



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 15, 2013

Cross Timbers Royalty Trust (CRT) San Juan Basin Gem

<i>Symbol</i>	CRT	<i>Ebitda Next Twelve Months ending 3/31/14 (US\$mm)</i>	16
<i>Rating</i>	RTF Stock	<i>North American Natural Gas/Ebitda (%)</i>	58
<i>Price (US\$/sh)</i>	27.73	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/14/13	<i>Adjusted Reserves/Production NTM</i>	12.5
<i>Shares (mm)</i>	6.00	<i>EV/Ebitda</i>	10.7
<i>Market Capitalization (US\$mm)</i>	166	<i>PV/Ebitda</i>	17.0
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	166	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	6.16
<i>Present Value (PV) (US\$mm)</i>	264	<i>Present Value Proven Reserves(US\$/boe)</i>	41.47
<i>Net Present Value (US\$/unit)</i>	44	<i>Oil and Gas Ebitda Margin (%)</i>	65
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	2.34
<i>McDep Ratio - EV/PV</i>	0.63	<i>Price/Earnings Next Twelve Months</i>	12
<i>Distribution Yield (%/year)</i>	8.4	<i>Distribution Next Twelve Months (US\$/sh)</i>	2.34
Note: Estimated cash flow and earnings tied to one-year futures prices for 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, \$6 a million btu.			
For historical analysis of CRT since 2000 see www.mcdep.com/4crt.htm			

Summary and Recommendation

With 80% of Net Present Value (NPV) of \$44 a share concentrated on Top Line royalties from low-priced, stable natural gas production in the heart of the San Juan Basin, we see no good reason why the stock of **Cross Timbers Royalty Trust (CRT)** should be priced at a low McDep Ratio of 0.63. The main concern we have is that the stock is thinly traded and a modest buy order could have a disproportionate impact on price. Yet, the value gap is wide enough that even after a sharp stock price reaction, the long-term expected return would still be high. Investors can take confidence in a low twenty-year decline rate of 3% a year, which helped the stock to generate an attractive total return of 13% a year (see table Twenty-Year Trends on page 2). Meanwhile, industry volume trends have turned around with fracking of shale formations and that should help the San Juan Basin and CRT, too. Though new technology is expensive, the costs are the responsibility of operators ConocoPhillips and others, not CRT. We also believe it is timely to assume natural gas price risk as momentum is positive from a low level and the inventory balance is improving rapidly (see chart on last page). In addition, Top Line oil royalties from growing production in the Permian Basin of West Texas and the Anadarko Woodford of Oklahoma account for another 16% of NPV (see tables Present Value, Financial Estimates and Monthly Distributions on pages 2-4). Finally, to further overcome the stock market liquidity restraints in CRT, we like all of our nine RTF stocks each of which share related attractions of CRT in different degrees and valuation (see ISC-1 to ISC-4 on pages 5-8).

Kurt H. Wulff, CFA



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 15, 2013

Cross Timbers Royalty Trust				
Twenty-Year Trends				
	<i>Volume (%/year)</i>		<i>Total Return (%/Year)</i>	
	<i>Natural Gas</i>	<i>Oil</i>	<i>CRT</i>	<i>S&P 500</i>
Twenty Year	-3	-4	13	8
Ten Year	-5	-5	12	8
Three Year	-3	-3	2	13
One Year	0	0	-36	13

Source: Annual Reports, Bloomberg

Cross Timbers Royalty Trust					
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>	
Top Line Natural Gas	10	13.4	21.2	210	80%
Top Line Oil	4	11.1	10.4	41	16%
Bottom Line Oil	2	11.1	7.7	13	5%
	16	12.5	17.0	264	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					264
Shares (mm)					6
Net Present Value (US\$/sh)					44
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					46



