



Independent Stock Idea

February 1, 2017

ExxonMobil (XOM) Looking to New Leader

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 12/31/17 (US\$m)</i>	46,000
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	7
<i>Price (\$/sh)</i>	83.89	<i>Natural Gas and Oil Production/Ebitda (%)</i>	61
<i>Pricing Date</i>	1/31/17	<i>Adjusted Reserves/Production NTM</i>	14.2
<i>Shares (mm)</i>	4176	<i>EV/Ebitda</i>	9.7
<i>Market Capitalization (\$mm)</i>	350,000	<i>PV/Ebitda</i>	11.2
<i>Debt (\$mm)</i>	95,000	<i>Undeveloped Reserves (%)</i>	27
<i>Enterprise Value (EV) (\$mm)</i>	445,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	18.60
<i>Present Value (PV) (\$mm)</i>	513,000	<i>Present Value Proven Reserves(\$/boe)</i>	12.60
<i>Net Present Value (\$/share)</i>	100	<i>Present Value Proven Reserves(\$/mcf)</i>	2.10
<i>Debt/Present Value</i>	0.19	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.98
<i>McDep Ratio - EV/PV</i>	0.87	<i>Price/Earnings Next Twelve Months</i>	21
<i>Dividend Yield (%/year)</i>	3.6	<i>Indicated Annual Dividend (US\$/sh)</i>	3.00
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 bt			
For historical analysis of XOM since 2001 see www.mcdep.com/1xom.htm			

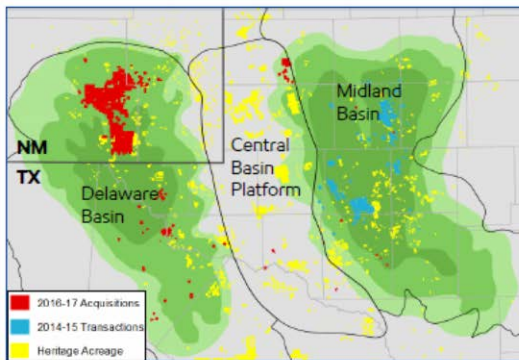
Summary and Recommendation

Recent stock price underperformance for **ExxonMobil (XOM)** may be reversed as newly elected Chairman Darren Woods gains the confidence of investors in the potential for appreciation to our targeted Net Present Value (NPV) of \$100 a share. Mr. Woods will be extending the skills he honed on the downstream refining and petrochemical side of XOM to include upstream oil and gas production operations. Final results under previous chairman Rex Tillerson reported on January 31 included accounting adjustments that have no impact on value. Recent positive developments include the 2017 acquisition of properties that double XOM's Permian Basin resource potential to six billion oil-equivalent barrels (see slide [2017 Permian](#) on page 2). That area is expected to lead U.S. oil production growth, not only for XOM, but for the whole industry (see slide [Oil Production](#) on page 2). Quarterly trends for all of XOM point to progress in 2017 (see table [Operating and Financial Estimates](#) on page 3). Cash flow expectations and reserve life contribute to our estimate of value in XOM stock (see table [Present Value](#) on page 4). Historical trends for XOM and Global Integrated peers track industry economics in the 2010s (see charts [Oil and Gas Production Per Share](#), [Oil and Gas Price](#), [Production Ebitda](#), [Operating Leverage](#), and [Downstream](#) on pages 4-6). Distinctions by McDep Ratio have narrowed (see Tables 1-4 on pages 7-10). XOM stock offers appreciation potential along with lowest combined economic and financial risk.

Kurt H. Wulff, CFA

Growing Permian Acreage Position

Material acquisition adds high-quality acreage in the Delaware Basin



Hydrocarbon density map for tight oil plays

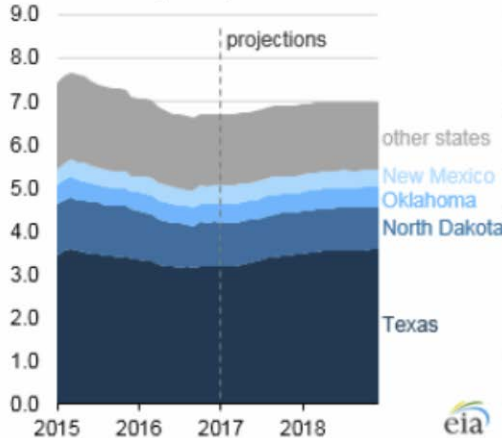
- Acquisition includes 250K net acres in the Permian
- Strategic fit with existing Permian position
 - \$5.6B in ExxonMobil stock
 - Up to \$1B contingent cash payment
- Adds more than 3.4 BOEB resource
- Positioned for significant production growth
 - Increases Permian drillwell inventory to more than 4,500 wells¹

