



# Independent Stock Idea

November 2, 2015  
Intraday

## ExxonMobil (XOM) Potential Gain with Minimal Pain

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 9/30/16 (US\$m)</i>	46,900
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	5
<i>Price (\$/sh)</i>	84.88	<i>Natural Gas and Oil Production/Ebitda (%)</i>	55
<i>Pricing Date</i>	11/2/15	<i>Adjusted Reserves/Production NTM</i>	14.4
<i>Shares (mm)</i>	4190	<i>EV/Ebitda</i>	9.4
<i>Market Capitalization (\$mm)</i>	356,000	<i>PV/Ebitda</i>	10.0
<i>Debt (\$mm)</i>	85,000	<i>Undeveloped Reserves (%)</i>	35
<i>Enterprise Value (EV) (\$mm)</i>	440,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	17.90
<i>Present Value (PV) (\$mm)</i>	470,000	<i>Present Value Proven Reserves(\$/boe)</i>	10.30
<i>Net Present Value (\$/share)</i>	92	<i>Present Value Proven Reserves(\$/mcf)</i>	1.70
<i>Debt/Present Value</i>	0.18	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.26
<i>McDep Ratio - EV/PV</i>	0.94	<i>Price/Earnings Next Twelve Months</i>	20
<i>Dividend Yield (%/year)</i>	3.4	<i>Indicated Annual Dividend (US\$/sh)</i>	2.92
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, \$4.50 a million bt			
For historical analysis of XOM since 2001 see <a href="http://www.mcdep.com/1xom.htm">www.mcdep.com/1xom.htm</a>			

