



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

July 29, 2011

Appreciation Potential for Whiting after Stock Price Decline

<i>Symbol</i>	WLL	<i>Ebitda Next Twelve Months ending 6/30/12 (US\$mm)</i>	1,518
<i>Rating</i>	Contrarian Buy	<i>North American Natural Gas/Ebitda (%)</i>	7
<i>Price (\$/sh)</i>	55.76	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/28/11	<i>Adjusted Reserves/Production NTM</i>	8.9
<i>Shares (mm)</i>	119	<i>EV/Ebitda</i>	5.4
<i>Market Capitalization (\$mm)</i>	6,640	<i>PV/Ebitda</i>	8.1
<i>Debt (\$mm)</i>	1,600	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (\$mm)</i>	8,240	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	52.00
<i>Present Value (PV) (\$mm)</i>	12,310	<i>Present Value Proven Reserves(\$/boe)</i>	40.40
<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>	5.13
<i>McDep Ratio - EV/PV</i>	0.67	<i>Price/Earnings Next Twelve Months</i>	11
<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

Contrarian buy-recommended **Whiting Petroleum (WLL)** offers unlevered appreciation of 49% to unchanged estimated Net Present Value (NPV) of \$90 a share following a seemingly random stock price decline of 8% on July 27. In second quarter results released the previous evening, oil production matched guidance updated in early June to take account of weather disruptions while cash flow margin was especially strong (see table Next Twelve Months Operating and Financial Performance on page 2). To prove the point that production is likely to grow sharply for the rest of the year, the company set a record for its North Dakota volume as soon as the second quarter was left behind (see slide New Record on page 3). Moreover, management has the credibility accorded the #2 ND producer and the one with the highest volume wells (see slide Production by Operator on page 3). The state became the third largest producer in the U.S. in 2011 and plans are underway to move a million barrels a day to refining markets (see slide Off-Take Expansion on page 4). Meanwhile, on a two hour conference call management emphasized that recent drilling and production results strengthen its belief that the Lewis and Clark area has three times the oil potential of the Sanish field, the source of most of the company's current production (see slide Prospect Areas on page 4). High flow rate wells may be opening up Hidden Bench as yet another source of prolific production to be developed with horizontal drilling and multi-stage fracturing. Finally, in our regular weekly valuation rankings, Whiting not only has the lowest McDep Ratio at 0.67, but also the lowest unlevered cash flow multiple (EV/Ebitda) of 5.4 times (see Tables ISC-1 to ISC-3) on pages 5-7). WLL stock also has the lowest ratio of price to its 200 day average which is a measure of the stock's lack of favor with investors (see Table ISC-4 on page 8). We believe our value measures are strong enough to justify contrarian purchase of the stock.

