



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 22, 2012

Two Great Energy Entrepreneurs Harold Hamm (CLR) and Floyd Wilson (HK)

Summary and Recommendation

After crossing paths recently with oil and gas entrepreneurs Harold Hamm and Floyd Wilson we had the sense that future opportunity was staring directly at us and resolved to add Continental Resources (CLR) and Halcon Resources (HK) to our research coverage. A new contact for us, Mr. Hamm is the founder and owner of \$8 billion of stock in CLR, the largest acreage holder in the Bakken Shale formation and largest oil producer in the Williston Basin of North Dakota and Montana. Fresh from the successful sale of Petrohawk to BHP Billiton last year, Mr. Wilson is up and running with Halcon Resources, seeking to multiply value as he has done serially in three previous companies he built. Our preliminary analysis sketches a present value of cash flow growth for the next twelve months, but we need to do more analysis of further potential before making a more definitive estimate of net present value and including the stocks in our weekly rankings. CLR has already appreciated strongly, but there is often another chance for alert investors to make money in a successful company. HK is a ground floor investment as the new company is only a few months old.

First in the Bakken Shale

Harold Hamm is the 13th of 13 children of a sharecropper in Enid, Oklahoma, close to where Conoco, Phillips and Skelly (now part of Chevron) put down their roots. He tells of taking to heart advice from his teacher to “find his passion”. Thinking it was to be found in the oil business that surrounded him, Mr. Hamm started an oil tank cleaning business with a single truck. By the early 1970s, he was drilling oil and gas wells and building a production company. Following his passion eventually took Mr. Hamm and his company to the Rockies and North Dakota. In 1995, Continental Resources developed its Cedar Hills discovery exclusively with horizontal drilling. Our first recollection of Continental Resources was a decade ago when it became an innovator in applying underground combustion to enhance oil recovery around the Cedar Creek anticline. In 2004, the company made the big breakthrough as the first to achieve commercial success with fracking a horizontal well in the Bakken formation. The discovery eventually helped launch CLR as a public company in 2007 and propelled the humble man to fortune and fame.

Looking at the numbers for CLR, we are happy to see that debt is low at about \$2 billion compared to market cap of \$11 billion and little more than a year’s cash flow of \$1.7 billion. Stock price is less than our mechanically calculated NPV of \$70 a share related to cash flow multiple depending on adjusted reserve life (see tables on pages 3 and 4). What may be missing is an allowance for a higher than normal enhancement of reserves beyond currently proven quantities. Management believes it is ahead of plan to grow reserves 50% in the next three years.

(Continued)



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First in Eagle Ford

Born on an army base in Georgia, Floyd Wilson's oil career began in engineering in 1970. We included in our research Mr. Wilson's first public company, Hugoton Energy after its shares started trading in 1994. It was sold for a nice gain to Chesapeake Energy in 1998. Next, he formed 3-Tec Energy, which he sold to Plains Exploration and Production in 2003. Petrohawk followed with its formation in the same year. Taking the company to an early leadership position in the Haynesville shale left the entrepreneur practically in awe at the huge productivity of the wells and how many there would likely be ultimately. His decisive reaction was that the supply would impact natural gas pricing and that the technology might also create a breakthrough in oil. Pursuing the latter thought took Petrohawk to the Eagle Ford Shale where the company drilled the first commercial well. The Eagle Ford was a possible clincher for BHP Billiton to buy all of Petrohawk for \$14 billion in 2011, doubling the stock price from just six months earlier. Wasting no time, Mr. Wilson has formed his fourth public company, named Halcon, with the emphasis on last syllable as in Spanish for hawk or falcon. The parallel extends to the stock symbol "HK", the same as it was for Petrohawk.

