



Meter Reader

A Monthly Analysis of Oil and Gas Stocks

October 10, 2017

Stock Price Momentum Picking Up

	Symbol/Rating		Price	Market	Enterprise	EV/	EV/	PV/	Oil	Dist.	McDep
			(US\$/sh)								
			9-Oct	Cap	Value	Market	Ebitda	Ebitda	Prod'n/	Yield	Ratio
			2017	(US\$m)	(\$mm)	Cap	NTM	NTM	PV	NTM	(EV/PV)
Royal Dutch Shell	RDS-A	B	60.40	250,000	377,000	1.51	7.5	9.1	51	6.2	0.82
Total S.A.	TOT	B	53.38	138,000	195,000	1.41	6.4	9.5	55	5.5	0.67
Marathon Oil Corporation	MRO	B	13.57	11,530	18,700	1.62	9.9	12.4	79	1.5	0.80
ConocoPhillips	COP	B	48.91	61,000	85,000	1.40	9.3	11.9	69	2.2	0.78
Continental Resources (32%)	CLR	B	37.01	4,400	6,500	1.48	8.6	11.6	74	-	0.74
Range Resources	RRC	B	19.74	4,800	9,200	1.91	8.9	17.4	31	0.4	0.51
Dorchester Minerals, L.P.	DMLP	B	14.90	480	480	1.00	10.9	17.6	72	8.8	0.62
Cross Timbers Royalty Trust	CRT	B	14.51	90	90	1.00	10.4	20.7	28	7.3	0.50
Suncor Energy	SU	B	34.57	57,600	75,900	1.32	8.9	10.8	84	3.0	0.83
Birchcliff Energy Ltd.	BIREF	B	4.30	1,200	1,700	1.52	6.4	12.0	30	1.9	0.53

Summary and Recommendation

Oil and gas stocks may be in the early stages of a rising price trend as the number of McDep issues tracing a golden cross chart pattern expanded to six from two in the past month. **Royal Dutch Shell (RDS)** and **Sabine Royalty Trust (SBR)** have been trading above the 50-day and 200-day average most of the time since their golden crosses were formed when the 50-day crossed above the 200-day in the spring of 2016. Those lonely two were joined by **Total (TOT)**, **Chevron (CVX)**, **San Juan Basin RT (SJT)** and **Suncor (SU)** in September. Three of the six stocks with the strongest momentum, RDS, TOT and SU are also Buy recommendations on the basis of low ranking by McDep Ratio. At the same time, seasonal considerations may favor oil and gas investment as the Northern Hemisphere winter is approaching. Global consumption of oil and gas is highest at that time of the year. Moreover, investors happy with broader market advances might want to lock in some gains by partly redeploying to energy stocks that have not advanced as much or even declined this year. In any case, low McDep Ratios are the fundamental measure of value that keep us interested. Generally, low McDep Ratio stocks also have lower unlevered cash flow multiples (EV/Ebitda). The stocks in our coverage include conservative global giants, large cap shale oil innovators, high potential small caps, high income payers, and diverse Canadian producers (see [Tables 1-4](#) on pages 2-5).

