



# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

November 19, 2010

## Vanguard (VNR) to Manage High-Income Encore (ENP)

### Summary and Recommendation

Enjoying the highest distribution yield at 9.8%, unitholders of **Encore Energy Partners LP (ENP)** may welcome prospective General Partner **Vanguard Natural Resources, LLC (VNR)** as better suited to the partnerships' interests than interim GP **Denbury Resources Inc. (DNR)**. In a deal expected to close by the end of 2010, VNR would pay \$380 million for DNR's 46% of ENP including the GP responsibility. The master limited partnership structure of ENP fits well with the limited liability company structure of VNR, which we add to our research coverage today. In contrast, DNR is a non-income paying corporation reinvesting its cash flow in enhanced oil recovery projects using carbon dioxide.

At the proposed purchase price, VNR is acquiring ENP at \$18 a unit, which is a McDep Ratio of 1.10. Ultimately an exchange of ENP units for VNR units would be logical, though for now VNR is concentrating on completing the transfer of responsibility for ENP from DNR.

Our detailed estimates for ENP are unchanged as a result of the deal. In our initial analysis of VNR we add 46% of ENP's oil and gas reserves, cash flow and production beginning in 2011 (see ENP and VNR tables on pages 2-5). VNR's 9 thousand barrels oil equivalent daily (mboed) in early 2011 is more than 4 times the company's volume of 2 mboed at the time of its initial public offering in 2007. Chief executive Scott Smith and financial officer Richard Robert have guided VNR's rapid growth by acquisition.

VNR joins our Bottom Line Cash Payer group where its distribution yield of 8.5% is second highest after ENP (see Tables 1-4 on pages 6-9). The financial risk of high debt is tempered by hedges near current oil price for several years. McDep Ratio above 1.0 may imply some valuation risk. Yet, we may underestimate the present value of oil considering that our long-term price of \$75 a barrel is less than the futures price for the next six years of \$86.

Kurt H. Wulff, CFA



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<i>Symbol</i>	ENP	<i>Ebitda Next Twelve Months ending 9/30/11 (US\$m)</i>	113
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	12
<i>Price (\$/sh)</i>	20.32	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/18/10	<i>Adjusted Reserves/Production NTM</i>	13.4
<i>Units (mm)</i>	45	<i>EV/Ebitda</i>	10.3
<i>Market Capitalization (\$mm)</i>	920	<i>PV/Ebitda</i>	9.0
<i>Debt (\$mm)</i>	250	<i>Undeveloped Reserves (%)</i>	10
<i>Enterprise Value (EV) (\$mm)</i>	1,170	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	36.80
<i>Present Value (PV) (\$mm)</i>	1,020	<i>Present Value Proven Reserves(\$/boe)</i>	23.60
<i>Net Present Value (\$/unit)</i>	17	<i>Oil and Gas Ebitda Margin (%)</i>	60
<i>Debt/Present Value</i>	0.24	<i>Earnings Next Twelve Months (US\$/un)</i>	0.98
<i>McDep Ratio - EV/PV</i>	1.15	<i>Price/Earnings Next Twelve Months</i>	21
<i>Distribution Yield (%/year)</i>	9.8	<i>Indicated Annual Distribution (US\$/un)</i>	2.00

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

Vanguard Natural Resources (VNR) is acquiring 21 million units (46%) of Encore Energy Partners (ENP)

