



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 11, 2011

Contrarian Commodity Income in Hugoton Royalty Trust

<i>Symbol</i>	HGT	<i>Ebitda Next Twelve Months ending 3/31/12 (US\$mm)</i>	58
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	79
<i>Price (US\$/sh)</i>	20.80	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/11/11	<i>Adjusted Reserves/Production NTM</i>	13.2
<i>Shares (mm)</i>	40.0	<i>EV/Ebitda</i>	14.2
<i>Market Capitalization (US\$mm)</i>	832	<i>PV/Ebitda</i>	15.1
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	12
<i>Enterprise Value (EV) (US\$mm)</i>	832	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	3.10
<i>Present Value (PV) (US\$mm)</i>	880	<i>Present Value Proven Reserves(US\$/boe)</i>	20.00
<i>Net Present Value (US\$/unit)</i>	22.0	<i>Oil and Gas Ebitda Margin (%)</i>	61
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	1.24
<i>McDep Ratio - EV/PV</i>	0.95	<i>Price/Earnings Next Twelve Months</i>	17
<i>Distribution Yield (%/year)</i>	6.0	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.24
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.			
For historical analysis of HGT since 2000 see www.mcdep.com/4hgt.htm			

Summary and Recommendation

Reflecting its concentration on natural gas, buy-recommended **Hugoton Royalty Trust (HGT)** has the eventual appreciation potential of the world's most attractively priced energy for fueling global growth. In contrast to other commodities that have rising price, natural gas has a price that has barely moved from \$5.34 a million btu for delivery in North America over the next six years. The declining 40-week average is \$5.45. Actually, HGT stock price is in a steadily rising trend above its 200-day average helped perhaps by its modest oil concentration at 11% of Present Value and about 21% of cash flow (NTM Ebitda) (see tables Functional Cash Flow and Present Value below and Next Twelve Months Operating and Financial Performance on page 2). Yet, income investors don't need much stock price appreciation because the trust offers a cash distribution estimated at 6.0% for the next twelve months (see Tables 1-4 for more perspective).

Kurt H. Wulff

Hugoton 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>	
North American Natural Gas	46	13.4	17.1	780	89%
Oil	12	9.8	8.1	100	11%
	58	13.2	15.2	880	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					880
Shares (mm)					40
Net Present Value - Standard Estimate (US\$/sh)					22



