

## Currency, Interest and Oil

			Price (US\$/sh)	Market Cap (US\$mm)	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		12-Sep 2017								
Royal Dutch Shell	RDS-A	B	56.99	236,000	363,000	1.54	7.3	9.2	51	6.6	0.79
Total S.A.	TOT	B	53.31	138,000	195,000	1.41	6.5	9.6	55	5.6	0.67
ConocoPhillips	COP	B	45.05	56,000	80,000	1.44	9.0	12.2	69	2.4	0.74
Marathon Oil Corporation	MRO	B	11.65	9,900	17,000	1.72	9.3	12.7	79	1.7	0.73
Continental Resources (32%)	CLR	B	35.11	4,200	6,300	1.51	8.4	11.8	74	-	0.72
Range Resources	RRC	B	18.17	4,500	8,800	1.99	8.6	17.5	31	0.4	0.49
Dorchester Minerals, L.P.	DMLP	B	14.35	460	460	1.00	10.9	18.3	72	8.8	0.60
Cross Timbers Royalty Trust	CRT	B	14.58	90	90	1.00	10.0	19.9	28	7.7	0.50
Suncor Energy	SU	B	33.23	55,300	74,300	1.34	9.2	11.4	84	3.2	0.81
Birchcliff Energy Ltd.	BIREF	B	4.71	1,300	1,900	1.49	7.1	12.5	30	1.7	0.57