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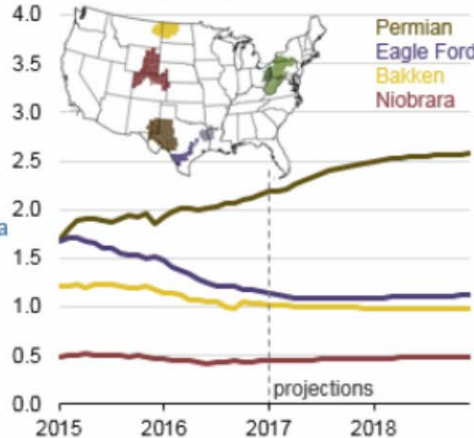
¹Drillwell inventory with at least 10% rate of return at \$40/bbl flat real WTI oil price



Oil production in the Lower 48 states
million barrels per day



U.S. oil production in major tight oil regions
million barrels per day



Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, January 2017



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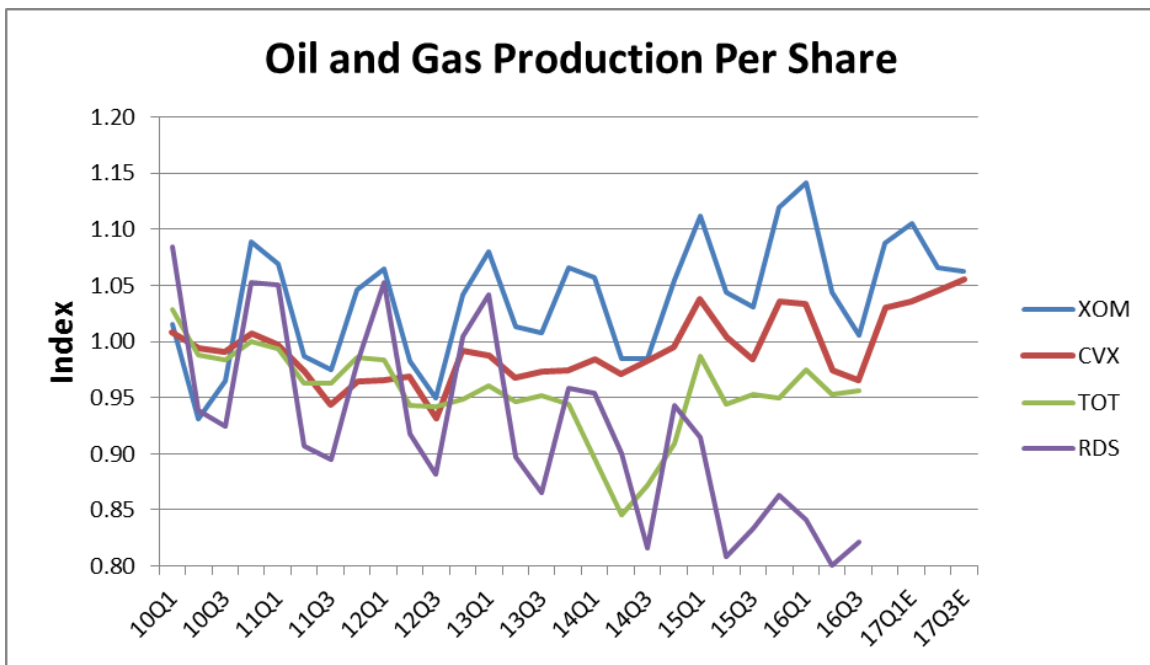
Exxon Mobil Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q4	Year	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/15	2015	9/30/16	12/31/16	2016	3/31/17	6/30/17	9/30/17	12/31/17	12/31/17
Volume										
Natural Gas (mmcf)										
North America	3,364	3,407	3,278	3,219	3,326	3,418	3,354	3,278	3,219	3,317
Overseas	7,239	7,107	6,323	7,205	6,829	7,306	6,408	6,323	7,205	6,809
Total	10,603	10,515	9,601	10,424	10,155	10,724	9,762	9,601	10,424	10,125
Days	92	365	92	92	366	90	91	92	92	365
Oil (mmb)	228	856	203	219	866	216	220	223	225	883
Oil (mbd)	2,481	2,346	2,211	2,384	2,365	2,398	2,413	2,427	2,442	2,420
Total gas & oil (mmb)	391	1,496	351	379	1,483	377	368	371	384	1,499
Total gas & oil (mbd)	4,248	4,098	3,811	4,121	4,053	4,186	4,040	4,027	4,179	4,108
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	2.28	2.67	2.81	2.98	2.46	3.56	3.41	3.48	3.54	3.50
U.S.	1.80	2.26	2.65	2.69	2.16	3.56	3.41	3.48	3.54	3.50
International	5.80	6.57	4.47	4.97	4.60	4.97	4.97	4.97	4.97	4.97
Total	4.53	5.17	3.85	4.27	3.80	4.52	4.43	4.46	4.53	4.49
Oil (\$/bbl)										
WTI Cushing	42.21	48.79	44.91	49.21	43.31	53.00	54.22	55.13	55.43	54.45
Worldwide	36.47	45.75	40.48	44.52	38.33	46.90	47.99	48.79	49.05	48.20
Total gas & oil (\$/bbl)	32.61	39.46	33.18	36.54	31.86	38.46	39.37	40.04	39.95	39.46
Revenue (\$mm)										
Natural Gas										
U.S.	557	2,812	799	797	2,625	1,096	1,040	1,049	1,047	4,233
