



Independent Stock Idea

November 23, 2015 Intraday

San Juan Basin Royalty Trust (SJT) Steep Price Decline Triggers Buy

<i>Symbol</i>	SJT	<i>Ebitda Next Twelve Months ending 12/31/16 (US\$mm)</i>	17
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	96
<i>Price (US\$/unit)</i>	5.50	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/23/15	<i>Adjusted Reserves/Production NTM</i>	8.6
<i>Shares (mm)</i>	47	<i>EV/Ebitda</i>	14.7
<i>Market Capitalization (US\$mm)</i>	260	<i>PV/Ebitda</i>	32.0
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	2
<i>Enterprise Value (EV) (US\$mm)</i>	260	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	0.87
<i>Present Value (PV) (US\$mm)</i>	560	<i>Present Value Proven Reserves(US\$/boe)</i>	18.09
<i>Net Present Value (US\$/unit)</i>	12	<i>Oil and Gas Ebitda Margin (%)</i>	40
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	0.28
<i>McDep Ratio - EV/PV</i>	0.46	<i>Price/Earnings Next Twelve Months</i>	20
<i>Distribution Yield (%/year)</i>	5.1	<i>Distribution Next Twelve Months (US\$/sh)</i>	0.28
Note: Estimated cash flow and earnings tied to one-year futures prices for 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, \$4.50 a million btu			
For historical analysis of SJT since 2000 see www.mcdep.com/4sjt.htm			

