



Meter Reader

A Monthly Analysis of Oil and Gas Stocks

June 14, 2016

Good Year for Oil and Gas

			Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	Present Value by Segment (%)				Dist. Yield	McDep Ratio			
						Symbol/Rating	13-Jun 2016	Natural Gas	Natural Gas			Oil Prod'n	Down- stream	NTM (%)
Royal Dutch Shell	RDS-A	B	50.58	1.71	319,000	1	17	44	37	7.4	0.75			
Total S.A.	TOT	B	46.46	1.55	169,000		22	55	23	5.9	0.62			
Marathon Oil Corporation	MRO	B	13.28	1.61	18,000	9	2	89		1.5	0.76			
ConocoPhillips	COP	B	43.88	1.73	94,000	11	15	74		2.3	0.74			
Continental Resources (32%)	CLR	B	41.26	1.47	7,200	20		80		-	0.81			
Whiting Petroleum Corporation	WLL	B	11.66	2.33	7,400	7		93		-	0.60			
Dorchester Minerals, L.P.	DMLP	B	14.18	1.00	440	28		72		8.3	0.59			
Sabine Royalty Trust	SBR	B	34.02	1.00	500	38		62		7.4	0.57			
Birchcliff Energy Ltd.	BIREF	B	4.84	1.84	1,400	74		26		-	0.59			

Summary and Recommendation

We like the odds for making money in oil and gas stocks while oil trades at a third its high and natural gas trades at a third of its oil equivalent heating value. Compare that to U.S. stocks and bonds trading near all-time highs. The trends are encouraging in 2016 to support an optimistic outlook for oil and gas stocks. For the 24 stocks in our coverage, the median price gain for the year is 17% compared to 2% for the S&P 500 (see [Table 4](#) on page 6). On an unlevered total return basis which takes account of cash distributions and neutralizes for debt, our income group sets the pace at 46%. A 50% gain in natural gas price from three months ago helps **San Juan Basin Royalty Trust (SJT)** to a gain of 68% in unlevered total return, tops among all our stocks in 2016. Most of the stocks have now traced the pattern of the golden cross that may indicate a long uptrend. Buy recommendations **Dorchester Minerals (DMLP)** and **Birchcliff Energy (BIREF)** recently saw the 50-day average cross above the 200-day average marking the golden cross (see charts on page 2). In both cases stock price has reversed a long downtrend after making a death cross nearly two years ago. By the momentum cross technique, an investor would stay positive about near-term action after a golden cross until a death cross occurs. Just in case the surprises are negative instead of positive, most of the plausible outcomes can be covered in a diversified portfolio that includes stocks from the broader global market, U.S Treasury securities, cash and gold.

Kurt H. Wulff, CFA

We pray for the families and friends of the persons killed or injured in the tragic shooting in Orlando on June 12, 2016.



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Dorchester Minerals LP (DMLP) ★ Watchlist

