



Independent Stock Idea

July 6, 2018

Chevron Corporation (CVX) Oil Value Upside

<i>Symbol</i>	CVX	<i>Ebitda Next Twelve Months ending 6/30/19 (US\$m)</i>	42,500
<i>Rating</i>		<i>Natural Gas/Ebitda (%)</i>	19
<i>Price (\$/sh)</i>	123.98	<i>Natural Gas and Oil Production/Ebitda (%)</i>	82
<i>Pricing Date</i>	7/5/18	<i>Developed Reserves/Production NTM</i>	7.1
<i>Shares (mm)</i>	1913	<i>EV/Ebitda</i>	7.1
<i>Market Capitalization (\$mm)</i>	237,000	<i>PV/Ebitda</i>	8.2
<i>Debt (\$mm)</i>	63,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (\$mm)</i>	300,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.90
<i>Present Value (PV) (\$mm)</i>	350,000	<i>Downstream Uplift (US\$/boe)</i>	7.28
<i>Net Present Value (\$/share)</i>	150	<i>Oil and Gas Ebitda Margin (%)</i>	62
<i>EV/Market Cap</i>	1.26	<i>Top Line/Ebitda (%)</i>	3
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	3.6	<i>Indicated Annual Dividend (US\$/sh)</i>	4.48
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.			
For historical analysis of CVX since 2002 see www.mcdep.com/levx.htm			

Summary and Recommendation

The common stock of Global Integrated Oil Producer **Chevron (CVX)** has 21% appreciation potential to Net Present Value (NPV) of \$150 a share, the price we estimate would reflect a long-term unlevered rate of return of 7% a year at an oil price of \$70 a barrel. Facing new demand/supply uncertainty, oil price may be in a trend that carries it higher than the current level near \$70. Meanwhile, second quarter results to be reported on July 27, are likely to be strong considering that the U.S. benchmark oil price was up 40% from the same period a year ago (see table [Operating and Financial Estimates](#) on page 2). Particularly significant gains are expected from Australian LNG (liquefied natural gas) projects that reached 269 thousand barrels oil equivalent daily (mboed) net production in the first quarter on the way to 400 in a few more quarters. Almost all that LNG is sold on long-term contracts tied to the price of oil. Other gains are expected from shale oil in the Permian Basin that reached 252 mboed in the first quarter on the way to 650 at the end of 2022. McDep Ratio at 0.86 falls between closely ranked **ExxonMobil (XOM)** and **Royal Dutch Shell (RDS)** (see tables 1-4 on pages 3-6). The three seem more similar than different. All pay an attractive dividend that is secure. European companies like RDS tend to pay a higher dividend, the American companies are more apt to buy back stock in addition to growing the dividend. CVX has increased its dividend for more than 30 consecutive years with the rate of growth 7% a year for the past 10 years. Seeing oil price back to normal and perhaps moving higher, CVX is poised to resume stock repurchase. We like Chevron stock along with its peers for enduring investment appeal.

