



Independent Stock Idea

June 27, 2007

Continental Resources (CLR) Well-Managed Shale Pioneer

<i>Symbol</i>	CLR	<i>Ebitda Next Twelve Months ending 6/30/18 (US\$m)</i>	1,830
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	25
<i>Price (\$/sh)</i>	30.86	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/26/17	<i>Adjusted Reserves/Production NTM</i>	10.2
<i>Shares (mm)</i>	373	<i>EV/Ebitda</i>	9.9
<i>Market Capitalization (\$mm)</i>	11,500	<i>PV/Ebitda</i>	15.0
<i>Debt (\$mm)</i>	6,500	<i>Undeveloped Reserves (%)</i>	59
<i>Enterprise Value (EV) (\$mm)</i>	18,100	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	20.80
<i>Present Value (PV) (\$mm)</i>	27,400	<i>Present Value Proven Reserves(\$/boe)</i>	21.50
<i>Net Present Value (\$/share)</i>	56	<i>Oil and Gas Ebitda Margin (%)</i>	74
<i>Debt/Present Value</i>	0.24	<i>Earnings Next Twelve Months (US\$/sh)</i>	-0.55
<i>McDep Ratio - EV/PV</i>	0.66	<i>Price/Earnings Next Twelve Months</i>	-56
<i>Dividend Yield (%/year)</i>	0.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.00
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.			
Chairman and Chief Executive Harold Hamm owns about 68% of the equity in Continental Resources.			
For historical analysis of CLR see www.mcdep.com/4clr.htm			

