



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

September 24, 2013

ExxonMobil (XOM) Fracking Firms Long-Term Value

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 9/30/14 (US\$m)</i>	72,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	5
<i>Price (\$/sh)</i>	87.75	<i>Natural Gas and Oil Production/Ebitda (%)</i>	75
<i>Pricing Date</i>	9/23/13	<i>Adjusted Reserves/Production NTM</i>	13.2
<i>Shares (mm)</i>	4433	<i>EV/Ebitda</i>	6.5
<i>Market Capitalization (\$mm)</i>	389,000	<i>PV/Ebitda</i>	7.3
<i>Debt (\$mm)</i>	83,000	<i>Undeveloped Reserves (%)</i>	39
<i>Enterprise Value (EV) (\$mm)</i>	472,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	35.70
<i>Present Value (PV) (\$mm)</i>	535,000	<i>Present Value Proven Reserves(\$/boe)</i>	16.00
<i>Net Present Value (\$/share)</i>	102	<i>Present Value Proven Reserves(\$/mcfe)</i>	2.70
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.66
<i>McDep Ratio - EV/PV</i>	0.88	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	2.9	<i>Indicated Annual Dividend (US\$/sh)</i>	2.52
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\$90 a barrel and natural gas, \$6 a million btu.			
For historical analysis of XOM since 2001 see www.mcdep.com/1xom.htm			

Summary and Recommendation

The fracking revolution strengthens the long-term competitive position of oil and gas to the benefit of the largest and strongest producer, buy-recommended **ExxonMobil (XOM)**. Though XOM stock has attractive appreciation potential to Net Present Value (NPV) of \$102 a share, its main appeal is its low volatility and unmatched long-term record. The likelihood that consumers will depend on oil and gas indefinitely helps assure the company's future prosperity. Accounting for 26% of NPV, natural gas has become the most economic power plant fuel, undermining the political will to overspend taxpayer resources to promote wind and solar power. At 54% of NPV, oil also seems secure because the most promising competitor, biofuels, needs technological breakthroughs that seem to be decades away. At 20% of NPV, downstream has a bright long-term future because biofuels to a large extent may build on the technology that drives the oil refining and petrochemical businesses. The underlying motivation to promote alternatives, the perceived need to reduce carbon dioxide emissions to prevent global warming, may also be weakening. Temperatures failed to rise as the United Nations Intergovernmental Panel warned in 2007. Among other developments, for example, the melting of the Arctic may send cold ocean water to cool the Gulf Stream and make Europe colder, not warmer. On a more immediate level, relative underperformance of XOM stock coincides with the reporting of below-trend second quarter earnings. Since the company does not provide specific earnings guidance and volatility is to be expected, we view the stock price decline after earnings were released on August 1 as positive for new commitments. XOM is not managed for quarterly earnings, but rather to reward long-term investors well and to keep risk low.

