

Independent Producers Buy Low

	Symbol/Rating	Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)				Dist. Yield	McDep Ratio
					North Amer.	Rest of World	Oil Prod'n	Down- stream		
					Natural Gas	Natural Gas				
Large Independent										
EOG Resources, Inc.	EOG	71.41	1.18	46,000	8	3	89		0.9	0.96
Occidental Petroleum Corp.	OXY	69.72	1.18	63,000	3	1	86	9	4.3	0.94
Devon Energy Corporation	DVN	23.31	1.84	20,400	20		62	18	1.0	0.81
Marathon Oil Corporation	MRO B	11.00	1.87	16,100	6	2	92		1.8	0.70
ConocoPhillips	COP B	41.12	1.74	89,000	11	11	78		2.4	0.65
<i>Total or Median</i>			<i>1.74</i>	<i>235,000</i>	<i>8</i>		<i>86</i>		<i>1.8</i>	<i>0.81</i>
Small Independent										
Range Resources	RRC	32.32	1.57	8,500	60		40		0.2	1.17
Cimarex Energy Company	XEC	90.65	1.22	10,300	34		66		0.4	1.01
California Resources	CRC	1.76	11.75	7,900	10		90		-	0.86
Continental Resources (32%)	CLR B	26.00	1.75	5,400	16		84		-	0.60
Whiting Petroleum Corporation	WLL B	7.09	4.68	6,800	4		96		-	0.59
<i>Total or Median</i>			<i>1.75</i>	<i>39,000</i>	<i>16</i>		<i>84</i>		<i>-</i>	<i>0.86</i>

Summary and Recommendation

Amid signs that the worst may be over for oil and gas stock price declines, we recommend investment in independent producers including our automatic lowest McDep Ratio Buys **ConocoPhillips (COP)**, **Marathon Oil (MRO)**, **Continental Resources (CLR)** and **Whiting Petroleum (WLL)** (see [Tables 1-4](#) on pages 3-6). Acknowledging cash flow pressure from low oil and gas price, we reduce estimated Net Present Value (NPV) by 17% for **EOG Resources (EOG)** to \$75 a share from \$90, 17% for **Cimarex (XEC)** to \$90 from \$108, 29% for **Range Resources (RRC)** to \$25 from \$35 and 29% for WLL to \$30 from \$42. The four companies disclosed 2015 results on February 25-26. A week earlier we reduced NPV by a half for MRO and **Devon Energy (DVN)** (see *Independent Stock Idea's*, February 19, 2016). Reluctantly, we reduce NPV from what it would be at \$70 oil to restrain unlevered multiple of present value to next twelve months cash flow to a more believable level. Low cash flow makes the case that current oil and gas price is unsustainable and must increase if energy supply is to meet future demand. Also marking the beginning of a reversal, forced selling by investors has been accentuated by independent producers. Both Devon and Marathon have had distress stock offerings recently. Whiting asks its shareholders to approve a doubling of authorized shares when the annual meeting is held in May. Finally, better resistance to current financial pressure has helped EOG, XEC and CLR to preserve past fundamental gains. As a result, the low debt stocks have the better long-term trends in value (see charts [NPV](#) on page 2).

