



Independent Stock Idea

Intraday November 27, 2017

Continental Resources (CLR) Oil Price Helps

<i>Symbol</i>	CLR	<i>Ebitda Next Twelve Months ending 12/31/18 (US\$m)</i>	2,980
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	18
<i>Price (\$/sh)</i>	45.44	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/27/17	<i>Adjusted Reserves/Production NTM</i>	8.7
<i>Shares (mm)</i>	373	<i>EV/Ebitda</i>	7.9
<i>Market Capitalization (\$mm)</i>	16,900	<i>PV/Ebitda</i>	9.2
<i>Debt (\$mm)</i>	6,700	<i>Undeveloped Reserves (%)</i>	59
<i>Enterprise Value (EV) (\$mm)</i>	23,600	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	28.80
<i>Present Value (PV) (\$mm)</i>	27,600	<i>Present Value Proven Reserves(\$/boe)</i>	21.70
<i>Net Present Value (\$/share)</i>	56	<i>Oil and Gas Ebitda Margin (%)</i>	79
<i>Debt/Present Value</i>	0.24	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.25
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	36
<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\$70 a barrel and natural gas, \$4.00 a million btu.			
Chairman and Chief Executive Harold Hamm owns about 68% of the equity in Continental Resources.			
For historical analysis of CLR see www.mcdep.com/4clr.htm			

