

## Oil Price Upside for Mid-Size Independent Producers CLR, XEC, HES, DVN, MRO

		Price						Oil	Dist.	
		(US\$/sh)	Market	Enterprise	EV/	EV/	PV/	Prod'n/	Yield	McDep
	Symbol/Rating	27-Feb	Cap	Value	Market	Ebitda	Ebitda	Ebitda	NTM	Ratio
		2018	(US\$m)	(\$mm)	Cap	NTM	NTM	(%)	(%)	(EV/PV)
Hess Corporation	HES	46.47	14,600	22,600	1.55	10.6	11.9	88	2.2	0.89
Continental Resources	CLR	49.06	18,400	24,800	1.35	7.1	9.4	83	-	0.76
Cimarex Energy Company	XEC	97.92	9,300	10,900	1.17	6.4	8.8	79	0.5	0.73
Devon Energy Corporation	DVN	31.86	16,800	24,700	1.47	6.5	10.3	73	0.8	0.62
Marathon Oil Corporation	MRO	15.00	12,750	19,800	1.55	5.4	8.9	88	1.3	0.61
<i>Total or Median</i>			71,900	102,800	1.47	6.5	9.4	83	0.8	0.73

### Summary and Recommendation

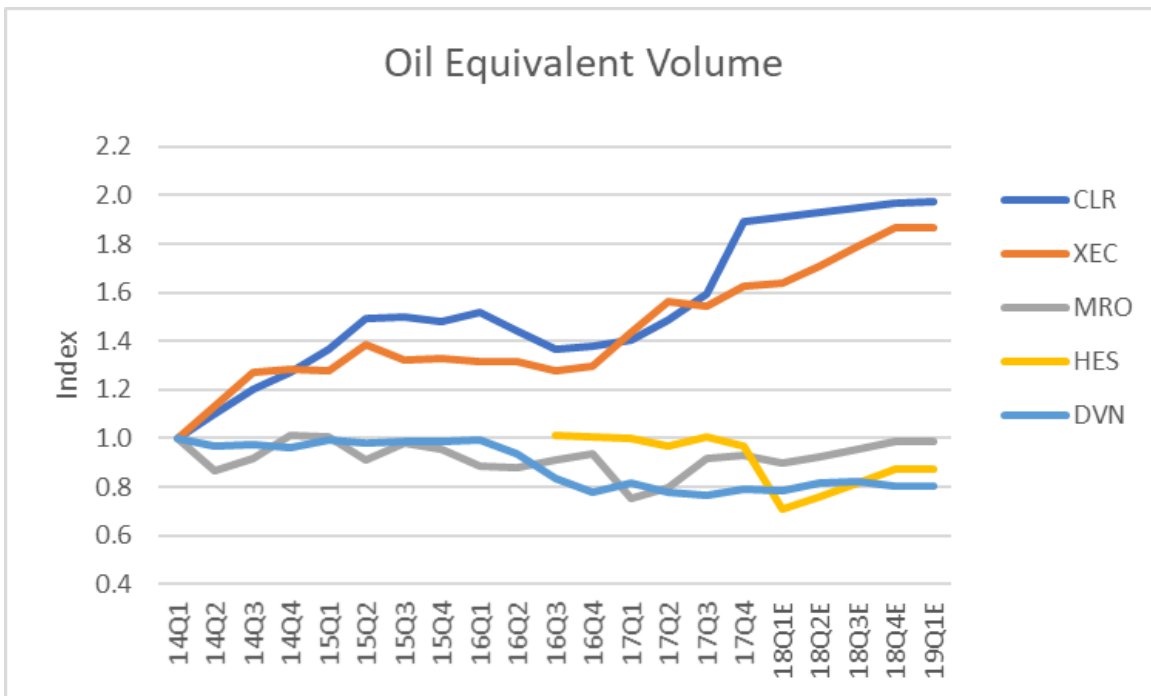
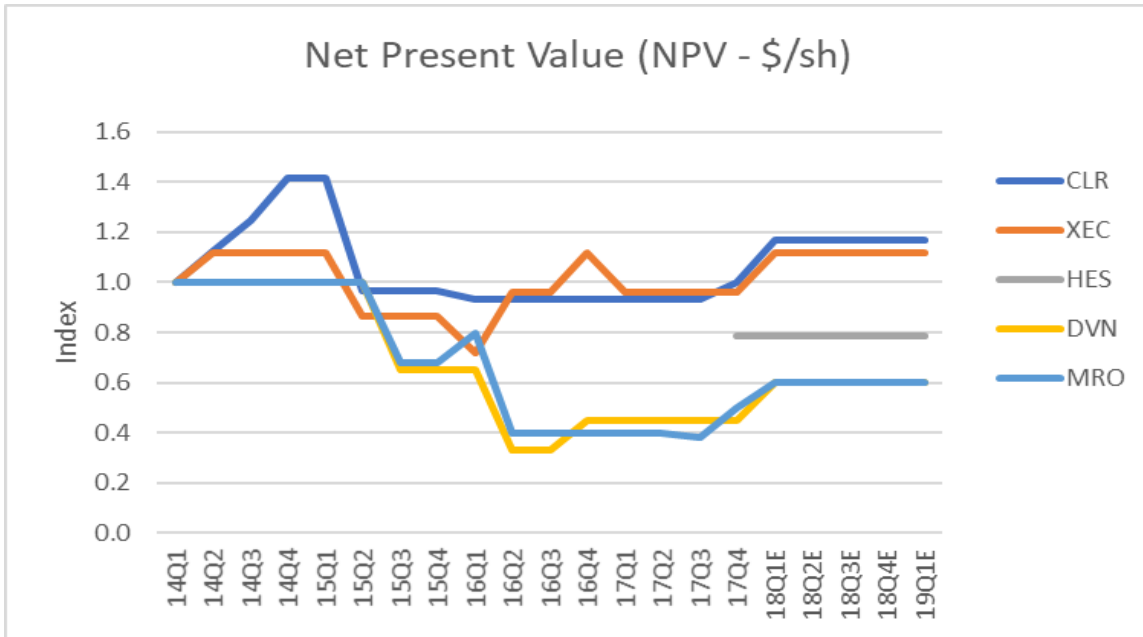
Five stocks in a new Mid-Size Independent Group offer oil price upside with two top historical performers **Continental Resources (CLR)** and **Cimarex Energy (XEC)**, an offshore Guyana player **Hess Corporation (HES)** and two low McDep Ratio, rebound players **Devon Energy (DVN)** and **Marathon Oil (MRO)**. On the strength of efficient, growing shale oil, we raised estimated Net Present Value (NPV) for CLR from \$56 a share to \$60 on January 1 and to \$70 today. We raised NPV for XEC from \$120 to \$140 on January 1, for DVN from \$45 to \$60 on January 1, and for MRO from \$19 to \$25 on January 1 and to \$30 today. On a relative basis, NPV