### Summary and Recommendation

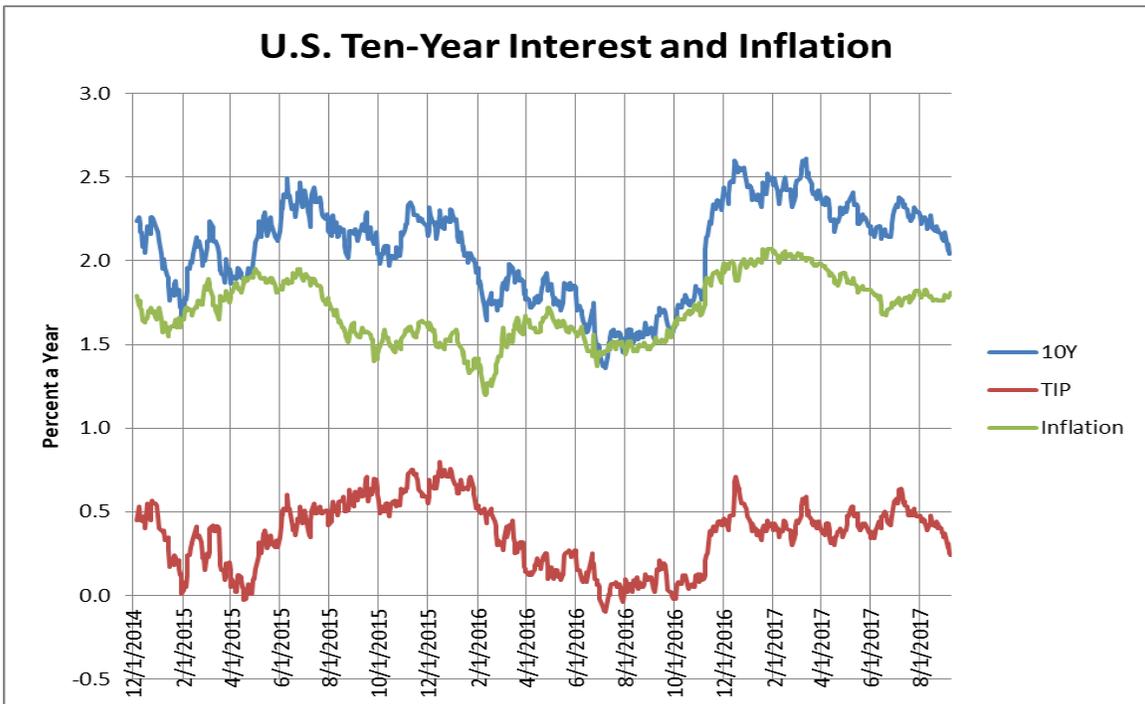
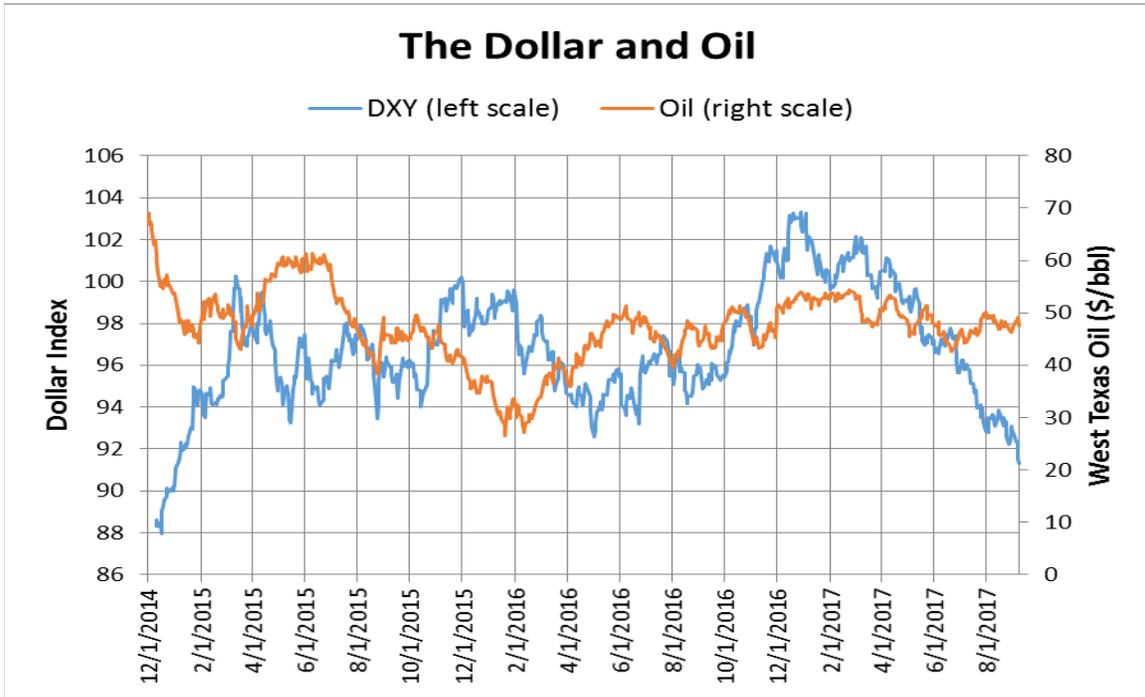
A weaker dollar and short-term interest rates below inflation contribute an upward bias to oil and gas price, which supports investing in oil and gas stocks, we believe. The value of the dollar in other global currencies has declined to a low extreme as measured by the DXY index for nearly the past three years (see chart [The Dollar and Oil](#) on page 2). That implies the price of oil should move up into the \$50s presuming the same supply/demand balance of that period. Moreover, the foreign currencies are nearly all devaluing with the dollar as the nominal price of goods and services rises globally. In dollar terms, inflation expectations of 1.7% a year in the U.S. Treasury 10-Year Note were barely covered by the average interest rate of 2.1% (see chart [U.S. Ten-Year Interest and Inflation](#) on page 2). Recent inflation expectations have exceeded the nominal interest rate on the U.S. 5-Year Note. Actual inflation has exceeded the overnight interest rate for several years. Inflation rates above interest rates support higher nominal price for real assets such as oil, gold, commodities and real estate. Oil price also helps set the tone for natural gas. The ratio of oil price to natural gas price has been about 16 times for the past few years (see chart [U.S. Crude Oil and Natural Gas Price](#) on page 3). Contrary to the impact of currency and inflation, rapidly expanded supply from shale innovation has contributed to inventory build that puts downward pressure on price. As inventories decline, hurricane interruptions notwithstanding, downward price pressure will likely abate (see chart [U.S. Crude Oil Stocks](#) on page 3). Though somewhat delayed, our long-term expectations remain \$70 a barrel and \$4 a million btu. In the McDep diversified portfolio we like oil and gas stocks and global equities generally for positive return. We include some gold to keep real value. Despite their negative real return, we hold short to medium duration U.S. Treasuries to dampen portfolio volatility, to provide downside protection and a reserve for opportunistic investment. McDep oil and gas stocks include conservative global giants, large cap shale oil innovators, low McDep Ratio small caps, high income payers, and diverse Canadian producers (see [Tables 1-4](#) on pages 4-7).

