



Meter Reader

A Monthly Analysis of Oil and Gas Stocks

July 11, 2017

Liftoff for Energy Exports

	Symbol/Rating		Price	Market	Enterprise	EV/	EV/	PV/	Oil	Dist.	
			(US\$/sh)	Cap	Value	Market	Ebitda	Ebitda	Prod'n/	Yield	McDep
			10-Jul	(US\$m)	(\$mm)	Cap	NTM	NTM	(%)	(%)	(EV/PV)
Royal Dutch Shell	RDS-A	B	52.80	217,000	348,000	1.60	7.5	9.9	51	7.1	0.76
Total S.A.	TOT	B	48.66	120,000	175,000	1.47	6.3	10.0	53	5.8	0.63
Marathon Oil Corporation	MRO	B	11.52	9,780	16,900	1.73	10.4	14.3	79	1.7	0.73
ConocoPhillips	COP	B	43.24	54,000	78,000	1.44	9.1	12.8	70	2.5	0.72
Continental Resources (32%)	CLR	B	30.77	3,700	5,800	1.57	9.7	14.7	74	-	0.66
Range Resources	RRC	B	21.77	5,300	9,700	1.82	10.2	19.1	31	0.4	0.54
Dorchester Minerals, L.P.	DMLP	B	15.40	500	500	1.00	13.9	21.6	72	7.1	0.64
Cross Timbers Royalty Trust	CRT	B	15.12	90	90	1.00	11.4	21.8	28	6.6	0.52
Suncor Energy	SU	B	28.35	47,200	64,400	1.36	9.6	13.5	84	3.5	0.71
Birchcliff Energy Ltd.	BIREF	B	4.38	1,200	1,900	1.51	8.4	15.6	37	1.8	0.54

Summary and Recommendation

Looking like the launch of a spacecraft, the charts of U.S. oil and natural gas exports point to more profitable times for McDep oil and gas stocks, we believe. U.S. crude oil exports have rocketed above 1.0 million barrels daily in recent months, the highest in history (see chart [Exports of Crude Oil](#) on page 2). Previously, exports never exceeded a half million barrels daily including during WWII, the Arab-Israeli War of 1967 and the Arab Oil Embargo of 1973. Natural gas exports have rapidly ascended to an even higher level of 1.5 million barrels equivalent daily (9 billion cubic feet daily, 270 billion cubic feet a month, see chart [Natural Gas Exports](#) on page 2). The miracle of fracking, the ambitious build of infrastructure and the relaxation of counter-productive regulation have all contributed. Yet, in classic economic cycle fashion, oil and gas prices are depressed until new demand can absorb the new supply. That adjustment is underway and we think there is ample scope for more demand. For example, China and India, the world's #1 and #2 largest polluters consume three times as much coal as the U.S. produces natural gas. At the same time, we reason the strategic and environmental rationale for alternate fuels has weakened. Strategically, the availability of the U.S. as a reliable supplier of fuel at an economic price lessens the motivation for countries or states that do not have much oil and gas to develop local energy supply. Compounding that, mounting subsidies for wind, solar, ethanol and electric cars are becoming onerous for heavily-indebted governments. Environmentally, the objections to fossil fuels for contributing the carbon dioxide blamed for global warming increasingly appear exaggerated, we consider. In any case, we advocate a diversified portfolio that balances risk and reward. Latest estimates quantify an optimistic outlook for oil and gas stocks (see [Tables 1-4](#) and [Index of Research](#) on pages 3-7).