Kurt H. Wulff, CFA

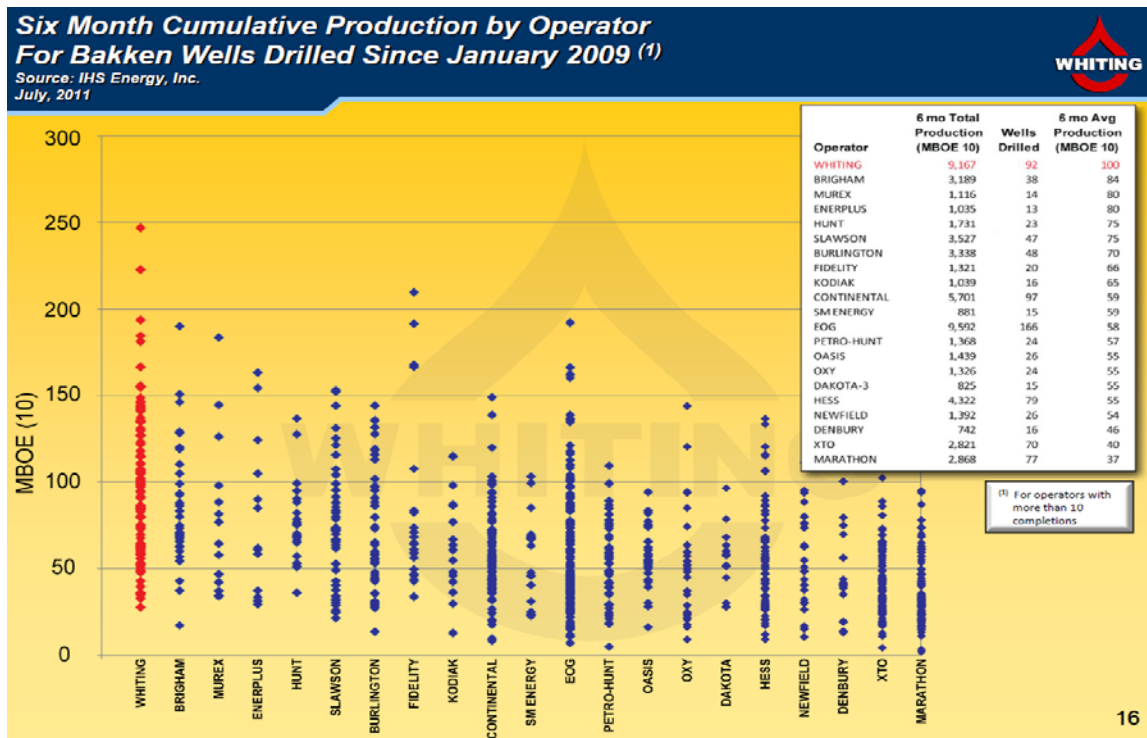


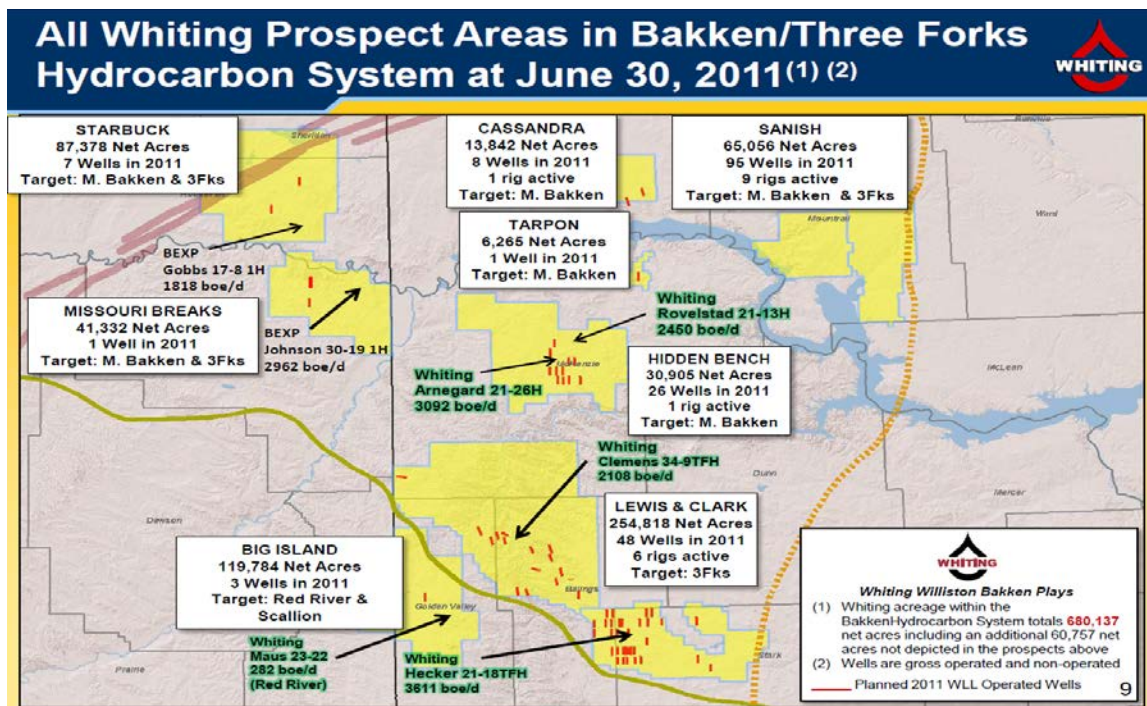
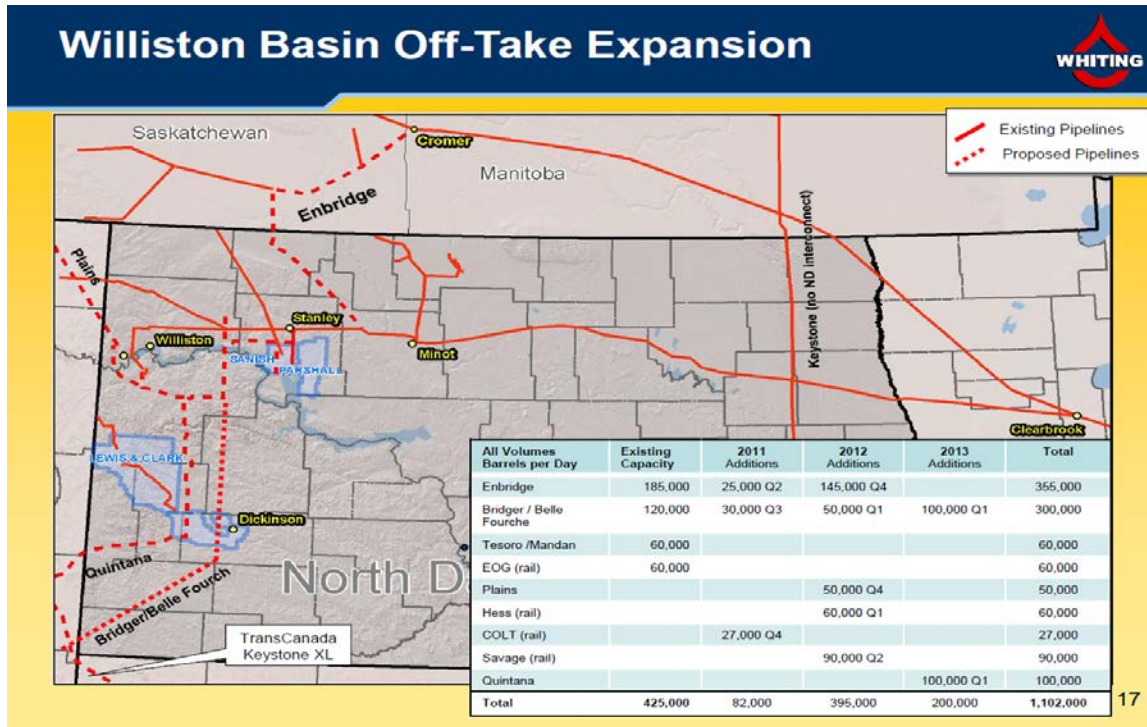
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Whiting Petroleum Corporation									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
	<i>Q2</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Twelve</i>
	<i>6/30/10</i>	<i>3/31/11</i>	<i>6/30/11</i>	<i>9/30/11</i>	<i>12/31/11</i>	<i>2011E</i>	<i>3/31/12</i>	<i>6/30/12</i>	<i>Months</i>
									<i>6/30/12</i>
Volume									
Natural Gas (bcf)	6.6	7.0	6.3	7.0	7.7	28	8.4	8.4	31.4
Natural Gas (mmcf/d)	73	78	69	76	84	77	92	92	86
Days	91	90	91	92	92	365	91	91	366
Oil (mmb)	4.8	4.8	4.8	5.3	5.9	21	6.4	6.4	24
Oil (mbd)	52	53	53	58	64	57	70	70	65
Total (mb)	5.9	5.9	5.8	6.5	7.1	25.4	7.8	7.8	29
Total (mbd)	65	66	64	71	78	70	85	85	80
Price									
Henry Hub (\$/mmbtu)	4.09	4.11	4.32	4.36	4.49	4.32	4.73	4.64	4.55
Differential (\$/mmbtu)	(0.43)	(0.89)	(0.62)	(0.63)	(0.65)	(0.70)	(0.68)	(0.67)	(0.67)
Company (\$/mcf)	4.52	5.00	4.94	4.99	5.14	5.02	5.41	5.31	5.22
WTI Cushing (\$/bbl)	77.85	94.10	102.55	98.67	99.96	98.82	101.19	102.16	100.50
Differential	8.07	12.26	10.05	9.67	9.79	10.33	9.91	10.01	9.76
