



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

May 4, 2012

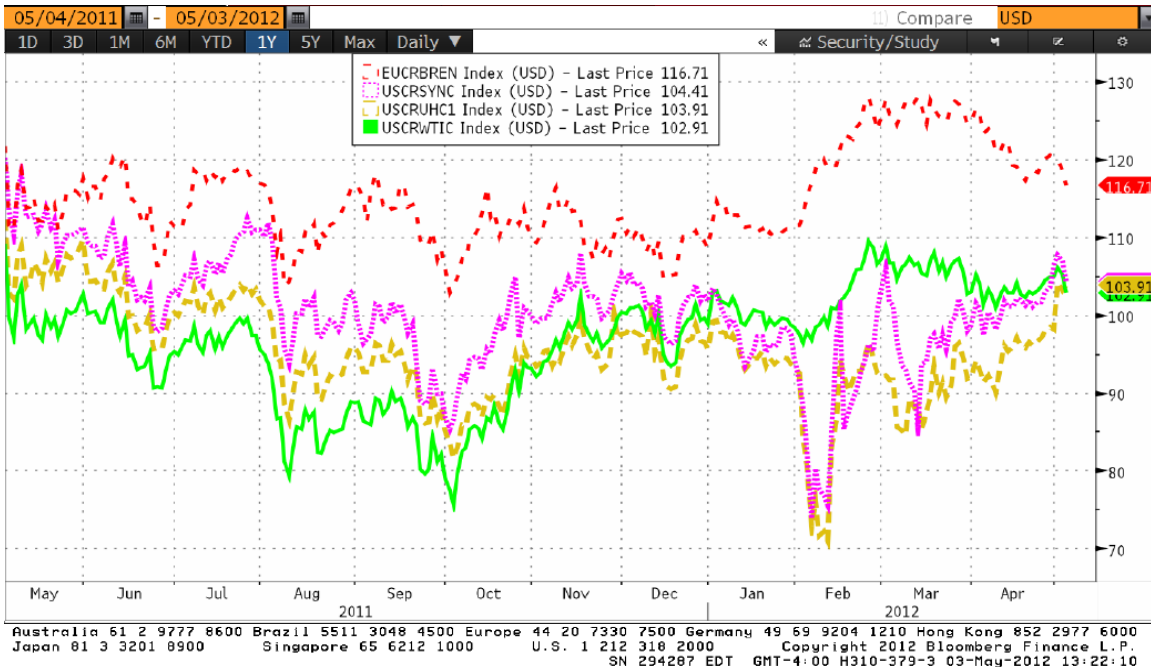
Whiting Petroleum (WLL – Buy) Oil Price Discount Narrows

<i>Symbol</i>	WLL	<i>Ebitda Next Twelve Months ending 3/31/13 (US\$m)</i>	1,768
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (\$/sh)</i>	53.28	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/3/12	<i>Adjusted Reserves/Production NTM</i>	9.7
<i>Shares (mm)</i>	119	<i>EV/Ebitda</i>	4.6
<i>Market Capitalization (\$mm)</i>	6,340	<i>PV/Ebitda</i>	7.0
<i>Debt (\$mm)</i>	1,870	<i>Undeveloped Reserves (%)</i>	31
<i>Enterprise Value (EV) (\$mm)</i>	8,210	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	58.50
<i>Present Value (PV) (\$mm)</i>	12,340	<i>Present Value Proven Reserves(\$/boe)</i>	35.70
<i>Net Present Value (\$/share)</i>	88	<i>Oil and Gas Ebitda Margin (%)</i>	71
<i>Debt/Present Value</i>	0.15	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.24
<i>McDep Ratio - EV/PV</i>	0.67	<i>Price/Earnings Next Twelve Months</i>	10
<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, \$6 a million btu.			

