



# Independent Stock Idea

June 7, 2016

## Whiting Petroleum (WLL) Looking Up Again

<i>Symbol</i>	WLL	<i>Ebitda Next Twelve Months ending /30/17 (US\$m)</i>	951
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (\$/sh)</i>	13.83	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/6/16	<i>Adjusted Reserves/Production NTM</i>	13.5
<i>Shares (mm)</i>	271	<i>EV/Ebitda</i>	8.4
<i>Market Capitalization (\$mm)</i>	3,750	<i>PV/Ebitda</i>	13.0
<i>Debt (\$mm)</i>	4,200	<i>Undeveloped Reserves (%)</i>	51
<i>Enterprise Value (EV) (\$mm)</i>	7,900	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	20.90
<i>Present Value (PV) (\$mm)</i>	12,300	<i>Present Value Proven Reserves(\$/boe)</i>	15.00
<i>Net Present Value (\$/share)</i>	30	<i>Oil and Gas Ebitda Margin (%)</i>	57
<i>Debt/Present Value</i>	0.34	<i>Earnings Next Twelve Months (US\$/sh)</i>	-0.44
<i>McDep Ratio - EV/PV</i>	0.64	<i>Price/Earnings Next Twelve Months</i>	-31
<i>Dividend Yield (%/year)</i>	0.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.00
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million bt			
For historical analysis of Whiting since 2009 see <a href="http://www.mcdep.com/4wll.htm">www.mcdep.com/4wll.htm</a>			

### Summary and Recommendation

Buy-recommended **Whiting Petroleum (WLL)** survived the Oil Price Panic of 2015 while retaining upside worth multiples of current stock price potentially. Unlevered cash flow (Ebitda) dropped to just \$100 million in the first quarter of 2016 reported on April 27, barely covering interest of \$80 (see table [Operating and Financial Estimates](#) on page 2). To reduce financial risk, the company exchanged a half billion dollars of fixed debt for convertible debt and brought in a partner to finance a portion of capital spending on a promoted basis among other moves. The new debt was converted to common shares on May 18, the day of the annual meeting when shareholders voted an increase in the number of shares that could be issued. As a result, the ratio of debt to present value drops to a manageable 0.34 from a threatening 0.47. Meanwhile, oil price gains indicate that Ebitda would double in the second quarter. Rising Ebitda (unlevered cash flow) and adjusted reserve life readily support Net Present Value (NPV) of \$30 a share. (see table [Present Value](#) on page 2). From a high near \$92 a share in mid-2014, WLL stock dropped to a low near \$4 in early 2016 and has come back so far to almost \$14. Whiting bonds trading near 40 cents on the dollar a few months ago are now trading above 80 cents, we understand. Production volume is declining this year in the necessary adjustment to restore oil price. The company is ready to increase fracking activity in the North Dakota Bakken when price delivers the signal. We like WLL for the diversified portfolio we advocate that includes representation from each our five oil and gas producer groups (see [Tables 1-4](#) on pages 3-6). Finally, the chart pattern looks strong, we think, as WLL stock price approaches the positive sign of the golden cross when the 50 day average crosses above the 200-day average (see chart on page 7).