International	3,863	17,039	2,600	3,294	11,453	3,268	2,898	2,891	3,294	12,352
Total	4,420	19,852	3,399	4,091	14,078	4,364	3,939	3,940	4,342	16,585
Oil	8,324	39,166	8,234	9,765	33,183	10,124	10,536	10,896	11,019	42,575
Other	47,064	209,864	47,044	47,160	178,833	47,160	47,160	47,160	47,160	188,642
Total	59,807	268,882	58,677	61,016	226,094	61,648	61,635	61,996	62,522	247,801
Expense (\$mm)										
Production	7,438	34,118	7,001	6,962	28,021	7,708	7,639	7,786	8,068	31,201
Other	42,711	189,971	42,584	43,142	162,138	42,660	42,660	42,660	42,660	170,642
Ebitda (\$mm)										
Exploration and Production	5,305	24,900	4,633	6,894	19,239	6,780	6,835	7,050	7,293	27,958
Other	4,353	19,893	4,460	4,018	16,696	4,500	4,500	4,500	4,500	18,000
Total Ebitda	9,658	44,793	9,092	10,912	35,935	11,280	11,335	11,550	11,793	45,958
Exploration	531	1,570	332	389	1,514	389	389	389	389	1,556
Deprec., Deplet., & Amort.	4,755	18,048	4,605	4,605	18,796	4,605	4,605	4,605	4,605	18,420
Ebit (\$mm)										
Interest	4,372	25,175	4,155	5,918	15,625	6,286	6,341	6,556	6,799	25,982
Ebt (\$mm)										
Income Tax	60	311	106	106	364	106	106	106	106	424
Net Income (\$mm)										
Exploration and Production	4,312	24,864	4,049	5,812	15,261	6,180	6,235	6,450	6,693	25,558
Other	1,509	8,702	1,417	2,034	5,341	2,163	2,182	2,257	2,343	8,945
Net Income (\$mm)										
Exploration and Production	857	7,101	620	1,385	2,223					
Other	2,314	10,975	2,400	2,113	8,816					
Unallocated	(368)	(1,915)	(388)	280	(1,119)					
Total	2,803	16,161	2,632	3,778	9,920	4,017	4,053	4,192	4,351	16,613
Shares (millions)										
Per share (\$)	4,183	4,198	4,178	4,176	4,177	4,176	4,176	4,176	4,176	4,176
Ebitda Margin (E&P)	0.67	3.85	0.63	0.90	2.37	0.96	0.97	1.00	1.04	3.98
Ebitda Margin (E&P)	42%	42%	40%	50%	41%	47%	47%	48%	47%	47%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

