



# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

July 12, 2013

## Permian Basin Royalty Trust (PBT) Stock Price Recovering from Short-term Overreaction

<i>Symbol</i>	PBT	<i>Ebitda Next Twelve Months ending 6/30/14 (US\$mm)</i>	79
<i>Rating</i>	RTF stock	<i>North American Natural Gas/Ebitda (%)</i>	13
<i>Price (US\$/sh)</i>	13.19	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/11/13	<i>Adjusted Reserves/Production NTM</i>	12.7
<i>Shares (mm)</i>	46.61	<i>EV/Ebitda</i>	7.8
<i>Market Capitalization (US\$mm)</i>	615	<i>PV/Ebitda</i>	10.6
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	5
<i>Enterprise Value (EV) (US\$mm)</i>	615	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	8.62
<i>Present Value (PV) (US\$mm)</i>	839	<i>Present Value Proven Reserves(US\$/boe)</i>	87.80
<i>Net Present Value (US\$/unit)</i>	18.00	<i>Oil and Gas Ebitda Margin (%)</i>	75
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	1.06
<i>McDep Ratio - EV/PV</i>	0.73	<i>Price/Earnings Next Twelve Months</i>	12
<i>Distribution Yield (%/year)</i>	8.0	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.06
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\$90 a barrel and natural gas, \$6 a million btu.			
For historical analysis of PBT see <a href="http://www.mcdep.com/5pbt.htm">www.mcdep.com/5pbt.htm</a>			

### Summary and Recommendation

Stock price for **Permian Basin Royalty Trust (PBT)**, one of the nine stocks in our recommended RTF (Royalty Trust Fund), appears to have formed a base ahead of a possible penetration of the 200-day average to the upside marching toward Net Present Value (NPV) of \$18 a unit. After dropping a third or more in price last year, stock price today corresponds to our value of the Top Line royalty properties with no value for the Bottom Line working interest properties. Distributions supported by Bottom Line interests have at times been nearly eliminated by deductions for stepped up development spending. That sets up a classic pattern of trading and investment for a royalty trust. Traders can try to make money anticipating the market reaction to the impact of development spending on distributions, while investors can try to make money on stock price advancing as the fruits of development lead to higher long-term value and eventually higher distributions. Last year was a good time for traders and now looks like a good time for investors in PBT, as we see it. The steepest spending impact may be behind us and the volume gains may be ahead of us. We can't be sure of the month-to-month timing because spending is reported when bills are paid and volume is recorded when revenue is received. We can be confident that the trust has high quality properties in a desirable oil and gas producing province. The outlook for those properties is brighter with the application of fracking technology to recover more of the oil known to be in place in one of the world's largest historical oil producing basins.

### Hidden Value in Top Line Royalty Interests

The high cost of wells that goes along with the higher productivity of horizontal drilling and multi-stage fracturing may be creating more differentiation of value for Top Line and Bottom



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Line interests. Moreover, application of the new technology is improving rapidly. Some early wells may not be economic individually while they contribute to a learning curve that can make the next well highly economic. Those characteristics may create an added advantage for Top Line royalty owners because the working interest owner assumes all those costs. As a result we are paying closer attention to how much of the value in PBT may be attributed to royalties that pay a percentage of revenue before the deduction for development and operating cost. In our latest estimate we see 69% of NPV in Top Line interests (see table Present Value on page 3). We have had to fill in some of the blanks because the trustee of PBT reports Top Line volume only annually and Top Line revenue quarterly. Price is reported monthly for the total of Top Line and Bottom Line along with volume for the total.

Industry veterans know that a royalty interest is worth more than a working interest. We have had a hard time drawing that conclusion from straight forward discounted cash flow analysis because the advantage becomes apparent only over many different outcomes that are difficult to anticipate. Commodity price has fluctuated, volume ebbs and flows, and costs have ballooned with productivity. Perhaps there is a sophisticated mathematical analysis that could be done valuing optionality, but such techniques are not complete either. Instead we make the practical assumption that a royalty interest is worth 1.5 times a working interest in this case. For example, the \$580 million we estimate for PBT's Top Line interests is 1.5 times the \$390 million we would estimate if the same cash flow and reserve life were generated from Bottom Line interests.

