



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 10, 2011

Whiting Petroleum (WLL) Bakken Backlog

<i>Symbol</i>	WLL	<i>Ebitda Next Twelve Months ending 3/31/12 (US\$m)</i>	1,357
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	9
<i>Price (\$/sh)</i>	60.15	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/9/11	<i>Adjusted Reserves/Production NTM</i>	9.6
<i>Shares (mm)</i>	118	<i>EV/Ebitda</i>	6.4
<i>Market Capitalization (\$mm)</i>	7,100	<i>PV/Ebitda</i>	9.0
<i>Debt (\$mm)</i>	1,590	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (\$mm)</i>	8,690	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	50.20
<i>Present Value (PV) (\$mm)</i>	12,210	<i>Present Value Proven Reserves(\$/boe)</i>	40.10
<i>Net Present Value (\$/share)</i>	90	<i>Oil and Gas Ebitda Margin (%)</i>	65
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.30
<i>McDep Ratio - EV/PV</i>	0.71	<i>Price/Earnings Next Twelve Months</i>	14
<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.

Summary and Recommendation

New purchases of buy-recommended **Whiting Petroleum (WLL)** stock may be timelier on a 15% decline in price from mid-April. Unusually severe snow, ice and rain storms in North Dakota in April and May have resulted in a 60 well backlog of oil production waiting to be turned on (see table of wells by area on page 2). Our unchanged estimate of Net Present Value of \$90 a share points to attractive appreciation for a stock priced at \$60 (see table [Functional Cash and Present Value](#) on page 2). Taking our cue from management's revised guidance released on June 8, the production growth profile is shifted forward one quarter (see table [Next Twelve Months Operating and Financial Performance](#) on page 3). Meanwhile, long-term opportunities for the industry in the Bakken trend of North Dakota and eastern Montana may be twice the 12 billion barrels outlined by WLL Chairman Volker. President Jeffrey Hume of Continental Resources (CLR), a pioneer Bakken driller, told investors at a conference in New York on June 7 sponsored by Royal Bank of Canada that he believed the formation held 24 billion barrels of recoverable reserves to be developed with today's technology. Still it would take perhaps a half trillion dollars and a few decades to develop such quantities. In addition to its backlog of wells nearly ready to produce, WLL also has a multiyear backlog of wells to drill that would be quite profitable at the current quote of \$102 a barrel for oil to be delivered over the next six years. Among small cap oil and gas stocks, WLL's lowest McDep Ratio at 0.71 offers the most unlevered appreciation to 1.00 (see Tables 1-2 on pages 4-5). Unlevered cash flow multiple (EV/Ebitda) is also near the low end of the range at 6.4 (see Table 3 on page 6). Finally, WLL stock has positive momentum by Enterprise Value at 1.02 times the 200-day average at the same time it is a relative bargain at 0.91 times the 50-day average (see Table 4 on page 7).

Kurt H. Wulff, CFA



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 10, 2011

Area Name	Operated		Non-Op	
	Wells	Avg. WI	Wells	Avg. WI
Sanish	28	73.0%	5	9.5%
Lewis & Clark	7	85.4%	0	--
Hidden Bench	4	61.6%	7	4.0%
Cassandra	1	90.8%	2	4.4%
Starbuck	1	97.3%	4	12.6%
Big Island	1	100%	--	--
Totals	42		18	

Whiting Petroleum Corporation					
Functional Cash Flow and Present Value					
<i>NPV Approximation on Proven and Probable Reserves</i>					
	<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	11.4	10.8	1,300	11%
Oil	1,237	12.6	8.8	10,910	89%
	1,357	12.4	9.0	12,210	100%
Debt (US\$mm)					1,590
Net Present Value (US\$mm)					10,620
Shares (mm)					118
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approx. by Cash Flow Multiple Depending on Proven and Probable Reserve Life (US\$/sh)					100



