



# Independent Stock Idea

May 1, 2015

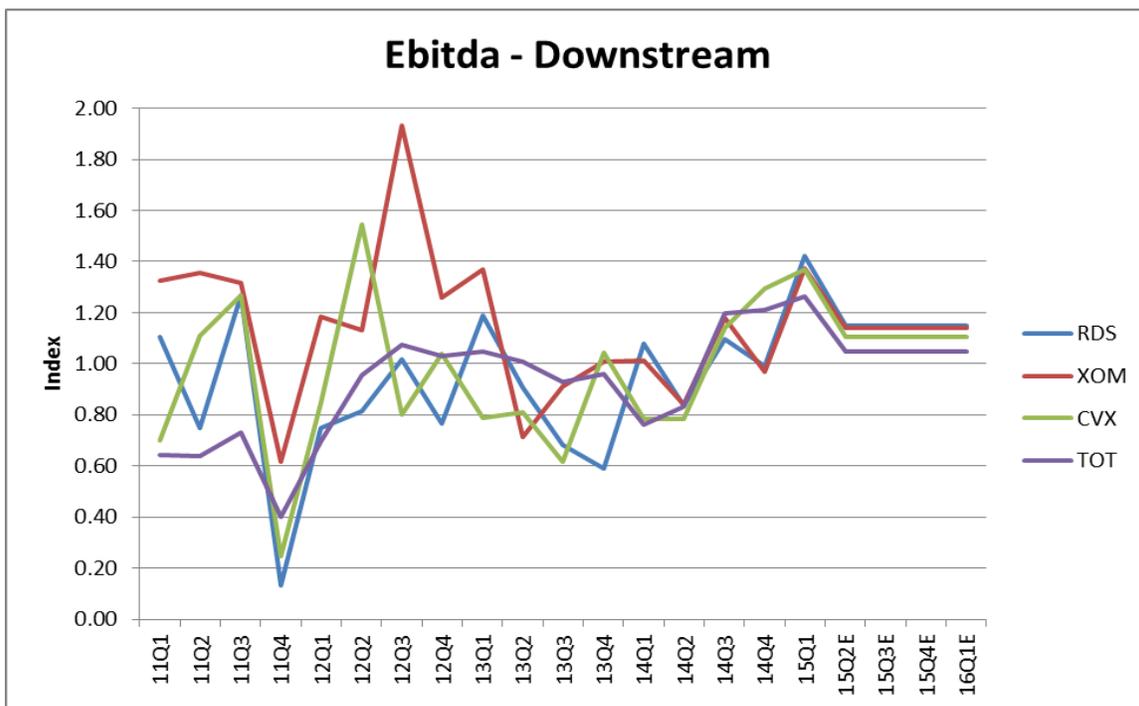
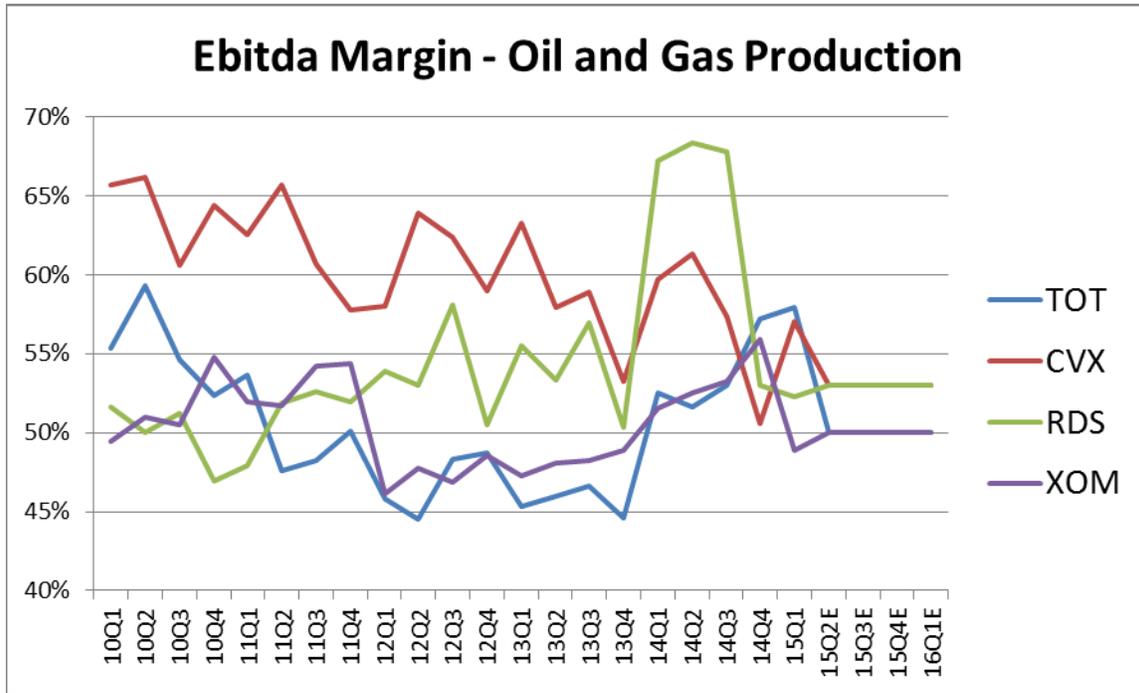
## Chevron (CVX), ExxonMobil (XOM), Shell (RDS), Total (TOT) Raise NPV for XOM and TOT on Cash Flow Margin

