



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

August 9, 2013

Dorchester Minerals, L.P. (DMLP) More Bakken and Permian Oil Cash

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 6/30/14 (US\$mm)</i>	68
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	35
<i>Price (US\$/sh)</i>	24.29	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/8/13	<i>Adjusted Reserves/Production NTM</i>	7.3
<i>Units (mm)</i>	30.68	<i>EV/Ebitda</i>	10.9
<i>Market Capitalization (US\$mm)</i>	745	<i>PV/Ebitda</i>	11.6
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	745	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	5.80
<i>Present Value (PV) (US\$mm)</i>	798	<i>Present Value Proven Reserves(US\$/boe)</i>	55.90
<i>Net Present Value (US\$/unit)</i>	26	<i>Oil and Gas Ebitda Margin (%)</i>	82%
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	1.39
<i>McDep Ratio - EV/PV</i>	0.93	<i>Price/Earnings Next Twelve Months</i>	18
<i>Distribution Yield (%/year)</i>	7.5	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.82
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 DMLP since 2000 see www.mcdep.com/4dhulz.htm			

Summary and Recommendation

We raise our estimate of twelve months distribution to 7.5% from 6.5% for buy-recommended **Dorchester Minerals (DMLP)** on the basis of higher oil volume from the North Dakota Bakken and the West Texas Permian shale and tight oil plays. Disclosed in the 10-Q regulatory filing on August 7, Bottom Line, or Net Profits, oil production was 80% higher in the second quarter compared to the first quarter of 2013 (see chart [Quarterly Volume](#) on page 2). In North Dakota, the partnership is entitled to Top Line (Royalty) cash as soon as production begins, but is entitled to additional Bottom Line cash only after the operator has received reimbursement of 150% of the well cost. As a result there is a backlog of 275 of 289 wells completed on partnership lands that are not yet producing long enough to pay bottom line cash to DMLP. To accelerate some payment from years of future drilling, DMLP has engaged an investment banker to pursue an alternative transaction. Next, the partnership's potential may be greater in the Permian where the fracking boom is in an earlier stage and where the partnership has more mineral lands than in the Bakken. Meanwhile, we refine our estimate of Net Present Value (NPV) of \$26 a share to document value concentration of 75% on Top Line and 25% on Bottom Line (see table [Present Value](#) on page 2). To help with that, we make some estimates to display cash flow (Ebitda) on a basis that makes the Bottom Line portion comparable to the accounting for operating companies (see table [Operating and Financial Estimates](#) on page 3). In any case, we like DMLP stock along with others in our income and small cap coverage (see [Tables ISC-1 through ISC-4](#) on pages 4-7).