Kurt H. Wulff, CFA



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Whiting Petroleum Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q2	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	6/30/15	2015	3/31/16	6/30/16	9/30/16	12/31/16	2016E	3/31/17	6/30/17	6/30/17
<b>Volume</b>										
Natural Gas (mmcf)	117	<b>113</b>	115	108	103	97	<b>106</b>	97	97	<b>99</b>
Oil (mbd)	151	<b>144</b>	127	118	112	106	<b>116</b>	106	106	<b>108</b>
Total (mb)	15.5	<b>59.6</b>	13.2	12.5	11.9	11.3	<b>48.9</b>	11.0	11.3	<b>46</b>
Total (mbd)	170	<b>163</b>	147	136	129	123	<b>134</b>	123	123	<b>124</b>
<b>Price</b>										
Henry Hub (\$/mmbtu)	2.66	<b>2.67</b>	2.09	1.95	2.46	2.80	<b>2.33</b>	3.13	2.89	<b>2.82</b>
Differential (\$/mmbtu)	0.74	<b>0.47</b>	1.04	0.95	0.95	0.95	<b>0.99</b>	0.95	0.95	<b>0.96</b>
Company (\$/mcf)	1.92	<b>2.20</b>	1.05	1.00	1.51	1.85	<b>1.34</b>	2.18	1.94	<b>1.86</b>
WTI Cushing (\$/bbl)	57.94	<b>48.79</b>	33.47	45.57	49.09	50.20	<b>44.58</b>	50.82	51.12	<b>50.31</b>
Differential	12.03	<b>10.81</b>	9.45	9.45	9.45	9.45	<b>9.81</b>	9.45	9.45	<b>9.47</b>
Company (\$/bbl)	45.91	<b>37.98</b>	24.02	36.12	39.64	40.75	<b>34.77</b>	41.37	41.67	<b>40.84</b>
Total (\$/bbl)	41.99	<b>35.13</b>	21.69	32.13	35.60	36.82	<b>31.24</b>	37.63	37.69	<b>36.91</b>
<b>Revenue (\$mm)</b>										
Natural Gas	20	<b>90</b>	11	10	14	17	<b>52</b>	19	17	<b>67</b>
Oil	630	<b>2,002</b>	276	392	409	399	<b>1,476</b>	397	408	<b>1,613</b>
Total	651	<b>2,093</b>	286	402	423	416	<b>1,527</b>	416	426	<b>1,680</b>
<b>Expense</b>										
Lease operating	143	<b>555</b>	114	114	112	110	<b>449</b>	102	103	<b>426</b>
Production taxes	57	<b>183</b>	26	37	39	38	<b>140</b>	38	39	<b>155</b>
General and administrative	45	<b>173</b>	45	40	38	38	<b>161</b>	36	36	<b>149</b>
Total	245	<b>911</b>	185	191	189	186	<b>751</b>	176	178	<b>729</b>
<b>Ebitda</b>	406	<b>1,182</b>	101	211	234	230	<b>777</b>	239	248	<b>951</b>
Exploration	58	<b>213</b>	35	35	35	35	<b>140</b>	30	30	<b>130</b>
Deprec., Deplet., & Amort.	322	<b>1,243</b>	312	300	297	282	<b>1,192</b>	282	271	<b>1,133</b>
Other	(76)	<b>(374)</b>	(61)	(100)	(100)	(100)	<b>(361)</b>	(100)	(100)	<b>(400)</b>
<b>Ebit</b>	102	<b>99</b>	(185)	(24)	2	12	<b>(194)</b>	27	47	<b>88</b>
Interest	89	<b>334</b>	82	75	71	68	<b>296</b>	66	68	<b>273</b>
<b>Ebt</b>	13	<b>(235)</b>	(267)	(99)	(69)	(55)	<b>(490)</b>	(39)	(21)	<b>(185)</b>
Income Tax	4	<b>(82)</b>	(93)	(35)	(24)	(19)	<b>(172)</b>	(14)	(7)	<b>(65)</b>
<b>Net Income (\$mm)</b>	8	<b>(153)</b>	(173)	(64)	(45)	(36)	<b>(319)</b>	(26)	(14)	<b>(120)</b>
Per Share (\$)	0.04	<b>(0.79)</b>	(0.85)	(0.24)	(0.17)	(0.13)	<b>(1.39)</b>	(0.09)	(0.05)	<b>(0.44)</b>
<b>Shares (millions)</b>	204	<b>193</b>	204	271	271	271	<b>230</b>	271	271	<b>271</b>
Ebitda Margin	62%	<b>56%</b>	35%	53%	55%	55%	<b>51%</b>	58%	58%	<b>57%</b>
Tax rate	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>

Whiting Petroleum Corporation					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	38	13.4	21.0	800	7%
Oil	913	13.5	12.6	11,500	93%
	951	13.5	12.9	12,300	100%
Debt (US\$mm)					4,200
Net Present Value (US\$mm)					8,100
Shares (mm)					271
Net Present Value - Standard Estimate (US\$/sh)					30
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					37