Kurt H. Wulff, CFA



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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		9-Oct 2017								
Global Integrated											
Chevron Corporation	CVX		117.71	223,000	290,000	1.30	9.2	10.3	60	3.7	0.90
Exxon Mobil Corporation	XOM		82.03	350,000	442,000	1.26	10.1	11.8	49	3.8	0.85
Royal Dutch Shell	RDS-A	B	60.40	250,000	377,000	1.51	7.5	9.1	51	6.2	0.82
Total S.A.	TOT	B	53.38	138,000	195,000	1.41	6.4	9.5	55	5.5	0.67
	<i>Total or Median</i>			961,000	1,304,000	1.36	8.4	9.9	53	4.6	0.84
Large Independent											
EOG Resources, Inc.	EOG		96.50	55,900	63,100	1.13	12.1	10.8	86	0.7	1.12
Pioneer Natural Resources	PXD		150.96	25,700	27,400	1.07	10.7	10.7	87	0.1	1.01
Occidental Petroleum Corp.	OXY		63.97	49,000	61,800	1.26	10.8	12.3	80	4.8	0.88
Devon Energy Corporation	DVN		35.89	19,000	27,000	1.42	8.8	10.3	62	0.7	0.85
Marathon Oil Corporation	MRO	B	13.57	11,530	18,700	1.62	9.9	12.4	79	1.5	0.80
ConocoPhillips	COP	B	48.91	61,000	85,000	1.40	9.3	11.9	69	2.2	0.78
	<i>Total or Median</i>			222,100	283,000	1.33	10.3	11.4	80	1.1	0.86
Small Independent											
Cimarex Energy Company	XEC		115.77	11,000	12,500	1.13	11.3	11.7	63	0.3	0.97
California Resources	CRC		10.48	400	6,400	14.6	11.1	14.0	89	-	0.79
Continental Resources (32%)	CLR	B	37.01	4,400	6,500	1.48	8.6	11.6	74	-	0.74
Whiting Petroleum Corporation	WLL		5.29	1,900	5,500	2.87	6.6	12.1	92	-	0.54
Range Resources	RRC	B	19.74	4,800	9,200	1.91	8.9	17.4	31	0.4	0.51
	<i>Total or Median</i>			23,000	40,000	1.91	8.9	12.1	74	-	0.74
Income											
San Juan Basin Royalty Trust	SJT		7.64	360	360	1.00	15.3	16.1	-	6.4	0.95
Permian Basin RT	PBT		9.18	430	430	1.00	15.7	18.8	78	5.8	0.83
Sabine Royalty Trust	SBR		40.40	590	590	1.00	17.9	26.6	59	5.6	0.67
Dorchester Minerals, L.P.	DMLP	B	14.90	480	480	1.00	10.9	17.6	72	8.8	0.62
Cross Timbers Royalty Trust	CRT	B	14.51	90	90	1.00	10.4	20.7	28	7.3	0.50
	<i>Total or Median</i>			2,000	2,000	1.00	15.3	18.8	59	6.4	0.67
Canada											
EnCana Corporation	ECA		11.32	11,000	17,500	1.59	9.8	10.2	56	0.5	0.96
Imperial Oil Limited (30%)	IMO		31.20	8,000	10,000	1.26	8.5	10.0	67	1.6	0.85
Suncor Energy	SU	B	34.57	57,600	75,900	1.32	8.9	10.8	84	3.0	0.83
Cenovus Energy Inc.	CVE		9.53	11,700	21,900	1.87	6.8	11.6	83	1.7	0.59
Birchcliff Energy Ltd.	BIREF	B	4.30	1,200	1,700	1.52	6.4	12.0	30	1.9	0.53
	<i>Total or Median</i>			90,000	127,000	1.52	8.5	10.8	67	1.7	0.83

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 9/30/18.

