



# Meter Reader

Monthly Analysis of Oil and Gas Stocks  
June 12, 2018

## Positive Charts

### Summary and Recommendation

Fifteen of the twenty-two stocks in our research have price charts with three momentum measures all pointing up. All 15 are in the golden cross pattern with the 50-day average stock price above the 200-day, the current price is above the 200-day and above the 50-day average. Wary that momentum can reverse without warning, we take more comfort in knowing that the median McDep Ratio of all our stocks at 0.85 implies that most are priced below estimated present value for our long-term oil price of \$70 a barrel (see [Table 1](#) on page 2). Stocks that combine triple positive momentum with McDep Ratio below 0.8 include **Marathon Oil (MRO)**, **Dorchester Minerals (DMLP)**, **Whiting Petroleum (WLL)** and **California Resources (CRC)**. MRO and DMLP are up 27% and 30% in total return this year while WLL and CRC are up over 100% since the beginning of 2018 (see [Table 4](#) on page 5). Stocks that combine less positive momentum with McDep Ratio below 0.8 include **Cimarex (XEC)**, **Range Resources (RRC)**, **Birchcliff Energy (BIREF)** and **Cross Timbers Royalty Trust (CRT)**. XEC and RRC are down 28% and 5% in total return this year while BIREF and CRT are nearly unchanged at +2% and -1%. Though fundamentally sound, all the latter four are more exposed to natural gas, which remains priced at two-thirds our long-term expectation. Low price for production in oil equivalent terms signals sensitivity to natural gas and natural gas liquids price for XEC, RRC and BIREF (see [Table 2](#) on page 3). We like stocks in each of our five groups and provide more detail in past analyses (see [Index of Recent Research](#) on page 6).

Kurt H. Wulff, CFA



# Meter Reader

Monthly Analysis of Oil and Gas Stocks

June 12, 2018

**Table 1**  
**McDep Energy Stocks**  
**Ranked by McDep Ratio**

		Price (US\$/sh)	Market Cap (US\$mm)	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	11-Jun 2018									
<b>Integrated</b>											
	Exxon Mobil Corporation	XOM	83.10	355,000	446,000	1.26	8.8	9.3	47	3.9	0.94
	Chevron Corporation	CVX	127.56	244,000	307,000	1.26	7.8	8.9	60	3.5	0.88
	Suncor Energy	SU	41.49	68,000	88,000	1.28	7.3	8.5	77	2.7	0.86
	Royal Dutch Shell	RDS-B	73.80	309,000	426,000	1.38	7.3	9.2	49	5.1	0.80
	<i>Total or Median</i>			<i>976,000</i>	<i>1,267,000</i>	<i>1.27</i>	<i>7.5</i>	<i>9.0</i>	<i>55</i>	<i>3.7</i>	<i>0.87</i>
<b>Large Independent</b>											
	Occidental Petroleum Corp.	OXY	86.15	66,100	79,800	1.21	9.0	8.0	78	3.6	1.12
	Pioneer Natural Resources	PXD	191.54	32,800	35,400	1.08	8.5	8.9	93	0.0	0.96
	EOG Resources, Inc.	EOG	118.01	70,600	77,600	1.10	8.4	9.1	90	0.5	0.92
	ConocoPhillips	COP	70.49	84,000	107,000	1.28	7.9	8.8	75	1.6	0.90
	<i>Total or Median</i>			<i>253,500</i>	<i>299,800</i>	<i>1.15</i>	<i>8.4</i>	<i>8.8</i>	<i>84</i>	<i>1.0</i>	<i>0.94</i>
<b>Mid-Size Independent</b>											
	Hess Corporation	HES	61.80	19,100	27,500	1.44	11.3	10.4	89	1.6	1.08
	Continental Resources	CLR	65.78	24,600	30,900	1.26	8.4	8.8	82	-	0.95
	Devon Energy Corporation	DVN	42.27	22,300	27,300	1.22	8.1	10.8	85	0.8	0.74
	Cimarex Energy Company	XEC	87.25	8,300	9,800	1.18	5.6	8.4	81	0.7	0.66
	Marathon Oil Corporation	MRO	21.47	18,290	25,000	1.37	5.4	8.8	90	0.9	0.61
	<i>Total or Median</i>			<i>92,600</i>	<i>120,500</i>	<i>1.26</i>	<i>8.1</i>	<i>8.8</i>	<i>85</i>	<i>0.8</i>	<i>0.74</i>
<b>Small Independent</b>											
	California Resources	CRC	40.46	1,900	8,200	4.4	6.5	8.7	91	-	0.75
	Whiting Petroleum Corporation	WLL	53.54	4,900	8,200	1.69	5.4	8.1	97	-	0.66
	Range Resources	RRC	16.19	4,000	8,700	2.16	6.3	10.5	44	0.5	0.60
	Birchcliff Energy Ltd.	BIREF	3.54	1,000	1,600	1.67	5.1	9.9	48	2.2	0.52
	<i>Total or Median</i>			<i>11,800</i>	<i>26,700</i>	<i>1.93</i>	<i>5.8</i>	<i>9.3</i>	<i>70</i>	<i>0.2</i>	<i>0.63</i>
<b>Income</b>											
	Sabine Royalty Trust	SBR	47.75	700	700	1.00	13.6	14.2	70	7.4	0.95
	Permian Basin RT	PBT	9.13	430	430	1.00	10.7	11.7	80	9.0	0.91
	San Juan Basin Royalty Trust	SJT	6.66	310	310	1.00	11.5	13.9	-	8.5	0.83
	Dorchester Minerals, L.P.	DMLP	19.00	610	610	1.00	9.3	11.7	83	9.2	0.79
	Cross Timbers Royalty Trust	CRT	13.90	80	80	1.00	7.5	13.6	38	10.8	0.55
	<i>Total or Median</i>			<i>2,100</i>	<i>2,100</i>	<i>1.00</i>	<i>10.7</i>	<i>13.6</i>	<i>70</i>	<i>9.0</i>	<i>0.83</i>

