TRUTH NO. 1: During an interview, you only talk to the happy people.
Terms & Definitions

Vision – A picture of future success
- A Vision Statement defines what your company will do today, and why it will exist tomorrow

Characteristics of Vision Statements
- Reflect the company’s purpose and core values
- Tell you what the company wants to create
- Endure over time
- Drive decision making

Sample Vision Statements
- Amazon – “Our vision is to be earth’s most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online.”
- Nike – “To bring inspiration and innovation to every athlete in the world.”
- MD Anderson – “We shall be the premier cancer center in the world, based on the excellence of our people, our research-driven patient care, and our science. We are Making Cancer History.”

“Vision is the art of seeing what is invisible to others.”
- Jonathan Swift
Terms & Definitions

**Strategy** – A company’s plan to win
- A plan of action designed to achieve an overall vision
- The sum of a company’s strategic choices
  - “Oily or Gassy?”
  - “Focused or Diversified?”
  - “North America or International?”

**Core Competency** – An area of specialized expertise
- A core competency is a defining capability that distinguishes a company from its competitors

**Competitive Advantage** – Attributes that allow an organization to outperform its competitors
- **Execution** – Doing something better than others
- **Differentiation** – Doing something different from others

“Competitive advantage stems from the many discrete activities that a firm performs in generating and delivering value to its customers.”
- Porter, 1985
Peer Company Visions

• “Word Cloud” generated from the vision statements of the 17 peer companies in the 2014 Benchmarking
• Size of the word is indicative of the prevalence in the vision statements
• Takeaway? We’re all broadly saying the same thing
Nice car…but what’s under the hood?

TRUTH NO. 2: Be skeptical – the truth shall set you free. Do your own research!
TRUTH NO. 3: With internet capabilities today, I am **ALWAYS** surprised at how little research is actually done by students in making this major decision.
Pop Quiz: How well do you understand the E&P business?

Define the following terms:

**ENTERPRISE VALUE**
EV = Market Capitalization – Cash on Balance Sheet + Long Term Debt
Definition: Total value an entity would pay for a company in real cash, equity, or debt

**EBITDAX**
Earnings Before Interest Taxes, DD&A, and Exploration Expenses

**FREE CASH FLOW**
- FCF = Revenue – Operating/Transportation Expense – G&A – Interest Expense – Investment Capital
- How much money is left over after you have paid all business related expenses?

**EQUITY**
Outstanding shares of stock

**DEBT**
Long term debt

**DEBT-ADJUSTED SHARES**
Converting debt to a “share price” in order to equalize metrics between shares and debt

Why are these terms important?
Peer Group Summary (as of 2014YE)
Net Debt / EBITDA

Measures the company's ability to pay off its debt by utilizing EBITDA.

Murphy Group Average

Oily Production

Murphy (MUR):
2014: 0.41x (1st Quartile; Rank: 1)
2013: 0.61x (1st Quartile; Rank: 3)
Y/Y: -31.9% (Murphy); 7.7% (Group)
Murphy 5-year Trend: Increasing
Group 5-year Trend: Increasing

1st Quartile Requirement: 0.74x
Gap to #1 Ranking: 0.00x

SWOT Rating: 
Strength

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Gap to #1 Ranking: 0.00x

SWOT Rating: 
Strength
Murphy Group Average
Oily Production
Murphy (MUR):
2014: $45.93/BOE (1st Quartile; Rank: 2)
2013: $47.95/BOE (1st Quartile; Rank: 3)
Y/Y: -4.2% (Murphy); 0.4% (Group)
Murphy 5-year Trend: Increasing
Group 5-year Trend: Increasing
1st Quartile Requirement: $42.07/BOE
Gap to #1 Ranking: $10.89/BOE

SWOT Rating:
Strength
S
W
O
T

Definition: EBITDAX / Total Annual Production
Normalizes EBITDAX on a per BOE produced basis.
Production Growth (Y/Y, %)

Murphy Group Average

Oily Production

Murphy (MUR):
2014: 9.8% (2nd Quartile; Rank: 9)
2013: 5.6% (3rd Quartile; Rank: 10)

Murphy 5-year Trend: Increasing
Group 5-year Trend: Increasing

1st Quartile Requirement: 21.3%
Gap to #1 Ranking: 18.8%

SWOT Rating:
Opportunity

Definition: Change in Total Annual Production Y/Y
What should I consider when choosing a company?

- Profitability
- Reserves Growth
- Values
- Leadership
- Strategy
- Diversity
- Production Growth
What should I look for?

LOOK FOR PRODUCTION GROWTH
Corollary 1: Not all BOE’s are created equal.
- Gas: 3$/MCF x 6 MCF/BOE = 18 $/BOE
- Oil: ~90$/BOE
- Oil BOE’s are 5X more profitable than gas BOE’S
- Who are doing better right now? Oil company’s or gas company’s
- Look at %BOE’s liquid versus gas

LOOK FOR RESERVES GROWTH
Reserves are... Economic, Recoverable, Remaining
Corollary 1: Same as production growth (see above)

TRUTH NO. 4: Reserves can be “pencil whipped” – Beware of PUD’s and Track % PUD’s vs. time
- PUD’s are booked proved reserves without booking the capital costs.
- Lowers findings and development costs (F&D or COF)

TRUTH NO. 5: Be skeptical of “Resources”!! SEE CASE HISTORY NO. 3.