



# Meter Reader

A Monthly Analysis of Oil and Gas Stocks  
April 13, 2016

## Road to Profits

						Present Value by Segment (%)							
			Price (US\$/sh)	EV/ Market	Enterprise Value	North Amer.	Rest of World			Dist. Yield			
Symbol/Rating			13-Apr 2016	Cap	(\$mm)	Natural Gas	Natural Gas	Oil Prod'n	Down- stream	NTM (%)	McDep Ratio		
Royal Dutch Shell (BG pro form)	RDS-A	B	51.32	1.61	329,000	1	17	57	26	7.3	0.74		
Total S.A.	TOT	B	47.92	1.55	173,000		22	55	23	5.8	0.64		
Marathon Oil Corporation	MRO	B	12.92	1.69	18,400	6	1	93		1.5	0.75		
ConocoPhillips	COP	B	43.58	1.70	92,000	11	12	77		2.3	0.67		
Continental Resources (32%)	CLR	B	33.53	1.58	6,300	20		80		-	0.70		
Whiting Petroleum Corporation	WLL	B	10.43	3.51	7,500	5		95		-	0.65		
Dorchester Minerals, L.P.	DMLP	B	12.85	1.00	390	23		77		7.0	0.54		
Sabine Royalty Trust	SBR	B	31.83	1.00	460	38		62		6.7	0.53		
Birchcliff Energy Ltd.	BIREF	B	3.63	2.03	1,100	77		23		-	0.50		

## Summary and Recommendation

On the road to further profits, we believe, McDep oil and gas stocks are up a median 11% in 2016 compared to 2% for the S&P 500 gauge of the largest U.S. stocks (see [Table 4](#) on page 5). Fundamentally, McDep Ratios are still quite low at a median 0.73. Chartwise, our stocks are showing improving momentum as some leaders have traced a golden cross defined by the 50-day average moving above the 200-day average. Most have been trading in a downtrend since forming a death cross, defined by the 50-day moving below the 200-day, in mid-2014. Ideally, a positive trend could have as long or longer to run. At the same time, we recognize that trends can change abruptly. The performance of the stocks tracks the price of oil which is up 12% in 2016. Slowing supply and growing demand point to further gains in oil price toward the mid-cycle level of \$70 a barrel compared to about \$40 currently, as we see it. We advocate selecting stocks for a diversified portfolio from each of our five groups. Lower McDep Ratio stocks in each group are classified as Buy recommendations (see [Tables 1-3](#) on pages 2-4). Low financial risk stocks that have outperformed in the past and could do so in the future include **ExxonMobil (XOM)**, **EOG Resources (EOG)**, and **Cimarex (XEC)**.