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 15, 2013

Cross Timbers Royalty Trust										
Next Twelve Months Operating and Financial Performance										
										<i>Next Twelve Months</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	
	<i>3/31/12</i>	<i>12/31/12</i>	<i>2012</i>	<i>3/31/13</i>	<i>6/30/13</i>	<i>9/30/13</i>	<i>12/31/13</i>	<i>2013E</i>	<i>3/31/14</i>	<i>3/31/14</i>
Volume										
Natural Gas (bcf)	0.40	0.54	1.87	0.47	0.46	0.46	0.47	1.86	0.47	1.86
Natural Gas (mmcf)	4.4	5.9	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Days	92	92	366	92	91	91	92	366	92	366
Oil (mb)	49	53	198	50	49	50	50	199	50	199
Oil (mbd)	0.53	0.58	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54
Days	92	92	366	92	90	92	92	366	92	366
Total (bcf)	0.70	0.86	3.06	0.77	0.76	0.76	0.77	3.06	0.77	3.06
Price										
Natural Gas (HH lagged three months)										
Henry Hub (\$/mmbtu)	3.55	2.80	2.82	3.40	3.34	3.69	3.79	3.55	3.95	3.69
Differential (%)	(108)	(84)	(106)	(80)	(80)	(80)	(80)	(80)	(80)	(80)
CRT (\$/mcf)	7.40	5.14	5.81	6.13	6.01	6.64	6.83	6.40	7.11	6.65
Oil (\$/bbl) (WTI lagged two months)										
WTI Cushing	98.69	92.76	95.89	89.97	92.87	92.71	92.82	92.10	91.96	92.59
CRT	93.47	86.34	89.34	80.01	82.59	82.45	82.54	81.89	81.77	82.34
Total (\$/mcf)	10.84	8.56	9.33	8.94	9.02	9.43	9.54	9.23	9.65	9.41
Revenue (\$mm)										
Natural Gas	2.99	2.80	10.88	2.87	2.78	3.07	3.20	11.92	3.33	12.38
Oil	4.58	4.58	17.69	4.00	4.04	4.12	4.13	16.29	4.09	16.38
Total	7.57	7.37	28.57	6.87	6.82	7.19	7.32	28.21	7.42	28.76
Cost (\$mm)										
Tax, transport & other										
	0.97	1.12	3.96	0.96	0.95	1.01	1.03	3.95	1.04	4.03
Production										
	1.45	1.48	5.44	1.48	1.48	1.48	1.48	5.92	1.48	5.92
Total	2.42	2.60	9.40	2.44	2.43	2.49	2.51	9.87	2.52	9.95
Cash flow (\$mm)										
	5.15	4.77	19.18	4.43	4.39	4.71	4.82	18.34	4.90	18.81
Development										
	0.11	0.42	1.49	0.50	0.50	0.50	0.50	2.00	0.50	2.00
Excess or other										
		0.17	-					-		
Net proceeds (\$mm)										
	5.04	4.18	17.69	3.93	3.89	4.21	4.32	16.34	4.40	16.81
Royalty income (\$mm)										
	4.38	3.62	15.28	3.31	3.34	3.62	3.71	13.98	3.78	14.46
Royalty/Net proceeds										
	87%	86%	86%	84%	86%	86%	86%	86%	86%	86%
Administration										
	0.13	0.07	0.39	0.11	0.11	0.11	0.11	0.44	0.11	0.44
Distributable income (\$mm)										
	4.25	3.55	14.89	3.20	3.23	3.51	3.60	13.54	3.67	14.02
Units (millions)										
	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Per unit										
	0.71	0.59	2.48	0.53	0.54	0.58	0.60	2.26	0.61	2.34



