

MCDEP Income and Small Cap Weekly

Analysis of Oil & Gas Stocks September 21, 2012

Whiting Petroleum (WLL) Growing, Secure, Price-Sensitive, Light Oil

Symbol	WLL	Ebitda Next Twelve Months ending 9/30/13 (US\$mm)	1,628
Rating	Buy	North American Natural Gas/Ebitda (%)	5
Price (\$/sh)	48.79	Natural Gas and Oil Production/Ebitda (%)	100
Pricing Date	9/20/12	Adjusted Reserves/Production NTM	9.3
Shares (mm)	119	EV/Ebitda	4.7
Market Capitalization (\$mm)	5,810	PV/Ebitda	7.6
Debt (\$mm)	1,920	Undeveloped Reserves (%)	31
Enterprise Value (EV) (\$mm)	7,730	Natural Gas and Oil Ebitda (\$/boe)	52.10
Present Value (PV) (\$mm)	12,390	Present Value Proven Reserves(\$/boe)	35.90
Net Present Value (\$/share)	88	Oil and Gas Ebitda Margin (%)	70
Debt/Present Value	0.16	Earnings Next Twelve Months (US\$/sh)	4.37
McDep Ratio - EV/PV	0.62	Price/Earnings Next Twelve Months	11
Dividend Yield (%/year)	0.0	Indicated Annual Dividend (US\$/sh)	0.00
Note: Estimated cash flow a	and earnings tied to on	e-year futures prices for oil and natural gas.	
		nates. Estimated present value per share revised only infrequ	iently.

Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$6 a million btu.

Summary and Recommendation

Buy-recommended Whiting Petroleum (WLL) offers rapid growth in strategicallysecure, high-quality, light oil that is especially profitable at current oil price. Whiting's production in the Bakken Shale oil trend in North Dakota grew to some 54% of total oil equivalent production in the second quarter. Bakken accounted for most of the 28% growth in corporate volume compared to the same quarter last year (see table Next Twelve Months Operating and Financial Estimates on page 2). At the current rate of 250 wells a year, management believes it has a ten year back log of locations to be drilled in the Bakken shale and related formations in the Northern Rockies region (see slide Locations on page 3). In Sanish, the most developed field, profitability is strong in the oil price range of \$80 to \$100 a barrel (see slide Production Profiles – Sanish on page 3). The fact that profitability drops sharply at lower oil price indicates that a sustained lower price is unlikely if oil demand grows with global economic activity. Though Sanish may be most profitable, the company appears to be getting favorable results in newer areas as well (see slide Lease Areas on page 4). As a result, Whiting stock at the current price of \$49 looks attractive compared to estimated Net Present Value (NPV) of \$88 a share (see table Functional Cash Flow and Present Value on page 4). Stock price has been volatile, yet it is above its 200-day average as we move into the fourth calendar quarter when the price has moved higher in three of the past four years.

