



# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 20, 2009

## Small Cap Independent Producers Rising

### Summary and Recommendation

Up from depressed levels, Canadian producer **Birchcliff Energy (BIR.TO)**, hold-rated **Berry Petroleum (BRY)**, hold-rated **Encore Acquisition (EAC)** and buy-recommended **Cimarex Energy (XEC)** are getting some momentum going in the stock market. Birchcliff and Berry are trading above the 50-day average stock price while Encore and Cimarex are trading at narrowing discounts to the 50-day average. A recent price trend reversal for oil and possibly for natural gas is especially welcome as each of the companies is actively developing new energy supply. Cimarex offers low financial risk and strong natural gas appreciation potential. Encore has moderate financial risk and Berry higher financial risk while both hold undervalued long-life oil reserves. Birchcliff has built an extensive inventory of undeveloped natural gas acreage in Alberta that may ultimately be attractive to a larger company. We discuss the investment appeal of the four stocks using the framework of our weekly valuation tables (see tables on pages 3 through 5). With BIR's release on March 19, we have 2008 reserves and operating performance for each company that we use to make updated estimates of cash flow and to confirm Net Present Value (NPV) (see tables on pages 6 through 9).

### Cimarex has Lowest Financial Risk

We use both a market sensitive measure of financial risk and our own estimate related to present Value. On the market sensitive measure, Enterprise Value (EV)/Market Cap, both Cimarex and Birchcliff have moderate leverage (see Table 1). On our own estimate, Debt/Present Value, the same two stocks have moderate leverage (see Table 2).

Normally, leverage simply magnifies the gains and setbacks. We neutralize for that effect by recommending that portfolio weights be judged by Enterprise Value rather than by Market Cap. On EV, Berry is twice the size of Birchcliff (see Table 1). Yet on Market Cap, Berry is half the size of Birchcliff (see Table 2). Since most investors readily know the Market Cap of portfolio positions we suggest multiplying Market Cap times the ratio EV/Market Cap to get Enterprise Value (see EV/Market Cap ratios in Table 1).

### Berry Overcomes Nonlinear Risk

When debt gets too high, a company may incur risk beyond normal leverage. That has happened for Berry as its last acquisition proved in hindsight not to be well timed. As a result, the company has recently sold other property for less than normal value in order to apply the proceeds to reduce debt. In its 100-year history the company has survived other volatile periods only to rebound and advance to new highs on the strength of its valuable, long-life oil reserves. We are optimistic the stock can do that again.



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## **Cimarex and Birchcliff are Natural Gas Oriented**

We want to overweight natural gas on a long term basis because consumption of the clean fuel is growing faster globally than refined products from crude oil. Because our large cap buy recommendations are usually more concentrated on oil we look for natural gas where we can find it including among income and small cap stocks. Natural gas concentration is an important reason for our buy emphasis on Cimarex (see Table 1). Natural gas also makes Birchcliff more unusual among Canadian stocks because Canada's largest growth potential is in oil sands.

## **Cimarex has Lowest McDep Ratio**

Summarizing our valuation analysis, the McDep Ratio may be the most important number in our tables. The ratios are unusually low for most of the stocks (see Table 1 and Table 2). Cimarex's McDep Ratio of 0.46 implies unlevered appreciation, or appreciation in Enterprise Value, of 117% to a McDep Ratio of 1.0.

The single most important number behind the McDep Ratio is Net Present Value (NPV) (see Table 2). The McDep Ratio essentially converts the levered value comparison of stock price to NPV to an unlevered measure independent of the amount of debt a company may be obligated to repay. Estimated NPV normally changes only when we change our estimates of long-term oil and natural gas prices. During the turmoil in the stock market and rapidly changing near-term cash flow expectations, the steady NPV estimates help us keep perspective.

## **Encore and Berry have Long-Life Reserves**

The ratio of Adjusted Reserves/Production credits both Encore and Berry with long, twelve year life index (see Table 3). Unlevered cash flow multiple, PV/Ebitda or EV/Ebitda, tends to vary with reserve life. A higher estimated PV for Berry's long life than for Encore's shows up in a higher unlevered multiple, PV/Ebitda. We would justify that in part to a delay in the realizing of unproven potential in Encore's largest field as it shifts its tertiary recovery focus to carbon dioxide injection from high pressure air that did not work as well as hoped. Yet, the market unlevered multiple is nearly the same for the two stocks.