## **Development Spending Reduced Bottom Line Distributions**

Development spending increased during the second half of 2012 to the point where by November the trustee felt it necessary to disclose underlying volume on a monthly basis. By highlighting the growing trend of volume, the trustee was showing that reduced distributions did not signal any weakness in the physical resource base. In fact the increased spending was having a beneficial impact on volume. The maximum spending rate and distribution reduction showed up in the distributions declared in January and February (see table Monthly Declarations on page 3).

## **Distributions Have Turned Up**

We project cash payments to unitholders of \$1.06 for the next twelve months for a distribution yield of nearly 8% (see table Operating and Financial Estimates on page 4). Our estimate presumes continued spending at the average rate of the past six months, modest growth in oil volume, modest decline in natural gas volume, oil and gas prices from the futures market settlements on July 8 and cash flow margin equal to the average for the past four quarters. There was some turmoil in oil and gas pricing in the Permian Basin in the early months of the year when processing and transportation bottlenecks were acute. Those unusual restraints appear to have diminished. Compared to other stocks among RTF Cash Payers, PBT has a comparable yield, lower McDep Ratio and may soon join the ranks of those trading at a stock price above the 200-day average (see Tables ISC-1 to ISC-4 on pages 5-8).

Kurt H. Wulff, CFA



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Permian Basin Royalty Trust					
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>	
<b>Top Line - Royalty Interests</b>					
North American Natural Gas	5	8.1	19.2	100	12%
Oil	47	11.2	10.2	480	57%
	52			580	69%
<b>Bottom Line - Working Interests</b>					
North American Natural Gas	4	12.9	14.8	60	7%
Oil	23	15.6	8.8	200	24%
	27			260	31%
<b>Total Top and Bottom</b>					
North American Natural Gas	11	12.0	14.6	160	19%
Oil	68	13.0	10.0	680	81%
	79	12.7	10.6	840	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					840
Shares (mm)					46.6
Net Present Value (US\$/sh)					18
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					19
(NPV Approximation by 1.5 times Cash Flow Multiple for Top Line)					

Permian Basin Royalty Trust								
Monthly Declarations								
	<i>Nov-12</i>	<i>Dec-12</i>	<i>Jan-13</i>	<i>Feb-13</i>	<i>Mar-13</i>	<i>Apr-13</i>	<i>May-13</i>	<i>Jun-13</i>
<b>Volume</b>								
Natural Gas (mmcf)	9.7	8.4	11.8	11.1	14.4	9.3	8.4	9.0
Oil (mbd)	2.83	2.92	3.01	2.89	2.85	2.96	3.02	3.14
<b>Price (Henry Hub and WTI Cushing lagged two months)</b>								
Henry Hub (\$/mmbtu)	2.63	3.03	3.47	3.71	3.35	3.23	3.43	3.98
Differential (%)	(81)	(83)	(26)	(8)	6	(2)	14	(31)
Company (\$/mcf)	4.76	5.54	4.37	4.01	3.15	3.28	2.95	5.21
WTI Cushing (\$/bbl)	94.56	89.57	86.73	88.23	94.96	95.32	92.96	92.07
Differential	5	6	7	12	17	18	8	3
Company (\$/bbl)	89.99	84.21	80.79	77.71	78.43	78.60	85.44	88.98
<b>Revenue (\$mm)</b>								
Natural Gas	1.39	1.43	1.55	1.38	1.41	0.85	0.76	1.41
Oil	7.65	7.62	7.30	6.97	6.93	6.51	7.99	8.38
Total	9.04	9.05	8.85	8.34	8.34	7.36	8.75	9.79
<b>Margin Proxy</b>	65%	61%	60%	59%	62%	66%	68%	62%
<b>Trust Cash Flow</b>								
Development	2.62	2.97	2.98	3.28	2.51	2.02	1.86	2.46
<b>Distributable Income (\$mm)</b>	3.22	2.57	2.32	1.68	2.70	2.84	4.12	3.66
Distribution (\$/unit)	0.07	0.06	0.05	0.04	0.06	0.06	0.09	0.08



