



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 23, 2010

Oily Cash Payers Add Legacy, Raise Linn NPV

Summary and Recommendation

Estimated distributions for the next twelve months ranging from 6.8 to 10.4% are attracting investor interest in six oil-oriented Bottom Line Cash Payers and Top Line Cash Payers (see Tables 1-3, pages 7-9). Ultimately the level of income depends on oil price which is proving to be an appealing alternative for investors unhappy to see no interest on savings and actual losses from inflation. There is also a volume bonus in old oil fields where new drilling with advanced techniques is amply profitable again. McDep Ratios above 1.0 suggest some restraint in making new investments though it does not take much commitment to make a difference in the income of a diversified energy portfolio. McDep Ratios may look higher partly because they are predicated on a long-term oil price of \$75 a barrel that looks too low compared to current futures price for delivery over the next six years of \$92. Recent acquisitions may also help boost value for actively managed **Freehold Royalty Trust (FRHLF)**, **Legacy Reserves L.P. (LGCY)**, **Encore Energy Partners (ENP)** and **Linn Energy (LINE)**. The downside is that oil economics sour quickly below \$50 a barrel. For partial protection from possible volatility the actively managed partnerships generally hedge oil price, while the unmanaged trusts have no debt. Meanwhile, the oil price trend is up compared to the 40-week average and drilling economics are positive.

Add Legacy Reserves L.P. to Research Coverage

Newly added to our coverage, the units of **Legacy Reserves L.P.** offer competitive value among oil-concentrated peers. Legacy is a master limited partnership (MLP) formed by long-time owners of Permian Basin oil properties in West Texas. Partnership unitholders prize a steady quarterly distribution that implies annual income of 8.7%. LGCY attempts to build value by acquiring new reserves at a price below that of the public units. By its analysis, Legacy paid 6.6 times cash flow estimated late last year for a recent acquisition of Wyoming properties. In contrast, our analysis indicates that investors pay 9 times unhedged cash flow (EV/Ebitda) by current assumptions for Legacy's equity and debt. Cash flow and reserve life justify estimated Net Present Value (NPV) (see table on page 3, Functional Cash Flow and Present Value). Oil price and acquisitions contribute to cash flow growth (see table on page 4, Next Twelve Months Operating and Financial Estimates).

Raise NPV for Linn to \$21 a Unit from \$17

Since former Burlington Resources executive Mark Ellis joined Linn in 2006, the income stock has performed better than our expectations. A recent equity offering at a premium to NPV helps boost NPV as do recent, timely, oil-oriented acquisitions (see tables page 5-6). A slide in Linn's presentation at the Independent Petroleum Association of America meeting in New York last



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week illustrates the company's dominant size in the growing category of oil and gas production MLPs/LLC (see slide page 6).

Top Line and Bottom Line Oil Income

Sabine Royalty Trust (SBR), Permian Basin Royalty Trust (PBT) and Freehold Royalty Trust (FRHLF) have the less common, but desirable characteristic of paying all or some of distributions from cash flow before production expenses. The high quality securities, which we call Top Line Cash Payers, essentially get a free ride on the budding boom in drilling in old oil areas. Highlighted in a *Revenue Royalty* column, SBR pays 100% from the top line, FRHLF about 71% and PBT about 32% (see Table 3, page 9).

Formed in just the past few years, the two MLPs LGCY and ENP, along with the LLC (Limited Liability Company) LINE, are meeting a demand for oil income once met by Canadian Income Trusts before the Canadian government changed the rules effective next year. Because LGCY, ENP and LINE pay distributions from cash flow after operating expenses, we classify them as Bottom Line Cash Payers.

We also like the idea that none of the production stocks in our coverage have incentive distribution rights. Widely used in downstream partnerships, IDRs can give the managing party up to half of cash flow for no capital outlay.

