

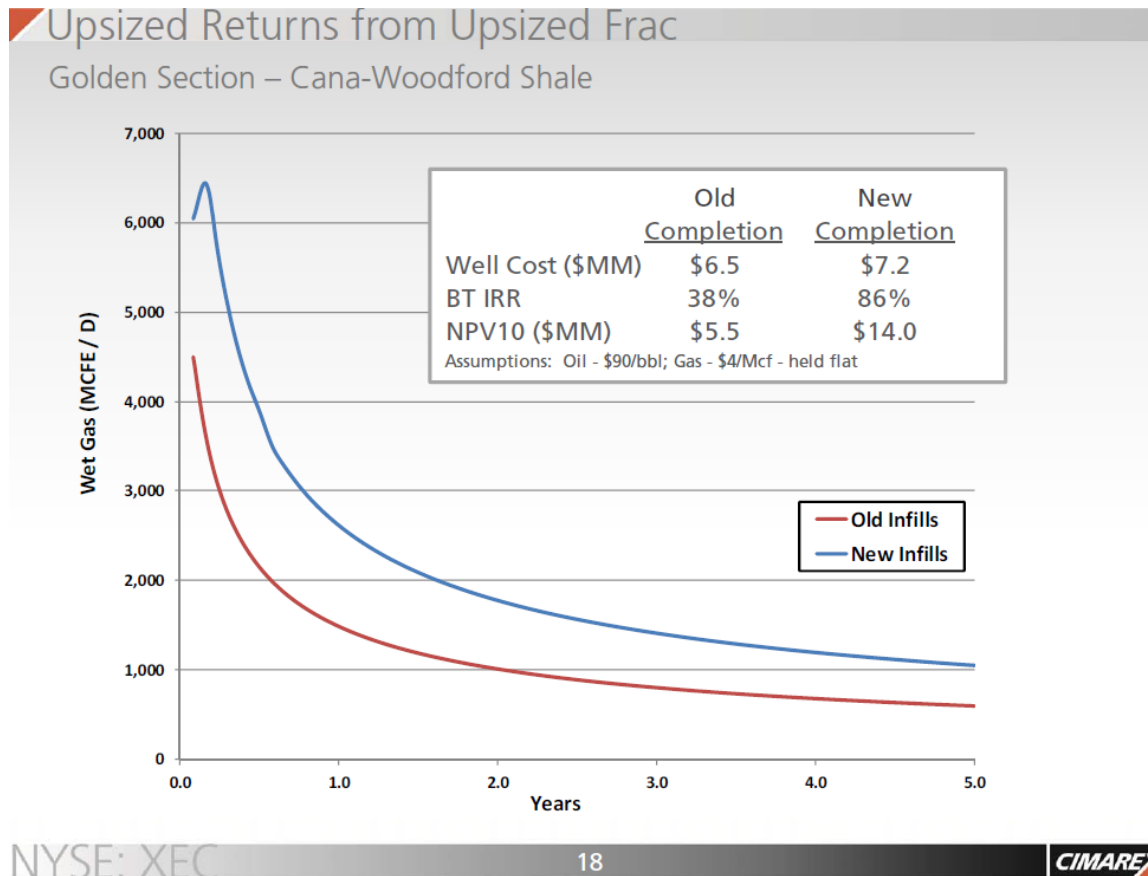
## Cimarex Energy (XEC) Raise NPV to \$140 on Cana Double

|   |         |   |       |
|---|---------|---|-------|
| <i>Symbol</i>   | XEC     | <i>Ebitda Next Twelve Months ending 3/31/15 (US\$m)</i> | 1,892 |
| <i>Rating</i>   | Buy     | <i>North American Natural Gas/Ebitda (%)</i>            | 28    |
| <i>Price (\$/sh)</i>  | 127.66  | <i>Natural Gas and Oil Production/Ebitda (%)</i>        | 100   |
| <i>Pricing Date</i>   | 5/12/14 | <i>Adjusted Reserves/Production NTM</i>                 | 7.2   |
| <i>Shares (mm)</i>  | 87      | <i>EV/Ebitda</i>  | 6.6   |
| <i>Market Capitalization (\$mm)</i>   | 11,130  | <i>PV/Ebitda</i>  | 7.2   |
| <i>Debt (\$mm)</i>  | 1,450   | <i>Undeveloped Reserves (%)</i>                         | 20    |
| <i>Enterprise Value (EV) (\$mm)</i>   | 12,580  | <i>Natural Gas and Oil Ebitda (\$/boe)</i>              | 36.00 |
| <i>Present Value (PV) (\$mm)</i>  | 13,660  | <i>Present Value Proven Reserves(\$/boe)</i>            | 32.60 |
| <i>Net Present Value (\$/share)</i>   | 140     | <i>Oil and Gas Ebitda Margin (%)</i>                    | 71    |
| <i>Debt/Present Value</i>   | 0.11    | <i>Earnings Next Twelve Months (US\$/sh)</i>            | 7.69  |
| <i>McDep Ratio - EV/PV</i>  | 0.92    | <i>Price/Earnings Next Twelve Months</i>                | 17    |
| <i>Dividend Yield (%/year)</i>  | 0.5     | <i>Indicated Annual Dividend (US\$/sh)</i>              | 0.64  |
| 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\$90 a barrel and natural gas, \$6 a million btu. |         |   |       |
| For historical analysis of XEC since 2003 see <a href="http://www.mcdep.com/4xec.htm">www.mcdep.com/4xec.htm</a>  |         |   |       |

### Summary and Recommendation

“Upsized frac” technology doubles the expected return from buy-recommended **Cimarex Energy (XEC)**’s Cana field and triggers an increase in our estimated Net Present Value (NPV) to \$140 a share from \$125. Cimarex engineers applied the same breakthrough honed in the company’s Permian Basin plays to achieve a similar doubling of expected rate of return in the company’s Cana play in Oklahoma (see chart [Upsized Returns](#) on page 2). The good news of a 13% sequential increase in Cana quarterly production prompted management to raise guidance for the rest of 2014 when it reported better than expected quarterly results on May 7. Relating increased cash flow to reported reserves readily justifies higher NPV (see tables [Present Value](#) on page 2 and [Operating and Financial Estimates](#) on page 3). As a result, our buy recommendation remains intact at a McDep Ratio of 0.92 (see [Tables 1-4](#) on pages 4-7). Rebalancing could still be prudent where the size of the position becomes disproportionately large in a diversified portfolio. Adding enthusiasm for investment in Cimarex, the company got an unexpected endorsement from an unexpected source -- **Chevron (CVX)**. The chief financial officer of the second largest U.S. oil company emphasized oil growth in the Permian Basin on the quarterly call on May 2, specifically citing its joint venture partner Cimarex. Answering another question, she credits “other producers” for contributing knowledge that allows CVX to upgrade the prospective value of its vast Permian Basin legacy leases.