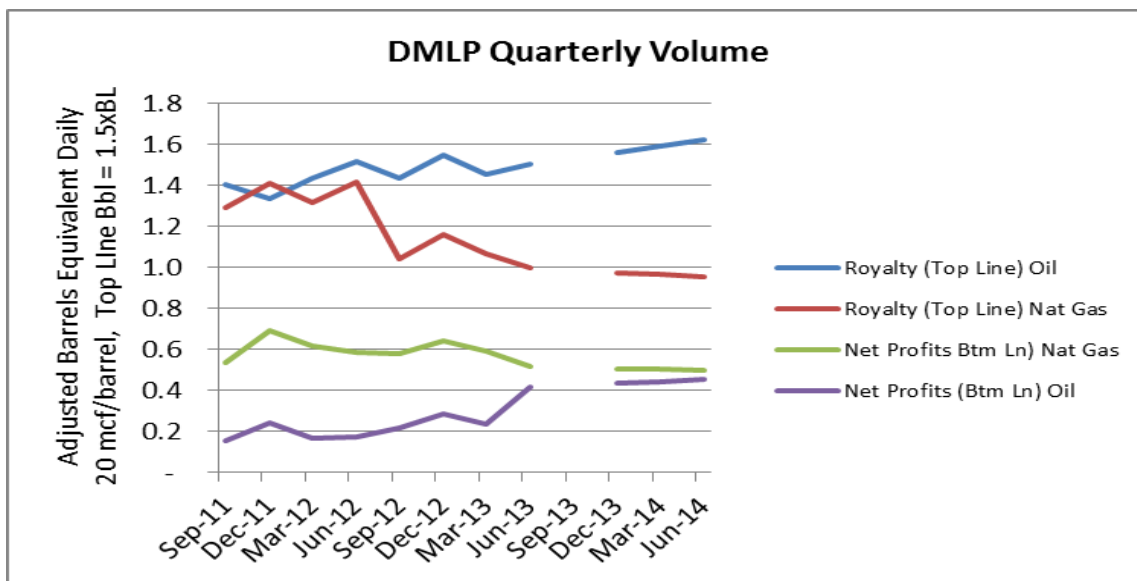
Kurt H. Wulff, CFA



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Dorchester Minerals, L.P.					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
<u>Top Line - Royalty Interests</u>					
North American Natural Gas	14	7.3	21.4	300	
Oil	34	7.1	8.9	300	
<u>Bottom Line - Net Profits Interests</u>					
North American Natural Gas	9	7.3	13.8	130	
Oil	11	7.1	6.1	70	
<u>Total Top and Bottom</u>					
North American Natural Gas	24	7.3	17.9	430	54%
Oil	44	7.1	8.4	370	46%
	68	7.3	11.8	800	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					800
Shares (mm)					31
Net Present Value - Standard Estimate (US\$/sh)					26
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					26
(NPV Approximation by 1.5 times Cash Flow Multiple for Top Line)					26