<i>Symbol</i>	VNR	<i>Ebitda Next Twelve Months ending 9/30/11 (US\$m)</i>	96
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	20
<i>Price (\$/sh)</i>	25.90	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/18/10	<i>Adjusted Reserves/Production NTM</i>	14.6
<i>Units (mm)</i>	30	<i>EV/Ebitda</i>	11.6
<i>Market Capitalization (\$mm)</i>	770	<i>PV/Ebitda</i>	9.8
<i>Debt (\$mm)</i>	340	<i>Undeveloped Reserves (%)</i>	24
<i>Enterprise Value (EV) (\$mm)</i>	1,110	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	32.90
<i>Present Value (PV) (\$mm)</i>	940	<i>Present Value Proven Reserves(\$/boe)</i>	19.40
<i>Net Present Value (\$/unit)</i>	20	<i>Oil and Gas Ebitda Margin (%)</i>	60
<i>Debt/Present Value</i>	0.37	<i>Earnings Next Twelve Months (US\$/un)</i>	1.05
<i>McDep Ratio - EV/PV</i>	1.19	<i>Price/Earnings Next Twelve Months</i>	25
<i>Distribution Yield (%/year)</i>	8.5	<i>Indicated Annual Distribution (US\$/un)</i>	2.20

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

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Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu.



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<b>Encore Energy Partners LP</b>					
<b>Functional Cash Flow and Present Value</b>					
				<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>	
North American Natural Gas	14	14.5	17.7	250	25%
Oil	99	12.9	7.8	770	75%
	113	13.4	9.0	1,020	100%
Debt (US\$mm)					250
Net Present Value (US\$mm)					770
Shares (mm)					45
Net Present Value - Standard Estimate (US\$/sh)					17
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					16

<b>Vanguard Natural Resources, LLC</b>					
<b>Functional Cash Flow and Present Value</b>					
				<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>	
North American Natural Gas	19	15.2	18.4	355	38%
Oil	77	14.3	7.6	585	62%
	96	14.6	9.8	940	100%
Debt (US\$mm)					340
Net Present Value (US\$mm)					600
Shares (mm)					30
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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Encore Energy Partners LP									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
	<i>Q4</i>	<i>Year</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Twelve</i>
	<i>12/31/09</i>	<i>2009</i>	<i>9/30/10</i>	<i>12/31/10</i>	<i>2010E</i>	<i>3/31/11</i>	<i>6/30/11</i>	<i>9/30/11</i>	<i>Months</i>
									<i>9/30/11</i>
<b>Volume</b>									
Natural Gas (mmcf)	17.7	<b>15.4</b>	15.8	15.6	<b>16.0</b>	15.4	15.3	15.1	<b>15.4</b>
Oil (mbd)	6.3	<b>5.4</b>	6.0	5.9	<b>6.1</b>	5.9	5.8	5.8	<b>5.9</b>
Total (mb)	851	<b>2,920</b>	794	786	<b>3,198</b>	761	762	763	<b>3,072</b>
Total (mbd)	9.3	<b>8.0</b>	8.6	8.5	<b>8.8</b>	8.5	8.4	8.3	<b>8.4</b>
<b>Price</b>									
Henry Hub (\$/mmbtu)	4.16	<b>3.99</b>	4.38	3.67	<b>4.36</b>	4.08	4.04	4.19	<b>3.99</b>
Differential (\$/mmbtu)	(0.32)	<b>0.31</b>	(0.10)	(0.18)	<b>(0.23)</b>	(0.20)	(0.20)	(0.21)	<b>(0.20)</b>
ENP (\$/mcf)	4.48	<b>3.67</b>	4.48	3.85	<b>4.60</b>	4.28	4.24	4.40	<b>4.19</b>
WTI Cushing (\$/bbl)	76.09	<b>61.70</b>	76.08	86.07	<b>79.67</b>	85.83	86.86	87.52	<b>86.57</b>
Differential	8.58	<b>5.01</b>	10.39	9.47	<b>9.16</b>	9.44	9.55	9.63	<b>9.53</b>
ENP (\$/bbl)	67.51	<b>56.69</b>	65.69	76.60	<b>70.50</b>	76.38	77.30	77.90	<b>77.04</b>
Total (\$/bbl)	54.57	<b>45.56</b>	53.88	60.32	<b>57.40</b>	60.95	61.53	62.23	<b>61.25</b>
<b>Revenue (\$mm)</b>									
Natural Gas	7	<b>21</b>	6	6	<b>27</b>	6	6	6	<b>24</b>
Oil	39	<b>112</b>	36	42	<b>157</b>	40	41	41	<b>165</b>
Total	46	<b>133</b>	43	47	<b>184</b>	46	47	47	<b>188</b>
<b>Expense</b>									
Lease operating	11	<b>34</b>	10						
Production taxes	5	<b>15</b>	4						
General and administrative	3	<b>12</b>	3						
Total	18	<b>61</b>	17	19	<b>75</b>	19	19	19	<b>75</b>
<b>Ebitda</b>	29	<b>72</b>	26	28	<b>109</b>	28	28	28	<b>113</b>
Deprec., Deplet., & Amort.	13	<b>49</b>	13	14	<b>53</b>	14	14	14	<b>55</b>
Hedging and other	(6)	<b>20</b>	(1)		<b>(18)</b>				<b>-</b>
<b>Ebit</b>	22	<b>3</b>	14	14	<b>74</b>	14	14	15	<b>58</b>
Interest	3	<b>11</b>	3	3	<b>13</b>	3	3	3	<b>13</b>
<b>Ebt</b>	19	<b>(8)</b>	11	11	<b>61</b>	11	11	11	<b>44</b>
Income Tax									
<b>Net Income (\$mm)</b>	19	<b>(8)</b>	11	11	<b>61</b>	11	11	11	<b>44</b>
Per Unit (\$)	0.41	<b>(0.40)</b>	0.24	0.24	<b>1.35</b>	0.24	0.25	0.25	<b>0.98</b>
<b>Units (millions)</b>	45	<b>20</b>	45	45	<b>45</b>	45	45	45	<b>45</b>
<b>Distribution (\$mm)</b>	24	<b>82</b>	23	23	<b>91</b>	23	23	23	<b>90</b>
Per Unit (\$)	0.54	<b>2.09</b>	0.50	0.50	<b>2.00</b>	0.50	0.50	0.50	<b>2.00</b>
Ebitda Margin	62%	<b>54%</b>	61%	60%	<b>59%</b>	60%	60%	60%	<b>60%</b>



