



Independent Stock Idea

April 30, 2018

ExxonMobil (XOM) Reduce NPV to \$90 from \$100 a Share

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 3/31/19 (US\$m)</i>	51,500
<i>Rating</i>		<i>Natural Gas/Ebitda (%)</i>	20
<i>Price (\$/sh)</i>	77.79	<i>Natural Gas and Oil Production/Ebitda (%)</i>	68
<i>Pricing Date</i>	4/27/18	<i>Developed Reserves/Production NTM</i>	9.7
<i>Shares (mm)</i>	4270	<i>EV/Ebitda</i>	8.2
<i>Market Capitalization (\$mm)</i>	332,000	<i>PV/Ebitda</i>	9.2
<i>Debt (\$mm)</i>	92,000	<i>Undeveloped Reserves (%)</i>	34
<i>Enterprise Value (EV) (\$mm)</i>	424,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	24.30
<i>Present Value (PV) (\$mm)</i>	476,000	<i>Downstream Uplift (US\$/boe)</i>	11.42
<i>Net Present Value (\$/share)</i>	90	<i>Oil and Gas Ebitda Margin (%)</i>	49
<i>Ebitda/Market Cap</i>	1.28	<i>Top Line/Ebitda (%)</i>	0
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	14
<i>Dividend Yield (%/year)</i>	4.2	<i>Indicated Annual Dividend (US\$/sh)</i>	3.28
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\$70 a barrel and natural gas, \$4.00 a million btu.			
For historical analysis of XOM since 2001 see www.mcdep.com/1xom.htm			