Kurt H. Wulff, CFA



| Cimarex Energy Company  |                   |                 |               |                 |        |
|---|-------------------|-----------------|---------------|-----------------|--------|
| Functional Cash Flow and Present Value                                      |                   |                 |               |                 |        |
|   | <i>NTM Ebitda</i> | <i>Adjusted</i> | <i>PV/</i>    | <i>Present</i>  |        |
|   | <i>(US\$mm)</i>   | <i>R/P</i>      | <i>Ebitda</i> | <i>Value</i>    |        |
|   |                   |                 |               | <i>(US\$mm)</i> |        |
| North American Natural Gas  | 530               | 7.7             | 10.4          | 5,500           | 40%    |
| Oil   | 1,362             | 6.7             | 6.0           | 8,150           | 60%    |
|   | 1,892             | 7.2             | 7.2           | 13,650          | 100%   |
| Debt (US\$mm)   |                   |                 |               |                 | 1,450  |
| Net Present Value (US\$mm)  |                   |                 |               |                 | 12,200 |
| Shares (mm)   |                   |                 |               |                 | 87     |
| Net Present Value - Standard Estimate (US\$/sh)                             |                   |                 |               |                 | 140    |
| NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh) |                   |                 |               |                 | 148    |



# Meter Reader

A Weekly Analysis of Oil and Gas Stocks

May 13, 2014

| Cimarex Energy Company                                 |         |          |       |         |         |         |          |       |         |                          |
|--|---------|----------|-------|---------|---------|---------|----------|-------|---------|--------------------------|
| Next Twelve Months Operating and Financial Performance |         |          |       |         |         |         |          |       |         |                          |
|  | Q1      | Q4       | Year  | Q1      | Q2E     | Q3E     | Q4E      | Year  | Q1E     | Next<br>Twelve<br>Months |
|  | 3/31/13 | 12/31/13 | 2013  | 3/31/14 | 6/30/14 | 9/30/14 | 12/31/14 | 2014E | 3/31/15 | 3/31/15                  |
| <b>Volume</b>  |         |          |       |         |         |         |          |       |         |                          |
| Natural Gas (mmcf)                                     | 333     | 352      | 343   | 355     | 400     | 412     | 424      | 398   | 437     | 418                      |
| Days   | 90      | 92       | 365   | 90      | 91      | 92      | 92       | 365   | 90      | 365                      |
| Oil (mmb)  | 4.9     | 5.4      | 21.3  | 5.8     | 6.4     | 6.7     | 7.0      | 25.8  | 7.1     | 27.1                     |
| Oil (mbd)  | 54.8    | 58.9     | 58.3  | 64.2    | 70.0    | 72.8    | 75.7     | 70.7  | 78.7    | 74.3                     |
| Total (mmcf)   | 662     | 705      | 693   | 741     | 820     | 849     | 879      | 822   | 910     | 864                      |
| <b>Price</b>   |         |          |       |         |         |         |          |       |         |                          |
| Henry Hub (\$/mmbtu)                                   | 3.34    | 3.60     | 3.65  | 4.95    | 4.61    | 4.43    | 4.49     | 4.62  | 4.59    | 4.53                     |
| Company (\$/mcf)                                       | 3.38    | 3.85     | 3.76  | 5.32    | 4.96    | 4.76    | 4.82     | 4.95  | 4.93    | 4.87                     |
| WTI Cushing (\$/bbl)                                   | 94.41   | 97.46    | 97.98 | 98.74   | 101.01  | 99.06   | 96.36    | 98.79 | 93.87   | 97.58                    |
| Company (\$/bbl)                                       | 63.84   | 69.99    | 69.68 | 71.86   | 73.51   | 72.09   | 70.13    | 71.86 | 68.31   | 70.93                    |
| Total (\$/bbl)   | 41.92   | 46.59    | 46.34 | 52.70   | 52.16   | 50.97   | 50.23    | 51.45 | 49.71   | 50.74                    |
| <b>Revenue (\$mm)</b>                                  |         |          |       |         |         |         |          |       |         |                          |
| Natural Gas  | 101     | 125      | 471   | 170     | 180     | 180     | 188      | 719   | 194     | 743                      |
| Oil  | 315     | 379      | 1,482 | 415     | 468     | 483     | 488      | 1,855 | 484     | 1,924                    |
| Total  | 416     | 504      | 1,953 | 585     | 649     | 663     | 677      | 2,574 | 678     | 2,667                    |
| <b>Expense</b>   |         |          |       |         |         |         |          |       |         |                          |
| Operating  | 88      | 99       | 380   | 119     |         |         |          |       |         |                          |
| Production taxes                                       | 25      | 29       | 113   | 34      |         |         |          |       |         |                          |
| General and administrative                             | 16      | 20       | 78    | 21      |         |         |          |       |         |                          |
| Expense  | 129     | 148      | 571   | 174     | 188     | 193     | 197      | 752   | 197     | 775                      |
| <b>Ebitda</b>  | 287     | 356      | 1,382 | 411     | 460     | 471     | 480      | 1,822 | 481     | 1,892                    |
| Deprec., Deplet., & Amor                               | 139     | 174      | 624   | 177     | 196     | 203     | 210      | 786   | 217     | 826                      |
| Other Non Cash   | 4       | (4)      | 16    | 15      |         |         |          | 15    |         | -                        |
| <b>Ebit</b>  | 144     | 186      | 742   | 219     | 264     | 268     | 270      | 1,021 | 264     | 1,066                    |
| Interest   | 3       | 5        | 20    | 6       | 7       | 8       | 9        | 30    | 10      | 34                       |
| <b>Ebt</b>   | 141     | 181      | 722   | 213     | 257     | 260     | 261      | 991   | 254     | 1,032                    |
| Income Tax   | 49      | 63       | 253   | 75      | 90      | 91      | 91       | 347   | 89      | 361                      |
| <b>Net Income (\$mm)</b>                               | 92      | 118      | 469   | 139     | 167     | 169     | 170      | 644   | 165     | 671                      |
| Per Share (\$)   | 1.06    | 1.35     | 5.40  | 1.59    | 1.92    | 1.94    | 1.95     | 7.39  | 1.89    | 7.69                     |
| <b>Shares (millions)</b>                               | 87      | 87       | 87    | 87      | 87      | 87      | 87       | 87    | 87      | 87                       |
| Ebitda Margin  | 69%     | 71%      | 71%   | 70%     | 71%     | 71%     | 71%      | 71%   | 71%     | 71%                      |
| Tax rate   | 35%     | 35%      | 35%   | 35%     | 35%     | 35%     | 35%      | 35%   | 35%     | 35%                      |