Looking at the numbers for HK, we see that the company is still taking shape with a large acquisition expected to be completed in the third quarter. On a rough pro forma basis, debt is low at about \$100 million compared to market cap of \$1.8 billion and little more than a half year's cash flow near \$200 million. Stock price exceeds our mechanically calculated NPV of \$8 a share related to cash flow multiple depending on adjusted reserve life (see tables on pages 5 and 6). Some properties are likely to be divested and the shape of HK is likely to change rapidly. Management is drilling in the Eagle Ford and the Bakken where there may be 50 million barrel of unbooked potential in each case. In addition, HK targets at least seven exploratory plays where it is accumulating positions, four identified and three confidential. All are liquids prone rather than dry gas like Haynesville. Mr. Wilson hopes that he can reproduce Eagle Ford like success in one of the areas.

Contrarian Market Conditions Persist

While our analysis is not yet complete on CLR and HK, our seven current buy recommendations trade below 200-day stock price averages signaling a short-term down trend by that measure. At the same time long-term values are appealing at low McDep Ratios (see [Tables ISC-1 through ISC-4](#) on pages 7-10). Deeply depressed natural gas and natural gas stocks seem more resistant to further decline and both show signs of turnaround. Further declines in oil price start to threaten the shale oil boom and for that reason we don't think low prices will last. Some drilling prospects would continue to be economic, but global oil supply would likely resume the decline that appeared briefly after the 2008 financial panic. Those extreme conditions did not last long. Well-managed capitalist enterprises creating value, including oil and gas producers, are likely to be the greatest contributors to the global growth needed to lift decaying economies from stifling debt.

Kurt H. Wulff, CFA



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 22, 2012

<i>Symbol</i>	CLR	<i>Ebitda Next Twelve Months ending 6/30/13 (US\$mm)</i>	1,708
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	15
<i>Price (\$/sh)</i>	63.39	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/15/12	<i>Adjusted Reserves/Production NTM</i>	9.6
<i>Shares (mm)</i>	180	<i>EV/Ebitda</i>	8.0
<i>Market Capitalization (\$mm)</i>	11,410	<i>PV/Ebitda</i>	
<i>Debt (\$mm)</i>	2,330	<i>Undeveloped Reserves (%)</i>	60
<i>Enterprise Value (EV) (\$mm)</i>	13,740	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	46.10
<i>Present Value (PV) (\$mm)</i>		<i>Present Value Proven Reserves(\$/boe)</i>	
<i>Net Present Value (\$/share)</i>		<i>Oil and Gas Ebitda Margin (%)</i>	75
<i>Debt/Present Value</i>		<i>Earnings Next Twelve Months (US\$/sh)</i>	3.32
<i>McDep Ratio - EV/PV</i>		<i>Price/Earnings Next Twelve Months</i>	19
<i>Dividend Yield (%/year)</i>	0.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.00
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, \$6 a million btu.			

Continental Resources					
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	253	10.9	15.8	4,000	27%
Oil	1,456	9.1	7.6	11,000	73%
	1,708	9.6	8.8	15,000	100%
Debt (US\$mm)					2,330
Net Present Value (US\$mm)					12,670
Shares (mm)					180
Net Present Value - Standard Estimate (US\$/sh) - <i>to be determined after further analysis</i>					tbd
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					70