Summary and Recommendation

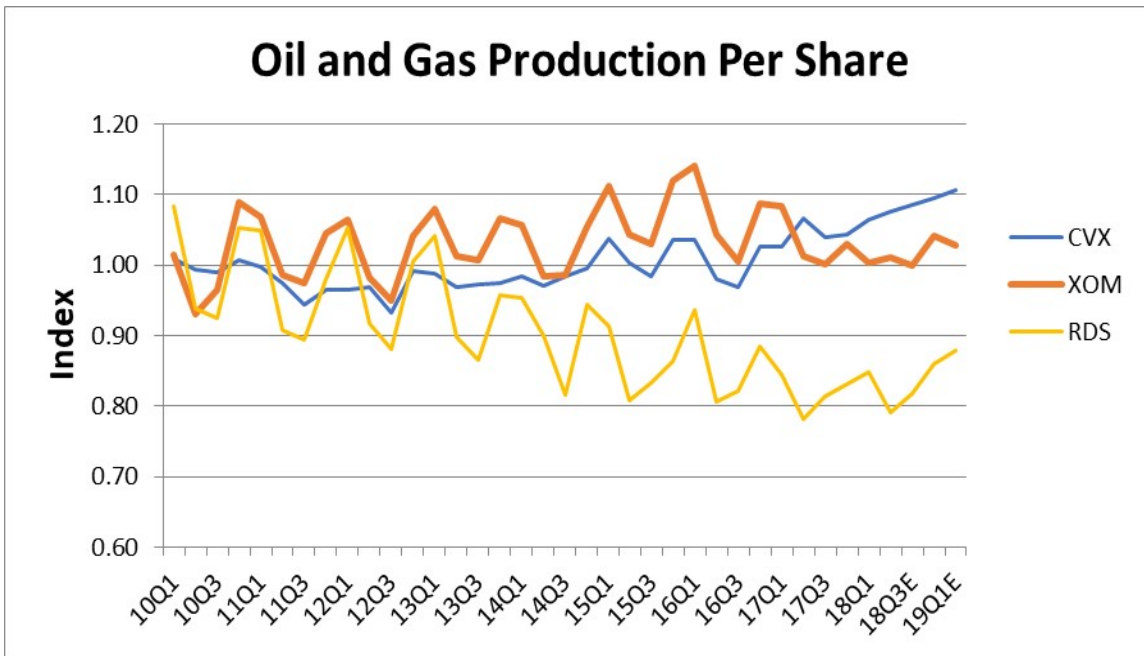
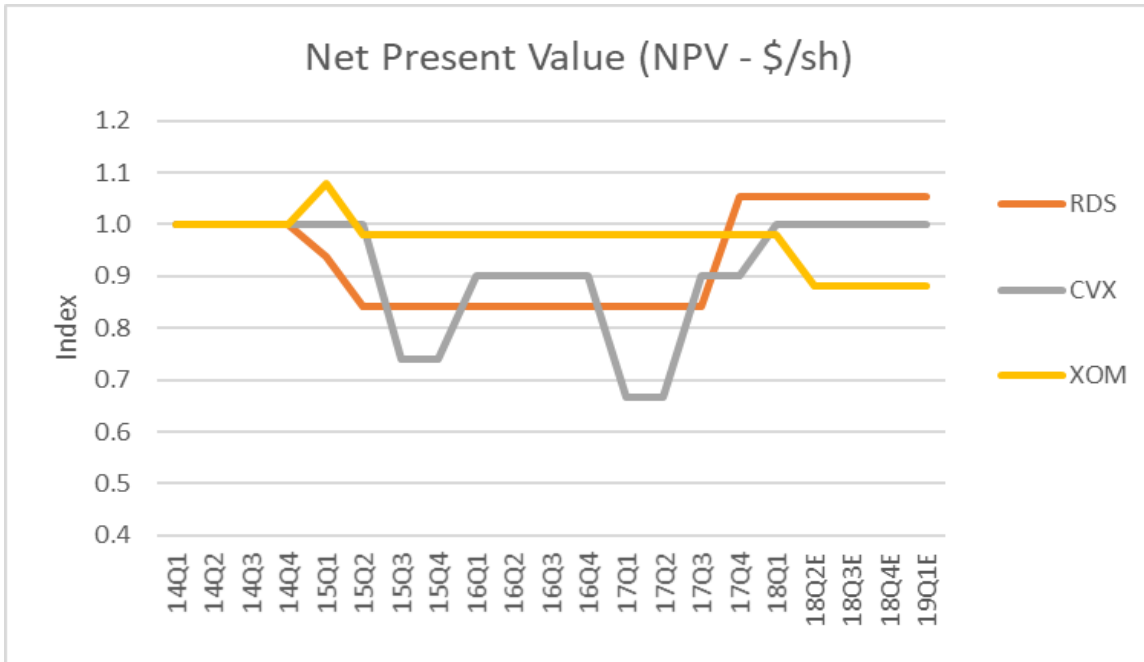
We believe the stock of **ExxonMobil (XOM)** remains an attractive long-term investment though recent signs of progress are mixed. A 6% annual dividend increase declared on April 25 when coupled with a 4% current dividend yield implies that management believes the stock can continue to deliver a total return of 10% a year or better, as it has for a hundred years. Yet, latest quarterly results released on April 27 fall sufficiently below trend to prompt a reduction in our estimate of Net Present Value (NPV) to \$90 from \$100 a share. Compared to current stock price of \$78, the implied levered appreciation potential is 15%, perhaps within a year. Compared to peers, XOM's NPV held up better in the oil price decline in 2015, but peers have recovered (see chart [NPV](#) on page 2). The stronger past, weaker recent trend in NPV coincides with the trend in volume per share (see chart [Volume Per Share](#) on page 2). Declining share count drove XOM's superior volume per share trend until 2016 (see chart [Shares](#) on page 3). Meanwhile, U.S. corporate tax rates were reduced beginning in 2018. Technically, earnings should go up by the same amount that taxes go down. That did not happen for XOM. As a result, our approximation of Ebitda (unlevered cash flow) for global producers that starts with net income and adds back taxes and non-cash items came out lower than expected (see charts [Ebitda Total](#) and [EPS](#) on page 4). Nonetheless, the base is still strong at more than \$50 billion (see table [Operating and Financial Estimates](#) on page 5). At an unlevered multiple of cash flow (EV/Ebitda) of 8.2 times, XOM stock appears priced close to peers (see [Tables 1-4](#) on pages 4-7). We like the investment prospects for XOM and most of the stocks in our coverage.