for CLR and XEC has grown over the past four years despite a decline in long-term oil price expectations (see chart [NPV](#) on page 2). DVN and MRO are recovering from the low point after sharp dilution from new shares issued to withstand the oil price panic in early 2016. CLR makes the case for those who believe that companies headed by Founder CEOs perform the best. Harold Hamm appears still to be in his prime making money for CLR owners of which he is the largest with \$13 billion of stock. CEO Tom Jordan's long record of performance has worked to the benefit of XEC owners. In contrast, DVN and MRO have comparatively new CEOs who have taken charge after previous management in each case was unable to withstand financial pressures without selling stock at distressed prices. We are optimistic that Dave Hager of DVN and Lee Tillman of MRO can make money for shareholders in a positive oil price environment and avoid dilution in a downside surprise. Similarly, we are optimistic that Second Generation Founder CEO John Hess can succeed in repositioning HES to be a leading moneymaker in a new oil province offshore South America. Financial and operating comparisons help validate estimates of cash flow in graphs (see charts [Volume](#), [Price](#), [Expense](#), [Ebitda](#) and [EPS](#) on pages 2-4). Valuation tables expand cash flow to present value, McDep Ratio and year-to-date performance for all 22 stocks in our coverage (see [Tables 1-4](#) on pages 5-8).

