



Independent Stock Idea

April 26, 2016

Continental Resources (CLR) Disciplined Visionary

<i>Symbol</i>	CLR	<i>Ebitda Next Twelve Months ending 3/31/17 (US\$m)</i>	1,380
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	21
<i>Price (\$/sh)</i>	37.66	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/25/16	<i>Adjusted Reserves/Production NTM</i>	12.4
<i>Shares (mm)</i>	370	<i>EV/Ebitda</i>	15.3
<i>Market Capitalization (\$mm)</i>	13,900	<i>PV/Ebitda</i>	20.2
<i>Debt (\$mm)</i>	7,200	<i>Undeveloped Reserves (%)</i>	57
<i>Enterprise Value (EV) (\$mm)</i>	21,100	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	19.50
<i>Present Value (PV) (\$mm)</i>	27,900	<i>Present Value Proven Reserves(\$/boe)</i>	22.70
<i>Net Present Value (\$/share)</i>	56	<i>Oil and Gas Ebitda Margin (%)</i>	71
<i>Debt/Present Value</i>	0.26	<i>Earnings Next Twelve Months (US\$/sh)</i>	-0.74
<i>McDep Ratio - EV/PV</i>	0.76	<i>Price/Earnings Next Twelve Months</i>	-51
<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			
Chairman and Chief Executive Harold Hamm owns about 68% of the equity in Continental Resources.			
For historical analysis of CLR see www.mcdep.com/4clr.htm			