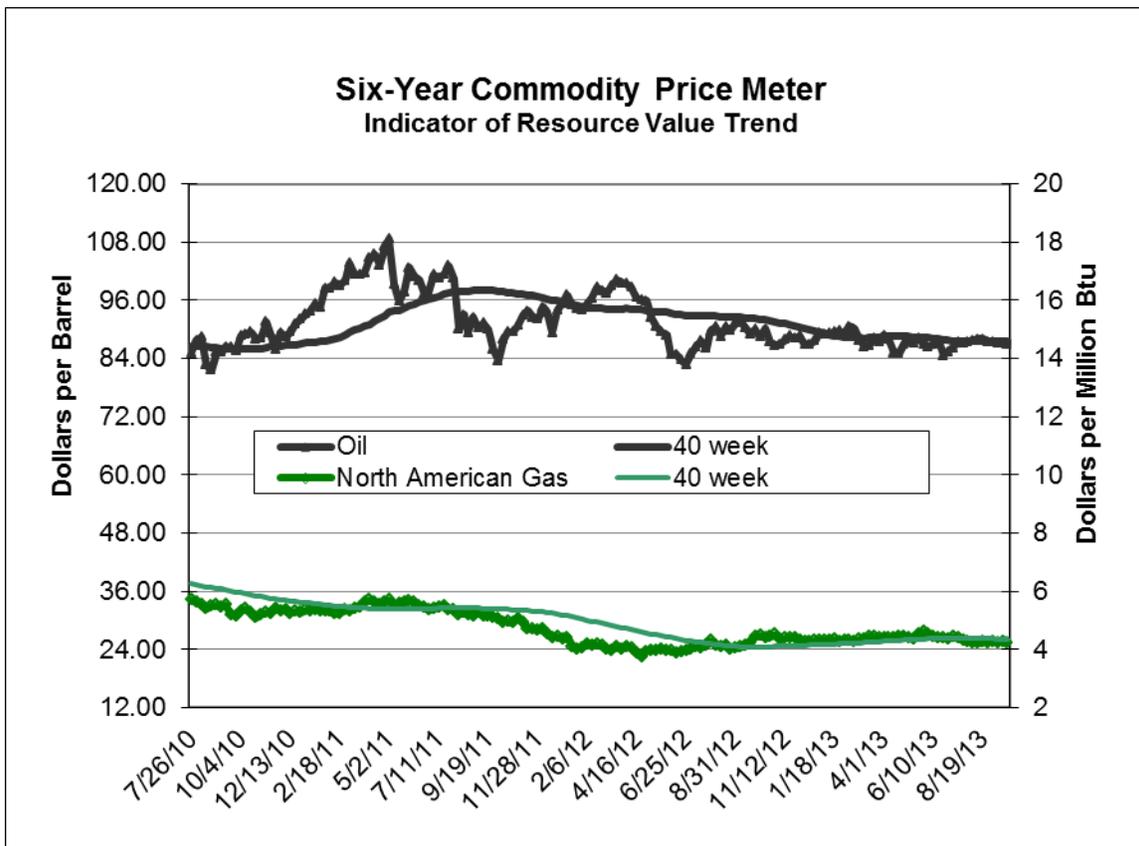
Kurt H. Wulff, CFA



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Exxon Mobil Corporation					
Functional Cash Flow and Present Value					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	2,530	15.4	15.8	40,000	7%
Rest of World Natural Gas	13,610	14.1	7.3	100,000	19%
Oil	38,800	12.0	7.4	289,000	54%
Downstream	18,000		5.9	106,000	20%
	72,940	13.2	7.3	535,000	100%
Debt					83,000
Net Present Value (\$mm)					452,000
Shares					4,433
Net Present Value - Standard Estimate (US\$/sh)					102
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					98