Kurt H. Wulff, CFA



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<i>Symbol</i>	LGCY	<i>Ebitda Next Twelve Months ending 3/31/11 (US\$m)</i>	141
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	11
<i>Price (\$/sh)</i>	23.98	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/22/10	<i>Adjusted Reserves/Production NTM</i>	12.0
<i>Units (mm)</i>	39	<i>EV/Ebitda</i>	9.1
<i>Market Capitalization (\$mm)</i>	940	<i>PV/Ebitda</i>	8.0
<i>Debt (\$mm)</i>	350	<i>Undeveloped Reserves (%)</i>	14
<i>Enterprise Value (EV) (\$mm)</i>	1,280	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	39.70
<i>Present Value (PV) (\$mm)</i>	1,130	<i>Present Value Proven Reserves(\$/boe)</i>	24.80
<i>Net Present Value (\$/unit)</i>	20	<i>Oil and Gas Ebitda Margin (%)</i>	62
<i>Debt/Present Value</i>	0.31	<i>Earnings Next Twelve Months (US\$/un)</i>	1.58
<i>McDep Ratio - EV/PV</i>	1.14	<i>Price/Earnings Next Twelve Months</i>	15
<i>Distribution Yield (%/year)</i>	8.7	<i>Indicated Annual Distribution (US\$/un)</i>	2.08

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, \$8 a million btu.

Legacy Reserves L.P.					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$m)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$m)</i>	
North American Natural Gas	15	11.1	12.2	180	16%
Oil	126	12.3	7.6	950	84%
	141	12.0	8.0	1,130	100%
Debt (US\$m)					350
Net Present Value (US\$m)					780
Shares (mm)					39
Net Present Value - Standard Estimate (US\$/sh)					20
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					20



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Legacy Reserves L.P.								
Next Twelve Months Operating and Financial Estimates								
	Q4	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Next Twelve Months
	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	2010E	3/31/11	3/31/11
Volume								
Natural Gas (mmcf)	13.5	13.9	14.4	14.4	14.4	14.3	14.4	14.4
Oil (mbd)	6.0	6.6	7.3	7.3	7.3	7.1	7.3	7.3
Total (mb)	759	803	883	892	892	3,470	873	3,541
Total (mbd)	8.2	8.9	9.7	9.7	9.7	9.5	9.7	9.7
Price								
Henry Hub (\$/mmbtu)	4.16	5.32	3.95	4.25	4.80	4.58	5.16	4.54
Differential (\$/mmbtu)	(1.64)	-	-	-	-	0.01	-	0.00
LGCY (\$/mcf)	5.80	5.32	3.95	4.25	4.80	4.57	5.16	4.54
WTI Cushing (\$/bbl)	76.09	78.67	82.68	85.58	87.21	83.54	87.40	85.72
Differential	8.53	8.65	9.09	9.41	9.59	9.06	9.61	9.43
LGCY (\$/bbl)	67.56	70.02	73.58	76.16	77.62	74.48	77.78	76.29
Total (\$/bbl)	58.62	60.12	61.24	63.63	65.55	62.70	66.20	64.15
Revenue (\$mm)								
Natural Gas	7	7	5	6	6	24	7	24
Oil	37	42	49	51	52	194	51	203
Total	44	48	54	57	58	218	58	227
Expense								
Lease operating	13	10	11	11	11	42	10	42
Production taxes	3	6	6	7	7	25	7	26
General and administrative	4	4	4	4	4	17	4	18
Total	20	19	21	22	22	84	22	87
Ebitda	25	29	33	35	37	133	36	141
Deprec., Deplet., & Amort.	15	16	18	18	18	69	17	71
Hedging and other	46					-		-
Ebit	(36)	13	15	17	19	64	19	70
Interest	2	2	2	2	2	8	2	8
Ebt	(38)	11	13	15	17	56	17	62
Income Tax								
Net Income (\$mm)	(38)	11	13	15	17	56	17	62
Per Unit (\$)	(1.10)	0.28	0.34	0.39	0.43	1.43	0.43	1.58
Units (millions)	35	39	39	39	39	39	39	39
Distribution (\$mm)	18	20	20	20	20	81	20	81
Per Unit (\$)	0.52	0.52	0.52	0.52	0.52	2.08	0.52	2.08
Ebitda Margin	56%	60%	61%	62%	62%	61%	63%	62%