### Summary and Recommendation

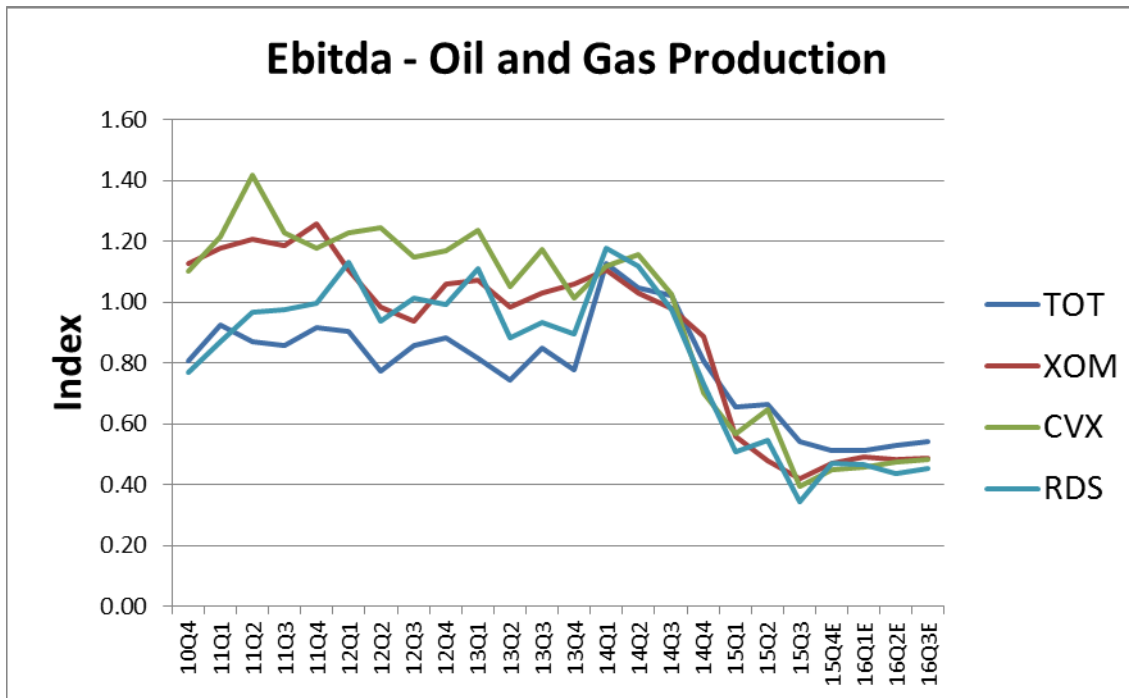
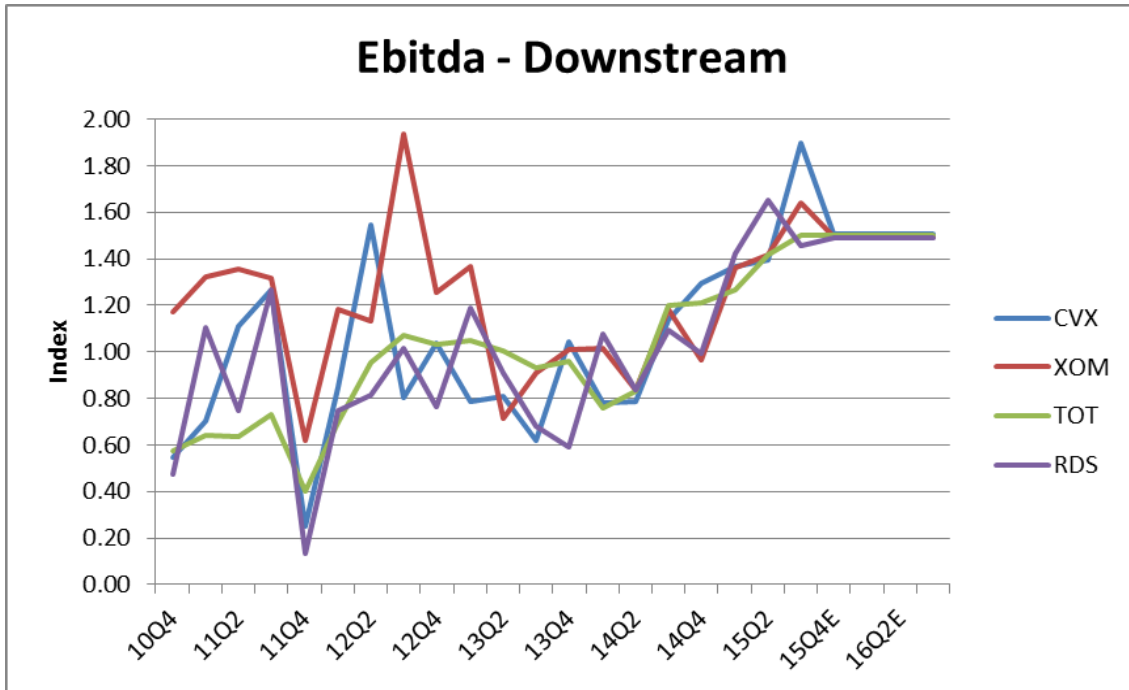
Trading near \$85 a share compared to our Net Present Value (NPV) of \$92, the stock of **ExxonMobil (XOM)** offers attractive potential gain with minimal pain after having traded only briefly near a low of \$67 in August. Latest quarterly results reported on October 30 further the trend to higher cash flow from downstream refining and chemicals businesses (see chart [Ebitda – Downstream](#)) on page 2). Better downstream results counter the trend to lower cash flow from Upstream Oil and Gas Production businesses (see chart [Ebitda – Oil and Gas Production](#) on page 2). The combination of higher downstream and lower upstream minimizes the decline in total cash flow (see chart [Ebitda](#) on page 3). Despite downstream cash flow reaching almost half of total cash flow, we see downstream value at 25% of NPV as we expect cash flow from upstream to rebound with recovery in oil and natural gas price from depressed levels (see tables [Present Value](#) and [Operating and Financial Estimates](#) on pages 3 and 4). In our experience, XOM stock tends to go down less in difficult times. It is less exciting on the upside in good times. The combination has resulted in practically unmatched long-term performance. It is a great stock for nervous investors who need reliable income with its current dividend yield of 3.5%. We see it as an anchor position in an energy portfolio to moderate the volatility of Buy recommendations (see [Tables 1-4](#) on pages 5-8).