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			<i>Price</i> <i>(US\$/sh)</i>	<i>Shares</i>	<i>Market</i> <i>Cap</i> <i>(US\$mm)</i>	<i>Net</i> <i>Present</i> <i>Value</i> <i>(US\$/sh)</i>	<i>Debt/</i> <i>Present</i> <i>Value</i>	<i>McDep</i> <i>Ratio</i>
	<i>Symbol/Rating</i>	<i>13-Apr</i>	<i>2016</i>	<i>(mm)</i>				
	<i>B = Buy</i>							
<b>Global Integrated</b>								
Exxon Mobil Corporation	XOM		84.83	4,183	355,000	100.00	0.18	0.88
Chevron Corporation	CVX		97.60	1,874	183,000	135.00	0.20	0.78
Royal Dutch Shell (BG pro forma)	RDS-A	B	51.32	3,965	204,000	80.00	0.28	0.74
Total S.A.	TOT	B	47.92	2,329	112,000	90.00	0.23	0.64
	<i>Total or Median</i>				<i>854,000</i>		<i>0.21</i>	<i>0.76</i>
<b>Large Independent</b>								
EOG Resources, Inc.	EOG		77.78	546	42,500	75.00	0.15	1.03
Occidental Petroleum Corp.	OXY		72.24	766	55,300	75.00	0.14	0.97
Devon Energy Corporation	DVN		30.96	478	14,800	33.00	0.37	0.96
Marathon Oil Corporation	MRO	B	12.92	845	10,920	20.00	0.31	0.75
ConocoPhillips	COP	B	43.58	1,244	54,000	80.00	0.28	0.67
	<i>Total or Median</i>				<i>177,500</i>		<i>0.28</i>	<i>0.96</i>
<b>Small Independent</b>								
Range Resources	RRC		37.75	167	6,300	25.00	0.42	1.29
Cimarex Energy Company	XEC		106.31	93	9,900	90.00	0.18	1.15
California Resources	CRC		1.56	382	600	5.00	0.79	0.86
Continental Resources (32%)	CLR	B	33.53	118	4,000	56.00	0.26	0.70
Whiting Petroleum Corporation	WLL	B	10.43	204	2,100	30.00	0.47	0.65
	<i>Total or Median</i>				<i>23,000</i>		<i>0.42</i>	<i>0.86</i>
<b>Income</b>								
San Juan Basin Royalty Trust	SJT		5.39	47	250	8.00	-	0.67
Permian Basin RT	PBT		6.61	47	310	11.00	-	0.60
Cross Timbers Royalty Trust	CRT		15.89	6	100	29.00	-	0.55
Dorchester Minerals, L.P.	DMLP	B	12.85	31	390	24.00	-	0.54
Sabine Royalty Trust	SBR	B	31.83	15	460	60.00	-	0.53
	<i>Total or Median</i>				<i>1,500</i>		<i>-</i>	<i>0.55</i>
<b>Canada</b>								
EnCana Corporation	ECA		6.86	846	5,800	6.00	0.61	1.06
Suncor Energy	SU		28.91	1,583	45,800	35.00	0.24	0.87
Imperial Oil Limited (30%)	IMO		31.51	255	8,000	38.00	0.22	0.87
Cenovus Energy Inc.	CVE		13.91	825	11,500	20.00	0.20	0.76
Birchcliff Energy Ltd.	BIREF	B	3.63	154	600	11.00	0.25	0.50
	<i>Total or Median</i>				<i>72,000</i>		<i>0.24</i>	<i>0.87</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>								



# Meter Reader

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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
	Symbol/Rating		13-Apr 2016	NTM	NTM	NTM	NTM
	B = Buy						(\$/sh)
<b>Global Integrated</b>							
Exxon Mobil Corporation	XOM		84.83	13.8	12.3	10.7	2.92
Chevron Corporation	CVX		97.60	9.3	11.7	9.1	4.28
Royal Dutch Shell (BG pro forma)	RDS-A	B	51.32	9.4	10.6	7.9	3.76
Total S.A.	TOT	B	47.92	10.2	10.8	6.9	2.78
	<i>Median</i>			9.8	11.3	8.5	28
<b>Large Independent</b>							
EOG Resources, Inc.	EOG		77.78	8.3	21.1	21.8	0.67
Devon Energy Corporation	DVN		30.96	9.3	16.4	15.8	73
Occidental Petroleum Corp.	OXY		72.24	8.1	16.0	15.5	3.00
Marathon Oil Corporation	MRO	B	12.92	13.1	17.4	13.1	0.20
ConocoPhillips	COP	B	43.58	11.3	18.1	12.1	1.00
	<i>Median</i>			9.3	17.4	15.5	73
<b>Small Independent</b>							
Range Resources	RRC		37.75	14.6	23.0	29.7	0.08
Cimarex Energy Company	XEC		106.31	7.8	19.0	21.8	0.32
California Resources	CRC		1.56	11.2	18.7	16.0	-
Continental Resources (32%)	CLR	B	33.53	11.4	22.1	15.5	-
Whiting Petroleum Corporation	WLL	B	10.43	13.2	18.1	11.8	-
	<i>Median</i>			11.4	19.0	16.0	
<b>Income</b>							
San Juan Basin Royalty Trust	SJT		5.39	10.0	29.5	19.9	23
Permian Basin RT	PBT		6.61	8.6	25.0	15.0	19
Sabine Royalty Trust	SBR	B	31.83	9.5	28.2	15.0	15
Cross Timbers Royalty Trust	CRT		15.89	6.0	27.0	14.8	13
Dorchester Minerals, L.P.	DMLP	B	12.85	6.9	26.5	14.2	22
	<i>Median</i>			8.6	27.0	15.0	19
<b>Canada</b>							
Cenovus Energy Inc.	CVE		13.91	15.0	24.5	18.5	0.15
EnCana Corporation	ECA		6.86	8.4	17.4	18.3	117
Suncor Energy	SU		28.91	17.5	18.0	15.6	0.89
Imperial Oil Limited (30%)	IMO		31.51	29.0	14.2	12.3	22
Birchcliff Energy Ltd.	BIREF	B	3.63	15.6	17.1	8.6	-
	<i>Median</i>			15.6	17.4	15.6	70
	<i>Grand Median</i>			11	18	15	
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2017; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses							
For historical research see <a href="http://www.mcdep.com">www.mcdep.com</a>							