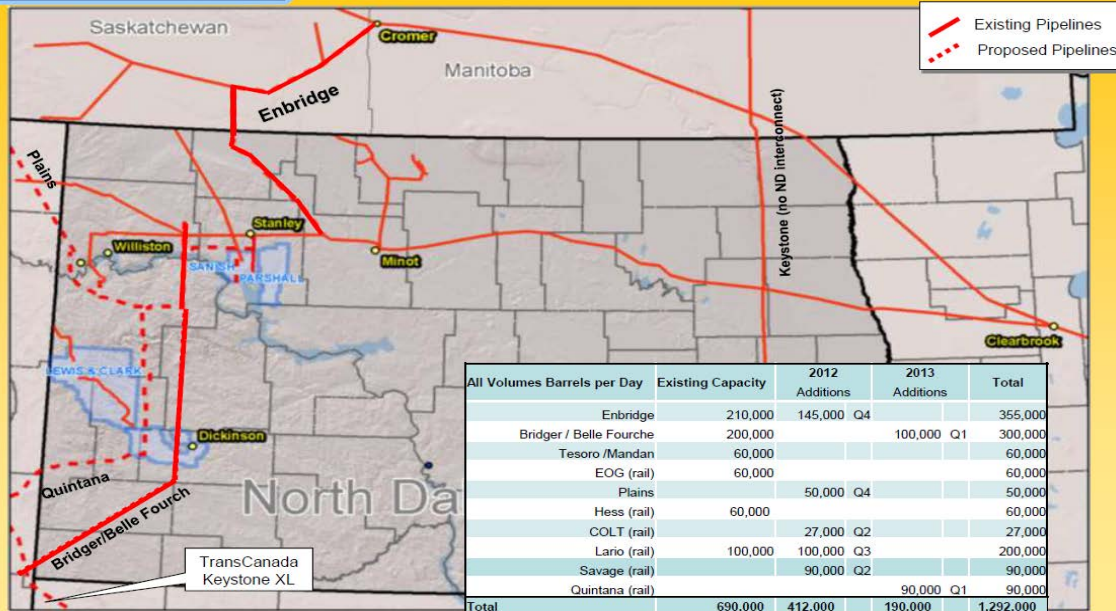
Summary and Recommendation

Buy-recommended **Whiting Petroleum (WLL)** may have overcome a steep oil price distortion induced in part by President Obama's blocking of the Keystone oil pipeline. After having dropped to a surprising 20% discount in February, light crude oil from North Dakota (USCRUHC1) and Canada (USCRSYNC) are again quoted at a premium to West Texas Intermediate crude oil priced in Oklahoma (USCRWTIC) (see graph from Bloomberg on page 2). Still to come, the North American oils eventually ought to reclaim their quality premium to the European Brent oil benchmark (EUCRBREN). Political obstruction has spurred the industry to come up with numerous alternatives. Whiting management, on its April 26 quarterly earnings call, highlighted the combined impact of two pipeline and three rail projects that would expand capacity to move North Dakota oil by two thirds in 2012 (see slide [Williston Basin Off-Take Expansion](#) on page 2). Whiting would also benefit indirectly from creative Canadian efforts to move oil from the land-locked interior of North America to the coast (see slide [Market Access](#) on page 3). Meanwhile, Whiting's 16% boost in oil production in the first quarter over the fourth supports estimated Net Present Value (NPV) of \$88 a share (see tables [Functional Cash Flow and Present Value](#) on page 3 and [Next Twelve Months Operating and Financial Estimates](#) on page 4). Looking ahead, we think further gains are likely for a leading company in the Bakken shale and related tight formation oil that has vaulted North Dakota past California as the third largest oil producing state. Within months dynamic, low-tax North Dakota may overtake decaying, high-tax Alaska for number two rank in crude oil production.