Company (\$/bbl)	69.78	81.84	92.50	89.01	90.16	88.49	91.28	92.15	90.73
Total (\$/bbl)	61.76	71.65	81.21	78.40	79.51	77.78	80.72	81.33	80.07
Revenue (\$mm)									
Natural Gas	30	35	31	35	40	141	45	44	164
Oil	333	390	443	474	528	1,836	582	587	2,172
Total	363	425	474	509	568	1,976	627	632	2,336
Expense									
Lease operating	68	72	74						
Production taxes	26	32	34						
General and administrative	15	18	21						
Total	109	122	129	178	199	628	220	221	818
Ebitda	254	303	345	331	369	1,349	408	411	1,518
Exploration	15	22	20	20	20	82	20	20	80
Deprec., Deplet., & Amort.	95	108	110	110	110	438	110	110	440
Other	9	7	13			20			-
Ebit	135	166	202	201	239	808	278	281	998
Interest	16	14	15	15	15	59	15	15	60
Ebt	119	152	187	186	224	749	263	266	938
Income Tax	42	53	65	65	78	262	92	93	328
Preferred Dividend									
Net Income (\$mm)	78	99	121	121	146	487	171	173	610
Per Share (\$)	0.66	0.84	1.02	1.02	1.22	4.10	1.43	1.45	5.13
Shares (millions)									
Lease operating (\$/bbl)	11.57	12.13	12.67						
Production taxes (%rev)	7.2	7.5	7.2						
General and admin (\$/bbl)	2.55	3.03	3.60						
Deprec., D.& A (\$/bbl)	16.17	18.19	18.84	16.94	15.40	17.24	14.16	14.16	15.08
Ebitda Margin	70%	71%	73%	65%	65%	68%	65%	65%	65%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%