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Exxon Mobil Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q3	Year	Q1	Q2	Q3E	Q4E	Year	Q2E	Q3E	Next
	9/30/12	2012	3/31/13	6/30/13	9/30/13	12/31/13	2013E	6/30/14	9/30/14	Twelve
										Months
										9/30/14
Volume										
Natural Gas (mmcf)										
North America	4,052	4,197	3,918	3,928	3,889	3,850	3,896	3,773	3,735	3,792
Overseas	7,009	8,159	9,295	7,426	6,939	8,364	8,000	7,352	6,870	7,941
Total	11,061	12,356	13,213	11,354	10,828	12,213	11,896	11,125	10,605	11,734
Oil (mbd)	2,116	2,185	2,193	2,182	2,204	2,226	2,201	2,271	2,293	2,260
Total gas & oil (mmb)	364	1,551	396	371	369	392	1,527	375	374	1,539
Total gas & oil (mbd)	3,960	4,239	4,395	4,074	4,008	4,261	4,184	4,125	4,061	4,215
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	2.80	2.79	3.34	4.10	3.58	3.71	3.68	3.87	3.93	3.86
U.S.	2.74	2.73	3.32	4.07	3.55	3.68	3.66	3.87	3.93	3.85
International	9.01	9.34	10.49	9.74	9.74	9.74	9.95	9.95	9.95	9.90
Total	6.71	7.10	8.36	7.78	7.52	7.83	7.89	7.89	7.83	7.94
Oil (\$/bbl)										
WTI Cushing	92.22	94.16	94.41	94.22	105.90	103.31	99.46	97.63	95.29	99.20
Worldwide	102.83	105.03	103.91	98.09	105.90	103.31	102.82	97.63	95.29	99.16
Total gas & oil (\$/bbl)	73.71	74.77	76.99	74.21	78.53	76.41	76.54	75.03	74.27	75.27
NY Harbor 3-2-1 (\$/bbl)	36.23	31.29	30.11	21.37	17.37	12.97	20.45	20.31	19.82	16.70
Revenue (\$mm)										
Natural Gas										
U.S.	1,021	4,186	1,171	1,455	1,271	1,305	5,202	1,328	1,350	5,331
International	5,810	27,824	8,775	6,582	6,218	7,494	29,070	6,660	6,291	28,690
Total	6,831	32,010	9,946	8,037	7,489	8,799	34,271	7,988	7,642	34,021
Oil	20,018	83,994	20,509	19,478	21,471	21,156	82,613	20,173	20,105	81,777
Other	88,857	366,291	78,352	78,954	78,954	78,954	315,215	78,954	78,954	315,817
Total	115,706	482,295	108,807	106,469	107,914	108,909	432,099	107,116	106,701	431,616
Expense (\$mm)										
Production	14,269	61,118	16,059	14,283	15,221	15,744	61,307	14,801	14,583	60,863
Other	82,061	346,938	73,541	76,448	74,454	74,454	298,897	74,454	74,454	297,817
Ebitda (\$mm)										
Exploration and Production	12,580	54,885	14,396	13,232	13,739	14,211	55,577	13,360	13,163	54,936
Other	6,796	19,353	4,811	2,506	4,500	4,500	16,318	4,500	4,500	18,000
Total Ebitda	19,376	74,238	19,207	15,738	18,239	18,711	71,895	17,860	17,663	72,936
Exploration	499	1,859	445	677	677	677	2,476	677	677	2,708
Deprec., Deplet., & Amort.	4,037	15,888	4,110	4,405	4,405	4,405	17,325	4,405	4,405	17,620
Ebit	14,840	56,491	14,652	10,656	13,157	13,629	52,094	12,778	12,581	52,608
Interest	59	327	24	85	85	85	279	85	85	340
Ebt	14,781	56,164	14,628	10,571	13,072	13,544	51,815	12,693	12,496	52,268
Income Tax	5,173	19,657	5,120	3,700	4,575	4,740	18,135	4,443	4,374	18,294
Net Income (\$mm)										
Exploration and Production	5,973	28,295	7,037	6,305						
Other	3,980	10,858	2,682	1,152						
Unallocated	(345)	(2,646)	(211)	(586)						
Total	9,608	36,507	9,508	6,871	8,497	8,804	33,680	8,250	8,123	33,974
Shares (millions)	4,597	4,627	4,485	4,433	4,433	4,433	4,448	4,433	4,433	4,433
Per share (\$)	2.09	7.89	2.12	1.55	1.92	1.99	7.57	1.86	1.83	7.66
Ebitda Margin (E&P)	47%	47%	47%	48%	47%	47%	48%	47%	47%	47%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Table 2