Kurt H. Wulff, CFA



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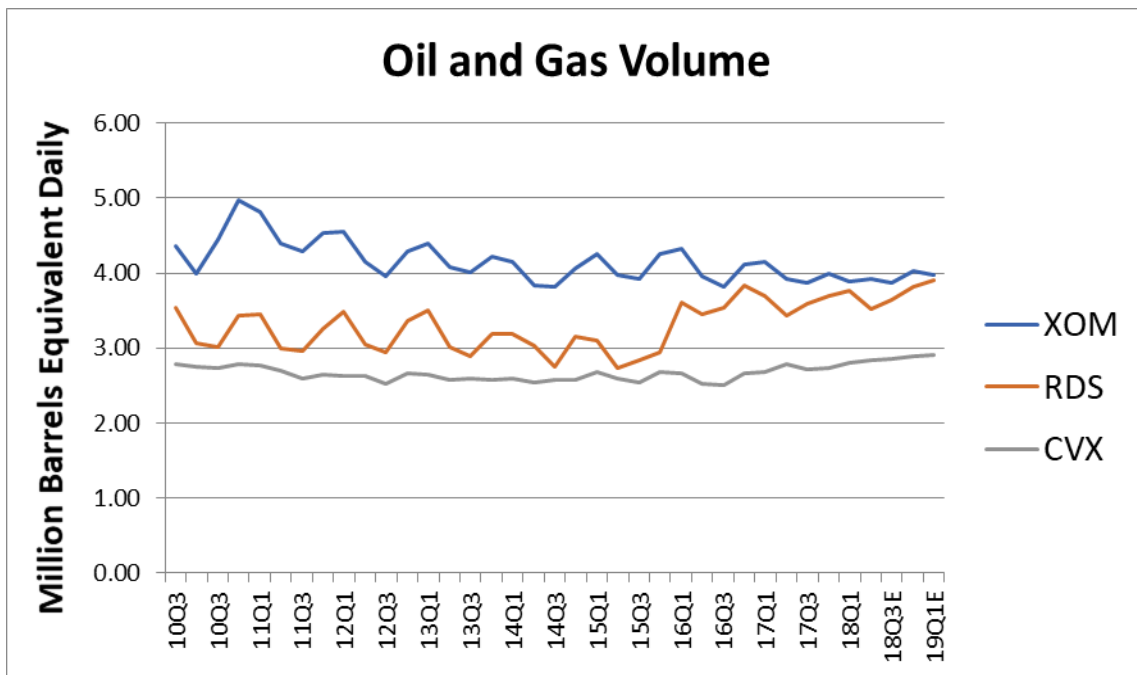
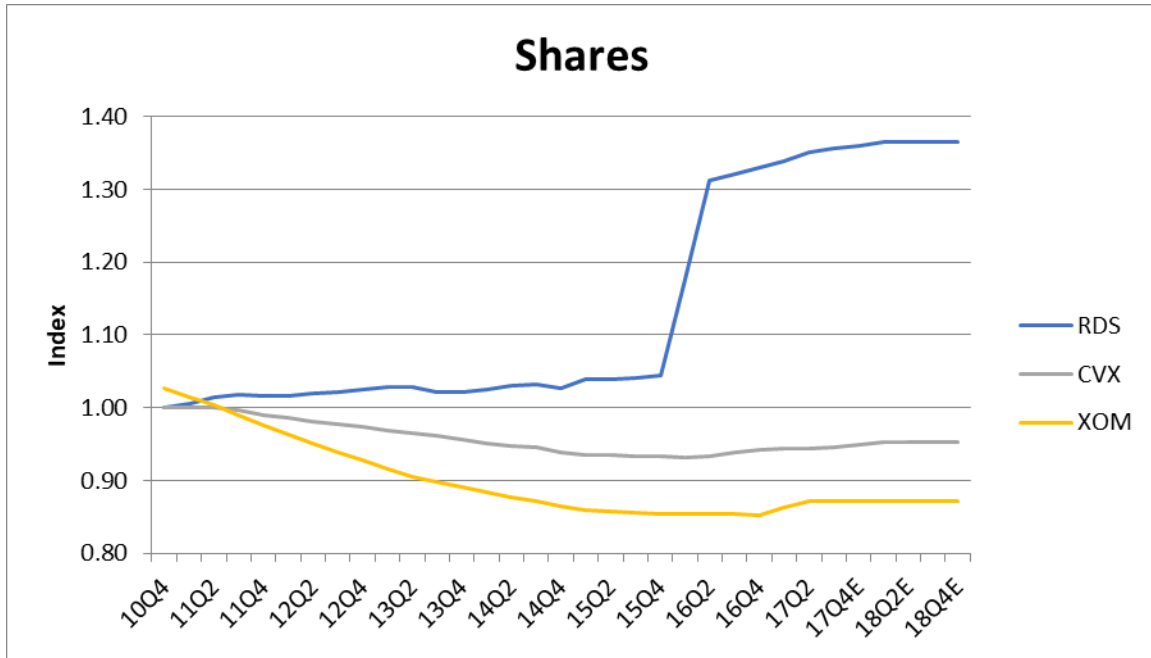
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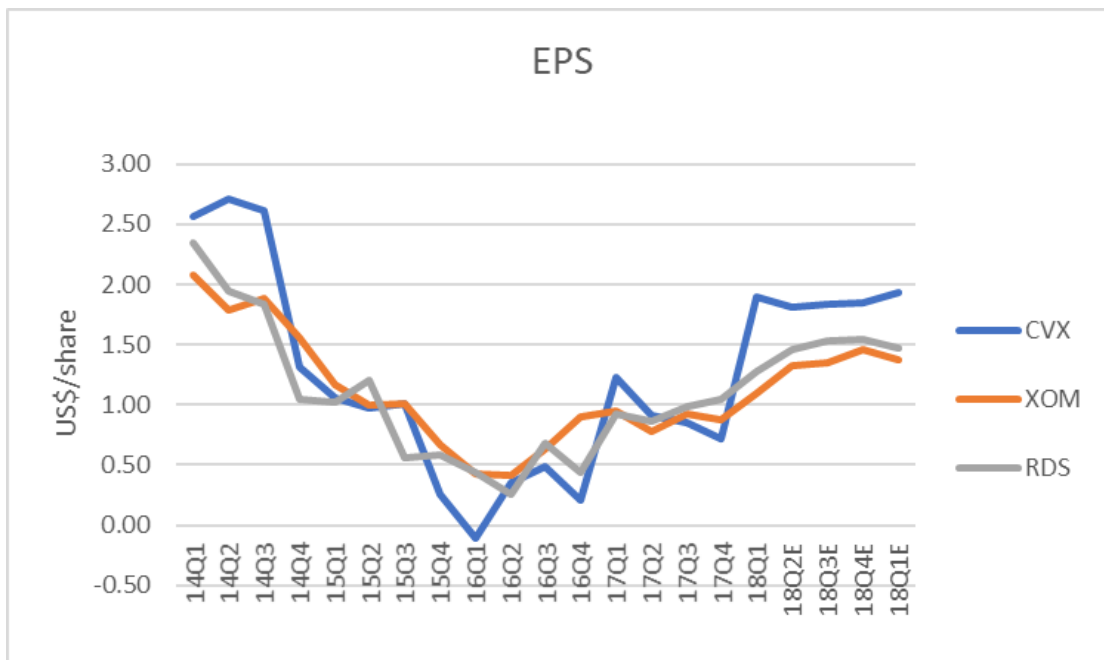
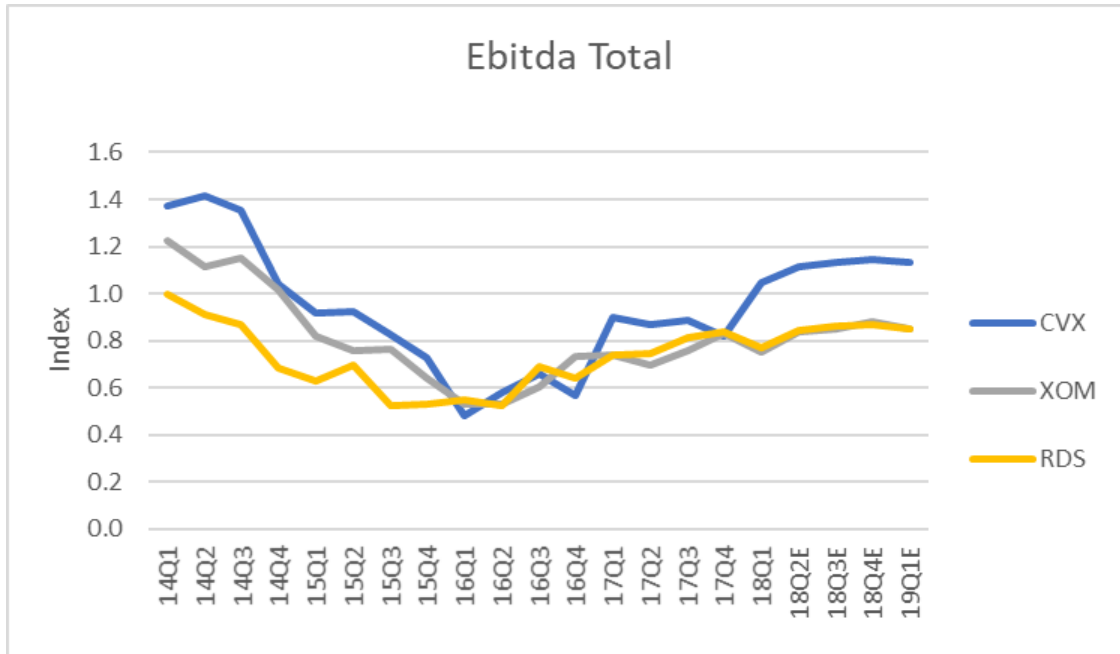