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Permian Basin Royalty Trust										
Next Twelve Months Operating and Financial Estimates										
	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	12/31/12	2012	3/31/13	6/30/13	9/30/13	12/31/13	2013E	3/31/14	6/30/14	6/30/14
<b>Volume</b>										
Natural Gas (bcf)	0.99	<b>4.20</b>	0.98	0.78	0.92	0.91	<b>3.60</b>	0.90	0.86	<b>3.60</b>
Natural Gas (mmcf)	10.7	<b>11.5</b>	10.7	8.8	10.0	9.9	<b>9.9</b>	9.8	9.7	<b>9.9</b>
Days	92	<b>366</b>	92	89	92	92	<b>365</b>	92	89	<b>365</b>
Oil (mmb)	0.26	<b>1.04</b>	0.27	0.27	0.29	0.29	<b>1.11</b>	0.29	0.28	<b>1.15</b>
Oil (mbd)	2.86	<b>2.85</b>	2.91	3.00	3.10	3.13	<b>3.04</b>	3.16	3.19	<b>3.15</b>
Days	92	<b>366</b>	92	89	92	92	<b>365</b>	92	89	<b>365</b>
Total (bcfe)	2.57	<b>10.47</b>	2.59	2.39	2.63	2.64	<b>10.25</b>	2.65	2.57	<b>10.49</b>
Total (mmcf)	27.9	<b>28.6</b>	28.2	26.8	28.6	28.7	<b>28.1</b>	28.8	28.9	<b>28.7</b>
<b>Price (Henry Hub and WTI Cushing lagged two months)</b>										
Henry Hub (\$/mmbtu)	2.89	<b>2.76</b>	3.51	3.55	4.01	3.74	<b>3.70</b>	3.95	4.00	<b>3.92</b>
Differential (%)	(74)	<b>(119)</b>	(23)	(7)	(15)	(15)	<b>(16)</b>	(15)	(15)	<b>(15)</b>
Trust (\$/mcf)	5.03	<b>6.06</b>	4.33	3.80	4.61	4.30	<b>4.28</b>	4.54	4.60	<b>4.51</b>
WTI Cushing (\$/bbl)	92.76	<b>95.89</b>	89.97	93.45	97.89	102.62	<b>95.98</b>	99.12	95.88	<b>98.88</b>
Differential (%)	6	<b>5</b>	12	9	9	9	<b>10</b>	9	9	<b>9</b>
Trust (\$/bbl)	87.54	<b>90.82</b>	79.19	85.00	89.04	93.34	<b>86.80</b>	90.16	87.21	<b>89.95</b>
Total (\$/bbl)	65.46	<b>68.95</b>	59.00	64.58	67.57	70.04	<b>65.34</b>	68.74	67.17	<b>68.39</b>
<b>Revenue (\$mm)</b>										
