



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

October 14, 2011

Enerplus Corporation (ERF) Marcellus, Bakken and Canada with 8% a Year Income

<i>Symbol</i>	ERF	<i>Ebitda Next Twelve Months ending 9/30/12 (US\$mm)</i>	740
<i>Rating</i>	Contrarian Buy	<i>North American Natural Gas/Ebitda (%)</i>	28
<i>Price (US\$/sh)</i>	26.10	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/13/11	<i>Adjusted Reserves/Production NTM</i>	8.3
<i>Shares (mm)</i>	180	<i>EV/Ebitda</i>	7.8
<i>Market Capitalization (US\$mm)</i>	4,690	<i>PV/Ebitda</i>	10.5
<i>Debt (US\$mm)</i>	1,080	<i>Probable Reserves (%)</i>	28
<i>Enterprise Value (EV) (US\$mm)</i>	5,760	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	31.00
<i>Present Value (PV) (US\$mm)</i>	7,720	<i>Present Value Proven and Probable Reserves(US\$/boe)</i>	31.50
<i>Net Present Value (US\$/share)</i>	37	<i>Oil and Gas Ebitda Margin (%)</i>	66
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.82
<i>McDep Ratio - EV/PV</i>	0.75	<i>Price/Earnings Next Twelve Months</i>	32
<i>Dividend Yield (%/year)</i>	8.1	<i>Indicated Annual Dividend (US\$/sh)</i>	2.12
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$8 a million btu.			

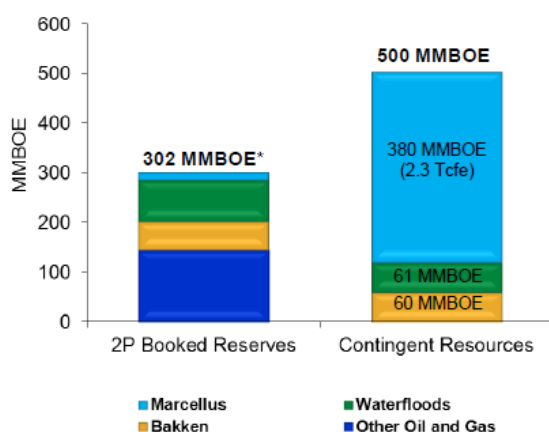
Summary and Recommendation

Among our official buys **Enerplus Corporation (ERF)** offers the highest income yield at 8.1% and it has attractive resource potential in Appalachian Marcellus, North Dakota Bakken and Canada light oil. Debt is low and the distribution is amply covered by cash flow. Chief executive Gordon Kerr and his management have a solid record. The Marcellus formation appears to sustain attractive economics despite continued pressure on natural gas price. Crude oil price looks robust in the face of general investor pessimism. That keeps economics profitable for expanding oil production by Enerplus on the Native American lands in the Ft. Berthold reservation (see slide on page 2). The company's base asset in Canadian light oil shows increasing promise as the technological innovations advanced most in the U.S. are having a growing impact in the less-developed north. Little of the upside in Marcellus, Bakken and Canada light oil is reflected in estimated Net Present Value of \$37 a share tied primarily to reserves already booked (see tables Functional Cash Flow and Present Value on page 2 and Next Twelve Months Operating and Financial Estimates on page 3). ERF's low McDep Ratio of 0.75 is corroborated by its unlevered cash flow multiple (EV/Ebitda) of 7.8 times, the lowest of income-paying peers (see Tables 1-4 on pages 4-7). New commitments to a well-managed, high income payer with visible oil and gas volume growth seem especially appealing during current stock market weakness.

