



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 14, 2013

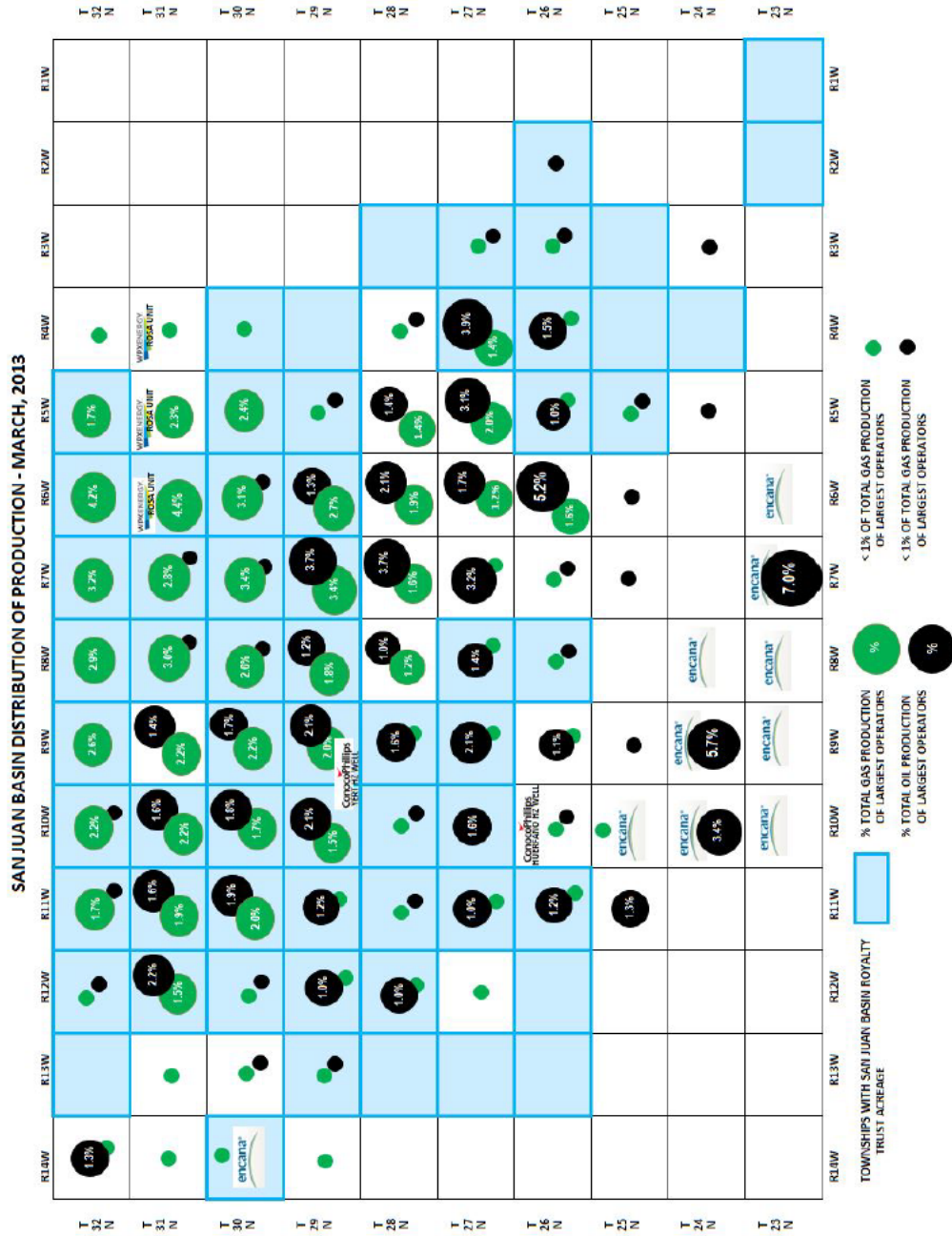
San Juan Basin Royalty Trust (SJT) First Horizontal Mancos Frac Flows 30% Oil