Summary and Recommendation

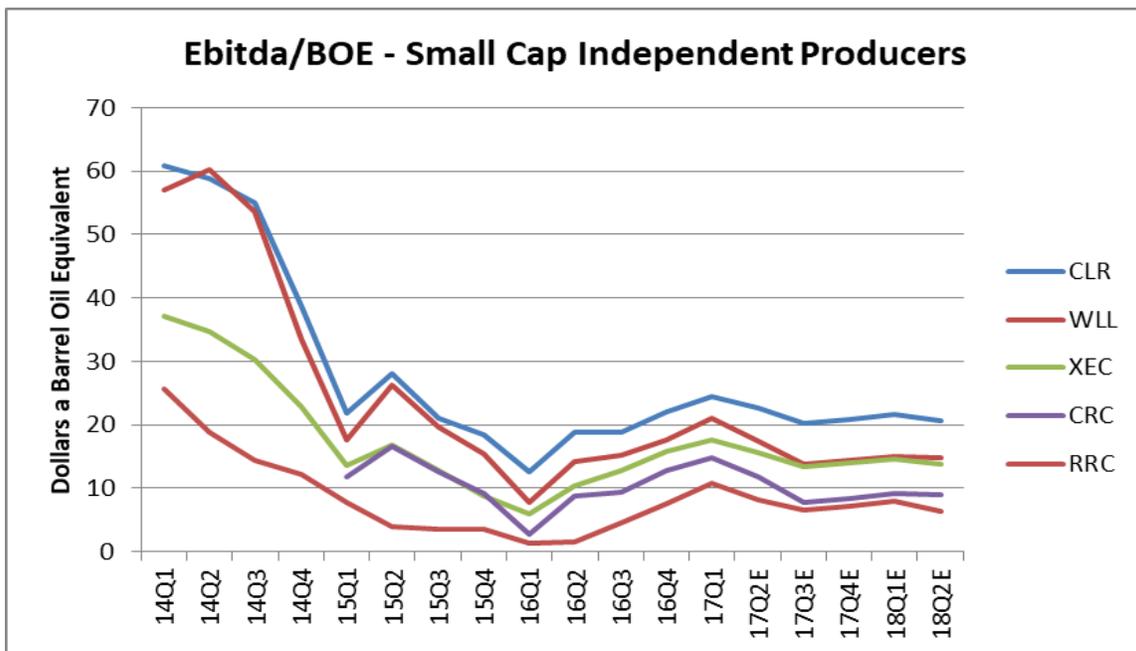
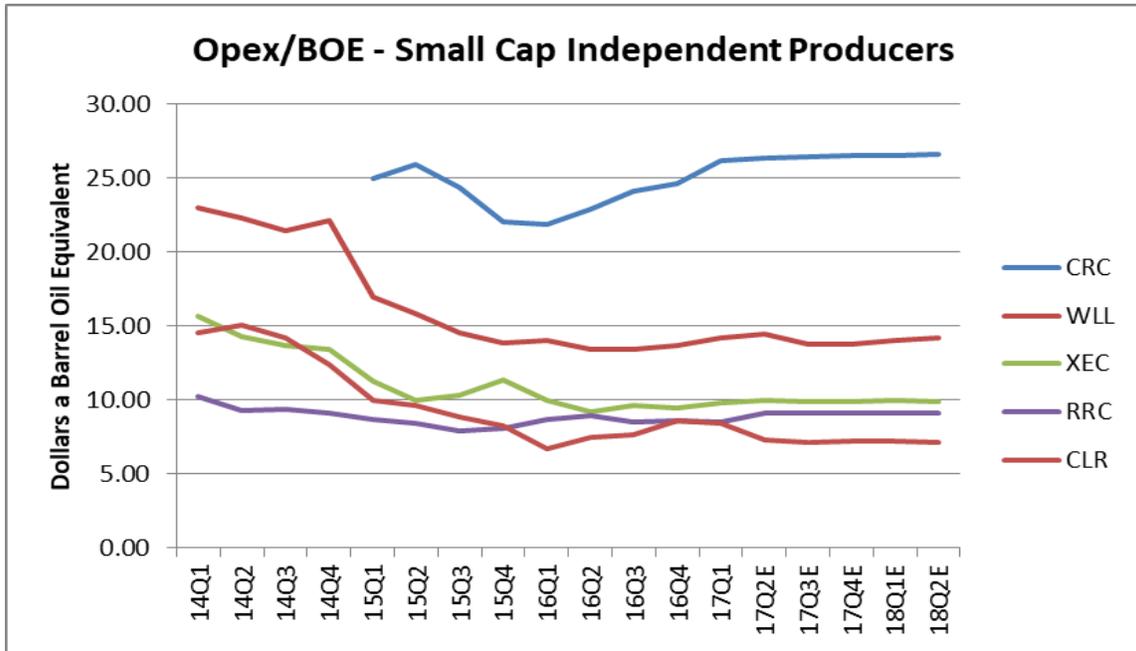
Buy-recommended **Continental Resources (CLR)**, a well-managed shale pioneer headed by disciplined visionary Harold Hamm, offers 50% unlevered appreciation potential to a McDep Ratio of 1.0 and Net Present Value (NPV) of \$56 a share. Current price of \$31 a share, at the low end of a 52-week range of \$30 to \$60, may have reflected most of the downside risk. Similarly, near month U.S. crude oil price of \$43 a barrel is also near the low end of a 52-week range of \$40 to \$54. CLR has opportunity to invest profitably at \$43, but the company's recent vision of 20% a year growth from reinvesting no more than cash flow would require \$50 to \$55. CLR estimates some its current drilling in the North Dakota Bakken can earn an incremental annual return on investment of 20% at \$43 oil. Current drilling in the Oklahoma STACK Over-Pressured Oil area can deliver a 100% annual return at \$43 oil. For fifty years, the successful entrepreneurship of CLR's founding stockholder has both protected on the downside and exposed investors to the upside. Today's operating cost a barrel remains the lowest of small cap independent competitors (see chart [Opex/BOE](#) on page 2). Cash Flow (Ebitda) a barrel is highest of peers (see chart [Ebitda/BOE](#) on page 2). Ebitda Margin is a strong 74% in estimates tied to recent futures prices (see table [Operating and Financial Estimates](#) on page 3). Among companies in our coverage, McDep Ratio is low at 0.66 and EV/Ebitda low at 9.9 times (see [Table 1](#) on page 4). Low operating leverage of 1.14 implies greater resistance of cash flow to decline in oil price (see [Table 2](#)). A high 59% of reported reserves that are undeveloped is a risk factor that appears to be well-recognized in low stock price (see [Table 3](#)). Finally, our contrarian interest is further stimulated by stock price decline in 2017 that is surprisingly steep for a quality small cap (see [Table 4](#) on page 7).