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 22, 2012

Continental Resources								
Next Twelve Months Operating and Financial Estimates								
								<i>Next Twelve Months</i>
	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	
	<i>3/31/12</i>	<i>6/30/12</i>	<i>9/30/12</i>	<i>12/31/12</i>	<i>2012E</i>	<i>3/31/13</i>	<i>6/30/13</i>	<i>6/30/13</i>
Volume								
Natural Gas (bcf)	14.0	14.7	15.6	16.4	61	16.8	17.9	66.8
Natural Gas (mmcf)	154	162	170	178	166	187	197	183
Days	91	91	92	92	366	90	91	365
Oil (mmb)	5.5	5.7	6.1	6.4	24	6.6	7.0	26
Oil (mbd)	60	63	66	69	65	73	76	71
Total (mb)	7.8	8.2	8.7	9.1	33.8	9.4	9.9	37
Total (mbd)	86	90	94	99	92	104	109	102
Price								
Henry Hub (\$/mmbtu)	2.73	2.21	2.58	2.94	2.62	3.37	3.36	3.06
Differential (\$/mmbtu)	(1.75)	(1.42)	(1.65)	(1.89)	(1.69)	(2.16)	(2.16)	(1.99)
Company (\$/mcf)	4.48	3.63	4.23	4.83	4.31	5.53	5.52	5.05
WTI Cushing (\$/bbl)	102.93	97.42	84.35	85.34	92.51	86.18	86.58	85.61
Differential	12.35	12.00	10.39	10.51	11.71	10.62	12.00	10.87
Company (\$/bbl)	90.58	85.42	73.96	74.83	80.81	75.56	74.58	74.74
Total (\$/bbl)	71.47	66.34	59.39	61.08	64.32	62.85	62.14	61.41
Revenue (\$mm)								
Natural Gas	63	53	66	79	262	93	99	337
Oil	494	489	449	477	1,909	495	519	1,941
Total	557	542	515	557	2,171	588	618	2,278
Expense								
Lease operating	41							
Production taxes	50							
General and administrative	25							
Total	116	136	129	139	520	147	154	569
Ebitda	441	407	387	417	1,651	441	463	1,708
Exploration	4	4	4	4	16	4	4	16
Deprec., Deplet., & Amort.	149	149	149	149	596	149	149	596
Other	53	20	20	20	113	20	20	80
Ebit	234	234	214	244	926	268	290	1,016
Interest	24	24	24	24	96	24	24	96
Ebt	210	210	190	220	830	244	266	920
Income Tax	74	73	66	77	291	85	93	322
Net Income (\$mm)	137	136	123	143	540	159	173	598
Per Share (\$)	0.76	0.76	0.68	0.80	3.00	0.88	0.96	3.32
Shares (millions)	180	180	180	180	180	180	180	180
Ebitda Margin	79%	75%	75%	75%	76%	75%	75%	75%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 22, 2012

<i>Symbol</i>	HK	<i>Ebitda Next Twelve Months ending 6/30/12 (US\$mm)</i>	196
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	10
<i>Price (\$/sh)</i>	10.88	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/15/12	<i>Adjusted Reserves/Production NTM</i>	7.1
<i>Shares (mm)</i>	169	<i>EV/Ebitda</i>	9.9
<i>Market Capitalization (\$mm)</i>	1,840	<i>PV/Ebitda</i>	
<i>Debt (\$mm)</i>	110	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (\$mm)</i>	1,950	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	35.20
<i>Present Value (PV) (\$mm)</i>		<i>Present Value Proven Reserves(\$/boe)</i>	
<i>Net Present Value (\$/share)</i>		<i>Oil and Gas Ebitda Margin (%)</i>	60
<i>Debt/Present Value</i>		<i>Earnings Next Twelve Months (US\$/sh)</i>	
<i>McDep Ratio - EV/PV</i>		<i>Price/Earnings Next Twelve Months</i>	
<i>Dividend Yield (%/year)</i>	0.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.00

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.

Halcon Resources					
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	20	6.6	14.7	300	20%
Oil	176	7.4	6.8	1,200	80%
	196	7.1	7.6	1,500	100%
Debt (US\$mm)					110
Net Present Value (US\$mm)					1,390
Shares (mm)					169
Net Present Value - Standard Estimate (US\$/sh) - <i>to be determined after further analysis</i>					tbd
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					8



