



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

December 31, 2009

Whiting Petroleum Corporation (WLL) North Dakota Bakken Oil Producer

Summary and Recommendation

Seeing the pending disappearance of **Encore Acquisition Company (EAC)**, we add **Whiting Petroleum (WLL)** to our coverage. The company is a leading driller and producer in the North Dakota Bakken Shale Oil trend, perhaps the most rapidly growing new U.S. onshore oil play. A McDep Ratio of 0.93 implies attractive value with 83% concentration on oil, 17% on natural gas (see Small Cap Independent Producers group in Table 1). After new issues of stock and convertible preferred in the first half of 2009, Whiting's ratio of Debt to Present Value is half that of oil-concentrated peers, EAC and **Berry Petroleum (BRY)** (see Small Cap Independent Producers group in Table 2). WLL's low unlevered multiples of cash flow, PV/Ebitda and EV/Ebitda, are in line with reserve life index that we label Adjusted Reserves/Production (see table below and Small Cap Independent Producers group in Table 3). Until 2003, Whiting was wholly owned by Alliant Energy, a public utility holding company serving Iowa, Minnesota and Wisconsin. While WLL stock has done well already in 2009, the trend in oil price and stock price continues to be positive.

In contrast, the stock selling at the lowest ratio to 52-week high by a wide margin is **San Juan Basin Royalty Trust (SJT)**. As a result, our natural gas buy recommendation appears to be a particularly good candidate for catching up in 2010.

Kurt H. Wulff, CFA

Whiting Petroleum Corporation					
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	106	10.4	9.1	960	17%
Oil	682	9.6	7.0	4,780	83%
	788	9.8	7.3	5,740	100%
Debt (US\$mm)					1,140
Net Present Value (US\$mm)					4,600
Shares (mm)					59
Net Present Value - Standard Estimate (US\$/sh)					78
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					78



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

December 31, 2009

	Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	Present Value by Segment (%)		Dist. NTM (\$/un)	Dist. Yield (%)	McDep Ratio
					NAmer. Natural Gas	Oil Prod'n			
	B = Buy H = Hold	31-Dec 2009	Cap						
Canadian Income Trusts (US\$)									
Peyto Energy Trust	PEYUF	13.32	1.26	1,920	72	28	1.37	10.3	1.02
Penn West Energy Trust	PWE	17.60	1.56	11,500	22	78	1.71	9.7	0.95
Pengrowth Energy Trust	PGH	9.63	1.54	4,300	35	65	0.80	8.3	0.86
Enerplus Resources Fund	ERF	22.96	1.22	4,700	42	58	2.06	9.0	0.80
Canadian Oil Sands Trust	COSWF B	28.43	1.10	15,200		100	1.76	6.2	0.70
<i>Total or Median</i>				37,600					0.86
Small Cap Independent Producers									
Cimarex Energy Company	XEC B	52.97	1.18	5,140	67	33	0.24	0.5	1.05
Birchcliff Energy Ltd. (US\$)	BIREF	9.02	1.18	1,360	63	37	-	-	1.00
Encore Acquisition Company	EAC	48.02	1.65	4,140	22	78	-	-	0.98
Whiting Petroleum Corporation	WLL	71.50	1.27	5,360	17	83	-	-	0.93
Berry Petroleum Company	BRY	29.15	1.85	2,420	31	69	0.30	1.0	0.90
<i>Total or Median</i>				18,400					0.98
Top Line Cash Payers									
Cross Timbers Royalty Trust	CRT	34.03	1.00	200	71	29	2.69	7.9	1.00
Sabine Royalty Trust	SBR	40.65	1.00	590	39	61	2.98	7.3	0.90
Freehold Royalty Trust (US\$)	FRHLF	14.39	1.21	870	25	75	1.64	11.4	0.87
Permian Basin RT	PBT	14.44	1.00	670	27	73	1.11	7.7	0.80
Dorchester Minerals, L.P.	DMLP B	21.28	1.03	650	67	33	1.80	8.4	0.79
<i>Total or Median</i>				3,000					0.87
Bottom Line Cash Payers									
Linn Energy, LLC	LINE	27.88	1.51	4,790	36	64	2.52	9.0	1.44
Encore Energy Partners, L.P. (52%)	ENP	19.82	1.29	590	24	76	2.15	10.8	1.12
San Juan Basin Royalty Trust	SJT B	17.24	1.00	800	100	-	1.69	9.8	0.82
Mesa Royalty Trust	MTR	36.75	1.00	68	75	25	2.64	7.2	0.76
Hugoton Royalty Trust	HGT B	16.08	1.00	640	89	11	1.43	8.9	0.70
<i>Total or Median</i>				6,900					0.82
Composite (excl COSWF)									
<i>Enterprise Value Weighting</i>				50,700	37	63			0.95
<i>Equal Weighting</i>					49	51			0.93
<i>Equal Weighted Buys</i>					73	27			0.84
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 December 31, 2010. Enterprise Value = Market Cap and Debt.									