<i>Symbol</i>	SJT	<i>Ebitda Next Twelve Months ending 6/30/14 (US\$mm)</i>	69
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	97
<i>Price (US\$/sh)</i>	15.66	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/13/13	<i>Adjusted Reserves/Production NTM</i>	10.2
<i>Shares (mm)</i>	47	<i>EV/Ebitda</i>	10.6
<i>Market Capitalization (US\$mm)</i>	730	<i>PV/Ebitda</i>	14.3
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	3
<i>Enterprise Value (EV) (US\$mm)</i>	730	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	2.86
<i>Present Value (PV) (US\$mm)</i>	980	<i>Present Value Proven Reserves(US\$/boe)</i>	23.56
<i>Net Present Value (US\$/unit)</i>	21	<i>Oil and Gas Ebitda Margin (%)</i>	64
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	0.93
<i>McDep Ratio - EV/PV</i>	0.75	<i>Price/Earnings Next Twelve Months</i>	17
<i>Distribution Yield (%/year)</i>	5.9	<i>Distribution Next Twelve Months (US\$/sh)</i>	0.93
Note: Estimated cash flow and earnings tied to one-year futures prices for 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, \$6 a million btu.			
For historical analysis of SJT since 2000 see www.mcdep.com/4sjt.htm			

Summary and Recommendation

Prospects for the long-term value of Buy-recommended **San Juan Basin Royalty Trust (SJT)** improve with the disclosure of monthly production with 30% oil content in the liquids-rich window of the Mancos Shale. Those results are better than the 20% of heating value we calculated from initial reports for the Yert HZMC #001H filed by the operator, **ConocoPhillips (COP)**. The Yert well is the first Mancos horizontal multi-frac on trust acreage and apparently the first in the wet gas window. The total flow rate of a hundred barrels equivalent of oil and gas daily is low for an expensive well as is commonly the case in the early stages of developing a new resource. Nonetheless, as far as we know, the combination of excellent Mancos fracs by WPX Energy in the dry gas window and improving Mancos fracs by **Encana (ECA)** in the oil window likely implies successful Mancos fracs in the oil-rich gas window eventually. SJT leases are spread throughout the 100 or more productive townships in the basin with perhaps the strongest representation in the oil rich window that often becomes the most prospective in shale plays (see chart Distribution of Production on page 2). Studying a summary of the 2012 reserve report on 5000 individual wells by SJT's independent engineer, we confirm that the trust's most important wells tended to be in the same townships where COP, the largest San Juan Basin operator, reported its strongest production to the New Mexico Oil and Gas Conservation Division. The promise of major Mancos Shale development later in the decade provides long-term upside in SJT stock while our estimates for existing operations support current buy interest (see tables on pages 3-8).

Kurt H. Wulff, CFA



Source: *New Mexico Oil and Gas Conservation Division*
U.S. Bureau of Land Management
San Juan Basin Royalty Trust
Nicholas Crocker
McDep LLC



