

## E&P Sector – Still Sticking With The Winners

### Outperformance By The ‘Haves’ Expected To Continue In H2’13

- **The ‘Haves’ Outperform The More ‘Challenged’ YTD...** – As outlined in our [2013 E&P Sector Outlook](#) note published last December 19<sup>th</sup>, we anticipated a growing divergence between the so-call ‘Haves’ and ‘Have Nots’ within the E&P sector this year, as reflected in share price performance and valuation. Specifically, we expected companies with deep and high quality inventories and the ability to develop these assets in a capital efficient manner, or the “Haves”, to outperform those with less inventory and/or capital constraints, or the more “Challenged” companies. As expected, this growing disparity between the “Haves” and the “Challenged” E&P companies has largely played out year-to-date.
- **...While Gas-Levered E&Ps Have Benefited From Rising Natural Gas Prices** – The sharp rise in natural gas prices year-to-date has also helped drive outperformance among some of the more natural gas leveraged companies in our coverage group. Since the beginning of the year, the front-month NYMEX natural gas futures contract has risen nearly ~22% while the composite spot cash price is up ~20% after a much colder-than-normal March (which put the full winter at normal) and April while this summer is once again expected to be hotter than normal. Thus, several of the more natural gas-levered names have benefited from the rebound in natural gas prices and are among the top performers year to date including **COG, UPL, CHK** and **RRC**.
- **The Industry Is Transitioning From ‘Exploration’ To ‘Exploitation’ Mode...** – With “not many stones left unturned” in North America, E&P companies are moving from *exploration* mode to *exploitation* mode which has at least two implications. First, with a growing portion of E&P companies’ capital budgets re-allocated from exploration to development, the quality of existing resource bases and the ability to efficiently and economically develop them is key and suggests that a deep inventory of investable assets is ever more critical. Second, many companies are set to become free cash flow positive over the next few years due in part to less spending on resource acquisition. Thus, as highlighted at our recent Citi Global Energy Conference (see our May 15<sup>th</sup> [note](#)), companies are faced with a situation of deciding how to allocate excess cash.
- **...With A Focus On “Squeezing More” From Existing Plays** – One of the most prevalent themes from our Citi Global Energy Conference was the focus on “squeezing more” from existing plays (see our May 14<sup>th</sup> [note](#)). Nearly every company at the conference noted continued efficiency gains in key plays whether it was faster drilling times, pad drilling, longer laterals, tighter downspacing or better completion techniques.
- **Thus, The ‘Haves’ Are Still Positioned To Outperform As Measured By CF/DAS** – As also highlighted in our [2013 E&P Sector Outlook](#), we believe that *cash flow growth per debt adjusted share (CF/DAS)*, *weighted production growth per debt adjusted share (P/DAS)* and *Reserve Replacement Efficiency (RRE)* are the three most important metrics for E&P share performance. Thus, we believe that companies with the inventory already in hand to sustainably post above average CF/DAS growth and RRE will post the best relative share performance. Among our coverage group, **COG, RRC, SWN** and **MRO** are forecast to post the highest CF/DAS growth through 2015.
- **Top Picks** – Also among our top picks are **APC, CNQ, EOG, NBL** and **PXD**.

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## Data Summary

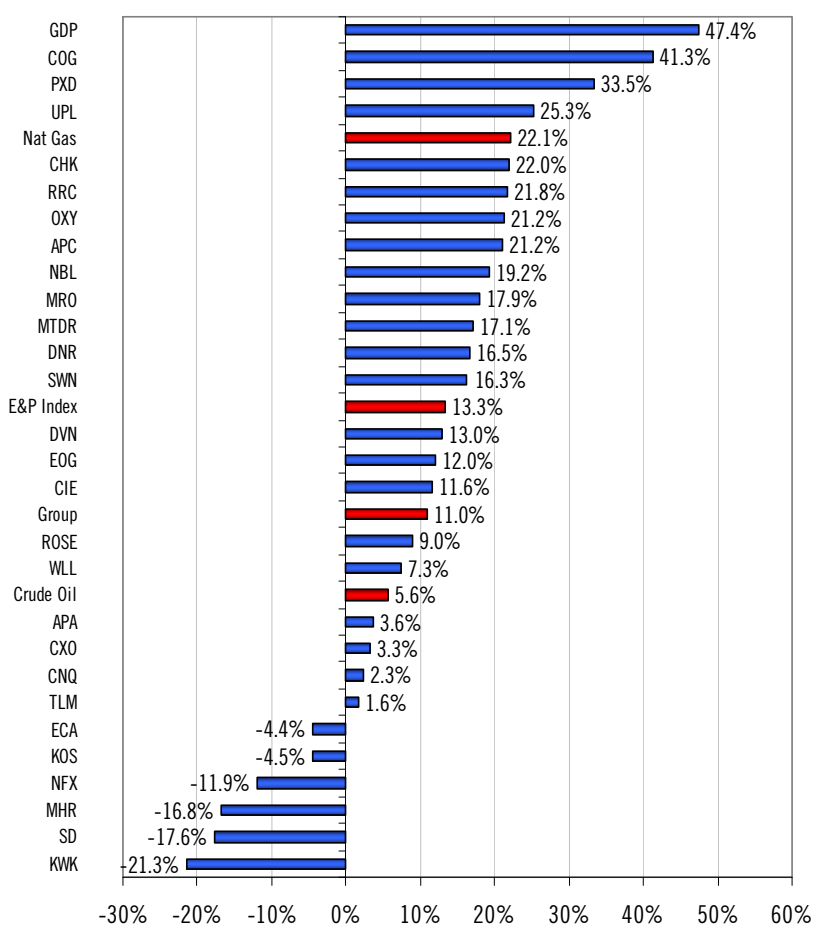
Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Apache	APA	1	1	US\$95.00	US\$95.00	US\$7.92	US\$7.92
Anadarko Petro	APC	1	1	US\$105.00	US\$105.00	US\$4.53	US\$4.53
Chesapeake	CHK	2H	2H	US\$20.00	US\$20.00	US\$1.62	US\$1.62
Cdn Natural Rsc	CNQ	1	1	US\$37.00	US\$37.00	C\$1.78	C\$1.78
Cabot Oil & Gas	COG	1	1	US\$80.00	US\$80.00	US\$1.65	US\$1.65
Concho Res	CXO	1	1	US\$100.00	US\$100.00	US\$3.78	US\$3.78
Denbury Resource	DNR	2	2	US\$18.00	US\$18.00	US\$1.26	US\$1.26
Devon	DVN	2	2	US\$55.00	US\$55.00	US\$3.93	US\$3.93
EnCana	ECA	2	2	US\$20.00	US\$20.00	US\$1.01	US\$1.01
EOG	EOG	1	1	US\$155.00	US\$155.00	US\$6.46	US\$6.46
Goodrich	GDP	2	2	US\$16.00	US\$16.00	US\$-2.38	US\$-2.38
Kosmos Energy	KOS	1	1	US\$15.00	US\$15.00	US\$0.00	US\$0.00
Quicksilver Res	KWK	2	2	US\$2.00	US\$2.00	US\$-0.12	US\$-0.12
Magnum Hunter	MHR	1	1	US\$5.00	US\$5.00	US\$-0.25	US\$-0.25
Marathon Oil	MRO	1	1	US\$42.00	US\$42.00	US\$3.06	US\$3.06
Matador	MTDR	2H	2H	US\$10.00	US\$10.00	US\$0.45	US\$0.45
Noble	NBL	1	1	US\$130.00	US\$130.00	US\$7.48	US\$7.48
Newfield Explor	NFX	2	2	US\$25.00	US\$25.00	US\$1.72	US\$1.72
Pioneer NAT	PXD	1	1	US\$148.00	US\$148.00	US\$4.87	US\$4.87
Rosetta Resource	ROSE	1	1	US\$55.00	US\$55.00	US\$4.17	US\$4.17
Range Res	RRC	1	1	US\$95.00	US\$95.00	US\$1.51	US\$1.51
SandRidge	SD	2	2	US\$5.25	US\$5.25	US\$-0.26	US\$-0.26
Southwestern Ene	SWN	1	1	US\$46.00	US\$46.00	US\$1.87	US\$1.87
Talisman	TLM	2	2	US\$12.50	US\$12.50	US\$0.30	US\$0.30
Ultra Petroleum	UPL	2	2	US\$18.25	US\$18.25	US\$1.60	US\$1.60
Whiting Petrol	WLL	1	1	US\$52.00	US\$52.00	US\$3.36	US\$3.36

## The Distinction Between The ‘Haves’ & The ‘Challenged’ Has Been Evident In 2013...

Our projection that the E&P companies with high quality inventories and sufficient capital (the “Haves”) would outperform the more “Challenged” companies has held true year-to-date...

As highlighted in our [2013 E&P Sector Outlook](#), we anticipated a growing divergence in E&P share performance this year. Specifically, we projected companies with deep and high quality inventories and the ability to develop these assets in a highly capital efficient manner, or the “Haves”, would outperform those companies with less inventory and/or capital constraints, or the more “Challenged” companies. As expected, this growing disparity between the “Haves” and the “Challenged” has largely played out year-to-date as evidenced by the differences between some of the top performing companies in our coverage group and some of the relative underperforming companies (See Figure 1 below).

Figure 1. E&P Coverage Group Year-To-Date Share Price Performance



Source: Citi Research

...While the average share price for our coverage group is up ~11% year-to-date, alongside a ~6% increase in WTI spot oil prices and 20%-plus rally in natural gas prices so far this year.

Many of the top performers in our coverage group this year sit firmly in the “Have” category and include COG, PXD, RRC, APC, NBL and MRO...

Many companies with high-margin reinvestment opportunities and strong debt-adjusted cash flow growth and weighted production growth outlooks (along with some of the more natural gas levered companies that have benefited from rising natural gas prices, as described in more detail below) have outperformed our market-weighted E&P index year-to-date. Among the top performers in our coverage group year-to-date are companies that sit firmly in the “Have” category and include:

- **Cabot Oil & Gas** – Continues to post strong results on its ~200k net acre position in the Marcellus shale while, with Q1'13 earnings (see our [Q1'13 Wrap Up](#) note), the company noted continued success from its step-out drilling in the eastern portion of the Marcellus with a significant portion of its core Marcellus acreage now de-risked. Further, Marcellus infrastructure continues to expand as projects near completion. Meanwhile, we expect Cabot will generate ~\$1.1bn of combined free cash flow during 2013-2015. Management emphasized that its first priority is to further accelerate the Marcellus given the ~100% pre-tax IRRs generated in the play at a \$3.50/MMBtu natural gas price while the company may also return capital to shareholders via an increased/special dividend or share buybacks.
- **Pioneer Natural Resources** – After entering into a JV in the southern portion of the Wolfcamp in Q1'13 (see our January 30<sup>th</sup> [note](#)), the company announced results for 9 Wolfcamp wells with Q1'13 earnings (see our May 2<sup>nd</sup> [note](#)) that flowed at IP rates that would indicate EURs above 575 MBOE based on 140 acre downspacing. Management emphasized that it continues to pursue tighter downspacing and is currently testing 100-acre spacing with plans to eventually test 70-acre (and potentially 40 acre) spacing in the play. Also, Pioneer's recently announced second horizontal Wolfcamp B zone well in the northern portion of this play elevated the risked resource potential of its entire Wolfcamp play in the Permian Basin.
- **Range Resources** – Management noted continued improvements in drilling and completion results in the Marcellus shale which help underscore its long line of sight on 20-25% per annum total production growth for at least the next several years. Further, the company is drilling wells with 'moderate' lateral lengths in order to move on to other areas to hold its acreage. Thus, we believe Range's expansive resource base (6.5 Tcfe of proved reserves and 48-68 Tcfe of resource potential) could prove to be conservative. Meanwhile, in the Mississippian Lime play, we would note that management stated that returns (~130% IRR based on NYMEX strip pricing and 600 MBOE EUR) are higher, on average, than those generated in the Marcellus shale but that significantly more variability exists in the Mississippian Lime.
- **Anadarko** – Has posted strong results across its portfolio of domestic and international assets with a deep, multi-year inventory of identified prospects. On the exploration front, the company has made multiple announcements regarding its Gulf of Mexico assets already this year, including **Heidelberg** (see our March 5<sup>th</sup> [note](#)), **Shenandoah** (see our March 19<sup>th</sup> [note](#)), **Coronado** discovery (see our March 26<sup>th</sup> [note](#)) and **Phobos** (see our April 25<sup>th</sup> [note](#)). Catalysts over the remainder of the year include results for **Yucatan** (APC 15% WI) and by mid-year on **Raptor** (APC 50% WI), in the deepwater Gulf of Mexico along with the **Calao** prospect offshore Cote d'Ivoire, **Kiboko** offshore Kenya and **Linguado** offshore Mozambique. Further, bids were due in March for the 10% interest (of its current 36.5% interest) Anadarko is seeking to sell in Area 1 offshore Mozambique while it has begun the process to sell its holdings offshore Brazil which will likely take until the end of the year.
- **Noble Energy** – Following initial gas output in early April, Tamar volumes offshore Israel will ramp through the year to a gross capacity of 1.0 Bcf/d in the summer peak demand season. Meanwhile, Tamar output along with the start-up of Alen offshore Equatorial Guinea in Q3'13, and a full year of output from the deepwater Gulf of Mexico Galapagos field and continued production ramp-up in the DJ Basin and the Marcellus shale should drive 16-18% (20% "organic") production growth this year. On the exploration slate, results from

several exploration/appraisal prospects are forthcoming in H2'13 including Cyprus in June, the deepwater Gulf of Mexico Troubadour prospect and another deepwater Gulf prospect in Q3/Q4, Paraiso offshore Nicaragua in Q3'13 and its Northeast Nevada tight oil play by year end.

- **Marathon Oil** – Bumped up full-year production guidance with Q1'13 earnings (see our May 8<sup>th</sup> [note](#)) due to better results out of the Bakken shale and Norwegian North Sea. Meanwhile, we view its Eagle Ford shale production guidance as quite conservative given that the move to pad drilling is ahead of schedule, efficiencies are improving and well costs are falling. Further, MRO is currently participating in 8 exploration or appraisal wells around the globe with 6 more teed up for results before year end.

...While many of the more “Challenged” companies have underperformed our E&P index this year and include KWK, SD, MHR and NFX.

Meanwhile, at the other end of the spectrum, many companies that underperformed our market-weighted E&P index, have suffered from disappointing earnings results, operational updates and/or guidance. Among these companies in our coverage group are the following:

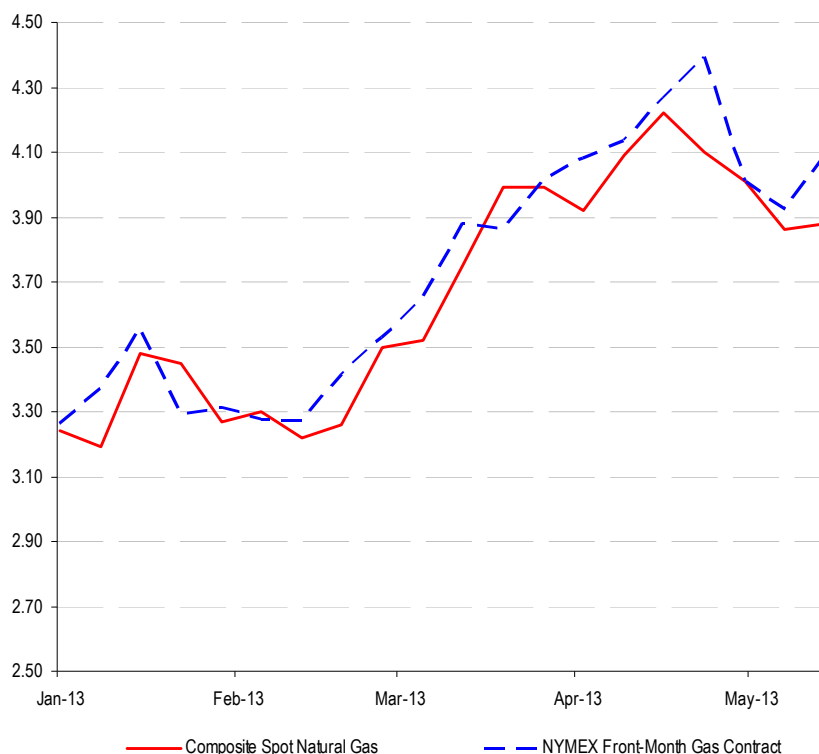
- **Quicksilver Resources** – Reported Q1'13 total production of ~357 MMcfe/d (~83% natural gas) that was below guidance (360-365 MMcfe/d) due to curtailed volumes in the Canadian Horn River Basin. Thus, the company reduced full-year 2013 production guidance to 290-300 MMcfe/d from 360-365 MMcfe/d although the majority of the reduction was due to the 25% sale of its Barnett shale assets (see our March 31<sup>st</sup> [note](#)) along with reduced Horn River volumes. Further, the company amended its combined credit agreements with the global borrowing base redetermined at \$350mm (from \$850mm) which reflects the Barnett transaction.
- **SandRidge** – With a renewed focus on capital discipline, SandRidge lowered its full-year total capex guidance by ~17% to \$1.45bn (-33% yr/yr) with Q1'13 earnings along with a concurrent ~4% reduction in its 2013 production guidance (see our May 9<sup>th</sup> [note](#)). Meanwhile, with the [Permian sale](#) closed in February, the company ended Q1'13 with total liquidity of \$2.1bn (cash + undrawn revolver), which should largely cover projected funding gaps of \$1.1bn in 2013 and \$1.2bn in 2014 (post dividends, trust distributions and P&A). Although it does not see an “immediate need”, management noted it still has a few potential sales up its sleeve, including: 1) JV/sale of its KS Miss Lime acreage, 2) saltwater disposal business and 3) royalty trust units to cover potential funding shortfalls.
- **Magnum Hunter** – Has experienced internal accounting issues including the delay of company filings (see our March 18<sup>th</sup> [note](#)).
- **Newfield** – Is in the midst of a strategic repositioning as the company has opened a data room for the sale of its international assets (Malaysia and China) and indicated that the response has been “better than expected” so far (see our May 15<sup>th</sup> [note](#)) as it shifts focus to its four core U.S. onshore plays – the Uinta Basin, Cana Woodford, Williston Basin and Eagle Ford shale (see our April 25<sup>th</sup> [note](#)).

## ...While A Rally In Gas Prices Has Benefited E&Ps With Quality Assets & Sufficient Capital

The rally in natural gas prices year-to-date has helped to drive outperformance among some of the more natural gas leveraged names in our coverage group...

The sharp rise in natural gas prices year-to-date (see Figure 2) has helped drive outperformance among some of the more natural gas leveraged companies in our coverage group. Since the beginning of the year, the front-month NYMEX natural gas futures contract has risen nearly ~22% while the composite spot cash price is up ~20% after a much colder-than-normal March (which put the full winter at normal) and April while this summer is once again expected to be warmer than normal. Thus, several of the more natural gas-levered names have benefited from the rebound in natural gas prices and are among the top performers year to date including **Cabot**, **Ultra Petroleum**, **Chesapeake** and **Range Resources**.

Figure 2. Composite Spot and NYMEX Front-Month Natural Gas Contract Performance YTD



Source: Bloomberg, Natural Gas Week, Citi Research

Meanwhile, our 2013 natural gas price forecast remains at \$3.80/MMBtu and our 2014 forecast is \$4.35/MMBtu.

At the conclusion of this past winter, we had forecast composite spot natural gas prices would average \$3.80/MMBtu for the full year (see our April 1<sup>st</sup> note: [E&P Sector Update As Winter Wraps Up - '13 Natural Gas Price Upped to \\$3.80/MMBtu; '14 To \\$4.35/MMBtu](#)). However, we would note that this assumed normal weather going forward while, as already noted, April was much colder than normal while another hotter-than-normal summer is forecast (see our May 9<sup>th</sup> [note](#)). Our 2014 composite spot natural gas price forecast is still \$4.35/MMBtu, for 2015 is \$4.75/MMBtu and for 2016 is \$5.10/MMBtu (see Figure 3).

Figure 3. Historical, Projected and Consensus Commodity Prices

	Citi Research			Street Consensus*		
	WTI Oil (\$/Bbl.)	Brent Oil (\$/Bbl.)	Natural gas (\$/MMBtu)	WTI Oil (\$/Bbl.)	Brent Oil (\$/Bbl.)	Natural Gas (\$/MMBtu)
2005	\$56.44	\$54.36	\$8.35			
2006	\$66.11	\$65.52	\$6.42			
2007	\$72.35	\$73.17	\$6.64			
2008	\$99.69	\$98.07	\$8.36			
2009	\$61.77	\$61.76	\$3.78			
2010	\$79.39	\$80.00	\$4.33			
Q1	\$93.79	\$105.63	\$4.19			
Q2	\$102.28	\$116.99	\$4.30			
Q3	\$89.54	\$109.89	\$4.08			
Q4	\$94.06	\$109.03	\$3.27			
2011	<b>\$94.92</b>	<b>\$110.39</b>	<b>\$3.96</b>			
Q1	\$103.61	\$117.86	\$2.40			
Q2	\$93.98	\$108.12	\$2.25			
Q3	\$92.16	\$108.39	\$2.84			
Q4	\$88.17	\$110.13	\$3.37			
2012	<b>\$94.48</b>	<b>\$111.13</b>	<b>\$2.72</b>			
Q1	\$94.37	\$112.40	\$3.47			
Q2E	\$85.00	\$100.00	\$3.75	\$93.00	\$106.35	\$3.85
Q3E	\$90.00	\$105.00	\$3.85	\$95.00	\$110.00	\$3.80
Q4E	\$90.00	\$100.00	\$4.10	\$98.00	\$110.00	\$4.00
2013E**	<b>\$89.84</b>	<b>\$104.35</b>	<b>\$3.80</b>	<b>\$95.00</b>	<b>\$110.00</b>	<b>\$3.80</b>
2014E**	<b>\$83.00</b>	<b>\$93.00</b>	<b>\$4.35</b>	<b>\$98.50</b>	<b>\$109.50</b>	<b>\$4.20</b>
2015E**	<b>\$81.00</b>	<b>\$88.00</b>	<b>\$4.75</b>	<b>\$105.00</b>	<b>\$110.00</b>	<b>\$4.50</b>
2016E**	<b>\$80.00</b>	<b>\$85.00</b>	<b>\$5.10</b>	<b>\$105.00</b>	<b>\$110.00</b>	<b>\$4.75</b>
2017E+**	<b>\$81.00</b>	<b>\$85.00</b>	<b>\$5.25</b>	NA	NA	NA

\* Bloomberg Commodity Price consensus forecasts as of 05/21/13

\*\* Our natural gas price forecast differs from Citi Commodities Team's forecast due to our lower outlook for U.S. power demand and higher coal-to-gas switching.

Source: Citi Research, Bloomberg

## The E&P Industry Is Transitioning From *Exploration Mode To Exploitation Mode...*

With “not many stones left unturned” onshore North America, E&P companies are moving from *exploration mode* to *exploitation mode*...

Over the last few years, the U.S. shale revolution has dominated E&P company activity and investor attention and, due to the breakthroughs in horizontal drilling and fracture technology to unlock shale and unconventional reserves, onshore North America has become “crowded.” At this stage there are “not many stones left unturned” with most of the potential resource bearing acreage having been locked up or looked at. At the same time, nothing along the international front, apart from deepwater exploration offshore Africa or Brazil, which is limited to a handful of companies, appears to hold much promise for unlocking vast oil and gas reserves. This has created a dearth of opportunities for those companies that have not already locked up a deep inventory of drillable acreage or development projects. And we foresee the prospects for those that have to find new investable assets beyond the next five-to-ten years as more challenging than at any point over the past two decades. The implications of moving from *exploration mode* to *exploitation mode* are twofold.

...Which suggests that a deep inventory of investable assets is ever more critical in light of CF/DAS growth and RRE continuing to be the key drivers of relative share price performance...

First, with a growing portion of E&P companies’ capital budgets re-allocated from exploration and acreage accumulation to development, the quality of existing resource bases and the ability to efficiently and economically develop them should be the focus this year and going forward, in our view. Nearly every company can grow production and reserves if provided with unlimited funding irrespective of economic returns. But more important is whether they already have in hand a deep inventory to invest capital and can grow reserves and production profitably. Thus, we think that ‘debt adjusted’ metrics such as cash flow per debt-adjusted share growth and weighted production per



...While many companies are set to become free cash flow positive in coming years due, in part, to less spending on resource acquisition.

debt-adjusted share growth will continue to be the primary drivers of relative share performance, along with Reserve Replacement Efficiency (as described in detail below).

Second, many companies are set to become free cash flow positive over the next few years due in part to less spending on resource acquisition as the industry transitions from capturing new acreage to developing existing leasehold. Thus, as highlighted by many management teams during our recent Citi Global Energy Conference (see our May 15<sup>th</sup> [note](#)), many companies are now faced with a situation of deciding how to allocate excess cash. The top priority for companies including **Cabot**, **Chesapeake**, **EOG**, and **Pioneer** is to further accelerate development in key plays which generate the highest rates of return and represent the most efficient use of capital. A second priority for many is to return capital to shareholders via increased or special dividends (**Anadarko**, **Canadian Natural Resources**, **Denbury**, **Devon**) or even share buybacks (**Canadian Natural Resources**, **Devon**).

## ...And Companies Are Seeking to “Squeeze More” From Existing Assets

As noted at our recent Citi Global Energy Conference, companies continue to realize efficiency gains in key plays via faster drilling times, pad drilling, longer laterals, tighter downspacing and/or better completion techniques...

One of the most prevalent themes from our recent Citi Global Energy Conference was the focus on “squeezing more” from existing plays (see our May 14<sup>th</sup> [note](#)). Nearly every company at the conference noted continued efficiency gains in key plays whether it was faster drilling times, pad drilling, longer laterals, tighter downspacing or better completion techniques. For example, **Pioneer** noted it is testing 100 acre spacing in the southern portion of the Permian Wolfcamp (vs. 140 acre previously) and plans to eventually test 70 acre spacing and below in the play while **Devon** is utilizing advanced completion techniques and 3D seismic while spending just ~\$200mm to strengthen its existing positions versus \$1.2bn allocated to new acreage acquisitions last year. Also, **Range Resources** noted continued improvements in drilling and completion results in the Marcellus shale which help underscore its long line of sight on 20-25% per annum total company production growth. Further, the company is drilling wells with ‘moderate’ lateral lengths in order to move on to other areas to hold its acreage which could make its already expansive resource base (6.5 Tcfe of proved reserves and 48-68 Tcfe of resource potential) conservative with further upside using longer laterals, reduced cluster spacing (RCS) and better completion techniques. Thus, companies are now primarily seeking to optimize their current asset base as opposed to identifying new resource plays or alluding to “stealth” plays.

...While many companies are also realizing cost reductions on both the G&A and oil field services fronts.

Further, companies noted cost reductions both on the G&A and oil field services fronts. Oil field services costs are trending downwards as a result of increased service availability including in the Permian (**Devon**, **Pioneer**) and DJ Basin (**Anadarko**, **Noble**). In addition, **Encana** is targeting \$100-150mm in annual G&A cost reductions, and also hopes to realize a ~10% improvement in capital and operating efficiencies. At the same time, **Cabot** recently announced the use of natural gas to fracture wells via dual fuel technology (where engines operate on a mixture of natural gas and a small portion of diesel) as the process of using natural gas can displace ~70% of the diesel fuel traditionally used to operate fracturing equipment and can be a less expensive fuel option as compared to diesel.



## Debt-Adjusted Metrics Should Continue To Drive E&P Share Price Performance

We believe that cash flow per debt adjusted share (CF/DAS) growth, weighted production per debt adjusted share (P/DAS) growth and Reserve Replacement Efficiency (RRE) are the three most important metrics for investors to consider...

...And that going forward, companies that have the inventory already in hand to sustainably post above average CF/DAS growth and RRE will post the best relative share performance...

As highlighted in our [2013 E&P Sector Outlook](#), we believe that *cash flow per debt adjusted share (CF/DAS) growth*, *weighted production per debt adjusted share (P/DAS) growth* and *Reserve Replacement Efficiency (RRE)* are the three most important metrics for investors to consider when analyzing E&P companies. Further, we would note that in covering the E&P sector over the past 20 years we have found RRE (a metric we originally formulated in 1994) to be an accurate measure of profitability and relative propensity for growth, with companies that post an above average RRE and strong production growth tending to garner a higher valuation and still outperform their peers. We use RRE to evaluate the capital efficiency with which a company grows reserves and we define it as after-tax operating cash flow (that is cash flow before changes in working capital items) per barrel of oil equivalent (BOE) produced divided by a company's fully-loaded finding and development (F&D) cost per BOE for proven reserves. Thus, this implies that an RRE of 1.0x means each BOE produced generates enough cash to find one new BOE in the ground, fully replacing the produced BOE, assuming the same F&D cost. Importantly, CF/DAS is effectively a combination of RRE and production growth as one would expect companies that generate enough after-tax discretionary cash flow to replace and add new reserves at an above-average rate (RRE) while growing production at a faster pace to generate above-average CF/DAS.

Thus, going forward we believe E&P company-specific performance within the sector will be driven by CF/DAS, P/DAS and RRE, with the market making more of a distinction between companies within the sector on these metrics combined with companies' quality of inventory to be able to continue to reinvest capital and thus are positioned to sustain above-average performance on these metrics longer term. We would also note that, as highlighted at our recent Citi Energy Conference (see our May 15<sup>th</sup> [note](#)), CF/DAS growth is being recognized as a key industry metric with companies including **Cabot**, **Devon** and **Range Resources** focusing on CF/DAS growth along with other debt-adjusted metrics when benchmarking themselves versus peers.

■ **CF/DAS Growth and Share Price Performance** – Over the past three years (2009-2012), CF/DAS growth has demonstrated the strongest correlation to E&P share price performance and we believe it is the most important metric for investors to focus on going forward. We contend that a company that can increase cash flow at a faster rate than its equity or debt outstanding should command a valuation premium. Thus, we use the historic three-year correlation for our coverage group and apply it to our forward looking three year cash flow projections to identify which companies appear best positioned to grow CF/DAS and, thus, drive better relative share price appreciation. We project CF/DAS will increase by ~7%, on average, for our group through 2015. See Figure 4 below for our 2012-2015E CF/DAS CAGR projections for our coverage group.