Summary and Recommendation

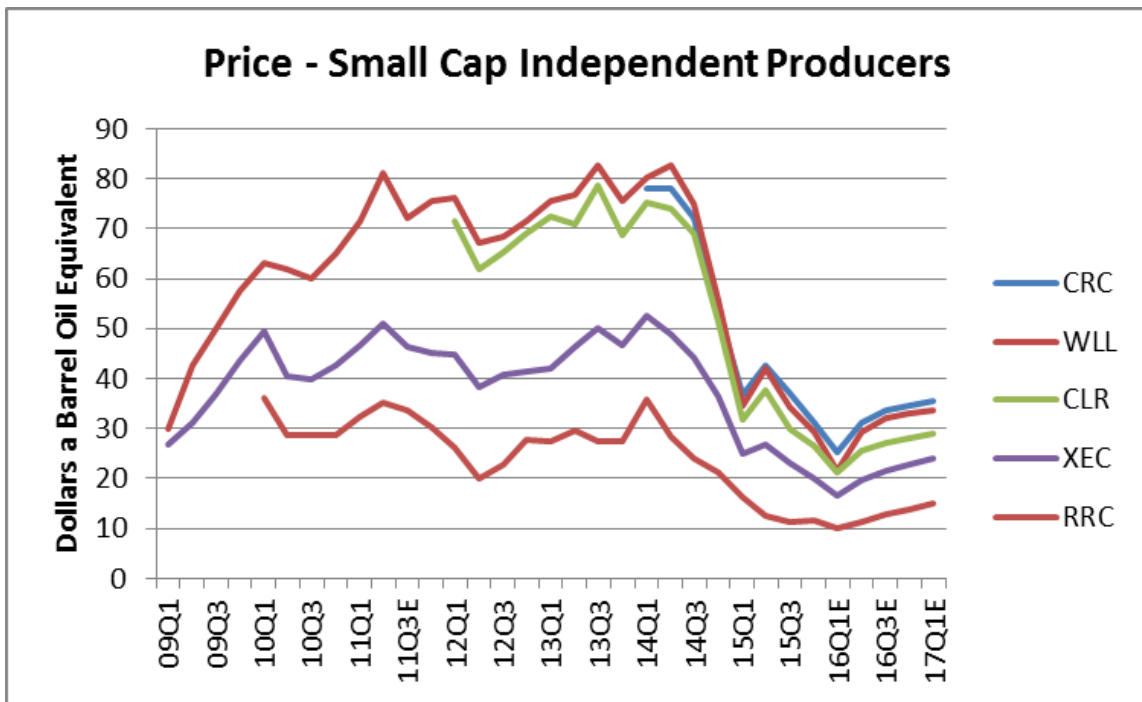
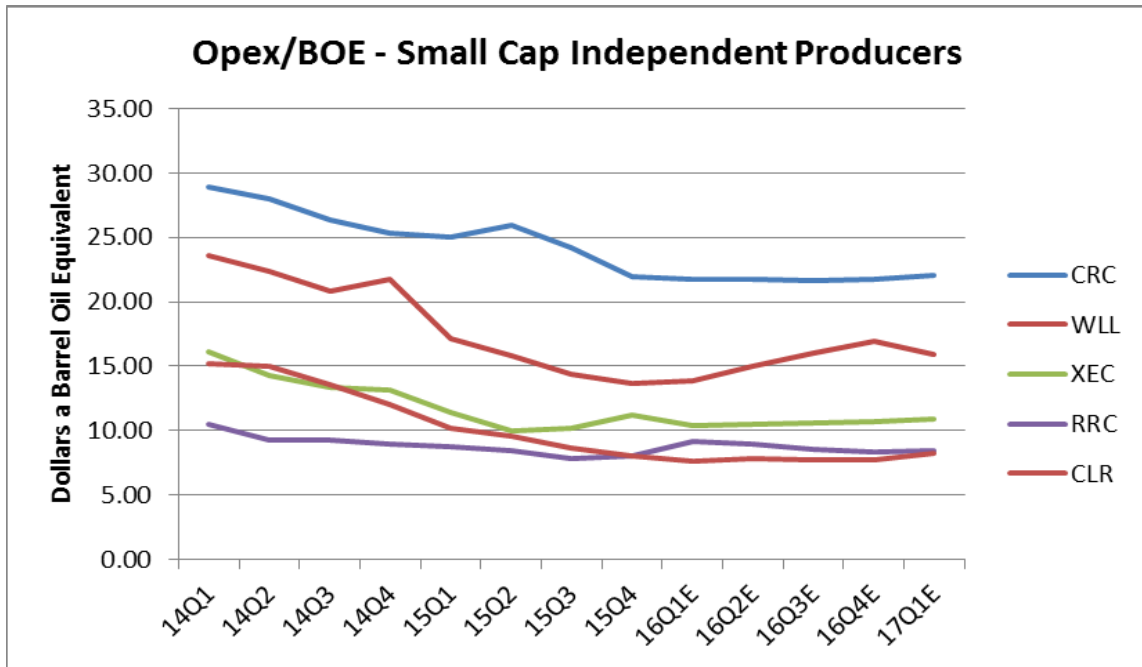
Buy-recommended **Continental Resources (CLR)**, headed by disciplined visionary Harold Hamm, survived the Oil Price Panic of 2015 with tight control of spending while improving its position to prosper in the new growth we believe lies ahead. From a high of \$80 a share in mid-2014, CLR stock dropped to a low of \$16 in early 2016 and has come back so far to \$38. We see further appreciation to Net Present Value (NPV) of \$56 in 2017 perhaps and in future years through the old high. Quick to react to changing short-term circumstances, CLR held operating cost to the lowest of small cap independent competitors at \$8 a barrel (see chart [Opex/BOE](#) on page 2). Oil price less operating cost leaves CLR with operating margin (Ebitda) of \$14 a barrel estimated for the first quarter to be reported May 5, the highest of peers (see charts [Price](#) on page 2 and [Ebitda/BOE](#) on page 3). Latest futures prices conform to the view that the recently completed quarter was the bottom for now (see table [Operating and Financial Estimates](#) on page 4). Volume continues to decline this year in the necessary adjustment to restore oil price. Expected further price increases beyond \$50 a barrel would encourage fracking again to supply future oil demand. During the oil price downturn, CLR strengthened its position in the developing STACK resource play, which complements its nearby SCOOP position in Oklahoma. The company is also ready to go again in the North Dakota Bakken when price delivers the signal. We like CLR for the diversified portfolio we advocate that includes representation from each our five oil and gas producer groups (see [Tables 1-4](#) on pages 5-8). CLR stock price may soon score the positive sign of the golden cross when the 50 day average crosses the 200-day average as it trades further around the current level (see chart on page 9).