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Dorchester Minerals, L.P.										
Operating and Financial Performance										
	Q2	Year	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve 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
Volume										
Nat Gas (mmcf) - Top Line	18.9	16.4	14.2	13.3	13.1	13.0	13.4	12.9	12.7	13.4
Nat Gas (mmcf) - Btm Line	11.7	12.1	11.9	10.3	10.2	10.1	10.6	10.0	9.9	10.6
Oil (mbd) - Top Line	1.01	0.99	0.97	1.00	1.02	1.04	1.01	1.06	1.08	1.01
Oil (mbd) - Bottom Line	0.18	0.21	0.23	0.42	0.43	0.43	0.38	0.44	0.45	0.38
Total (bcfe)	3.4	13.1	3.0	2.9	2.9	2.9	11.8	2.9	2.9	11.8
Total (mmcf)	38	36	33	32	32	32	32	32	32	32
Price										
Henry Hub (\$/mmbtu)	2.21	2.79	3.34	4.10	3.50	3.50	3.61	3.74	3.70	3.61
Top Line (\$/mcf)	2.10	2.82	3.10	3.84	3.28	3.28	3.37	3.51	3.47	3.38
Bottom Line (\$/mcf)	2.16	3.33	3.35	3.95	3.38	3.37	3.51	3.61	3.56	3.48
WTI Cushing (\$/bbl)	93.32	94.16	94.41	94.22	105.92	104.42	99.74	100.33	97.31	102.00
Top Line (\$/bbl)	87.69	89.21	87.72	93.84	105.49	104.00	98.01	99.93	96.91	100.22
Bottom Line (\$/bbl)	80.88	87.67	88.89	90.71	101.97	100.53	96.47	96.59	93.68	98.65
Total (\$/mcf)	4.45	5.41	5.69	6.96	7.14	7.15	6.73	7.29	7.19	7.11
Revenue (\$mm)										
Natural Gas - Top Line	3.6	16.9	4.0	4.6	4.0	3.9	16.5	4.2	4.1	16.2
Oil - Top Line	8.1	32.3	7.6	8.5	9.9	10.0	36.0	9.5	9.5	38.9
Total - Top Line	11.7	49.2	11.6	13.2	13.9	13.9	52.5	13.7	13.7	55.2
Natural Gas - Bottom Line	2.3	14.7	3.6	3.7	3.2	3.1	13.6	3.4	3.3	13.0
Oil - Bottom Line	1.3	6.8	1.9	3.4	4.0	4.0	13.3	3.9	3.9	15.7
Total - Bottom Line	3.6	21.5	5.4	7.2	7.2	7.2	26.9	7.2	7.2	28.7
Total	15.3	70.7	17.0	20.3	21.0	21.0	79.4	21.0	20.9	83.9
Expense										
BL Production (estimated)	0.5	2.4	0.6	0.9	1.0	1.0	3.5	1.0	1.0	3.9
Tax (other than income)	1.2	4.8	1.3	1.2	1.5	1.5	5.4	1.5	1.5	5.9
General and Administrative	0.9	3.8	0.9	1.0	1.0	1.0	3.9	1.0	1.0	4.0
General Partner	0.3	1.3	0.3	0.4	0.4	0.4	1.5	0.4	0.4	1.6
Total	3.0	12.4	3.1	3.5	3.8	3.9	14.3	3.8	3.9	15.4
Ebitda										
Top Line	9.8	42.3	9.9	11.5	12.0	12.0	45.4	11.9	11.8	47.6
Bottom Line	2.5	16.1	4.0	5.3	5.2	5.2	19.8	5.3	5.2	20.9
Total Ebitda	12.3	58.4	13.9	16.9	17.2	17.2	65.2	17.1	17.0	68.5
Deprec., Deplet., & Amort.	4.5	16.6	3.4	3.3	4.1	4.1	14.9	4.0	4.1	16.3
BL Capital (estimated)	2.9	11.4	3.3	2.2	2.7	2.7	10.9	2.7	2.7	10.8
Lease Bonus and Other	(3.3)	(6.5)	(0.1)	(0.3)	(0.3)	(0.3)	(1.0)	(0.3)	(0.3)	(1.1)
Ebit	8.3	36.8	7.4	11.7	10.6	10.6	40.3	10.7	10.5	42.5
Ebt	8.3	36.8	7.4	11.7	10.6	10.6	40.3	10.7	10.5	42.5
Net Income (\$mm)	8.3	36.8	7.4	11.7	10.6	10.6	40.3	10.7	10.5	42.5
Units (millions)	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7
Net Income Per Unit (\$)	0.27	1.20	0.24	0.38	0.35	0.35	1.31	0.35	0.34	1.39
Ebitda Margin - Top Line	84%	82%	86%	88%	86%	86%	86%	86%	86%	86%
Ebitda Margin - Bottom Line	69%	75%	74%	74%	73%	73%	73%	73%	72%	73%
Distribution - Cash Accounting (\$mm)										
Top Line Revenue	11.4	47.2	10.8	11.6						
Bottom Line Net Revenue	1.1	9.1	4.9	2.0						
Lease Bonus	3.2	5.5	0.1	0.1						
Cash Expense	(1.7)	(7.4)	(2.0)	(1.5)						
Distribution	14.0	54.4	13.7	12.1	14.0	14.0	53.9	14.0	13.9	55.9
Distribution Per Unit (\$)	0.46	1.77	0.45	0.40	0.46	0.46	1.76	0.46	0.45	1.82