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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					
<b>Global Integrated</b>										
Exxon Mobil Corporation	XOM	89.34	1.25	468,000	5	13	63	20	3.4	0.91
Chevron Corporation	CVX	101.17	1.35	255,000	2	11	68	19	4.2	0.80
Royal Dutch Shell	RDS-A B	49.76	1.72	316,000	1	17	44	37	7.6	0.74
Total S.A.	TOT B	48.09	1.53	173,000		22	55	23	5.6	0.64
<i>Total or Median</i>			<i>1.44</i>	<i>1,212,000</i>			<i>59</i>	<i>21</i>	<i>4.9</i>	<i>0.77</i>
<b>Large Independent</b>										
Devon Energy Corporation	DVN	37.56	1.61	29,800	25		65	9	0.6	1.08
EOG Resources, Inc.	EOG	81.27	1.16	51,700	10	2	88		0.8	1.07
Occidental Petroleum Corp.	OXY	75.41	1.17	67,100	3	2	85	10	4.0	1.00
Marathon Oil Corporation	MRO B	13.96	1.58	18,600	9	2	89		1.4	0.79
ConocoPhillips	COP B	45.52	1.70	96,000	11	15	74		2.2	0.76
<i>Total or Median</i>			<i>1.58</i>	<i>263,000</i>	<i>10</i>		<i>85</i>		<i>1.4</i>	<i>1.00</i>
<b>Small Independent</b>										
Cimarex Energy Company	XEC	117.53	1.11	12,200	32		68		0.3	1.27
Range Resources	RRC	45.04	1.40	10,600	70		30		0.2	1.05
California Resources	CRC	15.90	12.31	7,500	10		90		-	0.85
Continental Resources (32%)	CLR B	42.04	1.46	7,300	20		80		-	0.82
Whiting Petroleum Corporation	WLL B	13.83	2.12	8,000	7		93		-	0.64
<i>Total or Median</i>			<i>1.46</i>	<i>46,000</i>	<i>20</i>		<i>80</i>		<i>-</i>	<i>0.85</i>
<b>Income</b>										
San Juan Basin Royalty Trust	SJT	7.40	1.00	350	100		-		4.7	0.93
Permian Basin RT	PBT	7.31	1.00	340	23		77		7.7	0.67
Dorchester Minerals, L.P.	DMLP B	13.96	1.00	430	28		72		8.2	0.58
Cross Timbers Royalty Trust	CRT	16.69	1.00	100	57		43		7.9	0.57
Sabine Royalty Trust	SBR B	34.20	1.00	500	38		62		7.2	0.57
<i>Total or Median</i>			<i>1.00</i>	<i>1,700</i>	<i>38</i>		<i>62</i>		<i>7.7</i>	<i>0.58</i>
<b>Canada</b>										
EnCana Corporation	ECA	8.38	2.14	15,200	44		56		0.7	1.15
Imperial Oil Limited (30%)	IMO	32.78	1.33	11,100	1		70	29	1.3	0.89
Suncor Energy	SU	27.94	1.40	61,800	-		84	16	3.2	0.85
Cenovus Energy Inc.	CVE	15.50	1.30	16,600	10		82	8	1.0	0.82
Birchcliff Energy Ltd.	BIREF B	5.00	1.79	1,400	74		26		-	0.60
<i>Total or Median</i>			<i>1.40</i>	<i>106,000</i>			<i>70</i>		<i>1.0</i>	<i>0.85</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>										