Kurt H. Wulff, CFA



Independent Stock Idea

June 27, 2007





Independent Stock Idea

June 27, 2007

Continental Resources										
Next Twelve Months Operating and Financial Estimates										
	Q2	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	6/30/16	2016	3/31/17	6/30/17	9/30/17	12/31/17	2017	3/31/18	6/30/18	6/30/18
Volume										
Natural Gas (bcf)	47.1	195	51.0	51.9	54.3	58.0	215	56.7	57.3	226.3
Natural Gas (mmcf)	518	533	567	570	590	630	589	630	630	620
Days	91	366	90	91	92	92	365	90	91	365
Oil (mmb)	12.1	47	10.7	10.9	12.0	12.9	46	12.6	12.7	50
Oil (mbd)	133	128	119	120	130	140	127	140	140	137
Total (mb)	20.0	79.3	19.2	19.6	21.0	22.5	82.3	22.1	22.3	87.9
Total (mbd)	219	217	214	215	228	245	226	245	245	241
Price										
Henry Hub (\$/mmbtu)	1.95	2.46	3.32	3.18	2.94	3.08	3.13	3.26	2.84	3.03
Differential (\$/mmbtu)	0.64	0.59	0.32	0.30	0.28	0.29	0.30	0.31	0.27	0.29
Company (\$/mcf)	1.31	1.87	3.00	2.88	2.66	2.78	2.83	2.95	2.57	2.74
WTI Cushing (\$/bbl)	45.66	43.31	51.92	48.13	43.10	43.79	46.74	44.56	45.10	44.14
Differential	7.28	7.81	7.23	8.00	7.16	7.28	7.64	7.41	8.00	7.45
Company (\$/bbl)	38.38	35.50	44.69	40.13	35.93	36.51	39.10	37.15	37.10	36.69
Total (\$/bbl)	26.37	25.54	32.88	30.03	27.34	28.02	29.46	28.82	27.80	28.00
Revenue (\$mm)										
Natural Gas	62	366	153	149	144	161	608	167	147	620
Oil	465	1,659	479	438	430	470	1,817	468	473	1,841
Total	526	2,024	632	588	574	632	2,425	635	620	2,461
Expense										
Lease operating	74	290	73	72	78	83	307	82	82	325
Production taxes	39	142	41	41	40	44	167	44	43	172
General and administrative	36	169	47	29	32	34	142	33	33	132
Total	149	601	161	143	149	161	615	159	159	629
Ebitda	377	1,423	471	445	425	470	1,810	476	461	1,832
Exploration	2	17	5	5	5	5	20	5	5	20
Deprec., Deplet., & Amort.	442	1,709	382	411	441	473	1,707	463	468	1,846
Other	(46)	(123)	1				1			-
Ebit	(20)	(180)	82	29	(21)	(8)	82	8	(13)	(34)
Interest	82	321	71	71	71	71	284	71	71	284
Ebt	(102)	(501)	11	(42)	(92)	(79)	(202)	(63)	(84)	(318)
Income Tax	(36)	(175)	4	(15)	(32)	(28)	(71)	(22)	(29)	(111)
Net Income (\$mm)	(67)	(326)	7	(27)	(60)	(51)	(131)	(41)	(54)	(207)
Per Share (\$)	(0.18)	(0.88)	0.02	(0.07)	(0.16)	(0.14)	(0.35)	(0.11)	(0.15)	(0.55)
Shares (millions)	370	370	373	373	373	373	373	373	373	373
Ebitda Margin	72%	70%	75%	76%	74%	74%	75%	75%	74%	74%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