			Price (US\$/sh)		Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
	Symbol/Rating	1-May 2015	Shares (mm)					
	B = Buy							
<b>Global Integrated</b>								
Exxon Mobil Corporation	XOM		88.85	4,211	374,000	110.00	0.15	0.84
Royal Dutch Shell (BG pro forma)	RDS-A		63.59	3,900	248,000	89.00	0.26	0.79
Chevron Corporation	CVX	B	109.04	1,876	205,000	150.00	0.16	0.77
Total S.A.	TOT	B	54.32	2,285	124,000	90.00	0.21	0.69

### Summary and Recommendation

Among Global Integrated oil and gas producers, **Chevron (CVX)** and **Total (TOT)** are automatic Buys as a result of our recent decision rule to recommend current purchase of the two lowest McDep Ratio stocks in each peer group (see *Meter Reader*, April 14, 2015). Including **ExxonMobil (XOM)** and **Royal Dutch Shell (RDS)**, each of the four peer companies demonstrated stronger than expected cash flow margin on production as we calculate from first quarter results disclosed April 28 through May 1 (see chart Ebitda Margin on page 2). In other words, reported costs were reduced almost as fast as oil price dropped. At the same time, downstream cash flow has increased as profits in refining and chemicals benefit from lower crude oil price (see chart Ebitda-Downstream on page 2). Raising our estimates of cash flow for the next twelve months precipitates an increase in Net Present Value (NPV) to \$110 a share from \$102 for XOM and to \$90 a share from \$80 for TOT (see tables Present Value on pages 3 and 8). Estimates also increase for CVX and RDS, but not enough to fall outside the margin of error in estimating NPV. Cash flow multiple is a differentiating factor as the U.S. companies have longer reserve life which we take to mean that cash flow will last longer. We think our stocks may trade for NPV by the end of 2016 including dividend payments until then. McDep Ratios point to unlevered appreciation potential for the two Buys as well as for the two remaining stocks in the Global Integrated group (see Tables 1-4) on pages 4-7).