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 10, 2011

Whiting Petroleum Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q2	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Next
	6/30/10	2010	3/31/11	6/30/11	9/30/11	12/31/11	2011E	3/31/12	Twelve
									Months
									3/31/12
Volume									
Natural Gas (bcf)	6.6	27	7.0	6.9	7.7	8.5	30	9.2	32.3
Natural Gas (mmcf)	73	75	78	76	84	92	82	101	88
Days	91	365	90	91	92	92	365	91	366
Oil (mmb)	4.8	19	4.8	4.6	5.2	5.7	20	6.2	22
Oil (mbd)	52	52	53	51	56	62	55	68	59
Total (mb)	5.9	24	5.9	5.8	6.4	7.1	25.3	7.7	27
Total (mbd)	65	65	66	64	70	77	69	85	74
Price									
Henry Hub (\$/mmbtu)	4.09	4.40	4.11	4.32	4.81	4.98	4.55	4.64	4.68
Differential (\$/mmbtu)	(0.43)	(0.46)	(0.89)	(0.93)	(1.04)	(1.08)	(1.02)	(1.01)	(1.03)
Company (\$/mcf)	4.52	4.86	5.00	5.25	5.85	6.05	5.57	5.65	5.72
WTI Cushing (\$/bbl)	77.85	79.43	94.10	103.62	100.05	101.37	99.79	99.70	101.19
Differential	8.07	8.90	12.26	13.50	13.04	13.21	12.96	12.99	13.29
Company (\$/bbl)	69.78	70.53	81.84	90.12	87.02	88.17	86.83	86.71	87.90
Total (\$/bbl)	61.76	62.52	71.65	78.46	76.68	77.85	76.24	76.20	77.23
Revenue (\$mm)									
Natural Gas	30	133	35	36	45	51	167	52	184
Oil	333	1,342	390	418	449	501	1,758	536	1,904
Other		-					-		
Total	363	1,475	425	455	494	552	1,926	588	2,088
Expense									
Lease operating	68	269	72						
Production taxes	26	104	32						
General and administrative	15	64	18						
Total	109	437	122	159	173	193	647	206	731
Ebitda	254	1,038	303	295	321	359	1,279	382	1,357
Exploration	15	60	22	22	22	22	88	22	88
Deprec., Deplet., & Amort.	95	395	108	108	108	108	432	108	432
Other	9	78	7				7		-
Ebit	135	505	166	165	191	229	752	252	837
Interest	16	60	14	14	14	14	56	14	56
Ebt	119	445	152	151	177	215	696	238	781
Income Tax	42	156	53	53	62	75	244	83	273
Preferred Dividend									
Net Income (\$mm)	78	289	99	98	115	140	452	155	508
Per Share (\$)	0.66	2.44	0.84	0.83	0.98	1.18	3.83	1.31	4.30
Shares (millions)	118	118	118	118	118	118	118	118	118
Lease operating (\$/bbl)	11.57	11.40	12.13						
Production taxes (%rev)	7.2	7.1	7.5						
General and admin (\$/bbl)	2.55	2.71	3.03						
Deprec., D.& A (\$/bbl)	16.17	16.75	18.19	18.64	16.76	15.24	17.10	14.01	15.98
Ebitda Margin	70%	70%	71%	65%	65%	65%	66%	65%	65%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 10, 2011