Kurt H. Wulff, CFA



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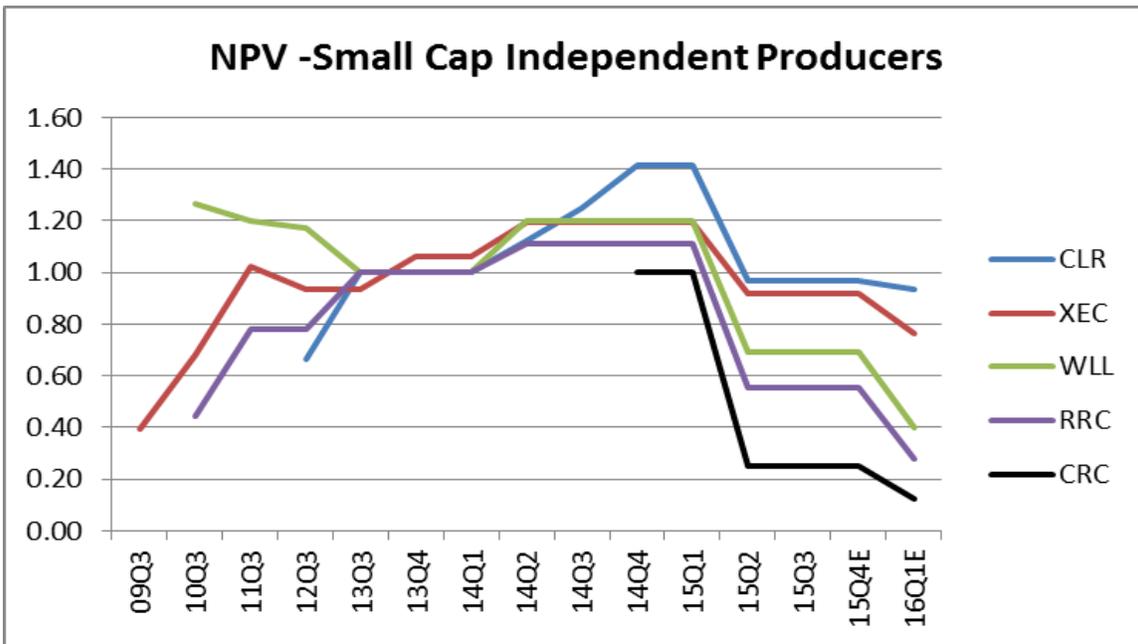
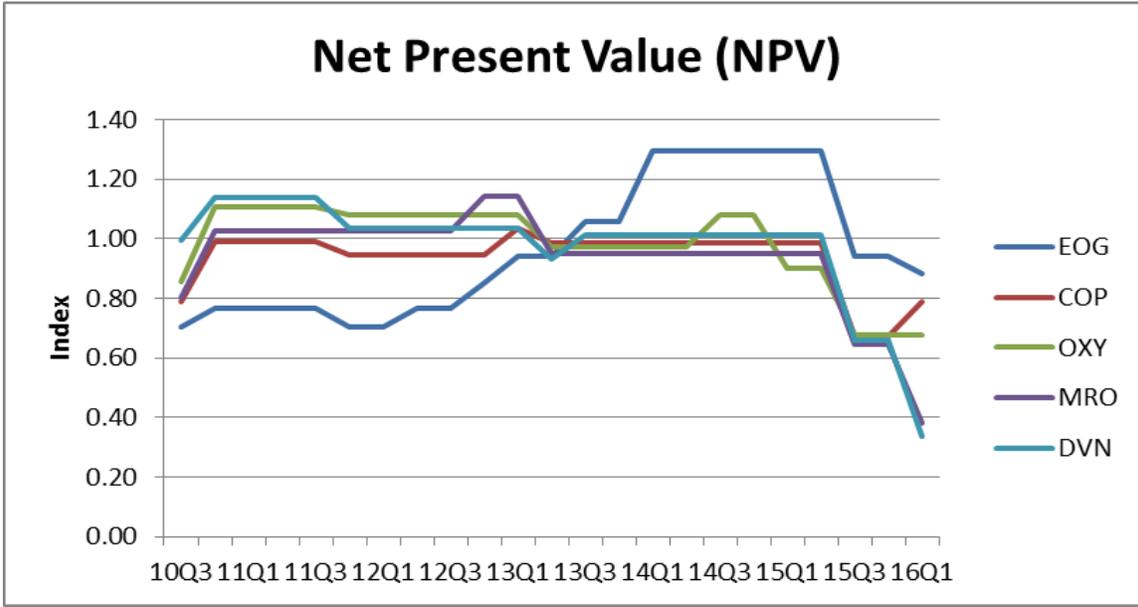