14.18 +0.08(+0.57%) NASDAQ - As of 4:00PM EDT



Birchcliff Energy Ltd. (BIREF) ★ Watchlist

4.84 -0.08(-1.65%) OTC Markets - As of 3:53PM EDT





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			<i>Price (US\$/sh)</i>	<i>Shares</i>	<i>Market Cap (US\$m)</i>	<i>Net Present Value (US\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
	<i>Symbol/Rating</i>		<i>13-Jun 2016</i>	<i>(mm)</i>				
		<i>B = Buy</i>						
Global Integrated								
Exxon Mobil Corporation	XOM		90.59	4,178	379,000	100.00	0.18	0.92
Chevron Corporation	CVX		102.10	1,870	191,000	135.00	0.21	0.81
Royal Dutch Shell	RDS-A	B	50.58	3,701	187,000	80.00	0.31	0.75
Total S.A.	TOT	B	46.46	2,350	109,000	90.00	0.22	0.62
	<i>Total or Median</i>				<i>866,000</i>		<i>0.21</i>	<i>0.78</i>
Large Independent								
EOG Resources, Inc.	EOG		81.39	547	44,500	75.00	0.15	1.07
Devon Energy Corporation	DVN		35.78	492	17,600	33.00	0.41	1.05
Occidental Petroleum Corp.	OXY		75.25	763	57,400	75.00	0.14	1.00
Marathon Oil Corporation	MRO	B	13.28	845	11,220	20.00	0.29	0.76
ConocoPhillips	COP	B	43.88	1,245	55,000	70.00	0.31	0.74
	<i>Total or Median</i>				<i>185,700</i>		<i>0.29</i>	<i>1.00</i>
Small Independent								
Cimarex Energy Company	XEC		113.59	93	10,600	90.00	0.13	1.23
Range Resources	RRC		43.54	167	7,300	42.00	0.30	1.03
California Resources	CRC		13.61	38	500	50.00	0.78	0.84
Continental Resources (32%)	CLR	B	41.26	118	4,900	56.00	0.26	0.81
Whiting Petroleum Corporation	WLL	B	11.66	271	3,200	30.00	0.34	0.60
	<i>Total or Median</i>				<i>27,000</i>		<i>0.30</i>	<i>0.84</i>
Income								
San Juan Basin Royalty Trust	SJT		6.86	47	320	8.00	-	0.86
Permian Basin RT	PBT		7.27	47	340	11.00	-	0.66
Dorchester Minerals, L.P.	DMLP	B	14.18	31	440	24.00	-	0.59
Cross Timbers Royalty Trust	CRT		17.00	6	100	29.00	-	0.59
Sabine Royalty Trust	SBR	B	34.02	15	500	60.00	-	0.57
	<i>Total or Median</i>				<i>1,700</i>		<i>-</i>	<i>0.59</i>
Canada								
EnCana Corporation	ECA		8.00	850	6,800	6.00	0.61	1.13
Imperial Oil Limited (30%)	IMO		31.02	255	7,900	38.00	0.23	0.86
Suncor Energy	SU		26.86	1,665	44,700	35.00	0.22	0.82
Cenovus Energy Inc.	CVE		14.80	825	12,200	20.00	0.19	0.79
Birchcliff Energy Ltd.	BIREF	B	4.84	153	700	11.00	0.27	0.59
	<i>Total or Median</i>				<i>72,000</i>		<i>0.23</i>	<i>0.82</i>
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.								
Estimated present value capped by unlevered cash flow multiple (EV/Ebitda)								
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 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		13-Jun 2016	NTM	NTM	NTM	NTM (\$/sh)
	B = Buy						
Global Integrated							
Exxon Mobil Corporation	XOM		90.59	13.7	11.9	11.0	3.00
Chevron Corporation	CVX		102.10	9.3	11.0	8.9	4.28
Total S.A.	TOT	B	46.46	9.8	10.1	6.3	2.75
Royal Dutch Shell	RDS-A	B	50.58	8.9	8.4	6.3	3.76
	<i>Median</i>			9.6	10.5	7.6	20
Large Independent							
Devon Energy Corporation	DVN		35.78	9.2	14.8	15.5	0.24
EOG Resources, Inc.	EOG		81.39	8.1	13.8	14.8	0.67
Occidental Petroleum Corp.	OXY		75.25	8.2	12.8	12.9	3.00
Marathon Oil Corporation	MRO	B	13.28	13.2	14.3	10.9	0.20
ConocoPhillips	COP	B	43.88	11.4	14.0	10.4	1.00
	<i>Median</i>			9.2	14.0	12.9	
Small Independent							
Range Resources	RRC		43.54	14.4	20.3	20.8	0.08
Cimarex Energy Company	XEC		113.59	7.4	13.1	16.1	0.32
Continental Resources (32%)	CLR	B	41.26	11.4	16.9	13.6	-
California Resources	CRC		13.61	11.4	11.8	9.9	-
Whiting Petroleum Corporation	WLL	B	11.66	13.5	12.6	7.5	-
	<i>Median</i>			11.4	13.1	13.6	
Income							
San Juan Basin Royalty Trust	SJT		6.86	9.9	17.8	15.3	0.41
Sabine Royalty Trust	SBR	B	34.02	10.2	23.7	13.5	2.53
Permian Basin RT	PBT		7.27	8.6	16.4	10.9	0.59
Dorchester Minerals, L.P.	DMLP	B	14.18	6.8	18.1	10.7	1.18
Cross Timbers Royalty Trust	CRT		17.00	6.0	16.4	9.6	1.38
	<i>Median</i>			8.6	17.8	10.9	13
Canada							
EnCana Corporation	ECA		8.00	5.7	11.4	12.9	0.06
Birchcliff Energy Ltd.	BIREF	B	4.84	15.5	17.6	10.4	-
Cenovus Energy Inc.	CVE		14.80	16.9	12.5	9.9	0.16
Imperial Oil Limited (30%)	IMO		31.02	27.7	10.9	9.4	0.44
Suncor Energy	SU		26.86	22.3	11.1	9.1	0.91
	<i>Median</i>			16.9	11.4	9.9	
	<i>Grand Median</i>			11	13	11	
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2017; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses							
For historical research see www.mcdep.com							