## **Birchcliff has Resource Upside**

Birchcliff's major unproven potential in the Montney/Doig natural gas formation contributes to the higher multiple for our estimate (PV/Ebitda) and to the higher multiple for current market (EV/Ebitda). Unproven potential accounts for about 42% of Present Value. In a bull market, unproven values can be a source of great appreciation while in a bear market unproven values may be difficult to realize as the volatility in Birchcliff stock has demonstrated.

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Table 1											
McDep Income and Small Cap Energy Portfolio											
Debt, Business Segments and Income Yield											
						Present Value					
		Price				by Segment (%)					
	Symbol/Rating	(US\$/sh)	EV/	Enterprise	NAmer.		Dist.	Dist.			
	B = Buy	19-Mar	Market	Value	Natural	Oil	NTM	Yield	McDep		
	H = Hold	2009	Cap	(\$mm)	Gas	Prod'n	(\$/un)	(%)	Ratio		
<b>Canadian Income Trusts (US\$)</b>											
	Penn West Energy Trust	PWE	H	10.35	1.83	7,800	30	70	2.23	21.6	0.56
	Pengrowth Energy Trust	PGH		6.12	2.04	3,200	35	65	0.97	15.9	0.56
	Canadian Oil Sands Trust	COSWF	B	20.41	1.11	10,900		100	0.47	2.3	0.51
	Enerplus Resources Fund	ERF		17.25	1.27	3,600	56	44	1.75	10.1	0.45
	<i>Total or Median</i>					25,500					
<b>Small Cap Independent Producers</b>											
	Encore Acquisition Company	EAC	H	23.98	1.90	2,390	26	74	-	-	0.69
	Birchcliff Energy Ltd. (US\$)	BIR.TO		5.10	1.35	840	72	28	-	-	0.58
	Berry Petroleum Company	BRY	H	9.46	3.56	1,530	36	64	0.30	3.2	0.53
	Cimarex Energy Company	XEC	B	19.90	1.52	2,520	66	34	0.24	1.2	0.46
	<i>Total or Median</i>					7,280					
<b>U.S. Royalty Trusts</b>											
	Sabine Royalty Trust	SBR		34.75	1.00	510	54	46	2.55	7.3	0.74
	Permian Basin RT	PBT		10.21	1.00	480	33	67	0.85	8.3	0.54
	San Juan Basin Royalty Trust	SJT	H	15.88	1.00	740	100	-	1.15	7.2	0.47
	Cross Timbers Royalty Trust	CRT		18.52	1.00	110	76	24	2.09	11.3	0.44
	Mesa RoyaltyTrust	MTR		26.75	1.00	50	75	25	2.77	10.3	0.40
	Hugoton RoyaltyTrust	HGT	B	9.97	1.00	400	91	9	0.80	8.1	0.36
	<i>Total or Median</i>					2,290					
<b>U.S. Master Limited Partnerships (MLPs)</b>											
	Linn Energy, LLC	LINE		15.00	2.02	3,460	48	52	2.52	16.8	1.03
	Encore Energy Partners, L.P. (ENP)			16.32	1.23	210	34	66	2.00	12.3	0.97
	Dorchester Minerals, L.P. (DMLP)			17.89	1.00	510	68	32	1.37	7.6	0.75
	<i>Total or Median</i>					4,180					
<b>Composite (excl COSWF)</b>											
	<i>Enterprise Value Weighting</i>					28,400	44	56			0.57
	<i>Equal Weighting</i>						56	44			0.60
	<i>Equal Weighted Buys</i>						69	31			0.41
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.											
* Percentages in Price column refer to equal weighted buys.											