Summary and Recommendation

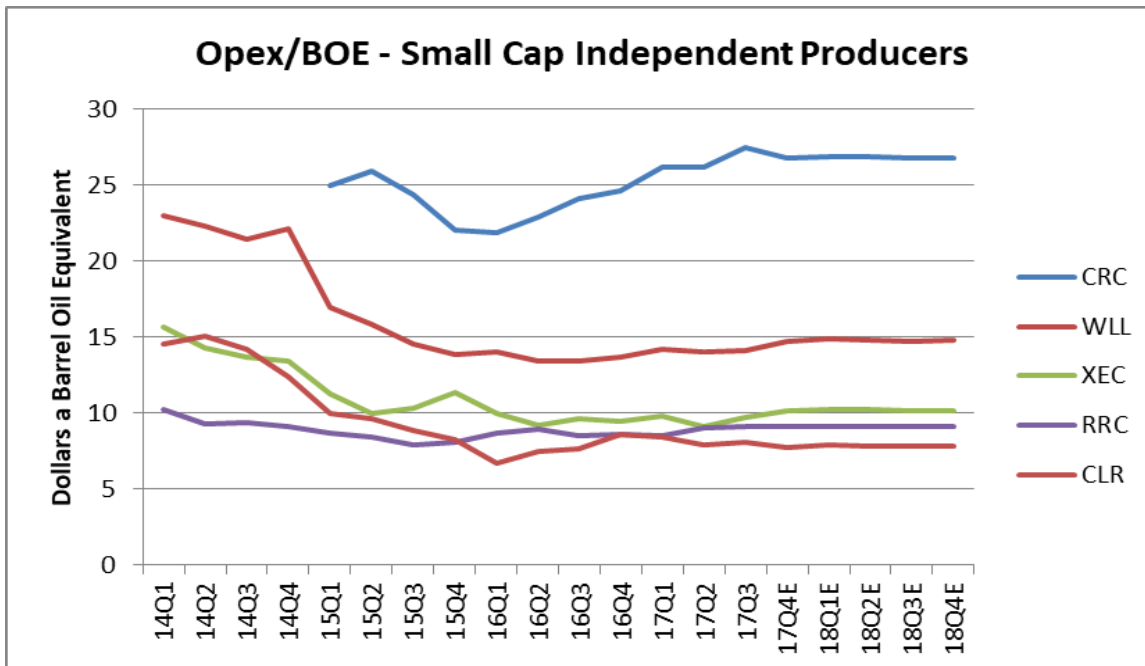
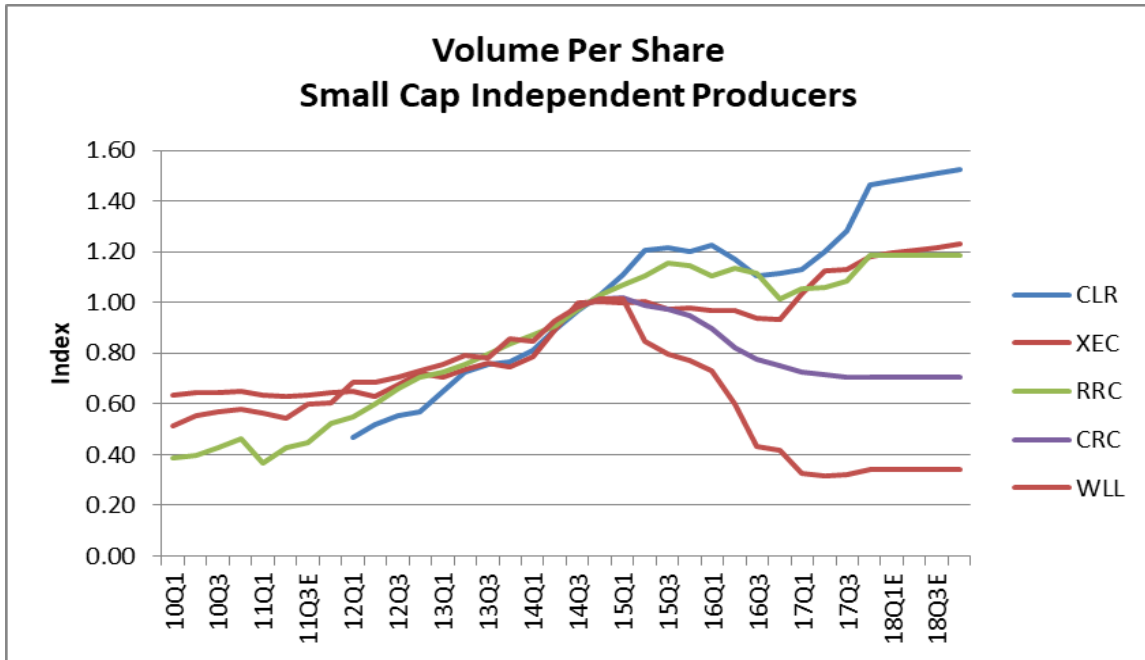
A 35% jump in oil price in five months along with stellar operating trends contributes to a 45% increase in stock price for buy-recommended **Continental Resources (CLR)**. At \$45 a share, up from \$31 a share at the end of June, stock price has further to appreciate to reach Net Present Value (NPV) of \$56 a share. Meanwhile, production growth leads our small cap producer group (see chart [Volume Per Share](#) on page 2). Operating cost a barrel oil equivalent (boe) is lowest of independent competitors (see chart [Opex/BOE](#) on page 2). Cash Flow (Ebitda) a boe is highest of peers (see chart [Ebitda/BOE](#) on page 3). As a result, total cash flow is rebounding dramatically (see chart [Ebitda](#) on page 3). Ebitda Margin is a strong 79% in estimates tied to recent futures prices (see table [Operating and Financial Estimates](#) on page 4). A successful record and favorable outlook attest to the disciplined vision of great American shale entrepreneur, Harold Hamm, founder of Continental Resources and owner of about \$12 billion of the company's stock. CLR pioneered the commercial development and is the largest producer of oil in the Bakken shale of North Dakota. Moreover, CLR third quarter results on November 7 highlighted a record Oklahoma horizontal well producing 6,700 boe in 24 hours. Among 25 companies in our coverage, CLR's McDep Ratio remains in buy range at 0.86. Unlevered cash flow multiple (EV/Ebitda) is competitive at 7.9 times (see [Table 1](#) on page 5). Ebitda/boe at \$28.80 is high not only among peers, but also among all producers (see [Table 2](#) on page 6). Yet, a high 59% of reported reserves that are undeveloped could be a sign of higher risk (see [Table 3](#) on page 7). Finally, CLR stock price has traced a golden cross to demonstrate the positive momentum signaled by the 50-day average crossing above the 200-day average.