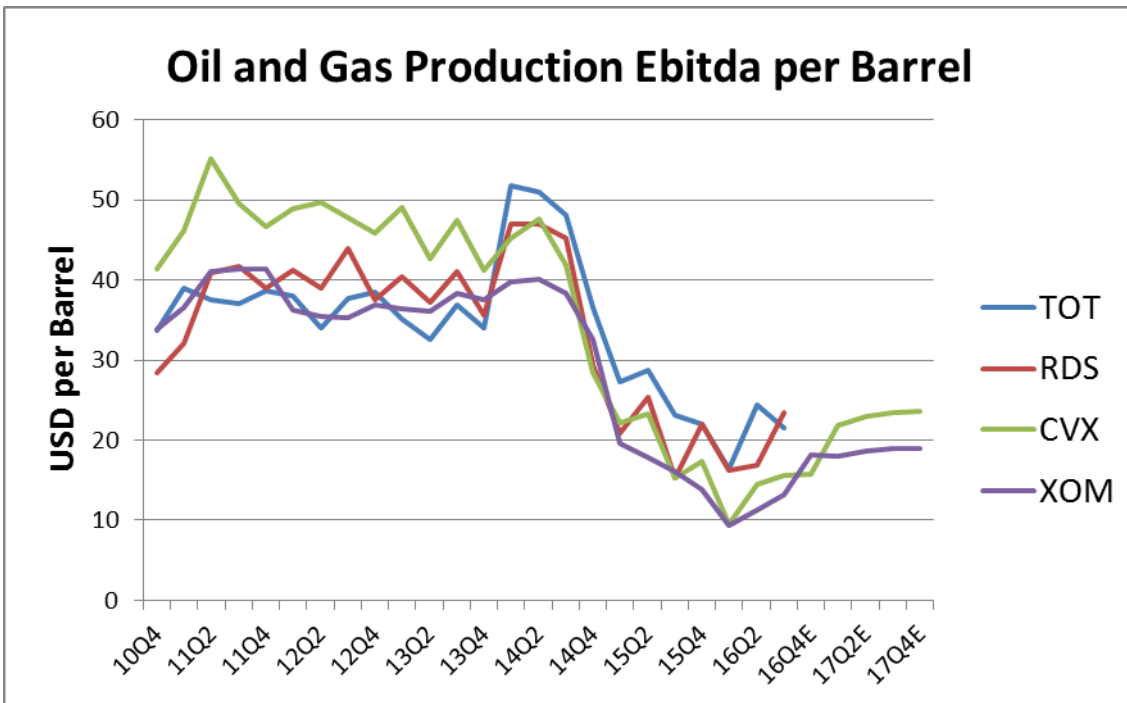
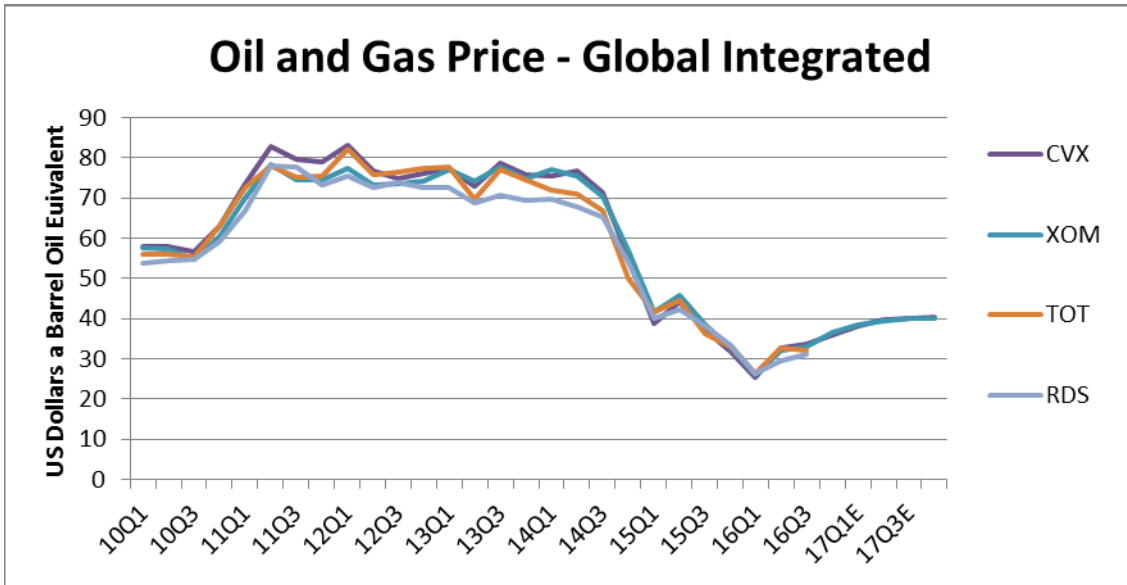