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<i>Symbol</i>	LINE	<i>Ebitda Next Twelve Months ending 3/31/11 (US\$mm)</i>	341
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	35
<i>Price (\$/sh)</i>	26.30	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/22/10	<i>Adjusted Reserves/Production NTM</i>	20.3
<i>Shares (mm)</i>	144	<i>EV/Ebitda</i>	16.1
<i>Market Capitalization (\$mm)</i>	3,790	<i>PV/Ebitda</i>	13.9
<i>Debt (\$mm)</i>	1,710	<i>Undeveloped Reserves (%)</i>	28
<i>Enterprise Value (EV) (\$mm)</i>	5,500	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	21.90
<i>Present Value (PV) (\$mm)</i>	4,700	<i>Present Value Proven Reserves(\$/boe)</i>	12.80
<i>Net Present Value (\$/share)</i>	21	<i>Oil and Gas Ebitda Margin (%)</i>	52
<i>Debt/Present Value</i>	0.36	<i>Earnings Next Twelve Months (US\$/sh)</i>	
<i>McDep Ratio - EV/PV</i>	1.16	<i>Price/Earnings Next Twelve Months</i>	
<i>Distribution Yield (%/year)</i>	9.6	<i>Indicated Annual Distribution (US\$/sh)</i>	2.52

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, \$8 a million btu.

Linn Energy, LLC					
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	120	18.6	17.4	2,100	45%
Oil	220	22.4	11.8	2,610	55%
	341	20.3	13.8	4,710	100%
Debt (US\$mm)					1,710
Net Present Value (US\$mm)					3,000
Shares (mm)					144
Net Present Value - Standard Estimate (US\$/sh)					21
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					22