Kurt H. Wulff, CFA



Independent Stock Idea

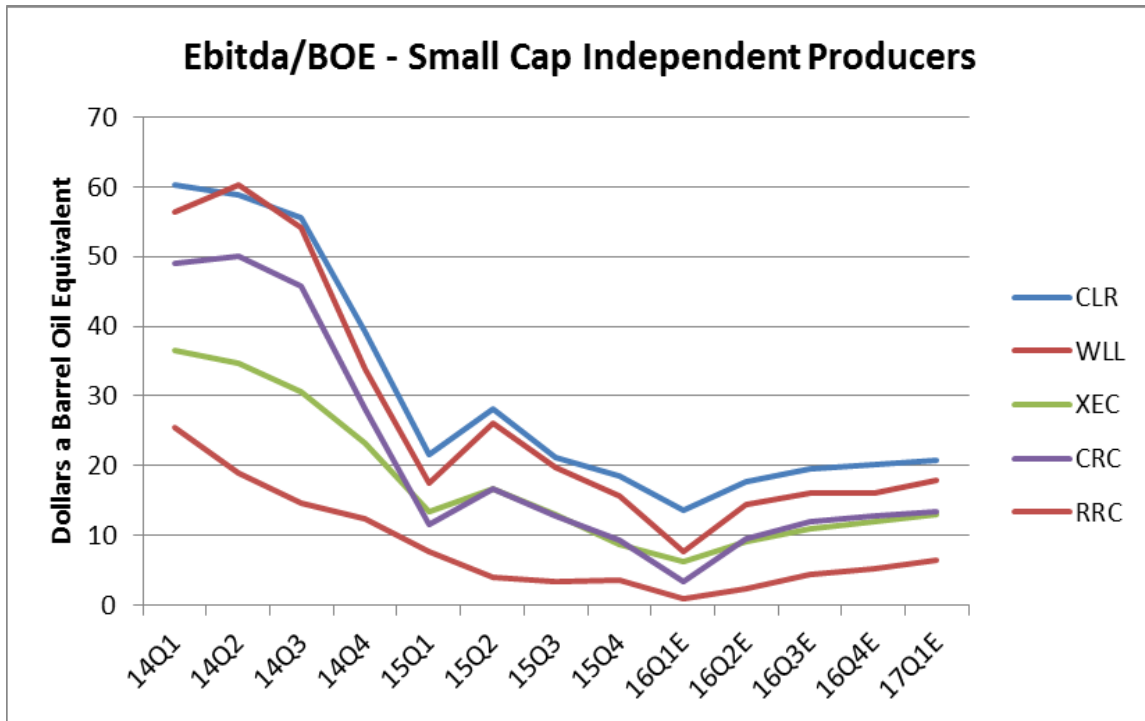
April 26, 2016





Independent Stock Idea

April 26, 2016



Continental Resources					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	293	12.0	19.5	5,700	20%
Oil	1,087	12.6	20.4	22,200	80%
	1,380	12.4	20.2	27,900	100%
Debt (US\$mm)					7,200
Net Present Value (US\$mm)					20,700
Shares (mm)					370
Net Present Value - Standard Estimate (US\$/sh)					56
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					54