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



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			<i>Price</i> <i>(US\$/sh)</i>		<i>Oil</i> <i>Equiv.</i>	<i>Operating</i> <i>Expense</i>					
	<i>Symbol/Rating</i>	<i>9-Oct</i>	<i>Volume</i>	<i>Price</i>	<i>Fixed</i>	<i>Var.</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>Oper Lev</i>	<i>McDep</i>	
	B = Buy	2017	(mmboe)	(\$/boe)	(\$/boe)	(%)	(\$/boe)	(\$mm)	Ebitda chg/ Price chg	Ratio	
Global Integrated (excl. Downstream)											
Chevron Corporation	CVX		117.71	881	37.52	11	14	21.30	18,771	1.52	0.90
Exxon Mobil Corporation	XOM		82.03	1,466	37.84	4	43	17.60	25,806	1.23	0.85
Royal Dutch Shell	RDS-A	B	60.40	1,291	36.60	6	14	25.60	33,037	1.23	0.82
Total S.A.	TOT	B	53.38	963	36.69	0	41	21.70	20,908	1.00	0.67
	<i>Total or Median</i>									<i>1.23</i>	<i>0.84</i>
Large Independent (excl. Downstream)											
EOG Resources, Inc.	EOG		96.50	229	34.54	11	2	22.80	5,232	1.48	1.12
Pioneer Natural Resources	PXD		150.96	117	33.70	11	3	21.80	2,549	1.50	1.01
Occidental Petroleum Corp.	OXY		63.97	230	35.34	12	11	19.60	4,514	1.61	0.88
Devon Energy Corporation	DVN		35.89	182	25.99	10	5	14.60	2,663	1.68	0.85
Marathon Oil Corporation	MRO	B	13.57	131	27.52	11	8	14.40	1,881	1.76	0.80
ConocoPhillips	COP	B	48.91	440	34.52	8	17	20.70	9,105	1.39	0.78
	<i>Total or Median</i>									<i>1.56</i>	<i>0.86</i>
Small Independent											
Cimarex Energy Company	XEC		115.77	71	25.34	6	16	15.40	1,100	1.39	0.97
California Resources	CRC		10.48	47	38.40	15	29	12.30	580	2.22	0.79
Continental Resources (32%)	CLR	B	37.01	33	30.58	3	14	23.20	755	1.13	0.74
Whiting Petroleum Corporation	WLL		5.29	48	31.98	9	17	17.60	837	1.51	0.54
Range Resources	RRC	B	19.74	133	16.91	8	7	7.80	1,040	2.03	0.51
	<i>Total or Median</i>									<i>1.51</i>	<i>0.74</i>
Income											
San Juan Basin Royalty Trust	SJT		7.64	3	14.89	5	15	7.69	23	1.65	0.95
Permian Basin RT	PBT		9.18	1	31.30	10	7	19.04	27	1.53	0.83
Sabine Royalty Trust	SBR		40.40	1	28.56	2	11	23.50	33	1.09	0.67
Dorchester Minerals, L.P.	DMLP	B	14.90	2	30.79	7	10	20.86	44	1.34	0.62
Cross Timbers Royalty Trust	CRT	B	14.51	0	33.62	8	10	22.38	8	1.36	0.50
	<i>Total or Median</i>									<i>1.36</i>	<i>0.67</i>
Canada (excl. Downstream)											
EnCana Corporation	ECA		11.32	113	28.77	12	3	15.77	1,782	1.76	0.96
Imperial Oil Limited (30%)	IMO		31.20	68	36.21	17	6	17.10	1,169	1.99	0.85
Suncor Energy	SU	B	34.57	283	46.00	22	4	22.08	6,245	2.00	0.83
Cenovus Energy Inc.	CVE		9.53	212	25.67	11	3	13.97	2,960	1.79	0.59
Birchcliff Energy Ltd.	BIREF	B	4.30	23	17.30	4	9	11.80	273	1.34	0.53
	<i>Total or Median</i>									<i>1.79</i>	<i>0.83</i>

