McDEP LLC

# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks
January 28, 2014

## Arctic Cold Strengthens Natural Gas Price
### SJT, HGT, ECA, MTR, RRC, BIR among Most Advantaged

**Summary and Recommendation**

Units of buy-recommended **San Juan Basin Royalty Trust (SJT-100%)** along with RTF (Royalty Trust Fund) Cash Payers **Hugoton Royalty Trust (HGT-90%)** and **Mesa Royalty Trust (MTR-79%)** offer the purest, unhedged exposure to rising natural gas price among stocks in our coverage. Buy-recommended independent producers **Encana (ECA-80%)**, **Range Resources (RRC-72%)** and **Birchcliff Energy (BIREF-69%)** offer high concentration to increasing natural gas value modified slightly by pre-commitments made in the futures market when prices were at lower levels. The outlook for price improvement is the strongest in years judging by the low level of natural gas in storage at this time in winter (see chart Working Gas on page 2). Continuing bitter cold last week and this week seem likely to deplete inventories at unusually high rates. As those inventories need to be rebuilt in the summer months, pricing may remain strong. Unit holders of SJT, HGT and MTR ought to see higher distributions to be declared in March for natural gas produced in January. Latest monthly distributions continue on an uptrend from recent lows (see charts Monthly Distributions on page 3). Stockholders of ECA, RRC and BIREF should see higher earnings for the first quarter of 2014 to be reported in May. Other RTF payers and independent producers in our coverage with more than 40% concentration on natural gas include **Cross Timbers Royalty Trust (CRT-70%)**, **Sabine Royalty Trust (SBR-52%)**, **Dorchester Minerals. L.P. (DMLP-51%)**, **WPX Energy (WPX-68%)**, **Cimarex Energy (XEC-41%)** and **Devon Energy (DVN-45%)** (see Tables 1-4 on pages 4-7).

**SJT Lands Abut ECA and WPX Oil Fraccing**

While long-life natural gas production provides the core of SJT value, there may be resource upside to be unlocked by new fraccing technology. ECA and WPX are the leaders in developing successful new oil fracs in the Gallup section sandwiched between the Mancos shale in the southwest portion of the San Juan Basin. ECA emphasizes San Juan as one of the large producer's five core areas for future drilling. With acreage spread throughout the basin, SJT likely has oil fraccing potential. It may have more liquids-rich fraccing potential where only a few wells have been drilled and much dry gas fraccing potential pending further gains in natural gas price.

**HGT Awaiting Arbitrators' Decision**

A three-person panel of arbitrators heard arguments in November as to whether the trust should pay an assessment by operator ExxonMobil for HGT's share of a settlement ExxonMobil agreed to with royalty owners of the properties in which HGT has interests. Though the amount in question is less than a dollar a unit, satisfying it could reduce distributions for most of a year. The stock has overreacted, we believe, as often happens when a legal cloud overhangs. We understand that a final decision may be rendered by mid-April 2014. We think removal of the uncertainty would be positive for the stock. Moreover, some reduction of the amount to be paid to ExxonMobil seems reasonable as we presume there is validity to the trustee's efforts to resist automatic acquiescence to the operator's demands.

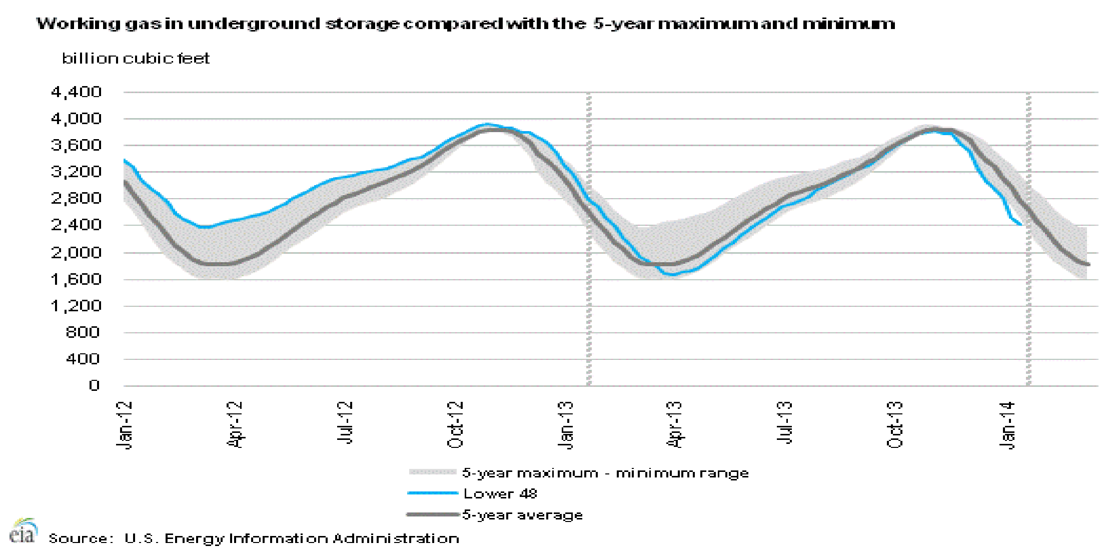
**MTR Hugoton Liquids Price Also Up on Cold**

MTR stock price has suffered with last year's decline in price for liquids extracted from natural gas such as ethane, propane and butane. Winter cold has also had a salutary effect on the price for propane, which is also used for heating among other applications.

