



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

September 30, 2011

5 Ideas from IPAA San Francisco

Summary and Recommendation

Visits at the Independent Petroleum Association of America conference in San Francisco on September 26-27 refresh our positive views on small cap producer buys **Range Resources (RRC)**, **Whiting Petroleum (WLL)** and **Cimarex (XEC)**. Also in our research coverage, income stocks **Linn Energy, LLC (LINE)** and **Legacy Reserves L.P. (LGCY)** enjoy the stock market endorsement of the high payout strategy in the face of recent global market pressures. Low McDep Ratios for RRC (0.88), WLL (0.48) and XEC (0.51) support our buy recommendations on those stocks, we believe (see Tables ISC-1 to ISC-3 on pages 3-5). RRC stock price appears to be in an uptrend by the 200-day average measure, while WLL and XEC are qualified as Contrarian Buys because current Enterprise Values are below the 200-day average (see Table ISC-4 on page 6). Higher McDep Ratios for LINE (1.04) and LGCY (0.90) may signal favorable recognition for income policies that offer distribution yields of 7.6% (LINE) and 8.4% (LGCY) for the next year. Cash flow models for each stock contribute to estimates of present value used in measuring McDep Ratios (see tables on pages 7-11).

Range Resources – Marcellus Natural Gas +

RRC still expects volume growth to accelerate to 25% in 2012 as the Marcellus shale builds to three-fourths of the total. The 4.4 trillion cubic feet equivalent (tcf) proven reserve company thinks it has some 30 (tcf) of net unproven resource potential in its Marcellus position and another 20 tcf elsewhere. In the newly hot Utica play, RRC has no acreage in Ohio where Utica oil is being drilled, but it may have liquids-rich natural gas potential on its Utica acreage in Northwest Pennsylvania. Though it is also early, management believes it has attractive shale oil potential in a horizontal Mississippian formation play in Oklahoma. A legal issue raised in Pennsylvania questioning whether shale gas is a mineral appears likely to have no material impact on producers.

Whiting Petroleum – North Dakota Oil

Volume growth is also accelerating for Whiting, at least on a quarterly basis with third quarter likely to have achieved guidance of 70 thousand barrels equivalent daily (mboed), up from weather-impacted 64 in the second quarter. Other than a weak stock market and the spillover to oil price, we see no development specific to Whiting to explain a decline by a half in enterprise value from the 52 week high. Chairman Volker stresses the high visibility of new areas like Lewis and Clark as well as Hidden Bench to keep volume up as Sanish, the 50% drilled field that has propelled Whiting to rank as the second largest producer in North Dakota, matures.



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Cimarex Energy – New CEO Hints More Upside

Newly-named chief executive Tom Jordan has a keen sense of the rate of return on the company's drilling projects at any given oil or gas price as well as what XEC will budget for next year depending on oil price. A Bone Spring project in Southeast New Mexico that has grown to 10 mboed in just two years looks profitable at \$50 oil. The current one-year oil quote is \$83 a barrel. A Bone Spring land position across the border in Texas is challenged at \$70 oil, but fortuitously overlies an oil-prone portion of the Avalon/Leonard shale, anticipated to be one of the 20 all-time largest U.S. oil fields according to large cap EOG Resources. In the Cana-Woodford shale in Oklahoma, Mr. Jordan appears increasingly confident XEC may have another 4 tcf of resource potential outside the core area doubling the overall field potential for XEC.

Linn Energy – Aggressive Income Working

Chief executive Mark Ellis and chief financial officer Kolja Rockov manage a successful top line cash payer that seems poised for continued rapid growth by acquisition and drilling. Financing a high distribution partly with the proceeds from multi-year hedges has worked (Distribution is 1.25 times Equity Ebitda, see Table ISC-3). In addition, the limited liability company has been able to achieve organic growth with minimal reinvestment helped by aggressively financed acquisitions during a rising commodity price environment. Initially, Mr. Rockov could explain that Linn's deals were accretive because the company issued new units at a higher cash flow multiple than it was paying for properties. Now the cash payer's strong income performance among other factors encourages investors to pay a higher multiple for Linn stock than for oil and gas companies that own similar properties to what Linn is trying to acquire. The ultimate extension of that logic is for Linn to acquire whole companies.

