

CLR, XEC, WLL, RRC, CRC Small Cap Producer Survivors

Symbol/Rating		Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)				Dist. Yield	McDep Ratio	
					24-Aug 2015	Natural Gas	Natural Gas	Oil Prod'n			Down- stream
Small Independent											
Cimarex Energy Company	XEC	98.93	1.12	10,500	41		59		0.6	0.92	
Range Resources	RRC	33.20	1.74	9,600	80		20		0.5	0.78	
California Resources	CRC	2.82	7.30	7,900	12		88		1.4	0.74	
Continental Resources (32%)	CLR B	27.16	1.71	5,500	21		79		-	0.60	
Whiting Petroleum Corporation	WLL B	14.91	2.80	8,600	5		95		-	0.53	
<i>Total or Median</i>				1.74	42,000	21		79	0.5	0.74	

Summary and Recommendation

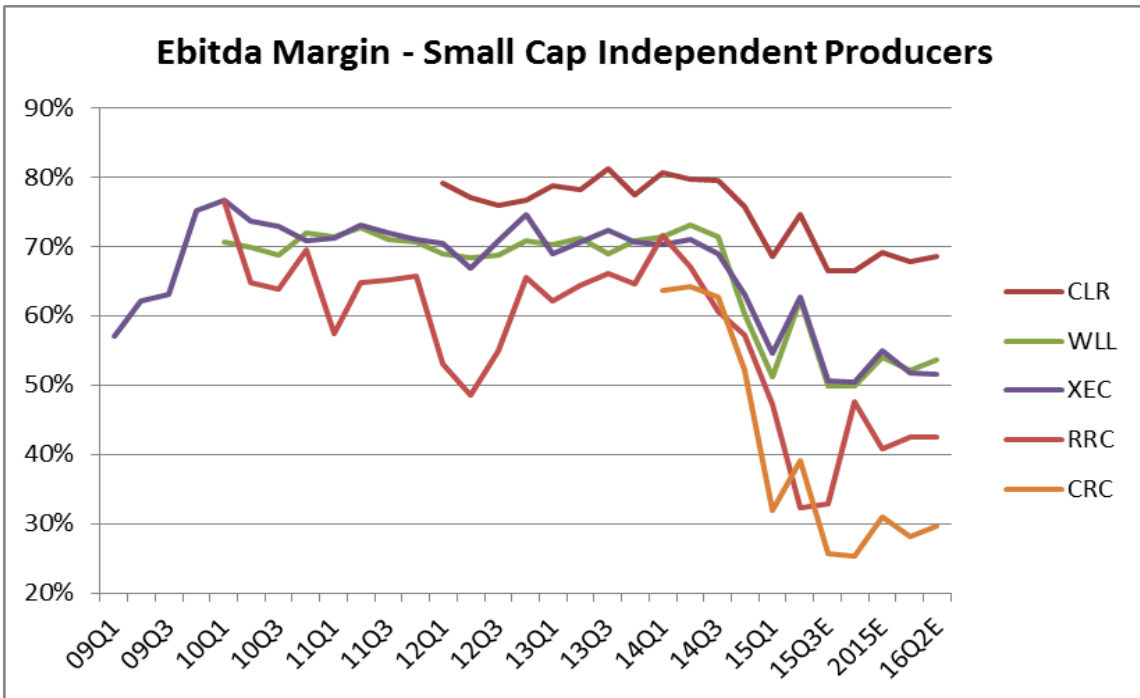
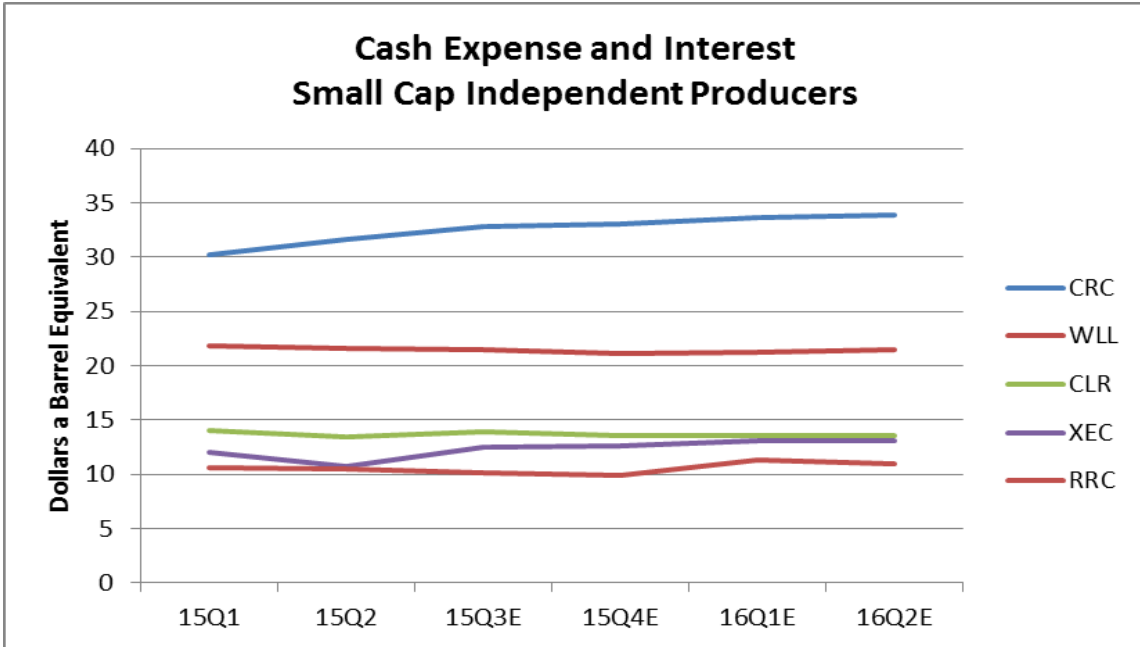
Under intense pressure of lower oil price, Small Cap Independent Producers are all cash positive at current oil price near \$40 a barrel for the West Texas benchmark. We think we are at the low in oil price, but cannot rule out a brief period of lower price. We believe that all five producers can withstand lower price for a while because cash operating costs and interest payments range from \$10 to \$34 a barrel (see chart [Cash Expense](#) on page 2). **Continental Resources (CLR)** and **Cimarex (XEC)** have the strongest position at less than \$15 a barrel. **Range Resources (RRC)** is a special case because it is concentrated primarily on natural gas rather than oil. **Whiting Petroleum (WLL)** has cash costs including interest near \$20 a barrel, which provides a reasonably positive margin. **California Resources (CRC)** faces the most potential stress with lower oil price largely because of an extraordinary level of debt and the burden of some \$6 a barrel interest cost. Shareholders of CRC may have some recourse to former owner Occidental Petroleum for spinning off CRC with an unrealistic level of debt. Meanwhile oil and gas costs which tend to be fixed in the short term ultimately become variable in the long term. In other words, there is room for more cost cuts, some from innovation and others from expense reduction. Our buys are the two lowest McDep Ratio stocks CLR and WLL. We also think RRC is attractively priced to be part of the diversified McDep Portfolio. A small position adjusted for debt might be justified in CRC. XEC is a tempting source of funds considering its outstanding performance. Four companies (CRC excluded) presented at last week's Enercom Conference in Denver where we had a chance to interact with management.

Kurt H. Wulff, CFA



Industry Idea

Analysis of Oil and Gas Stocks
August 25, 2015



Symbol/Rating		Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)					Dist. Yield NTM (%)	McDep Ratio
					North Amer.	Rest of World	Oil Prod'n	Down- stream			
					Natural Gas	Natural Gas					
Global Integrated											
Royal Dutch Shell (BG pro form)	RDS-A	49.73	1.63	317,000						7.6	0.82
Exxon Mobil Corporation	XOM	68.72	1.29	371,000	8	10	62	20		4.2	0.79
Chevron Corporation	CVX B	72.12	1.42	192,000	3	6	68	23		5.9	0.72
Total S.A.	TOT B	43.77	1.58	158,000		12	60	28		6.5	0.72
	<i>Total or Median</i>		<i>1.50</i>	<i>1,038,000</i>			<i>62</i>	<i>23</i>		<i>6.2</i>	<i>0.76</i>
Large Independent											
Occidental Petroleum Corp.	OXY	65.73	1.17	59,100	5	1	79	15		4.6	0.89
EOG Resources, Inc.	EOG	69.26	1.17	44,500	16	2	82			1.0	0.88
Devon Energy Corporation	DVN	38.08	2.13	33,400	32		48	20		2.5	0.75
ConocoPhillips	COP B	42.93	1.71	91,000	16	9	75			6.9	0.75
Marathon Oil Corporation	MRO B	14.39	1.95	19,000	9	1	90			5.8	0.59
	<i>Total or Median</i>		<i>1.71</i>	<i>247,000</i>	<i>16</i>		<i>79</i>			<i>4.6</i>	<i>0.75</i>
Small Independent											
Cimarex Energy Company	XEC	98.93	1.12	10,500	41		59			0.6	0.92
Range Resources	RRC	33.20	1.74	9,600	80		20			0.5	0.78
California Resources	CRC	2.82	7.30	7,900	12		88			1.4	0.74
Continental Resources (32%)	CLR B	27.16	1.71	5,500	21		79			-	0.60
Whiting Petroleum Corporation	WLL B	14.91	2.77	8,600	5		95			-	0.53
	<i>Total or Median</i>		<i>1.74</i>	<i>42,000</i>	<i>21</i>		<i>79</i>			<i>0.5</i>	<i>0.74</i>
Income											
San Juan Basin Royalty Trust	SJT	10.32	1.00	480	100		-			4.2	0.69
Sabine Royalty Trust	SBR	28.94	1.00	420	43		58			7.9	0.53
Permian Basin RT	PBT	6.11	1.00	290	23		77			4.5	0.51
Dorchester Minerals, L.P.	DMLP B	13.10	1.00	400	38		62			5.1	0.47
Cross Timbers Royalty Trust	CRT B	13.93	1.00	80	56		44			5.9	0.45
	<i>Total or Median</i>		<i>1.00</i>	<i>1,700</i>	<i>43</i>		<i>58</i>			<i>5.1</i>	<i>0.51</i>
Canada											
Imperial Oil Limited (30%)	IMO	32.70	1.32	11,100	1		67	33		1.2	0.86
EnCana Corporation	ECA	5.83	2.81	13,700	56		44			4.8	0.69
Cenovus Energy Inc.	CVE	12.01	1.49	14,800	9		74	17		4.0	0.62
Birchcliff Energy Ltd.	BIREF B	3.80	1.94	1,100	77		23			-	0.47
Canadian Oil Sands Limited	COSWF B	4.36	2.35	4,900			100			3.5	0.47
	<i>Total or Median</i>		<i>1.94</i>	<i>46,000</i>			<i>67</i>			<i>3.5</i>	<i>0.62</i>

Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.50 a million btu.
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses



Industry Idea

Analysis of Oil and Gas Stocks

August 25, 2015

			<i>Price</i>			<i>Net</i>		
	<i>Symbol/Rating</i>		<i>(US\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Present</i>	<i>Debt/</i>	<i>McDep</i>
	<i>B = Buy</i>		<i>24-Aug</i>	<i>(mm)</i>	<i>Cap</i>	<i>Value</i>	<i>Value</i>	<i>Ratio</i>
			<i>2015</i>		<i>(US\$m)</i>	<i>(US\$/sh)</i>		
Global Integrated								
Royal Dutch Shell (BG pro forma)	RDS-A		49.73	3,900	194,000	68.00	0.32	0.82
Exxon Mobil Corporation	XOM		68.72	4,200	289,000	92.00	0.18	0.79
Chevron Corporation	CVX	B	72.12	1,877	135,000	111.00	0.21	0.72
Total S.A.	TOT	B	43.77	2,292	100,000	71.00	0.26	0.72
	<i>Total or Median</i>				<i>718,000</i>		<i>0.24</i>	<i>0.76</i>
Large Independent								
Occidental Petroleum Corp.	OXY		65.73	766	50,400	75.00	0.13	0.89
EOG Resources, Inc.	EOG		69.26	550	38,100	80.00	0.13	0.88
Devon Energy Corporation	DVN		38.08	411	15,700	65.00	0.40	0.75
ConocoPhillips	COP	B	42.93	1,241	53,000	68.00	0.31	0.75
Marathon Oil Corporation	MRO	B	14.39	677	9,740	34.00	0.29	0.59
	<i>Total or Median</i>				<i>166,900</i>		<i>0.29</i>	<i>0.75</i>
Small Independent								
Cimarex Energy Company	XEC		98.93	95	9,400	108.00	0.10	0.92
Range Resources	RRC		33.20	166	5,500	50.00	0.33	0.78
California Resources	CRC		2.82	382	1,100	10.00	0.64	0.74
Continental Resources (32%)	CLR	B	27.16	119	3,200	58.00	0.25	0.60
Whiting Petroleum Corporation	WLL	B	14.91	209	3,100	52.00	0.34	0.53
	<i>Total or Median</i>				<i>22,000</i>		<i>0.33</i>	<i>0.74</i>
Income								
San Juan Basin Royalty Trust	SJT		10.32	47	480	15.00	-	0.69
Sabine Royalty Trust	SBR		28.94	15	420	55.00	-	0.53
Permian Basin RT	PBT		6.11	47	290	12.00	-	0.51
Dorchester Minerals, L.P.	DMLP	B	13.10	31	400	28.00	-	0.47
Cross Timbers Royalty Trust	CRT	B	13.93	6	80	31.00	-	0.45
	<i>Total or Median</i>				<i>1,700</i>		<i>-</i>	<i>0.51</i>
Canada								
Imperial Oil Limited (30%)	IMO		32.70	255	8,400	40.00	0.21	0.86
EnCana Corporation	ECA		5.83	841	4,900	13.00	0.45	0.69
Cenovus Energy Inc.	CVE		12.01	827	9,900	23.00	0.20	0.62
Birchcliff Energy Ltd.	BIREF	B	3.80	155	600	12.00	0.23	0.47
Canadian Oil Sands Limited	COSWF	B	4.36	485	2,100	16.00	0.27	0.47
	<i>Total or Median</i>				<i>26,000</i>		<i>0.23</i>	<i>0.62</i>
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.50 a million btu.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								



Industry Idea

Analysis of Oil and Gas Stocks
August 25, 2015

Table 3							
McDep Energy Stocks							
Value Multiples and Dividend							
Ranked by EV/Ebitda							
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	Dividend NTM
	Symbol/Rating		24-Aug 2015	NTM	NTM	NTM	NTM
	B = Buy						(\$/sh)
Global Integrated							
Exxon Mobil Corporation	XOM		68.72	14.6	11.4	9.0	20
Chevron Corporation	CVX	B	72.12	9.1	9.4	6.8	35
Total S.A.	TOT	B	43.77	10.1	8.3	6.0	12
Royal Dutch Shell (BG pro forma)	RDS-A		49.73				3.76
	<i>Median</i>			10.1	9.4	6.8	20
Large Independent							
EOG Resources, Inc.	EOG		69.26	9.2	15.8	13.9	30
Occidental Petroleum Corp.	OXY		65.73	9.1	13.6	12.1	283
Devon Energy Corporation	DVN		38.08	10.2	15.8	11.8	66
ConocoPhillips	COP	B	42.93	11.2	13.9	10.3	2.96
Marathon Oil Corporation	MRO	B	14.39	12.4	16.4	9.7	0.84
	<i>Median</i>			10.2	15.8	11.8	66
Small Independent							
Range Resources	RRC		33.20	14.5	26.7	20.7	474
Cimarex Energy Company	XEC		98.93	7.9	20.2	18.7	0.64
California Resources	CRC		2.82	12.1	42.4	31.4	0.04
Whiting Petroleum Corporation	WLL	B	14.91	10.9	26.6	14.0	-
Continental Resources (32%)	CLR	B	27.16	11.4	19.0	11.4	133
	<i>Median</i>			11.4	26.6	18.7	304
Income							
San Juan Basin Royalty Trust	SJT		10.32	8.3	25.1	17.3	24
Sabine Royalty Trust	SBR		28.94	9.1	24.0	12.7	13
Dorchester Minerals, L.P.	DMLP	B	13.10	7.8	25.8	12.1	26
Cross Timbers Royalty Trust	CRT	B	13.93	12.6	25.3	11.4	17
Permian Basin RT	PBT		6.11	9.9	21.2	10.8	22
	<i>Median</i>			9.1	25.1	12.1	22
Canada							
Imperial Oil Limited (30%)	IMO		32.70	27.5	13.2	11.3	17
EnCana Corporation	ECA		5.83	6.6	23.1	16.0	68
Cenovus Energy Inc.	CVE		12.01	16.2	15.3	9.4	0.48
Canadian Oil Sands Limited	COSWF	B	4.36	17.2	32.9	15.4	(9)
Birchcliff Energy Ltd.	BIREF	B	3.80	12.6	16.1	7.6	-
	<i>Median</i>			16.2	16.1	11.3	17
	<i>Grand Median</i>			11	20	12	
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2016; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses							

Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2015										
Ranked by Unlevered Total Return										
			Price	Price			Equity	Unlevered		
			(\$/sh)	(\$/sh)	Price	Cash	Total	Debt	Total	McDep
	Symbol/Rat		24-Aug	29-Dec	Change	Distrib.	Return	Return	Return	Ratio
			2015	2014	(%)	(%)	(%)	(\$/sh)	(%)	
Global Integrated										
Total S.A.	TOT	B	43.77	52.74	(17)	3	(14)	25	(10)	0.72
Royal Dutch Shell (BG pro forma)	RDS-A		49.73	68.31	(27)	3	(24)	32	(16)	0.82
Exxon Mobil Corporation	XOM		68.72	93.07	(26)	2	(25)	20	(20)	0.79
Chevron Corporation	CVX	B	72.12	113.32	(36)	2	(34)	30	(27)	0.72
	<i>Median</i>				(27)		(25)		(18)	0.76
Large Independent										
Occidental Petroleum Corp.	OXY		65.73	81.71	(20)	2	(18)	11	(16)	0.89
Devon Energy Corporation	DVN		38.08	61.15	(38)	1	(37)	43	(22)	0.75
EOG Resources, Inc.	EOG		69.26	94.33	(27)	0	(26)	12	(23)	0.88
ConocoPhillips	COP	B	42.93	70.11	(39)	2	(37)	30	(25)	0.75
Marathon Oil Corporation	MRO	B	14.39	28.58	(50)	1	(48)	14	(32)	0.59
	<i>Median</i>				(38)		(37)		(23)	0.75
Small Independent										
Cimarex Energy Company	XEC		98.93	110.27	(10)	0	(10)	12	(9)	0.92
California Resources	CRC		2.82	5.77	(51)	0	(51)	18	(12)	0.74
Continental Resources (32%)	CLR	B	27.16	38.26	(29)	-	(29)	19	(19)	0.60
Range Resources	RRC		33.20	56.00	(41)	0	(41)	25	(28)	0.78
Whiting Petroleum Corporation	WLL	B	14.91	34.09	(56)	-	(56)	26	(32)	0.53
	<i>Median</i>				(41)		(41)		(19)	0.74
Income										
Sabine Royalty Trust	SBR		28.94	36.68	(21)	5	(16)	-	(15)	0.53
Cross Timbers Royalty Trust	CRT	B	13.93	18.07	(23)	5	(18)	-	(18)	0.45
San Juan Basin Royalty Trust	SJT		10.32	13.97	(26)	1	(25)	-	(24)	0.69
Permian Basin RT	PBT		6.11	9.12	(33)	2	(31)	-	(30)	0.51
Dorchester Minerals, L.P.	DMLP	B	13.10	25.16	(48)	4	(44)	-	(44)	0.47
	<i>Median</i>				(26)		(25)		(24)	0.51
Canada										
Imperial Oil Limited (30%)	IMO		32.70	43.49	(25)	0	(24)	11	(20)	0.86
Birchcliff Energy Ltd.	BIREF	B	3.80	6.75	(44)	-	(44)	4	(29)	0.47
Canadian Oil Sands Limited	COSWF	B	4.36	9.20	(53)	1	(52)	6	(31)	0.47
Cenovus Energy Inc.	CVE		12.01	20.95	(43)	2	(41)	6	(32)	0.62
EnCana Corporation	ECA		5.83	13.94	(58)	1	(57)	11	(33)	0.69
	<i>Median</i>				(44)		(44)		(31)	0.62
	<i>Grand Median</i>				(35)		(33)		(24)	0.71
Natural Gas (\$/mmbtu)			2.67	3.19	(16)					
Oil - West Texas Intermediate (\$/bbl)			38.25	53.69	(29)					

Source: McDep LLC, Yahoo, CME Group, Bloomberg



Industry Idea

Analysis of Oil and Gas Stocks
August 25, 2015

Index of 2015 Research				
<u>Date</u>	<u>Series</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
11-Aug	MR			Bottom May Be Near
3-Aug			XOM, RDS, CVX, TOT	Global Energy Stalwarts
27-Jul		ECA	Encana Corporation	Depressed Stock Price
22-Jul			SBR, CRT, SJT, PBT	Use Volatility to Advantage
17-Jul		DMLP	Dorchester Minerals, L.P.	Top Line Distribution Support
14-Jul	MR			Lower Long-Term Oil to \$70 from \$90
7-Jul		PBT	Permian Basin Royalty Trust	Buy Underestimated Future Oil & Gas Production
22-Jun			DMLP, SBR, CRT, SJT, PBT	Understated Reserves, June Distributions Up
16-Jun	MR		RDS, MRO, EOG, CLR, DMLP	Oil and Gas Strengthen U.S. Security
28-May			DMLP, SBR, CRT, SJT, PBT	Distributions Rise on Roll Forward
12-May	MR	MRO	Marathon Oil	New Buy on Independent Shale Oil
30-Apr		SJT	San Juan Basin Royalty Trust	New Buy on Depressed Natural Gas
29-Apr		CVE	Cenovus Energy	New Buy on Operating Leverage
28-Apr		TOT	Total	Operating Strength Reinforces New Buy
14-Apr	MR	RDS	Royal Dutch Shell plc	Shell to Acquire BG - Catalyst for Confidence
1-Apr				Recommitting to Oil and Gas Stocks
10-Mar	MR		DMLP, SBR, CRT, SJT	RTF Income Tracks Oil Price
9-Mar		XOM	Exxon Mobil	Safe at Any Likely Oil Price
27-Feb		EOG	EOG Resources	Top Value Creator
10-Feb	MR		CRT, CRC, COP, CVX	Oil Price Cycle Advances
30-Jan		COSWF	Canadian Oil Sands Ltd.	Syncrude Lowers Breakeven to \$US32 a Barrel
13-Jan	MR		SBR, XEC, COSWF, DVN, XOM	Oil and Gas Stocks on Sale
MR = Meter Reader (published monthly on second or third Tuesday)				
For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.				

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