



# Meter Reader

A Monthly Analysis of Oil and Gas Stocks  
May 10, 2016

## Value, Growth, Income and Momentum

						Present Value by Segment (%)						
		Price (US\$/sh)		EV/ Market	Enterprise Value	North Amer.	Rest of World				Dist. Yield	
Symbol/Rating		9-May 2016	Market Cap		(\$mm)	Natural Gas	Natural Gas	Oil Prod'n	Down- stream	NTM (%)	McDep Ratio	
Royal Dutch Shell	RDS-A B	49.60	1.72		316,000	1	17	44	37	7.6	0.74	
Total S.A.	TOT B	47.98	1.53		173,000		22	55	23	5.8	0.64	
Marathon Oil Corporation	MRO B	11.44	1.71		16,500	6	1	92		1.7	0.70	
ConocoPhillips	COP B	41.65	1.76		92,000	11	12	77		2.4	0.66	
Continental Resources (32%)	CLR B	38.74	1.50		6,900	20		80		-	0.77	
Whiting Petroleum Corporation	WLL B	10.02	2.54		6,900	5		95		-	0.56	
Dorchester Minerals, L.P.	DMLP B	13.21	1.00		410	23		77		7.2	0.55	
Sabine Royalty Trust	SBR B	32.32	1.00		470	38		62		6.2	0.54	
Birchcliff Energy Ltd.	BIREF B	3.85	1.98		1,200	77		23		-	0.51	

### Summary and Recommendation

Buy oil and gas producers for value, growth, income and momentum. Our nine buy recommendations have the lowest McDep Ratios in each of our five groups. The lower the McDep Ratio, the more value of resources relative to the market value of equity and the nominal amount of debt. We estimate the value of resources with the expectation of a long-term oil price of \$70 a barrel. For companies more sensitive to operating leverage when price declined, we scaled back our resource estimate from the \$70 case. We would restore the reductions with greater confidence in future price and costs. Meanwhile, strong volume growth in oil and gas from fracking shale and tight formations has temporarily stalled ahead of a pickup again in the next few years. **Continental Resources (CLR)**, **Birchcliff Energy (BIREF)** and **Whiting Petroleum (WLL)** may see a return to high volume growth per share as they reinvest all of cash flow. On the income standard, **Royal Dutch Shell (RDS-A)** and **Total (TOT)** deliver stable cash return of 7.6% and 5.8% respectively. **Dorchester Minerals (DMLP)** and **Sabine Royalty Trust (SBR)** pay Top Line royalty income of 7.2% and 6.2% respectively that can grow with oil price and shale production in the Permian Basin. Finally, positive stock price momentum spreads as more companies win the sign of the golden cross after enduring the curse of the death cross for a year and a half. The 50-day average crossing above the 200-day average marks the former while the 50 day crossing below the 200 day marks the latter. Positive stock price momentum accentuates our fundamental conviction.