Kurt H. Wulff, CFA



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			ng Petrol						
	Next Twe	elve Mon	ths Opera	ting and l	Financial E	stimates			
									Next
									Twelve
	Q2	Year	Q2	Q3E	Q4E	Year	QIE	Q3E	Months
	6/30/11	2011	6/30/12	9/30/12	12/31/12	2012E	3/31/13	9/30/13	9/30/13
Volume									
Natural Gas (mmcfd)	69	72	70	70	70	71	70	70	70
Days	91	365	91	92	92	366	90	92	365
Oil (mmb)	4.8	20	6.3	6.5	6.6	26	6.6	7.0	27
Oil (mbd)	53	56	69	70	72	70	73	76	74
Total (mb)	5.8	24.8	7.3	7.6	7.7	29.9	7.6	8.1	31
Total (mbd)	64	68	81	82	83	82	85	88	86
Price									
Henry Hub (\$/mmbtu)	4.32	4.04	2.21	2.80	3.06	2.70	3.44	3.58	3.39
Differential (\$/mmbtu)	(0.62)	(0.88)	(1.04)	(1.31)	(1.43)	(1.12)	(1.61)	(1.68)	(1.59
Company (\$/mcf)	4.94	4.92	3.25	4.12	4.49	3.82	5.05	5.25	4.97
WTI Cushing (\$/bbl)	102.55	95.12	93.32	92.84	96.41	96.37	97.35	96.95	97.10
Differential	10.05	10.20	18.13	18.04	18.73	18.06	18.92	11.91	15.31
Company (\$/bbl)	92.50	84.92	75.19	74.80	77.68	78.32	78.44	85.04	81.79
Total (\$/bbl)	81.21	75.07	67.12	67.66	70.57	70.33	71.81	77.92	74.70
Revenue (\$mm)									
Natural Gas	31	130	21	27	29	99	32	34	127
Oil	443	1,731	472	484	513	2,006	517	596	2,209
Total	474	1,861	493	511	542	2,105	549	630	2,336
Expense									
Lease operating	74	307	90						
Production taxes	34	140	41						
General and administrative	21	85	25						
Total	129	532	156	155	164	649	166	191	708
Ebitda	345	1,329	337	356	378	1,455	382	439	1,628
Exploration	20	84	28	28	28	112	28	28	112
Deprec., Deplet., & Amort.	110	468	161	161	161	639	161	161	644
Other	13	9	(4)			(10)			-
Ebit	202	767	152	167	189	714	193	250	872
Interest	15	62	18	18	18	72	18	18	72
Ebt	187	705	134	149	171	642	175	232	800
Income Tax	65	247	47	52	60	225	61	81	280
Net Income (\$mm)	121	459	87	97	111	417	114	151	520
Per Share (\$)	1.02	3.86	0.73	0.81	0.93	3.51	0.96	1.27	4.37
Shares (millions)	119	119	119	119	119	119	119	119	119
Ebitda Margin	73%	71%	68%	70%	70%	69%	70%	70%	70%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Future Drilling Locations as of I	Secember 31, 2		WHIT				
	<u>Total 3P Drillir</u>	tal 3P Drilling Locations					
		Gross	Net				
	Northern Rockies ⁽²⁾	707	334				
and an and a second sec	Central Rockies	421	283				
A CONTRACTOR OF A CONTRACTOR O	Permian Basin	838	338				
	Mid-Continent	210	189				
	Gulf Coast	72	58				
	Michigan	<u>16</u>	<u>13</u>				
and the second se	Total	2,264	<u>1,215</u>				
	Total Resource Dr	illing Loca	ations				
and the second s		Gross	Net				
	Northern Rockies	1,839	640				
And the second sec	Central Rockies	1,416	889				
and a real of the local division of the loca	Permian Basin	417	307				
	Mid-Continent	6	1				
	Gulf Coast	34	31				
	Michigan	29	22				
	Total	3,741	1,890				

Typical Bakken Production Profiles Sanish Field ^{(1) (2)}



WHITING



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Whiting P	etroleum C	orporation							
Functional Ca	sh Flow and	Present Va	alue						
Present									
1	VTM Ebitda	Adjusted	PV/	Value					
	<u>(US\$mm)</u>	<u>R/P</u>	<u>Ebitda</u>	(US\$mm)					
North American Natural Gas	89	9.7	11.3	1,000	8%				
Oil	1,539	9.3	7.4	11,390	92%				
	1,628	9.3	7.6	12,390	100%				
Debt (US\$mm)					1,920				
Net Present Value (US\$mm)					10,470				
Shares (mm)					119				
Net Present Value - Standard Estimate (US\$/sh)					88				
NPV Approximation by Cash Flow Multiple Depe	ending on Res	serve Life (U	JS\$/sh)		87				