# Meter Reader

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April 13, 2016

<b>Table 4</b>											
<b>McDep Energy Stocks</b>											
<b>Total Return Year-to-Date 2016</b>											
<b>Ranked by Unlevered Total Return</b>											
			Price (\$/sh)	Price (\$/sh)	Price Change (%)	Cash Distrib. (%)	Equity Total Return (%)	Unlevered Debt Return (\$/sh) (%)		McDep Ratio	
	Symbol/Rati		13-Apr 2016	31-Dec 2015							
<b>Global Integrated</b>											
	Royal Dutch Shell (BG pro forma)	RDS-A	B	51.32	45.79	12	2	14	32	8	0.74
	Exxon Mobil Corporation	XOM		84.83	77.95	9	1	10	22	8	0.88
	Chevron Corporation	CVX		97.60	89.96	8	1	10	33	7	0.78
	Total S.A.	TOT	B	47.92	44.95	7	1	8	26	5	0.64
	<i>Median</i>					9		10		7	0.76
<b>Large Independent</b>											
	EOG Resources, Inc.	EOG		77.78	70.79	10	-	10	13	8	1.03
	Occidental Petroleum Corp.	OXY		72.24	67.61	7	1	8	13	7	0.97
	Marathon Oil Corporation	MRO	B	12.92	12.58	3	0	3	9	2	0.75
	Devon Energy Corporation	DVN		30.96	32.00	(3)	0	(3)	19	(2)	0.96
	ConocoPhillips	COP	B	43.58	46.69	(7)	1	(6)	30	(4)	0.67
	<i>Median</i>					3		3		2	0.96
<b>Small Independent</b>											
	Range Resources	RRC		37.75	24.62	53	0	53	18	31	1.29
	Continental Resources (32%)	CLR	B	33.53	22.98	46	-	46	19	25	0.70
	Cimarex Energy Company	XEC		106.31	89.38	19	0	19	20	16	1.15
	Whiting Petroleum Corporation	WLL	B	10.43	9.44	10	-	10	26	3	0.65
	California Resources	CRC		1.56	2.33	(33)	-	(33)	19	(4)	0.86
	<i>Median</i>					19		19		16	0.86
<b>Income</b>											
	San Juan Basin Royalty Trust	SJT		5.39	4.14	30	2	32	-	32	0.67
	Dorchester Minerals, L.P.	DMLP	B	12.85	9.89	30	2	32	-	32	0.54
	Permian Basin RT	PBT		6.61	5.06	31	1	32	-	32	0.60
	Cross Timbers Royalty Trust	CRT		15.89	13.01	22	4	26	-	26	0.55
	Sabine Royalty Trust	SBR	B	31.83	26.26	21	2	23	-	23	0.53
	<i>Median</i>					30		32		32	0.55
<b>Canada</b>											
	EnCana Corporation	ECA		6.86	5.09	35	1	36	9	13	1.06
	Birchcliff Energy Ltd.	BIREF	B	3.63	2.93	24	-	24	4	10	0.50
	Suncor Energy	SU		28.91	25.80	12	1	13	11	9	0.87
	Cenovus Energy Inc.	CVE		13.91	12.62	10	1	11	5	8	0.76
	Imperial Oil Limited (30%)	IMO		31.51	32.52	(3)	0	(3)	11	(2)	0.87
	<i>Median</i>					12		13		9	0.87
	<i>Grand Median</i>					11		12		8	0.75
	<b>Natural Gas (\$/mmbtu)</b>			2.04	2.33	(12)					
	<b>Oil - West Texas Intermediate (\$/bbl)</b>			41.57	37.06	12					
	<b>S&amp;P 500</b>			2,082	2,044	2					
Source: McDep LLC, Yahoo, CME Group, Bloomberg						For historical research see www.mcdep.com					



