

Research Report:
Rating: BUY
NYSE AMEX: PAP
\$4.25
Six Month Price
Target: \$12.00

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Analyst Certification

I, Joseph Noel, hereby certify (1) that the views expressed in this research Company report accurately reflect my personal views about any or all of the subject securities or issues reflected in this Company report, and (2) no part of my compensation was, is, or will be directly or indirectly related to specific recommendations or views expressed in this Company report. This is an unpaid research report. The analyst holds no position in these shares. Please see our disclosures.

January 28, 2010

Pacific Asia Petroleum, Inc. (PAP)

Exciting Relatively Unknown International Oil and Gas Company – Six Month Price Target of \$12.00

- We believe now is the time to build a position in Pacific Asia Petroleum, Inc. The Company is close to completing an acquisition in Nigeria that will generate a substantial revenue stream and immediate cash flow - simply put; it's a game changer for the Company. Based on expected upcoming events, a significantly larger future revenue stream and strong expected cash flows, we believe the shares are significantly undervalued. We are establishing a six month price target for the shares of \$12.00.
- The Company also has several oil and gas projects in China with strong reserves and potential that will start producing over the next few years. PAP has an impressive management team and board of directors that have extensive international energy development experience from major oil companies.
- PAP is still relatively unknown among the investment community, but we believe this will change shortly with the close of the Nigerian Oyo oil field asset acquisition. This deal, which is expected to close before the end of this quarter, gives the Company 60% ownership in a producing offshore oil field, operated by one of the leading international oil companies. The field is currently producing approximately 20,000 barrels of oil a day. The Company expects this to increase to 25,000 barrels a day by the end of this year.
- There are currently approximately 42 million shares outstanding, but post-deal we estimate there will be approximately 130 million shares outstanding. At the current production rate and with a relatively low production costs, we believe the Company can conservatively generate \$80M in profits from the Oyo field this year.
- At the current price, with a relatively small number of outstanding shares, a major deal that is very close to be completed, a very experienced management team, and most importantly the lack of research on the Company so far, we believe forthcoming news will drive the shares significantly higher.

Please see important disclosures, including analyst certification

EXECUTIVE SUMMARY

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Pacific Asia Petroleum (“PAP” or the “Company”) is an oil and gas exploration and production (“E&P”) company, based in New York, which is leveraging the management team’s excessive international operating experience to develop new profitable energy ventures. They have initially been focused on the Pacific Rim and specifically the Chinese market, but the pending acquisition in Nigeria, provides the Company with a strong immediate revenue stream and cash flow.

In addition to the pending Oyo field transaction in Nigeria, management has been able to close several deals with high return of investment potential. These include onshore crude oil exploration in Chifeng City in Inner Mongolian Autonomous Region, Coal Bed Methane (CBM) development in Shanxi Province in China and they have signed a Letter of Intent for gas distribution in Handan City, Hebei Province, China.

The Oyo field, which is 75 miles offshore in Nigeria is being developed in partnership with Nigerian Agip Exploration Ltd., a subsidiary of Italy’s Eni SpA, which is one of the worlds largest energy companies. PAP will own 60% of the field, but will net approximately 30% after operating costs. We are very excited about this opportunity. The field came on stream in December 2009 and is producing approximately 20,000 barrels of oil a day from two wells and should increase to 25,000 barrels a day end of this year with another well. We estimate the cost per barrel to be between \$35 and \$40, which at today’s oil price, makes the operation very attractive. The Company can potentially generate close to \$80M in profits from this field alone this year.

In China, the Company’s crude oil ShaoGen project is in Chifeng City in the Inner Mongolian Autonomous Region, which is in close proximity to the already producing

Kerqing oilfield. An independent Chinese Oil consultant conducted a feasibility study with the conclusion, that there is a very high potential for oil reserves. The Company believes there could be in excess of 100 million barrels in the field. PAP is waiting for approval for a production license from the Chinese government. The plan is to start production in 2011.

The Company owns 70% of a joint venture in China to market their patented Enhanced Oil Recovery (“EORP”) technology. The EORP chemical process enables oil to flow through the formation to the well bore, so production can continue. They are initially marketing to smaller wells that can produce 25 to 50 barrels of oil per day. There are thousands of these wells in the area. The model is to not charge for the service, but to participate in the production increase of the wells. PAP will take 60% of the production ramp. It is a no risk situation to the owners of the wells, since they did not expect to be able to capture the additional oil. It is estimated this operation can generate close to \$5M in profits this year and potentially increasing to \$15M for 2011.