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 11, 2011

Hugoton Royalty Trust									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next</i>
	<i>12/31/09</i>	<i>9/30/10</i>	<i>12/31/10</i>	<i>2010</i>	<i>3/31/11</i>	<i>6/30/11</i>	<i>9/30/11</i>	<i>12/31/11</i>	<i>Months</i>
									<i>3/31/12</i>
Highlights									
Revenue (\$mm) (80%)	21.5	25.3	23.7	106.6	24.4	23.1	24.1	24.5	95.6
Cash flow (\$mm) (80%)	12.5	16.0	14.4	68.8	15.0	13.9	14.8	15.1	58.5
Per unit	0.31	0.40	0.36	1.72	0.38	0.35	0.37	0.38	1.46
Distributable Income (\$mm)	11.2	14.5	12.8	62.6	14.5	11.6	12.6	12.9	49.5
Per unit	0.28	0.36	0.32	1.57	0.36	0.29	0.31	0.32	1.24
Units (millions)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Volume									
Natural Gas (bcf)	6.5	6.1	6.0	24.1	5.7	5.5	5.6	5.5	22.1
Natural Gas (mmcf)	71.1	66.0	64.8	66.0	62.0	61.4	60.8	60.2	60.5
Oil (mb)	55	69	64	267	64	62	63	62	255
Oil (mbd)	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total (bcf)	6.9	6.5	6.3	25.7	6.1	5.8	6.0	5.9	23.6
Price									
Natural Gas (HH lagged two months)									
Henry Hub (\$/mmbtu)	3.31	4.38	4.09	4.50	3.93	4.01	4.05	4.17	4.05
Differential (%)	(4)	(0)	(2)	(5)	(12)	(5)	(5)	(5)	(5)
HGT (\$/mcf)	3.45	4.39	4.17	4.72	4.40	4.21	4.25	4.38	4.26
Oil (\$/bbl) (WTI Cushing lagged two months)									
WTI Cushing	72.10	75.14	77.93	77.68	87.60	100.08	107.12	107.74	105.33
HGT	78.90	71.43	74.09	73.68	83.08	94.92	101.60	102.18	99.92
Total (\$/mcf)	3.92	4.87	4.67	5.19	5.00	4.95	5.05	5.18	5.06
Revenue (\$mm)									
Natural Gas	22.6	26.7	24.9	113.5	25.1	23.0	23.7	24.3	93.9
Oil	4.3	4.9	4.7	19.7	5.4	5.9	6.4	6.4	25.5
Total	26.9	31.6	29.6	133.2	30.5	28.9	30.2	30.6	119.4
Cost (\$mm)									
Tax, transport & other	3.7	3.4	3.3	15.2	3.4	3.2	3.3	3.4	13.1
Production	4.9	5.4	5.6	21.1	5.6	5.6	5.6	5.6	22.4
Overhead	2.7	2.8	2.8	11.0	2.7	2.7	2.7	2.7	10.8
Total	11.3	11.5	11.6	47.2	11.7	11.5	11.7	11.7	46.4
Cash flow (\$mm)									
Development	15.6	20.0	18.0	86.0	18.8	17.4	18.5	18.9	73.1
Excess costs	1.5	1.7	2.6	7.3	2.6	2.6	2.6	2.6	10.2
Excess costs	0.1			0.1					
Net proceeds (\$mm)									
	14.1	18.3	15.5	78.7	16.2	14.8	16.0	16.4	62.9
Royalty income (\$mm)									
	11.3	14.7	12.4	63.0	13.0	11.8	12.8	13.1	50.3
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%	80%	80%	80%
Administration	0.0	0.1	0.2	0.9	0.2	0.2	0.2	0.2	0.8
Distributable income (\$mm)									
	11.2	14.5	12.8	62.6	14.5	11.6	12.6	12.9	49.5