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Symbol/Rating Price)ep In	ICO	me and	Small	Cap Ene	rgy l	Porti	folio			
Symbol/Rating Price	egmei	ıts.	Cash 1	Flow, I	ncome al	nd M	cDe	p Ratio)		
Symbol/Rating (USS/sh) EIV Enterprise $PI'(9)$ EIV Dist. Dist. Dist. Dist. Dist. Math CB see below) 2012 Cap (Smn) Gas Oil NTM (S/un) (%a) Rat Small Cap Independent Producers 2012 Cap (Smn) Gas Oil NTM (S/un) (%b) Rat Small Cap Independent Producers 2012 Cap (Smn) Gas Oil NTM (S/un) (%b) Rat Range Resources (32%) CLR 79.79 1.19 5,450 25 75 78 - - 1.0 Berge Partolexploration and Developmen PEYUF 23.62 1.19 4,010 76 24 10.4 0.74 3.1 0.9 Halcón Resources Inc. DNR 17.34 1.46 9,920 6 94 5.8 - 0.7 Bernbult Resources Inc. DNR 17.34 1.46 9,920 6.59	Ĩ		, 	,							
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Cross Timbers Royalty Trust Total or Median CRT 32.41 1.00 190 70 30 2.61 8.1 0.7 Bottom Line Cash Payers Image: Composite <	SBR		52.73	1.00	770	55	45		3.88	7.3	0.81
Total or Median 8.1 8.1 0.8 Bottom Line Cash Payers - <td< td=""><td>PBT</td><td></td><td>15.29</td><td>1.00</td><td>710</td><td>37</td><td>63</td><td></td><td>1.09</td><td>7.1</td><td>0.76</td></td<>	PBT		15.29	1.00	710	37	63		1.09	7.1	0.76
Bottom Line Cash Payers Image: Construct of the second secon	CRT		32.41	1.00	190	70	30		2.61	8.1	0.73
Linn Energy, LLC LINE 40.63 1.75 14,080 40 60 13.1 2.90 7.1 1.1 Vanguard Natural Resources, LLC VNR 28.56 1.69 2,530 23 77 10.3 2.40 8.4 1.0 Legacy Reserves L.P. LGCY 28.69 1.32 1,800 24 76 8.8 2.24 7.8 0.9 Enerplus Corporation ERF CB 16.96 1.57 5,200 30 70 6.8 1.11 6.6 0.8 Enduro Royalty Trust (40%) NDRO 17.95 1.00 240 39 61 7.8 1.80 10.0 0.8 San Juan Basin Royalty Trust SJT CB 13.81 1.00 640 100 - 9.8 1.01 7.3 0.6 Mesa RoyaltyTrust MTR 24.03 1.00 45 75 25 8.3 2.14 8.9 0.6 Hugoton RoyaltyTrust HGT 6.76 1.00 270 88 13 6.3 0.34 5.1 0.4					3,700					<u>8.1</u>	0.8
Linn Energy, LLC LINE 40.63 1.75 14,080 40 60 13.1 2.90 7.1 1.1 Vanguard Natural Resources, LLC VNR 28.56 1.69 2,530 23 77 10.3 2.40 8.4 1.00 Legacy Reserves L.P. LGCY 28.69 1.32 1,800 24 76 8.8 2.24 7.8 0.9 Enerplus Corporation ERF CB 16.96 1.57 5,200 30 70 6.8 1.11 6.6 0.8 Enduro Royalty Trust (40%) NDRO 17.95 1.00 240 39 61 7.8 1.80 10.0 0.8 San Juan Basin Royalty Trust SJT CB 13.81 1.00 640 100 - 9.8 1.01 7.3 0.6 Mesa RoyaltyTrust MTR 24.03 1.00 45 75 25 8.3 2.14 8.9 0.6 Hugoton RoyaltyTrust HGT 6.76 1.00 270 88 13 6.3 0.34 5.1 0.4											