**BIREF Positioned for LNG Export**

Birchcliff Energy stock price responded positively with the announcement late January 15 that the company has purchased the minority interest in some of its natural gas producing properties at the advantageous price of C$56 million. We think the seller was DVN, a known partner in Birchcliff wells which announced earlier that it would sell Canadian natural gas properties. Meanwhile, company production is running ahead of guidance as it positions for eventual export of liquefied natural gas (LNG) from Canada to Asia. The next milestone on that road to progress may be the final determination of the tax to be paid by LNG producers to the province of British Columbia. Perhaps to be announced next month, the amount should be nominal. We are optimistic that several of the proposed multi-billion dollar projects will be built to the benefit of Canada and Asian customers. We see strong logic to the acquisition of Birchcliff by an Asian customer to balance unpredictable price exposure along the links in the LNG value chain.

Kurt H. Wulff, CFA



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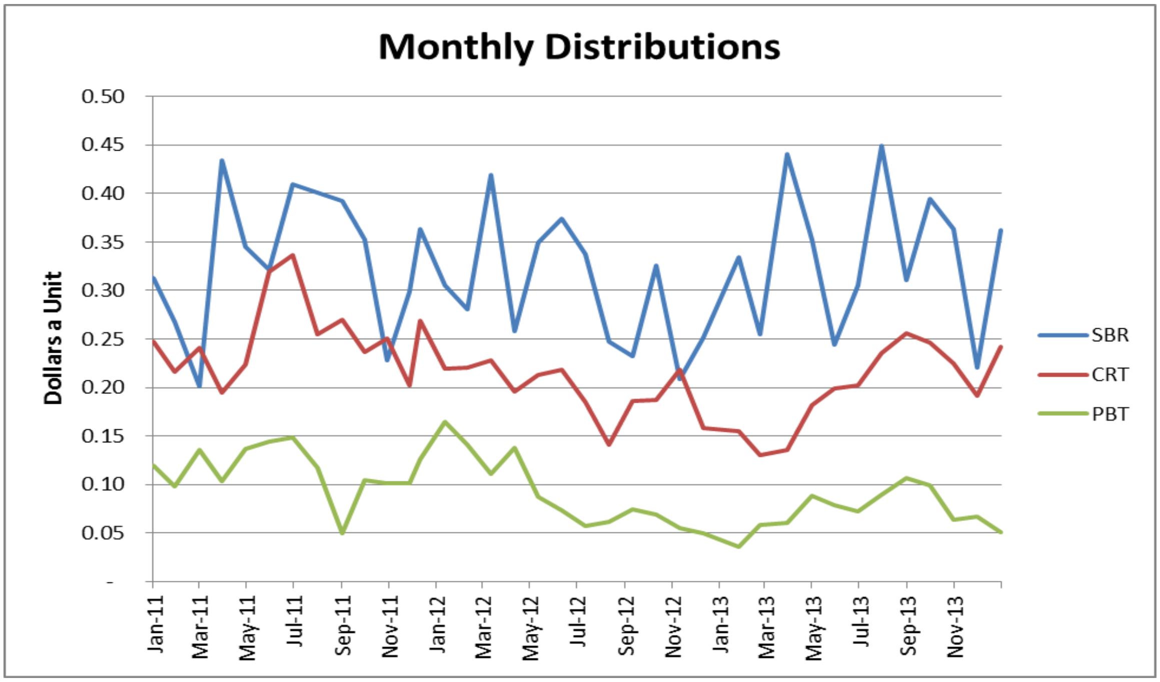