Table 1											
McDep Energy Stocks											
Enterprise Value, Segments, Yield and McDep Ratio											
Symbol/Rating		Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)					Dist. Yield NTM (%)	McDep Ratio
					4-Mar 2016	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream		
Global Integrated											
Exxon Mobil Corporation	XOM	82.29	1.27	436,000	6	13	61	21	3.5	0.85	
Chevron Corporation	CVX	87.93	1.35	222,000	2	9	69	19	4.9	0.72	
Royal Dutch Shell (BG pro form)	RDS-A B	47.99	1.66	315,000	2	17	56	26	7.8	0.71	
Total S.A.	TOT B	47.35	1.55	171,000		17	61	23	5.7	0.63	
<i>Total or Median</i>			<i>1.45</i>	<i>1,144,000</i>			<i>61</i>	<i>22</i>	<i>5.3</i>	<i>0.71</i>	
Large Independent											
EOG Resources, Inc.	EOG	71.41	1.18	46,000	8	3	89		0.9	0.96	
Occidental Petroleum Corp.	OXY	69.72	1.18	63,000	3	1	86	9	4.3	0.94	
Devon Energy Corporation	DVN	23.31	1.84	20,400	20		62	18	1.0	0.81	
Marathon Oil Corporation	MRO B	11.00	1.87	16,100	6	2	92		1.8	0.70	
ConocoPhillips	COP B	41.12	1.74	89,000	11	11	78		2.4	0.65	
<i>Total or Median</i>			<i>1.74</i>	<i>235,000</i>	<i>8</i>		<i>86</i>		<i>1.8</i>	<i>0.81</i>	
Small Independent											
Range Resources	RRC	32.32	1.57	8,500	60		40		0.2	1.17	
Cimarex Energy Company	XEC	90.65	1.22	10,300	34		66		0.4	1.01	
California Resources	CRC	1.76	11.75	7,900	10		90		-	0.86	
Continental Resources (32%)	CLR B	26.00	1.75	5,400	16		84		-	0.60	
Whiting Petroleum Corporation	WLL B	7.09	4.68	6,800	4		96		-	0.59	
<i>Total or Median</i>			<i>1.75</i>	<i>39,000</i>	<i>16</i>		<i>84</i>		<i>-</i>	<i>0.86</i>	
Income											
San Juan Basin Royalty Trust	SJT	5.55	1.00	260	100		-		2.6	0.69	
Permian Basin RT	PBT	6.28	1.00	290	23		77		4.7	0.57	
Sabine Royalty Trust	SBR	33.35	1.00	490	38		62		6.7	0.56	
Cross Timbers Royalty Trust	CRT B	15.09	1.00	90	63		37		5.7	0.52	
Dorchester Minerals, L.P.	DMLP B	10.66	1.00	330	23		77		6.6	0.44	
<i>Total or Median</i>			<i>1.00</i>	<i>1,500</i>	<i>38</i>		<i>62</i>		<i>5.7</i>	<i>0.56</i>	
Canada											
EnCana Corporation	ECA	5.47	2.69	12,400	50		50		1.1	0.96	
Imperial Oil Limited (30%)	IMO	33.14	1.32	11,200	1		73	27	1.3	0.90	
Suncor Energy	SU	25.32	1.43	57,500	-		84	16	3.4	0.79	
Cenovus Energy Inc.	CVE	12.54	1.38	14,300	11		82	7	1.2	0.70	
Birchcliff Energy Ltd.	BIREF B	3.98	1.92	1,200	69		31		-	0.52	
<i>Total or Median</i>			<i>1.43</i>	<i>97,000</i>			<i>73</i>		<i>1.2</i>	<i>0.79</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											