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Table 2									
McDep Energy Stocks									
Net Present Value and McDep Ratio									
			Price (US\$/sh)		Market Cap (US\$mm)	Net Present Value (US\$/sh)		Debt/ Present Value	McDep Ratio
	Symbol/Rating		6-Jun 2016	Shares (mm)					
	B = Buy								
<b>Global Integrated</b>									
Exxon Mobil Corporation	XOM		89.34	4,178	373,000	100.00	0.18	0.91	
Chevron Corporation	CVX		101.17	1,870	189,000	135.00	0.21	0.80	
Royal Dutch Shell	RDS-A	B	49.76	3,701	184,000	80.00	0.31	0.74	
Total S.A.	TOT	B	48.09	2,350	113,000	90.00	0.22	0.64	
	<i>Total or Median</i>				859,000		0.21	0.77	
<b>Large Independent</b>									
Devon Energy Corporation	DVN		37.56	492	18,500	33.00	0.41	1.08	
EOG Resources, Inc.	EOG		81.27	547	44,500	75.00	0.15	1.07	
Occidental Petroleum Corp.	OXY		75.41	763	57,500	75.00	0.14	1.00	
Marathon Oil Corporation	MRO	B	13.96	845	11,800	20.00	0.29	0.79	
ConocoPhillips	COP	B	45.52	1,245	57,000	70.00	0.31	0.76	
	<i>Total or Median</i>				189,300		0.29	1.00	
<b>Small Independent</b>									
Cimarex Energy Company	XEC		117.53	93	10,900	90.00	0.13	1.27	
Range Resources	RRC		45.04	167	7,500	42.00	0.30	1.05	
California Resources	CRC		15.90	38	600	50.00	0.78	0.85	
Continental Resources (32%)	CLR	B	42.04	118	5,000	56.00	0.26	0.82	
Whiting Petroleum Corporation	WLL	B	13.83	271	3,800	30.00	0.34	0.64	
	<i>Total or Median</i>				28,000		0.30	0.85	
<b>Income</b>									
San Juan Basin Royalty Trust	SJT		7.40	47	350	8.00	-	0.93	
Permian Basin RT	PBT		7.31	47	340	11.00	-	0.67	
Dorchester Minerals, L.P.	DMLP	B	13.96	31	430	24.00	-	0.58	
Cross Timbers Royalty Trust	CRT		16.69	6	100	29.00	-	0.57	
Sabine Royalty Trust	SBR	B	34.20	15	500	60.00	-	0.57	
	<i>Total or Median</i>				1,700		-	0.58	
<b>Canada</b>									
EnCana Corporation	ECA		8.38	850	7,100	6.00	0.61	1.15	
Imperial Oil Limited (30%)	IMO		32.78	255	8,400	38.00	0.22	0.89	
Suncor Energy	SU		27.94	1,583	44,200	35.00	0.24	0.85	
Cenovus Energy Inc.	CVE		15.50	825	12,800	20.00	0.19	0.82	
Birchcliff Energy Ltd.	BIREF	B	5.00	153	800	11.00	0.27	0.60	
	<i>Total or Median</i>				73,000		0.24	0.85	
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>									



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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		6-Jun 2016	NTM	NTM	NTM	NTM
	B = Buy						
<b>Global Integrated</b>							
Exxon Mobil Corporation	XOM		89.34	13.7	12.0	11.0	26
Chevron Corporation	CVX		101.17	9.3	11.1	8.9	30
Total S.A.	TOT	B	48.09	9.8	10.1	6.4	12
Royal Dutch Shell	RDS-A	B	49.76	8.9	8.4	6.2	13
	<i>Median</i>			9.6	10.6	7.6	20
<b>Large Independent</b>							
Devon Energy Corporation	DVN		37.56	9.2	15.1	16.4	0.24
EOG Resources, Inc.	EOG		81.27	8.1	13.9	14.9	0.67
Occidental Petroleum Corp.	OXY		75.41	8.2	12.9	13.0	3.00
Marathon Oil Corporation	MRO	B	13.96	13.2	14.6	11.5	0.20
ConocoPhillips	COP	B	45.52	11.4	14.2	10.8	1.00
	<i>Median</i>			9.2	14.2	13.0	
<b>Small Independent</b>							
Range Resources	RRC		45.04	14.4	23.6	24.8	0.08
Cimarex Energy Company	XEC		117.53	7.4	13.8	17.5	0.32
Continental Resources (32%)	CLR	B	42.04	11.4	17.2	14.1	-
California Resources	CRC		15.90	11.4	12.1	10.3	-
Whiting Petroleum Corporation	WLL	B	13.83	13.5	13.0	8.4	-
	<i>Median</i>			11.4	13.8	14.1	
<b>Income</b>							
San Juan Basin Royalty Trust	SJT		7.40	9.9	20.6	19.0	21
Sabine Royalty Trust	SBR	B	34.20	10.2	24.4	13.9	14
Permian Basin RT	PBT		7.31	8.6	16.9	11.3	13
Dorchester Minerals, L.P.	DMLP	B	13.96	6.8	18.6	10.8	15
Cross Timbers Royalty Trust	CRT		16.69	6.0	17.2	9.9	13
	<i>Median</i>			8.6	18.6	11.3	14
<b>Canada</b>							
EnCana Corporation	ECA		8.38	5.7	12.5	14.4	0.06
Birchcliff Energy Ltd.	BIREF	B	5.00	15.5	19.0	11.4	-
Suncor Energy	SU		27.94	22.1	12.1	10.2	0.89
Cenovus Energy Inc.	CVE		15.50	16.9	12.3	10.1	0.15
Imperial Oil Limited (30%)	IMO		32.78	27.7	10.9	9.7	0.43
	<i>Median</i>			16.9	12.3	10.2	
	<i>Grand Median</i>			11	14	11	