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 15, 2013

Cross Timbers Royalty Trust									
Monthly Distributions									
	<i>Dec-11</i>	<i>Jan-12</i>	<i>Feb-12</i>	<i>Sep-12</i>	<i>Oct-12</i>	<i>Nov-12</i>	<i>Dec-12</i>	<i>Jan-13</i>	<i>Feb-13</i>
Distribution (\$/unit)									
Declared	0.20	0.27	0.22	0.14	0.19	0.19	0.22	0.16	0.15
<i>Projected</i>									
Volume									
Natural Gas (bcf)	162	139	117	153	161	209	174	151	147
Natural Gas (mmcf)	5.40	4.48	3.90	5.10	5.19	6.74	5.80	4.87	4.90
Days	30	31	30	30	31	31	30	31	30
Oil (mb)	14.0	19.0	16.0	15.0	18.0	14.0	21.0	18.0	14.0
Oil (mbd)	0.45	0.63	0.52	0.48	0.58	0.47	0.68	0.60	0.45
Days	31	30	31	31	31	30	31	30	31
Total (bcf)	246	253	213	243	269	293	300	259	231
Price									
Natural gas industry quotes lagged three months (\$/mmbtu)									
Henry Hub Daily/Futures	3.85	3.76	3.52	2.42	2.77	3.01	2.63	3.03	3.47
San Juan Monthly Index	3.74	3.52	3.38	2.38	2.52	2.79	2.48	2.79	3.31
CRT/Henry Hub	1.89	2.00	2.12	1.84	1.93	1.65	1.96	1.50	1.99
CRT/San Juan Index	1.94	2.14	2.21	1.87	2.12	1.78	2.08	1.62	2.08
CRT (\$/mcf)	7.27	7.52	7.47	4.46	5.34	4.98	5.16	4.53	6.89
Oil (\$/bbl)									
WTI Cushing (lagged two months)	86.43	97.16	98.58	87.93	94.16	94.56	89.57	86.73	88.23
CRT/WTI Cushing	0.96	0.93	0.95	0.91	0.91	0.94	0.95	0.90	0.88
CRT	82.84	90.52	93.99	80.13	86.01	88.56	85.15	78.01	77.45
Total (\$/mcf)	9.50	10.93	11.16	7.75	8.95	7.78	8.95	8.06	9.08
Revenue (\$mm)									
Natural Gas	1.18	1.05	0.87	0.68	0.86	1.04	0.90	0.68	1.01
Oil	1.16	1.72	1.50	1.20	1.55	1.24	1.79	1.40	1.08
One-time									
Total	2.34	2.77	2.38	1.88	2.41	2.28	2.69	2.09	2.10
Distributable income (\$mm)									
Natural Gas	0.91	0.80	0.67	0.53	0.66	0.80	0.69	0.53	0.78
Oil	0.31	0.81	0.64	0.32	0.46	0.32	0.62	0.42	0.15
One-time									
Total	1.21	1.61	1.32	0.85	1.12	1.12	1.31	0.95	0.93
Natural Gas Income/Revenue	77	77	77	77	77	77	77	77	77
Oil Income/Revenue (%)	26	47	43	27	29	26	34	30	14
<i>Latest Twelve Months</i>									
Natural Gas (mmcf)	5.13	5.06	4.96	4.95	4.98	5.08	5.11	5.14	5.23
Oil (mbd)	0.54	0.54	0.53	0.52	0.53	0.52	0.54	0.54	0.53
CRT/Henry Hub	1.80	1.83	1.84	2.11	2.12	2.11	2.12	2.08	2.07
CRT/San Juan Index	1.91	1.94	1.94	2.22	2.24	2.24	2.25	2.21	2.19
CRT/WTI Cushing	0.93	0.93	0.94	0.94	0.94	0.94	0.94	0.93	0.93
Natural Gas Income/Revenue	77	77	77	77	77	77	77	77	77
Oil Income/Revenue (%)	42	42	42	37	36	35	36	35	32