PAP owns 100% of the 175,000 acres Zijinshan block in Shanxi Province in China to produce Coalbed Methane (CBM) gas. The Company’s CBM asset is located in the Ordos Basin, which is believed to be one of the best prospective areas for CBM and natural gas in China. PAP plans to drill another four to six more wells to prove the potential production level. The cost of drilling is less than \$1M per well. PAP has a 30-year contract and they plan to start production in 2012. International energy auditor Cawley, Gillespie & Associates valued the asset at \$400 million dollars.

One of the main reasons we believe in the Company is the strength of its management team and board of directors. All of the executives have strong international experience in the petroleum field. Several members of the Company’s management team have held management and executive positions with Texaco Inc. and with other international energy companies and have

managed energy projects in China, elsewhere in Asia and in other parts of the world. Members of the Company's management team also have experience in oil drilling, operations, geological engineering and government relations in China's energy sector. The Company's President and CEO, Frank C. Ingriselli was the President of Texaco Technology Ventures until the merger with Chevron.

They also have an impressive board of directors, including Robert Stempel, former Chairman and CEO of General Motors and when the pending acquisition of CAMAC Energy Holdings Ltd.'s ("CAMAC") 60% ownership in the OYO field in Nigeria closes, the board will be expanded with some of their members. These include John Hofmeister, former President of Houston-based Shell Oil Company and Hazel O'Leary, who served as Secretary of Energy under President Bill Clinton.

We believe the stock offers a very compelling value. Currently there are only approximately 42 million shares outstanding, but post the CAMAC transaction, which is expected to close end of first quarter this year, the Company will have approximately 130 million shares outstanding. With the potential of the Oyo field that can net the Company approximately \$80M and the potential the current projects in China provide, we believe investors should start building a position in the stock.

Also, there is little institutional following yet, but post CAMAC deal, we believe that this will change as the Company will start producing oil and have strong cash flow.

Based on expected upcoming events, a significantly larger future revenue stream and strong expected cash flows, we believe the shares are significantly undervalued. We are establishing a six month price target for the shares of \$12.00.

COMPANY BACKGROUND

Pacific Asia Petroleum (“PAP” or the “Company”) was started in 2005 by a very experienced management team that wanted to capitalize on their international operating background to develop new profitable oil- and gas ventures in the Pacific Rim with a main focus on the Chinese market.

Through the pending acquisition of CAMAC Energy Holdings Ltd.’s (“CAMAC”) 60% ownership in the OYO field in Nigeria, they will have a strong cash flow from the operation. Since its inception, the Company has successfully negotiated several energy ventures with high return of investment potential.

Besides the pending Nigeria oil field transaction, the Company has several projects ongoing, including onshore crude oil exploration in Chifeng City in Inner Mongolian Autonomous Region, Coal Bed Methane (CBM) development in Shanxi Province in China and they have signed a Letter of Intent for gas distribution in Handan City, Hebei Province, China.

