

EOG Resources (EOG) Raise NPV to \$160 from \$145 on Shale Oil

<i>Symbol</i>	EOG	<i>Ebitda Next Twelve Months ending 3/31/14 (US\$m)</i>	7,000
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	11
<i>Price (\$/sh)</i>	121.79	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/4/13	<i>Adjusted Reserves/Production NTM</i>	7.8
<i>Shares (mm)</i>	269	<i>EV/Ebitda</i>	5.6
<i>Market Capitalization (\$mm)</i>	32,800	<i>PV/Ebitda</i>	7.1
<i>Debt (\$mm)</i>	6,500	<i>Undeveloped Reserves (%)</i>	48
<i>Enterprise Value (EV) (\$mm)</i>	39,300	<i>Natural Gas and Oil Ebitda (\$/mcf)</i>	6.60
<i>Present Value (PV) (\$mm)</i>	49,600	<i>Present Value Proven Reserves(\$/boe)</i>	27.40
<i>Net Present Value (\$/share)</i>	160	<i>Present Value Proven Reserves(\$/mcf)</i>	4.60
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.24
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	17
<i>Dividend Yield (%/year)</i>	0.6	<i>Indicated Annual Dividend (US\$/sh)</i>	0.75
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\$100 a barrel and natural gas, \$6 a million btu.			
For historical research on EOG since 2006 see http://www.mcdep.com/3eog.htm			

Summary and Recommendation

Hold-rated **EOG Resources (EOG)** creates more value in shale oil as we raise Net Present Value (NPV) for the third time in a year. The latest increase to \$160 a share slipped unannounced into the February 26 *Meter Reader* as our regular weekly tables automatically read the updated model we prepared after the earnings call on February 14 (see table Present Value on page 2). Helping to spark our latest upward revision, oil reserves increased 37% in 2012 to more than a billion barrels (see Natural Gas and Oil Reserves on page 2). Projected oil volume growth of 23% in 2013 ratifies higher estimated value (see table Operating and Financial Estimates on page 3). As the top horizontal oil producer, EOG rides the crest of the U.S. oil production surge (see slide U.S. Horizontal Crude Oil on page 4). EOG's net volume is some 17% of Eagle Ford output and 9% of Bakken. Chairman Mark Papa believes the company has potential recoverable reserves of 2.2 billion barrels equivalent (bboe) in the Eagle Ford with perhaps 0.4 booked as proven. He sees 5500 wells on 40-65 acre spacing averaging 400,000 barrels a well on 8% recovery of 26 bboe in place on EOG acreage (see slide South Texas Eagle Ford Operations Update on page 4). Great oil fields often yield 30, 50 and 70% of oil in place over the decades. Finally, at a McDep Ratio of 0.79, EOG stock offers attractive value along with peer companies without taking full account of Eagle Ford upside (see Tables 1 and 2 on pages 5 and 6). Unlevered cash flow multiple (EV/Ebitda) at 5.6 seems modest and stock price is in an uptrend on a 200-day average basis (see Tables 3 and 4 on pages 7 and 8).

Kurt H. Wulff, CFA



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A Weekly Analysis of Large Cap Oil and Gas Stocks

March 5, 2013

EOG Resources Inc.					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
North American Natural Gas	770	9.6	13.0	10,000	20%
Rest of World Natural Gas	320	5.0	5.0	1,600	3%
Oil	5,910	7.2	6.4	37,900	77%
	7,000	7.8	7.1	49,500	100%
Debt (US\$mm)					6,500
Net Present Value (US\$mm)					43,000
Shares (mm)					269
Net Present Value - Standard Estimate (US\$/sh)					160
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					167