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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	8-Aug	Market	Value	Nat	Ebitda	NTM	Yield	McDep			
CB (see below)	2013	Cap	(\$mm)	Gas	Oil	NTM	(\$/un)	(%)	Ratio		
Small Cap Independent Producers											
PDC Energy	PDCE		53.05	1.48	2,430	32	68	11.9	-	-	1.11
Range Resources	RRC	B	79.93	1.27	16,360	74	26	14.8	0.16	0.2	0.91
Continental Resources (32%)	CLR	B	95.50	1.24	6,980	18	82	6.6	-	-	0.89
Halcón Resources	HK		5.23	2.35	5,420	8	92	6.3	-	-	0.87
Denbury Resources Inc.	DNR		17.33	1.53	9,860	5	95	5.8	-	-	0.82
Berry Petroleum Company	BRY		41.41	1.80	4,120	14	86	6.0	0.32	0.8	0.82
Peyto Exploration and Development Corp	PEYUF		26.68	1.20	4,760	80	20	9.4	0.81	3.0	0.81
Cimarex Energy Company	XEC	B	79.78	1.20	8,300	43	57	5.5	0.56	0.7	0.76
Whiting Petroleum Corporation	WLL	B	51.05	1.37	8,340	8	92	4.0	-	-	0.74
Birchcliff Energy Ltd.	BIREF	CB	7.05	1.47	1,700	72	28	8.5	-	-	0.68
<i>Total or Median</i>				1.42	68,300	25	75	6.5			0.82
Leveraged Cash Payers											
Vanguard Natural Resources, LLC	VNR		27.35	1.50	3,070	41	59	10.1	2.46	9.0	1.06
Legacy Reserves L.P.	LGCY		27.12	1.65	2,560	24	76	9.6	2.32	8.6	1.05
Linn Energy, LLC	LINE		25.30	2.05	12,110	47	53	10.7	2.90	11.5	0.99
Enerplus Corporation	ERF		16.46	1.55	5,000	35	65	6.5	1.04	6.3	0.94
<i>Total or Median</i>				1.60	22,700	38	62	9.8		8.8	1.02
RTF Cash Payers											
Freehold Royalties Ltd.	FRHLF		22.85	TL	1,590	16	84	11.8	1.62	7.1	1.08
Dorchester Minerals, L.P.	DMLP	B	24.29	TL	750	54	46	10.9	1.82	7.5	0.93
Enduro Royalty Trust (40%)	NDRO		15.20	BL	200	48	52	9.0	1.51	10.0	0.90
Sabine Royalty Trust	SBR		53.34	TL	780	52	48	12.1	4.39	8.2	0.83
San Juan Basin Royalty Trust	SJT	B	16.26	BL	760	100	-	12.3	0.78	4.8	0.77
Permian Basin RT	PBT		13.33	TL	620	19	81	7.3	1.19	8.9	0.74
Mesa Royalty Trust	MTR		21.53	BL	40	75	25	8.8	1.99	9.3	0.72
Hugoton Royalty Trust	HGT		8.28	BL	330	90	10	8.4	0.86	10.4	0.69
Cross Timbers Royalty Trust	CRT		27.78	TL	170	83	17	10.0	2.54	9.1	0.66
<i>Total or Median</i>					5,200	54	46	10.0		8.9	0.77
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 (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		8-Aug 2013	(mm)				
Small Cap Independent Producers								
PDC Energy	PDCE		53.05	31.0	1,640	45.00	0.36	1.11
Range Resources	RRC	B	79.93	161.0	12,870	90.00	0.19	0.91
Continental Resources (32%)	CLR	B	95.50	59.2	5,650	110.00	0.17	0.89
Halcón Resources	HK		5.23	441.0	2,310	7.00	0.50	0.87
Denbury Resources Inc.	DNR		17.33	372.0	6,450	23.00	0.28	0.82
Berry Petroleum Company	BRY		41.41	55.3	2,290	58.00	0.36	0.82
Peyto Exploration and Development Corp.	PEYUF		26.68	149.0	3,980	34.00	0.13	0.81
Cimarex Energy Company	XEC	B	79.78	86.5	6,900	110.00	0.13	0.76
Whiting Petroleum Corporation	WLL	B	51.05	119.0	6,070	75.00	0.20	0.74
Birchcliff Energy Ltd.	BIREF	CB	7.05	164.0	1,160	12.00	0.22	0.68
	<i>Total or Median</i>				49,320		0.21	0.82
Leveraged Cash Payers								
Vanguard Natural Resources, LLC	VNR		27.35	75.0	2,050	25.00	0.35	1.06
Legacy Reserves L.P.	LGCY		27.12	57.3	1,550	25.00	0.41	1.05
Linn Energy, LLC	LINE		25.30	233.0	5,900	26.00	0.51	0.99
Enerplus Corporation	ERF		16.46	196.0	3,230	18.00	0.33	0.94
	<i>Total or Median</i>				12,730		0.38	1.02
RTF Cash Payers								
Freehold Royalties Ltd.	FRHLF		22.85	66.5	1,520	21.00	0.05	1.08
Dorchester Minerals, L.P.	DMLP	B	24.29	30.7	750	26.00	-	0.93
Enduro Royalty Trust (40%)	NDRO		15.20	13.2	200	17.00	-	0.90
Sabine Royalty Trust	SBR		53.34	14.6	780	64.00	-	0.83
San Juan Basin Royalty Trust	SJT	B	16.26	46.6	760	21.00	-	0.77
Permian Basin RT	PBT		13.33	46.6	620	18.00	-	0.74
