

July 7, 2011

NASDAQ: DBLE

Closing price (7/5/11)	\$9.45
Rating	Overweight
Target price	\$11.00

Summary

Price	\$9.45
52-wk high	12.00
52-wk low	3.98
Diluted shares outstanding	11.2
Market capitalization	105.8

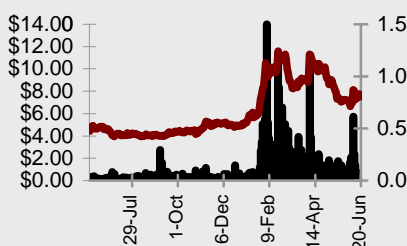
Capitalization

Equity value	\$106
Total debt	32
Preferred equity	38
Cash	3
Enterprise value	\$173

Trading multiples

EV/EBITDAX (forward)	10.3x
P/DCFPS (forward)	9.2x
P/BVPS	2.1x
P/NAVPS (Casimir)	0.6

	2010	2011E	2012E
Production (Bcfe)	9.2	9.4	10.3
% Liquids	2%	2%	2%
EBITDAX (\$mm)	15.2	18.1	20.1
DCFPS	0.90	1.15	1.32
CAPEX (\$mm)	21.9	17.5	13.5



Philip Juskowicz, CFA
 Managing Director, Supervisory Analyst
 212 798 1309
 pjuskowicz@casimircapital.com

All figures in US\$ unless noted otherwise.

DOUBLE EAGLE PETROLEUM CO.**Low Cost, Low Risk Nat Gas...With Potential Oil Play****Initiating Coverage with an Overweight Rating**

We are initiating coverage on Double Eagle Petroleum (NASDAQ: DBLE) with an Overweight based on the company's low-cost **unconventional gas** assets, which earn attractive returns even in periods of depressed natural gas prices, and are low risk in our view. Additionally, DBLE's stock includes little value, in our opinion, for its significant exposure to the emerging **Niobrara oil shale** play.

Superior cost metrics. Reflecting DBLE's low cost operations at **Atlantic Rim** and **Pinedale** (south central and southwestern Wyoming, respectively), the company's unit finding & developing (F&D) and operating costs are substantially lower than the industry. *As a result, the effect of weak natural gas prices relative to oil on margins and full-cycle returns is muted.*

Superior operating risk profile. *While oil-focused E&P companies may be earning higher returns in the current pricing environment, the Atlantic Rim and Pinedale are lower risk, in our view, with exploration and development drilling success rates of 100%.* The company's operating risk profile is further aided by the contributions of a wholly-owned midstream pipeline.

Viability of Niobrara's oil potential recognized by leading shale producers. The major oil companies successfully developing the **Bakken** and **Eagle Ford** shale plays, which now account for 5% of N. American oil production, have been extremely active in leasing and appraising the Niobrara. This indicates in our view that the plays are analogous, and similar drilling and fracture stimulation advancements may be applied to the Niobrara. *Double Eagle has more than 73K net acres with Niobrara potential.*

Our \$11.00 price target is an average of NAV and trading multiple-derived targets.

Catalysts:

- **Equity raise.** Despite the immediate per-share dilution, we believe that investors would view share issuance as a positive given that an improved cash position would allow management to increase capex- and NAV- as well as reduce leverage.
- **Niobrara results.** While we will probably not get any results from the company's own efforts in this area for some time, we believe that positive *industry* results would boost the valuation of DBLE's acreage.
- **Higher natural gas prices.** Natural gas accounts for 98% of DBLE's reserves. In addition to its impact on cash flow, higher pricing would increase the incentive for the company's operating partners to accelerate development at Atlantic Rim and Pinedale.

Risks:

- **Leverage.** Net debt/cap. and leverage of 57.1% and 4.6x is excessive, in our view, for a company of DBLE's size.

Additional risks are contained herein.

Investment Thesis

Low Cost, Low Risk Natural Gas Production...

We are initiating coverage on Double Eagle Petroleum with an Overweight rating and \$11.00 price target. We believe that the company's stock has been unduly punished for being a producer of natural gas (rather than oil), the commodity that has been beaten up in recent years due to excessive supply.

As a result of Double Eagle's low cost operations in Wyoming's **Atlantic Rim** and **Pinedale Anticline**, the company boasts superior industry metrics as demonstrated in the following table.

Exhibit 1

DBLE Industry Metrics

Finding & Development Costs (\$/Mmcfe)	Double Eagle				Industry ⁽¹⁾
	2008	2009	2010	3-yr. avg	
Drillbit	2.44	0.97	1.21	1.54	
Acquisition	N/A	N/A	0.07	N/A	
All-in	2.44	0.96	0.67	1.36	2.78
Drilling success rate⁽²⁾					
Exploration	100%	100%	100%	100%	64%
Development	100%	100%	100%	100%	92%
Operating costs (\$/MMcfe)	1.04	0.83	1.06	0.98	1.54

(1) Industry F&D and drilling success rates are 3-yr. avg; operating costs are for 2010

(2) DBLE Exploration success rate based on typical results in company's areas as company did not do any exploration in shown 3-yr. period

Source: company reports; Casimir Capital; EQT Corp.; EIA

While margins and full-cycle returns may not compare favorably to industry due to the relative weakness of natural gas prices vs. oil, they are attractive nonetheless in our opinion (e.g. 20%-30% returns at Pinedale).