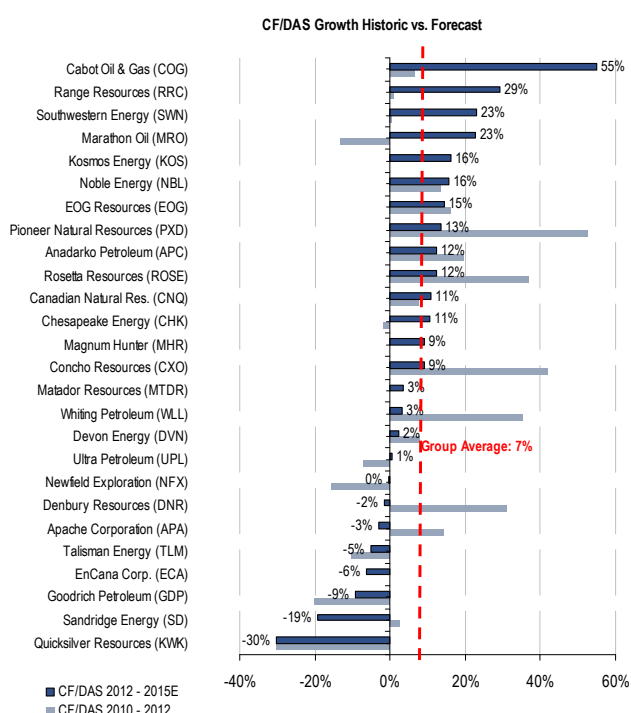
■ **Weighted P/DAS Growth and Share Price Performance** – As many E&P companies are now able to grow production by simply ramping up spending, we continue to look at production growth on a per debt adjusted share (P/DAS) basis as it adjusts for financing achieved via share issuances/repurchases and debt issuances/buy-backs. Further, we adjust for the recent commodity price divergence by adjusting the oil-to-gas conversion ratio to a more representative ratio of 21:1 as opposed to the standard 6:1 oil-to-gas ratio. Thus, we use the historic three-year correlation for our coverage group adjusting for disparity in oil and natural gas prices and apply it to our forward looking three year production projections (also using a 21:1 ratio going forward based on our commodity price projections) to identify which companies appear best positioned to grow weighted

P/DAS and drive share price appreciation. Based on this 'energy weighted' basis, we project P/DAS will also grow by ~7% per annum, on average, for our coverage group through 2015. See Figure 5 below for our 'energy weighted' 2012-2015E CF/DAS CAGR projections.

...And project that COG, RRC, SWN, MRO, NBL, EOG, PXD and APC are best positioned to outperform going forward.

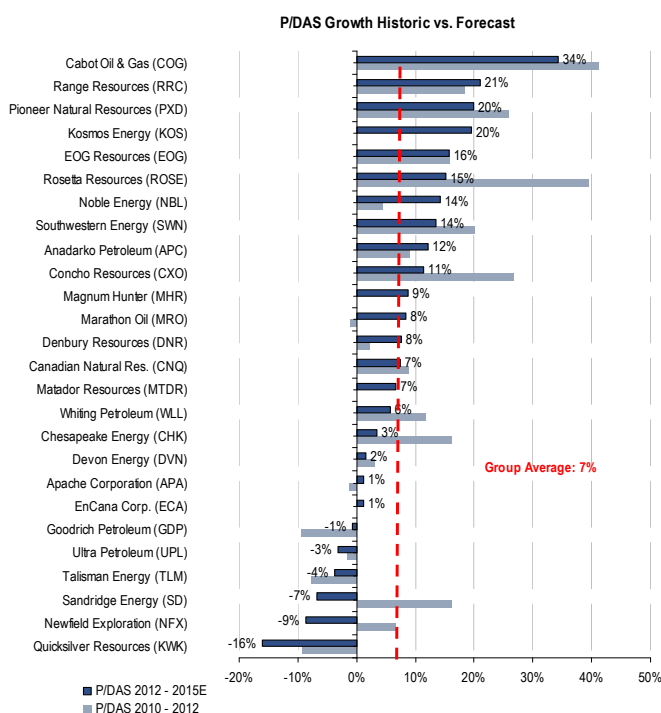
The results for each company in our coverage group are included in the following pages. Based on our methodology, we believe that those companies that have demonstrated the ability to reinvest capital with solid returns while growing cash flow per share and who have the inventory to continue to do so will be the leading performers again over the remainder of 2013. Near the top of this list are **Cabot, Range Resources, Southwestern, Marathon, Noble, EOG, Pioneer** and **Anadarko**.

Figure 4. CF/DAS CAGR Historic vs. Forecast (2012-2015)



Source: Citi Research

Figure 5. 'Energy Weighted' (21:1) P/DAS CAGR Historic vs. Forecast (2012-2015)



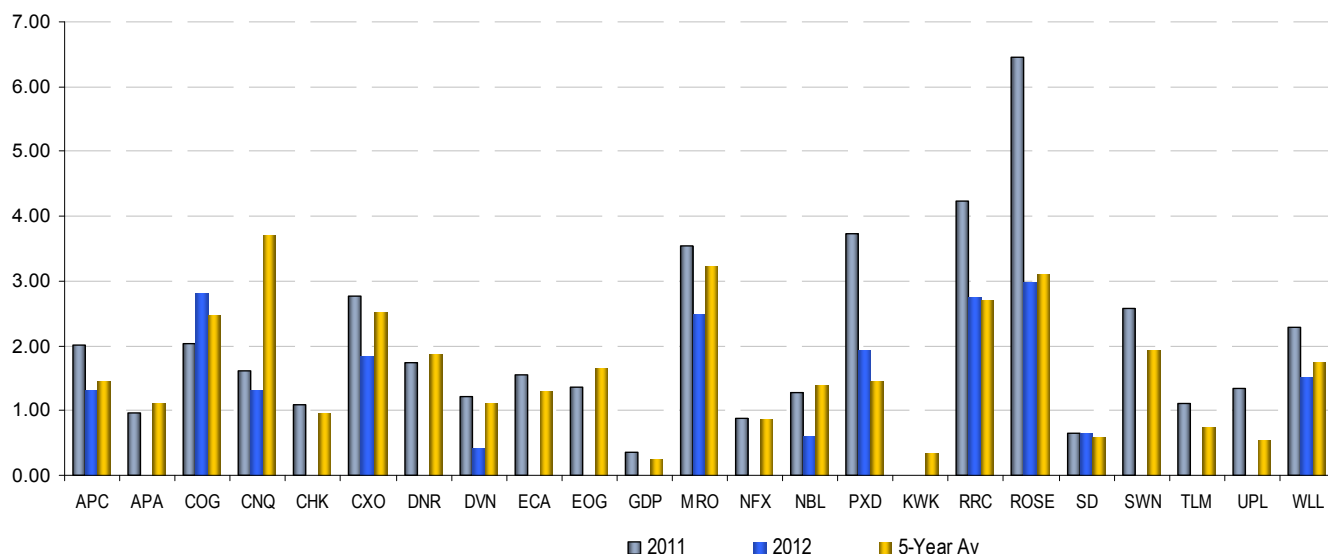
Source: Citi Research

## Reserve Replacement Efficiency (RRE)

RRE measures the efficiency with which a producer grows reserves and companies that have demonstrated a consistent ability to grow cash flows at a faster rate with the same BOE of input have been rewarded with better-than-average share price performance.

RRE is our long-held measure of profitability and relative propensity for growth and is defined as after-tax discretionary cash flow (i.e. cash flow before changes in working capital items) per barrel of oil equivalent (BOE) produced divided by the fully loaded finding and development (F&D) cost per BOE of proven reserves added. We use RRE measure to evaluate the efficiency with which a company grows reserves, with a figure of 1.0x implying that each BOE produced generates enough cash to find one new BOE in the ground, fully replacing the produced BOE, assuming the same F&D cost. As illustrated in Figure 6 below, in recent years producers including **Cabot, Concho, Marathon, Range, and Rosetta** have demonstrated a consistent ability to grow cash flows at a better-than-average pace with the same barrel of input, in turn leading to better stock performance. On the other hand, **Apache, SandRidge, Goodrich, Quicksilver, Newfield, Chesapeake** and **Talisman** have seen their RRE figures lag the group average, often leading to share underperformance.

Figure 6. E&P Coverage Group 2011, 2012 and 5-Year Average Reserve Replacement Efficiency (RRE)

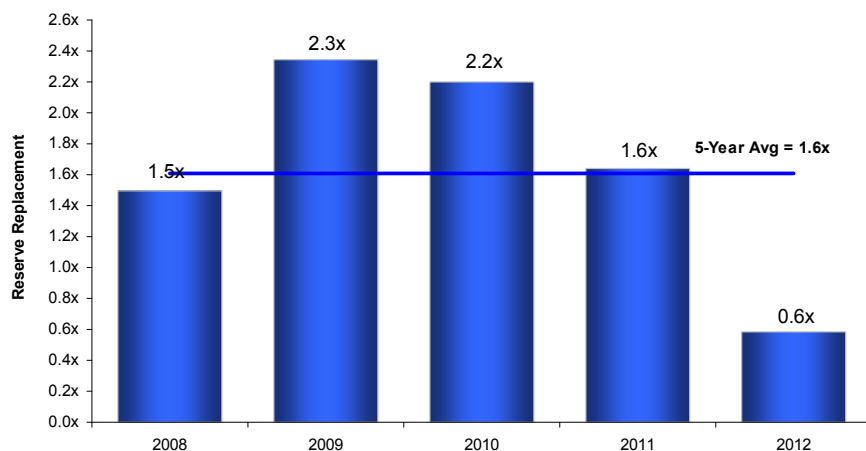


Source: Company Reports, Citi Research

Note: Not meaningful RRE figures excluded

Importantly, as described in our [2012 Finding and Development Cost Study](#), our study group of 48 independents posted a reserve replacement efficiency ratio of 0.6x last year (the group's cash flow was \$25.36/BOE, while its aggregate fully-loaded F&D cost was \$44.17/BOE). In other words, if this group was to continue to exhibit the same operating and finding cost characteristics as it did in 2012 and commodity prices remained constant, then for every barrel equivalent produced, it would be able to replace each BOE with just 0.6 new proven BOE's if 100% of after-tax operating cash flow was reinvested at the same F&D cost. This compares with a reserve replacement efficiency ratio of 1.6x in 2011 and a five-year average of 1.6x (see Figure 7).

Figure 7. Reserve Replacement Efficiency Ratio, Independents



Source: Company Reports and Citi Research Estimates

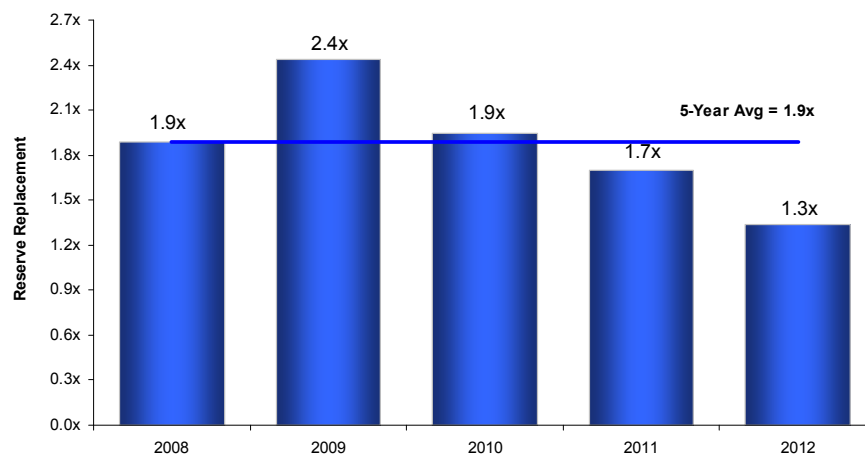
Our coverage group's RRE ratio, or our long-held measure of profitability and relative propensity for growth, dropped well below the five-year average in 2012...

...Although excluding revisions, the independent's RRE ratio would have been 1.3x last year...

However, a sharp rebound in natural gas prices this year, or in the future, is likely to result in positive natural gas proven reserve revisions. Thus, the sharp drop in natural gas prices last year likely skewed our economic return measure for this group if indeed natural gas prices don't retreat to near these levels again at any point in the near future. Excluding revisions, the RRE ratio for our 48-company independent study group would be 1.3x versus 1.7x in 2011 and the five year average of 1.9x (see Figure 8).

...Down from 1.7x in 2011 and versus the five-year average of 1.9x.

Figure 8. Reserve Replacement Efficiency Ratio, Independents (Excluding Revisions)



Source: Citi Research

Figure 9. E&P Valuation Table

Company	Share Price 5/22/2013	Citi Rating	Target Price	EV/(DACF)	Price/ NAV	MEV/BOE	Reserve / Prod	Production Growth	% Prod N.Amer. Nat Gas	EBITDA/ Fixed Charges	Net Debt/Cap.	Reserve Replac. Eff. <sup>(1)</sup>
				2012E 2013E 2014E				11/12E 12/13E 13/14E	2013	2013	2013E 2014E	2012
Anadarko Petroleum (APC)	91.19	Buy	105.00	7.0x 6.1x 5.4x	90%	21.85	10.2	7.7% 6.6% 6.2%	54%	13.2x	29% 24%	1.3x
Apache Corporation (APA)	85.39	Buy	95.00	4.6x 4.7x 4.6x	66%	16.22	11.0	4.1% 3.5% 6.4%	28%	44.7x	29% 29%	NA
Cabot Oil & Gas (COG)	72.17	Buy	80.00	21.4x 13.0x 8.8x	192%	25.60	16.2	42.3% 44.9% 25.9%	95%	18.1x	26% 19%	2.8x
Chesapeake Energy (CHK)	21.48	Neutral(H)	20.00	5.8x 5.7x 5.1x	57%	14.27	13.6	8.4% (0.5%) 3.2%	73%	4.9x	44% 47%	NA
Cobalt International Energy (CIE)	27.27	Buy(H)	38.00	NA NA NA	NA	NA	NA	NA NA NA	NA	NA	N/A N/A	NA
Concho Resources (CXO)	82.99	Buy	100.00	8.6x 7.8x 7.0x	151%	27.83	16.3	25.6% 16.1% 14.7%	39%	7.0x	51% 48%	1.8x
Denbury Resources (DNR)	19.44	Neutral	18.00	6.1x 7.5x 7.4x	97%	22.86	19.3	9.2% (1.2%) 14.4%	6%	19.3x	32% 32%	NA
Devon Energy (DVN)	60.39	Neutral	55.00	6.1x 5.9x 5.9x	126%	10.13	12.5	3.7% 1.2% 4.7%	56%	11.9x	21% 21%	0.4x
EOG Resources (EOG)	133.52	Buy	155.00	6.9x 6.2x 5.7x	116%	22.92	13.3	10.3% 7.6% 10.2%	32%	29.5x	29% 30%	NA
Goodrich Petroleum (GDP)	13.70	Neutral	16.00	6.3x 7.8x 7.0x	NM	22.14	12.5	(21.7%) (9.1%) 18.9%	67%	2.6x	93% 102%	NA
Kosmos Energy (KOS)	10.81	Buy	15.00	12.3x 7.4x 7.3x	154%	83.46	NA	NA 51.4% 17.0%	0%	16.4x	48% 51%	NA
Magnum Hunter (MHR)	3.46	Buy	5.00	8.6x 5.6x 5.8x	77%	30.03	27.6	140.6% 26.9% 15.9%	43%	2.0x	38% 42%	NA
Marathon Oil (MRO)	36.15	Buy	42.00	9.1x 5.2x 5.2x	129%	16.57	13.6	19.1% 7.6% 5.7%	12%	33.3x	16% 16%	2.5x
Matador Resources (MTDR)	9.55	Neutral (H)	10.00	6.4x 5.6x 5.5x	116%	34.79	8.3	27.9% 15.8% 22.2%	51%	17.5x	50% 55%	NA
Newfield Exploration (NFX)	25.43	Neutral	25.00	5.0x 4.8x 5.5x	99%	12.16	13.3	(0.5%) (17.8%) (7.2%)	43%	7.6x	50% 51%	NA
Noble Energy (NBL)	121.08	Buy	130.00	8.3x 6.9x 5.9x	99%	21.29	15.6	12.4% 17.0% 16.8%	27%	15.0x	31% 27%	0.6x
Occidental Petroleum (OXY)*	92.32	Neutral	82.00	7.0x 7.5x 7.3x	114%	22.47	12.7	5.8% 3.1% 3.0%	59%	67.8x	9% 9%	1.5x
Pioneer Natural Resources (PXD)	146.36	Buy	148.00	11.5x 9.6x 8.5x	115%	21.83	25.0	28.5% 13.9% 14.9%	35%	10.9x	32% 33%	1.1x
Quicksilver Resources (KWK)	2.32	Neutral	2.00	6.4x 6.9x 7.1x	232%	9.95	18.5	(12.7%) (18.5%) (4.7%)	79%	1.6x	333% 283%	NA
Range Resources (RRC)	78.75	Buy	95.00	17.3x 14.7x 11.1x	132%	14.74	28.0	35.9% 25.3% 22.5%	78%	6.4x	59% 58%	2.7x
Rosetta Resources (ROSE)	49.20	Buy	55.00	8.1x 6.7x 5.9x	89%	17.61	16.0	34.6% 42.1% 26.0%	37%	20.6x	48% 48%	3.0x
SandRidge Energy (SD)	5.22	Neutral	5.25	6.0x 5.9x 7.0x	104%	13.61	20.1	43.1% (3.3%) 3.7%	53%	2.5x	55% 65%	0.7x
Southwestern Energy (SWN)	39.18	Buy	46.00	9.8x 8.3x 6.9x	141%	22.99	11.8	12.7% 12.7% 10.5%	100%	20.6x	33% 28%	NA
Ultra Petroleum (UPL)	23.31	Neutral	18.25	6.8x 9.3x 7.6x	205%	11.38	20.3	4.5% (9.6%) 3.7%	97%	6.4x	124% 101%	NA
Whiting Petroleum (WLL)	46.89	Buy	52.00	5.1x 4.7x 4.0x	65%	20.01	13.9	21.6% 13.7% 12.6%	12%	19.6x	39% 38%	1.5x
U.S. Group Average (Ex Hi-Lo)				7.9x 7.0x 6.5x	118%	\$22.36	15.9	9.8% 5.8% 7.7%	49%	15.0x	44% 44%	1.7x
Canadian Natural Res. (CNQ)	31.02	Buy	37.00	6.8x 6.3x 5.6x	87%	10.80	18.4	9.7% 5.3% 9.2%	27%	26.2x	31% 30%	1.3x
EnCana Corp. (ECA)	19.54	Neutral	20.00	4.5x 6.3x 5.9x	160%	10.66	10.7	(8.6%) 1.4% 5.8%	90%	5.2x	50% 54%	NA
Talisman Energy (TLM)	11.85	Neutral	12.50	5.1x 6.1x 5.7x	99%	18.36	8.0	0.1% (9.1%) 1.4%	36%	10.3x	34% 37%	NA
Canadian E&P Average				5.4x 6.2x 5.7x	115%	\$13.27	12.4	0.4% 1.9% 5.7%	51%	13.9x	38% 40%	1.3x
US & Canadian Average (Ex Hi-Lo)				7.6x 6.9x 6.4x	118%	\$19.32	15.6	7.7% 5.1% 7.5%	49%	14.9x	44% 43%	1.6x

Source: Citi Research

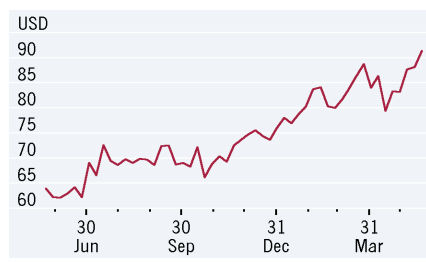
## Company Focus

## Anadarko Petroleum Corp (APC)

### Company Update

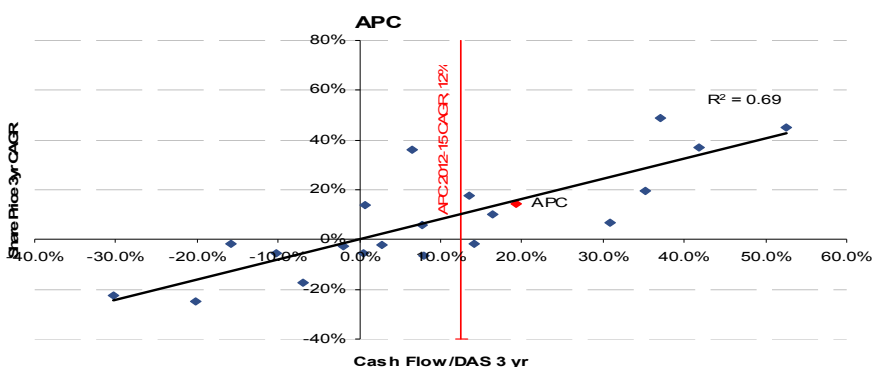
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$89.21
Target price	US\$105.00
Expected share price return	17.7%
Expected dividend yield	0.4%
<b>Expected total return</b>	<b>18.1%</b>
Market Cap	US\$44,736M

### Price Performance (RIC: APC.N, BB: APC US)



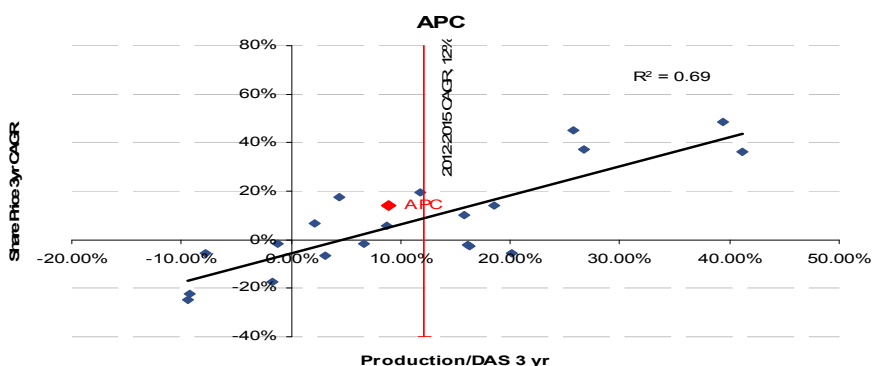
■ **CF/DAS And P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +12% per annum vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +12% per annum vs. a projected group average CAGR of +7%. For the 2009-2012 period, Anadarko posted a CAGR of +19% for CF/DAS, and +9% for P/DAS, while its share price increased at a 14% CAGR.

Figure 10. APC Cash Flow Per Debt Adjusted Share (E&P Group and APC)



Source: Citi Research

Figure 11. APC Production Per Debt Adjusted Share (E&P Group and APC)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.95A	0.85A	0.84A	0.91A	3.54A	3.52A
2013E	1.09A	0.87E	1.15E	1.36E	4.53E	4.22E
Previous	1.09A	0.87E	1.15E	1.36E	4.53E	na
2014E	na	na	na	na	5.21E	5.37E
Previous	na	na	na	na	5.21E	na
2015E	na	na	na	na	5.27E	5.70E
Previous	na	na	na	na	5.27E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

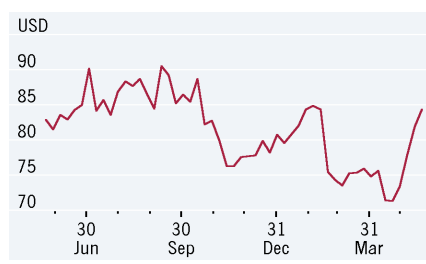
## Company Focus

## Apache Corp (APA)

### Company Update

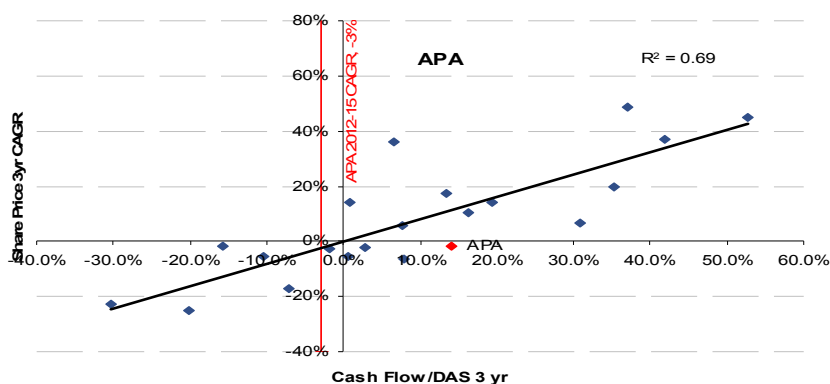
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$83.37
Target price	US\$95.00
Expected share price return	13.9%
Expected dividend yield	1.0%
<b>Expected total return</b>	<b>14.9%</b>
Market Cap	US\$32,669M

### Price Performance (RIC: APA.N, BB: APA US)



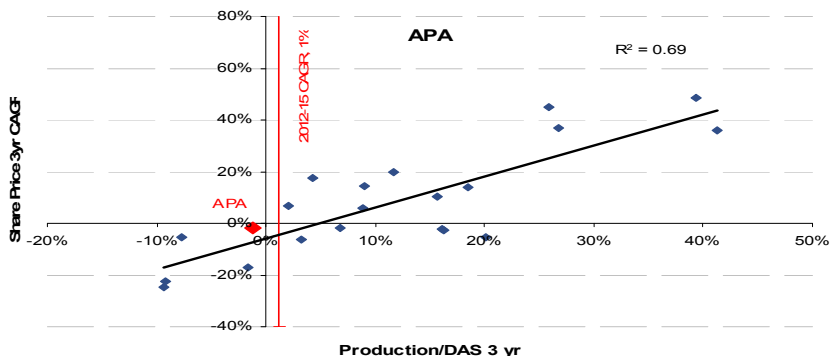
■ **CF/DAS And P/DAS Outlook:** We project a 2012-2015 CF/DAS decline of -3% per annum vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +1% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Apache posted a CAGR of +13% for CF/DAS, and -1% for P/DAS, while its share price declined at a -2% CAGR.

Figure 12. APA Cash Flow Per Debt Adjusted Shares (E&P Group and APA)



Source: Citi Research

Figure 13. APA 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and APA)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	3.00A	2.07A	2.16A	2.27A	9.51A	9.48A
2013E	1.98A	1.75E	2.08E	2.11E	7.92E	8.62E
Previous	1.98A	1.75E	2.08E	2.11E	7.92E	na
2014E	na	na	na	na	7.70E	9.55E
Previous	na	na	na	na	7.70E	na
2015E	na	na	na	na	7.78E	9.50E
Previous	na	na	na	na	7.78E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## Cabot Oil & Gas Corp (COG)

### Company Update

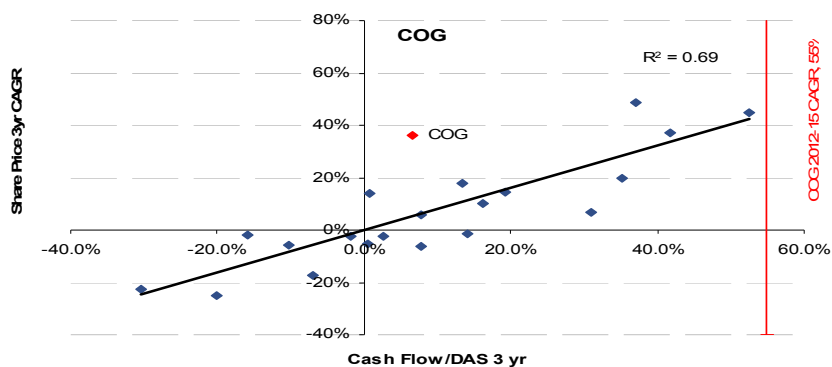
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$70.57
Target price	US\$80.00
Expected share price return	13.4%
Expected dividend yield	0.2%
<b>Expected total return</b>	<b>13.5%</b>
Market Cap	US\$14,873M

### Price Performance (RIC: COG.N, BB: COG US)



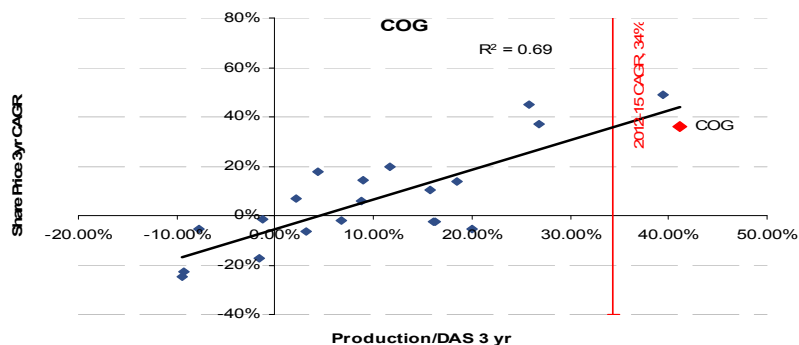
■ **CF/DAS And P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +55% per annum vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +34% per annum vs. a projected group average CAGR of +7%. For the 2009-2012 period, Cabot posted a CAGR of +7% for CF/DAS, and +41% for P/DAS, while its share price increased at a +36% CAGR.

Figure 14. COG Cash Flow Per Debt Adjusted Shares (E&P Group and COG)



Source: Citi Research

Figure 15. COG 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and COG)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.14A	0.05A	0.20A	0.27A	0.66A	0.66A
2013E	0.26A	0.37E	0.47E	0.55E	1.65E	1.51E
Previous	0.26A	0.37E	0.47E	0.55E	1.65E	na
2014E	na	na	na	na	2.90E	2.60E
Previous	na	na	na	na	2.90E	na
2015E	na	na	na	na	4.14E	3.72E
Previous	na	na	na	na	4.14E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.



## Company Focus

## Canadian Natural Resources Ltd (CNQ)

### Company Update

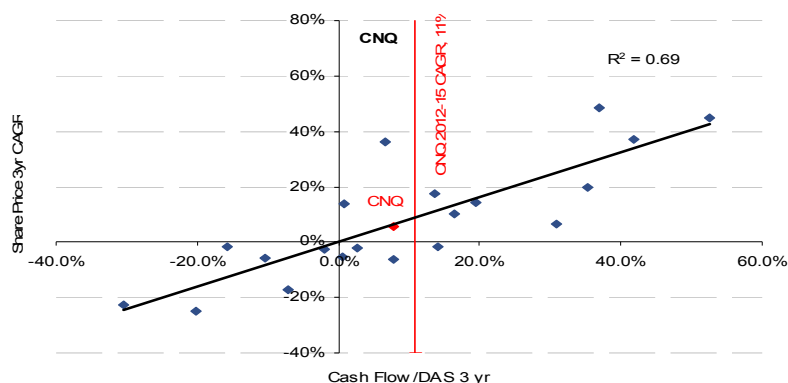
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$30.46
Target price	US\$37.00
Expected share price return	21.5%
Expected dividend yield	1.6%
<b>Expected total return</b>	<b>23.1%</b>
Market Cap	US\$33,212M

### Price Performance (RIC: CNQ.N, BB: CNQ US)



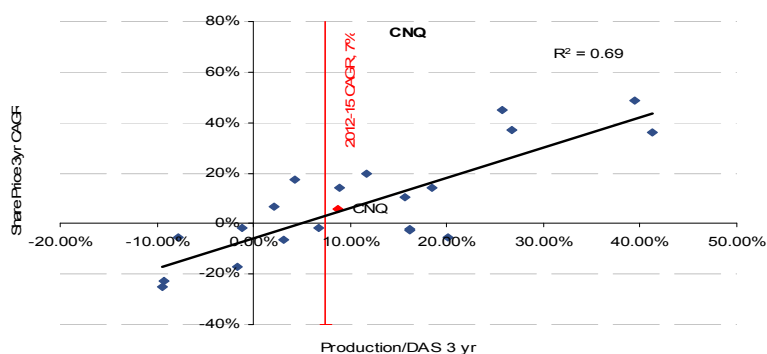
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +11% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +7% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, CNQ posted a CAGR of +8% for CF/DAS, and +9% for P/DAS, while its share price increased at a +6% CAGR.