Kurt H. Wulff, CFA



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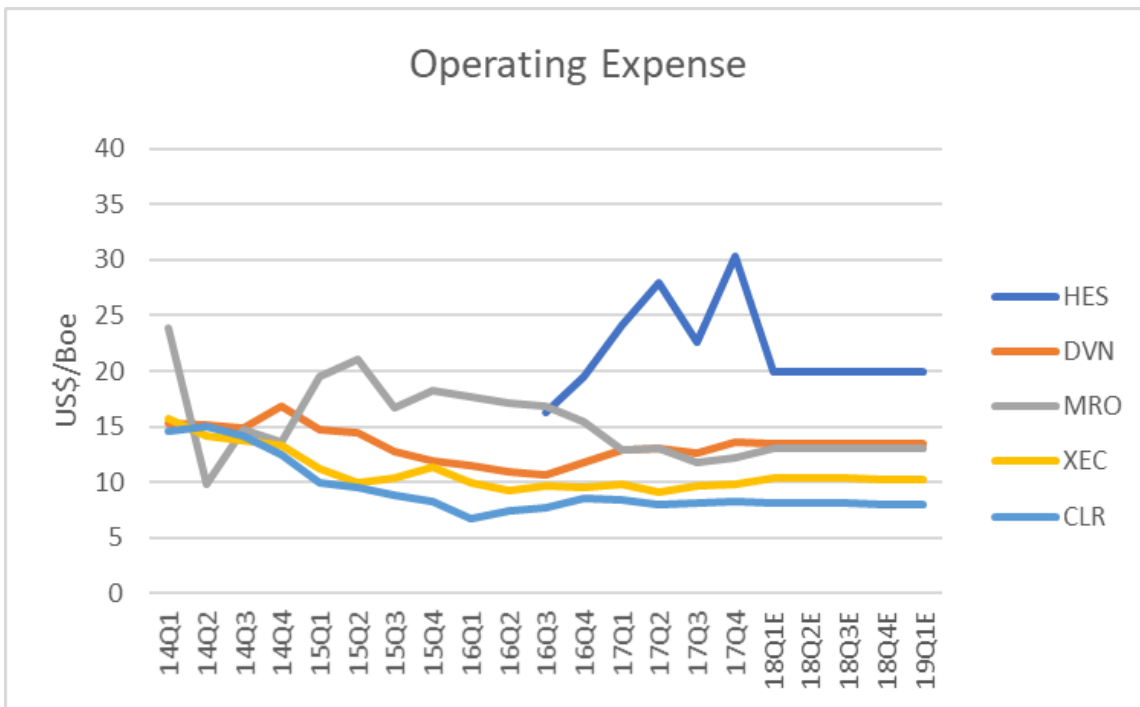
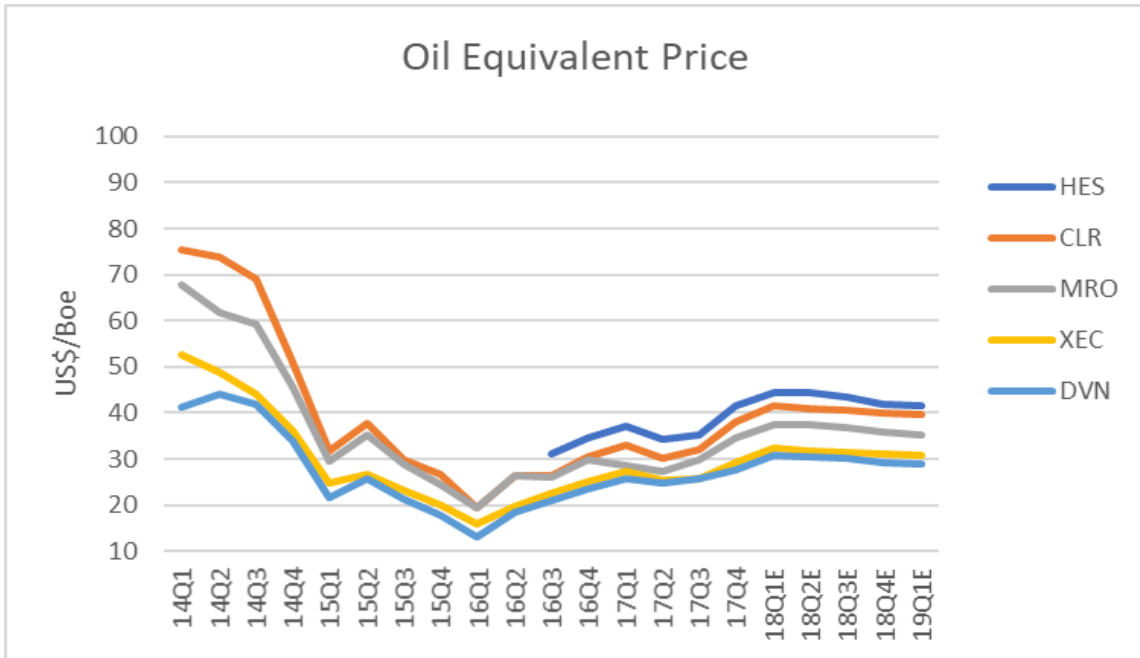