Kurt H. Wulff, CFA



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<b>Table 1</b>											
<b>McDep Energy Stocks</b>											
<b>Enterprise Value, Segments, Yield and McDep Ratio</b>											
					<i>Present Value by Segment (%)</i>						
		<i>Price</i>	<i>EV/</i>	<i>Enterprise</i>	<i>North</i>	<i>Rest of</i>				<i>Dist.</i>	
		<i>(US\$/sh)</i>	<i>Market</i>	<i>Value</i>	<i>Amer.</i>	<i>World</i>	<i>Oil</i>	<i>Down-</i>	<i>NTM</i>	<i>McDep</i>	
<i>Symbol/Rating</i>		<i>9-May</i>	<i>Cap</i>	<i>(\$mm)</i>	<i>Natural</i>	<i>Natural</i>	<i>Prod'n</i>	<i>stream</i>	<i>(%)</i>	<i>Ratio</i>	
		<i>2016</i>			<i>Gas</i>	<i>Gas</i>					
<b>Global Integrated</b>											
Exxon Mobil Corporation	XOM	88.57	1.26	464,000	5	13	63	20	3.4	0.91	
Chevron Corporation	CVX	100.35	1.35	253,000	2	11	68	19	4.3	0.80	
Royal Dutch Shell	RDS-A B	49.60	1.72	316,000	1	17	44	37	7.6	0.74	
Total S.A.	TOT B	47.98	1.53	173,000		22	55	23	5.8	0.64	
<i>Total or Median</i>			<i>1.44</i>	<i>1,206,000</i>			<i>59</i>	<i>21</i>	<i>5.0</i>	<i>0.77</i>	
<b>Large Independent</b>											
EOG Resources, Inc.	EOG	78.64	1.17	50,300	10	2	88		0.9	1.04	
Occidental Petroleum Corp.	OXY	75.54	1.17	67,200	3	2	85	10	4.0	1.01	
Devon Energy Corporation	DVN	30.04	1.76	26,100	25		65	9	0.8	0.95	
Marathon Oil Corporation	MRO B	11.44	1.71	16,500	6	1	92		1.7	0.70	
ConocoPhillips	COP B	41.65	1.76	92,000	11	12	77		2.4	0.66	
<i>Total or Median</i>			<i>1.71</i>	<i>252,000</i>	<i>10</i>		<i>85</i>		<i>1.7</i>	<i>0.95</i>	
<b>Small Independent</b>											
Cimarex Energy Company	XEC	110.46	1.12	11,500	32		68		0.3	1.20	
Range Resources	RRC	41.70	1.44	10,000	70		30		0.2	0.99	
California Resources	CRC	1.63	12.13	7,500	10		90		-	0.85	
Continental Resources (32%)	CLR B	38.74	1.50	6,900	20		80		-	0.77	
Whiting Petroleum Corporation	WLL B	10.02	2.54	6,900	5		95		-	0.56	
<i>Total or Median</i>			<i>1.50</i>	<i>43,000</i>	<i>20</i>		<i>80</i>		<i>-</i>	<i>0.85</i>	
<b>Income</b>											
San Juan Basin Royalty Trust	SJT	6.15	1.00	290	100		-		4.2	0.77	
Dorchester Minerals, L.P.	DMLP B	13.21	1.00	410	23		77		7.2	0.55	
Cross Timbers Royalty Trust	CRT	15.88	1.00	100	52		48		7.3	0.55	
Permian Basin RT	PBT	5.99	1.00	280	23		77		6.8	0.54	
Sabine Royalty Trust	SBR B	32.32	1.00	470	38		62		6.2	0.54	
<i>Total or Median</i>			<i>1.00</i>	<i>1,600</i>	<i>38</i>		<i>62</i>		<i>6.8</i>	<i>0.55</i>	
<b>Canada</b>											
EnCana Corporation	ECA	5.96	2.58	13,200	44		56		1.0	1.00	
Imperial Oil Limited (30%)	IMO	31.21	1.35	10,800	1		73	26	1.4	0.86	
Suncor Energy	SU	25.65	1.43	58,200	-		84	16	3.5	0.80	
Cenovus Energy Inc.	CVE	14.31	1.32	15,600	7		84	8	1.1	0.77	
Birchcliff Energy Ltd.	BIREF B	3.85	1.98	1,200	77		23		-	0.51	
<i>Total or Median</i>			<i>1.43</i>	<i>99,000</i>			<i>73</i>		<i>1.1</i>	<i>0.80</i>	
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.											
Estimated present value capped by unlevered cash flow multiple (EV/Ebitda)											
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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Table 2								
McDep Energy Stocks								
Net Present Value and McDep Ratio								
			Price (US\$/sh)		Market	Net		
	Symbol/Rating		9-May	Shares	Cap	Present	Debt/	McDep
	B = Buy		2016	(mm)	(US\$m)	(US\$/sh)	Present	Ratio
							Value	
<b>Global Integrated</b>								
Exxon Mobil Corporation	XOM		88.57	4,178	370,000	100.00	0.18	0.91
Chevron Corporation	CVX		100.35	1,870	188,000	135.00	0.21	0.80
Royal Dutch Shell	RDS-A	B	49.60	3,700	184,000	80.00	0.31	0.74
Total S.A.	TOT	B	47.98	2,350	113,000	90.00	0.22	0.64
	<i>Total or Median</i>				855,000		0.21	0.77
<b>Large Independent</b>								
EOG Resources, Inc.	EOG		78.64	547	43,000	75.00	0.15	1.04
Occidental Petroleum Corp.	OXY		75.54	763	57,600	75.00	0.14	1.01
Devon Energy Corporation	DVN		30.04	492	14,800	33.00	0.41	0.95
Marathon Oil Corporation	MRO	B	11.44	845	9,670	20.00	0.29	0.70
ConocoPhillips	COP	B	41.65	1,245	52,000	80.00	0.28	0.66
	<i>Total or Median</i>				177,100		0.28	0.95
<b>Small Independent</b>								
Cimarex Energy Company	XEC		110.46	93	10,300	90.00	0.13	1.20
Range Resources	RRC		41.70	167	7,000	42.00	0.30	0.99
California Resources	CRC		1.63	382	600	5.00	0.78	0.85
Continental Resources (32%)	CLR	B	38.74	118	4,600	56.00	0.26	0.77
Whiting Petroleum Corporation	WLL	B	10.02	271	2,700	30.00	0.34	0.56
	<i>Total or Median</i>				25,000		0.30	0.85
<b>Income</b>								
San Juan Basin Royalty Trust	SJT		6.15	47	290	8.00	-	0.77
Dorchester Minerals, L.P.	DMLP	B	13.21	31	410	24.00	-	0.55
Cross Timbers Royalty Trust	CRT		15.88	6	100	29.00	-	0.55
Permian Basin RT	PBT		5.99	47	280	11.00	-	0.54
Sabine Royalty Trust	SBR	B	32.32	15	470	60.00	-	0.54
	<i>Total or Median</i>				1,600		-	0.55
<b>Canada</b>								
EnCana Corporation	ECA		5.96	850	5,100	6.00	0.61	1.00
Imperial Oil Limited (30%)	IMO		31.21	255	8,000	38.00	0.22	0.86
Suncor Energy	SU		25.65	1,583	40,600	35.00	0.24	0.80
Cenovus Energy Inc.	CVE		14.31	825	11,800	20.00	0.19	0.77
Birchcliff Energy Ltd.	BIREF	B	3.85	154	600	11.00	0.26	0.51
	<i>Total or Median</i>				66,000		0.24	0.80
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.								
Estimated present value capped by unlevered cash flow multiple (EV/Ebitda)								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
For historical research see <a href="http://www.mcdep.com">www.mcdep.com</a>								