Kurt H. Wulff, CFA



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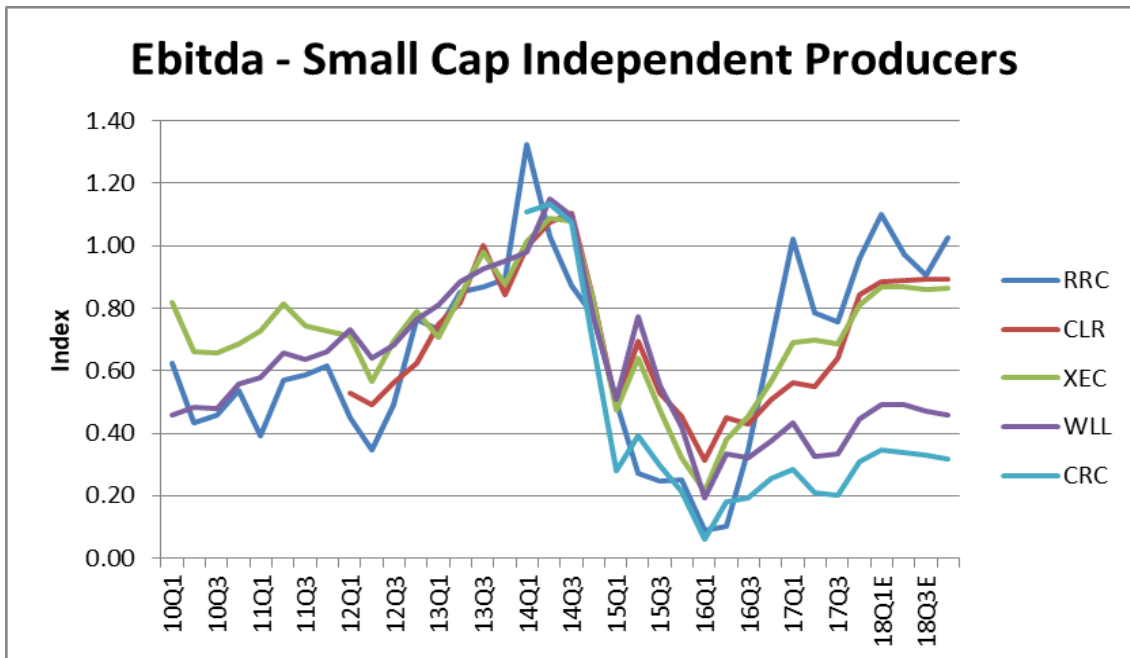
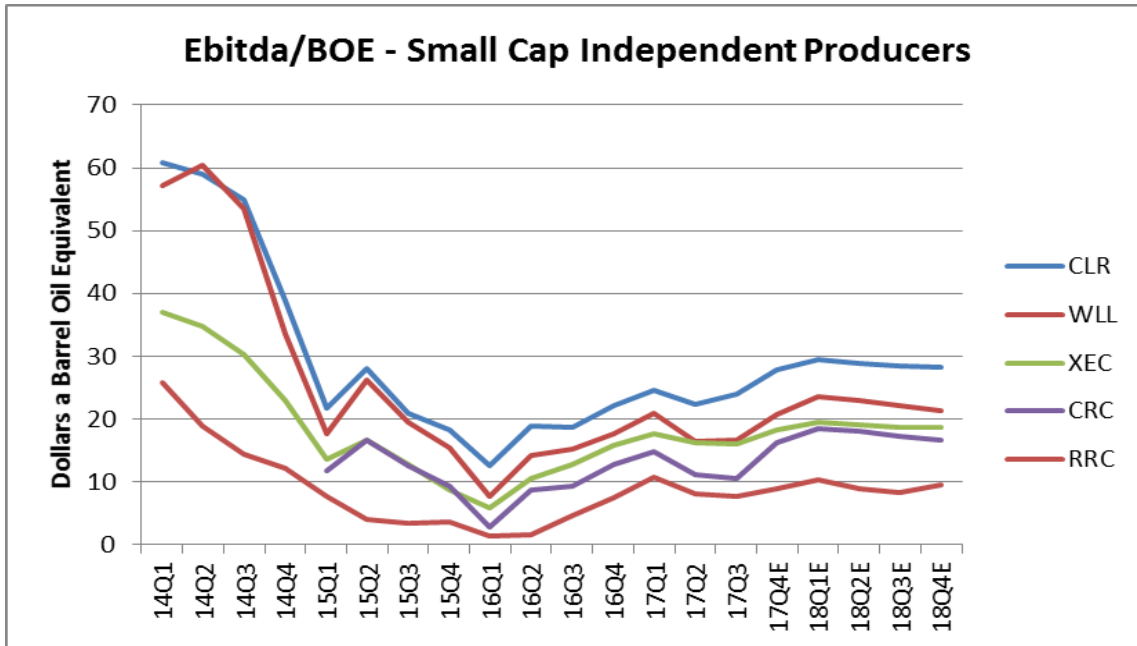
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Continental Resources										
Next Twelve Months Operating and Financial Estimates										
	Q4	Year	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/16	2016	9/30/17	12/31/17	2017	3/31/18	6/30/18	9/30/18	12/31/18	12/31/18
Volume										
Natural Gas (bcf)	51.5	195	56.4	64.4	227	63.6	65.0	66.4	67.0	262.0
Natural Gas (mmcf)	560	533	613	700	622	707	714	721	728	718
Days	92	366	92	92	365	90	91	92	92	365
Oil (mmb)	10.7	47	12.9	14.7	50	14.5	14.9	15.2	15.3	60
Oil (mbd)	116	128	141	160	136	162	163	165	166	164
Total (mb)	19.3	79.3	22.3	25.5	87.6	25.1	25.7	26.2	26.5	103.5
Total (mbd)	209	217	243	277	240	279	282	285	288	284
Price										
Henry Hub (\$/mmbtu)	2.98	2.46	2.99	2.84	3.08	2.92	2.83	2.88	2.98	2.90
Differential (\$/mmbtu)	0.28	0.59	0.25	0.24	0.35	0.25	0.24	0.24	0.25	0.25
Company (\$/mcf)	2.70	1.87	2.74	2.60	2.73	2.67	2.59	2.64	2.73	2.66
WTI Cushing (\$/bbl)	49.21	43.31	48.20	55.67	51.01	58.86	58.15	57.05	56.02	57.52
Differential	6.98	7.81	4.93	5.69	5.76	6.02	5.95	5.83	5.73	5.90