Kurt H. Wulff, CFA



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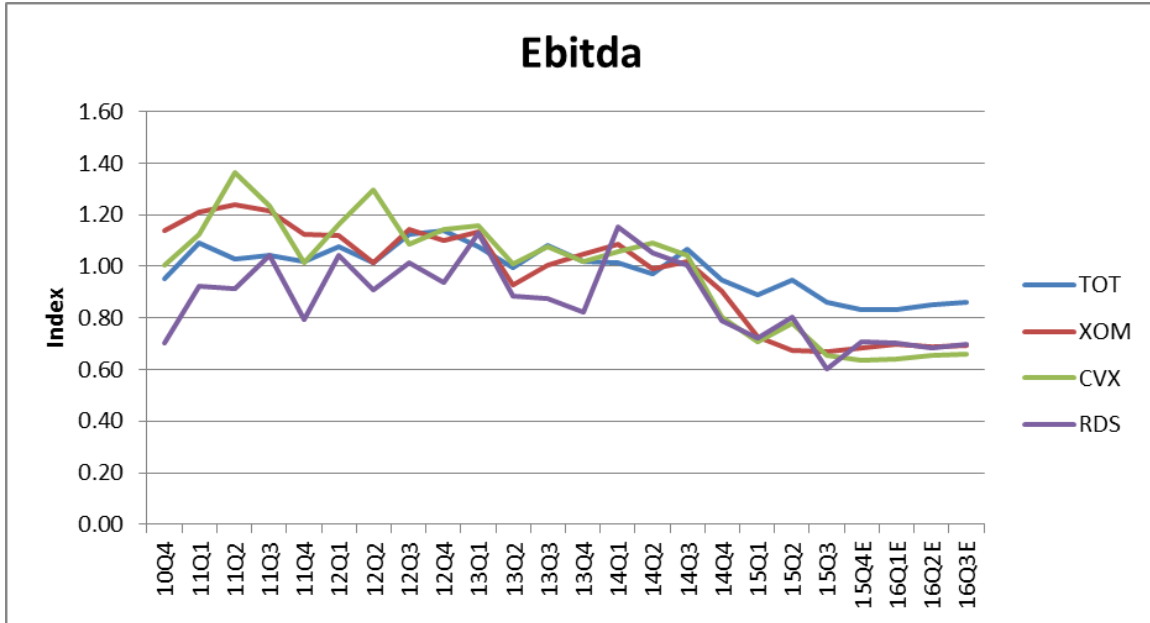
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<b>Exxon Mobil Corporation</b>					
<b>Functional Cash Flow and Present Value</b>					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	1,300	17.9	26.9	35,000	7%
Rest of World Natural Gas	7,300	14.3	7.5	55,000	12%
Oil	17,300	13.6	15.1	262,000	56%
Downstream	21,000		5.6	118,000	25%
	46,900	14.4	10.0	470,000	100%
Debt					85,000
Net Present Value (\$mm)					385,000
Shares					4,190
Net Present Value - Standard Estimate (US\$/sh)					92
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					93



