



# Meter Reader

A Monthly Analysis of Oil and Gas Stocks

June 13, 2017

## Value Beckoning

	Symbol/Rating		Price	Market	Enterprise	EV/	EV/	PV/	Oil	Dist.	
			(US\$/sh)	Cap	Value	Market	Ebitda	Ebitda	Prod'n/	Yield	McDep
			12-Jun	(US\$m)	(\$m)	Cap	NTM	NTM	PV	NTM	Ratio
			2017						(%)	(%)	(EV/PV)
Royal Dutch Shell	RDS-A	B	54.09	222,000	353,000	1.59	7.4	9.7	51	7.0	0.77
Total S.A.	TOT	B	51.14	126,000	181,000	1.44	6.3	9.7	53	5.4	0.66
Marathon Oil Corporation	MRO	B	12.62	10,710	17,800	1.66	10.2	13.3	79	1.6	0.77
ConocoPhillips	COP	B	45.72	57,000	81,000	1.42	9.0	12.1	70	2.3	0.74
Continental Resources (32%)	CLR	B	35.12	4,200	6,300	1.50	10.0	14.0	74	-	0.72
Range Resources	RRC	B	23.18	5,700	10,000	1.76	9.5	17.1	31	0.3	0.55
Sabine Royalty Trust	SBR	B	37.25	540	540	1.00	15.7	25.3	59	6.4	0.62
Cross Timbers Royalty Trust	CRT	B	15.60	90	90	1.00	10.0	18.6	28	7.9	0.54
Suncor Energy	SU	B	30.79	51,300	67,700	1.32	9.3	12.4	84	3.1	0.75
Birchcliff Energy Ltd.	BIREF	B	4.50	1,300	1,900	1.47	7.5	13.6	36	1.7	0.55

## Summary and Recommendation

Underperforming stock prices in 2017 make McDep stocks more enticing including buy-rated issues listed above and closely ranked peers that have lagged, such as, **Chevron (CVX)**, **Devon Energy (DVN)**, **Cimarex Energy (XEC)**, **Dorchester Minerals (DMLP)** and **Cenovus Energy (CVE)**. Coincidentally, a median stock price decline of 13% relates to 20% decline in natural gas price and 14% decline in oil price (see [Table 4](#) on page 6). Inventory trends may favor improving fuel price. U.S. natural gas inventories have moved back into the 5-year range positioning the clean energy source for pricing improvement in a possible hot summer or cold winter (see chart [Underground Storage](#) on page 2). U.S. crude oil inventories are dropping toward the 5-year range signaling that demand and supply are approaching a better balance to support stronger price (see chart [Crude Oil Stocks](#) on page 2). Judging by stock price change, risk by group was lowest for Global Integrated producers. Risk increased for Large Independents, more for Canada and most for Small Independents among operating companies. Favorable performance of the diversified portfolio with Total U.S. Stocks up 9% in stock price and global stocks up more provided investor comfort while the oil and gas value gap was widening. During the past four weeks we analyzed in more detail stock ideas DMLP and CVE, as well as buy recommendations **Royal Dutch Shell (RDS)** and **Marathon Oil (MRO)**. Latest estimates demonstrate the attractive outlook (see [Tables 1-4](#) and [Index of Research](#) on pages 3-7).