EOG Resources Inc.					
Natural Gas and Oil Reserves					
	<i>Natural Gas</i>	<i>Oil</i>	<i>Total</i>		
	<i>(bcf)</i>	<i>(mmb)</i>	<i>(bcf)</i>	<i>(mmb)</i>	
<i>Reserves (bcf or mmb)</i>					
Proven (P)	4740	1021	10866	1811	100
Proven Developed (PD)	2980	453	5698	950	52
Proven Undeveloped (PUD)	1760	568	5168	861	48
<i>Production Next Twelve Months</i>	454	102	1068	178	
<i>Reserve Life Index (years)</i>					
R/P P	10.4	10.0	10.2	10.2	
R/P PD	6.6	4.4	5.3	5.3	
R/P PUD	3.9	5.6	4.8	4.8	
R/P PD+.5PUD	8.5	7.2	7.8	7.8	



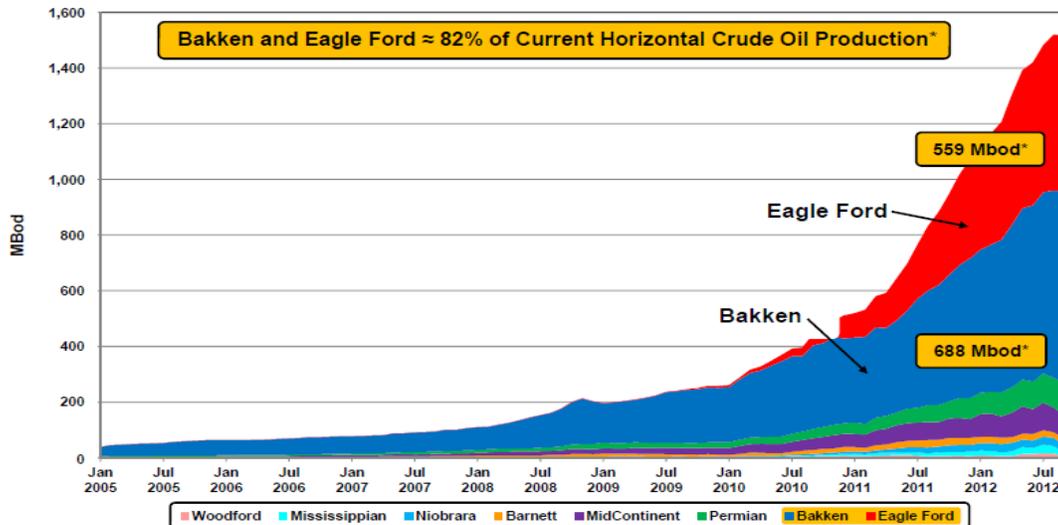
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EOG Resources Inc.										
Next Twelve Months Operating and Financial Estimates										
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Q1E	Next Twelve Months
	12/31/11	9/30/12	12/31/12	2012	3/31/13	6/30/13	9/30/13	12/31/13	3/31/14	3/31/14
Volume										
Natural Gas (mmcf)										
U.S.	1,085	1,022	981	1,034	947	914	882	851	821	867
Canada	124	94	84	95	81	78	75	73	70	74
Overseas	324	396	343	385	331	319	308	297	287	303
Total	1,533	1,512	1,408	1,518	1,359	1,311	1,265	1,221	1,178	1,244
Days	92	92	92	366	90	91	92	92	90	365
Oil (mb)	17	21	20	78	21	23	25	27	28	102
Oil (mbd)	186	228	221	214	236	252	270	289	309	280
Total gas & oil (bcf)	244	265	251	1,023	250	257	266	272	273	1,068
Total gas & oil (mmcf)	2,649	2,882	2,731	2,800	2,774	2,826	2,886	2,955	3,034	2,925
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	3.55	2.80	3.40	2.79	3.34	3.57	3.69	3.86	4.10	3.81
U.S.	3.27	2.61	2.93	2.51	2.87	3.08	3.18	3.33	3.53	3.27
Canada	3.14	2.39	2.98	2.49	2.87	3.08	3.18	3.33	3.53	3.27
Overseas	3.93	4.42	4.15	3.78	4.15	4.15	4.15	4.15	4.15	4.15
Total	3.40	3.07	3.23	2.83	3.18	3.34	3.42	3.53	3.68	3.48
Oil (\$/bbl)										
WTI Cushing	94.06	92.22	88.18	94.16	93.47	90.57	91.41	91.11	90.32	90.85
Worldwide	83.70	80.07	81.62	81.49	86.52	83.83	84.61	84.33	83.60	84.09
Total gas & oil (\$/mcf)	7.84	7.95	8.26	7.76	8.92	9.04	9.42	9.71	9.95	9.54
Revenue (\$mm)										
Natural Gas										
U.S.	326	245	264	951	245	256	258	260	261	1,035
Canada	36	21	23	86	21	22	22	22	22	89
Overseas	117	161	131	532	124	121	118	114	107	459
Total	480	427	418	1,570	389	398	398	396	390	1,582
Oil	1,432	1,682	1,656	6,376	1,837	1,926	2,103	2,242	2,327	8,598
Total	1,912	2,109	2,074	7,946	2,226	2,324	2,500	2,639	2,717	10,180
Expense	589	647	617	2,454	688	719	773	816	840	3,148
Ebitda (\$mm)	1,323	1,462	1,457	5,492	1,538	1,606	1,727	1,823	1,877	7,032
Exploration	37	48	51	277	50	50	50	50	50	200
Deprec., Deplet., & Amort.	694	826	786	3,170	786	786	786	786	786	3,144
Hedging and other	57	(186)	(105)	(523)	(13)	26	96	151	182	455
Ebit	535	774	725	2,568	715	743	795	836	859	3,233
Interest	57	53	59	213	59	59	59	59	59	236
Ebt	478	721	666	2,355	656	684	736	777	800	2,997
Income Tax	167	252	233	824	229	240	258	272	280	1,049
Net Income (\$mm)	311	469	433	1,531	426	445	479	505	520	1,948
Shares (millions)	270	271	269	270	269	269	269	269	269	269
Per Share (\$)	1.15	1.73	1.61	5.67	1.58	1.65	1.78	1.88	1.93	7.24
Ebitda Margin	69%	69%	70%	69%	69%	69%	69%	69%	69%	69%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