**McDep Large Cap Energy Stocks
Net Present Value and McDep Ratio**

			<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>23-Sep</i> <i>2013</i>	<i>(mm)</i>				
	B = Buy, CB (see below)							
Global Integrated								
Exxon Mobil Corporation	XOM	CB	87.75	4,433	389,000	102.00	0.16	0.88
Chevron Corporation	CVX	H	125.52	1,937	243,000	150.00	0.11	0.86
Total S.A.	TOT	H	57.20	2,274	130,000	80.00	0.20	0.77
Royal Dutch Shell plc	RDS-A	H	65.63	3,159	207,000	100.00	0.18	0.72
Lukoil Oil Company	LUKOY	B	63.85	776	49,600	135.00	0.06	0.50
	<i>Total or Median</i>				<i>1,019,000</i>		<i>0.16</i>	<i>0.77</i>
Government-Controlled								
PetroChina Company Ltd (14%)	PTR	H	113.20	256	29,000	155.00	0.29	0.81
Petrobras	PBR	H	16.01	6,522	104,400	25.00	0.39	0.78
Statoil ASA (33%)	STO	H	22.78	1,050	23,900	38.00	0.26	0.71
Gazprom (50%)	OGZPY	H	9.16	5,735	52,500	20.00	0.15	0.54
	<i>Total or Median</i>				<i>210,000</i>		<i>0.28</i>	<i>0.74</i>
U.S. Independent								
EOG Resources, Inc.	EOG	H	168.86	273	46,100	180.00	0.11	0.94
Occidental Petroleum Corp.	OXY	H	91.37	805	73,600	108.00	0.10	0.86
Marathon Oil Corporation	MRO	B	35.55	714	25,380	50.00	0.23	0.78
ConocoPhillips	COP	H	70.58	1,209	85,000	100.00	0.22	0.77
Devon Energy Corporation	DVN	B	59.58	407	24,200	100.00	0.20	0.68
	<i>Total or Median</i>				<i>254,300</i>		<i>0.20</i>	<i>0.78</i>
Total or Median								
Woodside Petroleum Ltd.	WOPEY	H	36.43	823	30,000	36.00	0.14	1.01
Imperial Oil Limited (30%)	IMO	H	43.57	255	11,100	52.00	0.19	0.87
Cenovus Energy Inc.	CVE	H	29.81	758	22,600	42.00	0.19	0.77
EnCana Corporation	ECA	CB	17.46	736	12,900	30.00	0.28	0.70
Suncor Energy	SU	H	36.12	1,507	54,400	56.00	0.15	0.70
Canadian Oil Sands Limited	COSWF	CB	19.45	485	9,400	34.00	0.13	0.63
	<i>Total or Median</i>				<i>140,000</i>		<i>0.17</i>	<i>0.73</i>
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold								
Estimated present value presumes a long-term price for oil of US\$90 a barrel and natural gas, \$6 a million btu.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Recent NPV Changes: EOG to \$180 from 160, DVN to \$100 from \$92.								



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Table 3								
McDep Large Cap Energy Stocks								
Value Multiples and Dividend Yield								
				Price	Adjustd			
				(US\$/sh)	Resrvs/	PV/	EV/	Dividend
	Symbol/Rating		23-Sep	Prod	Ebitda	Ebitda	P/E	NTM
	B = Buy, CB (see below)		2013	NTM	NTM	NTM	NTM	(%)
Global Integrated								
Exxon Mobil Corporation	XOM	CB	87.75	13.2	7.3	6.5	11	2.9
Chevron Corporation	CVX	H	125.52	9.3	6.3	5.4	10	3.2
Total S.A.	TOT	H	57.20	9.9	6.3	4.9	8	5.5
Royal Dutch Shell plc	RDS-A	H	65.63	9.7	6.5	4.7	9	5.5
Lukoil Oil Company	LUKOY	B	63.85	15.8	5.9	3.0	6	4.4
	<i>Median</i>			9.9	6.3	4.9	9	4.4
Government-Controlled								
PetroChina Company Ltd (14%)	PTR	H	113.20	12.4	6.7	5.4	10	4.1
Petrobras	PBR	H	16.01	11.1	6.7	5.2	6	3.0
Statoil ASA (33%)	STO	H	22.78	6.2	5.8	4.1	8	5.0
Gazprom (50%)	OGZPY	H	9.16	31.0	4.4	2.4	3	4.1
	<i>Median</i>			11.8	6.2	4.7	7	4.1
U.S. Independent								
ConocoPhillips	COP	H	70.58	11.4	7.9	6.1	12	3.9
EOG Resources, Inc.	EOG	H	168.86	7.3	6.4	6.0	20	0.4
Devon Energy Corporation	DVN	B	59.58	10.1	8.7	5.9	14	1.5
Occidental Petroleum Corp.	OXY	H	91.37	10.1	6.7	5.7	13	2.8
Marathon Oil Corporation	MRO	B	35.55	9.4	6.6	5.2	12	2.1
	<i>Median</i>			10.1	6.7	5.9	13	2.1
Total or Median								
Woodside Petroleum Ltd.	WOPEY	H	36.43	9.8	8.2	8.3	18	4.6
Imperial Oil Limited (30%)	IMO	H	43.57	20.0	9.2	8.0	9	1.1
EnCana Corporation	ECA	CB	17.46	6.6	10.1	7.1	10	4.6
Cenovus Energy Inc.	CVE	H	29.81	12.2	7.7	5.9	20	3.1
Canadian Oil Sands Limited	COSWF	CB	19.45	19.3	9.2	5.8	8	7.0
Suncor Energy	SU	H	36.12	15.7	8.2	5.8	10	2.1
	<i>Median</i>			13.9	8.7	6.5	10	3.9
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold								
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation								
and amortization; NTM = Next Twelve Months Ended September 30, 2014; P/E = Stock Price to								
Earnings; PV = Present Value of oil and gas and other businesses								