# Meter Reader

A Weekly Analysis of Oil and Gas Stocks  
May 13, 2014

|  |       |           |        |             |                  | Present Value by Segment (%) |         |           |           |            |             |  |  |
|--|-------|-----------|--------|-------------|------------------|------------------------------|---------|-----------|-----------|------------|-------------|--|--|
|  |       | Price     |        | EV/         | Enterprise       | North                        | Rest of |           |           | Dist.      |             |  |  |
|  |       | (US\$/sh) |        | Market      | Value            | Amer.                        | World   |           |           | Yield      |             |  |  |
| Symbol/Rating                          |       | 12-May    |        | Cap         |                  | Natural                      | Natural | Oil       | Down-     | NTM        | McDep       |  |  |
| B = Buy, CB (see below)                |       | 2014      |        |             | (\$mm)           | Gas                          | Gas     | Prod'n    | stream    | (%)        | Ratio       |  |  |
| <b>Global Integrated</b>               |       |           |        |             |                  |                              |         |           |           |            |             |  |  |
| E Exxon Mobil Corporation              | XOM   | B         | 102.23 | 1.19        | 532,000          | 8                            | 19      | 57        | 17        | 2.5        | 1.00        |  |  |
| Total S.A.                             | TOT   |           | 71.78  | 1.32        | 215,000          |                              |         | 62        | 16        | 4.7        | 0.92        |  |  |
| Royal Dutch Shell plc                  | RDS-A |           | 79.91  | 1.32        | 330,000          | 4                            | 22      | 57        | 17        | 4.5        | 0.87        |  |  |
| Chevron Corporation                    | CVX   |           | 125.24 | 1.17        | 282,000          | 4                            | 11      | 72        | 13        | 3.2        | 0.86        |  |  |
| Lukoil Oil Company                     | LUKOY | CB        | 55.77  | 1.17        | 50,600           |                              |         | 75        | 25        | 5.1        | 0.45        |  |  |
| <i>Total or Median</i>                 |       |           |        | <i>1.19</i> | <i>1,410,000</i> |                              |         | <i>62</i> | <i>17</i> | <i>4.5</i> | <i>0.87</i> |  |  |
| <b>U.S. Independent</b>                |       |           |        |             |                  |                              |         |           |           |            |             |  |  |
| EOG Resources, Inc.                    | EOG   |           | 103.64 | 1.11        | 62,900           | 18                           | 4       | 78        |           | 0.5        | 0.95        |  |  |
| Occidental Petroleum Corp.             | OXY   |           | 96.42  | 1.13        | 87,000           | 9                            | 1       | 79        | 11        | 3.0        | 0.90        |  |  |
| ConocoPhillips                         | COP   |           | 78.41  | 1.35        | 131,000          | 15                           | 14      | 72        |           | 3.5        | 0.83        |  |  |
| Marathon Oil Corporation               | MRO   | B         | 36.30  | 1.43        | 36,300           | 7                            | 4       | 89        |           | 2.1        | 0.79        |  |  |
| Devon Energy Corporation               | DVN   | B         | 71.04  | 1.37        | 39,600           | 45                           |         | 55        |           | 1.4        | 0.77        |  |  |
| <i>Total or Median</i>                 |       |           |        | <i>1.35</i> | <i>357,000</i>   | <i>15</i>                    |         | <i>78</i> |           | <i>2.1</i> | <i>0.83</i> |  |  |
| <b>Canada/Australia</b>                |       |           |        |             |                  |                              |         |           |           |            |             |  |  |
| Woodside Petroleum Ltd.                | WOPEY |           | 38.56  | 1.14        | 36,000           |                              | 70      | 30        |           | 5.3        | 1.06        |  |  |
| Imperial Oil Limited (30%)             | IMO   |           | 48.86  | 1.24        | 15,400           | 2                            |         | 79        | 19        | 1.0        | 0.95        |  |  |
| EnCana Corporation                     | ECA   | B         | 22.56  | 1.52        | 25,300           | 81                           |         | 19        |           | 1.2        | 0.82        |  |  |
| Cenovus Energy Inc.                    | CVE   |           | 28.74  | 1.32        | 28,700           | 9                            |         | 75        | 15        | 3.4        | 0.74        |  |  |
| Canadian Oil Sands Limited             | COSWF | B         | 21.25  | 1.24        | 12,800           |                              |         | 100       |           | 6.7        | 0.67        |  |  |
| <i>Total or Median</i>                 |       |           |        | <i>1.24</i> | <i>118,000</i>   |                              |         | <i>75</i> |           | <i>3.4</i> | <i>0.82</i> |  |  |
| <b>Small Cap Independent Producers</b> |       |           |        |             |                  |                              |         |           |           |            |             |  |  |
| Continental Resources (32%)            | CLR   | B         | 133.29 | 1.21        | 9,500            | 16                           |         | 84        |           | -          | 0.99        |  |  |
| Birchcliff Energy Ltd.                 | BIREF | B         | 11.15  | 1.32        | 2,400            | 69                           |         | 31        |           | -          | 0.95        |  |  |
| Peyto Exploration and Develop          | PEYUF |           | 34.52  | 1.18        | 6,100            | 81                           |         | 19        |           | 1.9        | 0.94        |  |  |
| Cimarex Energy Company                 | XEC   | B         | 127.66 | 1.13        | 12,600           | 40                           |         | 60        |           | 0.5        | 0.92        |  |  |
| Halcón Resources                       | HK    |           | 5.75   | 2.46        | 5,800            | 6                            |         | 94        |           | -          | 0.92        |  |  |
| Range Resources                        | RRC   | B         | 88.91  | 1.26        | 18,100           | 63                           |         | 37        |           | 0.2        | 0.91        |  |  |
| WPX Energy Inc.                        | WPX   |           | 21.68  | 1.61        | 7,000            | 70                           |         | 30        |           | -          | 0.85        |  |  |
| Whiting Petroleum Corporation          | WLL   | B         | 71.10  | 1.32        | 11,200           | 7                            |         | 93        |           | -          | 0.83        |  |  |
| PDC Energy                             | PDCE  |           | 58.41  | 1.31        | 2,700            | 27                           |         | 73        |           | -          | 0.82        |  |  |
| <i>Total or Median</i>                 |       |           |        | <i>1.31</i> | <i>75,000</i>    | <i>40</i>                    |         | <i>60</i> |           | <i>-</i>   | <i>0.92</i> |  |  |
| <b>RTF Cash Payers</b>                 |       |           |        |             |                  |                              |         |           |           |            |             |  |  |
| Freehold Royalties Ltd.                | FRHLF |           | 22.54  | 1.04        | 1,580            | 21                           |         | 79        |           | 6.8        | 1.07        |  |  |
| Dorchester Minerals, L.P.              | DMLP  | B         | 28.50  | 1.00        | 870              | 50                           |         | 50        |           | 7.0        | 1.02        |  |  |
| Mesa Royalty Trust                     | MTR   |           | 28.40  | 1.00        | 50               | 71                           |         | 29        |           | 10.7       | 1.02        |  |  |
| San Juan Basin Royalty Trust           | SJT   | B         | 18.58  | 1.00        | 870              | 100                          |         | -         |           | 7.7        | 0.88        |  |  |
| Sabine Royalty Trust                   | SBR   |           | 54.04  | 1.00        | 790              | 44                           |         | 56        |           | 8.5        | 0.84        |  |  |
| Enduro Royalty Trust                   | NDRO  |           | 11.74  | 1.00        | 390              | 37                           |         | 63        |           | 6.6        | 0.84        |  |  |
| Hugoton Royalty Trust                  | HGT   |           | 10.32  | 1.00        | 410              | 88                           |         | 12        |           | 10.0       | 0.79        |  |  |
| Cross Timbers Royalty Trust            | CRT   |           | 32.71  | 1.00        | 200              | 64                           |         | 36        |           | 9.7        | 0.78        |  |  |
| Permian Basin RT                       | PBT   |           | 13.35  | 1.00        | 620              | 26                           |         | 74        |           | 8.1        | 0.74        |  |  |
| <i>Total or Median</i>                 |       |           |        | <i>1.00</i> | <i>5,800</i>     | <i>50</i>                    |         | <i>50</i> |           | <i>8.1</i> | <i>0.84</i> |  |  |