U.S. Horizontal Crude Oil Growth* 2005 - 2012



* Source: IHS Data through September 2012. OK production after July 2012 is not fully reported. Select Onshore Lower 48 formations with growing crude oil production.

EOG Resources South Texas Eagle Ford Operations Update

Second Round of Reserve Increase

- 1.6 BnBoe to 2.2 BnBoe Potential*, Net to EOG
- Estimated 8% Recovery of Estimated 26.4 BnBoe in Place, Net to EOG
- 4,900 Drilling Locations Yet to Complete
 - 40-Acre Spacing in East
 - 65-Acre Spacing in West
- Estimated 400 MBoe Reserves Per Well, NAR

2013 Operations

- **Current Well Economics – 100% Direct ATROR****
- Plan to Drill ≈ 400 Net Wells with ≈ 26 Rigs
- Continue to Decrease Number of Drilling Days, Currently ≈ 13
- Using EOG Self-Sourced Sand to Decrease Well Costs and Increase Efficiencies
- \$6 MM CWC Target for 5,500' Average Lateral Length Well

* Estimated potential, not proved reserves.
** See reconciliation schedule.



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Table 2								
McDep Large Cap Energy Stocks								
Net Present Value and McDep Ratio								
			Price (US\$/sh)	Shares	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
	Symbol/Rating		4-Mar 2013	(mm)				
	B = Buy, CB (see below)							
Global Integrated								
Exxon Mobil Corporation	XOM	B	88.95	4,541	404,000	110.00	0.13	0.83
Chevron Corporation	CVX	H	117.49	1,953	230,000	170.00	0.08	0.72
PetroChina Company Ltd (14%)	PTR	H	133.61	256	34,200	210.00	0.21	0.71
Royal Dutch Shell plc	RDS-A	H	65.82	3,145	207,000	102.00	0.16	0.70
Total S.A.	TOT	H	50.03	2,270	114,000	90.00	0.17	0.63
Petrobras	PBR	H	14.45	6,522	94,200	35.00	0.29	0.58
Gazprom (50%)	OGZPY	H	8.63	5,735	49,500	23.00	0.14	0.46
Lukoil Oil Company	LUKOY	B	64.30	775	49,800	150.00	0.01	0.44
	<i>Total or Median</i>				<i>1,183,000</i>		<i>0.15</i>	<i>0.67</i>
U.S. Independent								
EOG Resources, Inc.	EOG	H	121.79	269	32,800	160.00	0.13	0.79
Occidental Petroleum Corp.	OXY	H	81.64	808	66,000	120.00	0.09	0.71
ConocoPhillips	COP	H	57.62	1,216	70,000	105.00	0.22	0.65
Marathon Oil Corporation	MRO	B	32.37	711	23,020	60.00	0.19	0.63
Devon Energy Corporation	DVN	CB	53.53	405	21,700	102.00	0.19	0.62
	<i>Total or Median</i>				<i>213,500</i>		<i>0.19</i>	<i>0.65</i>
Canada/Norway/Australia								
Woodside Petroleum Ltd.	WOPEY	H	37.49	820	30,700	45.00	0.13	0.85