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Table 4									
McDep Large Cap Energy Stocks									
Total Return and Enterprise Value Momentum									
				Equity					
			Price	Total					
			(\$/sh)	Return	Enterprise Value/				
	Symbol		23-Sep	YTD	52Wk	52Wk	50 Day	200 Day	McDep
		Rating	2013	(%)	High	Low	Avg.	Avg.	Ratio
Global Integrated									
Total S.A.	TOT	H	57.20	15	1.00	1.17	1.04	1.08	0.77
Chevron Corporation	CVX	H	125.52	19	0.98	1.21	1.02	1.05	0.86
Lukoil Oil Company	LUKOY	B	63.85	(3)	0.95	1.15	1.05	1.02	0.50
Royal Dutch Shell plc	RDS-A	H	65.63	(1)	0.92	1.04	1.00	0.99	0.72
Exxon Mobil Corporation	XOM	CB	87.75	3	0.93	1.03	0.98	0.98	0.88
	<i>Median</i>			3	0.95	1.15	1.02	1.02	0.77
Government-Controlled									
Gazprom (50%)	OGZPY	H	9.16	(2)	0.91	1.27	1.09	1.07	0.54
Petrobras	PBR	H	16.01	(16)	0.81	1.14	1.06	0.98	0.78
Statoil ASA (33%)	STO	H	22.78	(4)	0.90	1.08	1.02	0.98	0.71
PetroChina Company Ltd (14%)	PTR	H	113.20	(18)	0.84	1.09	0.99	0.93	0.81
	<i>Median</i>			(10)	0.87	1.11	1.04	0.98	0.74
U.S. Independent									
EOG Resources, Inc.	EOG	H	168.86	40	0.98	1.47	1.07	1.22	0.94
ConocoPhillips	COP	H	70.58	26	1.00	1.20	1.04	1.10	0.77
Occidental Petroleum Corp.	OXY	H	91.37	22	0.96	1.22	1.02	1.06	0.86
Devon Energy Corporation	DVN	B	59.58	16	0.96	1.11	1.03	1.04	0.68
Marathon Oil Corporation	MRO	B	35.55	18	0.96	1.16	1.00	1.03	0.78
	<i>Median</i>			22	0.96	1.20	1.03	1.06	0.78
Median									
Suncor Energy	SU	H	36.12	11	0.99	1.25	1.06	1.10	0.70
Imperial Oil Limited (30%)	IMO	H	43.57	2	0.93	1.13	1.03	1.04	0.87
Woodside Petroleum Ltd.	WOPEY	H	36.43	8	0.93	1.14	1.03	1.01	1.01
Canadian Oil Sands Limited	COSWF	CB	19.47	1	0.90	1.07	0.99	0.98	0.63
Cenovus Energy Inc.	CVE	H	29.81	(9)	0.86	1.07	1.01	0.98	0.77
EnCana Corporation	ECA	CB	17.46	(8)	0.81	1.04	1.00	0.97	0.70
	<i>Median</i>			2	0.93	1.13	1.03	1.01	0.77
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold									
Source: Bloomberg, Yahoo, McDep LLC									