Figure 16. CNQ Cash Flow Per Debt Adjusted Shares (E&P Group and CNQ)



Source: Citi Research

Figure 17. CNQ 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and CNQ)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.27A	0.55A	0.33A	0.32A	1.47A	1.47A
2013E	0.37A	0.34E	0.55E	0.53E	1.78E	2.04E
Previous	0.37A	0.34E	0.55E	0.53E	1.78E	na
2014E	na	na	na	na	2.34E	2.67E
Previous	na	na	na	na	2.34E	na
2015E	na	na	na	na	2.93E	2.71E
Previous	na	na	na	na	2.93E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## Chesapeake Energy Corp (CHK)

### Company Update

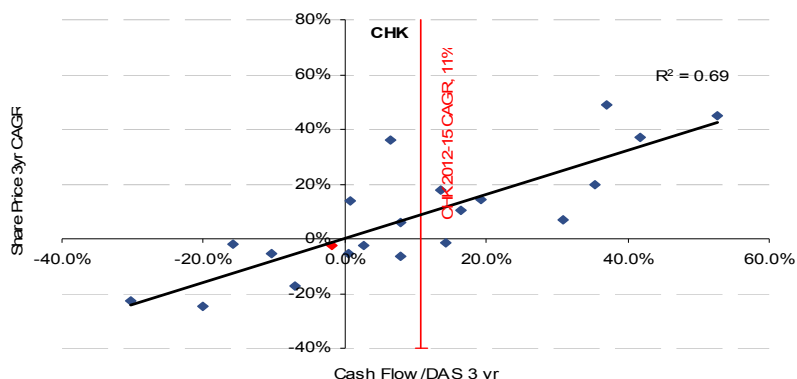
<b>Neutral/High Risk</b>	<b>2H</b>
Price (22 May 13)	US\$21.10
Target price	US\$20.00
Expected share price return	-5.2%
Expected dividend yield	1.4%
<b>Expected total return</b>	<b>-3.8%</b>
Market Cap	US\$14,062M

### Price Performance (RIC: CHK.N, BB: CHK US)



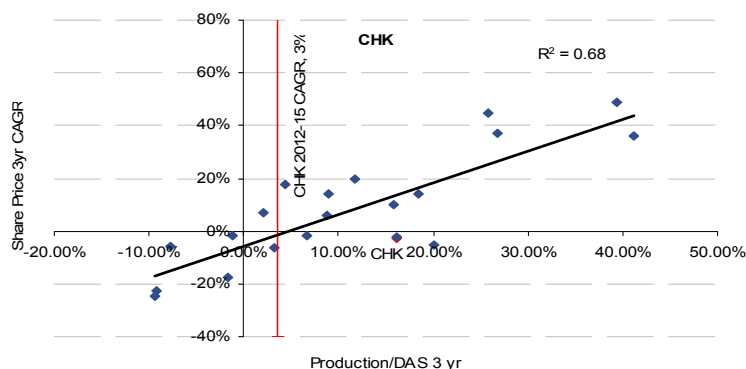
- **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +11% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +3% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Chesapeake posted a CAGR of -2% for CF/DAS, and +16% for P/DAS, while its share price declined at a -3% CAGR.

Figure 18. CHK Cash Flow Per Debt Adjusted Shares (E&P Group and CHK)



Source: Citi Research

Figure 19. CHK 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and CHK)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.18A	0.06A	0.04A	0.26A	0.55A	0.61A
2013E	0.30A	0.40E	0.44E	0.48E	1.62E	1.48E
Previous	0.30A	0.40E	0.44E	0.48E	1.62E	na
2014E	na	na	na	na	2.55E	2.02E
Previous	na	na	na	na	2.55E	na
2015E	na	na	na	na	2.68E	2.39E
Previous	na	na	na	na	2.68E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

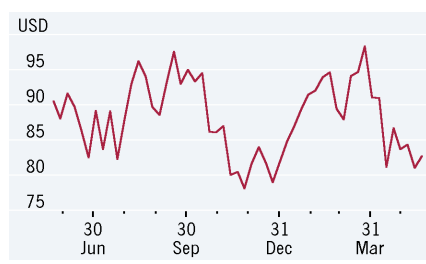
## Company Focus

## Concho Resources Inc (CXO)

### Company Update

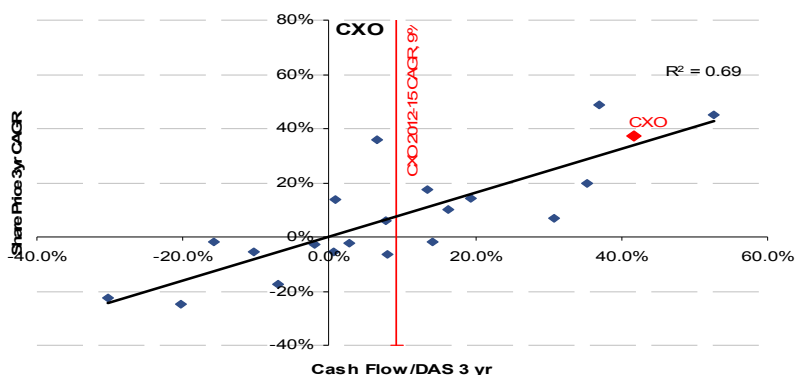
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$81.95
Target price	US\$100.00
Expected share price return	22.0%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>22.0%</b>
Market Cap	US\$8,583M

### Price Performance (RIC: CXO.N, BB: CXO US)



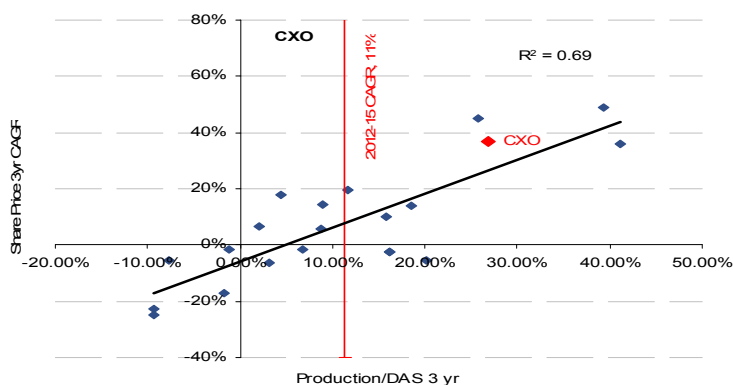
- **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +9% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +11% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Concho posted a CAGR of +42% for CF/DAS, and +27% for P/DAS, while its share price increased at a 37% CAGR.

Figure 20. CXO Cash Flow Per Debt Adjusted Shares (E&P Group and CXO)



Source: Citi Research

Figure 21. CXO 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and CXO)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.05A	0.78A	0.96A	0.96A	3.74A	3.74A
2013E	0.58A	0.95E	1.06E	1.19E	3.78E	3.95E
Previous	0.58A	0.95E	1.06E	1.19E	3.78E	na
2014E	na	na	na	na	4.76E	5.13E
Previous	na	na	na	na	4.76E	na
2015E	na	na	na	na	5.13E	6.40E
Previous	na	na	na	na	5.13E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

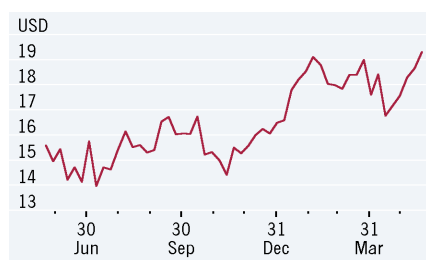
## Company Focus

## Denbury Resources, Inc. (DNR)

### Company Update

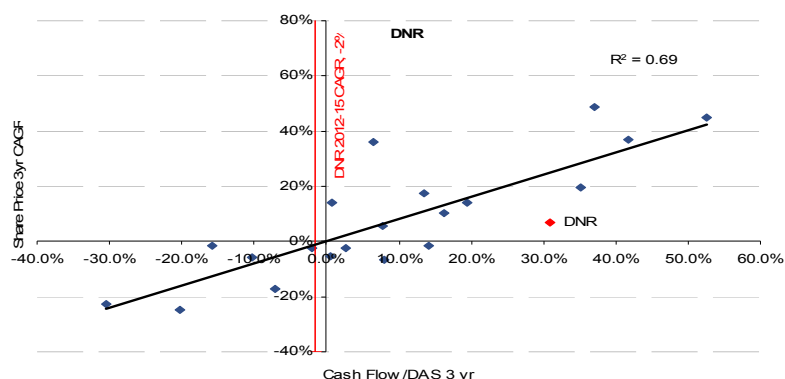
<b>Neutral</b>	<b>2</b>
Price (22 May 13)	US\$18.77
Target price	US\$18.00
Expected share price return	-4.1%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>-4.1%</b>
Market Cap	US\$7,004M

### Price Performance (RIC: DNR.N, BB: DNR US)



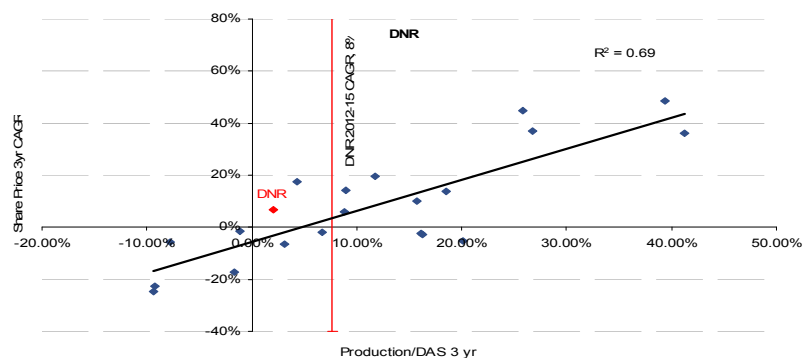
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS decline of -2% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +8% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Denbury posted a CAGR of +31% for CF/DAS, and +2% for P/DAS, while its share price increased at a 7% CAGR.

Figure 22. DNR Cash Flow Per Debt Adjusted Shares (E&P Group and DNR)



Source: Citi Research

Figure 23. DNR 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and DNR)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.41A	0.35A	0.33A	0.36A	1.47A	1.45A
2013E	0.33A	0.30E	0.32E	0.30E	1.26E	1.30E
Previous	0.33A	0.30E	0.32E	0.30E	1.26E	na
2014E	na	na	na	na	1.11E	1.28E
Previous	na	na	na	na	1.11E	na
2015E	na	na	na	na	1.15E	1.20E
Previous	na	na	na	na	1.15E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

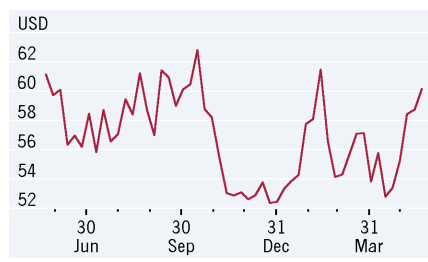
## Company Focus

## Devon Energy Corp (DVN)

### Company Update

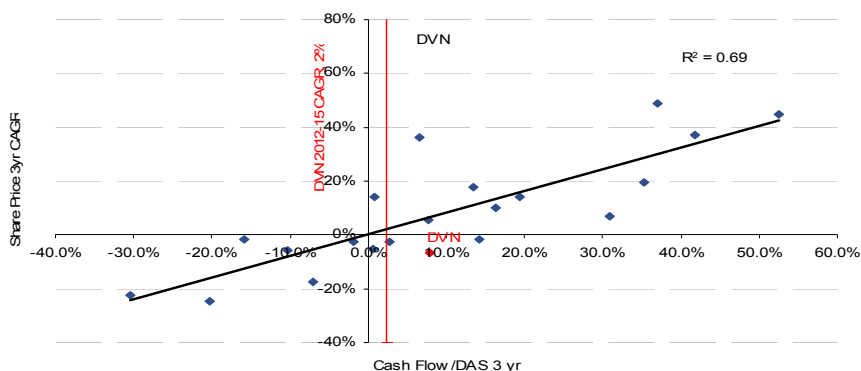
<b>Neutral</b>	<b>2</b>
Price (22 May 13)	US\$59.15
Target price	US\$55.00
Expected share price return	-7.0%
Expected dividend yield	1.4%
<b>Expected total return</b>	<b>-5.7%</b>
Market Cap	US\$24,015M

### Price Performance (RIC: DVN.N, BB: DVN US)



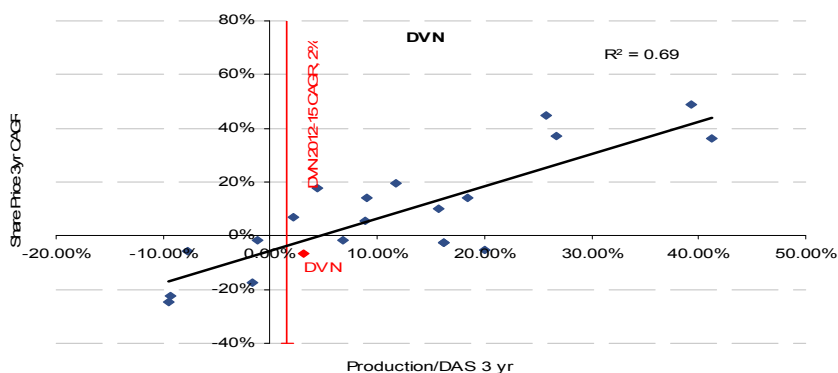
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +2% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +2% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Devon posted a CAGR of +8% for CF/DAS, and +3% for P/DAS, while its share price declined at a -6% CAGR.

Figure 24. DVN Cash Flow Per Debt Adjusted Shares (E&P Group and DVN)



Source: Citi Research

Figure 25. DVN 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and DVN)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.02A	0.55A	0.88A	0.78A	3.28A	3.26A
2013E	0.66A	0.96E	1.08E	1.23E	3.93E	3.72E
Previous	0.66A	0.96E	1.08E	1.23E	3.93E	na
2014E	na	na	na	na	4.13E	5.09E
Previous	na	na	na	na	4.13E	na
2015E	na	na	na	na	5.02E	5.16E
Previous	na	na	na	na	5.02E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

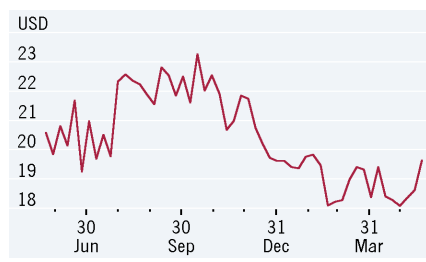
## Company Focus

## EnCana Corp (ECA)

### Company Update

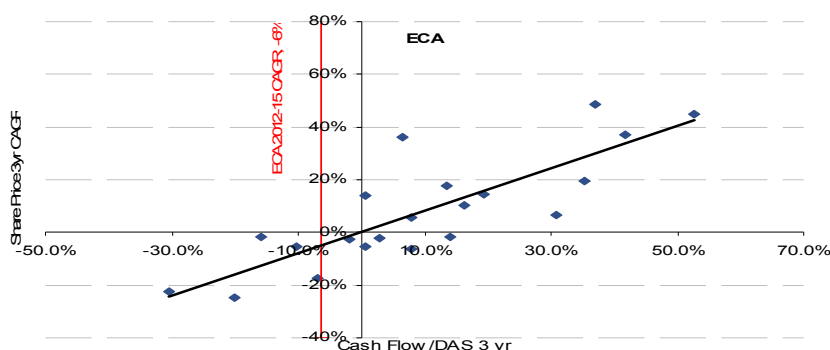
<b>Neutral</b>	<b>2</b>
Price (22 May 13)	US\$19.31
Target price	US\$20.00
Expected share price return	3.6%
Expected dividend yield	4.1%
<b>Expected total return</b>	<b>7.7%</b>
Market Cap	US\$14,202M

### Price Performance (RIC: ECA.N, BB: ECA US)



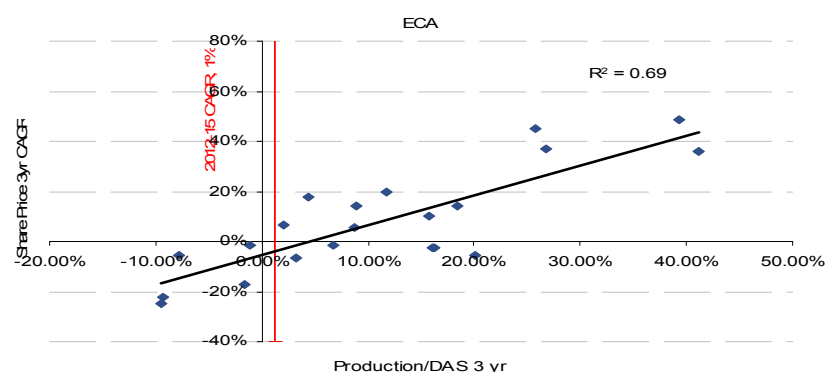
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS decline of -6% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +1% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Encana posted a CAGR of 0% for CF/DAS, and 0% for P/DAS, while its share price declined at a -13% CAGR.

Figure 26. ECA Cash Flow Per Debt Adjusted Shares (E&P Group and ECA)



Source: Citi Research

Figure 27. ECA 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and ECA)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.33A	0.27A	0.36A	0.40A	1.35A	1.35A
2013E	0.24A	0.19E	0.26E	0.31E	1.01E	0.82E
Previous	0.24A	0.19E	0.26E	0.31E	1.01E	na
2014E	na	na	na	na	1.33E	1.22E
Previous	na	na	na	na	1.33E	na
2015E	na	na	na	na	1.68E	1.56E
Previous	na	na	na	na	1.68E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## EOG Resources Inc (EOG)

### Company Update

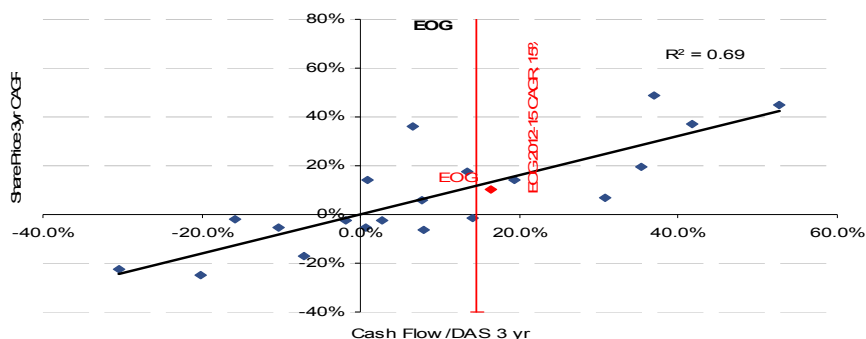
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$130.93
Target price	US\$155.00
Expected share price return	18.4%
Expected dividend yield	0.5%
<b>Expected total return</b>	<b>18.9%</b>
Market Cap	US\$35,623M

### Price Performance (RIC: EOG.N, BB: EOG US)



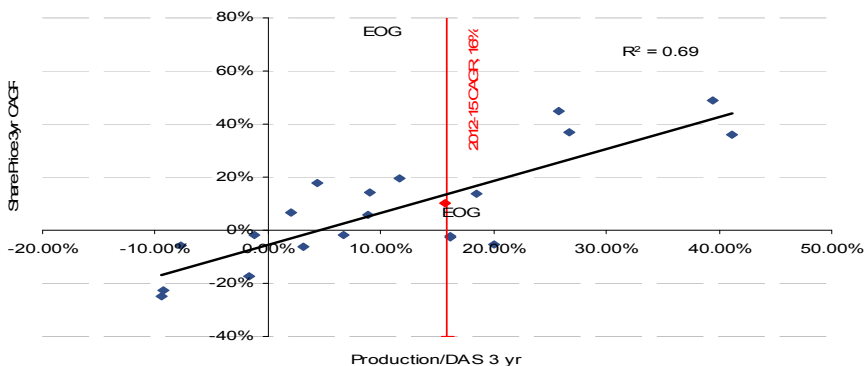
■ **CF/DAS And P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +15% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +16% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, EOG posted a CAGR of +16% for CF/DAS, and +16% for P/DAS, while its share price increased at a +10% CAGR.

Figure 28. EOG Cash Flow Per Debt Adjusted Shares (E&P Group and EOG)



Source: Citi Research

Figure 29. EOG 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and EOG)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.17A	1.16A	1.73A	1.61A	2.10A	5.67A
2013E	1.80A	1.46E	1.53E	1.65E	6.46E	6.63E
Previous	1.80A	1.46E	1.53E	1.65E	6.46E	na
2014E	na	na	na	na	7.33E	8.04E
Previous	na	na	na	na	7.33E	na
2015E	na	na	na	na	9.71E	9.04E
Previous	na	na	na	na	9.71E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.



## Company Focus

## Goodrich Petroleum Corp (GDP)

### Company Update

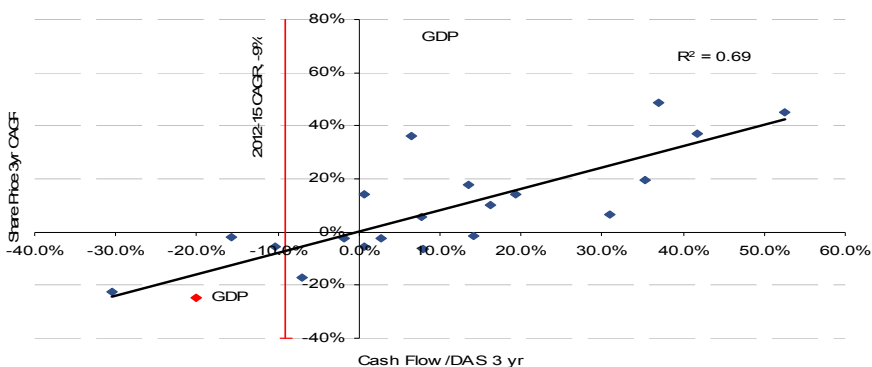
<b>Neutral</b>	<b>2</b>
Price (22 May 13)	US\$13.18
Target price	US\$16.00
Expected share price return	21.4%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>21.4%</b>
Market Cap	US\$485M

### Price Performance (RIC: GDP.N, BB: GDP US)



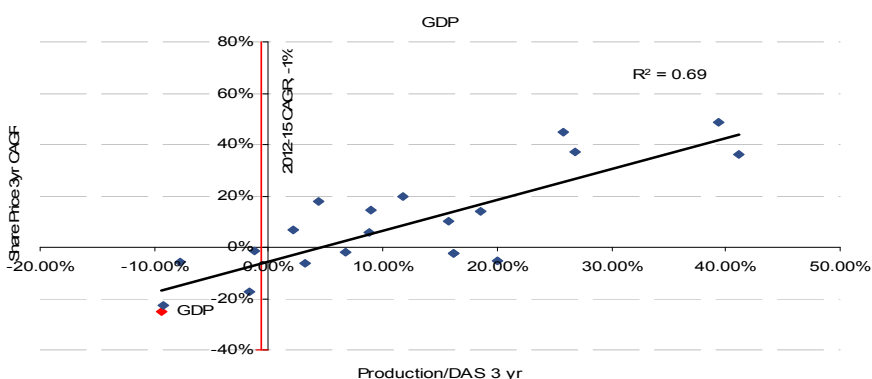
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS decline of -9% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS decline of -1% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Goodrich posted a CAGR of -20% for CF/DAS, and -9% for P/DAS, while its share price declined at a -25% CAGR.

Figure 30. GDP Cash Flow Per Debt Adjusted Shares (E&P Group and GDP)



Source: Citi Research

Figure 31. GDP 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and GDP)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
<b>2012A</b>	-0.28A	-0.21A	-0.23A	-0.19A	-0.90A	-0.90A
<b>2013E</b>	-0.76A	-0.58E	-0.54E	-0.47E	-2.38E	-2.24E
Previous	-0.76A	-0.58E	-0.54E	-0.47E	-2.38E	na
<b>2014E</b>	na	na	na	na	-2.28E	-1.18E
Previous	na	na	na	na	-2.28E	na
<b>2015E</b>	na	na	na	na	-2.51E	-0.91E
Previous	na	na	na	na	-2.51E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## Kosmos Energy Ltd (KOS)

**CF/DAS And P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +16% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +20% p.a. vs. a group average CAGR of +7%.

### Company Update

<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$10.75
Target price	US\$15.00
Expected share price return	39.5%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>39.5%</b>
Market Cap	US\$4,177M

### Price Performance (RIC: KOS.N, BB: KOS US)

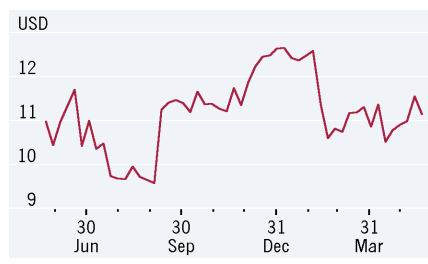
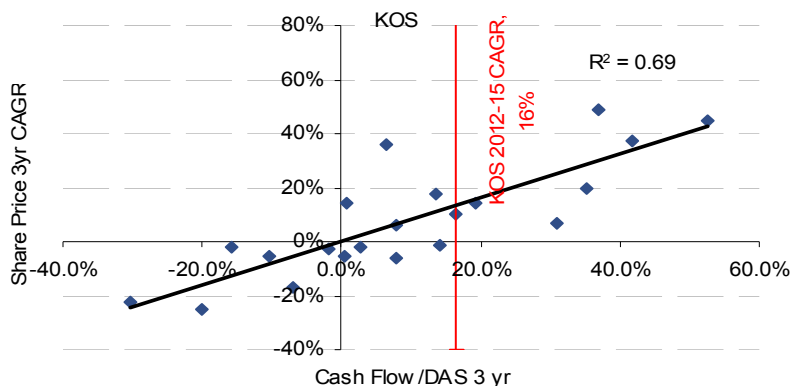
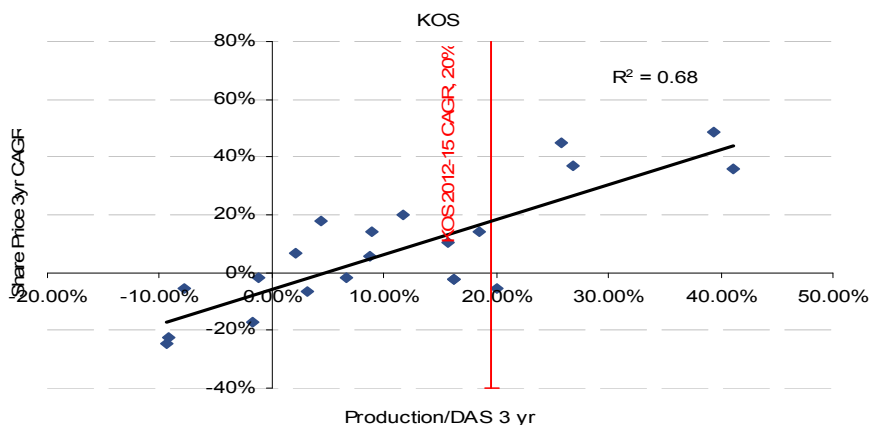


Figure 32. KOS Cash Flow Per Debt Adjusted Shares (E&P Group and KOS)



Source: Citi Research

Figure 33. KOS 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and KOS)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	-0.10A	-0.07A	-0.10A	0.08A	-0.18A	-0.17A
2013E	0.05A	-0.20E	0.03E	0.11E	0.00E	0.23E
Previous	0.05A	-0.20E	0.03E	0.11E	0.00E	na
2014E	na	na	na	na	0.40E	0.30E
Previous	na	na	na	na	0.40E	na
2015E	na	na	na	na	0.31E	0.28E
Previous	na	na	na	na	0.31E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## Magnum Hunter Resources (MHR)

### Company Update

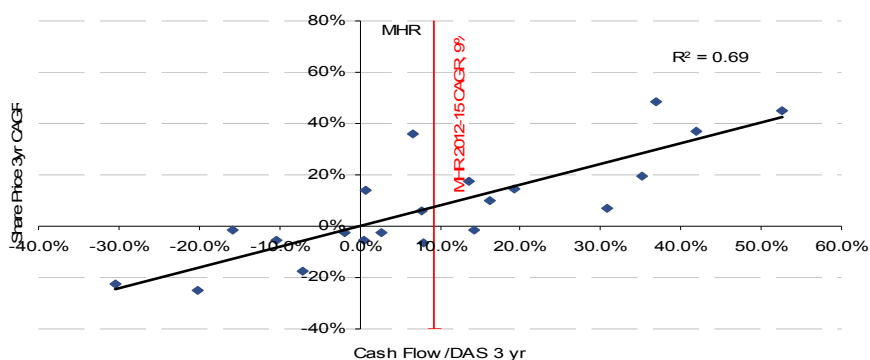
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$3.31
Target price	US\$5.00
Expected share price return	51.1%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>51.1%</b>
Market Cap	US\$558M

### Price Performance (RIC: MHR.N, BB: MHR US)



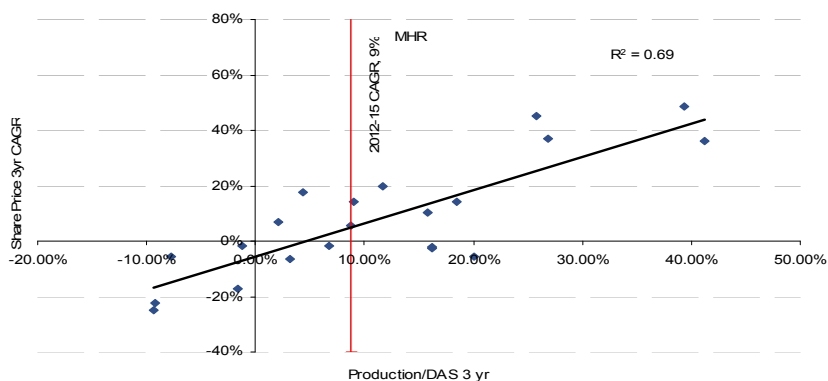
- **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +9% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +9% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Magnum Hunter posted a CAGR of +0% for CF/DAS, and -0% for P/DAS, while its share price increased at a +71% CAGR

Figure 34. MHR Cash Flow Per Debt Adjusted Shares (E&P Group and MHR)



Source: Citi Research

Figure 35. MHR 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and MHR)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	-0.03A	-0.01A	-0.05A	-0.05A	-0.19A	-0.19A
2012E	-0.01A	-0.07A	-0.08A	-0.07A	-0.25E	-0.23E
Previous	-0.01A	-0.07A	-0.08A	-0.07A	-0.25E	na
2013E	-0.02E	-0.06E	-0.10E	-0.09E	-0.27E	-0.30E
Previous	-0.02E	-0.06E	-0.10E	-0.09E	-0.27E	na
2014E	na	na	na	na	-0.26E	-0.21E
Previous	na	na	na	na	-0.26E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

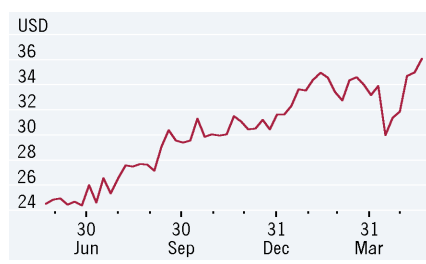
## Company Focus

## Marathon Oil Corp (MRO)

### Company Update

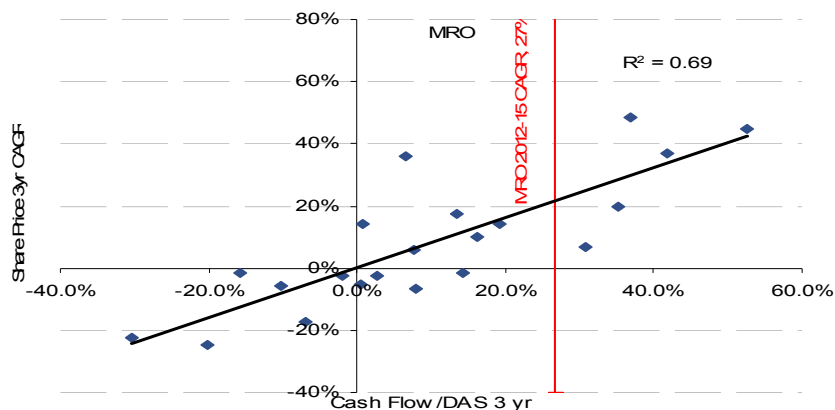
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$35.39
Target price	US\$42.00
Expected share price return	18.7%
Expected dividend yield	1.9%
<b>Expected total return</b>	<b>20.6%</b>
Market Cap	US\$25,085M

### Price Performance (RIC: MRO.N, BB: MRO US)



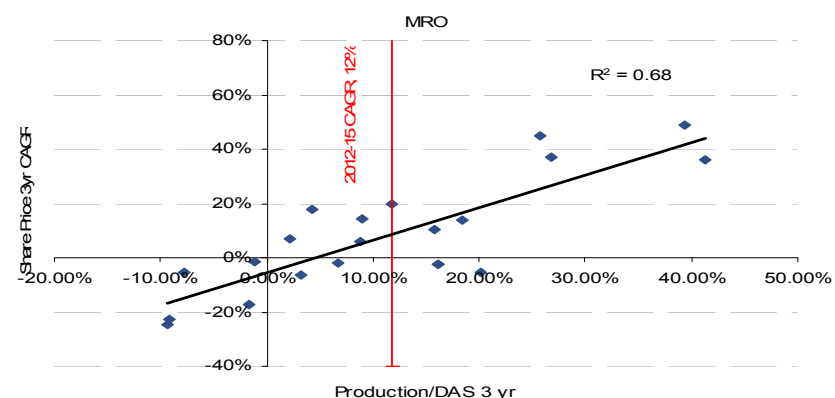
- **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +23% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +8% p.a. vs. group average CAGR of +7%.