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Table ISC-1											
McDep Income and Small Cap Energy Portfolio											
Debt, Segments, Cash Flow, Income and McDep Ratio											
			Price		Enterprise	PV(%)		EV/	Dist.	Dist.	
Symbol/Rating		(US\$/sh)	EV/	Value	Nat	Oil	Ebitda	NTM	Yield	McDep	
CB (see below)		2011	Market	(\$mm)	Gas		NTM	(\$/un)	(%)	Ratio	
			Cap								
Small Cap Independent Producers											
Petrohawk Energy Corporation	HK		38.26	1.34	15,640	76	24	9.2	-	-	1.09
Range Resources	RRC	B	65.30	1.19	12,360	71	29	15.2	0.16	0.2	1.07
Payto Exploration and Developmen	PEYUF		24.44	1.21	3,910	71	29	12.3	0.74	3.0	1.01
Berry Petroleum Company	BRY		57.29	1.46	4,510	26	74	10.1	0.30	0.5	0.97
Birchcliff Energy Ltd.	BIREF	B	14.69	1.21	2,310	56	44	13.6	-	-	0.93
Denbury Resources Inc.	DNR		19.55	1.30	10,090	6	94	8.3	-	-	0.82
Cimarex Energy Company	XEC	CB	88.19	1.09	8,310	44	56	6.3	0.40	0.5	0.75
Whiting Petroleum Corporation	WLL	CB	55.76	1.24	8,240	11	89	5.4	-	-	0.67
<i>Total or Median</i>					65,400			9.7			0.95
Top Line Cash Payers											
Permian Basin RT	PBT		22.15	1.00	1,030	42	58		1.60	7.2	1.01
Cross Timbers Royalty Trust	CRT		44.02	1.00	260	87	13		2.61	5.9	0.98
Freehold Royalties Ltd.	FRHLF		21.29	1.07	1,320	18	82		1.77	8.3	0.97
Sabine Royalty Trust	SBR		64.51	1.00	940	51	49		4.75	7.4	0.92
Dorchester Minerals, L.P.	DMLP	CB	26.22	1.00	800	61	39		1.74	6.7	0.87
<i>Total or Median</i>					4,400					7.2	0.97
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		39.78	1.40	9,070	35	65	14.1	2.64	6.6	1.12
Vanguard Natural Resources, LLC	VNR		30.27	1.65	1,710	26	74	13.9	2.28	7.5	1.07
Hugoton RoyaltyTrust	HGT	B	22.87	1.00	920	88	13	13.2	1.51	6.6	1.04
Legacy Reserves L.P.	LGCY		28.11	1.44	1,760	19	81	10.9	2.12	7.5	1.00
San Juan Basin Royalty Trust	SJT		24.01	1.00	1,120	100	-	12.7	1.58	6.6	0.96
Encore Energy Partners, L.P.	ENP		21.80	1.30	1,290	17	83	10.9	1.96	9.0	0.96
Mesa RoyaltyTrust	MTR		47.12	1.00	88	75	25	13.3	2.90	6.2	0.89
Enerplus Corporation	ERF	B	31.73	1.28	7,300	33	67	9.0	2.28	7.2	0.89
<i>Total or Median</i>					23,300			13.0		6.9	0.98
Composite											
<i>Enterprise Value Weighting</i>					93,000	44	56				0.93
<i>Equal Weighting</i>						48	52				0.95
<i>Equal Weighted Buys</i>						54	46				0.91