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Legacy Reserves L.P. LGCY 28.69 1.32 1,800 24 76 8.8 2.24 7.8 0.9 Enerplus Corporation ERF CB 16.96 1.57 5,200 30 70 6.8 1.11 6.6 0.8 Enduro Royalty Trust (40%) NDRO 17.95 1.00 240 39 61 7.8 1.80 10.0 0.8 San Juan Basin Royalty Trust SJT CB 13.81 1.00 640 100 - 9.8 1.01 7.3 0.6 Mesa RoyaltyTrust MTR 24.03 1.00 45 75 25 8.3 2.14 8.9 0.6 Hugoton RoyaltyTrust HGT 6.76 1.00 270 88 13 6.3 0.34 5.1 0.4 Total or Median 24,800 8.5 7.6 0.8 Enterprise Value Weighting 6.4 6.4 6.4 6.4 6.4 6.4 6.8 6.2 6.8 6.8 6.8 6.8 </td <td></td> <td>1.08</td>											1.08
Enerplus Corporation ERF CB 16.96 1.57 5,200 30 70 6.8 1.11 6.6 0.8 Enduro Royalty Trust (40%) NDRO 17.95 1.00 240 39 61 7.8 1.80 10.0 0.8 San Juan Basin Royalty Trust SJT CB 13.81 1.00 640 100 - 9.8 1.01 7.3 0.6 Mesa RoyaltyTrust MTR 24.03 1.00 45 75 25 8.3 2.14 8.9 0.6 Hugoton RoyaltyTrust HGT 6.76 1.00 270 88 13 6.3 0.34 5.1 0.4 Total or Median 24,800 8.5 7.6 0.8 Enterprise Value Weighting 6.4 6.4 6.4 6.4 6.8 6.2 6.8 6.8 6.8 6.8 6.8 6.8 6.8 6.8 6.8<											0.97
Enduro Royalty Trust (40%) NDRO 17.95 1.00 240 39 61 7.8 1.80 10.0 0.8 San Juan Basin Royalty Trust SJT CB 13.81 1.00 640 100 - 9.8 1.01 7.3 0.6 Mesa RoyaltyTrust MTR 24.03 1.00 45 75 25 8.3 2.14 8.9 0.6 Hugoton RoyaltyTrust HGT 6.76 1.00 270 88 13 6.3 0.34 5.1 0.4 Total or Median 24,800 8.5 7.6 0.8 Composite 6.400 38 62 0.8 Enterprise Value Weighting 86,400 38 62 0.8 0.8 Equal Weighting 0.8 0.8 0.8 0.8		CB									0.97
San Juan Basin Royalty Trust SJT CB 13.81 1.00 640 100 - 9.8 1.01 7.3 0.6 Mesa RoyaltyTrust MTR 24.03 1.00 45 75 25 8.3 2.14 8.9 0.6 Hugoton RoyaltyTrust HGT 6.76 1.00 270 88 13 6.3 0.34 5.1 0.4 Total or Median 24,800 8.5 7.6 0.8 Composite <		СБ									0.85
Mesa RoyaltyTrust MTR 24.03 1.00 45 75 25 8.3 2.14 8.9 0.6 Hugoton RoyaltyTrust HGT 6.76 1.00 270 88 13 6.3 0.34 5.1 0.4 Total or Median 24,800 8.5 7.6 0.8 Composite 86,400 38 62 0.8 Enterprise Value Weighting 86,400 38 62 0.8 0.8		CB									
Hugoton RoyaltyTrust HGT 6.76 1.00 270 88 13 6.3 0.34 5.1 0.4 Total or Median 24,800 8.5 7.6 0.8 Composite <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>											
Total or Median24,8008.57.60.8Composite86,40038620.8Enterprise Value Weighting86,40038620.8Equal Weighting0.80.80.8											0.00
Composite86,40038620.8Equal Weighting45550.8	101		0.70	1.00		00	13		0.54		0.40
Enterprise Value Weighting 86,400 38 62 0.8 Equal Weighting 45 55 0.8					24,000			0.5		7.0	0.00
Equal Weighting 45 55 0.8											
Equal Weighting 45 55 0.8					86,400	38	62				0.84
						45	55				0.82
						48	52				0.75