Kurt H. Wulff, CFA



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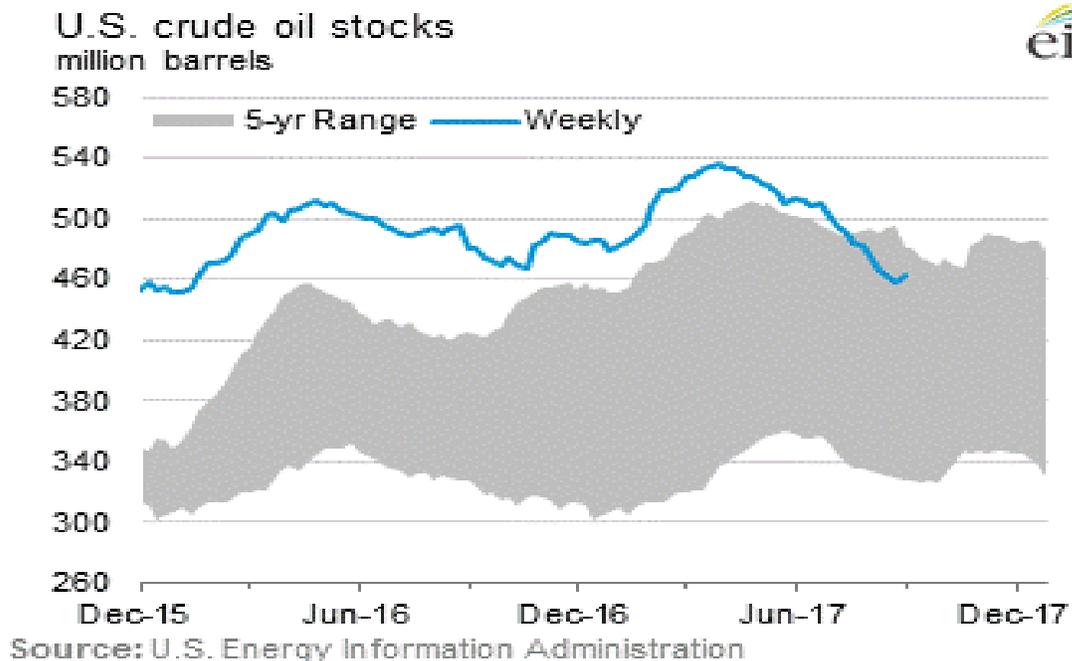
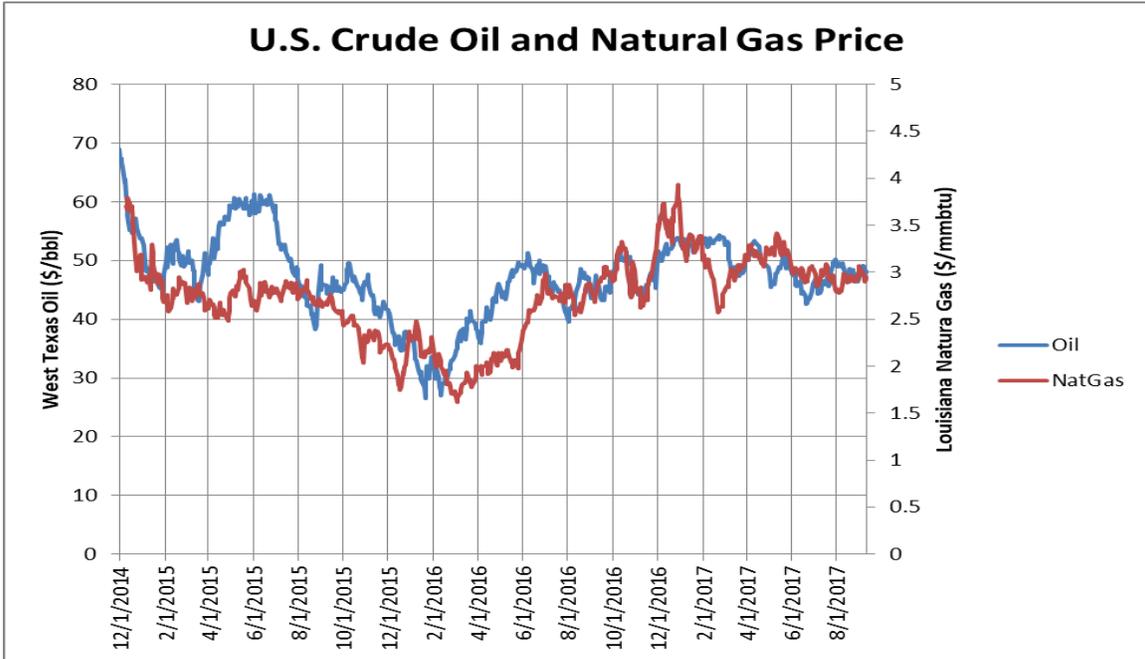
A Monthly Analysis of Oil and Gas Stocks  
Intraday September 12, 2017