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Table 2								
Oil and Gas Income and Small Cap Stocks								
Net Present Value and McDep Ratio								
			Price (\$/sh)		Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		19-Mar 2009	Shares (mm)				
<b>Canadian Income Trusts (US\$)</b>								
Penn West Energy Trust	PWE	H	10.35	410.0	4,240	25.00	0.26	0.56
Pengrowth Energy Trust	PGH		6.12	255.5	1,560	16.00	0.28	0.56
Canadian Oil Sands Trust	COSWF	B	20.41	482.0	9,840	42.00	0.05	0.51
Enerplus Resources Fund	ERF		17.25	165.3	2,850	44.00	0.10	0.45
<i>Total or Median</i>					18,500		0.18	0.53
<b>Small Cap Independent Producers</b>								
Encore Acquisition Company	EAC	H	23.98	52.6	1,260	44.00	0.33	0.69
Birchcliff Energy Ltd. (US\$)	BIR.TO		5.10	122.0	620	10.00	0.15	0.58
Berry Petroleum Company	BRY	H	9.46	45.2	430	40.00	0.38	0.53
Cimarex Energy Company	XEC	B	19.90	83.2	1,660	55.00	0.16	0.46
<i>Total or Median</i>					3,970		0.24	0.55
<b>U.S. Royalty Trusts</b>								
Sabine Royalty Trust	SBR		34.75	14.6	510	47.00	-	0.74
Permian Basin RT	PBT		10.21	46.6	480	19.00	-	0.54
San Juan Basin Royalty Trust	SJT	H	15.88	46.6	740	34.00	-	0.47
Cross Timbers Royalty Trust	CRT		18.52	6.0	110	42.00	-	0.44
Mesa RoyaltyTrust	MTR		26.75	1.9	50	67.00	-	0.40
Hugoton RoyaltyTrust	HGT	B	9.97	40.0	400	28.00	-	0.36
<i>Total or Median</i>					2,290			0.45
<b>U.S. Master Limited Partnerships (MLPs)</b>								
Linn Energy, LLC	LINE		15.00	114.0	1,710	14.00	0.52	1.03
Encore Energy Partners, L.P. (32%)	ENP		16.32	10.6	170	17.00	0.18	0.97
Dorchester Minerals, L.P.	DMLP		17.89	28.2	510	24.00	-	0.75
<i>Total or Median</i>					2,390		0.18	0.97
B = Buy, H = Hold								
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 \$10 a million btu for natural gas.								



