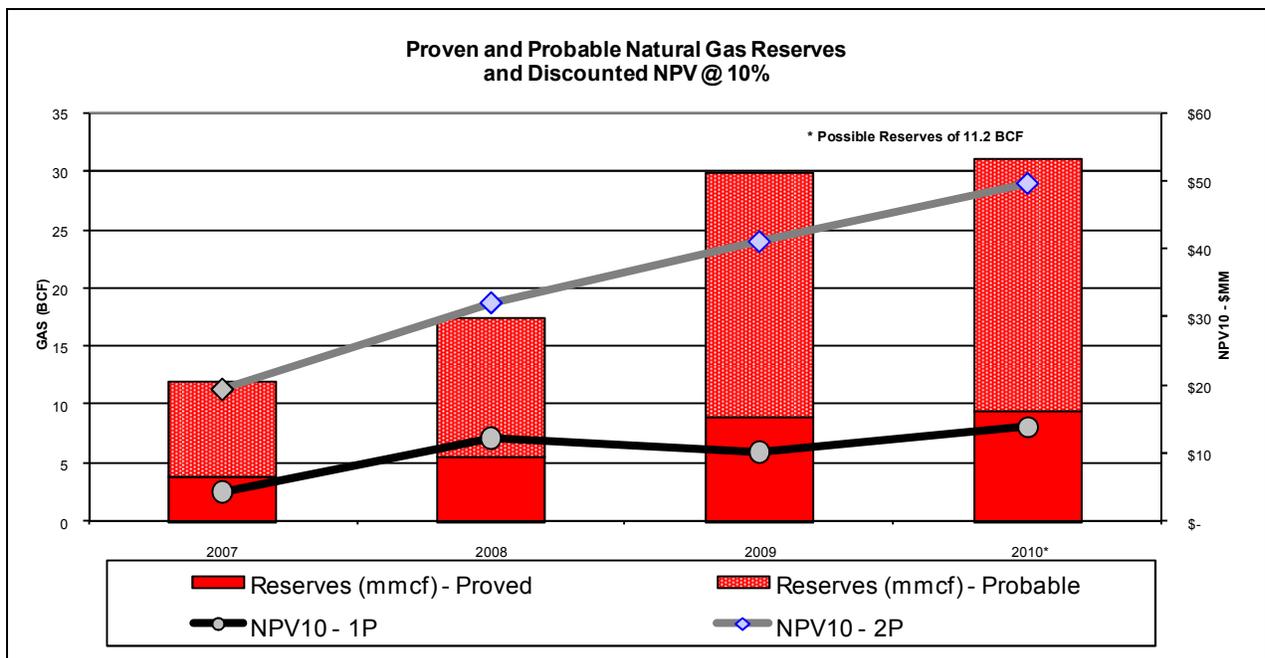
Thunderbird Energy – listed on the TSX-V under the symbol TBD – has 72 million shares outstanding (99 million fully diluted) with a market capitalization of just under \$10 million. A summary of the Company's capitalization and balance is included on the last page of this note.



The Company, located in Calgary, has one substantial dramatically undervalued asset called the Gordon Creek natural gas field currently with 9 Bcf of Proven Reserves and 22 Bcf Probable Reserves with a 2P discounted at 10% Net Present Value (NPV) of \$50 million as compared to Thunderbird Energy’s market capitalization of \$9.4 million.

Even with the lack of capital, the New Management under Rick’s stewardship has almost doubled the Company’s 2P Reserves. The Company holds interests in 7,888 net acres adjacent to the ConocoPhillips (NYSE-COP; \$70.56) operated Drunkard’s Wash Natural Gas Field. The Drunkard’s Wash Field has produced 815 Bcf to date from 610 wells with 1.25 Tcf of projected total recovery resulting in about 2 Bcf per well (with 1.3 Bcf coming from the coals).