Moreover, the nature of DBLE's activities is, in our opinion, lower risk. This is also demonstrated in the above table (via the success rate), and reflects the fact, in our view, that the company's production is derived from unconventional resource plays, notably coal bed methane and tight gas at Atlantic Rim and Pinedale, respectively.

Additionally, DBLE owns a midstream pipeline company that further reduces the overall risk profile, while contributing some \$4mm of annual EBITDA.

Finally, we remind investors that natural gas is a commodity i.e. supply/demand must shift in reaction to prices such that the present era of weak pricing cannot continue indefinitely, and that margins and returns will improve. *The fact that ExxonMobil earlier this month spent \$1.7B on two natural gas producers even after spending \$41B in mid-2010 for XTO indicates that this industry titan still believes in the long-term fundamentals of natural gas. Time and time again, Exxon's vision has, in our view, proved prescient over the long-term.*

...with Upside Niobrara Oil Potential

While the Niobrara is in its early stages, the fact that most of the same companies that successfully opened up the Bakken and Eagle Ford shale plays to now account for 5% of N. American production, are now actively leasing and appraising the Niobrara indicates in our view that the same technologies may be applied to this area, as well.

Double Eagle has >73K net acres with Niobrara exposure.

Valuation

Our \$11.00 price target is the rough average of an NAV-based target (\$15.42) and trading multiple-based target (\$6.45), and is demonstrated in Appendix 1.

Although a micro-cap. firm, we believe that trading multiples are relevant for DBLE given its annual EBITDAX (~\$20mm). The stock is trading at an enterprise value/forward 12-month EBITDAX (EBITDA plus exploration expenses, which are discretionary and sometimes capitalized) of 10.3x, a premium to the average 6.7x level over the past 2.5 years (since gas prices weakened materially relative to oil).

We believe a premium multiple vs. the historical average is warranted given that only since the latter half of 2010 did the company disclose and begin focusing on its Niobrara holdings. Utilizing an 8.3x multiple, the average multiple since 2H10, the stock should be valued at \$6.45, a substantial discount to the current price of \$9.45.

On an NAV basis, however, we believe that the stock is substantially undervalued.

As demonstrated in Appendix I, we calculate the NAV per share at \$15.42. Our valuation assigns a premium to the company's Niobrara acreage in the DJ and Powder River basins vs. other areas (\$3,050 and \$500 per acre, respectively). Buyers are generally paying substantial premiums for Niobrara acreage that is located in the DJ and Powder River basins (see Appendix 2).

Our NAV calculation assigns a \$24mm value to Double Eagle's midstream business based on a 6.0x multiple of this segment's annual cash flow (pre-consolidation of the financial statements) of roughly \$4mm.

Risks

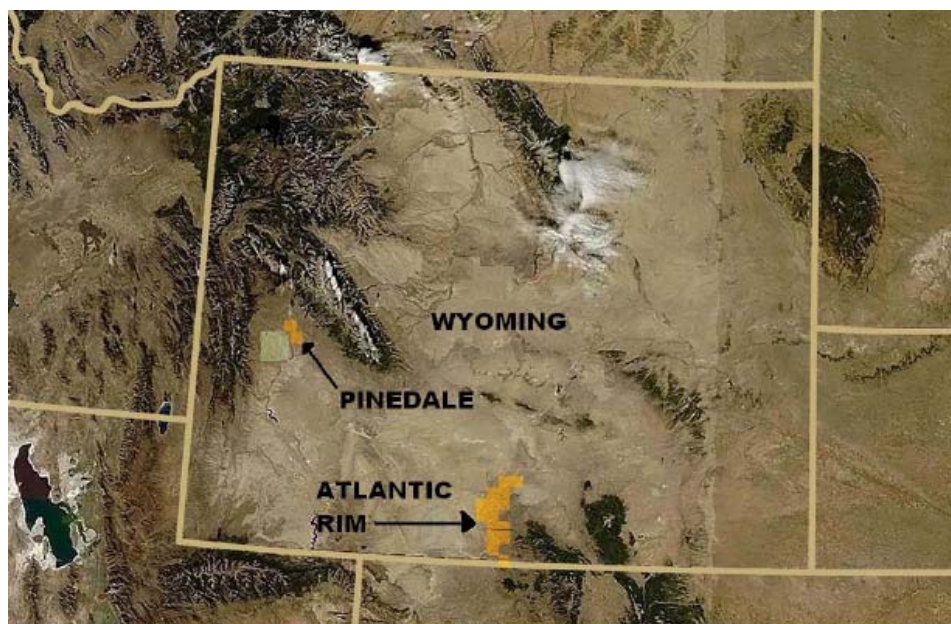
In addition to **exposure to commodity prices** (on unhedged production), investment in DBLE entails other risks, including:

- **Financial.** Double Eagle is substantially levered, in our view, with debt/cap. and debt/EBITDAX of 57.1% and 4.6x, respectively. **Mitigant.** We believe that DBLE can withstand leverage that is somewhat higher than average given its hedges, which protect some 55% of production and cash flow. *Nevertheless, we see current leverage as excessive for a company of DBLE's size, and believe that an equity raise would be beneficial.* As detailed on page 8, an equity raise would also allow for normal capex levels.
- **Regulatory.** The company's Pinedale and Niobrara operations require substantial hydraulic fracturing, an activity garnering negative press that may be subject to increased regulations. **Mitigant.** We believe that the industry has done a good job demonstrating that frac jobs have had negligible effects on the environment and drinking water, and that any risks are offset by the economic benefits (job creation; less reliance on oil/gas imports; etc...). Environmental groups appear to be at least somewhat appeased by a recently-enacted requirement for oil companies to report chemicals utilized in frac-ing.
- **Early Development of the Niobrara.** Our price target includes ~\$100mm of value associated with Double Eagle's Niobrara acreage. However, only ~50 wells have been drilled targeting Niobrara oil, and there is not yet a defined "sweet spot." **Mitigant.** Many of the same companies that have successfully tapped the analogous Bakken are active in the Niobrara. As a result, we are cautiously optimistic regarding the play. Our price target incorporates a more conservative value (\$500 per acre) for two-thirds of DBLE's Niobrara land position.

CORE AREAS

Denver, Colorado-based Double Eagle Petroleum is engaged in the exploration and production of natural gas (approx. 98% of YE10 reserves) and oil (2%). Operations are centered on “coal bed methane” (CBM) in the **Atlantic Rim** area of south central Wyoming (73% of 2010 production), and “tight gas” in the **Pinedale Anticline** of southwestern Wyoming (20%). Exhibits 2 and 3 profile DBLE’s core operating areas. The company also has >73K net acres in Wyoming and western Nebraska with exploration exposure to the emerging **Niobrara** oil shale play.

Exhibit 2 DBLE Areas of Operation



Source: Double Eagle; Casimir Capital

Exhibit 3 DBLE Reserves and Production

	<u>YE 2010 Reserves</u>			<u>2010 Production</u>		
	Bcfe	% of Total	% Gas	Mmcfe	% of Total	% Gas
Atlantic Rim	73.6	64%	100%	6,729	73%	100%
Pinedale	29.9	26%	N/A	1,852	20%	95%
Other	<u>N/A</u>	<u>10%</u>	<u>N/A</u>	<u>578</u>	<u>6%</u>	<u>89%</u>
Total	115.1	100%	98%	9,159	100%	98%

Source: company reports

Atlantic Rim CBM

Spanning some 55 miles long by five (5) miles wide in the Washakee Basin of Carbon County, Wyoming, Atlantic Rim has been producing coal bed methane (CBM) since ~2000. Production primarily comes from Almond and Allen Ridge formations of the Mesaverde group 1,000-1,700 feet subsurface.

As shown in Appendix 3, the Atlantic Rim demonstrates formidable characteristics vs. other major CBM production areas, though the relative infancy of this play makes any conclusions uncertain, in our opinion.

In addition, the coals immediately produce gas, unlike most CBM areas where dewatering can last up to 18 months. This feature substantially reduces the operating costs vs. other plays. Additionally, the gas is dry, thus saving the need for substantial processing.

Atlantic Rim accounts for 73% of DBLE production, and is operated through three units (Exhibits 4 and 5). Catalina, the largest unit, is operated by Double Eagle, while Sun Dog and Doty Mountain are operated by Anadarko, one of the most experienced CBM companies in the world in our view (especially following its 2006 purchase of Western Gas Resources)

Exhibit 4- Atlantic Rim Projects

<u>Atlantic Rim</u>	<u>Production (Bcf)</u>			<u>Wells</u>	<u>WI</u>	<u>Acres</u>
	<u>2010</u>	<u>2009</u>	<u>2008</u>			
Catalina	5.4	5.9	4.0	70	72%	9,134
Sun Dog	0.7	0.5	0.3	114	21%	5,147
<u>Doty Mountain</u>	<u>0.6</u>	<u>0.3</u>	<u>0.2</u>	<u>49</u>	<u>18%</u>	<u>2,000</u>
Total	6.8	6.7	4.5	233	N/A	N/A

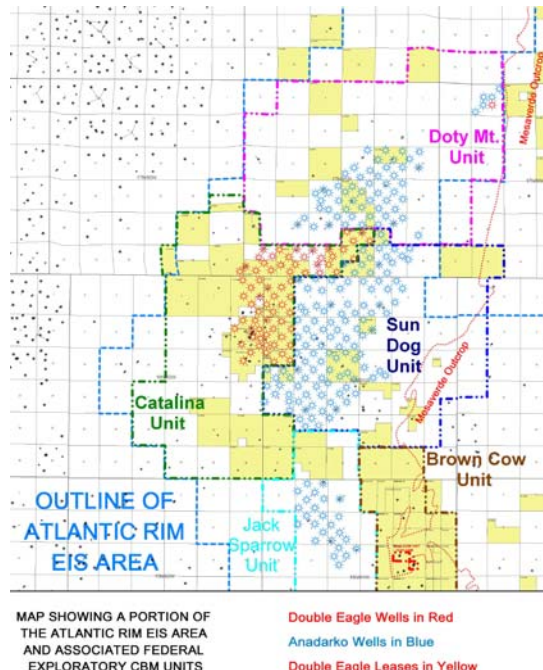
Figures may sum differently due to rounding

"Wells" are producing; "WI" equals working interest; "Acres" are net

Total acres is "N/A" as company has other Atlantic Rim areas outside of these 3 units

Source: company reports

Exhibit 5- Atlantic Rim Detail



Source: company reports

Reflecting a stronger gas price environment, Double Eagle, which has not drilled any wells since 2008, plans on drilling up to 20 locations this year at company-operated, Catalina. (By way of reference, Double Eagle has some 70 producing wells at Catalina, and believes that there are at least 200 additional locations on its acreage.)