Company (\$/bbl)	42.23	35.50	43.27	49.98	45.25	52.84	52.21	51.21	50.29	51.62
Total (\$/bbl)	30.62	25.54	31.98	35.48	32.79	37.32	36.74	36.28	35.99	36.57
Revenue (\$mm)										
Natural Gas	139	366	155	167	620	170	168	175	183	696
Oil	451	1,659	560	736	2,251	769	775	777	770	3,091
Total	590	2,024	714	903	2,871	938	944	952	953	3,787
Expense										
Lease operating	70	290	85	94	334	93	95	97	98	383
Production taxes	38	142	51	63	197	66	66	67	67	265
General and administrative	57	169	44	39	169	39	40	41	41	160
Total	165	601	180	197	701	198	201	204	206	809
Ebitda	425	1,423	534	706	2,170	741	743	747	747	2,978
Exploration	8	17	1	1	10	1	1	1	1	4
Deprec., Deplet., & Amort.	388	1,709	420	484	1,682	478	488	498	503	1,967
Other	(7)	(123)	(13)		(26)					-
Ebit	36	(180)	127	222	504	262	254	248	243	1,007
Interest	76	321	75	73	292	73	73	73	73	292
Ebt	(40)	(501)	52	149	212	189	181	175	170	715
Income Tax	(14)	(175)	18	52	74	66	63	61	60	250
Net Income (\$mm)	(26)	(326)	34	97	138	123	117	114	111	465
Per Share (\$)	(0.07)	(0.88)	0.09	0.26	0.37	0.33	0.31	0.30	0.30	1.25
Shares (millions)	370	370	373	373	373	373	373	373	373	373
Ebitda Margin	72%	70%	75%	78%	76%	79%	79%	79%	78%	79%
Tax rate	35%	35%		35%	35%	35%	35%	35%	35%	35%