Kurt H. Wulff, CFA

Growth Potential

Total contingent resources of over 500 MMBOE is almost 2x existing booked reserves



* Dec 31, 2010 reserves adjusted to reflect June 2011 Marcellus asset disposition

- **Fort Berthold:**
 - 74,000 net acres
 - Growth potential of 20,000 BOE/day in 4 years
 - Additional upside potential in Three Forks
- **Waterfloods:**
 - Low decline cash generating oil production
 - Incremental drilling and enhanced oil recovery potential
 - 0-5% production growth in next 2 years
- **Marcellus Shale:**
 - 110,000 net acres, 60% operated
 - Production growth of 150 MMcf/day by 2014
- **Unquantified upside (not included in contingent resources):**
 - **Deep Basin/liquids rich gas:**
 - Growing undeveloped land base of over 110,000 net acres in Montney, Stacked Mannville and Duvernay Shale
 - focused on delineation

Enerplus Corporation					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	200	6.8	11.5	2,300	30%
Oil	540	10.2	10.0	5,380	70%
	740	8.3	10.4	7,680	100%
Debt (US\$mm)					1,080
Net Present Value (US\$mm)					6,600
Shares (mm)					180
Net Present Value - Standard Estimate (US\$/sh)					37
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					40



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Enerplus Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q3	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/10	6/30/11	9/30/11	12/31/11	2011E	3/31/12	6/30/12	9/30/12	9/30/12
Volume									
Natural Gas (mmcf)	286	256	256	272	259	272	279	279	276
Oil (mbd)	35	33	33	35	33.4	35	36	36	35.2
Total (mb)	7.63	6.86	6.93	7.37	27.95	7.29	7.47	7.55	29.69
Total (mbd)	83.0	75.4	75.4	80.1	76.6	80.1	82.1	82.1	81.1
Price									
Henry Hub (\$/mmbtu)	4.38	4.32	4.19	3.71	4.08	4.01	4.02	4.11	3.96
Currency (US\$/C\$)	0.96	1.03	1.02	0.98	1.01	0.98	0.98	0.98	0.98
Henry Hub (C\$/mmbtu)	4.55	4.18	4.11	3.79	4.03	4.09	4.10	4.20	4.04
Differential (\$/mmbtu)	0.88	0.32	0.31	0.29	0.27	0.31	0.31	0.32	0.31
Company (\$/mcf)	3.67	3.86	3.80	3.50	3.76	3.78	3.79	3.88	3.74
WTI Cushing (\$/bbl)	76.08	102.55	89.76	85.45	92.97	85.78	85.93	86.23	85.85
WTI Cushing (C\$/bbl)	79.05	99.21	87.94	87.18	91.84	87.51	87.67	87.97	87.58
Differential	14.21	10.86	9.63	9.55	11.83	9.58	11.29	11.33	10.44
Company (\$/bbl)	64.84	88.35	78.31	77.63	80.01	77.93	76.38	76.64	77.14
Total (\$/bbl)	40.24	51.44	46.88	45.58	47.65	46.65	46.00	46.43	46.17
Revenue (C\$m)									
Natural Gas	97	90	89	88	355	94	96	100	377
Oil	211	263	236	248	976	247	248	251	994
Royalty	(56)	(62)	(57)	(59)	(237)	(60)	(60)	(62)	(241)
Total	251	291	268	277	1,095	280	283	289	1,130
Expense									
Operating	78	68							
Other	21	25							
Total	99	93	90	93	359	94	95	97	379
Ebitda	152	198	178	184	736	186	188	192	751
Deprec., Deplet., & Amort.	167	104	105	112	421	110	113	114	448
Other Non Cash	(5)	(283)			(260)				-
Ebit	(10)	377	73	72	575	77	76	78	303
Interest	8	18	18	18	68	18	18	18	72
Ebt	(18)	359	55	54	507	59	58	60	231
Income Tax	(34)	90	19	19	138	20	20	21	81
Net Income (\$mm)	16	269	36	35	369	38	38	39	150
Per Share (\$)	0.09	1.50	0.20	0.20	2.06	0.21	0.21	0.22	0.84
Shares (millions)	178	180	180	180	180	180	180	180	180
Distributions (\$mm)	96	97	97	97	388	97	97	97	388
Per Share (\$)	0.54	0.54	0.54	0.54	2.16	0.54	0.54	0.54	2.16
Ebitda Margin	61%	68%	66%	66%	67%	66%	66%	66%	66%
Tax rate	189%	25%	35%	35%		35%	35%	35%	35%