Independent Stock Idea

April 26, 2016

Continental Resources										
Next Twelve Months Operating and Financial Estimates										
	Q1	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Next Twelve Months
	3/31/15	12/31/15	2015E	3/31/16	6/30/16	9/30/16	12/31/16	2016E	3/31/17	3/31/17
Volume										
Natural Gas (bcf)	34.2	43.8	164	42.8	43.3	43.8	43.8	174	42.8	173.7
Natural Gas (mmcf)	380	476	451	476	476	476	476	476	476	476
Days	90	92	365	90	91	92	92	365	90	365
Oil (mmb)	13.0	13.4	54	12.2	11.4	10.7	9.9	44	9.7	42
Oil (mbd)	144	146	147	135	125	116	108	121	108	114
Total (mb)	18.7	20.7	81.0	19.3	18.6	18.0	17.2	73.2	16.8	70.7
Total (mbd)	207	225	222	215	205	196	187	200	187	194
Price										
Henry Hub (\$/mmbtu)	2.99	2.28	2.67	2.09	2.10	2.44	2.76	2.35	3.11	2.60
Differential (\$/mmbtu)	0.29	0.21	0.37	0.19	0.19	0.22	0.25	0.21	0.28	0.24
Company (\$/mcf)	2.70	2.07	2.31	1.90	1.91	2.22	2.51	2.14	2.83	2.37
WTI Cushing (\$/bbl)	48.62	42.21	48.79	33.47	42.41	45.35	46.23	41.86	46.84	45.21
Differential	10.06	7.98	8.34	6.33	8.02	8.58	8.74	8.20	8.86	8.64
Company (\$/bbl)	38.56	34.23	40.45	27.14	34.39	36.77	37.48	33.66	37.98	36.57
Total (\$/bbl)	31.73	26.55	31.44	21.32	25.51	27.25	27.98	25.42	29.08	27.41
Revenue (\$mm)										
Natural Gas	92	91	379	81	83	97	110	371	121	411
Oil	500	460	2,167	331	393	393	372	1,488	369	1,526
Total	592	550	2,546	412	475	491	482	1,860	490	1,938
Expense										
Lease operating	93	80	349	87	84	81	77	329	76	318
Production taxes	48	43	201	29	33	34	34	130	34	136
General and administrative	45	47	190	29	28	27	26	110	25	106
Total	186	170	740	145	145	142	137	569	135	560
Ebitda	406	380	1,806	267	330	348	345	1,290	355	1,378
Exploration	14	5	19	5	5	5	5	20	5	20
Deprec., Deplet., & Amort.	387	461	1,750	406	391	378	362	1,537	354	1,485
Other	(19)	(35)	(99)	(100)	(44)	(8)	4	(148)	25	(23)
Ebit	24	(51)	136	(43)	(22)	(27)	(26)	(118)	(29)	(104)
Interest	75	80	312	80	80	80	80	320	80	320
Ebt	(51)	(131)	(176)	(123)	(102)	(107)	(106)	(438)	(109)	(424)
Income Tax	(18)	(46)	(62)	(43)	(36)	(37)	(37)	(153)	(38)	(148)
Net Income (\$mm)	(33)	(85)	(114)	(80)	(66)	(70)	(69)	(285)	(71)	(276)
Per Share (\$)	(0.09)	(0.23)	(0.31)	(0.22)	(0.18)	(0.19)	(0.19)	(0.77)	(0.19)	(0.74)
Shares (millions)	369	370	369	370	370	370	370	370	370	370
Ebitda Margin	69%	69%	71%	65%	69%	71%	72%	69%	72%	71%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