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.  
Estimated present value presumes a long-term price for oil of US\$90 a barrel and natural gas, \$6 a million btu.  
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses



# Meter Reader

A Weekly Analysis of Oil and Gas Stocks  
May 13, 2014

|   |                                |    | <i>Price<br/>(US\$/sh)</i> | <i>Shares</i> | <i>Market<br/>Cap<br/>(US\$mm)</i> | <i>Net<br/>Present<br/>Value<br/>(US\$/sh)</i> | <i>Debt/<br/>Present<br/>Value</i> | <i>McDep<br/>Ratio</i> |
|---|--------------------------------|----|----------------------------|---------------|------------------------------------|--|------------------------------------|------------------------|
|   | <i>Symbol/Rating</i>           |    | <i>12-May<br/>2014</i>     | <i>(mm)</i>   |                                    |  |                                    |                        |
|   | <i>B = Buy, CB (see below)</i> |    |                            |               |                                    |  |                                    |                        |
| <b>Global Integrated</b>                |                                |    |                            |               |                                    |  |                                    |                        |
| Exxon Mobil Corporation                 | XOM                            | B  | 102.23                     | 4,361         | 446,000                            | 102.00   | 0.16                               | 1.00                   |
| Total S.A.                              | TOT                            |    | 71.78                      | 2,276         | 163,000                            | 80.00  | 0.22                               | 0.92                   |
| Royal Dutch Shell plc                   | RDS-A                          |    | 79.91                      | 3,138         | 251,000                            | 95.00  | 0.21                               | 0.87                   |
| Chevron Corporation                     | CVX                            |    | 125.24                     | 1,919         | 240,000                            | 150.00   | 0.13                               | 0.86                   |
| Lukoil Oil Company                      | LUKOY                          | CB | 55.77                      | 776           | 43,300                             | 135.00   | 0.07                               | 0.45                   |
|   | <i>Total or Median</i>         |    |                            |               | <i>1,143,000</i>                   |  | <i>0.16</i>                        | <i>0.87</i>            |
| <b>U.S. Independent</b>                 |                                |    |                            |               |                                    |  |                                    |                        |
| EOG Resources, Inc.                     | EOG                            |    | 103.64                     | 548           | 56,800                             | 110.00   | 0.09                               | 0.95                   |
| Occidental Petroleum Corp.              | OXY                            |    | 96.42                      | 802           | 77,300                             | 108.00   | 0.10                               | 0.90                   |
| ConocoPhillips                          | COP                            |    | 78.41                      | 1,241         | 97,000                             | 100.00   | 0.21                               | 0.83                   |
| Marathon Oil Corporation                | MRO                            | B  | 36.30                      | 701           | 25,450                             | 50.00  | 0.24                               | 0.79                   |
| Devon Energy Corporation                | DVN                            | B  | 71.04                      | 407           | 28,900                             | 100.00   | 0.21                               | 0.77                   |
|   | <i>Total or Median</i>         |    |                            |               | <i>285,500</i>                     |  | <i>0.21</i>                        | <i>0.83</i>            |
| <b>Canada/Australia</b>                 |                                |    |                            |               |                                    |  |                                    |                        |
| Woodside Petroleum Ltd.                 | WOPEY                          |    | 38.56                      | 823           | 31,700                             | 36.00  | 0.13                               | 1.06                   |
| Imperial Oil Limited (30%)              | IMO                            |    | 48.86                      | 255           | 12,500                             | 52.00  | 0.18                               | 0.95                   |
| EnCana Corporation                      | ECA                            | B  | 22.56                      | 736           | 16,600                             | 30.00  | 0.28                               | 0.82                   |
| Cenovus Energy Inc.                     | CVE                            |    | 28.74                      | 757           | 21,800                             | 42.00  | 0.18                               | 0.74                   |
| Canadian Oil Sands Limited              | COSWF                          | B  | 21.25                      | 485           | 10,300                             | 34.00  | 0.13                               | 0.67                   |
|   | <i>Total or Median</i>         |    |                            |               | <i>93,000</i>                      |  | <i>0.18</i>                        | <i>0.82</i>            |
| <b>Small Cap Independent Producers</b>  |                                |    |                            |               |                                    |  |                                    |                        |
| Continental Resources (32%)             | CLR                            | B  | 133.29                     | 59            | 7,900                              | 135.00   | 0.17                               | 0.99                   |
| Birchcliff Energy Ltd.                  | BIREF                          | B  | 11.15                      | 163           | 1,800                              | 12.00  | 0.23                               | 0.95                   |
| Peyto Exploration and Development Corp. | PEYUF                          |    | 34.52                      | 149           | 5,100                              | 37.00  | 0.14                               | 0.94                   |
| Cimarex Energy Company                  | XEC                            | B  | 127.66                     | 87            | 11,100                             | 140.00   | 0.11                               | 0.92                   |
| Halcón Resources                        | HK                             |    | 5.75                       | 412           | 2,400                              | 7.00   | 0.55                               | 0.92                   |
| Range Resources                         | RRC                            | B  | 88.91                      | 161           | 14,300                             | 100.00   | 0.19                               | 0.91                   |
| WPX Energy Inc.                         | WPX                            |    | 21.68                      | 201           | 4,400                              | 28.00  | 0.32                               | 0.85                   |
| Whiting Petroleum Corporation           | WLL                            | B  | 71.10                      | 119           | 8,500                              | 90.00  | 0.20                               | 0.83                   |
| PDC Energy                              | PDCE                           |    | 58.41                      | 36            | 2,100                              | 75.00  | 0.19                               | 0.82                   |
|   | <i>Total or Median</i>         |    |                            |               | <i>58,000</i>                      |  | <i>0.19</i>                        | <i>0.92</i>            |
| <b>RTF Cash Payers</b>                  |                                |    |                            |               |                                    |  |                                    |                        |
| Freehold Royalties Ltd.                 | FRHLF                          |    | 22.54                      | 68            | 1,520                              | 21.00  | 0.04                               | 1.07                   |
| Dorchester Minerals, L.P.               | DMLP                           | B  | 28.50                      | 31            | 870                                | 28.00  | -                                  | 1.02                   |
| Mesa RoyaltyTrust                       | MTR                            |    | 28.40                      | 2             | 50                                 | 28.00  | -                                  | 1.02                   |
| San Juan Basin Royalty Trust            | SJT                            | B  | 18.58                      | 47            | 870                                | 21.00  | -                                  | 0.88                   |
| Sabine Royalty Trust                    | SBR                            |    | 54.04                      | 15            | 790                                | 64.00  | -                                  | 0.84                   |
| Enduro Royalty Trust                    | NDRO                           |    | 11.74                      | 33            | 390                                | 14.00  | -                                  | 0.84                   |
| Hugoton RoyaltyTrust                    | HGT                            |    | 10.32                      | 40            | 410                                | 13.00  | -                                  | 0.79                   |
| Cross Timbers Royalty Trust             | CRT                            |    | 32.71                      | 6             | 200                                | 42.00  | -                                  | 0.78                   |
| Permian Basin RT                        | PBT                            |    | 13.35                      | 47            | 620                                | 18.00  | -                                  | 0.74                   |
|   | <i>Total or Median</i>         |    |                            |               | <i>5,700</i>                       |  | <i>-</i>                           | <i>0.84</i>            |

