



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 5, 2009

Dorchester Minerals, L.P. (DMLP) New Buy on Shale Formation Backlog

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 6/30/10 (US\$mm)</i>	51
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	65
<i>Price (US\$/sh)</i>	20.74	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/4/09	<i>Adjusted Reserves/Production NTM</i>	8.1
<i>Units (mm)</i>	28.24	<i>EV/Ebitda</i>	11.5
<i>Market Capitalization (US\$mm)</i>	586	<i>PV/Ebitda</i>	17.7
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	586	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	4.87
<i>Present Value (PV) (US\$mm)</i>	904	<i>Present Value Proven Reserves(US\$/boe)</i>	63.64
<i>Net Present Value (US\$/unit)</i>	32	<i>Oil and Gas Ebitda Margin (%)</i>	84
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	0.96
<i>McDep Ratio - EV/PV</i>	0.65	<i>Price/Earnings Next Twelve Months</i>	22
<i>Distribution Yield (%/year)</i>	8.0	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.66
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\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of DMLP since 2000 see www.mcdep.com/4dhulz.htm			

Summary and Recommendation

We initiate a buy recommendation on the limited partner units of **Dorchester Minerals (DMLP)** for royalty income from oil and gas production including growing proceeds from shale formations unlocked by new technology. The stock offers unlevered appreciation potential of 54% to a McDep Ratio of 1.0 and identical levered appreciation potential of 54% to Net Present Value (NPV) of \$32 a share. Estimated annual distribution yield is 8% despite unusually low natural gas price relative to the already low Henry Hub industry benchmark (see table [Next Twelve Months Operating and Financial Estimates](#)). The *Bakken Shale* of North Dakota is beginning to contribute to oil that accounts for 31% of NPV (see table [Functional Cash Flow and Present Value](#)). In our analysis we add production and reserves from the backlog of shale wells to be transferred to the partnership when cash flow is no longer reinvested in new drilling. General Partner Casey McManemin explains the “Minerals NPI” that holds the backlog in his annual presentation to unitholders (see page 3, sample slide from Form 8-K filed with the U.S. Securities and Exchange Commission on May 12). Developing natural gas volumes from the *Fayetteville Shale* in Arkansas contribute to a stable volume outlook that boosts NPV (see table [Discounted Cash Flow Model](#)). The partnership will also be positioned in the *Barnett Shale* of Texas when an acquisition announced May 15 closes in a few weeks. Finally, the timing of our buy recommendation appears supported by stock price and long-term oil price moving above the 200-day and 40-week averages potentially signaling an extended uptrend.

Regular weekly valuation tables for income and small cap stocks appear on pages 5 to 7.