Imperial Oil Limited (30%)	IMO	CB	41.94	255	10,700	62.00	0.11	0.71
Cenovus Energy Inc.	CVE	H	30.99	758	23,500	48.00	0.17	0.71
EnCana Corporation	ECA	H	17.54	736	12,900	30.00	0.28	0.70
Statoil ASA (33%)	STO	H	24.73	1,049	26,000	44.00	0.22	0.66
Suncor Energy	SU	CB	29.83	1,529	45,600	64.00	0.13	0.53
Canadian Oil Sands Limited	COSWF	H	20.18	485	9,800	45.00	0.10	0.50
	<i>Total or Median</i>				<i>159,000</i>		<i>0.13</i>	<i>0.70</i>
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold								
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$6 a million btu.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								



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Table 3									
McDep Large Cap Energy Stocks									
Value Multiples and Dividend Yield									
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Dividend NTM	
	Symbol/Rating		4-Mar 2013	NTM	NTM	NTM	NTM	(%)	
B = Buy, CB (see below)									
Global Integrated									
	Exxon Mobil Corporation	XOM	B	88.95	13.1	8.1	6.7	12	2.6
	PetroChina Company Ltd (14%)	PTR	H	133.61	12.7	7.8	5.5	11	3.8
	Chevron Corporation	CVX	H	117.49	9.0	7.1	5.1	10	3.1
	Petrobras	PBR	H	14.45	12.9	8.3	4.8	5	3.3
	Total S.A.	TOT	H	50.03	10.4	7.5	4.7	9	6.1
	Royal Dutch Shell plc	RDS-A	H	65.82	9.9	6.7	4.7	8	5.2
	Lukoil Oil Company	LUKOY	B	64.30	16.4	6.4	2.8	5	3.8
	Gazprom (50%)	OGZPY	H	8.63	31.2	4.6	2.1	3	6.8
	<i>Median</i>				12.8	7.3	4.8	9	3.8
U.S. Independent									
	Devon Energy Corporation	DVN	CB	53.53	10.4	10.3	6.3	15	1.5
	EOG Resources, Inc.	EOG	H	121.79	7.8	7.1	5.6	17	0.6
	ConocoPhillips	COP	H	57.62	12.7	8.5	5.5	10	4.6
	Occidental Petroleum Corp.	OXY	H	81.64	9.8	7.4	5.3	11	2.6
	Marathon Oil Corporation	MRO	B	32.37	8.9	7.5	4.7	9	2.1
	<i>Median</i>				9.8	7.5	5.5	11	2.1
Canada/Norway/Australia									
	Imperial Oil Limited (30%)	IMO	CB	41.94	19.1	11.6	8.3	11	1.1
	EnCana Corporation	ECA	H	17.54	8.4	11.4	8.0		4.6
	Woodside Petroleum Ltd.	WOPEY	H	37.49	9.5	9.0	7.7	16	3.5
	Cenovus Energy Inc.	CVE	H	30.99	13.7	10.1	7.1	7	3.0
	Canadian Oil Sands Limited	COSWF	H	20.18	21.8	13.0	6.5	11	6.8
	Suncor Energy	SU	CB	29.83	15.8	9.6	5.1	10	1.7
	Statoil ASA (33%)	STO	H	24.73	6.3	6.1	4.0	7	4.7
	<i>Median</i>				13.7	10.1	7.1	10	3.5
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold									
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2014; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses									