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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		19-Mar 2009	Royalty (%)	Ebitda	NTM	NTM	NTM
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	B	20.41		0.25	23.3	22.5	11.5
Pengrowth Energy Trust	PGH		6.12		0.97	7.8	16.0	8.9
Penn West Energy Trust	PWE	H	10.35		1.11	8.2	12.4	7.0
Enerplus Resources Fund	ERF		17.25		0.53	8.9	13.3	6.0
	<i>Median</i>					8.5	14.6	8.0
<b>Small Cap Independent Producers</b>								
Birchcliff Energy Ltd. (US\$)	BIR.TO		5.10		-	9.5	21.3	12.4
Encore Acquisition Company	EAC	H	23.98		-	12.0	12.6	8.7
Berry Petroleum Company	BRV	H	9.46		-	11.8	16.4	8.6
Cimarex Energy Company	XEC	B	19.90		-	7.3	10.0	4.6
	<i>Median</i>					10.7	14.5	8.7
<b>U.S. Royalty Trusts</b>								
Sabine Royalty Trust	SBR		34.75	100	1.00	9.6	18.4	13.6
San Juan Basin Royalty Trust	SJT	H	15.88		0.79	8.9	23.4	10.9
Permian Basin RT	PBT		10.21	32	0.86	10.4	19.2	10.3
Hugoton RoyaltyTrust	HGT	B	9.97		0.68	12.1	23.8	8.5
Mesa RoyaltyTrust	MTR		26.75		0.87	22.6	21.1	8.5
Cross Timbers Royalty Trust	CRT		18.52	84	0.94	12.2	18.8	8.3
	<i>Median</i>					11.3	20.2	9.4
<b>U.S. Master Limited Partnerships (MLPs)</b>								
Linn Energy, LLC	LINE		15.00		5.16	17.7	28.7	29.6
Encore Energy Partners, L.P.	ENP		16.32		1.76	10.9	15.0	14.4
Dorchester Minerals, L.P.	DMLP		17.89	64	0.95	8.2	16.6	12.4
	<i>Median</i>					10.9	16.6	14.4
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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Berry Petroleum Company									
Next Twelve Months Operating and Financial Estimates									
									Next
	Q1	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Twelve
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	Months
									3/31/10
<b>Volume</b>									
Natural Gas (mmcf)	49.1	96	<b>70</b>	91	69	67	65	<b>73</b>	<b>67</b>
Days	91	92	<b>366</b>	90	91	92	92	<b>365</b>	<b>365</b>
Oil (mbd)	19.89	19.7	<b>20.3</b>	18.7	17.7	17.2	16.7	<b>17.6</b>	<b>17.1</b>
Total (mb)	2,554	3,274	<b>11,700</b>	3,042	2,663	2,611	2,533	<b>10,850</b>	<b>10,286</b>
Total (mbd)	28.1	35.6	<b>32.0</b>	33.8	29.3	28.4	27.5	<b>29.7</b>	<b>28.2</b>
<b>Price</b>									
Henry Hub (\$/mmbtu)	8.02	6.95	<b>9.04</b>	4.90	3.95	4.27	4.96	<b>4.52</b>	<b>4.73</b>
Differential (\$/mmbtu)	0.47	2.67	<b>2.17</b>	1.88	0.95	1.03	1.19	<b>1.29</b>	<b>1.15</b>
Company (\$/mcf)	7.55	4.28	<b>6.87</b>	3.01	3.00	3.25	3.77	<b>3.23</b>	<b>3.58</b>
WTI Cushing (\$/bbl)	97.94	58.45	<b>99.59</b>	42.32	48.17	50.67	52.59	<b>48.44</b>	<b>51.42</b>
Differential	15.36	9.61	<b>14.10</b>	6.64	6.84	6.81	8.64	<b>7.34</b>	<b>7.74</b>
Company	82.58	48.84	<b>85.49</b>	35.68	41.33	43.86	43.94	<b>41.10</b>	<b>43.68</b>
Total (\$/bbl)	71.71	38.47	<b>69.36</b>	27.80	32.14	34.26	35.55	<b>32.23</b>	<b>34.94</b>
<b>Revenue (\$mm)</b>									
Natural Gas	34	38	<b>175</b>	25	19	20	23	<b>86</b>	<b>87</b>
Oil	149	88	<b>636</b>	60	67	69	67	<b>264</b>	<b>272</b>
Other, incl hedge	(19)	14	<b>(115)</b>					<b>-</b>	<b>-</b>
Total	164	140	<b>697</b>	85	86	89	90	<b>350</b>	<b>359</b>
<b>Expense</b>									
Lease operating	48	54	<b>230</b>	40	35	34	33	<b>141</b>	<b>134</b>
General and administrative	11	18	<b>55</b>	12	12	12	12	<b>49</b>	<b>49</b>
Total	59	72	<b>285</b>	52	47	46	45	<b>190</b>	<b>182</b>
<b>Ebitda</b>									
Exploration	4	3	<b>12</b>	3	3	3	3	<b>12</b>	<b>12</b>
Deprec., Deplet., & Amort.	28	42	<b>141</b>	46	40	39	38	<b>163</b>	<b>154</b>
Other, incl hedge	3	(7)	<b>(11)</b>					<b>-</b>	<b>-</b>
<b>Ebit</b>									
Interest	70	30	<b>271</b>	(16)	(4)	1	4	<b>(15)</b>	<b>11</b>
<b>Ebt</b>									
Income Tax	4	10	<b>27</b>	10	10	11	14	<b>45</b>	<b>49</b>
<b>Net Income (\$mm)</b>									
Per Share (\$)	66	20	<b>244</b>	(26)	(14)	(10)	(10)	<b>(60)</b>	<b>(38)</b>
Income Tax	23	7	<b>85</b>	(9)	(5)	(3)	(4)	<b>(21)</b>	<b>(13)</b>
<b>Net Income (\$mm)</b>									
Per Share (\$)	43	13	<b>159</b>	(17)	(9)	(6)	(7)	<b>(39)</b>	<b>(25)</b>
<b>Shares (millions)</b>									
Lease operating (\$/bbl)	45	45	<b>45</b>	45	45	45	45	<b>45</b>	<b>45</b>
General and admin (\$/bbl)	18.64	16.50	<b>19.66</b>	13.00	13.00	13.00	13.00	<b>13.00</b>	<b>13.00</b>
Deprec., D, & A (\$/bbl)	4.46	5.50	<b>4.71</b>	4.00	4.57	4.66	4.80	<b>4.49</b>	<b>4.72</b>
Ebitda Margin	10.88	12.83	<b>12.01</b>	15.00	15.00	15.00	15.00	<b>15.00</b>	<b>15.00</b>
Ebitda Margin	64%	49%	<b>59%</b>	39%	45%	48%	50%	<b>46%</b>	<b>49%</b>
Tax rate	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>