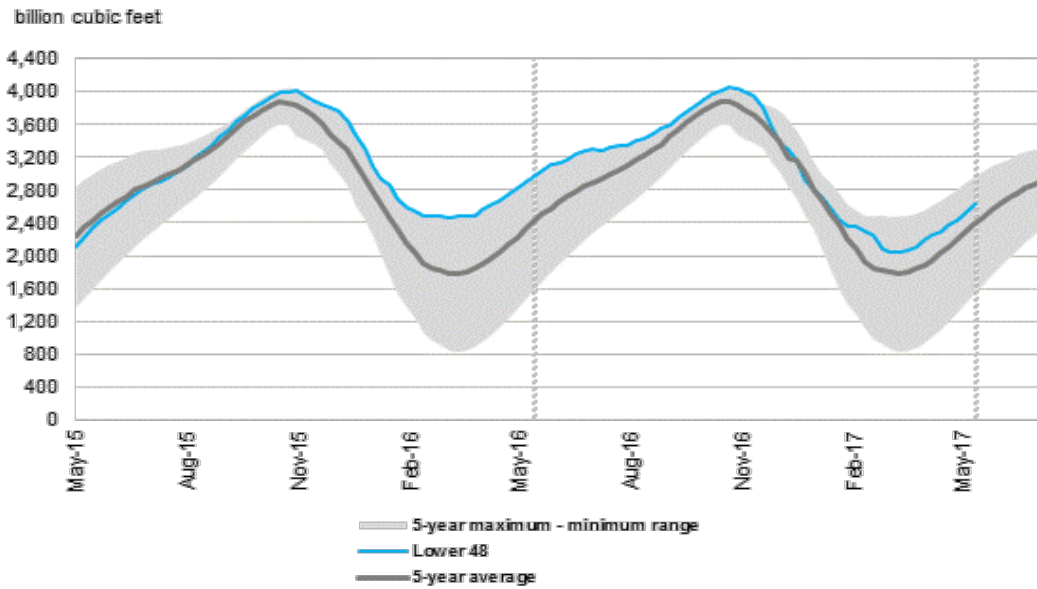
Kurt H. Wulff, CFA



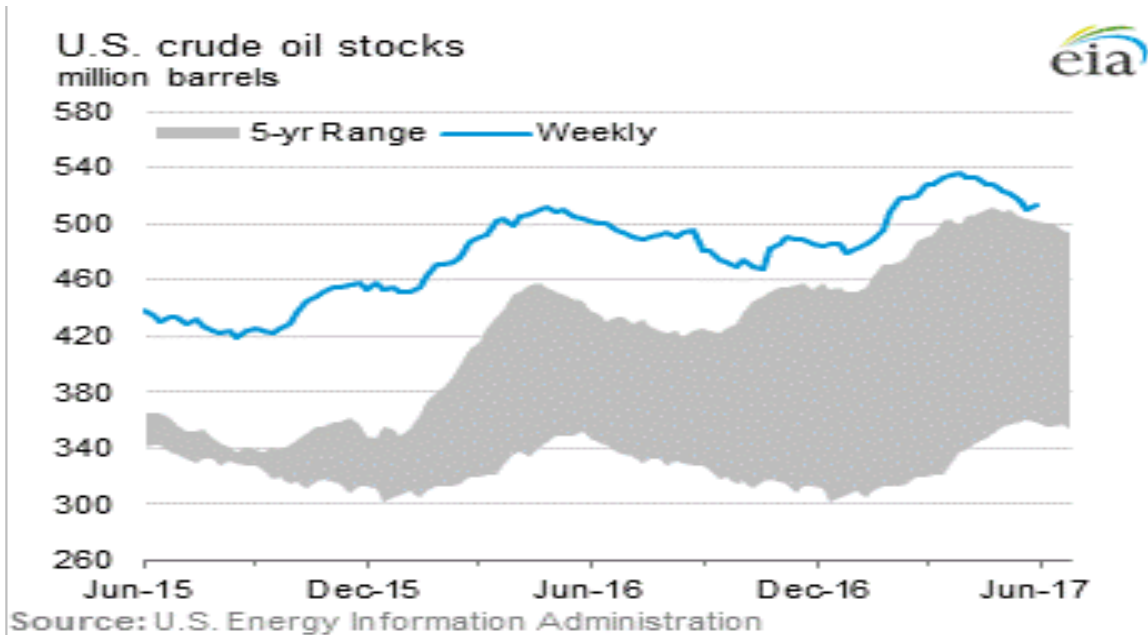
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Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration





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**Table 1**  
**McDep Energy Stocks**  
**Ranked by McDep Ratio**