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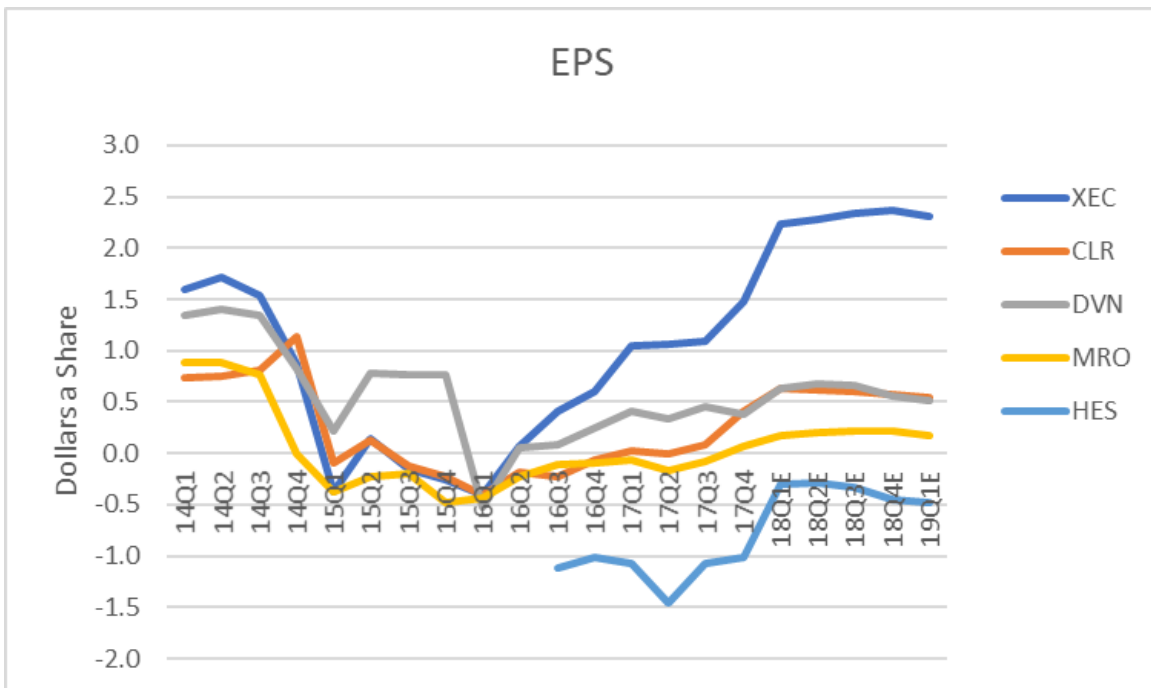
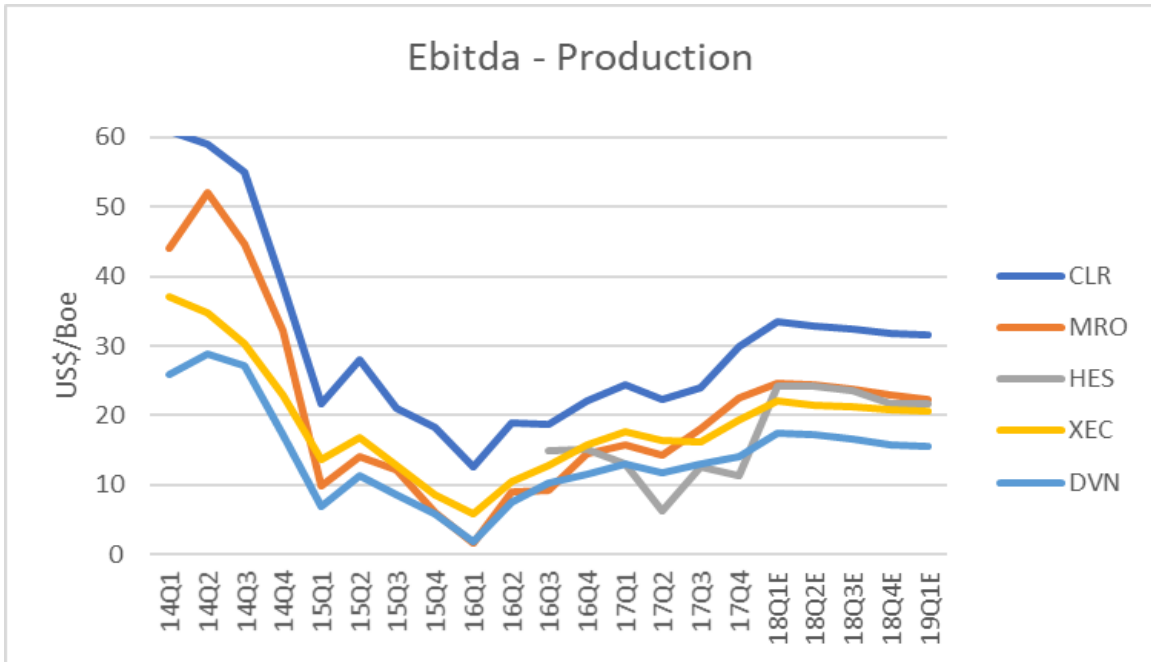