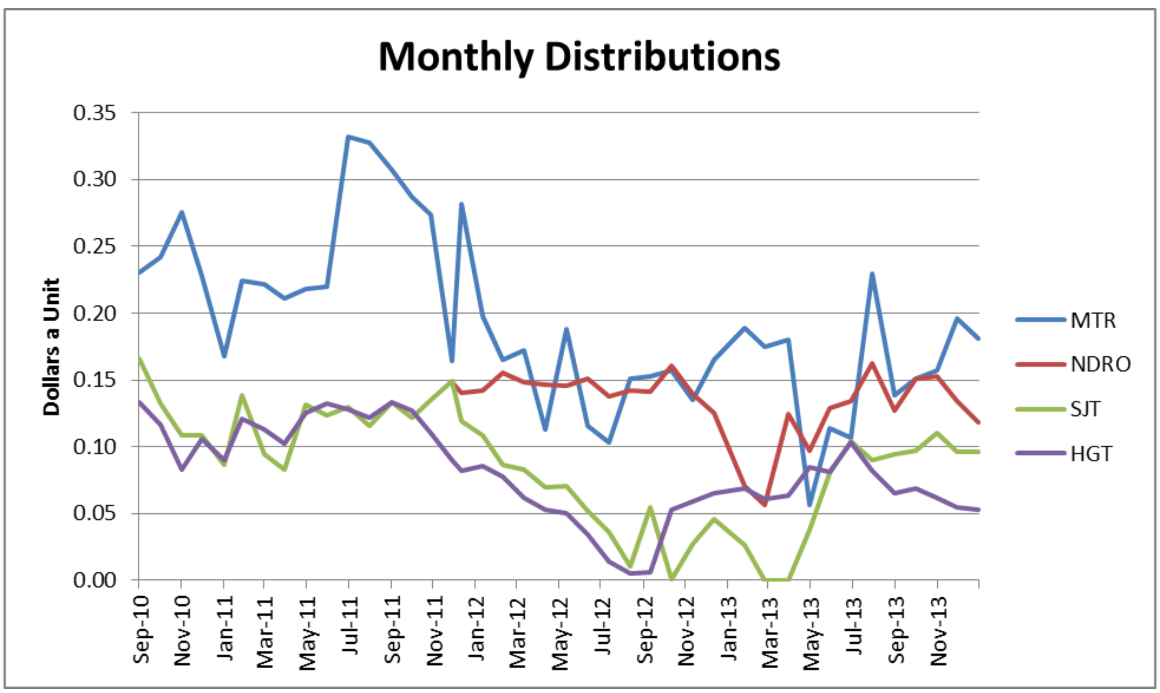

McDep LLC

# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

January 28, 2014

**Table 1**

**McDep Energy Stocks**

**Enterprise Value, Segments, Yield and McDep Ratio**

| | | | *Price (US$/sh)* | *EV/* | *Enterprise* | *Present Value by Segment (%)* | | | | *Dist.* | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Symbol/Rating* | | *27-Jan* | *Market* | *Value* | *North Amer. Natural* | *Rest of World Natural* | *Oil* | *Down-* | *Yield NTM* | *McDep* |
| | B = Buy, CB (see below) | | *2014* | *Cap* | *($mm)* | *Gas* | *Gas* | *Prod'n* | *stream* | *(%)* | *Ratio* |
| **Global Integrated** | | | | | | | | | | | |
| Exxon Mobil Corporation | XOM | B | 94.92 | 1.21 | 503,000 | 7 | 19 | 54 | 20 | 2.7 | 0.94 |
| Chevron Corporation | CVX | | 116.43 | 1.18 | 264,000 | 4 | 11 | 72 | 13 | 3.4 | 0.80 |
| Royal Dutch Shell plc | RDS-A | | 70.63 | 1.34 | 297,000 | 4 | 22 | 56 | 17 | 5.1 | 0.80 |
| Total S.A. | TOT | | 57.73 | 1.35 | 177,000 | | 22 | 61 | 17 | 5.6 | 0.78 |
| Lukoil Oil Company | LUKOY | CB | 56.60 | 1.05 | 46,200 | | | 74 | 26 | 5.1 | 0.43 |
| *Total or Median* | | | | *1.21* | *1,287,000* | | | *61* | *17* | *5.1* | *0.80* |
| **U.S. Independent** | | | | | | | | | | | |
| EOG Resources, Inc. | EOG | | 162.10 | 1.15 | 50,900 | 22 | 4 | 75 | | 0.5 | 0.91 |
| Occidental Petroleum Corp. | OXY | | 87.09 | 1.14 | 79,900 | 9 | 1 | 79 | 11 | 2.9 | 0.83 |
| Marathon Oil Corporation | MRO | CB | 32.92 | 1.47 | 34,400 | 6 | 3 | 90 | | 2.3 | 0.74 |
| ConocoPhillips | COP | | 65.86 | 1.42 | 116,000 | 15 | 15 | 71 | | 4.2 | 0.73 |
| Devon Energy Corporation | DVN | B | 58.67 | 1.43 | 34,100 | 45 | | 55 | | 1.5 | 0.67 |
| *Total or Median* | | | | *1.42* | *315,000* | *15* | | *75* | | *2.3* | *0.74* |
| **Canada/Australia** | | | | | | | | | | | |
| Woodside Petroleum Ltd. | WOPEY | | 33.03 | 1.18 | 32,000 | | 69 | 31 | | 5.0 | 0.93 |
| Imperial Oil Limited (30%) | IMO | | 41.15 | 1.29 | 13,600 | 2 | | 79 | 18 | 1.1 | 0.83 |
| EnCana Corporation | ECA | CB | 17.95 | 1.65 | 21,800 | 80 | | 20 | | 1.6 | 0.71 |