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San Juan Basin Royalty Trust								
Monthly Declarations								
	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13
Volume								
Natural gas (mmbtu)	2.48	2.93	3.14	2.86	2.76	2.43	2.73	3.26
Heat Content(btu/cf)	1,127	1,097	1,098	1,098	1,095	1,102	1,101	1,103
Natural gas (bcf)	2.20	2.67	2.86	2.60	2.52	2.20	2.48	2.96
Natural Gas (mmcf)	71	89	92	87	81	71	85	95
Days	31	30	31	30	31	31	29	31
Price								
Natural gas industry quotes lagged two months (\$/mmbtu)								
Henry Hub Index/Futures	3.01	2.63	3.03	3.47	3.71	3.35	3.23	3.43
San Juan Monthly Index	2.79	2.48	2.79	3.31	3.56	3.24	3.24	3.24
San Juan Index/Henry Hub	0.93	0.94	0.92	0.95	0.96	0.97	1.00	0.94
SJT/San Juan Index	1.32	1.07	1.07	1.01	0.96	0.98	0.98	0.93
SJT (\$/mmbtu)	3.67	2.66	2.98	3.34	3.42	3.17	3.17	3.01
SJT (\$/mcf)	4.14	2.92	3.27	3.67	3.74	3.50	3.26	3.32
Revenue (\$mm)								
Natural Gas	9.1	7.8	9.4	9.5	9.4	7.7	8.1	9.8
Other	0.3	0.2	0.1	0.3	(0.1)	2.0	(2.0)	0.3
Cost (\$mm)								
Severance tax	1.0	0.9	1.0	1.0	1.0	0.9	0.9	1.1
Operating	3.5	4.0	3.1	2.8	3.0	3.0	3.1	3.5
Total	4.4	4.9	4.1	3.8	4.0	3.9	4.0	4.6
Cash flow (\$mm)								
Development	1.6	3.1	3.7	3.1	3.7	5.7	2.1	3.1
Net proceeds (\$mm)								
	3.4	0.1	1.7	2.9	1.7	-	-	2.4
Royalty income (\$mm)								
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%
One time								
Distributable income (\$mm)								
	2.5	0.0	1.3	2.2	1.2	-	-	1.8
Units (millions)								
	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Distribution (\$/unit)								
	0.05	0.00	0.03	0.05	0.03	-	-	0.04



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San Juan Basin Royalty Trust										
Next Twelve Months Operating and Financial Estimates										
										Next Twelve Months
	Q2	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Months
	6/30/12	2012	3/31/13	6/30/13	9/30/13	12/31/13	2013E	3/31/14	6/30/14	6/30/14
Highlights										
Revenue (\$mm) (75%)	20.8	85.3	20.7	21.6	27.5	26.1	95.9	27.5	26.6	107.8
Cash flow (\$mm) (75%)	13.7	51.1	11.8	12.0	17.6	16.3	57.8	17.6	17.1	68.6
Per unit	0.29	1.10	0.25	0.26	0.38	0.35	1.24	0.38	0.37	1.47