Kurt H. Wulff, CFA

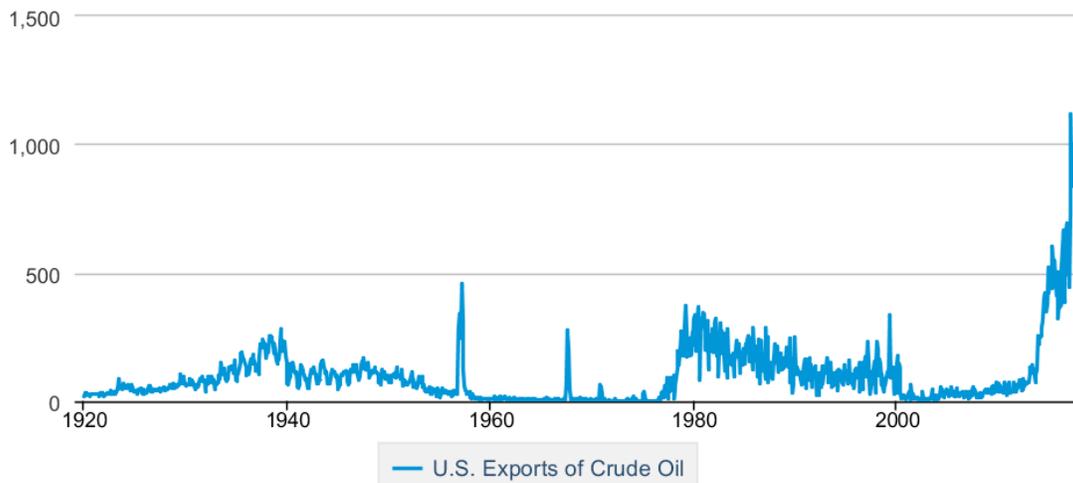


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U.S. Exports of Crude Oil

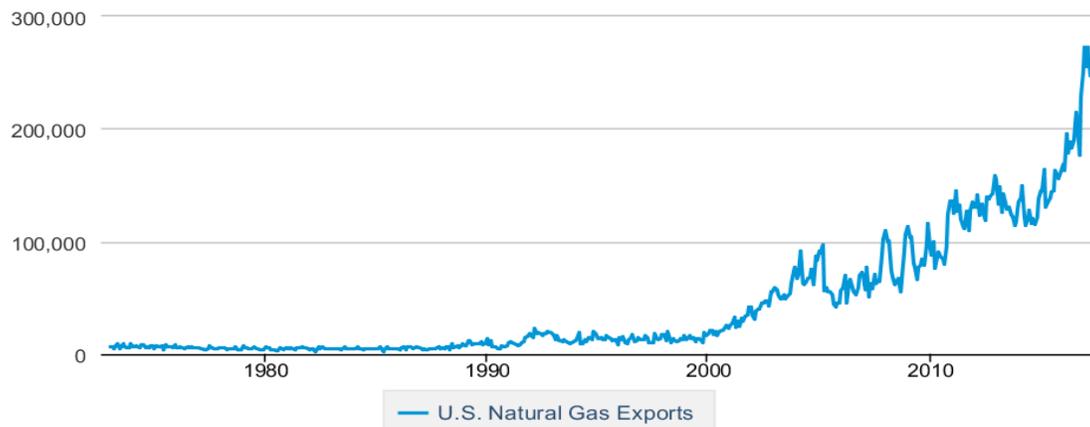
Thousand Barrels per Day



Source: U.S. Energy Information Administration

U.S. Natural Gas Exports

Million Cubic Feet



Source: U.S. Energy Information Administration



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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	10-Jul 2017									
Global Integrated											
	XOM		80.16	339,000	432,000	1.28	10.4	12.4	49	3.8	0.84
	CVX		103.04	195,000	264,000	1.35	9.5	11.7	60	4.2	0.81
	RDS-A B		52.80	217,000	348,000	1.60	7.5	9.9	51	7.1	0.76
	TOT B		48.66	120,000	175,000	1.47	6.3	10.0	53	5.8	0.63
	<i>Total or Median</i>			871,000	1,219,000	1.41	8.5	10.8	52	5.0	0.79
Large Independent											
	PXD		158.47	26,900	28,500	1.06	13.2	12.5	87	0.1	1.05
	EOG		89.62	51,900	59,100	1.14	13.6	12.9	86	0.7	1.05
	OXY		58.77	45,000	58,200	1.29	10.2	12.4	81	5.2	0.82
	DVN		29.73	15,700	23,700	1.51	12.5	16.7	62	0.8	0.75
	MRO B		11.52	9,780	16,900	1.73	10.4	14.3	79	1.7	0.73
	COP B		43.24	54,000	78,000	1.44	9.1	12.8	70	2.5	0.72
	<i>Total or Median</i>			203,300	264,000	1.37	11.4	12.9	80	1.3	0.79
Small Independent											
	XEC		92.22	8,800	10,100	1.16	10.3	12.9	63	0.3	0.79
	CRC		7.50	300	6,300	19.8	15.6	20.1	89	-	0.78
	CLR B		30.77	3,700	5,800	1.57	9.7	14.7	74	-	0.66
	WLL		5.22	1,900	5,400	2.86	7.1	13.2	92	-	0.54
	RRC B		21.77	5,300	9,700	1.82	10.2	19.1	31	0.4	0.54
	<i>Total or Median</i>			20,000	37,000	1.82	10.2	14.7	74	-	0.66
Income											
	PBT		8.88	410	410	1.00	12.3	15.2	78	7.8	0.81
	SJT		6.46	300	300	1.00	12.5	15.5	-	7.9	0.81
	DMLP B		15.40	500	500	1.00	13.9	21.6	72	7.1	0.64
	SBR		37.75	550	550	1.00	18.0	28.7	59	5.5	0.63
	CRT B		15.12	90	90	1.00	11.4	21.8	28	6.6	0.52
	<i>Total or Median</i>			1,900	1,900	1.00	12.5	21.6	59	7.1	0.64
Canada											
	ECA		8.76	8,500	15,000	1.76	10.0	12.1	56	0.7	0.82
	IMO		28.06	7,200	9,100	1.27	8.8	11.2	67	1.7	0.78
	SU B		28.35	47,200	64,400	1.36	9.6	13.5	84	3.5	0.71
	CVE		7.06	8,600	21,400	2.49	9.9	18.4	84	2.2	0.54
	BIREF B		4.38	1,200	1,900	1.51	8.4	15.6	37	1.8	0.54
	<i>Total or Median</i>			73,000	112,000	1.51	9.6	13.5	67	1.8	0.71