Coupled with workovers performed in 2010, we expect Catalina volumes to rise modestly in both 2011 and 2012.

Although the operator at Sun Dog and Doty Mountain (Anadarko) plans on deferring activity until 2012 (its Atlantic Rim area budget was required for a new JV), we believe production from these two areas will at least be flat (if not rise) this year due to workovers and added compression during 2010.

Pinedale Anticline

The “golden years” for the Pinedale Anticline in southwestern Wyoming were, in our view, earlier last decade (~2000-2005) following the discovery a decade prior (in 1993) of Jonah, a massive gas field located just 32 miles south of Pinedale, and at a time when natural gas prices were stronger.

Despite the dramatic decline of natural gas prices relative to oil over the past few years, the play generates 15%-20% and 20%-30% in pre-tax returns at gas prices of \$3 and \$4 per MMBtu, respectively, according to major operators there (gas prices are currently at ~\$4.25 per MMBtu). Given DBLE’s significant NOLs (net operating losses), its pre-tax and net returns are equivalent from a cash flow standpoint (it will not be paying taxes for the foreseeable future).

These returns reflect the fact that Pinedale consistently ranks as one of the lowest finding and developing (F&D) and operating cost areas in the country.

Wells cost about \$3.8mm to drill and complete, with estimated ultimate recovery of ~4.5 Bcfe per well i.e. F&D costs of <\$1 per MMBtu. F&D costs may further improve, as operators have been reducing drill times as they become more experienced with the play amid plentiful rig availability.

Pinedale is now well-understood from a geology standpoint, in our view, with most exploratory wells successful (Exhibit 1 above). The play is a “continuous,” aerially extensive tight gas accumulation producing from the upper Cretaceous Lance Pool, which includes both the Lance (8K-12K subsurface) and Mesaverse (12K-14K) formations.

As a result of its massive resource, the local regulatory body has approved 5-acre spacing for a large section of the play, which is largely on 10 and 20-acre spacing at present. QEP Resources, Double Eagle’s partner and operator at Pinedale, believes that it would have an additional 1,300 locations based on 5-acre spacing.

DBLE has 6%-12.5% working interests in some 150 wells in the Pinedale, which produced 1.9 Bcfe in 2010, or 20% of Double Eagle’s overall production.

The company intends on participating in all six (6) Pinedale wells that QEP plans on drilling this year. In addition, DBLE is participating in 17 wells that are already drilling. Coupled with QEP likely “turning up the faucet” on existing wells in reaction to higher gas prices, we expect DBLE’s production from this area to at least be flat (if not rise) this year.

Niobrara- A Baby Bakken?

Double Eagle has >73K net acres exposed to the Niobrara (prevalent in Colorado, Wyoming, Nebraska and Kansas (Exhibit 6) including >39K net acres in its core Atlantic Rim area. This overlap would reduce unit F&D costs.

**Exhibit 6
Niobrara Shale**

Source: oilshalegas.com

Many of the major oil companies that in just the past few years opened up the Bakken and Eagle Ford oil shale plays via multi-stage fracs of horizontal wells are now extremely active in leasing and appraising the Niobrara, as well. *While the Niobrara is at an early stage (some 50 wells drilled, all within the past two years) and the geology varies substantially, the fact that the same companies are now active in the Niobrara indicates in our view that these technologies may be applied to this area, as well.*

The company plans on drilling its first (and possibly second) well in the play in the 3Q. Due to capex limitations (see page 8) and the fact that permits must still be secured, we do not anticipate any drilling results from this area for some time.

Financial Analysis

Appendixes 4 and 5 demonstrate our forecasted financial statements, and are summarized below (Exhibit 7).

Exhibit 7 Summary Financials

	2009A	2010A	CASE I - NO EQUITY RAISE			CASE II - EQUITY RAISE		
			2011E	2012E	2013E	2011E	2012E	2013E
Capex (\$mIn)	\$21.5	\$21.9	\$17.5	\$13.5	\$16.5	\$20.2	\$30.2	\$21.2
Production (Bcfe)	9.3	9.2	9.4	10.3	11.3	9.4	10.7	12.9
EBITDAX (\$mIn)	\$27.3	\$15.2	\$18.1	\$20.1	\$23.1	\$18.1	\$21.4	\$27.8
DCFPS	\$2.21	\$0.90	\$1.15	\$1.32	\$1.59	\$1.05	\$1.19	\$1.67
Net Debt/Cap.	58.7%	56.1%	58.1%	61.0%	63.8%	45.1%	53.4%	55.1%
Net Debt/EBITDAX	2.4	4.4	3.7	3.3	2.9	3.0	3.2	2.5

Source: Casimir Capital

Based on Casimir's price deck (and incorporating the company's hedges, which cover approx. 55% of forecasted volumes through 2012), capex would need to be restricted to \$17.5mm and \$13.5mm in 2011 and 2012, respectively, if the company chooses to avoid external financing ("Case I").