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 11, 2011

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	11-Mar	Market	Value	Nat	Ebitda	NTM	Yield	McDep			
CB (see below)	2011	Cap	(\$mm)	Gas	Oil	NTM	(\$/un)	(%)	Ratio		
Small Cap Independent Producers											
Denbury Resources Inc.	DNR		22.86	1.37	12,600	12	88	8.4	-	-	1.03
Range Resources	RRC	B	48.50	1.31	9,990	70	30	14.4	0.16	0.3	0.98
Cimarex Energy Company	XEC	B	107.80	1.07	9,900	45	55	7.1	0.30	0.3	0.90
Petrohawk Energy Corporation	HK	B	20.59	1.55	9,620	87	13	10.5	-	-	0.90
Berry Petroleum Company	BRY		45.95	1.54	3,720	24	76	8.0	0.30	0.7	0.89
Whiting Petroleum Corporation	WLL		63.40	1.16	8,720	11	89	6.7	-	-	0.86
Peyto Exploration and Development	PEYUF		19.18	1.17	2,820	76	24	12.4	0.74	3.9	0.82
Ultra Petroleum	UPL		43.77	1.22	8,220	92	8	11.3	-	-	0.77
Birchcliff Energy Ltd.	BIREF	B	11.58	1.24	1,820	62	38	11.0	-	-	0.76
<i>Total or Median</i>					67,400			10.5		-	0.89
Top Line Cash Payers											
Cross Timbers Royalty Trust	CRT		44.62	1.00	270	69	31		2.97	6.6	1.21
Freehold Royalties Ltd.	FRHLF		22.86	1.06	1,420	20	80		1.72	7.5	1.04
Sabine Royalty Trust	SBR		59.66	1.00	870	38	62		4.55	7.6	1.01
Permian Basin RT	PBT		20.12	1.00	940	31	69		1.78	8.8	0.91
Dorchester Minerals, L.P.	DMLP	B	26.84	1.00	820	61	39		1.76	6.6	0.89
<i>Total or Median</i>					4,300					7.5	1.01
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		38.13	1.43	8,110	36	64	15.2	2.64	6.9	1.23
Vanguard Natural Resources, LLC	VNR		30.57	1.62	1,610	28	72	12.3	2.24	7.3	1.08
Legacy Reserves L.P.	LGCY		30.24	1.32	1,600	13	87	10.3	2.10	6.9	1.06
San Juan Basin Royalty Trust	SJT	B	24.72	1.00	1,150	100	-	14.6	1.43	5.8	0.99
Encore Energy Partners, L.P.	ENP		21.95	1.25	1,230	18	82	9.1	1.80	8.2	0.96
Pengrowth Energy Corporation	PGH		13.00	1.36	5,300	29	71	7.6	0.86	6.6	0.95
Hugoton Royalty Trust	HGT	B	20.80	1.00	830	89	11	14.2	1.24	6.0	0.95
Mesa Royalty Trust	MTR		46.50	1.00	87	75	25	11.3	3.44	7.4	0.88
Enerplus Corporation	ERF		30.46	1.23	6,700	34	66	7.5	2.22	7.3	0.85
<i>Total or Median</i>					26,600			11.3		6.9	0.96
Composite											
<i>Enterprise Value Weighting</i>					98,300	46	54				0.93
<i>Equal Weighting</i>						49	51				0.95
<i>Equal Weighted Buys</i>						68	32				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 March 31, 2012. Enterprise Value = Market Cap and Debt.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 11, 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		11-Mar 2011	(mm)				
Small Cap Independent Producers								
Denbury Resources Inc.	DNR		22.86	402.0	9,190	22.00	0.28	1.03
Range Resources	RRC	B	48.50	157.0	7,610	50.00	0.23	0.98
Cimarex Energy Company	XEC	B	107.80	85.8	9,250	120.00	0.06	0.90
Petrohawk Energy Corporation	HK	B	20.59	302.0	6,220	24.00	0.32	0.90
Berry Petroleum Company	BRY		45.95	52.8	2,420	55.00	0.31	0.89
Whiting Petroleum Corporation	WLL		63.40	119.0	7,540	75.00	0.12	0.86
Peyto Exploration and Development Corp	PEYUF		19.18	125.7	2,410	24.00	0.12	0.82
Ultra Petroleum	UPL		43.77	154.0	6,740	60.00	0.14	0.77
Birchcliff Energy Ltd.	BIREF	B	11.58	127.3	1,470	16.00	0.15	0.76
<i>Total or Median</i>					52,850		0.15	0.89
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		44.62	6.0	270	37.00	-	1.21
Freehold Royalties Ltd.	FRHLF		22.86	58.4	1,340	22.00	0.06	1.04
Sabine Royalty Trust	SBR		59.66	14.6	870	59.00	-	1.01
Permian Basin RT	PBT		20.12	46.6	940	22.00	-	0.91
Dorchester Minerals, L.P.	DMLP	B	26.84	30.7	820	30.00	-	0.89
<i>Total or Median</i>					4,240			1.01
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		38.13	148.3	5,660	28.00	0.37	1.23
Vanguard Natural Resources, LLC	VNR		30.57	32.4	990	27.00	0.41	1.08
Legacy Reserves L.P.	LGCY		30.24	40.1	1,210	28.00	0.25	1.06
San Juan Basin Royalty Trust	SJT	B	24.72	46.6	1,150	25.00	-	0.99
Encore Energy Partners, L.P.	ENP		21.95	45.0	990	23.00	0.19	0.96
Pengrowth Energy Corporation	PGH		13.00	299.0	3,890	14.00	0.25	0.95
Hugoton Royalty Trust	HGT	B	20.80	40.0	830	22.00	-	0.95
Mesa Royalty Trust	MTR		46.50	1.9	87	53.00	-	0.88
Enerplus Corporation	ERF		30.46	178.0	5,420	37.00	0.16	0.85
<i>Total or Median</i>					20,230			0.96
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