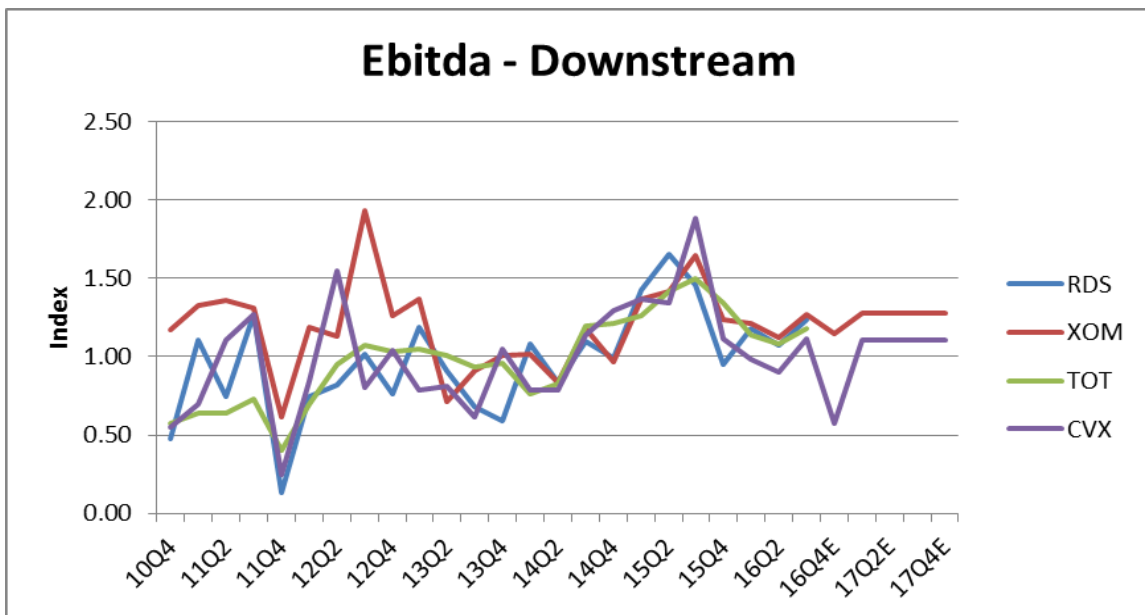
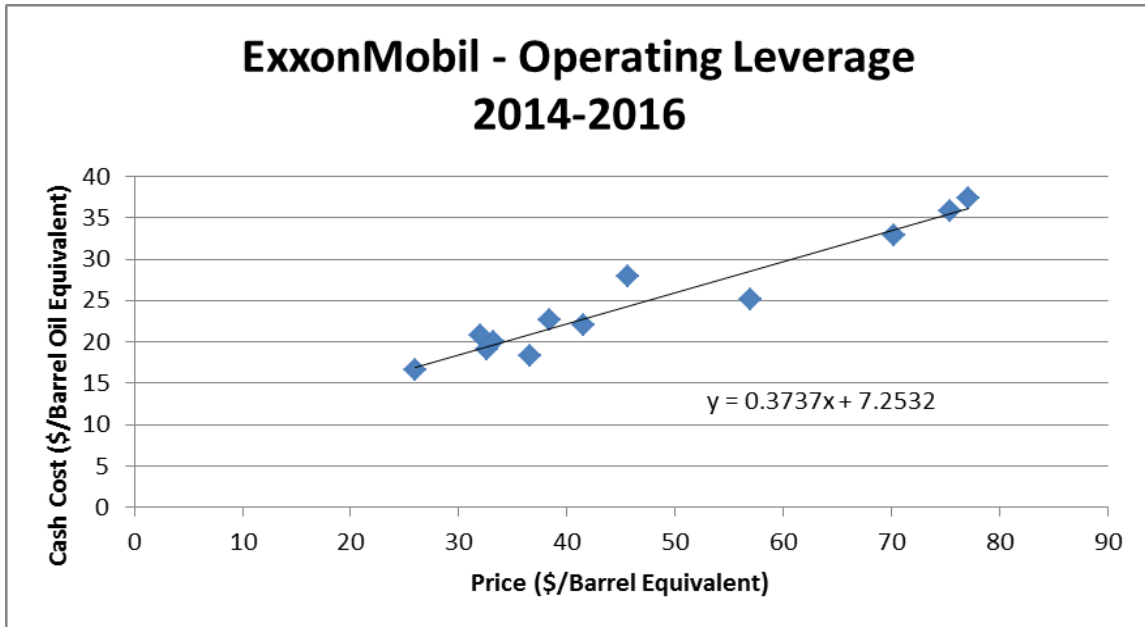
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Exxon Mobil Corporation					
Functional Cash Flow and Present Value					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	2,000	14.4	25.0	50,000	10%
Rest of World Natural Gas	5,800	14.1	13.8	80,000	16%
Oil	20,100	14.3	12.6	253,000	49%
Downstream	18,000		7.2	130,000	25%
	45,900	14.2	11.2	513,000	100%
Debt					95,000
Net Present Value (\$mm)					418,000
Shares					4,176
Net Present Value - Standard Estimate (US\$/sh)					100
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					94









