



Independent Stock Idea

July 6, 2016

ExxonMobil (XOM) Durable Real Return

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 6/30/17 (US\$m)</i>	43,100
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	5
<i>Price (\$/sh)</i>	94.09	<i>Natural Gas and Oil Production/Ebitda (%)</i>	57
<i>Pricing Date</i>	7/6/16	<i>Adjusted Reserves/Production NTM</i>	13.7
<i>Shares (mm)</i>	4178	<i>EV/Ebitda</i>	11.3
<i>Market Capitalization (\$mm)</i>	393,000	<i>PV/Ebitda</i>	11.9
<i>Debt (\$mm)</i>	94,000	<i>Undeveloped Reserves (%)</i>	27
<i>Enterprise Value (EV) (\$mm)</i>	488,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	15.90
<i>Present Value (PV) (\$mm)</i>	512,000	<i>Present Value Proven Reserves(\$/boe)</i>	11.80
<i>Net Present Value (\$/share)</i>	100	<i>Present Value Proven Reserves(\$/mcf)</i>	2.00
<i>Debt/Present Value</i>	0.18	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.48
<i>McDep Ratio - EV/PV</i>	0.95	<i>Price/Earnings Next Twelve Months</i>	27
<i>Dividend Yield (%/year)</i>	3.2	<i>Indicated Annual Dividend (US\$/sh)</i>	3.00
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 XOM since 2001 see www.mcdep.com/1xom.htm			