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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>4-Mar</i> <i>2016</i>		<i>(mm)</i>				
	<i>B = Buy</i>							
Global Integrated								
Exxon Mobil Corporation	XOM		82.29	4,183	344,000	100.00	0.18	0.85
Chevron Corporation	CVX		87.93	1,874	165,000	135.00	0.18	0.72
Royal Dutch Shell (BG pro forma)	RDS-A	B	47.99	3,965	190,000	80.00	0.28	0.71
Total S.A.	TOT	B	47.35	2,329	110,000	90.00	0.23	0.63
	<i>Total or Median</i>				<i>809,000</i>		<i>0.20</i>	<i>0.71</i>
Large Independent								
EOG Resources, Inc.	EOG		71.41	546	39,000	75.00	0.15	0.96
Occidental Petroleum Corp.	OXY		69.72	766	53,400	75.00	0.14	0.94
Devon Energy Corporation	DVN		23.31	478	11,100	33.00	0.37	0.81
Marathon Oil Corporation	MRO	B	11.00	786	8,640	20.00	0.32	0.70
ConocoPhillips	COP	B	41.12	1,244	51,000	80.00	0.28	0.65
	<i>Total or Median</i>				<i>163,100</i>		<i>0.28</i>	<i>0.81</i>
Small Independent								
Range Resources	RRC		32.32	167	5,400	25.00	0.42	1.17
Cimarex Energy Company	XEC		90.65	93	8,400	90.00	0.18	1.01
California Resources	CRC		1.76	382	700	5.00	0.79	0.86
Continental Resources (32%)	CLR	B	26.00	118	3,100	56.00	0.26	0.60
Whiting Petroleum Corporation	WLL	B	7.09	204	1,500	30.00	0.47	0.59
	<i>Total or Median</i>				<i>19,000</i>		<i>0.42</i>	<i>0.86</i>
Income								
San Juan Basin Royalty Trust	SJT		5.55	47	260	8.00	-	0.69
Permian Basin RT	PBT		6.28	47	290	11.00	-	0.57
Sabine Royalty Trust	SBR		33.35	15	490	60.00	-	0.56
Cross Timbers Royalty Trust	CRT	B	15.09	6	90	29.00	-	0.52
Dorchester Minerals, L.P.	DMLP	B	10.66	31	330	24.00	-	0.44
	<i>Total or Median</i>				<i>1,500</i>		<i>-</i>	<i>0.56</i>
Canada								
EnCana Corporation	ECA		5.47	846	4,600	6.00	0.61	0.96
Imperial Oil Limited (30%)	IMO		33.14	255	8,500	38.00	0.22	0.90
Suncor Energy	SU		25.32	1,583	40,100	35.00	0.24	0.79
Cenovus Energy Inc.	CVE		12.54	827	10,400	20.00	0.19	0.70
Birchcliff Energy Ltd.	BIREF	B	3.98	154	600	11.00	0.25	0.52
	<i>Total or Median</i>				<i>64,000</i>		<i>0.24</i>	<i>0.79</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								
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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		4-Mar 2016	NTM	NTM	NTM	NTM
	B = Buy						(\$/sh)
Global Integrated							
Exxon Mobil Corporation	XOM		82.29	13.8	13.0	11.1	2.92
Chevron Corporation	CVX		87.93	8.9	11.9	8.5	4.28
Royal Dutch Shell (BG pro forma)	RDS-A	B	47.99	10.0	11.0	7.8	3.76
Total S.A.	TOT	B	47.35	9.9	10.8	6.8	2.69
	<i>Median</i>			10.0	11.5	8.2	30
Large Independent							
EOG Resources, Inc.	EOG		71.41	8.2	24.0	23.1	0.67
Devon Energy Corporation	DVN		23.31	8.9	20.7	16.9	59
Occidental Petroleum Corp.	OXY		69.72	8.0	17.1	16.1	3.00
Marathon Oil Corporation	MRO	B	11.00	13.1	21.0	14.6	0.20
ConocoPhillips	COP	B	41.12	11.2	21.5	13.9	1.00
	<i>Median</i>			8.9	21.0	16.1	59
Small Independent							
Range Resources	RRC		32.32	14.9	47.5	55.5	0.08
Cimarex Energy Company	XEC		90.65	7.7	24.0	24.2	0.32
California Resources	CRC		1.76	10.9	27.4	24	-
Continental Resources (32%)	CLR	B	26.00	11.4	24.7	14.9	-
Whiting Petroleum Corporation	WLL	B	7.09	12.6	22.9	13.5	-
	<i>Median</i>			11.4	24.7	23.6	
Income							
San Juan Basin Royalty Trust	SJT		5.55	8.6	33.8	23.5	39
Cross Timbers Royalty Trust	CRT	B	15.09	12.5	33.7	17.6	18
Sabine Royalty Trust	SBR		33.35	7.7	26.9	15.0	15
Permian Basin RT	PBT		6.28	9.7	25.8	14.8	21
Dorchester Minerals, L.P.	DMLP	B	10.66	6.8	32.9	14.6	26
	<i>Median</i>			8.6	32.9	15.0	21
Canada							
EnCana Corporation	ECA		5.47	8.3	27.6	26.5	103
Cenovus Energy Inc.	CVE		12.54	15.0	26.4	18.5	0.15
Suncor Energy	SU		25.32	17.5	19.1	15.1	0.87
Imperial Oil Limited (30%)	IMO		33.14	28.1	15.8	14.2	29
Birchcliff Energy Ltd.	BIREF	B	3.98	12.6	21.4	11.1	-
	<i>Median</i>			15.0	21.4	15.1	66
	<i>Grand Median</i>			11	24	15	
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2016; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses For historical research see www.mcdep.com							