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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
		31-Jan	(US\$m)	(\$mm)	Cap	NTM	NTM	PV	NTM	Ratio
		2017						(%)	(%)	(EV/PV)
Global Integrated										
	XOM	83.89	350,000	445,000	1.27	9.7	11.2	49	3.6	0.87
	CVX	111.35	211,000	279,000	1.33	8.8	10.2	64	3.9	0.86
	RDS-A B	54.39	216,000	357,000	1.66	7.2	9.2	56	6.9	0.78
	TOT B	50.56	122,000	184,000	1.51	6.2	9.3	57	5.2	0.66
	<i>Total or Median</i>		899,000	1,265,000	1.42	8.0	9.8	56	4.5	0.82
Large Independent										
	EOG	101.58	55,700	62,800	1.13	14.0	13.8	86	0.7	1.17
	DVN	45.54	24,000	34,900	1.45	13.1	11.2	60	0.5	1.01
	OXY	67.77	51,800	62,300	1.20	11.1	12.1	84	4.5	0.92
	MRO B	16.75	14,190	22,300	1.57	10.7	12.1	88	1.2	0.89
	COP B	48.76	61,000	100,000	1.65	9.6	12.1	74	2.2	0.79
	<i>Total or Median</i>		206,700	282,000	1.45	11.1	12.1	84	1.2	0.92
Small Independent										
	XEC	135.21	12,600	13,900	1.10	11.7	13.0	62	0.2	1.11
	CLR B	48.56	5,800	7,900	1.38	12.8	11.5	71	-	0.90
	CRC	21.42	900	7,100	7.89	10.4	15.3	87	-	0.86
	WLL	11.09	4,000	7,500	1.90	8.0	10.6	91	-	0.75
	RRC B	32.34	7,900	12,200	1.54	8.2	9.5	24	0.2	0.68
	<i>Total or Median</i>		31,000	49,000	1.54	10.4	11.5	71	-	0.86
Income										
	SJT	7.53	350	350	1.00	13.7	20.6	-	9.5	0.94
	PBT	8.91	420	420	1.00	10.0	16.2	77	8.0	0.81
	DMLP B	17.35	530	530	1.00	11.9	16.5	72	7.6	0.72
	SBR B	39.80	580	580	1.00	10.1	10.7	56	7.3	0.66
	CRT	17.80	110	110	1.00	11.7	14.5	29	9.2	0.61
	<i>Total or Median</i>		2,000	2,000	1.00	11.7	16.2	56	8.0	0.72
Canada										
	ECA	12.76	12,400	19,000	1.53	12.1	10.4	59	0.5	1.16
	IMO	32.88	8,400	10,800	1.29	8.4	9.4	62	1.4	0.89
	SU B	31.04	51,700	70,300	1.36	7.9	10.3	86	2.8	0.77
	CVE	13.63	11,400	15,500	1.36	7.4	9.9	81	1.1	0.74
	BIREF B	6.18	1,600	2,300	1.39	8.3	11.9	26	1.2	0.69
	<i>Total or Median</i>		86,000	118,000	1.36	8.3	10.3	62	1.2	0.77