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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
	Symbol/Rating		9-May 2016	NTM	NTM	NTM	NTM
	B = Buy						(\$/sh)
<b>Global Integrated</b>							
Exxon Mobil Corporation	XOM		88.57	13.7	12.8	11.6	3.00
Chevron Corporation	CVX		100.35	9.3	12.1	9.7	4.28
Total S.A.	TOT	B	47.98	9.8	11.3	7.2	2.78
Royal Dutch Shell	RDS-A	B	49.60	8.9	8.8	6.5	3.76
	<i>Median</i>			9.6	11.7	8.4	22
<b>Large Independent</b>							
Devon Energy Corporation	DVN		30.04	9.0	18.1	17.2	0.24
EOG Resources, Inc.	EOG		78.64	8.1	16.0	16.6	0.67
Occidental Petroleum Corp.	OXY		75.54	8.2	14.8	14.9	3.00
ConocoPhillips	COP	B	41.65	11.3	20.4	13.4	1.00
Marathon Oil Corporation	MRO	B	11.44	13.2	9.9	6.9	0.20
	<i>Median</i>			9.0	16.0	14.9	
<b>Small Independent</b>							
Range Resources	RRC		41.70	14.6	31.4	31.2	0.08
Cimarex Energy Company	XEC		110.46	7.4	16.4	19.6	0.32
Continental Resources (32%)	CLR	B	38.74	11.4	19.5	15.1	-
California Resources	CRC		1.63	11.2	15.5	13.2	-
Whiting Petroleum Corporation	WLL	B	10.02	13.1	15.4	8.6	-
	<i>Median</i>			11.4	16.4	15.1	
<b>Income</b>							
San Juan Basin Royalty Trust	SJT		6.15	10.0	26.8	20.7	0.26
Sabine Royalty Trust	SBR	B	32.32	10.5	29.8	16.0	2.02
Dorchester Minerals, L.P.	DMLP	B	13.21	6.8	25.5	14.0	0.95
Permian Basin RT	PBT		5.99	8.6	21.8	11.9	0.41
Cross Timbers Royalty Trust	CRT		15.88	6.0	20.8	11.4	1.16
	<i>Median</i>			8.6	25.5	14.0	16
<b>Canada</b>							
Cenovus Energy Inc.	CVE		14.31	17.0	21.1	16.2	0.15
Imperial Oil Limited (30%)	IMO		31.21	27.6	18.3	15.8	0.43
EnCana Corporation	ECA		5.96	5.5	15.4	15.4	0.06
Suncor Energy	SU		25.65	22.1	14.5	11.6	0.90
Birchcliff Energy Ltd.	BIREF	B	3.85	15.6	15.6	8.0	-
	<i>Median</i>			17.0	15.6	15.4	
	<i>Grand Median</i>			11	16	14	