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Exxon Mobil Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q3	Year	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/14	2014	6/30/15	9/30/15	12/31/15	2015E	3/31/16	6/30/16	9/30/16	9/30/16
<b>Volume</b>										
Natural Gas (mmcf)										
North America	3,683	<b>3,715</b>	3,415	3,323	3,290	<b>3,389</b>	3,257	3,224	3,192	<b>3,241</b>
Overseas	6,912	<b>7,431</b>	6,713	6,201	7,468	<b>7,165</b>	8,215	6,646	6,139	<b>7,112</b>
Total	10,595	<b>11,145</b>	10,128	9,524	10,757	<b>10,554</b>	11,472	9,870	9,331	<b>10,353</b>
Oil (mbd)	2,048	<b>2,106</b>	2,119	2,208	2,222	<b>2,186</b>	2,235	2,248	2,262	<b>2,242</b>
Total gas & oil (mmb)	351	<b>1,447</b>	346	349	369	<b>1,440</b>	373	354	351	<b>1,448</b>
Total gas & oil (mbd)	3,814	<b>3,964</b>	3,807	3,796	4,014	<b>3,945</b>	4,147	3,893	3,817	<b>3,967</b>
<b>Price</b>										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	4.07	<b>4.43</b>	2.66	2.76	2.31	<b>2.68</b>	2.50	2.49	2.58	<b>2.47</b>
U.S.	3.93	<b>4.22</b>	2.31	2.40	2.01	<b>2.32</b>	2.50	2.49	2.58	<b>2.39</b>
International	8.47	<b>9.34</b>	6.49	6.29	6.29	<b>6.69</b>	6.29	6.29	6.29	<b>6.29</b>
Total	6.89	<b>7.63</b>	5.08	4.93	4.98	<b>5.29</b>	5.21	5.05	5.02	<b>5.07</b>
Oil (\$/bbl)										
WTI Cushing	97.24	<b>93.09</b>	57.94	46.39	46.51	<b>49.86</b>	48.23	49.97	50.91	<b>48.91</b>
Worldwide	95.21	<b>91.09</b>	56.90	44.32	44.43	<b>47.86</b>	46.29	47.96	48.87	<b>46.90</b>
Total gas & oil (\$/bbl)	70.28	<b>69.86</b>	45.19	38.16	37.93	<b>40.66</b>	39.37	40.49	41.24	<b>39.73</b>
<b>Revenue (\$mm)</b>										
Natural Gas										
U.S.	1,332	<b>5,724</b>	718	734	608	<b>2,864</b>	733	730	759	<b>2,830</b>
International	5,386	<b>25,318</b>	3,965	3,588	4,321	<b>17,498</b>	4,651	3,804	3,553	<b>16,328</b>
Total	6,718	<b>31,042</b>	4,682	4,322	4,930	<b>20,361</b>	5,384	4,534	4,311	<b>19,158</b>
Oil	17,940	<b>70,032</b>	10,972	9,003	9,080	<b>38,191</b>	9,311	9,813	10,169	<b>38,373</b>
Other	82,832	<b>312,112</b>	58,458	54,019	54,019	<b>218,550</b>	54,019	54,019	54,019	<b>216,075</b>
Total	107,490	<b>413,186</b>	74,113	67,344	68,028	<b>277,103</b>	68,713	68,365	68,499	<b>273,606</b>
<b>Expense (\$mm)</b>										
Production	11,521	<b>47,348</b>	9,241	7,711	7,705	<b>32,722</b>	8,082	7,891	7,964	<b>31,642</b>
Other	78,684	<b>298,060</b>	53,482	48,261	48,769	<b>197,775</b>	48,769	48,769	48,769	<b>195,075</b>
<b>Ebitda (\$mm)</b>										
Exploration and Production	13,137	<b>53,726</b>	6,414	5,614	6,304	<b>25,830</b>	6,613	6,456	6,516	<b>25,889</b>
Other	4,149	<b>14,052</b>	4,976	5,757	5,250	<b>20,775</b>	5,250	5,250	5,250	<b>21,000</b>
Total Ebitda	17,285	<b>67,778</b>	11,390	11,372	11,554	<b>46,605</b>	11,863	11,706	11,766	<b>46,889</b>
Exploration	428	<b>1,943</b>	392	325	325	<b>1,364</b>	325	325	325	<b>1,300</b>
Deprec., Deplet., & Amort.	4,362	<b>17,297</b>	4,451	4,451	4,451	<b>17,653</b>	4,451	4,451	4,451	<b>17,804</b>
<b>Ebit</b>	12,495	<b>48,538</b>	6,547	6,596	6,778	<b>27,588</b>	7,087	6,930	6,990	<b>27,785</b>
Interest	88	<b>286</b>	85	85	85	<b>343</b>	85	85	85	<b>340</b>
<b>Ebt</b>	12,407	<b>48,252</b>	6,462	6,511	6,693	<b>27,245</b>	7,002	6,845	6,905	<b>27,445</b>
Income Tax	4,342	<b>16,888</b>	2,262	2,279	2,343	<b>9,536</b>	2,451	2,396	2,417	<b>9,606</b>
<b>Net Income (\$mm)</b>										
Exploration and Production	6,686	<b>26,218</b>	2,031	1,358						
Other	2,224	<b>7,260</b>	2,752	3,260						
Unallocated	(845)	<b>(2,114)</b>	(583)	(386)						
Total	8,065	<b>31,364</b>	4,200	4,232	4,351	<b>17,709</b>	4,551	4,449	4,488	<b>17,839</b>
<b>Shares (millions)</b>	4,267	<b>4,285</b>	4,200	4,190	4,190	<b>4,198</b>	4,190	4,190	4,190	<b>4,190</b>
Per share (\$)	1.89	<b>7.32</b>	1.00	1.01	1.04	<b>4.22</b>	1.09	1.06	1.07	<b>4.26</b>
Ebitda Margin (E&P)	53%	<b>53%</b>	41%	42%	45%	<b>44%</b>	45%	45%	45%	<b>45%</b>
Tax Rate	35%	<b>35%</b>	35%	35%	35%	<b>35%</b>	35%	35%	35%	<b>35%</b>