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 12/31/17.
 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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		Price		Oil	Operating					
		(US\$/sh)		Equiv.	Expense					
	Symbol/Rating	31-Jan	Volume	Price	Fixed	Var.	NTM	Ebitda	Oper Lev	
	B = Buy	2017	(mmboe)	(\$/boe)	(\$/boe)	(%)	(\$/boe)	(\$mm)	Ebitda chg/ Price chg	McDep Ratio
Global Integrated (excl. Downstream)										
Exxon Mobil Corporation	XOM	83.89	1,503	39.46	7	35	18.60	27,958	1.38	0.87
Chevron Corporation	CVX	111.35	884	39.67	8	22	22.90	20,249	1.35	0.86
Royal Dutch Shell	RDS-A B	54.39	1,322	35.51	2	25	24.50	32,398	1.08	0.78
Total S.A.	TOT B	50.56	853	51.35	0	54	23.80	20,304	1.00	0.66
	<i>Total or Median</i>								<i>1.22</i>	<i>0.82</i>
Large Independent										
EOG Resources, Inc.	EOG	101.58	210	34.53	10	5	22.80	4,782	1.44	1.17
Devon Energy Corporation	DVN	45.54	153	25.63	9	1	16.30	2,499	1.55	1.01
Occidental Petroleum Corp.	OXY	67.77	257	36.03	6	23	21.80	5,611	1.28	0.92
Marathon Oil Corporation	MRO B	16.75	138	31.14	13	10	15.10	2,083	1.86	0.89
ConocoPhillips	COP B	48.76	569	32.19	6	24	18.40	10,464	1.33	0.79
	<i>Total or Median</i>								<i>1.44</i>	<i>0.92</i>
Small Independent										
Cimarex Energy Company	XEC	135.21	63	27.45	6	15	17.30	1,085	1.35	1.11
Continental Resources (32%)	CLR B	48.56	26	33.31	3	14	25.80	675	1.12	0.90
California Resources	CRC	21.42	47	40.68	21	3	18.60	871	2.13	0.86
Whiting Petroleum Corporation	WLL	11.09	42	37.32	9	15	22.70	945	1.40	0.75
Range Resources	RRC B	32.34	122	18.33	8	4	9.60	1,171	1.83	0.68
	<i>Total or Median</i>								<i>1.40</i>	<i>0.86</i>
Income										
San Juan Basin Royalty Trust	SJT	7.53	3	17.65	5	14	10.15	35	1.49	0.94
Permian Basin RT	PBT	8.91	2	35.40	10	9	22.32	35	1.45	0.81
Dorchester Minerals, L.P.	DMLP B	17.35	2	34.32	7	11	23.66	45	1.30	0.72
Sabine Royalty Trust	SBR B	39.80	2	31.73	2	9	26.74	42	1.07	0.66
Cross Timbers Royalty Trust	CRT	17.80	0	36.54	8	14	23.43	11	1.34	0.61
	<i>Total or Median</i>								<i>1.34</i>	<i>0.72</i>
Canada (excl. Downstream)										
EnCana Corporation	ECA	12.76	109	25.87	11	2	14.37	1,572	1.77	1.16
Imperial Oil Limited (30%)	IMO	32.88	72	36.12	14	12	17.90	1,290	1.78	0.89
Suncor Energy	SU B	31.04	344	48.77	16	14	25.97	8,946	1.62	0.77
Cenovus Energy Inc.	CVE	13.63	113	30.65	11	4	18.53	2,090	1.59	0.74
Birchcliff Energy Ltd.	BIREF B	6.18	21	20.22	4	14	13.30	274	1.30	0.69
	<i>Total or Median</i>								<i>1.62</i>	<i>0.77</i>
For historical research see www.mcdep.com										