| Cenovus Energy Inc. | CVE | | 25.97 | 1.35 | 26,500 | 9 | | 75 | 16 | 3.4 | 0.69 |
| Canadian Oil Sands Limited | COSWF | CB | 18.01 | 1.27 | 11,100 | | | 100 | | 7.0 | 0.59 |
| *Total or Median* | | | | *1.29* | *105,000* | | | *75* | | *3.4* | *0.71* |
| **Small Cap Independent Producers** | | | | | | | | | | | |
| Range Resources | RRC | B | 84.26 | 1.26 | 17,100 | 72 | | 28 | | 0.2 | 0.95 |
| Continental Resources (32%) | CLR | B | 105.53 | 1.24 | 7,800 | 16 | | 84 | | - | 0.90 |
| Peyto Exploration and Developr | PEYUF | | 29.50 | 1.18 | 5,200 | 82 | | 18 | | 2.2 | 0.89 |
| PDC Energy | PDCE | | 45.25 | 1.37 | 2,200 | 27 | | 73 | | - | 0.86 |
| WPX Energy Inc. | WPX | | 19.20 | 1.63 | 6,300 | 68 | | 32 | | - | 0.82 |
| Whiting Petroleum Corporation | WLL | B | 57.07 | 1.40 | 9,600 | 8 | | 92 | | - | 0.82 |
| Cimarex Energy Company | XEC | B | 96.37 | 1.17 | 9,800 | 41 | | 59 | | 0.6 | 0.80 |
| Halcón Resources | HK | | 3.62 | 3.01 | 5,100 | 8 | | 92 | | - | 0.76 |
| Birchcliff Energy Ltd. | BIREF | B | 7.55 | 1.43 | 1,800 | 69 | | 31 | | - | 0.71 |
| *Total or Median* | | | | *1.37* | *65,000* | *41* | | *59* | | - | *0.82* |
| **RTF Cash Payers** | | | | | | | | | | | |
| Dorchester Minerals, L.P. | DMLP | B | 25.15 | 1.00 | 770 | 51 | | 49 | | 8.0 | 0.97 |
| Freehold Royalties Ltd. | FRHLF | | 19.97 | 1.04 | 1,400 | 18 | | 82 | | 7.6 | 0.95 |
| Enduro Royalty Trust | NDRO | | 13.25 | 1.00 | 440 | 37 | | 63 | | 9.1 | 0.95 |
| Mesa RoyaltyTrust | MTR | | 22.60 | 1.00 | 40 | 79 | | 21 | | 8.2 | 0.90 |
| San Juan Basin Royalty Trust | SJT | B | 17.52 | 1.00 | 820 | 100 | | - | | 7.7 | 0.83 |
| Sabine Royalty Trust | SBR | | 50.39 | 1.00 | 740 | 52 | | 48 | | 8.4 | 0.79 |
| Cross Timbers Royalty Trust | CRT | | 30.40 | 1.00 | 180 | 70 | | 30 | | 10.1 | 0.72 |
| Hugoton RoyaltyTrust | HGT | | 8.53 | 1.00 | 340 | 90 | | 10 | | 12.2 | 0.71 |
| Permian Basin RT | PBT | | 12.72 | 1.00 | 590 | 19 | | 81 | | 7.5 | 0.71 |
| *Total or Median* | | | | *1.00* | *5,300* | *52* | | *48* | | *8.2* | *0.83* |