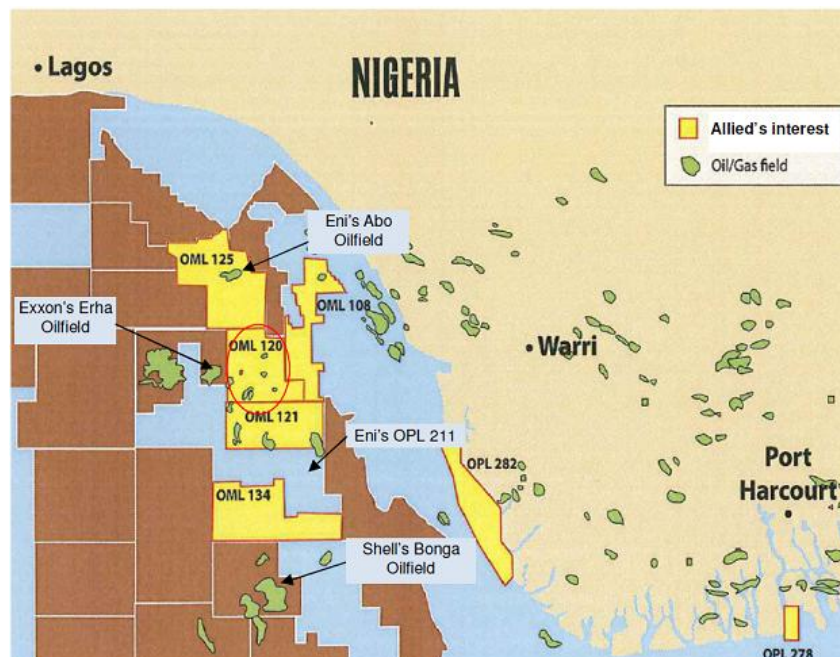
THE OYO FIELD PROJECT – CRUDE OIL

In Nigeria, the Company is acquiring CAMAC Energy Holdings Ltd.’s 60% ownership in the Oyo field. The field is in the Gulf of Guinea, which is approximately 75 miles offshore off the Southern Nigerian coast and covers around 910 km². The deal was announced in September of last year, and is expected to close before the end of this quarter. PAP's partner on the project is Nigerian Agip Exploration Ltd a subsidiary of Italy's ENI SpA (one of the world’s largest international energy companies), a very experienced operator. The field came on stream with production in December 2009 and is currently producing approximately 20,000 barrels a day, from two wells, which should increase to 25,000 by the end of the year with another well. Current development plan for the Oyo field is for 10 years.

The production is offshore and all the oil are being stored and shipped from a floating production and storage (“FPSO”) vessel, which makes the operation very effective, but also reduces the political risk from sabotage etc. The Company's net profit from the field will be approximately 30%, after the operator costs have been subtracted. The cost per barrel is estimated between \$35 and \$40, which at today’s oil price, makes the deal very attractive. What makes us excited is that the operation this year alone can potentially net to the company close to \$80M.

Below is a map over the Oyo field, which is within the OML 120.

Oyo Field off the Coast of Nigeria



THE SHAOGEN PROJECT – CRUDE OIL

The ShaoGen project is based in Chifeng City in the Inner Mongolian Autonomous Region and the Company's area covers around 136 square miles. This area is in close proximity to the producing Kerqing oilfield, which makes it favorable for the prospect of the Company's field. PAP signed a cooperation and joint development agreement with Chifeng Zhongtung Oil and Natural Gas Company in August 2006 to acquire a 95% share of crude oil production revenues. Prior to the signed contract, the Company had hired an independent Chinese oil consultant who conducted a feasibility study and concluded that there is a very high potential for oil reserves. Especially, since they are very close to an already producing oil field. Chifeng City is adjacent to the Songliao Basin, which is China's largest oil region in terms of proven oil reserves and production.

The Daqing oil field in the Songliao Basin is the world's fourth most productive oil field, which to date has produced more than 10 billion barrels in the last 40 years. The Company believes there could be an excess of 100 million barrels in their field. The Company is currently waiting for an approval for a production license from the Chinese Government. PAP expects to start production in this field next year.

Below is a map over the area where PAP's field is.

ShaoGen Project



EORP PROJECT – CRUDE OIL

The Company owns 70% of a joint venture in China to market their patented Enhanced Oil Recovery (“EORP”) technology, for oil wells that are not producing anymore or at low production level, due to high viscosity and high pour point qualities. The EORP chemical process enables the oil to flow through the formation to the well bore, so production can continue. PAP is currently applying the product to oilfields adjacent to their field in Chifeng City. They are initially marketing to smaller wells that can produce 25 to 50 barrels of oil per day. There are thousands of these wells in the area. The model is to not charge for the service, but to participate in the production increase of the wells. PAP will take 60% of the production ramp. It is a no risk situation to the owners of the wells, since they did not expect to be able to capture the additional oil. It is estimated that the Company can generate \$5M in profits from this year, potentially increasing to \$15M for 2011.

ZIJINSHAN PROJECT – COALBED METHANE (CBM) GAS OPERATIONS

The Company owns 100% of the Zijinshan block in Shanxi Province in China. In October 2007, they signed a PCS (production sharing contract) with China United Coalbed Methane Company (CUCBM), which is the Chinese governmental company that have the authority to negotiate CBM production contracts in Shanxi Province, and in April 2008, the Company received the approval from the Ministry of Commerce of China for the exploitation of coalbed methane resources at their 175,000 acre Zijinshan block. The block is a former Texaco property. The Chinese government has an option to acquire 40% of the operation.