Table ISC-1											
McDep Income and Small Cap Energy Portfolio											
Debt, Segments, Cash Flow, Income and McDep Ratio											
			Price			PV(%)					
Symbol/Rating		(US\$/sh)	EV/	Enterprise	Nat	Oil	EV/	Dist.	Dist.		
B = Buy	9-Jun	Market	Value	Value	Gas	NTM	Ebitda	NTM	Yield	McDep	
CB (see below)	2011	Cap	Cap	(\$mm)			(\$/un)	(\$/un)	(%)	Ratio	
Small Cap Independent Producers											
Range Resources	RRC	B	54.04	1.21	10,300	76	24	14.7	0.16	0.3	0.92
Peyto Exploration and Developmen	PEYUF		21.72	1.14	3,290	76	24	11.5	0.74	3.4	0.92
Birchcliff Energy Ltd.	BIREF	B	13.97	1.22	2,210	55	45	12.5	-	-	0.89
Berry Petroleum Company	BRY		47.63	1.55	3,990	26	74	8.2	0.30	0.6	0.86
Denbury Resources Inc.	DNR		20.46	1.29	10,450	6	94	7.9	-	-	0.85
Petrohawk Energy Corporation	HK	B	25.61	1.51	11,780	76	24	7.3	-	-	0.82
Ultra Petroleum	UPL		46.97	1.24	9,000	92	8	11.0	-	-	0.82
Cimarex Energy Company	XEC	CB	87.64	1.09	8,270	44	56	6.0	0.30	0.3	0.75
Whiting Petroleum Corporation	WLL	B	60.15	1.22	8,690	11	89	6.4	-	-	0.71
<i>Total or Median</i>					68,000			8.2			0.85
Top Line Cash Payers											
Freehold Royalties Ltd.	FRHLF		21.44	1.07	1,340	18	82		1.72	8.0	0.98
Cross Timbers Royalty Trust	CRT		42.79	1.00	260	87	13		3.06	7.2	0.95
Permian Basin RT	PBT		20.86	1.00	970	42	58		1.75	8.4	0.95
Sabine Royalty Trust	SBR		65.57	1.00	960	51	49		4.96	7.6	0.94
Dorchester Minerals, L.P.	DMLP	CB	26.25	1.00	810	61	39		1.80	6.9	0.87
<i>Total or Median</i>					4,300					7.6	0.95
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		37.69	1.42	8,730	35	65	12.6	2.64	7.0	1.07
Vanguard Natural Resources, LLC	VNR		28.43	1.69	1,640	26	74	12.3	2.28	8.0	1.03
Hugoton RoyaltyTrust	HGT	B	22.51	1.00	900	88	13	13.4	1.45	6.4	1.02
Legacy Reserves L.P.	LGCY		28.73	1.43	1,790	19	81	10.2	2.12	7.4	1.02
San Juan Basin Royalty Trust	SJT		24.31	1.00	1,130	100	-	13.8	1.50	6.2	0.97
Encore Energy Partners, L.P.	ENP		21.25	1.31	1,260	17	83	9.7	1.96	9.2	0.94
Pengrowth Energy Corporation	PGH		12.77	1.41	5,900	30	70	8.4	0.86	6.7	0.94
Enerplus Corporation	ERF	B	31.36	1.27	7,200	33	67	8.4	2.21	7.0	0.88
Mesa RoyaltyTrust	MTR		43.57	1.00	81	75	25	11.7	2.98	6.8	0.82
<i>Total or Median</i>					28,600			11.7		7.0	0.97
Composite											
<i>Enterprise Value Weighting</i>					101,000	46	54				0.86
<i>Equal Weighting</i>						50	50				0.91
<i>Equal Weighted Buys</i>						52	48				0.86
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 \$8 a million btu for natural gas.											
Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2012. Enterprise Value = Market Cap and Debt.											