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 6/30/19.  
 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](http://www.mcdep.com)



# Meter Reader

Monthly Analysis of Oil and Gas Stocks  
June 12, 2018

	Symbol/Rating	Price	Upstream NTM				Down-	Total	Distrib./ Ebitda (%)	Distrib. NTM (\$/sh)
		(US\$/sh)	Volume (mmboe)	Equiv.	Ebitda	Ebitda	stream Uplift (\$/boe)	Ebitda NTM (\$mm)		
		11-Jun 2018		Price (\$/boe)	Margin (%)					
<b>Integrated</b>										
Royal Dutch Shell	RDS-B	73.80	1371	45.31	68	30.80	11.67	42,213	27	3.76
Exxon Mobil Corporation	XOM	83.10	1453	48.44	48	23.40	11.67	33,991	27	3.28
Chevron Corporation	CVX	127.56	1057	49.71	60	30.00	7.29	31,713	22	4.48
Suncor Energy	SU	41.49	300	56.96	54	30.76	9.27	9,213	15	1.11
	<i>Total or Median</i>		<i>4180</i>	<i>49.08</i>	<i>57</i>	<i>30.38</i>	<i>10.47</i>	<i>117,130</i>	<i>24</i>	
<b>Large Independent</b>										
ConocoPhillips	COP	70.49	457	47.46	62	29.50	0.00	13,482	10	1.14
EOG Resources, Inc.	EOG	118.01	280	45.63	73	33.13	0.00	9,281	4	0.56
Occidental Petroleum Corp.	OXY	86.15	263	47.85	58	27.80	6.09	7,299	27	3.08
Pioneer Natural Resources	PXD	191.54	124	46.11	72	33.40	0.00	4,155	0	0.08
	<i>Total or Median</i>		<i>1124</i>	<i>46.78</i>	<i>67</i>	<i>31.32</i>	<i>0.00</i>	<i>34,217</i>	<i>7</i>	
<b>Mid-Size Independent</b>										
Marathon Oil Corporation	MRO	21.47	167	40.90	68	27.90	0.00	4,655	4	0.20
Continental Resources	CLR	65.78	109	42.12	80	33.90	0.00	3,680	-	-
Devon Energy Corporation	DVN	42.27	209	29.22	55	16.20	0.00	3,388	5	0.32
Hess Corporation	HES	61.80	97	45.06	56	25.10	0.00	2,439	13	1.00
Cimarex Energy Company	XEC	87.25	86	30.44	67	20.50	0.00	1,769	3	0.64
	<i>Total or Median</i>		<i>668</i>	<i>40.90</i>	<i>67</i>	<i>25.10</i>	<i>0.00</i>	<i>15,931</i>	<i>4</i>	
<b>Small Independent</b>										
Whiting Petroleum Corporation	WLL	53.54	50	46.57	66	30.90	0.00	1,532	-	-
Range Resources	RRC	16.19	140	19.01	52	9.90	0.00	1,383	1	0.08
California Resources	CRC	40.46	49	51.73	49	25.20	0.00	1,246	-	-
Birchcliff Energy Ltd.	BIREF	3.54	22	18.93	72	13.70	0.00	308	7	0.08
	<i>Total or Median</i>		<i>261</i>	<i>32.79</i>	<i>59</i>	<i>19.45</i>	<i>0.00</i>	<i>4,469</i>	<i>1</i>	
<b>Income</b>										
Dorchester Minerals, L.P.	DMLP	19.00	2.34	38.90	73	28.21	0.00	66	86	1.75
Sabine Royalty Trust	SBR	47.75	1.76	33.96	86	29.17	0.00	51	100	3.52
Permian Basin RT	PBT	9.13	1.24	46.58	69	32.20	0.00	40	97	0.83
San Juan Basin Royalty Trust	SJT	6.66	3.45	14.49	54	7.80	0.00	27	98	0.57
Cross Timbers Royalty Trust	CRT	13.90	0.44	40.16	63	25.15	0.00	11	82	1.51
	<i>Total or Median</i>		<i>9</i>	<i>38.90</i>	<i>69</i>	<i>28.21</i>	<i>0.00</i>	<i>195</i>	<i>97</i>	
For historical research see <a href="http://www.mcdep.com">www.mcdep.com</a>										