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Exxon Mobil Corporation											
Next Twelve Months Operating and Financial Estimates											
	Year	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Next Twelve Months
	2016	3/31/17	12/31/17	2017	3/31/18	6/30/18	9/30/18	12/31/18	2018	3/31/19	3/31/19
Volume											
Natural Gas (mmcf)											
North America	3,326	3,229	2,993	3,155	2,787	3,286	3,115	2,993	3,046	2,787	3,046
Overseas	6,829	7,679	7,448	7,056	7,251	6,833	6,664	7,671	7,105	7,469	7,158
Total	10,155	10,908	10,441	10,210	10,038	10,119	9,779	10,664	10,151	10,256	10,204
Days	366	90	92	365	90	91	92	92	365	90	365
Oil (mmb)	866	210	207	833	199	203	206	208	816	204	821
Oil (mbd)	2,365	2,333	2,251	2,283	2,216	2,229	2,243	2,256	2,236	2,270	2,249
Total gas & oil (mmb)	1,483	374	367	1,454	350	356	356	371	1,434	358	1,442
Total gas & oil (mbd)	4,053	4,151	3,991	3,985	3,889	3,916	3,873	4,034	3,928	3,979	3,950
Price											
Natural gas (\$/mcf)											
Henry Hub (\$/mmbtu)	2.46	3.32	2.93	3.11	3.01	2.73	2.81	2.89	2.86	2.99	2.86
U.S.	2.16	2.83	2.70	2.83	2.91	2.64	2.72	2.79	2.76	2.90	2.76
International	4.60	5.55	5.77	5.47	6.70	6.70	6.70	6.70	6.70	6.70	6.70
Total	3.80	4.74	4.89	4.66	5.65	5.38	5.43	5.60	5.52	5.67	5.52
Oil (\$/bbl)											
WTI Cushing	43.31	51.92	55.40	50.94	62.88	67.70	67.63	65.85	66.02	64.13	66.33
Worldwide	38.33	47.44	55.22	48.44	58.32	62.79	62.72	61.07	61.24	59.50	61.52
Total gas & oil (\$/bbl)	31.86	39.13	43.93	39.69	47.81	49.66	50.04	48.98	49.13	48.54	49.30
Revenue (\$mm)											
Natural Gas											
U.S.	2,625	822	743	3,259	730	791	780	769	3,069	727	3,066
International	11,453	3,836	3,954	14,096	4,372	4,166	4,108	4,729	17,375	4,504	17,506
Total	14,078	4,658	4,697	17,355	5,102	4,957	4,887	5,498	20,444	5,230	20,572
Oil	33,183	9,962	11,435	40,367	11,631	12,738	12,941	12,677	49,988	12,153	50,510
Other	178,833	48,667	50,383	201,121	51,477	51,477	51,477	51,477	205,909	51,477	205,909
Total	226,094	63,287	66,515	258,843	68,211	69,172	69,306	69,652	276,341	68,861	276,991
Expense (\$mm)											
Production	27,932	7,753	7,497	29,640	9,240	8,908	8,907	9,277	36,332	8,953	36,045
Other	162,138	44,396	46,506	183,701	47,642	47,642	47,642	47,077	190,005	47,077	189,439
Ebitda (\$mm)											
Exploration and Production	19,328	6,866	8,635	28,082	7,494	8,786	8,922	8,897	34,099	8,431	35,037
Other	16,696	4,272	3,877	17,420	3,835	3,835	3,835	4,400	15,905	4,400	16,470
Total Ebitda	36,024	11,138	12,512	45,502	11,329	12,621	12,757	13,297	50,004	12,831	51,506
Exploration	1,514	301	703	1,819	287	287	287	287	1,148	287	1,148
Deprec., Deplet., & Amort.	18,796	4,519	5,842	19,893	5,000	5,000	5,000	5,000	20,000	5,000	20,000
Ebit	15,714	6,318	5,967	23,790	6,042	7,334	7,470	8,010	28,856	7,544	30,358
Interest	453	146	186	601	150	150	150	150	600	150	600
Ebt	15,261	6,172	5,781	23,189	5,892	7,184	7,320	7,860	28,256	7,394	29,758
Income Tax	5,341	2,160	2,023	8,116	1,237	1,509	1,537	1,651	5,934	1,553	6,249
Net Income (\$mm)											
Exploration and Production	2,223	2,252	2,518	7,521	3,497						
Other	8,816	2,287	1,887	9,168	1,951						
Unallocated	(1,119)	(527)	(647)	(1,616)	(794)						
Total	9,920	4,012	3,758	15,073	4,654	5,676	5,783	6,210	22,322	5,841	23,509
Shares (millions)	4,177	4,223	4,270	4,258	4,270	4,270	4,270	4,270	4,270	4,270	4,270
Per share (\$)	2.37	0.95	0.88	3.54	1.09	1.33	1.35	1.45	5.23	1.37	5.51
Ebitda Margin (E&P)	41%	47%	54%	49%	45%	50%	50%	49%	48%	48%	49%
Tax Rate	35%	35%	35%	35%	21%	21%	21%	21%	21%	21%	21%
Dividend	2.98	0.75	0.77	3.06	0.82	0.82	0.82	0.82	3.28	0.82	3.28