Independent Stock Idea

June 27, 2007

Table 1
McDep Energy Stocks
Ranked by McDep Ratio

		Price	Market	Enterprise	EV/	EV/	PV/	Oil	Dist.	
	Symbol/Rating	(US\$/sh)	Cap	Value	Market	Ebitda	Ebitda	Prod'n/	Yield	McDep
		26-Jun	(US\$mm)	(\$mm)	Cap	NTM	NTM	PV	NTM	Ratio
		2017						(%)	(%)	(EV/PV)
Global Integrated										
Exxon Mobil Corporation	XOM	81.24	343,000	436,000	1.27	10.6	12.5	49	3.8	0.85
Chevron Corporation	CVX	104.14	197,000	266,000	1.35	9.7	11.9	60	4.1	0.82
Royal Dutch Shell	RDS-A B	52.46	216,000	347,000	1.61	7.6	10.0	51	7.2	0.75
Total S.A.	TOT B	49.16	121,000	176,000	1.46	6.5	10.2	53	5.7	0.64
	<i>Total or Median</i>		877,000	1,225,000	1.40	8.6	11.0	52	4.9	0.79
Large Independent										
Pioneer Natural Resources	PXD	155.21	26,400	28,000	1.06	13.3	12.9	87	0.1	1.03
EOG Resources, Inc.	EOG	87.39	50,600	57,800	1.14	13.7	13.4	86	0.8	1.02
Occidental Petroleum Corp.	OXY	60.01	45,900	59,100	1.29	10.6	12.7	81	5.1	0.84
Devon Energy Corporation	DVN	30.72	16,200	24,200	1.49	13.2	17.3	62	0.8	0.76
ConocoPhillips	COP B	44.23	55,000	79,000	1.43	9.5	13.1	70	2.4	0.73
Marathon Oil Corporation	MRO B	11.53	9,790	16,900	1.73	10.8	14.9	79	1.7	0.73
	<i>Total or Median</i>		203,900	265,000	1.36	12.0	13.2	80	1.3	0.80
Small Independent										
Cimarex Energy Company	XEC	93.10	8,900	10,200	1.15	10.5	13.1	63	0.3	0.80
California Resources	CRC	9.34	400	6,400	16.0	17.0	21.6	89	-	0.79
Continental Resources (32%)	CLR B	30.86	3,700	5,800	1.57	9.9	15.0	74	-	0.66
Range Resources	RRC B	22.91	5,600	10,000	1.77	10.3	18.7	31	0.3	0.55
Whiting Petroleum Corporation	WLL	5.44	2,000	5,500	2.79	7.6	13.9	92	-	0.55
	<i>Total or Median</i>		21,000	38,000	1.77	10.3	15.0	74	-	0.66
Income										
San Juan Basin Royalty Trust	SJT	7.05	330	330	1.00	11.6	13.1	-	8.5	0.88
Permian Basin RT	PBT	8.91	420	420	1.00	12.3	15.2	78	7.7	0.81
Sabine Royalty Trust	SBR B	37.40	550	550	1.00	16.3	26.1	59	6.1	0.62
Dorchester Minerals, L.P.	DMLP	14.60	450	450	1.00	12.7	20.9	70	7.8	0.61
Cross Timbers Royalty Trust	CRT B	15.42	90	90	1.00	11.3	21.4	28	6.6	0.53
	<i>Total or Median</i>		1,800	1,800	1.00	12.3	20.9	59	7.7	0.62
Canada										
EnCana Corporation	ECA	8.42	8,200	14,700	1.79	9.9	12.3	56	0.7	0.81
Imperial Oil Limited (30%)	IMO	29.11	7,400	9,300	1.25	9.2	11.4	67	1.6	0.80
Suncor Energy	SU B	28.73	47,800	64,600	1.35	9.9	13.7	84	3.4	0.72
Birchcliff Energy Ltd.	BIREF B	4.43	1,300	1,900	1.49	8.1	14.9	36	1.7	0.54
Cenovus Energy Inc.	CVE	6.92	8,400	20,900	2.48	9.6	18.1	84	2.2	0.53
	<i>Total or Median</i>		73,000	111,000	1.49	9.6	13.7	67	1.7	0.72