Summary and Recommendation

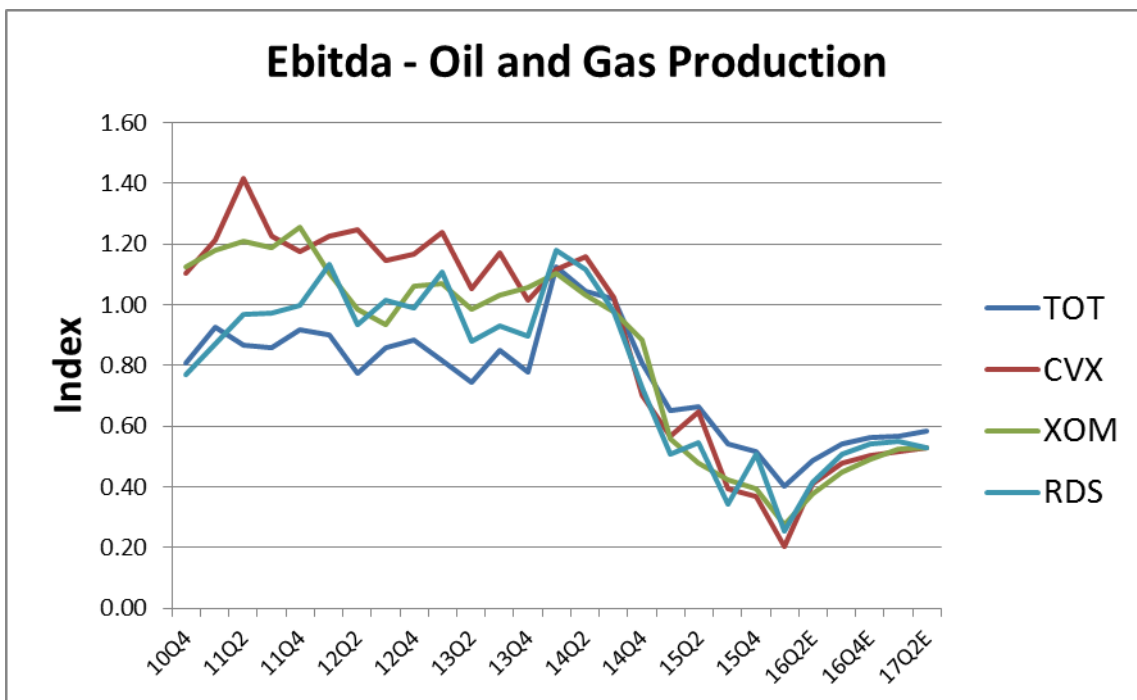
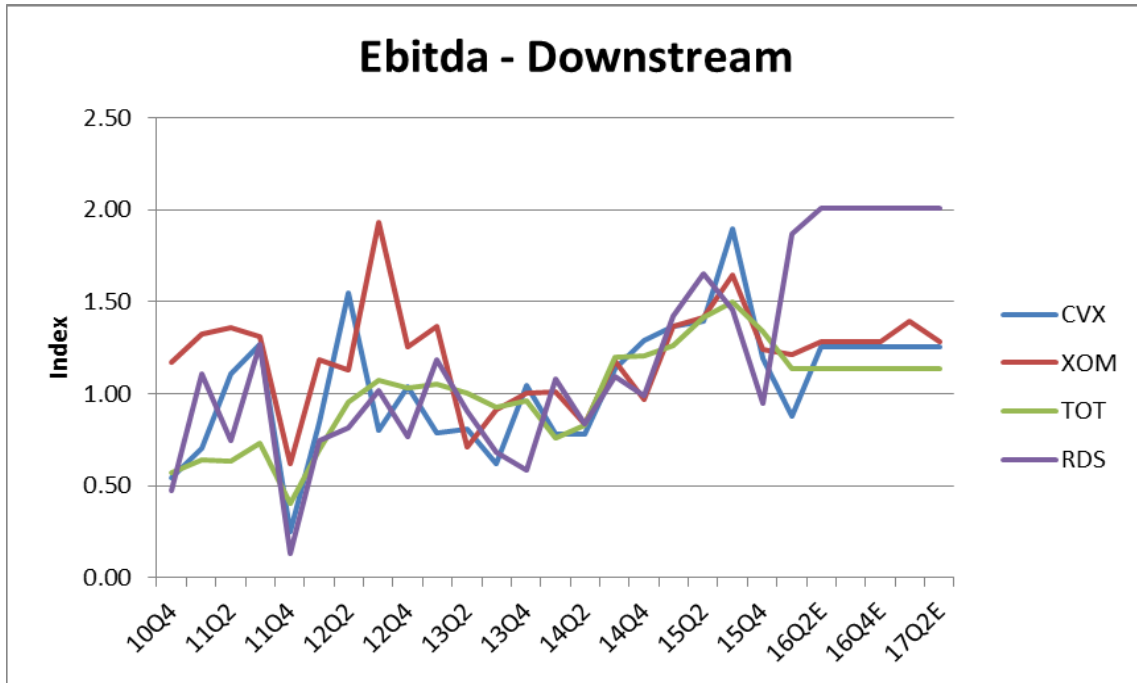
ExxonMobil (XOM) stock offers a positive dividend yield of 3.2% that appears more durable than government yields that are rapidly turning negative. Despite stock price appreciating more than 20% in five months, XOM's dividend yield is 1.8% above the implied inflation rate of 1.4% a year on U.S. Treasury Ten Year Notes. At the same time, the real yield on the Ten Year Treasury Inflation Protected (TIP) security has dropped from 0.5% a year five months ago to a negative 0.1%. Declining bond yields may reflect fear of deflation. Yet, in the period of severe oil price deflation ending five months ago, XOM increased its dividend while many oil and gas companies reduced dividends. Justified by historical experience and future expectations, we think XOM's total return of dividends and stock price appreciation can be more than 9% a year above the rate of inflation. Among recent developments, a major oil discovery offshore Guyana, South America looks promising and attests to profitable exploration spending. Legal action by the attorney general of New York and others in connection with the company's supposed denial of the findings of climate "science" appears entirely politically motivated without justification and unlikely to have a material negative impact on a pillar of the economy, ExxonMobil. Quarterly cash flow trends may be nominally stable for downstream refining and chemicals businesses and rising for upstream oil and gas production businesses (see charts on page 2). The countervailing downstream and upstream dampen fluctuations in total cash flow (see chart *Ebitda* on page 3). Long life resources underpin our estimate for upstream at 77% of Net Present Value of \$100 a share (see tables *Present Value* and *Operating and Financial Estimates* on pages 3 and 4). We see XOM as a core position in an energy portfolio to moderate the volatility of Buy recommendations (see *Tables 1-4* on pages 5-8). Among the earliest to trace a golden cross with the 50-day average moving above the 200-day, stock price trend points up (see chart on page 9).