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	<i>12/31/09</i>	<i>2009</i>	<i>9/30/10</i>	<i>12/31/10</i>	<i>2010E</i>	<i>3/31/11</i>	<i>6/30/11</i>	<i>9/30/11</i>	<i>Months</i>
									<i>9/30/11</i>
<b>Volume</b>									
Natural Gas (mmcf)	13.6	<b>12.5</b>	14.0	14.0	<b>13.8</b>	21.1	21.1	21.1	<b>19.3</b>
Oil (mbd)	1.8	<b>1.2</b>	2.7	2.7	<b>2.5</b>	5.5	5.5	5.5	<b>4.8</b>
Total (mb)	370	<b>1,205</b>	467	467	<b>1,741</b>	807	816	825	<b>2,917</b>
Total (mbd)	4.0	<b>3.3</b>	5.1	5.1	<b>4.8</b>	9.0	9.0	9.0	<b>8.0</b>
<b>Price</b>									
Henry Hub (\$/mmbtu)	4.16	<b>3.99</b>	4.38	3.67	<b>4.36</b>	4.08	4.04	4.19	<b>3.99</b>
Differential (\$/mmbtu)	(1.00)	<b>(0.85)</b>	(0.59)	(0.49)	<b>(0.72)</b>	(0.55)	(0.54)	(0.56)	<b>(0.57)</b>
VNR (\$/mcf)	5.16	<b>4.84</b>	4.97	4.16	<b>5.08</b>	4.62	4.59	4.76	<b>4.57</b>
WTI Cushing (\$/bbl)	76.09	<b>61.70</b>	76.08	86.07	<b>79.67</b>	85.83	86.86	87.52	<b>86.57</b>
Differential	16.17	<b>8.97</b>	11.59	13.11	<b>12.62</b>	13.07	13.23	13.33	<b>13.12</b>
VNR (\$/bbl)	59.91	<b>52.73</b>	64.49	72.96	<b>67.05</b>	72.76	73.63	74.20	<b>73.45</b>
Total (\$/bbl)	43.58	<b>37.82</b>	48.57	50.92	<b>49.38</b>	55.11	55.55	56.30	<b>54.90</b>
<b>Revenue (\$mm)</b>									
Natural Gas	6	<b>22</b>	6	5	<b>26</b>	9	9	9	<b>32</b>
Oil	10	<b>24</b>	16	18	<b>60</b>	36	37	37	<b>128</b>
Total	16	<b>46</b>	23	24	<b>86</b>	45	45	46	<b>160</b>
<b>Expense</b>									
Lease operating	3	<b>13</b>	5						
Production taxes	1	<b>4</b>	2						
General and administrative	2	<b>9</b>	1						
Total	7	<b>25</b>	8	10	<b>34</b>	18	18	19	<b>64</b>
<b>Ebitda</b>									
	9	<b>20</b>	15	14	<b>52</b>	27	27	28	<b>96</b>
Deprec., Deplet., & Amort.	5	<b>15</b>	6	9	<b>25</b>	16	16	17	<b>58</b>
Hedging and other	(2)	<b>(24)</b>	(5)		<b>(17)</b>				<b>-</b>
<b>Ebit</b>									
	6	<b>30</b>	14	5	<b>43</b>	11	11	11	<b>38</b>
Interest	1	<b>4</b>	2	2	<b>6</b>	2	2	2	<b>7</b>
<b>Ebt</b>									
	5	<b>26</b>	13	3	<b>37</b>	9	9	10	<b>31</b>
Income Tax									
<b>Net Income (\$mm)</b>									
	5	<b>26</b>	13	3	<b>37</b>	9	9	10	<b>31</b>
Per Unit (\$)	0.29	<b>1.88</b>	0.57	0.12	<b>1.78</b>	0.30	0.31	0.32	<b>1.05</b>
<b>Units (millions)</b>									
	17	<b>14</b>	22	27	<b>21</b>	30	30	30	<b>30</b>
<b>Distribution (\$mm)</b>									
	9	<b>29</b>	12	15	<b>48</b>	16	16	16	<b>64</b>
Per Unit (\$)	0.53	<b>2.03</b>	0.55	0.55	<b>2.18</b>	0.55	0.55	0.55	<b>2.20</b>
Ebitda Margin	56%	<b>45%</b>	66%	60%	<b>60%</b>	60%	60%	60%	<b>60%</b>