Summary and Recommendation

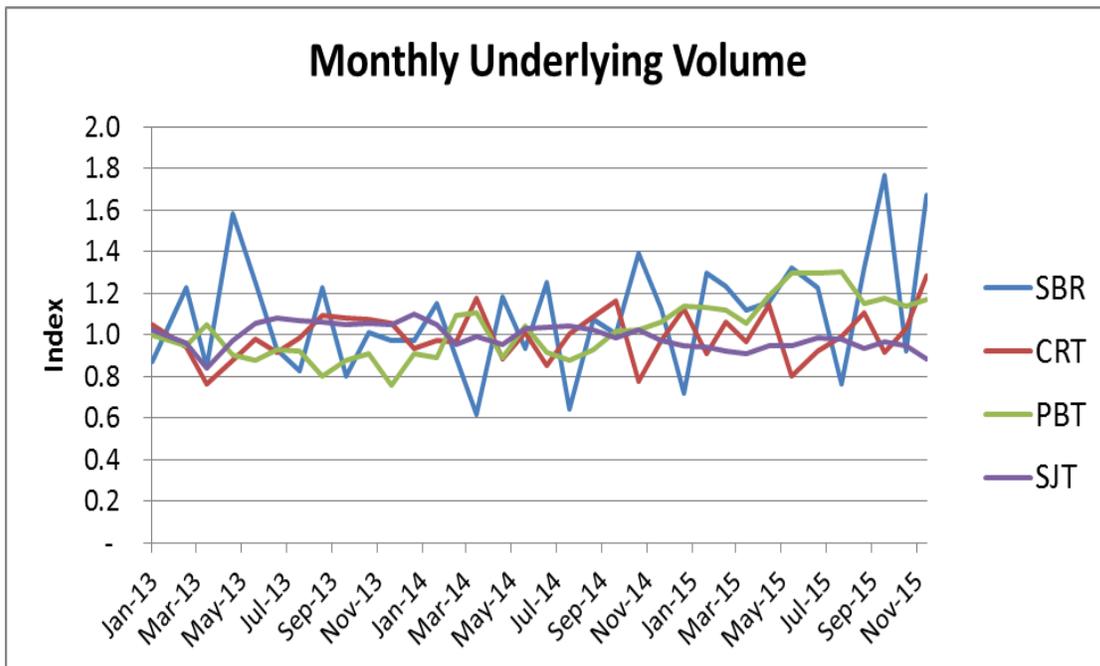
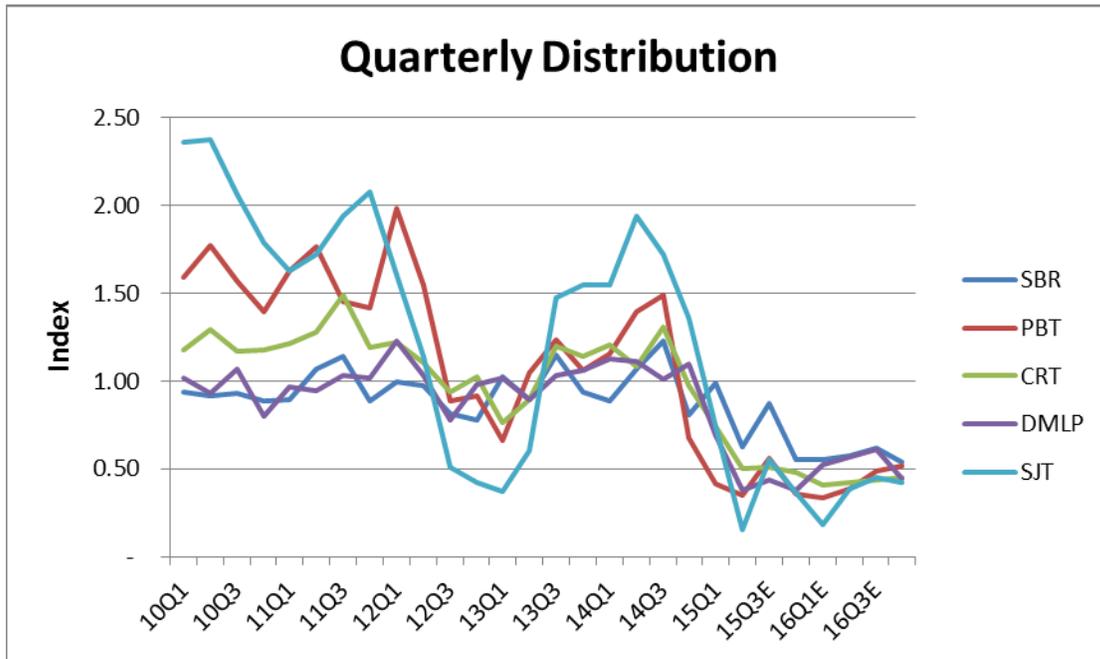
The steepest decline in price of any stock in our coverage contributes to our buy recommendation of the units of **San Juan Basin Royalty Trust (SJT)**. The trust is concentrated entirely on long-life natural gas production in Northwest New Mexico. Both the price of SJT and natural gas are at the low end of the range of the past thirty years. On that basis, the probability of the long term price of SJT or natural gas being higher than currently is 95%, we judge. The 5% risk can readily be hedged in a diversified portfolio. Although SJT has no financial leverage, it has the operating leverage of net profits, or bottom line, royalties. Other stocks in our income group have differing degrees of net revenue, or top line, royalties that fluctuate less (see chart [Quarterly Distribution](#) on page 2). The exaggerated effect that operating leverage is having on the downside would be reversed to greater appreciation on the upside. Another factor inducing uncertainty in SJT is the sudden resignation of long-time trust officer, Lee Ann Anderson. That can be solved by trustee BBVA, the international bank now having little experience in oil and gas royalty trusts, resigning in favor of Ms. Anderson's new employer, Southwest Bank, the independent bank for whom royalty trust management is a core activity (see *Stock Idea, SJT*, October 1 and October 21). Finally, SJT is an obvious candidate for tax loss selling in 2015, a temporary pressure that is automatically relieved on January 1. Distribution and value is quite competitive for SJT (see table [Operating and Financial Estimates](#) on pages 3 and [Tables 1-4](#) on pages 4-7).