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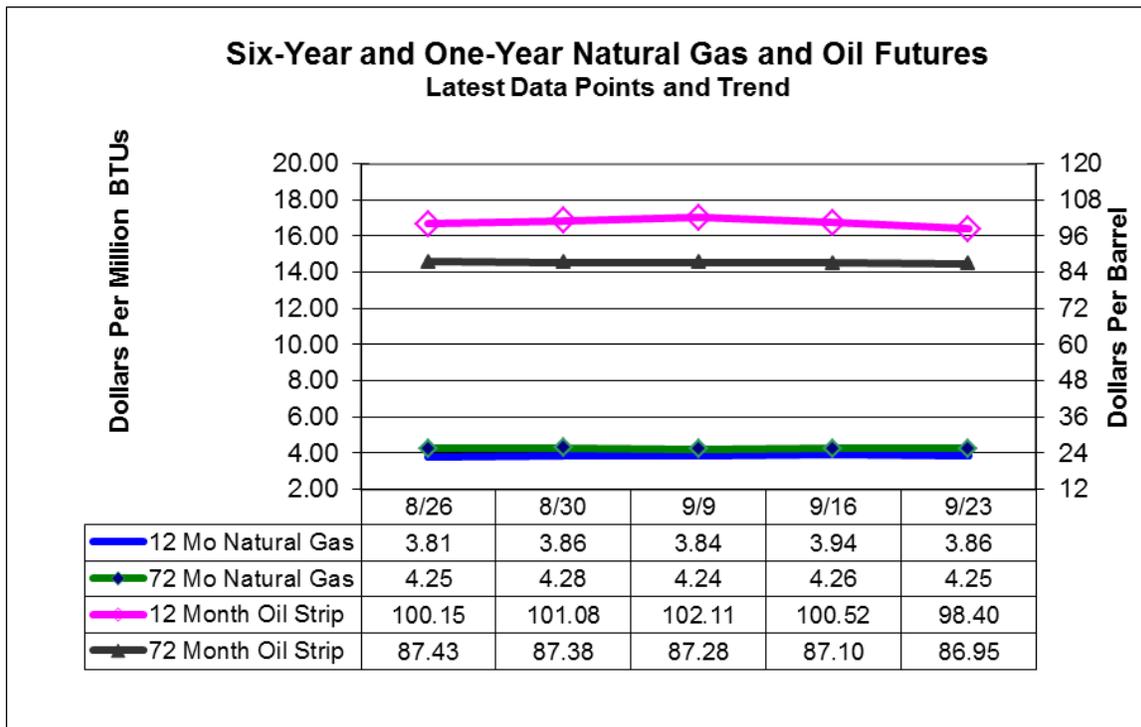
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Index of Recent Research			
Stock Ideas			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
20-Sep	WLL	Whiting Petroleum	Activity Attracts Attention (Income and Small Cap Weekly)
17-Sep	COP	ConocoPhillips	Fracking Upside in Eagle Ford, Bakken and Permian (Meter Reader)
13-Sep	CRT	Cross Timbers Royalty Trust	Fracking Upside in Permian and Scoop (Income and Small Cap Weekly)
10-Sep	OXY	Occidental Petroleum	Permian Late Bloomer (Meter Reader)
3-Sep	LUKOY	Lukoil	Competitive Trends at Half Price (Meter Reader)
16-Aug	BIREF	Birchcliff Energy	Buy Natural Gas in Summer
16-Aug	CLR	Continental Resources	Raise NPV to \$120 from \$110 on More Oil Growth (ISCW)
13-Aug	DVN	Devon Energy	Raise NPV to \$100 from \$92 on Oil Gains (Meter Reader)
9-Aug	DMLP	Dorchester Minerals, L.P.	More Bakken and Permian Oil Cash (Income and Small Cap Weekly)
6-Aug	RDSA	Royal Dutch Shell plc	Value Choice after Latest Results (Meter Reader)
31-Jul	COSWF	Canadian Oil Sands Ltd.	CEO Change May Catalyze Operating Reliability
30-Jul	ECA, IMO	Encana, Imperial Oil	Buy Encana, Hold Imperial Oil (Meter Reader)
23-Jul	WOPEY	Woodside Petroleum, Ltd.	Distributing LNG Cash (Meter Reader)
19-Jul	SJT	San Juan Basin Royalty Trust	Acreage 75% in Liquids-Rich Shale Zone (Income and Small Cap Weekly)
16-Jul	COSWF, SU	Canadian Oil Sands Ltd, Suncor	Buy Canadian Oil Sands, Hold Suncor (Meter Reader)
12-Jul	PBT	Permian Basin Royalty Trust	Stock Price Recovering from Short-Term Overreaction
9-Jul	MRO	Marathon Oil	Bakken Strengthens (Meter Reader)
5-Jul	LINE	Linn Energy	Stock Undervalued while SEC Probes (Income and Small Stock Weekly)
21-Jun	RRC	Range Resources	Superlatives (Income and Small Cap Weekly)
11-Jun	XOM	Exxon Mobil	5% a Year Growth per Share (Meter Reader)
7-Jun	XEC	Cimarex Energy	Uncovering Culberson Value (Income and Small Cap Weekly)