Independent Stock Idea

April 26, 2016

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	87.33	1.25	457,000	5	17	58	20	3.3	0.90	
Chevron Corporation	CVX	101.51	1.32	252,000	2	11	68	19	4.2	0.80	
Royal Dutch Shell (BG pro form)	RDS-A	B	51.65	1.61	330,000	1	17	57	26	7.3	0.75
Total S.A.	TOT	B	49.17	1.53	175,000		22	55	23	5.6	0.65
<i>Total or Median</i>				<i>1.43</i>	<i>1,214,000</i>			<i>57</i>	<i>21</i>	<i>4.9</i>	<i>0.77</i>
Large Independent											
EOG Resources, Inc.	EOG	79.76	1.16	50,600	9	1	90		0.8	1.05	
Devon Energy Corporation	DVN	33.95	1.57	25,500	24		66	10	0.7	1.02	
Occidental Petroleum Corp.	OXY	75.10	1.17	67,200	3	1	87	9	4.0	1.00	
Marathon Oil Corporation	MRO	B	13.83	1.64	19,200	6	1	93	1.4	0.79	
ConocoPhillips	COP	B	46.27	1.66	95,000	11	12	77	2.2	0.69	
<i>Total or Median</i>				<i>1.57</i>	<i>258,000</i>	<i>9</i>		<i>87</i>	<i>1.4</i>	<i>1.00</i>	
Small Independent											
Range Resources	RRC	39.00	1.47	9,600	60		40		0.2	1.32	
Cimarex Energy Company	XEC	106.19	1.19	11,700	30		70		0.3	1.15	
California Resources	CRC	2.16	9.67	8,000	10		90		-	0.88	
Continental Resources (32%)	CLR	B	37.66	1.51	6,800	20		80	-	0.76	
Whiting Petroleum Corporation	WLL	B	11.07	3.36	7,600	5		95	-	0.66	
<i>Total or Median</i>				<i>1.51</i>	<i>44,000</i>	<i>20</i>		<i>80</i>	<i>-</i>	<i>0.88</i>	
Income											
San Juan Basin Royalty Trust	SJT	6.31	1.00	290	100		-		4.5	0.79	
Permian Basin RT	PBT	6.63	1.00	310	23		77		6.1	0.60	
Cross Timbers Royalty Trust	CRT	16.69	1.00	100	52		48		7.7	0.57	
Dorchester Minerals, L.P.	DMLP	B	13.72	1.00	420	23		77	7.4	0.57	
Sabine Royalty Trust	SBR	B	31.48	1.00	460	38		62	7.2	0.52	
<i>Total or Median</i>				<i>1.00</i>	<i>1,600</i>	<i>38</i>		<i>62</i>	<i>7.2</i>	<i>0.57</i>	
Canada											
EnCana Corporation	ECA	7.12	2.30	13,800	47		53		0.8	1.07	
Imperial Oil Limited (30%)	IMO	32.45	1.34	11,100	1		73	26	1.4	0.89	
Suncor Energy	SU	28.51	1.41	63,500	-		84	16	3.2	0.86	
Cenovus Energy Inc.	CVE	14.89	1.33	16,400	7		84	8	1.1	0.80	
Birchcliff Energy Ltd.	BIREF	B	3.83	2.01	1,200	77		23	-	0.52	
<i>Total or Median</i>				<i>1.41</i>	<i>106,000</i>			<i>73</i>	<i>1.1</i>	<i>0.86</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											



