

Large Cap Independent Producers for Upside

Symbol/Rating	Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)					Dist. Yield	NTM (%)	McDep Ratio
				18-Nov 2015	Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream			
Large Independent											
EOG Resources, Inc.	EOG	84.06	1.15	53,000	16	3	81		0.8	1.04	
Occidental Petroleum Corp.	OXY	75.00	1.16	66,100	5	1	78	17	4.0	1.00	
ConocoPhillips	COP	53.81	1.56	104,000	16	11	73		5.5	0.86	
Devon Energy Corporation	DVN B	46.29	1.69	32,000	28		56	16	2.1	0.81	
Marathon Oil Corporation	MRO B	17.45	1.78	21,100	9	1	90		1.1	0.65	
<i>Total or Median</i>			<i>1.56</i>	<i>276,000</i>	<i>16</i>		<i>78</i>		<i>2.1</i>	<i>0.86</i>	

Summary and Recommendation

Advancing from the lows of the dark days of August and September, stock prices for Large Cap Independent Producers offer further gains on the strength of stringent cost containment, impressive productivity advances and likely higher oil price in 2016. Early leadership in shale technology powers **EOG Resources (EOG)**, **ConocoPhillips (COP)**, and buy-recommended **Devon Energy (DVN)**. Quick learners **Occidental Petroleum (OXY)** and buy-recommended **Marathon Oil (MRO)** have also achieved growth in unconventional oil production. EOG remains the standout in historical growth whether measured absolutely or per share (see charts on page 2). Greater size may have helped the stocks of COP and OXY resist further decline in the price downturn. Conversely, smaller size may have contributed to less investor confidence in DVN and MRO. Yet it is not past performance, but rather estimated present value of future cash flow that determines the denominator of the McDep Ratio (see [Tables 1-4](#) on pages 3-6). On that basis, Devon and Marathon have the lowest McDep Ratios and get our buy designation for the most quantitative appreciation potential in an upcycle. The smallest and lowest McDep Ratio producing companies are also the more likely acquisition targets in our experience. Among the exciting highlights of quarterly investment calls, we liked hearing about EOG's fresh estimate of an additional billion net barrels of resource potential in the Delaware Basin Wolfcamp shale and Second Bone Spring sand. We liked Devon's enthusiasm for its prospects in the Delaware Basin, Eagle Ford, Oklahoma Meramec and Wyoming Powder River. Marathon stresses its Eagle Ford, Oklahoma SCOOP (Woodford and Springer) and STACK (Meramec) and North Dakota Bakken Myrmidon. Equally striking among all was a determination to be ready for any further oil price decline and to hold back on spending until higher oil price becomes more evident.