Legacy Reserves – Permian Oil Income

President Steve Pruett also appears to have a keen sense of the opportunity for companies with a high income strategy to transform the ownership of mature oil and gas properties. Linn Energy has shown how LGCY's near \$2 billion in enterprise value can grow fivefold. LGCY's implementation is more conservative with cash flow covering the distribution without counting hedges. Founders, directors and management own 24% of the units. As is the case with all income stocks in our coverage, the managing entity or general partner has no so-called "incentive distribution rights" to skew the rewards.

Kurt H. Wulff, CFA



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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(%)			
Symbol/Rating	(US\$/sh)	EV/	Market	Value	Nat	Oil	Ebitda	NTM	Yield	McDep	
CB (see below)	29-Sep	Cap	2011	(\$mm)	Gas		NTM	(\$/un)	(%)	Ratio	
Small Cap Independent Producers											
Range Resources	RRC	B	59.88	1.21	11,500	69	31	14.9	0.16	0.3	0.88
Peyto Exploration and Developmen	PEYUF		19.21	1.20	3,060	76	24	9.2	0.74	3.8	0.83
Birchcliff Energy Ltd.	BIREF	CB	10.54	1.27	1,750	55	45	10.7	-	-	0.71
Berry Petroleum Company	BRY		37.49	1.73	3,540	23	77	7.2	0.30	0.8	0.67
Denbury Resources Inc.	DNR		12.01	1.49	7,210	5	95	6.3	-	-	0.53
Cimarex Energy Company	XEC	CB	57.42	1.15	5,670	46	54	4.7	0.40	0.7	0.51
Whiting Petroleum Corporation	WLL	CB	36.32	1.37	5,920	11	89	4.2	-	-	0.48
<i>Total or Median</i>					38,700			7.2			0.67
Top Line Cash Payers											
Cross Timbers Royalty Trust	CRT		44.41	1.00	270	87	13		2.88	6.5	0.99
Permian Basin RT	PBT		20.55	1.00	960	42	58		1.41	6.8	0.93
Sabine Royalty Trust	SBR		63.87	1.00	930	51	49		4.07	6.4	0.91
Dorchester Minerals, L.P.	DMLP	CB	23.76	1.00	730	61	39		1.64	6.9	0.79
Freehold Royalties Ltd.	FRHLF		15.69	1.07	990	18	82		1.62	10.3	0.73
<i>Total or Median</i>					3,900					6.8	0.91
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		36.10	1.49	9,450	31	69	16.0	2.76	7.6	1.04
Hugoton RoyaltyTrust	HGT		21.47	1.00	860	88	13	14.4	1.35	6.3	0.98
Vanguard Natural Resources, LLC	VNR		25.86	1.49	1,970	23	77	11.1	2.30	8.9	0.97
San Juan Basin Royalty Trust	SJT	CB	23.15	1.00	1,080	100	-	12.9	1.43	6.2	0.93
Legacy Reserves L.P.	LGCY		25.85	1.50	1,690	21	79	9.6	2.16	8.4	0.90
Mesa RoyaltyTrust	MTR		44.03	1.00	82	75	25	12.3	3.02	6.9	0.83
Enerplus Corporation	ERF	CB	24.79	1.24	5,500	30	70	7.6	2.08	8.4	0.72
<i>Total or Median</i>					20,600			12.3		7.6	0.93
Composite											
<i>Enterprise Value Weighting</i>					63,200	39	61				0.71
<i>Equal Weighting</i>						48	52				0.81
<i>Equal Weighted Buys</i>						47	53				0.72