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2017; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses 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 2016										
Ranked by Unlevered Total Return										
			Price	Price			Equity	Unlevered		
			(\$/sh)	(\$/sh)	Price	Cash	Total	Total		
	Symbol/Rati		9-May	31-Dec	Change	Distrib.	Return	Debt	Return	
			2016	2015	(%)	(%)	(%)	(\$/sh)	(%)	
									McDep	
									Ratio	
<b>Global Integrated</b>										
Exxon Mobil Corporation	XOM		88.57	77.95	14	1	15	23	11	0.91
Chevron Corporation	CVX		100.35	89.96	12	1	13	35	9	0.80
Royal Dutch Shell	RDS-A	B	49.60	45.79	8	2	10	36	6	0.74
Total S.A.	TOT	B	47.98	44.95	7	2	8	26	5	0.64
	<i>Median</i>				10		12		8	0.77
<b>Large Independent</b>										
Occidental Petroleum Corp.	OXY		75.54	67.61	12	1	13	13	11	1.01
EOG Resources, Inc.	EOG		78.64	70.79	11	0	12	13	10	1.04
Devon Energy Corporation	DVN		30.04	32.00	(6)	1	(5)	23	(3)	0.95
Marathon Oil Corporation	MRO	B	11.44	12.58	(9)	0	(9)	8	(5)	0.70
ConocoPhillips	COP	B	41.65	46.69	(11)	1	(10)	32	(6)	0.66
	<i>Median</i>				(6)		(5)		(3)	0.95
<b>Small Independent</b>										
Range Resources	RRC		41.70	24.62	69	0	69	18	40	0.99
Continental Resources (32%)	CLR	B	38.74	22.98	69	-	69	19	37	0.77
Cimarex Energy Company	XEC		110.46	89.38	24	0	24	13	21	1.20
Whiting Petroleum Corporation	WLL	B	10.02	9.44	6	-	6	15	2	0.56
California Resources	CRC		1.63	2.33	(30)	-	(30)	18	(3)	0.85
	<i>Median</i>				24		24		21	0.85
<b>Income</b>										
San Juan Basin Royalty Trust	SJT		6.15	4.14	49	2	50	-	50	0.77
Dorchester Minerals, L.P.	DMLP	B	13.21	9.89	34	4	37	-	37	0.55
Cross Timbers Royalty Trust	CRT		15.88	13.01	22	4	26	-	26	0.55
Sabine Royalty Trust	SBR	B	32.32	26.26	23	2	25	-	25	0.54
Permian Basin RT	PBT		5.99	5.06	18	1	20	-	20	0.54
	<i>Median</i>				23		26		26	0.55
<b>Canada</b>										
Birchcliff Energy Ltd.	BIREF	B	3.85	2.93	31	-	31	4	14	0.51
Cenovus Energy Inc.	CVE		14.31	12.62	13	1	14	5	11	0.77
EnCana Corporation	ECA		5.96	5.09	17	1	18	9	6	1.00
Suncor Energy	SU		25.65	25.80	(1)	1	0	11	0	0.80
Imperial Oil Limited (30%)	IMO		31.21	32.52	(4)	0	(4)	11	(3)	0.86
	<i>Median</i>				13		14		6	0.80
	<i>Grand Median</i>				13		14		10	0.77
<b>Natural Gas (\$/mmbtu)</b>			2.10	2.33	(10)					
<b>Oil - West Texas Intermediate (\$/bbl)</b>			43.38	37.06	17					
<b>S&amp;P 500</b>			2,059	2,044	1					
Source: McDep LLC, Yahoo, CME Group, Bloomberg					For historical research see www.mcdep.com					