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.

Estimated present value presumes a long-term price for oil of US$90 a barrel and natural gas, $6 a million btu.

McDep Ratio = **M**arket **c**ap and **De**bt to **p**resent value of oil and gas and other businesses

**Table 2**

**McDep Energy Stocks**

**Net Present Value and McDep Ratio**

| | | | *Price (US$/sh)* | | | *Net* | | |
|---|---|---|---|---|---|---|---|---|
| | *Symbol/Rating* | | *27-Jan* | *Shares* | *Market Cap* | *Present Value* | *Debt/ Present* | *McDep* |
| B = Buy, CB (see below) | | | *2014* | *(mm)* | *(US$mm)* | *(US$/sh)* | *Value* | *Ratio* |
| **Global Integrated** | | | | | | | | |
| Exxon Mobil Corporation | XOM | B | 94.92 | 4,395 | 417,000 | 102.00 | 0.16 | 0.94 |
| Chevron Corporation | CVX | | 116.43 | 1,930 | 225,000 | 150.00 | 0.12 | 0.80 |
| Royal Dutch Shell plc | RDS-A | | 70.63 | 3,137 | 222,000 | 95.00 | 0.20 | 0.80 |
| Total S.A. | TOT | | 57.73 | 2,275 | 131,000 | 80.00 | 0.20 | 0.78 |
| Lukoil Oil Company | LUKOY | CB | 56.60 | 776 | 43,900 | 135.00 | 0.02 | 0.43 |
| *Total or Median* | | | | | *1,039,000* | | *0.16* | *0.80* |
| **U.S. Independent** | | | | | | | | |
| EOG Resources, Inc. | EOG | | 162.10 | 274 | 44,400 | 180.00 | 0.12 | 0.91 |
| Occidental Petroleum Corp. | OXY | | 87.09 | 806 | 70,200 | 108.00 | 0.10 | 0.83 |
| Marathon Oil Corporation | MRO | CB | 32.92 | 711 | 23,410 | 50.00 | 0.24 | 0.74 |
| ConocoPhillips | COP | | 65.86 | 1,240 | 82,000 | 100.00 | 0.22 | 0.73 |
| Devon Energy Corporation | DVN | B | 58.67 | 407 | 23,900 | 100.00 | 0.20 | 0.67 |
| *Total or Median* | | | | | *243,900* | | *0.20* | *0.74* |
| **Canada/Australia** | | | | | | | | |
| Woodside Petroleum Ltd. | WOPEY | | 33.03 | 823 | 27,200 | 36.00 | 0.14 | 0.93 |
| Imperial Oil Limited (30%) | IMO | | 41.15 | 255 | 10,500 | 52.00 | 0.19 | 0.83 |
| EnCana Corporation | ECA | CB | 17.95 | 736 | 13,200 | 30.00 | 0.28 | 0.71 |
| Cenovus Energy Inc. | CVE | | 25.97 | 757 | 19,700 | 42.00 | 0.18 | 0.69 |
| Canadian Oil Sands Limited | COSWF | CB | 18.01 | 485 | 8,700 | 34.00 | 0.13 | 0.59 |
| *Total or Median* | | | | | *79,000* | | *0.18* | *0.71* |
| **Small Cap Independent Producers** | | | | | | | | |
| Range Resources | RRC | B | 84.26 | 161 | 13,600 | 90.00 | 0.20 | 0.95 |
| Continental Resources (32%) | CLR | B | 105.53 | 59 | 6,300 | 120.00 | 0.18 | 0.90 |
| Peyto Exploration and Development Corp. | PEYUF | | 29.50 | 149 | 4,400 | 34.00 | 0.14 | 0.89 |
| PDC Energy | PDCE | | 45.25 | 36 | 1,600 | 55.00 | 0.23 | 0.86 |
| WPX Energy Inc. | WPX | | 19.20 | 201 | 3,900 | 26.00 | 0.32 | 0.82 |
| Whiting Petroleum Corporation | WLL | B | 57.07 | 120 | 6,900 | 75.00 | 0.23 | 0.82 |
| Cimarex Energy Company | XEC | B | 96.37 | 87 | 8,400 | 125.00 | 0.12 | 0.80 |
| Halcón Resources | HK | | 3.62 | 463 | 1,700 | 7.00 | 0.51 | 0.76 |
| Birchcliff Energy Ltd. | BIREF | B | 7.55 | 163 | 1,200 | 12.00 | 0.21 | 0.71 |
| *Total or Median* | | | | | *48,000* | | *0.21* | *0.82* |
| **RTF Cash Payers** | | | | | | | | |
| Dorchester Minerals, L.P. | DMLP | B | 25.15 | 31 | 770 | 26.00 | - | 0.97 |
| Freehold Royalties Ltd. | FRHLF | | 19.97 | 67 | 1,340 | 21.00 | 0.04 | 0.95 |
| Enduro Royalty Trust | NDRO | | 13.25 | 33 | 440 | 14.00 | - | 0.95 |
| Mesa RoyaltyTrust | MTR | | 22.60 | 2 | 40 | 25.00 | - | 0.90 |
| San Juan Basin Royalty Trust | SJT | B | 17.52 | 47 | 820 | 21.00 | - | 0.83 |
| Sabine Royalty Trust | SBR | | 50.39 | 15 | 740 | 64.00 | - | 0.79 |
| Cross Timbers Royalty Trust | CRT | | 30.40 | 6 | 180 | 42.00 | - | 0.72 |
| Hugoton RoyaltyTrust | HGT | | 8.53 | 40 | 340 | 12.00 | - | 0.71 |
| Permian Basin RT | PBT | | 12.72 | 47 | 590 | 18.00 | - | 0.71 |
| *Total or Median* | | | | | *5,300* | | - | *0.83* |