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Symbol/Rating		Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)				Dist. Yield	NTM (%)	McDep Ratio			
					2-Nov 2015	EV/ Market Cap	Enterprise Value (\$mm)	North				Rest of	Oil	Down-
								Amer.				World		
<b>Global Integrated</b>														
Exxon Mobil Corporation	XOM	84.98	1.24	441,000	7	12	56	25	3.4	0.94				
Chevron Corporation	CVX B	94.63	1.31	232,000	3	8	64	25	4.5	0.88				
Royal Dutch Shell (BG pro form)	RDS-A	53.52	1.59	337,000					7.0	0.85				
Total S.A.	TOT B	49.38	1.51	172,000		16	55	29	5.5	0.77				
<i>Total or Median</i>			<i>1.41</i>	<i>1,182,000</i>			<i>56</i>	<i>25</i>	<i>5.0</i>	<i>0.87</i>				
<b>Large Independent</b>														
EOG Resources, Inc.	EOG	85.74	1.14	53,500	16	2	82		0.8	1.06				
Occidental Petroleum Corp.	OXY	75.66	1.15	66,600	5	1	78	17	4.0	1.01				
ConocoPhillips	COP	54.65	1.55	106,000	16	11	73		5.4	0.86				
Devon Energy Corporation	DVN B	42.97	1.63	28,900	29		54	17	2.2	0.76				
Marathon Oil Corporation	MRO B	18.95	1.72	22,100	9	1	90		1.1	0.68				
<i>Total or Median</i>			<i>1.55</i>	<i>277,000</i>	<i>16</i>		<i>78</i>		<i>2.2</i>	<i>0.86</i>				
<b>Small Independent</b>														
Cimarex Energy Company	XEC	118.29	1.10	12,300	41		59		0.5	1.09				
California Resources	CRC	4.32	5.12	8,500	12		88		0.9	0.80				
Range Resources	RRC	31.78	1.78	9,500	80		20		0.5	0.76				
Continental Resources (32%)	CLR B	33.64	1.57	6,300	21		79		-	0.68				
Whiting Petroleum Corporation	WLL B	18.16	2.21	10,100	5		95		-	0.54				
<i>Total or Median</i>			<i>1.78</i>	<i>47,000</i>	<i>21</i>		<i>79</i>		<i>0.5</i>	<i>0.76</i>				
<b>Income</b>														
Sabine Royalty Trust	SBR	32.49	1.00	470	43		58		7.6	0.59				
Permian Basin RT	PBT	6.67	1.00	310	23		77		6.3	0.56				
Cross Timbers Royalty Trust	CRT B	17.09	1.00	100	58		42		6.3	0.55				
San Juan Basin Royalty Trust	SJT	8.05	1.00	380	100		-		4.2	0.54				
Dorchester Minerals, L.P.	DMLP B	14.87	1.00	460	38		62		6.1	0.53				
<i>Total or Median</i>			<i>1.00</i>	<i>1,700</i>	<i>43</i>		<i>58</i>		<i>6.3</i>	<i>0.55</i>				
<b>Canada</b>														
Imperial Oil Limited (30%)	IMO	33.44	1.32	11,300	1		67	32	1.2	0.87				
EnCana Corporation	ECA	7.62	2.38	15,200	56		44		3.7	0.77				
Cenovus Energy Inc.	CVE	15.67	1.30	16,800	12		75	13	3.1	0.73				
Canadian Oil Sands Limited	COSWF B	7.61	1.78	6,600			100		2.0	0.62				
Birchcliff Energy Ltd.	BIREF B	4.46	1.81	1,300	77		23		-	0.52				
<i>Total or Median</i>			<i>1.78</i>	<i>51,000</i>			<i>67</i>		<i>2.0</i>	<i>0.73</i>				

Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.50 a million btu.  
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses



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Table 2								
McDep Energy Stocks								
Net Present Value and McDep Ratio								
			Price (US\$/sh)	Shares	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
	Symbol/Rating		2-Nov 2015	(mm)				
	B = Buy							
<b>Global Integrated</b>								
Exxon Mobil Corporation	XOM		84.98	4,190	356,000	92.00	0.18	0.94
Chevron Corporation	CVX	B	94.63	1,872	177,000	111.00	0.21	0.88
Royal Dutch Shell (BG pro forma)	RDS-A		53.52	3,965	212,000	68.00	0.32	0.85
Total S.A.	TOT	B	49.38	2,312	114,000	71.00	0.26	0.77
	<i>Total or Median</i>				859,000		0.23	0.87
<b>Large Independent</b>								
EOG Resources, Inc.	EOG		85.74	550	47,200	80.00	0.13	1.06
Occidental Petroleum Corp.	OXY		75.66	763	57,700	75.00	0.13	1.01
ConocoPhillips	COP		54.65	1,242	68,000	68.00	0.31	0.86
Devon Energy Corporation	DVN	B	42.97	411	17,700	65.00	0.30	0.76
Marathon Oil Corporation	MRO	B	18.95	677	12,830	34.00	0.29	0.68
	<i>Total or Median</i>				203,400		0.29	0.86
<b>Small Independent</b>								
Cimarex Energy Company	XEC		118.29	95	11,200	108.00	0.10	1.09
California Resources	CRC		4.32	382	1,700	10.00	0.64	0.80
Range Resources	RRC		31.78	167	5,300	50.00	0.33	0.76
Continental Resources (32%)	CLR	B	33.64	119	4,000	58.00	0.25	0.68
Whiting Petroleum Corporation	WLL	B	18.16	252	4,600	52.00	0.30	0.54
	<i>Total or Median</i>				27,000		0.30	0.76
<b>Income</b>								
Sabine Royalty Trust	SBR		32.49	15	470	55.00	-	0.59
Permian Basin RT	PBT		6.67	47	310	12.00	-	0.56
Cross Timbers Royalty Trust	CRT	B	17.09	6	100	31.00	-	0.55
San Juan Basin Royalty Trust	SJT		8.05	47	380	15.00	-	0.54
Dorchester Minerals, L.P.	DMLP	B	14.87	31	460	28.00	-	0.53
	<i>Total or Median</i>				1,700		-	0.55
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO		33.44	255	8,500	40.00	0.21	0.87
EnCana Corporation	ECA		7.62	841	6,400	13.00	0.45	0.77
Cenovus Energy Inc.	CVE		15.67	829	13,000	23.00	0.17	0.73
Canadian Oil Sands Limited	COSWF	B	7.61	485	3,700	16.00	0.27	0.62
Birchcliff Energy Ltd.	BIREF	B	4.46	155	700	12.00	0.23	0.52
	<i>Total or Median</i>				32,000		0.23	0.73
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.50 a million btu.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								



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Table 3							
McDep Energy Stocks							
Value Multiples and Dividend							
Ranked by EV/Ebitda							
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	Dividend NTM
	Symbol/Rating		2-Nov 2015	NTM	NTM	NTM	NTM
	B = Buy						(\$/sh)
<b>Global Integrated</b>							
Exxon Mobil Corporation	XOM		84.98	14.4	10.0	9.4	20
Chevron Corporation	CVX	B	94.63	9.3	8.9	7.9	26
Total S.A.	TOT	B	49.38	9.9	7.7	5.9	11
Royal Dutch Shell (BG pro forma)	RDS-A		53.52				3.76
	<i>Median</i>			9.9	8.9	7.9	20
<b>Large Independent</b>							
EOG Resources, Inc.	EOG		85.74	9.0	13.5	14.4	174
Occidental Petroleum Corp.	OXY		75.66	8.8	12.6	12.7	185
Devon Energy Corporation	DVN	B	42.97	10.3	15.1	11.5	69
ConocoPhillips	COP		54.65	11.4	13.1	11.3	
Marathon Oil Corporation	MRO	B	18.95	12.1	13.5	9.3	
	<i>Median</i>			10.3	13.5	11.5	174
<b>Small Independent</b>							
Range Resources	RRC		31.78	14.3	26.3	19.9	405
Cimarex Energy Company	XEC		118.29	7.9	17.8	19.3	
California Resources	CRC		4.32	12.5	22.7	18.1	
Continental Resources (32%)	CLR	B	33.64	11.4	14.9	10.2	129
Whiting Petroleum Corporation	WLL	B	18.16	11.5	16.6	9.0	
	<i>Median</i>			11.5	17.8	18.1	267
<b>Income</b>							
San Juan Basin Royalty Trust	SJT		8.05	8.4	31.9	17.1	24
Sabine Royalty Trust	SBR		32.49	8.0	22.3	13.2	13
Dorchester Minerals, L.P.	DMLP	B	14.87	7.8	22.9	12.2	26
Cross Timbers Royalty Trust	CRT	B	17.09	12.4	20.4	11.3	16
Permian Basin RT	PBT		6.67	9.7	17.0	9.5	16
	<i>Median</i>			8.4	22.3	12.2	16
<b>Canada</b>							
EnCana Corporation	ECA		7.62	6.4	18.5	14.2	83
Cenovus Energy Inc.	CVE		15.67	15.0	17.9	13.2	
Canadian Oil Sands Limited	COSWF	B	7.61	17.5	18.1	11.2	
Imperial Oil Limited (30%)	IMO		33.44	27.2	12.6	11.0	16
Birchcliff Energy Ltd.	BIREF	B	4.46	12.4	16.5	8.5	
	<i>Median</i>			15.0	17.9	11.2	49
	<i>Grand Median</i>			11	17	11	