Kurt H. Wulff, CFA





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<b>Exxon Mobil Corporation</b>					
<b>Functional Cash Flow and Present Value</b>					
	<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	1,600	16.9	22.5	36,000	7%
Rest of World Natural Gas	10,120	13.9	7.4	75,000	14%
Oil	22,860	13.7	15.3	350,000	64%
Downstream	16,000		5.3	85,000	16%
	50,580	14.2	10.8	546,000	100%
Debt					83,000
Net Present Value (\$mm)					463,000
Shares					4,211
Net Present Value - Standard Estimate (US\$/sh)					110
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					122

<b>Total</b>					
<b>Functional Cash Flow and Present Value</b>					
	<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>(US\$mm)</i>	
Rest of World Natural Gas	5,760	11.4	7.8	45,000	17%
Oil	13,630	8.3	12.7	173,000	66%
Downstream	8,810		5.0	44,000	17%
	28,200	9.7	9.3	262,000	100%
Debt (US\$mm)					56,000
Net Present Value (US\$mm)					206,000
Shares (mm)					2,285
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					95

<b>Chevron Corporation</b>					
<b>Functional Cash Flow and Present Value</b>					
	<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>(US\$mm)</i>	
North American Natural Gas	520	7.5	19.2	10,000	3%
Rest of World Natural Gas	3,790	12.1	8.4	32,000	10%
Oil	19,030	7.9	12.8	244,000	73%
Downstream	8,800		5.5	48,000	14%
	32,140	8.9	10.4	334,000	100%
Debt (US\$mm)					53,000
Net Present Value (US\$mm)					281,000
Shares (mm)					1,876
Net Present Value - Standard Estimate (US\$/sh)					150
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					152





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			<i>Price</i>			<i>Net</i>		
			<i>(US\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>Symbol/Rating</i>		<i>1-May</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
	B = Buy		2015	<i>(mm)</i>	<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	<i>Ratio</i>
<b>Global Integrated</b>								
Exxon Mobil Corporation	XOM		88.85	4,211	374,000	110.00	0.15	0.84
Royal Dutch Shell (BG pro forma)	RDS-A		63.59	3,900	248,000	89.00	0.26	0.79
Chevron Corporation	CVX	B	109.04	1,876	205,000	150.00	0.16	0.77
Total S.A.	TOT	B	54.32	2,285	124,000	90.00	0.21	0.69
	<i>Total or Median</i>				<i>951,000</i>		<i>0.19</i>	<i>0.78</i>
<b>Large Independent</b>								
EOG Resources, Inc.	EOG		98.90	549	54,300	110.00	0.09	0.91
Occidental Petroleum Corp.	OXY		80.50	773	62,200	100.00	0.08	0.82
Devon Energy Corporation	DVN		68.61	409	28,100	100.00	0.29	0.78
ConocoPhillips	COP	B	67.44	1,246	84,000	100.00	0.22	0.75
Marathon Oil Corporation	MRO	B	30.77	677	20,830	50.00	0.20	0.69
	<i>Total or Median</i>				<i>249,400</i>		<i>0.20</i>	<i>0.78</i>
<b>Small Independent</b>								
Cimarex Energy Company	XEC		122.79	88	10,800	140.00	0.12	0.89
Range Resources	RRC		64.72	166	10,700	100.00	0.19	0.72
Continental Resources (32%)	CLR		51.65	119	6,100	85.00	0.17	0.68
California Resources	CRC	B	9.11	382	3,500	25.00	0.42	0.63
Whiting Petroleum Corporation	WLL	B	37.68	237	8,900	75.00	0.18	0.59
	<i>Total or Median</i>				<i>40,000</i>		<i>0.18</i>	<i>0.68</i>
<b>Income</b>								
Dorchester Minerals, L.P.	DMLP		22.92	31	700	32.00	-	0.72
Permian Basin RT	PBT		9.46	47	440	16.00	-	0.59
Sabine Royalty Trust	SBR		40.22	15	590	68.00	-	0.59
Cross Timbers Royalty Trust	CRT	B	22.64	6	140	42.00	-	0.54
San Juan Basin Royalty Trust	SJT	B	11.10	47	520	21.00	-	0.53
	<i>Total or Median</i>				<i>2,400</i>		<i>-</i>	<i>0.59</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO		43.30	255	11,000	52.00	0.17	0.86
EnCana Corporation	ECA		14.02	839	11,800	20.00	0.39	0.82
Canadian Oil Sands Limited	COSWF		10.85	485	5,300	20.00	0.23	0.65
Birchcliff Energy Ltd.	BIREF	B	7.39	155	1,200	16.00	0.18	0.56
Cenovus Energy Inc.	CVE	B	18.98	825	15,700	40.00	0.13	0.54
	<i>Total or Median</i>				<i>45,000</i>		<i>0.18</i>	<i>0.65</i>
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								