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**Table 1**  
**McDep Energy Stocks**  
**Ranked by McDep Ratio**

		Price (US\$/sh) 27-Feb 2018	Market Cap (US\$m)	Enterprise Value (\$mm)	EV/ Market Cap	EV/ Ebitda NTM	PV/ Ebitda NTM	Oil Prod'n/ Ebitda (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)
<b>Integrated</b>										
Exxon Mobil Corporation	XOM	77.50	331,000	423,000	1.28	7.8	9.6	49	4.0	0.81
Chevron Corporation	CVX	113.61	217,000	282,000	1.30	7.1	8.8	63	3.8	0.80
Suncor Energy	SU	34.15	57,000	75,000	1.33	6.3	8.5	81	3.3	0.74
Royal Dutch Shell	RDS-B	64.90	271,000	389,000	1.44	6.4	8.8	49	5.8	0.73
<i>Total or Median</i>			876,000	1,169,000	1.32	6.7	8.8	56	3.9	0.77
<b>Large Independent</b>										
EOG Resources, Inc.	EOG	106.94	61,900	69,100	1.12	9.5	9.7	92	0.6	0.98
Occidental Petroleum Corp.	OXY	66.75	51,100	64,700	1.27	7.6	8.3	77	4.6	0.91
Pioneer Natural Resources	PXD	174.67	29,700	32,000	1.08	8.3	9.4	93	0.0	0.88
ConocoPhillips	COP	55.83	67,000	90,000	1.35	6.6	8.8	76	2.0	0.76
<i>Total or Median</i>			209,700	255,800	1.19	7.9	9.1	84	1.3	0.90
<b>Mid-Size Independent</b>										
Hess Corporation	HES	46.47	14,600	22,600	1.55	10.6	11.9	88	2.2	0.89
Continental Resources	CLR	49.06	18,400	24,800	1.35	7.1	9.4	83	-	0.76
Cimarex Energy Company	XEC	97.92	9,300	10,900	1.17	6.4	8.8	79	0.5	0.73
Devon Energy Corporation	DVN	31.86	16,800	24,700	1.47	6.5	10.3	73	0.8	0.62
Marathon Oil Corporation	MRO	15.00	12,750	19,800	1.55	5.4	8.9	88	1.3	0.61
<i>Total or Median</i>			71,900	102,800	1.47	6.5	9.4	83	0.8	0.73
<b>Small Independent</b>										
California Resources	CRC	15.72	700	6,800	10.1	6.1	7.4	93	-	0.82
Whiting Petroleum Corporation	WLL	28.11	2,600	5,900	2.32	4.3	7.7	97	-	0.56
Range Resources	RRC	13.16	3,200	7,800	2.42	6.2	11.4	44	0.6	0.54
Birchcliff Energy Ltd.	BIREF	2.50	700	1,300	1.89	4.8	12.4	46	3.2	0.39
<i>Total or Median</i>			7,200	21,800	2.37	5.4	9.5	69	0.3	0.55
<b>Income</b>										
San Juan Basin Royalty Trust	SJT	8.82	410	410	1.00	14.9	13.5	-	6.6	1.10
Permian Basin RT	PBT	9.52	440	440	1.00	12.9	13.5	80	7.4	0.95
Sabine Royalty Trust	SBR	44.05	640	640	1.00	15.0	17.0	67	6.7	0.88
Dorchester Minerals, L.P.	DMLP	15.55	500	500	1.00	9.5	14.6	82	10.1	0.65
Cross Timbers Royalty Trust	CRT	15.38	90	90	1.00	9.7	15.8	40	8.1	0.61
<i>Total or Median</i>			2,100	2,100	1.00	12.9	14.6	67	7.4	0.88