Mesa Royalty Trust	MTR		21.53	1.9	40	30.00	-	0.72
Hugoton Royalty Trust	HGT		8.28	40.0	330	12.00	-	0.69
Cross Timbers Royalty Trust	CRT		27.78	6.0	170	42.00	-	0.66
	<i>Total or Median</i>				5,170			0.77
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		8-Aug 2013	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	79.93		-	13.6	16.3	14.8
PDC Energy	PDCE		53.05		-	16.2	10.7	11.9
Peyto Exploration and Development Corp	PEYUF		26.68		0.28	9.3	11.5	9.4
Birchcliff Energy Ltd.	BIREF	CB	7.05		-	18.8	12.6	8.5
Continental Resources (32%)	CLR	B	95.50		-	9.8	7.4	6.6
Halcón Resources	HK		5.23		-	4.8	7.2	6.3
Berry Petroleum Company	BRY		41.41		-	12.1	7.4	6.0
Denbury Resources Inc.	DNR		17.33		-	13.5	7.1	5.8
Cimarex Energy Company	XEC	B	79.78		-	7.6	7.2	5.5
Whiting Petroleum Corporation	WLL	B	51.05		-	8.7	5.4	4.0
	<i>Median</i>					10.9	7.4	6.5
Leveraged Cash Payers								
Linn Energy, LLC	LINE		25.30		1.21	14.0	10.8	10.7
Vanguard Natural Resources, LLC	VNR		27.35		0.94	9.9	9.5	10.1
Legacy Reserves L.P.	LGCY		27.12		0.84	11.1	9.1	9.6
Enerplus Corporation	ERF		16.46		0.40	6.5	6.9	6.5
	<i>Median</i>					10.5	9.3	9.8
RTF Cash Payers								
San Juan Basin Royalty Trust	SJT	B	16.26		0.59	10.2	15.9	12.3
Sabine Royalty Trust	SBR		53.34	100	1.00	9.0	14.6	12.1
Freehold Royalties Ltd.	FRHLF		22.85	86	0.84	4.7	10.9	11.8
Dorchester Minerals, L.P.	DMLP	B	24.29	75	0.82	7.3	11.6	10.9
Cross Timbers Royalty Trust	CRT		27.78	98	0.91	12.7	15.1	10.0
Enduro Royalty Trust (40%)	NDRO		15.20		0.90	5.8	10.1	9.0
Mesa Royalty Trust	MTR		21.53		0.82	5.2	12.3	8.8
Hugoton Royalty Trust	HGT		8.28		0.88	13.0	12.2	8.4
Permian Basin RT	PBT		13.33	69	0.65	12.7	9.8	7.3
	<i>Median</i>					9.0	12.2	10.0
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										
			Price (\$/sh)	Equity Total	Enterprise Value/					
	Symbol/		8-Aug	Return	52Wk	52Wk	50 Day	200 Day	McDep	
	Rating	2013	YTD (%)	High	Low	Avg.	Avg.	Ratio		
Small Cap Independent Producers										
	Cimarex Energy Company	XEC	B	79.78	39	0.98	1.33	1.09	1.15	0.76
	PDC Energy	PDCE		53.05	60	0.94	1.55	0.99	1.13	1.11
	Continental Resources (32%)	CLR	B	95.50	30	0.97	1.33	1.06	1.13	0.89
	Range Resources	RRC	B	79.93	27	0.95	1.23	1.02	1.07	0.91
	Whiting Petroleum Corporation	WLL	B	51.05	18	0.95	1.18	1.04	1.06	0.74
	Peyto Exploration and Development C	PEYUF		26.68	17	0.86	1.27	0.93	1.01	0.81
	Berry Petroleum Company	BRY		41.41	24	0.91	1.18	0.99	1.01	0.82
	Denbury Resources Inc.	DNR		17.33	7	0.92	1.13	0.98	1.00	0.82
	Birchcliff Energy Ltd.	BIREF	CB	7.05	(7)	0.85	1.06	0.91	0.93	0.68
	Halcón Resources	HK		5.23	(24)	0.79	1.24	0.97	0.90	0.87
	<i>Median</i>				21	0.93	1.24	0.99	1.04	0.82
Leveraged Cash Payers										
	Enerplus Corporation	ERF		16.46	33	0.96	1.24	1.04	1.09	0.94
	Legacy Reserves L.P.	LGCY		27.12	21	0.94	1.12	1.01	1.02	1.05
	Vanguard Natural Resources, LLC	VNR		27.35	10	0.93	1.08	1.00	0.99	1.06
	Linn Energy, LLC	LINE		25.30	(24)	0.75	1.11	0.92	0.83	0.99
	<i>Median</i>				16	0.94	1.11	1.00	1.00	1.02
RTF Cash Payers										
	Sabine Royalty Trust	SBR		53.34	40	0.95	1.37	1.03	1.10	0.83
	San Juan Basin Royalty Trust	SJT	B	16.26	24	0.91	1.32	1.02	1.08	0.77
	Dorchester Minerals, L.P.	DMLP	B	24.29	26	0.95	1.22	0.99	1.05	0.93
	Freehold Royalties Ltd.	FRHLF		22.85	7	0.94	1.18	0.99	1.01	1.08
	Permian Basin RT	PBT		13.33	12	0.69	1.11	1.00	1.01	0.74
	Cross Timbers Royalty Trust	CRT		27.78	7	0.70	1.18	1.01	1.00	0.66
	Hugoton RoyaltyTrust	HGT		8.28	20	0.83	1.45	0.94	0.99	0.69
	Mesa RoyaltyTrust	MTR		21.53	16	0.75	1.14	0.97	0.93	0.72
	Enduro Royalty Trust (40%)	NDRO		15.20	(5)	0.77	1.04	0.98	0.92	0.90
	<i>Median</i>				16	0.83	1.18	0.99	1.01	0.77