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 June 30, 2012. Enterprise Value = Market Cap and Debt.



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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		28-Jul 2011	(mm)				
Small Cap Independent Producers								
Petrohawk Energy Corporation	HK		38.26	305.0	11,670	34.00	0.28	1.09
Range Resources	RRC	B	65.30	159.0	10,380	60.00	0.17	1.07
Peyto Exploration and Development Cor	PEYUF		24.44	132.7	3,240	24.00	0.17	1.01
Berry Petroleum Company	BRY		57.29	54.0	3,090	60.00	0.30	0.97
Birchcliff Energy Ltd.	BIREF	B	14.69	130.0	1,910	16.00	0.16	0.93
Denbury Resources Inc.	DNR		19.55	397.0	7,760	25.00	0.19	0.82
Cimarex Energy Company	XEC	CB	88.19	86.1	7,590	120.00	0.06	0.75
Whiting Petroleum Corporation	WLL	CB	55.76	119.0	6,640	90.00	0.13	0.67
<i>Total or Median</i>					52,280		0.17	0.95
Top Line Cash Payers								
Permian Basin RT	PBT		22.15	46.6	1,030	22.00	-	1.01
Cross Timbers Royalty Trust	CRT		44.02	6.0	260	45.00	-	0.98
Freehold Royalties Ltd.	FRHLF		21.29	58.4	1,240	22.00	0.06	0.97
Sabine Royalty Trust	SBR		64.51	14.6	940	70.00	-	0.92
Dorchester Minerals, L.P.	DMLP	CB	26.22	30.7	800	30.00	-	0.87
<i>Total or Median</i>					4,270			0.97
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		39.78	163.0	6,480	34.00	0.32	1.12
Vanguard Natural Resources, LLC	VNR		30.27	34.2	1,040	27.00	0.42	1.07
Hugoton RoyaltyTrust	HGT	B	22.87	40.0	920	22.00	-	1.04
Legacy Reserves L.P.	LGCY		28.11	43.5	1,220	28.00	0.31	1.00
San Juan Basin Royalty Trust	SJT		24.01	46.6	1,120	25.00	-	0.96
Encore Energy Partners, L.P.	ENP		21.80	45.5	990	23.00	0.22	0.96
Mesa RoyaltyTrust	MTR		47.12	1.9	88	53.00	-	0.89
Enerplus Corporation	ERF	B	31.73	179.5	5,700	37.00	0.19	0.89
<i>Total or Median</i>					17,560			0.98
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.								