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			<i>Price</i> <i>(US\$/sh)</i>					<i>Down-</i> <i>stream/</i>	<i>Proven</i> <i>Undev.</i>	<i>Adjustd</i> <i>Resrvs/</i>	<i>Net</i> <i>Present</i>
	<i>Symbol/Rating</i>	<i>31-Jan</i>	<i>Shares</i>	<i>Debt</i>	<i>Dividend</i>	<i>P/E</i>	<i>PV</i>	<i>Resrvs</i>	<i>Prod</i>	<i>Value</i>	
	B = Buy	2017	(mm)	(\$mm)	(\$/sh)	NTM	(%)	(%)	NTM	(US\$/sh)	
Global Integrated											
Exxon Mobil Corporation	XOM		83.89	4,176	95,027	3.00	21	25	27	14.2	100.00
Total S.A.	TOT	B	50.56	2,404	62,452	2.61	12	24	47	9.9	90.00
Royal Dutch Shell	RDS-A	B	54.39	3,965	141,465	3.76	17	24	34	9.5	80.00
Chevron Corporation	CVX		111.35	1,890	68,829	4.32	26	19	38	9.1	135.00
	<i>Median</i>									9.7	
Large Independent											
Marathon Oil Corporation	MRO	B	16.75	847	8,158	0.20		-	27	12.6	20.00
ConocoPhillips	COP	B	48.76	1,246	39,395	1.06		-	37	11.0	70.00
Occidental Petroleum Corp.	OXY		67.77	764	10,500	3.04	76	9	21	8.9	75.00
Devon Energy Corporation	DVN		45.54	548	7,151	0.24	96	10	18	8.4	45.00
EOG Resources, Inc.	EOG		101.58	527	10,895	0.67	155	-	30	7.5	85.00
	<i>Median</i>									8.9	
Small Independent											
Range Resources	RRC	B	32.34	42	6,200	0.08	59	-	44	12.9	56.00
California Resources	CRC		21.42	244	4,290	-		-	25	12.0	50.00
Continental Resources (32%)	CLR	B	48.56	93	1,287	-		-	57	11.4	56.00
Whiting Petroleum Corporation	WLL		11.09	358	3,560	-		-	67	9.3	18.00
Cimarex Energy Company	XEC		135.21	118	2,178	0.32	36	-	25	6.8	120.00
	<i>Median</i>									11.4	
Income											
Sabine Royalty Trust	SBR	B	39.80	47	-	2.91	14	-	5	10.1	60.00
San Juan Basin Royalty Trust	SJT		7.53	15	-	0.72	11	-	-	9.8	8.00
Permian Basin RT	PBT		8.91	6	-	0.71	13	-	-	8.6	11.00
Dorchester Minerals, L.P.	DMLP	B	17.35	31	-	1.32	16	-	-	7.4	24.00
Cross Timbers Royalty Trust	CRT		17.80	47	-	1.63	11	-	-	7.1	29.00
	<i>Median</i>									8.6	
Canada											
Imperial Oil Limited (30%)	IMO		32.88	255	2,467	0.46	12	37	12	32.7	38.00
Suncor Energy	SU	B	31.04	1,665	18,554	0.88	19	14	46	20.7	44.00
Enovus Energy Inc.	CVE		13.63	833	4,128	0.15		9	30	16.2	20.00
Birchcliff Energy Ltd.	BIREF	B	6.18	263	628	0.08	27	-	64	12.1	10.00
EnCana Corporation	ECA		12.76	973	6,603	0.06		-	33	6.1	10.00
	<i>Median</i>									16.2	
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 2017										
Ranked by Unlevered Total Return										
			Price	Price	Price	Cash	Equity	Unlevered		
	Symbol/Rati		(\$/sh)	(\$/sh)	Change	Distrib.	Total	Debt	Return	McDep
			31-Jan	30-Dec	(%)	(%)	(%)	(\$/sh)	(%)	Ratio
			2017	2016						
Global Integrated										
	Royal Dutch Shell	RDS-A B	54.39	54.38	0	-	0	36	0	0.78
	Total S.A.	TOT B	50.56	50.97	(1)	-	(1)	26	(1)	0.66
	Chevron Corporation	CVX	111.35	117.70	(5)	-	(5)	36	(4)	0.86
	Exxon Mobil Corporation	XOM	83.89	90.26	(7)	-	(7)	23	(6)	0.87
	<i>Median</i>				(3)		(3)		(2)	0.82
Large Independent										
	EOG Resources, Inc.	EOG	101.58	101.10	0	0.2	1	13	1	1.17
	Devon Energy Corporation	DVN	45.54	45.67	(0)	-	(0)	21	(0)	1.01
	ConocoPhillips	COP B	48.76	50.14	(3)	-	(3)	32	(2)	0.79
	Marathon Oil Corporation	MRO B	16.75	17.31	(3)	-	(3)	10	(2)	0.89
	Occidental Petroleum Corp.	OXY	67.77	71.23	(5)	-	(5)	14	(4)	0.92
	<i>Median</i>				(3)		(3)		(2)	0.92
Small Independent										
	California Resources	CRC	21.42	21.29	1	-	1	148	0	0.86
	Cimarex Energy Company	XEC	135.21	135.90	(1)	-	(1)	14	(0)	1.11
	Range Resources	RRC B	32.34	34.36	(6)	-	(6)	18	(4)	0.68
	Whiting Petroleum Corporation	WLL	11.09	12.02	(8)	-	(8)	10	(4)	0.75
	Continental Resources (32%)	CLR B	48.56	51.54	(6)	-	(6)	18	(4)	0.90
	<i>Median</i>				(6)		(6)		(4)	0.86
Income										
	Permian Basin RT	PBT	8.91	7.71	16	0.8	16	-	16	0.81
	San Juan Basin Royalty Trust	SJT	7.53	6.62	14	0.9	15	-	15	0.94
	Sabine Royalty Trust	SBR B	39.80	35.15	13	0.4	14	-	14	0.66
	Dorchester Minerals, L.P.	DMLP B	17.35	17.55	(1)	1.4	0	-	0	0.72
	Cross Timbers Royalty Trust	CRT	17.80	17.97	(1)	0.5	(0)	-	(0)	0.61
	<i>Median</i>				13		14		14	0.72
Canada										
	EnCana Corporation	ECA	12.76	11.74	9	-	9	7	6	1.16
	Suncor Energy	SU B	31.04	32.69	(5)	-	(5)	11	(4)	0.77
	Imperial Oil Limited (30%)	IMO	32.88	34.76	(5)	-	(5)	10	(4)	0.89
	Cenovus Energy Inc.	CVE	13.63	15.13	(10)	-	(10)	5	(7)	0.74
	Birchcliff Energy Ltd.	BIREF B	6.18	7.01	(12)	-	(12)	2	(9)	0.69
	<i>Median</i>				(5)		(5)		(4)	0.77
	<i>Grand Median</i>				(2)		(2)		(1)	0.83
	Natural Gas (\$/mmbtu)		3.13	3.74	(16)					
	Oil - West Texas Intermediate (\$/bbl)		52.82	53.72	(2)					
	Total Stock Market - U.S.	VII	117.46	115.32	2					
	Developed Markets - ex US	VEA	37.88	36.54	4					
	Emerging Markets	VVO	37.84	35.78	6					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see www.mcdep.com



Independent Stock Idea

February 1, 2017

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