The unique combination of topography and historical field development has provided an opportunity that Rick describes as ...*“It is virtually unheard of to have a development project with break even economics of \$2 gas with the potential to add 250 Bcf of natural gas for \$25 million onshore North America without getting shot at”...*



Source: Thunderbird Energy Corporation

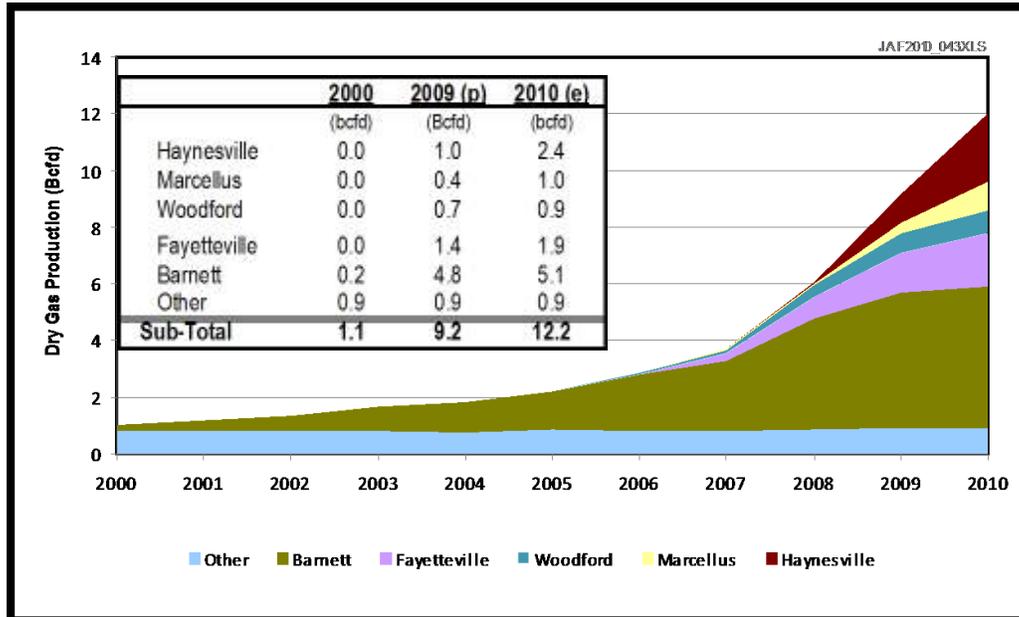
We would have liked to say that we filled both days for Rick and Rupert with meetings but most of the accounts find a micro-cap natural gas story unappealing at this time. **Certainly, the consensus view is that natural gas in North America is perhaps the only commodity that is expected to see depressed prices for the foreseeable future.** A view, we do not entirely dismiss, with January passing and with less than two months of winter heating season remaining, we are unlikely to see a significant reduction in natural gas storage levels.



As recently as three years ago the outlook for natural gas supply in North America was seen as precarious, to say the least. With technological breakthroughs in horizontal drilling and fracture stimulation of shale rocks the pending “famine” turned into a “feast” of cheap natural gas. Production of natural gas from shale rock has grown by ten-folds and was expected to exceed 12 Bcfpd in 2010 equal to 20% of US natural gas production last year.

Natural gas futures dropped to a low of US \$3.293 per million British Thermal Units (BTU) from US \$6.00 in early January, 2010 and averaged \$4.382 US over the year. **We expect average price for natural gas in 2011 to hover at about US \$4.00 per BTU.**

Annual US Gas Shale Production (Bcfpd)



Source: Advance Resource International, Inc.

The analysis that both Rick and Rupert shared has convinced the author that “The Best Field Practice Development” methodologies used by ConocoPhillips can be applied to Thunderbird Energy’s Gordon Creek project as well. The technical analysis studied the completion practices, logs and statistical data for 140 wells in close proximity to Gordon Creek.