Kurt H. Wulff, CFA



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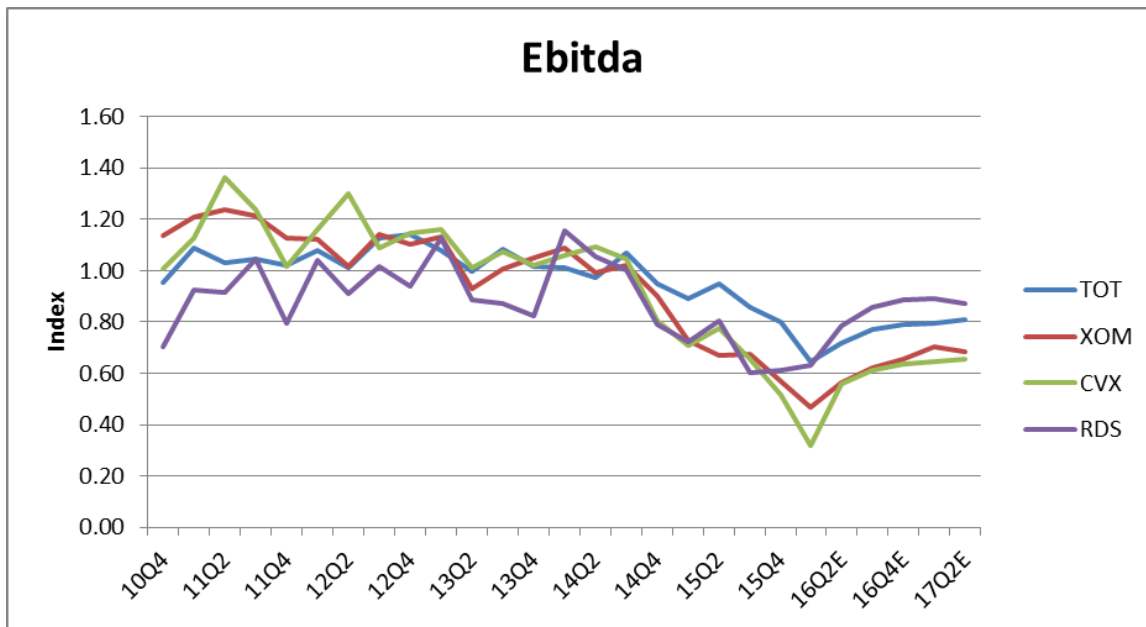
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Exxon Mobil Corporation					
Functional Cash Flow and Present Value					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u>Ebitda</u>	<u>R/P</u>	<u>Ebitda</u>	<u>Value</u>	
North American Natural Gas	1,300	14.3	26.9	35,000	7%
Rest of World Natural Gas	5,400	14.1	13.9	75,000	15%
Oil	17,900	13.4	15.8	282,000	55%
Downstream	18,400		6.5	120,000	23%
	43,000	13.7	11.9	512,000	100%
Debt					94,000
Net Present Value (\$mm)					418,000
Shares					4,178
Net Present Value - Standard Estimate (US\$/sh)					100
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					89