1 0 1		egmei bol/Rati B = I (see belo rs PDCE CLR RRC PEYUF HK BRY DNR BIREF WLL XEC FRHLF DMLP SBR PBT CRT CRT LINE VNR LGCY ERF NDRO SJT MTR	bol/Rating B = Buy (see below) (see below)	Dep Income and egments, Cash J Price bol/Rating (US\$/sh) B = Buy 20-Sep (see below) 2012 S PDCE 31.13 CLR 79.79 PRC B 69.22 PEYUF 23.62 HK 7.22 BRY 40.75 DNR 17.34 BIREF CB 6.85 WLL B 48.79 XEC CB 61.89 FRHLF 20.67 DMLP CB 22.19 SBR 52.73 PBT 15.29 CRT 32.41 LINE 40.63 VNR 28.56 LGCY 28.69 ERF CB 16.96 NDRO 17.95 SJT CB 13.81 MTR 24.03	Dep Income and Small egments, Cash Flow, I Price Price bol/Rating (US\$/sh) EV/ B = Buy 20-Sep Market (see below) 2012 Cap PDCE 31.13 1.73 CLR 79.79 1.19 RRC B 69.22 1.29 PEYUF 23.62 1.19 HK 7.22 1.35 BRY 40.75 1.73 DNR 17.34 1.46 BIREF CB 6.85 1.51 WLL B 48.79 1.33 XEC CB 61.89 1.23 FRHLF 20.67 1.04 DMLP CB 22.19 1.00 SBR 52.73 1.00 15.29 1.00 CRT 32.41 1.00 1.01 1.23 LINE 40.63 1.75 VNR 28.56 1.69 LGCY 28.69 1.32 <td< td=""><td>Sep Income and Small Cap Energy egments, Cash Flow, Income and Price Price bol/Rating (US\$/sh) EV/ Enterprise B = Buy 20-Sep Market Value (see below) 2012 Cap (\$mm) rs </td><td>Dep Income and Small Cap Energy I egments, Cash Flow, Income and M Price Price bol/Rating (US\$/sh) EV/ Enterprise PV/ B = Buy 20-Sep Market Value Nat (see below) 2012 Cap (\$mm) Gas S PDCE 31.13 1.73 1,680 54 CLR 79.79 1.19 5,450 25 RRC B 69.22 1.29 14,250 74 PEYUF 23.62 1.19 4,010 76 HK 7.22 1.35 2,830 12 BRY 40.75 1.73 3,850 13 DNR 17.34 1.46 9,920 6 BIREF CB 6.85 1.51 1,540 63 WLL B 48.79 1.33 7,730 8 XEC CB 61.89 1.23 6,590 45 S7,900 FRHLF 20.67 1.04 1,390 16 DMLP CB 22.19 1.00 680 57 SBR 52.73 1.00 770 55 PBT 15.29 1.00 710 37 CRT 32.41 1.00 190 70 CRT 32.41 1.00 190 70 CRT 32.41 1.00 190 70 SJT CB 13.81 1.00 40 VNR 28.56 1.69 2,530 23 LGCY 28.69 1.32 1,800 24 ERF CB 16.96 1.57 5,200 30 NDRO 17.95 1.00 240 39 SJT CB 13.81 1.00 640 100 MTR 24.03 1.00 45 75 HGT 6.76 1.00 270 88 CA 24,800</td><td>Dep Income and Small Cap Energy Portface egments, Cash Flow, Income and McDep Price Price bol/Rating (USS/sh) EV/ Enterprise PV(%) B = Buy 20-Sep Market Value Nat (see below) 2012 Cap (Smm) Gas Oil rs - - - - - PDCE 31.13 1.73 1,680 54 46 CLR 79.79 1.19 5,450 25 75 PDCE 31.13 1.73 3,850 13 87 PHK 7.22 1.35 2,830 12 88 BRY 40.75 1.73 3,850 13 87 DNR 17.34 1.46 9,920 6 94 BIREF CB 61.51 1,540 63 37 WLL B 48.79 1.33 7,730 8 92 XEC CB</td><td>Dep Income and Small Cap Energy Portfolio egments, Cash Flow, Income and McDep Ratio Price Price Price Price Price Price Price Poice Poice Poice Poice Poice Poice Poice S Poice 31.13 1.73 Poice 31.13 1.73 Poice 31.13 1.73 1,680 5 Poice 31.13 1.73 3,850 12 Poice 31.13 1.73 3,850 13 8 CLR 79.79 1.19 4,010 Po</td><td>Dep Income and Small Cap Energy Portfolio egments, Cash Flow, Income and McDep Ratio Price Price Price Price Price Price Price Price boll/Rating (USS/sh) EV/ Enterprise PV(%) EV/ Dist. B = by 20-Sep Market Value Nat Ebitda NTM (see below) 2012 Cap (\$mm) Gas Oil NTM (\$un) S 0 1.13 1.73 1,680 54 46 9.8 - CLR 79.79 1.19 5,450 25 75 7.8 - RRC B 69.22 1.29 14,250 74 26 15.4 0.16 