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Table 1											
McDep Energy Stocks											
Ranked by McDep Ratio											
		Price (US\$/sh)	Market Cap (US\$m)	Enterprise Value (\$mm)	EV/ Market Cap	EV/ Ebitda NTM	PV/ Ebitda NTM	Oil Prod'n/ Ebitda (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)	
	Symbol/Rating	27-Apr 2018									
Integrated											
	Exxon Mobil Corporation	XOM	77.79	332,000	424,000	1.28	8.2	9.2	48	4.2	0.89
	Chevron Corporation	CVX	126.62	242,000	307,000	1.27	7.7	8.8	62	3.5	0.87
	Suncor Energy	SU	37.83	63,000	81,000	1.30	6.1	7.6	83	3.0	0.80
	Royal Dutch Shell	RDS-B	72.27	303,000	419,000	1.39	7.1	9.1	50	5.2	0.78
	<i>Total or Median</i>			940,000	1,231,000	1.29	7.4	9.0	56	3.9	0.84
Large Independent											
	Occidental Petroleum Corp.	OXY	77.04	59,000	72,600	1.23	7.7	7.6	79	4.0	1.02
	Pioneer Natural Resources	PXD	199.29	33,900	36,200	1.07	8.5	8.6	93	0.0	1.00
	EOG Resources, Inc.	EOG	116.79	67,600	74,700	1.10	7.9	8.8	92	0.6	0.91
	ConocoPhillips	COP	64.95	77,000	100,000	1.30	7.4	8.7	76	1.8	0.85
	<i>Total or Median</i>			237,500	283,500	1.17	7.8	8.6	86	1.2	0.95
Mid-Size Independent											
	Hess Corporation	HES	56.63	17,500	25,900	1.48	10.7	10.5	88	1.8	1.02
	Continental Resources	CLR	65.17	24,400	30,800	1.27	8.2	8.7	84	-	0.94
	Cimarex Energy Company	XEC	100.23	9,600	11,100	1.16	6.0	8.0	80	0.5	0.75
	Marathon Oil Corporation	MRO	18.11	15,390	22,500	1.46	5.4	7.9	89	1.1	0.69
	Devon Energy Corporation	DVN	35.75	18,900	26,800	1.42	6.3	9.3	75	0.9	0.68
	<i>Total or Median</i>			85,800	117,100	1.42	6.3	8.7	84	0.9	0.75
Small Independent											
	California Resources	CRC	24.51	1,100	7,300	6.9	5.6	8.1	93	-	0.69
	Whiting Petroleum Corporation	WLL	40.34	3,700	7,000	1.92	4.5	7.9	97	-	0.56
	Range Resources	RRC	13.90	3,400	8,100	2.36	6.0	10.7	45	0.6	0.56
	Birchcliff Energy Ltd.	BIREF	3.56	1,000	1,500	1.62	5.6	10.9	48	2.2	0.51
	<i>Total or Median</i>			9,200	23,900	2.14	5.6	9.4	71	0.3	0.56
Income											
	Permian Basin RT	PBT	9.96	460	460	1.00	11.4	11.5	80	8.5	1.00
	Sabine Royalty Trust	SBR	46.25	670	670	1.00	14.9	16.1	68	6.7	0.92
	San Juan Basin Royalty Trust	SJT	6.98	330	330	1.00	12.0	13.8	-	8.1	0.87
	Dorchester Minerals, L.P.	DMLP	17.80	580	580	1.00	8.6	11.5	83	11.2	0.74
	Cross Timbers Royalty Trust	CRT	13.40	80	80	1.00	7.7	14.4	39	10.5	0.53
	<i>Total or Median</i>			2,100	2,100	1.00	11.4	13.8	68	8.5	0.87