			Price (US\$/sh)	Market Cap (US\$m)	Enterprise Value (\$mm)	EV/ Market Cap	EV/ Ebitda NTM	PV/ Ebitda NTM	Oil Prod'n/ PV (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)
	Symbol/Rating		12-Jun 2017								
<b>Global Integrated</b>											
	XOM		82.93	350,000	444,000	1.27	10.4	12.1	49	3.7	0.86
	CVX		108.04	205,000	273,000	1.33	9.6	11.3	60	4.0	0.84
	RDS-A	B	54.09	222,000	353,000	1.59	7.4	9.7	51	7.0	0.77
	TOT	B	51.14	126,000	181,000	1.44	6.3	9.7	53	5.4	0.66
	<i>Total or Median</i>			903,000	1,251,000	1.39	8.5	10.5	52	4.7	0.81
<b>Large Independent</b>											
	PXD		167.81	28,500	30,100	1.06	13.1	11.7	87	0.0	1.11
	EOG		89.88	52,000	59,200	1.14	12.8	12.2	86	0.7	1.05
	OXY		60.85	46,600	59,800	1.28	10.1	11.9	81	5.0	0.85
	DVN		32.72	17,300	25,300	1.46	12.4	15.5	62	0.7	0.80
	MRO	B	12.62	10,710	17,800	1.66	10.2	13.3	79	1.6	0.77
	COP	B	45.72	57,000	81,000	1.42	9.0	12.1	70	2.3	0.74
	<i>Total or Median</i>			212,100	273,000	1.35	11.3	12.2	80	1.2	0.82
<b>Small Independent</b>											
	XEC		100.18	9,500	10,900	1.14	10.3	12.1	63	0.3	0.85
	CRC		11.16	500	6,500	13.5	13.8	17.4	89	-	0.80
	CLR	B	35.12	4,200	6,300	1.50	10.0	14.0	74	-	0.72
	WLL		6.14	2,200	5,700	2.58	6.9	12.1	92	-	0.57
	RRC	B	23.18	5,700	10,000	1.76	9.5	17.1	31	0.3	0.55
	<i>Total or Median</i>			22,000	39,000	1.76	10.0	14.0	74	-	0.72
<b>Income</b>											
	SJT		6.99	330	330	1.00	11.0	12.6	-	8.9	0.87
	PBT		9.44	440	440	1.00	13.0	15.2	78	7.3	0.86
	DMLP		15.70	480	480	1.00	12.8	19.5	70	7.7	0.65
	SBR	B	37.25	540	540	1.00	15.7	25.3	59	6.4	0.62
	CRT	B	15.60	90	90	1.00	10.0	18.6	28	7.9	0.54
	<i>Total or Median</i>			1,900	1,900	1.00	12.8	18.6	59	7.7	0.65
<b>Canada</b>											
	ECA		9.45	9,200	15,700	1.70	9.6	11.1	56	0.6	0.86
	IMO		28.81	7,400	9,200	1.25	8.4	10.6	67	1.5	0.80
	SU	B	30.79	51,300	67,700	1.32	9.3	12.4	84	3.1	0.75
	CVE		8.53	10,400	22,600	2.18	8.3	14.4	84	1.7	0.58
	BIREF	B	4.50	1,300	1,900	1.47	7.5	13.6	36	1.7	0.55
	<i>Total or Median</i>			80,000	117,000	1.47	8.4	12.4	67	1.7	0.75

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation, amort.

Estimated Ebitda (cash flow) tied to NTM futures prices for oil and natural gas. NTM = Next Twelve Months ending 3/31/18.

Estimated Present Value (PV) presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses. For historical research see [www.mcdep.com](http://www.mcdep.com)



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			Price (US\$/sh)	Volume	Oil Equiv. Price (\$/boe)	Operating Expense Fixed Var. (\$/boe) (%)	Ebitda NTM (\$/boe)	Ebitda NTM (\$mm)	Oper Lev Ebitda chg/ Price chg	McDep Ratio
Symbol/Rating		12-Jun								
B = Buy		2017	(mmboe)							
<b>Global Integrated (excl. Downstream)</b>										
Exxon Mobil Corporation	XOM		82.93	1,488	36.76	7 35	16.90	25,147	1.41	0.86
Chevron Corporation	CVX		108.04	864	35.69	8 22	19.80	17,115	1.40	0.84
Royal Dutch Shell	RDS-A B		54.09	1,321	33.95	2 26	23.00	30,379	1.09	0.77
Total S.A.	TOT B		51.14	933	35.32	0 43	20.30	18,939	1.00	0.66
<i>Total or Median</i>									1.25	0.81
<b>Large Independent</b>										
Pioneer Natural Resources	PXD		167.81	114	33.17	9 12	20.30	2,309	1.44	1.11
EOG Resources, Inc.	EOG		89.88	227	32.56	10 7	20.40	4,626	1.49	1.05
Occidental Petroleum Corp.	OXY		60.85	298	33.58	8 17	19.90	5,929	1.40	0.85
Devon Energy Corporation	DVN		32.72	166	23.66	9 10	12.30	2,046	1.73	0.80
Marathon Oil Corporation	MRO B		12.62	135	25.82	13 -1	13.00	1,751	2.00	0.77
ConocoPhillips	COP B		45.72	465	33.13	6 24	19.30	8,970	1.31	0.74
<i>Total or Median</i>									1.47	0.82
<b>Small Independent</b>										
Cimarex Energy Company	XEC		100.18	70	25.05	6 16	15.10	1,056	1.40	0.85
California Resources	CRC		11.16	44	37.13	15 31	10.60	469	2.42	0.80
Continental Resources (32%)	CLR B		35.12	28	29.62	3 15	22.30	627	1.13	0.72
Whiting Petroleum Corporation	WLL		6.14	50	30.89	9 17	16.70	833	1.54	0.57
Range Resources	RRC B		23.18	138	16.77	8 6	7.70	1,059	2.04	0.55
<i>Total or Median</i>									1.54	0.72
<b>Income</b>										
San Juan Basin Royalty Trust	SJT		6.99	3	17.02	5 14	9.59	30	1.52	0.87
Permian Basin RT	PBT		9.44	1	33.20	10 2	22.52	34	1.44	0.86
Dorchester Minerals, L.P.	DMLP		15.70	2	29.77	7 11	19.56	38	1.36	0.65
Sabine Royalty Trust	SBR B		37.25	1	29.09	2 10	24.06	35	1.08	0.62
Cross Timbers Royalty Trust	CRT B		15.60	0	33.13	8 10	21.95	9	1.36	0.54
<i>Total or Median</i>									1.36	0.65
<b>Canada (excl. Downstream)</b>										
EnCana Corporation	ECA		9.45	120	26.60	11 8	13.60	1,638	1.81	0.86
Imperial Oil Limited (30%)	IMO		28.81	74	32.64	14 12	14.80	1,091	1.95	0.80
Suncor Energy	SU B		30.79	356	42.66	18 10	20.37	7,257	1.88	0.75
Cenovus Energy Inc.	CVE		8.53	217	24.31	11 3	12.52	2,712	1.88	0.58
Birchcliff Energy Ltd.	BIREF B		4.50	23	17.68	1 32	11.00	253	1.09	0.55
<i>Total or Median</i>									1.88	0.75