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 3/31/19.  
 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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	Symbol/Rating	Price	Upstream NTM			Down-	Total	Distrib./ Ebitda (%)	Distrib. NTM (\$/sh)	
		(US\$/sh) 27-Feb 2018	Volume (mmboe)	Equiv. Price (\$/boe)	Ebitda Margin (%)	Ebitda (\$/boe)	stream Uplift (\$/boe)			Ebitda NTM (\$mm)
<b>Integrated</b>										
Royal Dutch Shell	RDS-B	64.90	1352	43.55	73	31.60	13.61	42,715	26	3.76
Exxon Mobil Corporation	XOM	77.50	1477	45.61	54	24.60	11.91	36,344	24	3.08
Chevron Corporation	CVX	113.61	1032	47.96	64	30.90	7.75	31,897	21	4.32
Suncor Energy	SU	34.15	277	58.66	59	34.89	7.99	9,678	16	1.14
	<i>Total or Median</i>		<i>4139</i>	<i>46.79</i>	<i>62</i>	<i>31.25</i>	<i>9.95</i>	<i>120,634</i>	<i>23</i>	
<b>Large Independent</b>										
ConocoPhillips	COP	55.83	449	46.04	66	30.20	0.00	13,559	10	1.14
EOG Resources, Inc.	EOG	106.94	243	42.54	71	30.04	0.00	7,309	5	0.67
Occidental Petroleum Corp.	OXY	66.75	247	44.14	64	28.10	6.48	6,942	28	3.08
Pioneer Natural Resources	PXD	174.67	125	42.39	73	30.90	0.00	3,859	0	0.08
	<i>Total or Median</i>		<i>1064</i>	<i>43.34</i>	<i>68</i>	<i>30.12</i>	<i>0.00</i>	<i>31,670</i>	<i>8</i>	
<b>Mid-Size Independent</b>										
Marathon Oil Corporation	MRO	15.00	156	36.35	64	23.40	0.00	3,661	5	0.20
Continental Resources	CLR	49.06	108	40.20	80	32.10	0.00	3,480	-	-
Devon Energy Corporation	DVN	31.86	177	29.73	63	18.80	2.82	3,331	3	0.24
Hess Corporation	HES	46.47	94	42.76	53	22.80	0.00	2,135	15	1.00
Cimarex Energy Company	XEC	97.92	81	31.27	67	21.00	0.00	1,699	3	0.48
	<i>Total or Median</i>		<i>617</i>	<i>36.35</i>	<i>64</i>	<i>22.80</i>	<i>0.00</i>	<i>14,306</i>	<i>3</i>	
<b>Small Independent</b>										
Whiting Petroleum Corporation	WLL	28.11	47	45.14	66	29.60	0.00	1,388	-	-
Range Resources	RRC	13.16	133	18.57	51	9.50	0.00	1,263	2	0.08
California Resources	CRC	15.72	46	50.59	48	24.20	0.00	1,112	-	-
Birchcliff Energy Ltd.	BIREF	2.50	22	17.44	68	11.80	0.00	265	8	0.08
	<i>Total or Median</i>		<i>248</i>	<i>31.85</i>	<i>58</i>	<i>18.00</i>	<i>0.00</i>	<i>4,027</i>	<i>1</i>	
<b>Income</b>										
Dorchester Minerals, L.P.	DMLP	15.55	2.15	34.58	72	24.73	0.00	53	96	1.57
Sabine Royalty Trust	SBR	44.05	1.56	32.48	85	27.47	0.00	43	100	2.94
Permian Basin RT	PBT	9.52	1.26	42.10	65	27.47	0.00	35	95	0.70
San Juan Basin Royalty Trust	SJT	8.82	3.27	15.45	54	8.42	0.00	28	99	0.58
Cross Timbers Royalty Trust	CRT	15.38	0.47	35.23	58	20.36	0.00	10	79	1.25
	<i>Total or Median</i>		<i>9</i>	<i>34.58</i>	<i>65</i>	<i>24.73</i>	<i>0.00</i>	<i>168</i>	<i>96</i>	