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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			Price (US\$/sh)	Oil Equiv. Price (\$/boe)	Operating Expense Fixed Var. (\$/boe) (%)	Ebitda NTM (\$/boe)	Ebitda NTM (\$mm)	Oper Lev Ebitda chg/ Price chg	McDep Ratio			
Symbol/Rating		10-Jul	Volume (mmboe)									
B = Buy		2017										
Global Integrated (excl. Downstream)												
Exxon Mobil Corporation	XOM		80.16	1,489	35.71	7	35	16.20	24,128	1.43	0.84	
Chevron Corporation	CVX		103.04	875	34.64	8	22	19.00	16,619	1.42	0.81	
Royal Dutch Shell	RDS-A	B	52.80	1,323	33.09	2	27	22.10	29,241	1.09	0.76	
Total S.A.	TOT	B	48.66	933	34.42	0	44	19.40	18,101	1.00	0.63	
<i>Total or Median</i>											1.26	0.79
Large Independent												
Pioneer Natural Resources	PXD		158.47	114	31.90	9	12	19.00	2,170	1.47	1.05	
EOG Resources, Inc.	EOG		89.62	227	31.36	10	7	19.20	4,357	1.52	1.05	
Occidental Petroleum Corp.	OXY		58.77	302	32.33	8	17	18.80	5,683	1.43	0.82	
Devon Energy Corporation	DVN		29.73	167	22.72	9	10	11.40	1,900	1.79	0.75	
Marathon Oil Corporation	MRO	B	11.52	135	24.84	13	-1	12.00	1,620	2.08	0.73	
ConocoPhillips	COP	B	43.24	464	32.20	6	24	18.40	8,540	1.33	0.72	
<i>Total or Median</i>											1.50	0.79
Small Independent												
Cimarex Energy Company	XEC		92.22	70	24.03	6	16	14.10	988	1.43	0.79	
California Resources	CRC		7.50	44	35.70	15	32	9.20	405	2.63	0.78	
Continental Resources (32%)	CLR	B	30.77	28	28.38	3	15	21.20	595	1.14	0.66	
Whiting Petroleum Corporation	WLL		5.22	50	29.26	9	17	15.30	759	1.59	0.54	
Range Resources	RRC	B	21.77	137	15.95	8	7	6.90	946	2.16	0.54	
<i>Total or Median</i>											1.59	0.66
Income												
Permian Basin RT	PBT		8.88	1	33.20	10	2	22.52	34	1.44	0.81	
San Juan Basin Royalty Trust	SJT		6.46	3	15.89	5	18	7.99	24	1.63	0.81	
Dorchester Minerals, L.P.	DMLP	B	15.40	2	28.57	7	11	18.55	36	1.38	0.64	
Sabine Royalty Trust	SBR		37.75	1	27.42	2	11	22.34	31	1.09	0.63	
Cross Timbers Royalty Trust	CRT	B	15.12	0	32.26	8	10	21.19	8	1.38	0.52	
<i>Total or Median</i>											1.38	0.64
Canada (excl. Downstream)												
EnCana Corporation	ECA		8.76	120	25.48	11	8	12.48	1,504	1.88	0.82	
Imperial Oil Limited (30%)	IMO		28.06	81	31.42	14	15	12.80	1,039	2.09	0.78	
Suncor Energy	SU	B	28.35	376	41.07	18	13	17.78	6,691	2.01	0.71	
Cenovus Energy Inc.	CVE		7.06	223	22.23	11	7	9.63	2,152	2.14	0.54	
Birchcliff Energy Ltd.	BIREF	B	4.38	23	16.90	1	37	9.70	222	1.10	0.54	
<i>Total or Median</i>											2.01	0.71