For historical research see www.mcdep.com



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			<i>Price</i> (US\$/sh)					<i>Down-</i> <i>stream/</i>	<i>Proven</i>	<i>Adjustd</i>	<i>Net</i>
	<i>Symbol/Rating</i>		<i>9-Oct</i>	<i>Shares</i>	<i>Debt</i>	<i>Dividend</i>	<i>P/E</i>	<i>PV</i>	<i>Resrvs</i>	<i>Prod</i>	<i>Present</i>
	B = Buy		2017	(mm)	(\$mm)	(\$/sh)	NTM	(%)	(%)	NTM	(US\$/sh)
Global Integrated											
Exxon Mobil Corporation	XOM		82.03	4,271	91,152	3.08	24	27	31	11.5	100.00
Total S.A.	TOT	B	53.38	2,583	57,015	2.91	13	22	42	8.9	90.00
Chevron Corporation	CVX		117.71	1,893	66,793	4.32	30	20	32	8.9	135.00
Royal Dutch Shell	RDS-A	B	60.40	4,146	126,975	3.76	19	24	25	8.8	80.00
	<i>Median</i>									8.9	
Large Independent											
ConocoPhillips	COP	B	48.91	1,237	24,405	1.06		-	20	10.3	68.00
Occidental Petroleum Corp.	OXY		63.97	766	12,800	3.04	58	14	23	9.2	75.00
Devon Energy Corporation	DVN		35.89	529	8,019	0.24	69	9	20	8.8	45.00
Marathon Oil Corporation	MRO	B	13.57	850	7,129	0.20		-	39	8.6	19.00
EOG Resources, Inc.	EOG		96.50	579	7,250	0.67		-	30	7.0	85.00
Pioneer Natural Resources	PXD		150.96	170	1,700	0.08	72	-	7	6.0	150.00
	<i>Median</i>									8.7	
Small Independent											
Range Resources	RRC	B	19.74	245	4,392	0.08	49	-	44	11.8	56.00
Whiting Petroleum Corporation	WLL		5.29	363	3,589	-		-	53	11.7	18.00
Continental Resources (32%)	CLR	B	37.01	119	2,124	-		-	59	11.4	56.00
California Resources	CRC		10.48	42	6,000	-		-	29	10.3	50.00
Cimarex Energy Company	XEC		115.77	95	1,442	0.32	30	-	21	6.1	120.00
	<i>Median</i>									11.4	
Income											
Sabine Royalty Trust	SBR		40.40	15	-	2.26	18	-	4	11.9	60.00
San Juan Basin Royalty Trust	SJT		7.64	47	-	0.49	16	-	-	10.2	8.00
Permian Basin RT	PBT		9.18	47	-	0.54	17	-	12	9.4	11.00
Cross Timbers Royalty Trust	CRT	B	14.51	6	-	1.07	14	-	-	9.1	29.00
Dorchester Minerals, L.P.	DMLP	B	14.90	32	-	1.32	15	-	-	6.6	24.00
	<i>Median</i>									9.4	
Canada											
Suncor Energy	SU	B	34.57	1,665	18,334	1.02	22	16	44	13.6	44.00
Cenovus Energy Inc.	CVE		9.53	1,229	10,174	0.16		4	55	12.8	22.00
Birchcliff Energy Ltd.	BIREF	B	4.30	268	598	0.08	24	-	69	12.4	10.00
Imperial Oil Limited (30%)	IMO		31.20	255	2,032	0.51	13	32	23	9.2	38.00
EnCana Corporation	ECA		11.32	973	6,457	0.06		-	43	5.5	12.00
	<i>Median</i>									12.4	
P/E = Stock Price to Earnings. For historical research see www.mcdep.com .											