PEYUF 23.62 1.19 4,010 76 24 10.4 0.72 DNR 17.34 1.46 9.920 6 94 5.8 - BIREF CB 6.85 1.5</td><td>Cash Flow, Income and McDep Ratio Price Price bol/Rating (US\$/s/h) EV/ Enterprise <u>PU%6</u> EV/ Dist. Dist. B = Buy 20-Sep Market Value Nat Ebitida NTM Yield (see below) 2012 Cap (%mm) Gas Oil NTM (%un) (%) S </td></td<>	Sep Income and Small Cap Energy egments, Cash Flow, Income and Price Price bol/Rating (US\$/sh) EV/ Enterprise B = Buy 20-Sep Market Value (see below) 2012 Cap (\$mm) rs	Dep Income and Small Cap Energy I egments, Cash Flow, Income and M Price Price bol/Rating (US\$/sh) EV/ Enterprise PV/ B = Buy 20-Sep Market Value Nat (see below) 2012 Cap (\$mm) Gas S PDCE 31.13 1.73 1,680 54 CLR 79.79 1.19 5,450 25 RRC B 69.22 1.29 14,250 74 PEYUF 23.62 1.19 4,010 76 HK 7.22 1.35 2,830 12 BRY 40.75 1.73 3,850 13 DNR 17.34 1.46 9,920 6 BIREF CB 6.85 1.51 1,540 63 WLL B 48.79 1.33 7,730 8 XEC CB 61.89 1.23 6,590 45 S7,900 FRHLF 20.67 1.04 1,390 16 DMLP CB 22.19 1.00 680 57 SBR 52.73 1.00 770 55 PBT 15.29 1.00 710 37 CRT 32.41 1.00 190 70 CRT 32.41 1.00 190 70 CRT 32.41 1.00 190 70 SJT CB 13.81 1.00 40 VNR 28.56 1.69 2,530 23 LGCY 28.69 1.32 1,800 24 ERF CB 16.96 1.57 5,200 30 NDRO 17.95 1.00 240 39 SJT CB 13.81 1.00 640 100 MTR 24.03 1.00 45 75 HGT 6.76 1.00 270 88 CA 24,800	Dep Income and Small Cap Energy Portface egments, Cash Flow, Income and McDep Price Price bol/Rating (USS/sh) EV/ Enterprise PV(%) B = Buy 20-Sep Market Value Nat (see below) 2012 Cap (Smm) Gas Oil rs - - - - - PDCE 31.13 1.73 1,680 54 46 CLR 79.79 1.19 5,450 25 75 PDCE 31.13 1.73 3,850 13 87 PHK 7.22 1.35 2,830 12 88 BRY 40.75 1.73 3,850 13 87 DNR 17.34 1.46 9,920 6 94 BIREF CB 61.51 1,540 63 37 WLL B 48.79 1.33 7,730 8 92 XEC CB	Dep Income and Small Cap Energy Portfolio egments, Cash Flow, Income and McDep Ratio Price Price Price Price Price Price Price Poice Poice Poice Poice Poice Poice Poice S Poice 31.13 1.73 Poice 31.13 1.73 Poice 31.13 1.73 1,680 5 Poice 31.13 1.73 3,850 12 Poice 31.13 1.73 3,850 13 8 CLR 79.79 1.19 4,010 Po	Dep Income and Small Cap Energy Portfolio egments, Cash Flow, Income and McDep Ratio Price Price Price Price Price Price Price Price boll/Rating (USS/sh) EV/ Enterprise PV(%) EV/ Dist. B = by 20-Sep Market Value Nat Ebitda NTM (see below) 2012 Cap (\$mm) Gas Oil NTM (\$un) S 0 1.13 1.73 1,680 54 46 9.8 - CLR 79.79 1.19 5,450 25 75 7.8 - RRC B 69.22 1.29 14,250 74 26 15.4 0.16 PEYUF 23.62 1.19 4,010 76 24 10.4 0.72 DNR 17.34 1.46 9.920 6 94 5.8 - BIREF CB 6.85 1.5	Cash Flow, Income and McDep Ratio Price Price bol/Rating (US\$/s/h) EV/ Enterprise <u>PU%6</u> EV/ Dist. Dist. B = Buy 20-Sep Market Value Nat Ebitida NTM Yield (see below) 2012 Cap (%mm) Gas Oil NTM (%un) (%) S