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Table 1
McDep Energy Stocks
Ranked by McDep Ratio

		Price (US\$/sh)	Market Cap (US\$mm)	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	27-Nov 2017										
Global Integrated												
	Chevron Corporation	CVX	115.65	219,000	284,000	1.29	7.9	8.9	62	3.7	0.89	
	Exxon Mobil Corporation	XOM	81.12	346,000	438,000	1.26	8.5	10.1	53	3.8	0.84	
	Royal Dutch Shell	RDS-A	B	61.93	258,000	382,000	1.48	6.7	8.1	47	6.1	0.84
	Total S.A.	TOT	B	56.40	146,000	203,000	1.39	5.8	8.2	51	5.2	0.70
	<i>Total or Median</i>			969,000	1,307,000	1.34	7.3	8.6	52	4.5	0.84	
Large Independent												
	EOG Resources, Inc.	EOG	100.25	58,000	65,300	1.12	10.0	8.6	89	0.7	1.16	
	Pioneer Natural Resources	PXD	150.44	25,600	27,600	1.08	8.1	8.1	87	0.1	1.00	
	Occidental Petroleum Corp.	OXY	68.01	52,100	65,600	1.26	9.5	10.3	81	4.5	0.92	
	Devon Energy Corporation	DVN	37.14	19,600	27,300	1.40	6.6	7.6	62	0.6	0.87	
	Marathon Oil Corporation	MRO	B	14.66	12,460	19,500	1.57	6.8	8.1	79	1.4	0.84
	ConocoPhillips	COP	B	49.67	60,000	84,000	1.39	7.7	9.8	69	2.1	0.79
	<i>Total or Median</i>			227,800	289,000	1.32	7.9	8.4	80	1.0	0.90	
Small Independent												
	Cimarex Energy Company	XEC	114.18	10,700	12,200	1.14	8.6	9.0	70	0.3	0.96	
	Continental Resources (32%)	CLR	B	45.44	5,400	7,600	1.39	7.9	9.2	75	-	0.86
	California Resources	CRC	14.82	600	6,700	10.7	8.1	10.0	89	-	0.82	
	Whiting Petroleum Corporation	WLL	22.94	2,100	5,300	2.56	5.3	9.8	92	-	0.54	
	Range Resources	RRC	B	17.18	4,200	8,800	2.09	7.1	14.8	32	0.5	0.48
	<i>Total or Median</i>			23,000	41,000	2.09	7.9	9.8	75	-	0.82	
Income												
	San Juan Basin Royalty Trust	SJT	8.50	400	400	1.00	18.0	17.0	-	5.5	1.06	
	Permian Basin RT	PBT	9.19	430	430	1.00	13.6	16.3	78	6.8	0.83	
	Sabine Royalty Trust	SBR	44.51	650	650	1.00	17.9	24.1	66	5.6	0.74	
	Dorchester Minerals, L.P.	DMLP	B	14.90	480	480	1.00	9.6	15.5	77	10.0	0.62
	Cross Timbers Royalty Trust	CRT	B	15.28	90	90	1.00	10.2	19.4	28	7.6	0.53
	<i>Total or Median</i>			2,100	2,100	1.00	13.6	17.0	66	6.8	0.74	
Canada												
	EnCana Corporation	ECA	11.68	11,400	17,700	1.55	9.4	9.5	67	0.5	0.98	
	Imperial Oil Limited (30%)	IMO	30.88	7,800	9,800	1.25	6.7	7.9	67	1.6	0.84	
	Suncor Energy	SU	B	35.08	58,400	76,000	1.30	7.1	8.5	84	2.9	0.84
	Cenovus Energy Inc.	CVE	9.36	11,500	21,400	1.86	4.8	8.3	85	1.7	0.58	
	Birchcliff Energy Ltd.	BIREF	B	3.84	1,000	1,600	1.58	5.7	11.5	30	2.1	0.50
	<i>Total or Median</i>			90,000	127,000	1.55	6.7	8.5	67	1.7	0.84	