Figure 36. MRO Cash Flow Per Debt Adjusted Shares (E&P Group and MRO)



Source: Citi Research

Figure 37. MRO 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and MRO)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	-0.59A	0.55A	0.63A	0.45A	1.05A	2.46A
2013E	0.81A	0.60E	0.78E	0.87E	3.06E	2.89E
Previous	0.81A	0.60E	0.78E	0.87E	3.06E	na
2014E	na	na	na	na	2.61E	3.13E
Previous	na	na	na	na	2.61E	na
2015E	na	na	na	na	2.41E	2.78E
Previous	na	na	na	na	2.41E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

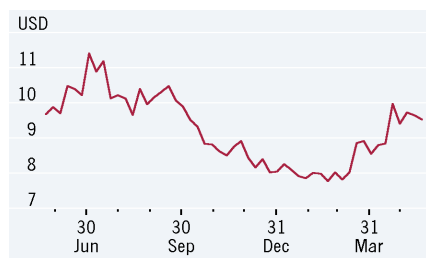
## Matador Resources Co (MTDR)

### Company Update

<b>Neutral/High Risk</b>	<b>2H</b>
Price (22 May 13)	US\$9.52
Target price	US\$10.00
Expected share price return	5.0%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>5.0%</b>
Market Cap	US\$532M

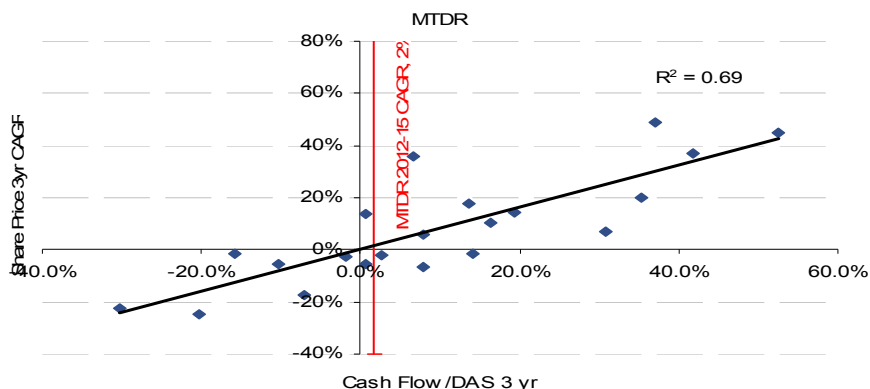
### Price Performance

(RIC: MTDR.N, BB: MTDR US)



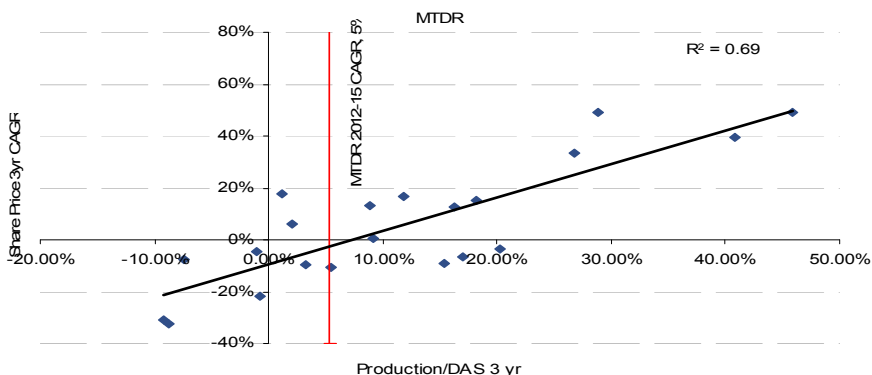
- **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +3% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +7% p.a. vs. group average CAGR of +7%.

Figure 38. MTDR Cash Flow Per Debt Adjusted Shares (E&P Group and MTDR)



Source: Citi Research

Figure 39. MTDR 'Energy Weighted' Production/Debt Adjusted Share (E&P Group and MTDR)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.11A	0.09A	0.12A	0.10A	0.41A	0.67A
2013E	0.12A	0.10E	0.11E	0.11E	0.45E	0.57E
Previous	0.12A	0.10E	0.11E	0.11E	0.45E	na
2014E	na	na	na	na	0.27E	0.81E
Previous	na	na	na	na	0.27E	na
2015E	na	na	na	na	0.30E	0.75E
Previous	na	na	na	na	0.30E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## Newfield Exploration Co. (NFX)

### Company Update

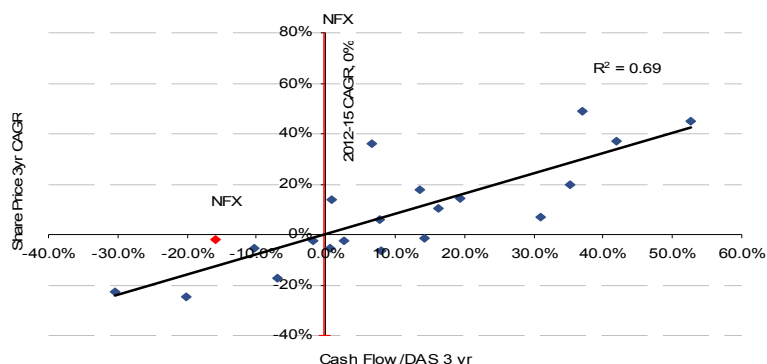
<b>Neutral</b>	<b>2</b>
Price (22 May 13)	US\$24.64
Target price	US\$25.00
Expected share price return	1.5%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>1.5%</b>
Market Cap	US\$3,337M

### Price Performance (RIC: NFX.N, BB: NFX US)



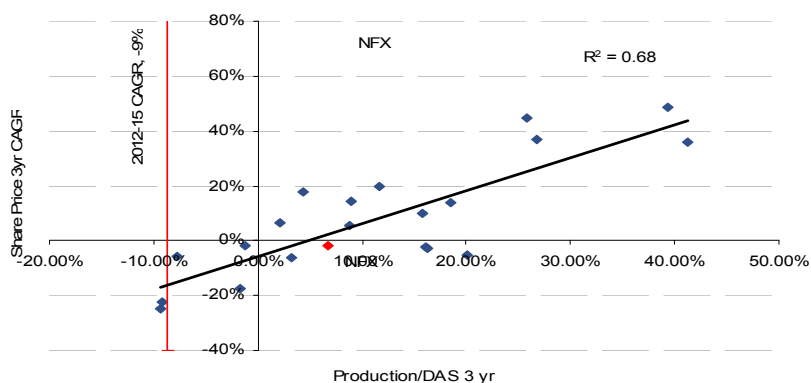
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth 0% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS decline of -9% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Newfield posted a CAGR of -16% for CF/DAS, and +7% for P/DAS, while its share price declined at a -2% CAGR.

Figure 40. NFX Cash Flow Per Debt Adjusted Shares (E&P Group and NFX)



Source: Citi Research

Figure 41. NFX 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and NFX)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.91A	0.61A	0.48A	0.28A	2.28A	2.27A
2013E	0.45A	0.36E	0.44E	0.46E	1.72E	1.72E
Previous	0.45A	0.36E	0.44E	0.46E	1.72E	na
2014E	na	na	na	na	2.06E	2.44E
Previous	na	na	na	na	2.06E	na
2015E	na	na	na	na	2.67E	2.64E
Previous	na	na	na	na	2.67E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## Noble Energy Inc (NBL)

### Company Update

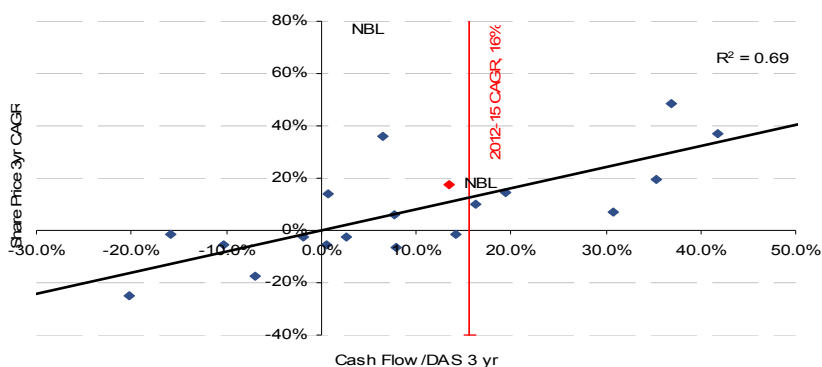
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$119.07
Target price	US\$130.00
Expected share price return	9.2%
Expected dividend yield	0.7%
<b>Expected total return</b>	<b>9.9%</b>
Market Cap	US\$21,351M

### Price Performance (RIC: NBL.N, BB: NBL US)



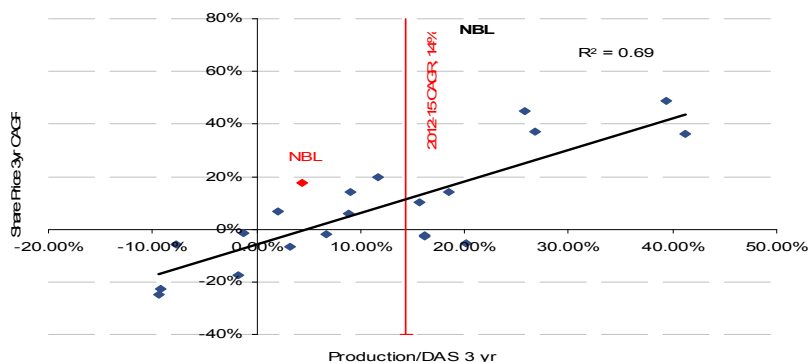
■ **CF/DAS And P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +16% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +14% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Noble posted a CAGR of +14% for CF/DAS, and +4% for P/DAS, while its share price increased at a +18% CAGR.

Figure 42. NBL Cash Flow Per Debt Adjusted Shares (E&P Group and NBL)



Source: Citi Research

Figure 43. NBL 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and NBL)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.74A	0.71A	0.93A	1.64A	5.03A	4.95A
2013E	1.49A	1.46E	2.11E	2.42E	7.48E	6.86E
Previous	1.49A	1.46E	2.11E	2.42E	7.48E	na
2014E	na	na	na	na	8.81E	8.57E
Previous	na	na	na	na	8.81E	na
2015E	na	na	na	na	8.41E	9.47E
Previous	na	na	na	na	8.41E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.



## Company Focus

## Pioneer Natural Resources Co. (PXD)

### Company Update

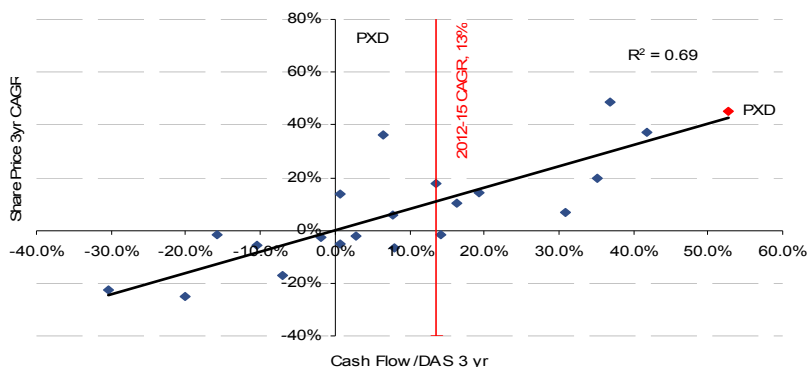
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$143.53
Target price	US\$148.00
Expected share price return	3.1%
Expected dividend yield	0.1%
<b>Expected total return</b>	<b>3.2%</b>
Market Cap	US\$19,603M

### Price Performance (RIC: PXD.N, BB: PXD US)



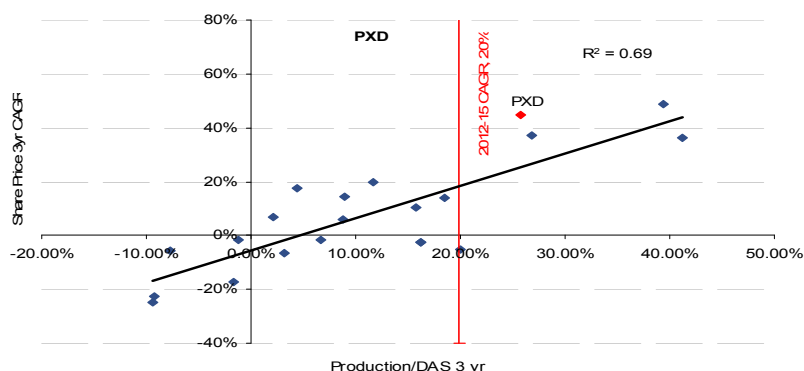
■ **CF/DAS And P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +13% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +20% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Pioneer posted a CAGR of +53% for CF/DAS, and +26% for P/DAS, while its share price increased at a +45% CAGR.

Figure 44. PXD Cash Flow Per Debt Adjusted Shares (E&P Group and PXD)



Source: Citi Research

Figure 45. PXD 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and PXD)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.21A	0.78A	0.82A	0.84A	3.63A	3.66A
2013E	1.03A	1.16E	1.30E	1.39E	4.87E	4.68E
Previous	1.03A	1.16E	1.30E	1.39E	4.87E	na
2014E	na	na	na	na	6.31E	5.96E
Previous	na	na	na	na	6.31E	na
2015E	na	na	na	na	7.16E	7.50E
Previous	na	na	na	na	7.16E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## Quicksilver Resources Inc (KWK)

### Company Update

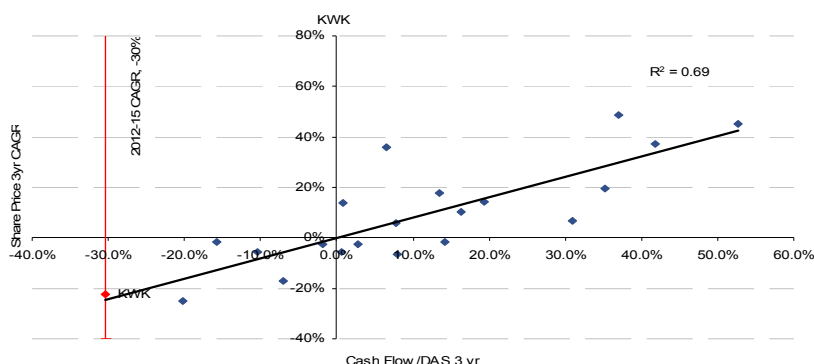
<b>Neutral</b>	<b>2</b>
Price (22 May 13)	US\$2.24
Target price	US\$2.00
Expected share price return	-10.7%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>-10.7%</b>
Market Cap	US\$395M

### Price Performance (RIC: KWK.N, BB: KWK US)



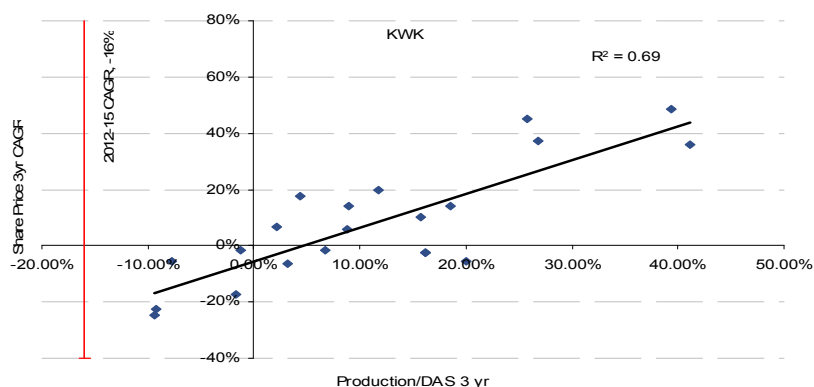
■ **CF/DAS And P/DAS Outlook:** We project 2012-2015 CF/DAS to decline by 30% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS will decline at 16% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, KWK posted a CAGR of -30% for CF/DAS, and -9% for P/DAS, while its share price declined at a 23% CAGR.

Figure 46. KWK Cash Flow Per Debt Adjusted Shares (E&P Group and KWK)



Source: Citi Research

Figure 47. KWK 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and KWK)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
<b>2012A</b>	-0.09A	-0.13A	-0.04A	-0.01A	-0.27A	-0.27A
<b>2013E</b>	-0.04A	-0.06E	-0.01E	-0.01E	-0.12E	-0.03E
Previous	-0.04A	-0.06E	-0.01E	-0.01E	-0.12E	na
<b>2014E</b>	na	na	na	na	0.02E	-0.05E
Previous	na	na	na	na	0.02E	na
<b>2015E</b>	na	na	na	na	-0.06E	-0.03E
Previous	na	na	na	na	-0.06E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

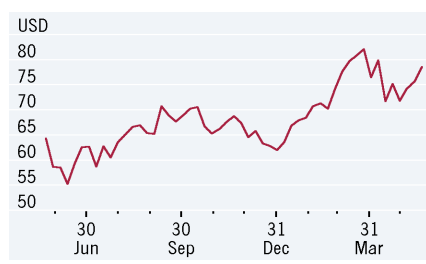
## Company Focus

## Range Resources Corp (RRC)

### Company Update

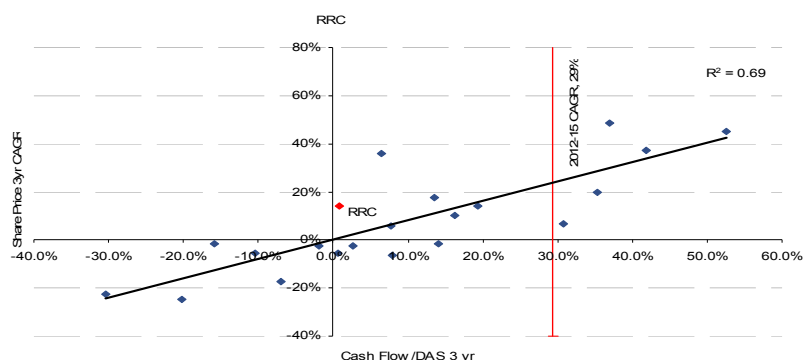
<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$77.26
Target price	US\$95.00
Expected share price return	23.0%
Expected dividend yield	0.2%
<b>Expected total return</b>	<b>23.1%</b>
Market Cap	US\$12,599M

### Price Performance (RIC: RRC.N, BB: RRC US)



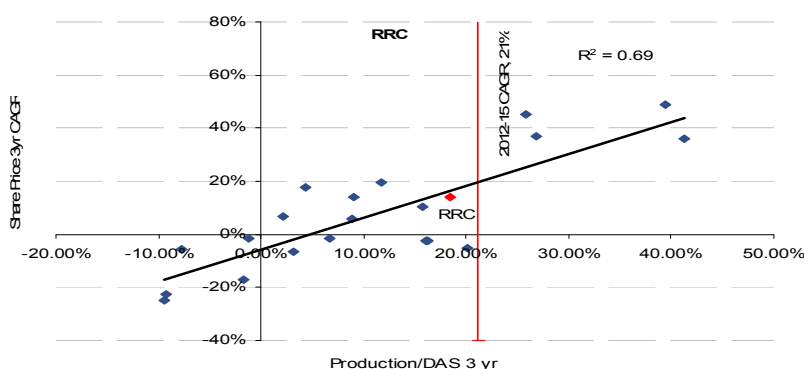
■ **CF/DAS And P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +29% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +21% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Range posted a CAGR of +1% for CF/DAS, and +18% for P/DAS, while its share price increased at a +14% CAGR.

Figure 48. RRC Cash Flow Per Debt Adjusted Shares (E&P Group and RRC)



Source: Citi Research

Figure 49. RRC 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and RRC)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.15A	0.11A	0.20A	0.46A	0.93A	0.92A
2013E	0.33A	0.30E	0.38E	0.50E	1.51E	1.50E
Previous	0.33A	0.30E	0.38E	0.50E	1.51E	na
2014E	na	na	na	na	2.58E	2.21E
Previous	na	na	na	na	2.58E	na
2015E	na	na	na	na	4.06E	3.37E
Previous	na	na	na	na	4.06E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

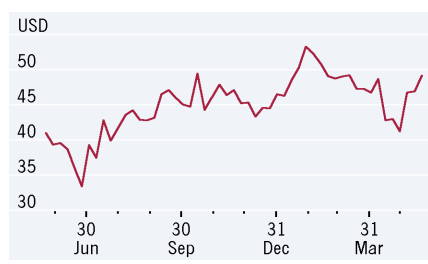
## Rosetta Resources (ROSE)

### Company Update

<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$47.96
Target price	US\$55.00
Expected share price return	14.7%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>14.7%</b>
Market Cap	US\$2,930M

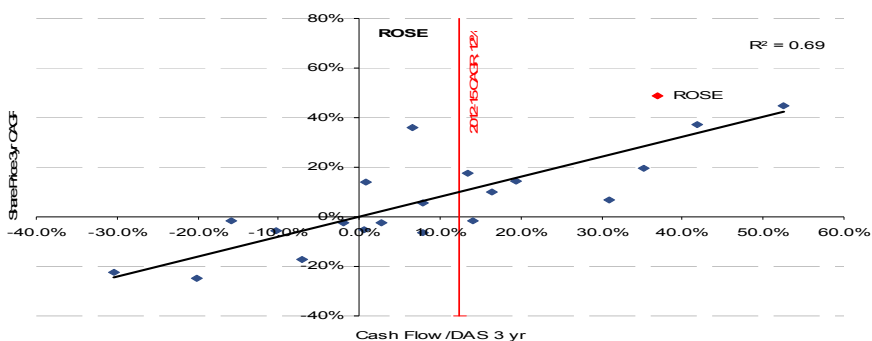
### Price Performance

(RIC: ROSE.O, BB: ROSE US)



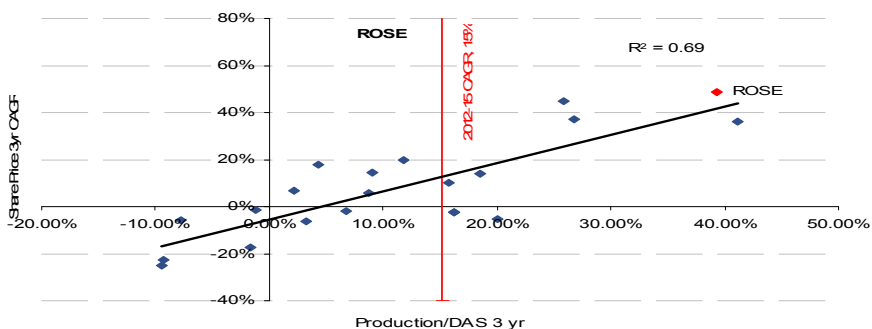
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +12% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +15% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Rosetta posted a CAGR of +37% for CF/DAS, and +39% for P/DAS, while its share price increased at a +49% CAGR.

Figure 50. ROSE Cash Flow Per Debt Adjusted Shares (E&P Group and ROSE)



Source: Citi Research

Figure 51. ROSE 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and ROSE)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.64A	0.58A	0.76A	0.79A	2.77A	2.77A
2013E	1.18A	0.89E	1.09E	1.18E	4.17E	4.16E
Previous	1.18A	0.89E	1.09E	1.18E	4.17E	na
2014E	na	na	na	na	5.17E	4.91E
Previous	na	na	na	na	5.17E	na
2015E	na	na	na	na	5.78E	6.33E
Previous	na	na	na	na	5.78E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## SandRidge Energy Inc (SD)

### ■ Company Update

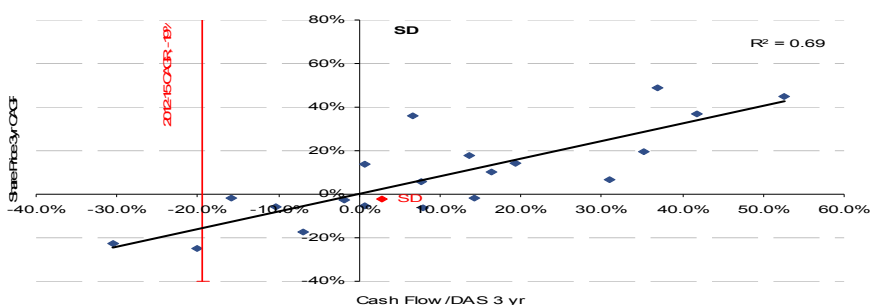
<b>Neutral</b>	<b>2</b>
Price (22 May 13)	US\$5.10
Target price	US\$5.25
Expected share price return	2.9%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>2.9%</b>
Market Cap	US\$2,515M

### Price Performance (RIC: SD.N, BB: SD US)



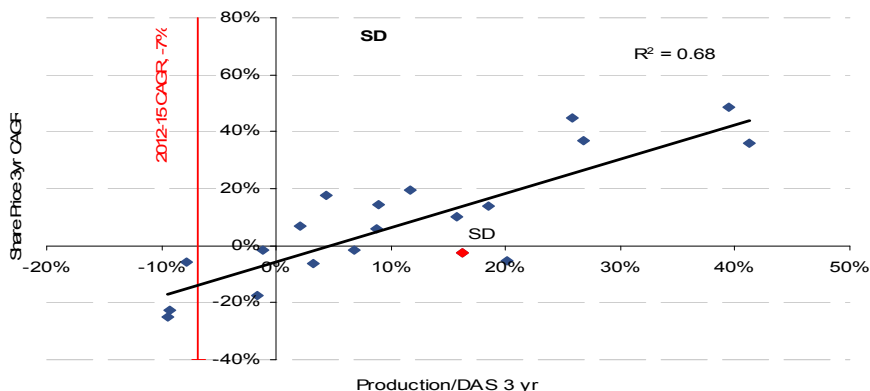
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS decline of -19% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS decline of -7% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Sandridge posted a CAGR of +3% for CF/DAS, and +16% for P/DAS, while its share price declined at a -2% CAGR.

Figure 52. SD Cash Flow Per Debt Adjusted Shares (E&P Group and SD)



Source: Citi Research

Figure 53. SD 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and SD)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.04A	0.07A	0.05A	0.06A	0.22A	0.23A
2013E	0.00A	-0.08E	-0.07E	-0.12E	-0.26E	-0.15E
Previous	0.00A	-0.08E	-0.07E	-0.12E	-0.26E	na
2014E	na	na	na	na	-0.67E	-0.22E
Previous	na	na	na	na	-0.67E	na
2015E	na	na	na	na	-0.96E	-0.46E
Previous	na	na	na	na	-0.96E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

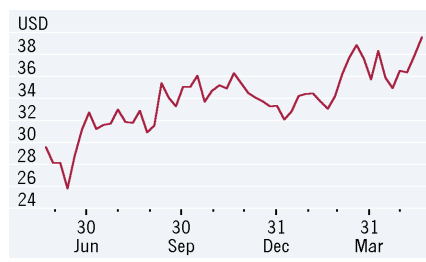
## Southwestern Energy Co (SWN)

### Company Update

<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$38.81
Target price	US\$46.00
Expected share price return	18.5%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>18.5%</b>
Market Cap	US\$13,643M

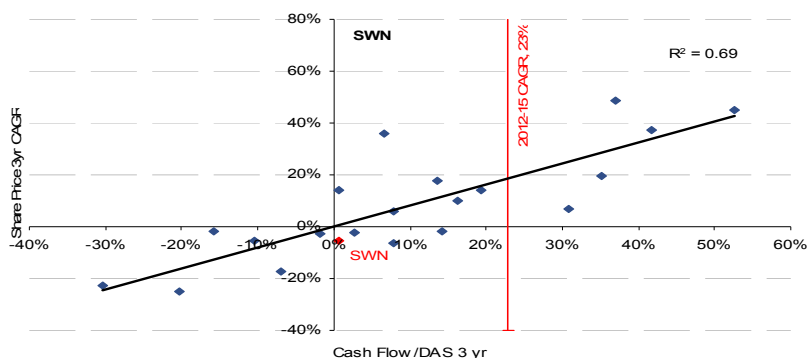
### Price Performance

(RIC: SWN.N, BB: SWN US)



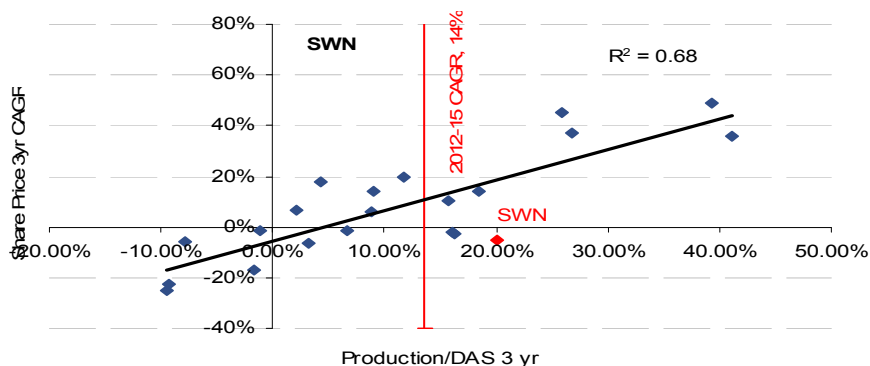
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +23% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +14% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Southwestern posted a CAGR of +1% for CF/DAS, and +20% for P/DAS, while its share price declined at a -5% CAGR.