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	Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	Present Value by Segment (%)					McDep Ratio
					N.Amer. Natural Gas	Oil Prod'n	Dist. NTM (\$/un)	Dist. Yield (%)		
	B = Buy CB (see below)	18-Nov 2010	Cap							
<b>Canadian Income Trusts (US\$)</b>										
Pengrowth Energy Trust	PGH	12.64	1.36	5,000	35	65	0.84	6.6	1.11	
Penn West Energy Trust	PWE	22.35	1.34	13,200	22	78	1.08	4.8	0.98	
Peyto Energy Trust	PEYUF	17.00	1.21	2,510	76	24	0.90	5.3	0.95	
Enerplus Resources Fund	ERF	27.39	1.21	5,900	41	59	2.15	7.9	0.93	
Canadian Oil Sands Trust	COSWF CB	25.85	1.12	14,000		100	1.69	6.5	0.70	
<i>Total or Median</i>				40,600				6.5	0.95	
<b>Small Cap Independent Producers</b>										
Denbury Resources Inc.	DNR	18.49	1.46	10,820	16	84	-	-	1.15	
Whiting Petroleum Corporation	WLL	107.91	1.19	7,550	15	85	-	-	1.11	
Petrohawk Energy Corporation	HK	18.27	1.62	8,920	95	5	-	-	1.08	
Berry Petroleum Company	BRY	37.87	1.51	3,110	32	68	0.30	0.8	1.05	
Range Resources	RRC	41.94	1.32	8,680	81	19	0.04	0.1	1.04	
Cimarex Energy Company	XEC B	82.25	1.08	7,660	59	41	0.32	0.4	1.03	
Ultra Petroleum	UPL	47.22	1.20	8,750	93	7	-	-	0.95	
Birchcliff Energy Ltd. (US\$)	BIREF B	9.70	1.27	1,580	69	31	-	-	0.74	
<i>Total or Median</i>				57,100					1.04	
<b>Top Line Cash Payers</b>										
Sabine Royalty Trust	SBR	58.10	1.00	850	50	50	3.65	6.3	1.29	
Permian Basin RT	PBT	22.04	1.00	1,030	38	62	1.33	6.1	1.22	
Cross Timbers Royalty Trust	CRT	39.70	1.00	240	75	25	2.58	6.5	1.17	
Freehold Royalty Trust (US\$)	FRHLF	18.75	1.08	1,180	25	75	1.67	8.9	1.10	
Dorchester Minerals, L.P.	DMLP B	27.04	1.02	850	66	34	1.60	5.9	1.00	
<i>Total or Median</i>				4,200				6.3	1.17	
<b>Bottom Line Cash Payers</b>										
Linn Energy, LLC	LINE	36.50	1.42	7,580	45	55	2.64	7.2	1.43	
Legacy Reserves L.P.	LGCY	26.24	1.36	1,440	17	83	2.08	7.9	1.21	
Vanguard Natural Resources, LLC	VNR	25.90	1.44	1,110	38	62	2.20	8.5	1.19	
Encore Energy Partners, L.P. (52%)	ENP	20.32	1.27	610	25	75	2.00	9.8	1.15	
Mesa Royalty Trust	MTR	50.43	1.00	94	75	25	3.30	6.5	1.05	
Hugoton Royalty Trust	HGT B	21.04	1.00	840	90	10	1.13	5.4	1.00	
San Juan Basin Royalty Trust	SJT B	24.27	1.00	1,130	100	-	1.12	4.6	0.97	
<i>Total or Median</i>				12,800				7.2	1.15	
<b>Composite (excl COSWF)</b>										
<i>Enterprise Value Weighting</i>				100,600	50	50			1.06	
<i>Equal Weighting</i>					53	47			1.08	
<i>Equal Weighted Buys</i>					67	33			0.95	