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



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**Table 3**  
**McDep Energy Stocks**  
**Net Present Value Per Share**

		Price (US\$/sh)	Shares	Debt (\$mm)	P/E	Devel. Resrvs/ Prod	Undev/ Devel. Resrvs	Nat Gas/ Ebitda	Top Line/ Ebitda	Net Present Value
Symbol/Rating	27-Feb 2018	(mm)	(mm)	NTM	NTM	(%)	(%)	(%)	(US\$/sh)	
<b>Integrated</b>										
Chevron Corporation	CVX	113.61	1,906	65,059	15	7.3	48	21		150.00
Exxon Mobil Corporation	XOM	77.50	4,270	91,771	13	9.3	45	27		100.00
Royal Dutch Shell	RDS-B	64.90	4,177	118,194	11	7.2	34	31		100.00
Suncor Energy	SU	34.15	1,655	18,823	10	9.9	80			50.00
	<i>Median</i>					8.3				
<b>Large Independent</b>										
Pioneer Natural Resources	PXD	174.67	170	2,300	24	5.4	8	7		200.00
EOG Resources, Inc.	EOG	106.94	579	7,214	26	4.5	43	8		110.00
ConocoPhillips	COP	55.83	1,198	23,215	14	9.1	25	24		80.00
Occidental Petroleum Corp.	OXY	66.75	766	13,600	17	7.8	35	5		75.00
	<i>Median</i>					6.6				
<b>Mid-Size Independent</b>										
Cimarex Energy Company	XEC	97.92	95	1,552	11	5.1	35	21		140.00
Continental Resources	CLR	49.06	374	6,480	21	4.8	146	17		70.00
Devon Energy Corporation	DVN	31.86	528	7,944	13	8.5	24	16		60.00
Hess Corporation	HES	46.47	314	8,078		8.5	39	12		55.00
Marathon Oil Corporation	MRO	15.00	850	7,073	18	5.4	65	12		30.00
	<i>Median</i>					5.4				
<b>Small Independent</b>										
Whiting Petroleum Corporation	WLL	28.11	91	3,367	64	7.6	111	3		80.00
California Resources	CRC	15.72	43	6,100		8.8	40	7		50.00
Range Resources	RRC	13.16	245	4,575	15	8.5	78	56		40.00
Birchcliff Energy Ltd.	BIREF	2.50	268	594	16	7.2	228	54		10.00
	<i>Median</i>					8.1				
<b>Income</b>										
Sabine Royalty Trust	SBR	44.05	15	-	15	10.5	4	33	100	50.00
Cross Timbers Royalty Trust	CRT	15.38	6	-	12	8.1	-	60	79	25.00
Dorchester Minerals, L.P.	DMLP	15.55	32	-	13	6.5	-	18	86	24.00
Permian Basin RT	PBT	9.52	47	-	14	8.8	14	20	40	10.00
San Juan Basin Royalty Trust	SJT	8.82	47	-	15	9.5	-	102	-	8.00
	<i>Median</i>					8.8				

P/E = Stock Price to Earnings. For historical research see [www.mcdep.com](http://www.mcdep.com).