Kurt H. Wulff, CFA

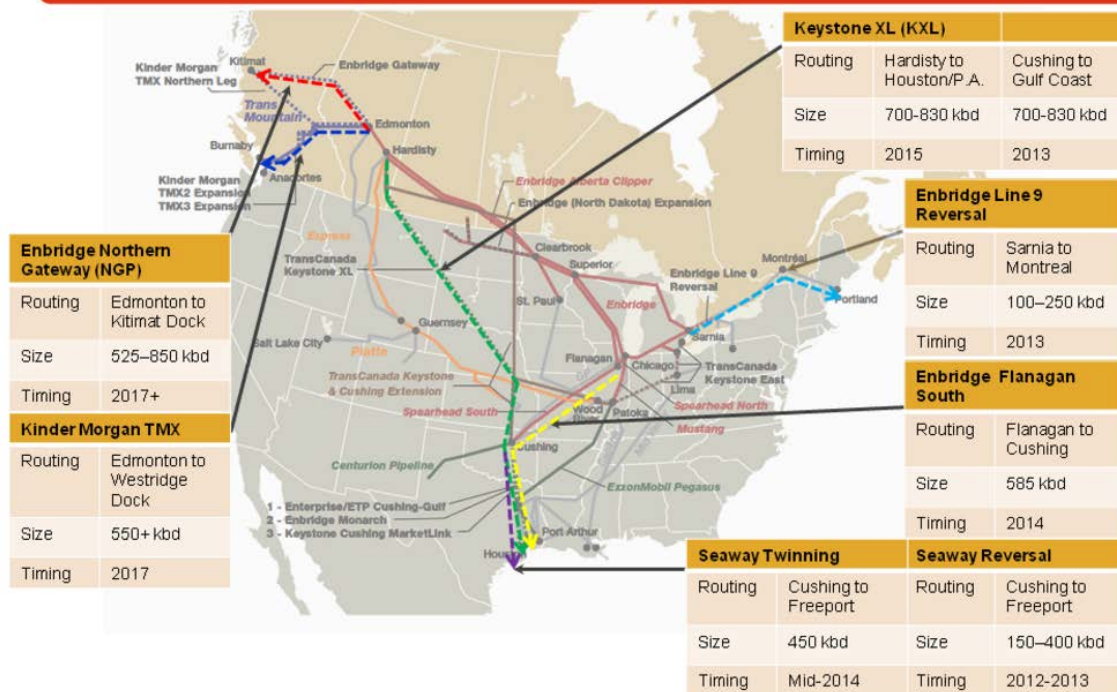


Williston Basin Off-Take Expansion ⁽¹⁾



(1) Projected additions based on publicly available information.

Market access



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	64	9.4	15.6	1,000	8%
Oil	1,704	9.7	6.7	11,340	92%
	1,768	9.7	7.0	12,340	100%
Debt (US\$mm)					1,870
Net Present Value (US\$mm)					10,470
Shares (mm)					119
Net Present Value - Standard Estimate (US\$/sh)					88
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					86