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2016; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2015										
Ranked by Unlevered Total Return										
			Price	Price			Equity	Unlevered		
			(\$/sh)	(\$/sh)	Price	Cash	Total	Total		
	Symbol/Rat		2-Nov	29-Dec	Change	Distrib.	Return	Debt	Return	
			2015	2014	(%)	(%)	(%)	(\$/sh)	(%)	
									McDep	
									Ratio	
<b>Global Integrated</b>										
Total S.A.	TOT	B	49.38	52.74	(6)	4	(3)	25	(2)	0.77
Exxon Mobil Corporation	XOM		84.98	93.07	(9)	2	(6)	20	(5)	0.94
Chevron Corporation	CVX	B	94.63	113.32	(16)	3	(14)	29	(11)	0.88
Royal Dutch Shell (BG pro forma)	RDS-A		53.52	68.31	(22)	4	(18)	31	(12)	0.85
	<i>Median</i>				(13)		(10)		(8)	0.87
<b>Large Independent</b>										
Occidental Petroleum Corp.	OXY		75.66	81.71	(7)	3	(5)	12	(4)	1.01
EOG Resources, Inc.	EOG		85.74	94.33	(9)	0	(9)	12	(8)	1.06
ConocoPhillips	COP		54.65	70.11	(22)	3	(19)	30	(13)	0.86
Devon Energy Corporation	DVN	B	42.97	61.15	(30)	1	(29)	27	(20)	0.76
Marathon Oil Corporation	MRO	B	18.95	28.58	(34)	2	(32)	14	(21)	0.68
	<i>Median</i>				(22)		(19)		(13)	0.86
<b>Small Independent</b>										
Cimarex Energy Company	XEC		118.29	110.27	7	0	8	12	7	1.09
California Resources	CRC		4.32	5.77	(25)	1	(25)	18	(6)	0.80
Continental Resources (32%)	CLR	B	33.64	38.26	(12)	-	(12)	19	(8)	0.68
Whiting Petroleum Corporation	WLL	B	18.16	34.09	(47)	-	(47)	22	(28)	0.54
Range Resources	RRC		31.78	56.00	(43)	0	(43)	25	(30)	0.76
	<i>Median</i>				(25)		(25)		(8)	0.76
<b>Income</b>										
Cross Timbers Royalty Trust	CRT	B	17.09	18.07	(5)	6	1	-	1	0.55
Sabine Royalty Trust	SBR		32.49	36.68	(11)	8	(4)	-	(4)	0.59
Permian Basin RT	PBT		6.67	9.12	(27)	3	(23)	-	(23)	0.56
Dorchester Minerals, L.P.	DMLP	B	14.87	25.16	(41)	5	(36)	-	(36)	0.53
San Juan Basin Royalty Trust	SJT		8.05	13.97	(42)	2	(40)	-	(40)	0.54
	<i>Median</i>				(27)		(23)		(23)	0.55
<b>Canada</b>										
Canadian Oil Sands Limited	COSWF	B	7.61	9.20	(17)	1	(16)	6	(10)	0.62
Imperial Oil Limited (30%)	IMO		33.44	43.49	(23)	1	(22)	11	(18)	0.87
Cenovus Energy Inc.	CVE		15.67	20.95	(25)	3	(22)	5	(18)	0.73
Birchcliff Energy Ltd.	BIREF	B	4.46	6.75	(34)	-	(34)	4	(22)	0.52
EnCana Corporation	ECA		7.62	13.94	(45)	2	(44)	11	(25)	0.77
	<i>Median</i>				(25)		(22)		(18)	0.73
	<i>Grand Median</i>				(23)		(21)		(13)	0.76
<b>Natural Gas (\$/mmbtu)</b>			2.24	3.19	(30)					
<b>Oil - West Texas Intermediate (\$/bbl)</b>			46.10	53.69	(14)					

Source: McDep LLC, Yahoo, CME Group, Bloomberg





# Independent Stock Idea

November 2, 2015  
Intraday

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