Distributable Income (\$mm)	10.4	33.5	3.4	4.4	11.3	10.0	29.2	11.3	10.8	43.4
Per unit	0.22	0.72	0.07	0.10	0.24	0.21	0.63	0.24	0.23	0.93
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Volume										
Natural gas (mmbtu)	8.9	35.6	8.0	8.8	8.8	8.8	34.5	8.8	8.5	34.9
Heat Content(btu/cf)	1,096	1,093	1,099	1,101	1,101	1,101	1,100	1,100	1,100	1,100
Natural gas (bcf)	8.1	32.6	7.3	8.0	8.0	8.0	31.4	8.0	7.7	31.8
Natural Gas (mmcf)	90.3	89.0	79.6	90.3	87.0	87.0	85.9	87.0	87.0	87.0
Days	90	366	92	89	92	92	365	92	89	365
Oil (mb)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil (mbd)	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Days	90	366	92	89	92	92	365	92	89	365
Total gas & oil (bcf)	8.2	32.9	7.4	8.1	8.1	8.1	31.6	8.1	7.8	32.0
Price										
Natural gas (\$/mmbtu) (Henry Hub lagged two months)										
Henry Hub (\$/mmbtu)	2.43	2.76	3.51	3.55	4.04	3.83	3.73	4.06	4.08	4.00
Differential (%)	(24)	(11)	6	11	-	-	4	-	-	0
Net to SJT (\$/mmbtu)	3.02	3.08	3.32	3.17	4.04	3.83	3.59	4.06	4.08	4.00
Natural gas (\$/mcf)	3.31	3.36	3.64	3.49	4.44	4.21	3.95	4.46	4.49	4.40
Oil (\$/bbl) (WTI Cushing lagged two months)										
WTI Cushing	103.93	95.89	89.97	93.45	95.41	95.91	93.69	94.80	93.25	94.84
SJT	90.26	82.80	77.69	80.69	82.38	82.81	80.99	81.95	80.61	82.04
Total gas & oil (\$/mcf)	3.39	3.46	3.73	3.56	4.54	4.30	4.04	4.54	4.55	4.48
Revenue (\$mm)										
Natural Gas	26.9	109.6	26.7	28.0	35.6	33.7	124.0	35.7	34.8	139.8
Oil	0.9	4.2	0.9	0.8	1.2	1.0	3.9	1.0	0.8	3.9
Total	27.7	113.8	27.6	28.8	36.7	34.7	127.8	36.7	35.5	143.7
Cost (\$mm)										
Severance tax	2.6	10.8	3.0	3.1	3.9	3.7	13.7	3.9	3.8	15.3
Operating	6.9	34.8	8.8	9.8	9.3	9.3	37.2	9.3	9.0	36.8
Total	9.5	45.6	11.8	12.8	13.2	13.0	50.8	13.2	12.8	52.2
Cash flow (\$mm)										
Development	3.9	22.2	12.5	7.8	8.0	8.0	36.3	8.0	8.0	32.0
Net proceeds (\$mm)	14.3	46.0	3.3	8.2	15.5	13.8	40.7	15.5	14.8	59.5
Royalty income (\$mm)	10.8	34.5	2.4	6.1	11.6	10.3	30.5	11.6	11.1	44.6
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	0.2	0.8	0.6	0.6	0.3	0.3	1.8	0.3	0.3	1.2
One-time	0.2	0.2	(1.5)				(1.5)			-
Distributable income (\$mm)	10.4	33.5	3.4	4.4	11.3	10.0	29.2	11.3	10.8	43.4