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2016										
Ranked by Unlevered Total Return										
			Price	Price			Equity	Unlevered		
			(\$/sh)	(\$/sh)	Price	Cash	Total	Total		
	Symbol/Rat		4-Mar	31-Dec	Change	Distrib.	Return	Debt	Return	
			2016	2015	(%)	(%)	(%)	(\$/sh)	(%)	
									McDep	
									Ratio	
Global Integrated										
	XOM		82.29	77.95	6	1	7	22	5	0.85
	RDS-A	B	47.99	45.79	5	2	7	32	4	0.71
	TOT	B	47.35	44.95	5	-	5	26	3	0.63
	CVX		87.93	89.96	(2)	1	(1)	31	(1)	0.72
	<i>Median</i>				5		6		4	0.71
Large Independent										
	OXY		69.72	67.61	3	-	3	13	3	0.94
	EOG		71.41	70.79	1	-	1	13	1	0.96
	COP	B	41.12	46.69	(12)	1	(11)	30	(7)	0.65
	MRO	B	11.00	12.58	(13)	0	(12)	10	(7)	0.70
	DVN		23.31	32.00	(27)	-	(27)	19	(17)	0.81
	<i>Median</i>				(12)		(11)		(7)	0.81
Small Independent										
	RRC		32.32	24.62	31	-	31	18	18	1.17
	CLR	B	26.00	22.98	13	-	13	19	7	0.60
	XEC		90.65	89.38	1	-	1	20	1	1.01
	CRC		1.76	2.33	(24)	-	(24)	19	(3)	0.86
	WLL	B	7.09	9.44	(25)	-	(25)	26	(7)	0.59
	<i>Median</i>				1		1		1	0.86
Income										
	SJT		5.55	4.14	34	1	35	-	35	0.69
	SBR		33.35	26.26	27	1	28	-	28	0.56
	PBT		6.28	5.06	24	1	25	-	25	0.57
	CRT	B	15.09	13.01	16	2	18	-	18	0.52
	DMLP	B	10.66	9.89	8	2	10	-	10	0.44
	<i>Median</i>				24		25		25	0.56
Canada										
	BIREF	B	3.98	2.93	36	-	36	4	16	0.52
	ECA		5.47	5.09	7	-	7	9	3	0.96
	IMO		33.14	32.52	2	-	2	11	1	0.90
	CVE		12.54	12.62	(1)	-	(1)	5	(0)	0.70
	SU		25.32	25.80	(2)	-	(2)	11	(1)	0.79
	<i>Median</i>				2		2		1	0.79
	<i>Grand Median</i>				4		4		3	0.71
	Natural Gas (\$/mmbtu)		1.67	2.33	(28)					
	Oil - West Texas Intermediate (\$/bbl)		36.23	37.06	(2)					
	S&P 500		2,000	2,044	(2)					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see www.mcdep.com



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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 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.