Figure 54. SWN Cash Flow Per Debt Adjusted Shares (E&P Group and SWN)



Source: Citi Research

Figure 55. SWN 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and SWN)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.31A	0.26A	0.38A	0.45A	1.39A	1.39A
2013E	0.42A	0.45E	0.48E	0.53E	1.87E	1.91E
Previous	0.42A	0.45E	0.48E	0.53E	1.87E	na
2014E	na	na	na	na	2.20E	2.09E
Previous	na	na	na	na	2.20E	na
2015E	na	na	na	na	2.93E	2.46E
Previous	na	na	na	na	2.93E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

## Talisman Energy Inc (TLM)

### Company Update

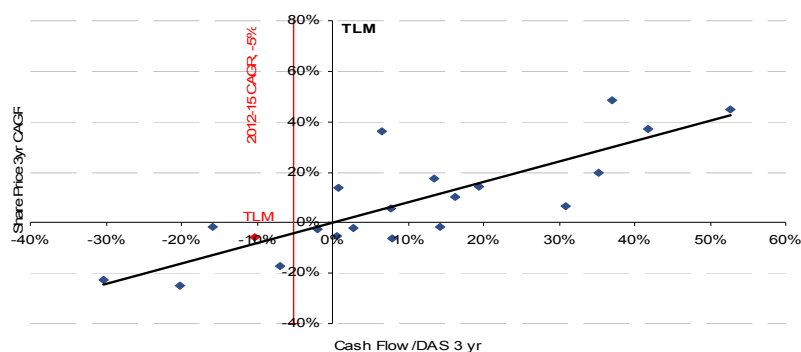
<b>Neutral</b>	<b>2</b>
Price (22 May 13)	US\$11.79
Target price	US\$12.50
Expected share price return	6.0%
Expected dividend yield	2.3%
<b>Expected total return</b>	<b>8.3%</b>
Market Cap	US\$12,196M

### Price Performance (RIC: TLM.N, BB: TLM US)



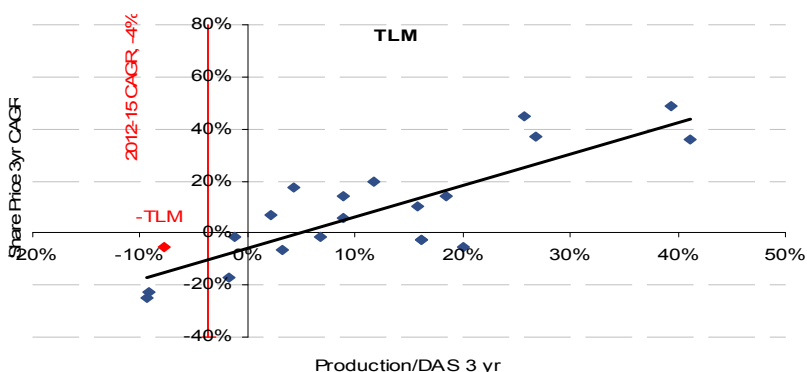
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS decline of -5% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS decline of -4% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Talisman posted a CAGR of -10% for CF/DAS, and -8% for P/DAS, while its share price declined at a -6% CAGR.

Figure 56. TLM Cash Flow Per Debt Adjusted Shares (E&P Group and TLM)



Source: Citi Research

Figure 57. TLM 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and TLM)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.16A	0.07A	-0.03A	-0.10A	0.09A	0.09A
2013E	-0.06A	0.05E	0.09E	0.10E	0.30E	0.17E
Previous	-0.06A	0.05E	0.09E	0.10E	0.30E	na
2014E	na	na	na	na	0.21E	0.40E
Previous	na	na	na	na	0.21E	na
2015E	na	na	na	na	0.17E	0.45E
Previous	na	na	na	na	0.17E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.



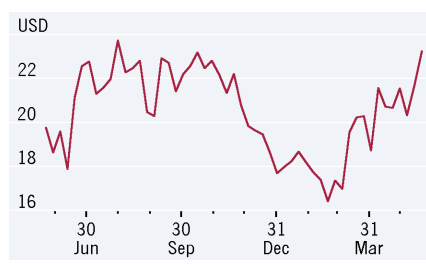
## Company Focus

## Ultra Petroleum Corp. (UPL)

### Company Update

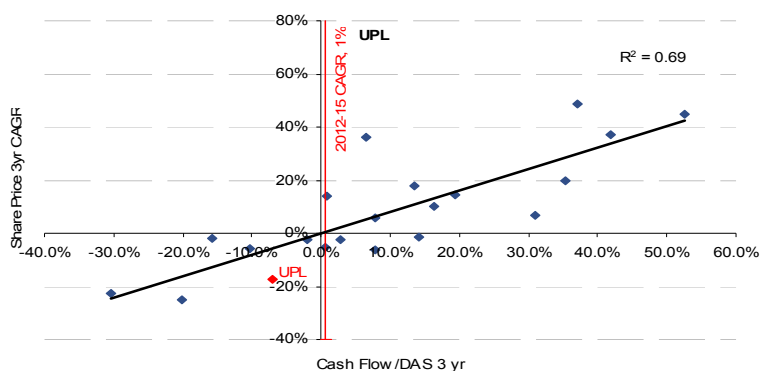
<b>Neutral</b>	<b>2</b>
Price (22 May 13)	US\$22.90
Target price	US\$18.25
Expected share price return	-20.3%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>-20.3%</b>
Market Cap	US\$3,502M

### Price Performance (RIC: UPL.N, BB: UPL US)



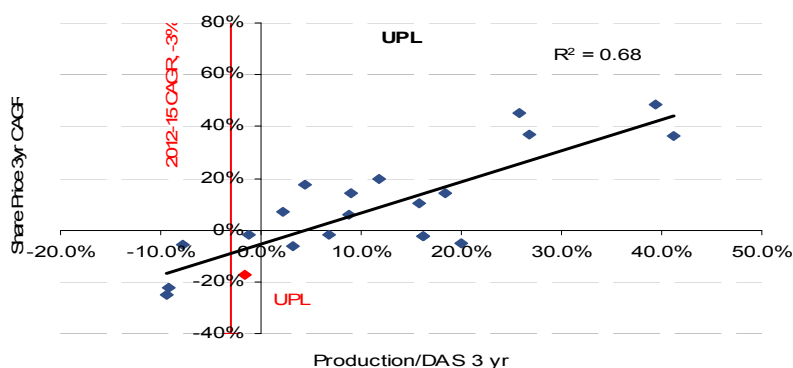
■ **CF/DAS and P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +1% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS decline of -3% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Ultra posted a CAGR of -7% for CF/DAS, and -2% for P/DAS, while its share price declined at a -17% CAGR.

Figure 58. UPL Cash Flow Per Debt Adjusted Shares (E&P Group and APA)



Source: Citi Research

Figure 59. UPL 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and APA)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
<b>2012A</b>	0.32A	0.36A	0.64A	0.51A	1.83A	2.15A
<b>2013E</b>	<b>0.38A</b>	<b>0.37E</b>	<b>0.39E</b>	<b>0.46E</b>	<b>1.60E</b>	<b>1.57E</b>
Previous	0.38A	0.37E	0.39E	0.46E	1.60E	na
<b>2014E</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>1.92E</b>	<b>1.94E</b>
Previous	na	na	na	na	1.92E	na
<b>2015E</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>2.72E</b>	<b>2.36E</b>
Previous	na	na	na	na	2.72E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

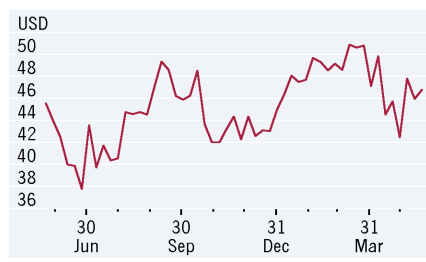
## Whiting Petroleum Corp (WLL)

### Company Update

<b>Buy</b>	<b>1</b>
Price (22 May 13)	US\$46.13
Target price	US\$52.00
Expected share price return	12.7%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>12.7%</b>
Market Cap	US\$5,436M

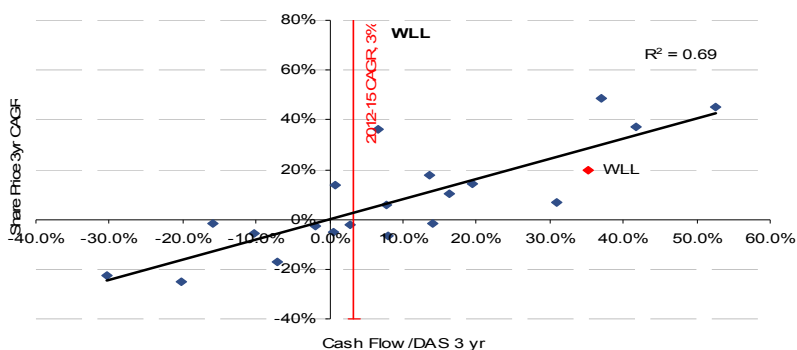
### Price Performance

(RIC: WLL.N, BB: WLL US)



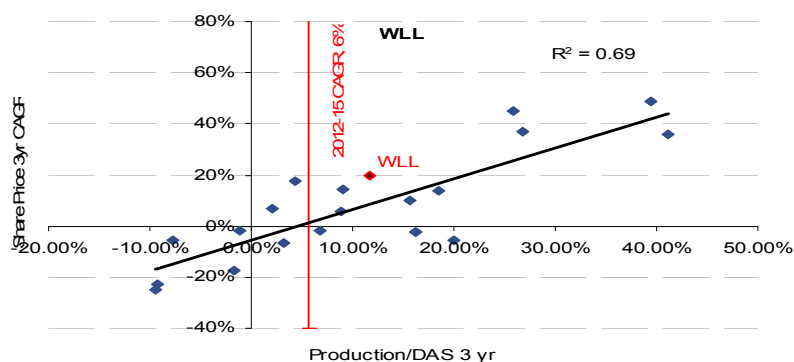
■ **CF/DAS And P/DAS Outlook:** We project a 2012-2015 CF/DAS growth of +3% p.a. vs. a projected group average CAGR of +7%. We project 2012-2015 'Energy Weighted' P/DAS growth of +6% p.a. vs. a projected group average CAGR of +7%. For the 2009-2012 period, Whiting posted a CAGR of +35% for CF/DAS, and +12% for P/DAS, while its share price increased at a +20% CAGR.

Figure 60. WLL Cash Flow Per Debt Adjusted Shares (E&P Group and APA)



Source: Citi Research

Figure 61. WLL 'Energy Weighted' Production per Debt Adjusted Share (E&P Group and APA)



Source: Citi Research

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.03A	0.73A	0.73A	0.82A	3.31A	3.31A
2013E	0.94A	0.64E	0.85E	0.93E	3.36E	3.72E
Previous	0.94A	0.64E	0.85E	0.93E	3.36E	na
2014E	na	na	na	na	3.97E	4.08E
Previous	na	na	na	na	3.97E	na
2015E	na	na	na	na	4.58E	5.20E
Previous	na	na	na	na	4.58E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Anadarko Petroleum Corp

### Company description

Anadarko Petroleum Corporation explores for, develops and produces natural gas, crude oil and natural gas liquids. It also produces hard minerals from land grant holdings, and owns and operates midstream assets to gather, treat and process natural gas. Anadarko was founded in 1959 with headquarters in The Woodlands, Texas.

In the U.S., Anadarko operates both onshore including the Rockies and Southern region (which includes the Marcellus, Haynesville and Eagleford shale areas), as well as offshore in the deepwater Gulf of Mexico. Internationally, Anadarko has an extensive operation in Algeria including the in-development El Merk project, as well as production at Bohai Bay in China. In Ghana, Anadarko (along with its partners) is developing the Jubilee project. Anadarko is a prolific deepwater explorer hold exploration acreage and conducting extensive exploration in the deepwater Gulf, Brazil, Ghana, Mozambique, China, Kenya, New Zealand as well as other countries.

### Investment strategy

We rate Anadarko Buy (1) based on the upside to our current price target. Anadarko is unique among its peers in maintaining a high-risk but high-potential exploration program around the globe and has posted exceptional success over the past year. Consequently, the company has significant potential in both discoveries already notched and prospects, many of which have been enhanced by its recent successes, yet to be drilled. At the same time, like many of its peers, the company also possesses meaningful upside potential in North American shale plays. And even though Anadarko is expected to generate more moderate production growth near-term, its inventory of mega projects essentially assures strong growth longer term. Finally, Anadarko has well above average sensitivity to changes in crude oil prices and below average sensitivity to changes to natural gas prices, which we are much more cautious on near term. Therefore, as we look forward to continued success with the exploration drill bit, we assign Anadarko a Buy rating.

### Valuation

Our \$105 price target is based on APC's stock achieving an EV multiple of 6.6x/6.0x our 2013/2014 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, ~100% of proved-only NAV and ~88% of our risked resource sum-of-the-parts NAV.

### Risks

Risks to achieving our target price include:

**Volatile Commodity Prices** – Anadarko is sensitive to changes in the prices of crude oil, and natural gas. Their exposure is substantially reduced due to extensive hedging of expected natural gas and crude oil production in 2010, but a portion of their production is unhedged.

**Political Risks** – Anadarko operates or explores in developing countries such as Algeria, Ghana, Mozambique and thus is subject to political risks including changes in operating terms, taxes, or expropriation.

**Expensive Long-Term Projects** – Anadarko pursues long-term projects which require large capital outlays and several years of development before any cash flows are realized. These projects are subject to substantial uncertainties in terms of projects costs, as well as the timing and amount of eventual returns.

**Exploration Risk** - Anadarko is conducting or is planning to conduct exploration in several under-explored areas within Mozambique, Kenya and elsewhere, and such exploration projects have a high probability of failure.

## Apache Corp

### Company description

Apache Corporation explores for, develops and produces natural gas, crude oil and natural gas liquids with about 3 billion barrels of oil equivalent (BOE) of proved reserves at year-end 2010. The company is evenly balanced with about half of its reserves and production as natural gas, and half as crude oil. Apache was founded in 1954 with headquarters in Houston, Texas.

In the U.S., Apache operates on the Gulf Coast, as well as the Permian and Anadarko basins, and East Texas. In Canada, Apache operates in British Columbia (including the Horn River area), Alberta and Saskatchewan. Internationally, Apache has extensive operations in Egypt and the U.K. North Sea, and smaller operations in Argentina and Australia. Apache also holds exploration interests in Chile.

In the last few years, Apache has focused on being capital disciplined, spending within cash flow to maintain a strong balance sheet, expanding North American onshore shale production, pursuing development and exploration opportunities internationally, as well as recently taking a 16.25% stake in Chevron's Wheatstone LNG project.

### Investment strategy

We rate Apache Buy (1). We expect Apache will continue to exhibit solid financial discipline while posting high organic production growth. Apache also has above-average sensitivity to changes in oil prices and well below average sensitivity to changes in natural gas prices. Therefore, we are confident in Apache's ability to continue to create shareholder value and at this juncture, assign a Buy rating.

### Valuation

Our \$95 price target is based on the stock reaching a 4.9x/4.8x multiple of our 2013/2014 debt-adjusted cash flow estimates using our "normalized" forecast of \$90.00/Bbl crude, \$4.50/MMBtu gas and 71% of proven-only NAV and 99% of our Resource NAV based on our current commodity price outlook.

### Risks

Risks to our target price include:

**Volatile Commodity Prices** – Apache is sensitive to changes in the prices of crude oil, and natural gas. Their exposure to natural gas is reduced through a combination of hedges and long-term fixed-price contracts, but most of their crude production is unhedged and subject to market price volatility.

**Political Risks** – Apache operates in developing countries such as Argentina, Chile and Egypt and thus is subject to political risks including changes in operating terms, taxes, or expropriation.

**Expensive Long-Term Projects** – Apache pursues long-term projects which require large capital outlays and several years of development before any cash flows are realized. These projects are subject to substantial uncertainties in terms of projects costs, as well as the timing and amount of eventual returns.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Cabot Oil & Gas Corp

### Company description

Cabot Oil & Gas is an independent oil and gas E&P Company. The company has three key operations: the Marcellus shale in northeast Pennsylvania, the Eagle Ford in south Texas, and the Marmaton in Oklahoma and Texas, in addition to other oil and gas properties in Appalachia, the Rockies and the Mid-Continent. Cabot was founded in 1989 and is headquartered in Houston, Texas.

### Investment strategy

We rate Cabot Oil & Gas Buy based on the upside to our price target. Overall, we believe that Cabot has established an advantageous position in one of the most economic, large-scale resource plays in North America. The company's Marcellus shale position should allow it to continue to post industry-leading returns and production growth for several years into the future. Also, the company has established meaningful positions in the oily Eagle Ford shale (S TX), Pearsall (S TX), and Marmaton (OK/TX) plays, in addition to the "wet" Utica play (NW PA). These oil and liquids-rich assets should help keep the production mix relatively constant over the next several years, materially augmenting our cash flow projections over the next several years.

### Valuation

Our price target of \$80 is based on the stock achieving an EV/debt-adjusted cash flow multiple of 12.8x/9.0x for 2013E/2014E based on 'normalized' WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$4.50/MMBtu and ~210% of our proven-only NAV.

### Risks

Risks to our target price include:

**Regulatory Risk** - With future growth primarily hinging on the Marcellus, Cabot is significantly exposed to the developing natural gas regulatory environment in Pennsylvania. Conversely, political and regulatory risks could subside and relieve pressure on Cabot's stock.

**Drilling Results** - Disappointing drilling results or positive drilling results, particularly in the Marcellus, Eagle Ford and Marmaton, could impact COG's share performance.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance, both positive and negative.

## Canadian Natural Resources Ltd

### Company description

Canadian National Resources Limited (CNRL) explores for, develops and produces natural gas, crude oil and natural gas liquids with about 4.5 billion barrels of oil equivalent (BOE) of proved reserves. The company has about two-thirds of its production as crude oil, and one-third as natural gas. CNRL was founded in 1973 with headquarters in Calgary, Canada.

Canada accounts for most of CNRL's production and reserves with the company holding over 18 million acres in British Columbia, Alberta, and Saskatchewan, and is the second-largest Canadian producer of natural gas. It holds extensive conventional gas assets as well as a sizeable position in the emerging Montney shale area. To produce crude oil, CNRL owns and operates their flagship Horizon Oil Sands Projects in Alberta, the Primrose thermal project, as well as heavy crude production at Pelican Lake and elsewhere in Western Canada. Internationally, CNRL owns and operates assets in the UK North Sea. It also operates in offshore Africa – Cote d'Ivoire and Gabon, with exploration planned in offshore South Africa.

In the last few years, CNRL has focused on successfully starting up the Horizon project, and utilizing free cash flow to pay down debt to improve balance sheet metrics. The company has long-term potential to expand Horizon as well as expand and develop thermal assets at Primrose, Kirby and five other potential locations.

### Investment strategy

We rate Canadian National Resources Buy (1). CNQ has built an attractive highly oil-oriented, long reserve life portfolio with significant expansion potential. We believe that the firm provides an excellent vehicle for investors to position themselves for secularly higher oil prices and structurally limited supply. With 95% of its production coming from either Canada or the UK, the company has broad upside potential without any of the political risk inherent in many other oil companies that operate in unstable countries.

### Valuation

Our \$37 price target is based on CNQ's stock achieving EV multiples of 7.0x/5.8x our 2013/2014 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and ~104% of proven reserve only NAV, but just 87% of our sum-of-the-parts risked resource NAV assessment.

### Risks

**Volatile Commodity Prices** – CNQ is sensitive to changes in the prices of crude oil, and natural gas. They have some commodity hedges in place, but the majority of their natural gas and crude oil production is unhedged and subject to market price volatility.

**Expensive Long-Term Projects** – CNQ pursues long-term oil projects which require large capital outlays and several years of development before any cash flows are realized. These projects are subject to substantial uncertainties in terms of projects costs, as well as the timing and amount of eventual returns.

**Environmental Risks** – CNQ's existing and proposed oil sand and thermal oil assets in Canada could be subject to both increased scrutiny as well as new rules to mitigate environmental impact. These changes could substantially increase costs, decrease viability, or block certain projects.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Chesapeake Energy Corp

### Company description

Chesapeake Energy Corporation (CHK) is one of the largest independent producers of natural gas in the United States, with natural gas output of 3.9 Billion cubic feet per day, or >6% of total US natural gas production. The company had 15.7 Tcfe of proved reserves as of YE'12. It is either the largest or second-largest leased acreage holder in the Barnett, Haynesville, Marcellus, Granite Wash, Miss Lime, Niobrara, Cleveland/Tonkowa, Eagle Ford, Utica and Anadarko Basin.

### Investment strategy

We rate Chesapeake Energy Corporation Neutral/High Risk (2H). Chesapeake possesses significant upside potential to its proven reserve base. Over the last couple of years, the go-forward visibility of Chesapeake's cash flows has improved greatly as the company has rounded out its portfolio with a diverse mix of natural gas and liquids/oil-focused shale gas assets. We recognize that Chesapeake possesses significant upside potential to its proven reserve base but given its above average operating and enterprise value risk associated with weaker natural gas prices and near-term gas price headwinds, we are comfortable with a Neutral/High Risk rating on the stock at this juncture.

### Valuation

Our \$20 price target is based on CHK's stock achieving EV multiples of 5.2x and 4.2x our 2013-14 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and ~45% of proven-only NAV.

### Risks

We assign CHK a High Risk rating based on its exposure to commodity price movements amidst lack of natural gas hedges, high headline risk and substantial funding gap. Risks to our target price include:

**Balance Sheet Risk** -The overriding constraint on CHK's output is its debt-laden balance sheet. CHK is currently one of the most financially levered large-cap E&P companies, though it is taking steps to reduce financial leverage.

**Deal Execution Risk** - As part of its stated operating strategy, Chesapeake acquires leasehold positions in natural gas plays and markets these positions to other industry players at prices above its cost basis. Chesapeake may amass a larger position than it can prudently sell or develop.

**Drilling and Operational Risk** - With future production growth pinned on natural gas shale plays, disappointing drilling results could impact Chesapeake's share price. However, if results exceed our estimates, this would constitute an upside risk to our target price.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, the stock could materially underperform/outperform our target price.

## Concho Resources Inc

### Company description

Concho is one of the premier operators in the Permian Basin in New Mexico and West Texas. The company is the largest oil producer in New Mexico and holds ~750k net Permian acres including ~310k net prospective for the emerging Avalon Shale/Bone Spring horizontal oil plays in the Delaware Basin. Nearly two-thirds of CXO's current production is crude oil with high-BTU natural gas accounting for most of the rest. Concho was founded in April 2004, went public in July 2007 and is headquartered in Midland, Texas.

### Investment strategy

We rate Concho Buy. Since its founding less than seven years ago, Concho has grown both organically and through a slew of successfully executed acquisitions into a major Permian Basin player. The company has high-quality liquids-asset base and we expect it to continue to post strong production and earnings growth in 2013 and beyond.

### Valuation

Our 12-month price target of \$100 is based on the company trading at a premium multiple to our E&P group, based on higher investor premium for U.S. onshore oil producers, of 8.6x/7.5x our 2013E/2014E debt-adjusted cash flow estimates and ~182% of NAV based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively.

### Risks

Risks to our target price include:

1) Although we believe Concho to be richly valued limiting its attractiveness, we note that its current ~\$13 billion enterprise value makes it potentially "acquirable" by an oil major. However, we note that such a transaction would likely be dilutive for the purchaser given the valuation disparity.

2) The company holds 145k net acres in the emerging TX Delaware Basin horizontal oil plays. If production and oil recoveries from this area were markedly greater than currently understood, this could be an upside surprise, although if they were less, this could lead to a downside surprise.



3) Geographical concentration — All of Concho's production comes from the Permian Basin areas of New Mexico and West Texas. The company may face competition for equipment and personnel and is vulnerable to infrastructure disruptions in the region.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Denbury Resources, Inc.

### Company description

Denbury Resources explores for, develops, and produces crude oil and natural gas in two regions - the Gulf Coast including Mississippi, Louisiana, Texas and Alabama, and the Rockies (Wyoming). It specializes in CO<sub>2</sub>-driven tertiary oil recovery that sweeps remaining oil from mature, conventional fields. It controls its own CO<sub>2</sub> source, an old volcano located near Jackson, MS as well as its 835-mile proprietary pipeline network. Denbury was founded in 1951 with headquarters in Plano, Texas.

### Investment strategy

We rate Denbury Neutral. We believe that Denbury is effectively executing its strategy of focusing on tertiary oil recovery. The company has a clear competitive advantage in this niche over the vast majority of other E&Ps and even majors, through its control of both a CO<sub>2</sub> source as well as means of distribution. Via its extensive holdings of mature conventional oil fields, it can grow tertiary output at double-digit rates for the foreseeable future. However, it is a relatively high-cost producer with above-average debt levels and an extensive hedging program that, although it protects downside, also substantially limits near-term upside. The company's stock already trades at a substantial valuation premium to the group and therefore we believe that its tertiary oil advantage is already reflected in its share price.

### Valuation

Our \$18.00 price target is based on the stock achieving 6.8x and 6.2x our 2013-14 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot natural gas prices of \$90/Bbl and \$4.50/MMBtu, respectively, and ~90% of proved reserves only NAV.

### Risks

Risks to our price target include:

Volatile Commodity Prices – Denbury, especially due to the high operating costs associated with tertiary oil recovery, is sensitive to changes in the prices of crude oil, and to a lesser extent, natural gas. Their exposure is substantially reduced due to an extensive hedging program, but a portion of their anticipated future production is unhedged.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Devon Energy Corp

### Company description

Oklahoma City-based Devon Energy is one of the largest producing independent North American E&P companies with current output of near 4 Bcfe/d. Devon's production mix is approximately two-thirds natural gas and one-third oil. Devon's near-term production growth is derived from the Permian, Mississippian Lime, Barnett, Cana-Woodford natural gas and liquids-focused shale plays and the Jackfish Canadian oil sands project.

### Investment strategy

We rate Devon Neutral (2). We view Devon in a positive light given its diversified asset base, oil production growth and one of the strongest balance sheets in our coverage group. However, we note that production issues at its Canadian oil sands projects, weak NGL output growth and unavailability of its ~\$6.5bn offshore cash balance, which forces the company to use debt to finance everyday operations, are likely to limit share appreciation.

### Valuation

Our \$55 price target is based on the company achieving multiples of 5.3x and 5.0x our 2013-14 total company debt-adjusted cash flow estimates based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively and ~82% of NAV.

### Risks

Risks to our price target include:

**Drilling Results** - With future production growth pinned on US shale plays, disappointing drilling results, particularly in the Haynesville, Horn River and Cana-Woodford shale plays could impact Devon's share performance.

**Volatile Commodity Prices** - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance. Devon has mitigated some commodity price risk by assuming historically high levels of hedging into 2010.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## EnCana Corp

### Company description

EnCana Corporation has recently re-positioned itself as a "pure-play" North American natural gas producer, by spinning off their crude oil production, and refinery assets in a new company Cenovus. The "new" EnCana holds about 14 Tcf of proved natural gas reserves, controls about 15 million net acres in North America, with about 99% of production from natural gas or natural gas liquids. EnCana was

formed in 2002 with the merger of PanCanadian Energy and Alberta Energy Company, with headquarters in Calgary, Canada.

In Canada, EnCana will remain the largest producer of natural gas with extensive land holdings in British Columbia and Alberta, encompassing both conventional assets as well as sizeable positions in the Horn River and Montney shale plays. EnCana also owns and will operate the in-development Deep Panuke project in offshore Nova Scotia. In the U.S., EnCana holds natural gas positions in Colorado, Wyoming, Louisiana, and Texas including the Haynesville and Barnett shale.

## Investment strategy

We rate EnCana Neutral (2). We continue to be cautious on gas-oriented names and believe that most unconventional players are barely profitable on a full-cycle basis at current low natural gas prices, yet continue to grow production on the basis on half-cycle supply costs and hedge gains.

## Valuation

Our \$20 price target is based on EnCana's stock achieving an EV multiples of 5.9x/5.8x our 2013/2014debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and ~163% of our proven-only reserve NAV and 87% of our risked Resource NAV.

## Risks

Risks to our target price include:

**Volatile Commodity Prices** - EnCana is sensitive to changes in the price of natural gas. A portion of their exposure is hedged, however some of their expected natural gas production is unhedged and subject to market price volatility.

**Lack Of Diversification** - All of the EnCana assets are now related to natural gas production in North America, and so they lack commodity or geographic diversification and will be adversely affected if natural gas prices are low.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## EOG Resources Inc

### Company description

EOG Resources is a leading independent exploration & production company that explores for, develops and produces natural gas, crude oil and natural gas liquids. The company's key operating regions are the Eagle Ford Shale, the Bakken Shale, the Permian (Delaware Basin and Midland Basin), the Barnett combo play, Canada, Trinidad, and the U.K. North Sea.

### Investment strategy

We rate EOG Resources Buy. The company boosted liquids production by ~37% yr/yr in 2012 driven by crude oil production increasing ~39% yr/yr and initial guidance for 2013 calls for 16-30% yr/yr liquids growth while we project liquids volumes at the upper-end of this range. EOG also updated net recoverable resource estimates for the Eagle Ford shale and Leonard/Wolfcamp shales, which combined rose from ~1.67 BBOE to ~3.55 BBOE (YE'12 total proven reserves were ~1.8 BBOE).

### Valuation

Our \$155 price target equates to a 2013/2014 EV/DACF multiples of 6.7x/5.7x and ~140% of proven reserve only NAV using our "normalized" WTI and composite spot price deck of \$90.00/Bbl and \$4.50/MMBtu, respectively.

### Risks

Risks to our target price include:

**Drilling Results** - Disappointing drilling results, particularly in EOG's key operating areas in the Eagle Ford, the Bakken, the Barnett and the Permian, could impact EOG's share performance.

**Volatile Commodity Prices** - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Goodrich Petroleum Corp

### Company description

Goodrich Petroleum is an independent oil and gas exploration & production company with primary operations in East Texas and North Louisiana (ETNL) and South Texas. Goodrich currently holds over 80k net acres in ETNL (comprises its largest assets), where it primarily targets the Haynesville, Bossier and Cotton Valley Taylor Sands formations. While over 75% of YE12 proved reserves and ~70% of current production are natural gas, the company has shifted much of its focus away from natural gas in ETNL to more oil and liquids opportunities. In South Texas, Goodrich holds close to 40k net acres concentrated on the oily Eagle Ford Shale

and the Buda Lime formations with an additional 10k net acres prospective for the Pearsall. Goodrich also has over 130k net acres in the emerging Tuscaloosa Oil Shale in Louisiana and Mississippi. Goodrich resulted from a business combination in 1995 between La/Cal Energy Partners and Patrick Petroleum Company. The combination was a reverse merger in which the current management, largely led by Gil Goodrich and Rob Turnham, gained control of the combined company. Goodrich is headquartered in Houston, TX and has close to 120 employees.

## Investment strategy

We rate Goodrich Petroleum Neutral. Overall, we think management has done a very good job ramping up oil production in the Eagle Ford trend and we think the Tuscaloosa has "company maker" type potential. However, Goodrich has a highly-leveraged balance sheet and its cash flows are still sensitive to natural gas prices. Although we expect Goodrich to have sufficient liquidity to fund its program through 2013, we believe the company's capital constraints and leverage to natural gas in the Haynesville will remain a drag on shares over the next 12 months. However, we would reconsider our rating were the Tuscaloosa to prove commercial.

## Valuation

Our \$16 price target is based on GDP's stock achieving a multiple of 7.8x/7.0x our 2013/2014 debt-adjusted cash flow estimates based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively.

## Risks

Risks to our price target include:

**Drilling Results** - Disappointing drilling results, particularly in the Eagle Ford, Tuscaloosa Marine Shale, and Pearsall plays could negatively impact GDP's share performance. Conversely, positive results, especially from the Tuscaloosa, would be favorable for GDP's shares.

**Repeatability** - Goodrich has delivered relatively consistent results from the southern 60% of its Eagle Ford shale position. However, if this consistency were to deteriorate, we think investors would assign less value to the position.