Kurt H. Wulff, CFA



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 5, 2009

Dorchester Minerals, L.P.									
Next Twelve Months Operating and Financial Performance									
									<i>Next</i>
	<i>Q2</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>6/30/08</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>3/31/10</i>	<i>6/30/10</i>	<i>Months</i>
Volume									
Natural Gas (bcf)	1.93	2.07	2.10	2.12	2.12	8.41	2.07	2.10	8.41
Natural Gas (mmcf)	21.2	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Days	91	90	91	92	92	365	90	91	365
Oil (mb)	0.09	0.08	0.09	0.09	0.09	0.3	0.08	0.09	0.3
Oil (mbd)	0.96	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94
Total (bcfe)	2.5	2.6	2.6	2.6	2.6	10.5	2.6	2.6	10.5
Total (mmcf)	27	29	29	29	29	29	29	29	29
Price									
Henry Hub (\$/mmbtu)	10.93	4.90	3.50	4.36	5.27	4.51	6.24	6.12	5.50
Differential (\$/mmbtu)	0.06	1.45	1.04	0.87	1.05	1.10	0.62	0.61	0.80
Company (\$/mcf)	10.88	3.45	2.46	3.49	4.22	3.41	5.62	5.51	4.70
WTI Cushing (\$/bbl)	123.97	42.96	59.17	69.34	71.05	60.63	72.21	72.99	71.40
Differential	13.52	8.31	8.28	9.71	9.95	8.97	10.68	10.22	10.14
Company	110.46	34.65	50.89	59.63	61.10	51.66	61.53	62.77	61.25
Total (\$/mcf)	12.49	3.90	3.65	4.76	5.39	4.43	6.53	6.48	5.78
Revenue (\$mm)									
Natural Gas	20.9	7.1	5.2	7.4	8.9	28.6	11.6	11.5	39.5
Oil	9.7	2.9	4.4	5.2	5.3	17.7	5.2	5.4	21.0
Other	(0.4)	(0.5)				(0.5)			-
Total	30.2	9.6	9.5	12.6	14.2	45.9	16.8	16.9	60.5
Expense									
Operating	1.5	0.9	0.9	1.2	1.4	4.4	1.6	1.6	5.8
General and administrative	0.9	1.0	1.0	1.0	0.9	4.0	0.9	0.9	3.7
Total	2.4	2.0	1.9	2.2	2.3	8.4	2.5	2.5	9.6
Ebitda									
Minerals NPI	1.0	0.6	0.6	0.6	0.6	2.4	0.6	0.6	2.4
Deprec., Deplet., & Amort.	3.6	3.3	5.2	5.3	5.3	19.1	5.2	5.2	20.9
Other Non Cash	0.9	0.5	0.5	0.5	0.5	2.2	0.5	0.5	2.2
Ebit									
Ebit	23.3	3.8	1.8	4.5	6.1	16.2	8.6	8.6	27.9
Ebt									
Ebt	23.3	3.8	1.8	4.5	6.1	16.2	8.6	8.6	27.9
General Partner	0.7	0.1	0.1	0.1	0.2	0.5	0.3	0.3	0.8
Net Income (\$mm)									
Net Income	22.6	3.7	1.7	4.4	5.9	15.7	8.4	8.4	27.0
Per Share (\$)	0.80	0.13	0.06	0.15	0.21	0.56	0.30	0.30	0.96
Shares (millions)									
Shares	28.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2
Distribution (\$/unit)									
Distribution	0.77	0.40	0.31	0.31	0.36	1.38	0.47	0.51	1.66
Ratios									
Operating (\$/mcf)	0.62	0.36	0.35	0.46	0.52	0.42	0.63	0.62	0.56
General and admin (\$/mcf)	0.35	0.40	0.40	0.39	0.34	0.38	0.35	0.34	0.36
Deprec., D, & A (\$/mcf)	1.49	1.28	2.00	2.00	2.00	1.82	2.00	2.00	2.00
Ebitda Margin	92%	80%	80%	82%	84%	82%	85%	85%	84%
GP	3%	3%	3%	3%	3%	3%	3%	3%	3%
Distribution/Ebitda	0.78	1.48	1.16	0.85	0.85	1.04	0.93	1.01	0.92
HH price/HH minus 2 mo	0.81	1.33	1.16	0.85	0.85	1.04	0.93	1.01	0.92



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 5, 2009

Dorchester Minerals, L.P.					
Functional Cash Flow and Present Value					
				Present	
	NTM Ebitda	Adjusted	PV/	Value	
	(US\$mm)	R/P	Ebitda	(US\$mm)	
North American Natural Gas	33	7.5	18.8	620	69%
Oil	18	10.8	15.6	280	31%
	51	8.1	17.6	900	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					900
Shares (mm)					28
Net Present Value - Standard Estimate (US\$/sh)					32
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					19
(DMLP reserves and Ebitda understated)					

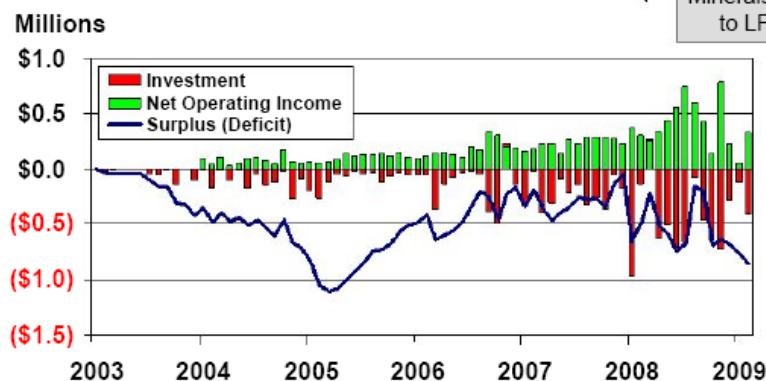


Net Profits Interests

- Minerals NPI Cash Flow Through March 2009

Cumulative Revenue	\$15.0 MM
Cumulative Expense (LOE, taxes, etc)	(\$2.3 MM)
Cumulative Operating Income	\$12.7 MM
Cumulative Investment	(\$13.5 MM)
Cumulative Surplus (Deficit)	(\$0.8 MM)