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			Price (US\$/sh)	Shares	Debt	Dividend	P/E	Down- stream/ PV	Proven Undev. Resrvs/ Prod	Adjustd Resrvs/ Prod NTM	Net Present Value (US\$/sh)
	Symbol/Rating		10-Jul 2017	(mm)	(\$mm)	NTM (\$/sh)	NTM	(%)	(%)		
Global Integrated											
	B = Buy										
	XOM		80.16	4,223	93,323	3.08	24	27	31	11.3	100.00
	TOT	B	48.66	2,457	55,616	2.83	12	23	42	9.2	90.00
	CVX		103.04	1,895	68,305	4.32	30	19	32	9.2	135.00
	RDS-A	B	52.80	4,112	131,054	3.76	23	24	25	8.6	80.00
	<i>Median</i>									9.2	
Large Independent											
	COP	B	43.24	1,249	24,000	1.06		-	20	9.8	68.00
	DVN		29.73	528	8,002	0.24	67	9	20	9.0	45.00
	OXY		58.77	765	13,200	3.04	60	13	23	9.0	75.00
	MRO	B	11.52	849	7,100	0.20		-	39	8.4	19.00
	EOG		89.62	579	7,202	0.67		-	30	7.2	85.00
	PXD		158.47	170	1,600	0.08	86	-	7	6.1	150.00
	<i>Median</i>									8.7	
Small Independent											
	RRC	B	21.77	245	4,345	0.08	75	-	44	11.4	56.00
	CLR	B	30.77	119	2,095	-		-	59	11.4	56.00
	CRC		7.50	43	6,000	-		-	29	11.1	50.00
	WLL		5.22	363	3,517	-		-	53	9.1	18.00
	XEC		92.22	95	1,362	0.32	29	-	21	6.2	120.00
	<i>Median</i>									11.1	
Income											
	SBR		37.75	15	-	2.09	18	-	4	12.3	60.00
	SJT		6.46	47	-	0.51	13	-	-	10.2	8.00
	PBT		8.88	47	-	0.69	13	-	13	9.4	11.00
	CRT	B	15.12	6	-	0.99	15	-	-	8.6	29.00
	DMLP	B	15.40	32	-	1.09	19	-	-	7.2	24.00
	<i>Median</i>									9.4	
Canada											
	SU	B	28.35	1,665	17,205	0.99	36	16	44	15.1	44.00
	CVL		7.06	1,217	12,808	0.16		4	55	12.9	22.00
	BIREF	B	4.38	284	630	0.08	82	-	69	12.5	10.00
	IMO		28.06	255	1,940	0.47	15	32	23	9.8	38.00
	ECA		8.76	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 .											