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Exxon Mobil 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
Volume										
Natural Gas (mmcf)										
North America	3,415	3,407	3,418	3,384	3,350	3,316	3,367	3,283	3,250	3,334
Overseas	6,713	7,107	7,306	6,646	6,139	7,167	6,812	7,233	6,579	6,794
Total	10,128	10,515	10,724	10,030	9,489	10,483	10,179	10,516	9,830	10,128
Oil (mbd)	2,291	2,346	2,538	2,553	2,569	2,584	2,561	2,599	2,615	2,576
Total gas & oil (mmb)	362	1,496	389	384	382	398	1,554	392	387	1,556
Total gas & oil (mbd)	3,979	4,098	4,325	4,225	4,150	4,331	4,258	4,352	4,253	4,264
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	2.66	2.67	2.09	1.95	2.96	3.17	2.54	3.46	3.09	2.89
U.S.	2.31	2.26	1.60	1.50	2.27	2.43	1.95	3.46	3.09	2.40
International	6.49	6.57	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80
Total	5.08	5.17	3.78	3.69	3.91	4.05	3.86	4.38	4.24	4.01
Oil (\$/bbl)										
WTI Cushing	57.94	48.79	33.47	45.66	49.21	50.80	44.78	52.09	52.81	49.44
Worldwide	56.90	45.75	28.36	38.69	41.70	43.06	38.04	44.25	44.85	41.93
Total gas & oil (\$/bbl)	45.69	39.46	26.01	32.13	34.74	35.49	32.10	37.01	37.37	34.86
Revenue (\$mm)										
Natural Gas										
U.S.	718	2,812	492	460	699	741	2,393	1,023	915	2,923
International	3,965	17,039	3,156	2,903	2,711	3,165	11,935	3,125	2,874	11,903
Total	4,682	19,852	3,648	3,363	3,410	3,906	14,328	4,147	3,789	14,827
Oil	11,863	39,166	6,479	8,990	9,855	10,235	35,559	10,351	10,674	39,432
Other	57,568	209,864	38,580	38,580	38,580	38,580	154,320	38,580	38,580	154,320
Total	74,113	268,882	48,707	50,934	51,845	52,721	204,207	53,079	53,043	208,579
Expense (\$mm)										
Production	10,131	34,118	6,450	7,305	7,254	7,571	28,580	7,442	7,354	29,572
Other	52,592	189,971	34,307	34,080	34,080	34,080	136,547	33,680	34,080	135,920
Ebitda (\$mm)										
Exploration and Production	6,414	24,900	3,677	5,049	6,011	6,570	21,307	7,056	7,108	24,686
Other	4,976	19,893	4,273	4,500	4,500	4,500	17,773	4,900	4,500	18,400
Total Ebitda	11,390	44,793	7,950	9,549	10,511	11,070	39,080	11,956	11,608	43,086
Exploration	392	1,570	344	344	344	344	1,376	344	344	1,376
Deprec., Deplet., & Amort.	4,451	18,048	4,765	4,765	4,765	4,765	19,060	4,765	4,765	19,060
Ebit	6,547	25,175	2,841	4,440	5,402	5,961	18,644	6,847	6,499	22,650
Interest	85	311	77	77	77	77	308	77	77	308
Ebt	6,462	24,864	2,764	4,363	5,325	5,884	18,336	6,770	6,422	22,342
Income Tax	2,262	8,702	967	1,527	1,864	2,060	6,418	2,370	2,248	7,820
Net Income (\$mm)										
Exploration and Production	2,031	7,101	(76)							
Other	2,752	10,975	2,261							
Unallocated	(583)	(1,915)	(388)							
Total	4,200	16,161	1,797	2,836	3,461	3,825	11,918	4,401	4,175	14,523
Shares (millions)										
Per share (\$)	1.00	3.85	0.43	0.68	0.83	0.92	2.85	1.05	1.00	3.48
Ebitda Margin (E&P)	39%	42%	36%	41%	45%	46%	43%	49%	49%	45%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



