



Meter Reader

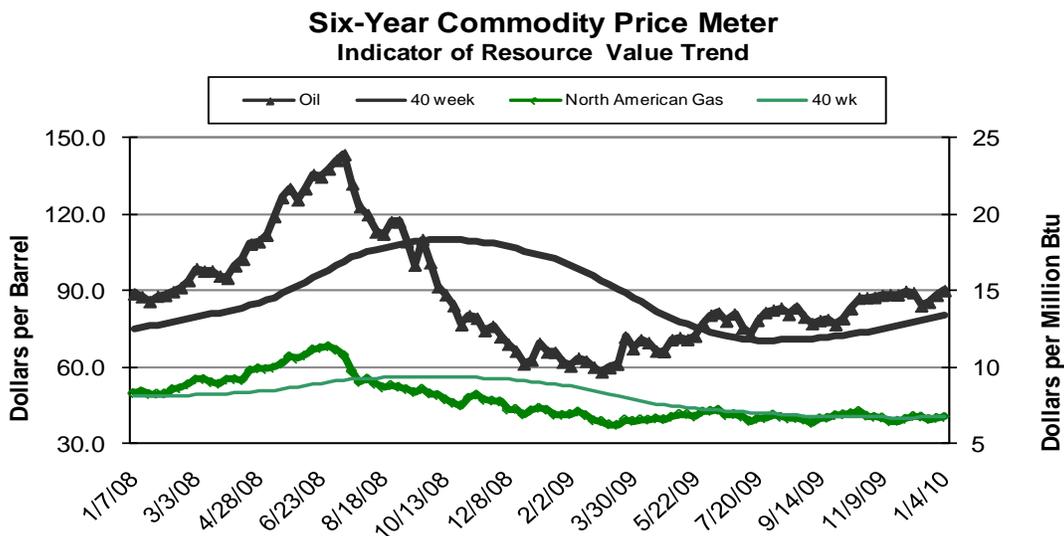
A Weekly Analysis of Large Cap Oil and Gas Stocks
January 5, 2010

Natural Gas and Oil for the Twenty-Tens

Summary and Recommendation

Current trends point to rewarding investment in natural gas and oil. We believe that positive trends can continue for the decade subject to interruption in some years. Large cap buy recommendations are balanced among five groups with global representation from the U.S., Europe, Canada, China, Russia, Brazil and Australia. Low McDep Ratio favorites include **ConocoPhillips (COP)**, **Total S.A. (TOT)**, **Lukoil (LUKOY)**, **Devon Energy (DVN)** and **Canadian Oil Sands Trust (COSWF)**. All large cap buy recommendations are in an uptrend with stock price above the 200-day average except **ExxonMobil (XOM)**, our lowest risk choice and one of the few triple-A investments remaining. The long-term price for delivery over the next six years for crude oil, the world's largest traded commodity, settled above \$90 a barrel, continuing an uptrend resumed in mid 2008 (see chart below Six-Year Commodity Price Meter and chart on last page Six-Year and One-Year Natural Gas and Oil Futures). Six-year natural gas at \$6.70 a million btu, rests on the 40-week average of \$6.72. Overlooked as the most economical form of clean, green energy, natural gas has more growth potential in volume and price. Natural gas and oil representation is emphasized while stocks are ranked on an unlevered basis by McDep Ratio and grouped geographically (see Table 1). Net Present Value (NPV) and ratio of Debt to Present Value capsule valuation and leverage (see Table 2). Every stock pays income (see Table 3). The highest income payer, COSWF, disclosed production above capacity in December, which strengthens expectations for an increase in distribution to be announced when the trust is among the first to release final 2009 results on January 28.