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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	Total	McDep	
	Symbol/Rati		10-Jul	30-Dec	Change	Distrib.	Return	(\$/sh)	Return	Ratio	
			2017	2016	(%)	(%)	(%)		(%)		
Global Integrated											
	Royal Dutch Shell	RDS-A	B	52.80	54.38	(3)	3	1	32	0	0.76
	Total S.A.	TOT	B	48.66	50.97	(5)	1	(3)	23	(2)	0.63
	Exxon Mobil Corporation	XOM		80.16	90.26	(11)	2	(10)	22	(8)	0.84
	Chevron Corporation	CVX		103.04	117.70	(12)	2	(11)	36	(8)	0.81
	<i>Median</i>					(8)		(6)		(5)	0.79
Large Independent											
	ConocoPhillips	COP	B	43.24	50.14	(14)	1	(13)	19	(9)	0.72
	EOG Resources, Inc.	EOG		89.62	101.10	(11)	0	(11)	12	(10)	1.05
	Pioneer Natural Resources	PXD		158.47	180.00	(12)	0	(12)	9	(11)	1.05
	Occidental Petroleum Corp.	OXY		58.77	71.23	(17)	1	(16)	17	(13)	0.82
	Marathon Oil Corporation	MRO	B	11.52	17.31	(33)	1	(33)	8	(22)	0.73
	Devon Energy Corporation	DVN		29.73	45.67	(35)	0	(35)	15	(26)	0.75
	<i>Median</i>					(16)		(15)		(12)	0.79
Small Independent											
	California Resources	CRC		7.50	21.29	(65)	-	(65)	141	(9)	0.78
	Range Resources	RRC	B	21.77	34.36	(37)	0	(37)	18	(24)	0.54
	Cimarex Energy Company	XEC		92.22	135.90	(32)	0	(32)	14	(29)	0.79
	Continental Resources (32%)	CLR	B	30.77	51.54	(40)	-	(40)	18	(30)	0.66
	Whiting Petroleum Corporation	WLL		5.22	12.02	(57)	-	(57)	10	(31)	0.54
	<i>Median</i>					(40)		(40)		(29)	0.66
Income											
	Permian Basin RT	PBT		8.88	7.71	15	4	19	-	19	0.81
	Sabine Royalty Trust	SBR		37.75	35.15	7	3	10	-	10	0.63
	San Juan Basin Royalty Trust	SJT		6.46	6.62	(2)	4	2	-	2	0.81
	Dorchester Minerals, L.P.	DMLP	B	15.40	17.55	(12)	3	(9)	-	(9)	0.64
	Cross Timbers Royalty Trust	CRT	B	15.12	17.97	(16)	2	(14)	-	(14)	0.52
	<i>Median</i>					(2)		2		2	0.64
Canada											
	Suncor Energy	SU	B	28.35	32.69	(13)	1	(13)	10	(10)	0.71
	Imperial Oil Limited (30%)	IMO		28.06	34.76	(19)	0	(19)	8	(16)	0.78
	EnCana Corporation	ECA		8.76	11.74	(25)	0	(25)	7	(16)	0.82
	Birchcliff Energy Ltd.	BIREF	B	4.38	7.01	(37)	0	(37)	2	(28)	0.54
	Cenovus Energy Inc.	CVE		7.06	15.13	(53)	0	(53)	11	(31)	0.54
	<i>Median</i>					(25)		(25)		(16)	0.71
	<i>Grand Median</i>					(16)		(14)		(11)	0.75
	Natural Gas (\$/mmbtu)			2.92	3.74	(22)					
	Oil -West Texas Intermediate (\$/bbl)			44.42	53.72	(17)					
	Total Stock Market - U.S.	VTI		124.61	115.32	8					
	Developed Markets - ex US	VEA		41.17	36.54	13					
	Emerging Markets	VVO		40.90	35.78	14					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