Kurt H. Wulff, CFA



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Chevron										
Next Twelve Months Operating and Financial Estimates										
	Q2	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	6/30/17	2017	3/31/18	6/30/18	9/30/18	12/31/18	2018	3/31/19	6/30/19	6/30/19
Volume										
Natural Gas (mmcf)										
U.S.	1,027	971	993	993	993	993	993	993	993	993
Rest of World	5,144	5,061	5,600	5,656	5,713	5,770	5,685	5,827	5,886	5,798
Total	6,171	6,032	6,593	6,649	6,706	6,763	6,678	6,820	6,879	6,791
Days	91	365	90	91	92	92	365	90	91	365
Oil (mmb)	159	629	154	157	160	162	633	160	163	646
Oil (mbd)	1,751	1,723	1,708	1,725	1,742	1,760	1,734	1,777	1,795	1,769
Total gas & oil (mmb)	253	996	253	258	263	266	1,039	262	268	1,059
Total gas & oil (mbd)	2,780	2,728	2,807	2,833	2,860	2,887	2,847	2,914	2,942	2,900
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	3.18	3.11	3.01	2.80	2.92	2.97	2.92	3.08	2.66	2.91
U.S.	2.32	2.10	2.02	1.88	1.96	2.00	1.96	2.07	1.79	1.95
Rest of World	4.39	4.62	5.85	5.85	5.85	5.85	5.85	5.85	5.85	5.85
Total	4.05	4.21	5.27	5.26	5.27	5.28	5.27	5.30	5.26	5.28
Oil (\$/bbl)										
WTI Cushing	48.26	50.94	62.88	67.86	73.59	70.19	68.63	68.19	66.55	69.63
Worldwide	43.87	47.99	59.65	64.38	69.80	66.58	65.17	64.69	63.13	66.04
Total gas & oil (\$/bbl)	36.62	39.62	48.69	51.53	54.89	52.97	52.06	51.86	50.83	52.63
Revenue (\$mm)										
Natural Gas										
U.S.	217	745	181	170	179	182	712	185	161	708
Rest of World	2,055	8,529	2,948	3,011	3,074	3,105	12,139	3,068	3,133	12,381
Total	2,272	9,274	3,129	3,181	3,254	3,288	12,851	3,253	3,295	13,089
Oil	6,991	30,179	9,170	10,106	11,189	10,780	41,244	10,348	10,312	42,629
Other	25,217	102,269	25,465	25,465	25,465	25,465	101,862	25,465	25,465	101,862
Total	34,480	141,722	37,764	38,752	39,908	39,533	155,957	39,066	39,072	157,579
Expense (\$mm)										
Production	4,124	16,829	4,795	5,157	5,262	5,312	20,526	4,983	5,354	20,911
Other	22,700	94,284	23,762	23,762	23,762	23,465	94,751	23,465	23,465	94,158
Ebitda (\$mm)										
Exploration and Production	5,139	22,624	7,503	8,130	9,181	8,755	33,570	8,618	8,253	34,807
Other	2,517	7,986	1,704	1,704	1,704	2,000	7,111	2,000	2,000	7,704
Total Ebitda	7,656	30,610	9,207	9,834	10,884	10,755	40,680	10,618	10,253	42,510
Exploration	125	864	158	158	158	158	632	150	150	616
Deprec., Deplet., & Amort.	4,881	18,919	4,289	5,100	5,200	5,300	19,889	5,000	5,100	20,600
Ebit	2,650	10,827	4,760	4,576	5,526	5,297	20,159	5,468	5,003	21,294
Interest	-	-	159	159	159	159	636	159	159	636
Ebt	2,650	10,827	4,601	4,417	5,367	5,138	19,523	5,309	4,844	20,658
Income Tax	928	3,789	966	927	1,127	1,079	4,100	1,115	1,017	4,338
Net Income (\$mm)										
Exploration and Production	1,057	5,096	3,352							
Other	1,192	3,469	717							
Unallocated	(526)	(1,528)	(434)							
Total	1,723	7,037	3,635	3,489	4,240	4,059	15,423	4,194	3,827	16,320
Shares (millions)										
Per share (\$)	0.91	3.71	1.90	1.82	2.22	2.12	8.06	2.19	2.00	8.53
Ebitda Margin (E&P)	55%	57%	61%	61%	64%	62%	62%	63%	61%	62%
Tax Rate	35%	35%	21%	21%	21%	21%	21%	21%	21%	21%
Dividend	1.08	4.32	1.12	1.12	1.12	1.12	4.48	1.12	1.12	4.48



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Table 1
McDep Energy Stocks
Ranked by McDep Ratio