March 11, 2011

Table ISC-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>11-Mar</i>	<i>Royalty</i>	<i>Equity</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>
	<i>Rating</i>		<i>2011</i>	<i>(%)</i>	<i>Ebitda</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
Small Cap Independent Producers								
Range Resources	RRC	B	48.50		-	16.9	14.8	14.4
Peyto Exploration and Development Corp	PEYUF		19.18		0.46	19.7	15.1	12.4
Ultra Petroleum	UPL		43.77		-	27.1	14.7	11.3
Birchcliff Energy Ltd.	BIREF	B	11.58		-	20.7	14.5	11.0
Petrohawk Energy Corporation	HK	B	20.59		-	8.2	11.6	10.5
Denbury Resources Inc.	DNR		22.86		-	13.1	8.2	8.4
Berry Petroleum Company	BRY		45.95		-	11.9	9.0	8.0
Cimarex Energy Company	XEC	B	107.80		-	7.3	7.9	7.1
Whiting Petroleum Corporation	WLL		63.40		-	10.7	7.7	6.7
	<i>Median</i>					<i>13.1</i>	<i>11.6</i>	<i>10.5</i>
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		44.62	84	0.97	13.2	12.1	14.6
Dorchester Minerals, L.P.	DMLP	B	26.84	77	0.87	7.6	14.8	13.3
Sabine Royalty Trust	SBR		59.66	100	1.00	7.7	13.0	13.1
Permian Basin RT	PBT		20.12	32	0.96	13.2	11.9	10.9
Freehold Royalties Ltd.	FRHLF		22.86	71	0.77	8.1	9.9	10.2
	<i>Median</i>					<i>8.1</i>	<i>12.1</i>	<i>13.1</i>
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		38.13		1.17	19.0	12.4	15.2
San Juan Basin Royalty Trust	SJT	B	24.72		0.84	8.7	14.8	14.6
Hugoton Royalty Trust	HGT	B	20.80		0.85	13.2	15.1	14.2
Vanguard Natural Resources, LLC	VNR		30.57		0.95	13.1	11.4	12.3
Mesa Royalty Trust	MTR		46.50		0.83	8.8	12.8	11.3
Legacy Reserves L.P.	LGCY		30.24		0.73	11.9	9.7	10.3
Encore Energy Partners, L.P.	ENP		21.95		0.74	13.0	9.4	9.1
Pengrowth Energy Corporation	PGH		13.00		0.49	9.0	8.0	7.6
Enerplus Corporation	ERF		30.46		0.53	8.4	8.8	7.5
	<i>Median</i>					<i>11.9</i>	<i>11.4</i>	<i>11.3</i>
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