31-May	HGT	Hugoton Royalty Trust	Beating the Bear (Income and Small Cap Weekly)
14-May	EOG	EOG Resources	Raise NPV to \$180 on More Big Wells (Meter Reader)
3-May	NDRO	Enduro Royalty Trust	RTF Stock for Permian Oil (Income and Small Cap Weekly)
30-Apr	TOT	Total	Recovery Potential (Meter Reader)
19-Apr	HK	Halcón Resources	Fourth Core Area - El Halcón ("The Hawk") (Inc. and Small Cap Wkly)
16-Apr	CVX	Chevron	Deflation Resistance (Meter Reader)
12-Apr	MTR	Mesa Royalty Trust	RTF Stealth Play on Long-Life Natural Gas (Income and Small Cap Wkly)
5-Apr	SBR	Sabine Royalty Trust	Accelerating Volume Growth (Income and Small Cap Weekly)
28-Mar	PEYUF	Peyto Exploration and Development	Raise NPV to \$32 for Fracking Winner (Income and Small Cap Weekly)
1-Mar	ERF	Enerplus Corporation	Back on Track, Discontinue Buy (Income and Small Cap Weekly)
21-Feb	BRY	Berry Petroleum	Linn Energy to Acquire Berry for McDep Ratio of 0.77
11-Jan	PDCE	PDC Energy	Mancos (Niobrara) Winner (Income and Small Cap Weekly)
For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.			
Meter Reader			
17-Sep	COP	ConocoPhillips	Fracking Upside in Eagle Ford, Bakken and Permian
10-Sep	OXY	Occidental Petroleum	Permian Late Bloomer
3-Sep	LUKOY	Lukoil	Competitive Trends at Half Price
13-Aug	DVN	Devon Energy	Raise NPV to \$100 from \$92 on Oil Gains
6-Aug	RDSA	Royal Dutch Shell plc	Value Choice after Latest Results
For earlier editions, go to mcdep.com , click on Meter Reader .			
Income and Small Cap Weekly			
20-Sep	WLL	Whiting Petroleum	Activity Attracts Attention
13-Sep	CRT	Cross Timbers Royalty Trust	Fracking Upside in Permian and Scoop
6-Sep			Shale, McDep and the Portfolio
16-Aug	CLR	Continental Resources	Raise NPV to \$120 from \$110 on More Oil Growth
9-Aug	DMLP	Dorchester Minerals, L.P.	More Bakken and Permian Oil Cash
For earlier editions, go to mcdep.com , click on Energy Income .			



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks
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