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 12/31/18.
 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



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		<i>Price</i>		<i>Oil</i>	<i>Operating</i>						
		<i>(US\$/sh)</i>		<i>Equiv.</i>	<i>Expense</i>			<i>Ebitda</i>	<i>Ebitda</i>	<i>Oper Lev</i>	
	<i>Symbol/Rating</i>	<i>27-Nov</i>	<i>Volume</i>	<i>Price</i>	<i>Fixed Var.</i>			<i>NTM</i>	<i>NTM</i>	<i>Ebitda chg/</i>	<i>McDep</i>
		<i>2017</i>	<i>(mmboe)</i>	<i>(\$/boe)</i>	<i>(\$/boe) (%)</i>			<i>(\$/boe)</i>	<i>(\$mm)</i>	<i>Price chg</i>	<i>Ratio</i>
	<i>B = Buy</i>										
Global Integrated (excl. Downstream)											
Chevron Corporation	CVX	115.65	1,026	44.23	11 14			27.10	27,805	1.41	0.89
Exxon Mobil Corporation	XOM	81.12	1,486	42.58	4 37			22.80	33,878	1.18	0.84
Royal Dutch Shell	RDS-A B	61.93	1,323	40.92	6 14			29.00	38,367	1.21	0.84
Total S.A.	TOT B	56.40	931	42.79	0 38			26.60	24,757	1.00	0.70
	<i>Total or Median</i>									<i>1.19</i>	<i>0.84</i>
Large Independent (excl. Downstream)											
EOG Resources, Inc.	EOG	100.25	237	40.00	11 4			27.60	6,531	1.40	1.16
Pioneer Natural Resources	PXD	150.44	124	39.75	11 3			27.50	3,415	1.40	1.00
Occidental Petroleum Corp.	OXY	68.01	232	40.57	12 10			24.60	5,705	1.49	0.92
Devon Energy Corporation	DVN	37.14	191	30.81	10 5			19.40	3,709	1.52	0.87
Marathon Oil Corporation	MRO B	14.66	149	32.32	11 6			19.30	2,867	1.57	0.84
ConocoPhillips	COP B	49.67	419	41.57	8 19			25.80	10,816	1.31	0.79
	<i>Total or Median</i>									<i>1.44</i>	<i>0.90</i>
Small Independent											
Cimarex Energy Company	XEC	114.18	74	29.17	6 14			19.00	1,406	1.32	0.96
Continental Resources (32%)	CLR B	45.44	33	36.57	3 13			28.80	954	1.10	0.86
California Resources	CRC	14.82	47	44.46	15 27			17.60	826	1.85	0.82
Whiting Petroleum Corporation	WLL	22.94	45	37.25	9 16			22.40	1,002	1.40	0.54
Range Resources	RRC B	17.18	133	18.35	8 6			9.30	1,233	1.86	0.48
	<i>Total or Median</i>									<i>1.40</i>	<i>0.82</i>
Income											
San Juan Basin Royalty Trust	SJT	8.50	3	14.59	5 15			7.37	22	1.68	1.06
Permian Basin RT	PBT	9.19	1	38.32	10 10			24.37	31	1.41	0.83
Sabine Royalty Trust	SBR	44.51	1	32.64	2 11			27.15	36	1.07	0.74
Dorchester Minerals, L.P.	DMLP B	14.90	2	32.92	7 8			23.35	50	1.30	0.62
Cross Timbers Royalty Trust	CRT B	15.28	0	38.39	8 28			19.65	9	1.41	0.53
	<i>Total or Median</i>									<i>1.41</i>	<i>0.74</i>
Canada (excl. Downstream)											
EnCana Corporation	ECA	11.68	113	29.67	12 3			16.67	1,882	1.72	0.98
Imperial Oil Limited (30%)	IMO	30.88	40	41.16	17 5			22.30	902	1.76	0.84
Suncor Energy	SU B	35.08	277	54.26	22 3			30.46	8,451	1.72	0.84
Cenovus Energy Inc.	CVE	9.36	208	31.92	11 3			19.98	4,153	1.55	0.58
Birchcliff Energy Ltd.	BIREF B	3.84	23	17.74	4 8			12.30	284	1.33	0.50
	<i>Total or Median</i>									<i>1.72</i>	<i>0.84</i>