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Whiting Petroleum Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q1		Q4	Year	Q1	Q2E	Q3E	Year	Q1E	Next Twelve Months
	3/31/11	12/31/11	2011	3/31/12	6/30/12	9/30/12	2012E	3/31/13	3/31/13	
Volume										
Natural Gas (mmcf)	78	69	72	73	73	73	73	73	73	
Days	90	92	365	91	91	92	366	90	365	
Oil (mmb)	4.8	5.5	20	6.2	6.2	6.4	26	6.6	26	
Oil (mbd)	53	59	56	69	69	70	70	73	71	
Total (mb)	5.9	6.5	24.8	7.3	7.3	7.6	29.9	7.6	30	
Total (mbd)	66	71	68	81	81	82	82	85	83	
Price										
Henry Hub (\$/mmbtu)	4.11	3.55	4.04	2.73	2.25	2.46	2.58	3.34	2.73	
Differential (\$/mmbtu)	(0.89)	(1.17)	(0.88)	(0.70)	(0.58)	(0.63)	(0.66)	(0.86)	(0.70)	
Company (\$/mcf)	5.00	4.72	4.92	3.43	2.83	3.08	3.24	4.19	3.43	
WTI Cushing (\$/bbl)	94.10	94.06	95.12	102.93	104.32	105.45	104.62	105.77	105.33	
Differential	12.26	9.20	10.20	17.13	12.00	12.13	13.31	12.17	12.11	
Company (\$/bbl)	81.84	84.86	84.92	85.80	92.32	93.32	91.31	93.60	93.22	
Total (\$/bbl)	71.65	75.67	75.07	76.03	81.03	82.30	80.68	83.85	82.61	
Revenue (\$mm)										
Natural Gas	35	30	130	23	19	21	86	27	91	
Oil	390	462	1,731	536	577	601	2,329	614	2,407	
Total	425	492	1,861	559	595	622	2,415	641	2,497	
Expense										
Lease operating	72	83	307	95						
Production taxes	32	39	140	45						
General and administrative	18	23	85	34						
Total	122	145	532	174	174	182	716	187	729	
Ebitda	303	347	1,329	385	422	440	1,699	454	1,768	
Exploration	22	23	84	28	28	28	112	28	112	
Deprec., Deplet., & Amort.	108	127	468	156	156	156	624	156	624	
Other	7	(12)	9	(6)			(6)		-	
Ebit	166	209	767	207	238	256	969	270	1,032	
Interest	14	17	62	18	18	18	72	18	72	
Ebt	152	192	705	189	220	238	897	252	960	
Income Tax	53	67	247	66	77	83	314	88	336	
Net Income (\$mm)	99	125	459	123	143	155	583	164	624	
Per Share (\$)	0.84	1.05	3.86	1.03	1.20	1.30	4.90	1.38	5.24	
Shares (millions)	118	119	119	119	119	119	119	119	119	
Ebitda Margin	71%	71%	71%	69%	71%	71%	70%	71%	71%	
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(%)			
Symbol/Rating		(US\$/sh)	EV/	Market	Value	Nat	Oil	Ebitda	NTM	Yield	McDep
B = Buy	3-May	2012	Cap	(\$mm)	Gas		NTM	(\$/un)	(%)	Ratio	
CB (see below)											
Small Cap Independent Producers											
Range Resources	RRC	B	64.67	1.26	13,040	70	30	15.9	0.16	0.2	0.94
PDC Energy	PETD		32.58	1.63	1,250	54	46	7.2	-	-	0.88
Peyto Exploration and Development	PEYUF		17.24	1.21	2,790	75	25	9.5	0.73	4.2	0.76
Berry Petroleum Company	BRY		44.20	1.65	3,980	14	86	5.7	0.32	0.7	0.74
Denbury Resources Inc.	DNR		17.92	1.40	9,780	6	94	5.5	-	-	0.71
Whiting Petroleum Corporation	WLL	B	53.28	1.29	8,210	8	92	4.6	-	-	0.67
Cimarex Energy Company	XEC	CB	64.73	1.19	6,610	41	59	5.3	0.48	0.7	0.63
Birchcliff Energy Ltd.	BIREF	CB	6.84	1.37	1,380	60	40	9.0	-	-	0.51
<i>Total or Median</i>					47,000			6.4			0.73
Top Line Cash Payers											
Permian Basin RT	PBT		20.13	1.00	940	37	63		1.43	7.1	1.01
Cross Timbers Royalty Trust	CRT		40.20	1.00	240	70	30		2.55	6.4	0.91
Freehold Royalties Ltd.	FRHLF		19.09	1.04	1,280	16	84		1.69	8.9	0.91
Dorchester Minerals, L.P.	DMLP	CB	23.60	1.00	720	57	43		1.95	8.3	0.87
Sabine Royalty Trust	SBR		56.80	1.00	830	55	45		3.77	6.6	0.87
<i>Total or Median</i>					4,000					7.1	0.91
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		39.95	1.61	12,430	40	60	11.6	2.90	7.3	1.18
Vanguard Natural Resources, LLC	VNR		28.40	1.46	2,180	27	74	9.7	2.37	8.3	1.09
Enduro Royalty Trust (40%)	NDRO		20.21	1.00	270	42	58	7.3	1.75	8.7	0.96
Legacy Reserves L.P.	LGCY		28.45	1.36	1,840	23	77	7.9	2.22	7.8	0.96
Mesa Royalty Trust	MTR		34.60	1.00	64	75	25	11.4	2.58	7.5	0.86
San Juan Basin Royalty Trust	SJT	CB	17.18	1.00	800	100	-	15.8	0.69	4.0	0.82
Hugoton Royalty Trust	HGT		13.57	1.00	540	88	12	16.6	0.68	5.0	0.80
Enerplus Corporation	ERF	CB	18.17	1.41	5,000	28	72	5.8	2.18	12.0	0.77
<i>Total or Median</i>					23,100			10.6		7.6	0.91
Composite											
<i>Enterprise Value Weighting</i>					74,200	37	63				0.81
<i>Equal Weighting</i>						47	53				0.85
<i>Equal Weighted Buys</i>						44	56				0.74