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2016										
Ranked by Unlevered Total Return										
			Price	Price			Equity	Unlevered		
			(\$/sh)	(\$/sh)	Price	Cash	Total	Total		
	Symbol/Rati		13-Jun	31-Dec	Change	Distrib.	Return	Debt	Return	
			2016	2015	(%)	(%)	(%)	(\$/sh)	(%)	
									McDep	
									Ratio	
Global Integrated										
Exxon Mobil Corporation	XOM		90.59	77.95	16	2	18	23	14	0.92
Chevron Corporation	CVX		102.10	89.96	13	2	16	35	11	0.81
Royal Dutch Shell	RDS-A	B	50.58	45.79	10	4	15	36	8	0.75
Total S.A.	TOT	B	46.46	44.95	3	3	6	26	4	0.62
	<i>Median</i>				12		15		10	0.78
Large Independent										
EOG Resources, Inc.	EOG		81.39	70.79	15	0	15	13	13	1.07
Occidental Petroleum Corp.	OXY		75.25	67.61	11	2	14	13	11	1.00
Devon Energy Corporation	DVN		35.78	32.00	12	1	13	23	7	1.05
Marathon Oil Corporation	MRO	B	13.28	12.58	6	1	6	8	4	0.76
ConocoPhillips	COP	B	43.88	46.69	(6)	1	(5)	32	(3)	0.74
	<i>Median</i>				11		13		7	1.00
Small Independent										
Range Resources	RRC		43.54	24.62	77	0	77	18	44	1.03
Continental Resources (32%)	CLR	B	41.26	22.98	80	-	80	19	43	0.81
Cimarex Energy Company	XEC		113.59	89.38	27	0	27	13	24	1.23
Whiting Petroleum Corporation	WLL	B	11.66	9.44	24	-	24	15	9	0.60
California Resources	CRC		13.61	23.30	(42)	-	(42)	181	(5)	0.84
	<i>Median</i>				27		27		24	0.84
Income										
San Juan Basin Royalty Trust	SJT		6.86	4.14	66	2	68	-	68	0.86
Dorchester Minerals, L.P.	DMLP	B	14.18	9.89	43	4	47	-	47	0.59
Permian Basin RT	PBT		7.27	5.06	44	2	46	-	46	0.66
Cross Timbers Royalty Trust	CRT		17.00	13.01	31	4	35	-	35	0.59
Sabine Royalty Trust	SBR	B	34.02	26.26	30	3	33	-	33	0.57
	<i>Median</i>				43		46		46	0.59
Canada										
Birchcliff Energy Ltd.	BIREF	B	4.84	2.93	65	-	65	4	27	0.59
EnCana Corporation	ECA		8.00	5.09	57	1	58	9	20	1.13
Cenovus Energy Inc.	CVE		14.80	12.62	17	1	18	5	13	0.79
Suncor Energy	SU		26.86	25.80	4	2	6	10	4	0.82
Imperial Oil Limited (30%)	IMO		31.02	32.52	(5)	1	(4)	11	(3)	0.86
	<i>Median</i>				17		18		13	0.82
	<i>Grand Median</i>				17		18		13	0.81
Natural Gas (\$/mmbtu)			2.59	2.33	11					
Oil - West Texas Intermediate (\$/bbl)			48.71	37.06	31					
S&P 500			2,079	2,044	2					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