Kurt H. Wulff, CFA



Industry Idea

Analysis of Oil and Gas Stocks
November 18, 2015 Intraday

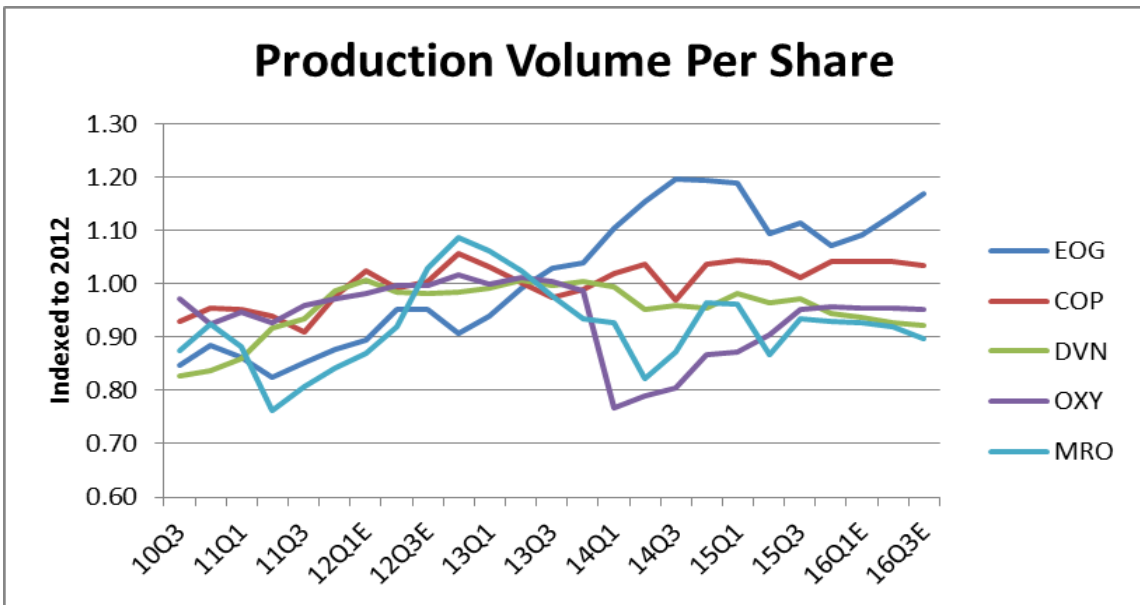
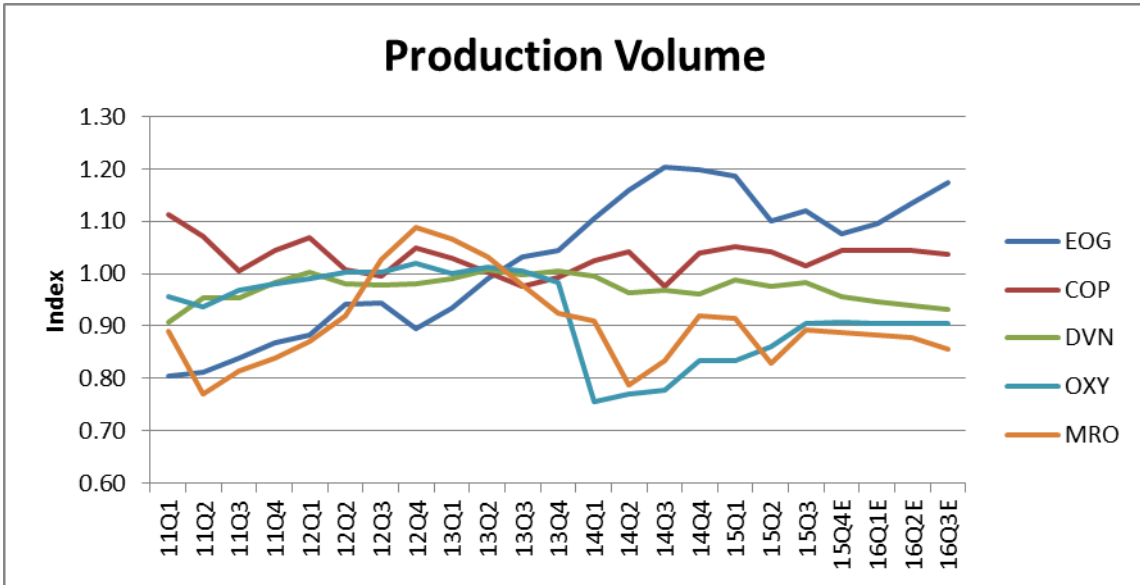