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<b>Birchcliff Energy Ltd.</b>									
<b>Next Twelve Months Operating and Financial Estimates</b>									
<b>(Canadian Dollars)</b>									
									<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>Year</i>	<i>Months</i>
	<i>12/31/07</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>2009E</i>	<i>3/31/10</i>
<b>Volume (before royalty)</b>									
Natural Gas (mmcf)	37	39	48	<b>41</b>	48	48	48	<b>48</b>	<b>48</b>
Days	92	92	92	<b>366</b>	90	91	92	<b>365</b>	<b>365</b>
Oil (mbd)	3.1	3.5	3.6	<b>3.4</b>	3.6	3.6	3.6	<b>3.6</b>	<b>3.6</b>
Total (bcf)	5	6	6	<b>22</b>	6	6	6	<b>25</b>	<b>25</b>
Total (mmcf)	56	60	69	<b>61</b>	69	69	69	<b>69</b>	<b>69</b>
<b>Price</b>									
Henry Hub (US\$/mmbtu)	6.97	10.25	6.95	<b>9.04</b>	4.90	3.95	4.27	<b>4.52</b>	<b>4.73</b>
Currency (US\$/C\$)	1.02	0.96	0.83	<b>0.95</b>	0.81	0.81	0.81	<b>0.81</b>	<b>0.81</b>
Henry Hub (C\$/mmbtu)	6.84	10.66	8.40	<b>9.54</b>	6.08	4.90	5.31	<b>5.61</b>	<b>5.88</b>
Differential (C\$/mmbtu)	0.13	2.19	1.26	<b>0.91</b>	0.91	0.47	0.51	<b>0.62</b>	<b>0.56</b>
Company (C\$/mcf)	6.71	8.47	7.14	<b>8.63</b>	5.17	4.43	4.80	<b>4.99</b>	<b>5.31</b>
WTI Cushing (US\$/bbl)	90.67	117.99	58.45	<b>99.59</b>	42.32	48.17	50.67	<b>48.44</b>	<b>51.42</b>
WTI Cushing (C\$/bbl)	88.91	122.77	70.62	<b>105.13</b>	52.55	59.82	62.93	<b>60.15</b>	<b>63.87</b>
Differential (C\$/bbl)	7.69	7.59	11.51	<b>8.75</b>	8.56	4.98	5.24	<b>6.00</b>	<b>5.32</b>
Company (C\$/bbl)	81.22	115.19	59.12	<b>96.38</b>	43.99	54.85	57.70	<b>54.16</b>	<b>58.54</b>
Total (\$/bbl)	54.17	73.43	47.89	<b>66.53</b>	35.04	35.37	37.76	<b>37.47</b>	<b>40.14</b>
<b>Revenue (\$mm)</b>									
Natural Gas	23	30	31	<b>129</b>	22	19	21	<b>87</b>	<b>92</b>
Oil	24	37	19	<b>118</b>	14	18	19	<b>71</b>	<b>76</b>
Royalties	(4)	(13)	(8)	<b>(41)</b>	(6)	(6)	(7)	<b>(26)</b>	<b>(30)</b>
Total	42	55	42	<b>206</b>	30	31	33	<b>132</b>	<b>139</b>
<b>Expense</b>									
	9	12	17	<b>55</b>	15	12	13	<b>56</b>	<b>56</b>
<b>Ebitda (\$mm)</b>									
	33	43	26	<b>151</b>	15	19	20	<b>76</b>	<b>84</b>
Deprec., Deplet., & Amort.	21	22	24	<b>90</b>	24	24	24	<b>97</b>	<b>97</b>
Other non-cash	12	(4)	(3)	<b>7</b>				<b>-</b>	<b>-</b>
Interest	5	2	2	<b>10</b>	2	2	2	<b>8</b>	<b>8</b>
<b>Ebt</b>									
	(5)	23	2	<b>44</b>	(11)	(8)	(6)	<b>(29)</b>	<b>(22)</b>
Income tax	(1)	7	2	<b>14</b>	(4)	(3)	(2)	<b>(10)</b>	<b>(8)</b>
<b>Net Income (\$mm)</b>									
	(4)	16	-	<b>30</b>	(7)	(5)	(4)	<b>(19)</b>	<b>(14)</b>
Per share (\$)	(0.04)	0.14	-	<b>0.26</b>	(0.06)	(0.04)	(0.03)	<b>(0.16)</b>	<b>(0.11)</b>
<b>Shares (millions)</b>									
	96	117	122	<b>115</b>	122	122	122	<b>122</b>	<b>122</b>
<b>Ebitda margin (after royalty)</b>									
	78%	79%	61%	<b>73%</b>	50%	60%	60%	<b>58%</b>	<b>60%</b>
<b>Tax rate</b>									
	21%	29%	100%	<b>32%</b>	35%	35%	35%	<b>35%</b>	<b>35%</b>