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Table 4										
McDep Large Cap Energy Stocks										
Total Return and Enterprise Value Momentum										
				Equity						
			Price	Total						
			(\$/sh)	Return	Enterprise Value/					
	Symbol		4-Mar	YTD	52Wk	52Wk	50 Day	200 Day	McDep	
	Rating		2013	(%)	High	Low	Avg.	Avg.	Ratio	
Global Integrated										
	Chevron Corporation	CVX	H	117.49	10	0.99	1.20	1.03	1.06	0.72
	Lukoil Oil Company	LUKOY	B	64.30	(5)	0.95	1.27	0.97	1.06	0.44
	Total S.A.	TOT	H	50.03	(4)	0.91	1.14	0.97	1.02	0.63
	Exxon Mobil Corporation	XOM	B	88.95	3	0.96	1.13	1.00	1.01	0.83
	PetroChina Company Ltd (14%)	PTR	H	133.61	(7)	0.91	1.10	0.96	1.01	0.71
	Royal Dutch Shell plc	RDS-A	H	65.82	(3)	0.91	1.06	0.97	0.97	0.70
	Gazprom (50%)	OGZPY	H	8.63	(12)	0.71	1.01	0.94	0.94	0.46
	Petrobras	PBR	H	14.45	(25)	0.64	1.00	0.89	0.84	0.58
	<i>Median</i>				(5)	0.91	1.11	0.97	1.01	0.67
U.S. Independent										
	EOG Resources, Inc.	EOG	H	121.79	1	0.90	1.37	0.97	1.08	0.79
	Marathon Oil Corporation	MRO	B	32.37	6	0.93	1.24	0.99	1.07	0.63
	ConocoPhillips	COP	H	57.62	1	0.95	1.09	0.99	1.01	0.65
	Occidental Petroleum Corp.	OXY	H	81.64	6	0.80	1.11	0.99	0.99	0.71
	Devon Energy Corporation	DVN	CB	53.53	3	0.77	1.04	0.98	0.95	0.62
	<i>Median</i>				3	0.90	1.11	0.99	1.01	0.65
Canada/Norway/Australia										
	Woodside Petroleum Ltd.	WOPEY	H	37.49	6	0.94	1.21	1.01	1.06	0.85
	Statoil ASA (33%)	STO	H	24.73	(1)	0.90	1.08	0.98	1.00	0.66
	Canadian Oil Sands Limited	COSWF	H	20.15	0	0.88	1.11	0.98	0.99	0.50
	Imperial Oil Limited (30%)	IMO	CB	41.94	(3)	0.86	1.08	0.97	0.96	0.71
	Suncor Energy	SU	CB	29.83	(9)	0.87	1.11	0.93	0.95	0.53
	Cenovus Energy Inc.	CVE	H	30.99	(7)	0.84	1.06	0.95	0.95	0.71
	EnCana Corporation	ECA	H	17.54	(11)	0.81	1.00	0.94	0.90	0.70
	<i>Median</i>				(3)	0.87	1.08	0.97	0.96	0.70