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Table ISC-1											
McDep Income and Small Cap Energy Portfolio											
Debt, Segments, Cash Flow, Income and McDep Ratio											
			Price			PV(%)					
Symbol/Rating		(US\$/sh)	EV/	Enterprise			EV/	Dist.	Dist.		
B = Buy	13-Oct	Market	Value	Nat	Oil	Ebitda	NTM	Yield	McDep		
CB (see below)	2011	Cap	(\$mm)	Gas		NTM	(\$/un)	(%)	Ratio		
Small Cap Independent Producers											
Range Resources	RRC	B	68.44	1.18	12,860	69	31	17.1	0.16	0.2	0.98
Peyto Exploration and Developmen	PEYUF		20.50	1.18	3,230	76	24	10.1	0.74	3.6	0.87
Birchcliff Energy Ltd.	BIREF	B	13.25	1.21	2,110	55	45	13.0	-	-	0.86
Berry Petroleum Company	BRY		39.28	1.69	3,640	23	77	7.2	0.30	0.8	0.68
Denbury Resources Inc.	DNR		13.47	1.43	7,800	5	95	6.5	-	-	0.57
Cimarex Energy Company	XEC	CB	58.04	1.15	5,730	46	54	4.8	0.40	0.7	0.52
Whiting Petroleum Corporation	WLL	CB	38.07	1.35	6,130	11	89	4.2	-	-	0.50
<i>Total or Median</i>					41,500			7.2			0.68
Top Line Cash Payers											
Cross Timbers Royalty Trust	CRT		46.75	1.00	280	87	13		2.86	6.1	1.04
Sabine Royalty Trust	SBR		64.62	1.00	940	51	49		4.09	6.3	0.92
Permian Basin RT	PBT		19.60	1.00	910	42	58		1.42	7.2	0.89
Dorchester Minerals, L.P.	DMLP	CB	25.03	1.00	770	61	39		1.61	6.4	0.83
Freehold Royalties Ltd.	FRHLF		16.55	1.07	1,040	18	82		1.62	9.8	0.76
<i>Total or Median</i>					3,900					6.4	0.89
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		37.19	1.47	9,640	31	69	16.1	2.76	7.4	1.06
Hugoton RoyaltyTrust	HGT		21.91	1.00	880	88	13	15.6	1.27	5.8	1.00
Vanguard Natural Resources, LLC	VNR		26.17	1.48	1,980	23	77	10.9	2.30	8.8	0.98
Legacy Reserves L.P.	LGCY		27.80	1.47	1,780	21	79	9.8	2.16	7.8	0.95
San Juan Basin Royalty Trust	SJT	CB	23.51	1.00	1,100	100	-	14.2	1.30	5.5	0.94
Mesa RoyaltyTrust	MTR		43.00	1.00	80	75	25	12.2	2.95	6.9	0.81
Enerplus Corporation	ERF	CB	26.10	1.23	5,800	30	70	7.8	2.12	8.1	0.75
<i>Total or Median</i>					21,300			12.2		7.4	0.95
Composite											
<i>Enterprise Value Weighting</i>					66,700	39	61				0.75
<i>Equal Weighting</i>						48	52				0.84
<i>Equal Weighted Buys</i>						47	53				0.78

CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses.

Present Value (PV) presumes long-term prices of \$100 a barrel for oil and \$8 a million btu for natural gas.

Dist. = Income distribution. NTM = Next Twelve Months Ended September 30, 2012. Enterprise Value = Market Cap and Debt.