Kurt H. Wulff, CFA





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McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price (US\$/sh)			Net Present Value	Debt/ Present Value	McDep Ratio
	Symbol/Rating		4-Jan 2010	Shares (mm)	Market Cap (US\$mm)	(US\$/sh)		
	B = Buy							
U.S. Integrated								
Chevron Corporation	CVX	B	79.06	2,001	158,000	102.00	0.13	0.80
Exxon Mobil Corporation	XOM	B	69.15	4,803	332,000	89.00	0.11	0.80
Marathon Oil Corporation	MRO	B	32.11	711	22,830	53.00	0.23	0.70
ConocoPhillips	COP	B	52.58	1,498	79,000	105.00	0.25	0.63
<i>Total or Median</i>					592,000		0.18	0.75
Europe								
BG Group plc	BRGXF	B	18.65	3,390	63,200	22.00	0.11	0.86
Royal Dutch Shell plc	RDS-A	B	62.35	3,066	191,000	79.00	0.20	0.83
Statoil ASA (33%)	STO	B	25.89	1,051	27,200	35.00	0.22	0.80
BP plc	BP	B	59.15	3,156	187,000	80.00	0.20	0.79
Total S.A.	TOT	B	65.88	2,237	147,000	90.00	0.15	0.77
<i>Total or Median</i>					615,000		0.20	0.80
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	161.32	152	24,600	135.00	0.01	1.19
Woodside Petroleum Ltd.	WOPEY	B	44.16	709	29,900	44.00	0.16	0.97
Petrobras	PBR	B	48.70	4,387	213,700	58.00	0.17	0.87
PetroChina Company Ltd (14%)	PTR	B	122.45	256	31,400	150.00	0.06	0.83
Gazprom (50%)	OGZPY	B	25.95	2,965	76,900	64.00	0.09	0.46
Lukoil Oil Company	LUKOY	B	58.50	847	49,600	135.00	0.05	0.46
<i>Total or Median</i>					426,000		0.08	0.85
U.S. Independent								
EOG Resources	EOG	B	100.38	251	25,200	92.00	0.13	1.08
Anadarko Petroleum Corp.	APC	B	64.74	494	32,000	59.00	0.32	1.07
XTO Energy Inc.	XTO	B	47.37	580	27,500	47.00	0.29	1.01
Chesapeake Energy Corp.	CHK		28.09	626	17,600	34.00	0.38	0.89
Occidental Petroleum Corp.	OXY	B	83.10	814	67,600	95.00	0.06	0.88
Devon Energy Corporation	DVN	B	76.57	450	34,500	98.00	0.17	0.82
<i>Total or Median</i>					204,400		0.23	0.95
Canada								
Cenovus Energy Inc.	CVE	B	26.60	751	20,000	27.00	0.23	0.99
EnCana Corporation	ECA	B	34.20	751	25,700	35.00	0.28	0.98
Canadian Natural Resources	CNQ	B	73.76	542	40,000	80.00	0.21	0.94
Imperial Oil Limited (30%)	IMO	B	39.45	256	10,100	48.00	0.07	0.83
Suncor Energy	SU	B	36.76	1,572	57,800	52.00	0.18	0.76
Canadian Oil Sands Trust	COSWF	B	29.12	484	14,100	42.00	0.07	0.71
<i>Total or Median</i>					168,000		0.20	0.89

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu.