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



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2016										
Ranked by Unlevered Total Return										
			Price (\$/sh)	Price (\$/sh)	Price Change (%)	Cash Distrib. (%)	Equity Total Return (%)	Unlevered Debt Return (\$/sh) (%)	McDep	
	Symbol/Rati		6-Jun 2016	31-Dec 2015					Ratio	
<b>Global Integrated</b>										
	Exxon Mobil Corporation	XOM	89.34	77.95	15	1	16	23	12	0.91
	Chevron Corporation	CVX	101.17	89.96	12	1	14	35	10	0.80
	Royal Dutch Shell	RDS-A B	49.76	45.79	9	2	11	36	6	0.74
	Total S.A.	TOT B	48.09	44.95	7	2	9	26	5	0.64
	<i>Median</i>				11		12		8	0.77
<b>Large Independent</b>										
	EOG Resources, Inc.	EOG	81.27	70.79	15	0	15	13	13	1.07
	Occidental Petroleum Corp.	OXY	75.41	67.61	12	1	13	13	11	1.00
	Devon Energy Corporation	DVN	37.56	32.00	17	1	18	23	11	1.08
	Marathon Oil Corporation	MRO B	13.96	12.58	11	0	11	8	7	0.79
	ConocoPhillips	COP B	45.52	46.69	(3)	1	(2)	32	(1)	0.76
	<i>Median</i>				12		13		11	1.00
<b>Small Independent</b>										
	Range Resources	RRC	45.04	24.62	83	0	83	18	48	1.05
	Continental Resources (32%)	CLR B	42.04	22.98	83	-	83	19	45	0.82
	Cimarex Energy Company	XEC	117.53	89.38	31	0	32	13	27	1.27
	Whiting Petroleum Corporation	WLL B	13.83	9.44	47	-	47	15	18	0.64
	California Resources	CRC	15.90	23.30	(32)	-	(32)	181	(4)	0.85
	<i>Median</i>				47		47		27	0.85
<b>Income</b>										
	San Juan Basin Royalty Trust	SJT	7.40	4.14	79	2	81	-	81	0.93
	Permian Basin RT	PBT	7.31	5.06	44	1	46	-	46	0.67
	Dorchester Minerals, L.P.	DMLP B	13.96	9.89	41	4	45	-	45	0.58
	Sabine Royalty Trust	SBR B	34.20	26.26	30	2	32	-	32	0.57
	Cross Timbers Royalty Trust	CRT	16.69	13.01	28	4	32	-	32	0.57
	<i>Median</i>				41		45		45	0.58
<b>Canada</b>										
	Birchcliff Energy Ltd.	BIREF B	5.00	2.93	71	-	71	4	30	0.60
	EnCana Corporation	ECA	8.38	5.09	65	1	66	9	23	1.15
	Cenovus Energy Inc.	CVE	15.50	12.62	23	1	24	5	17	0.82
	Suncor Energy	SU	27.94	25.80	8	1	9	11	6	0.85
	Imperial Oil Limited (30%)	IMO	32.78	32.52	1	0	1	11	1	0.89
	<i>Median</i>				23		24		17	0.85
	<i>Grand Median</i>				20		21		15	0.82
	<b>Natural Gas (\$/mmbtu)</b>		2.46	2.33	6					
	<b>Oil - West Texas Intermediate (\$/bbl)</b>		49.74	37.06	34					
	<b>S&amp;P 500</b>		2,109	2,044	3					
Source: McDep LLC, Yahoo, CME Group, Bloomberg					For historical research see www.mcdep.com					



# Independent Stock Idea

June 7, 2016



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