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.

Estimated present value presumes a long-term price for oil of US$90 a barrel and natural gas, $6 a million btu.

McDep Ratio = **M**arket **c**ap and **De**bt to **p**resent value of oil and gas and other businesses

**Table 3**

**McDep Energy Stocks**

**Value Multiples and Dividend**

**Ranked by EV/Ebitda**

| | | | *Price (US$/sh) 27-Jan 2014* | *Adjustd Resrvs/ Prod NTM* | *PV/ Ebitda NTM* | *EV/ Ebitda NTM* | *P/E NTM* | *Dividend NTM ($/sh)* |
|---|---|---|---|---|---|---|---|---|
| *Symbol/Rating* B = Buy, CB (see below) | | | | | | | | |
| **Global Integrated** | | | | | | | | |
| Exxon Mobil Corporation | XOM | B | 94.92 | 13.1 | 7.5 | 7.1 | 13 | 2.52 |
| Royal Dutch Shell plc | RDS-A | | 70.63 | 10.0 | 7.1 | 5.7 | 11 | 3.60 |
| Chevron Corporation | CVX | | 116.43 | 9.2 | 6.7 | 5.4 | 11 | 4.00 |
| Total S.A. | TOT | | 57.73 | 9.8 | 6.2 | 4.8 | 9 | 3.23 |
| Lukoil Oil Company | LUKOY | CB | 56.60 | 15.7 | 5.7 | 2.4 | 5 | 2.90 |
| *Median* | | | | *10.0* | *6.7* | *5.4* | *11* | |
| **U.S. Independent** | | | | | | | | |
| ConocoPhillips | COP | | 65.86 | 11.4 | 8.5 | 6.2 | 13 | 0.75 |
| EOG Resources, Inc. | EOG | | 162.10 | 7.1 | 6.8 | 6.2 | 19 | 2.56 |
| Occidental Petroleum Corp. | OXY | | 87.09 | 10.2 | 7.3 | 6.1 | 15 | 2.76 |
| Devon Energy Corporation | DVN | B | 58.67 | 10.1 | 8.4 | 5.6 | 14 | 0.76 |
| Marathon Oil Corporation | MRO | CB | 32.92 | 9.3 | 7.2 | 5.4 | 13 | 0.88 |
| *Median* | | | | *10.1* | *7.3* | *6.1* | *14* | |
| **Canada/Australia** | | | | | | | | |
| EnCana Corporation | ECA | CB | 17.95 | 7.2 | 12.0 | 8.5 | 13 | 0.87 |
| Imperial Oil Limited (30%) | IMO | | 41.15 | 20.1 | 9.9 | 8.3 | 10 | 0.47 |
| Woodside Petroleum Ltd. | WOPEY | | 33.03 | 9.5 | 8.5 | 7.9 | 17 | 1.66 |
| Canadian Oil Sands Limited | COSWF | CB | 18.01 | 20.8 | 10.8 | 6.3 | 10 | 1.26 |
| Cenovus Energy Inc. | CVE | | 25.97 | 12.3 | 8.0 | 5.5 | 15 | 0.28 |
| *Median* | | | | *12.3* | *9.9* | *7.9* | *13* | |
| **Small Cap Independent Producers** | | | | | | | | |
| Range Resources | RRC | B | 84.26 | 12.3 | 13.9 | 13.2 | 55 | 0.16 |
| Peyto Exploration and Development Corp. | PEYUF | | 29.50 | 8.5 | 10.1 | 9.0 | 17 | 0.65 |
| PDC Energy | PDCE | | 45.25 | 13.5 | 9.5 | 8.2 | 27 | - |
| Birchcliff Energy Ltd. | BIREF | B | 7.55 | 17.8 | 11.4 | 8.1 | 18 | - |
| WPX Energy Inc. | WPX | | 19.20 | 8.0 | 9.6 | 7.9 | | - |
| Halcón Resources | HK | | 3.62 | 5.3 | 9.7 | 7.4 | 9 | - |
| Continental Resources (32%) | CLR | B | 105.53 | 11.4 | 7.9 | 7.1 | 16 | - |
| Cimarex Energy Company | XEC | B | 96.37 | 7.2 | 7.8 | 6.2 | 14 | 0.56 |
| Whiting Petroleum Corporation | WLL | B | 57.07 | 8.1 | 5.9 | 4.8 | 13 | - |
| *Median* | | | | *8.5* | *9.6* | *7.9* | *17* | |
| **RTF Cash Payers** | | | | | | | | |
| San Juan Basin Royalty Trust | SJT | B | 17.52 | 10.2 | 14.6 | 12.2 | 13 | 1.35 |
| Sabine Royalty Trust | SBR | | 50.39 | 9.2 | 15.1 | 11.9 | 12 | 4.25 |
| Dorchester Minerals, L.P. | DMLP | B | 25.15 | 6.5 | 10.5 | 10.1 | 16 | 2.00 |
| Freehold Royalties Ltd. | FRHLF | | 19.97 | 4.7 | 10.4 | 9.9 | 22 | 1.52 |
| Mesa RoyaltyTrust | MTR | | 22.60 | 5.2 | 10.9 | 9.9 | 12 | 1.86 |
| Cross Timbers Royalty Trust | CRT | | 30.40 | 12.5 | 12.6 | 9.1 | 10 | 3.07 |
| Enduro Royalty Trust | NDRO | | 13.25 | 6.4 | 8.5 | 8.1 | 11 | 1.20 |
| Permian Basin RT | PBT | | 12.72 | 12.7 | 11.2 | 7.9 | 13 | 0.96 |
| Hugoton RoyaltyTrust | HGT | | 8.53 | 12.8 | 10.1 | 7.2 | 8 | 1.04 |
| *Median* | | | | *9.2* | *10.9* | *9.9* | *12* | |