Independent Stock Idea

April 26, 2016

			<i>Price</i>			<i>Net</i>		
			<i>(US\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>Symbol/Rating</i>		<i>25-Apr</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
	<i>B = Buy</i>		<i>2016</i>	<i>(mm)</i>	<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	<i>Ratio</i>
Global Integrated								
Exxon Mobil Corporation	XOM		87.33	4,183	365,000	100.00	0.18	0.90
Chevron Corporation	CVX		101.51	1,874	190,000	135.00	0.20	0.80
Royal Dutch Shell (BG pro forma)	RDS-A	B	51.65	3,965	205,000	80.00	0.28	0.75
Total S.A.	TOT	B	49.17	2,329	115,000	90.00	0.23	0.65
	<i>Total or Median</i>				<i>875,000</i>		<i>0.21</i>	<i>0.77</i>
Large Independent								
EOG Resources, Inc.	EOG		79.76	546	43,600	75.00	0.15	1.05
Devon Energy Corporation	DVN		33.95	478	16,200	33.00	0.37	1.02
Occidental Petroleum Corp.	OXY		75.10	766	57,500	75.00	0.14	1.00
Marathon Oil Corporation	MRO	B	13.83	845	11,690	20.00	0.31	0.79
ConocoPhillips	COP	B	46.27	1,244	58,000	80.00	0.28	0.69
	<i>Total or Median</i>				<i>187,000</i>		<i>0.28</i>	<i>1.00</i>
Small Independent								
Range Resources	RRC		39.00	167	6,500	25.00	0.42	1.32
Cimarex Energy Company	XEC		106.19	93	9,900	90.00	0.18	1.15
California Resources	CRC		2.16	382	800	5.00	0.79	0.88
Continental Resources (32%)	CLR	B	37.66	118	4,500	56.00	0.26	0.76
Whiting Petroleum Corporation	WLL	B	11.07	204	2,300	30.00	0.47	0.66
	<i>Total or Median</i>				<i>24,000</i>		<i>0.42</i>	<i>0.88</i>
Income								
San Juan Basin Royalty Trust	SJT		6.31	47	290	8.00	-	0.79
Permian Basin RT	PBT		6.63	47	310	11.00	-	0.60
Cross Timbers Royalty Trust	CRT		16.69	6	100	29.00	-	0.57
Dorchester Minerals, L.P.	DMLP	B	13.72	31	420	24.00	-	0.57
Sabine Royalty Trust	SBR	B	31.48	15	460	60.00	-	0.52
	<i>Total or Median</i>				<i>1,600</i>		<i>-</i>	<i>0.57</i>
Canada								
EnCana Corporation	ECA		7.12	846	6,000	6.00	0.61	1.07
Imperial Oil Limited (30%)	IMO		32.45	255	8,300	38.00	0.23	0.89
Suncor Energy	SU		28.51	1,583	45,100	35.00	0.25	0.86
Cenovus Energy Inc.	CVE		14.89	825	12,300	20.00	0.20	0.80
Birchcliff Energy Ltd.	BIREF	B	3.83	154	600	11.00	0.26	0.52
	<i>Total or Median</i>				<i>72,000</i>		<i>0.25</i>	<i>0.86</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								



Independent Stock Idea

April 26, 2016

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		25-Apr 2016	NTM	NTM	NTM	NTM
	B = Buy						(\$/sh)
Global Integrated							
Exxon Mobil Corporation	XOM		87.33	13.8	11.5	10.3	25 2.92
Chevron Corporation	CVX		101.51	9.3	11.0	8.8	31 4.28
Royal Dutch Shell (BG pro forma)	RDS-A	B	51.65	9.4	10.1	7.6	24 3.76
Total S.A.	TOT	B	49.17	10.2	10.5	6.8	16 2.77
	<i>Median</i>			9.8	10.8	8.2	24
Large Independent							
EOG Resources, Inc.	EOG		79.76	8.3	19.8	20.9	0.67
Occidental Petroleum Corp.	OXY		75.10	8.1	15.2	15.3	3.00
Devon Energy Corporation	DVN		33.95	9.3	14.4	14.7	75 0.24
Marathon Oil Corporation	MRO	B	13.83	13.1	14.9	11.7	0.20
ConocoPhillips	COP	B	46.27	11.3	16.3	11.3	1.00
	<i>Median</i>			9.3	15.2	14.7	75
Small Independent							
Range Resources	RRC		39.00	14.6	18.1	23.9	0.08
Cimarex Energy Company	XEC		106.19	7.8	16.7	19.1	0.32
Continental Resources (32%)	CLR	B	37.66	11.4	20.2	15.3	-
California Resources	CRC		2.16	11.2	15.3	13.5	-
Whiting Petroleum Corporation	WLL	B	11.07	13.2	15.4	10.2	-
	<i>Median</i>			11.4	16.7	15.3	
Income							
San Juan Basin Royalty Trust	SJT		6.31	10.0	24.8	19.6	22 0.29
Cross Timbers Royalty Trust	CRT		16.69	6.0	24.3	14.0	13 1.28
Sabine Royalty Trust	SBR	B	31.48	9.5	26.5	13.9	14 2.26
Dorchester Minerals, L.P.	DMLP	B	13.72	6.9	23.6	13.5	20 1.01
Permian Basin RT	PBT		6.63	8.6	22.0	13.3	16 0.41
	<i>Median</i>			8.6	24.3	13.9	16
Canada							
Cenovus Energy Inc.	CVE		14.89	16.7	19.6	15.6	0.16
EnCana Corporation	ECA		7.12	5.3	14.0	15.0	113 0.06
Suncor Energy	SU		28.51	20.4	17.3	14.9	0.92
Imperial Oil Limited (30%)	IMO		32.45	29.0	13.2	11.7	21 0.44
Birchcliff Energy Ltd.	BIREF	B	3.83	15.6	15.5	8.0	-
	<i>Median</i>			16.7	15.5	14.9	67
	<i>Grand Median</i>			11	16	14	