Surplus balance must be positive before the Minerals NPI contributes to LP distributions



Note: Figures provide on a cash basis

21



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 5, 2009

Dorchester Minerals Discounted Cash Flow Model

Oil Volume Decline (%/yr):	<input type="text" value="1"/>	Oil Price Post 2010 (2010\$/bbl)	<input type="text" value="75"/>
Nat Gas Volume Decline (%/yr):	<input type="text" value="1"/>	Nat Gas Price Post 2010 (2010\$/mcf)	<input type="text" value="10"/>
		Real Discount Rate (%/yr):	<input type="text" value="7.0"/>
Variable Cost (%):	<input type="text" value="5"/>	PV/EBITDA 2011:	<input type="text" value="11"/>
Cumul. Vol/Prod 2008:	<input type="text" value="26"/>	Capex/Cash Flow (%):	<input type="text" value="7"/>

Year	Volume Oil (mmb)	Nat Gas (bcf)	Price (\$/bbl)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var. Cost (\$mm)	Cap Ex (\$mm)	Distribution (\$mm)	Distribution (\$/unit)	Disc Factor	Present Value (\$/unit)
Total 2010 through 2039; years ending on 6/30												
	8.9	219			2555	250	128	151	2026	71.74	0.45	<input type="text" value="32"/>
2010	0.34	8.41	61.25	4.70	60.5	8.3	3.0	2.4	46.8	1.66	0.97	1.60
2011	0.34	8.32	67.50	9.10	98.7	8.3	4.9	6.0	79.4	2.81	0.90	2.54
2012	0.34	8.24	67.50	9.10	97.7	8.3	4.9	5.9	78.5	2.78	0.84	2.35
2013	0.33	8.16	67.50	9.10	96.7	8.3	4.8	5.8	77.7	2.75	0.79	2.17
2014	0.33	8.08	67.50	9.10	95.7	8.3	4.8	5.8	76.8	2.72	0.74	2.01
2015	0.33	8.00	67.50	9.10	94.8	8.3	4.7	5.7	76.0	2.69	0.69	1.85
2016	0.32	7.92	67.50	9.10	93.8	8.3	4.7	5.7	75.1	2.66	0.64	1.71
2017	0.32	7.84	67.50	9.10	92.9	8.3	4.6	5.6	74.3	2.63	0.60	1.58
2018	0.32	7.76	67.50	9.10	92.0	8.3	4.6	5.5	73.5	2.60	0.56	1.46
2019	0.31	7.68	67.50	9.10	91.0	8.3	4.6	5.5	72.7	2.57	0.53	1.35
2020	0.31	7.60	67.50	9.10	90.1	8.3	4.5	5.4	71.9	2.55	0.49	1.25
2021	0.31	7.53	67.50	9.10	89.2	8.3	4.5	5.4	71.1	2.52	0.46	1.16
2022	0.30	7.45	67.50	9.10	88.3	8.3	4.4	5.3	70.3	2.49	0.43	1.07
2023	0.30	7.38	67.50	9.10	87.5	8.3	4.4	5.2	69.5	2.46	0.40	0.99
2024	0.30	7.30	67.50	9.10	86.6	8.3	4.3	5.2	68.7	2.43	0.37	0.91
2025	0.30	7.23	67.50	9.10	85.7	8.3	4.3	5.1	68.0	2.41	0.35	0.84
2026	0.29	7.16	67.50	9.10	84.9	8.3	4.2	5.1	67.2	2.38	0.33	0.78
2027	0.29	7.09	67.50	9.10	84.0	8.3	4.2	5.0	66.5	2.35	0.31	0.72
2028	0.29	7.02	67.50	9.10	83.2	8.3	4.2	4.9	65.7	2.33	0.29	0.67
2029	0.28	6.95	67.50	9.10	82.3	8.3	4.1	4.9	65.0	2.30	0.27	0.62
2030	0.28	6.88	67.50	9.10	81.5	8.3	4.1	4.8	64.3	2.28	0.25	0.57
2031	0.28	6.81	67.50	9.10	80.7	8.3	4.0	4.8	63.5	2.25	0.23	0.53
2032	0.28	6.74	67.50	9.10	79.9	8.3	4.0	4.7	62.8	2.22	0.22	0.49
2033	0.27	6.67	67.50	9.10	79.1	8.3	4.0	4.7	62.1	2.20	0.20	0.45
2034	0.27	6.61	67.50	9.10	78.3	8.3	3.9	4.6	61.4	2.18	0.19	0.41
2035	0.27	6.54	67.50	9.10	77.5	8.3	3.9	4.6	60.7	2.15	0.18	0.38
2036	0.26	6.47	67.50	9.10	76.7	8.3	3.8	4.5	60.0	2.13	0.17	0.35
2037	0.26	6.41	67.50	9.10	76.0	8.3	3.8	4.5	59.4	2.10	0.16	0.33
2038	0.26	6.35	67.50	9.10	75.2	8.3	3.8	4.4	58.7	2.08	0.15	0.30
2039	0.26	6.28	67.50	9.10	74.5	8.3	3.7	4.4	58.0	2.06	0.14	0.28