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 15, 2013

Table ISC-1										
McDep Income and Small Cap Energy Portfolio										
Debt, Segments, Cash Flow, Income and McDep Ratio										
		Price								
Symbol/Rating	(US\$/sh)	EV/	Enterprise	PV(%)	EV/	Dist.	Dist.			
B = Buy	14-Mar	Market	Value	Nat	Ebitda	NTM	Yield	McDep		
CB (see below)	2013	Cap	(\$mm)	Gas	Oil	NTM	(\$/un)	(%)	Ratio	
Small Cap Independent Producers										
PDC Energy	PDCE	53.20	1.36	2,250	30	70	11.1	-	-	1.05
Peyto Exploration and Developmen	PEYUF	26.74	1.18	4,560	76	24	10.1	0.70	2.6	0.99
Continental Resources (32%)	CLR B	92.29	1.22	6,670	21	79	7.5	-	-	0.94
Range Resources	RRC B	82.07	1.25	16,480	68	32	15.8	0.16	0.2	0.93
Halcón Resources	HK	7.35	2.84	4,770	14	86	6.3	-	-	0.89
Berry Petroleum Company	BRY	47.63	1.70	4,460	12	88	7.0	0.32	0.7	0.78
Denbury Resources Inc.	DNR	18.79	1.35	9,720	5	95	6.2	-	-	0.73
Cimarex Energy Company	XEC B	76.86	1.19	7,930	41	59	5.8	0.56	0.7	0.73
Birchcliff Energy Ltd.	BIREF B	7.94	1.39	1,790	67	33	9.6	-	-	0.73
Whiting Petroleum Corporation	WLL B	51.94	1.38	8,520	6	94	4.6	-	-	0.66
<i>Total or Median</i>			<i>1.36</i>	<i>67,200</i>	<i>26</i>	<i>74</i>	<i>7.2</i>			<i>0.84</i>
Leveraged Cash Payers										
Linn Energy, LLC	LINE	38.21	1.65	14,690	43	57	12.3	2.90	7.6	1.15
Vanguard Natural Resources, LLC	VNR	28.36	1.61	2,420	33	67	11.8	2.40	8.5	1.08
Legacy Reserves L.P.	LGCY	26.22	1.57	2,480	19	81	9.9	2.28	8.7	0.92
Enerplus Corporation	ERF	14.67	1.60	4,600	32	68	6.5	1.05	7.2	0.79
<i>Total or Median</i>			<i>1.60</i>	<i>24,200</i>	<i>32</i>	<i>68</i>	<i>10.8</i>		<i>8.0</i>	<i>1.00</i>
RTF Cash Payers										
Freehold Royalties Ltd.	FRHLF	22.60	TL	1,560	27	73	11.2	1.63	7.2	1.07
Dorchester Minerals, L.P.	DMLP B	23.16	TL	710	61	39	11.7	1.93	8.3	0.86
San Juan Basin Royalty Trust	SJT B	16.51	BL	770	100	-	10.2	1.21	7.3	0.79
Enduro Royalty Trust (40%)	NDRO	15.87	BL	210	48	52	7.6	1.57	9.9	0.75
Sabine Royalty Trust	SBR	46.40	TL	680	45	55	11.5	4.02	8.7	0.71
Permian Basin RT	PBT	12.59	TL	590	31	69	7.8	0.91	7.2	0.63
Cross Timbers Royalty Trust	CRT	27.73	TL	170	80	20	10.7	2.34	8.4	0.63
Hugoton RoyaltyTrust	HGT	8.04	BL	320	89	11	7.3	0.44	5.5	0.58
Mesa RoyaltyTrust	MTR	22.75	BL	42	75	25	8.4	2.15	9.5	0.56
<i>Total or Median</i>				<i>5,100</i>	<i>61</i>	<i>39</i>	<i>10.2</i>		<i>8.3</i>	<i>0.71</i>
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 \$6 a million btu for natural gas.										
Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2014. Enterprise Value = Market Cap and Debt.										
TL = Top Line income sources, BL = Bottom Line income sources										