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 22, 2012

Halcon Resources								
Next Twelve Months Operating and Financial Estimates								
								<i>Next</i>
	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Twelve</i>
	<i>3/31/12</i>	<i>6/30/12</i>	<i>9/30/12</i>	<i>12/31/12</i>	<i>2012E</i>	<i>3/31/13</i>	<i>6/30/13</i>	<i>Months</i>
	<i>3/31/12</i>	<i>6/30/12</i>	<i>9/30/12</i>	<i>12/31/12</i>	<i>2012E</i>	<i>3/31/13</i>	<i>6/30/13</i>	<i>6/30/13</i>
Volume								
Natural Gas (bcf)	0.6	0.6	2.6	2.8	6.6	2.9	2.9	11
Natural Gas (mmcf)	7	7	28	30	18	32	32	30
Days	91	91	92	92	366	91	91	366
Oil (mmb)	0.3	0.3	0.9	0.9	2.3	1.0	1.0	4
Oil (mbd)	2.9	2.9	9.3	10.0	6.3	10.7	10.7	10.2
Total (mb)	0.4	0.4	1.3	1.4	3.4	1.5	1.5	6
Total (mbd)	4.0	4.0	14.0	15.0	56	16.0	16.0	92
Price								
Henry Hub (\$/mmbtu)	2.73	2.21	2.58	2.94	2.62	3.37	3.36	3.06
Differential (\$/mmbtu)	0.02	0.02	0.02	0.02	(0.08)	0.02	0.02	0.01
Company (\$/mcf)	2.71	2.20	2.56	2.92	2.69	3.34	3.34	3.06
WTI Cushing (\$/bbl)	102.93	97.42	84.35	85.34	92.51	86.18	86.58	85.61
Differential	8.32	7.87	6.82	6.90	11.26	6.96	7.00	6.88
Company (\$/bbl)	94.61	89.55	77.53	78.44	81.25	79.22	79.58	78.73
Total (\$/bbl)	72.82	68.31	56.83	58.16	60.34	59.52	59.75	58.62
Revenue (\$mm)								
Natural Gas	2	1	7	8	18	10	10	34
Oil	25	24	67	72	188	77	77	293
Total	27	25	73	80	205	87	87	327
Expense								
Lease operating	9							
Production taxes	2							
General and administrative	20							
Total	31	10	29	32	102	35	35	131
Ebitda	(4)	15	44	48	103	52	52	196
Deprec., Deplet., & Amort.	6	6	20	20	52	20	20	80
Other	(19)				(19)			-
Ebit	9	9	24	28	70	32	32	116
Interest	13	13	13	13	52	13	13	52
Ebt	(4)	(4)	11	15	18	19	19	64
Income Tax	(1)	(1)	4	5	6	7	7	23
Net Income (\$mm)	(3)	(3)	7	10	12	12	13	42
Per Share (\$)	(0.04)	(0.04)	0.04	0.06	0.02	0.07	0.07	0.25
Shares (millions)	69	69	169	169	499	169	169	169
Ebitda Margin	-16%	60%	60%	60%	50%	60%	60%	60%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 22, 2012