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 5, 2009

Table 1										
McDep Income and Small Cap Energy Portfolio										
Debt, Business Segments and Income Yield										
						Present Value by Segment (%)				
Symbol/Rating	Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	NAmer. Natural Gas	Oil Prod'n	Dist. NTM (\$/un)	Dist. Yield (%)	McDep Ratio		
B = Buy H = Hold	4-Jun 2009									
Canadian Income Trusts (US\$)										
Freehold Royalty Trust	FRHLF		12.33	1.24	760	29	22	1.10	8.9	0.73
Peyto Energy Trust	PEYUF		10.25	1.39	1,510	78	22	1.32	12.8	0.71
Pengrowth Energy Trust	PGH		8.64	1.84	4,100	39	61	1.10	12.7	0.68
Penn West Energy Trust	PWE	H	13.84	1.74	9,700	32	68	1.65	11.9	0.68
Canadian Oil Sands Trust	COSWF	B	25.47	1.11	13,600		100	0.55	2.2	0.63
Enerplus Resources Fund	ERF		24.01	1.22	4,900	45	55	1.97	8.2	0.59
<i>Total or Median</i>					34,600					
Small Cap Independent Producers										
Encore Acquisition Company	EAC	B	36.70	1.58	3,090	23	77	-	-	0.89
Cimarex Energy Company	XEC	B	33.87	1.31	3,640	67	33	0.24	0.7	0.68
Berry Petroleum Company	BRY	H	20.23	2.07	1,870	38	62	0.30	1.5	0.68
Birchcliff Energy Ltd. (US\$)	BIREF		5.73	1.39	890	70	30	-	-	0.65
<i>Total or Median</i>					9,490					
U.S. Royalty Trusts										
Cross Timbers Royalty Trust	CRT		28.12	1.00	170	69	31	1.70	6.1	0.88
Sabine Royalty Trust	SBR		42.70	1.00	620	43	57	2.93	6.9	0.71
San Juan Basin Royalty Trust	SJT	H	17.44	1.00	810	100	-	1.30	7.5	0.67
Permian Basin RT	PBT		12.48	1.00	580	33	67	0.96	7.7	0.66
Hugoton Royalty Trust	HGT	B	14.16	1.00	570	91	9	1.14	8.0	0.51
Mesa Royalty Trust	MTR		28.95	1.00	50	75	25	3.62	12.5	0.43
<i>Total or Median</i>					2,800					
U.S. Master Limited Partnerships (MLPs)										
Linn Energy, LLC	LINE		19.97	1.62	3,690	53	47	2.52	12.6	1.23
Encore Energy Partners, L.P. (I)	ENP		16.00	1.29	220	24	76	2.00	12.5	0.95
Dorchester Minerals, L.P.	DMLP	B	20.74	1.00	590	69	31	1.66	8.0	0.65
<i>Total or Median</i>					4,500					
Composite (excl COSWF)										
<i>Enterprise Value Weighting</i>					40,700	46	54			0.74
<i>Equal Weighting</i>						54	46			0.72
<i>Equal Weighted Buys</i>						52	48			0.68
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.										
* Percentages in Price column refer to equal weighted buys.										