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 15, 2013

Table ISC-2							
McDep Income and Small Cap Energy Portfolio							
Net Present Value and McDep Ratio							
		Price		Market	Net	Debt/	
	Symbol/	(\$/sh)	Shares	Cap	Value	Present	McDep
	Rating	14-Mar	(mm)	(\$mm)	(\$/un)	Value	Ratio
		2013					
Small Cap Independent Producers							
PDC Energy	PDCE	53.20	31.0	1,650	50.00	0.28	1.05
Peyto Exploration and Development Cor	PEYUF	26.74	145.0	3,880	27.00	0.15	0.99
Continental Resources (32%)	CLR	B	92.29	59.2	5,460	100.00	0.17
Range Resources	RRC	B	82.07	160.0	13,130	90.00	0.19
Halcón Resources	HK		7.35	228.0	1,680	10.00	0.58
Berry Petroleum Company	BRY		47.63	55.3	2,630	70.00	0.32
Denbury Resources Inc.	DNR		18.79	383.0	7,200	28.00	0.19
Cimarex Energy Company	XEC	B	76.86	86.7	6,660	110.00	0.12
Birchcliff Energy Ltd.	BIREF	B	7.94	163.0	1,290	12.00	0.20
Whiting Petroleum Corporation	WLL	B	51.94	119.0	6,180	88.00	0.18
<i>Total or Median</i>					49,760	0.19	0.84
Leveraged Cash Payers							
Linn Energy, LLC	LINE		38.21	233.0	8,900	30.00	0.45
Vanguard Natural Resources, LLC	VNR		28.36	53.1	1,510	25.00	0.41
Legacy Reserves L.P.	LGCY		26.22	60.0	1,570	30.00	0.33
Enerplus Corporation	ERF		14.67	196.0	2,880	21.00	0.30
<i>Total or Median</i>					14,860	0.37	1.00
RTF Cash Payers							
Freehold Royalties Ltd.	FRHLF		22.60	66.2	1,500	21.00	0.04
Dorchester Minerals, L.P.	DMLP	B	23.16	30.7	710	27.00	-
San Juan Basin Royalty Trust	SJT	B	16.51	46.6	770	21.00	-
Enduro Royalty Trust (40%)	NDRO		15.87	13.2	210	21.00	-
Sabine Royalty Trust	SBR		46.40	14.6	680	65.00	-
Permian Basin RT	PBT		12.59	46.6	590	20.00	-
Cross Timbers Royalty Trust	CRT		27.73	6.0	170	44.00	-
Hugoton RoyaltyTrust	HGT		8.04	40.0	320	14.00	-
Mesa RoyaltyTrust	MTR		22.75	1.9	42	40.00	-
<i>Total or Median</i>					4,990	-	0.71
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 \$6 a million btu for natural gas.							



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 15, 2013

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		14-Mar 2013	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
	RRC	B	82.07		-	14.0	17.0	15.8
	PDCE		53.20		-	16.7	10.6	11.1
	PEYUF		26.74		0.26	9.2	10.2	10.1
	BIREF	B	7.94		-	19.5	13.1	9.6
	CLR	B	92.29		-	10.8	8.0	7.5
	BRY		47.63		-	12.1	8.9	7.0
	HK		7.35		-	4.7	7.1	6.3
	DNR		18.79		-	14.1	8.5	6.2
	XEC	B	76.86		-	7.9	8.0	5.8
	WLL	B	51.94		-	8.8	6.9	4.6
	<i>Median</i>					11.4	8.7	7.2
Leveraged Cash Payers								
	LINE		38.21		1.04	13.9	10.7	12.3
	VNR		28.36		1.05	13.2	10.9	11.8
	LGCY		26.22		0.82	11.0	10.8	9.9
	ERF		14.67		0.41	6.7	8.3	6.5
	<i>Median</i>					12.1	10.8	10.8
RTF Cash Payers								
	DMLP	B	23.16	77	0.97	6.4	13.6	11.7
	SBR		46.40	100	1.00	9.1	16.2	11.5
	FRHLF		22.60	88	0.81	4.6	10.4	11.2
	CRT		27.73	95	0.90	12.5	17.0	10.7
	SJT	B	16.51		0.75	10.4	12.9	10.2
	MTR		22.75		0.81	7.8	15.0	8.4
	PBT		12.59	58	0.56	12.7	12.3	7.8
	NDRO		15.87		0.76	7.2	10.1	7.6
	HGT		8.04		0.40	12.4	12.6	7.3
	<i>Median</i>					9.1	12.9	10.2
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, 2014; 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