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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		12-Sep 2017								
<b>Global Integrated</b>											
	CVX		112.23	213,000	279,000	1.31	9.0	10.4	60	3.8	0.87
	XOM		79.47	339,000	431,000	1.27	9.9	12.0	49	3.9	0.83
	RDS-A	B	56.99	236,000	363,000	1.54	7.3	9.2	51	6.6	0.79
	TOT	B	53.31	138,000	195,000	1.41	6.5	9.6	55	5.6	0.67
	<i>Total or Median</i>			926,000	1,268,000	1.36	8.2	10.0	53	4.7	0.81
<b>Large Independent</b>											
	EOG		88.47	51,200	58,500	1.14	11.4	11.1	86	0.8	1.04
	PXD		130.47	22,200	23,900	1.08	9.6	10.9	87	0.1	0.88
	OXY		60.54	46,400	59,200	1.28	10.6	12.6	80	5.0	0.84
	DVN		32.41	17,100	25,100	1.47	8.4	10.6	62	0.7	0.79
	COP	B	45.05	56,000	80,000	1.44	9.0	12.2	69	2.4	0.74
	MRO	B	11.65	9,900	17,000	1.72	9.3	12.7	79	1.7	0.73
	<i>Total or Median</i>			202,800	264,000	1.36	9.5	11.6	80	1.2	0.82
<b>Small Independent</b>											
	XEC		101.57	9,700	11,100	1.15	10.3	11.9	63	0.3	0.86
	CRC		8.05	300	6,300	18.6	11.5	14.7	89	-	0.78
	CLR	B	35.11	4,200	6,300	1.51	8.4	11.8	74	-	0.72
	WLL		4.34	1,600	5,200	3.29	6.4	12.6	92	-	0.51
	RRC	B	18.17	4,500	8,800	1.99	8.6	17.5	31	0.4	0.49
	<i>Total or Median</i>			20,000	38,000	1.99	8.6	12.6	74	-	0.72
<b>Income</b>											
	SJT		7.22	340	340	1.00	14.3	15.8	-	6.9	0.90
	PBT		8.28	390	390	1.00	14.4	19.2	78	6.4	0.75
	SBR		39.62	580	580	1.00	19.0	28.7	59	5.3	0.66
	DMLP	B	14.35	460	460	1.00	10.9	18.3	72	8.8	0.60
	CRT	B	14.58	90	90	1.00	10.0	19.9	28	7.7	0.50
	<i>Total or Median</i>			1,900	1,900	1.00	14.3	19.2	59	6.9	0.66
<b>Canada</b>											
	ECA		9.64	9,400	15,900	1.69	9.1	10.4	56	0.6	0.87
	IMO		31.21	8,000	10,100	1.26	8.8	10.4	67	1.7	0.85
	SU	B	33.23	55,300	74,300	1.34	9.2	11.4	84	3.2	0.81
	BIREF	B	4.71	1,300	1,900	1.49	7.1	12.5	30	1.7	0.57
	CVE		8.60	10,600	21,100	1.99	6.9	12.3	83	1.9	0.56
	<i>Total or Median</i>			85,000	123,000	1.49	8.8	11.4	67	1.7	0.81

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 9/30/18.