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.  
Estimated present value presumes a long-term price for oil of US\$90 a barrel and natural gas, \$6 a million btu.  
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses



# Meter Reader

A Weekly Analysis of Oil and Gas Stocks

May 13, 2014

| Table 3  |   |       |                    |                            |               |               |      |          |      |
|--|---|-------|--------------------|----------------------------|---------------|---------------|------|----------|------|
| McDep Energy Stocks  |   |       |                    |                            |               |               |      |          |      |
| Value Multiples and Dividend   |   |       |                    |                            |               |               |      |          |      |
| Ranked by EV/Ebitda  |   |       |                    |                            |               |               |      |          |      |
|  |   |       | Price<br>(US\$/sh) | Adjustd<br>Resrvs/<br>Prod | PV/<br>Ebitda | EV/<br>Ebitda | P/E  | Dividend |      |
|  | Symbol/Rating                           |       | 12-May<br>2014     | NTM                        | NTM           | NTM           | NTM  | NTM      |      |
|  | B = Buy, CB (see below)                 |       |                    |                            |               |               |      | (\$/sh)  |      |
| <b>Global Integrated</b>   |   |       |                    |                            |               |               |      |          |      |
|  | Exxon Mobil Corporation                 | XOM   | B                  | 102.23                     | 13.5          | 7.2           | 7.2  | 13       | 2.52 |
|  | Royal Dutch Shell plc                   | RDS-A |                    | 79.91                      | 9.9           | 6.8           | 5.9  | 16       | 3.60 |
|  | Total S.A.                              | TOT   |                    | 71.78                      | 9.9           | 6.3           | 5.8  | 11       | 3.36 |
|  | Chevron Corporation                     | CVX   |                    | 125.24                     | 9.1           | 6.6           | 5.7  | 11       | 4.00 |
|  | Lukoil Oil Company                      | LUKOY | CB                 | 55.77                      | 15.4          | 5.6           | 2.5  | 4        | 2.83 |
|  | <i>Median</i>                           |       |                    |                            | 9.9           | 6.6           | 5.8  | 11       |      |
| <b>U.S. Independent</b>  |   |       |                    |                            |               |               |      |          |      |
|  | EOG Resources, Inc.                     | EOG   |                    | 103.64                     | 7.8           | 6.9           | 6.6  | 21       | 2.88 |
|  | ConocoPhillips                          | COP   |                    | 78.41                      | 11.5          | 7.7           | 6.4  | 13       | 0.50 |
|  | Devon Energy Corporation                | DVN   | B                  | 71.04                      | 10.3          | 8.0           | 6.2  | 15       | 0.96 |
|  | Occidental Petroleum Corp.              | OXY   |                    | 96.42                      | 10.4          | 6.8           | 6.1  | 15       | 2.76 |
|  | Marathon Oil Corporation                | MRO   | B                  | 36.30                      | 10.6          | 7.2           | 5.7  | 13       | 0.76 |
|  | <i>Median</i>                           |       |                    |                            | 10.4          | 7.2           | 6.2  | 15       |      |
| <b>Canada/Australia</b>  |   |       |                    |                            |               |               |      |          |      |
|  | Imperial Oil Limited (30%)              | IMO   |                    | 48.86                      | 23.9          | 10.2          | 9.7  | 12       | 0.48 |
|  | EnCana Corporation                      | ECA   | B                  | 22.56                      | 6.8           | 11.2          | 9.2  | 15       | 0.28 |
|  | Woodside Petroleum Ltd.                 | WOPEY |                    | 38.56                      | 9.5           | 8.3           | 8.8  | 19       | 2.06 |
|  | Canadian Oil Sands Limited              | COSWF | B                  | 21.25                      | 20.6          | 10.2          | 6.9  | 12       | 1.42 |
|  | Cenovus Energy Inc.                     | CVE   |                    | 28.74                      | 13.8          | 8.8           | 6.5  | 14       | 0.98 |
|  | <i>Median</i>                           |       |                    |                            | 13.8          | 10.2          | 8.8  | 14       |      |
| <b>Small Cap Independent Producers</b>   |   |       |                    |                            |               |               |      |          |      |
|  | Range Resources                         | RRC   | B                  | 88.91                      | 14.4          | 12.9          | 11.7 | 41       | 0.16 |
|  | Peyto Exploration and Development Corp. | PEYUF |                    | 34.52                      | 8.5           | 9.8           | 9.2  | 17       | 0.66 |
|  | Birchcliff Energy Ltd.                  | BIREF | B                  | 11.15                      | 15.2          | 9.2           | 8.7  | 23       | -    |
|  | WPX Energy Inc.                         | WPX   |                    | 21.68                      | 8.6           | 9.6           | 8.1  |          | -    |
|  | PDC Energy                              | PDCE  |                    | 58.41                      | 17.3          | 9.7           | 8.0  | 26       | -    |
|  | Continental Resources (32%)             | CLR   | B                  | 133.29                     | 11.4          | 7.6           | 7.6  | 18       | -    |
|  | Halcón Resources                        | HK    |                    | 5.75                       | 6.1           | 7.9           | 7.3  | 14       | -    |
|  | Cimarex Energy Company                  | XEC   | B                  | 127.66                     | 7.2           | 7.2           | 6.6  | 17       | 0.64 |
|  | Whiting Petroleum Corporation           | WLL   | B                  | 71.10                      | 8.2           | 5.9           | 4.9  | 22       | -    |
|  | <i>Median</i>                           |       |                    |                            | 8.6           | 9.2           | 8.0  | 20       |      |
| <b>RTF Cash Payers</b>   |   |       |                    |                            |               |               |      |          |      |
|  | Sabine Royalty Trust                    | SBR   |                    | 54.04                      | 10.0          | 13.9          | 11.7 | 12       | 4.60 |
|  | San Juan Basin Royalty Trust            | SJT   | B                  | 18.58                      | 10.7          | 13.2          | 11.7 | 13       | 1.43 |
|  | Dorchester Minerals, L.P.               | DMLP  | B                  | 28.50                      | 7.2           | 11.0          | 11.2 | 18       | 2.00 |
|  | Freehold Royalties Ltd.                 | FRHLF |                    | 22.54                      | 5.4           | 9.8           | 10.5 | 22       | 1.54 |
|  | Mesa RoyaltyTrust                       | MTR   |                    | 28.40                      | 6.4           | 9.3           | 9.4  | 9        | 3.04 |
|  | Cross Timbers Royalty Trust             | CRT   |                    | 32.71                      | 12.2          | 11.5          | 8.9  | 10       | 3.16 |
|  | Hugoton RoyaltyTrust                    | HGT   |                    | 10.32                      | 13.5          | 11.2          | 8.9  | 10       | 1.03 |
|  | Permian Basin RT                        | PBT   |                    | 13.35                      | 9.7           | 10.1          | 7.5  | 12       | 1.08 |
|  | Enduro Royalty Trust                    | NDRO  |                    | 11.74                      | 7.3           | 8.0           | 6.7  | 15       | 0.78 |
|  | <i>Median</i>                           |       |                    |                            | 9.7           | 11.0          | 9.4  | 12       |      |
| CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.  |   |       |                    |                            |               |               |      |          |      |
| EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2015; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses |   |       |                    |                            |               |               |      |          |      |