Table ISC-1											
McDep Income and Small Cap Energy Portfolio											
Debt, Segments, Cash Flow, Income and McDep Ratio											
			Price			Enterprise		PV(%)			
Symbol/Rating		(US\$/sh)	EV/	Market	Value	Nat	Oil	Ebitda	NTM	Yield	McDep
CB (see below)		2012	Cap		(\$mm)	Gas		NTM	(\$/un)	(%)	Ratio
Small Cap Independent Producers											
Range Resources	RRC	CB	56.92	1.30	11,800	71	29	13.8	0.16	0.3	0.85
Peyto Exploration and Developmen	PEYUF		17.60	1.20	2,920	77	23	9.6	0.70	4.0	0.77
PDC Energy	PETD		20.15	2.11	1,010	56	44	6.9	-	-	0.68
Berry Petroleum Company	BRY		33.81	1.84	3,410	13	87	5.6	0.32	0.9	0.63
Denbury Resources Inc.	DNR		13.70	1.52	8,130	6	94	5.6	-	-	0.59
Birchcliff Energy Ltd.	BIREF	CB	5.53	1.54	1,280	62	38	9.1	-	-	0.57
Whiting Petroleum Corporation	WLL	CB	36.70	1.43	6,240	8	92	4.3	-	-	0.51
Cimarex Energy Company	XEC	CB	49.00	1.25	5,260	42	58	4.8	0.48	1.0	0.50
<i>Total or Median</i>					40,100			6.3			0.61
Top Line Cash Payers											
Permian Basin RT	PBT		16.92	1.00	790	37	63		1.25	7.4	0.85
Freehold Royalties Ltd.	FRHLF		16.88	1.04	1,140	16	84		1.64	9.7	0.81
Dorchester Minerals, L.P.	DMLP	CB	21.58	1.00	660	57	43		1.76	8.1	0.80
Cross Timbers Royalty Trust	CRT		33.50	1.00	200	70	30		2.17	6.5	0.76
Sabine Royalty Trust	SBR		47.71	1.00	700	55	45		3.35	7.0	0.73
<i>Total or Median</i>					3,500					7.4	0.80
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		35.67	1.69	11,600	40	60	12.3	2.90	8.1	1.10
Vanguard Natural Resources, LLC	VNR		25.10	1.52	2,010	27	74	10.6	2.37	9.4	1.00
Legacy Reserves L.P.	LGCY		24.63	1.42	1,660	23	77	8.4	2.22	9.0	0.87
Mesa RoyaltyTrust	MTR		30.70	1.00	57	75	25	10.3	2.51	8.2	0.76
Enduro Royalty Trust (40%)	NDRO		15.71	1.00	210	42	58	7.1	1.42	9.0	0.75
Enerplus Corporation	ERF	CB	11.93	1.71	4,000	26	74	5.5	1.32	11.1	0.69
San Juan Basin Royalty Trust	SJT	CB	13.75	1.00	640	100	-	11.7	0.86	6.2	0.65
Hugoton RoyaltyTrust	HGT		6.85	1.00	270	89	11	8.2	0.09	1.3	0.49
<i>Total or Median</i>					20,400			9.4		8.6	0.76
Composite											
<i>Enterprise Value Weighting</i>					64,000	38	62				0.71
<i>Equal Weighting</i>						47	53				0.73
<i>Equal Weighted Buys</i>						46	54				0.63

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, 2013. Enterprise Value = Market Cap and Debt.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 22, 2012

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		21-Jun 2012	(mm)				
Small Cap Independent Producers								
Range Resources	RRC	CB	56.92	160.0	9,110	70.00	0.19	0.85
Peyto Exploration and Development Cor	PEYUF		17.60	138.3	2,430	24.00	0.13	0.77
PDC Energy	PETD		20.15	23.9	480	40.00	0.36	0.68
Berry Petroleum Company	BRY		33.81	54.7	1,850	70.00	0.29	0.63
Denbury Resources Inc.	DNR		13.70	391.0	5,360	28.00	0.20	0.59
Birchcliff Energy Ltd.	BIREF	CB	5.53	150.7	830	12.00	0.20	0.57
Whiting Petroleum Corporation	WLL	CB	36.70	119.0	4,370	88.00	0.15	0.51
Cimarex Energy Company	XEC	CB	49.00	86.1	4,220	110.00	0.10	0.50
<i>Total or Median</i>					28,650		0.20	0.61
Top Line Cash Payers								
Permian Basin RT	PBT		16.92	46.6	790	20.00	-	0.85
Freehold Royalties Ltd.	FRHLF		16.88	64.7	1,090	21.00	0.03	0.81
Dorchester Minerals, L.P.	DMLP	CB	21.58	30.7	660	27.00	-	0.80
Cross Timbers Royalty Trust	CRT		33.50	6.0	200	44.00	-	0.76
Sabine Royalty Trust	SBR		47.71	14.6	700	65.00	-	0.73
<i>Total or Median</i>					3,440			0.80
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		35.67	193.0	6,880	30.00	0.45	1.10
Vanguard Natural Resources, LLC	VNR		25.10	52.5	1,320	25.00	0.34	1.00
Legacy Reserves L.P.	LGCY		24.63	47.5	1,170	30.00	0.26	0.87
Mesa RoyaltyTrust	MTR		30.70	1.9	57	40.00	-	0.76
Enduro Royalty Trust (40%)	NDRO		15.71	13.2	210	21.00	-	0.75
Enerplus Corporation	ERF	CB	11.93	196.0	2,340	21.00	0.29	0.69
San Juan Basin Royalty Trust	SJT	CB	13.75	46.6	640	21.00	-	0.65
Hugoton RoyaltyTrust	HGT		6.85	40.0	270	14.00	-	0.49
<i>Total or Median</i>					12,890			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 \$100 a barrel for oil and \$6 a million btu for natural gas.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 22, 2012