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 September 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		29-Sep 2011	(mm)				
Small Cap Independent Producers								
Range Resources	RRC	B	59.88	159.0	9,520	70.00	0.15	0.88
Peyto Exploration and Development Cor	PEYUF		19.21	133.1	2,560	24.00	0.14	0.83
Birchcliff Energy Ltd.	BIREF	CB	10.54	131.0	1,380	16.00	0.15	0.71
Berry Petroleum Company	BRY		37.49	54.7	2,050	70.00	0.28	0.67
Denbury Resources Inc.	DNR		12.01	404.0	4,850	28.00	0.17	0.53
Cimarex Energy Company	XEC	CB	57.42	86.1	4,940	120.00	0.07	0.51
Whiting Petroleum Corporation	WLL	CB	36.32	119.0	4,320	90.00	0.13	0.48
<i>Total or Median</i>					29,620		0.15	0.67
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		44.41	6.0	270	45.00	-	0.99
Permian Basin RT	PBT		20.55	46.6	960	22.00	-	0.93
Sabine Royalty Trust	SBR		63.87	14.6	930	70.00	-	0.91
Dorchester Minerals, L.P.	DMLP	CB	23.76	30.7	730	30.00	-	0.79
Freehold Royalties Ltd.	FRHLF		15.69	59.1	930	22.00	0.05	0.73
<i>Total or Median</i>					3,820			0.91
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		36.10	176.0	6,350	34.00	0.34	1.04
Hugoton RoyaltyTrust	HGT		21.47	40.0	860	22.00	-	0.98
Vanguard Natural Resources, LLC	VNR		25.86	51.1	1,320	27.00	0.32	0.97
San Juan Basin Royalty Trust	SJT	CB	23.15	46.6	1,080	25.00	-	0.93
Legacy Reserves L.P.	LGCY		25.85	43.6	1,130	30.00	0.30	0.90
Mesa RoyaltyTrust	MTR		44.03	1.9	82	53.00	-	0.83
Enerplus Corporation	ERF	CB	24.79	179.6	4,450	37.00	0.14	0.72
<i>Total or Median</i>					15,270			0.93
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		29-Sep 2011	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	59.88		-	14.4	17.0	14.9
Birchcliff Energy Ltd.	BIREF	CB	10.54		-	18.5	15.1	10.7
Peyto Exploration and Development Corp	PEYUF		19.21		0.34	13.6	11.1	9.2
Berry Petroleum Company	BRY		37.49		-	11.9	10.9	7.2
Denbury Resources Inc.	DNR		12.01		-	13.4	11.9	6.3
Cimarex Energy Company	XEC	CB	57.42		-	6.8	9.2	4.7
Whiting Petroleum Corporation	WLL	CB	36.32		-	8.7	8.8	4.2
	<i>Median</i>					13.4	11.1	7.2
Top Line Cash Payers								
Sabine Royalty Trust	SBR		63.87	100	1.00	7.2	17.2	15.7
Cross Timbers Royalty Trust	CRT		44.41	80	0.97	13.9	15.1	14.9
Permian Basin RT	PBT		20.55	32	0.98	16.5	15.4	14.3