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](http://www.mcdep.com)



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Table 2										
McDep Energy Stocks										
Production Operating Leverage										
Ranked by McDep Ratio										
			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		12-Sep 2017	Volume (mmboe)							
B = Buy										
<b>Global Integrated (excl. Downstream)</b>										
Chevron Corporation	CVX		112.23	886	37.02	11 14	20.90	18,525	1.53	0.87
Exxon Mobil Corporation	XOM		79.47	1,466	37.37	4 43	17.30	25,366	1.23	0.83
Royal Dutch Shell	RDS-A	B	56.99	1,289	36.18	6 14	25.20	32,485	1.24	0.79
Total S.A.	TOT	B	53.31	965	36.23	0 41	21.20	20,465	1.00	0.67
<i>Total or Median</i>									1.23	0.81
<b>Large Independent (excl. Downstream)</b>										
EOG Resources, Inc.	EOG		88.47	230	34.01	11 2	22.20	5,108	1.50	1.04
Pioneer Natural Resources	PXD		130.47	117	33.19	11 3	21.30	2,492	1.52	0.88
Occidental Petroleum Corp.	OXY		60.54	230	34.76	12 11	19.00	4,379	1.63	0.84
Devon Energy Corporation	DVN		32.41	182	25.64	10 6	14.20	2,588	1.70	0.79
ConocoPhillips	COP	B	45.05	440	34.11	8 17	20.30	8,927	1.39	0.74
Marathon Oil Corporation	MRO	B	11.65	130	27.10	11 8	14.00	1,826	1.79	0.73
<i>Total or Median</i>									1.57	0.82
<b>Small Independent</b>										
Cimarex Energy Company	XEC		101.57	72	25.05	6 16	15.10	1,080	1.40	0.86
California Resources	CRC		8.05	47	37.79	15 29	11.70	551	2.28	0.78
Continental Resources (32%)	CLR	B	35.11	33	30.19	3 15	22.80	746	1.13	0.72
Whiting Petroleum Corporation	WLL		4.34	47	31.25	9 17	17.00	805	1.53	0.51
Range Resources	RRC	B	18.17	133	16.86	8 6	7.80	1,034	2.03	0.49
<i>Total or Median</i>									1.53	0.72
<b>Income</b>										
San Juan Basin Royalty Trust	SJT		7.22	3	15.85	5 19	7.90	24	1.63	0.90
Permian Basin RT	PBT		8.28	1	30.94	10 5	19.28	27	1.52	0.75
Sabine Royalty Trust	SBR		39.62	1	27.65	2 11	22.54	30	1.09	0.66
Dorchester Minerals, L.P.	DMLP	B	14.35	2	31.14	7 10	21.13	42	1.33	0.60
Cross Timbers Royalty Trust	CRT	B	14.58	0	33.53	8 10	22.31	9	1.36	0.50
<i>Total or Median</i>									1.36	0.66
<b>Canada (excl. Downstream)</b>										
EnCana Corporation	ECA		9.64	113	28.42	12 4	15.42	1,742	1.78	0.87
Imperial Oil Limited (30%)	IMO		31.21	72	35.62	17 8	15.90	1,137	2.07	0.85
Suncor Energy	SU	B	33.23	283	45.18	22 6	20.47	5,790	2.07	0.81
Birchcliff Energy Ltd.	BIREF	B	4.71	23	17.22	4 11	11.40	264	1.35	0.57
Cenovus Energy Inc.	CVE		8.60	212	25.28	11 4	13.17	2,791	1.84	0.56
<i>Total or Median</i>									1.84	0.81

For historical research see [www.mcdep.com](http://www.mcdep.com)