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Table 3								
McDep Energy Portfolio								
Value Multiples and Distribution Yield								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/Rating	B = Buy	4-Jan 2010	NTM	NTM	NTM	NTM	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	69.15	12.4	8.2	6.5	11	2.4
Chevron Corporation	CVX	B	79.06	9.7	6.7	5.4	11	3.4
ConocoPhillips	COP	B	52.58	11.2	8.0	5.0	9	3.8
Marathon Oil Corporation	MRO	B	32.11	9.3	6.9	4.8	9	3.0
<i>Total or Median</i>				<i>10.4</i>	<i>7.4</i>	<i>5.2</i>	<i>10</i>	<i>3.2</i>
Europe								
BG Group plc	BRGXF	B	18.65	8.1	8.9	7.7	15	1.2
Total S.A.	TOT	B	65.88	9.4	7.2	5.5	10	5.0
Royal Dutch Shell plc	RDS-A	B	62.35	7.9	6.5	5.4	11	5.4
BP plc	BP	B	59.15	9.6	6.6	5.2	9	5.7
Statoil ASA (33%)	STO	B	25.89	7.5	6.2	4.9	19	4.8
<i>Total or Median</i>				<i>8.1</i>	<i>6.6</i>	<i>5.4</i>	<i>11</i>	<i>5.0</i>
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	B	44.16	15.0	12.4	12.0	28	2.2
Petrobras	PBR	B	48.70	9.1	8.8	7.6	13	2.8
CNOOC Limited (34%)	CEO	B	161.32	6.9	5.6	6.7	12	3.2
PetroChina Company Ltd (14%)	PTR	B	122.45	13.9	7.4	6.1	15	3.3
Gazprom (50%)	OGZPY	B	25.95	24.6	8.5	3.9	5	0.2
Lukoil Oil Company	LUKOY	B	58.50	16.4	8.4	3.9	8	2.1
<i>Total or Median</i>				<i>14.5</i>	<i>8.4</i>	<i>6.4</i>	<i>12</i>	<i>2.5</i>
U.S. Independent								
EOG Resources	EOG	B	100.38	9.8	8.4	9.1	26	0.6
Chesapeake Energy Corp.	CHK		28.09	11.1	9.2	8.2	13	1.1
XTO Energy Inc.	XTO	B	47.37	10.7	7.8	7.9	14	1.1
Anadarko Petroleum Corp.	APC	B	64.74	8.9	6.8	7.2		0.6
Occidental Petroleum Corp.	OXY	B	83.10	11.2	7.6	6.7	14	1.6
Devon Energy Corporation	DVN	B	76.57	8.9	7.3	6.0	11	0.8
<i>Total or Median</i>				<i>10.3</i>	<i>7.7</i>	<i>7.5</i>	<i>14</i>	<i>0.9</i>
Canada								
Imperial Oil Limited (30%)	IMO	B	39.45	20.9	12.5	10.4	21	1.0
Canadian Oil Sands Trust	COSWF	B	29.12	23.1	12.7	9.1	14	6.1
EnCana Corporation	ECA	B	34.20	8.7	8.7	8.5	27	2.3
Cenovus Energy Inc.	CVE	B	26.60	9.8	8.6	8.5	20	3.0
Suncor Energy	SU	B	36.76	13.9	9.9	7.5	24	1.0
Canadian Natural Resources	CNQ	B	73.76	7.5	7.8	7.3	14	0.5
<i>Total or Median</i>				<i>11.8</i>	<i>9.3</i>	<i>8.5</i>	<i>20</i>	<i>1.7</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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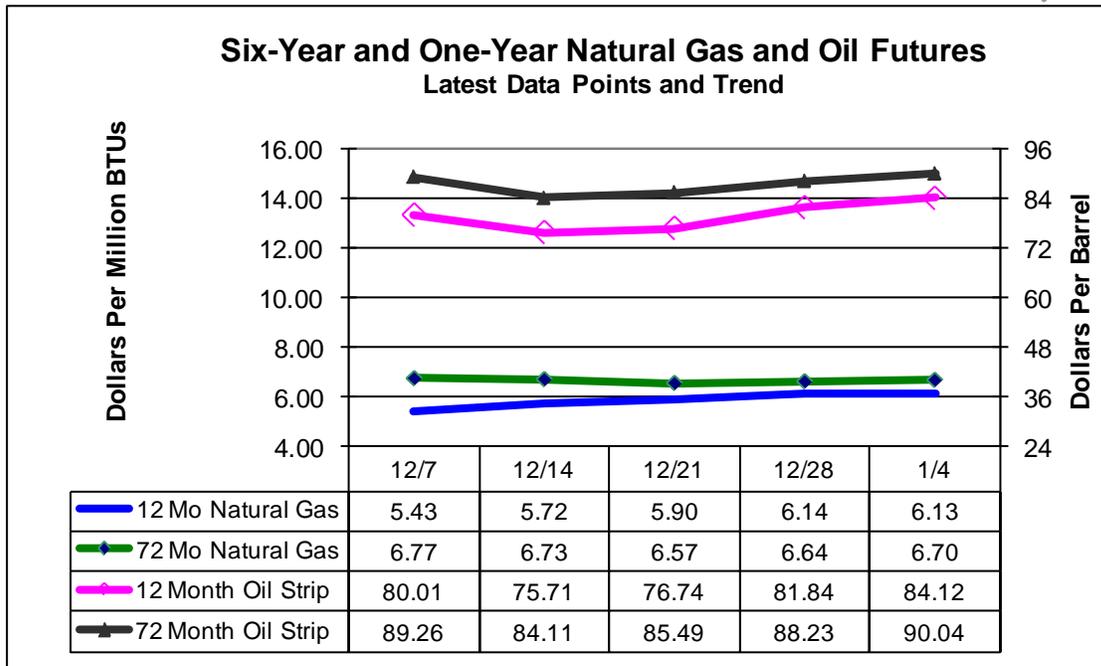
January 5, 2010

Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
31-Dec	WLL	Whiting Petroleum	North Dakota Bakken Oil Producer
29-Dec	WOPEY	Woodside Petroleum	Buy for Australian LNG
22-Dec	XOM	ExxonMobil	Exquisite Timing
18-Dec	CRT, SBR	Top Line Cash Payers	Raise CRT NPV 21%; Lower SBR NPV 18%
15-Dec	* XTO, XOM	XTO Energy, ExxonMobil	ExxonMobil Offers \$52 a Share for XTO Energy
11-Dec	* SJT	San Juan Basin Royalty Trust	Natural Gas Income with Upside (ISC Weekly)
8-Dec	LUKOY	Lukoil Oil Company	Reemphasizing Oil
8-Dec	* PBR	Petrobras	Buy for Long-Term Growth (Meter Reader)
4-Dec	* COSWF	Canadian Oil Sands Trust	November Production below Capacity
1-Dec	* ECA, CVE	EnCana, Cenovus Energy Inc.	Buy EnCana, Buy Cenovus (Meter Reader)
20-Nov	* FRHLF	Freehold Royalty Trust	Highest Distribution Rate Unhedged (ISC Weekly)
17-Nov	* BRGXF	BG Group	Oil Price Trend Validates Offshore Brazil (Meter Reader)
13-Nov	* ECA	EnCana Corporation	Approaching November 30 Split into Two Companies
13-Nov	* PEYUF	Peyto Energy Trust	Deep Basin Drilling "Going to Explode" (ISC Weekly)
9-Nov	* OGZPY	Gazprom	Sharp Recovery from Sharp Dip
6-Nov	* SU	Suncor Energy	Expects to Keep 12% Syncrude
6-Nov	* EOG	EOG Resources Inc.	Accenting Oil
6-Nov	* DMLP	Dorchester Minerals, L.P.	More Drilling on DMLP Land
6-Nov	* HGT	Hugoton Royalty Trust	Distribution Trend Up (Income and Small Cap Weekly)
6-Nov	* MRO	Marathon Oil Corporation	Refinery Expansion Nearly Complete
6-Nov	* APC	Anadarko Petroleum Corporation	McDep Ratio above 1.0
5-Nov	* CNQ	Canadian Natural Resources	Oil Sands Mining Challenge
5-Nov	* TOT	Total S.A.	New Projects for Growth
5-Nov	* STO	Statoil ASA	Oil Price Leading Natural Gas Price
4-Nov	* DVN	Devon Energy Corporation	Progress in Shale Gas
4-Nov	* XEC	Cimarex Energy Company	Raise Net Present Value to \$50 a Share from \$46
3-Nov	* CEO	CNOOC Ltd	Buy China Oil and Gas (Meter Reader)
3-Nov	* PTR	PetroChina Company Limited	Buy China Oil and Gas (Meter Reader)
2-Nov	* IMO	Imperial Oil Limited	<i>In Situ</i> Oil Production Cumulates Past a Billion Barrels
2-Nov	* EAC	Encore Acquisition Company	Denbury Resources Offers \$50 a Share to Acquire Encore
2-Nov	* CVX	Chevron Corporation	Raise Net Present Value to \$102 a Share from \$97
29-Oct	* RDSA	Royal Dutch Shell plc	Shedding Downstream Image
28-Oct	* COP	ConocoPhillips	Downsizing to Revitalize
27-Oct	* BP	BP p.l.c.	Raise Net Present Value to \$80 a Share from \$72
23-Oct	* OXY	Occidental Petroleum Corporation	Raise Net Present Value to \$95 a Share from \$87
Meter Reader			
5-Jan		Weekly	
29-Dec	WOPEY	Woodside Petroleum	Buy for Australian LNG
22-Dec	XOM	ExxonMobil	Exquisite Timing
15-Dec	* XTO, XOM	XTO Energy, ExxonMobil	ExxonMobil Offers \$52 a Share for XTO Energy
Income and Small Cap Weekly			
31-Dec	WLL	Whiting Petroleum	North Dakota Bakken Oil Producer
24-Dec		Weekly	Trending Up for the Tens
18-Dec	CRT, SBR	Top Line Cash Payers	Raise CRT NPV 21%; Lower SBR NPV 18%
11-Dec	* SJT	San Juan Basin Royalty Trust	Natural Gas Income with Upside
	* Archived on www.mcdep.com		



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Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.