



# Independent Stock Idea

Intraday March 12, 2018

## Dorchester Minerals, L.P. (DMLP) Raise Distribution Yield to 11%

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 3/31/19 (US\$m)</i>	61
<i>Rating</i>		<i>Natural Gas/Ebitda (%)</i>	47
<i>Price (US\$/sh)</i>	15.75	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/12/18	<i>Developed Reserves/Production NTM</i>	6.4
<i>Units (mm)</i>	32.30	<i>EV/Ebitda</i>	8.3
<i>Market Capitalization (US\$m)</i>	509	<i>PV/Ebitda</i>	12.7
<i>Debt (US\$m)</i>	0	<i>Undeveloped/Developed Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$m)</i>	509	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	4.05
<i>Present Value (PV) (US\$m)</i>	775	<i>Downstream Uplift (US\$/boe)</i>	0
<i>Net Present Value (US\$/unit)</i>	24	<i>Oil and Gas Ebitda Margin (%)</i>	70
<i>EV/Market Cap</i>	1.00	<i>Top Line/Ebitda (%)</i>	83
<i>McDep Ratio - EV/PV</i>	0.66	<i>Price/Earnings Next Twelve Months</i>	11
<i>Distribution Yield (%/year)</i>	11.6	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.82
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 DMLP since 2000 see <a href="http://www.mcdep.com/4dhulz.htm">www.mcdep.com/4dhulz.htm</a>			

### Summary and Recommendation

We raise estimated distribution for low McDep Ratio **Dorchester Minerals (DMLP)** to \$1.82 a unit which implies a distribution yield of 11.6%. Operating data in the 10-K annual report filed on March 8 reinforced a positive surprise in fourth quarter distribution declared on January 18. Double digit growth in Top Line oil royalty volume continues with a fourth quarter gain of 33% over the previous year (see table Operating and Financial Performance on page 2). Bottom Line net profits volumes jumped in the quarter partly reflecting a catchup adjustment for past volumes not recorded. Current signs point to higher volumes in 2018 for Top Line and Bottom Line accompanying renewed shale oil growth in the Bakken and Permian plays where the partnership is positioned. Favorable progress seems to support the distribution pickup we estimate for 2018 over 2017. As a result, we think DMLP stock price has some catchup appeal to bring distribution yield down to a level closer to other Income Payers (see Tables 1-4 on pages 3-6). Low McDep Ratio of 0.66 attests to strong value.