For historical research see [www.mcdep.com](http://www.mcdep.com)



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			<i>Price (US\$/sh)</i>					<i>Down- stream/ PV</i>	<i>Proven Undev. Resrvs (%)</i>	<i>Adjustd Resrvs/ Prod NTM</i>	<i>Net Present Value (US\$/sh)</i>
	<i>Symbol/Rating</i>		<i>12-Jun 2017</i>	<i>Shares (mm)</i>	<i>Debt (\$mm)</i>	<i>Dividend NTM (\$/sh)</i>	<i>P/E NTM</i>				
	B = Buy										
<b>Global Integrated</b>											
Exxon Mobil Corporation	XOM		82.93	4,223	93,323	3.08	24	27	31	11.3	100.00
Total S.A.	TOT	B	51.14	2,457	55,616	2.78	12	23	42	9.2	90.00
Chevron Corporation	CVX		108.04	1,895	68,305	4.32	29	19	32	9.2	135.00
Royal Dutch Shell	RDS-A	B	54.09	4,112	131,054	3.76	22	24	25	8.6	80.00
	<i>Median</i>									9.2	
<b>Large Independent</b>											
ConocoPhillips	COP	B	45.72	1,249	24,000	1.06		-	20	9.8	68.00
Devon Energy Corporation	DVN		32.72	528	8,002	0.24	71	9	20	9.0	45.00
Occidental Petroleum Corp.	OXY		60.85	765	13,200	3.04	51	13	23	9.0	75.00
Marathon Oil Corporation	MRO	B	12.62	849	7,100	0.20		-	39	8.4	19.00
EOG Resources, Inc.	EOG		89.88	579	7,202	0.67		-	30	7.2	85.00
Pioneer Natural Resources	PXD		167.81	170	1,600	0.08	71	-	7	6.1	150.00
	<i>Median</i>									8.7	
<b>Small Independent</b>											
Range Resources	RRC	B	23.18	245	4,345	0.08	45	-	44	11.4	56.00
Continental Resources (32%)	CLR	B	35.12	119	2,095	-		-	59	11.4	56.00
California Resources	CRC		11.16	43	6,000	-		-	29	11.1	50.00
Whiting Petroleum Corporation	WLL		6.14	363	3,517	-		-	53	9.1	18.00
Cimarex Energy Company	XEC		100.18	95	1,362	0.32	28	-	21	6.2	120.00
	<i>Median</i>									11.1	
<b>Income</b>											
Sabine Royalty Trust	SBR	B	37.25	15	-	2.37	16	-	4	11.6	60.00
San Juan Basin Royalty Trust	SJT		6.99	47	-	0.62	11	-	-	10.1	8.00
Permian Basin RT	PBT		9.44	47	-	0.69	14	-	13	9.4	11.00
Cross Timbers Royalty Trust	CRT	B	15.60	6	-	1.23	13	-	-	7.7	29.00
Dorchester Minerals, L.P.	DMLP		15.70	31	-	1.21	17	-	-	7.2	24.00
	<i>Median</i>									9.4	
<b>Canada</b>											
Suncor Energy	SU	B	30.79	1,665	16,463	0.95	28	16	44	15.1	44.00
Cenovus Energy Inc.	CVE		8.53	1,217	12,255	0.15		4	55	12.9	22.00
Birchcliff Energy Ltd.	BIREF	B	4.50	284	602	0.07	30	-	69	12.5	10.00
Imperial Oil Limited (30%)	IMO		28.81	255	1,857	0.45	14	32	23	9.8	38.00
EnCana Corporation	ECA		9.45	973	6,461	0.06		-	43	5.1	12.00
	<i>Median</i>									12.5	
P/E = Stock Price to Earnings. For historical research see <a href="http://www.mcdep.com">www.mcdep.com</a> .											