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 September 30, 2011. Enterprise Value = Market Cap and Debt.

*Please see disclosures on the final page.*

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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>EV/</i>
	<i>Symbol/</i>		<i>18-Nov</i>	<i>Royalty</i>	<i>Equity</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>
	<i>Rating</i>		<i>2010</i>	<i>(%)</i>	<i>Ebitda</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
<b>Canadian Income Trusts (US\$)</b>								
Peyto Energy Trust	PEYUF		17.00		0.68	18.4	13.7	13.1
Penn West Energy Trust	PWE		22.35		0.44	9.9	9.3	9.1
Canadian Oil Sands Trust	COSWF	CB	25.85		0.54	30.1	12.2	8.6
Pengrowth Energy Trust	PGH		12.64		0.57	9.6	7.4	8.2
Enerplus Resources Fund	ERF		27.39		0.62	9.7	8.6	8.0
	<i>Median</i>					9.9	9.3	8.6
<b>Small Cap Independent Producers</b>								
Range Resources	RRC		41.94		-	12.1	15.6	16.2
Ultra Petroleum	UPL		47.22		-	12.6	14.0	13.4
Birchcliff Energy Ltd. (US\$)	BIREF	B	9.70		-	20.4	17.3	12.9
Petrohawk Energy Corporation	HK		18.27		-	7.0	10.6	11.5
Denbury Resources Inc.	DNR		18.49		-	12.9	7.8	8.9
Berry Petroleum Company	BRY		37.87		-	11.3	8.1	8.5
Whiting Petroleum Corporation	WLL		107.91		-	9.3	6.5	7.2
Cimarex Energy Company	XEC	B	82.25		-	6.2	7.0	7.2
	<i>Median</i>					11.7	9.4	10.2
<b>Top Line Cash Payers</b>								
Permian Basin RT	PBT		22.04	42	0.98	13.4	13.2	16.2
Sabine Royalty Trust	SBR		58.10	100	1.00	8.9	12.3	15.9
Dorchester Minerals, L.P.	DMLP	B	27.04	77	0.89	6.7	15.1	15.1
Cross Timbers Royalty Trust	CRT		39.70	84	0.97	12.4	12.7	14.9
Freehold Royalty Trust (US\$)	FRHLF		18.75	71	0.93	8.4	9.4	10.3
	<i>Median</i>					8.9	12.7	15.1
<b>Bottom Line Cash Payers</b>								
Linn Energy, LLC	LINE		36.50		1.71	18.3	13.6	19.4
San Juan Basin Royalty Trust	SJT	B	24.27		0.81	13.9	18.1	17.6
Hugoton RoyaltyTrust	HGT	B	21.04		0.83	12.9	15.5	15.5
Mesa RoyaltyTrust	MTR		50.43		0.90	8.6	13.1	13.8
Vanguard Natural Resources, LLC	VNR		25.90		1.07	14.6	9.8	11.6
Legacy Reserves L.P.	LGCY		26.24		0.97	12.0	9.3	11.3
Encore Energy Partners, L.P.	ENP		20.32		1.06	13.4	9.0	10.3
	<i>Median</i>					13.4	13.1	13.8

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 September 30, 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