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold



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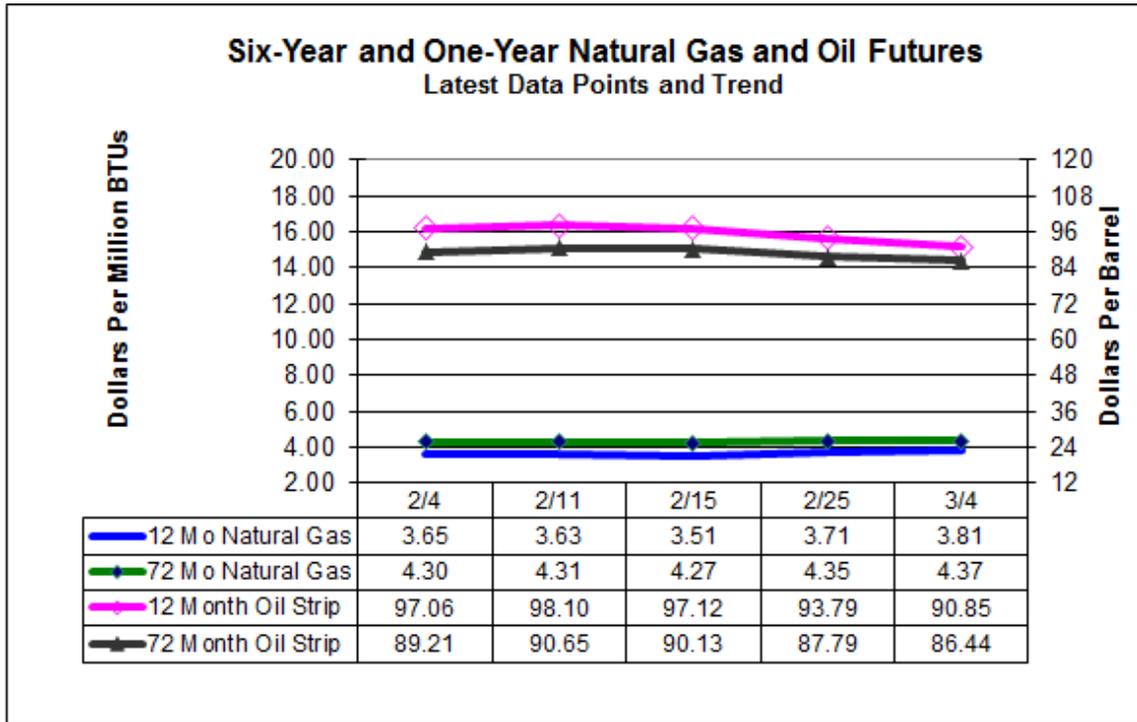
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Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
1-Mar	ERF	Enerplus Corporation	Back on Track, Discontinue Buy (Income and Small Cap Weekly)
26-Feb	SU	Suncor Energy	Keystone Decision Beneficiary (Meter Reader)
22-Feb	XEC	Cimarex Energy	Wolfcamp New Legacy Asset (Income and Small Cap Weekly)
19-Feb	ECA	Encana Corporation	Survived the Downside, Ready for the Upside (Meter Reader)
15-Feb	BIREF	Birchcliff Energy	Production Up 26% in 2012 (Income and Small Cap Weekly)
12-Feb	IMO	Imperial Oil	New Volume Imminent (Meter Reader)
8-Feb	WLL	Whiting Petroleum	Low McDep Ratio Shale Oil (Inc and Small Cap Wkly)
5-Feb	COP	ConocoPhillips	Raise NPV to \$105 from \$96 on Performance (Meter Reader)
1-Feb	SJT	San Juan Basin Royalty Trust	Horizontal Mancos Well Apparently Successful (ISCW)
25-Jan	CLR	Continental Resources	Bakken Reserves Exceed a Half-Billion Barrels (ISCW)
22-Jan	WOPEY	Woodside Petroleum, Ltd.	Politically-Secure, Clean Fuel Supplier (Meter Reader)
18-Jan	DMLP	Dorchester Minerals, L.P.	Distribution Swings Up (Income and Small Cap Weekly)
17-Jan	SJT	San Juan Basin Royalty Trust	7.7% Holder Disclosed
11-Jan	PDCE	PDC Energy	Mancos (Niobrara) Winner (Income and Small Cap Weekly)
8-Jan	DVN	Devon Energy	Quality North American Oil and Gas Supplier (Meter Reader)
28-Dec	FRHLF	Freehold Royalties Ltd.	Advantaged Ride on North American Oil Growth (ISCW)
18-Dec	STO	Statoil	Profitable Reinvestment (Meter Reader)
11-Dec	CVE	Cenovus	Canada Approves CNOOC and Petronas Deals (Meter Reader)
7-Dec	PBT	Permian Basin Royalty Trust	New Volume from Horizontal Fracking (ISCW)
27-Nov	XOM	Exxon Mobil	Making Money One Way or Another (Meter Reader)
20-Nov	MRO	Marathon Oil	Raise NPV to \$60 from \$54 on Volume (Meter Reader)