		Price (US\$/sh)	Market Cap (US\$mm)	Enterprise Value (\$mm)	EV/ Market Cap	EV/ Ebitda NTM	PV/ Ebitda NTM	Oil Prod'n/ Ebitda (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)	
	Symbol/Rating	5-Jul 2018									
Integrated											
	Exxon Mobil Corporation	XOM	82.31	352,000	442,000	1.26	8.1	8.7	50	4.0	0.93
	Chevron Corporation	CVX	123.98	237,000	300,000	1.26	7.1	8.2	63	3.6	0.86
	Suncor Energy	SU	40.97	67,000	86,000	1.28	6.7	7.8	79	2.7	0.85
	Royal Dutch Shell	RDS-B	72.21	303,000	419,000	1.39	6.8	8.7	51	5.2	0.78
	<i>Total or Median</i>			<i>959,000</i>	<i>1,247,000</i>	<i>1.27</i>	<i>6.9</i>	<i>8.4</i>	<i>57</i>	<i>3.8</i>	<i>0.86</i>
Large Independent											
	Occidental Petroleum Corp.	OXY	84.21	64,600	78,300	1.21	8.2	7.5	80	3.7	1.10
	EOG Resources, Inc.	EOG	123.22	73,700	80,800	1.10	8.0	8.3	91	0.5	0.95
	Pioneer Natural Resources	PXD	183.33	31,400	34,000	1.08	7.5	8.1	94	0.0	0.92
	ConocoPhillips	COP	68.94	82,000	105,000	1.28	7.1	8.0	77	1.7	0.89
	<i>Total or Median</i>			<i>251,700</i>	<i>298,100</i>	<i>1.15</i>	<i>7.7</i>	<i>8.0</i>	<i>85</i>	<i>1.1</i>	<i>0.94</i>
Mid-Size Independent											
	Hess Corporation	HES	66.38	20,500	28,900	1.41	10.9	9.6	89	1.5	1.14
	Continental Resources	CLR	61.90	23,200	29,500	1.27	7.5	8.3	83	-	0.91
	Devon Energy Corporation	DEV	43.99	23,200	28,200	1.22	7.4	9.7	86	0.7	0.77
	Cimarex Energy Company	XEC	98.58	9,400	10,900	1.16	5.7	7.7	82	0.6	0.73
	Marathon Oil Corporation	MRO	20.70	17,640	24,400	1.38	4.9	8.1	90	1.0	0.60
	<i>Total or Median</i>			<i>93,900</i>	<i>121,900</i>	<i>1.27</i>	<i>7.4</i>	<i>8.3</i>	<i>86</i>	<i>0.7</i>	<i>0.77</i>
Small Independent											
	California Resources	CRC	44.68	2,100	8,400	4.1	5.9	7.6	92	-	0.77
	Whiting Petroleum Corporation	WLL	51.25	4,700	8,000	1.72	4.7	7.2	97	-	0.64
	Range Resources	RRC	16.64	4,100	8,800	2.13	6.0	10.0	46	0.5	0.60
	Birchcliff Energy Ltd.	BIREF	3.56	1,000	1,600	1.65	4.9	9.4	50	2.1	0.52
	<i>Total or Median</i>			<i>11,900</i>	<i>26,800</i>	<i>1.93</i>	<i>5.4</i>	<i>8.5</i>	<i>71</i>	<i>0.2</i>	<i>0.62</i>
Income											
	Sabine Royalty Trust	SBR	46.37	680	680	1.00	12.5	13.5	71	8.0	0.93
	Permian Basin RT	PBT	9.24	430	430	1.00	11.1	12.0	80	9.0	0.92
	Dorchester Minerals, L.P.	DMLP	19.65	640	640	1.00	9.0	10.9	84	9.5	0.82
	San Juan Basin Royalty Trust	SJT	6.06	280	280	1.00	12.2	16.1	-	8.1	0.76
	Cross Timbers Royalty Trust	CRT	14.42	90	90	1.00	7.3	12.7	37	11.4	0.58
	<i>Total or Median</i>			<i>2,100</i>	<i>2,100</i>	<i>1.00</i>	<i>11.1</i>	<i>12.7</i>	<i>71</i>	<i>9.0</i>	<i>0.82</i>

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 6/30/19.
 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