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

December 31, 2009

Table 2								
Oil and Gas Income and Small Cap Stocks								
Net Present Value and McDep Ratio								
			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		31-Dec 2009	(mm)				
Canadian Income Trusts (US\$)								
	PEYUF		13.32	114.9	1,530	13.00	0.21	1.02
	PWE		17.60	420.0	7,390	19.00	0.34	0.95
	PGH		9.63	290.0	2,790	12.00	0.30	0.86
	ERF		22.96	169.0	3,880	30.00	0.14	0.80
	COSWF	B	28.43	484.0	13,760	42.00	0.07	0.70
	<i>Total or Median</i>				29,400		0.21	0.86
Small Cap Independent Producers								
	XEC	B	52.97	82.2	4,350	50.00	0.16	1.05
	BIREF		9.02	127.6	1,150	9.00	0.15	1.00
	EAC		48.02	52.3	2,510	50.00	0.38	0.98
	WLL		71.50	59.0	4,220	78.00	0.20	0.93
	BRY		29.15	44.9	1,310	35.00	0.41	0.90
	<i>Total or Median</i>				13,540		0.20	0.98
Top Line Cash Payers								
	CRT		34.03	6.0	200	34.00	-	1.00
	SBR		40.65	14.6	590	45.00	-	0.90
	FRHLF		14.39	49.6	710	17.00	0.15	0.87
	PBT		14.44	46.6	670	18.00	-	0.80
	DMLP	B	21.28	29.8	640	27.00	0.02	0.79
	<i>Total or Median</i>				2,810			0.87
Bottom Line Cash Payers								
	LINE		27.88	114.0	3,180	15.00	0.48	1.44
	ENP		19.82	23.2	460	17.00	0.25	1.12
	SJT	B	17.24	46.6	800	21.00	-	0.82
	MTR		36.75	1.9	68	48.00	-	0.76
	HGT	B	16.08	40.0	640	23.00	-	0.70
	<i>Total or Median</i>				5,150			0.82
B = Buy, Hold ratings discontinued October 23, 2009								
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.								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

December 31, 2009

Table 3								
Oil and Gas Income and Small Cap Stocks								
Value Multiples - Rank by EV/Ebitda								
			Price (\$/sh)	Revenue	Dist/ Equity	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda
	Symbol/ Rating		31-Dec 2009	Royalty (%)	Ebitda	NTM	NTM	NTM
Canadian Income Trusts (US\$)								
	PEYUF		13.32		1.23	18.2	11.6	11.9
	COSWF	B	28.43		0.56	23.1	13.3	9.3
	PWE		17.60		0.74	8.3	8.1	7.8
	ERF		22.96		0.59	9.8	8.6	6.8
	PGH		9.63		0.50	8.3	7.5	6.4
	<i>Median</i>					9.8	8.6	7.8
Small Cap Independent Producers								
	BIREF		9.02		-	10.6	13.9	13.9
	EAC		48.02		-	11.7	7.6	7.4
	WLL		71.50		-	9.8	7.3	6.8
	BRY		29.15		-	12.4	7.3	6.6
	XEC	B	52.97		-	7.6	4.9	5.1
	<i>Median</i>					10.6	7.3	6.8
Top Line Cash Payers								
	SBR		40.65	100	1.00	12.0	15.1	13.7
	CRT		34.03	84	0.95	12.6	12.0	12.0
	PBT		14.44	32	0.90	11.5	14.5	11.6
	DMLP	B	21.28	64	0.91	7.8	13.7	10.8
	FRHLF		14.39	71	0.89	6.8	9.2	8.0
	<i>Median</i>					11.5	13.7	11.6
Bottom Line Cash Payers								
	LINE		27.88		2.01	18.3	12.0	17.3
	MTR		36.75		0.89	9.2	16.2	12.3
	ENP		19.82		1.05	13.2	8.3	9.4
	HGT	B	16.08		0.74	13.4	11.9	8.3
	SJT	B	17.24		0.78	9.2	9.6	7.9
	<i>Median</i>					13.2	11.9	9.4
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2010; 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

December 31, 2009

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.