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, 2013. 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)		Market	Net		
	Symbol/ Rating		3-May 2012	Shares (mm)	Cap (\$mm)	Present Value (\$/un)	Debt/ Present Value	McDep Ratio
Small Cap Independent Producers								
Range Resources	RRC	B	64.67	160.0	10,350	70.00	0.19	0.94
PDC Energy	PETD		32.58	23.6	770	40.00	0.34	0.88
Peyto Exploration and Development Cor	PEYUF		17.24	133.9	2,310	24.00	0.13	0.76
Berry Petroleum Company	BRY		44.20	54.7	2,420	70.00	0.29	0.74
Denbury Resources Inc.	DNR		17.92	391.0	7,010	28.00	0.20	0.71
Whiting Petroleum Corporation	WLL	B	53.28	119.0	6,340	88.00	0.15	0.67
Cimarex Energy Company	XEC	CB	64.73	86.1	5,570	110.00	0.10	0.63
Birchcliff Energy Ltd.	BIREF	CB	6.84	147.0	1,010	16.00	0.14	0.51
<i>Total or Median</i>					35,780		0.17	0.73
Top Line Cash Payers								
Permian Basin RT	PBT		20.13	46.6	940	20.00	-	1.01
Cross Timbers Royalty Trust	CRT		40.20	6.0	240	44.00	-	0.91
Freehold Royalties Ltd.	FRHLF		19.09	64.8	1,240	21.00	0.03	0.91
Dorchester Minerals, L.P.	DMLP	CB	23.60	30.7	720	27.00	-	0.87
Sabine Royalty Trust	SBR		56.80	14.6	830	65.00	-	0.87
<i>Total or Median</i>					3,970			0.91
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		39.95	193.0	7,710	30.00	0.45	1.18
Vanguard Natural Resources, LLC	VNR		28.40	52.5	1,490	25.00	0.34	1.09
Enduro Royalty Trust (40%)	NDRO		20.21	13.2	270	21.00	-	0.96
Legacy Reserves L.P.	LGCY		28.45	47.5	1,350	30.00	0.26	0.96
Mesa Royalty Trust	MTR		34.60	1.9	64	40.00	-	0.86
San Juan Basin Royalty Trust	SJT	CB	17.18	46.6	800	21.00	-	0.82
Hugoton Royalty Trust	HGT		13.57	40.0	540	17.00	-	0.80
Enerplus Corporation	ERF	CB	18.17	196.0	3,560	26.00	0.22	0.77
<i>Total or Median</i>					15,780			0.91
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.								