Kurt H. Wulff, CFA



Independent Stock Idea

November 23, 2015 Intraday





Independent Stock Idea

November 23, 2015 Intraday

San Juan Basin Royalty Trust										
Next Twelve Months Operating and Financial Estimates										
	Q4	Year	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/14	2014	9/30/15	12/31/15	2015	3/31/16	6/30/16	9/30/16	12/31/16	12/31/16
Volume										
Natural gas (mmbtu)	8.4	34.0	8.2	7.9	32.0	7.9	7.7	7.8	7.7	31.0
Heat Content(btu/cf)	1,105	1,099	1,101	1,099	1,099	1,099	1,099	1,099	1,099	1,099
Natural gas (bcf)	7.6	30.9	7.5	7.2	29.1	7.2	7.0	7.1	7.0	28.2
Natural Gas (mmcf)	82.9	84.7	81.4	78.1	79.8	77.7	77.3	76.9	76.6	77.1
Days	92	365	92	92	365	92	90	92	92	366
Oil (mb)	0.01	0.06	0.02	0.01	0.07	0.01	0.01	0.01	0.01	0.06
Oil (mbd)	0.16	0.16	0.24	0.16	0.18	0.16	0.16	0.16	0.15	0.16
Days	92	365	92	92	365	92	90	92	92	366
Total gas & oil (bcf)	7.7	31.3	7.6	7.3	29.5	7.2	7.0	7.2	7.1	28.6
Price										
Natural gas (\$/mmbtu) (Henry Hub lagged two months)										
Henry Hub (\$/mmbtu)	3.94	4.37	2.71	2.69	2.98	2.17	2.35	2.43	2.50	2.36
Differential (%)	9	7	24	27	23	27	15	15	19	19
Net to SJT (\$/mmbtu)	3.59	4.05	2.05	1.97	2.31	1.59	1.99	2.07	2.02	1.92
Natural gas (\$/mcf)	3.97	4.45	2.26	2.17	2.54	1.74	2.19	2.27	2.22	2.11
Oil (\$/bbl) (WTI Cushing lagged two months)										
WTI Cushing	91.23	97.76	56.70	44.87	53.37	41.60	44.16	46.14	47.30	44.80
SJT	76.85	82.99	54.65	43.25	46.30	36.09	38.31	40.03	41.04	38.85
Total gas & oil (\$/mcf)	4.07	4.56	2.38	2.23	2.61	1.80	2.24	2.33	2.28	2.16
Revenue (\$mm)										
Natural Gas	30.3	137.5	16.9	15.6	73.9	12.5	15.3	16.1	15.7	59.5
Oil	1.1	5.0	1.2	0.6	3.0	0.5	0.5	0.6	0.6	2.2
Total	31.4	142.4	18.1	16.2	76.9	13.0	15.8	16.7	16.2	61.7
Cost (\$mm)										
Severance tax	4.3	19.2	1.9	1.8	8.1	1.4	1.7	1.8	1.8	6.7
Operating	8.0	34.6	7.4	7.5	30.5	7.5	7.5	7.5	7.5	30.1
Total	12.2	53.8	9.3	9.3	38.6	8.9	9.2	9.3	9.3	36.8
Cash flow (\$mm)										
Development	2.2	6.5	1.6	1.5	12.8	1.5	1.5	1.5	1.5	5.9
Net proceeds (\$mm)										
Royalty/Net proceeds	17.0	82.2	7.2	5.5	25.5	2.6	5.1	5.9	5.5	19.1
Royalty income (\$mm)										
Royalty/Net proceeds	12.8	61.6	5.4	4.1	19.1	1.9	3.8	4.4	4.1	14.3
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	0.4	1.7	0.4	0.8	2.6	0.3	0.3	0.3	0.3	1.2
One-time		-			-					-
Distributable income (\$mm)										
Distributable income (\$mm)	12.4	59.9	5.0	3.3	16.5	1.6	3.5	4.1	3.8	13.1
Units (millions)										
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Per unit	0.27	1.28	0.11	0.07	0.35	0.04	0.08	0.09	0.08	0.28