CBM or coalbed gas is natural gas extracted from coalbeds and unlike most natural gas from conventional sources, contains little heavier hydrocarbons, such as propane or butane. The CBM is held in place by water pressure and through new drilling technologies, the gas can now be extracted efficiently. CBM has become an important part of the energy strategy in China, since it is a clean energy source and the country has a large reserve of the gas. The proven CBM reserve in China is approximately 48 trillion cubic meters, which is the third largest in the world, after Russia and Canada. The US is number four. To encourage CBM exploitation, The Chinese government has implemented preferential policies for investments in the sector, including tax rebates.

The Company's CBM asset is located in the Ordos Basin in Shanxi Province, which is believed to be one of the best prospective areas for CBM and natural gas in China. Major oil companies, including Shell and Total are involved in the area with success. Another advantage for PAP is that pipeline infrastructure is already in place. The Company needs to drill another four to six more wells to prove the potential production level. The cost of drilling is less than \$1M per well. PAP has a 30-year contract and they plan to start production in 2012. International energy auditor Cawley, Gillespie & Associates valued the asset at \$400 million dollars. On the following page is a map of their acreage.

MANAGEMENT TEAM AND BOARD OF DIRECTORS

The Company has assembled a solid management team with strong international experience in the petroleum field. Several members of the Company's management team have held management and executive positions with Texaco Inc. and with other international energy companies and have managed energy projects in China, elsewhere in Asia and in other parts of the world. Members of the Company's management team also have experience in oil drilling, operations, geological engineering and government relations in China's energy sector.

They also have an impressive board of directors and with the acquisition of CAMAC, the board will be expanded. Below is the background of some of the key members of the Management team and the Board of Directors.

Frank C. Ingriselli, President and Chief Executive Officer

Frank C. Ingriselli, 55, has 30 years experience in the energy industry. Mr. Ingriselli began his career at Texaco in 1979 and held management positions in Texaco's Producing-Eastern Hemisphere Department, Middle East/Far East Division, and Texaco's International Exploration Company.

In 1992, Mr. Ingriselli was named President of Texaco International Operations Inc. and over the next several years directed Texaco's global initiatives in exploration and development. In 1996, he was appointed President and CEO of the Timan Pechora Company, a Houston, Texas headquartered company owned by affiliates of Texaco, Exxon, Amoco and Norsk Hydro, which was developing the largest international investment in Russia at that time. In 1998, Mr. Ingriselli returned to Texaco's Executive Department with responsibilities for Texaco's power and gas operations, merger and acquisition activities, pipeline operations and corporate development.

In August 2000, Mr. Ingriselli was appointed President of Texaco Technology Ventures, which was responsible for all of Texaco's multi-billion dollar global technology initiatives and investments. In 2001, Mr. Ingriselli retired from Texaco after the merger with Chevron, and founded Global Venture Investments LLC, an energy consulting firm, for which Mr. Ingriselli serves as the President and Chief Executive Officer. In 2005 Mr. Ingriselli founded Pacific Asia Petroleum, Inc..

Mr. Ingriselli graduated from Boston University in 1975 with a Bachelor of Science degree in Business Administration. He also earned

a Master of Business Administration degree from New York University in both Finance and International Finance in 1977 and a Juris Doctor degree from Fordham University School of Law in 1979.

Stephen F. Groth, Vice President and Chief Financial Officer

Stephen F. Groth, 56, has served as the Vice President, Chief Financial Officer and Manager of Pacific Asia Petroleum, Inc. since its formation in August 2005, and brings to the Company more than 25 years experience in financial analysis, financial modeling, corporate reporting and financial reporting system expertise.

Mr. Groth joined Texaco, Inc. in 1979, and held positions in various financial groups at Texaco Inc., including a key position in the corporate executive group at Texaco Inc. with the unique responsibility of reviewing all of its investments and divestments (capital expenditures, acquisitions, and divestitures) greater than \$10 million from 1999 until 2001. From 2001 until present, Mr. Groth served as Vice President of Global Venture Investments, LLC ("GVI"), an energy consulting firm located in White Plains, New York that is wholly-owned by Frank Ingriselli. In his roles at both Texaco and GVI, Mr. Groth reviewed billions of dollars of transactions, assuring that evaluations were done in accordance with appropriate corporate standards and that the assumptions underlying the economic valuations were valid, and he regularly advised client operating departments on appropriate ways to evaluate investment alternatives, providing support for the company's negotiation of major acquisitions and divestitures.