**Leverage** - Goodrich has substantially more debt than most of its peers. If the Company is not able to reduce its leverage by selling non-core assets or executing a JV in the Tuscaloosa, management may elect to raise capital via other potentially more dilutive alternatives.

**Small Company Size** - Goodrich is significantly smaller than many of its competitors within the oil & gas sector. Thus, it may have difficulty securing the necessary equipment, personnel and financing for its operations.

**Volatile Commodity Prices** - Hydrocarbon prices have shown increasing volatility in recent years, impacting cash flow and earnings. This volatility tends to significantly impact sector stock performance.

If the positive impact on the company from any of these factors proves to be greater than we anticipate, the stock could materially outperform our target. Conversely, if the negative impact on the Company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Kosmos Energy Ltd

### Company description

Kosmos Energy explores for, develops and produces crude oil and natural gas with 43 MMBOE of proved reserves (98% oil) at year-end 2012. Currently all of the company's production comes from its flagship Jubilee oil project offshore Ghana. It also holds exploration acreage offshore Ghana, onshore Cameroon, and offshore Morocco, Mauritania and Suriname.

The company was founded in 2003 and went public in May 2011. Its official headquarters are in Hamilton, Bermuda although the majority of its employees are located in Dallas, Texas.

### Investment strategy

We rate Kosmos Buy (1). Kosmos has been fiscally prudent, generates free cash flow at current oil prices via its Jubilee project, while providing direct upside exposure to emerging, high-potential Africa oil plays. We also note management's successful track record in opening hereto unexplored basins. Additionally, we see impending well results as potential positive catalysts near term. Despite the numerous risk factors to consider, on balance we are positive on the company's future outlook.

### Valuation

Our \$15 price target is based on the stock achieving a 2013/2014 EV multiple of 10.1x/9.6 our debt-adjusted cash flow estimate respectively, ~210% of proved-only NAV and ~100% of our riskd NAV estimate based on a "normalized" WTI spot crude oil price of \$90/Bbl.

### Risks

Risks to our target price include:

Jubilee facility risk – Currently, and likely for the next three years at least, all of Kosmos' production/cash flow will come from the Jubilee oil project offshore Ghana. Consequently, the company's financial results are highly sensitive to unscheduled outages, poor well performance, weather, labor or other potential disruptions at Jubilee.

Ghana political risk – The Jubilee development, all of its other current oil discoveries and the majority of the company's exploration prospects are located offshore Ghana. Potential risks including nationalization, tax law changes etc.

Low public float/minority interest risk – Public shareholders have limited control over the company along with a quite limited outstanding share float.

Exploration risk – Although the company's exploratory track record is favorable, all drilling entails geological risk and its future wells may not be successful.

Development risk – Kosmos pursues long-term projects which require large capital outlays and several years of development before any cash flows are realized. Such projects are subject to substantial uncertainties in terms of costs, partner commitments/abilities, as well as the timing and amount of eventual returns.

Commodity price risk – The company's financial results are highly sensitive to benchmark Brent crude oil prices.

## Magnum Hunter Resources

### Company description

Magnum Hunter is a small-cap independent oil and gas exploration & production company focused on acquiring and developing oil and natural gas resource plays. In May 2009, members of the current management team, led by Gary Evans, took over leadership of Petro Resources Corp., restructured the company, refocused its business strategy and renamed it Magnum Hunter Resources Corp. Management has rapidly increased the size of the company with current production and proven reserves increasing by more than 20x since the team took over. Current operations are located primarily in the oily Eagle Ford shale in south Texas, where it holds ~26,000 net acres, the Bakken and Three Forks Sanish in North Dakota and Saskatchewan, with ~138,000 net acres, and the Marcellus Shale in West Virginia and Ohio, with ~86,000 net acres. The company also holds ~82,000 net acres in the Utica Shale, in West Virginia and Ohio and ~300,000 net acres in the Southern Appalachian basin. Magnum Hunter is also engaged in midstream operations involving the gathering of natural gas through its ownership and operation of a gas gathering system in West Virginia and Ohio, referred to as its Eureka Hunter Pipeline System. The company is headquartered in Houston, TX and has 305 employees.

### Investment strategy

We rate MHR shares Buy (1). Since the common stock and sr notes offering announced in early May 2012, MHR's shares have sharply underperformed the E&P sector and the broader markets. Thus, shares currently trade at a much larger discount to proven only NAV (based on YE11 reserves, pro forma for acquisitions) than the average for our E&P coverage group. Considering MHR's long-life drilling inventory with attractive economics, the substantial upside relative to its proven reserve base and solid oily production growth outlook, we think the stock should trade at least inline with the group on this metric.

### Valuation

Our \$5.00 price target is based on MHR's stock achieving 125% of proven only NAV and multiples of 4.4x and 3.9x our 2013-14 debt-adjusted cash flow estimates based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively.

### Risks

**Drilling Results** - Disappointing drilling results in the company's core areas, particularly the Eagle Ford, Bakken/Three Forks and Marcellus could negatively impact production forecasts and cash flows.

**Small Company Size** – Magnum Hunter is significantly smaller than many of its competitors in the oil & gas sector. Thus, it may have difficulty securing the necessary equipment, personnel and financing for its operations.

**Liquidity** - Based on the company's current borrowing base under its credit facility and our projections, we expect MHR to run out of borrowing capacity in 2013. Thus, the company will need to raise additional capital to fund a portion of the expected shortfall between our estimates for cash flow and capital expenditures.

**Acquisition risk** – MHR has been aggressively acquiring assets over about the last 3 years and there is a risk that the company will over-pay to further expand its asset base.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, impacting cash flow and earnings. This volatility tends to significantly impact sector stock performance.

If the positive impact on the company from any of these factors proves to be greater than we anticipate, the stock could materially outperform our target. Conversely, if the negative impact on the Company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Marathon Oil Corp

### Company description

Marathon Oil Corporation (MRO) is an independent international energy company engaged in exploration and production, oil sands mining and integrated gas. The company's operations are located in the United States, Angola, Canada, Equatorial Guinea, Indonesia, Iraqi Kurdistan Region, Libya, Norway, Poland and the United Kingdom. MRO spun off Marathon Petroleum Company (MPC) consisting of Refining & Marketing, Speedway and Pipeline Transportation business segments on June 30, 2011.

### Investment strategy

We rate shares of Marathon Oil (MRO) a Buy (1) with a 12-month price target of \$40. We believe MRO's international E&P assets offer substantial upside from fields in Angola, the Gulf of Mexico and synthetic crude oil from Canada's oil sands.

### Valuation

Our \$42/share 12-month price target based on the stock achieving EV multiples of 5.7x /5.3x our 2013/2014 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and ~150% of year-end 2012 proven-only NAV and 100% of our SOP risked resource NAV both based on our current commodity price outlook.

### Risks

The key risks to our investment thesis on MRO include:

1) As with the oil sector generally, the risk of a sharp pullback in oil and natural gas prices could impair the earnings outlook. 2) Increasing exposure to political risk and to projects that continue to rely on cooperative environment. 3) The ability to deliver, near-term, production targets. Although there is clear project visibility, project delays could be a risk. 4) MRO is in several areas that have higher tax production mix (PSC). 5) If there is a continuation of a strong commodity environment, MRO should be able to accelerate debt reduction and benefit from higher earnings. 6) The turnaround in MRO's exploration program is expected to enhance MRO's upstream operating metrics.

If any of these risk factors has a greater downside impact than we anticipate, its share price will likely have difficulty attaining our target price. Conversely, if the impact of any of these upside risks is greater than we anticipate, the stock could exceed our target price.



## Matador Resources Co

### Company description

Matador Resources Company is an independent oil and gas exploration & production company with primary operations in East Texas and North Louisiana (ETNL) and South Texas. Matador holds ~25k net acres in ETNL (currently its largest asset by production, proved reserves and resource potential), where it primarily targets the Haynesville (~15k net acres), and Cotton Valley formations. While almost 55% of YE12 proved reserves and ~50% of current production are natural gas, the company has shifted much of its focus away from natural gas in ETNL to more oil and liquids opportunities, namely in South Texas, where Matador holds ~30k net acres concentrated in the oily Eagle Ford Shale. Matador also has a toe hold of 20k net acres in the Permian Basin, which it hopes to expand, and ~30k net acres in the Gracie Prospect located in Wyoming, Utah and Idaho that are prospective for the Meade Peak formation (natural gas). The Company was founded by Joseph W. Foran and Scott E. King in July 2003, completed its initial public offering in February 2012 and is headquartered in Dallas, TX with 41 employees.

### Investment strategy

We rate Matador Petroleum Neutral/High Risk (2H). Overall, we think management has done a good job positioning the Company for a rapid transition from natural gas to oil and we expect its operations in the Eagle Ford to drive solid production growth over the next several years. However, Matador has a relatively small inventory of oily drilling locations currently in its portfolio and we think the company may need to raise more capital before it could fully develop and meaningfully add to its 'oily' inventory. Furthermore, while we see considerable value in the Eagle Ford position, we think much of this value is currently reflected in the stock price. Finally, we think the depressed natural gas price environment and MTDR's leverage to the commodity will remain a drag on shares over the next 12 months. Thus, while we see some price upside for MTDR, we await a material increase in its oily drilling inventory or an improvement in natural gas prices to foresee additional upside and we assign it a High Risk rating.

### Valuation

Our \$10/share price target for Matador is based on the its shares achieving 2013/2014 EV/DACF multiples of 5.6x/5.1x, based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and ~125% of proven only NAV.

### Risks

We rate Matador High Risk. Our risk rating is based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Research.

Risks to our price target include:

Drilling Results - Disappointing drilling results, particularly in the Eagle Ford and Haynesville could negatively impact MTDR's share performance. Conversely, positive results, especially from the Eagle Ford, would be very favorable for MTDR's shares.

Operational risks – the company will need to continue to execute on its drilling, completion and transportation plans in the Eagle Ford across a scattered acreage position in a play that is very active with significantly larger competitors.

Limited Inventory - We expect MTDR to drill up its inventory of drilling locations in the Eagle Ford in a relatively short time frame. Furthermore, we think MTDR will need to raise additional capital before it could meaningfully add to its oily inventory.

Capital Constraints – Considering Matador's current capital expenditure plans and our cash flow projections, the company will most likely need to raise additional capital to fund its operations over the next 12 months.

Repeatability - Matador has a scattered acreage position in the Eagle Ford, making it difficult for the company to realize efficiencies and deliver consistent results. However, if MTDR were able to achieve efficiencies and deliver consistent results, we think investors would assign more value to the position.

Small Company Size - Matador is significantly smaller than many of its competitors within the oil & gas sector. Thus, it may have difficulty securing the necessary equipment, personnel and financing for its operations.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, impacting cash flow and earnings. This volatility tends to significantly impact sector stock performance.

If the positive impact on the company from any of these factors proves to be greater than we anticipate, the stock could materially outperform our target. Conversely, if the negative impact on the Company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## **Newfield Exploration Co.**

### **Company description**

Newfield Exploration is a Houston-based exploration and production company with key operations in the Woodford shale, the Monument Butte oil field, the liquids-rich Granite Wash, the Bakken oil shale, offshore Gulf of Mexico and Malaysia. The company also is a recent entrant in the Eagle Ford shale and the Alberta Basin.

### **Investment strategy**

We rate Newfield Resources Neutral. While Newfield fits within our preference for the more oil-leveraged names, the company's recent 25% international production decline guidance for 2013 was disappointing. In addition, Newfield's year-end reserves reflect continued asset quality issues that the company needs to address.

### **Valuation**

Our \$25 price target is based on the company achieving multiples of 5.0x and 5.5x our 2013E and 2014E DACF, respectively, based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and ~98% of proven reserve-only NAV.

### **Risks**

Risks to our price target include:

**Drilling Results** - Disappointing drilling results, particularly in NFX's key operating areas in the Woodford shale, Monument Butte, the Granite Wash, the Bakken, offshore Gulf of Mexico, the Eagle Ford shale, the Alberta Basin or the Marcellus shale could impact NFX's share performance.

**Gulf of Mexico uncertainties** - Increased regulation, higher costs and possible delays in the Gulf of Mexico could impact NFX's GOM operations.

**Volatile Commodity Prices** - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Noble Energy Inc

### Company description

Noble Energy is a Houston-based independent energy company engaged in oil and gas exploration and production. Operations are located in the U.S. Rockies, Marcellus and onshore and offshore Gulf of Mexico, while international operations are focused offshore West Africa, Israel and China.

### Investment strategy

We rate Noble Energy Buy. Overall, Noble has a host of domestic and international development projects that should significantly boost production over the next 18 months, including the Galapagos project offshore Gulf of Mexico, the Noa and Tamar fields offshore Israel, and Aseng field offshore Africa. We acknowledge Noble's success with the drill bit and upside exploration exposure and assign the company a Buy rating.

### Valuation

Our \$130 price target is based on Noble's share achieving 2013-14 EV/DACF multiples of 7.2x and 6.1x and a Price/NAV ratio of 114% based on our "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively.

### Risks

Risks to our price target include:

**Exploration Results** - Noble allocates ~20% of its capital budget to its exploration program. Exploration results, particularly in the deepwater Gulf of Mexico, offshore West Africa and offshore Israel, may impact on NBL's share price.

**Volatile Commodity Prices** - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance. NBL has mitigated some commodity price risk by assuming high levels of hedging into 2010.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Pioneer Natural Resources Co.

### Company description

Pioneer Natural Resources is a domestic E&P company with primary operations in the Permian (Spraberry Trend and Horizontal Wolfcamp), Eagle Ford, Barnett and Alaska, and also has legacy gas assets in the Rockies, Mid-Continent and South Texas regions. The company is focused on the development of the Permian, where it is targeting the Spraberry trend via vertical drilling and the Wolfcamp shale via horizontal drilling, and the Eagle Ford. Pioneer is headquartered in Irving, Texas and was formed through the 1997 merger of Parker & Parsley Petroleum Company and MESA Inc.

### Investment strategy

We rate Pioneer Natural Resources Buy. Overall, Pioneer has successfully repositioned its portfolio to focus on two core areas and is poised to deliver above-average production growth via a ramp-up from its Permian Basin Spraberry vertical program, horizontal Wolfcamp and the Eagle Ford shale. The company has a high quality resource inventory set to provide continued future development and also benefits from vertical integration (includes pulling units, frac tanks, water trucks, hot oilers, and field equipment) that will help drive down costs.

### Valuation

Our 12-month price target of \$148 is based on PXD achieving 2013E/2014E EV multiples of 9.1x/8.2x our respective debt-adjusted cash flow estimates based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and ~135% of proven-only NAV. Our valuation multiples reflect a premium to the peer group average as we project above-average production growth and returns for PXD.

### Risks

Funding requirements - Our model indicates that Pioneer will be able to meet future capital requirements through a combination of cash flow, JV proceeds, asset sales and, if necessary, debt issuances. However, if these fail to materialize, or occur at lower-than-expected valuations, and credit conditions deteriorate, Pioneer could face more substantial funding gaps over the next few years.

Drilling results - Disappointing drilling results from the Eagle Ford and particularly the horizontal Wolfcamp, given its early-stage nature and high expectations, could have a negative effect on the company's outlook.

Commodity prices and NGL exposure - While Pioneer boasts a strong hedging program that provides insulation from severe commodity price swings, stock performance will still likely move with the direction of oil prices. Also, production comprises of significant NGL volumes and we note a weak NGL pricing environment next year could impact our projections. A depressed commodity price environment could also alter company development plans and growth targets.

If the impact on the company from any of these factors proves to be more than we anticipate, the stock could materially underperform our target. Conversely, if the impact on the company from any of these factors proves to be less than we anticipate, the stock could outperform our target price.

## Quicksilver Resources Inc

### Company description

Quicksilver is an independent oil and gas exploration & production company with primary operations in the Barnett Shale in Texas and the Horseshoe Canyon in Alberta, Canada. Most of the company's upside potential comes from natural gas with ~130k net acres in the Horn River Basin. However, KWK also has meaningful oily potential with ~150k net in the Permian Basin, ~160k net acres in the Niobrara, and ~170k net acres in the Alberta Basin Bakken. Members of the Darden family manage KWK and are its largest shareholder on a combined basis. The company was founded in 1997 and is headquartered in Fort Worth, TX.

### Investment strategy

We rate Quicksilver Resources Neutral. Overall, we expect the company's Horn River Basin and Barnett Shale natural gas assets to drive below-average production growth over the next few years. While KWK is primarily leveraged to natural gas, there are multiple oily resource-type play opportunities in its portfolio, including its positions in the Niobrara, Permian Basin, Alberta Basin Bakken, and the Exshaw oil play in the Horn River Basin. While commercial development has not yet been proven in any of these positions to date, each could potentially add significant value to the asset base. However, after failing to take the company private in 2011, the Darden family has struggled to bring KWK's leverage more in line with its peers and the company remains capital constrained in a depressed natural gas price environment.

### Valuation

Our price target of \$2.00 is based on the stock achieving EV/debt-adjusted cash flow multiples of 6.8x/7.2x for 2013E/2014E, and ~200% of our proven-only NAV (using our near-term 'normalized' price deck of \$90.00/Bbl WTI and \$4.50/MMBtu composite spot price).

### Risks

Risks to our price target include:

**Drilling Results** - Disappointing drilling results, particularly in the Niobrara, Barnett, Horn River Basin and Permian Basin could negatively impact KWK's share performance.

**Repeatability** - In the past, Quicksilver has achieved good organic growth and low F&D costs through the exploitation of its Barnett shale position. However, as the Barnett play matures, Quicksilver is at risk of not securing as compelling of opportunities.

**Leverage** - KWK has substantially more debt than most of its peers. If the company is not able to reduce its leverage via asset monetizations, management may elect to raise capital via other potentially more dilutive alternatives.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Range Resources Corp

### Company description

Range Resources is a Fort Worth, Texas-based independent Exploration and Production company. The company's key operating area is the Marcellus shale in Pennsylvania, while it also operates in the Nora field in Virginia in addition to traditional oil and gas properties in the Mid-Continent, Appalachia and the Southwestern US. Range's production mix in 2013 is expected to be ~78% natural gas and ~22% crude oil or natural gas liquids.

### Investment strategy

We rate Range Resources Buy. Overall, we believe that Range Resources has established an enviable position in one of the key future, if not among the highest resource potential, shale plays in North America. The company's Marcellus shale position should allow it to continue to post industry leading returns and production growth for several years into the future. Our recent industry-wide F&D study highlighted RRC's superior and improving Reserve Replacement Efficiency (RRE), or our simple measure of economic returns, which has historically correlated to a premium EV/DACF multiple.

### Valuation

Our \$95 target is based RRC's stock achieving 2013/2014 EV/DACF multiples of 16.1x/12.0x respectively, and ~150% of proven NAV using "normalized" WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$4.50/MMBtu.

### Risks

Risks to our target price include:

Regulatory Risk - With future growth pinned largely on the Marcellus, Range is significantly exposed the developing natural gas regulatory environment in Pennsylvania. Conversely, political and regulatory risks could subside and relieve pressure on Range's stock.

Funding Risk - Range relies on asset sales, debt or equity issuance to fund continued production growth. Failure to secure these funds could put future growth at risk.

Drilling Results - Disappointing drilling results or positive drilling results, particularly in the Marcellus could impact RRC's share performance.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance, both positive and negative. RRC has partially mitigated commodity price risk with high levels of hedging over the next year.

## Rosetta Resources

### Company description

Rosetta Resources explores for, develops and produces crude oil, natural gas and natural gas liquids (NGLs) across several regions in the US including Texas and Montana. It holds ~67k net acres in the prolific TX Eagle Ford Shale area and this play now accounts for nearly all of its total production. Rosetta was founded in 2005 and is headquartered in Houston, Texas.

### Investment strategy

We rate Rosetta Resources Buy. The company has successfully built a sizeable position in the Texas Eagle Ford shale, condensing itself from a scattered dry gas player to a focused liquids-oriented producer. We estimate that more than 60% of its 2013 production will come from crude oil or NGLs. ROSE now has a longer-term liquids-rich drilling inventory in the Eagle Ford shale and we expect the company to post substantially better-than-average production growth while generating industry-leading rates of return. We estimate ROSE's reserve replacement efficiency ratio (RRE), or our simple measure of economic returns, to be 4.8x, which is the highest in our US E&P coverage group and more than 2x the average.

### Valuation

Our \$55 target is predicated on the stock achieving 2013E/2014E EV/DACF multiples of 6.8x/5.7x based on "normalized" WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and ~100% of our proven-only NAV assessment based on our actual commodity price forecast.

### Risks

Risks to our target price include:

**Volatile Commodity Prices** - Rosetta is sensitive to changes in the prices of crude oil, natural gas and natural gas liquids (NGLs). Their exposure is partially reduced due to its hedging program, but a significant portion of its anticipated future production is not hedged.

**High Exposure To Single Play** - Nearly all of its current production comes from the relatively new Texas Eagle Ford Shale play, where long-term results have yet to be definitively established. Additionally, insufficient gathering and processing infrastructure in this emerging area may constrain Rosetta's production.

**Small Company Size** - Rosetta is significantly smaller than many of its major competitors within the oil & gas sector. Thus, it may have difficulty securing necessary equipment, personnel and financing for its operations.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.



## SandRidge Energy Inc

### Company description

SandRidge Energy is a domestic oil and gas E&P company primarily focused in the Mid-Continent Region (Mississippian Play) and Gulf of Mexico shelf. The company recently announced a transaction to sell its Permian Basin position for \$2.6bn. Over the last several years, SandRidge has transitioned from a natural gas focus to an oil focus, rapidly ramping up in the Mississippian Lime play, where it projects double digit production growth for years to come. SandRidge completed its IPO in 2007 and is headquartered in Oklahoma City with more than 2,200 employees.

### Investment strategy

We currently assign SandRidge Energy a Neutral rating. We think the aggressive ramp up, combined with the economics of the Mississippian, implies a net present value for the risked resource potential of this play alone that is close to the company's current market cap, while shares are currently trading below proven only NAV. However, given SD's relatively high cost structure and our forecasts for capital expenditures to exceed discretionary cash flow through 2015, we expect 2012-2015 cash flow per debt-adjusted share to decline by close to 10% per annum, significantly below an average CAGR of more than +10% for our E&P coverage group. Nevertheless, we maintain a favorable view of management and its core assets and would easily return to a more constructive rating if our outlook for cash flow per debt-adjusted share growth were to improve.

### Valuation

Our 12-month price target of \$5.25 per share is based on SD achieving 2013-14 EV multiples of 5.8x and 6.9x our debt-adjusted cash flow estimates based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and 105% of proven only NAV.

### Risks

Risks to our price target include:

**Liquidity Risk** - SandRidge plans to significantly outspend its discretionary cash flow over the next few years. If the Company is not able to raise sufficient non-debt capital to fund its aggressive development plans, we would expect shares to underperform.

**Drilling Results** - Disappointing drilling results, particularly in the Mississippian and Permian could negatively impact SD's share performance. Conversely, better than expected results, especially from the extension area of the Mississippian would be very favorable for SD's shares.

**Operational Risk** - SandRidge has outlined an aggressive program in the Mississippian to drive production growth. If the Company fails to efficiently operate the increasing rig count, production could grow less than expected and costs could escalate more than anticipated. Furthermore, with the acquisition of Dynamic Offshore Resources in H1'12, SandRidge will need to efficiently manage an area in which it has relatively limited experience and which is prone to weather-related interruptions.



If the positive impact on the company from any of these factors proves to be greater than we anticipate, the stock could materially outperform our target. Conversely, if the negative impact on the Company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Southwestern Energy Co

### Company description

Southwestern Energy is a domestic onshore natural gas-leveraged E&P company primarily focused in the Arkoma Basin (Arkansas and Oklahoma), East Texas, and Appalachia. The company is also focused on creating and capturing additional value at and beyond the wellhead through established natural gas distribution, marketing and transportation businesses and expanding gathering activities.

### Investment strategy

We rate Southwestern Energy Buy (1). Based on the assumption of a normal winter and a constructive outlook for natural gas prices this year, we believe it is prudent to continue to add to or build positions in the more natural gas leveraged names.

### Valuation

Our \$46 price target is based on Southwestern's stock achieving multiples of 8.8x and 7.7x our 2013-14 debt-adjusted cash flow estimates based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively and ~166% of proven NAV.

### Risks

**Drilling Results:** Disappointing drilling results, particularly in the Fayetteville and Marcellus shale plays, could negatively impact SWN's share performance. Conversely, positive exploration results from its New Ventures group could be favorable for SWN's shares.

**Repeatability:** SWN has achieved high organic growth and low F&D costs through the exploitation of its Fayetteville shale position. Once the Fayetteville play matures, SWN is at risk of not securing as compelling of opportunities.

**Infrastructure Build Out:** The overarching bottleneck in developing the Fayetteville play has traditionally been overall takeaway capacity from third party operators. Delays in future expansions of takeaway capacity could delay SWN's production growth.

**Volatile Commodity Prices:** With 100% natural gas production and minimal hedges in place, SWN is the most natural gas levered name in our universe.

The impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Talisman Energy Inc

### Company description

Talisman Energy Inc. explores for, develops and produces natural gas, crude oil and natural gas liquids with about 1.4 billion barrels of oil equivalent (BOE) of proved reserves at year-end 2011. The company is roughly evenly balanced with about 50% of its production as natural gas, and 50% as crude oil. Talisman was originally part of British Petroleum but became an independent company in 1992 and is headquartered in Calgary, Canada.

Within North America, Talisman holds both conventional and unconventional natural gas assets with a land position exceeding 2 million acres including the Marcellus Shale (Pennsylvania/New York), the Montney Shale (British Columbia), the Utica Shale (Quebec) and recently the Eagle Ford Shale (TX). Internationally, in the North Sea, Talisman owns producing assets on both the U.K. and Norwegian sides, and pursues both development and exploration projects. Talisman has substantial operations in South East Asia including Indonesia, Malaysia and Vietnam and is conducting extensive exploration throughout S.E. Asia as well as in Australia and Papua New Guinea. Talisman also operates in Algeria, and explores in Kurdistan (Northern Iraq), Columbia and Peru.

Talisman is now focused on growth from North American unconventional gas, generating cash flow from mature North Sea assets, and is pursuing large international development and exploration targets.

### Investment strategy

We rate Talisman Neutral. Talisman has markedly improved the quality of its portfolio both in North America as well as globally. TLM also recently announced major changes to the company's strategic direction. While we don't disagree with the company's efforts to set a new strategic course, we believe execution and delivering results will take some time while there is substantial uncertainty as to how the new strategy will play out particularly with regard to asset divestitures and possible future acquisitions. In the meantime, we see no catalyst to drive outperformance.

### Valuation

Our 12-month price target of \$12.50 is based on the stock achieving EV multiples of 6.0x/5.7x our 2013/2014 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and ~104% of proven-only NAV based on our current commodity price outlook and 89% of sum-of-the-parts value.

### Risks

Risks to our target price include:

**Volatile Commodity Prices** – Talisman is sensitive to changes in the prices of crude oil, and natural gas. Only some of their expected natural gas and crude oil exposure is hedged, with the majority unhedged and subject to market price volatility.

**Political Risks** – Talisman operates in developing countries including Indonesia, Vietnam, Kurdistan, Columbia and Papua New Guinea and thus is subject to political risks including changes in operating terms, taxes, or expropriation.

**Exploration Risk** – Talisman is conducting exploration in several under-explored areas within Indonesia, Kurdistan, Peru, and Papua New Guinea, and these exploration projects have a high-probability of failure.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Ultra Petroleum Corp.

### Company description

Ultra Petroleum Corporation (founded in 1979) is a Houston-based independent exploration & production company with 3 Tcfe of proved reserves. Its operations are in two areas: an established position in Wyoming's Green River Basin and Pennsylvania's Marcellus Shale. About 97% of the company's production is natural gas.

### Investment strategy

We rate Ultra Neutral (2). Overall, we believe that Ultra is following a simple yet effective strategy of truly being a low-cost producer of dry natural gas. The company has built sizable positions in two key producing areas - Wyoming's Green River Basin and Pennsylvania's Marcellus Shale which provide a relatively low risk and attractive drilling inventory of more than 10 years. Its core Rockies region provides a stable cash flow base with UPL benefiting from a secular improvement in Rockies price realizations following the completion of the REX-East pipeline. The newer Marcellus position had been growing rapidly and is poised to account for close to one-third of total production this year. However, given that 97% of Ultra's production is U.S. natural gas, our concerns about the outlook for the commodity, our production forecasts over the next two years, and UPL's leveraged balance sheet, we believe that its current valuation is appropriate. Therefore, we assign a Neutral rating.

### Valuation

Our \$18.25 price target is based on the company achieving multiples of 6.3x and 6.1x our 2013 and 2014 debt-adjusted cash flow estimates and ~165% of NAV based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively.

### Risks

Risks to our target price include:

**Regulatory Risk** – Ultra operates in only two areas: Rockies and Marcellus. In the Rockies (Wyoming), the company leases federal land and thus is subject to tight government oversight, environment rules, and regulatory scrutiny. In the Marcellus (Pennsylvania), Ultra is significantly exposed to evolving regulations, restrictions and potentially new taxes.

Volatile Commodity Prices – Ultra is highly sensitive to changes in the price of natural gas given that the commodity makes up so much of its production volumes and that 2013/2014 volumes are unhedged.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

## Whiting Petroleum Corp

### Company description

Whiting Petroleum is a domestic onshore oil-leveraged E&P with primary operations in the Rocky Mountain, Permian, and Mid-Continent Regions. In the Rockies, the company holds over 700k net acres in the Williston Basin, where it focuses on the Bakken Shale, Three Forks and Pronghorn Sand, and has ~90k net acres in the DJ Basin, where it targets the Niobrara. Whiting has significant EOR projects in the Mid-Continent (Postle) and the Permian Basin (Northward Estes), where it also holds ~90k net acres prospective for the Bone Spring and Wolfcamp plays. Whiting is headquartered in Denver, Colorado with 561 employees and was founded by Kenneth R. Whiting and J. Bert Ladd in 1980.

### Investment strategy

We rate Whiting Petroleum Buy. Overall, Whiting has successfully added to its oily drilling inventory in the Williston Basin where the company has proven its operational capabilities by consistently posting strong well results while maintaining industry-leading well costs. Thus, we estimate close to 10 years worth of drilling in the Williston Basin with solid economic returns. The company also has two EOR projects, providing a relatively stable production ramp over the next few years, and option value in the Wolfcamp and Bone Spring plays in the Permian Basin and Niobrara play in the DJ Basin. Furthermore, Whiting is one of the most oil-levered names in our E&P group and we expect it to be one of the primary beneficiaries of the anticipated strength in oil prices. Finally, we consider Whiting's current valuation attractive, with the stock trading at a substantial discount to our E&P group and its peers.

### Valuation

Our 12-month price target of \$52 is based on WLL achieving a 2013/2014 EV/DACF multiple of 5.1x/4.5x our respective debt-adjusted cash flow estimates based on "normalized" WTI spot crude oil and composite spot natural gas prices of \$90.00/Bbl and \$4.50/MMBtu, respectively, and 66% of proven only NAV.

### Risks

Risks to our target price include:

Drilling Results - Disappointing drilling results, particularly in the Williston Basin outside of Whiting's core Sanish Field, could negatively impact WLL's share performance.

Repeatability - Whiting has achieved solid organic growth and low F&D costs through the exploitation of its core Bakken acreage in the operated Sanish and non-operated Parshall fields in the Williston Basin. Now that those areas have matured,

Whiting is at risk of not repeating this success in the other parts of the Williston Basin or operating areas.