Independent Stock Idea

November 23, 2015 Intraday

Symbol/Rating		Price (US\$/sh) 23-Nov 2015	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	80.62	1.25	422,000	7	12	56	25	3.6	0.90
Chevron Corporation	CVX B	90.30	1.34	226,000	3	8	64	25	4.7	0.85
Royal Dutch Shell (BG pro form)	RDS-A	49.40	1.64	320,000					7.6	0.81
Total S.A.	TOT B	48.58	1.51	170,000		16	55	29	5.3	0.77
<i>Total or Median</i>			<i>1.43</i>	<i>1,138,000</i>			<i>56</i>	<i>25</i>	<i>5.0</i>	<i>0.83</i>
Large Independent										
EOG Resources, Inc.	EOG	83.09	1.15	52,400	16	3	81		0.8	1.03
Occidental Petroleum Corp.	OXY	74.38	1.16	65,600	5	1	78	17	4.0	0.99
ConocoPhillips	COP	53.66	1.56	104,000	16	11	73		5.5	0.85
Devon Energy Corporation	DVN B	45.40	1.70	31,700	28		56	16	2.1	0.80
Marathon Oil Corporation	MRO B	17.66	1.77	21,200	9	1	90		1.1	0.66
<i>Total or Median</i>			<i>1.56</i>	<i>275,000</i>	<i>16</i>		<i>78</i>		<i>2.1</i>	<i>0.85</i>
Small Independent										
Cimarex Energy Company	XEC	119.22	1.10	12,200	41		59		0.5	1.09
California Resources	CRC	3.90	5.56	8,300	13		87		-	0.78
Range Resources	RRC	31.35	1.79	9,400	80		20		0.5	0.75
Continental Resources (32%)	CLR B	36.25	1.54	6,600	20		80		-	0.72
Whiting Petroleum Corporation	WLL B	16.34	2.66	8,800	7		93		-	0.55
<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										
Sabine Royalty Trust	SBR	31.19	1.00	460	53		48		7.4	0.57
Cross Timbers Royalty Trust	CRT	15.50	1.00	90	62		38		6.4	0.50
Permian Basin RT	PBT	5.95	1.00	280	23		77		6.3	0.50
Dorchester Minerals, L.P.	DMLP B	13.29	1.00	410	40		60		7.1	0.48
San Juan Basin Royalty Trust	SJT B	5.50	1.00	260	100		-		5.1	0.46
<i>Total or Median</i>			<i>1.00</i>	<i>1,500</i>	<i>53</i>		<i>48</i>		<i>6.4</i>	<i>0.50</i>
Canada										
Imperial Oil Limited (30%)	IMO	32.14	1.34	11,000	1		69	30	1.3	0.85
EnCana Corporation	ECA	8.16	2.25	15,500	56		44		3.4	0.79
Cenovus Energy Inc.	CVE	14.98	1.31	16,200	12		75	13	3.2	0.71
Canadian Oil Sands Limited	COSWF B	6.44	1.94	6,100			100		2.3	0.57
Birchcliff Energy Ltd.	BIREF B	4.09	1.89	1,200	77		23		-	0.49
<i>Total or Median</i>			<i>1.89</i>	<i>50,000</i>			<i>69</i>		<i>2.3</i>	<i>0.71</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