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation, amort.
 Estimated Ebitda (cash flow) tied to NTM futures prices for oil and natural gas. NTM = Next Twelve Months ending 3/31/19.
 Estimated Present Value (PV) presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.
 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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Table 2										
McDep Energy Stocks										
Unlevered Cash Flow (Ebitda)										
Ranked by Total Ebitda										
Symbol/Rating	Price (US\$/sh)	27-Apr 2018	Volume (mmboe)	Upstream NTM			Down- stream Uplift (\$/boe)	Total Ebitda NTM (\$mm)	Distrib./ Ebitda (%)	Distrib. NTM (\$/sh)
				Equiv. Price (\$/boe)	Ebitda Margin (%)	Ebitda (\$/boe)				
Integrated										
Royal Dutch Shell	RDS-B	72.27	1359	46.11	69	31.60	11.77	42,945	27	3.76
Exxon Mobil Corporation	XOM	77.79	1442	49.30	49	24.30	11.42	35,037	27	3.28
Chevron Corporation	CVX	126.62	1050	50.69	61	30.90	7.05	32,451	22	4.48
Suncor Energy	SU	37.83	277	63.43	63	39.91	7.91	11,072	14	1.13
<i>Total or Median</i>			<i>4128</i>	<i>50.00</i>	<i>62</i>	<i>31.25</i>	<i>9.67</i>	<i>121,505</i>	<i>24</i>	
Large Independent										
ConocoPhillips	COP	64.95	448	48.40	63	30.40	0.00	13,628	10	1.14
EOG Resources, Inc.	EOG	116.79	272	47.04	73	34.54	0.00	9,401	5	0.74
Occidental Petroleum Corp.	OXY	77.04	247	47.62	66	31.60	6.48	7,800	25	3.08
Pioneer Natural Resources	PXD	199.29	125	45.63	75	34.00	0.00	4,240	0	0.08
<i>Total or Median</i>			<i>1092</i>	<i>47.33</i>	<i>70</i>	<i>32.80</i>	<i>0.00</i>	<i>35,069</i>	<i>7</i>	
Mid-Size Independent										
Marathon Oil Corporation	MRO	18.11	157	39.29	67	26.30	0.00	4,122	4	0.20
Continental Resources	CLR	65.17	108	42.99	81	34.70	0.00	3,760	-	-
Devon Energy Corporation	DVN	35.75	180	31.81	66	20.90	2.78	3,756	4	0.32
Hess Corporation	HES	56.63	96	45.12	56	25.10	0.00	2,418	13	1.00
Cimarex Energy Company	XEC	100.23	81	33.36	69	22.90	0.00	1,859	2	0.48
<i>Total or Median</i>			<i>622</i>	<i>39.29</i>	<i>67</i>	<i>25.10</i>	<i>0.00</i>	<i>15,914</i>	<i>4</i>	
Small Independent										
Whiting Petroleum Corporation	WLL	40.34	47	49.39	68	33.50	0.00	1,569	-	-
Range Resources	RRC	13.90	137	18.93	52	9.90	0.00	1,358	1	0.08
California Resources	CRC	24.51	46	54.45	52	28.10	0.00	1,289	-	-
Birchcliff Energy Ltd.	BIREF	3.56	22	17.88	69	12.30	0.00	276	8	0.08
<i>Total or Median</i>			<i>252</i>	<i>34.16</i>	<i>60</i>	<i>20.20</i>	<i>0.00</i>	<i>4,492</i>	<i>1</i>	
Income										
Dorchester Minerals, L.P.	DMLP	17.80	2.52	37.24	72	26.64	0.00	67	96	1.99
Sabine Royalty Trust	SBR	46.25	1.56	34.07	85	28.97	0.00	45	100	3.10
Permian Basin RT	PBT	9.96	1.24	46.71	70	32.66	0.00	41	97	0.84
San Juan Basin Royalty Trust	SJT	6.98	3.27	15.40	54	8.29	0.00	27	98	0.57
Cross Timbers Royalty Trust	CRT	13.40	0.49	37.54	56	21.19	0.00	10	81	1.41
<i>Total or Median</i>			<i>9</i>	<i>37.24</i>	<i>70</i>	<i>26.64</i>	<i>0.00</i>	<i>190</i>	<i>97</i>	