November 19, 2010

Table 4									
Oil and Gas Income and Small Cap Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price (\$/sh)	Enterprise Value/					
	Symbol/ Rating		18-Nov 2010	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
<b>Canadian Income Trusts (US\$)</b>									
	Peyto Energy Trust	PEYUF	17.00	0.95	1.43	1.09	1.16	0.95	
	Pengrowth Energy Trust	PGH	12.64	0.97	1.96	1.07	1.14	1.11	
	Enerplus Resources Fund	ERF	27.39	0.94	1.69	1.03	1.12	0.93	
	Penn West Energy Trust	PWE	22.35	0.95	1.27	1.04	1.08	0.98	
	Canadian Oil Sands Trust	COSWF	CB	25.85	0.81	1.10	1.00	0.96	0.70
	<i>Median</i>			<i>0.95</i>	<i>1.43</i>	<i>1.04</i>	<i>1.12</i>	<i>0.95</i>	
<b>Small Cap Independent Producers</b>									
	Whiting Petroleum Corporation	WLL		107.91	0.99	1.61	1.07	1.20	1.11
	Cimarex Energy Company	XEC	B	82.25	0.99	1.73	1.11	1.18	1.03
	Berry Petroleum Company	BRY		37.87	0.98	1.31	1.08	1.15	1.05
	Denbury Resources Inc.	DNR		18.49	0.95	1.27	1.06	1.09	1.15
	Birchcliff Energy Ltd. (US\$)	BIREF	B	9.70	0.93	1.31	1.09	1.06	0.74
	Ultra Petroleum	UPL		47.22	0.89	1.22	1.10	1.05	0.95
	Petrohawk Energy Corporation	HK		18.27	0.76	1.17	1.05	0.98	1.08
	Range Resources	RRC		41.94	0.81	1.21	1.08	0.98	1.04
	<i>Median</i>			<i>0.95</i>	<i>1.29</i>	<i>1.08</i>	<i>1.07</i>	<i>1.04</i>	
<b>Top Line Cash Payers</b>									
	Permian Basin RT	PBT		22.04	0.93	1.71	1.07	1.17	1.22
	Sabine Royalty Trust	SBR		58.10	0.98	1.46	1.07	1.15	1.29
	Freehold Royalty Trust (US\$)	FRHLF		18.75	0.96	1.31	1.05	1.13	1.10
	Cross Timbers Royalty Trust	CRT		39.70	0.95	1.41	1.06	1.12	1.17
	Dorchester Minerals, L.P.	DMLP	B	27.04	0.92	1.34	1.01	1.08	1.00
	<i>Median</i>			<i>0.95</i>	<i>1.41</i>	<i>1.06</i>	<i>1.13</i>	<i>1.17</i>	
<b>Bottom Line Cash Payers</b>									
	Linn Energy, LLC	LINE		36.50	0.99	1.86	1.07	1.19	1.43
	Mesa RoyaltyTrust	MTR		50.43	0.93	1.44	1.07	1.12	1.05
	Hugoton RoyaltyTrust	HGT	B	21.04	0.95	1.40	1.05	1.10	1.00
	Legacy Reserves L.P.	LGCY		26.24	0.96	1.36	1.02	1.08	1.21
	Vanguard Natural Resources, LLC	VNR		25.90	0.98	1.32	1.00	1.05	1.19
	Encore Energy Partners, L.P. (52%)	ENP		20.32	0.95	1.73	1.03	1.05	1.15
	San Juan Basin Royalty Trust	SJT	B	24.27	0.85	1.45	1.00	1.03	0.97
	<i>Median</i>			<i>0.95</i>	<i>1.44</i>	<i>1.03</i>	<i>1.08</i>	<i>1.15</i>	