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## Index of 2015-2016 Research

<u>Date</u>	<u>Series</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
5-Apr	ISI	TOT	Total S.A.	Globally Diversified Income
22-Mar	II	CRT, DMLP, PBT, SBR, SJT		Income Payer Appreciation Potential 55%-110%
15-Mar	MR			Best Oil Outlook in Seven Years
7-Mar	II	COP, MRO, CLR, WLL		Buy Low
29-Feb	ISI	DMLP	Dorchester Minerals, L.P.	Oil Income for All Seasons
19-Feb	ISI	DVN	Devon Energy	Flexibility to Adapt
19-Feb	ISI	MRO	Marathon Oil	Flexibility to Adapt
9-Feb	MR			Outperforming in 2016
3-Feb	ISI	XOM	Exxon Mobil	For Nervous Investors Seeking Reliable Income
28-Jan	ISI	BIREF	Birchcliff Energy	Protection and Growth
22-Jan	II	CRT, PBT, SBR, SJT, DMLP		Income Payer Surprises
21-Jan	ISI	SU	Suncor Energy Inc.	Likely Acquirer of Canadian Oil Sands
19-Jan	ISI	COSWF	Canadian Oil Sands Ltd.	Farewell
13-Jan	II	MRO, DVN, COP, OXY, EOG		Wild Markets in Oil and Securities
1-Jan	MR			Lower Natural Gas to \$4.00 from \$4.50
21-Dec	II	DMLP, SBR, CRT, SJT, PBT		Income Payers at Low Price
15-Dec	MR			Buys for 2016 and Beyond
8-Dec	ISI	RDS	Royal Dutch Shell plc	Buy on Acquisition Pro Forma
23-Nov	ISI	SJT	San Juan Basin Royalty Trust	Steep Price Decline Triggers Buy
18-Nov	II	MRO, DVN, COP, OXY, EOG		Large Cap Independent Producers for Upside
12-Nov	ISI	BIREF	Birchcliff Energy	Encouraging Volume, Uncertain Price
10-Nov	MR	CLR, XEC, WLL, RRC, CRC		Small Cap Producers for the Upcycle
6-Nov	ISI	DMLP	Dorchester Minerals, L.P.	25% Volume Beat
2-Nov	ISI	XOM	Exxon Mobil	Potential Gain with Minimal Pain
27-Oct	ISI	COSWF	Canadian Oil Sands Ltd.	Deal Likely at Higher Price
21-Oct	ISI	SJT	San Juan Basin Royalty Trust	Southwest Bank Potential Successor Trustee
13-Oct	MR			Hedge Mideast Political Risk
5-Oct	ISI	COSWF	Canadian Oil Sands Ltd.	Suncor Makes Tender Offer at 0.57 McDep Ratio
1-Oct	ISI	SJT	San Juan Basin Royalty Trust	Trust Officer Resigns
29-Sep	II	COSWF, BIREF, IMO, CVE, ECA		High-Torque Canadian Producers
22-Sep	ISI	CRT	Cross Timbers Royalty Trust	Low Risk 7.5% Income
15-Sep	MR			Endless Discussion
10-Sep	ISI	DMLP	Dorchester Minerals, L.P.	Raise Distribution to 6.3% Cash Yield
1-Sep	II	MRO, DVN, COP, OXY, EOG		Resilient Large Cap Independent Producers
25-Aug	II	CLR, XEC, WLL, RRC, CRC		Small Cap Producer Survivors
11-Aug	MR			Bottom May Be Near
3-Aug	II	XOM, RDS, CVX, TOT		Global Energy Stalwarts
27-Jul	ISI	ECA	Encana Corporation	Depressed Stock Price
22-Jul	II	SBR, CRT, SJT, PBT		Use Volatility to Advantage
17-Jul	ISI	DMLP	Dorchester Minerals, L.P.	Top Line Distribution Support
14-Jul	MR			Lower Long-Term Oil to \$70 from \$90
7-Jul	ISI	PBT	Permian Basin Royalty Trust	Buy Underestimated Future Oil & Gas Production
				MR = Meter Reader (published monthly on 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.



**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.