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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		28-Jul 2011	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	65.30		-	16.0	14.2	15.2
Birchcliff Energy Ltd.	BIREF	B	14.69		-	19.7	14.6	13.6
Peyto Exploration and Development Corp	PEYUF		24.44		0.37	14.9	12.2	12.3
Berry Petroleum Company	BRY		57.29		-	12.0	10.4	10.1
Petrohawk Energy Corporation	HK		38.26		-	5.6	8.5	9.2
Denbury Resources Inc.	DNR		19.55		-	13.6	10.1	8.3
Cimarex Energy Company	XEC	CB	88.19		-	7.0	8.4	6.3
Whiting Petroleum Corporation	WLL	CB	55.76		-	8.9	8.1	5.4
	<i>Median</i>					12.8	10.3	9.7
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		44.02	80	0.96	15.1	16.6	16.2
Sabine Royalty Trust	SBR		64.51	100	1.00	6.8	14.7	13.6
Permian Basin RT	PBT		22.15	32	0.97	15.7	13.4	13.5
Dorchester Minerals, L.P.	DMLP	CB	26.22	77	0.87	7.0	14.9	13.0
Freehold Royalties Ltd.	FRHLF		21.29	71	0.89	6.3	11.0	10.7
	<i>Median</i>					7.0	14.7	13.5
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		39.78		0.98	17.5	12.7	14.1
Vanguard Natural Resources, LLC	VNR		30.27		1.10	13.2	13.0	13.9
Mesa RoyaltyTrust	MTR		47.12		0.82	14.5	15.0	13.3
Hugoton RoyaltyTrust	HGT	B	22.87		0.87	14.0	12.7	13.2
San Juan Basin Royalty Trust	SJT		24.01		0.84	9.2	13.3	12.7
Encore Energy Partners, L.P.	ENP		21.80		0.97	13.1	11.4	10.9
Legacy Reserves L.P.	LGCY		28.11		0.82	12.0	10.9	10.9
Enerplus Corporation	ERF	B	31.73		0.63	8.3	10.1	9.0
	<i>Median</i>					13.2	12.7	13.0
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, 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).								