Table 1											
McDep Energy Stocks											
Enterprise Value, Segments, Yield and McDep Ratio											
	Symbol/Rating		Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)				Dist. Yield NTM (%)	McDep Ratio
						North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream		
Global Integrated											
	XOM		79.97	1.25	419,000	7	12	56	25	3.7	0.89
	CVX	B	91.41	1.33	228,000	3	8	64	25	4.7	0.86
	Royal Dutch Shell (BG pro form)	RDS-A	50.14	1.63	323,000					7.5	0.82
	TOT	B	49.59	1.50	172,000		16	55	29	5.3	0.78
	<i>Total or Median</i>			<i>1.42</i>	<i>1,142,000</i>			<i>56</i>	<i>25</i>	<i>5.0</i>	<i>0.84</i>
Large Independent											
	EOG		84.06	1.15	53,000	16	3	81		0.8	1.04
	OXY		75.00	1.16	66,100	5	1	78	17	4.0	1.00
	COP		53.81	1.56	104,000	16	11	73		5.5	0.86
	DVN	B	46.29	1.69	32,000	28		56	16	2.1	0.81
	MRO	B	17.45	1.78	21,100	9	1	90		1.1	0.65
	<i>Total or Median</i>			<i>1.56</i>	<i>276,000</i>	<i>16</i>		<i>78</i>		<i>2.1</i>	<i>0.86</i>
Small Independent											
	XEC		117.17	1.10	12,000	41		59		0.5	1.08
	CRC		4.11	5.33	8,400	13		87		-	0.79
	RRC		31.26	1.79	9,400	80		20		0.5	0.75
	CLR	B	34.99	1.56	6,400	20		80		-	0.70
	WLL	B	16.89	2.60	9,000	7		93		-	0.56
	<i>Total or Median</i>			<i>1.79</i>	<i>45,000</i>	<i>20</i>		<i>80</i>		<i>-</i>	<i>0.75</i>
Income											
	SBR		30.96	1.00	450	53		48		7.9	0.56
	PBT		6.11	1.00	290	23		77		6.5	0.51
	CRT		15.06	1.00	90	62		38		7.0	0.48
	DMLP	B	13.44	1.00	410	40		60		7.4	0.48
	SJT	B	5.85	1.00	270	100		-		6.2	0.39
	<i>Total or Median</i>			<i>1.00</i>	<i>1,500</i>	<i>53</i>		<i>48</i>		<i>7.0</i>	<i>0.48</i>
Canada											
	IMO		31.79	1.34	10,900	1		69	30	1.3	0.84
	ECA		8.25	2.23	15,600	56		44		3.4	0.80
	CVE		15.34	1.30	16,500	12		75	13	3.1	0.72
	COSWF	B	6.73	1.87	6,100			100		2.2	0.58
	BIREF	B	4.49	1.81	1,300	77		23		-	0.52
	<i>Total or Median</i>			<i>1.81</i>	<i>50,000</i>			<i>69</i>		<i>2.2</i>	<i>0.72</i>

Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.50 a million btu.
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

			<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>18-Nov</i> <i>2015</i>		<i>(mm)</i>				
	<i>B = Buy</i>							
Global Integrated								
Exxon Mobil Corporation	XOM		79.97	4,190	335,000	92.00	0.18	0.89
Chevron Corporation	CVX	B	91.41	1,872	171,000	111.00	0.22	0.86
Royal Dutch Shell (BG pro forma)	RDS-A		50.14	3,965	199,000	68.00	0.32	0.82
Total S.A.	TOT	B	49.59	2,312	115,000	71.00	0.26	0.78
	<i>Total or Median</i>				<i>820,000</i>		<i>0.24</i>	<i>0.84</i>
Large Independent								
EOG Resources, Inc.	EOG		84.06	549	46,200	80.00	0.13	1.04
Occidental Petroleum Corp.	OXY		75.00	763	57,200	75.00	0.13	1.00
ConocoPhillips	COP		53.81	1,242	67,000	68.00	0.31	0.86
Devon Energy Corporation	DVN	B	46.29	411	19,000	65.00	0.33	0.81
Marathon Oil Corporation	MRO	B	17.45	677	11,810	34.00	0.29	0.65
	<i>Total or Median</i>				<i>201,200</i>		<i>0.29</i>	<i>0.86</i>
Small Independent								
Cimarex Energy Company	XEC		117.17	93	10,900	108.00	0.10	1.08
California Resources	CRC		4.11	382	1,600	10.00	0.64	0.79
Range Resources	RRC		31.26	167	5,200	50.00	0.33	0.75
Continental Resources (32%)	CLR	B	34.99	118	4,100	58.00	0.25	0.70
Whiting Petroleum Corporation	WLL	B	16.89	204	3,500	52.00	0.34	0.56
	<i>Total or Median</i>				<i>25,000</i>		<i>0.33</i>	<i>0.75</i>
Income								
Sabine Royalty Trust	SBR		30.96	15	450	55.00	-	0.56
Permian Basin RT	PBT		6.11	47	290	12.00	-	0.51
Cross Timbers Royalty Trust	CRT		15.06	6	90	31.00	-	0.48
Dorchester Minerals, L.P.	DMLP	B	13.44	31	410	28.00	-	0.48
San Juan Basin Royalty Trust	SJT	B	5.85	47	270	15.00	-	0.39
	<i>Total or Median</i>				<i>1,500</i>		<i>-</i>	<i>0.48</i>
Canada								
Imperial Oil Limited (30%)	IMO		31.79	255	8,100	40.00	0.21	0.84
EnCana Corporation	ECA		8.25	843	7,000	13.00	0.44	0.80
Cenovus Energy Inc.	CVE		15.34	829	12,700	23.00	0.17	0.72
Canadian Oil Sands Limited	COSWF	B	6.73	485	3,300	16.00	0.27	0.58
Birchcliff Energy Ltd.	BIREF	B	4.49	154	700	12.00	0.23	0.52
	<i>Total or Median</i>				<i>32,000</i>		<i>0.23</i>	<i>0.72</i>
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.50 a million btu.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								