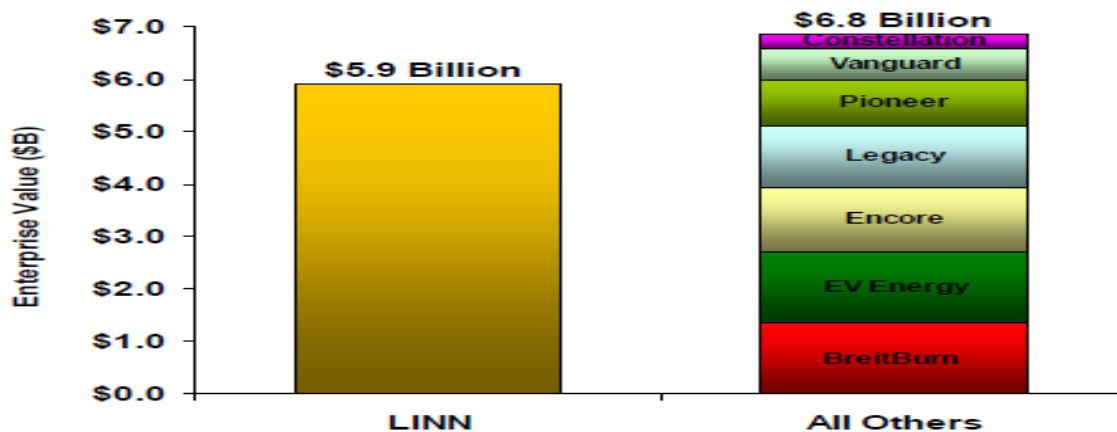


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Linn Energy, LLC									
Next Twelve Months Operating and Financial Estimates									
									Next
	Q1	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Twelve
	3/31/09	12/31/09	2009	3/31/10	6/30/10	9/30/10	12/31/10	2010E	Months
									3/31/11
Volume									
Natural Gas (mmcf)	133	112	124	112	132	142	142	132	140
Oil (mb)	1,260	1,582	5,634	1,548	1,565	1,840	1,840	6,793	7,045
Total (mb)	3,255	3,300	13,204	3,228	3,567	4,017	4,017	14,830	15,532
Total (mbd)	36.2	35.9	36.2	35.9	39.2	43.7	43.7	40.6	42.6
Price									
Henry Hub (\$/mmbtu)	4.90	4.16	3.99	5.32	3.95	4.25	4.80	4.58	4.54
Differential (\$/mmbtu)	1.37	(0.59)	0.45	-	-	-	-	0.03	(0.01)
Company (\$/mcf)	3.53	4.75	3.54	5.32	3.95	4.25	4.80	4.55	4.55
WTI Cushing (\$/bbl)	42.96	76.09	61.70	78.67	82.68	85.58	87.21	83.54	85.72
Differential	13.11	22.78	17.84	23.56	24.76	25.62	26.11	24.84	25.59
Company (\$/bbl)	29.85	53.30	43.86	55.12	57.92	59.95	61.10	58.69	60.13
Total (\$/bbl)	24.53	40.40	30.89	43.04	38.71	41.28	43.61	41.68	42.19
Revenue (\$mm)									
Natural Gas	42	49	161	54	47	56	63	219	232
Oil	38	84	247	85	91	110	112	399	424
Total	80	133	408	139	138	166	175	618	655
Expense	67	67	263	67	66	80	84	297	315
Ebitda	13	66	145	72	72	86	91	321	341
Deprec., Deplet., & Amort.	52	50	201	52	57	64	64	237	249
Hedging and other	(108)	(63)	(353)	(57)	(58)	(30)	(21)	(166)	(129)
Ebit	68	79	296	78	73	52	48	250	221
Interest	14	27	92	27	27	27	27	108	108
Ebt	54	52	204	51	46	25	21	142	113
Income Tax									
Net Income (\$mm)	54	52	204	51	46	25	21	142	113
Per Unit (\$)	0.48	0.41	1.72	0.40	0.32	0.17	0.14	1.04	0.79
Units (millions)	114	127	119	127	144	144	144	137	144
Ebitda Margin	16%	50%	36%	52%	52%	52%	52%	52%	52%