# Meter Reader

A Weekly Analysis of Oil and Gas Stocks

May 13, 2014

| <b>Table 4</b>                                    |               |    |         |        |                   |      |        |         |       |
|---|---------------|----|---------|--------|-------------------|------|--------|---------|-------|
| <b>McDep Energy Stocks</b>                        |               |    |         |        |                   |      |        |         |       |
| <b>Total Return and Enterprise Value Momentum</b> |               |    |         |        |                   |      |        |         |       |
| <b>Ranked by EV/200-Day Average</b>               |               |    |         |        |                   |      |        |         |       |
|   |               |    |         | Equity |                   |      |        |         |       |
|   |               |    | Price   | Total  |                   |      |        |         |       |
|   |               |    | (\$/sh) | Return | Enterprise Value/ |      |        |         |       |
|   | Symbol        |    | 12-May  | YTD    | 52Wk              | 52Wk | 50 Day | 200 Day | McDep |
|   | Rating        |    | 2014    | (%)    | High              | Low  | Avg.   | Avg.    | Ratio |
| <b>Global Integrated</b>                          |               |    |         |        |                   |      |        |         |       |
| Total S.A.  | TOT           |    | 71.78   | 19     | 0.98              | 1.36 | 1.06   | 1.14    | 0.92  |
| Royal Dutch Shell plc                             | RDS-A         |    | 79.91   | 14     | 0.99              | 1.20 | 1.06   | 1.11    | 0.87  |
| Exxon Mobil Corporation                           | XOM           | B  | 102.23  | 2      | 0.99              | 1.17 | 1.04   | 1.08    | 1.00  |
| Chevron Corporation                               | CVX           |    | 125.24  | 1      | 0.98              | 1.12 | 1.04   | 1.04    | 0.86  |
| Lukoil Oil Company                                | LUKOY         | CB | 55.77   | (12)   | 0.85              | 1.11 | 1.04   | 0.95    | 0.45  |
|   | <i>Median</i> |    |         | 2      | 0.98              | 1.17 | 1.04   | 1.08    | 0.87  |
| <b>U.S. Independent</b>                           |               |    |         |        |                   |      |        |         |       |
| EOG Resources, Inc.                               | EOG           |    | 103.64  | 24     | 0.98              | 1.56 | 1.05   | 1.17    | 0.95  |
| Devon Energy Corporation                          | DVN           | B  | 71.04   | 15     | 0.97              | 1.25 | 1.04   | 1.10    | 0.77  |
| ConocoPhillips                                    | COP           |    | 78.41   | 12     | 1.00              | 1.23 | 1.08   | 1.09    | 0.83  |
| Occidental Petroleum Corp.                        | OXY           |    | 96.42   | 2      | 0.97              | 1.12 | 1.01   | 1.03    | 0.90  |
| Marathon Oil Corporation                          | MRO           | B  | 36.30   | 3      | 0.97              | 1.10 | 1.02   | 1.03    | 0.79  |
|   | <i>Median</i> |    |         | 12     | 0.97              | 1.23 | 1.04   | 1.09    | 0.83  |
| <b>Canada/Australia</b>                           |               |    |         |        |                   |      |        |         |       |
| EnCana Corporation                                | ECA           | B  | 22.56   | 25     | 0.96              | 1.22 | 1.03   | 1.12    | 0.82  |
| Imperial Oil Limited (30%)                        | IMO           |    | 48.86   | 11     | 0.99              | 1.24 | 1.03   | 1.09    | 0.95  |
| Woodside Petroleum Ltd.                           | WOPEY         |    | 38.56   | 14     | 1.00              | 1.20 | 1.05   | 1.08    | 1.06  |
| Canadian Oil Sands Limited                        | COSWF         | B  | 21.25   | 15     | 0.97              | 1.15 | 1.03   | 1.07    | 0.67  |
| Cenovus Energy Inc.                               | CVE           |    | 28.74   | 1      | 0.93              | 1.09 | 1.01   | 1.01    | 0.74  |
|   | <i>Median</i> |    |         | 14     | 0.97              | 1.20 | 1.03   | 1.08    | 0.82  |
| <b>Small Cap Independent Producers</b>            |               |    |         |        |                   |      |        |         |       |
| Birchcliff Energy Ltd.                            | BIREF         | B  | 11.15   | 63     | 0.96              | 1.44 | 1.07   | 1.28    | 0.95  |
| Cimarex Energy Company                            | XEC           | B  | 127.66  | 22     | 0.92              | 1.81 | 1.08   | 1.22    | 0.92  |
| Continental Resources (32%)                       | CLR           | B  | 133.29  | 18     | 0.97              | 1.49 | 1.04   | 1.15    | 0.99  |
| Whiting Petroleum Corporation                     | WLL           | B  | 71.10   | 15     | 0.95              | 1.40 | 1.00   | 1.11    | 0.83  |
| Peyto Exploration and Development                 | PEYUF         |    | 34.52   | 14     | 0.93              | 1.25 | 1.01   | 1.10    | 0.94  |
| Halcón Resources                                  | HK            |    | 5.75    | 49     | 0.93              | 1.22 | 1.09   | 1.10    | 0.92  |
| WPX Energy Inc.                                   | WPX           |    | 21.68   | 6      | 0.95              | 1.16 | 1.07   | 1.07    | 0.85  |
| Range Resources                                   | RRC           | B  | 88.91   | 6      | 0.95              | 1.17 | 1.01   | 1.07    | 0.91  |
| PDC Energy  | PDCE          |    | 58.41   | 10     | 0.83              | 1.22 | 0.96   | 1.00    | 0.82  |
|   | <i>Median</i> |    |         | 15     | 0.95              | 1.25 | 1.04   | 1.10    | 0.92  |
| <b>RTF Cash Payers</b>                            |               |    |         |        |                   |      |        |         |       |
| Hugoton Royalty Trust                             | HGT           |    | 10.32   | 42     | 0.95              | 1.48 | 1.21   | 1.28    | 0.79  |
| Mesa Royalty Trust                                | MTR           |    | 28.40   | 41     | 0.94              | 1.42 | 1.09   | 1.23    | 1.02  |
| Dorchester Minerals, L.P.                         | DMLP          | B  | 28.50   | 14     | 1.00              | 1.22 | 1.08   | 1.14    | 1.02  |
| San Juan Basin Royalty Trust                      | SJT           | B  | 18.58   | 14     | 0.95              | 1.23 | 1.05   | 1.09    | 0.88  |
| Cross Timbers Royalty Trust                       | CRT           |    | 32.71   | 15     | 0.98              | 1.30 | 1.05   | 1.09    | 0.78  |
| Sabine Royalty Trust                              | SBR           |    | 54.04   | 10     | 0.98              | 1.13 | 1.06   | 1.06    | 0.84  |
| Freehold Royalties Ltd.                           | FRHLF         |    | 22.54   | 11     | 0.95              | 1.15 | 1.05   | 1.04    | 1.07  |
| Permian Basin RT                                  | PBT           |    | 13.35   | 7      | 0.82              | 1.10 | 1.01   | 0.98    | 0.74  |
| Enduro Royalty Trust                              | NDRO          |    | 11.74   | (0)    | 0.70              | 1.02 | 0.94   | 0.88    | 0.84  |
|   | <i>Median</i> |    |         | 14     | 0.95              | 1.22 | 1.05   | 1.09    | 0.84  |

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.