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Index of 2015-2016 Research				
<u>Date</u>	<u>Series</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
10-Jun	ISI	SU	Suncor Energy Inc.	Revitalized after Wildfire
7-Jun	ISI	WLL	Whiting Petroleum	Looking Up Again
23-May	ISI	DMLP	Dorchester Minerals, L.P.	Raise Distribution to 9%
17-May	ISI	COP	ConocoPhillips	Strategy Reset to Low Risk Value
12-May	ISI	BIREF	Birchcliff Energy	Record Low Operating Cost
10-May	MR			Value, Growth, Income and Momentum
9-May	ISI	RRC	Range Resources	Restore Net Present Value to \$42 a Share
26-Apr	ISI	CLR	Continental Resources	Disciplined Visionary
13-Apr	MR			Road to Profits
5-Apr	ISI	TOT	Total S.A.	Globally Diversified Income
22-Mar	II	CRT, DMLP, PBT, SBR, SJT		Income Payer Appreciation Potential 55%-110%
15-Mar	MR			Best Oil Outlook in Seven Years
7-Mar	II	COP, MRO, CLR, WLL		Buy Low
29-Feb	ISI	DMLP	Dorchester Minerals, L.P.	Oil Income for All Seasons
19-Feb	ISI	DVN	Devon Energy	Flexibility to Adapt
19-Feb	ISI	MRO	Marathon Oil	Flexibility to Adapt
9-Feb	MR			Outperforming in 2016
3-Feb	ISI	XOM	Exxon Mobil	For Nervous Investors Seeking Reliable Income
28-Jan	ISI	BIREF	Birchcliff Energy	Protection and Growth
22-Jan	II	CRT, PBT, SBR, SJT, DMLP		Income Payer Surprises
21-Jan	ISI	SU	Suncor Energy Inc.	Likely Acquirer of Canadian Oil Sands
19-Jan	ISI	COSWF	Canadian Oil Sands Ltd.	Farewell
13-Jan	II	MRO, DVN, COP, OXY, EOG		Wild Markets in Oil and Securities
1-Jan	MR			Lower Natural Gas to \$4.00 from \$4.50
21-Dec	II	DMLP, SBR, CRT, SJT, PBT		Income Payers at Low Price
15-Dec	MR			Buys for 2016 and Beyond
8-Dec	ISI	RDS	Royal Dutch Shell plc	Buy on Acquisition Pro Forma
23-Nov	ISI	SJT	San Juan Basin Royalty Trust	Steep Price Decline Triggers Buy
18-Nov	II	MRO, DVN, COP, OXY, EOG		Large Cap Independent Producers for Upside
12-Nov	ISI	BIREF	Birchcliff Energy	Encouraging Volume, Uncertain Price
10-Nov	MR	CLR, XEC, WLL, RRC, CRC		Small Cap Producers for the Upcycle
6-Nov	ISI	DMLP	Dorchester Minerals, L.P.	25% Volume Beat
2-Nov	ISI	XOM	Exxon Mobil	Potential Gain with Minimal Pain
27-Oct	ISI	COSWF	Canadian Oil Sands Ltd.	Deal Likely at Higher Price
21-Oct	ISI	SJT	San Juan Basin Royalty Trust	Southwest Bank Potential Successor Trustee
13-Oct	MR			Hedge Mideast Political Risk
5-Oct	ISI	COSWF	Canadian Oil Sands Ltd.	Suncor Makes Tender Offer at 0.57 McDep Ratio
1-Oct	ISI	SJT	San Juan Basin Royalty Trust	Trust Officer Resigns
29-Sep	II	COSWF, BIREF, IMO, CVE, ECA		High-Torque Canadian Producers
22-Sep	ISI	CRT	Cross Timbers Royalty Trust	Low Risk 7.5% Income
15-Sep	MR			Endless Discussion
				MR = Meter Reader (published monthly on second or third Tuesday)
				ISI = Independent Stock Idea
				II = Industry Idea
				For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.



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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. Buy recommendations are expected to deliver a total return better than 7% per year above inflation.