# Meter Reader

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June 12, 2018

**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>11-Jun</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>	
<b>Integrated</b>											
	Chevron Corporation	CVX	127.56	1,913	62,659	18	7.1	57	25	150.00	
	Royal Dutch Shell	RDS-B	73.80	4,189	116,710	13	7.2	22	33	100.00	
	Exxon Mobil Corporation	XOM	83.10	4,270	90,941	14	9.6	52	29	90.00	
	Suncor Energy	SU	41.49	1,644	19,313	12	8.5	87		50.00	
	<i>Median</i>					7.9	55				
<b>Large Independent</b>											
	Pioneer Natural Resources	PXD	191.54	171	2,600	22	7.3	9	7	200.00	
	EOG Resources, Inc.	EOG	118.01	598	7,071	20	4.9	43	10	130.00	
	ConocoPhillips	COP	70.49	1,186	23,143	16	7.7	31	25	80.00	
	Occidental Petroleum Corp.	OXY	86.15	767	13,700	18	7.4	35	4	75.00	
	<i>Median</i>					7.3	33				
<b>Mid-Size Independent</b>											
	Cimarex Energy Company	XEC	87.25	96	1,498	10	4.8	35	19	140.00	
	Continental Resources	CLR	65.78	374	6,333	24	5.6	121	18	70.00	
	Devon Energy Corporation	DVN	42.27	528	5,000	19	8.3	24	15	60.00	
	Hess Corporation	HES	61.80	310	8,399		7.4	59	11	55.00	
	Marathon Oil Corporation	MRO	21.47	852	6,734	12	5.4	60	10	40.00	
	<i>Median</i>					5.6	59				
<b>Small Independent</b>											
	Whiting Petroleum Corporation	WLL	53.54	91	3,367	44	6.8	84	3	100.00	
	California Resources	CRC	40.46	46	6,300		8.9	41	9	100.00	
	Range Resources	RRC	16.19	247	4,657	15	10.0	83	56	40.00	
	Birchcliff Energy Ltd.	BIREF	3.54	268	633	16	7.2	228	52	9.00	
	<i>Median</i>					8.0	83				
<b>Income</b>											
	Sabine Royalty Trust	SBR	47.75	15	-	14	10.1	3	37	100	50.00
	Cross Timbers Royalty Trust	CRT	13.90	6	-	9	11.7	-	69	82	25.00
	Dorchester Minerals, L.P.	DMLP	19.00	32	-	14	6.9	-	21	76	24.00
	Permian Basin RT	PBT	9.13	47	-	11	6.7	-	21	37	10.00
	San Juan Basin Royalty Trust	SJT	6.66	47	-	12	12.1	-	100	-	8.00
	<i>Median</i>					10.1					

P/E = Stock Price to Earnings. For historical research see [www.mcdep.com](http://www.mcdep.com).