These spending levels compare to capex in both 2009 and 2010 of ~\$22mm, and are substantially less than the company's stated 2011 capital budget of \$20mm-\$30mm. (Note that even with restrained spending, we expect production to rise in both 2011 and 2012 due to previous workovers and new activity, as described on pages 5 and 6).

Under Case II, Double Eagle does an equity raise to normalize spending and accelerate development of its three core areas. *Although the company has \$28mm of availability under its credit facilities, we believe that additional debt will be avoided given that current credit metrics (net debt/cap and net debt/EBITDAX of 57.1% and 4.6x, respectively) are weak, in our view, for a company of DBLE's size.*

Moreover, based on the financial covenants in the company's current credit agreement, we believe that DBLE may not have the ability to make further borrowings. (The fact that the borrowing base was raised to \$60mm from \$55mm in March mainly reflects, in our view, increased reserves against which the banks are lending, rather than improved cash flows.)

Case II assumes that Double Eagle raises \$17.2mm, enough to finance 2011 and 2012 capex programs of \$20 and \$30mm, respectively. Our 2011 capex figure represents the low end of the company's stated range, and is within levels spent in the previous two years. The 2012 figure is reasonable, in our view, given that DBLE's partners will likely ramp up activity that was deferred- especially given the recent firming and weakness of gas and oil prices, respectively.

As a result of the higher capex under this scenario, Case II production in 2012 is higher than that for Case I; the real production impact, however, would be seen in 2013, in our opinion.

Despite the higher production, 2012 discretionary cash flow per share (DCFPS) of \$1.19 is less than the \$1.32 under Case I due to the dilution of the additional shares (we assume the \$17.2mm raise is via a private placement at a discount to the current stock price).

*This intermediate-term dilution notwithstanding, we believe that an equity raise is beneficial to shareholders over the long-term given the resultant increase in NAV per share (e.g. **Pinedale** returns 20%-30%; see page 6).*

An improved cash position would also:

- allow for some development of DBLE's >73K net **Niobrara** acres; and
- poise the company to benefit should, as we believe, gas prices improve to their longer-term levels.

Moreover, an equity raise would have a substantially positive effect on DBLE's balance sheet, which exhibits weak credit metrics, as previously mentioned. Net debt/cap. and net debt/EBITDAX at year-end 2011 of 45.1% and 3.0x, respectively, vs. 58.1% and 3.7x under Case I.

Finally, the increased capex and production under Case II sets the company up for higher DCFPS than Case I commencing in 2013 (\$1.67 and \$1.59, respectively). Under Case II there is more cash flow for 2013 capex, which would arguably result in higher production and DCFPS thereafter.

Management

Richard Dole, Chairman, President and CEO. Mr. Dole has served as a Director and Chairman of the Audit Committee from 2005 until his election as CEO in Sept. 2008. Mr. Dole also served as Chairman, President and CEO of Petrosearch Energy Corp. from 2004 until August 2009, when Petrosearch merged with DBLE.

He also previously served as VP and CFO for Burlington Resources International, and as a Director, member of the Audit Committee and designated financial expert of Westport Resources Corp. until Westport merged into Kerr McGee Corp (2004). Mr. Dole was with PricewaterhouseCoopers (formerly Coopers & Lybrand) where he served as Assurance and Business Advisory Partner for nearly 20 years.

Kurtis Hooley, SVP and CFO. Prior to joining DBLE as Director of Business Development and Financial Planning, Mr. Hooley served from 2003 to 2006 as the President of MKH Enterprises, a consulting firm primarily focused on the implementation of Sarbanes Oxley. From 2001 to 2003, Mr. Hooley was the Managing Director at the parent company of Yves Veggie Cuisine. From 1999- 2001, Mr. Hooley served as the Director of Finance for Celestial Seasonings. Prior to 1999, Mr. Hooley served in a number of accounting capacities with Arthur Andersen LLP. Mr. Hooley is a CPA with a Bachelor of Science in Accounting from Regis University.

Steven Degenfelder, SVP of Exploration and New Ventures. Mr. Degenfelder has been serving as VP of Land since joining the company in February 1998. He currently serves on the Board of Directors of the Petroleum Association of Wyoming and is Chairman of the Natrona County Planning and Zoning Commission. Mr. Degenfelder served as Deputy Director of the Wyoming Office of State Lands and Investments from 1995 to 1997. From 1985 to 1995, he served as VP and Director of Tyrex Oil Company. Mr. Degenfelder held various land management positions with Paintbrush Petroleum Corporation from 1981 to 1985, and with Marathon Oil Company from 1979 to 1981. He received his degree in Business Administration from Texas Tech University in 1979. Mr. Degenfelder is a Certified Professional Landman and the former President of the Wyoming Association of Professional Landmen.