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Index of Recent Research				
<u>Date</u>	<u>Series</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
3-Jul	ISI	DMLP	Dorchester Minerals, L.P.	Core Midland Acquisition – Upgrade to Buy
27-Jun	ISI	CLR	Continental Resources	Well-Managed Shale Pioneer
20-Jun	ISI	XOM	Exxon Mobil	Profit from Low-Risk Energy Growth
13-Jun	Meter Reader			Value Beckoning
6-Jun	ISI	MRO	Marathon Oil	A Fourth Shale Focus
30-May	ISI	RDS	Royal Dutch Shell	High Yield While Waiting
26-May	ISI	CVE	Cenovus Energy	High Operating and Financial Leverage
18-May	ISI	DMLP	Dorchester Minerals, L.P.	Midland Basin Spotlight
9-May	Meter Reader			Positive Progress
2-May	ISI	RRC	Range Resources	Growth Accelerating
24-Apr	II	CRT, DMLP, PBT, SBR, SJT		Income Payer Distributions Beat
21-Apr	ISI	PXD	Pioneer Natural Resources	Prominent Permian Producer
17-Apr	ISI	SJT	San Juan Basin Royalty Trust	New Operator to Enhance Value
11-Apr	Meter Reader			IPAA Ideas
30-Mar	ISI	CVE	Cenovus Energy	Buying Out 50% Partner
30-Mar	ISI	COP	ConocoPhillips	Selling Canada
27-Mar	ISI	TOT	Total S.A.	Most Undervalued Global Integrated
21-Mar	ISI	CRT	Cross Timbers Royalty Trust	Top Line Value with Bottom Line Option
14-Mar	Meter Reader			Extra Inventory
3-Mar	ISI	DMLP	Dorchester Minerals, L.P.	Shale Oil Royalties Rising
26-Feb	II	CLR, CRC, RRC, WLL, XEC		Small Cap Producers Rising Again
21-Feb	ISI	MRO	Marathon Oil	A Third, a Third, a Third
14-Feb	Meter Reader			Non-U.S. Buys at Low McDep Ratio
6-Feb	ISI	COP	ConocoPhillips	Steady Volume
3-Feb	ISI	RDS	Royal Dutch Shell	BG Paying Off
1-Feb	ISI	XOM	Exxon Mobil	Looking to New Leader
30-Jan	ISI	CVX	Chevron	LNG and Permian Positives
17-Jan	Meter Reader			Buy Stocks with Low McDep Ratio
31-Dec	Meter Reader		Year-End Special with New Tables	Natural Gas Storage Trend Reverses
13-Dec	Meter Reader			Optimistic Outlook 2017
6-Dec	II	XOM, RDS, CVX, TOT		Total Return Upside
28-Nov	II	COP, DVN, EOG, MRO, OXY		Permian Players
22-Nov	II	CRT, DMLP, PBT, SBR, SJT		Income Payers Sparkle
15-Nov	Meter Reader			Growth, Inflation and Trump
9-Nov	ISI	ECA	Encana Corporation	Raise NPV to US\$10 from US\$6
31-Oct	ISI	SU	Suncor Energy Inc.	Raise NPV to US\$44 from US\$35
27-Oct	ISI	RRC	Range Resources	New Buy on Higher NPV of \$56
20-Oct	ISI	SJT	San Juan Basin Royalty Trust	Vote Proxy for Less Conflict, More Competence
18-Oct	ISI	CRC	California Resources	Option on Oil Price
14-Oct	ISI	CVX	Chevron	Oilier Global Integrated
11-Oct	Meter Reader			Canada Comeback
4-Oct	ISI	COP	ConocoPhillips	Pure Play Producer
				MR = Meter Reader (published monthly on or about second or third Tuesday)
				ISI = Independent Stock Idea
				II = Industry Idea
				For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.



McDEP
LLC

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Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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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 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. Buy recommendations are expected to deliver a total return better than 7% per year above inflation.