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Table ISC-1											
McDep Income and Small Cap Energy Portfolio											
Debt, Segments, Cash Flow, Income and McDep Ratio											
			Price								
	Symbol/Rating	(US\$/sh)	EV/	Enterprise	PV(%)		EV/	Dist.	Dist.		
	B = Buy	13-Jun	Market	Value	Nat	Oil	Ebitda	NTM	Yield	McDep	
	CB (see below)	2013	Cap	(\$mm)	Gas		NTM	(\$/un)	(%)	Ratio	
Small Cap Independent Producers											
PDC Energy	PDCE		52.09	1.49	2,400	26	74	11.3	-	-	1.03
Peyto Exploration and Development Cor	PEYUF		29.60	1.18	5,200	68	32	9.8	0.82	2.8	0.87
Range Resources	RRC	B	74.79	1.30	15,640	66	34	13.4	0.16	0.2	0.86
Continental Resources (32%)	CLR	B	87.56	1.26	6,510	18	82	6.5	-	-	0.83
Halcón Resources	HK		5.34	2.29	5,130	8	92	6.7	-	-	0.82
Birchcliff Energy Ltd.	BIREF	B	8.55	1.39	1,940	68	32	9.6	-	-	0.77
Berry Petroleum Company	BRY		44.01	1.75	4,260	12	88	6.7	0.32	0.7	0.75
Denbury Resources Inc.	DNR		18.18	1.50	10,190	5	95	6.3	-	-	0.74
Cimarex Energy Company	XEC	B	71.77	1.23	7,630	40	60	5.5	0.56	0.8	0.70
Whiting Petroleum Corporation	WLL	B	48.72	1.44	8,370	7	93	4.3	-	-	0.64
<i>Total or Median</i>				1.42	67,300	22	78	6.7			0.80
Leveraged Cash Payers											
Vanguard Natural Resources, LLC	VNR		27.64	1.59	2,850	37	63	10.9	2.46	8.9	1.06
Linn Energy, LLC	LINE		31.77	1.84	13,620	42	58	12.3	2.90	9.1	1.03
Legacy Reserves L.P.	LGCY		26.28	1.62	2,430	19	81	10.1	2.30	8.8	0.92
Enerplus Corporation	ERF		15.01	1.61	4,700	31	69	6.4	1.05	7.0	0.80
<i>Total or Median</i>				1.61	23,600	34	66	10.5		8.8	0.98
RTF Cash Payers											
Freehold Royalties Ltd.	FRHLF		23.70	TL	1,650	15	85	13.7	1.64	6.9	1.03
Dorchester Minerals, L.P.	DMLP	B	24.27	TL	740	61	39	14.0	1.64	6.7	0.90
Enduro Royalty Trust (40%)	NDRO		15.72	BL	210	41	59	8.5	1.48	9.4	0.83
Sabine Royalty Trust	SBR		52.79	TL	770	45	55	12.6	4.21	8.0	0.81
San Juan Basin Royalty Trust	SJT	B	15.66	BL	730	100	-	10.6	0.93	5.9	0.75
Hugoton Royalty Trust	HGT		8.45	BL	340	85	15	8.2	0.91	10.7	0.70
Mesa Royalty Trust	MTR		22.21	BL	41	75	25	8.9	2.02	9.1	0.69
Permian Basin RT	PBT		13.10	TL	610	16	84	8.9	0.83	6.3	0.66
Cross Timbers Royalty Trust	CRT		27.07	TL	160	80	20	11.2	2.16	8.0	0.61
<i>Total or Median</i>					5,300	61	39	10.6		8.0	0.75
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 \$6 a million btu for natural gas.											
Dist. = Income distribution. NTM = Next Twelve Months Ended June 30, 2014. Enterprise Value = Market Cap and Debt.											
TL = Top Line income sources, BL = Bottom Line income sources											