Source: Bloomberg, Yahoo, McDep LLC



# Meter Reader

A Weekly Analysis of Oil and Gas Stocks  
May 13, 2014

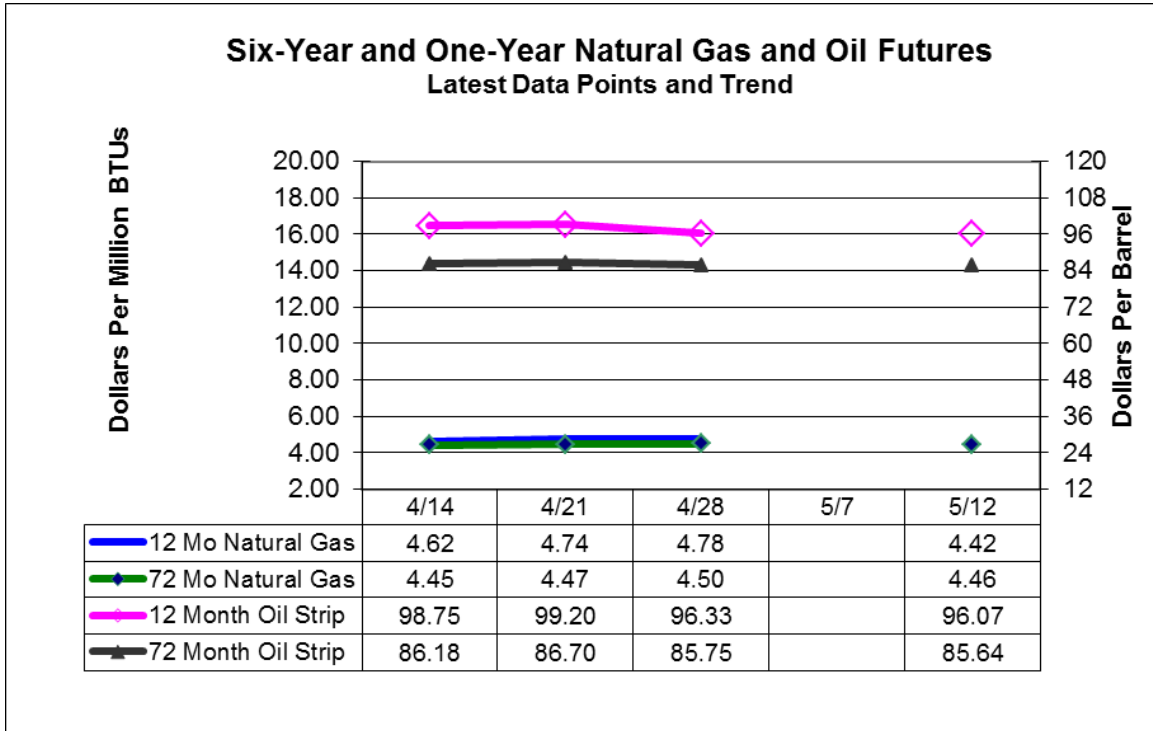
| Index of Recent Research  |                    |                                   |   |
|---|--------------------|-----------------------------------|---|
| <b>Stock Ideas</b>  |                    |                                   |   |
| <u>Date</u>   | <u>Symbol</u>      | <u>Subject</u>                    | <u>Theme</u>  |
| 23-Apr  | HGT                | Hugoton Royalty Trust             | Positive Arbitration Ruling   |
| 22-Apr  | RRC                | Range Resources                   | Testing Utica (Meter Reader)  |
| 21-Apr  | MTR                | Mesa Royalty Trust                | Underpayment Uncovered, Upside Commodity Leverage                   |
| 15-Apr  | COP                | ConocoPhillips                    | Shale Upside, Exploration Promise, Dividend Strength (Meter Reader) |
| 8-Apr   | WLL                | Whiting Petroleum                 | Fracking by the Nanometer (Meter Reader)                            |
| 1-Apr   | FRHLF              | Freehold Royalties Ltd            | Model for Upcoming Encana Spinoff (Meter Reader)                    |
| 25-Mar  | CVE                | Cenovus Energy                    | Oil Growth Slowed by Transit States (Meter Reader)                  |
| 18-Mar  | PBT                | Permian Basin Royalty Trust       | Rising Oil Production, Understated Income (Meter Reader)            |
| 11-Mar  | LUKOY              | Lukoil                            | Economic Opportunity in Political Risk (Meter Reader)               |
| 4-Mar   | EOG                | EOG Resources                     | Raise NPV to \$220 on Shale Oil Leadership (Meter Reader)           |
| 25-Feb  | XEC                | Cimarex Energy                    | More Upside Ahead (Meter Reader)                                    |
| 21-Feb  | DMLP               | Dorchester Minerals, L.P.         | Raise NPV to \$28 on Shale Oil                                      |
| 21-Feb  | PDCE               | PDC Energy                        | Raise NPV to \$75 on More Shale Oil                                 |
| 18-Feb  | ECA                | Encana Corporation                | Leveraged to Natural Gas Price (Meter Reader)                       |
| 13-Feb  | BIREF              | Birchcliff Energy                 | Cash Flow Estimate Up 30%   |
| 11-Feb  | SJT                | San Juan Basin Royalty Trust      | Strategic Resource in a Cold Winter (Meter Reader)                  |
| 4-Feb   | XOM                | Exxon Mobil                       | Largest and Strongest Oil and Gas Producer (Meter Reader)           |
| 21-Jan  | RDSA               | Royal Dutch Shell plc             | Lower NPV to \$95 on Profit Warning (Meter Reader)                  |
| 17-Dec  | MRO                | Marathon Oil                      | New CEO Accelerates Shale Growth (Meter Reader)                     |
| 26-Nov  | DVN                | Devon Energy                      | Acquires \$6 Billion Eagle Ford Position (Meter Reader)             |
| 19-Nov  | CLR                | Continental Resources             | High Density "Ears Back" Drilling Pace (Meter Reader)               |
| 5-Nov   | COSWF              | Canadian Oil Sands Ltd.           | Time to Explore New Options (Meter Reader)                          |
| 4-Oct   | NDRO               | Enduro Royalty Trust              | Worth Another Look after Stock Price Decline                        |