13-Nov	EOG	EOG Resources	Raise NPV to \$145 from \$130 on Eagle Ford Monster Wells (MR)
9-Nov	HK	Halcón Resources	Growing at Hawk Speed (Income and Small Cap Weekly)
6-Nov	HGT	Hugoton Royalty Trust	Interim Legal Ruling in Favor of Trust
2-Nov	RRC	Range Resources	Natural Gas Comeback Amplifies Volume Growth (ISCW)
30-Oct	COSWF	Canadian Oil Sands Limited	Discounted Pure Play on North American Oil with Income (MR)
23-Oct	PBR	Petrobras	Stock Price Recovering (Meter Reader)
16-Oct	RDS	Royal Dutch Shell	Clean Energy for Global Growth (Meter Reader)
2-Oct	CVX	Chevron	Top Performer Shows Further Promise (Meter Reader)
7-Sep	PEYUF	Peyto Exploration and Development	Canada Deep Basin Fracker (Income and Small Cap Weekly)
4-Sep	LUKOY	Lukoil	Proven Competitor, Uncommon Value (Meter Reader)
28-Aug	PTR	PetroChina	Pent-Up Profits (Meter Reader)
21-Aug	TOT	Total	Buy \$100 NPV for \$50 Stock Price (Meter Reader)
14-Aug	APC	Anadarko Petroleum	Raise NPV to \$100 as Growth Trumps Legal Issues (Meter Reader)
31-Jul	OXY	Occidental Petroleum	California Oil Growth Accelerates (Meter Reader)
For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.			
Meter Reader			
26-Feb	SU	Suncor Energy	Keystone Decision Beneficiary
19-Feb	ECA	Encana Corporation	Survived the Downside, Ready for the Upside
12-Feb	IMO	Imperial Oil	New Volume Imminent
5-Feb	COP	ConocoPhillips	Raise NPV to \$105 from \$96 on Performance
For earlier editions, go to mcdep.com , click on Meter Reader .			
Income and Small Cap Weekly			
1-Mar	ERF	Enerplus Corporation	Back on Track, Discontinue Buy
22-Feb	XEC	Cimarex Energy	Wolfcamp New Legacy Asset
15-Feb	BIREF	Birchcliff Energy	Production Up 26% in 2012
8-Feb	WLL	Whiting Petroleum	Low McDep Ratio Shale Oil
For earlier editions, go to mcdep.com , click on Energy Income .			



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A Weekly Analysis of Large Cap Oil and Gas Stocks
 March 5, 2013



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