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 5, 2009

Table 2								
Oil and Gas Income and Small Cap Stocks								
Net Present Value and McDep Ratio								
			Price (\$/sh)		Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		4-Jun 2009	Shares (mm)				
Canadian Income Trusts (US\$)								
Freehold Royalty Trust	FRHLF		12.33	49.5	610	18.00	0.14	0.73
Peyto Energy Trust	PEYUF		10.25	105.9	1,090	16.00	0.20	0.71
Pengrowth Energy Trust	PGH		8.64	257.0	2,220	16.00	0.31	0.68
Penn West Energy Trust	PWE	H	13.84	402.6	5,570	25.00	0.29	0.68
Canadian Oil Sands Trust	COSWF	B	25.47	482.2	12,280	42.00	0.06	0.63
Enerplus Resources Fund	ERF		24.01	165.7	3,980	44.00	0.11	0.59
<i>Total or Median</i>					25,800		0.17	0.68
Small Cap Independent Producers								
Encore Acquisition Company	EAC	B	36.70	53.3	1,960	44.00	0.33	0.89
Cimarex Energy Company	XEC	B	33.87	81.7	2,770	55.00	0.16	0.68
Berry Petroleum Company	BRY	H	20.23	44.6	900	40.00	0.35	0.68
Birchcliff Energy Ltd. (US\$)	BIREF		5.73	112.0	640	10.00	0.18	0.65
<i>Total or Median</i>					6,270		0.25	0.68
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT		28.12	6.0	170	32.00	-	0.88
Sabine Royalty Trust	SBR		42.70	14.6	620	60.00	-	0.71
San Juan Basin Royalty Trust	SJT	H	17.44	46.6	810	26.00	-	0.67
Permian Basin RT	PBT		12.48	46.6	580	19.00	-	0.66
Hugoton RoyaltyTrust	HGT	B	14.16	40.0	570	28.00	-	0.51
Mesa RoyaltyTrust	MTR		28.95	1.9	50	67.00	-	0.43
<i>Total or Median</i>					2,800			0.66
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		19.97	114.0	2,280	14.00	0.47	1.23
Encore Energy Partners, L.P. (32%)	ENP		16.00	10.6	170	17.00	0.21	0.95
Dorchester Minerals, L.P.	DMLP	B	20.74	28.2	590	32.00	-	0.65
<i>Total or Median</i>					3,040		0.21	0.95
B = Buy, H = Hold								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Present Value presumes long-term prices of \$75 a barrel for oil and \$10 a million btu for natural gas.								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 5, 2009

Table 3								
Oil and Gas Income and Small Cap Stocks								
Value Multiples - Rank by EV/Ebitda								
			Price			Adjstd		
			(\$/sh)	Revenue	Dist/	Resrvs/	PV/	EV/
	Symbol/		4-Jun	Royalty	Equity	Prod	Ebitda	Ebitda
	Rating		2009	(%)	Ebitda	NTM	NTM	NTM
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	25.47		0.19	22.1	14.2	9.0
Peyto Energy Trust	PEYUF		10.25		1.01	17.1	12.3	8.8
Freehold Royalty Trust	FRHLF		12.33	71	0.62	6.3	10.2	7.5
Enerplus Resources Fund	ERF		24.01		0.54	9.3	12.1	7.2
Pengrowth Energy Trust	PGH		8.64		0.70	7.7	10.3	7.0
Penn West Energy Trust	PWE	H	13.84		0.66	8.3	10.0	6.8
	<i>Median</i>					8.8	11.2	7.3
Small Cap Independent Producers								
Birchcliff Energy Ltd. (US\$)	BIREF		5.73		-	10.0	21.6	14.0
Encore Acquisition Company	EAC	B	36.70		-	11.6	8.7	7.8
Berry Petroleum Company	BRY	H	20.23		-	11.3	10.8	7.4
Cimarex Energy Company	XEC	B	33.87		-	7.2	7.4	5.0
	<i>Median</i>					10.7	9.8	7.6
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT		28.12	84	0.92	12.6	17.2	15.1
Sabine Royalty Trust	SBR		42.70	100	1.00	9.8	20.5	14.6
Permian Basin RT	PBT		12.48	32	0.87	10.7	17.3	11.4
San Juan Basin Royalty Trust	SJT	H	17.44		0.80	8.9	16.0	10.8
Hugoton RoyaltyTrust	HGT	B	14.16		0.69	12.9	17.1	8.6
Mesa RoyaltyTrust	MTR		28.95		0.87	13.6	16.2	7.0
	<i>Median</i>					11.6	17.2	11.1
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		19.97		2.98	18.1	16.5	20.3
Dorchester Minerals, L.P.	DMLP	B	20.74	64	0.92	8.1	17.7	11.5
Encore Energy Partners, L.P.	ENP		16.00		1.32	11.4	11.2	10.7
	<i>Median</i>					11.4	16.5	11.5
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 5, 2009

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.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

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.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.