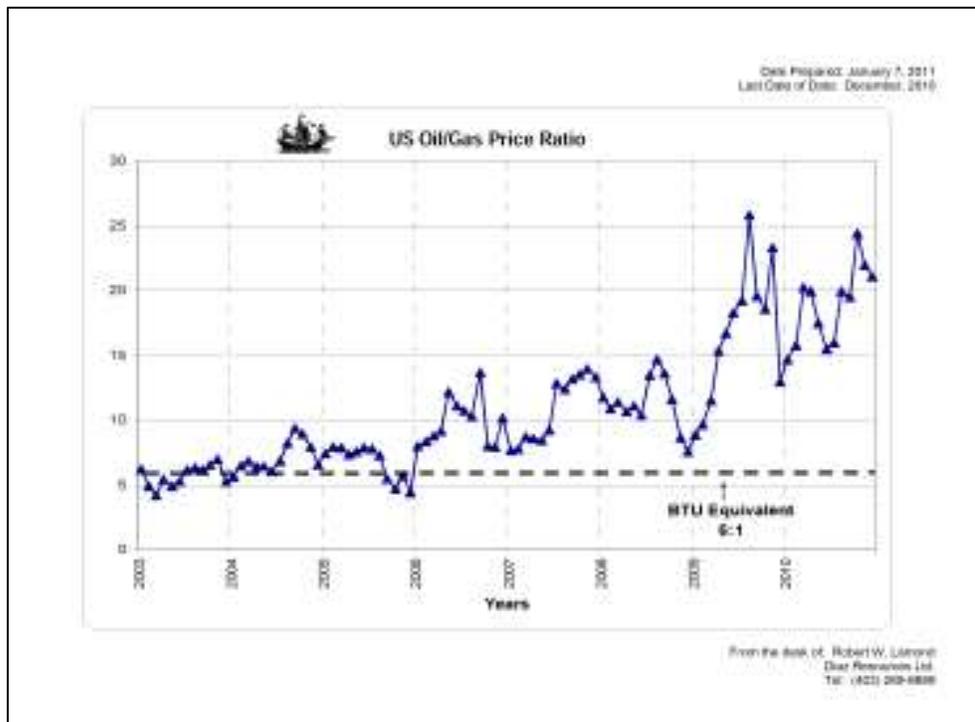
Both the Ferron coals and sands are equivalent and can be mapped from Drunkard’s Wash across Gordon Creek and beyond. The most surprising fact is **that at US \$4.00 flat natural gas prices the economics analysis yields a 38.6% Internal Rate of Return (IRR) and at US \$5.50 the IRR jumps to almost 70%.**



With such compelling economics even with depressed natural gas prices we expect the Company should be able to raise the \$25 million necessary to execute, on what we consider, a very low risk development program that would add 209 to 288 Bcf of 2P Reserves and between 10 to 12 mmcf/d of incremental production. Although natural gas prices are likely to remain depressed due to the incredible success in developing shale gas, **Gordon Creek is an excellent project that can make investors outstanding returns.**

Our natural gas outlook is the proverbial ..."Glass is half full or half empty"... The economic reality is that the pricing disparity between natural gas and crude oil is not sustainable. The chart on the following page, courtesy of Mr. Robert (Bob) Lamond ⁽³⁾, shows clearly the huge disconnect between the price of natural gas and oil.

We would not look to depleting natural gas supplies as a catalyst for higher gas prices but rather our focus is on expected surge in demand. Price is a tremendous motivator for action, as any "Boxing Day Shopper" would tell you. **With natural gas selling for 25% of the energy parity of crude oil, there is a huge incentive to replace traditional oil based systems with natural gas.**



As much as the pending shortage of natural gas forced the industry to seek "Unconventional" sources, we predict that the natural gas bounty will transform the ways we generate electricity and power the transportation sector in North America in the future. **We cannot help but feel those brave enough to buy these unloved natural gas stories will be generously rewarded in the next few years.**



However there is more to the Thunderbird Story than Gordon Creek and natural gas

US Department of Energy \$60 million – CO₂ Research Project

Unrelated to the natural gas development story is a truly unique project that adds \$20 million plus in value to TBD. Thunderbird Energy is working closely with the Southwest Regional Partnership (“SWP”) to complete the development plan for ...**“Carbon Sequestration Project to be sited at the Gordon Creek”...**

The Southwest Partnership of Carbon Sequestration (SWP) is part of the US Department of Energy’s Regional Carbon Sequestration Partnerships, a nationwide network that is helping to determine the best regional approaches for capturing and permanently storing carbon dioxide (CO₂) emissions that contribute to global climate change.