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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		3-May 2012	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	64.67		-	14.5	16.9	15.9
Peyto Exploration and Development Corp	PEYUF		17.24		0.38	109.9	12.6	9.5
Birchcliff Energy Ltd.	BIREF	CB	6.84		-	23.7	17.7	9.0
PDC Energy	PETD		32.58		-	8.1	8.2	7.2
Berry Petroleum Company	BRY		44.20		-	12.2	7.7	5.7
Denbury Resources Inc.	DNR		17.92		-	13.3	7.7	5.5
Cimarex Energy Company	XEC	CB	64.73		-	8.2	8.4	5.3
Whiting Petroleum Corporation	WLL	B	53.28		-	9.7	7.0	4.6
	<i>Median</i>					12.7	8.3	6.4
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		40.20	78	0.96	16.3	16.6	15.1
Sabine Royalty Trust	SBR		56.80	100	1.00	8.2	17.3	15.1
Permian Basin RT	PBT		20.13	32	0.92	9.7	12.8	12.9
Dorchester Minerals, L.P.	DMLP	CB	23.60	77	1.00	6.1	13.8	12.1
Freehold Royalties Ltd.	FRHLF		19.09	71	0.75	5.9	9.2	8.4
	<i>Median</i>					8.2	13.8	12.9
Bottom Line Cash Payers								
Hugoton Royalty Trust	HGT		13.57		0.83	13.2	20.7	16.6
San Juan Basin Royalty Trust	SJT	CB	17.18		0.64	8.8	19.3	15.8
Linn Energy, LLC	LINE		39.95		0.95	14.5	9.8	11.6
Mesa Royalty Trust	MTR		34.60		0.86	7.5	13.3	11.4
Vanguard Natural Resources, LLC	VNR		28.40		0.85	13.6	8.9	9.7
Legacy Reserves L.P.	LGCY		28.45		0.61	11.3	8.2	7.9
Enduro Royalty Trust (40%)	NDRO		20.21		0.63	5.2	7.5	7.3
Enerplus Corporation	ERF	CB	18.17		0.63	6.5	7.5	5.8
	<i>Median</i>					10.1	9.4	10.6
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, 2013; 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		3-May 2012	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
Small Cap Independent Producers									
	Whiting Petroleum Corporation	WLL	B	53.28	0.81	1.55	0.96	1.06	0.67
	Denbury Resources Inc.	DNR		17.92	0.85	1.45	0.96	1.05	0.71
	PDC Energy	PEID		32.58	0.87	1.49	0.95	1.03	0.88
	Range Resources	RRC	B	64.67	0.87	1.21	1.05	1.02	0.94
	Berry Petroleum Company	BRY		44.20	0.81	1.23	0.94	0.98	0.74
	Cimarex Energy Company	XEC	CB	64.73	0.64	1.22	0.88	0.96	0.63
	Peyto Exploration and Development C	PEYUF		17.24	0.71	1.15	1.01	0.86	0.76
	Birchcliff Energy Ltd.	BIREF	CB	6.84	0.52	1.13	0.85	0.65	0.51
	<i>Median</i>				<i>0.81</i>	<i>1.23</i>	<i>0.96</i>	<i>1.00</i>	<i>0.73</i>
Top Line Cash Payers									
	Freehold Royalties Ltd.	FRHLF		19.09	0.82	1.38	0.97	1.00	0.91
	Dorchester Minerals, L.P.	DMLP	CB	23.60	0.82	1.13	0.96	0.98	0.87
	Permian Basin RT	PBT		20.13	0.86	1.12	0.91	0.95	1.01
	Sabine Royalty Trust	SBR		56.80	0.82	1.20	0.93	0.90	0.87
	Cross Timbers Royalty Trust	CRT		40.20	0.79	1.11	0.93	0.88	0.91
	<i>Median</i>				<i>0.82</i>	<i>1.13</i>	<i>0.93</i>	<i>0.95</i>	<i>0.91</i>
Bottom Line Cash Payers									
	Linn Energy, LLC	LINE		39.95	0.98	1.16	1.02	1.04	1.18
	Vanguard Natural Resources, LLC	VNR		28.40	0.90	1.19	1.01	1.02	1.09
	Legacy Reserves L.P.	LGCY		28.45	0.91	1.20	0.99	1.01	0.96
	Mesa RoyaltyTrust	MTR		34.60	0.69	1.17	0.88	0.81	0.86
	San Juan Basin Royalty Trust	SJT	CB	17.18	0.67	1.09	0.93	0.79	0.82
	Enerplus Corporation	ERF	CB	18.17	0.64	1.03	0.88	0.79	0.77
	Hugoton RoyaltyTrust	HGT		13.57	0.57	1.10	0.95	0.72	0.80
	<i>Median</i>				<i>0.69</i>	<i>1.16</i>	<i>0.95</i>	<i>0.81</i>	<i>0.86</i>

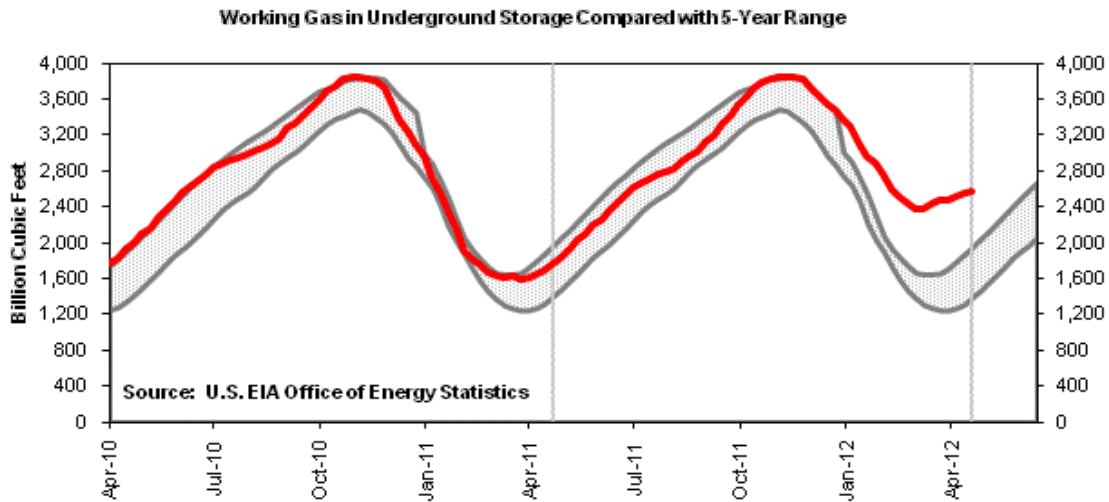
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.



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