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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		9-Oct	30-Dec	Change	Distrib.	Return	(\$/sh)	Return	Ratio
			2017	2016	(%)	(%)	(%)		(%)	
Global Integrated										
Royal Dutch Shell	RDS-A	B	60.40	54.38	11	5	16	31	10	0.82
Total S.A.	TOT	B	53.38	50.97	5	3	7	22	5	0.67
Chevron Corporation	CVX		117.71	117.70	0	3	3	35	2	0.90
Exxon Mobil Corporation	XOM		82.03	90.26	(9)	2	(7)	21	(5)	0.85
	<i>Median</i>				2		5		4	0.84
Large Independent										
ConocoPhillips	COP	B	48.91	50.14	(2)	2	(1)	20	(1)	0.78
EOG Resources, Inc.	EOG		96.50	101.10	(5)	0	(4)	13	(4)	1.12
Occidental Petroleum Corp.	OXY		63.97	71.23	(10)	2	(8)	17	(7)	0.88
Marathon Oil Corporation	MRO	B	13.57	17.31	(22)	1	(21)	8	(14)	0.80
Pioneer Natural Resources	PXD		150.96	180.00	(16)	0	(16)	10	(15)	1.01
Devon Energy Corporation	DVN		35.89	45.67	(21)	0	(21)	15	(16)	0.85
	<i>Median</i>				(13)		(12)		(10)	0.86
Small Independent										
California Resources	CRC		10.48	21.29	(51)	-	(51)	142	(7)	0.79
Cimarex Energy Company	XEC		115.77	135.90	(15)	0	(15)	15	(13)	0.97
Continental Resources (32%)	CLR	B	37.01	51.54	(28)	-	(28)	18	(21)	0.74
Range Resources	RRC	B	19.74	34.36	(43)	0	(42)	18	(28)	0.51
Whiting Petroleum Corporation	WLL		5.29	12.02	(56)	-	(56)	10	(31)	0.54
	<i>Median</i>				(43)		(42)		(21)	0.74
Income										
Permian Basin RT	PBT		9.18	7.71	19	6	25	-	25	0.83
San Juan Basin Royalty Trust	SJT		7.64	6.62	15	6	22	-	22	0.95
Sabine Royalty Trust	SBR		40.40	35.15	15	4	19	-	19	0.67
Dorchester Minerals, L.P.	DMLP	B	14.90	17.55	(15)	5	(10)	-	(10)	0.62
Cross Timbers Royalty Trust	CRT	B	14.51	17.97	(19)	4	(16)	-	(16)	0.50
	<i>Median</i>				15		19		19	0.67
Canada										
Suncor Energy	SU	B	34.57	32.69	6	1	7	11	5	0.83
EnCana Corporation	ECA		11.32	11.74	(4)	0	(3)	7	(2)	0.96
Imperial Oil Limited (30%)	IMO		31.20	34.76	(10)	1	(10)	8	(8)	0.85
Cenovus Energy Inc.	CVE		9.53	15.13	(37)	1	(37)	8	(24)	0.59
Birchcliff Energy Ltd.	BIREF	B	4.30	7.01	(39)	1	(38)	2	(29)	0.53
	<i>Median</i>				(10)		(10)		(8)	0.83
	<i>Grand Median</i>				(10)		(10)		(7)	0.82
Natural Gas (\$/mmbtu)			2.84	3.74	(24)					
Oil -West Texas Intermediate (\$/bbl)			49.52	53.72	(8)					
Total Stock Market - U.S.	VTI		130.93	115.32	14					
Developed Markets - ex US	VEA		43.38	36.54	19					
Emerging Markets	VVO		44.22	35.78	24					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

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Index of Recent Research				
<u>Date</u>	<u>Series</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
4-Oct	ISI	COP	ConocoPhillips	Cash to the Owners
25-Sep	II	CRT, DMLP, PBT,	SBR, SJT	Cash, Fracking and Inflation
18-Sep	ISI	RRC	Range Resources	Natural Gas at Lowest McDep Ratio
12-Sep	Meter Reader			Currency, Interest and Oil
6-Sep	ISI	TOT	Total S.A.	Gaining Volume on Competitors
30-Aug	ISI	SU	Suncor Energy Inc.	Returning Cash to Shareholders
23-Aug	ISI	BIREF	Birchcliff Energy	Montney Growth
15-Aug	Meter Reader			Energy Outlook to 2026
8-Aug	ISI	SJT	San Juan Basin Royalty Trust	BP Tests Best San Juan Well in 14 Years
4-Aug	ISI	DMLP	Dorchester Minerals, L.P.	Raise Distribution Yield to 8.5%
31-Jul	ISI	CVX	Chevron	Valuable Permian Lands
25-Jul	II	CRT, DMLP, PBT,	SBR, SJT	Control Reinvestment with Income Payers
19-Jul	II	COP, DVN, EOG, MRO,	PXD, OXY	Potential to Prosper
11-Jul	Meter Reader			Liftoff for Energy Exports
3-Jul	ISI	DMLP	Dorchester Minerals, L.P.	Core Midland Acquisition – Upgrade to Buy
27-Jun	ISI	CLR	Continental Resources	Well-Managed Shale Pioneer
20-Jun	ISI	XOM	Exxon Mobil	Profit from Low-Risk Energy Growth
13-Jun	Meter Reader			Value Beckoning
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
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 mcdep.com , click on Stock Ideas , click on stock by name.				



McDEP
LLC

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