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		21-Jun 2012	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	CB	56.92		-	14.0	16.3	13.8
Peyto Exploration and Development Corp	PEYUF		17.60		0.37	10.0	12.5	9.6
Birchcliff Energy Ltd.	BIREF	CB	5.53		-	21.6	16.1	9.1
PDC Energy	PETD		20.15		-	8.1	10.2	6.9
Berry Petroleum Company	BRY		33.81		-	11.8	8.9	5.6
Denbury Resources Inc.	DNR		13.70		-	13.1	9.4	5.6
Cimarex Energy Company	XEC	CB	49.00		-	8.1	9.5	4.8
Whiting Petroleum Corporation	WLL	CB	36.70		-	9.5	8.5	4.3
	<i>Median</i>					10.9	9.8	6.3
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		33.50	78	0.96	17.7	19.4	14.8
Sabine Royalty Trust	SBR		47.71	100	1.00	8.7	19.4	14.3
Dorchester Minerals, L.P.	DMLP	CB	21.58	77	1.00	6.6	15.4	12.3
Permian Basin RT	PBT		16.92	32	0.88	9.7	14.0	11.9
Freehold Royalties Ltd.	FRHLF		16.88	71	0.91	5.4	11.6	9.4
	<i>Median</i>					8.7	15.4	12.3
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		35.67		1.07	14.3	11.1	12.3
San Juan Basin Royalty Trust	SJT	CB	13.75		0.73	8.6	17.9	11.7
Vanguard Natural Resources, LLC	VNR		25.10		1.00	13.6	10.6	10.6
Mesa RoyaltyTrust	MTR		30.70		0.85	8.0	13.5	10.3
Legacy Reserves L.P.	LGCY		24.63		0.72	11.3	9.7	8.4
Hugoton RoyaltyTrust	HGT		6.85		0.10	13.6	16.7	8.2
Enduro Royalty Trust (40%)	NDRO		15.71		0.64	5.5	9.4	7.1
Enerplus Corporation	ERF	CB	11.93		0.50	6.3	7.9	5.5
	<i>Median</i>					10.0	10.8	9.4
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, 2013; 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