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 \$6 a million btu for natural gas.

Dist. = Income distribution. NTM = Next Twelve Months Ended September 30, 2013. Enterprise Value = Market Cap and Debt.



Analysis of Oil & Gas Stocks September 21, 2012

		Tab	le ISC-2					
McDep Inc	ome an	d Si	mall Ca	p Ener	gy Port	folio		
Net P	resent `	Valu	e and]	МсDep	Ratio			
			Price			Net		
			(\$/sh)		Market	Present	Debt/	
	Symbol/		20-Sep	Shares	Cap	Value	Present	McDep
	Ra	ting	2012	(mm)	(\$mm)	(\$/un)	Value	Ratio
Small Cap Independent Producers								
PDC Energy	PDCE		31.13	31.0	970	30.00	0.43	1.02
Continental Resources (32%)	CLR		79.79	57.6	4,600	80.00	0.16	1.00
Range Resources	RRC	В	69.22	160.0	11,080	70.00	0.22	0.99
Peyto Exploration and Development Con	r PEYUF		23.62	143.1	3,380	24.00	0.15	0.99
Halcón Resources	HK		7.22	290.0	2,090	10.00	0.20	0.78
Berry Petroleum Company	BRY		40.75	54.7	2,230	70.00	0.30	0.71
Denbury Resources Inc.	DNR		17.34	391.0	6,780	28.00	0.22	0.70
Birchcliff Energy Ltd.	BIREF	CB	6.85	148.3	1,020	12.00	0.22	0.67
Whiting Petroleum Corporation	WLL	В	48.79	119.0	5,810	88.00	0.16	0.62
Cimarex Energy Company	XEC	CB	61.89	86.4	5,350	110.00	0.12	0.61
Total or Median					43,310		0.21	0 .74
Top Line Cash Payers								
Freehold Royalties Ltd.	FRHLF		20.67	64.7	1,340	21.00	0.04	0.98
Dorchester Minerals, L.P.	DMLP	CB	22.19	30.7	680	27.00	-	0.82
Sabine Royalty Trust	SBR		52.73	14.6	770	65.00	-	0.81
Permian Basin RT	PBT		15.29	46.6	710	20.00	-	0.76
Cross Timbers Royalty Trust	CRT		32.41	6.0	190	44.00	-	0.73
Total or Median					3,690			0.81
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		40.63	198.0	8,050	30.00	0.50	1.18
Vanguard Natural Resources, LLC	VNR		28.56	52.2	1,490	25.00	0.30	1.08
Legacy Reserves L.P.	LGCY		28.69	47.5	1,490	30.00	0.23	0.97
Enerplus Corporation	ERF	СВ	16.96	196.0	3,320	21.00	0.23	0.97
Enduro Royalty Trust (40%)	NDRO	CD	17.95	13.2	240	21.00	-	0.85
San Juan Basin Royalty Trust	SJT	CB	13.81	46.6	640	21.00	_	0.66
Mesa RoyaltyTrust	MTR	СБ	24.03	1.9	45	40.00	-	0.60
Hugoton RoyaltyTrust	HGT		6.76	40.0	270	14.00	-	0.00
Total or Median	1101		0.70	-10.0	15,420	14.00	_	0.48
Total of Median					15,720			0.00
B=Buy; CB=Contrarian Buy, Stock Price								
McDep Ratio = Market cap and Debt to Present Value presumes long-term price								



Analysis of Oil & Gas Stocks September 21, 2012

		Tak	le ISC-3					
McDep Inco	ome an	d S	mall C	ap Ene	r <mark>gy Po</mark> i	rtfolio		
Value	Multip	les -	- Rank	by EV/	Ebitda			
			Duice			Adjuted		
			Price	Revenue	Dist/	Adjstd Resrvs/	PV/	EV
	Symbol/		20-Sep	Royalty	Equity	Prod	Ebitda	Ebitde
		ting	2012	(%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers	DDC	P	(0.00			14.7	15.6	15.4
Range Resources	RRC	В	69.22		-	14.7	15.6	15.4
Peyto Exploration and Development Corp	PETUF		23.62		0.32	9.1	10.5	10.4 9.8
PDC Energy Discholiff Energy Ltd		CD	31.13			8.6	9.6	
Birchcliff Energy Ltd.	BIREF	CB	6.85		-	20.9	14.1	9.4
Continental Resources (32%)	CLR		79.79			10.1	7.8	7.8
Halcón Resources	HK		7.22		-	5.6	8.5	6.6
Denbury Resources Inc.	DNR	CD	17.34		-	13.0	8.3	5.8
Cimarex Energy Company	XEC	CB	61.89		-	7.7	8.6	5.3
Berry Petroleum Company	BRY	P	40.75		-	11.4	7.3	5.2
Whiting Petroleum Corporation	WLL	В	48.79		-	9.3	7.6	4.7
Median						9.7	8. <i>6</i>	7.2
Top Line Cash Payers								
Sabine Royalty Trust	SBR		52.73	100	1.00	7.9	16.8	13.6
Cross Timbers Royalty Trust	CRT		32.41	78	0.96	17.9	16.2	11.9
Freehold Royalties Ltd.	FRHLF		20.67	71	0.96	5.6	11.6	11.5
Dorchester Minerals, L.P.	DMLP	CB	22.19	77	1.00	6.4	13.1	10.8
Permian Basin RT	PBT		15.29	47	0.73	9.4	13.4	10.3
Median						7.9	13.4	11.5
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		40.63		1.08	15.1	11.2	13.1
Vanguard Natural Resources, LLC	VNR		28.56		0.92	14.0	9.5	10.3
San Juan Basin Royalty Trust	SJT	CB	13.81		0.71	8.6	14.8	9.8
Legacy Reserves L.P.	LGCY		28.69		0.68	11.4	9.1	8.8
Mesa RoyaltyTrust	MTR		24.03		0.74	7.7	13.8	8.3
Enduro Royalty Trust (40%)	NDRO		17.95		0.78	7.2	9.1	7.8
Enerplus Corporation	ERF	CB	16.96		0.41	6.3	7.8	6.8
Hugoton RoyaltyTrust	HGT		6.76		0.32	13.4	13.1	6.3
Median	1101		0.70		0.52	10.0	10.4	8.5
B=Buy, CB=Contrarian Buy, Stock Price								
EV = Enterprise Value = Market Cap and							n	
and amortization; NTM = Next Twelve M				30, 2013; I	P/E = Stoc	k Price to		
Earnings; $PV = Present Value of oil and g$								