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Table 4											
McDep Energy Stocks											
Total Return Year-to-Date 2017											
Ranked by Unlevered Total Return											
			Price	Price			Equity	Unlevered			
			(\$/sh)	(\$/sh)	Price	Cash	Total	Debt	Total	McDep	
	Symbol/Rati		12-Jun	30-Dec	Change	Distrib.	Return	(\$/sh)	(%)	Ratio	
			2017	2016	(%)	(%)	(%)				
<b>Global Integrated</b>											
	Royal Dutch Shell	RDS-A	B	54.09	54.38	(1)	3	3	32	2	0.77
	Total S.A.	TOT	B	51.14	50.97	0	1	2	23	1	0.66
	Chevron Corporation	CVX		108.04	117.70	(8)	2	(6)	36	(5)	0.84
	Exxon Mobil Corporation	XOM		82.93	90.26	(8)	2	(6)	22	(5)	0.86
	<i>Median</i>					(4)		(2)		(2)	0.81
<b>Large Independent</b>											
	ConocoPhillips	COP	B	45.72	50.14	(9)	1	(8)	19	(6)	0.74
	Pioneer Natural Resources	PXD		167.81	180.00	(7)	0	(7)	9	(6)	1.11
	EOG Resources, Inc.	EOG		89.88	101.10	(11)	0	(11)	12	(10)	1.05
	Occidental Petroleum Corp.	OXY		60.85	71.23	(15)	1	(14)	17	(11)	0.85
	Marathon Oil Corporation	MRO	B	12.62	17.31	(27)	1	(27)	8	(18)	0.77
	Devon Energy Corporation	DVN		32.72	45.67	(28)	0	(28)	15	(21)	0.80
	<i>Median</i>					(13)		(12)		(10)	0.82
<b>Small Independent</b>											
	California Resources	CRC		11.16	21.29	(48)	-	(48)	141	(6)	0.80
	Range Resources	RRC	B	23.18	34.36	(33)	0	(32)	18	(21)	0.55
	Cimarex Energy Company	XEC		100.18	135.90	(26)	0	(26)	14	(24)	0.85
	Continental Resources (32%)	CLR	B	35.12	51.54	(32)	-	(32)	18	(24)	0.72
	Whiting Petroleum Corporation	WLL		6.14	12.02	(49)	-	(49)	10	(27)	0.57
	<i>Median</i>					(33)		(32)		(24)	0.72
<b>Income</b>											
	Permian Basin RT	PBT		9.44	7.71	22	4	27	-	27	0.86
	San Juan Basin Royalty Trust	SJT		6.99	6.62	6	4	10	-	10	0.87
	Sabine Royalty Trust	SBR	B	37.25	35.15	6	3	9	-	9	0.62
	Dorchester Minerals, L.P.	DMLP		15.70	17.55	(11)	3	(7)	-	(7)	0.65
	Cross Timbers Royalty Trust	CRT	B	15.60	17.97	(13)	2	(11)	-	(11)	0.54
	<i>Median</i>					6		9		9	0.65
<b>Canada</b>											
	Suncor Energy	SU	B	30.79	32.69	(6)	1	(5)	10	(4)	0.75
	EnCana Corporation	ECA		9.45	11.74	(20)	0	(19)	7	(12)	0.86
	Imperial Oil Limited (30%)	IMO		28.81	34.76	(17)	0	(17)	7	(14)	0.80
	Cenovus Energy Inc.	CVE		8.53	15.13	(44)	0	(43)	10	(26)	0.58
	Birchcliff Energy Ltd.	BIREF	B	4.50	7.01	(36)	0	(36)	2	(27)	0.55
	<i>Median</i>					(20)		(19)		(14)	0.75
	<i>Grand Median</i>					(13)		(11)		(10)	0.77
	Natural Gas (\$/mmbtu)			3.01	3.74	(20)					
	Oil -West Texas Intermediate (\$/bbl)			46.09	53.72	(14)					
	Total Stock Market - U.S.	VTI		125.16	115.32	9					
	Developed Markets - ex US	VEA		41.57	36.54	14					
	Emerging Markets	VVO		40.82	35.78	14					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