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

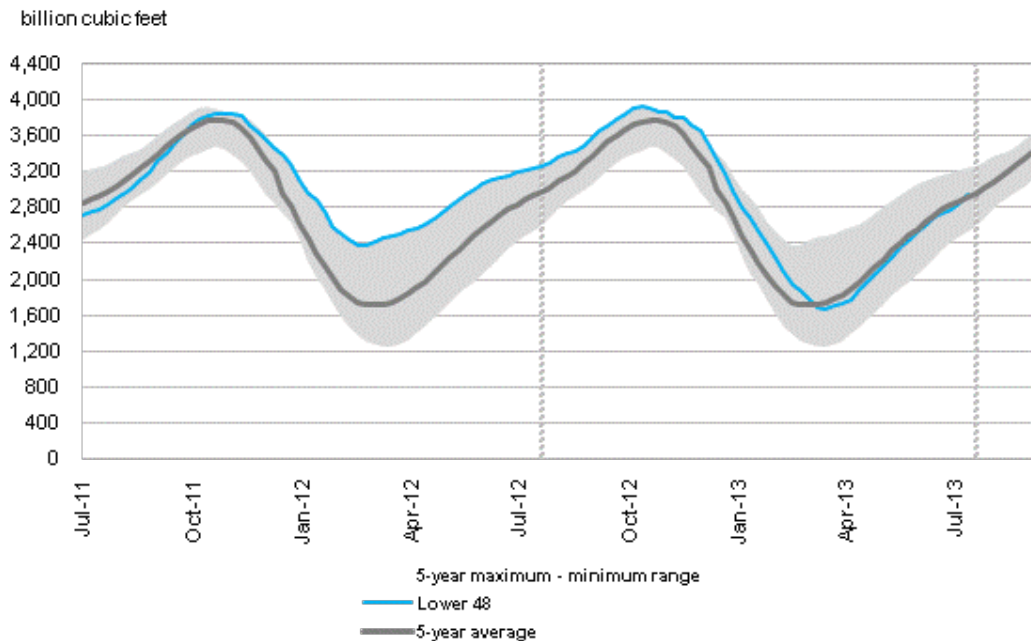


Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

August 9, 2013

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



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