For historical research see www.mcdep.com



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Table 3
McDep Energy Stocks
Net Present Value Per Share

		<i>Price</i>				<i>Devel.</i>	<i>Undev/</i>	<i>Nat</i>	<i>Top</i>	<i>Net</i>	
		<i>(US\$/sh)</i>				<i>Resrvs/</i>	<i>Devel.</i>	<i>Gas/</i>	<i>Line/</i>	<i>Present</i>	
	<i>Symbol/Rating</i>	<i>27-Apr</i>	<i>Shares</i>	<i>Debt</i>	<i>P/E</i>	<i>Prod</i>	<i>Resrvs</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>Value</i>	
		<i>2018</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(US\$/sh)</i>	
Integrated											
	Chevron Corporation	CVX	126.62	1,913	65,059	17	7.2	57	24	150.00	
	Royal Dutch Shell	RDS-B	72.27	4,189	116,710	12	7.3	22	32	100.00	
	Exxon Mobil Corporation	XOM	77.79	4,270	92,054	14	9.7	52	29	90.00	
	Suncor Energy	SU	37.83	1,655	18,623	10	9.2	87		50.00	
	<i>Median</i>						8.2				
Large Independent											
	Pioneer Natural Resources	PXD	199.29	170	2,300	22	7.2	9	7	200.00	
	EOG Resources, Inc.	EOG	116.79	579	7,071	18	5.0	43	8	130.00	
	ConocoPhillips	COP	64.95	1,186	23,215	15	7.8	31	24	80.00	
	Occidental Petroleum Corp.	OXY	77.04	766	13,600	16	7.8	35	4	75.00	
	<i>Median</i>						7.5				
Mid-Size Independent											
	Cimarex Energy Company	XEC	100.23	95	1,552	9	5.1	35	20	140.00	
	Continental Resources	CLR	65.17	374	6,480	22	5.6	121	16	70.00	
	Devon Energy Corporation	DEV	35.75	528	7,944	12	8.5	24	15	60.00	
	Hess Corporation	HES	56.63	310	8,399		7.5	59	12	55.00	
	Marathon Oil Corporation	MRO	18.11	850	7,073	14	5.8	60	11	30.00	
	<i>Median</i>						5.8				
Small Independent											
	Whiting Petroleum Corporation	WLL	40.34	91	3,367	20	7.2	84	3	100.00	
	California Resources	CRC	24.51	43	6,200		9.6	41	7	100.00	
	Range Resources	RRC	13.90	247	4,657	14	10.1	83	55	40.00	
	Birchcliff Energy Ltd.	BIREF	3.56	268	589	19	7.2	228	52	9.00	
	<i>Median</i>						8.4				
Income											
	Sabine Royalty Trust	SBR	46.25	15	-	15	11.4	3	37	100	50.00
	Cross Timbers Royalty Trust	CRT	13.40	6	-	10	11.2	-	69	81	25.00
	Dorchester Minerals, L.P.	DMLP	17.80	32	-	11	6.4	-	21	83	24.00
	Permian Basin RT	PBT	9.96	47	-	12	6.7	-	21	37	10.00
	San Juan Basin Royalty Trust	SJT	6.98	47	-	12	12.8	-	100	-	8.00
	<i>Median</i>						11.2				