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Analysis of Oil & Gas Stocks

March 20, 2009

Cimrex Energy Company									
Next Twelve Months Operating and Financial Performance									
									Next
	Q1	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Twelve
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	Months
									3/31/10
<b>Volume</b>									
Natural Gas (bcf)	30.9	32.2	127	30.7	30.4	30.2	29.5	121	119
Natural Gas (mmcf)	340	350	348	341	334	328	321	331	327
Days	91	92	366	90	91	92	92	365	365
Oil (mmb)	2.1	2.2	8.4	2.0	2.0	2.0	1.9	8.0	7.9
Oil (mbd)	22.8	23.9	22.9	22.5	22.0	21.6	21.2	21.8	21.5
Total (bcfe)	43.4	45.4	178	42.9	42.5	42.1	41.2	169	167
Total (mmcf)	476	494	486	476	467	457	457	462	456
<b>Price</b>									
Henry Hub (\$/mmbtu)	8.02	6.95	9.04	4.90	3.95	4.27	4.96	4.52	4.73
Differential (\$/mmbtu)	(0.33)	2.26	0.69	0.98	0.39	0.43	0.50	0.58	0.48
Company (\$/mcf)	8.35	4.69	8.35	3.92	3.55	3.85	4.47	3.94	4.25
WTI Cushing (\$/bbl)	97.94	58.45	99.59	42.32	48.17	50.67	52.59	48.44	51.42
Differential	3.56	2.49	3.56	1.80	2.05	2.28	2.36	2.17	2.32
Company (\$/bbl)	94.38	55.96	96.03	40.52	46.12	48.40	50.22	46.27	49.11
<b>Revenue (\$mm)</b>									
Natural Gas	258	151	1,064	120	108	116	132	476	507
Oil	196	123	806	82	92	96	98	368	386
Other									
Total	454	274	1,870	202	201	212	230	845	893
<b>Expense</b>									
Operating	60	62	260	62	62	62	62	248	248
Production taxes	31	21	131	14	14	15	16	59	63
General and administrative	14	9	54	9	9	9	9	36	36
Total	105	92	445	85	85	86	87	343	347
<b>Ebitda</b>	349	182	1,426	117	116	126	143	502	547
Deprec., Deplet., & Amort	126	141	551	107	107	107	107	429	423
Other Non Cash	(11)	(1)	(44)					-	-
<b>Ebit</b>	234	42	918	10	8	19	36	73	123
Interest	3	1	9	1	1	1	1	4	4
<b>Ebt</b>	231	41	909	9	7	18	35	69	119
Income Tax	81	14	318	3	3	6	12	24	42
<b>Net Income (\$mm)</b>	150	27	591	6	5	12	22	45	78
Per Share (\$)	1.76	0.32	6.95	0.07	0.06	0.14	0.27	0.54	0.93
<b>Shares (millions)</b>	85	83	83	83	83	83	83	83	83
Operating (\$/mcf)	1.38	1.36	1.46	1.45	1.46	1.47	1.50	1.47	1.49
Production taxes (% rev)	6.8	7.7	7.0	7.0	7.0	7.0	7.0	7.0	7.0
General and admin (\$/mcf)	0.32	0.20	0.30	0.21	0.21	0.21	0.22	0.21	0.22
Deprec., D, & A (\$/mcf)	2.91	3.10	3.10	2.50	2.52	2.55	2.60	2.54	2.54
Ebitda Margin	77%	66%	76%	58%	58%	60%	62%	59%	61%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%





# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 20, 2009

Encore Acquisition Company									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</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>Next</i>
	<i>3/31/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>Months</i>
									<i>3/31/10</i>
<b>Volume</b>									
Natural Gas (mmcf)	64.1	81.1	<b>72.1</b>	77.9	76.3	74.8	73.3	<b>75.5</b>	<b>74.4</b>
Days	91	92	<b>366</b>	90	91	92	92	<b>365</b>	<b>365</b>
Oil (mbd)	27.5	28.3	<b>27.46</b>	27.2	26.6	26.1	25.6	<b>26.36</b>	<b>25.96</b>
Total (mb)	3,476	3,847	<b>14,445</b>	3,613	3,580	3,547	3,476	<b>14,216</b>	<b>14,004</b>
Total (mbd)	38.2	41.8	<b>39.5</b>	40.1	39.3	38.6	37.8	<b>38.9</b>	<b>38.4</b>
<b>Price</b>									
Henry Hub (\$/mmbtu)	8.02	6.95	<b>9.04</b>	4.90	3.95	4.27	4.96	<b>4.52</b>	<b>4.73</b>
Differential (\$/mmbtu)	(0.26)	0.98	<b>0.41</b>	0.22	0.18	0.19	0.23	<b>0.21</b>	<b>0.23</b>
EAC (\$/mcf)	8.28	5.97	<b>8.63</b>	4.67	3.77	4.08	4.74	<b>4.31</b>	<b>4.50</b>
WTI Cushing (\$/bbl)	97.94	58.45	<b>99.59</b>	42.32	48.17	50.67	52.59	<b>48.44</b>	<b>51.42</b>
Differential	8.81	11.82	<b>10.02</b>	8.46	4.82	5.07	5.26	<b>5.96</b>	<b>5.18</b>
EAC (\$/bbl)	89.13	46.63	<b>89.56</b>	33.85	43.35	45.61	47.33	<b>42.47</b>	<b>46.24</b>
Total (\$/bbl)	78.10	43.14	<b>78.06</b>	31.97	36.64	38.77	41.22	<b>37.11</b>	<b>40.03</b>
<b>Revenue (\$mm)</b>									
Natural Gas	48	45	<b>227</b>	33	26	28	32	<b>119</b>	<b>122</b>
Oil	223	121	<b>900</b>	83	105	109	111	<b>409</b>	<b>438</b>
Total	271	166	<b>1,128</b>	116	131	138	143	<b>528</b>	<b>561</b>
<b>Expense</b>									
	119	72	<b>459</b>	54	67	70	73	<b>264</b>	<b>286</b>
<b>Ebitda</b>									
	153	94	<b>668</b>	61	64	67	70	<b>263</b>	<b>275</b>
Exploration	5	9	<b>39</b>	9	9	9	9	<b>36</b>	<b>36</b>
Deprec., Deplet., & Amort.	50	69	<b>228</b>	58	57	57	56	<b>227</b>	<b>224</b>
Partnership, hedging, other	2	(61)	<b>(33)</b>					<b>-</b>	<b>-</b>
<b>Ebit</b>									
	96	76	<b>434</b>	3	7	11	15	<b>36</b>	<b>51</b>
Interest	19	19	<b>72</b>	19	19	19	19	<b>76</b>	<b>76</b>
<b>Ebt</b>									
	77	57	<b>362</b>	(16)	(12)	(8)	(4)	<b>(40)</b>	<b>(25)</b>
Income Tax	19	20	<b>119</b>	(5)	(4)	(3)	(2)	<b>(14)</b>	<b>(9)</b>
<b>Net Income (\$mm)</b>									
	58	37	<b>243</b>	(10)	(8)	(5)	(3)	<b>(26)</b>	<b>(17)</b>
Per Share (\$)	1.08	0.71	<b>4.59</b>	(0.19)	(0.15)	(0.10)	(0.05)	<b>(0.50)</b>	<b>(0.31)</b>
<b>Shares (millions)</b>									
	54	53	<b>53</b>	53	53	53	53	<b>53</b>	<b>53</b>
Ebitda Margin	56%	57%	<b>59%</b>	53%	49%	49%	49%	<b>50%</b>	<b>49%</b>
Tax rate	25%	35%	<b>33%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>



# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 20, 2009

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