



# Independent Stock Idea

September 6, 2016

## Devon Energy (DVN)

### Raise NPV to \$45 from \$33 on Stress Test Success

|   |        |  |       |
|---|--------|--|-------|
| <i>Symbol</i>   | DVN    | <i>Ebitda Next Twelve Months ending 9/30/17 (US\$mm)</i> | 2,100 |
| <i>Rating</i>   |        | <i>North American Natural Gas/Ebitda (%)</i>             | 18    |
| <i>Price (\$/sh)</i>  | 44.27  | <i>Natural Gas and Oil Production/Ebitda (%)</i>         | 100   |
| <i>Pricing Date</i>   | 9/2/16 | <i>Adjusted Reserves/Production NTM</i>                  | 8.4   |
| <i>Shares (mm)</i>  | 524    | <i>EV/Ebitda</i>   | 16.6  |
| <i>Market Capitalization (\$mm)</i>   | 23,200 | <i>PV/Ebitda</i>   | 16.8  |
| <i>Debt (\$mm)</i>  | 10,900 | <i>Undeveloped Reserves (%)</i>                          | 18    |
| <i>Enterprise Value (EV) (\$mm)</i>   | 34,100 | <i>Natural Gas and Oil Ebitda (\$/boe)</i>               | 12.70 |
| <i>Present Value (PV) (\$mm)</i>  | 34,500 | <i>Present Value Proven Reserves(\$/boe)</i>             | 19.10 |
| <i>Net Present Value (\$/share)</i>   | 45     | <i>Present Value Proven Reserves(\$/mcf)</i>             | 3.20  |
| <i>Debt/Present Value</i>   | 0.32   | <i>Earnings Next Twelve Months (US\$/sh)</i>             | 0.40  |
| <i>McDep Ratio - EV/PV</i>  | 0.99   | <i>Price/Earnings Next Twelve Months</i>                 | 111   |
| <i>Dividend Yield (%/year)</i>  | 0.5    | <i>Indicated Annual Dividend (US\$/sh)</i>               | 0.24  |
| Note: Estimated cash flow and earnings tied to one-year futures prices for natural gas and oil.                           |        |  |       |
| Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.             |        |  |       |
| Estimated present value capped by unlevered cash flow multiple.   |        |  |       |
| For historical research on Devon since 2004 see <a href="http://www.mcdep.com/3dvn.htm">http://www.mcdep.com/3dvn.htm</a> |        |  |       |

## Summary and Recommendation

We raise estimated Net Present Value (NPV) for Large Cap Independent Producer **Devon Energy (DVN)** to \$45 a share from \$33 following a successful adaptation to intense stress imposed by the oil and credit markets early in 2016. Evidenced by second quarter results released last month, DVN cut costs, sold properties to reduce debt and strengthened its shale oil growth prospects. The combination delivered better than expected cash flow from recovering oil and gas price (see tables Operating and Financial Estimates and Present Value on page 2). Current capital spending emphasizes leading shale oil areas with the greatest effort underway in the STACK play in the Oklahoma Anadarko Basin. (see slide Capital and Activity on page 3). Devon wells are setting records in the Meramec formation of the STACK area (see slide Meramec on page 3). A McDep Ratio of 0.99 ranks Devon in the middle of five peer stocks (see Tables 1-4 on pages 4-7 ). At 25% DVN remains most concentrated on natural gas among large independents. Though the company has been strenuously diversifying away from its traditional natural gas leadership, pricing is now strengthening. Similarly, oil production includes a large proportion of natural gas liquids (NGL) which carry prices usually less than crude oil and more than natural gas on a heating value basis. The natural gas and NGL concentration that made the company more sensitive on the downside may now be helping on the upside.

Kurt H. Wulff, CFA



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| Devon Energy                                       |         |                |         |         |         |          |               |         |         |         |                          |
|--|---------|----------------|---------|---------|---------|----------|---------------|---------|---------|---------|--------------------------|
| Next Twelve Months Operating and Financial Results |         |                |         |         |         |          |               |         |         |         |                          |
|  | Q2      | Year           | Q1      | Q2      | Q3E     | Q4E      | Year          | Q1E     | Q2E     | Q3E     | Next<br>Twelve<br>Months |
|  | 6/30/15 | 2015           | 3/31/16 | 6/30/16 | 9/30/16 | 12/31/16 | 2016          | 3/31/17 | 6/30/17 | 9/30/17 | 9/30/17                  |
| <b>Volume</b>                                      |         |                |         |         |         |          |               |         |         |         |                          |
| Natural Gas (bcf)                                  | 148     | <b>588</b>     | 144     | 139     | 120     | 110      | <b>513</b>    | 104     | 102     | 103     | <b>419</b>               |
| Natural Gas (mmcf)                                 | 1,627   | <b>1,610</b>   | 1,581   | 1,527   | 1,306   | 1,200    | <b>1,407</b>  | 1,158   | 1,117   | 1,117   | <b>1,148</b>             |
| Days   | 91      | <b>365</b>     | 91      | 91      | 92      | 92       | <b>366</b>    | 90      | 91      | 92      | <b>365</b>               |
| Oil (mb)   | 37      | <b>150</b>     | 38      | 35      | 33      | 31       | <b>138</b>    | 31      | 32      | 32      | <b>126</b>               |
| Oil (mbd)  | 404     | <b>412</b>     | 422     | 390     | 357     | 340      | <b>377</b>    | 343     | 347     | 350     | <b>345</b>               |
| Total gas & oil (mmboe)                            | 61      | <b>248</b>     | 62      | 59      | 53      | 50       | <b>224</b>    | 48      | 49      | 49      | <b>196</b>               |
| Total gas & oil (mboed)                            | 675     | <b>680</b>     | 686     | 645     | 575     | 540      | <b>611</b>    | 536     | 533     | 537     | <b>537</b>               |
| <b>Price</b>                                       |         |                |         |         |         |          |               |         |         |         |                          |
| Natural gas (\$/mcf)                               |         |                |         |         |         |          |               |         |         |         |                          |
| Henry Hub (\$/mmbtu)                               | 2.66    | <b>2.67</b>    | 2.09    | 1.95    | 2.81    | 2.93     | <b>2.45</b>   | 3.22    | 2.97    | 3.01    | <b>3.03</b>              |
| Company  | 2.13    | <b>2.14</b>    | 1.53    | 1.40    | 2.02    | 2.10     | <b>1.73</b>   | 2.31    | 2.13    | 2.15    | <b>2.17</b>              |
| Oil (\$/bbl)                                       |         |                |         |         |         |          |               |         |         |         |                          |
| WTI Cushing  | 57.94   | <b>48.79</b>   | 33.47   | 45.66   | 44.67   | 45.04    | <b>42.21</b>  | 46.77   | 48.05   | 48.79   | <b>47.16</b>             |
| Company  | 34.62   | <b>27.43</b>   | 15.77   | 25.08   | 24.54   | 24.74    | <b>22.28</b>  | 25.70   | 26.40   | 26.80   | <b>25.92</b>             |
| Total gas & oil (\$/mcf)                           | 4.31    | <b>3.61</b>    | 2.21    | 3.08    | 3.30    | 3.37     | <b>2.96</b>   | 3.57    | 3.61    | 3.66    | <b>3.55</b>              |
| <b>Revenue (\$mm)</b>                              |         |                |         |         |         |          |               |         |         |         |                          |
| Natural Gas  | 315     | <b>1,260</b>   | 220     | 195     | 242     | 232      | <b>889</b>    | 240     | 216     | 222     | <b>910</b>               |
| Oil  | 1,273   | <b>4,125</b>   | 606     | 890     | 806     | 774      | <b>3,076</b>  | 794     | 833     | 864     | <b>3,265</b>             |
| Total  | 1,588   | <b>5,384</b>   | 826     | 1,085   | 1,048   | 1,006    | <b>3,964</b>  | 1,035   | 1,049   | 1,085   | <b>4,175</b>             |
| <b>Expense (\$mm)</b>                              |         |                |         |         |         |          |               |         |         |         |                          |
| Production   | 698     | <b>2,037</b>   | 110     | 447     | 467     | 459      | <b>1,482</b>  | 504     | 516     | 542     | <b>2,021</b>             |
| Midstream (DVN share)                              | 101     | <b>378</b>     | 91      | 93      | 120     | 120      | <b>424</b>    | 120     | 115     | 120     | <b>475</b>               |
| Total Ebitda                                       | 800     | <b>2,415</b>   | 201     | 540     | 587     | 579      | <b>1,906</b>  | 624     | 631     | 662     | <b>2,496</b>             |
| Deprec., Deplet., & Amort.                         | 814     | <b>3,129</b>   | 542     | 484     | 450     | 524      | <b>2,000</b>  | 524     | 524     | 524     | <b>2,096</b>             |
| Hedging and other                                  | (633)   | <b>(2,832)</b> | (115)   | (156)   | (109)   | (205)    | <b>(584)</b>  | (150)   | (144)   | (115)   | <b>(614)</b>             |
| <b>Ebit</b>  | 618     | <b>2,119</b>   | (227)   | 211     | 246     | 260      | <b>491</b>    | 250     | 251     | 253     | <b>1,014</b>             |
| Interest   | 125     | <b>517</b>     | 164     | 163     | 165     | 183      | <b>675</b>    | 170     | 170     | 170     | <b>693</b>               |
| <b>Ebt</b>   | 493     | <b>1,602</b>   | (391)   | 48      | 81      | 77       | <b>(184)</b>  | 80      | 81      | 83      | <b>321</b>               |
| Income Tax   | 173     | <b>561</b>     | (137)   | 17      | 28      | 27       | <b>(64)</b>   | 28      | 28      | 29      | <b>112</b>               |
| <b>Net Income (\$mm)</b>                           | 321     | <b>1,041</b>   | (254)   | 31      | 52      | 50       | <b>(120)</b>  | 52      | 52      | 54      | <b>209</b>               |
| <b>Shares (millions)</b>                           | 411     | <b>412</b>     | 479     | 524     | 524     | 524      | <b>437</b>    | 524     | 524     | 524     | <b>524</b>               |
| Per Share (\$)                                     | 0.78    | <b>2.53</b>    | (0.53)  | 0.06    | 0.10    | 0.10     | <b>(0.27)</b> | 0.10    | 0.10    | 0.10    | <b>0.40</b>              |
| Ebitda Margin (Production)                         | 44%     | <b>38%</b>     | 13%     | 41%     | 45%     | 46%      | <b>37%</b>    | 49%     | 49%     | 50%     | <b>48%</b>               |
| Tax Rate   | 35%     | <b>35%</b>     | 35%     | 35%     | 35%     | 35%      | <b>35%</b>    | 35%     | 35%     | 35%     | <b>35%</b>               |

| Devon Energy  |            |          |        |          |        |
|---|------------|----------|--------|----------|--------|
| Functional Cash Flow and Present Value                                      |            |          |        |          |        |
|   | NTM Ebitda | Adjusted | PV/    | Present  |        |
|   | (US\$mm)   | R/P      | Ebitda | Value    |        |
|   |            |          |        | (US\$mm) |        |
| North American Natural Gas  | 440        | 11.0     | 19.3   | 8,500    | 25%    |
| Oil   | 1,580      | 7.0      | 14.4   | 22,700   | 66%    |
| Midstream (DVN share)   | 475        |          | 6.9    | 3,300    | 10%    |
|   | 2,055      | 8.4      | 16.8   | 34,500   | 100%   |
| Debt (US\$mm) (DVN share)   |            |          |        |          | 10,900 |
| Net Present Value (US\$mm)  |            |          |        |          | 23,600 |
| Shares (mm)   |            |          |        |          | 524    |
| Net Present Value - Standard Estimate (US\$/sh)                             |            |          |        |          | 45     |
| NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh) |            |          |        |          | 48     |



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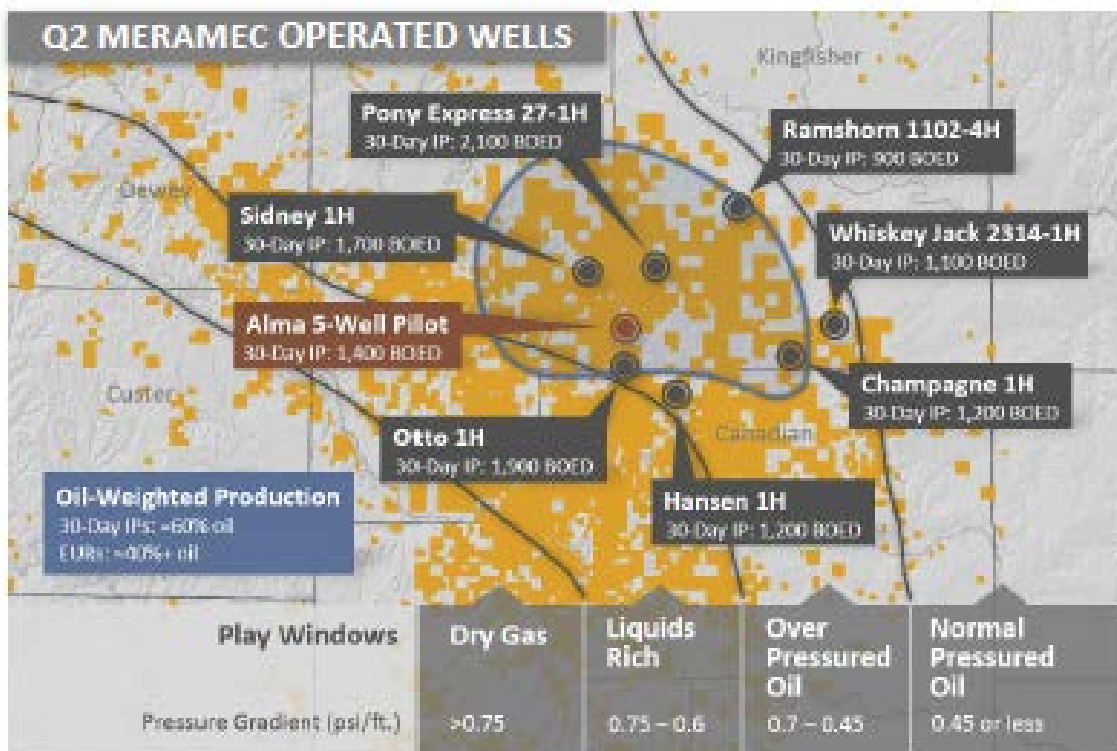
September 6, 2016

## 2016 CAPITAL & ACTIVITY

|                              | E&P CAPITAL<br>(\$MM)    | OPERATED RIGS<br>(By Year-End) |
|------------------------------|--------------------------|--------------------------------|
| STACK                        | \$450                    | 6 <sup>(1)</sup>               |
| Delaware Basin               | \$250                    | 3                              |
| Eagle Ford                   | \$200                    | 0 <sup>(1)</sup>               |
| Heavy Oil                    | \$175                    | 0                              |
| Rockies Oil                  | \$75                     | 0                              |
| Barnett Shale                | \$25                     | 0                              |
| Other/Midland <sup>(2)</sup> | \$25                     | 0                              |
| <b>2016 Totals</b>           | <b>\$1,100 - \$1,300</b> | <b>9</b>                       |

(1) Excludes high-WI partner operated rigs.

(2) Represents capital associated with retained Midland assets (further discussion pg. 6).





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September 6, 2016

| Symbol/Rating  | Price<br>(US\$/sh) | EV/<br>Market<br>Cap | Enterprise<br>Value<br>(\$mm) | Present Value by Segment (%) |                  |               |                 | Dist.<br>Yield | NTM<br>(%) | McDep<br>Ratio |             |
|--|--------------------|----------------------|-------------------------------|------------------------------|------------------|---------------|-----------------|----------------|------------|----------------|-------------|
|  |                    |                      |                               | North<br>Amer.               | Rest of<br>World | Oil<br>Prod'n | Down-<br>stream |                |            |                |             |
|  |                    |                      |                               | Natural<br>Gas               | Natural<br>Gas   |               |                 |                |            |                |             |
| <b>Global Integrated</b>   |                    |                      |                               |                              |                  |               |                 |                |            |                |             |
| Exxon Mobil Corporation  | XOM                | 87.42                | 1.26                          | 460,000                      | 6                | 16            | 55              | 23             | 3.4        | 0.90           |             |
| Chevron Corporation  | CVX                | 100.93               | 1.35                          | 256,000                      | 2                | 13            | 66              | 19             | 4.2        | 0.80           |             |
| Royal Dutch Shell  | RDS-A              | B                    | 49.64                         | 1.69                         | 334,000          | 2             | 21              | 53             | 24         | 7.6            | 0.73        |
| Total S.A.   | TOT                | B                    | 48.95                         | 1.51                         | 176,000          |               | 20              | 58             | 22         | 5.6            | 0.64        |
| <i>Total or Median</i>   |                    |                      |                               | <i>1.43</i>                  | <i>1,226,000</i> |               |                 | <i>56</i>      | <i>23</i>  | <i>4.9</i>     | <i>0.77</i> |
| <b>Large Independent</b>   |                    |                      |                               |                              |                  |               |                 |                |            |                |             |
| EOG Resources, Inc.  | EOG                | 88.91                | 1.15                          | 56,000                       | 11               | 1             | 87              |                | 0.8        | 1.16           |             |
| Occidental Petroleum Corp.   | OXY                | 77.51                | 1.17                          | 69,200                       | 4                | 2             | 86              | 7              | 3.9        | 1.03           |             |
| Devon Energy Corporation   | DVN                | 44.27                | 1.47                          | 34,100                       | 25               |               | 66              | 10             | 0.5        | 0.99           |             |
| Marathon Oil Corporation   | MRO                | B                    | 15.49                         | 1.58                         | 20,800           | 10            | 2               | 88             | 1.3        | 0.84           |             |
| ConocoPhillips   | COP                | B                    | 40.92                         | 1.78                         | 90,000           | 13            | 13              | 75             | 2.4        | 0.71           |             |
| <i>Total or Median</i>   |                    |                      |                               | <i>1.47</i>                  | <i>270,000</i>   | <i>11</i>     |                 | <i>86</i>      | <i>1.3</i> | <i>0.99</i>    |             |
| <b>Small Independent</b>   |                    |                      |                               |                              |                  |               |                 |                |            |                |             |
| Cimarex Energy Company   | XEC                | 134.92               | 1.10                          | 13,900                       | 34               |               | 66              |                | 0.2        | 1.11           |             |
| Range Resources  | RRC                | 40.47                | 1.42                          | 14,000                       | 77               |               | 23              |                | 0.2        | 0.97           |             |
| Continental Resources (32%)  | CLR                | B                    | 50.29                         | 1.38                         | 8,200            | 22            |                 | 78             | -          | 0.92           |             |
| Whiting Petroleum Corporation  | WLL                | 7.40                 | 3.27                          | 6,900                        | 10               |               | 90              |                | -          | 0.84           |             |
| California Resources   | CRC                | 10.42                | 17.19                         | 7,200                        | 13               |               | 88              |                | -          | 0.82           |             |
| <i>Total or Median</i>   |                    |                      |                               | <i>1.42</i>                  | <i>50,000</i>    | <i>22</i>     |                 | <i>78</i>      | <i>-</i>   | <i>0.92</i>    |             |
| <b>Income</b>  |                    |                      |                               |                              |                  |               |                 |                |            |                |             |
| San Juan Basin Royalty Trust   | SJT                | 5.74                 | 1.00                          | 270                          | 100              |               | -               |                | 9.1        | 0.72           |             |
| Cross Timbers Royalty Trust  | CRT                | 18.75                | 1.00                          | 110                          | 57               |               | 43              |                | 7.4        | 0.64           |             |
| Dorchester Minerals, L.P.  | DMLP               | B                    | 14.81                         | 1.00                         | 450              | 28            |                 | 72             | 7.3        | 0.62           |             |
| Sabine Royalty Trust   | SBR                | B                    | 36.80                         | 1.00                         | 540              | 48            |                 | 52             | 7.1        | 0.61           |             |
| Permian Basin RT   | PBT                | 6.74                 | 1.00                          | 310                          | 23               |               | 77              |                | 9.4        | 0.61           |             |
| <i>Total or Median</i>   |                    |                      |                               | <i>1.00</i>                  | <i>1,700</i>     | <i>48</i>     |                 | <i>52</i>      | <i>7.4</i> | <i>0.62</i>    |             |
| <b>Canada</b>  |                    |                      |                               |                              |                  |               |                 |                |            |                |             |
| EnCana Corporation   | ECA                | 9.79                 | 2.03                          | 16,800                       | 43               |               | 57              |                | 0.6        | 1.23           |             |
| Imperial Oil Limited (30%)   | IMO                | 31.42                | 1.35                          | 10,800                       | 0                |               | 64              | 36             | 1.5        | 0.87           |             |
| Suncor Energy  | SU                 | 27.43                | 1.40                          | 63,700                       | -                |               | 84              | 16             | 3.2        | 0.83           |             |
| Cenovus Energy Inc.  | CVE                | 14.85                | 1.33                          | 16,400                       | 7                |               | 76              | 16             | 1.0        | 0.79           |             |
| Birchcliff Energy Ltd.   | BIREF              | B                    | 7.00                          | 1.34                         | 2,500            | 74            |                 | 26             | -          | 0.76           |             |
| <i>Total or Median</i>   |                    |                      |                               | <i>1.35</i>                  | <i>110,000</i>   |               |                 | <i>64</i>      | <i>1.0</i> | <i>0.83</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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September 6, 2016

|  |                        |   | <i>Price</i>     |               |                 | <i>Net</i>       |                |              |
|--|------------------------|---|------------------|---------------|-----------------|------------------|----------------|--------------|
|  |                        |   | <i>(US\$/sh)</i> |               | <i>Market</i>   | <i>Present</i>   | <i>Debt/</i>   |              |
|  | <i>Symbol/Rating</i>   |   | <i>2-Sep</i>     | <i>Shares</i> | <i>Cap</i>      | <i>Value</i>     | <i>Present</i> | <i>McDep</i> |
|  | <i>B = Buy</i>         |   | <i>2016</i>      | <i>(mm)</i>   | <i>(US\$mm)</i> | <i>(US\$/sh)</i> | <i>Value</i>   | <i>Ratio</i> |
| <b>Global Integrated</b>   |                        |   |                  |               |                 |                  |                |              |
| Exxon Mobil Corporation  | XOM                    |   | 87.42            | 4,178         | 365,000         | 100.00           | 0.18           | 0.90         |
| Chevron Corporation  | CVX                    |   | 100.93           | 1,872         | 189,000         | 135.00           | 0.21           | 0.80         |
| Royal Dutch Shell  | RDS-A                  | B | 49.64            | 3,980         | 198,000         | 80.00            | 0.30           | 0.73         |
| Total S.A.   | TOT                    | B | 48.95            | 2,379         | 117,000         | 90.00            | 0.22           | 0.64         |
|  | <i>Total or Median</i> |   |                  |               | <i>869,000</i>  |                  | <i>0.21</i>    | <i>0.77</i>  |
| <b>Large Independent</b>   |                        |   |                  |               |                 |                  |                |              |
| EOG Resources, Inc.  | EOG                    |   | 88.91            | 547           | 48,600          | 75.00            | 0.15           | 1.16         |
| Occidental Petroleum Corp.   | OXY                    |   | 77.51            | 764           | 59,200          | 75.00            | 0.15           | 1.03         |
| Devon Energy Corporation   | DVN                    |   | 44.27            | 524           | 23,200          | 45.00            | 0.32           | 0.99         |
| Marathon Oil Corporation   | MRO                    | B | 15.49            | 848           | 13,140          | 20.00            | 0.31           | 0.84         |
| ConocoPhillips   | COP                    | B | 40.92            | 1,245         | 51,000          | 70.00            | 0.31           | 0.71         |
|  | <i>Total or Median</i> |   |                  |               | <i>195,100</i>  |                  | <i>0.31</i>    | <i>0.99</i>  |
| <b>Small Independent</b>   |                        |   |                  |               |                 |                  |                |              |
| Cimarex Energy Company   | XEC                    |   | 134.92           | 93            | 12,600          | 120.00           | 0.10           | 1.11         |
| Range Resources  | RRC                    |   | 40.47            | 244           | 9,900           | 42.00            | 0.29           | 0.97         |
| Continental Resources (32%)  | CLR                    | B | 50.29            | 118           | 6,000           | 56.00            | 0.26           | 0.92         |
| Whiting Petroleum Corporation  | WLL                    |   | 7.40             | 285           | 2,100           | 12.00            | 0.58           | 0.84         |
| California Resources   | CRC                    |   | 10.42            | 40            | 400             | 50.00            | 0.77           | 0.82         |
|  | <i>Total or Median</i> |   |                  |               | <i>31,000</i>   |                  | <i>0.29</i>    | <i>0.92</i>  |
| <b>Income</b>  |                        |   |                  |               |                 |                  |                |              |
| San Juan Basin Royalty Trust   | SJT                    |   | 5.74             | 47            | 270             | 8.00             | -              | 0.72         |
| Cross Timbers Royalty Trust  | CRT                    |   | 18.75            | 6             | 110             | 29.00            | -              | 0.64         |
| Dorchester Minerals, L.P.  | DMLP                   | B | 14.81            | 31            | 450             | 24.00            | -              | 0.62         |
| Sabine Royalty Trust   | SBR                    | B | 36.80            | 15            | 540             | 60.00            | -              | 0.61         |
| Permian Basin RT   | PBT                    |   | 6.74             | 47            | 310             | 11.00            | -              | 0.61         |
|  | <i>Total or Median</i> |   |                  |               | <i>1,700</i>    |                  | <i>-</i>       | <i>0.62</i>  |
| <b>Canada</b>  |                        |   |                  |               |                 |                  |                |              |
| EnCana Corporation   | ECA                    |   | 9.79             | 850           | 8,300           | 6.00             | 0.63           | 1.23         |
| Imperial Oil Limited (30%)   | IMO                    |   | 31.42            | 255           | 8,000           | 38.00            | 0.22           | 0.87         |
| Suncor Energy  | SU                     |   | 27.43            | 1,665         | 45,700          | 35.00            | 0.24           | 0.83         |
| Cenovus Energy Inc.  | CVE                    |   | 14.85            | 833           | 12,400          | 20.00            | 0.20           | 0.79         |
| Birchcliff Energy Ltd.   | BIREF                  | B | 7.00             | 263           | 1,800           | 10.00            | 0.19           | 0.76         |
|  | <i>Total or Median</i> |   |                  |               | <i>76,000</i>   |                  | <i>0.22</i>    | <i>0.83</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 <a href="http://www.mcdep.com">www.mcdep.com</a>   |                        |   |                  |               |                 |                  |                |              |



# Independent Stock Idea

September 6, 2016

| 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<br>NTM |
|                               | Symbol/Rating       |   | 2-Sep<br>2016      | NTM                        | NTM           | NTM           | NTM | (\$/sh)         |
|                               | B = Buy             |   |                    |                            |               |               |     |                 |
| <b>Global Integrated</b>      |                     |   |                    |                            |               |               |     |                 |
| Exxon Mobil Corporation       | XOM                 |   | 87.42              | 14.5                       | 12.7          | 11.4          | 30  | 3.00            |
| Chevron Corporation           | CVX                 |   | 100.93             | 9.2                        | 13.2          | 10.6          | 52  | 4.28            |
| Royal Dutch Shell             | RDS-A               | B | 49.64              | 9.8                        | 11.4          | 8.4           | 30  | 3.76            |
| Total S.A.                    | TOT                 | B | 48.95              | 9.9                        | 10.7          | 6.9           | 16  | 2.73            |
|                               | <i>Median</i>       |   |                    | 9.8                        | 12.1          | 9.5           | 30  |                 |
| <b>Large Independent</b>      |                     |   |                    |                            |               |               |     |                 |
| EOG Resources, Inc.           | EOG                 |   | 88.91              | 8.2                        | 14.8          | 17.1          |     | 0.67            |
| Devon Energy Corporation      | DVN                 |   | 44.27              | 8.4                        | 16.8          | 16.6          |     | 0.24            |
| Occidental Petroleum Corp.    | OXY                 |   | 77.51              | 8.3                        | 15.6          | 16.0          |     | 3.00            |
| Marathon Oil Corporation      | MRO                 | B | 15.49              | 12.7                       | 16.4          | 13.8          |     | 0.20            |
| ConocoPhillips                | COP                 | B | 40.92              | 11.3                       | 16.9          | 12.1          |     | 1.00            |
|                               | <i>Median</i>       |   |                    | 8.4                        | 16.4          | 16.0          |     |                 |
| <b>Small Independent</b>      |                     |   |                    |                            |               |               |     |                 |
| Range Resources               | RRC                 |   | 40.47              | 12.6                       | 18.4          | 17.9          |     | 0.08            |
| Continental Resources (32%)   | CLR                 | B | 50.29              | 11.4                       | 18.5          | 17.1          |     | -               |
| Cimarex Energy Company        | XEC                 |   | 134.92             | 6.9                        | 15.4          | 17.1          |     | 0.32            |
| California Resources          | CRC                 |   | 10.42              | 12.0                       | 15.9          | 13.0          |     | -               |
| Whiting Petroleum Corporation | WLL                 |   | 7.40               | 9.5                        | 12.9          | 10.9          |     | -               |
|                               | <i>Median</i>       |   |                    | 11.4                       | 15.9          | 17.1          |     |                 |
| <b>Income</b>                 |                     |   |                    |                            |               |               |     |                 |
| Sabine Royalty Trust          | SBR                 | B | 36.80              | 9.5                        | 23.1          | 14.2          | 14  | 2.60            |
| Dorchester Minerals, L.P.     | DMLP                | B | 14.81              | 7.0                        | 19.7          | 12.2          | 17  | 1.08            |
| Cross Timbers Royalty Trust   | CRT                 |   | 18.75              | 7.5                        | 18.5          | 11.9          | 14  | 1.38            |
| San Juan Basin Royalty Trust  | SJT                 |   | 5.74               | 10.1                       | 14.5          | 10.4          | 11  | 0.52            |
| Permian Basin RT              | PBT                 |   | 6.74               | 8.7                        | 16.2          | 9.9           | 11  | 0.63            |
|                               | <i>Median</i>       |   |                    | 8.7                        | 18.5          | 11.9          | 14  |                 |
| <b>Canada</b>                 |                     |   |                    |                            |               |               |     |                 |
| EnCana Corporation            | ECA                 |   | 9.79               | 5.6                        | 12.4          | 15.3          |     | 0.06            |
| Imperial Oil Limited (30%)    | IMO                 |   | 31.42              | 33.2                       | 13.4          | 11.6          |     | 0.46            |
| Cenovus Energy Inc.           | CVE                 |   | 14.85              | 16.6                       | 14.4          | 11.4          |     | 0.15            |
| Suncor Energy                 | SU                  |   | 27.43              | 21.6                       | 13.0          | 10.8          |     | 0.89            |
| Birchcliff Energy Ltd.        | BIREF               | B | 7.00               | 12.9                       | 14.1          | 10.7          |     | -               |
|                               | <i>Median</i>       |   |                    | 16.6                       | 13.4          | 11.4          |     |                 |
|                               | <i>Grand Median</i> |   |                    | 10                         | 15            | 12            |     |                 |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 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)



# Independent Stock Idea

September 6, 2016

| Table 4  |   |         |                  |                  |  |                         |                                  |   |     |                |
|--|---|---------|------------------|------------------|--|-------------------------|----------------------------------|---|-----|----------------|
| McDep Energy Stocks                            |   |         |                  |                  |  |                         |                                  |   |     |                |
| Total Return Year-to-Date 2016                 |   |         |                  |                  |  |                         |                                  |   |     |                |
| Ranked by Unlevered Total Return               |   |         |                  |                  |  |                         |                                  |   |     |                |
|  |   |         | Price<br>(\$/sh) | Price<br>(\$/sh) | Price<br>Change<br>(%)   | Cash<br>Distrib.<br>(%) | Equity<br>Total<br>Return<br>(%) | Unlevered<br>Total<br>Return<br>(\$/sh) (%) |     | McDep<br>Ratio |
|  | Symbol/Rat.                                   |         | 2-Sep<br>2016    | 31-Dec<br>2015   |  |                         |                                  |   |     |                |
| <b>Global Integrated</b>                       |   |         |                  |                  |  |                         |                                  |   |     |                |
|  | Exxon Mobil Corporation                       | XOM     | 87.42            | 77.95            | 12   | 3                       | 15                               | 23  | 12  | 0.90           |
|  | Chevron Corporation                           | CVX     | 100.93           | 89.96            | 12   | 4                       | 16                               | 36  | 11  | 0.80           |
|  | Royal Dutch Shell                             | RDS-A B | 49.64            | 45.79            | 8  | 6                       | 15                               | 34  | 8   | 0.73           |
|  | Total S.A.                                    | TOT B   | 48.95            | 44.95            | 9  | 3                       | 12                               | 25  | 8   | 0.64           |
|  | <i>Median</i>                                 |         |                  |                  | 11   |                         | 15                               |   | 10  | 0.77           |
| <b>Large Independent</b>                       |   |         |                  |                  |  |                         |                                  |   |     |                |
|  | Devon Energy Corporation                      | DVN     | 44.27            | 32.00            | 38   | 1                       | 39                               | 21  | 24  | 0.99           |
|  | EOG Resources, Inc.                           | EOG     | 88.91            | 70.79            | 26   | 1                       | 26                               | 13  | 22  | 1.16           |
|  | Marathon Oil Corporation                      | MRO B   | 15.49            | 12.58            | 23   | 1                       | 24                               | 9   | 14  | 0.84           |
|  | Occidental Petroleum Corp.                    | OXY     | 77.51            | 67.61            | 15   | 2                       | 17                               | 13  | 14  | 1.03           |
|  | ConocoPhillips                                | COP B   | 40.92            | 46.69            | (12)   | 2                       | (11)                             | 32  | (6) | 0.71           |
|  | <i>Median</i>                                 |         |                  |                  | 23   |                         | 24                               |   | 14  | 0.99           |
| <b>Small Independent</b>                       |   |         |                  |                  |  |                         |                                  |   |     |                |
|  | Continental Resources (32%)                   | CLR B   | 50.29            | 22.98            | 119  | -                       | 119                              | 19  | 65  | 0.92           |
|  | Cimarex Energy Company                        | XEC     | 134.92           | 89.38            | 51   | 0                       | 51                               | 14  | 44  | 1.11           |
|  | Range Resources                               | RRC     | 40.47            | 24.62            | 64   | 0                       | 65                               | 17  | 38  | 0.97           |
|  | California Resources                          | CRC     | 10.42            | 23.30            | (55)   | -                       | (55)                             | 170   | (7) | 0.82           |
|  | Whiting Petroleum Corporation                 | WLL     | 7.40             | 9.44             | (22)   | -                       | (22)                             | 17  | (8) | 0.84           |
|  | <i>Median</i>                                 |         |                  |                  | 51   |                         | 51                               |   | 38  | 0.92           |
| <b>Income</b>                                  |   |         |                  |                  |  |                         |                                  |   |     |                |
|  | Dorchester Minerals, L.P.                     | DMLP B  | 14.81            | 9.89             | 50   | 6                       | 56                               | -   | 56  | 0.62           |
|  | Cross Timbers Royalty Trust                   | CRT     | 18.75            | 13.01            | 44   | 6                       | 50                               | -   | 50  | 0.64           |
|  | Sabine Royalty Trust                          | SBR B   | 36.80            | 26.26            | 40   | 5                       | 45                               | -   | 45  | 0.61           |
|  | San Juan Basin Royalty Trust                  | SJT     | 5.74             | 4.14             | 39   | 3                       | 42                               | -   | 42  | 0.72           |
|  | Permian Basin RT                              | PBT     | 6.74             | 5.06             | 33   | 5                       | 38                               | -   | 38  | 0.61           |
|  | <i>Median</i>                                 |         |                  |                  | 40   |                         | 45                               |   | 45  | 0.62           |
| <b>Canada</b>                                  |   |         |                  |                  |  |                         |                                  |   |     |                |
|  | Birchcliff Energy Ltd.                        | BIREF B | 7.00             | 2.93             | 139  | -                       | 139                              | 2   | 76  | 0.76           |
|  | EnCana Corporation                            | ECA     | 9.79             | 5.09             | 92   | 1                       | 93                               | 10  | 31  | 1.23           |
|  | Cenovus Energy Inc.                           | CVE     | 14.85            | 12.62            | 18   | 1                       | 18                               | 5   | 13  | 0.79           |
|  | Suncor Energy                                 | SU      | 27.43            | 25.80            | 6  | 2                       | 8                                | 11  | 6   | 0.83           |
|  | Imperial Oil Limited (30%)                    | IMO     | 31.42            | 32.52            | (3)  | 1                       | (3)                              | 11  | (2) | 0.87           |
|  | <i>Median</i>                                 |         |                  |                  | 18   |                         | 18                               |   | 13  | 0.83           |
|  | <i>Grand Median</i>                           |         |                  |                  | 24   |                         | 25                               |   | 18  | 0.83           |
|  | <b>Natural Gas (\$/mmbtu)</b>                 |         | 2.79             | 2.33             | 20   |                         |                                  |   |     |                |
|  | <b>Oil - West Texas Intermediate (\$/bbl)</b> |         | 44.23            | 37.06            | 19   |                         |                                  |   |     |                |
|  | <b>S&amp;P 500</b>                            |         | 2,180            | 2,044            | 7  |                         |                                  |   |     |                |
| Source: McDep LLC, Yahoo, CME Group, Bloomberg |   |         |                  |                  | For historical research see <a href="http://www.mcdep.com">www.mcdep.com</a> |                         |                                  |   |     |                |



# Independent Stock Idea

September 6, 2016

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