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 6/30/18.
 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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June 27, 2007

		Price		Oil	Operating						
		(US\$/sh)		Equiv.	Expense			Ebitda	Ebitda	Oper Lev	
	Symbol/Rating	26-Jun	Volume	Price	Fixed	Var.	NTM	NTM	Ebitda chg/	McDep	
	B = Buy	2017	(mmboe)	(\$/boe)	(\$/boe)	(%)	(\$/boe)	(\$mm)	Price chg	Ratio	
Global Integrated (excl. Downstream)											
Exxon Mobil Corporation	XOM	81.24	1,486	35.19	7	35	15.90	23,628	1.44	0.85	
Chevron Corporation	CVX	104.14	879	34.05	8	22	18.60	16,341	1.43	0.82	
Royal Dutch Shell	RDS-A	52.46	1,325	32.63	2	28	21.60	28,629	1.09	0.75	
Total S.A.	TOT	49.16	931	33.88	0	44	18.90	17,598	1.00	0.64	
<i>Total or Median</i>									1.26	0.79	
Large Independent											
Pioneer Natural Resources	PXD	155.21	114	31.30	9	12	18.50	2,105	1.49	1.03	
EOG Resources, Inc.	EOG	87.39	227	30.78	10	7	18.60	4,226	1.54	1.02	
Occidental Petroleum Corp.	OXY	60.01	303	31.66	8	17	18.30	5,550	1.44	0.84	
Devon Energy Corporation	DVN	30.72	166	22.42	9	10	11.10	1,838	1.81	0.76	
ConocoPhillips	COP	44.23	465	31.75	6	25	17.90	8,329	1.34	0.73	
Marathon Oil Corporation	MRO	11.53	136	24.39	13	0	11.50	1,558	2.13	0.73	
<i>Total or Median</i>									1.51	0.80	
Small Independent											
Cimarex Energy Company	XEC	93.10	70	23.81	6	16	13.90	973	1.43	0.80	
California Resources	CRC	9.34	44	35.03	15	33	8.50	376	2.76	0.79	
Continental Resources (32%)	CLR	30.86	28	28.00	3	15	20.80	586	1.14	0.66	
Range Resources	RRC	22.91	138	16.08	8	7	7.00	964	2.14	0.55	
Whiting Petroleum Corporation	WLL	5.44	50	28.43	9	17	14.50	721	1.62	0.55	
<i>Total or Median</i>									1.62	0.66	
Income											
San Juan Basin Royalty Trust	SJT	7.05	3	16.60	5	14	9.21	28	1.54	0.88	
Permian Basin RT	PBT	8.91	1	33.20	10	2	22.52	34	1.44	0.81	
Sabine Royalty Trust	SBR	37.40	1	28.31	2	11	23.33	34	1.09	0.62	
Dorchester Minerals, L.P.	DMLP	14.60	2	28.24	7	11	18.25	35	1.38	0.61	
Cross Timbers Royalty Trust	CRT	15.42	0	32.18	8	10	21.12	8	1.38	0.53	
<i>Total or Median</i>									1.38	0.62	
Canada (excl. Downstream)											
EnCana Corporation	ECA	8.42	120	25.29	11	8	12.29	1,480	1.90	0.81	
Imperial Oil Limited (30%)	IMO	29.11	81	30.71	14	13	12.60	1,016	2.11	0.80	
Suncor Energy	SU	28.73	375	40.11	18	12	17.48	6,552	2.03	0.72	
Birchcliff Energy Ltd.	BIREF	4.43	23	16.98	1	35	10.00	231	1.10	0.54	
Cenovus Energy Inc.	CVE	6.92	222	21.93	11	6	9.72	2,162	2.13	0.53	
<i>Total or Median</i>									2.03	0.72	
For historical research see www.mcdep.com											