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Dorchester Minerals, L.P.												
Operating and Financial Performance												
	Q4	Year	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Next Twelve Months
	12/31/16	2016	9/30/17	12/13/17	2017	3/31/18	6/30/18	9/30/18	12/31/18	2018	3/31/19	3/31/19
<b>TOP LINE</b>												
<b>Volume</b>												
Natural Gas (mmcf)	8.8	8.9	10.5	11.7	10.3	11.7	11.7	11.7	11.7	11.7	11.7	11.7
Oil (mbd)	1.84	1.69	2.25	2.34	2.15	2.38	2.43	2.48	2.53	2.46	2.58	2.51
<b>Price</b>												
Henry Hub (\$/mmbtu)	2.98	2.46	2.99	2.93	3.11	3.01	2.77	2.86	2.93	2.89	3.05	2.90
WTI Cushing (\$/bbl)	49.21	43.31	48.20	55.40	50.94	62.58	61.88	60.88	59.53	61.22	58.34	60.16
Natural Gas (\$/mcf)	2.39	2.05	2.63	2.56	2.83	2.63	2.42	2.50	2.57	2.53	2.67	2.54
Oil (\$/bbl)	41.84	37.18	43.32	50.06	45.27	56.33	55.70	54.79	53.58	54.92	52.50	54.14
<b>Revenue (\$mm)</b>												
Natural Gas	1.9	6.7	2.5	2.7	10.6	2.8	2.6	2.7	2.8	10.8	2.8	10.8
Oil	7.1	23.1	9.0	10.8	35.5	12.1	12.3	12.5	12.5	49.4	12.2	49.5
Total Revenue	9.0	29.8	11.5	13.5	46.1	14.9	14.9	15.2	15.2	60.2	15.0	60.3
Expense (allocated)	1.4	5.3	2.2	2.3	8.5	2.3	2.4	2.4	2.4	9.6	2.4	9.7
<b>Ebitda</b>	7.6	24.4	9.3	11.2	37.6	12.5	12.5	12.8	12.8	50.6	12.6	50.7
<b>BOTTOM LINE</b>												
<b>Volume</b>												
Natural Gas (mmcf)	8.8	7.7	6.9	10.3	7.5	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Oil (mbd)	0.80	1.04	0.65	1.62	0.96	1.10	1.12	1.14	1.17	1.13	1.19	1.16
<b>Price</b>												
Natural Gas (\$/mcf)	2.10	2.08	2.34	2.57	2.60	2.35	2.16	2.23	2.29	2.25	2.39	2.27
Oil (\$/bbl)	38.74	34.64	41.51	50.64	44.71	50.07	49.51	48.70	47.63	48.82	46.67	48.13
<b>Revenue (\$mm)</b>												
Natural Gas	1.7	5.8	1.5	2.4	7.2	1.6	1.5	1.6	1.6	6.3	1.7	6.4
Oil	2.9	13.2	2.5	7.5	15.6	5.0	5.1	5.1	5.1	20.3	5.0	20.3
Total Revenue	4.6	19.0	4.0	10.0	22.8	6.6	6.6	6.7	6.7	26.6	6.7	26.7
<b>Expense (allocated)</b>												
Partnership	0.7	3.5	0.6	0.6	2.4	0.7	0.7	0.7	0.7	2.7	0.7	2.7
Net Profits Interests	2.3	9.5	2.0	5.0	11.4	3.3	3.3	3.4	3.4	13.3	3.3	13.3
Total Expense	3.0	12.9	2.5	5.6	13.8	4.0	4.0	4.0	4.1	16.0	4.0	16.1
<b>Ebitda</b>	1.6	6.1	1.4	4.4	9.0	2.6	2.6	2.7	2.7	10.6	2.6	10.6
Development (estimated)	0.8	4.8	0.6	1.5	3.2	1.0	1.0	1.0	1.0	4.0	1.0	4.0
<b>NET INCOME</b>												
Top Line	7.6	24.4	9.3	11.2	37.6	12.5	12.5	12.8	12.8	50.6	12.6	50.7
Bottom Line	0.8	1.4	0.8	2.9	5.7	1.6	1.6	1.7	1.7	6.6	1.6	6.6
Lease Bonus and residual	(0.0)	(3.0)	0.3	(2.6)	(3.2)					-		-
Deprec., Deplet., & Amort.	1.9	8.5	2.8	2.9	9.3	2.5	2.5	2.6	2.6	10.2	2.6	10.3
Total Net Income	6.4	20.2	7.1	13.9	37.2	11.7	11.6	11.9	11.8	47.0	11.6	47.0
Units (mm)	30.7	30.7	32.3	32.3	31.6	32.3	32.3	32.3	32.3	32.3	32.3	32.3
Net Income Per Unit (\$)	0.21	0.66	0.22	0.43	1.18	0.36	0.36	0.37	0.37	1.46	0.36	1.45
<b>DISTRIBUTION</b>												
Top Line Revenue	8.1	26.2	10.0	11.6	41.8	14.3	14.3	14.6	14.6	57.8	14.4	57.9
Bottom Line Net Revenue	0.9	5.6	1.1	2.3	5.0	2.3	2.3	2.3	2.4	9.3	2.3	9.3
Lease Bonus and Other	0.2	2.8	0.2	0.6	2.8	0.6	0.1	0.1	0.1	0.9	0.1	0.4
Cash Expense	(1.8)	(7.1)	(2.1)	(2.2)	(8.3)	(2.2)	(2.2)	(2.2)	(2.2)	(8.8)	(2.2)	(8.8)
Distribution	7.4	27.5	9.2	12.5	41.5	15.0	14.5	14.8	14.9	59.2	14.7	58.8
Distribution Per Unit (\$)	0.24	0.90	0.28	0.39	1.30	0.46	0.45	0.46	0.46	1.83	0.45	1.82
<b>TIMING DIFFERENCE (\$/unit)</b>												
Dist - Net Inc - DDA	(0.03)	(0.04)	(0.02)	(0.13)	(0.17)	0.03	0.01	0.01	0.01	0.06	0.01	0.05



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

		Price (US\$/sh)	Market Cap (US\$m)	Enterprise Value (\$mm)	EV/ Market Cap	EV/ Ebitda NTM	PV/ Ebitda NTM	Oil Prod'n/ Ebitda (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)	
	Symbol/Rating	12-Mar 2018									
<b>Integrated</b>											
	Chevron Corporation	CVX	118.26	225,000	290,000	1.29	7.4	9.0	63	3.7	0.83
	Exxon Mobil Corporation	XOM	75.28	321,000	413,000	1.29	7.8	9.8	48	4.1	0.80
	Royal Dutch Shell	RDS-B	64.34	269,000	387,000	1.44	6.4	8.9	48	5.8	0.72
	Suncor Energy	SU	32.33	54,000	72,000	1.35	6.2	8.7	81	3.5	0.71
	<i>Total or Median</i>			869,000	1,162,000	1.32	6.9	8.9	55	3.9	0.76
<b>Large Independent</b>											
	Occidental Petroleum Corp.	OXY	64.20	49,200	62,800	1.28	7.5	8.5	77	4.8	0.88
	Pioneer Natural Resources	PXD	171.66	29,200	31,500	1.08	8.3	9.6	93	0.0	0.87
	EOG Resources, Inc.	EOG	101.60	58,800	65,900	1.12	7.9	9.9	91	0.7	0.80
	ConocoPhillips	COP	54.99	66,000	89,000	1.35	6.7	9.0	75	2.1	0.75
	<i>Total or Median</i>			203,200	249,200	1.20	7.7	9.3	84	1.4	0.83
<b>Mid-Size Independent</b>											
	Hess Corporation	HES	49.15	15,400	23,500	1.52	11.4	12.2	88	2.0	0.93
	Continental Resources	CLR	52.30	19,600	26,000	1.33	7.6	9.5	82	-	0.80
	Cimarex Energy Company	XEC	93.65	8,900	10,500	1.17	6.2	8.9	78	0.5	0.70
	Devon Energy Corporation	DVN	32.97	17,400	25,300	1.46	6.7	10.5	72	1.0	0.64
	Marathon Oil Corporation	MRO	15.28	12,980	20,100	1.54	5.6	9.1	88	1.3	0.62
	<i>Total or Median</i>			74,300	105,400	1.46	6.7	9.5	82	1.0	0.70
<b>Small Independent</b>											
	California Resources	CRC	14.57	600	6,700	10.8	6.2	9.6	92	-	0.65
	Range Resources	RRC	15.71	3,900	8,600	2.22	6.3	10.7	45	0.5	0.59
	Whiting Petroleum Corporation	WLL	30.73	2,800	6,200	2.20	4.6	9.3	96	-	0.49
	Birchcliff Energy Ltd.	BIREF	2.38	600	1,200	1.91	4.5	11.1	44	3.3	0.41
	<i>Total or Median</i>			7,900	22,700	2.21	5.4	10.2	69	0.3	0.54
<b>Income</b>											
	San Juan Basin Royalty Trust	SJT	8.71	410	410	1.00	14.0	12.9	-	7.0	1.09
	Permian Basin RT	PBT	9.38	440	440	1.00	12.8	13.7	80	7.4	0.94
	Sabine Royalty Trust	SBR	42.14	610	610	1.00	14.4	17.1	66	6.9	0.84
	Dorchester Minerals, L.P.	DMLP	15.75	510	510	1.00	8.3	12.7	81	11.6	0.66
	Cross Timbers Royalty Trust	CRT	14.90	90	90	1.00	9.4	15.8	40	8.4	0.59
	<i>Total or Median</i>			2,100	2,100	1.00	12.8	13.7	66	7.4	0.84

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation, amort.  
Estimated Ebitda (cash flow) tied to NTM futures prices for oil and natural gas. NTM = Next Twelve Months ending 3/31/19.  
Estimated Present Value (PV) presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.  
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses. For historical research see [www.mcdep.com](http://www.mcdep.com)



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Table 2										
McDep Energy Stocks										
Unlevered Cash Flow (Ebitda)										
Ranked by Total Ebitda										
Symbol/Rating	Price (US\$/sh)	Upstream NTM				Down- stream Uplift (\$/boe)	Total Ebitda NTM (\$mm)	Distrib./ Ebitda (%)	Distrib. NTM (\$/sh)	
		12-Mar 2018	Volume (mmboe)	Equiv. Price (\$/boe)	Ebitda Margin (%)					
<b>Integrated</b>										
Royal Dutch Shell	RDS-B	64.34	1349	42.99	72	31.10	13.64	41,967	26	3.76
Exxon Mobil Corporation	XOM	75.28	1479	45.03	53	24.00	11.90	35,488	25	3.08
Chevron Corporation	CVX	118.26	1035	47.25	64	30.10	7.73	31,161	21	4.32
Suncor Energy	SU	32.33	277	57.53	59	34.12	7.87	9,466	16	1.12
<i>Total or Median</i>			<i>4141</i>	<i>46.14</i>	<i>62</i>	<i>30.60</i>	<i>9.89</i>	<i>118,081</i>	<i>23</i>	
<b>Large Independent</b>										
ConocoPhillips	COP	54.99	448	45.41	65	29.60	0.00	13,275	10	1.14
EOG Resources, Inc.	EOG	101.60	272	43.06	71	30.56	0.00	8,318	5	0.74
Occidental Petroleum Corp.	OXY	64.20	246	43.35	63	27.40	6.50	6,748	28	3.08
Pioneer Natural Resources	PXD	171.66	125	41.72	73	30.30	0.00	3,781	0	0.08
<i>Total or Median</i>			<i>1092</i>	<i>43.21</i>	<i>68</i>	<i>29.95</i>	<i>0.00</i>	<i>32,122</i>	<i>8</i>	
<b>Mid-Size Independent</b>										
Marathon Oil Corporation	MRO	15.28	157	35.75	64	22.70	0.00	3,566	5	0.20
Continental Resources	CLR	52.30	109	39.77	80	31.70	0.00	3,440	-	-
Devon Energy Corporation	DVN	32.97	177	29.38	63	18.40	2.82	3,261	4	0.32
Hess Corporation	HES	49.15	94	42.06	53	22.10	0.00	2,069	15	1.00
Cimarex Energy Company	XEC	93.65	81	30.99	67	20.70	0.00	1,678	3	0.48
<i>Total or Median</i>			<i>617</i>	<i>35.75</i>	<i>64</i>	<i>22.10</i>	<i>0.00</i>	<i>14,013</i>	<i>4</i>	
<b>Small Independent</b>										
Whiting Petroleum Corporation	WLL	30.73	47	44.20	65	28.80	0.00	1,348	-	-
Range Resources	RRC	15.71	138	18.96	52	9.90	0.00	1,365	1	0.08
California Resources	CRC	14.57	46	49.80	47	23.40	0.00	1,076	-	-
Birchcliff Energy Ltd.	BIREF	2.38	23	17.56	68	12.00	0.00	271	8	0.08
<i>Total or Median</i>			<i>253</i>	<i>31.58</i>	<i>59</i>	<i>17.70</i>	<i>0.00</i>	<i>4,060</i>	<i>1</i>	
<b>Income</b>										
Dorchester Minerals, L.P.	DMLP	15.75	2.52	34.51	70	24.30	0.00	61	96	1.82
Sabine Royalty Trust	SBR	42.14	1.56	32.31	85	27.32	0.00	43	100	2.93
Permian Basin RT	PBT	9.38	1.28	41.72	64	26.69	0.00	34	95	0.69
San Juan Basin Royalty Trust	SJT	8.71	3.28	15.91	55	8.83	0.00	29	99	0.61
Cross Timbers Royalty Trust	CRT	14.90	0.47	35.14	58	20.28	0.00	9	79	1.25
<i>Total or Median</i>			<i>9</i>	<i>34.51</i>	<i>64</i>	<i>24.30</i>	<i>0.00</i>	<i>176</i>	<i>96</i>	

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



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

		<i>Price</i>				<i>Devel.</i>	<i>Undev/</i>	<i>Nat</i>	<i>Top</i>	<i>Net</i>	
		<i>(US\$/sh)</i>				<i>Resrvs/</i>	<i>Devel.</i>	<i>Gas/</i>	<i>Line/</i>	<i>Present</i>	
	<i>Symbol/Rating</i>	<i>12-Mar</i>	<i>Shares</i>	<i>Debt</i>	<i>P/E</i>	<i>Prod</i>	<i>Resrvs</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>Value</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>	
<b>Integrated</b>											
	Chevron Corporation	CVX	118.26	1,906	65,059	16	7.3	48	21	150.00	
	Exxon Mobil Corporation	XOM	75.28	4,270	92,054	14	9.3	45	28	100.00	
	Royal Dutch Shell	RDS-B	64.34	4,177	118,194	12	7.2	34	31	100.00	
	Suncor Energy	SU	32.33	1,655	18,531	10	9.9	80		50.00	
	<i>Median</i>						8.3				
<b>Large Independent</b>											
	Pioneer Natural Resources	PXD	171.66	170	2,300	25	5.4	8	7	200.00	
	EOG Resources, Inc.	EOG	101.60	579	7,071	21	4.0	43	9	130.00	
	ConocoPhillips	COP	54.99	1,198	23,215	15	9.1	25	25	80.00	
	Occidental Petroleum Corp.	OXY	64.20	766	13,600	18	7.8	35	5	75.00	
	<i>Median</i>						6.6				
<b>Mid-Size Independent</b>											
	Cimarex Energy Company	XEC	93.65	95	1,552	10	5.1	35	22	140.00	
	Continental Resources	CLR	52.30	374	6,480	23	4.8	146	18	70.00	
	Devon Energy Corporation	DVN	32.97	528	7,944	14	8.5	24	17	60.00	
	Hess Corporation	HES	49.15	314	8,078		8.5	39	12	55.00	
	Marathon Oil Corporation	MRO	15.28	850	7,073	21	5.4	65	12	30.00	
	<i>Median</i>						5.4				
<b>Small Independent</b>											
	Whiting Petroleum Corporation	WLL	30.73	91	3,367	333	7.6	111	4	100.00	
	California Resources	CRC	14.57	43	6,100		8.8	40	8	100.00	
	Range Resources	RRC	15.71	246	4,720	14	8.2	78	55	40.00	
	Birchcliff Energy Ltd.	BIREF	2.38	268	585	13	7.2	228	56	9.00	
	<i>Median</i>						7.9				
<b>Income</b>											
	Sabine Royalty Trust	SBR	42.14	15	-	14	10.5	4	34	100	50.00
	Cross Timbers Royalty Trust	CRT	14.90	6	-	12	8.1	-	60	79	25.00
	Dorchester Minerals, L.P.	DMLP	15.75	32	-	11	6.4	-	19	83	24.00
	Permian Basin RT	PBT	9.38	47	-	14	8.8	14	20	39	10.00
	San Juan Basin Royalty Trust	SJT	8.71	47	-	14	9.5	-	100	-	8.00
	<i>Median</i>						8.8				

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



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2018										
Ranked by Unlevered Total Return										
		Price (\$/sh)	Price (\$/sh)	Price Change (%)	Cash Distrib. (%)	Equity Total Return (%)	Unlevered Debt Return (\$/sh) (%)		McDep Ratio	
	Symbol/Rati	12-Mar 2018	29-Dec 2017							
<b>Integrated</b>										
	Royal Dutch Shell	RDS-B	64.34	68.29	(6)	1	(4)	28	(3)	0.72
	Chevron Corporation	CVX	118.26	125.19	(6)	1	(5)	34	(4)	0.83
	Exxon Mobil Corporation	XOM	75.28	83.64	(10)	1	(9)	22	(7)	0.80
	Suncor Energy	SU	32.33	36.72	(12)	-	(12)	11	(9)	0.71
	<i>Median</i>				(8)		(7)		(5)	0.76
<b>Large Independent</b>										
	ConocoPhillips	COP	54.99	54.89	0	1	1	19	1	0.75
	Pioneer Natural Resources	PXD	171.66	172.85	(1)	-	(1)	14	(1)	0.87
	EOG Resources, Inc.	EOG	101.60	107.91	(6)	0	(6)	12	(5)	0.80
	Occidental Petroleum Corp.	OXY	64.20	73.66	(13)	-	(13)	18	(10)	0.88
	<i>Median</i>				(3)		(3)		(3)	0.83
<b>Mid-Size Independent</b>										
	Hess Corporation	HES	49.15	47.47	4	-	4	26	2	0.93
	Continental Resources	CLR	52.30	52.97	(1)	-	(1)	17	(1)	0.80
	Marathon Oil Corporation	MRO	15.28	16.93	(10)	0	(9)	8	(6)	0.62
	Devon Energy Corporation	DVN	32.97	41.40	(20)	-	(20)	15	(15)	0.64
	Cimarex Energy Company	XEC	93.65	122.01	(23)	0	(23)	16	(20)	0.70
	<i>Median</i>				(10)		(9)		(6)	0.70
<b>Small Independent</b>										
	Whiting Petroleum Corporation	WLL	30.73	26.48	16	-	16	37	7	0.49
	California Resources	CRC	14.57	19.44	(25)	-	(25)	143	(3)	0.65
	Range Resources	RRC	15.71	17.06	(8)	-	(8)	19	(4)	0.59
	Birchcliff Energy Ltd.	BIREF	2.38	3.50	(32)	-	(32)	2	(20)	0.41
	<i>Median</i>				(16)		(16)		(3)	0.54
<b>Income</b>										
	San Juan Basin Royalty Trust	SJT	8.71	8.24	6	2	7	-	7	1.09
	Permian Basin RT	PBT	9.38	8.87	6	1	7	-	7	0.94
	Dorchester Minerals, L.P.	DMLP	15.75	15.20	4	3	6	-	6	0.66
	Cross Timbers Royalty Trust	CRT	14.90	14.69	1	1	3	-	3	0.59
	Sabine Royalty Trust	SBR	42.14	44.60	(6)	1	(5)	-	(5)	0.84
	<i>Median</i>				4		6		6	0.84
	<i>Grand Median</i>				(6)		(5)		(3)	0.74
	Natural Gas (\$/mmbtu)		2.80	2.95	(5)					
	Oil-West Texas Intermediate (\$/bbl)		61.38	60.09	2					
	Total Stock Market - U.S.	VTI	143.69	137.25	5					
	Developed Markets - ex US	VEA	45.19	44.86	1					
	Emerging Markets	VWO	48.63	45.91	6					
Source: McDep LLC, Yahoo, CME Group, Bloomberg					For historical research see www.mcdep.com					



# Independent Stock Idea

Intraday March 12, 2018

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