March 15, 2013

Table ISC-4									
McDep Income and Small Cap Energy Portfolio									
Total Return and Enterprise Value Momentum									
			Price (\$/sh)	Equity Total	Enterprise Value/				
	Symbol/ Rating		14-Mar 2013	Return YTD (%)	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio
Small Cap Independent Producers									
	PDCE		53.20	60	0.99	1.88	1.20	1.42	1.05
	XEC	B	76.86	33	0.94	1.50	1.15	1.24	0.73
	RRC	B	82.07	31	1.00	1.39	1.13	1.18	0.93
	CLR	B	92.29	26	1.00	1.38	1.08	1.18	0.94
	PEYUF		26.74	16	1.00	1.63	1.11	1.16	0.99
	BRY		47.63	42	0.94	1.27	1.11	1.14	0.78
	DNR		18.79	16	0.96	1.29	1.03	1.12	0.73
	WLL	B	51.94	20	0.90	1.29	1.05	1.11	0.66
	BIREF	B	7.94	6	0.84	1.37	1.05	1.08	0.73
	HK		7.35	6	0.84		1.00	0.99	0.89
	<i>Median</i>			23	0.95	1.38	1.09	1.15	0.84
Leveraged Cash Payers									
	ERF		14.67	15	0.72	1.17	1.06	1.03	0.79
	VNR		28.36	11	0.96	1.14	1.01	1.02	1.08
	LGCY		26.22	13	0.92	1.10	1.02	1.00	0.92
	LINE		38.21	11	0.94	1.07	1.01	0.99	1.15
	<i>Median</i>			12	0.93	1.12	1.01	1.01	1.00
RTF Cash Payers									
	SJT	B	16.51	24	0.80	1.37	1.06	1.13	0.79
	FRHLF		22.60	4	0.93	1.33	1.00	1.10	1.07
	HGT		8.04	12	0.52	1.41	0.99	1.09	0.58
	DMLP	B	23.16	16	0.88	1.16	1.02	1.05	0.86
	SBR		46.40	19	0.73	1.19	1.01	0.95	0.71
	NDRO		15.87	(4)	0.72	1.05	0.95	0.91	0.75
	MTR		22.75	20	0.52	1.20	0.98	0.89	0.56
	CRT		27.73	4	0.59	1.17	0.95	0.88	0.63
	PBT		12.59	3	0.54	1.05	0.94	0.83	0.63
	<i>Median</i>			12	0.72	1.19	0.99	0.95	0.71
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.									

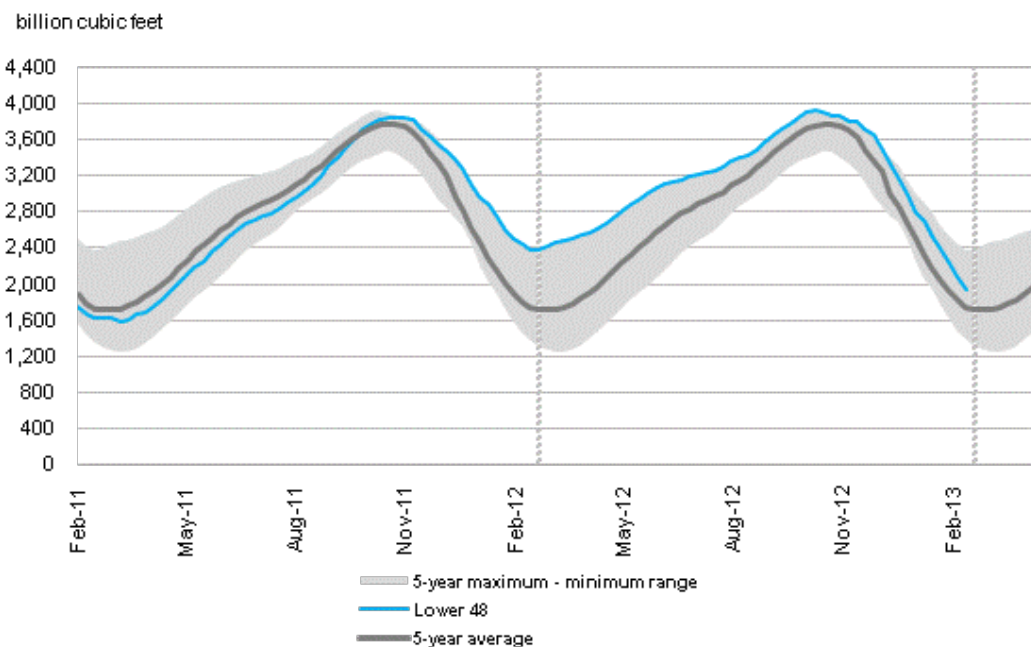


Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 15, 2013

Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration

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