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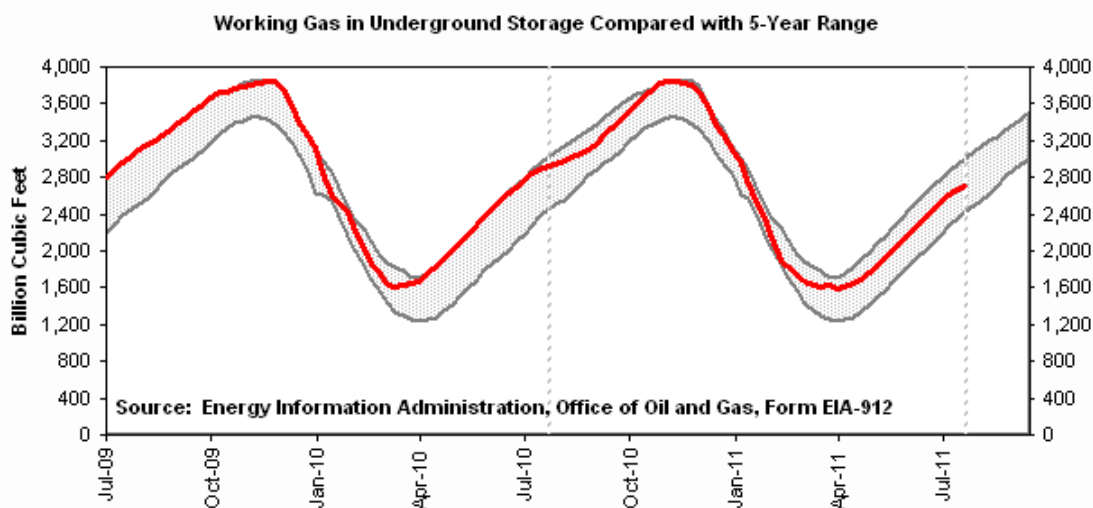
Table ISC-4								
Oil and Gas Income and Small Cap Stocks								
Rank by Enterprise Value to 200 Day Average								
			Price (\$/sh)		Enterprise Value/			
	Symbol/ Rating		28-Jul 2011	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio
Small Cap Independent Producers								
	Petrohawk Energy Corporation	HK	38.26	1.00	1.88	1.28	1.45	1.09
	Range Resources	RRC	B	65.30	0.99	1.74	1.14	1.25
	Birchcliff Energy Ltd.	BIREF	B	14.69	0.99	1.65	1.07	1.22
	Peyto Exploration and Development C	PEYUF		24.44	0.98	1.66	1.08	1.19
	Berry Petroleum Company	BRY		57.29	0.95	1.58	1.08	1.15
	Denbury Resources Inc.	DNR		19.55	0.80	1.26	0.98	0.97
	Cimarex Energy Company	XEC	CB	88.19	0.76	1.35	0.99	0.94
	Whiting Petroleum Corporation	WLL	CB	55.76	0.77	1.28	0.95	0.93
	<i>Median</i>			<i>0.97</i>	<i>1.62</i>	<i>1.07</i>	<i>1.17</i>	<i>0.95</i>
Top Line Cash Payers								
	Sabine Royalty Trust	SBR		64.51	0.91	1.31	1.00	1.04
	Permian Basin RT	PBT		22.15	0.93	1.22	1.03	1.02
	Cross Timbers Royalty Trust	CRT		44.02	0.91	1.29	1.01	1.02
	Freehold Royalties Ltd.	FRHLF		21.29	0.88	1.39	1.00	1.01
	Dorchester Minerals, L.P.	DMLP	CB	26.22	0.87	1.11	0.97	0.96
	<i>Median</i>			<i>0.91</i>	<i>1.29</i>	<i>1.00</i>	<i>1.02</i>	<i>0.97</i>
Bottom Line Cash Payers								
	Hugoton RoyaltyTrust	HGT	B	22.87	0.93	1.27	1.01	1.05
	Linn Energy, LLC	LINE		39.78	0.98	1.29	1.02	1.04
	Enerplus Corporation	ERF	B	31.73	0.96	1.33	1.01	1.03
	Vanguard Natural Resources, LLC	VNR		30.27	0.94	1.17	1.03	1.02
	Encore Energy Partners, L.P.	ENP		21.80	0.89	1.17	1.01	1.00
	Mesa RoyaltyTrust	MTR		47.12	0.92	1.19	1.06	1.00
	Legacy Reserves L.P.	LGCY		28.11	0.88	1.16	0.97	0.97
	San Juan Basin Royalty Trust	SJT		24.01	0.86	1.15	0.99	0.97
	<i>Median</i>			<i>0.92</i>	<i>1.18</i>	<i>1.01</i>	<i>1.01</i>	<i>0.98</i>
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								



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