# Meter Reader

Monthly Analysis of Oil and Gas Stocks

June 12, 2018

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 (%)	Debt Return (\$/sh)	Unlevered Total Return (%)	McDep Ratio	
	Symbol/Rati	11-Jun 2018	29-Dec 2017							
<b>Integrated</b>										
	Suncor Energy	SU	41.49	36.72	13	2	15	12	11	0.86
	Royal Dutch Shell	RDS-B	73.80	68.29	8	3	11	28	8	0.80
	Chevron Corporation	CVX	127.56	125.19	2	2	4	33	3	0.88
	Exxon Mobil Corporation	XOM	83.10	83.64	(1)	2	1	21	1	0.94
	<i>Median</i>				5		7		5	0.87
<b>Large Independent</b>										
	ConocoPhillips	COP	70.49	54.89	28	1	29	20	22	0.90
	Occidental Petroleum Corp.	OXY	86.15	73.66	17	2	19	18	15	1.12
	Pioneer Natural Resources	PXD	191.54	172.85	11	0	11	15	10	0.96
	EOG Resources, Inc.	EOG	118.01	107.91	9	0	10	12	9	0.92
	<i>Median</i>				14		15		13	0.94
<b>Mid-Size Independent</b>										
	Hess Corporation	HES	61.80	47.47	30	1	31	27	20	1.08
	Marathon Oil Corporation	MRO	21.47	16.93	27	1	27	8	19	0.61
	Continental Resources	CLR	65.78	52.97	24	-	24	17	18	0.95
	Devon Energy Corporation	DVN	42.27	41.40	2	0	2	9	2	0.74
	Cimarex Energy Company	XEC	87.25	122.01	(28)	0	(28)	16	(25)	0.66
	<i>Median</i>				24		24		18	0.74
<b>Small Independent</b>										
	Whiting Petroleum Corporation	WLL	53.54	26.48	102	-	102	37	43	0.66
	California Resources	CRC	40.46	19.44	108	-	108	137	13	0.75
	Birchcliff Energy Ltd.	BIREF	3.54	3.50	1	1	2	2	1	0.52
	Range Resources	RRC	16.19	17.06	(5)	0	(5)	19	(2)	0.60
	<i>Median</i>				52		52		7	0.63
<b>Income</b>										
	Dorchester Minerals, L.P.	DMLP	19.00	15.20	25	5	30	-	30	0.79
	Sabine Royalty Trust	SBR	47.75	44.60	7	3	10	-	10	0.95
	Permian Basin RT	PBT	9.13	8.87	3	4	7	-	7	0.91
	Cross Timbers Royalty Trust	CRT	13.90	14.69	(5)	4	(1)	-	(1)	0.55
	San Juan Basin Royalty Trust	SJT	6.66	8.24	(19)	3	(16)	-	(16)	0.83
	<i>Median</i>				3		7		7	0.83
	<i>Grand Median</i>				9		10		9	0.85
	<b>Natural Gas (\$/mmbtu)</b>		2.95	2.95	-					
	<b>Oil -West Texas Intermediate (\$/bbl)</b>		66.08	60.09	10					
	Total Stock Market - U.S.	VTI	144.12	137.25	5	1	6			
	Developed Markets - ex US	VEA	45.14	44.86	1	1	1			
	Emerging Markets	VWO	45.04	45.91	(2)	0	(1)			
	Total Stock Market - World	VT	76.20	74.26	3	1	3			