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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					
Global Integrated										
Exxon Mobil Corporation	XOM	94.09	1.24	488,000	7	15	55	23	3.2	0.95
Chevron Corporation	CVX	104.58	1.33	261,000	2	11	68	19	4.1	0.82
Royal Dutch Shell	RDS-A B	54.83	1.65	335,000	1	17	44	37	6.9	0.78
Total S.A.	TOT B	46.91	1.55	170,000		22	55	23	5.8	0.63
<i>Total or Median</i>			<i>1.44</i>	<i>1,254,000</i>			<i>55</i>	<i>23</i>	<i>4.9</i>	<i>0.80</i>
Large Independent										
EOG Resources, Inc.	EOG	82.76	1.16	52,500	10	2	88		0.8	1.09
Devon Energy Corporation	DVN	36.98	1.62	29,500	25		65	9	0.6	1.07
Occidental Petroleum Corp.	OXY	75.45	1.17	67,200	3	2	85	10	4.0	1.01
Marathon Oil Corporation	MRO B	14.84	1.54	19,400	9	2	89		1.3	0.82
ConocoPhillips	COP B	41.90	1.76	92,000	11	15	74		2.4	0.72
<i>Total or Median</i>			<i>1.54</i>	<i>261,000</i>	<i>10</i>		<i>85</i>		<i>1.3</i>	<i>1.01</i>
Small Independent										
Cimarex Energy Company	XEC	116.47	1.11	12,100	32		68		0.3	1.26
Range Resources	RRC	43.02	1.42	10,200	70		30		0.2	1.02
Continental Resources (32%)	CLR B	44.24	1.44	7,500	20		80		-	0.84
California Resources	CRC	12.14	16.00	7,400	10		90		-	0.84
Whiting Petroleum Corporation	WLL B	8.44	1.98	6,300	6		94		-	0.50
<i>Total or Median</i>			<i>1.44</i>	<i>44,000</i>	<i>20</i>		<i>80</i>		<i>-</i>	<i>0.84</i>
Income										
San Juan Basin Royalty Trust	SJT	7.17	1.00	330	100		-		7.8	0.90
Permian Basin RT	PBT	7.20	1.00	340	23		77		9.7	0.66
Cross Timbers Royalty Trust	CRT	18.04	1.00	110	57		43		7.4	0.62
Dorchester Minerals, L.P.	DMLP B	14.04	1.00	430	28		72		8.7	0.59
Sabine Royalty Trust	SBR B	33.14	1.00	480	38		62		7.9	0.55
<i>Total or Median</i>			<i>1.00</i>	<i>1,700</i>	<i>38</i>		<i>62</i>		<i>7.9</i>	<i>0.62</i>
Canada										
EnCana Corporation	ECA	7.66	2.24	14,600	44		56		0.8	1.11
Imperial Oil Limited (30%)	IMO	31.69	1.35	10,900	1		70	29	1.4	0.87
Suncor Energy	SU	28.11	1.34	62,800	-		84	16	3.2	0.85
Cenovus Energy Inc.	CVE	13.68	1.34	15,100	10		82	8	1.1	0.74
Birchcliff Energy Ltd.	BIREF B	5.51	1.74	1,500	74		26		-	0.63
<i>Total or Median</i>			<i>1.35</i>	<i>105,000</i>			<i>70</i>		<i>1.1</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 www.mcdep.com										