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		18-Nov 2015	NTM	NTM	NTM	NTM	
	B = Buy						(\$/sh)	
Global Integrated								
Exxon Mobil Corporation	XOM		79.97	14.4	10.1	9.0	19	2.92
Chevron Corporation	CVX	B	91.41	9.3	9.1	7.8	26	4.28
Total S.A.	TOT	B	49.59	9.9	7.8	6.0	11	2.62
Royal Dutch Shell (BG pro forma)	RDS-A		50.14					3.76
	<i>Median</i>			9.9	9.1	7.8	19	
Large Independent								
EOG Resources, Inc.	EOG		84.06	9.2	14.5	15.2	182	0.67
Occidental Petroleum Corp.	OXY		75.00	8.8	12.9	12.9	252	3.00
Devon Energy Corporation	DVN	B	46.29	10.1	14.6	11.8	75	0.96
ConocoPhillips	COP		53.81	11.4	13.4	11.4		2.96
Marathon Oil Corporation	MRO	B	17.45	11.7	13.7	8.9		0.20
	<i>Median</i>			10.1	13.7	11.8	182	
Small Independent								
Range Resources	RRC		31.26	14.3	26.1	19.5	352	0.16
Cimarex Energy Company	XEC		117.17	7.7	15.3	16.4		0.64
California Resources	CRC		4.11	12.3	17.9	14.1		-
Continental Resources (32%)	CLR	B	34.99	11.4	17.3	12.1	156	-
Whiting Petroleum Corporation	WLL	B	16.89	11.1	14.7	8.2		-
	<i>Median</i>			11.4	17.3	14.1	254	
Income								
Sabine Royalty Trust	SBR		30.96	8.0	22.6	12.7	13	2.43
San Juan Basin Royalty Trust	SJT	B	5.85	8.4	30.5	11.9	16	0.36
Cross Timbers Royalty Trust	CRT		15.06	12.4	23.3	11.3	14	1.06
Dorchester Minerals, L.P.	DMLP	B	13.44	7.1	19.7	9.4	20	0.99
Permian Basin RT	PBT		6.11	9.7	17.6	9.0	15	0.40
	<i>Median</i>			8.4	22.6	11.3	15	
Canada								
EnCana Corporation	ECA		8.25	6.6	17.3	13.8	95	0.28
Cenovus Energy Inc.	CVE		15.34	15.0	18.4	13.3		0.48
Canadian Oil Sands Limited	COSWF	B	6.73	17.5	19.9	11.5		0.15
Imperial Oil Limited (30%)	IMO		31.79	23.6	12.5	10.5	17	0.42
Birchcliff Energy Ltd.	BIREF	B	4.49	12.5	17.5	9.1		-
	<i>Median</i>			15.0	17.5	11.5	56	
	<i>Grand Median</i>			11	17	12		