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Table ISC-2								
McDep Income and Small Cap Energy Portfolio								
Net Present Value and McDep Ratio								
			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		13-Jun 2013	(mm)				
Small Cap Independent Producers								
PDC Energy	PDCE		52.09	31.0	1,610	50.00	0.34	1.03
Peyto Exploration and Development Corp.	PEYUF		29.60	149.0	4,410	35.00	0.13	0.87
Range Resources	RRC	B	74.79	161.0	12,040	90.00	0.20	0.86
Continental Resources (32%)	CLR	B	87.56	59.2	5,180	110.00	0.17	0.83
Halcón Resources	HK		5.34	420.0	2,240	8.00	0.46	0.82
Birchcliff Energy Ltd.	BIREF	B	8.55	164.0	1,400	12.00	0.22	0.77
Berry Petroleum Company	BRY		44.01	55.3	2,430	70.00	0.32	0.75
Denbury Resources Inc.	DNR		18.18	373.0	6,780	28.00	0.25	0.74
Cimarex Energy Company	XEC	B	71.77	86.6	6,220	110.00	0.13	0.70
Whiting Petroleum Corporation	WLL	B	48.72	119.0	5,800	88.00	0.20	0.64
<i>Total or Median</i>					48,110		0.21	0.80
Leveraged Cash Payers								
Vanguard Natural Resources, LLC	VNR		27.64	64.8	1,790	25.00	0.40	1.06
Linn Energy, LLC	LINE		31.77	233.0	7,400	30.00	0.47	1.03
Legacy Reserves L.P.	LGCY		26.28	57.1	1,500	30.00	0.35	0.92
Enerplus Corporation	ERF		15.01	196.0	2,940	21.00	0.30	0.80
<i>Total or Median</i>					13,630		0.37	0.98
RTF Cash Payers								
Freehold Royalties Ltd.	FRHLF		23.70	66.5	1,580	23.00	0.05	1.03
Dorchester Minerals, L.P.	DMLP	B	24.27	30.7	740	27.00	-	0.90
Enduro Royalty Trust (40%)	NDRO		15.72	13.2	210	19.00	-	0.83
Sabine Royalty Trust	SBR		52.79	14.6	770	65.00	-	0.81
San Juan Basin Royalty Trust	SJT	B	15.66	46.6	730	21.00	-	0.75
Hugoton Royalty Trust	HGT		8.45	40.0	340	12.00	-	0.70
Mesa Royalty Trust	MTR		22.21	1.9	41	32.00	-	0.69
Permian Basin RT	PBT		13.10	46.6	610	20.00	-	0.66
Cross Timbers Royalty Trust	CRT		27.07	6.0	160	44.00	-	0.61
<i>Total or Median</i>					5,180			0.75
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 \$6 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-Jun 2013	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	74.79		-	13.6	15.5	13.4
PDC Energy	PDCE		52.09		-	15.0	11.0	11.3
Peyto Exploration and Development Corp	PEYUF		29.60		0.27	9.3	11.4	9.8
Birchcliff Energy Ltd.	BIREF	B	8.55		-	18.8	12.4	9.6
Halcón Resources	HK		5.34		-	5.0	8.2	6.7
Berry Petroleum Company	BRY		44.01		-	12.1	8.9	6.7
Continental Resources (32%)	CLR	B	87.56		-	9.8	7.9	6.5
Denbury Resources Inc.	DNR		18.18		-	13.9	8.5	6.3
Cimarex Energy Company	XEC	B	71.77		-	7.6	7.9	5.5
Whiting Petroleum Corporation	WLL	B	48.72		-	8.4	6.7	4.3
	<i>Median</i>					10.9	8.7	6.7
Leveraged Cash Payers								
Linn Energy, LLC	LINE		31.77		1.15	14.0	11.9	12.3
Vanguard Natural Resources, LLC	VNR		27.64		1.01	11.0	10.3	10.9
Legacy Reserves L.P.	LGCY		26.28		0.84	11.0	11.0	10.1
Enerplus Corporation	ERF		15.01		0.40	6.5	8.0	6.4
	<i>Median</i>					11.0	10.6	10.5
RTF Cash Payers								
Dorchester Minerals, L.P.	DMLP	B	24.27	77	0.94	7.0	15.6	14.0
Freehold Royalties Ltd.	FRHLF		23.70	88	0.94	4.9	13.3	13.7
Sabine Royalty Trust	SBR		52.79	100	1.00	8.9	15.5	12.6
Cross Timbers Royalty Trust	CRT		27.07	97	0.90	13.0	18.2	11.2
San Juan Basin Royalty Trust	SJT	B	15.66		0.63	10.2	14.3	10.6
Mesa RoyaltyTrust	MTR		22.21		0.82	5.2	13.0	8.9
Permian Basin RT	PBT		13.10	40	0.56	12.7	13.6	8.9
Enduro Royalty Trust (40%)	NDRO		15.72		0.80	6.1	10.3	8.5
Hugoton RoyaltyTrust	HGT		8.45		0.88	13.0	11.7	8.2
	<i>Median</i>					8.9	13.6	10.6
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 June 30, 2014; 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