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McDep Energy Stocks								
Net Present Value and McDep Ratio								
			<i>Price</i>			<i>Net</i>		
			<i>(US\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>Symbol/Rating</i>		<i>6-Jul</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	
	<i>B = Buy</i>		<i>2016</i>	<i>(mm)</i>	<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	
							<i>McDep</i>	
							<i>Ratio</i>	
Global Integrated								
Exxon Mobil Corporation	XOM		94.09	4,178	393,000	100.00	0.18	0.95
Chevron Corporation	CVX		104.58	1,870	196,000	135.00	0.21	0.82
Royal Dutch Shell	RDS-A	B	54.83	3,702	203,000	80.00	0.31	0.78
Total S.A.	TOT	B	46.91	2,350	110,000	90.00	0.22	0.63
	<i>Total or Median</i>				<i>902,000</i>		<i>0.21</i>	<i>0.80</i>
Large Independent								
EOG Resources, Inc.	EOG		82.76	547	45,300	75.00	0.15	1.09
Devon Energy Corporation	DVN		36.98	492	18,200	33.00	0.41	1.07
Occidental Petroleum Corp.	OXY		75.45	763	57,600	75.00	0.14	1.01
Marathon Oil Corporation	MRO	B	14.84	845	12,540	20.00	0.29	0.82
ConocoPhillips	COP	B	41.90	1,245	52,000	70.00	0.31	0.72
	<i>Total or Median</i>				<i>185,600</i>		<i>0.29</i>	<i>1.01</i>
Small Independent								
Cimarex Energy Company	XEC		116.47	93	10,800	90.00	0.13	1.26
Range Resources	RRC		43.02	167	7,200	42.00	0.30	1.02
Continental Resources (32%)	CLR	B	44.24	118	5,200	56.00	0.26	0.84
California Resources	CRC		12.14	38	500	50.00	0.78	0.84
Whiting Petroleum Corporation	WLL	B	8.44	380	3,200	25.00	0.25	0.50
	<i>Total or Median</i>				<i>27,000</i>		<i>0.26</i>	<i>0.84</i>
Income								
San Juan Basin Royalty Trust	SJT		7.17	47	330	8.00	-	0.90
Permian Basin RT	PBT		7.20	47	340	11.00	-	0.66
Cross Timbers Royalty Trust	CRT		18.04	6	110	29.00	-	0.62
Dorchester Minerals, L.P.	DMLP	B	14.04	31	430	24.00	-	0.59
Sabine Royalty Trust	SBR	B	33.14	15	480	60.00	-	0.55
	<i>Total or Median</i>				<i>1,700</i>		<i>-</i>	<i>0.62</i>
Canada								
EnCana Corporation	ECA		7.66	850	6,500	6.00	0.61	1.11
Imperial Oil Limited (30%)	IMO		31.69	255	8,100	38.00	0.22	0.87
Suncor Energy	SU		28.11	1,665	46,800	35.00	0.22	0.85
Cenovus Energy Inc.	CVE		13.68	825	11,300	20.00	0.19	0.74
Birchcliff Energy Ltd.	BIREF	B	5.51	153	800	11.00	0.27	0.63
	<i>Total or Median</i>				<i>74,000</i>		<i>0.22</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 www.mcdep.com								



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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	P/E	Dividend
	Symbol/Rating		6-Jul 2016	NTM	NTM	NTM	NTM	NTM
	B = Buy							(\$/sh)
Global Integrated								
Exxon Mobil Corporation	XOM		94.09	13.7	11.9	11.3	27	3.00
Chevron Corporation	CVX		104.58	9.3	10.9	9.0	30	4.28
Royal Dutch Shell	RDS-A	B	54.83	8.9	8.4	6.6	14	3.76
Total S.A.	TOT	B	46.91	9.8	10.1	6.3	12	2.71
	<i>Median</i>			9.6	10.5	7.8	21	
Large Independent								
Devon Energy Corporation	DVN		36.98	9.2	14.4	15.4		0.24
EOG Resources, Inc.	EOG		82.76	8.1	13.6	14.8		0.67
Occidental Petroleum Corp.	OXY		75.45	8.2	12.7	12.8		3.00
Marathon Oil Corporation	MRO	B	14.84	13.2	14.0	11.4		0.20
ConocoPhillips	COP	B	41.90	11.4	13.8	10.0		1.00
	<i>Median</i>			9.2	13.8	12.8		
Small Independent								
Range Resources	RRC		43.02	14.4	17.8	18.1		0.08
Cimarex Energy Company	XEC		116.47	7.4	12.5	15.7		0.32
Continental Resources (32%)	CLR	B	44.24	11.4	16.5	14.0		-
California Resources	CRC		12.14	11.4	11.5	9.6		-
Whiting Petroleum Corporation	WLL	B	8.44	13.5	12.7	6.4		-
	<i>Median</i>			11.4	12.7	14.0		
Income								
Sabine Royalty Trust	SBR	B	33.14	10.2	23.1	12.7	13	2.60
San Juan Basin Royalty Trust	SJT		7.17	9.9	13.9	12.5	13	0.56
Cross Timbers Royalty Trust	CRT		18.04	6.3	17.6	10.9	14	1.33
Permian Basin RT	PBT		7.20	8.6	15.8	10.4	10	0.70
Dorchester Minerals, L.P.	DMLP	B	14.04	6.8	17.6	10.3	14	1.22
	<i>Median</i>			8.6	17.6	10.9	13	
Canada								
EnCana Corporation	ECA		7.66	5.7	10.5	11.7		0.06
Birchcliff Energy Ltd.	BIREF	B	5.51	15.1	15.3	9.7		-
Imperial Oil Limited (30%)	IMO		31.69	27.7	10.8	9.4		0.43
Suncor Energy	SU		28.11	22.3	10.9	9.2		0.89
Cenovus Energy Inc.	CVE		13.68	16.9	11.8	8.8		0.15
	<i>Median</i>			16.9	10.9	9.4		
	<i>Grand Median</i>			11	13	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