The regions represented by the SWP includes Colorado, Oklahoma, New Mexico, Utah and parts of Arizona, Kansas, Texas and Wyoming. The SWP is comprised of a team of scientists and managers from state and federal agencies, industry, academia, national laboratories, NGOs and Native American tribes.

This project will be funded approximately 80% by the US Department of Energy (“DOE”) and 20% by the other participants, including Thunderbird Energy (with contribution in kind), The University of Utah through the Utah Science Technology and Research initiatives (“USTAR”) and the New Mexico Tech–Petroleum Recovery Research Centre.

It is anticipated that the project will represent an investment in excess of US\$20 million in wells, facilities and infrastructure to be situated at the Gordon Creek. Work during the last few months has consisted of further design refinement and costing analysis, as well as navigating the project through the extensive DOE approval process. **It is expected that the approval process will be completed in the first quarter of 2011 to allow the commencement of operations in the second quarter.**

In addition to the \$20 million infrastructure benefits that TBD will derive directly, there are two (2) potential additional side-benefits for the Company.

1. The project will establish Thunderbird Energy in the CO₂ sequestration business and
2. The deep exploratory source wells that are planned to be drilled combined with the three (3) proximate CO₂ wells drilled in the 1970s could go a long way towards proving up a potentially substantial CO₂ reserve for future extraction (e.g. tertiary oil recovery).



Light Oil Shale Project on the Drawing Board

Recognizing the fact that the view on natural gas is so overwhelmingly negative, TBD Management team along with many other natural gas companies began looking for an oil focus. **Although it is clearly premature to provide detailed information on a viable light oil project, the Company did share during the meetings an in-house study that painted an exciting light oil opportunity. We would consider this as a speculative teaser.**

The Company is commencing a land acquisition effort which is expected to provide a platform for a light oil focus which has proven to dramatically improvement the pricing of similar size natural gas companies.

Thunderbird Energy Shares Outstanding (October 31 2010)

Shares Outstanding	71,912,826	@	Term
Options	3,625,000	\$0.20	June 2013 - Dec 2014
	1,100,000	\$0.22-\$0.25	April 2011
	390,000	\$0.30	July 2011 - Feb 2013
	300,000	\$0.40	May-12
Warrants	14,685,000	\$0.30-\$0.50	October 31 2013
	1,381,250	\$0.20	October 31 2013
	4,833,334	\$0.20	September 11, 2012
	250,000	\$0.15	September 11, 2012
Fully Diluted	98,477,410		

On October 29, 2010 the Company issued three-year secured natural gas linked debentures totaling \$7,342,000. The majority of proceeds were used to repay all outstanding bank debt. The debenture bears an interest at a base rate of 15% per annum with an additional provision whereby a 1% interest is added each quarter for every US\$0.50 by which the price of natural gas exceeds US\$5.00 capped at 25% per annum. One-half of each quarterly interest payment will be paid in common shares of the Company. The purchasers of the debentures were issued 14,685,000 warrants with a strike price between \$0.30 and \$0.50 until October 31, 2013.

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Notes:

(1) David Evans, Ph.D. – Director, Chairman holds a B.Sc. (Honours) as well as a PH.D. Geology (Wales). He has 30+ years of experience in the oil and gas industry, in both technical and senior management roles. Mr. Evans has created, grown and ultimately sold 3 very successful oil and gas public companies, namely Barrington Petroleum Ltd., Defiant Energy Corporation and Defiant Resources Corporation.

(2) Rick Ironside, P. Eng. – Director, President and COO holds a B. Sc. Engineering (Calgary) and MBA (Ivey School of Business). He has nearly 30 years of broad based petroleum industry experience, including 10 years in senior management roles. Most recently, Mr. Ironside served as President and CEO of Defiant Resources Corporation.

(3) Robert (Bob) Lamond – President, Chairman, CEO and Director of Humboldt Capital Corporation, also President of Diaz Resources Ltd. and Chairman of Sharon Energy Ltd. Mr. Lamond is a geologist educated at the University of Edinburgh, Scotland and has over 35 years of experience in oil and gas industry.

Disclosure

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