Clark Huffman, PhD, Director of Asset Development. Dr. Huffman joined Double Eagle in March 2010. He specializes in reservoir characterization including completion design, production data evaluation and enhanced hydrocarbon recovery. Previous industry experience includes seven years in field operations and drilling. Dr. Huffman's reservoir experience includes the Jonah, Pinedale, Jeppson Draw and Mesa Verde fields in Wyoming, Bakken in North Dakota and Montana and other fields in Utah, Colorado and Oklahoma. Dr. Huffman received his PHD in Petroleum Engineering from the Colorado School of Mines in 2001.

APPENDIX 1

NAV-Based	<i>\$000s</i>
Proved reserves ⁽¹⁾	\$114,944
<u>Niobrara acreage</u>	
DJ and Powder River	\$75,686
Other	\$24,343
Midstream	\$24,000
Net L.T. Debt	(28,655)
<u>Preferred equity</u>	<u>(37,972)</u>
Total NPV	172,345
NAV/share	\$15.42

Trading Multiple-Based	
Price	\$9.45
Mkt. cap	\$105,599
Net LTD	\$28,655
Preferred equity	\$37,972
EV	\$172,226
EV/EBITDAX (forward 12 mo.)	10.3
Historical EV/EBITDAX multiple	8.3
Trading Multiple-Based target	\$6.45

Price Target	
AVERAGE	\$10.94

NAV-Based Assumptions*Niobrara per-acre value*

DJ and Powder River	\$3,050
Other	\$500
Midstream EBITDA/multiple	4mm/6x

(1) NPV10 at December 31, 2010

Source: Casimir Capital

APPENDIX 2

Recent DJ & Powder River Niobrara Transactions					
<u>Date closed</u>	<u>Buyer</u>	<u>Seller</u>	<u>Acres</u>	<u>Basin</u>	<u>\$/acre</u>
Sep-10	Chesapeake	Samson	24,000	DJ	3,071
Nov-10	Various	Wyoming	10,550	DJ	1,874
Feb-11	CNOOC	Chesapeake	264,000	DJ	4,799
Apr-11	Marubeni	Marathon	54,000	DJ	5,000
May-11	Maurice Brown	Wyoming	480	PRB	7,750
May-11	Chesapeake	Wyoming	40	PRB	3,600
May-11	SM Energy	Wyoming	240	DJ	2,350
Total/Average			353,310		4,627

Source: company reports; Rocky Mtn. Oil & Gas Journal; Casimir Capital

APPENDIX 3

	<u>Powder</u>	<u>Raton</u>	<u>San Juan</u>	<u>Uinta</u>	<u>Atlantic Rim</u>
Coal Thickness (ft.)	75	30	50	25	40-80
Avg. gas content (scf/ton)	30	50-400	350-450	250-400	175-350
Well depth (feet)	200-2,500	400-4,000	550-4,000	2,000-7,000	1,000-1,700
Resource/section (Bcf)	3.2	7.2	30	6	12

Sources: Casimir Capital via ALL Consulting (2004); PTTC Rockies 2000; GTI 2000; EPA 2002; USGS 2000; CO, NM, WY, MT O&G Commissions; Williams; Lamarre Geophysical (Aug. 2004); O&G Investor Dec. 2005

APPENDIX 5- CASE II (Equity Raise)