For historical research see www.mcdep.com



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Table 3											
McDep Energy Stocks											
Net Present Value Per Share											
Ranked by Reserve Life (Adjustd Resrvs/Prod NTM)											
			<i>Price</i>					<i>Down-</i>	<i>Proven</i>	<i>Adjustd</i>	<i>Net</i>
	<i>Symbol/Rating</i>		<i>(US\$/sh)</i>	<i>Shares</i>	<i>Debt</i>	<i>NTM</i>	<i>P/E</i>	<i>stream/</i>	<i>Undev.</i>	<i>Resrvs/</i>	<i>Present</i>
	<i>B = Buy</i>	<i>27-Nov</i>	<i>2017</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/sh)</i>	<i>NTM</i>	<i>PV</i>	<i>Resrvs</i>	<i>Prod</i>	<i>Value</i>
								<i>(%)</i>	<i>(%)</i>	<i>NTM</i>	<i>(US\$/sh)</i>
Global Integrated											
Exxon Mobil Corporation	XOM		81.12	4,271	91,771	3.08	18	24	31	11.3	100.00
Total S.A.	TOT	B	56.40	2,583	57,015	2.96	11	26	42	9.3	90.00
Chevron Corporation	CVX		115.65	1,896	64,410	4.32	23	18	32	9.1	135.00
Royal Dutch Shell	RDS-A	B	61.93	4,163	124,534	3.76	15	28	25	8.6	80.00
	<i>Median</i>									9.2	
Large Independent											
ConocoPhillips	COP	B	49.67	1,215	23,479	1.06		-	20	10.9	68.00
Occidental Petroleum Corp.	OXY		68.01	766	13,500	3.08	33	14	23	9.2	75.00
Devon Energy Corporation	DVN		37.14	529	7,746	0.24	60	10	20	8.7	45.00
Marathon Oil Corporation	MRO	B	14.66	850	7,044	0.20		-	39	7.6	19.00
EOG Resources, Inc.	EOG		100.25	579	7,214	0.67		-	30	6.8	85.00
Pioneer Natural Resources	PXD		150.44	170	2,000	0.08	30	-	7	5.6	150.00
	<i>Median</i>									8.2	
Small Independent											
Whiting Petroleum Corporation	WLL		22.94	91	3,242	-		-	53	12.5	72.00
Range Resources	RRC	B	17.18	245	4,575	0.08	16	-	44	11.8	56.00
Continental Resources (32%)	CLR	B	45.44	119	2,134	-		-	59	11.4	56.00
California Resources	CRC		14.82	43	6,100	-		-	29	10.4	50.00
Cimarex Energy Company	XEC		114.18	94	1,483	0.32	19	-	21	5.8	120.00
	<i>Median</i>									11.4	
Income											
Sabine Royalty Trust	SBR		44.51	15	-	2.49	18	-	4	12.4	60.00
San Juan Basin Royalty Trust	SJT		8.50	47	-	0.46	18	-	-	10.3	8.00
Permian Basin RT	PBT		9.19	47	-	0.62	15	-	12	9.5	11.00
Cross Timbers Royalty Trust	CRT	B	15.28	6	-	1.16	13	-	-	9.1	29.00
Dorchester Minerals, L.P.	DMLP	B	14.90	32	-	1.49	13	-	-	6.5	24.00
	<i>Median</i>									9.5	
Canada											