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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	P/E	Dividend NTM
	Symbol/Rating		1-May 2015	NTM	NTM	NTM	NTM	NTM
	B = Buy							(\$/sh)
<b>Global Integrated</b>								
Exxon Mobil Corporation	XOM		88.85	14.2	10.8	9.0	18	2.92
Chevron Corporation	CVX	B	109.04	8.9	10.4	8.0	26	4.28
Total S.A.	TOT	B	54.32	9.7	9.3	6.4	14	2.74
Royal Dutch Shell (BG pro forma)	RDS-A		63.59					3.76
	<i>Median</i>			9.7	10.4	8.0	18	
<b>Large Independent</b>								
EOG Resources, Inc.	EOG		98.90	9.3	15.2	13.8	32	0.67
Devon Energy Corporation	DVN		68.61	10.3	14.3	11.1	88	0.96
ConocoPhillips	COP	B	67.44	11.3	14.7	11.0		2.92
Occidental Petroleum Corp.	OXY		80.50	9.7	12.5	10.3	37	2.88
Marathon Oil Corporation	MRO	B	30.77	12.3	13.9	9.6		0.84
	<i>Median</i>			10.3	14.3	11.0	37	
<b>Small Independent</b>								
Range Resources	RRC		64.72	15.3	28.5	20.4		0.16
Cimarex Energy Company	XEC		122.79	8.2	16.0	14.3		0.64
California Resources	CRC	B	9.11	11.8	18.6	11.7		0.04
Continental Resources (32%)	CLR		51.65	11.4	16.6	11.2	166	-
Whiting Petroleum Corporation	WLL	B	37.68	10.3	14.3	8.5		-
	<i>Median</i>			11.4	16.6	11.7	166	
<b>Income</b>								
Sabine Royalty Trust	SBR		40.22	9.4	27.8	16.4	16	2.45
Dorchester Minerals, L.P.	DMLP		22.92	7.9	22.5	16.1	30	1.23
San Juan Basin Royalty Trust	SJT	B	11.10	8.2	29.1	15.4	22	0.51
Cross Timbers Royalty Trust	CRT	B	22.64	12.6	25.9	14.0	20	1.12
Permian Basin RT	PBT		9.46	9.9	22.0	13.0	26	0.37
	<i>Median</i>			9.4	25.9	15.4	22	
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO		43.30	28.3	16.9	14.5	22	0.42
EnCana Corporation	ECA		14.02	6.9	15.2	12.5	145	0.28
Cenovus Energy Inc.	CVE	B	18.98	15.1	20.8	11.3		0.89
Canadian Oil Sands Limited	COSWF		10.85	18.4	17.3	11.2		0.17
Birchcliff Energy Ltd.	BIREF	B	7.39	12.7	17.3	9.7	319	-
	<i>Median</i>			15.1	17.3	11.3	145	
	<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 March 31, 2016; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses



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<b>Table 4</b>										
<b>McDep Energy Stocks</b>										
<b>Total Return Year-to-Date 2015</b>										
<b>Ranked by Unlevered Total Return</b>										
			Price (\$/sh)	Price (\$/sh)	Price Change (%)	Cash Distrib. (%)	Equity Total Return (%)	Unlevered Debt Return (\$/sh) (%)		McDep Ratio
	Symbol/Rat		1-May 2015	29-Dec 2014						
<b>Global Integrated</b>										
Total S.A.	TOT	B	54.32	52.74	3	1	4	25	3	0.69
Chevron Corporation	CVX	B	109.04	113.32	(4)	1	(3)	28	(2)	0.77
Exxon Mobil Corporation	XOM		88.85	93.07	(5)	1	(4)	20	(3)	0.84
Royal Dutch Shell (BG pro forma)	RDS-A		63.59	68.31	(7)	1	(6)	32	(4)	0.79
	<i>Median</i>				(4)		(3)		(3)	0.78
<b>Large Independent</b>										
Devon Energy Corporation	DVN		68.61	61.15	12	0	13	41	8	0.78
Marathon Oil Corporation	MRO	B	30.77	28.58	8	1	8	12	6	0.69
EOG Resources, Inc.	EOG		98.90	94.33	5	0	5	10	5	0.91
Occidental Petroleum Corp.	OXY		80.50	81.71	(1)	1	(1)	9	(1)	0.82
ConocoPhillips	COP	B	67.44	70.11	(4)	1	(3)	29	(2)	0.75
	<i>Median</i>				5		5		5	0.78
<b>Small Independent</b>										
Continental Resources (32%)	CLR		51.65	38.26	35	-	35	18	24	0.68
California Resources	CRC	B	9.11	5.77	58	0	58	18	14	0.63
Range Resources	RRC		64.72	56.00	16	0	16	24	11	0.72
Cimarex Energy Company	XEC		122.79	110.27	11	0	11	19	10	0.89
Whiting Petroleum Corporation	WLL	B	37.68	34.09	11	-	11	16	7	0.59
	<i>Median</i>				16		16		11	0.68
<b>Income</b>										
Cross Timbers Royalty Trust	CRT	B	22.64	18.07	25	2	28	-	29	0.54
Sabine Royalty Trust	SBR		40.22	36.68	10	3	12	-	13	0.59
Permian Basin RT	PBT		9.46	9.12	4	1	5	-	5	0.59
Dorchester Minerals, L.P.	DMLP		22.92	25.16	(9)	2	(7)	-	(6)	0.72
San Juan Basin Royalty Trust	SJT	B	11.10	13.97	(21)	1	(20)	-	(20)	0.53
	<i>Median</i>				4		5		5	0.59
<b>Canada</b>										
Canadian Oil Sands Limited	COSWF		10.85	9.20	18	0	18	6	11	0.65
Birchcliff Energy Ltd.	BIREF	B	7.39	6.75	10	-	10	3	6	0.56
EnCana Corporation	ECA		14.02	13.94	1	1	1	13	1	0.82
Imperial Oil Limited (30%)	IMO		43.30	43.49	(0)	0	(0)	11	(0)	0.86
Cenovus Energy Inc.	CVE	B	18.98	20.95	(9)	1	(8)	6	(7)	0.54
	<i>Median</i>				1		1		1	0.65
	<i>Grand Median</i>				5		5		5	0.72
<b>Natural Gas (\$/mmbtu)</b>			2.78	3.19	(13)					
<b>Oil - West Texas Intermediate (\$/bbl)</b>			59.31	53.69	10					

Source: McDep LLC, Yahoo, CME Group, Bloomberg



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<b>Royal Dutch Shell plc (excluding pending acquisition of BG)</b>					
<b>Functional Cash Flow and Present Value</b>					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
North American Natural Gas	790	4.9	19.0	15,000	4%
Rest of World Natural Gas	8,870	11.6	8.5	75,000	19%
Oil	16,650	9.1	13.0	216,000	56%
Downstream	16,000		5.2	83,000	21%
	42,310	9.8	9.2	389,000	100%
Debt (US\$mm)					86,000
Net Present Value (US\$mm)					303,000
Shares (mm)					3,189
Net Present Value - Standard Estimate (US\$/sh)					95
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					100

**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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