McDep Income and Small Cap Energy Portfolio Total Return and Enterprise Value Momentum

	Symbol/ Rating	Price (\$/sh) 13-Jun 2013	Equity Total Return YTD (%)	Enterprise Value/				McDep Ratio
				52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	
Small Cap Independent Producers								
PDC Energy	PDCE	52.09	57	0.97	1.73	1.06	1.20	1.03
Peyto Exploration and Development C	PEYUF	29.60	29	0.94	1.59	1.03	1.14	0.87
Cimarex Energy Company	XEC B	71.77	25	0.92	1.41	1.00	1.08	0.70
Birchcliff Energy Ltd.	BIREF B	8.55	12	0.97	1.44	1.04	1.08	0.77
Continental Resources (32%)	CLR B	87.56	19	0.94	1.32	1.06	1.08	0.83
Berry Petroleum Company	BRY	44.01	32	0.94	1.22	0.97	1.05	0.75
Range Resources	RRC B	74.79	19	0.92	1.26	0.99	1.04	0.86
Denbury Resources Inc.	DNR	18.18	12	0.95	1.23	1.01	1.04	0.74
Whiting Petroleum Corporation	WLL B	48.72	12	0.92	1.23	1.04	1.03	0.64
Halcón Resources	HK	5.34	(23)	0.68	1.18	0.93	0.89	0.82
	<i>Median</i>		19	0.94	1.29	1.02	1.07	0.80
Leveraged Cash Payers								
Enerplus Corporation	ERF	15.01	20	0.91	1.18	1.02	1.02	0.80
Legacy Reserves L.P.	LGCY	26.28	15	0.92	1.10	0.98	0.99	0.92
Vanguard Natural Resources, LLC	VNR	27.64	10	0.94	1.08	0.98	0.99	1.06
Linn Energy, LLC	LINE	31.77	(6)	0.84	1.01	0.93	0.90	1.03
	<i>Median</i>		13	0.91	1.09	0.98	0.99	0.98
RTF Cash Payers								
Sabine Royalty Trust	SBR	52.79	38	0.94	1.36	1.03	1.09	0.81
Freehold Royalties Ltd.	FRHLF	23.70	9	0.97	1.38	1.02	1.07	1.03
Dorchester Minerals, L.P.	DMLP B	24.27	24	0.95	1.22	1.00	1.07	0.90
Hugoton RoyaltyTrust	HGT	8.45	20	0.85	1.48	0.92	1.06	0.70
San Juan Basin Royalty Trust	SJT B	15.66	18	0.87	1.27	1.02	1.06	0.75
Permian Basin RT	PBT	13.10	9	0.68	1.10	1.02	0.96	0.66
Cross Timbers Royalty Trust	CRT	27.07	3	0.68	1.14	0.94	0.93	0.61
Mesa RoyaltyTrust	MTR	22.21	19	0.62	1.17	0.90	0.93	0.69
Enduro Royalty Trust (40%)	NDRO	15.72	(4)	0.80	1.04	0.97	0.92	0.83
	<i>Median</i>		18	0.85	1.22	1.00	1.06	0.75

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

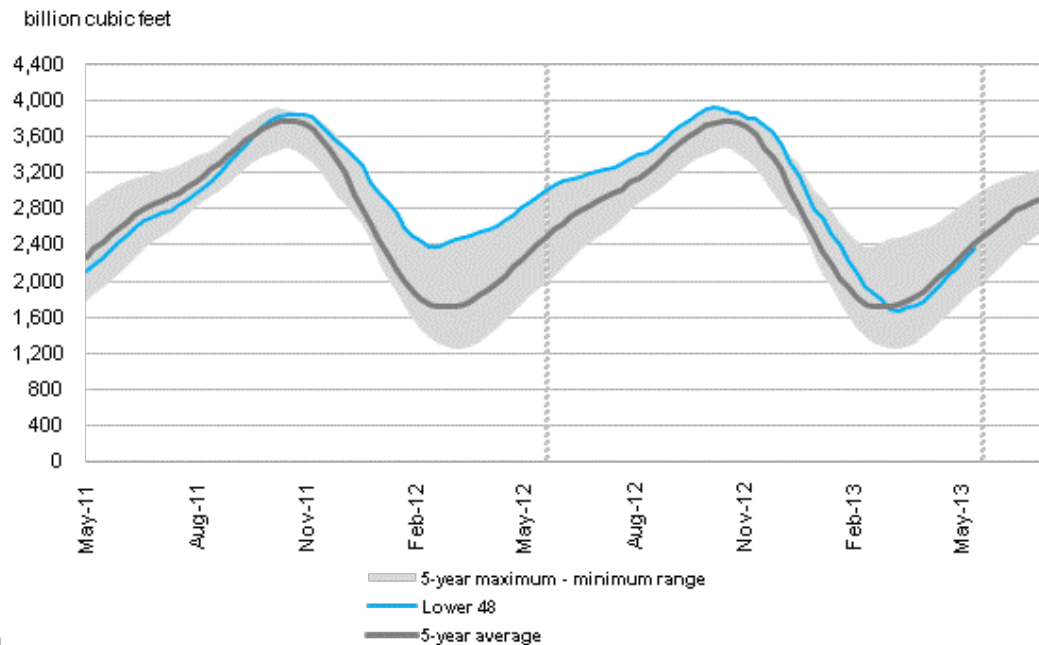


Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 14, 2013

Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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