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 10, 2011

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		9-Jun 2011	(mm)				
Small Cap Independent Producers								
Range Resources	RRC	B	54.04	158.0	8,540	60.00	0.16	0.92
Peyto Exploration and Development Cor	PEYUF		21.72	132.7	2,880	24.00	0.11	0.92
Birchcliff Energy Ltd.	BIREF	B	13.97	130.0	1,820	16.00	0.16	0.89
Berry Petroleum Company	BRY		47.63	54.0	2,570	60.00	0.30	0.86
Denbury Resources Inc.	DNR		20.46	397.0	8,120	25.00	0.19	0.85
Petrohawk Energy Corporation	HK	B	25.61	305.0	7,810	34.00	0.28	0.82
Ultra Petroleum	UPL		46.97	154.0	7,230	60.00	0.16	0.82
Cimarex Energy Company	XEC	CB	87.64	86.1	7,550	120.00	0.06	0.75
Whiting Petroleum Corporation	WLL	B	60.15	118.0	7,100	90.00	0.13	0.71
<i>Total or Median</i>					53,620		0.16	0.85
Top Line Cash Payers								
Freehold Royalties Ltd.	FRHLF		21.44	58.4	1,250	22.00	0.06	0.98
Cross Timbers Royalty Trust	CRT		42.79	6.0	260	45.00	-	0.95
Permian Basin RT	PBT		20.86	46.6	970	22.00	-	0.95
Sabine Royalty Trust	SBR		65.57	14.6	960	70.00	-	0.94
Dorchester Minerals, L.P.	DMLP	CB	26.25	30.7	810	30.00	-	0.87
<i>Total or Median</i>					4,250			0.95
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		37.69	163.0	6,140	34.00	0.32	1.07
Vanguard Natural Resources, LLC	VNR		28.43	34.2	970	27.00	0.42	1.03
Hugoton Royalty Trust	HGT	B	22.51	40.0	900	22.00	-	1.02
Legacy Reserves L.P.	LGCY		28.73	43.5	1,250	28.00	0.31	1.02
San Juan Basin Royalty Trust	SJT		24.31	46.6	1,130	25.00	-	0.97
Encore Energy Partners, L.P.	ENP		21.25	45.0	960	23.00	0.22	0.94
Pengrowth Energy Corporation	PGH		12.77	326.0	4,160	14.00	0.27	0.94
Enerplus Corporation	ERF	B	31.36	179.5	5,630	37.00	0.19	0.88
Mesa Royalty Trust	MTR		43.57	1.9	81	53.00	-	0.82
<i>Total or Median</i>					21,220			0.97
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 \$8 a million btu for natural gas.								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 10, 2011

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		9-Jun 2011	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	54.04		-	17.4	16.0	14.7
Birchcliff Energy Ltd.	BIREF	B	13.97		-	20.1	13.9	12.5
Peyto Exploration and Development Corp	PEYUF		21.72		0.39	17.2	12.6	11.5
Ultra Petroleum	UPL		46.97		-	27.2	13.4	11.0
Berry Petroleum Company	BRY		47.63		-	12.0	9.6	8.2
Denbury Resources Inc.	DNR		20.46		-	13.6	9.2	7.9
Petrohawk Energy Corporation	HK	B	25.61		-	6.0	8.9	7.3
Whiting Petroleum Corporation	WLL	B	60.15		-	9.6	9.0	6.4
Cimarex Energy Company	XEC	CB	87.64		-	7.2	8.0	6.0
	<i>Median</i>					13.6	9.6	8.2
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		42.79	80	0.97	14.5	14.2	13.5
Sabine Royalty Trust	SBR		65.57	100	1.00	7.0	14.1	13.2
Dorchester Minerals, L.P.	DMLP	CB	26.25	77	0.84	7.1	13.9	12.2
Permian Basin RT	PBT		20.86	32	0.94	15.6	11.9	11.3
Freehold Royalties Ltd.	FRHLF		21.44	71	0.80	6.4	10.2	10.0
	<i>Median</i>					7.1	13.9	12.2
Bottom Line Cash Payers								
San Juan Basin Royalty Trust	SJT		24.31		0.85	9.1	14.2	13.8
Hugoton Royalty Trust	HGT	B	22.51		0.87	13.6	13.1	13.4
Linn Energy, LLC	LINE		37.69		0.91	17.5	11.7	12.6
Vanguard Natural Resources, LLC	VNR		28.43		1.01	13.2	12.0	12.3
Mesa Royalty Trust	MTR		43.57		0.80	14.3	14.3	11.7
Legacy Reserves L.P.	LGCY		28.73		0.76	12.0	10.0	10.2
Encore Energy Partners, L.P.	ENP		21.25		0.87	13.0	10.3	9.7
Pengrowth Energy Corporation	PGH		12.77		0.55	9.2	9.0	8.4
Enerplus Corporation	ERF	B	31.36		0.57	8.4	9.6	8.4
	<i>Median</i>					13.0	11.7	11.7
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, 2012; 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 10, 2011