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	Symbol/Rating	Price	Upstream NTM				Down-	Total	Distrib./ Ebitda (%)	Distrib. NTM (\$/sh)
		(US\$/sh)	Volume	Equiv.	Ebitda	stream	Ebitda			
		5-Jul 2018	(mmboe)	Price (\$/boe)	Margin (%)	Ebitda (\$/boe)	Uplift (\$/boe)	NTM (\$mm)		
Integrated										
Royal Dutch Shell	RDS-B	72.21	1370	47.69	70	33.20	11.68	45,482	26	3.76
Exxon Mobil Corporation	XOM	82.31	1450	51.11	51	26.10	11.68	37,858	26	3.28
Chevron Corporation	CVX	123.98	1058	52.63	63	32.90	7.28	34,807	20	4.48
Suncor Energy	SU	40.97	300	60.02	57	34.12	9.15	10,220	14	1.10
	<i>Total or Median</i>		<i>4178</i>	<i>51.87</i>	<i>60</i>	<i>33.05</i>	<i>10.42</i>	<i>128,367</i>	<i>23</i>	
Large Independent										
ConocoPhillips	COP	68.94	458	50.23	64	32.20	0.00	14,753	9	1.14
EOG Resources, Inc.	EOG	123.22	280	48.76	74	36.26	0.00	10,158	3	0.56
Occidental Petroleum Corp.	OXY	84.21	262	50.30	60	30.30	6.10	7,943	25	3.08
Pioneer Natural Resources	PXD	183.33	124	49.50	74	36.60	0.00	4,552	0	0.08
	<i>Total or Median</i>		<i>1125</i>	<i>49.87</i>	<i>69</i>	<i>34.23</i>	<i>0.00</i>	<i>37,406</i>	<i>6</i>	
Mid-Size Independent										
Marathon Oil Corporation	MRO	20.70	167	43.05	70	30.10	0.00	5,015	3	0.20
Continental Resources	CLR	61.90	108	44.76	81	36.40	0.00	3,940	-	-
Devon Energy Corporation	DVN	43.99	209	31.19	58	18.20	0.00	3,799	4	0.32
Hess Corporation	HES	66.38	97	47.21	58	27.20	0.00	2,649	12	1.00
Cimarex Energy Company	XEC	98.58	86	32.28	69	22.20	0.00	1,919	3	0.64
	<i>Total or Median</i>		<i>667</i>	<i>43.05</i>	<i>69</i>	<i>27.20</i>	<i>0.00</i>	<i>17,322</i>	<i>3</i>	
Small Independent										
Whiting Petroleum Corporation	WLL	51.25	50	50.84	68	34.80	0.00	1,725	-	-
Range Resources	RRC	16.64	139	19.53	54	10.50	0.00	1,457	1	0.08
California Resources	CRC	44.68	50	55.41	52	28.80	0.00	1,428	-	-
Birchcliff Energy Ltd.	BIREF	3.56	22	19.35	74	14.40	0.00	324	6	0.08
	<i>Total or Median</i>		<i>260</i>	<i>35.19</i>	<i>61</i>	<i>21.60</i>	<i>0.00</i>	<i>4,933</i>	<i>1</i>	
Income										
Dorchester Minerals, L.P.	DMLP	19.65	2.34	41.33	73	30.23	0.00	71	85	1.87
Sabine Royalty Trust	SBR	46.37	1.76	35.53	86	30.65	0.00	54	100	3.70
Permian Basin RT	PBT	9.24	1.22	47.62	67	31.98	0.00	39	99	0.83
San Juan Basin Royalty Trust	SJT	6.06	3.73	12.23	51	6.21	0.00	23	98	0.49
Cross Timbers Royalty Trust	CRT	14.42	0.43	42.78	64	27.38	0.00	12	83	1.64
	<i>Total or Median</i>		<i>9</i>	<i>41.33</i>	<i>67</i>	<i>30.23</i>	<i>0.00</i>	<i>199</i>	<i>98</i>	

For historical research see www.mcdep.com



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Table 3
McDep Energy Stocks
Net Present Value Per Share

		<i>Price</i> <i>(US\$/sh)</i>	<i>Shares</i>	<i>Debt</i>	<i>P/E</i>	<i>Devel.</i> <i>Resrvs/</i> <i>Prod</i>	<i>Undev/</i> <i>Devel.</i> <i>Resrvs</i>	<i>Nat</i> <i>Gas/</i> <i>Ebitda</i>	<i>Top</i> <i>Line/</i> <i>Ebitda</i>	<i>Net</i> <i>Present</i> <i>Value</i>	
	<i>Symbol/Rating</i>	<i>5-Jul</i> <i>2018</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(US\$/sh)</i>	
Integrated											
	Chevron Corporation	CVX	123.98	1,913	62,659	15	7.1	57	23	150.00	
	Royal Dutch Shell	RDS-B	72.21	4,189	116,710	11	7.2	22	31	100.00	
	Exxon Mobil Corporation	XOM	82.31	4,270	90,941	13	9.6	52	28	90.00	
	Suncor Energy	SU	40.97	1,644	19,077	10	8.5	87		50.00	
	<i>Median</i>					7.9	55				
Large Independent											
	Pioneer Natural Resources	PXD	183.33	171	2,600	18	7.3	9	6	200.00	
	EOG Resources, Inc.	EOG	123.22	598	7,071	18	4.9	43	10	130.00	
	ConocoPhillips	COP	68.94	1,186	23,143	13	7.7	31	23	80.00	
	Occidental Petroleum Corp.	OXY	84.21	767	13,700	15	7.4	35	4	75.00	
	<i>Median</i>					7.3	33				
Mid-Size Independent											
	Cimarex Energy Company	XEC	98.58	96	1,498	10	4.8	35	18	140.00	
	Continental Resources	CLR	61.90	374	6,333	19	5.6	121	17	70.00	
	Devon Energy Corporation	DVN	43.99	528	5,000	16	8.3	24	14	60.00	
	Hess Corporation	HES	66.38	310	8,399		7.4	59	11	55.00	
	Marathon Oil Corporation	MRO	20.70	852	6,734	10	5.4	60	10	40.00	
	<i>Median</i>					5.6	59				
Small Independent											
	Whiting Petroleum Corporation	WLL	51.25	91	3,367	18	6.8	84	3	100.00	
	California Resources	CRC	44.68	46	6,300		8.9	41	8	100.00	
	Range Resources	RRC	16.64	247	4,657	13	10.0	83	54	40.00	
	Birchcliff Energy Ltd.	BIREF	3.56	268	621	12	7.2	228	50	9.00	
	<i>Median</i>					8.0	83				
Income											
	Sabine Royalty Trust	SBR	46.37	15	-	13	10.1	3	37	100	50.00
	Cross Timbers Royalty Trust	CRT	14.42	6	-	9	11.6	-	69	83	25.00
	Dorchester Minerals, L.P.	DMLP	19.65	32	-	13	6.9	-	21	76	24.00
	Permian Basin RT	PBT	9.24	47	-	11	6.7	-	21	41	10.00
	San Juan Basin Royalty Trust	SJT	6.06	47	-	12	11.2	-	100	-	8.00
	<i>Median</i>					10.1					
P/E = Stock Price to Earnings. For historical research see www.mcdep.com .											



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2018										
Ranked by Unlevered Total Return										
		Price	Price			Equity	Unlevered			
		(\$/sh)	(\$/sh)	Price	Cash	Total	Debt	Total		
	Symbol/Rati	5-Jul	29-Dec	Change	Distrib.	Return	Return	Return	McDep	
		2018	2017	(%)	(%)	(%)	(\$/sh)	(%)	Ratio	
Integrated										
	Suncor Energy	SU	40.97	36.72	12	2	13	12	10	0.85
	Royal Dutch Shell	RDS-B	72.21	68.29	6	3	8	28	6	0.78
	Chevron Corporation	CVX	123.98	125.19	(1)	2	1	33	1	0.86
	Exxon Mobil Corporation	XOM	82.31	83.64	(2)	2	0	21	0	0.93
	<i>Median</i>				2		5		3	0.86
Large Independent										
	ConocoPhillips	COP	68.94	54.89	26	1	27	20	20	0.89
	Occidental Petroleum Corp.	OXY	84.21	73.66	14	2	16	18	13	1.10
	EOG Resources, Inc.	EOG	123.22	107.91	14	0	15	12	13	0.95
	Pioneer Natural Resources	PXD	183.33	172.85	6	0	6	15	6	0.92
	<i>Median</i>				14		15		13	0.94
Mid-Size Independent										
	Hess Corporation	HES	66.38	47.47	40	1	41	27	26	1.14
	Marathon Oil Corporation	MRO	20.70	16.93	22	1	23	8	16	0.60
	Continental Resources	CLR	61.90	52.97	17	-	17	17	13	0.91
	Devon Energy Corporation	DVN	43.99	41.40	6	0	7	9	5	0.77
	Cimarex Energy Company	XEC	98.58	122.01	(19)	0	(19)	16	(17)	0.73
	<i>Median</i>				17		17		13	0.77
Small Independent										
	Whiting Petroleum Corporation	WLL	51.25	26.48	94	-	94	37	39	0.64
	California Resources	CRC	44.68	19.44	130	-	130	137	16	0.77
	Birchcliff Energy Ltd.	BIREF	3.56	3.50	2	1	3	2	2	0.52
	Range Resources	RRC	16.64	17.06	(2)	0	(2)	19	(1)	0.60
	<i>Median</i>				48		48		9	0.62
Income										
	Dorchester Minerals, L.P.	DMLP	19.65	15.20	29	5	35	-	35	0.82
	Permian Basin RT	PBT	9.24	8.87	4	4	8	-	8	0.92
	Sabine Royalty Trust	SBR	46.37	44.60	4	3	7	-	7	0.93
	Cross Timbers Royalty Trust	CRT	14.42	14.69	(2)	4	3	-	3	0.58
	San Juan Basin Royalty Trust	SJT	6.06	8.24	(26)	3	(23)	-	(23)	0.76
	<i>Median</i>				4		7		7	0.82
	<i>Grand Median</i>				6		8		8	0.84
	Natural Gas (\$/mmbtu)		2.83	2.95	(4)					
	Oil - West Texas Intermediate (\$/bbl)		72.99	60.09	21					
	Total Stock Market - U.S.	VTI	141.60	137.25	3	1	4			
	Developed Markets - ex US	VEA	42.80	44.86	(5)	2	(3)			
	Emerging Markets	VWO	41.74	45.91	(9)	1	(8)			
	Total Stock Market - World	VT	73.61	74.26	(1)	1	0			

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see www.mcdep.com



Independent Stock Idea

July 6, 2018

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