Dorchester Minerals, L.P.	DMLP	CB	23.76	77	0.84	6.6	15.3	12.2
Freehold Royalties Ltd.	FRHLF		15.69	71	0.96	6.6	13.0	9.4
	<i>Median</i>					7.2	15.3	14.3
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		36.10		1.25	17.1	15.4	16.0
Hugoton RoyaltyTrust	HGT		21.47		0.91	13.9	14.7	14.4
San Juan Basin Royalty Trust	SJT	CB	23.15		0.80	8.6	14.0	12.9
Mesa RoyaltyTrust	MTR		44.03		0.84	14.5	14.8	12.3
Vanguard Natural Resources, LLC	VNR		25.86		0.97	8.8	11.4	11.1
Legacy Reserves L.P.	LGCY		25.85		0.76	10.2	10.6	9.6
Enerplus Corporation	ERF	CB	24.79		0.60	8.3	10.6	7.6
	<i>Median</i>					10.2	14.0	12.3
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 September 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		29-Sep 2011	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
Small Cap Independent Producers									
	Range Resources	RRC	B	59.88	0.81	1.52	0.97	1.08	0.88
	Peyto Exploration and Development C	PEYUF		19.21	0.79	1.30	0.89	0.94	0.83
	Birchcliff Energy Ltd.	BIREF	CB	10.54	0.75	1.27	0.84	0.88	0.71
	Berry Petroleum Company	BRY		37.49	0.73	1.12	0.85	0.86	0.67
	Denbury Resources Inc.	DNR		12.01	0.56	1.04	0.83	0.70	0.53
	Whiting Petroleum Corporation	WLL	CB	36.32	0.56	1.03	0.81	0.69	0.48
	Cimarex Energy Company	XEC	CB	57.42	0.52	1.03	0.84	0.66	0.51
	<i>Median</i>			<i>0.73</i>	<i>1.12</i>	<i>0.84</i>	<i>0.86</i>	<i>0.67</i>	
Top Line Cash Payers									
	Sabine Royalty Trust	SBR		63.87	0.91	1.35	1.03	1.02	0.91
	Cross Timbers Royalty Trust	CRT		44.41	0.91	1.26	0.99	1.01	0.99
	Permian Basin RT	PBT		20.55	0.87	1.06	0.94	0.95	0.93
	Dorchester Minerals, L.P.	DMLP	CB	23.76	0.79	1.14	0.96	0.89	0.79
	Freehold Royalties Ltd.	FRHLF		15.69	0.66	1.01	0.84	0.76	0.73
	<i>Median</i>			<i>0.87</i>	<i>1.14</i>	<i>0.96</i>	<i>0.95</i>	<i>0.91</i>	
Bottom Line Cash Payers									
	Hugoton RoyaltyTrust	HGT		21.47	0.87	1.11	0.96	0.97	0.98
	Linn Energy, LLC	LINE		36.10	0.91	1.09	0.97	0.96	1.04
	San Juan Basin Royalty Trust	SJT	CB	23.15	0.83	1.13	0.98	0.95	0.93
	Mesa RoyaltyTrust	MTR		44.03	0.86	1.11	0.97	0.95	0.83
	Legacy Reserves L.P.	LGCY		25.85	0.83	1.11	0.96	0.92	0.90
	Vanguard Natural Resources, LLC	VNR		25.86	0.83	1.09	0.95	0.91	0.97
	Enerplus Corporation	ERF	CB	24.79	0.78	1.03	0.90	0.84	0.72
	<i>Median</i>			<i>0.83</i>	<i>1.11</i>	<i>0.96</i>	<i>0.95</i>	<i>0.93</i>	