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2016; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2015										
Ranked by Unlevered Total Return										
			Price	Price			Equity	Unlevered		
			(\$/sh)	(\$/sh)	Price	Cash	Total	Debt	Return	McDep
	Symbol/Rat		18-Nov	29-Dec	Change	Distrib.	Return	Return		Ratio
			2015	2014	(%)	(%)	(%)	(\$/sh)	(%)	
Global Integrated										
Total S.A.	TOT	B	49.59	52.74	(6)	4	(2)	25	(1)	0.78
Exxon Mobil Corporation	XOM		79.97	93.07	(14)	2	(12)	20	(10)	0.89
Chevron Corporation	CVX	B	91.41	113.32	(19)	3	(17)	31	(13)	0.86
Royal Dutch Shell (BG pro forma)	RDS-A		50.14	68.31	(27)	4	(22)	31	(15)	0.82
	<i>Median</i>				(17)		(14)		(11)	0.84
Large Independent										
Occidental Petroleum Corp.	OXY		75.00	81.71	(8)	3	(5)	12	(5)	1.00
EOG Resources, Inc.	EOG		84.06	94.33	(11)	0	(11)	12	(9)	1.04
ConocoPhillips	COP		53.81	70.11	(23)	3	(20)	30	(14)	0.86
Devon Energy Corporation	DVN	B	46.29	61.15	(24)	1	(23)	32	(15)	0.81
Marathon Oil Corporation	MRO	B	17.45	28.58	(39)	2	(37)	14	(25)	0.65
	<i>Median</i>				(23)		(20)		(14)	0.86
Small Independent										
Cimarex Energy Company	XEC		117.17	110.27	6	0	7	12	6	1.08
Continental Resources (32%)	CLR	B	34.99	38.26	(9)	-	(9)	19	(6)	0.70
California Resources	CRC		4.11	5.77	(29)	1	(28)	18	(7)	0.79
Whiting Petroleum Corporation	WLL	B	16.89	34.09	(50)	-	(50)	27	(28)	0.56
Range Resources	RRC		31.26	56.00	(44)	0	(44)	25	(30)	0.75
	<i>Median</i>				(29)		(28)		(7)	0.75
Income										
Sabine Royalty Trust	SBR		30.96	36.68	(16)	8	(8)	-	(8)	0.56
Cross Timbers Royalty Trust	CRT		15.06	18.07	(17)	6	(10)	-	(10)	0.48
Permian Basin RT	PBT		6.11	9.12	(33)	3	(30)	-	(30)	0.51
Dorchester Minerals, L.P.	DMLP	B	13.44	25.16	(47)	5	(42)	-	(42)	0.48
San Juan Basin Royalty Trust	SJT	B	5.85	13.97	(58)	2	(56)	-	(56)	0.39
	<i>Median</i>				(33)		(30)		(30)	0.48
Canada										
Canadian Oil Sands Limited	COSWF	B	6.73	9.20	(27)	1	(26)	6	(16)	0.58
Cenovus Energy Inc.	CVE		15.34	20.95	(27)	3	(24)	5	(19)	0.72
Imperial Oil Limited (30%)	IMO		31.79	43.49	(27)	1	(26)	11	(21)	0.84
Birchcliff Energy Ltd.	BIREF	B	4.49	6.75	(33)	-	(33)	4	(22)	0.52
EnCana Corporation	ECA		8.25	13.94	(41)	2	(39)	10	(23)	0.80
	<i>Median</i>				(27)		(26)		(21)	0.72
	<i>Grand Median</i>				(27)		(23)		(15)	0.76
Natural Gas (\$/mmbtu)			2.35	3.19	(26)					
Oil - West Texas Intermediate (\$/bbl)			40.68	53.69	(24)					

Source: McDep LLC, Yahoo, CME Group, Bloomberg



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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 more than 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.