Independent Stock Idea

November 23, 2015 Intraday

Table 2								
McDep Energy Stocks								
Net Present Value and McDep Ratio								
			Price (US\$/sh)	Shares	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
	Symbol/Rating		23-Nov 2015	(mm)				
	B = Buy							
Global Integrated								
Exxon Mobil Corporation	XOM		80.62	4,190	338,000	92.00	0.18	0.90
Chevron Corporation	CVX	B	90.30	1,872	169,000	111.00	0.22	0.85
Royal Dutch Shell (BG pro forma)	RDS-A		49.40	3,965	196,000	68.00	0.32	0.81
Total S.A.	TOT	B	48.58	2,312	112,000	71.00	0.26	0.77
	<i>Total or Median</i>				815,000		0.24	0.83
Large Independent								
EOG Resources, Inc.	EOG		83.09	549	45,600	80.00	0.13	1.03
Occidental Petroleum Corp.	OXY		74.38	763	56,800	75.00	0.13	0.99
ConocoPhillips	COP		53.66	1,242	67,000	68.00	0.31	0.85
Devon Energy Corporation	DVN	B	45.40	411	18,700	65.00	0.33	0.80
Marathon Oil Corporation	MRO	B	17.66	677	11,960	34.00	0.29	0.66
	<i>Total or Median</i>				200,100		0.29	0.85
Small Independent								
Cimarex Energy Company	XEC		119.22	93	11,100	108.00	0.10	1.09
California Resources	CRC		3.90	382	1,500	10.00	0.64	0.78
Range Resources	RRC		31.35	167	5,200	50.00	0.33	0.75
Continental Resources (32%)	CLR	B	36.25	118	4,300	58.00	0.25	0.72
Whiting Petroleum Corporation	WLL	B	16.34	204	3,300	52.00	0.34	0.55
	<i>Total or Median</i>				25,000		0.33	0.75
Income								
Sabine Royalty Trust	SBR		31.19	15	460	55.00	-	0.57
Cross Timbers Royalty Trust	CRT		15.50	6	90	31.00	-	0.50
Permian Basin RT	PBT		5.95	47	280	12.00	-	0.50
Dorchester Minerals, L.P.	DMLP	B	13.29	31	410	28.00	-	0.48
San Juan Basin Royalty Trust	SJT	B	5.50	47	260	12.00	-	0.46
	<i>Total or Median</i>				1,500		-	0.50
Canada								
Imperial Oil Limited (30%)	IMO		32.14	255	8,200	40.00	0.21	0.85
EnCana Corporation	ECA		8.16	843	6,900	13.00	0.44	0.79
Cenovus Energy Inc.	CVE		14.98	827	12,400	23.00	0.17	0.71
Canadian Oil Sands Limited	COSWF	B	6.44	485	3,100	16.00	0.27	0.57
Birchcliff Energy Ltd.	BIREF	B	4.09	154	600	12.00	0.23	0.49
	<i>Total or Median</i>				31,000		0.23	0.71
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								



Independent Stock Idea

November 23, 2015 Intraday

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		23-Nov 2015	NTM	NTM	NTM	NTM
	B = Buy						(\$/sh)
Global Integrated							
Exxon Mobil Corporation	XOM		80.62	14.4	10.2	9.2	20
Chevron Corporation	CVX	B	90.30	9.3	9.2	7.9	27
Total S.A.	TOT	B	48.58	9.9	7.9	6.0	11
Royal Dutch Shell (BG pro forma)	RDS-A		49.40				3.76
	<i>Median</i>			9.9	9.2	7.9	20
Large Independent							
EOG Resources, Inc.	EOG		83.09	9.0	14.6	15.1	180
Occidental Petroleum Corp.	OXY		74.38	8.9	13.4	13.3	548
Devon Energy Corporation	DVN	B	45.40	10.2	15.0	12.0	77
ConocoPhillips	COP		53.66	11.4	13.7	11.7	
Marathon Oil Corporation	MRO	B	17.66	11.8	14.3	9.4	
	<i>Median</i>			10.2	14.3	12.0	180
Small Independent							
Range Resources	RRC		31.35	13.8	27.2	20.4	(261)
Cimarex Energy Company	XEC		119.22	7.7	16.0	17.5	
California Resources	CRC		3.90	12.7	20.6	16.1	-
Continental Resources (32%)	CLR	B	36.25	11.4	17.9	12.9	167
Whiting Petroleum Corporation	WLL	B	16.34	11.4	16.0	8.8	-
	<i>Median</i>			11.4	17.9	16.1	(47)
Income							
San Juan Basin Royalty Trust	SJT	B	5.50	8.6	32.0	14.6	20
Sabine Royalty Trust	SBR		31.19	8.0	23.9	13.6	14
Cross Timbers Royalty Trust	CRT		15.50	12.4	24.5	12.3	16
Dorchester Minerals, L.P.	DMLP	B	13.29	7.1	20.1	9.6	18
Permian Basin RT	PBT		5.95	9.7	19.0	9.4	16
	<i>Median</i>			8.6	23.9	12.3	16
Canada							
EnCana Corporation	ECA		8.16	6.5	18.5	14.7	95
Cenovus Energy Inc.	CVE		14.98	15.0	17.9	12.7	
Canadian Oil Sands Limited	COSWF	B	6.44	17.7	22.3	12.7	
Imperial Oil Limited (30%)	IMO		32.14	23.7	12.8	10.8	17
Birchcliff Energy Ltd.	BIREF	B	4.09	12.5	17.9	8.9	-
	<i>Median</i>			15.0	17.9	12.7	56
	<i>Grand Median</i>			11	18	12	