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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	Enterprise Value (\$mm)	NAmer. Natural Gas	Oil Prod'n	Dist. NTM (\$/un)	Dist. Yield (%)	McDep Ratio		
B = Buy CB (see below)	22-Apr 2010	Cap								
Canadian Income Trusts (US\$)										
Penn West Energy Trust	PWE	20.62	1.47	12,800	22	78	1.77	8.6	1.06	
Pengrowth Energy Trust	PGH	11.45	1.44	4,800	38	62	0.83	7.2	1.03	
Peyto Energy Trust	PEYUF	13.75	1.26	1,990	80	20	1.42	10.3	0.93	
Enerplus Resources Fund	ERF	24.42	1.21	5,200	42	58	2.13	8.7	0.84	
Canadian Oil Sands Trust	COSWF	B	30.90	1.09	16,300	100	1.38	4.5	0.83	
<i>Total or Median</i>				41,100					0.93	
Small Cap Independent Producers										
Range Resources	RRC	49.33	1.26	9,760	70	30	0.12	0.2	1.28	
Petro-Hawk	HK	22.19	1.40	9,240	96	4	-	-	1.23	
Whiting Petroleum Corporation	WLL	84.75	1.32	6,440	15	85	-	-	1.05	
Cimarex Energy Company	XEC	B	64.42	1.13	6,020	62	38	0.32	0.5	
Berry Petroleum Company	BRY	32.09	1.60	2,760	33	67	0.30	0.9	0.95	
Ultra Petroleum	UPL	46.13	1.15	7,810	94	6	-	-	0.91	
Birchcliff Energy Ltd. (US\$)	BIREF	8.93	1.20	1,440	77	23	-	-	0.84	
<i>Total or Median</i>				42,000					1.02	
Top Line Cash Payers										
Sabine Royalty Trust	SBR	51.81	1.00	760	39	61	3.54	6.8	1.15	
Permian Basin RT	PBT	19.10	1.00	890	27	73	1.30	6.8	1.06	
Freehold Royalty Trust (US\$)	FRHLF	17.74	1.11	1,130	29	71	1.65	9.3	1.04	
Cross Timbers Royalty Trust	CRT	35.41	1.00	210	78	22	2.67	7.5	1.04	
Dorchester Minerals, L.P.	DMLP	B	25.89	1.02	790	67	33	1.88	7.2	
<i>Total or Median</i>				3,800					1.04	
Bottom Line Cash Payers										
Encore Energy Partners, L.P. (52%)	ENP	20.74	1.28	620	23	77	2.15	10.4	1.16	
Linn Energy, LLC	LINE	26.30	1.45	5,500	45	55	2.52	9.6	1.16	
Legacy Reserves L.P.	LGCY	23.98	1.37	1,280	16	84	2.08	8.7	1.14	
San Juan Basin Royalty Trust	SJT	B	23.72	1.00	1,110	100	-	1.42	6.0	
Mesa RoyaltyTrust	MTR	45.90	1.00	86	75	25	3.57	7.8	0.96	
Hugoton RoyaltyTrust	HGT	B	18.35	1.00	730	90	10	1.26	6.9	
<i>Total or Median</i>				9,300					1.08	
Composite (excl COSWF)										
<i>Enterprise Value Weighting</i>				81,400	54	46			1.05	
<i>Equal Weighting</i>					55	45			1.03	
<i>Equal Weighted Buys</i>					63	37			1.00	

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 \$75 a barrel for oil and \$8 a million btu for natural gas.

Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2011. Enterprise Value = Market Cap and Debt.



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		<i>Price</i>			<i>Net</i>		
		<i>(\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>Symbol/</i>	<i>22-Apr</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
	<i>Rating</i>	<i>2010</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/un)</i>	<i>Value</i>	<i>Ratio</i>
Canadian Income Trusts (US\$)							
Penn West Energy Trust	PWE	20.62	420.7	8,670	19.00	0.34	1.06
Pengrowth Energy Trust	PGH	11.45	290.0	3,320	11.00	0.31	1.03
Peyto Energy Trust	PEYUF	13.75	114.9	1,580	15.00	0.19	0.93
Enerplus Resources Fund	ERF	24.42	177.0	4,320	30.00	0.15	0.84
Canadian Oil Sands Trust	COSWF	B	30.90	14,960	38.00	0.07	0.83
<i>Total or Median</i>				32,900		0.19	0.93
Small Cap Independent Producers							
Range Resources	RRC	49.33	160.0	7,760	35.00	0.26	1.28
Petro-Hawk	HK	22.19	302.0	6,590	16.00	0.35	1.23
Whiting Petroleum Corporation	WLL	84.75	59.0	4,900	78.00	0.25	1.05
Cimarex Energy Company	XEC	B	64.42	5,320	65.00	0.12	0.99
Berry Petroleum Company	BRY	32.09	54.0	1,730	35.00	0.35	0.95
Ultra Petroleum	UPL	46.13	151.0	6,810	50.00	0.12	0.91
Birchcliff Energy Ltd. (US\$)	BIREF	8.93	134.0	1,200	11.00	0.14	0.84
<i>Total or Median</i>				34,310		0.25	0.99
Top Line Cash Payers							
Sabine Royalty Trust	SBR	51.81	14.6	760	45.00	-	1.15
Permian Basin RT	PBT	19.10	46.6	890	18.00	-	1.06
Freehold Royalty Trust (US\$)	FRHLF	17.74	57.2	1,020	17.00	0.10	1.04
Cross Timbers Royalty Trust	CRT	35.41	6.0	210	34.00	-	1.04
Dorchester Minerals, L.P.	DMLP	B	25.89	770	27.00	0.02	0.96
<i>Total or Median</i>				3,650			1.04
Bottom Line Cash Payers							
Encore Energy Partners, L.P. (52%)	ENP	20.74	23.4	490	17.00	0.26	1.16
Linn Energy, LLC	LINE	26.30	144.0	3,790	21.00	0.36	1.16
Legacy Reserves L.P.	LGCY	23.98	39.0	940	20.00	0.31	1.14
San Juan Basin Royalty Trust	SJT	B	23.72	1,110	23.00	-	1.03
Mesa Royalty Trust	MTR	45.90	1.9	86	48.00	-	0.96
Hugoton Royalty Trust	HGT	B	18.35	730	21.00	-	0.87
<i>Total or Median</i>				7,150			1.08