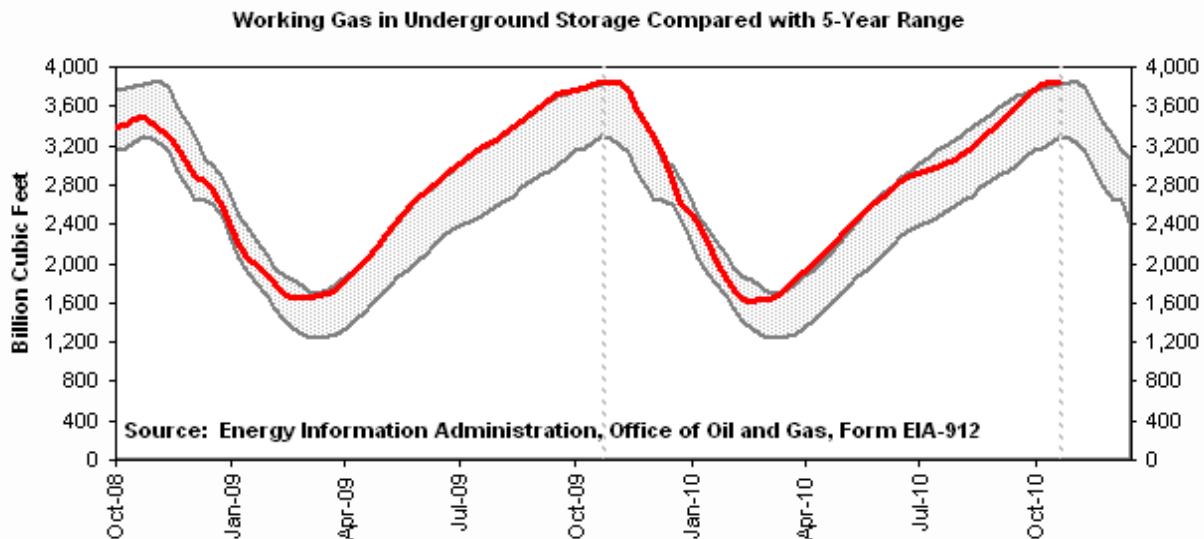
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.



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