Natural Gas - Top Line	0.9	<b>4.2</b>	0.9	0.7	0.9	0.9	<b>3.4</b>	0.9	0.9	<b>3.6</b>
Natural Gas - Bottom Line	4.7	<b>21.9</b>	3.3	2.3	3.3	3.1	<b>12.0</b>	3.2	3.1	<b>12.6</b>
Total Natural Gas	5.0	<b>25.5</b>	4.3	3.0	4.2	3.9	<b>15.4</b>	4.1	4.0	<b>16.2</b>
Oil - Top Line	7.1	<b>29.8</b>	6.7	7.1	8.0	8.5	<b>30.2</b>	8.2	7.8	<b>32.5</b>
Oil - Bottom Line	15.9	<b>65.0</b>	14.6	15.6	17.4	18.4	<b>66.0</b>	18.0	17.0	<b>70.8</b>
Total Oil	23.0	<b>94.8</b>	21.2	22.7	25.4	26.9	<b>96.2</b>	26.2	24.8	<b>103.3</b>
Total Revenue	28.7	<b>120.9</b>	25.5	25.7	29.6	30.8	<b>111.6</b>	30.3	28.8	<b>119.5</b>
<b>Expense</b>										
Operating - Top Line	0.4	<b>1.8</b>	0.8							
Operating - Bottom Line	5.6	<b>20.7</b>	4.4							
Production taxes - Top L	0.3	<b>1.2</b>	0.3							
Production taxes - Bottom L	0.9	<b>3.9</b>	0.7							
Total Expense	7.2	<b>27.6</b>	6.2	6.3	7.2	7.5	<b>27.1</b>	7.4	7.0	<b>29.1</b>
<b>Cash Flow (\$mm)</b>										
Top Line	7.3	<b>31.0</b>	6.5							
Bottom Line	14.2	<b>62.3</b>	12.8							
Total Cash Flow	21.5	<b>93.3</b>	19.3	19.4	22.4	23.3	<b>84.4</b>	22.9	21.8	<b>90.4</b>
Development	10.8	<b>28.0</b>	11.7	8.4	10.0	10.0	<b>40.1</b>	10.0	10.0	<b>40.0</b>
<b>Royalty Income (\$mm)</b>										
Top Line @ 95% Cash Flow	7.0	<b>29.5</b>	6.2							
Bottom L @ 75% (CF-Dev)	2.5	<b>25.7</b>	0.8							
Administration	0.2	<b>1.2</b>	0.3	0.4	0.3	0.3	<b>1.3</b>	0.3	0.3	<b>1.2</b>
<b>Distributable Income (\$mm)</b>	9.3	<b>54.0</b>	6.7	10.6	12.1	13.0	<b>42.4</b>	12.6	11.5	<b>49.2</b>
<b>Units (millions)</b>	47	<b>47</b>	47	47	47	47	<b>47</b>	47	47	<b>47</b>
Distribution (\$/unit)	0.20	<b>1.16</b>	0.14	0.23	0.26	0.28	<b>0.91</b>	0.27	0.25	<b>1.06</b>