| 27-Sep  | WPX                | WPX Energy                        | San Juan Basin Innovator (Income and Small Cap Weekly)              |
| 13-Sep  | CRT                | Cross Timbers Royalty Trust       | Fracking Upside in Permian and Scoop (Income and Small Cap Weekly)  |
| 10-Sep  | OXY                | Occidental Petroleum              | Permian Late Bloomer (Meter Reader)                                 |
| 23-Jul  | WOPEY              | Woodside Petroleum, Ltd.          | Distributing LNG Cash (Meter Reader)                                |
| 21-May  | IMO                | Imperial Oil                      | Timely on Bitumen Price (Meter Reader)                              |
| 30-Apr  | TOT                | Total                             | Recovery Potential (Meter Reader)                                   |
| 19-Apr  | HK                 | Halcón Resources                  | Fourth Core Area - El Halcón ("The Hawk") (Inc. and Small Cap Wkly) |
| 16-Apr  | CVX                | Chevron                           | Deflation Resistance (Meter Reader)                                 |
| 5-Apr   | SBR                | Sabine Royalty Trust              | Accelerating Volume Growth (Income and Small Cap Weekly)            |
| 28-Mar  | PEYUF              | Peyto Exploration and Development | Raise NPV to \$32 for Fracking Winner (Income and Small Cap Weekly) |
| 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. |                    |                                   |   |
| <b>Meter Reader</b>   |                    |                                   |   |
| 29-Apr  |                    |                                   | Prune for Portfolio Profit  |
| 22-Apr  | RRC                | Range Resources                   | Testing Utica   |
| 15-Apr  | COP                | ConocoPhillips                    | Shale Upside, Exploration Promise, Dividend Strength                |
| 8-Apr   | WLL                | Whiting Petroleum                 | Fracking by the Nanometer (Meter Reader)                            |
| 1-Apr   | FRHLF              | Freehold Royalties Ltd            | Model for Upcoming Encana Spinoff                                   |
| 25-Mar  | CVE                | Cenovus Energy                    | Oil Growth Slowed by Transit States                                 |
| 18-Mar  | PBT                | Permian Basin Royalty Trust       | Rising Oil Production, Understated Income                           |
| 11-Mar  | LUKOY              | Lukoil                            | Economic Opportunity in Political Risk                              |
| For earlier editions, go to <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Meter Reader</a> .                                    |                    |                                   |   |
| <b>Industry Ideas</b>   |                    |                                   |   |
| 17-Apr  | PBT, SBR, CRT, HGT |                                   | Proxy Voting Underway   |
| 9-Jan   |                    | RTF Cash Payers                   | Trustee Change Proposed   |
| 24-Dec  |                    | RTF Cash Payers                   | Rising RTF Cash in 2014 (Meter Reader)                              |





# Meter Reader

A Weekly Analysis of Oil and Gas Stocks  
 May 13, 2014



**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.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**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. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.