June 22, 2012

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		21-Jun 2012	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio
Small Cap Independent Producers								
	Range Resources	RRC CB	56.92	0.78	1.08	0.96	0.93	0.85
	Peyto Exploration and Development C	PEYUF	17.60	0.72	1.17	1.03	0.91	0.77
	Denbury Resources Inc.	DNR	13.70	0.73	1.20	0.88	0.88	0.59
	Berry Petroleum Company	BRY	33.81	0.70	1.05	0.90	0.87	0.63
	Whiting Petroleum Corporation	WLL CB	36.70	0.66	1.18	0.83	0.82	0.51
	PDC Energy	PETD	20.15	0.68	1.13	0.84	0.81	0.68
	Cimarex Energy Company	XEC CB	49.00	0.58	1.04	0.86	0.79	0.50
	Birchcliff Energy Ltd.	BIREF CB	5.53	0.46	1.00	0.92	0.61	0.57
	<i>Median</i>			<i>0.69</i>	<i>1.11</i>	<i>0.89</i>	<i>0.84</i>	<i>0.61</i>
Top Line Cash Payers								
	Dorchester Minerals, L.P.	DMLP CB	21.58	0.76	1.09	0.95	0.92	0.80
	Freehold Royalties Ltd.	FRHLF	16.88	0.75	1.22	0.94	0.91	0.81
	Permian Basin RT	PBT	16.92	0.72	1.03	0.87	0.83	0.85
	Sabine Royalty Trust	SBR	47.71	0.71	1.05	0.90	0.78	0.73
	Cross Timbers Royalty Trust	CRT	33.50	0.66	1.05	0.89	0.76	0.76
	<i>Median</i>			<i>0.72</i>	<i>1.05</i>	<i>0.90</i>	<i>0.83</i>	<i>0.80</i>
Bottom Line Cash Payers								
	Linn Energy, LLC	LINE	35.67	0.92	1.08	0.97	0.97	1.10
	Vanguard Natural Resources, LLC	VNR	25.10	0.85	1.09	0.97	0.95	1.00
	Legacy Reserves L.P.	LGCY	24.63	0.85	1.08	0.93	0.92	0.87
	Mesa RoyaltyTrust	MTR	30.70	0.62	1.22	0.98	0.77	0.76
	San Juan Basin Royalty Trust	SJT CB	13.75	0.54	1.14	0.87	0.68	0.65
	Enerplus Corporation	ERF CB	11.93	0.50	1.00	0.85	0.66	0.69
	Hugoton RoyaltyTrust	HGT	6.85	0.29	1.07	0.65	0.41	0.49
	<i>Median</i>			<i>0.62</i>	<i>1.08</i>	<i>0.93</i>	<i>0.77</i>	<i>0.76</i>

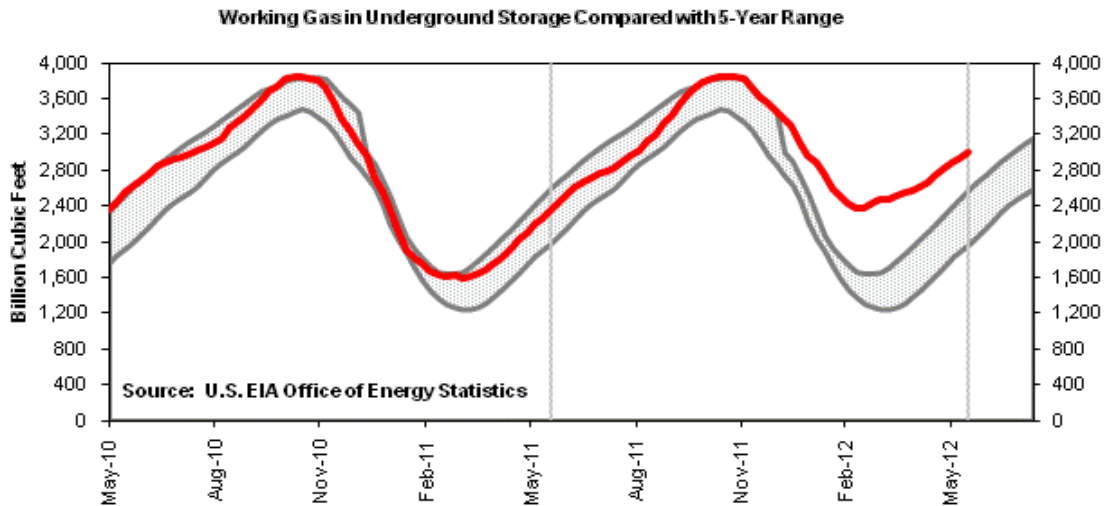
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 22, 2012



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