Source: McDep LLC, Yahoo, CME Group, Bloomberg

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# Meter Reader

Monthly Analysis of Oil and Gas Stocks

June 12, 2018

Index of Recent Research				
<i>Date</i>	<i>Series</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
6-Jun	ISI	RDS	Royal Dutch Shell	Bright Future in Integrated Gas
30-May	ISI	BIREF	Birchcliff Energy	A Play on Narrowing the Gap
24-May	ISI	DMLP	Dorchester Minerals, L.P.	Riding the Shale Trend
15-May	Meter Reader			\$70 Oil Here
9-May	ISI	XEC	Cimarex Energy	Quality Company, Lagging Stock
4-May	ISI	MRO	Marathon Oil	Raise NPV to \$40 a Share from \$30
30-Apr	ISI	XOM	ExxonMobil	Reduce NPV to \$90 from \$100 a Share
24-Apr	II	CRT, DMLP, PBT, SBR, SJT		8% Median Distribution Yield
19-Apr	ISI	DMLP	Dorchester Minerals, L.P.	11% Distribution Reinforced
17-Apr	II	COP,EOG,OXY,PXD		Positive Trends for Large Cap Independent Producers
10-Apr	Meter Reader			Transition to Moderate Growth and Inflation
3-Apr	II	SJT, CRT	San Juan Basin	Regional Natural Gas Price Softness
21-Mar	II	BIREF, CRC, RRC, WLL		Small Cap High Reward, High Risk
15-Mar	Meter Reader			Out-of-Favor Industry Leader
12-Mar	ISI	DMLP	Dorchester Minerals, L.P.	Raise Distribution Yield to 11%
1-Mar	ISI	EOG	EOG Resources	Raise NPV to \$130 on Production
28-Feb	II	CLR, XEC, HES, DVN, MRO		Oil Price Upside for Mid-Size Independent Producers
20-Feb	II	CRT, DMLP, PBT, SBR, SJT		7% Distributions Inflation Protected
13-Feb	Meter Reader			Insulate Inflation
5-Feb	ISI	HES	Hess Corporation	Repositioning for Reward
2-Feb	ISI	COP	ConocoPhillips	Raise NPV to \$80 on Higher Cash Flow
25-Jan	II	CVX, RDS, SU, XOM		Integrated Oil Value Creators
19-Jan	ISI	DMLP	Dorchester Minerals, L.P.	Highest Distribution in Three Years
16-Jan	Meter Reader			Growth is Good
2-Jan	Meter Reader Special			New Look at Beginning of Year 2018
29-Dec	Meter Reader Special			Trending Up at End of Year 2017
20-Dec	II	CRT, DMLP, PBT, SBR, SJT		Top Line Premium and Bottom Line Upside
12-Dec	Meter Reader			Oil and Gas Gains in 2018
5-Dec	ISI	RDS	Royal Dutch Shell	Share Buyback Ahead
27-Nov	ISI	CLR	Continental Resources	Oil Price Helps
16-Nov	Meter Reader			Buy ETF or Global Integrated Stock
12-Nov	ISI	BIREF	Birchcliff Energy	Downward Price Pressure Lifting
6-Nov	ISI	DMLP	Dorchester Minerals, L.P.	Royalty Growth Ratified
2-Nov	ISI	MRO	Marathon Oil	Shale Oil Value
26-Oct	ISI	SU	Suncor Energy Inc.	Record Production
24-Oct	ISI	CRT	Cross Timbers Royalty Trust	Free Cash Flow
17-Oct	II	COP, DVN, EOG, MRO, PXD, OXY		Oil Price Moderators
10-Oct	Meter Reader			Stock Price Momentum Picking Up
4-Oct	ISI	COP	ConocoPhillips	Cash to the Owners
25-Sep	II	CRT, DMLP, PBT, SBR, SJT		Cash, Fracking and Inflation
18-Sep	ISI	RRC	Range Resources	Natural Gas at Lowest McDep Ratio
12-Sep	Meter Reader			Currency, Interest and Oil
6-Sep	ISI	TOT	Total S.A.	Gaining Volume on Competitors
MR = Meter Reader (published monthly on or about second or third Tuesday)				
ISI = Independent Stock Idea				
II = Industry Idea				
For historical research by stock, go to <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Stock Ideas</a> , click on stock by name.				



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**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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**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.