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2018										
Ranked by Unlevered Total Return										
		Price (\$/sh)	Price (\$/sh)	Price Change (%)	Cash Distrib. (%)	Equity Total Return (%)	Debt (\$/sh)	Unlevered Total Return (%)	McDep Ratio	
	Symbol/Rati	27-Feb 2018	29-Dec 2017							
<b>Integrated</b>										
	Royal Dutch Shell	RDS-B	64.90	68.29	(5)	1	(4)	28	(3)	0.73
	Suncor Energy	SU	34.15	36.72	(7)	-	(7)	11	(5)	0.74
	Exxon Mobil Corporation	XOM	77.50	83.64	(7)	1	(6)	21	(5)	0.81
	Chevron Corporation	CVX	113.61	125.19	(9)	1	(8)	34	(7)	0.80
	<i>Median</i>				(7)		(7)		(5)	0.77
<b>Large Independent</b>										
	Pioneer Natural Resources	PXD	174.67	172.85	1	-	1	14	1	0.88
	ConocoPhillips	COP	55.83	54.89	2	1	2	19	2	0.76
	EOG Resources, Inc.	EOG	106.94	107.91	(1)	0	(1)	12	(1)	0.98
	Occidental Petroleum Corp.	OXY	66.75	73.66	(9)	-	(9)	18	(8)	0.91
	<i>Median</i>				0		0		0	0.90
<b>Mid-Size Independent</b>										
	Hess Corporation	HES	46.47	47.47	(2)	-	(2)	26	(1)	0.89
	Continental Resources	CLR	49.06	52.97	(7)	-	(7)	17	(6)	0.76
	Marathon Oil Corporation	MRO	15.00	16.93	(11)	0	(11)	8	(7)	0.61
	Cimarex Energy Company	XEC	97.92	122.01	(20)	0	(20)	16	(17)	0.73
	Devon Energy Corporation	DVN	31.86	41.40	(23)	-	(23)	15	(17)	0.62
	<i>Median</i>				(11)		(11)		(7)	0.73
<b>Small Independent</b>										
	Whiting Petroleum Corporation	WLL	28.11	26.48	6	-	6	37	3	0.56
	California Resources	CRC	15.72	19.44	(19)	-	(19)	143	(2)	0.82
	Range Resources	RRC	13.16	17.06	(23)	-	(23)	19	(11)	0.54
	Birchcliff Energy Ltd.	BIREF	2.50	3.50	(29)	-	(29)	2	(17)	0.39
	<i>Median</i>				(21)		(21)		(7)	0.55
<b>Income</b>										
	San Juan Basin Royalty Trust	SJT	8.82	8.24	7	2	9	-	9	1.10
	Dorchester Minerals, L.P.	DMLP	15.55	15.20	2	3	5	-	5	0.65
	Permian Basin RT	PBT	9.52	8.87	7	1	9	-	9	0.95
	Cross Timbers Royalty Trust	CRT	15.38	14.69	5	1	6	-	6	0.61
	Sabine Royalty Trust	SBR	44.05	44.60	(1)	1	(0)	-	(0)	0.88
	<i>Median</i>				5		6		6	0.88
	<i>Grand Median</i>				(6)		(7)		(2)	0.76
	<b>Natural Gas (\$/mmbtu)</b>		2.69	2.95	(9)					
	<b>Oil - West Texas Intermediate (\$/bbl)</b>		62.89	60.09	5					
	Total Stock Market - U.S.	VTI	140.55	137.25	2					
	Developed Markets - ex US	VEA	45.06	44.86	0					
	Emerging Markets	VWO	47.79	45.91	4					
Source: McDep LLC, Yahoo, CME Group, Bloomberg					For historical research see <a href="http://www.mcdep.com">www.mcdep.com</a>					





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