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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 Total Return (\$/sh) (%)		McDep Ratio
	Symbol/Rati		6-Jul 2016	31-Dec 2015						
Global Integrated										
	Exxon Mobil Corporation	XOM	94.09	77.95	21	2	23	23	18	0.95
	Chevron Corporation	CVX	104.58	89.96	16	2	19	35	13	0.82
	Royal Dutch Shell	RDS-A B	54.83	45.79	20	4	24	36	13	0.78
	Total S.A.	TOT B	46.91	44.95	4	3	7	26	5	0.63
	<i>Median</i>				18		21		13	0.80
Large Independent										
	EOG Resources, Inc.	EOG	82.76	70.79	17	0	17	13	15	1.09
	Occidental Petroleum Corp.	OXY	75.45	67.61	12	2	14	13	12	1.01
	Marathon Oil Corporation	MRO B	14.84	12.58	18	1	19	8	11	0.82
	Devon Energy Corporation	DVN	36.98	32.00	16	1	17	23	10	1.07
	ConocoPhillips	COP B	41.90	46.69	(10)	1	(9)	32	(5)	0.72
	<i>Median</i>				16		17		11	1.01
Small Independent										
	Continental Resources (32%)	CLR B	44.24	22.98	93	-	93	19	50	0.84
	Range Resources	RRC	43.02	24.62	75	0	75	18	43	1.02
	Cimarex Energy Company	XEC	116.47	89.38	30	0	30	13	27	1.26
	California Resources	CRC	12.14	23.30	(48)	-	(48)	181	(5)	0.84
	Whiting Petroleum Corporation	WLL B	8.44	9.44	(11)	-	(11)	8	(6)	0.50
	<i>Median</i>				30		30		27	0.84
Income										
	San Juan Basin Royalty Trust	SJT	7.17	4.14	73	2	75	-	75	0.90
	Dorchester Minerals, L.P.	DMLP B	14.04	9.89	42	4	46	-	46	0.59
	Permian Basin RT	PBT	7.20	5.06	42	2	44	-	44	0.66
	Cross Timbers Royalty Trust	CRT	18.04	13.01	39	4	43	-	43	0.62
	Sabine Royalty Trust	SBR B	33.14	26.26	26	3	30	-	30	0.55
	<i>Median</i>				42		44		44	0.62
Canada										
	Birchcliff Energy Ltd.	BIREF B	5.51	2.93	88	-	88	4	37	0.63
	EnCana Corporation	ECA	7.66	5.09	50	1	51	9	18	1.11
	Suncor Energy	SU	28.11	25.80	9	2	11	10	8	0.85
	Cenovus Energy Inc.	CVE	13.68	12.62	8	1	9	5	7	0.74
	Imperial Oil Limited (30%)	IMO	31.69	32.52	(3)	1	(2)	11	(1)	0.87
	<i>Median</i>				9		11		8	0.85
	<i>Grand Median</i>				19		21		14	0.83
	Natural Gas (\$/mmbtu)		2.79	2.33	20					
	Oil - West Texas Intermediate (\$/bbl)		47.33	37.06	28					
	S&P 500		2,100	2,044	3					
Source: McDep LLC, Yahoo, CME Group, Bloomberg					For historical research see www.mcdep.com					



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