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 www.mcdep.com



Independent Stock Idea

April 26, 2016

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		25-Apr 2016	31-Dec 2015						
Global Integrated										
	Chevron Corporation	CVX	101.51	89.96	13	1	14	33	10	0.80
	Exxon Mobil Corporation	XOM	87.33	77.95	12	1	13	22	10	0.90
	Royal Dutch Shell (BG pro forma)	RDS-A B	51.65	45.79	13	2	15	32	9	0.75
	Total S.A.	TOT B	49.17	44.95	9	1	11	26	7	0.65
	<i>Median</i>				12		13		9	0.77
Large Independent										
	EOG Resources, Inc.	EOG	79.76	70.79	13	-	13	13	11	1.05
	Occidental Petroleum Corp.	OXY	75.10	67.61	11	1	12	13	10	1.00
	Marathon Oil Corporation	MRO B	13.83	12.58	10	0	10	9	6	0.79
	Devon Energy Corporation	DVN	33.95	32.00	6	0	6	19	4	1.02
	ConocoPhillips	COP B	46.27	46.69	(1)	1	(0)	30	(0)	0.69
	<i>Median</i>				10		10		6	1.00
Small Independent										
	Continental Resources (32%)	CLR B	37.66	22.98	64	-	64	19	35	0.76
	Range Resources	RRC	39.00	24.62	58	0	59	18	34	1.32
	Cimarex Energy Company	XEC	106.19	89.38	19	0	19	20	16	1.15
	Whiting Petroleum Corporation	WLL B	11.07	9.44	17	-	17	26	5	0.66
	California Resources	CRC	2.16	2.33	(7)	-	(7)	19	(1)	0.88
	<i>Median</i>				19		19		16	0.88
Income										
	San Juan Basin Royalty Trust	SJT	6.31	4.14	52	2	54	-	54	0.79
	Dorchester Minerals, L.P.	DMLP B	13.72	9.89	39	2	41	-	41	0.57
	Permian Basin RT	PBT	6.63	5.06	31	1	32	-	32	0.60
	Cross Timbers Royalty Trust	CRT	16.69	13.01	28	4	32	-	32	0.57
	Sabine Royalty Trust	SBR B	31.48	26.26	20	2	22	-	22	0.52
	<i>Median</i>				31		32		32	0.57
Canada										
	EnCana Corporation	ECA	7.12	5.09	40	1	41	9	15	1.07
	Cenovus Energy Inc.	CVE	14.89	12.62	18	1	19	5	14	0.80
	Birchcliff Energy Ltd.	BIREF B	3.83	2.93	31	-	31	4	13	0.52
	Suncor Energy	SU	28.51	25.80	11	1	11	12	8	0.86
	Imperial Oil Limited (30%)	IMO	32.45	32.52	(0)	0	0	11	0	0.89
	<i>Median</i>				18		19		13	0.86
	<i>Grand Median</i>				15		16		10	0.79
	Natural Gas (\$/mmbtu)		2.07	2.33	(11)					
	Oil - West Texas Intermediate (\$/bbl)		42.94	37.06	16					
	S&P 500		2,088	2,044	2					
Source: McDep LLC, Yahoo, CME Group, Bloomberg					For historical research see www.mcdep.com					



Independent Stock Idea

April 26, 2016



TOT Interactive Stock Chart | Yahoo! Inc. Stock - Yahoo! Finance

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.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

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. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.