March 11, 2011

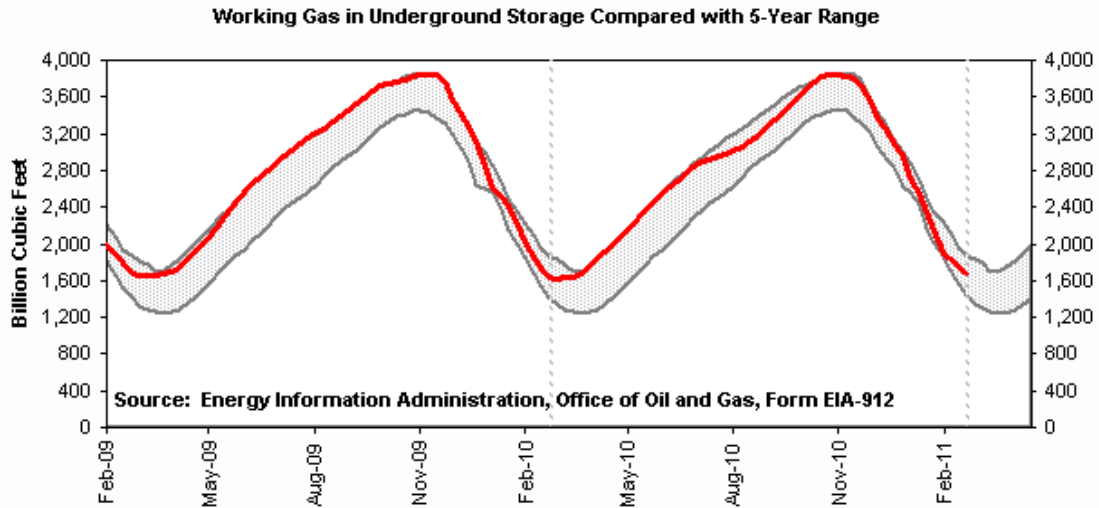
Oil and Gas Income and Small Cap Stocks								
Rank by Enterprise Value to 200 Day Average								
			Price (\$/sh)		Enterprise Value/			
	Symbol/		11-Mar	52Wk	52Wk	50 Day	200 Day	McDep
	Rating	2011	High	Low	Avg.	Avg.	Ratio	
Small Cap Independent Producers								
Cimarex Energy Company	XEC	B	107.80	0.92	1.80	1.04	1.29	0.90
Whiting Petroleum Corporation	WLL		63.40	0.92	1.61	1.03	1.20	0.86
Denbury Resources Inc.	DNR		22.86	0.94	1.39	1.07	1.19	1.03
Berry Petroleum Company	BRY		45.95	0.92	1.44	0.99	1.16	0.89
Birchcliff Energy Ltd.	BIREF	B	11.58	0.95	1.37	1.04	1.15	0.76
Peyto Exploration and Development Co	PEYUF		19.18	0.94	1.57	1.00	1.15	0.82
Range Resources	RRC	B	48.50	0.90	1.34	1.00	1.11	0.98
Petrohawk Energy Corporation	HK	B	20.59	0.91	1.27	1.02	1.09	0.90
Ultra Petroleum	UPL		43.77	0.84	1.14	0.95	0.98	0.77
	<i>Median</i>			<i>0.92</i>	<i>1.39</i>	<i>1.02</i>	<i>1.15</i>	<i>0.89</i>
Top Line Cash Payers								
Freehold Royalties Ltd.	FRHLF		22.86	0.97	1.53	1.05	1.23	1.04
Cross Timbers Royalty Trust	CRT		44.62	0.92	1.58	1.01	1.15	1.21
Sabine Royalty Trust	SBR		59.66	0.92	1.40	0.96	1.08	1.01
Dorchester Minerals, L.P.	DMLP	B	26.84	0.91	1.31	0.98	1.01	0.89
Permian Basin RT	PBT		20.12	0.85	1.40	0.93	0.99	0.91
	<i>Median</i>			<i>0.92</i>	<i>1.40</i>	<i>0.98</i>	<i>1.08</i>	<i>1.01</i>
Bottom Line Cash Payers								
Legacy Reserves L.P.	LGCY		30.24	0.95	1.45	1.01	1.12	1.06
Enerplus Corporation	ERF		30.46	0.93	1.81	0.97	1.11	0.85
Pengrowth Energy Corporation	PGH		13.00	0.97	1.99	1.01	1.10	0.95
Linn Energy, LLC	LINE		38.13	0.97	1.88	0.99	1.10	1.23
Vanguard Natural Resources, LLC	VNR		30.57	0.95	1.38	1.00	1.09	1.08
Encore Energy Partners, L.P.	ENP		21.95	0.93	1.83	0.98	1.08	0.96
Hugoton Royalty Trust	HGT	B	20.80	0.94	1.39	0.98	1.02	0.95
San Juan Basin Royalty Trust	SJT	B	24.72	0.87	1.25	1.02	1.01	0.99
Mesa Royalty Trust	MTR		46.50	0.86	1.28	0.97	0.99	0.88
	<i>Median</i>			<i>0.94</i>	<i>1.45</i>	<i>0.99</i>	<i>1.09</i>	<i>0.96</i>
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 11, 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.