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



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Range Resources Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q3	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/10	6/30/11	9/30/11	12/31/11	2011E	3/31/12	6/30/12	9/30/12	9/30/12
Volume									
Natural Gas (mmcf)	389	389	400	470	398	484	499	514	492
Oil (mbd)	18.9	19.9	20.0	23.4	20.2	24.1	24.8	25.6	24.5
Total (mmcf)	503	508	520	610	519	629	648	667	638
Price									
Henry Hub (\$/mmbtu)	4.38	4.32	4.19	3.98	4.15	4.31	4.31	4.41	4.25
Differential (\$/mmbtu)	0.76	0.61	0.29	0.28	0.46	0.30	0.30	0.31	0.29
Company (\$/mcf)	3.62	3.71	3.90	3.70	3.69	4.01	4.01	4.11	3.96
WTI Cushing (\$/bbl)	76.08	102.55	89.67	81.37	91.92	81.96	82.43	82.57	82.08
Differential	33.41	40.61	35.51	32.23	36.76	32.46	32.65	32.70	32.50
Company (\$/bbl)	42.67	61.93	54.16	49.14	55.17	49.50	49.79	49.87	49.58
Total (\$/bbl)	26.45	31.56	30.50	28.39	29.86	29.92	29.99	30.44	29.71
Revenue (\$mm)									
Natural Gas	130	131	144	160	536	177	182	194	713
Oil	74	112	100	106	407	109	112	117	444
Total	204	243	243	266	943	285	295	311	1,157
Expense									
Lease operating	34	30							-
Production taxes	9	8							-
General and administrative	37	27							-
Total	80	65	81	88	297	95	98	103	384
Ebitda	124	178	163	178	646	191	197	208	773
Exploration	15	31	31	31	120	31	31	31	124
Deprec., Deplet., & Amort.	92	78	78	78	306	78	78	78	312
Other	(46)	(28)	(28)	(16)	(122)	(7)	(2)	6	(19)
Ebit	63	97	81	85	342	88	90	93	356
Interest	34	31	31	31	118	31	31	31	124
Ebt	29	66	50	54	224	57	59	62	232
Income Tax	10	23	18	19	78	20	21	22	81
Net Income (\$mm)	19	43	33	35	146	37	38	40	151
Per Share (\$)	0.12	0.27	0.21	0.22	0.92	0.23	0.24	0.25	0.95
Shares (millions)	157	159	159	159	159	159	159	159	159
Ebitda Margin	61%	73%	67%	67%	69%	67%	67%	67%	67%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Whiting Petroleum Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q3	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/10	6/30/11	9/30/11	12/31/11	2011E	3/31/12	6/30/12	9/30/12	9/30/12
Volume									
Natural Gas (mmcf)	75	69	76	84	77	92	92	92	90
Oil (mbd)	54	53	58	64	57	66	68	70	67
Total (mbd)	66	64	71	78	70	81	83	85	82
Price									
Henry Hub (\$/mmbtu)	4.38	4.32	4.19	3.98	4.15	4.31	4.31	4.41	4.25
Differential (\$/mmbtu)	(0.62)	(0.62)	(0.61)	(0.57)	(0.66)	(0.62)	(0.62)	(0.64)	(0.62)
Company (\$/mcf)	5.00	4.94	4.80	4.55	4.81	4.94	4.94	5.05	4.88
WTI Cushing (\$/bbl)	76.08	102.55	89.67	81.37	91.92	81.96	82.43	82.57	82.08
Differential	9.06	10.05	8.79	7.97	10.25	8.03	8.08	8.09	8.03
Company (\$/bbl)	67.02	92.50	80.89	73.40	81.67	73.93	74.36	74.48	74.05
Total (\$/bbl)	60.04	81.21	71.53	65.12	71.98	65.58	66.13	66.54	65.86
Revenue (\$mm)									
Natural Gas	34	31	34	35	135	41	41	43	160
Oil	331	443	431	430	1,694	444	460	480	1,814
Total	365	474	464	465	1,829	485	501	522	1,974
Expense									
Lease operating	69	74							
Production taxes	26	34							
General and administrative	19	21							
Total	114	129	134	134	519	140	144	150	568
Ebitda	251	345	331	331	1,310	346	357	372	1,406
Exploration	11	20	20	20	82	20	20	20	80
Deprec., Deplet., & Amort.	98	110	110	110	438	110	110	110	440
Other	9	13			20				-
Ebit	133	202	201	201	770	216	227	242	886
Interest	15	15	15	15	59	15	15	15	60
Ebt	118	187	186	186	711	201	212	227	826
Income Tax	41	65	65	65	249	70	74	79	289
Net Income (\$mm)	77	121	121	121	462	130	138	148	537
Per Share (\$)	0.65	1.02	1.01	1.02	3.89	1.10	1.16	1.24	4.51