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2014; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

**Table 4**
## McDep Energy Stocks
## Total Return and Enterprise Value Momentum
## Ranked by EV/200-Day Average

| | Symbol | Rating | *Price ($/sh) 27-Jan 2014* | *Equity Total Return YTD (%)* | *Enterprise Value/ 52Wk High* | *52Wk Low* | *50 Day Avg.* | *200 Day Avg.* | *McDep Ratio* |
|---|---|---|---|---|---|---|---|---|---|
| **Global Integrated** | | | | | | | | | |
| Royal Dutch Shell plc | RDS-A | | 70.63 | (1) | 0.98 | 1.09 | 1.02 | 1.04 | 0.80 |
| Total S.A. | TOT | | 57.73 | (5) | 0.94 | 1.18 | 0.98 | 1.04 | 0.78 |
| Exxon Mobil Corporation | XOM | B | 94.92 | (6) | 0.94 | 1.10 | 0.98 | 1.03 | 0.94 |
| Chevron Corporation | CVX | | 116.43 | (7) | 0.92 | 1.02 | 0.96 | 0.96 | 0.80 |
| Lukoil Oil Company | LUKOY | CB | 56.60 | (10) | 0.84 | 1.04 | 0.93 | 0.92 | 0.43 |
| *Median* | | | | *(6)* | *0.94* | *1.09* | *0.98* | *1.03* | *0.80* |
| **U.S. Independent** | | | | | | | | | |
| EOG Resources, Inc. | EOG | | 162.10 | (3) | 0.88 | 1.37 | 0.98 | 1.05 | 0.91 |
| Devon Energy Corporation | DVN | B | 58.67 | (5) | 0.91 | 1.10 | 0.98 | 1.00 | 0.67 |
| ConocoPhillips | COP | | 65.86 | (7) | 0.91 | 1.11 | 0.95 | 0.99 | 0.73 |
| Marathon Oil Corporation | MRO | CB | 32.92 | (6) | 0.90 | 1.08 | 0.95 | 0.96 | 0.74 |
| Occidental Petroleum Corp. | OXY | | 87.09 | (8) | 0.89 | 1.11 | 0.94 | 0.96 | 0.83 |
| *Median* | | | | *(6)* | *0.90* | *1.11* | *0.95* | *0.99* | *0.74* |
| **Canada/Australia** | | | | | | | | | |
| EnCana Corporation | ECA | CB | 17.95 | (0) | 0.92 | 1.05 | 0.99 | 1.00 | 0.71 |
| Imperial Oil Limited (30%) | IMO | | 41.15 | (7) | 0.92 | 1.08 | 0.96 | 0.99 | 0.83 |
| Woodside Petroleum Ltd. | WOPEY | | 33.03 | (5) | 0.85 | 1.05 | 0.97 | 0.95 | 0.93 |
| Canadian Oil Sands Limited | COSWF | CB | 18.01 | (4) | 0.85 | 1.00 | 0.97 | 0.95 | 0.59 |
| Cenovus Energy Inc. | CVE | | 25.97 | (9) | 0.81 | 1.00 | 0.94 | 0.92 | 0.69 |
| *Median* | | | | *(5)* | *0.85* | *1.05* | *0.97* | *0.95* | *0.71* |
| **Small Cap Independent Producers** | | | | | | | | | |
| Cimarex Energy Company | XEC | B | 96.37 | (7) | 0.87 | 1.43 | 0.97 | 1.10 | 0.80 |
| Range Resources | RRC | B | 84.26 | 0 | 0.96 | 1.21 | 1.04 | 1.07 | 0.95 |
| Continental Resources (32%) | CLR | B | 105.53 | (6) | 0.89 | 1.34 | 0.97 | 1.06 | 0.90 |
| Whiting Petroleum Corporation | WLL | B | 57.07 | (7) | 0.86 | 1.23 | 0.96 | 1.03 | 0.82 |
| Birchcliff Energy Ltd. | BIREF | B | 7.55 | 11 | 0.89 | 1.09 | 1.05 | 1.01 | 0.71 |
| Peyto Exploration and Development | PEYUF | | 29.50 | (4) | 0.93 | 1.25 | 0.98 | 1.01 | 0.89 |
| WPX Energy Inc. | WPX | | 19.20 | (5) | 0.87 | 1.20 | 1.00 | 1.00 | 0.82 |
| Halcón Resources | HK | | 3.62 | (6) | 0.71 | 1.04 | 0.98 | 0.88 | 0.76 |
| PDC Energy | PDCE | | 45.25 | (14) | 0.68 | 1.15 | 0.87 | 0.86 | 0.86 |
| *Median* | | | | *(6)* | *0.87* | *1.21* | *0.98* | *1.01* | *0.82* |
| **RTF Cash Payers** | | | | | | | | | |
| San Juan Basin Royalty Trust | SJT | B | 17.52 | 5 | 0.96 | 1.25 | 1.04 | 1.08 | 0.83 |
| Cross Timbers Royalty Trust | CRT | | 30.40 | 3 | 0.96 | 1.21 | 1.03 | 1.05 | 0.72 |
| Hugoton RoyaltyTrust | HGT | | 8.53 | 15 | 0.85 | 1.22 | 1.10 | 1.04 | 0.71 |
| Dorchester Minerals, L.P. | DMLP | B | 25.15 | (2) | 0.96 | 1.15 | 1.01 | 1.03 | 0.97 |
| Mesa RoyaltyTrust | MTR | | 22.60 | 6 | 0.87 | 1.12 | 1.06 | 1.00 | 0.90 |
| Sabine Royalty Trust | SBR | | 50.39 | 0 | 0.92 | 1.15 | 0.99 | 0.98 | 0.79 |
| Permian Basin RT | PBT | | 12.72 | (1) | 0.78 | 1.06 | 0.94 | 0.94 | 0.71 |
| Enduro Royalty Trust | NDRO | | 13.25 | 9 | 0.74 | 1.12 | 1.06 | 0.92 | 0.95 |
| Freehold Royalties Ltd. | FRHLF | | 19.97 | (4) | 0.83 | 1.01 | 0.95 | 0.89 | 0.95 |
| *Median* | | | | *3* | *0.87* | *1.15* | *1.03* | *1.00* | *0.83* |

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.
*Source: Bloomberg, Yahoo, McDep LLC*

# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

January 28, 2014

## Index of Recent Research

| | | | |
|---|---|---|---|
| **Stock Ideas** | | | |
| *Date* | *Symbol* | *Subject* | *Theme* |
| 21-Jan | RDSA | Royal Dutch Shell plc | Lower NPV to $95 on Profit Warning (Meter Reader) |
| 14-Jan | PDCE | PDC Energy | Raise NPV to $55 on Colorado Shale Oil (Meter Reader) |
| 17-Dec | MRO | Marathon Oil | New CEO Accelerates Shale Growth (Meter Reader) |
| 3-Dec | LUKOY | Lukoil | Low McDep Ratio Emerging Market Stock (Meter Reader) |
| 26-Nov | DVN | Devon Energy | Acquires $6 Billion Eagle Ford Position (Meter Reader) |
| 19-Nov | CLR | Continental Resources | High Density "Ears Back" Drilling Pace (Meter Reader) |
| 15-Nov | BIREF | Birchcliff Energy | 15% a Year Growth to 2018 |
| 12-Nov | XEC | Cimarex Energy | Raise NPV to $125 on Permian Productivity (Meter Reader) |
| 8-Nov | DMLP | Dorchester Minerals, L.P. | Oil up 6% a Quarter |
| 5-Nov | COSWF | Canadian Oil Sands Ltd. | Time to Explore New Options (Meter Reader) |
| 31-Oct | RRC | Range Resources | Core Owner in Largest Producing Field |
| 29-Oct | WLL | Whiting Petroleum | Fracking Productivity Leaps 50% (Meter Reader) |
| 25-Oct | ECA | Encana Corporation | San Juan Oil Upgraded to Commercial from Emerging |
| 4-Oct | NDRO | Enduro Royalty Trust | Worth Another Look after Stock Price Decline |
| 27-Sep | WPX | WPX Energy | San Juan Basin Innovator (Income and Small Cap Weekly) |
| 24-Sep | XOM | Exxon Mobil | Fracking Firms Long-Term Value (Meter Reader) |
| 17-Sep | COP | ConocoPhillips | Fracking Upside in Eagle Ford, Bakken and Permian (Meter Reader) |
| 13-Sep | CRT | Cross Timbers Royalty Trust | Fracking Upside in Permian and Scoop (Income and Small Cap Weekly) |
| 10-Sep | OXY | Occidental Petroleum | Permian Late Bloomer (Meter Reader) |
| 23-Jul | WOPEY | Woodside Petroleum, Ltd. | Distributing LNG Cash (Meter Reader) |
| 19-Jul | SJT | San Juan Basin Royalty Trust | Acreage 75% in Liquids-Rich Shale Zone (Income and Small Cap Weekly) |
| 12-Jul | PBT | Permian Basin Royalty Trust | Stock Price Recovering from Short-Term Overreaction |
| 5-Jul | LINE | Linn Energy | Stock Undervalued while SEC Probes (Income and Small Stock Weekly) |
| 31-May | HGT | Hugoton Royalty Trust | Beating the Bear (Income and Small Cap Weekly) |
| 14-May | EOG | EOG Resources | Raise NPV to $180 on More Big Wells (Meter Reader) |
| 30-Apr | TOT | Total | Recovery Potential (Meter Reader) |
| 19-Apr | HK | Halcón Resources | Fourth Core Area - El Halcón ("The Hawk") (Inc. and Small Cap Wkly) |
| 16-Apr | CVX | Chevron | Deflation Resistance (Meter Reader) |
| 12-Apr | MTR | Mesa Royalty Trust | RTF Stealth Play on Long-Life Natural Gas (Income and Small Cap Wkly) |
| 5-Apr | SBR | Sabine Royalty Trust | Accelerating Volume Growth (Income and Small Cap Weekly) |
| 28-Mar | PEYUF | Peyto Exploration and Developmen | Raise NPV to $32 for Fracking Winner (Income and Small Cap Weekly) |
| | For historical research by stock, go to mcdep.com, click on Stock Ideas, click on stock by name. | | |
| | | | |
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| 14-Jan | PDCE | PDC Energy | Raise NPV to $55 on Colorado Shale Oil |
| 7-Jan | | | Six-Year Futures Up in 2014 |
| 31-Dec | | | Catch up for Canada |
| 24-Dec | | | Rising RTF Cash in 2014 |
| 17-Dec | MRO | Marathon Oil | New CEO Accelerates Shale Growth |
| 10-Dec | | | Fraccing Investment Strategy |
| 3-Dec | LUKOY | Lukoil | Low McDep Ratio Emerging Market Stock |
| 26-Nov | DVN | Devon Energy | Acquires $6 Billion Eagle Ford Position |
| | For earlier editions, go to mcdep.com, click on Meter Reader. | | |
| | | | |
| **Industry Ideas** | | | |
| 24-Dec | | RTF Cash Payers | Rising RTF Cash in 2014 (Meter Reader) |
| 10-Dec | | | Fraccing Investment Strategy (Meter Reader) |
| 13-Nov | | McDep Book Review | *The Frackers* by Gregory Zuckerman |
| 22-Oct | | RTF Cash Payers | Oil Rising |

# Meter Reader

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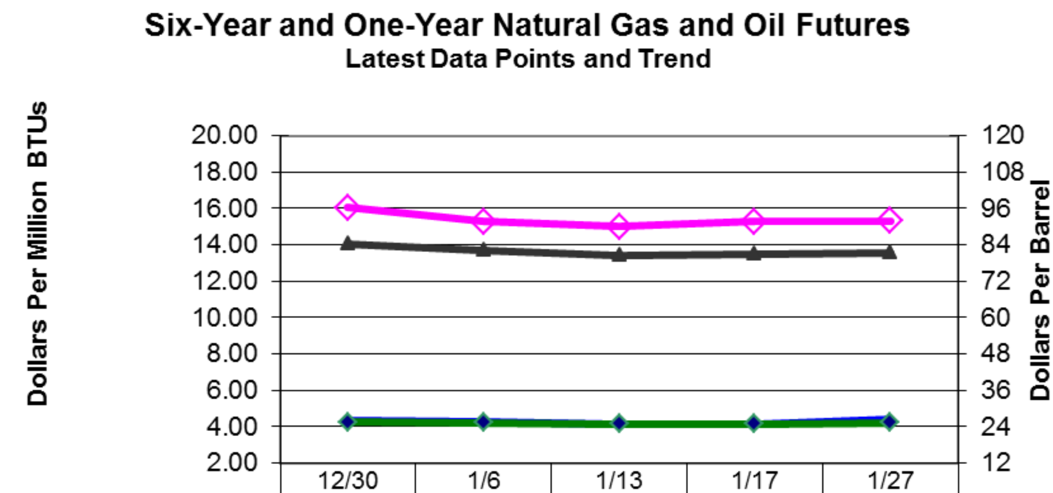
January 28, 2014




| | 12/30 | 1/6 | 1/13 | 1/17 | 1/27 |
|---|---|---|---|---|---|
| 12 Mo Natural Gas | 4.32 | 4.26 | 4.14 | 4.15 | 4.39 |
| 72 Mo Natural Gas | 4.25 | 4.23 | 4.16 | 4.15 | 4.22 |
| 12 Month Oil Strip | 96.29 | 91.73 | 90.00 | 91.74 | 91.99 |
| 72 Month Oil Strip | 84.31 | 82.30 | 80.66 | 81.06 | 81.36 |



**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**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. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.