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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	11-Jul	Market	Value	Nat	Ebitda	NTM	Yield	McDep			
CB (see below)	2013	Cap	(\$mm)	Gas	Oil	NTM	(\$/un)	(%)	Ratio		
<b>Small Cap Independent Producers</b>											
PDC Energy	PDCE		55.91	1.46	2,520	32	68	10.9	-	-	1.15
Halcón Resources	HK		6.37	2.08	5,570	9	91	7.0	-	-	0.96
Peyto Exploration and Development Corp	PEYUF		30.64	1.17	5,340	80	20	10.1	0.80	2.6	0.92
Range Resources	RRC	B	77.73	1.29	16,110	74	26	13.7	0.16	0.2	0.89
Continental Resources (32%)	CLR	B	92.61	1.24	6,810	18	82	6.6	-	-	0.87
Denbury Resources Inc.	DNR		17.70	1.52	10,010	5	95	5.9	-	-	0.83
Berry Petroleum Company	BRY		41.76	1.79	4,140	14	86	6.2	0.32	0.8	0.82
Birchcliff Energy Ltd.	BIREF	B	8.44	1.39	1,910	72	28	9.6	-	-	0.76
Cimarex Energy Company	XEC	B	71.28	1.23	7,580	46	54	5.3	0.56	0.8	0.75
Whiting Petroleum Corporation	WLL	B	48.96	1.44	8,400	8	92	4.1	-	-	0.73
<i>Total or Median</i>				1.41	68,400	25	75	6.8			0.85
<b>Leveraged Cash Payers</b>											
Vanguard Natural Resources, LLC	VNR		27.49	1.60	2,840	44	56	10.6	2.46	8.9	1.14
Legacy Reserves L.P.	LGCY		27.06	1.60	2,470	28	72	10.0	2.30	8.5	1.05
Linn Energy, LLC	LINE		26.05	2.02	12,290	47	53	10.8	2.90	11.1	1.00
Enerplus Corporation	ERF		15.78	1.57	4,800	35	65	6.4	1.03	6.5	0.92
<i>Total or Median</i>				1.60	22,400	40	60	10.3		8.7	1.03
<b>RTF Cash Payers</b>											
Freehold Royalties Ltd.	FRHLF		23.63	TL	1,640	16	84	13.1	1.60	6.8	1.12
Dorchester Minerals, L.P.	DMLP	B	25.04	TL	770	64	36	14.1	1.67	6.7	0.96
Enduro Royalty Trust (40%)	NDRO		14.95	BL	200	48	52	8.9	1.50	10.1	0.88
Sabine Royalty Trust	SBR		50.85	TL	740	52	48	11.9	4.27	8.4	0.79
San Juan Basin Royalty Trust	SJT	B	16.03	BL	750	100	-	11.2	0.90	5.6	0.76
Hugoton Royalty Trust	HGT		8.97	BL	360	90	10	8.5	0.94	10.4	0.75
Permian Basin RT	PBT		13.19	TL	620	19	81	7.8	1.06	8.0	0.73
Mesa Royalty Trust	MTR		21.31	BL	40	75	25	8.6	2.03	9.5	0.72
Cross Timbers Royalty Trust	CRT		27.00	TL	160	83	17	10.9	2.22	8.2	0.64
<i>Total or Median</i>					5,300	64	36	10.9		8.2	0.76
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 \$90 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		Market	Net		
	Symbol/		(\$/sh)	Shares	Cap	Present	Debt/	
	Rating		11-Jul	(mm)	(\$mm)	Value	Present	
			2013			(\$/un)	Value	
							McDep	
							Ratio	
<b>Small Cap Independent Producers</b>								
PDC Energy	PDCE		55.91	31.0	1,730	45.00	0.36	1.15
Halcón Resources	HK		6.37	420.0	2,680	7.00	0.50	0.96
Peyto Exploration and Development Corp.	PEYUF		30.64	149.0	4,570	34.00	0.13	0.92
Range Resources	RRC	B	77.73	161.0	12,510	90.00	0.20	0.89
Continental Resources (32%)	CLR	B	92.61	59.2	5,480	110.00	0.17	0.87
Denbury Resources Inc.	DNR		17.70	373.0	6,600	23.00	0.28	0.83
Berry Petroleum Company	BRY		41.76	55.3	2,310	58.00	0.36	0.82