Shares (millions)	118	119	119	119	119	119	119	119	119
Ebitda Margin	69%	73%	71%	71%	72%	71%	71%	71%	71%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Cimarex Energy Company									
Next Twelve Months Operating and Financial Performance									
	Q3	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/10	6/30/11	9/30/11	12/31/11	2011E	3/31/12	6/30/12	9/30/12	9/30/12
Volume									
Natural Gas (mmcf)	353	325	334	344	333	344	355	355	350
Oil (mbd)	41.3	43.5	44.8	46.1	44.5	46.1	46.1	46.1	46.1
Total (mmcf)	600	586	603	621	600	621	632	632	626
Price									
Henry Hub (\$/mmbtu)	4.38	4.32	4.19	3.98	4.15	4.31	4.31	4.41	4.25
Company (\$/mcf)	4.48	4.75	4.61	4.38	4.55	4.75	4.75	4.86	4.68
WTI Cushing (\$/bbl)	76.08	102.55	89.67	81.37	91.92	81.96	82.43	82.57	82.08
Company (\$/bbl)	58.28	78.80	68.90	62.52	70.36	62.98	63.34	63.44	63.07
Total (\$/bbl)	39.83	50.91	46.05	42.42	46.46	43.85	43.76	44.18	43.55
Revenue (\$mm)									
Natural Gas	145	140	142	139	552	149	153	159	599
Oil	221	312	284	265	1,144	264	266	269	1,065
Total	366	452	426	404	1,696	413	419	428	1,664
Expense	99	122	119	113	473	116	117	120	466
Ebitda	267	330	307	291	1,223	298	302	308	1,199
Deprec., Deplet., & Amor	80	93	100	103	383	102	103	105	413
Other Non Cash	(11)	1			8				-
Ebit	198	236	207	188	832	196	198	204	786
Interest	-	-	-	-	-	-	-	-	-
Ebt	198	236	207	188	832	196	198	204	786
Income Tax	69	83	72	66	291	69	69	71	275
Net Income (\$mm)	129	153	134	122	541	127	129	132	511
Per Share (\$)	1.50	1.78	1.56	1.42	6.28	1.48	1.50	1.54	5.93
Shares (millions)	86	86	86	86	86	86	86	86	86
Ebitda Margin	73%	73%	72%	72%	72%	72%	72%	72%	72%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Linn Energy, LLC									
Next Twelve Months Operating and Financial Estimates									
	Q3	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/10	6/30/11	9/30/11	12/31/11	2011E	3/31/12	6/30/12	9/30/12	9/30/12
Volume									
Natural Gas (mmcf)	143	169	169	169	166	169	169	169	169
Oil (mbd)	23.5	31.5	31.5	31.5	30.1	31.5	31.5	31.5	31.5
Total (mbd)	47.3	59.7	59.7	59.7	57.8	59.7	59.7	59.7	59.7
Price									
Henry Hub (\$/mmbtu)	4.38	4.32	4.19	3.98	4.15	4.31	4.31	4.41	4.25
Differential (\$/mmbtu)	0.29	(0.29)	(0.28)	(0.27)	(0.36)	(0.29)	(0.29)	(0.30)	(0.29)
Company (\$/mcf)	4.09	4.61	4.48	4.25	4.51	4.61	4.61	4.71	4.54
WTI Cushing (\$/bbl)	76.08	102.55	89.67	81.37	91.92	81.96	82.43	82.57	82.08
Differential	18.90	21.78	19.04	17.28	19.47	17.41	17.51	17.54	17.43
Company (\$/bbl)	57.18	80.77	70.63	64.09	72.45	64.55	64.93	65.03	64.65
Total (\$/bbl)	40.75	55.70	49.97	45.87	50.68	47.13	47.33	47.69	47.00
Revenue (\$mm)									
Natural Gas	54	71	70	66	274	71	71	73	281
Oil	124	232	205	186	796	185	186	188	745
Total	177	302	274	252	1,069	256	257	262	1,026
Expense									
Lease operating	59	82							
General and administrative	24	32							
Total	83	114	116	107	436	109	109	111	436
Ebitda									
	94	188	158	145	633	147	148	151	591
Deprec., Deplet., & Amort.	62	79	88	88	321	87	87	88	349
Hedging and other	(76)	(35)	(63)	(86)	(234)	(82)	(81)	(76)	(324)
Ebit									
	109	145	133	143	546	142	142	139	566
Interest	53	62	62	62	249	62	62	62	248
Ebt									
	56	83	71	81	297	80	80	77	318
Income Tax									
Net Income (\$mm)									
	56	83	71	81	297	80	80	77	318
Per Unit (\$)	0.38	0.47	0.41	0.46	1.72	0.46	0.45	0.44	1.80
Units (millions)									
	147	176	176	176	173	176	176	176	176
Ebitda Margin	53%	62%	58%	58%	59%	58%	58%	58%	58%