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Table ISC-2								
McDep Income and Small Cap Energy Portfolio								
Net Present Value and McDep Ratio								
			Price (\$/sh)		Market	Net		
	Symbol/ Rating		13-Oct 2011	Shares (mm)	Cap (\$mm)	Present Value (\$/un)	Debt/ Present Value	McDep Ratio
Small Cap Independent Producers								
Range Resources	RRC	B	68.44	159.0	10,880	70.00	0.15	0.98
Peyto Exploration and Development Cor	PEYUF		20.50	133.1	2,730	24.00	0.14	0.87
Birchcliff Energy Ltd.	BIREF	B	13.25	131.0	1,740	16.00	0.15	0.86
Berry Petroleum Company	BRY		39.28	54.7	2,150	70.00	0.28	0.68
Denbury Resources Inc.	DNR		13.47	404.0	5,440	28.00	0.17	0.57
Cimarex Energy Company	XEC	CB	58.04	86.1	5,000	120.00	0.07	0.52
Whiting Petroleum Corporation	WLL	CB	38.07	119.0	4,530	90.00	0.13	0.50
<i>Total or Median</i>					32,470		0.15	0.68
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		46.75	6.0	280	45.00	-	1.04
Sabine Royalty Trust	SBR		64.62	14.6	940	70.00	-	0.92
Permian Basin RT	PBT		19.60	46.6	910	22.00	-	0.89
Dorchester Minerals, L.P.	DMLP	CB	25.03	30.7	770	30.00	-	0.83
Freehold Royalties Ltd.	FRHLF		16.55	59.1	980	22.00	0.05	0.76
<i>Total or Median</i>					3,880			0.89
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		37.19	176.0	6,550	34.00	0.34	1.06
Hugoton RoyaltyTrust	HGT		21.91	40.0	880	22.00	-	1.00
Vanguard Natural Resources, LLC	VNR		26.17	51.1	1,340	27.00	0.32	0.98
Legacy Reserves L.P.	LGCY		27.80	43.6	1,210	30.00	0.30	0.95
San Juan Basin Royalty Trust	SJT	CB	23.51	46.6	1,100	25.00	-	0.94
Mesa RoyaltyTrust	MTR		43.00	1.9	80	53.00	-	0.81
Enerplus Corporation	ERF	CB	26.10	179.6	4,690	37.00	0.14	0.75
<i>Total or Median</i>					15,850			0.95
B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Present Value presumes long-term prices of \$100 a barrel for oil and \$8 a million btu for natural gas.								



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Table ISC-3								
McDep Income and Small Cap Energy Portfolio								
Value Multiples - Rank by EV/Ebitda								
			Price (\$/sh)	Revenue	Dist/ Equity	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda
	Symbol/ Rating		13-Oct 2011	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	68.44		-	14.4	17.4	17.1
Birchcliff Energy Ltd.	BIREF	B	13.25		-	20.3	15.2	13.0
Peyto Exploration and Development Corp	PEYUF		20.50		0.35	13.6	11.5	10.1
Berry Petroleum Company	BRY		39.28		-	11.9	10.6	7.2
Denbury Resources Inc.	DNR		13.47		-	13.4	11.4	6.5
Cimarex Energy Company	XEC	CB	58.04		-	6.8	9.2	4.8
Whiting Petroleum Corporation	WLL	CB	38.07		-	8.7	8.4	4.2
	<i>Median</i>					13.4	11.4	7.2
Top Line Cash Payers								
Sabine Royalty Trust	SBR		64.62	100	1.00	7.4	17.1	15.8
Cross Timbers Royalty Trust	CRT		46.75	80	0.97	13.9	15.2	15.8
Permian Basin RT	PBT		19.60	32	0.98	16.5	15.2	13.6
Dorchester Minerals, L.P.	DMLP	CB	25.03	77	0.84	6.6	15.7	13.1
Freehold Royalties Ltd.	FRHLF		16.55	71	0.93	6.6	12.6	9.6
	<i>Median</i>					7.4	15.2	13.6
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		37.19		1.23	17.1	15.2	16.1
Hugoton RoyaltyTrust	HGT		21.91		0.90	13.9	15.6	15.6
San Juan Basin Royalty Trust	SJT	CB	23.51		0.78	8.6	15.0	14.2
Mesa RoyaltyTrust	MTR		43.00		0.84	14.5	15.1	12.2
Vanguard Natural Resources, LLC	VNR		26.17		0.95	8.8	11.1	10.9
Legacy Reserves L.P.	LGCY		27.80		0.75	10.2	10.4	9.8
Enerplus Corporation	ERF	CB	26.10		0.60	8.3	10.5	7.8
	<i>Median</i>					10.2	15.0	12.2
B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2012; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								
Top Line Cash Payers defined as those having Revenue Royalty (see fifth column from right).								