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## Index of 2015-2016 Research

<u>Date</u>	<u>Series</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
26-Apr	ISI	CLR	Continental Resources	Disciplined Visionary
13-Apr	MR			Road to Profits
5-Apr	ISI	TOT	Total S.A.	Globally Diversified Income
22-Mar	II	CRT, DMLP, PBT, SBR, SJT		Income Payer Appreciation Potential 55%-110%
15-Mar	MR			Best Oil Outlook in Seven Years
7-Mar	II	COP, MRO, CLR, WLL		Buy Low
29-Feb	ISI	DMLP	Dorchester Minerals, L.P.	Oil Income for All Seasons
19-Feb	ISI	DVN	Devon Energy	Flexibility to Adapt
19-Feb	ISI	MRO	Marathon Oil	Flexibility to Adapt
9-Feb	MR			Outperforming in 2016
3-Feb	ISI	XOM	Exxon Mobil	For Nervous Investors Seeking Reliable Income
28-Jan	ISI	BIREF	Birchcliff Energy	Protection and Growth
22-Jan	II	CRT, PBT, SBR, SJT, DMLP		Income Payer Surprises
21-Jan	ISI	SU	Suncor Energy Inc.	Likely Acquirer of Canadian Oil Sands
19-Jan	ISI	COSWF	Canadian Oil Sands Ltd.	Farewell
13-Jan	II	MRO, DVN, COP, OXY, EOG		Wild Markets in Oil and Securities
1-Jan	MR			Lower Natural Gas to \$4.00 from \$4.50
21-Dec	II	DMLP, SBR, CRT, SJT, PBT		Income Payers at Low Price
15-Dec	MR			Buys for 2016 and Beyond
8-Dec	ISI	RDS	Royal Dutch Shell plc	Buy on Acquisition Pro Forma
23-Nov	ISI	SJT	San Juan Basin Royalty Trust	Steep Price Decline Triggers Buy
18-Nov	II	MRO, DVN, COP, OXY, EOG		Large Cap Independent Producers for Upside
12-Nov	ISI	BIREF	Birchcliff Energy	Encouraging Volume, Uncertain Price
10-Nov	MR	CLR, XEC, WLL, RRC, CRC		Small Cap Producers for the Upcycle
6-Nov	ISI	DMLP	Dorchester Minerals, L.P.	25% Volume Beat
2-Nov	ISI	XOM	Exxon Mobil	Potential Gain with Minimal Pain
27-Oct	ISI	COSWF	Canadian Oil Sands Ltd.	Deal Likely at Higher Price
21-Oct	ISI	SJT	San Juan Basin Royalty Trust	Southwest Bank Potential Successor Trustee
13-Oct	MR			Hedge Mideast Political Risk
5-Oct	ISI	COSWF	Canadian Oil Sands Ltd.	Suncor Makes Tender Offer at 0.57 McDep Ratio
1-Oct	ISI	SJT	San Juan Basin Royalty Trust	Trust Officer Resigns
29-Sep	II	COSWF, BIREF, IMO, CVE, ECA		High-Torque Canadian Producers
22-Sep	ISI	CRT	Cross Timbers Royalty Trust	Low Risk 7.5% Income
15-Sep	MR			Endless Discussion
10-Sep	ISI	DMLP	Dorchester Minerals, L.P.	Raise Distribution to 6.3% Cash Yield
1-Sep	II	MRO, DVN, COP, OXY, EOG		Resilient Large Cap Independent Producers
25-Aug	II	CLR, XEC, WLL, RRC, CRC		Small Cap Producer Survivors
11-Aug	MR			Bottom May Be Near
3-Aug	II	XOM, RDS, CVX, TOT		Global Energy Stalwarts
				MR = Meter Reader (published monthly on 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.



**McDEP**  
LLC

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**Disclaimer:** This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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**Research Methodology/Ratings Description:** McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation.