

Large Cap Independent Producers Potential to Prosper

	Symbol/Rating	Price	Market Cap	Enterprise Value	EV/ Market Cap	EV/ Ebitda NTM	EV/ Ebitda NTM	Oil Prod'n/ PV	Dist. Yield NTM	McDep Ratio (EV/PV)
		(US\$/sh) 18-Jul 2017								
Pioneer Natural Resources	PXD	161.50	27,500	29,100	1.06	12.5	11.6	87	0.0	1.07
EOG Resources, Inc.	EOG	91.70	53,100	60,300	1.14	12.9	12.1	86	0.7	1.07
Occidental Petroleum Corp.	OXY	60.24	46,100	59,300	1.29	9.9	11.8	81	5.1	0.84
Devon Energy Corporation	DVN	31.36	16,600	24,600	1.48	11.9	15.4	62	0.8	0.77
Marathon Oil Corporation	MRO B	11.68	9,920	17,000	1.72	9.6	13.1	79	1.7	0.73
ConocoPhillips	COP B	43.07	54,000	78,000	1.45	8.6	12.0	70	2.5	0.71
<i>Total or Median</i>			207,200	268,000	1.37	10.9	12.1	80	1.2	0.81

Summary and Recommendation

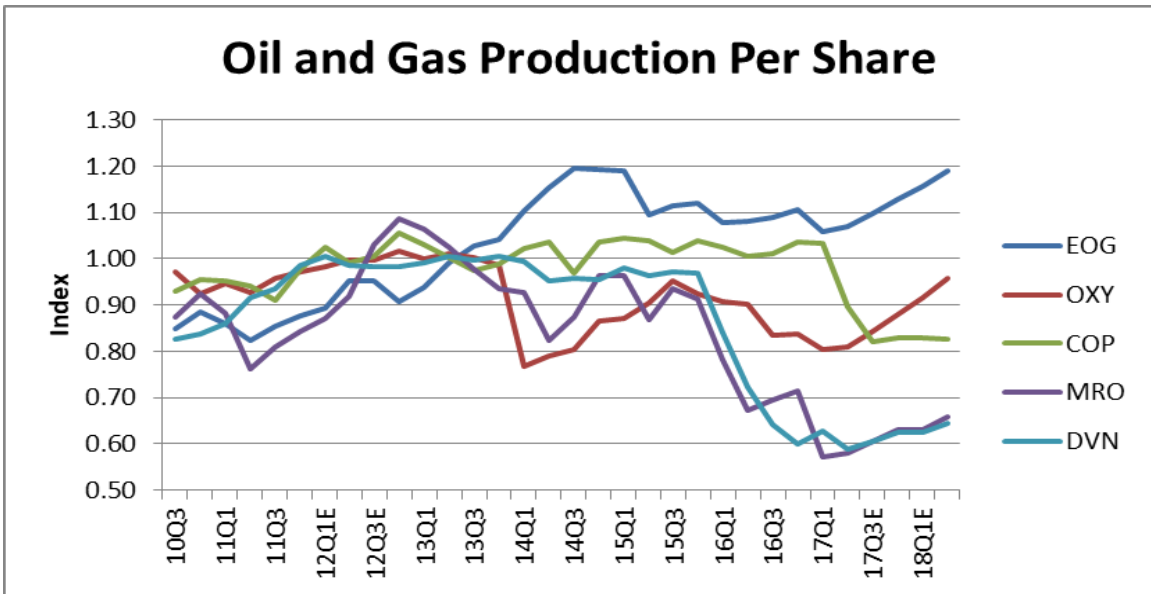
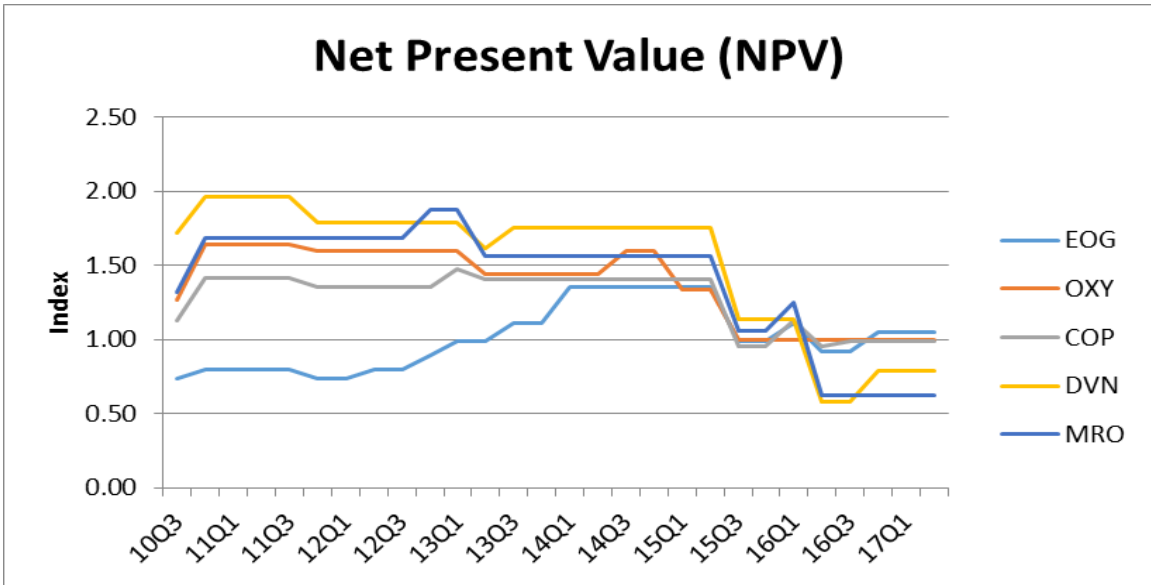
Large Cap Independent Producers have the financial and operating strength to withstand low oil price and the resource potential to prosper at higher price. Buy recommendations **ConocoPhillips (COP)** and **Marathon Oil (MRO)** offer the best readily identifiable unlevered value at the lowest McDep Ratios, we estimate. **EOG Resources (EOG)** may increase value more than anticipated as it demonstrated in 2012-2013 (see chart [NPV](#) on page 2). **Pioneer Natural Resources** enjoys a legacy position in the Midland Basin that has become exceptionally valuable as a result of the fracking breakthrough. **Occidental Petroleum (OXY)** offers a 5% dividend yield and, along with **Devon Energy (DVN)**, mid-point McDep value. Current or planned drilling points to rising volume (see chart [Production](#) on page 2). Those plans depend on future oil price for which a wide range is forecast (see chart [Crude Oil Price](#) on page 3). Despite oil price near the low end of the expected range, cash flow margins remain mostly above 50% (see chart [Margin](#) on page 3). The ability to increase oil and gas production at moderate price is a competitive advantage not only for efficient producers, but for the whole U.S. economy. Meanwhile, valuation measures relate each stock to 24 others in McDep coverage (see [Tables 1 - 4](#) on pages 4 - 7). We believe that oil and gas investments can contribute positively to the long-term performance of a diversified investment portfolio.

Kurt H. Wulff, CFA

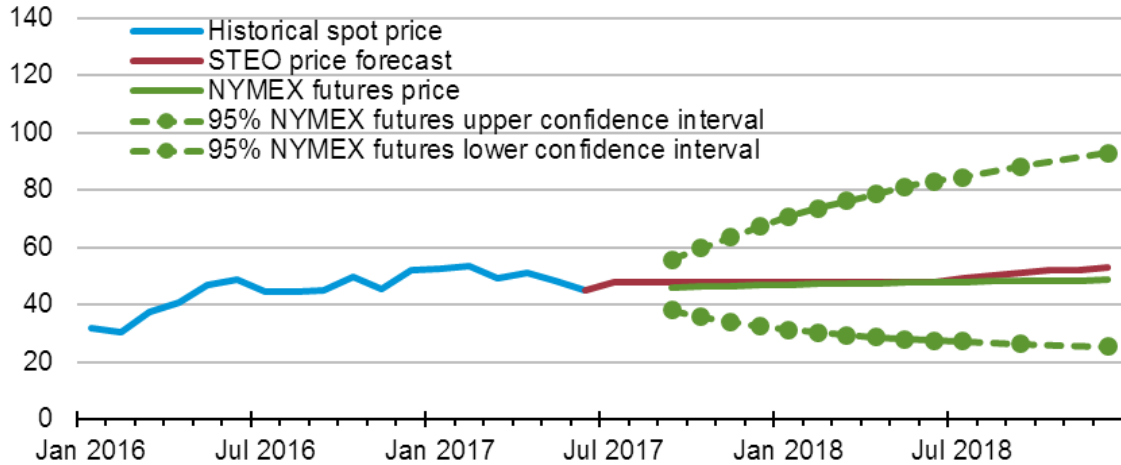


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Analysis of Oil and Gas Stocks
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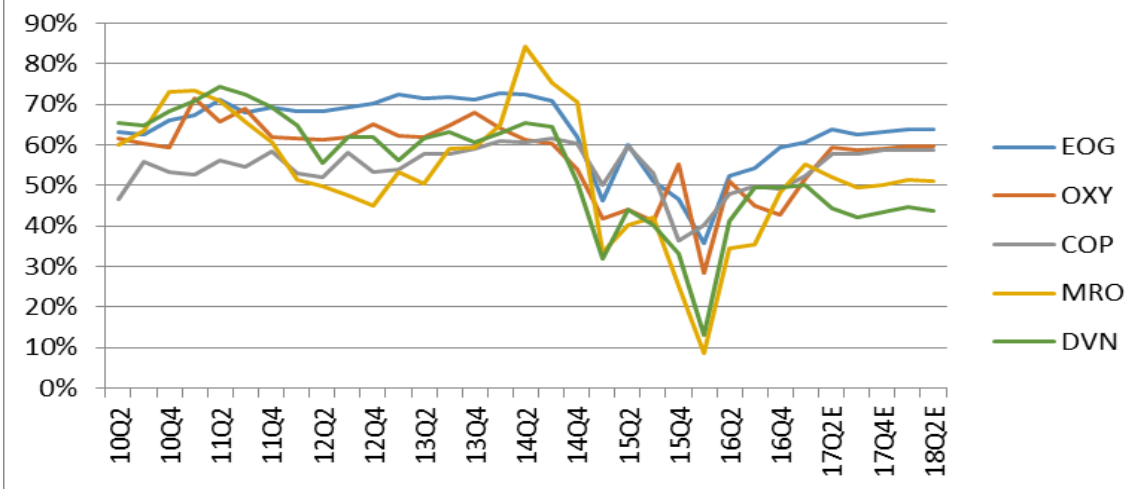
West Texas Intermediate (WTI) crude oil price dollars per barrel



Note: Confidence interval derived from options market information for the 5 trading days ending Jul 6, 2017. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: Short-Term Energy Outlook, July 2017.

Cash Flow (Ebitda) Margin





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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/ PV (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)
	Symbol/Rating		18-Jul 2017								
Global Integrated											
	XOM		80.60	340,000	434,000	1.27	10.1	12.0	49	3.8	0.84
	CVX		103.72	197,000	265,000	1.35	9.2	11.3	60	4.2	0.82
	RDS-A	B	53.98	222,000	353,000	1.59	7.4	9.6	51	7.0	0.77
	TOT	B	49.68	122,000	178,000	1.46	6.2	9.6	53	5.7	0.64
	<i>Total or Median</i>			881,000	1,230,000	1.40	8.3	10.4	52	4.9	0.79
Large Independent											
	PXD		161.50	27,500	29,100	1.06	12.5	11.6	87	0.0	1.07
	EOG		91.70	53,100	60,300	1.14	12.9	12.1	86	0.7	1.07
	OXY		60.24	46,100	59,300	1.29	9.9	11.8	81	5.1	0.84
	DVN		31.36	16,600	24,600	1.48	11.9	15.4	62	0.8	0.77
	MRO	B	11.68	9,920	17,000	1.72	9.6	13.1	79	1.7	0.73
	COP	B	43.07	54,000	78,000	1.45	8.6	12.0	70	2.5	0.71
	<i>Total or Median</i>			207,200	268,000	1.37	10.9	12.1	80	1.2	0.81
Small Independent											
	XEC		93.89	8,900	10,300	1.15	9.7	12.1	63	0.3	0.81
	CRC		7.60	300	6,300	19.8	13.2	17.0	89	-	0.78
	CLR	B	32.71	3,900	6,000	1.54	9.5	13.9	74	-	0.68
	RRC	B	22.14	5,400	9,800	1.80	9.4	17.4	31	0.4	0.54
	WLL		5.13	1,900	5,400	2.89	6.4	11.9	92	-	0.53
	<i>Total or Median</i>			20,000	38,000	1.80	9.5	13.9	74	-	0.68
Income											
	PBT		9.24	430	430	1.00	12.8	15.2	78	7.5	0.84
	SJT		6.52	300	300	1.00	11.9	14.7	-	8.3	0.82
	SBR		39.00	570	570	1.00	19.0	29.2	59	5.3	0.65
	DMLP	B	15.05	490	490	1.00	12.8	20.4	72	7.6	0.63
	CRT	B	15.35	90	90	1.00	11.0	20.8	28	6.9	0.53
	<i>Total or Median</i>			1,900	1,900	1.00	12.8	20.4	59	7.5	0.65
Canada											
	ECA		9.50	9,200	15,700	1.70	9.6	11.1	56	0.6	0.86
	IMO		29.23	7,500	9,400	1.27	8.6	10.7	67	1.6	0.81
	SU	B	29.91	49,800	67,300	1.35	9.5	12.8	84	3.4	0.74
	BIREF	B	4.83	1,400	2,000	1.47	8.5	14.8	37	1.6	0.58
	CVE		7.48	9,100	22,200	2.43	9.2	16.5	84	2.1	0.56
	<i>Total or Median</i>			77,000	117,000	1.47	9.2	12.8	67	1.6	0.74

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 6/30/18.

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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Table 2												
McDep Energy Stocks												
Production Operating Leverage												
Ranked by McDep Ratio												
			<i>Price</i>		<i>Oil</i>	<i>Operating</i>						
			<i>(US\$/sh)</i>		<i>Equiv.</i>	<i>Expense</i>						
	<i>Symbol/Rating</i>		<i>18-Jul</i>	<i>Volume</i>	<i>Price</i>	<i>Fixed</i>	<i>Var.</i>	<i>NTM</i>	<i>NTM</i>	<i>Oper Lev</i>		
	<i>B = Buy</i>		<i>2017</i>	<i>(mmboe)</i>	<i>(\$/boe)</i>	<i>(\$/boe)</i>	<i>(%)</i>	<i>(\$/boe)</i>	<i>(\$mm)</i>	<i>Ebitda chg/</i>	<i>McDep</i>	
										<i>Price chg</i>	<i>Ratio</i>	
Global Integrated (excl. Downstream)												
	XOM		80.60	1,489	36.94	7	35	17.00	25,321	1.41	0.84	
	CVX		103.72	861	35.91	8	22	20.00	17,217	1.40	0.82	
	RDS-A	B	53.98	1,325	34.12	2	26	23.10	30,599	1.09	0.77	
	TOT	B	49.68	933	35.52	0	42	20.50	19,128	1.00	0.64	
	<i>Total or Median</i>										<i>1.24</i>	<i>0.79</i>
Large Independent												
	PXD		161.50	114	33.38	9	12	20.50	2,331	1.44	1.07	
	EOG		91.70	222	32.76	10	5	21.00	4,671	1.48	1.07	
	OXY		60.24	297	33.82	8	17	20.10	5,977	1.40	0.84	
	DVN		31.36	167	23.74	9	10	12.40	2,067	1.73	0.77	
	MRO	B	11.68	135	25.97	13	0	13.10	1,772	1.99	0.73	
	COP	B	43.07	464	33.29	6	23	19.50	9,046	1.31	0.71	
	<i>Total or Median</i>										<i>1.46</i>	<i>0.81</i>
Small Independent												
	XEC		93.89	70	25.09	6	16	15.10	1,058	1.40	0.81	
	CRC		7.60	44	37.36	15	31	10.90	479	2.38	0.78	
	CLR	B	32.71	28	29.70	3	14	22.40	630	1.13	0.68	
	RRC	B	22.14	137	16.64	8	6	7.60	1,041	2.05	0.54	
	WLL		5.13	50	31.18	9	17	17.00	846	1.53	0.53	
	<i>Total or Median</i>										<i>1.53</i>	<i>0.68</i>
Income												
	PBT		9.24	1	33.20	10	2	22.52	34	1.44	0.84	
	SJT		6.52	3	16.37	5	18	8.41	25	1.59	0.82	
	SBR		39.00	1	26.94	2	11	21.90	30	1.09	0.65	
	DMLP	B	15.05	2	29.84	7	11	19.63	38	1.36	0.63	
	CRT	B	15.35	0	33.38	8	10	22.17	8	1.36	0.53	
	<i>Total or Median</i>										<i>1.36</i>	<i>0.65</i>
Canada (excl. Downstream)												
	ECA		9.50	120	26.60	11	8	13.60	1,639	1.81	0.86	
	IMO		29.23	79	32.93	14	15	13.90	1,093	2.01	0.81	
	SU	B	29.91	369	43.03	18	13	19.30	7,120	1.93	0.74	
	BIREF	B	4.83	23	17.58	1	36	10.30	236	1.10	0.58	
	CVE		7.48	221	23.66	11	7	10.91	2,409	2.01	0.56	
	<i>Total or Median</i>										<i>1.93</i>	<i>0.74</i>
For historical research see www.mcdep.com												



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Table 3											
McDep Energy Stocks											
Net Present Value Per Share											
Ranked by Reserve Life (Adjustd Resrvs/Prod NTM)											
			Price (US\$/sh)					Down- stream/ PV	Proven Undev. Resrvs/ Prod	Adjustd Resrvs/ Prod NTM	Net Present Value (US\$/sh)
	Symbol/Rating		18-Jul 2017	Shares (mm)	Debt (\$mm)	Dividend NTM (\$/sh)	P/E NTM				
	B = Buy							(%)	(%)		
Global Integrated											
Exxon Mobil Corporation	XOM		80.60	4,223	93,323	3.08	23	27	31	11.3	100.00
Total S.A.	TOT	B	49.68	2,457	55,616	2.84	11	23	42	9.2	90.00
Chevron Corporation	CVX		103.72	1,895	68,305	4.32	28	19	32	9.2	135.00
Royal Dutch Shell	RDS-A	B	53.98	4,112	131,054	3.76	22	24	25	8.6	80.00
	<i>Median</i>									9.2	
Large Independent											
ConocoPhillips	COP	B	43.07	1,249	24,000	1.06		-	20	9.8	68.00
Devon Energy Corporation	DVN		31.36	528	8,002	0.24	68	9	20	9.0	45.00
Occidental Petroleum Corp.	OXY		60.24	765	13,200	3.08	49	13	23	9.0	75.00
Marathon Oil Corporation	MRO	B	11.68	849	7,100	0.20		-	39	8.4	19.00
EOG Resources, Inc.	EOG		91.70	579	7,202	0.67		-	30	7.2	85.00
Pioneer Natural Resources	PXD		161.50	170	1,600	0.08	66	-	7	6.1	150.00
	<i>Median</i>									8.7	
Small Independent											
Range Resources	RRC	B	22.14	245	4,345	0.08	46	-	44	11.4	56.00
Continental Resources (32%)	CLR	B	32.71	119	2,095	-		-	59	11.4	56.00
California Resources	CRC		7.60	43	6,000	-		-	29	11.1	50.00
Whiting Petroleum Corporation	WLL		5.13	363	3,517	-		-	53	9.1	18.00
Cimarex Energy Company	XEC		93.89	95	1,362	0.32	26	-	21	6.2	120.00
	<i>Median</i>									11.1	
Income											
Sabine Royalty Trust	SBR		39.00	15	-	2.05	19	-	4	12.3	60.00
San Juan Basin Royalty Trust	SJT		6.52	47	-	0.54	12	-	-	10.2	8.00
Permian Basin RT	PBT		9.24	47	-	0.69	13	-	13	9.4	11.00
Cross Timbers Royalty Trust	CRT	B	15.35	6	-	1.06	14	-	-	8.6	29.00
Dorchester Minerals, L.P.	DMLP	B	15.05	32	-	1.15	17	-	-	7.2	24.00
	<i>Median</i>									9.4	
Canada											
Suncor Energy	SU	B	29.91	1,665	17,534	1.01	32	16	44	15.1	44.00
Cenovus Energy Inc.	CVE		7.48	1,217	13,053	0.16		4	55	12.9	22.00
Birchcliff Energy Ltd.	BIREF	B	4.83	284	642	0.08	62	-	69	12.5	10.00
Imperial Oil Limited (30%)	IMO		29.23	255	1,978	0.47	14	32	23	9.8	38.00
EnCana Corporation	ECA		9.50	973	6,461	0.06		-	43	5.1	12.00
	<i>Median</i>									12.5	
P/E = Stock Price to Earnings. For historical research see www.mcdep.com .											

Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2017										
Ranked by Unlevered Total Return										
			Price	Price			Equity	Unlevered		
			(\$/sh)	(\$/sh)	Price	Cash	Total	Debt	Return	McDep
	Symbol/Rati		18-Jul	30-Dec	Change	Distrib.	Return	(\$/sh)	(%)	Ratio
			2017	2016	(%)	(%)	(%)			
Global Integrated										
	Royal Dutch Shell	RDS-A B	53.98	54.38	(1)	3	3	32	2	0.77
	Total S.A.	TOT B	49.68	50.97	(3)	3	(0)	23	(0)	0.64
	Exxon Mobil Corporation	XOM	80.60	90.26	(11)	2	(9)	22	(7)	0.84
	Chevron Corporation	CVX	103.72	117.70	(12)	2	(10)	36	(8)	0.82
	<i>Median</i>				(7)		(5)		(4)	0.79
Large Independent										
	EOG Resources, Inc.	EOG	91.70	101.10	(9)	0	(9)	12	(8)	1.07
	ConocoPhillips	COP B	43.07	50.14	(14)	1	(13)	19	(9)	0.71
	Pioneer Natural Resources	PXD	161.50	180.00	(10)	0	(10)	9	(10)	1.07
	Occidental Petroleum Corp.	OXY	60.24	71.23	(15)	2	(13)	17	(11)	0.84
	Marathon Oil Corporation	MRO B	11.68	17.31	(33)	1	(32)	8	(22)	0.73
	Devon Energy Corporation	DVN	31.36	45.67	(31)	0	(31)	15	(23)	0.77
	<i>Median</i>				(15)		(13)		(10)	0.81
Small Independent										
	California Resources	CRC	7.60	21.29	(64)	-	(64)	141	(8)	0.78
	Range Resources	RRC B	22.14	34.36	(36)	0	(35)	18	(23)	0.54
	Continental Resources (32%)	CLR B	32.71	51.54	(37)	-	(37)	18	(27)	0.68
	Cimarex Energy Company	XEC	93.89	135.90	(31)	0	(31)	14	(28)	0.81
	Whiting Petroleum Corporation	WLL	5.13	12.02	(57)	-	(57)	10	(32)	0.53
	<i>Median</i>				(37)		(37)		(27)	0.68
Income										
	Permian Basin RT	PBT	9.24	7.71	20	5	25	-	25	0.84
	Sabine Royalty Trust	SBR	39.00	35.15	11	3	14	-	14	0.65
	San Juan Basin Royalty Trust	SJT	6.52	6.62	(2)	5	3	-	3	0.82
	Dorchester Minerals, L.P.	DMLP B	15.05	17.55	(14)	3	(11)	-	(11)	0.63
	Cross Timbers Royalty Trust	CRT B	15.35	17.97	(15)	3	(12)	-	(12)	0.53
	<i>Median</i>				(2)		3		3	0.65
Canada										
	Suncor Energy	SU B	29.91	32.69	(9)	1	(7)	11	(5)	0.74
	EnCana Corporation	ECA	9.50	11.74	(19)	0	(19)	7	(12)	0.86
	Imperial Oil Limited (30%)	IMO	29.23	34.76	(16)	1	(15)	8	(13)	0.81
	Birchcliff Energy Ltd.	BIREF B	4.83	7.01	(31)	1	(31)	2	(23)	0.58
	Cenovus Energy Inc.	CVE	7.48	15.13	(51)	1	(50)	11	(29)	0.56
	<i>Median</i>				(19)		(19)		(13)	0.74
	<i>Grand Median</i>				(15)		(13)		(11)	0.77
	Natural Gas (\$/mmbtu)		3.09	3.74	(17)					
	Oil -West Texas Intermediate (\$/bbl)		46.25	53.72	(14)					
	Total Stock Market - U.S.	VTI	126.31	115.32	10					
	Developed Markets - ex US	VEA	42.08	36.54	15					
	Emerging Markets	VWO	42.37	35.78	18					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see www.mcdep.com



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Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the more than forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value.