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			<i>Price (US\$/sh)</i>					<i>Down- stream/ PV</i>	<i>Proven Undev. Resrvs</i>	<i>Adjustd Resrvs/ Prod NTM</i>	<i>Net Present Value (US\$/sh)</i>
	<i>Symbol/Rating</i>		<i>12-Sep 2017</i>	<i>Shares (mm)</i>	<i>Debt (\$mm)</i>	<i>Dividend NTM (\$/sh)</i>	<i>P/E NTM</i>	<i>(%)</i>	<i>(%)</i>		
	B = Buy										
<b>Global Integrated</b>											
Exxon Mobil Corporation	XOM		79.47	4,271	91,152	3.08	24	27	31	11.5	100.00
Total S.A.	TOT	B	53.31	2,583	57,015	2.99	13	22	42	8.9	90.00
Chevron Corporation	CVX		112.23	1,893	66,793	4.32	30	20	32	8.9	135.00
Royal Dutch Shell	RDS-A	B	56.99	4,146	126,975	3.76	18	24	25	8.8	80.00
	<i>Median</i>									8.9	
<b>Large Independent</b>											
ConocoPhillips	COP	B	45.05	1,237	24,405	1.06		-	20	10.3	68.00
Occidental Petroleum Corp.	OXY		60.54	766	12,800	3.04	61	14	23	9.2	75.00
Devon Energy Corporation	DVN		32.41	529	8,019	0.24	63	9	20	8.8	45.00
Marathon Oil Corporation	MRO	B	11.65	850	7,129	0.20		-	39	8.6	19.00
EOG Resources, Inc.	EOG		88.47	579	7,250	0.67		-	30	7.0	85.00
Pioneer Natural Resources	PXD		130.47	170	1,700	0.08	69	-	7	6.0	150.00
	<i>Median</i>									8.7	
<b>Small Independent</b>											
Range Resources	RRC	B	18.17	245	4,392	0.08	48	-	44	11.8	56.00
Whiting Petroleum Corporation	WLL		4.34	363	3,589	-		-	53	11.7	18.00
Continental Resources (32%)	CLR	B	35.11	119	2,124	-		-	59	11.4	56.00
California Resources	CRC		8.05	42	6,000	-		-	29	10.3	50.00
Cimarex Energy Company	XEC		101.57	95	1,442	0.32	28	-	21	6.1	120.00
	<i>Median</i>									11.4	
<b>Income</b>											
Sabine Royalty Trust	SBR		39.62	15	-	2.09	19	-	4	12.4	60.00
San Juan Basin Royalty Trust	SJT		7.22	47	-	0.50	14	-	-	10.3	8.00
Permian Basin RT	PBT		8.28	47	-	0.53	16	-	12	9.4	11.00
Cross Timbers Royalty Trust	CRT	B	14.58	6	-	1.12	13	-	-	8.7	29.00
Dorchester Minerals, L.P.	DMLP	B	14.35	32	-	1.26	15	-	-	6.9	24.00
	<i>Median</i>									9.4	
<b>Canada</b>											
Suncor Energy	SU	B	33.23	1,665	18,930	1.05	24	16	44	13.6	44.00
Cenovus Energy Inc.	CVE		8.60	1,229	10,505	0.16		4	55	12.8	22.00
Birchcliff Energy Ltd.	BIREF	B	4.71	268	618	0.08	34	-	69	12.4	10.00
Imperial Oil Limited (30%)	IMO		31.21	255	2,098	0.53	14	32	23	9.2	38.00
EnCana Corporation	ECA		9.64	973	6,457	0.06		-	43	5.5	12.00
	<i>Median</i>									12.4	
P/E = Stock Price to Earnings. For historical research see <a href="http://www.mcdep.com">www.mcdep.com</a> .											