Top Line Cash Payers defined as those having Revenue Royalty (see fifth column from right).



Analysis of Oil & Gas Stocks September 21, 2012

		Tal	ble ISC-4	ł				
Oil and	Gas Inc	com	e and S	Small C	ap Stoc	ks		
Rank by E					-			
	F				- nj			
			Price					
			(\$/sh)		Enterpris	e Value/		
	Symbol/		20-Sep	52Wk	52Wk		200 Day	McDep
		ting	2012	High	Low	Avg.	Avg.	Ratio
Small Cap Independent Producers								
Peyto Exploration and Development C	PEYUF		23.62	0.93	1.48	1.10	1.18	0.99
Range Resources	RRC	В	69.22	0.92	1.24	1.05	1.09	0.99
Continental Resources (32%)	CLR		79.79	0.85	1.65	1.09	1.04	1.00
Denbury Resources Inc.	DNR		17.34	0.86	1.39	1.08	1.02	0.70
PDC Energy	PDCE		31.13	0.86	1.43	1.07	1.01	1.02
Whiting Petroleum Corporation	WLL	В	48.79	0.81	1.44	1.07	1.01	0.62
Cimarex Energy Company	XEC	CB	61.89	0.75	1.26	1.05	0.98	0.61
Berry Petroleum Company	BRY		40.75	0.81	1.17	1.03	0.98	0.71
Birchcliff Energy Ltd.	BIREF	CB	6.85	0.55	1.23	1.02	0.84	0.67
Halcón Resources	HK		7.22	0.61		0.95		0.78
Median				0.83	1.39	1.06	1.01	0.74
Top Line Cash Payers								
Freehold Royalties Ltd.	FRHLF		20.67	0.97	1.48	1.07	1.08	0.98
Dorchester Minerals, L.P.	DMLP	CB	22.19	0.83	1.12	1.00	0.97	0.82
Sabine Royalty Trust	SBR		52.73	0.78	1.16	0.99	0.92	0.81
Cross Timbers Royalty Trust	CRT		32.41	0.63	1.02	0.88	0.79	0.73
Permian Basin RT	PBT		15.29	0.66	1.05	0.88	0.78	0.76
Median				0.78	1.12	0.99	0.92	0.81
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		40.63	1.00	1.16	1.02	1.04	1.18
Legacy Reserves L.P.	LGCY		28.69	0.95	1.17	1.04	1.03	0.97
Vanguard Natural Resources, LLC	VNR		28.56	0.98	1.16	1.01	1.03	1.08
Enerplus Corporation	ERF	CB	16.96	0.69	1.27	1.08	0.93	0.87
San Juan Basin Royalty Trust	SJT	CB	13.81	0.55	1.15	0.92	0.79	0.66
Mesa RoyaltyTrust	MTR		24.03	0.52	1.05	0.87	0.70	0.60
Hugoton RoyaltyTrust	HGT		6.76	0.29	1.18	0.97	0.57	0.48
Median				0.69	1.16	1.01	0.93	0.87

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



ICDEP Income and Small Cap Weekly

Analysis of Oil & Gas Stocks September 21, 2012



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Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

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