Independent Stock Idea

June 27, 2007

Table 3											
McDep Energy Stocks											
Net Present Value Per Share											
Ranked by Reserve Life (Adjustd Resrvs/Prod NTM)											
			<i>Price</i>					<i>Down-</i>	<i>Proven</i>	<i>Adjustd</i>	<i>Net</i>
	<i>Symbol/Rating</i>		<i>(US\$/sh)</i>	<i>Shares</i>	<i>Debt</i>	<i>NTM</i>	<i>P/E</i>	<i>stream/</i>	<i>Undev.</i>	<i>Resrvs/</i>	<i>Present</i>
	<i>B = Buy</i>		<i>26-Jun</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>NTM</i>	<i>NTM</i>	<i>PV</i>	<i>Resrvs</i>	<i>Prod</i>	<i>Value</i>
			<i>2017</i>					<i>(%)</i>	<i>(%)</i>	<i>NTM</i>	<i>(US\$/sh)</i>
Global Integrated											
Exxon Mobil Corporation	XOM		81.24	4,223	93,323	3.08	25	27	31	11.3	100.00
Total S.A.	TOT	B	49.16	2,457	55,616	2.78	13	23	42	9.2	90.00
Chevron Corporation	CVX		104.14	1,895	68,305	4.32	32	19	32	9.2	135.00
Royal Dutch Shell	RDS-A	B	52.46	4,112	131,054	3.76	24	24	25	8.6	80.00
	<i>Median</i>									9.2	
Large Independent											
ConocoPhillips	COP	B	44.23	1,249	24,000	1.06		-	20	9.8	68.00
Devon Energy Corporation	DVN		30.72	528	8,002	0.24	71	9	20	9.0	45.00
Occidental Petroleum Corp.	OXY		60.01	765	13,200	3.04	69	13	23	9.0	75.00
Marathon Oil Corporation	MRO	B	11.53	849	7,100	0.20		-	39	8.4	19.00
EOG Resources, Inc.	EOG		87.39	579	7,202	0.67		-	30	7.2	85.00
Pioneer Natural Resources	PXD		155.21	170	1,600	0.08	98	-	7	6.1	150.00
	<i>Median</i>									8.7	
Small Independent											
Range Resources	RRC	B	22.91	245	4,345	0.08	71	-	44	11.4	56.00
Continental Resources (32%)	CLR	B	30.86	119	2,095	-		-	59	11.4	56.00
California Resources	CRC		9.34	43	6,000	-		-	29	11.1	50.00
Whiting Petroleum Corporation	WLL		5.44	363	3,517	-		-	53	9.1	18.00
Cimarex Energy Company	XEC		93.10	95	1,362	0.32	31	-	21	6.2	120.00
	<i>Median</i>									11.1	
Income											
Sabine Royalty Trust	SBR	B	37.40	15	-	2.30	16	-	4	11.6	60.00
San Juan Basin Royalty Trust	SJT		7.05	47	-	0.60	12	-	-	10.1	8.00
Permian Basin RT	PBT		8.91	47	-	0.69	13	-	13	9.4	11.00
Cross Timbers Royalty Trust	CRT	B	15.42	6	-	1.02	15	-	-	8.5	29.00
Dorchester Minerals, L.P.	DMLP		14.60	31	-	1.13	17	-	-	7.2	24.00
	<i>Median</i>									9.4	
Canada											
Suncor Energy	SU	B	28.73	1,665	16,713	0.97	36	16	44	15.1	44.00
Cenovus Energy Inc.	CVE		6.92	1,217	12,441	0.15		4	55	12.9	22.00
Birchcliff Energy Ltd.	BIREF	B	4.43	284	612	0.08	50	-	69	12.5	10.00
Imperial Oil Limited (30%)	IMO		29.11	255	1,885	0.45	16	32	23	9.8	38.00
EnCana Corporation	ECA		8.42	973	6,461	0.06		-	43	5.1	12.00
	<i>Median</i>									12.5	
P/E = Stock Price to Earnings. For historical research see www.mcdep.com .											