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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		12-Sep	30-Dec	Change	Distrib.	Return	(\$/sh)	Return	Ratio
			2017	2016	(%)	(%)	(%)		(%)	
<b>Global Integrated</b>										
Royal Dutch Shell	RDS-A	B	56.99	54.38	5	5	10	31	6	0.79
Total S.A.	TOT	B	53.31	50.97	5	3	7	22	5	0.67
Chevron Corporation	CVX		112.23	117.70	(5)	3	(2)	35	(1)	0.87
Exxon Mobil Corporation	XOM		79.47	90.26	(12)	2	(9)	21	(8)	0.83
	<i>Median</i>				(0)		3		2	0.81
<b>Large Independent</b>										
ConocoPhillips	COP	B	45.05	50.14	(10)	2	(9)	20	(6)	0.74
Occidental Petroleum Corp.	OXY		60.54	71.23	(15)	2	(13)	17	(10)	0.84
EOG Resources, Inc.	EOG		88.47	101.10	(12)	0	(12)	13	(11)	1.04
Marathon Oil Corporation	MRO	B	11.65	17.31	(33)	1	(32)	8	(21)	0.73
Devon Energy Corporation	DVN		32.41	45.67	(29)	0	(29)	15	(22)	0.79
Pioneer Natural Resources	PXD		130.47	180.00	(28)	0	(27)	10	(26)	0.88
	<i>Median</i>				(21)		(20)		(16)	0.82
<b>Small Independent</b>										
California Resources	CRC		8.05	21.29	(62)	-	(62)	142	(8)	0.78
Cimarex Energy Company	XEC		101.57	135.90	(25)	0	(25)	15	(23)	0.86
Continental Resources (32%)	CLR	B	35.11	51.54	(32)	-	(32)	18	(24)	0.72
Range Resources	RRC	B	18.17	34.36	(47)	0	(47)	18	(31)	0.49
Whiting Petroleum Corporation	WLL		4.34	12.02	(64)	-	(64)	10	(35)	0.51
	<i>Median</i>				(47)		(47)		(24)	0.72
<b>Income</b>										
Sabine Royalty Trust	SBR		39.62	35.15	13	4	17	-	17	0.66
San Juan Basin Royalty Trust	SJT		7.22	6.62	9	6	15	-	15	0.90
Permian Basin RT	PBT		8.28	7.71	7	6	13	-	13	0.75
Dorchester Minerals, L.P.	DMLP	B	14.35	17.55	(18)	5	(13)	-	(13)	0.60
Cross Timbers Royalty Trust	CRT	B	14.58	17.97	(19)	4	(15)	-	(15)	0.50
	<i>Median</i>				7		13		13	0.66
<b>Canada</b>										
Suncor Energy	SU	B	33.23	32.69	2	1	3	11	2	0.81
Imperial Oil Limited (30%)	IMO		31.21	34.76	(10)	1	(10)	8	(8)	0.85
EnCana Corporation	ECA		9.64	11.74	(18)	0	(18)	7	(11)	0.87
Birchcliff Energy Ltd.	BIREF	B	4.71	7.01	(33)	1	(32)	2	(24)	0.57
Cenovus Energy Inc.	CVE		8.60	15.13	(43)	1	(43)	9	(27)	0.56
	<i>Median</i>				(18)		(18)		(11)	0.81
	<i>Grand Median</i>				(18)		(13)		(11)	0.78
Natural Gas (\$/mmbtu)			3.04	3.74	(19)					
Oil -West Texas Intermediate (\$/bbl)			48.22	53.72	(10)					
Total Stock Market - U.S.	VTI		128.14	115.32	11					
Developed Markets - ex US	VEA		43.36	36.54	19					
Emerging Markets	VVO		45.05	35.78	26					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see [www.mcdep.com](http://www.mcdep.com)



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Index of Recent Research				
<u>Date</u>	<u>Series</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
6-Sep	ISI	TOT	Total S.A.	Gaining Volume on Competitors
30-Aug	ISI	SU	Suncor Energy Inc.	Returning Cash to Shareholders
23-Aug	ISI	BIREF	Birchcliff Energy	Montney Growth
15-Aug	Meter Reader			Energy Outlook to 2026
8-Aug	ISI	SJT	San Juan Basin Royalty Trust	BP Tests Best San Juan Well in 14 Years
4-Aug	ISI	DMLP	Dorchester Minerals, L.P.	Raise Distribution Yield to 8.5%
31-Jul	ISI	CVX	Chevron	Valuable Permian Lands
25-Jul	II	CRT, DMLP, PBT, SBR, SJT		Control Reinvestment with Income Payers
19-Jul	II	COP, DVN, EOG, MRO, PXD, OXY		Potential to Prosper
11-Jul	Meter Reader			Liftoff for Energy Exports
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
				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 <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Stock Ideas</a> , click on stock by name.



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# Meter Reader

A Monthly Analysis of Oil and Gas Stocks  
Intraday September 12, 2017

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