Volatile Commodity Prices - Whiting is highly sensitive to changes in oil prices. While it has significant volumes hedged in 2013, the weighted average collar floor price is substantially below our forecasts offering little protection.

Regulatory Risk - Whiting primarily operates in only three regions: Rockies (mostly the Williston Basin), Permian, and Mid-Continent. In the Williston Basin (almost 1/2 of current production), there is a risk that fracking could be much more heavily regulated, which could have a material negative impact on production and proved reserves in the area.

If the impact on the company from any of these factors proves to be more than we anticipate, the stock could materially underperform our target. Conversely, if the impact on the company from any of these factors proves to be less than we anticipate, the stock could outperform our target price.

## Appendix A-1

### Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

### IMPORTANT DISCLOSURES

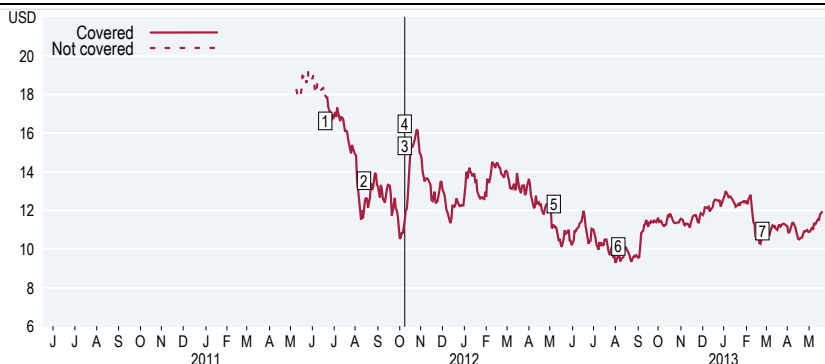
#### Kosmos Energy Ltd (KOS)

##### Ratings and Target Price History

##### Fundamental Research

Analyst: Robert S Morris

Covered since June 20 2011



	Date	Rating	Target Price	Closing Price
1	20-Jun-11	*1H	*22.00	17.94
2	12-Aug-11	1H	*20.00	11.59
3	8-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	8-Oct-11	*1	20.00	10.80
5	7-May-12	1	*18.00	11.26
6	6-Aug-12	1	*16.00	9.70

	Date	Rating	Target Price	Closing Price
7	25-Feb-13	1	*15.00	10.69

Rating/target price changes above reflect Eastern Standard Time

#### Kosmos Energy Ltd (KOS)

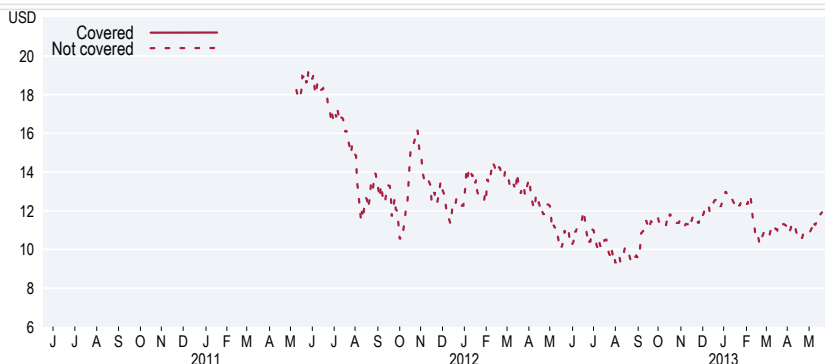
##### Ratings and Target Price History

##### Best Ideas Research

##### Relative Call (3 Month)

Analyst: Robert S Morris

Covered since June 20 2011

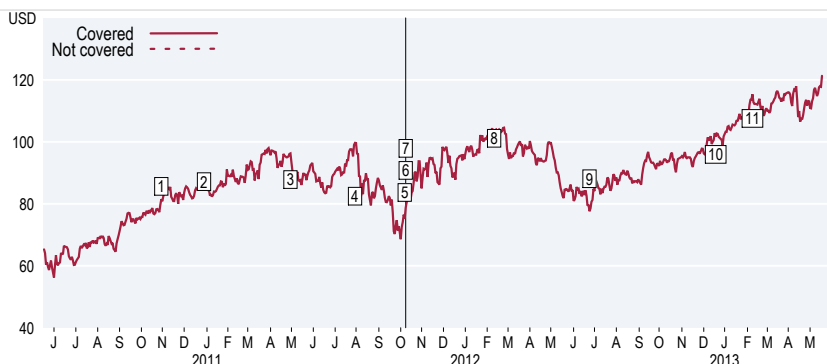


\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

# **Noble Energy Inc (NBL)** **Ratings and Target Price History** **Fundamental Research**

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	29-Oct-10	2M	*80.00	81.48
2	29-Dec-10	2M	*90.00	87.16
3	29-Apr-11	2M	*98.00	96.27
4	29-Jul-11	2M	*110.00	99.68

\* Indicates change

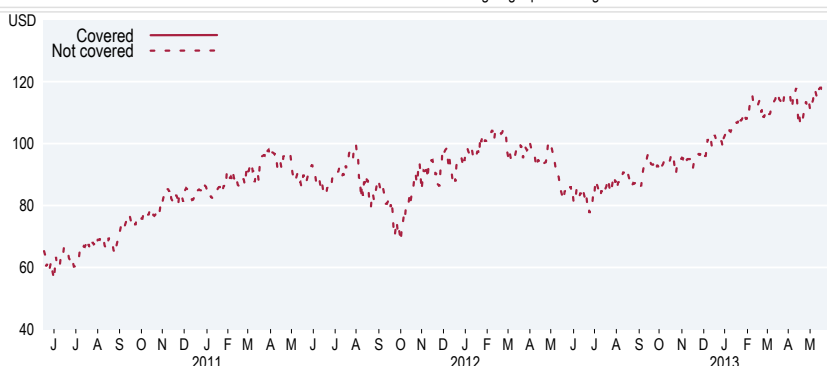
	Date	Rating	Target Price	Closing Price
5	7-Oct-11	*1M	110.00	75.28
6	8-Oct-11	Stock rating system changed		
7	8-Oct-11	*1	110.00	75.28
8	10-Feb-12	1	*120.00	101.15

	Date	Rating	Target Price	Closing Price
9	25-Jun-12	1	*110.00	77.59
10	19-Dec-12	1	*125.00	101.71
11	8-Feb-13	1	*130.00	115.36

Rating/target price changes above reflect Eastern Standard Time

# **Noble Energy Inc (NBL)** **Ratings and Target Price History** **Best Ideas Research** **Relative Call (3 Month)**

Analyst: Robert S Morris



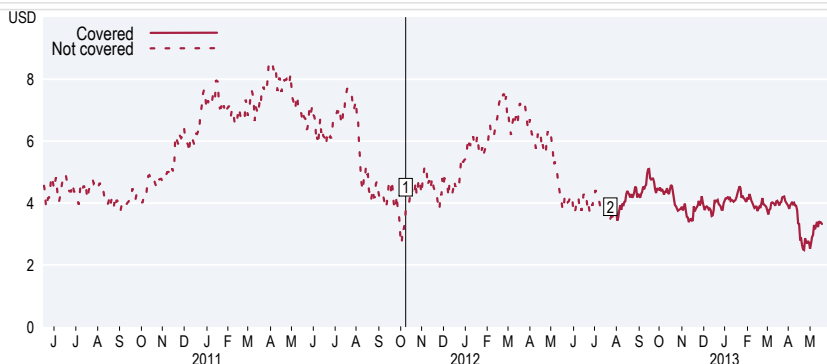
\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

# **Magnum Hunter Resources (MHR)** **Ratings and Target Price History** **Fundamental Research**

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	24-Jul-12	*1	*5.00	3.49

Rating/target price changes above reflect Eastern Standard Time

## Magnum Hunter Resources (MHR)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris

Covered since March 6 2013



\* Indicates change

## Quicksilver Resources Inc (KWK)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Robert S Morris

Covered since March 6 2013



\* Indicates change

Date	Rating	Target Price	Closing Price
1 8-Oct-11	Stock rating system changed		
2 27-Jan-12	*2	*5.75	5.29

Date	Rating	Target Price	Closing Price
3 25-Jun-12	2	*4.15	4.13
4 19-Dec-12	2	*3.75	3.46

Date	Rating	Target Price	Closing Price
5 27-Feb-13	2	*2.00	1.86

## Quicksilver Resources Inc (KWK)

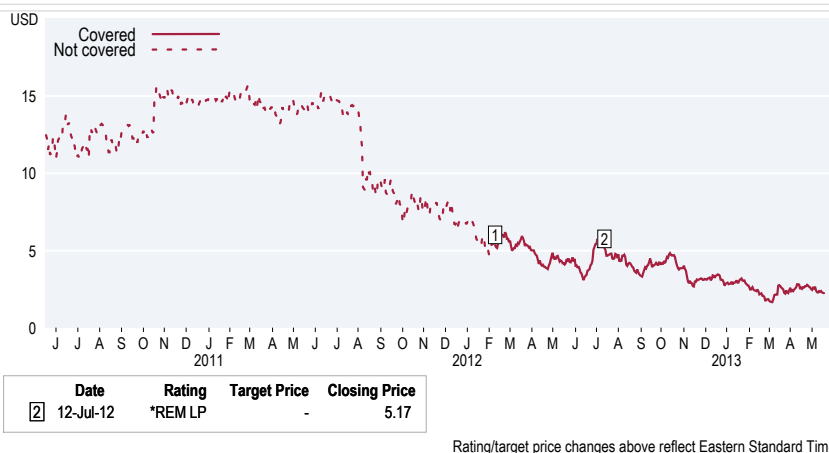
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris

Covered since March 6 2013



\* Indicates change

Date	Rating	Target Price	Closing Price
1 9-Feb-12	*ADD LP	-	5.36

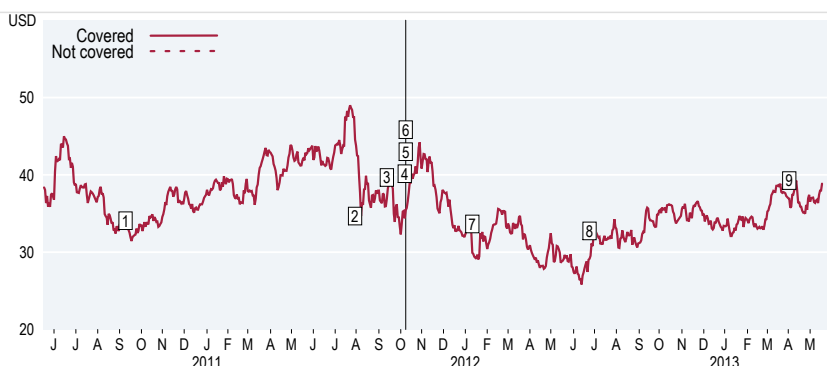
Date	Rating	Target Price	Closing Price
2 12-Jul-12	*REM LP	-	5.17



## Southwestern Energy Co (SWN)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	9-Sep-10	2H	*40.00	32.94
2	29-Jul-11	2H	*45.00	44.56
3	13-Sep-11	2H	*42.00	36.93

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	7-Oct-11	2H	*40.00	34.38
5	8-Oct-11	Stock rating system changed		
6	8-Oct-11	*2	40.00	34.38

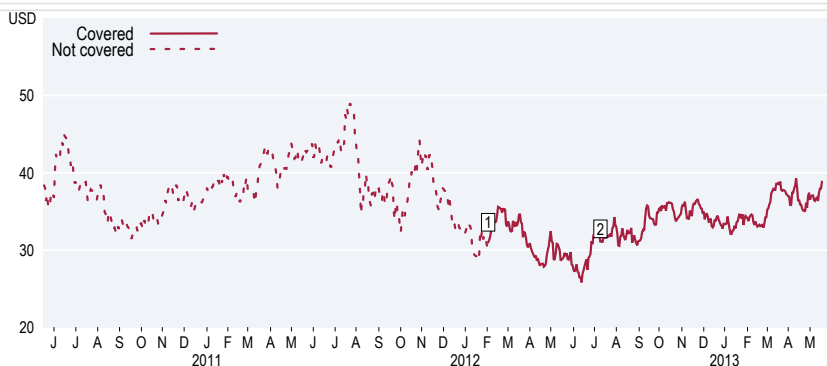
	Date	Rating	Target Price	Closing Price
7	11-Jan-12	2	*38.00	29.92
8	25-Jun-12	*1	38.00	29.15
9	2-Apr-13	1	*46.00	36.92

Rating/target price changes above reflect Eastern Standard Time

## Southwestern Energy Co (SWN)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	2-Feb-12	*ADD LP	-	30.98

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	10-Jul-12	*REM LP	-	31.01

Rating/target price changes above reflect Eastern Standard Time

## Devon Energy Corp (DVN)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	9-Sep-10	2M	*68.00	62.86
2	3-Nov-10	2M	*72.00	68.22
3	13-Jan-11	2M	*82.00	81.94
4	5-May-11	2M	*90.00	83.46
5	13-Sep-11	2M	*75.00	64.13

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	7-Oct-11	*1M	75.00	56.48
7	8-Oct-11	Stock rating system changed		
8	8-Oct-11	*1	75.00	56.48
9	16-Feb-12	1	*85.00	75.02
10	25-Jun-12	1	*75.00	54.32

	Date	Rating	Target Price	Closing Price
11	2-Aug-12	1	*70.00	55.41
12	8-Nov-12	*2	*62.00	54.02
13	19-Dec-12	2	*58.00	53.77
14	21-Feb-13	2	*55.00	54.88

Rating/target price changes above reflect Eastern Standard Time

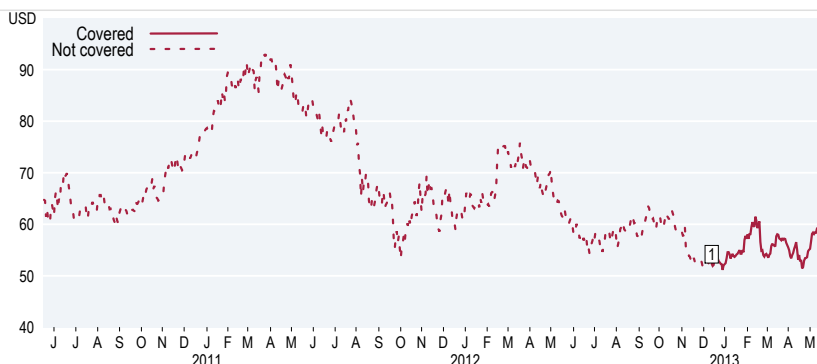
## Devon Energy Corp (DVN)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	13-Dec-12	*ADD LP	-	52.33

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Ultra Petroleum Corp. (UPL)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	12-Nov-10	*2H	*50.00	47.77
2	13-Sep-11	2H	*38.00	32.59
3	7-Oct-11	2H	*32.00	27.34
4	8-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	8-Oct-11	*2	32.00	27.34
6	6-Nov-11	2	*40.00	36.47
7	27-Jan-12	2	*28.00	24.97
8	17-Feb-12	2	*25.00	23.92

	Date	Rating	Target Price	Closing Price
9	6-Aug-12	2	*22.00	21.58
10	17-Feb-13	2	*18.25	16.00

Rating/target price changes above reflect Eastern Standard Time

## Ultra Petroleum Corp. (UPL)

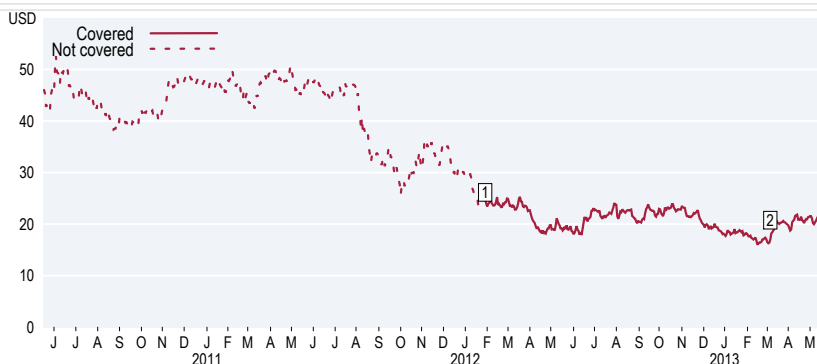
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	30-Jan-12	*ADD LP	-	24.94

\* Indicates change

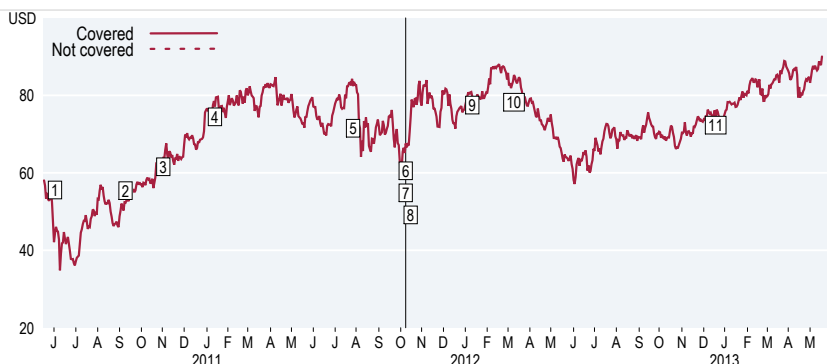
	Date	Rating	Target Price	Closing Price
2	6-Mar-13	*REM LP	-	16.98

Rating/target price changes above reflect Eastern Standard Time

## Anadarko Petroleum Corp (APC)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	2-Jun-10	1H	*75.00	44.36
2	9-Sep-10	1H	*74.00	52.28
3	2-Nov-10	1H	*80.00	63.82
4	13-Jan-11	1H	*95.00	77.14

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	27-Jul-11	1H	*100.00	82.39
6	8-Oct-11	Stock rating system changed		
7	8-Oct-11	*1	100.00	65.12
8	17-Oct-11	1	*120.00	74.44

	Date	Rating	Target Price	Closing Price
9	11-Jan-12	1	*110.00	79.72
10	9-Mar-12	1	*115.00	85.25
11	19-Dec-12	1	*105.00	74.45

Rating/target price changes above reflect Eastern Standard Time

## Anadarko Petroleum Corp (APC)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	25-Jan-11	*ADD MP	-	75.70

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	9-Aug-12	*REM MP	-	69.66

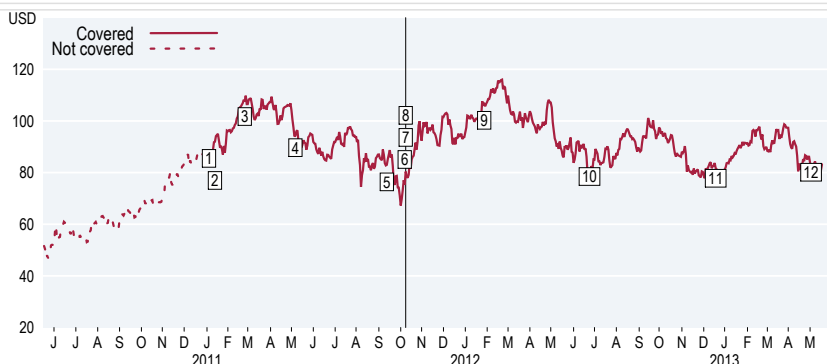
Rating/target price changes above reflect Eastern Standard Time

## Concho Resources Inc (CXO)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	5-Jan-11	*3H	*81.00	86.51
2	13-Jan-11	3H	*83.00	91.97
3	24-Feb-11	3H	*95.00	107.53
4	6-May-11	*2H	95.00	94.34

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	13-Sep-11	2H	*92.00	83.01
6	7-Oct-11	*1H	92.00	75.35
7	8-Oct-11	Stock rating system changed		
8	8-Oct-11	*1	92.00	75.35

	Date	Rating	Target Price	Closing Price
9	27-Jan-12	1	*124.00	106.60
10	25-Jun-12	1	*116.00	78.48
11	19-Dec-12	1	*107.00	81.69
12	2-May-13	1	*100.00	80.14

Rating/target price changes above reflect Eastern Standard Time

## Concho Resources Inc (CXO)

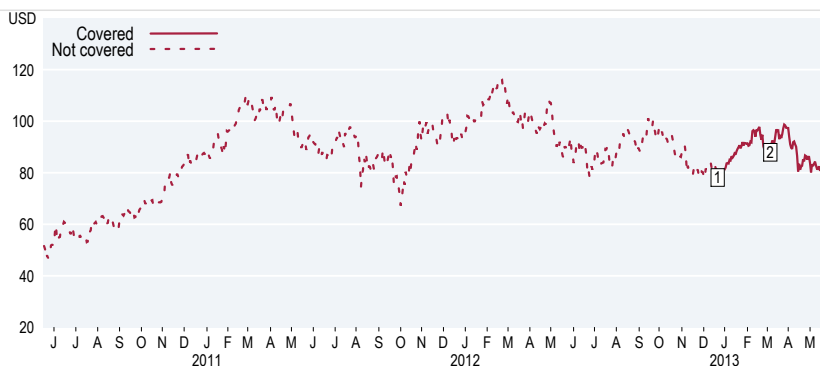
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
[1]	21-Dec-12	*ADD MP	-	79.49

\* Indicates change

	Date	Rating	Target Price	Closing Price
[2]	6-Mar-13	*REM MP	-	87.93

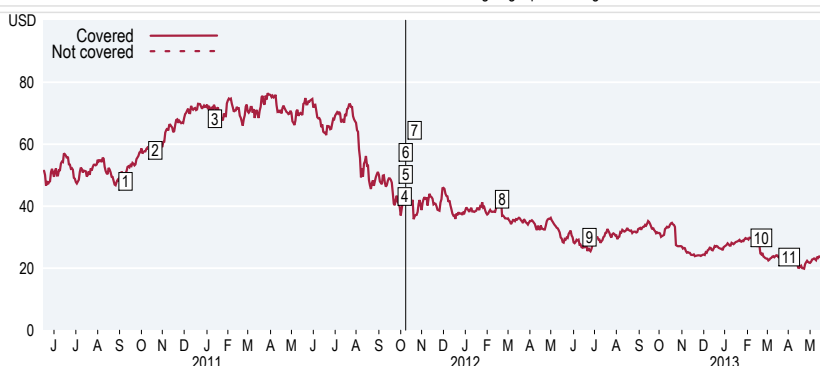
Rating/target price changes above reflect Eastern Standard Time

## Newfield Exploration Co. (NFX)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
[1]	9-Sep-10	1M	*60.00	50.67
[2]	21-Oct-10	1M	*68.00	58.91
[3]	13-Jan-11	*2M	*76.00	71.86
[4]	7-Oct-11	*1M	*58.00	40.65

\* Indicates change

	Date	Rating	Target Price	Closing Price
[5]	8-Oct-11	Stock rating system changed		
[6]	8-Oct-11	*1	58.00	40.65
[7]	21-Oct-11	1	*48.00	36.73
[8]	22-Feb-12	*2	*46.00	36.88

	Date	Rating	Target Price	Closing Price
[9]	25-Jun-12	2	*30.00	25.81
[10]	21-Feb-13	2	*27.00	24.43
[11]	2-Apr-13	2	*25.00	22.10

Rating/target price changes above reflect Eastern Standard Time

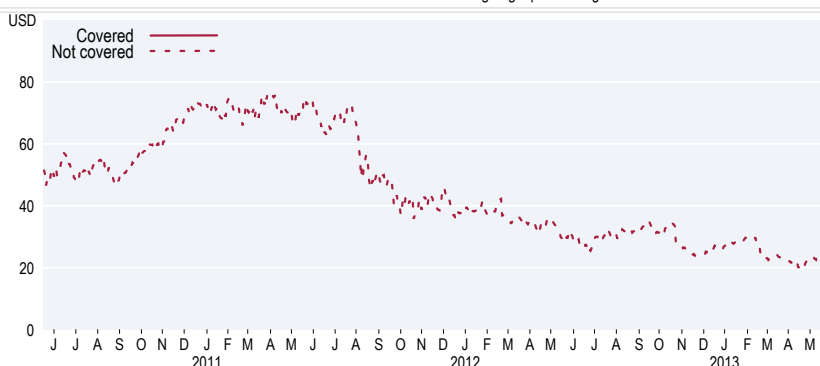
## Newfield Exploration Co. (NFX)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris



\* Indicates change

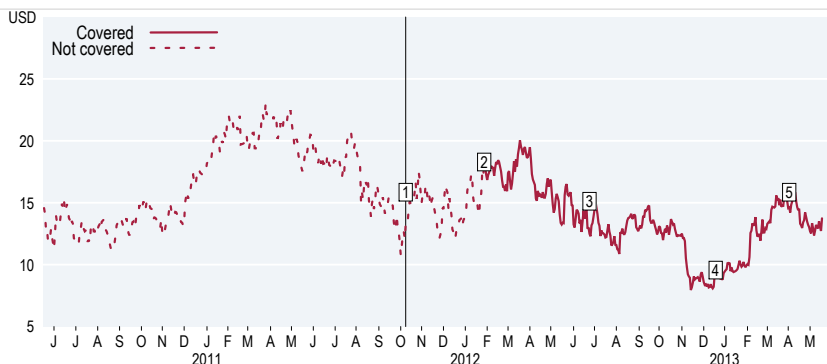
Rating/target price changes above reflect Eastern Standard Time

## Goodrich Petroleum Corp (GDP)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	27-Jan-12	*2	*18.00	18.29

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	25-Jun-12	2	*14.75	12.49
4	19-Dec-12	2	*10.50	9.56

	Date	Rating	Target Price	Closing Price
5	2-Apr-13	2	*16.00	14.62

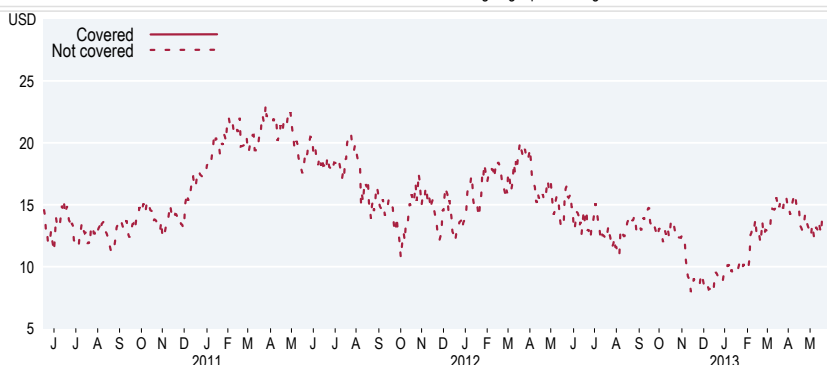
Rating/target price changes above reflect Eastern Standard Time

## Goodrich Petroleum Corp (GDP)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Robert S Morris

Covered since March 6 2013



\* Indicates change

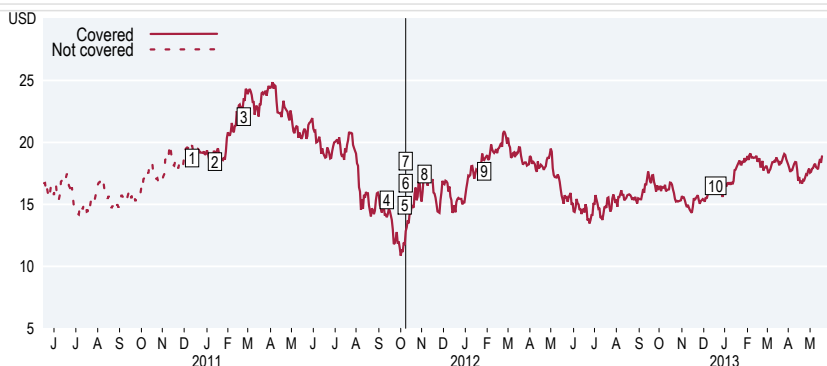
Rating/target price changes above reflect Eastern Standard Time

## Denbury Resources, Inc. (DNR)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	13-Dec-10	*2H	*20.00	19.77
2	13-Jan-11	2H	*21.00	19.06
3	23-Feb-11	2H	*24.00	23.56
4	13-Sep-11	2H	*17.00	13.96

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	7-Oct-11	2H	*12.75	11.72
6	8-Oct-11	Stock rating system changed		
7	8-Oct-11	*2	12.75	11.72
8	4-Nov-11	2	*18.00	17.38

	Date	Rating	Target Price	Closing Price
9	27-Jan-12	2	*19.00	18.57
10	19-Dec-12	2	*18.00	16.25

Rating/target price changes above reflect Eastern Standard Time

## Denbury Resources, Inc. (DNR)

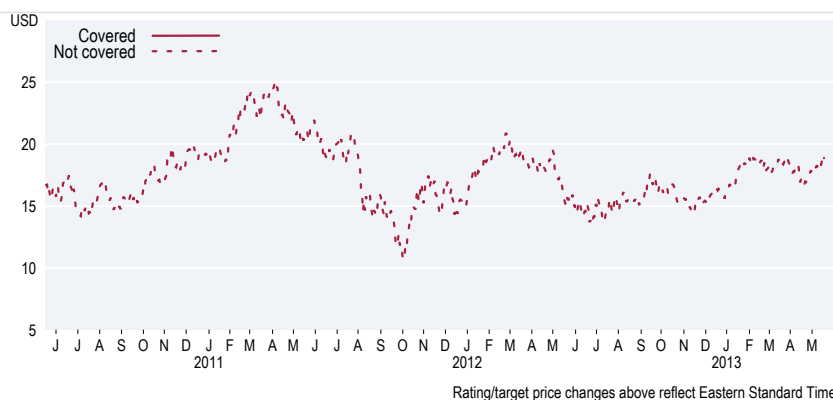
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris

Covered since March 6 2013



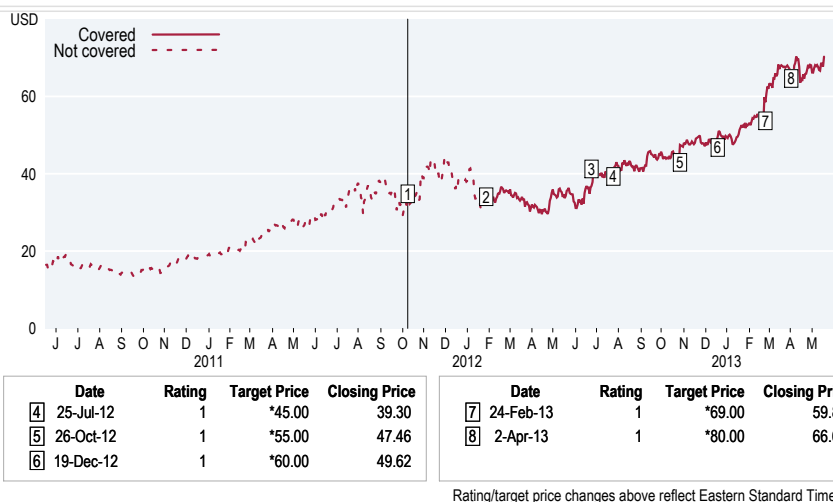
## Cabot Oil & Gas Corp (COG)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Robert S Morris