	2009	2010	2011E					2012E					2013E				
			1Q	2Q	3Q	4Q	2011E	1Q	2Q	3Q	4Q	2012E	1Q	2Q	3Q	4Q	2013E
Production (Mcf/d)																	
Atlantic Rim	18,294	18,436	18,606	18,978	19,358	19,745	19,172	20,535	21,356	22,424	23,545	21,965	24,722	25,958	27,256	28,619	26,639
Pinedale	5,648	5,075	4,969	5,068	5,170	5,273	5,120	5,484	5,703	5,989	6,288	5,866	6,602	6,933	7,279	7,643	7,114
Other ⁽¹⁾	1,636	1,582	1,472	1,500	1,500	1,500	1,493	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Total	25,578	25,093	25,047	25,547	26,027	26,518	25,785	27,519	28,559	29,912	31,333	29,331	32,825	34,391	36,035	37,762	35,253
Total (Mmcf)	9,336	9,159	2,254	2,325	2,395	2,440	9,413	2,477	2,599	2,752	2,883	10,710	2,954	3,130	3,315	3,474	12,873
Op costs (\$/mcf)	0.83	1.06	1.14	1.10	1.10	1.10	1.11	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Severance tax	8.6%	13.8%	9.7%	14.0%	14.0%	14.0%	12.9%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
DD&A (\$/mcf)	1.99	2.03	2.07	2.07	2.07	2.07	2.07	2.07	2.07	2.07	2.07	2.07	2.07	2.07	2.07	2.07	2.07
(\$000s)																	
Income Statement																	
Oil and gas sales	42,398	33,610	10,910	7,904	8,620	10,734	38,169	9,907	10,396	11,008	11,531	42,841	11,817	12,518	13,261	13,897	51,493
Transportation revenue	6,179	5,549	1,232	1,257	1,282	1,307	5,078	1,360	1,414	1,485	1,559	5,818	1,637	1,719	1,805	1,895	7,056
Price risk mgmt activities	(4,295)	11,512	(1,139)	1,780	2,120	1,295	4,056	91	91	91	91	366	88	88	88	88	350
Madden Deep settlement	0	3,841	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	502	472	95	100	100	100	395	100	100	100	100	400	100	100	100	100	400
Total revenues	44,791	54,984	11,098	11,040	12,122	13,437	47,698	11,458	12,001	12,684	13,281	49,424	13,641	14,425	15,253	15,979	59,299
Production	7,754	9,708	2,574	2,557	2,634	2,684	10,449	2,601	2,729	2,890	3,027	11,246	3,102	3,286	3,481	3,648	13,517
Severance taxes	3,652	4,563	1,056	1,107	1,207	1,503	4,872	1,387	1,455	1,541	1,614	5,998	1,654	1,753	1,857	1,946	7,209
Exploration expense	103	163	52	50	50	50	202	50	50	50	50	200	50	50	50	50	200
Impairment expense	417	1,583	73	0	0	0	73	0	0	0	0	0	0	0	0	0	0
Pipeline operating	3,701	4,152	981	1,000	1,000	1,000	3,981	1,000	1,000	1,000	1,000	4,000	1,000	1,000	1,000	1,000	4,000
DD&A	6,718	5,976	1,558	1,560	1,560	1,560	6,238	1,600	1,600	1,600	1,600	6,400	1,600	1,600	1,600	1,600	6,400
DD&A	18,562	18,574	4,673	4,812	4,957	5,050	19,492	5,127	5,380	5,697	5,967	22,170	6,115	6,478	6,863	7,191	26,647
Subtotal	40,907	44,719	10,967	11,086	11,407	11,847	45,307	11,764	12,214	12,777	13,258	50,013	13,522	14,167	14,850	15,435	57,973
Pretax income	3,884	10,265	131	(45)	715	1,591	2,391	(306)	(213)	(93)	23	(589)	120	258	403	544	1,325
EBITDAX	27,217	15,232	6,068	3,037	3,601	5,395	18,102	4,779	5,125	5,562	5,949	21,415	6,198	6,699	7,228	7,698	27,823
Interest expense	(1,773)	(1,538)	(387)	(384)	(384)	(384)	(1,539)	(400)	(400)	(400)	(400)	(1,600)	(400)	(400)	(400)	(1,600)	
Taxes benefit (provision)	(902)	(3,224)	104	155	(119)	(434)	(295)	254	221	178	136	788	101	51	(1)	(52)	99
Tax rate	-38.2%	-35.5%	-40.6%	-36.0%	-36.0%	-36.0%	-37.2%	-36.0%	-36.0%	-36.0%	-36.0%	-36.0%	-36.0%	-36.0%	-36.0%	-36.0%	-36.0%
Preferred stk. dividends	(3,723)	(3,723)	(931)	(931)	(931)	(931)	(3,724)	(931)	(931)	(931)	(931)	(3,724)	(931)	(931)	(931)	(931)	(3,724)
Net income to common	(2,514)	1,780	(1,083)	(1,206)	(719)	(159)	(3,167)	(1,383)	(1,323)	(1,247)	(1,172)	(5,125)	(1,110)	(1,022)	(929)	(839)	(3,900)
EPS to common	(0.25)	0.14	(0.10)	(0.11)	(0.05)	(0.01)	(0.27)	(0.10)	(0.10)	(0.09)	(0.09)	(0.38)	(0.08)	(0.08)	(0.07)	(0.06)	(0.29)
DCFPS	2.21	0.90	0.43	0.15	0.17	0.30	1.05	0.26	0.28	0.31	0.34	1.19	0.36	0.40	0.44	0.47	1.67
Diluted shares outstanding (mln)	10.0	11.1	11.2	11.2	13.5	13.5	12.3	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
Cash Flow Statement (\$US)																	
Net income	1,209	5,503	(152)	(275)	212	772	557	(452)	(392)	(316)	(241)	(1,401)	(179)	(91)	2	92	(176)
DD&A	18,693	18,714	4,713	4,812	4,957	5,050	19,532	5,127	5,380	5,697	5,967	22,170	6,115	6,478	6,863	7,191	26,647
Impairment/abandonment	417	1,583	73	0	1	2	76	0	0	0	0	0	0	0	0	0	0
Deferred taxes	902	3,181	(104)	(155)	119	434	295	(254)	(221)	(178)	(136)	(788)	(101)	(51)	1	52	(99)
Employee/director fees paid in stk	1,484	956	275	275	275	275	1,100	275	275	275	275	1,100	275	275	275	275	1,100
Change in FV of derivatives	7,798	(6,196)	1,482	0	0	0	1,482	0	0	0	0	0	0	0	0	0	0
Revenues from carried interests	(2,044)	(2,123)	(422)	(500)	(500)	(1,922)	(500)	(500)	(500)	(500)	(500)	(2,000)	(500)	(500)	(500)	(500)	(2,000)
Gain on property sales	(283)	(290)	(71)	0	0	0	(71)	0	0	0	0	0	0	0	0	0	0
Other	(266)	(164)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CFO pre-WC changes	27,910	21,164	5,794	4,158	5,063	6,034	21,049	4,195	4,542	4,978	5,365	19,081	5,610	6,111	6,641	7,111	25,473
WC changes	(5,848)	3,880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CFO	22,062	25,044	5,794	4,158	5,063	6,034	21,049	4,195	4,542	4,978	5,365	19,081	5,610	6,111	6,641	7,111	25,473
Capex- E&P	(28,542)	(12,861)	(3,943)	(5,352)	(5,352)	(5,352)	(20,000)	(7,500)	(7,500)	(7,500)	(7,500)	(30,000)	(5,252)	(5,252)	(5,252)	(5,252)	(21,009)
Atlantic Rim WII acquisition	0	(7,868)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash received for Petrosearch acq	7,220	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capex- Other	(139)	(1,129)	(37)	(50)	(50)	(50)	(187)	(50)	(50)	(50)	(50)	(200)	(50)	(50)	(50)	(50)	(200)
CFI	(21,461)	(21,858)	(3,980)	(5,402)	(5,402)	(5,402)	(20,187)	(7,550)	(7,550)	(7,550)	(7,550)	(30,200)	(5,302)	(5,302)	(5,302)	(5,302)	(21,209)
Principal capital lease payments	(522)	(533)	(135)	(135)	(135)	(135)	(540)	(135)	(135)	(135)	(135)	(540)	(135)	(135)	(135)	(135)	(540)
Preferred dividends	(3,723)	(3,723)	(931)	(931)	(931)	(931)	(3,724)	(931)	(931)	(931)	(931)	(3,724)	(931)	(931)	(931)	(931)	(3,724)
Debt borrowings (repayments)	9,361	(2,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity issuance	0	0	0	0	17,223	0	17,223	0	0	0	0	0	0	0	0	0	0
Other	(35)	(7)	(8)	0	0	0	(8)	0	0	0	0	0	0	0	0	0	0
CFE	5,081	(6,263)	(1,074)	(1,066)	16,157	(1,066)	12,951	(1,066)	(1,066)	(1,066)	(1,066)	(4,264)	(1,066)	(1,066)	(1,066)	(1,066)	(4,264)
Net change in cash	5,682	(3,077)	740	(2,311)	15,818	(435)	13,812	(4,421)	(4,074)	(3,638)	(3,251)	(15,383)	(758)	(257)	273	743	(0)
Cash	5,682	2,605	3,345	1,034	16,852	16,417	16,417	11,997	7,923	4,285	1,034	1,034	276	19	292	1,034	1,034
Bank Debt	34,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Preferred stock	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972	37,972
Common Equity	46,724	52,705	50,113	48,907	65,410	65,252	65,252	63,869	62,545	61,299	60,127	60,127	59,016	57,994	57,065	56,227	5