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 \$75 a barrel for oil and \$8 a million btu for natural gas.



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Table 3

McDep Income and Small Cap Energy Portfolio

Value Multiples - Rank by EV/Ebitda

			<i>Price</i>		<i>Adjstd</i>		
			<i>(\$/sh)</i>	<i>Revenue</i>	<i>Dist/</i>	<i>Resrvs/</i>	<i>PV/</i>
	<i>Symbol/</i>	<i>22-Apr</i>	<i>Royalty</i>	<i>Equity</i>	<i>Prod</i>	<i>Ebitda</i>	<i>EV/</i>
	<i>Rating</i>	<i>2010</i>	<i>(%)</i>	<i>Ebitda</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
Canadian Income Trusts (US\$)							
Peyto Energy Trust	PEYUF		13.75		1.23	25.0	13.0
Canadian Oil Sands Trust	COSWF	B	30.90		0.40	31.4	11.0
Pengrowth Energy Trust	PGH		11.45		0.63	9.7	8.4
Penn West Energy Trust	PWE		20.62		0.75	9.9	8.1
Enerplus Resources Fund	ERF		24.42		0.61	9.7	8.7
	<i>Median</i>					9.9	8.7
Small Cap Independent Producers							
Range Resources	RRC		49.33		-	13.5	12.0
Birchcliff Energy Ltd. (US\$)	BIREF		8.93		-	12.0	16.2
Ultra Petroleum	UPL		46.13		-	14.7	13.8
Petro-Hawk	HK		22.19		-	7.8	9.9
Berry Petroleum Company	BRY		32.09		-	13.1	8.3
Whiting Petroleum Corporation	WLL		84.75		-	10.9	7.0
Cimarex Energy Company	XEC	B	64.42		-	7.0	6.1
	<i>Median</i>					12.0	9.9
Top Line Cash Payers							
Sabine Royalty Trust	SBR		51.81	100	1.00	9.4	12.7
Dorchester Minerals, L.P.	DMPLP	B	25.89	64	0.98	7.9	14.1
Permian Basin RT	PBT		19.10	32	0.90	13.1	12.5
Cross Timbers Royalty Trust	CRT		35.41	84	0.96	13.4	12.3
Freehold Royalty Trust (US\$)	FRHLF		17.74	71	0.81	8.3	8.4
	<i>Median</i>					9.4	12.5
Bottom Line Cash Payers							
Linn Energy, LLC	LINE		26.30		1.67	20.3	13.9
San Juan Basin Royalty Trust	SJT	B	23.72		0.79	14.0	12.8
Mesa Royalty Trust	MTR		45.90		0.90	8.5	12.2
Hugoton Royalty Trust	HGT	B	18.35		0.74	12.3	12.3
Encore Energy Partners, L.P.	ENP		20.74		1.09	12.6	8.6
Legacy Reserves L.P.	LGCY		23.98		0.83	12.0	8.0
	<i>Median</i>					12.4	12.2

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 March 31, 2011; 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

April 23, 2010

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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.