Independent Stock Idea

June 27, 2007

Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2017										
Ranked by Unlevered Total Return										
			Price (\$/sh)	Price (\$/sh)	Price Change	Cash Distrib.	Equity Total Return	Unlevered Total Return		McDep
	Symbol/Rati		26-Jun 2017	30-Dec 2016	(%)	(%)	(%)	Debt (\$/sh)	Return (%)	Ratio
Global Integrated										
	RDS-A	B	52.46	54.38	(4)	3	(0)	32	(0)	0.75
	TOT	B	49.16	50.97	(4)	1	(2)	23	(2)	0.64
	XOM		81.24	90.26	(10)	2	(8)	22	(7)	0.85
	CVX		104.14	117.70	(12)	2	(10)	36	(7)	0.82
	<i>Median</i>				(7)		(5)		(4)	0.79
Large Independent										
	COP	B	44.23	50.14	(12)	1	(11)	19	(8)	0.73
	EOG		87.39	101.10	(14)	0	(13)	12	(12)	1.02
	OXY		60.01	71.23	(16)	1	(15)	17	(12)	0.84
	PXD		155.21	180.00	(14)	0	(14)	9	(13)	1.03
	MRO	B	11.53	17.31	(33)	1	(33)	8	(22)	0.73
	DVN		30.72	45.67	(33)	0	(33)	15	(24)	0.76
	<i>Median</i>				(15)		(14)		(12)	0.80
Small Independent										
	CRC		9.34	21.29	(56)	-	(56)	141	(7)	0.79
	RRC	B	22.91	34.36	(33)	0	(33)	18	(22)	0.55
	XEC		93.10	135.90	(31)	0	(31)	14	(28)	0.80
	CLR	B	30.86	51.54	(40)	-	(40)	18	(30)	0.66
	WLL		5.44	12.02	(55)	-	(55)	10	(30)	0.55
	<i>Median</i>				(40)		(40)		(28)	0.66
Income										
	PBT		8.91	7.71	16	4	20	-	20	0.81
	SJT		7.05	6.62	6	4	11	-	11	0.88
	SBR	B	37.40	35.15	6	3	9	-	9	0.62
	CRT	B	15.42	17.97	(14)	2	(12)	-	(12)	0.53
	DMLP		14.60	17.55	(17)	3	(14)	-	(14)	0.61
	<i>Median</i>				6		9		9	0.62
Canada										
	SU	B	28.73	32.69	(12)	1	(11)	10	(9)	0.72
	IMO		29.11	34.76	(16)	0	(16)	7	(13)	0.80
	ECA		8.42	11.74	(28)	0	(28)	7	(18)	0.81
	BIREF	B	4.43	7.01	(37)	0	(36)	2	(28)	0.54
	CVE		6.92	15.13	(54)	0	(54)	10	(32)	0.53
	<i>Median</i>				(28)		(28)		(18)	0.72
	<i>Grand Median</i>				(16)		(14)		(12)	0.75
	Natural Gas (\$/mmbtu)		3.05	3.74	(18)					
	Oil - West Texas Intermediate (\$/bbl)		43.49	53.72	(19)					
	Total Stock Market - U.S.	VTI	125.13	115.32	9					
	Developed Markets - ex US	VEA	41.29	36.54	13					
	Emerging Markets	VWO	41.16	35.78	15					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see www.mcdep.com



Independent Stock Idea

June 27, 2007

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