Covered since March 6 2013



## Cabot Oil & Gas Corp (COG)

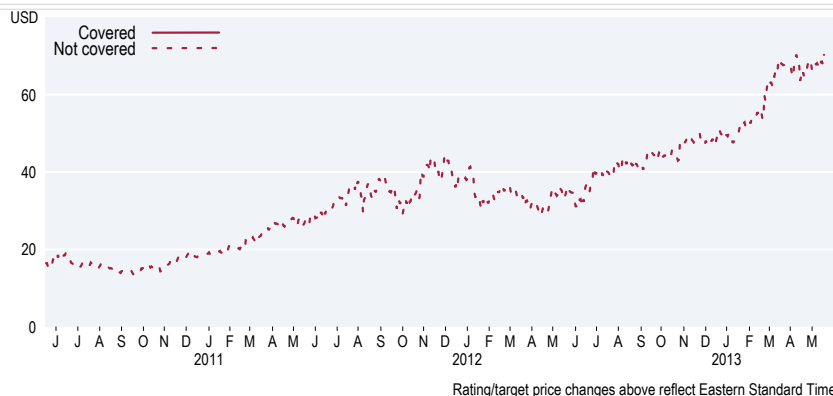
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris

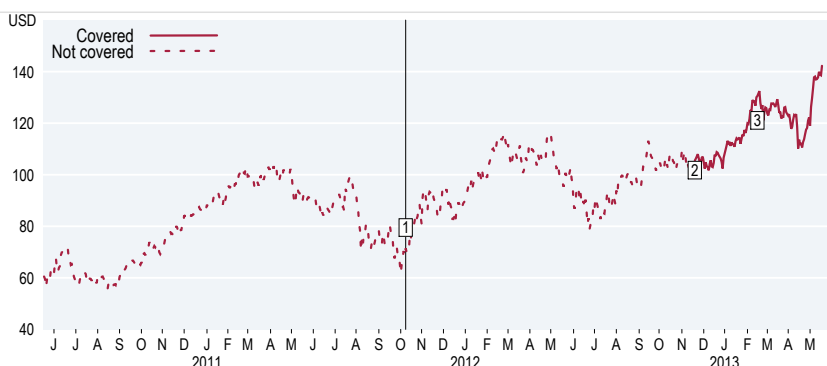
Covered since March 6 2013



## Pioneer Natural Resources Co. (PXD)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris  
Covered since November 21 2012



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	20-Nov-12	*1	*120.00	105.52

	Date	Rating	Target Price	Closing Price
3	15-Feb-13	1	*148.00	130.56

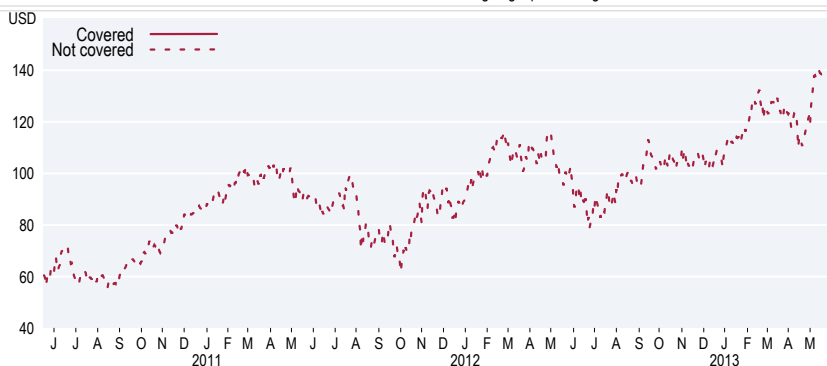
Rating/target price changes above reflect Eastern Standard Time

## Pioneer Natural Resources Co. (PXD)

### Ratings and Target Price History Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris  
Covered since November 21 2012



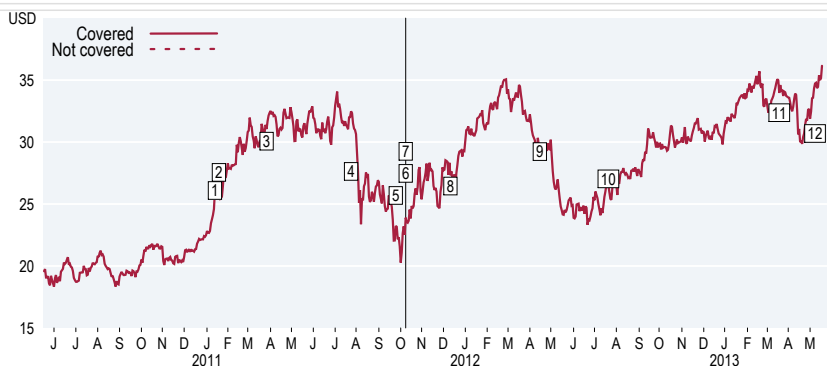
\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Marathon Oil Corp (MRO)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris  
Covered since March 20 2013



	Date	Rating	Target Price	Closing Price
1	13-Jan-11	1H	*28.53	26.09
2	19-Jan-11	1H	*30.35	25.53
3	27-Mar-11	*1M	*35.82	31.39
4	25-Jul-11	1M	*38.00	32.48

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	26-Sep-11	1M	*31.00	23.23
6	8-Oct-11	Stock rating system changed		
7	8-Oct-11	*1	31.00	22.53
8	12-Dec-11	1	*38.00	27.32

	Date	Rating	Target Price	Closing Price
9	16-Apr-12	1	*41.00	29.48
10	20-Jul-12	1	*33.00	26.54
11	19-Mar-13	1	*40.00	33.96
12	8-May-13	1	*42.00	34.72

Rating/target price changes above reflect Eastern Standard Time

# Marathon Oil Corp (MRO)

## Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Robert S Morris  
Covered since March 20 2013



	Date	Rating	Target Price	Closing Price
[1]	20-Jan-11	*ADD MP	-	25.41

\* Indicates change

	Date	Rating	Target Price	Closing Price
[2]	26-Sep-11	*REM MP	-	23.23

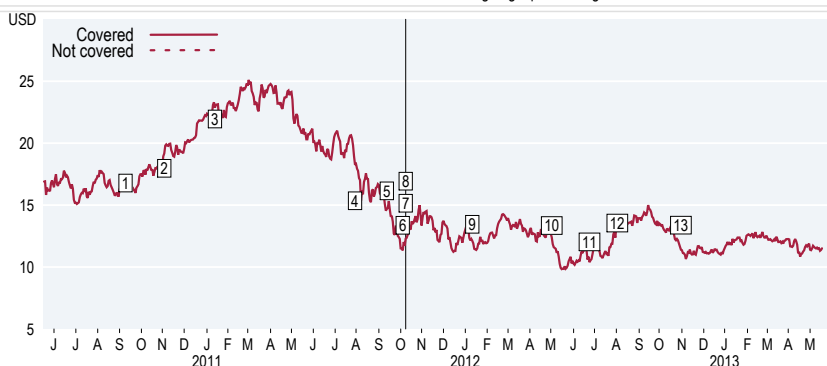
Rating/target price changes above reflect Eastern Standard Time

# Talisman Energy Inc (TLM)

## Ratings and Target Price History

### Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
[1]	9-Sep-10	1H	*20.00	16.53
[2]	3-Nov-10	1H	*22.00	19.17
[3]	13-Jan-11	*1M	*27.00	22.87
[4]	29-Jul-11	1M	*23.00	18.25
[5]	13-Sep-11	1M	*22.00	14.68

\* Indicates change

	Date	Rating	Target Price	Closing Price
[6]	5-Oct-11	1M	*18.00	11.34
[7]	8-Oct-11	Stock rating system changed		
[8]	8-Oct-11	*1	18.00	11.73
[9]	11-Jan-12	1	*16.00	12.12
[10]	2-May-12	1	*15.00	12.40

	Date	Rating	Target Price	Closing Price
[11]	25-Jun-12	1	*14.00	10.39
[12]	2-Aug-12	1	*16.00	12.94
[13]	31-Oct-12	*2	*12.50	11.40

Rating/target price changes above reflect Eastern Standard Time

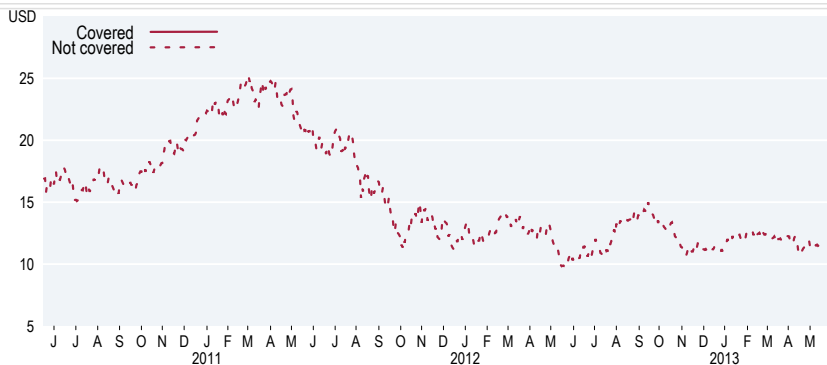
# Talisman Energy Inc (TLM)

## Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Robert S Morris



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

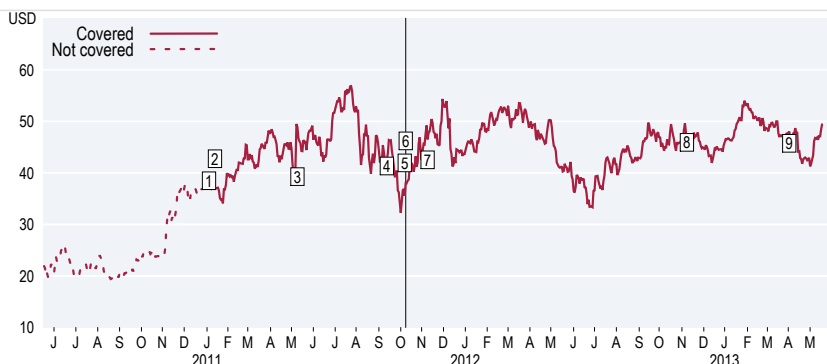


## Rosetta Resources (ROSE)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	5-Jan-11	*2H	*42.00	37.67
2	13-Jan-11	2H	*44.00	36.94
3	10-May-11	*1H	*60.00	48.87

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	13-Sep-11	1H	*55.00	42.54
5	7-Oct-11	*2H	*45.00	35.56
6	8-Oct-11	Stock rating system changed		

	Date	Rating	Target Price	Closing Price
7	9-Nov-11	2H	*50.00	46.49
8	8-Nov-12	*1H	*60.00	46.12
9	2-Apr-13	*1	*55.00	48.02

Rating/target price changes above reflect Eastern Standard Time

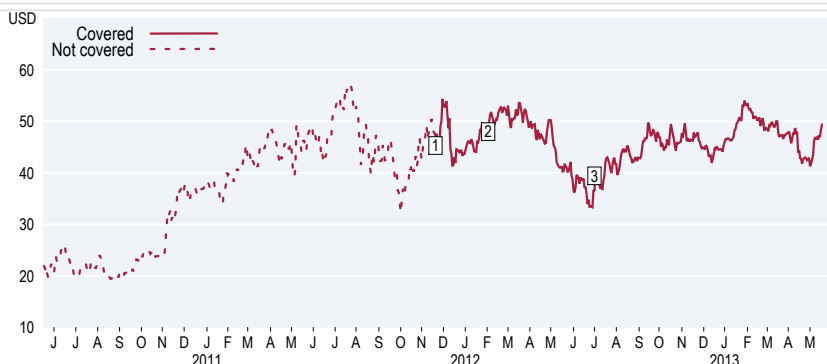
## Rosetta Resources (ROSE)

### Ratings and Target Price History Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	20-Nov-11	*ADD LP	-	47.71

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	2-Feb-12	*REM LP	-	48.14

	Date	Rating	Target Price	Closing Price
3	30-Jun-12	*N	-	36.62

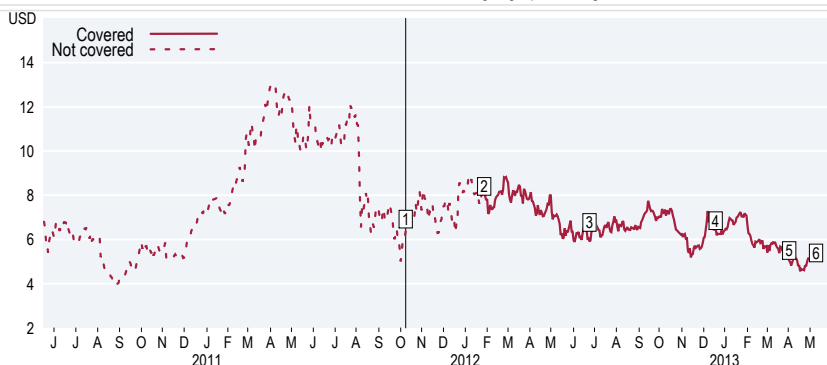
Rating/target price changes above reflect Eastern Standard Time

## SandRidge Energy Inc (SD)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	27-Jan-12	*1	*9.50	8.18

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	25-Jun-12	1	*8.50	5.91
4	19-Dec-12	*2	*7.00	6.50

	Date	Rating	Target Price	Closing Price
5	2-Apr-13	2	*5.75	5.04
6	9-May-13	2	*5.25	5.16

Rating/target price changes above reflect Eastern Standard Time

## SandRidge Energy Inc (SD)

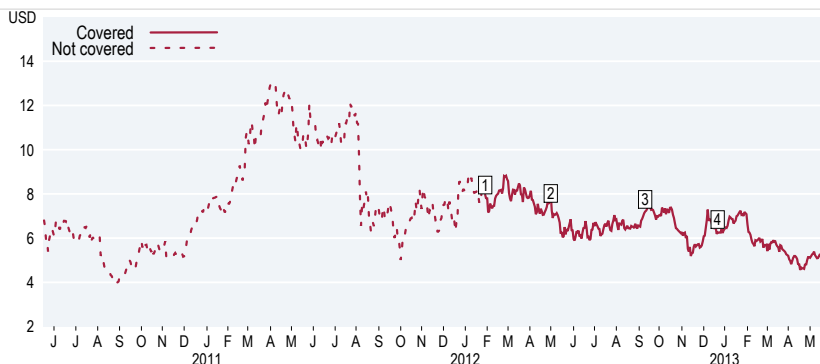
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	30-Jan-12	*ADD MP	-	7.96
2	1-May-12	*REM MP	-	8.02

	Date	Rating	Target Price	Closing Price
3	11-Sep-12	*ADD MP	-	7.20
4	21-Dec-12	*REM MP	-	6.26

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

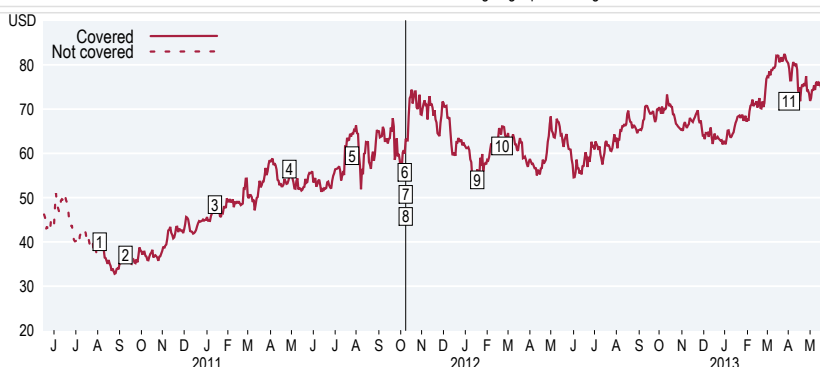
## Range Resources Corp (RRC)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Robert S Morris

Covered since August 5 2010



	Date	Rating	Target Price	Closing Price
1	4-Aug-10	*2H	*42.00	39.46
2	9-Sep-10	2H	*40.00	36.47
3	13-Jan-11	*3H	*44.00	48.16
4	28-Apr-11	3H	*48.00	54.92

	Date	Rating	Target Price	Closing Price
5	26-Jul-11	*2H	*65.00	64.59
6	7-Oct-11	*1H	*70.00	59.98
7	8-Oct-11	Stock rating system changed		
8	8-Oct-11	*1	70.00	59.98

	Date	Rating	Target Price	Closing Price
9	18-Jan-12	1	*65.00	56.37
10	22-Feb-12	1	*76.00	66.10
11	2-Apr-13	1	*95.00	79.10

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Range Resources Corp (RRC)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris

Covered since August 5 2010



	Date	Rating	Target Price	Closing Price
1	25-Jan-11	*ADD LP	-	46.54

	Date	Rating	Target Price	Closing Price
2	20-Nov-11	*REM LP	-	69.76

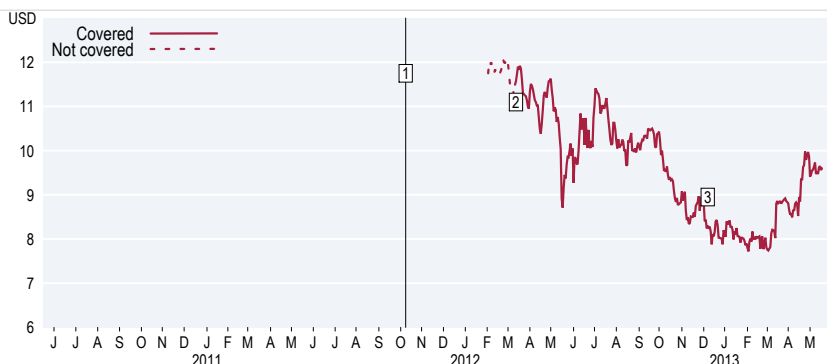
\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Matador Resources Co (MTDR)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris  
Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	13-Mar-12	*2H	*13.00	11.57

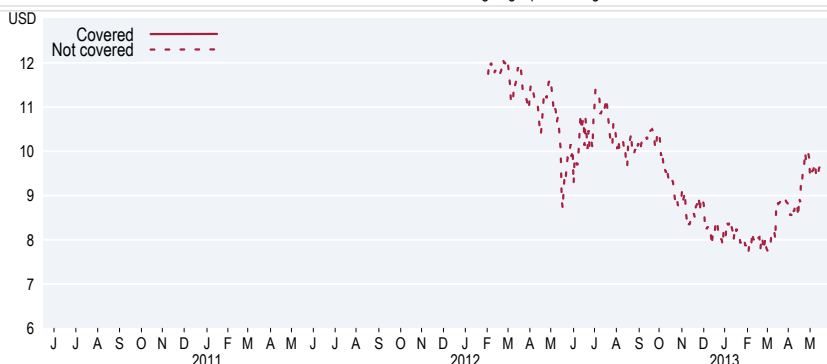
	Date	Rating	Target Price	Closing Price
3	7-Dec-12	2H	*10.00	8.30

Rating/target price changes above reflect Eastern Standard Time

## Matador Resources Co (MTDR)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Robert S Morris  
Covered since March 6 2013



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## EnCana Corp (ECA)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	9-Sep-10	2M	*28.00	28.94
2	11-Feb-11	2M	*32.00	31.45

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	13-Sep-11	2M	*24.00	23.00
4	5-Oct-11	2M	*20.00	18.87

	Date	Rating	Target Price	Closing Price
5	8-Oct-11	Stock rating system changed		
6	8-Oct-11	*2	20.00	18.99

Rating/target price changes above reflect Eastern Standard Time

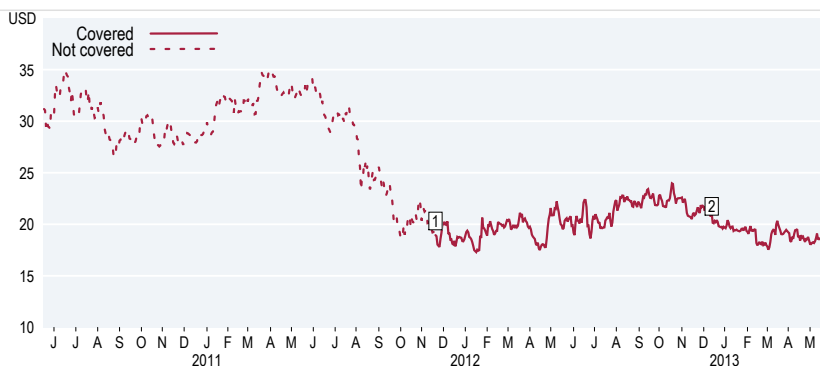
## EnCana Corp (ECA)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
[1]	20-Nov-11	*ADD LP	-	19.45

\* Indicates change

	Date	Rating	Target Price	Closing Price
[2]	13-Dec-12	*REM LP	-	21.08

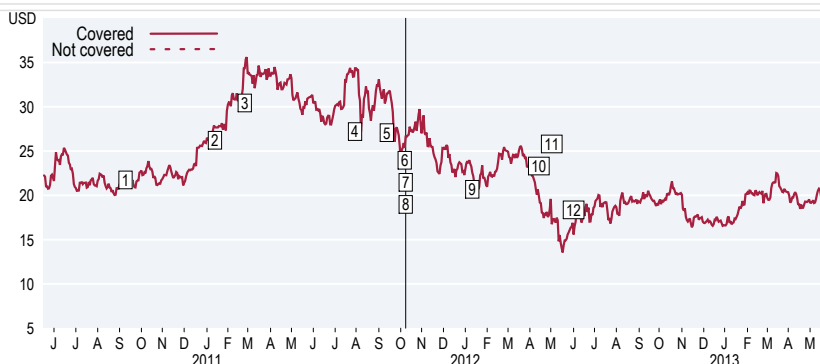
Rating/target price changes above reflect Eastern Standard Time

## Chesapeake Energy Corp (CHK)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
[1]	9-Sep-10	2S	*26.00	20.91
[2]	13-Jan-11	2S	*28.00	27.70
[3]	24-Feb-11	2S	*35.00	34.35
[4]	29-Jul-11	*2H	*38.00	34.35

\* Indicates change

	Date	Rating	Target Price	Closing Price
[5]	13-Sep-11	2H	*34.00	31.49
[6]	7-Oct-11	*1H	*32.00	25.35
[7]	8-Oct-11	Stock rating system changed		
[8]	8-Oct-11	*1	32.00	25.35

	Date	Rating	Target Price	Closing Price
[9]	11-Jan-12	1	*28.00	22.58
[10]	13-Apr-12	*2	*22.00	19.95
[11]	2-May-12	2	*20.00	16.74
[12]	1-Jun-12	*2H	20.00	15.58

Rating/target price changes above reflect Eastern Standard Time

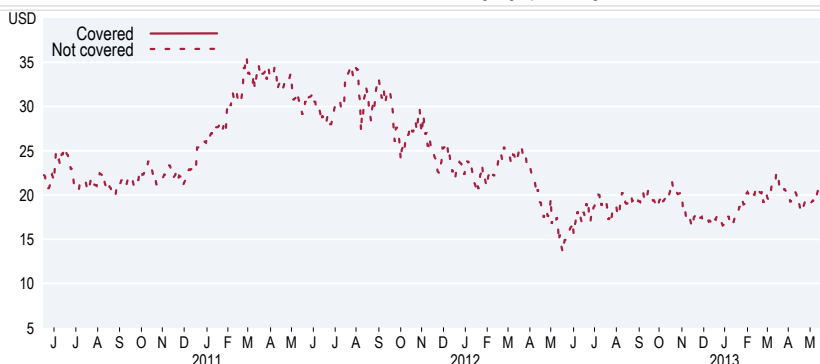
## Chesapeake Energy Corp (CHK)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris



\* Indicates change

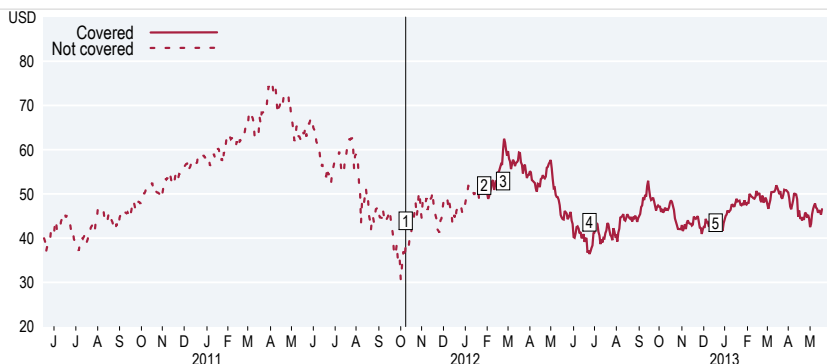
Rating/target price changes above reflect Eastern Standard Time

## Whiting Petroleum Corp (WLL)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	27-Jan-12	*1	*60.00	50.74

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	23-Feb-12	1	*70.00	59.93
4	25-Jun-12	1	*55.00	36.41

	Date	Rating	Target Price	Closing Price
5	19-Dec-12	1	*52.00	43.11

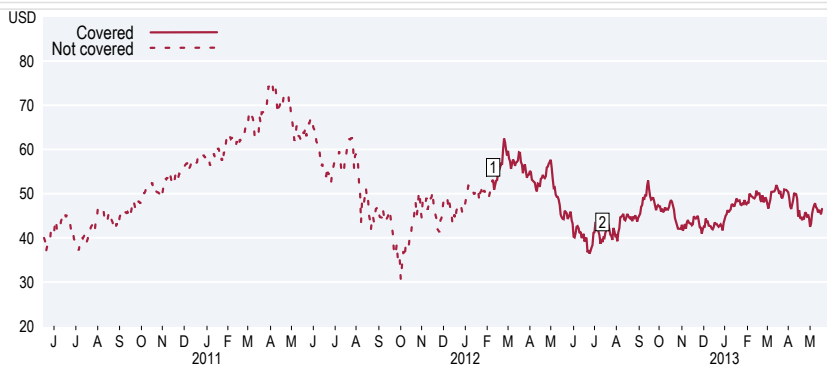
Rating/target price changes above reflect Eastern Standard Time

## Whiting Petroleum Corp (WLL)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Robert S Morris

Covered since March 6 2013



	Date	Rating	Target Price	Closing Price
1	9-Feb-12	*ADD MP	-	53.09

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	12-Jul-12	*REM MP	-	39.00

Rating/target price changes above reflect Eastern Standard Time

## EOG Resources Inc (EOG)

### Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	9-Sep-10	1M	*110.00	89.37
2	3-Nov-10	*2M	*95.00	88.64
3	13-Jan-11	2M	*105.00	97.86
4	21-Feb-11	2M	*120.00	108.89
5	7-Aug-11	*1M	*130.00	95.92

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	13-Sep-11	1M	*126.00	86.75
7	7-Oct-11	1M	*110.00	74.90
8	8-Oct-11	Stock rating system changed		
9	8-Oct-11	*1	110.00	74.90
10	11-Jan-12	1	*125.00	103.17

	Date	Rating	Target Price	Closing Price
11	25-Jun-12	1	*115.00	84.90
12	3-Aug-12	1	*120.00	106.75
13	6-Nov-12	1	*135.00	121.98
14	14-Feb-13	1	*155.00	133.33

Rating/target price changes above reflect Eastern Standard Time

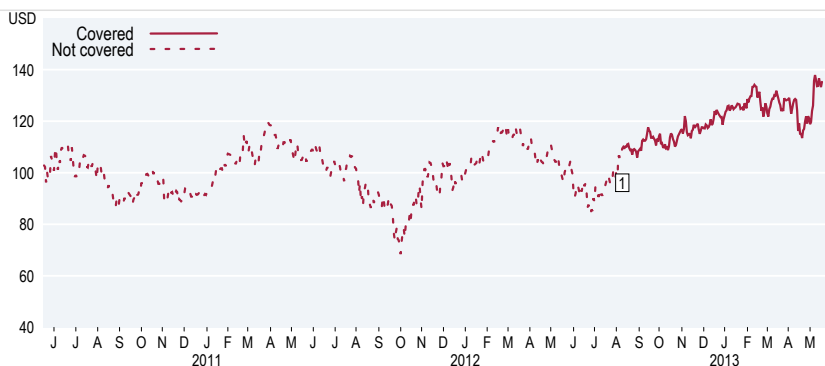
## EOG Resources Inc (EOG)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	9-Aug-12	*ADD MP	-	109.41

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Canadian Natural Resources Ltd (CNQ)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	9-Sep-10	1H	*40.00	33.29
2	3-Dec-10	1H	*48.00	41.82
3	4-Mar-11	1H	*60.00	51.12
4	13-Sep-11	1H	*50.00	34.31

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	8-Oct-11	Stock rating system changed		
6	8-Oct-11	*1	50.00	29.13
7	8-Mar-12	1	*48.00	35.61
8	25-Jun-12	1	*44.00	25.92

	Date	Rating	Target Price	Closing Price
9	9-Nov-12	1	*40.00	28.48
10	7-Mar-13	1	*37.00	31.19

Rating/target price changes above reflect Eastern Standard Time

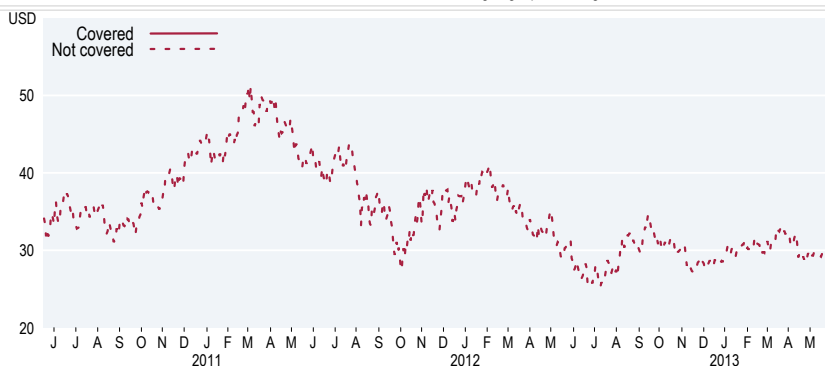
## Canadian Natural Resources Ltd (CNQ)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Robert S Morris



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Apache Corp (APA)

### Ratings and Target Price History

### Fundamental Research

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	13-Jan-11	1M	*150.00	125.18
2	8-Oct-11	Stock rating system changed		
3	8-Oct-11	*1	150.00	84.84

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	4-May-12	1	*135.00	89.06
5	2-Aug-12	1	*120.00	82.58
6	1-Nov-12	1	*100.00	81.85

	Date	Rating	Target Price	Closing Price
7	19-Dec-12	1	*95.00	79.88

Rating/target price changes above reflect Eastern Standard Time

## Apache Corp (APA)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Robert S Morris



	Date	Rating	Target Price	Closing Price
1	25-Jan-11	*ADD MP	-	122.64

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	10-Jul-12	*REM MP	-	83.68

Rating/target price changes above reflect Eastern Standard Time

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Citigroup Global Markets is acting as a joint book-running manager on the announced public offering of common stock of Pioneer Natural Resources Co.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Pioneer Natural Resources Co.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Talisman Energy Inc

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Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of SandRidge Energy Inc

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Range Resources Corp

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Chesapeake Energy Corp

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of EOG Resources Inc

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Canadian Natural Resources Ltd

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Apache Corp

Rob Teahen, Associate, holds a long position in the securities of Chesapeake Energy Corp.

Robert S Morris, Analyst, holds a long position in the securities of Chesapeake Energy Corp, EOG Resources Inc, Canadian Natural Resources Ltd.

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**Data current as of 31 Mar 2013**

	<b>12 Month Rating</b>			<b>Relative Rating</b>		
	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>
Citi Research Global Fundamental Coverage	48%	39%	12%	7%	87%	7%
% of companies in each rating category that are investment banking clients	53%	49%	43%	65%	49%	51%

#### **Guide to Citi Research Fundamental Research Investment Ratings:**

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**Risk rating** takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

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Citigroup Global Markets Inc

Robert S Morris; Rob Teahen; Chingiz Gadimov; Bryan M Baritot

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