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



Independent Stock Idea

November 23, 2015 Intraday

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		23-Nov	29-Dec	Change	Distrib.	Return	(\$/sh)	(%)	Ratio
			2015	2014	(%)	(%)	(%)			
Global Integrated										
Total S.A.	TOT	B	48.58	52.74	(8)	4	(4)	25	(3)	0.77
Exxon Mobil Corporation	XOM		80.62	93.07	(13)	3	(10)	20	(8)	0.90
Chevron Corporation	CVX	B	90.30	113.32	(20)	4	(17)	31	(13)	0.85
Royal Dutch Shell (BG pro forma)	RDS-A		49.40	68.31	(28)	6	(22)	31	(15)	0.81
	<i>Median</i>				(17)		(13)		(11)	0.83
Large Independent										
Occidental Petroleum Corp.	OXY		74.38	81.71	(9)	3	(6)	12	(5)	0.99
EOG Resources, Inc.	EOG		83.09	94.33	(12)	0	(12)	12	(10)	1.03
ConocoPhillips	COP		53.66	70.11	(23)	4	(19)	30	(13)	0.85
Devon Energy Corporation	DVN	B	45.40	61.15	(26)	1	(25)	32	(16)	0.80
Marathon Oil Corporation	MRO	B	17.66	28.58	(38)	2	(36)	14	(24)	0.66
	<i>Median</i>				(23)		(19)		(13)	0.85
Small Independent										
Cimarex Energy Company	XEC		119.22	110.27	8	0	9	12	8	1.09
Continental Resources (32%)	CLR	B	36.25	38.26	(5)	-	(5)	19	(3)	0.72
California Resources	CRC		3.90	5.77	(32)	1	(32)	18	(8)	0.78
Whiting Petroleum Corporation	WLL	B	16.34	34.09	(52)	-	(52)	27	(29)	0.55
Range Resources	RRC		31.35	56.00	(44)	0	(44)	25	(30)	0.75
	<i>Median</i>				(32)		(32)		(8)	0.75
Income										
Sabine Royalty Trust	SBR		31.19	36.68	(15)	8	(7)	-	(7)	0.57
Cross Timbers Royalty Trust	CRT		15.50	18.07	(14)	7	(7)	-	(7)	0.50
Permian Basin RT	PBT		5.95	9.12	(35)	4	(31)	-	(31)	0.50
Dorchester Minerals, L.P.	DMLP	B	13.29	25.16	(47)	5	(43)	-	(43)	0.48
San Juan Basin Royalty Trust	SJT	B	5.50	13.97	(61)	2	(58)	-	(58)	0.46
	<i>Median</i>				(35)		(31)		(31)	0.50
Canada										
Canadian Oil Sands Limited	COSWF	B	6.44	9.20	(30)	2	(28)	6	(17)	0.57
Imperial Oil Limited (30%)	IMO		32.14	43.49	(26)	1	(25)	11	(20)	0.85
Cenovus Energy Inc.	CVE		14.98	20.95	(28)	3	(25)	5	(21)	0.71
EnCana Corporation	ECA		8.16	13.94	(41)	2	(40)	10	(23)	0.79
Birchcliff Energy Ltd.	BIREF	B	4.09	6.75	(39)	-	(39)	4	(26)	0.49
	<i>Median</i>				(30)		(28)		(21)	0.71
	<i>Grand Median</i>				(27)		(25)		(16)	0.76
Natural Gas (\$/mmbtu)			2.19	3.19	(31)					
Oil - West Texas Intermediate (\$/bbl)			42.27	53.69	(21)					

Source: McDep LLC, Yahoo, CME Group, Bloomberg



Independent Stock Idea

November 23, 2015 Intraday

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.