P/E = Stock Price to Earnings. For historical research see www.mcdep.com.



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2018										
Ranked by Unlevered Total Return										
		Price (\$/sh)	Price (\$/sh)	Price Change (%)	Cash Distrib. (%)	Equity Total Return (%)	Unlevered Debt Return (\$/sh)	Unlevered Return (%)	McDep Ratio	
	Symbol/Rati	27-Apr 2018	29-Dec 2017							
Integrated										
	Royal Dutch Shell	RDS-B	72.27	68.29	6	1	7	28	5	0.78
	Suncor Energy	SU	37.83	36.72	3	1	4	11	3	0.80
	Chevron Corporation	CVX	126.62	125.19	1	1	2	34	2	0.87
	Exxon Mobil Corporation	XOM	77.79	83.64	(7)	1	(6)	22	(5)	0.89
	<i>Median</i>				2		3		2	0.84
Large Independent										
	ConocoPhillips	COP	64.95	54.89	18	1	19	20	14	0.85
	Pioneer Natural Resources	PXD	199.29	172.85	15	0	15	14	14	1.00
	EOG Resources, Inc.	EOG	116.79	107.91	8	0	8	12	8	0.91
	Occidental Petroleum Corp.	OXY	77.04	73.66	5	1	6	18	5	1.02
	<i>Median</i>				12		12		11	0.95
Mid-Size Independent										
	Continental Resources	CLR	65.17	52.97	23	-	23	17	17	0.94
	Hess Corporation	HES	56.63	47.47	19	1	20	27	13	1.02
	Marathon Oil Corporation	MRO	18.11	16.93	7	0	7	8	5	0.69
	Devon Energy Corporation	DVN	35.75	41.40	(14)	0	(14)	15	(10)	0.68
	Cimarex Energy Company	XEC	100.23	122.01	(18)	0	(18)	16	(16)	0.75
	<i>Median</i>				7		7		5	0.75
Small Independent										
	Whiting Petroleum Corporation	WLL	40.34	26.48	52	-	52	37	22	0.56
	California Resources	CRC	24.51	19.44	26	-	26	145	3	0.69
	Birchcliff Energy Ltd.	BIREF	3.56	3.50	2	1	2	2	1	0.51
	Range Resources	RRC	13.90	17.06	(19)	0	(18)	19	(9)	0.56
	<i>Median</i>				14		14		2	0.56
Income										
	Dorchester Minerals, L.P.	DMLP	17.80	15.20	17	3	20	-	20	0.74
	Permian Basin RT	PBT	9.96	8.87	12	2	14	-	14	1.00
	Sabine Royalty Trust	SBR	46.25	44.60	4	1	5	-	5	0.92
	Cross Timbers Royalty Trust	CRT	13.40	14.69	(9)	2	(7)	-	(7)	0.53
	San Juan Basin Royalty Trust	SJT	6.98	8.24	(15)	2	(13)	-	(13)	0.87
	<i>Median</i>				4		5		5	0.87
	<i>Grand Median</i>				5		6		5	0.82
	Natural Gas (\$/mmbtu)		2.77	2.95	(6)					
	Oil-West Texas Intermediate (\$/bbl)		68.04	60.09	13					
	Total Stock Market - U.S.	VTI	137.33	137.25	0	0	0			
	Developed Markets - ex US	VEA	45.05	44.86	0	0	1			
	Emerging Markets	VWO	45.99	45.91	0	0	0			
	Total Stock Market - World	VT	74.44	74.26	0	0	1			
Source: McDep LLC, Yahoo, CME Group, Bloomberg					For historical research see www.mcdep.com					



Independent Stock Idea

April 30, 2018

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