He received his Bachelor of Arts in Philosophy in 1975 from Fordham University and his MBA in Accounting from New York University in 1977. Before joining Texaco in 1979, he worked as an auditor for Price Waterhouse, and as an internal auditor for American Airlines.

Richard Grigg, Senior Vice President and Managing Director

Richard Grigg, age 56, has 39 years experience in the petroleum and resource industries. Mr. Grigg has extensive and broad ranging experience in both the operating and service sectors of the petroleum industry as well as having extensive management and operational experience.

Most recently Mr. Grigg was the Chief Operating Officer (COO) for Sino Gas & Energy (SGE) based in Beijing and responsible for all activities of the company within China and in particular for negotiating SGE's operatorship of and farm in to the Linxing, San Jiao Bei and Shenfu production sharing contracts and the subsequent exploration and

appraisal operations in those areas.

Prior to joining SGE, Mr. Grigg consulted for 5 years (2000-2005) to various Australian based CBM operators where he was involved in managing the project development of some of the largest Australian CBM commercialization projects including the Moranbah Gas Project in North Central Queensland for CH4 Ltd (now Arrow Energy). In 1987 Mr. Grigg founded Surtron Technologies, taking it to leadership within the resources industry in Australia and the Asia Pacific region before selling the company in 1997 to publicly listed Index Limited. During this period Mr. Grigg was also involved over a 6 year period (1992 to 1998) in a technology transfer venture in Vietnam and other countries in the Asia Pacific region.

Prior to 1987 Mr. Grigg worked with many of the largest multinational oilfield service companies where he gained broad ranging experience across the areas of drilling, reservoir engineering, petroleum engineering and production. These companies included Sperry Sun (now part of the Halliburton Group), Core Laboratories (NYSE:CLB), Dowell Schlumberger (now Anadrill and part of the Schlumberger Group), Eastman Whipstock (now BH/Inteq and part of the Baker Hughes Group).

Mr. Grigg started his career in 1970 with West Australian Petroleum (WAPET) then owned by Texaco and Chevron and worked on the Barrow Island oilfield development gaining invaluable grass roots experience in all aspects of bring an oilfield to full commercialization.

BOARD OF DIRECTORS

The Company has a high level Board of Directors, including among others:

Robert Stempel, former Chairman and CEO of General Motors,

and through the acquisition of CAMAC, the Board will include

John Hofmeister, former President of Houston-based Shell Oil Company and

Hazel O'Leary, who served under President Bill Clinton as the Secretary of Energy.

ANALYST AND OTHER IMPORTANT DISCLOSURES

Analyst Certification - I, Joseph Noel, hereby certify

- (1) that the views expressed in this research Company report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Company report and
- (2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this Company report.

Analyst:

Joseph Noel is a 29-year veteran investment and technology industries. Joe was recently a senior analyst at Pacific Growth Equities, LLC, where he tracked the communications equipment/services and advanced industrial sectors. Prior to Pacific Growth, he covered both the telecommunications equipment and services industries at Hambrecht & Quist and was employed by Gartner/Dataquest as a communications industry analyst. Before becoming an analyst, Mr. Noel received solid industry experience at a number of telecommunications carriers, including MCI, where he was responsible for the frame relay product marketing launch; and British Telecom, where he was involved in strategic planning for the Company's Internet access service. He was also employed by various Bell Operating Companies in both marketing and technical roles for nearly ten years. Mr. Noel received his MBA in finance from Wake Forest University, and holds a BS in business and economics. A four-time Wall Street Journal All-Star Analyst, Joe specializes in emerging growth companies in the communications, Internet and advanced industrial equipment sectors.

The coverage analyst uses a relative rating system in which stocks are rated as: BUY, SELL, or HOLD. **Stock Ratings:**

BUY - the stock is expected to outperform the unweighted expected total return of the sector over a 12-month investment horizon.

SELL - the stock is expected to under perform the unweighted expected total return of the sector over a-12 month time horizon

HOLD - the stock is expected to perform in line with the unweighted expected total return of the sector over a 12-month investment horizon

ANALYST AND OTHER IMPORTANT DISCLOSURES

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