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Table ISC-4									
Oil and Gas Income and Small Cap Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price (\$/sh)	Enterprise Value/					
	Symbol/ Rating		13-Oct 2011	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
Small Cap Independent Producers									
	Range Resources	RRC	B	68.44	0.90	1.70	1.10	1.20	0.98
	Birchcliff Energy Ltd.	BIREF	B	13.25	0.90	1.54	1.05	1.06	0.86
	Peyto Exploration and Development C	PEYUF		20.50	0.84	1.31	0.97	0.99	0.87
	Berry Petroleum Company	BRY		39.28	0.75	1.15	0.93	0.88	0.68
	Denbury Resources Inc.	DNR		13.47	0.61	1.20	0.97	0.77	0.57
	Whiting Petroleum Corporation	WLL	CB	38.07	0.58	1.22	0.91	0.72	0.50
	Cimarex Energy Company	XEC	CB	58.04	0.53	1.12	0.92	0.67	0.52
	<i>Median</i>				0.75	1.22	0.97	0.88	0.68
Top Line Cash Payers									
	Cross Timbers Royalty Trust	CRT		46.75	0.97	1.28	1.05	1.06	1.04
	Sabine Royalty Trust	SBR		64.62	0.92	1.36	1.05	1.02	0.92
	Dorchester Minerals, L.P.	DMLP	CB	25.03	0.83	1.20	1.04	0.94	0.83
	Permian Basin RT	PBT		19.60	0.83	1.09	0.92	0.91	0.89
	Freehold Royalties Ltd.	FRHLF		16.55	0.69	1.20	0.94	0.81	0.76
	<i>Median</i>				0.83	1.20	1.04	0.94	0.89
Bottom Line Cash Payers									
	Hugoton RoyaltyTrust	HGT		21.91	0.89	1.14	1.00	0.99	1.00
	Linn Energy, LLC	LINE		37.19	0.93	1.13	1.01	0.98	1.06
	San Juan Basin Royalty Trust	SJT	CB	23.51	0.84	1.15	1.00	0.97	0.94
	Legacy Reserves L.P.	LGCY		27.80	0.87	1.17	1.03	0.97	0.95
	Mesa RoyaltyTrust	MTR		43.00	0.84	1.10	0.97	0.93	0.81
	Vanguard Natural Resources, LLC	VNR		26.17	0.84	1.12	0.98	0.92	0.98
	Enerplus Corporation	ERF	CB	26.10	0.82	1.16	0.98	0.89	0.75
	<i>Median</i>				0.84	1.14	1.00	0.97	0.95

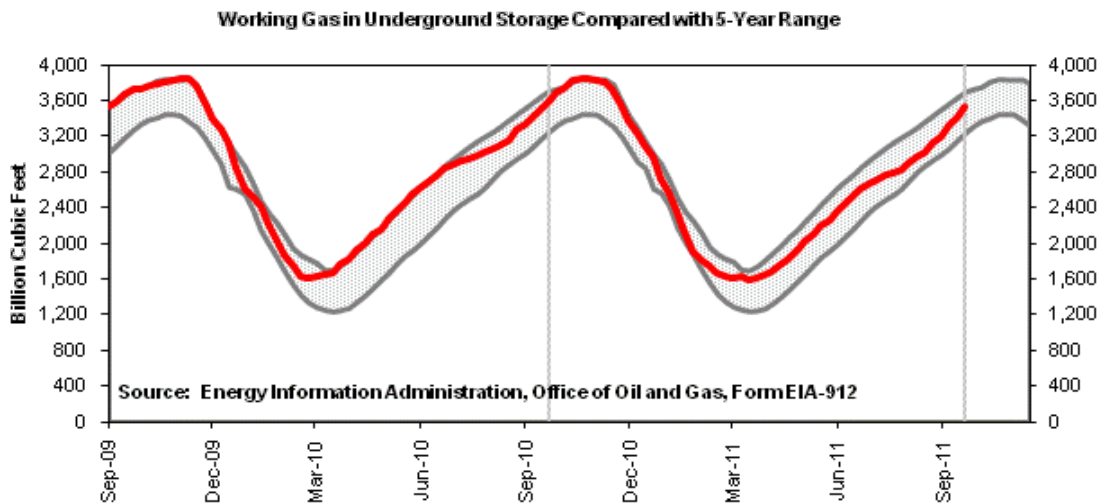
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.



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