Publicly traded companies mentioned in this report (prices as of 7/6/11 close; NR= Not Rated):

Anadarko Petroleum (APC- \$78.78- NR)

EQT Corp. (EQT- \$53.33- NR)

Chesapeake Energy (CHK- \$30.18- NR)

CNOOC (CEO- \$235.10- NR)

ExxonMobil (XOM- \$81.57- NR)

Marathon Oil (MRO- \$32.81)

QEP Resources (QEP- \$42.71- NR)

SM Energy (SM- \$73.12- NR)

Samson Oil & Gas (SSN- \$2.88- Overweight)

Williams Cos. (WMB- \$30.19- NR)

ANALYST CERTIFICATION

All of the views expressed in this report accurately reflect the personal views of the responsible individual(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible individual (s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible individual(s) in this report.

INVESTMENT OPINION RATINGS SYSTEM

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target. Casimir Capital L.P. employs a rating system based on the following:

- **Overweight:** A security, which at the time the rating is instituted and or reiterated, indicates an expectation of outperformance relative to the market by at least 10% over the next 12 months.
- **Equal Weight:** A security, which at the time the rating is instituted and or reiterated, indicates an expectation of a total return relative to the market of between negative 10% and 10% over the next 12 months.
- **Underweight:** A security, which at the time the rating is instituted and or reiterated, indicates that we expect it to underperform the market by at least 10% over the next 12 months.
- **Not Rated:** A security which at the time the rating is instituted and or reiterated, indicates that we have no opinion or expectations as to the price of the security over the next 12 months.
- **Not Covered:** Casimir Capital L.P. does not have an opinion about this security.

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- **Average:** A security, which at the time the rating is instituted and or reiterated, entails average risk due to its: financial leverage operating leverage, operating earnings and industry fundamental.
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RECEIPT OF COMPENSATION

Casimir Capital L.P. and its affiliate Casimir Capital Ltd. intend to seek compensation for investment banking services from Double Eagle Petroleum Company during the next 3 months.

PERCENTAGE OF ALL SECURITIES RATED

Overweight: 80.00% (43.75% of which are investment banking clients), Equal Weight: 15.00% (0% of which are investment banking clients), Underweight: 0%, Not Rated: 5.00% (100% of which are investment banking clients).

REQUEST FOR SUPPORTING INFORMATION

If supporting information is omitted from this report, the information will be made available upon request.

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