Birchcliff Energy Ltd.	BIREF	B	8.44	164.0	1,380	12.00	0.21	0.76
Cimarex Energy Company	XEC	B	71.28	86.6	6,170	100.00	0.14	0.75
Whiting Petroleum Corporation	WLL	B	48.96	119.0	5,830	75.00	0.22	0.73
	<i>Total or Median</i>				49,260		0.22	0.85
<b>Leveraged Cash Payers</b>								
Vanguard Natural Resources, LLC	VNR		27.49	64.8	1,780	22.00	0.43	1.14
Legacy Reserves L.P.	LGCY		27.06	57.1	1,550	25.00	0.39	1.05
Linn Energy, LLC	LINE		26.05	233.0	6,070	26.00	0.51	1.00
Enerplus Corporation	ERF		15.78	196.0	3,090	18.00	0.33	0.92
	<i>Total or Median</i>				12,490		0.41	1.03
<b>RTF Cash Payers</b>								
Freehold Royalties Ltd.	FRHLF		23.63	66.5	1,570	21.00	0.05	1.12
Dorchester Minerals, L.P.	DMLP	B	25.04	30.7	770	26.00	-	0.96
Enduro Royalty Trust (40%)	NDRO		14.95	13.2	200	17.00	-	0.88
Sabine Royalty Trust	SBR		50.85	14.6	740	64.00	-	0.79
San Juan Basin Royalty Trust	SJT	B	16.03	46.6	750	21.00	-	0.76
Hugoton Royalty Trust	HGT		8.97	40.0	360	12.00	-	0.75
Permian Basin RT	PBT		13.19	46.6	620	18.00	-	0.73
Mesa Royalty Trust	MTR		21.31	1.9	40	30.00	-	0.72
Cross Timbers Royalty Trust	CRT		27.00	6.0	160	42.00	-	0.64
	<i>Total or Median</i>				5,210			0.76
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 \$90 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		11-Jul 2013	Royalty (%)	Ebitda	NTM	NTM	NTM
<b>Small Cap Independent Producers</b>								
Range Resources	RRC	B	77.73		-	13.6	15.4	13.7
PDC Energy	PDCE		55.91		-	15.0	9.4	10.9
Peyto Exploration and Development Corp	PEYUF		30.64		0.26	9.3	11.1	10.1
Birchcliff Energy Ltd.	BIREF	B	8.44		-	18.8	12.5	9.6
Halcón Resources	HK		6.37		-	5.0	7.3	7.0
Continental Resources (32%)	CLR	B	92.61		-	9.8	7.6	6.6
Berry Petroleum Company	BRY		41.76		-	12.1	7.6	6.2
Denbury Resources Inc.	DNR		17.70		-	13.9	7.0	5.9
Cimarex Energy Company	XEC	B	71.28		-	7.6	7.1	5.3
Whiting Petroleum Corporation	WLL	B	48.96		-	8.4	5.6	4.1
	<i>Median</i>					10.9	7.6	6.8
<b>Leveraged Cash Payers</b>								
Linn Energy, LLC	LINE		26.05		1.21	14.0	10.8	10.8
Vanguard Natural Resources, LLC	VNR		27.49		1.04	11.0	9.3	10.6
Legacy Reserves L.P.	LGCY		27.06		0.87	11.0	9.5	10.0
Enerplus Corporation	ERF		15.78		0.40	6.5	7.0	6.4
	<i>Median</i>					11.0	9.4	10.3
<b>RTF Cash Payers</b>								
Dorchester Minerals, L.P.	DMLP	B	25.04	77	0.94	7.0	14.7	14.1
Freehold Royalties Ltd.	FRHLF		23.63	86	0.89	4.9	11.7	13.1
Sabine Royalty Trust	SBR		50.85	100	1.00	8.9	15.0	11.9
San Juan Basin Royalty Trust	SJT	B	16.03		0.62	10.2	14.6	11.2
Cross Timbers Royalty Trust	CRT		27.00	98	0.90	13.0	17.0	10.9
Enduro Royalty Trust (40%)	NDRO		14.95		0.90	5.8	10.1	8.9
Mesa Royalty Trust	MTR		21.31		0.82	5.2	12.1	8.6
Hugoton Royalty Trust	HGT		8.97		0.89	13.0	11.3	8.5
Permian Basin RT	PBT		13.19	69	0.62	12.7	10.6	7.8
	<i>Median</i>					8.9	12.1	10.9
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).								





# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

July 12, 2013

Table ISC-4

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

	Symbol/ Rating	Price (\$/sh) 11-Jul 2013	Equity Total Return YTD (%)	Enterprise Value/				McDep Ratio
				52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	
<b>Small Cap Independent Producers</b>								
PDC Energy	PDCE	55.91	68	0.98	1.67	1.06	1.22	1.15
Peyto Exploration and Development C	PEYUF	30.64	33	0.97	1.46	1.03	1.15	0.92
Continental Resources (32%)	CLR B	92.61	26	0.99	1.38	1.07	1.12	0.87
Cimarex Energy Company	XEC B	71.28	24	0.91	1.32	1.01	1.07	0.75
Birchcliff Energy Ltd.	BIREF B	8.44	11	0.96	1.27	1.03	1.06	0.76
Range Resources	RRC B	77.73	24	0.95	1.27	1.01	1.06	0.89
Whiting Petroleum Corporation	WLL B	48.96	13	0.92	1.18	1.03	1.04	0.73
Berry Petroleum Company	BRY	41.76	25	0.91	1.18	0.97	1.02	0.82
Denbury Resources Inc.	DNR	17.70	9	0.93	1.20	0.99	1.02	0.83
Halcón Resources	HK	6.37	(8)	0.84	1.21	1.05	0.98	0.96
	<i>Median</i>		24	0.94	1.27	1.03	1.06	0.85
<b>Leveraged Cash Payers</b>								
Enerplus Corporation	ERF	15.78	27	0.94	1.21	1.03	1.06	0.92
Legacy Reserves L.P.	LGCY	27.06	19	0.94	1.12	1.01	1.02	1.05
Vanguard Natural Resources, LLC	VNR	27.49	10	0.94	1.08	0.98	0.99	1.14
Linn Energy, LLC	LINE	26.05	(22)	0.76	1.12	0.88	0.83	1.00
	<i>Median</i>		15	0.94	1.12	1.00	1.00	1.03
<b>RTF Cash Payers</b>								
Hugoton RoyaltyTrust	HGT	8.97	29	0.90	1.57	1.00	1.10	0.75
Dorchester Minerals, L.P.	DMLP B	25.04	28	0.98	1.26	1.02	1.09	0.96
San Juan Basin Royalty Trust	SJT B	16.03	21	0.89	1.30	1.02	1.08	0.76
Freehold Royalties Ltd.	FRHLF	23.63	11	0.97	1.33	1.01	1.06	1.12
Sabine Royalty Trust	SBR	50.85	35	0.91	1.31	0.97	1.05	0.79
Permian Basin RT	PBT	13.19	11	0.68	1.10	1.01	0.99	0.73
Cross Timbers Royalty Trust	CRT	27.00	4	0.68	1.14	0.96	0.95	0.64
Mesa RoyaltyTrust	MTR	21.31	15	0.67	1.14	0.92	0.91	0.72
Enduro Royalty Trust (40%)	NDRO	14.95	(7)	0.76	1.02	0.92	0.89	0.88
	<i>Median</i>		15	0.89	1.26	1.00	1.05	0.76

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



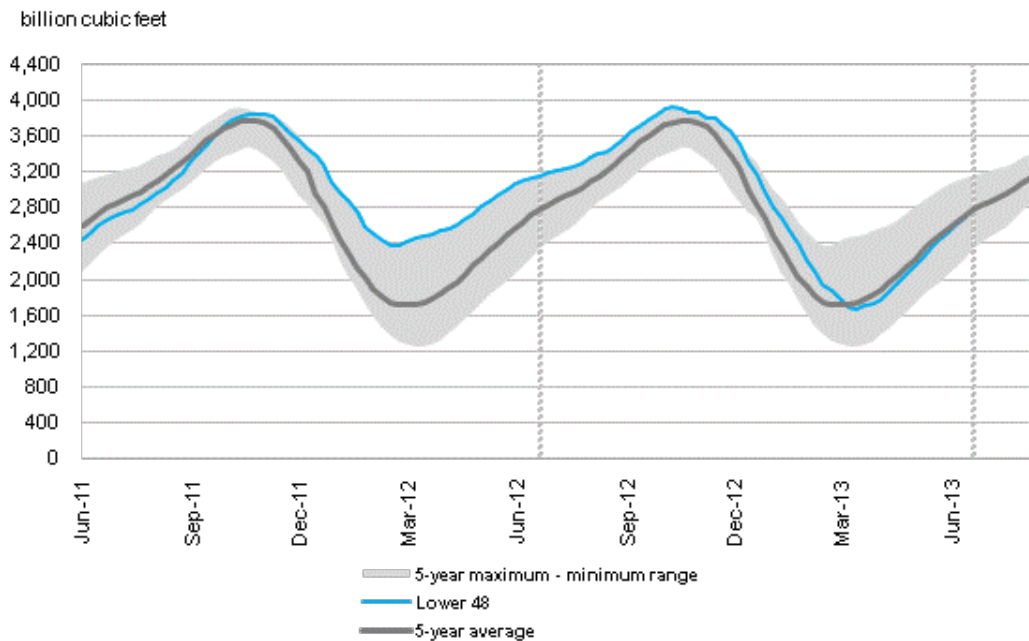


# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

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



Source: U.S. Energy Information Administration

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