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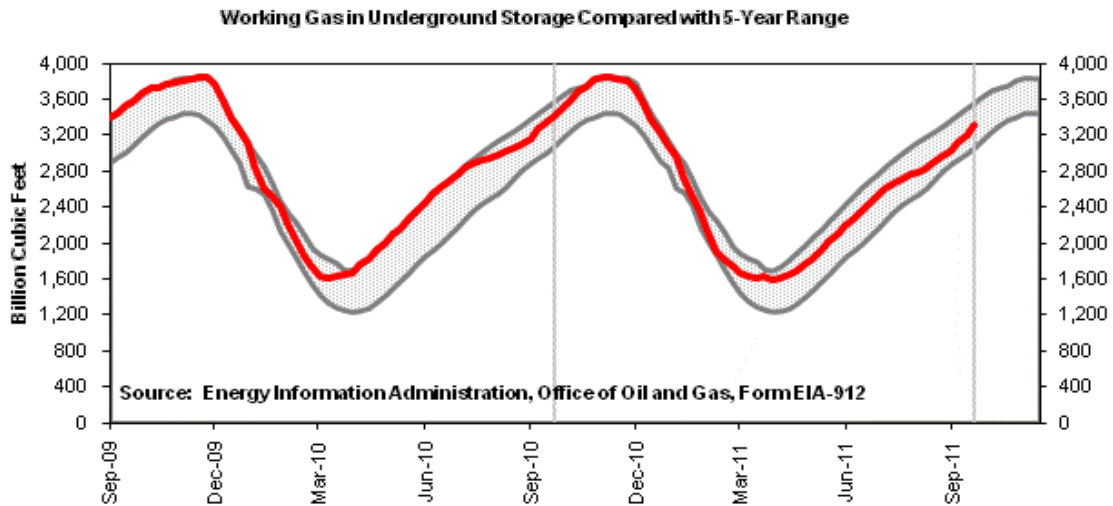
Legacy Reserves L.P.									
Next Twelve Months Operating and Financial Estimates									
	Q3	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/10	6/30/11	9/30/11	12/31/11	2011E	3/31/12	6/30/12	9/30/12	9/30/12
Volume									
Natural Gas (mmcf)	14.5	24.7	24.7	24.7	23.0	24.7	24.7	24.7	24.7
Oil (mbd)	7.3	9.2	9.2	9.2	9.0	9.2	9.2	9.2	9.2
Total (mbd)	9.7	13.4	13.4	13.4	12.9	13.4	13.4	13.4	13.4
Price									
Henry Hub (\$/mmbtu)	4.38	4.32	4.19	3.98	4.15	4.31	4.31	4.41	4.25
Differential (\$/mmbtu)	(1.02)	(2.15)	(2.09)	(1.98)	(2.00)	(2.15)	(2.15)	(2.20)	(2.12)
LGCY (\$/mcf)	5.40	6.47	6.29	5.96	6.15	6.46	6.47	6.62	6.38
WTI Cushing (\$/bbl)	76.08	102.55	89.67	81.37	91.92	81.96	82.43	82.57	82.08
Differential	9.08	9.47	8.28	7.51	8.87	7.57	7.61	7.62	7.58
LGCY (\$/bbl)	67.00	93.08	81.39	73.86	83.05	74.39	74.82	74.94	74.50
Total (\$/bbl)	58.42	76.36	67.93	62.12	69.31	63.42	63.72	64.08	63.34
Revenue (\$mm)									
Natural Gas	7	15	14	14	52	15	15	15	58
Oil	45	78	69	63	274	63	63	64	252
Total	52	93	84	76	325	77	77	79	310
Expense									
Lease operating	17	23							
Production taxes	3	6							
General and administrative	5	4							
Total	25	33	36	33	136	33	33	34	133
Ebitda	27	60	48	44	190	44	44	45	177
Deprec., Deplet., & Amort.	16	22	25	25	91	24	24	25	98
Hedging and other	(3)	(34)	(34)	(34)	(26)	(34)	(34)	(34)	(136)
Ebit	14	72	57	53	124	54	54	54	215
Interest	8	6	6	6	21	6	6	6	24
Ebt	6	66	51	47	103	48	48	48	191
Net Income (\$mm)	6	66	51	47	103	48	48	48	191
Per Unit (\$)	0.15	1.51	1.17	1.08	2.37	1.09	1.10	1.11	4.38
Units (millions)	40	44	44	44	44	44	44	44	44
Distribution (\$mm)	21	24	24	24	94	24	24	24	94
Per Unit (\$)	0.52	0.54	0.54	0.54	2.15	0.54	0.54	0.54	2.16
Ebitda Margin	52%	64%	57%	57%	58%	57%	57%	57%	57%



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