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		9-Jun 2011	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio
Small Cap Independent Producers								
	BIRCL	B	13.97	0.97	1.59	1.06	1.24	0.89
	PEYUF		21.72	0.97	1.57	1.04	1.17	0.92
	HK	B	25.61	0.95	1.41	1.01	1.16	0.82
	RRC	B	54.04	0.92	1.50	0.99	1.14	0.92
	BRY		47.63	0.93	1.46	0.97	1.08	0.86
	DNR		20.46	0.83	1.32	0.94	1.03	0.85
	UPL		46.97	0.92	1.20	0.98	1.03	0.82
	WLL	B	60.15	0.82	1.46	0.91	1.02	0.71
	XEC	CB	87.64	0.76	1.35	0.87	0.96	0.75
	<i>Median</i>			<i>0.92</i>	<i>1.46</i>	<i>0.98</i>	<i>1.08</i>	<i>0.85</i>
Top Line Cash Payers								
	SBR		65.57	0.93	1.42	1.01	1.10	0.94
	FRHLF		21.44	0.89	1.43	0.94	1.05	0.98
	CRT		42.79	0.88	1.29	0.99	1.03	0.95
	PBT		20.86	0.88	1.23	0.98	0.98	0.95
	DMLP	CB	26.25	0.87	1.11	0.94	0.97	0.87
	<i>Median</i>			<i>0.88</i>	<i>1.29</i>	<i>0.98</i>	<i>1.03</i>	<i>0.95</i>
Bottom Line Cash Payers								
	HGT	B	22.51	0.91	1.25	0.98	1.06	1.02
	ERF	B	31.36	0.95	1.36	1.00	1.05	0.88
	LINE		37.69	0.95	1.31	0.98	1.03	1.07
	PGH		12.77	0.91	1.28	0.96	1.01	0.94
	LGCY		28.73	0.89	1.22	0.94	1.01	1.02
	VNR		28.43	0.90	1.24	0.95	0.99	1.03
	SJT		24.31	0.85	1.16	0.98	0.99	0.97
	ENP		21.25	0.87	1.24	0.94	0.99	0.94
	MTR		43.57	0.85	1.09	0.93	0.92	0.82
	<i>Median</i>			<i>0.90</i>	<i>1.24</i>	<i>0.96</i>	<i>1.01</i>	<i>0.97</i>

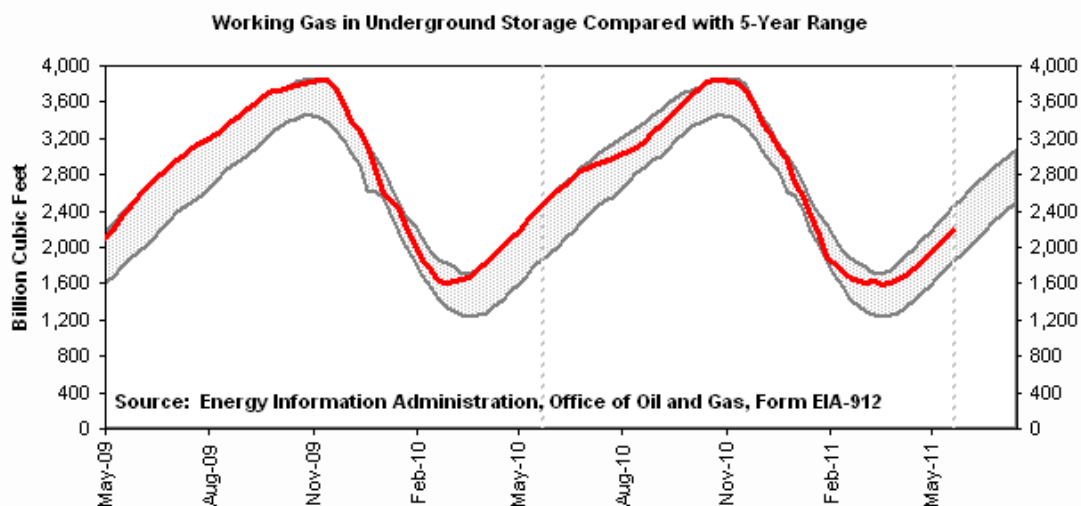
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 10, 2011



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 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.