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<b>Index of Recent Research</b>				
<u>Date</u>	<u>Series</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
6-Jun	ISI	MRO	Marathon Oil	A Fourth Shale Focus
30-May	ISI	RDS	Royal Dutch Shell	High Yield While Waiting
26-May	ISI	CVE	Cenovus Energy	High Operating and Financial Leverage
18-May	ISI	DMLP	Dorchester Minerals, L.P.	Midland Basin Spotlight
9-May	Meter Reader			Positive Progress
2-May	ISI	RRC	Range Resources	Growth Accelerating
24-Apr	II	CRT, DMLP, PBT, SBR, SJT		Income Payer Distributions Beat
21-Apr	ISI	PXD	Pioneer Natural Resources	Prominent Permian Producer
17-Apr	ISI	SJT	San Juan Basin Royalty Trust	New Operator to Enhance Value
11-Apr	Meter Reader			IPAA Ideas
30-Mar	ISI	CVE	Cenovus Energy	Buying Out 50% Partner
30-Mar	ISI	COP	ConocoPhillips	Selling Canada
27-Mar	ISI	TOT	Total S.A.	Most Undervalued Global Integrated
21-Mar	ISI	CRT	Cross Timbers Royalty Trust	Top Line Value with Bottom Line Option
14-Mar	Meter Reader			Extra Inventory
3-Mar	ISI	DMLP	Dorchester Minerals, L.P.	Shale Oil Royalties Rising
26-Feb	II	CLR, CRC, RRC, WLL, XEC		Small Cap Producers Rising Again
21-Feb	ISI	MRO	Marathon Oil	A Third, a Third, a Third
14-Feb	Meter Reader			Non-U.S. Buys at Low McDep Ratio
6-Feb	ISI	COP	ConocoPhillips	Steady Volume
3-Feb	ISI	RDS	Royal Dutch Shell	BG Paying Off
1-Feb	ISI	XOM	Exxon Mobil	Looking to New Leader
30-Jan	ISI	CVX	Chevron	LNG and Permian Positives
17-Jan	Meter Reader			Buy Stocks with Low McDep Ratio
31-Dec	Meter Reader		Year-End Special with New Tables	Natural Gas Storage Trend Reverses
13-Dec	Meter Reader			Optimistic Outlook 2017
6-Dec	II	XOM, RDS, CVX, TOT		Total Return Upside
28-Nov	II	COP, DVN, EOG, MRO, OXY		Permian Players
22-Nov	II	CRT, DMLP, PBT, SBR, SJT		Income Payers Sparkle
15-Nov	Meter Reader			Growth, Inflation and Trump
9-Nov	ISI	ECA	Encana Corporation	Raise NPV to US\$10 from US\$6
31-Oct	ISI	SU	Suncor Energy Inc.	Raise NPV to US\$44 from US\$35
27-Oct	ISI	RRC	Range Resources	New Buy on Higher NPV of \$56
20-Oct	ISI	SJT	San Juan Basin Royalty Trust	Vote Proxy for Less Conflict, More Competence
18-Oct	ISI	CRC	California Resources	Option on Oil Price
14-Oct	ISI	CVX	Chevron	Oilier Global Integrated
11-Oct	Meter Reader			Canada Comeback
4-Oct	ISI	COP	ConocoPhillips	Pure Play Producer
24-Sep	ISI	SJT	San Juan Basin Royalty Trust	Rising from the Dead---Again
13-Sep	Meter Reader			Permian Surprises
6-Sep	ISI	DVN	Devon Energy	Raise NPV to \$45 from \$33 on Stress Test Success
				MR = Meter Reader (published monthly on or about second or third Tuesday)
				ISI = Independent Stock Idea
				II = Industry Idea
				For historical research by stock, go to <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Stock Ideas</a> , click on stock by name.



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