Suncor Energy	SU	B	35.08	1,663	17,648	1.01	13	16	44	13.8	44.00
Cenovus Energy Inc.	CVE		9.36	1,229	9,913	0.16		5	55	12.9	22.00
Birchcliff Energy Ltd.	BIREF	B	3.84	268	598	0.08	16	-	69	12.5	10.00
Imperial Oil Limited (30%)	IMO		30.88	254	1,958	0.50	10	32	23	9.1	38.00
EnCana Corporation	ECA		11.68	973	6,290	0.06		-	43	5.5	12.00
	<i>Median</i>									12.5	
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	Total		McDep
	Symbol/Rati		27-Nov	30-Dec	Change	Distrib.	Return	Debt	Return	McDep
			2017	2016	(%)	(%)	(%)	(\$/sh)	(%)	Ratio
Global Integrated										
	RDS-A	B	61.93	54.38	14	5	19	30	12	0.84
	TOT	B	56.40	50.97	11	4	15	22	10	0.70
	CVX		115.65	117.70	(2)	3	1	34	1	0.89
	XOM		81.12	90.26	(10)	2	(8)	21	(6)	0.84
	<i>Median</i>				4		8		5	0.84
Large Independent										
	COP	B	49.67	50.14	(1)	2	1	19	1	0.79
	EOG		100.25	101.10	(1)	1	(0)	12	(0)	1.16
	OXY		68.01	71.23	(5)	3	(1)	18	(1)	0.92
	MRO	B	14.66	17.31	(15)	1	(14)	8	(10)	0.84
	DVN		37.14	45.67	(19)	0	(18)	15	(14)	0.87
	PXD		150.44	180.00	(16)	0	(16)	12	(15)	1.00
	<i>Median</i>				(10)		(8)		(5)	0.90
Small Independent										
	CRC		14.82	21.29	(30)	-	(30)	143	(4)	0.82
	CLR	B	45.44	51.54	(12)	-	(12)	18	(9)	0.86
	XEC		114.18	135.90	(16)	0	(16)	16	(14)	0.96
	WLL		22.94	48.08	(52)	-	(52)	36	(30)	0.54
	RRC	B	17.18	34.36	(50)	0	(50)	19	(32)	0.48
	<i>Median</i>				(30)		(30)		(14)	0.82
Income										
	SJT		8.50	6.62	28	10	39	-	39	1.06
	SBR		44.51	35.15	27	6	32	-	32	0.74
	PBT		9.19	7.71	19	7	26	-	26	0.83
	DMLP	B	14.90	17.55	(15)	5	(10)	-	(10)	0.62
	CRT	B	15.28	17.97	(15)	5	(10)	-	(10)	0.53
	<i>Median</i>				19		26		26	0.74
Canada										
	SU	B	35.08	32.69	7	2	10	11	7	0.84
	ECA		11.68	11.74	(1)	0	(0)	6	(0)	0.98
	IMO		30.88	34.76	(11)	1	(10)	8	(8)	0.84
	CVE		9.36	15.13	(38)	1	(37)	8	(24)	0.58
	BIREF	B	3.84	7.01	(45)	1	(44)	2	(34)	0.50
	<i>Median</i>				(11)		(10)		(8)	0.84
	<i>Grand Median</i>				(11)		(10)		(6)	0.84
	Natural Gas (\$/mmbtu)		2.90	3.74	(22)					
	Oil - West Texas Intermediate (\$/bbl)		58.20	53.72	8					
	VTI		134.18	115.32	16					
	VEA		44.61	36.54	22					
	VVO		45.27	35.78	27					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see www.mcdep.com



Independent Stock Idea

Intraday November 27, 2017

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