



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

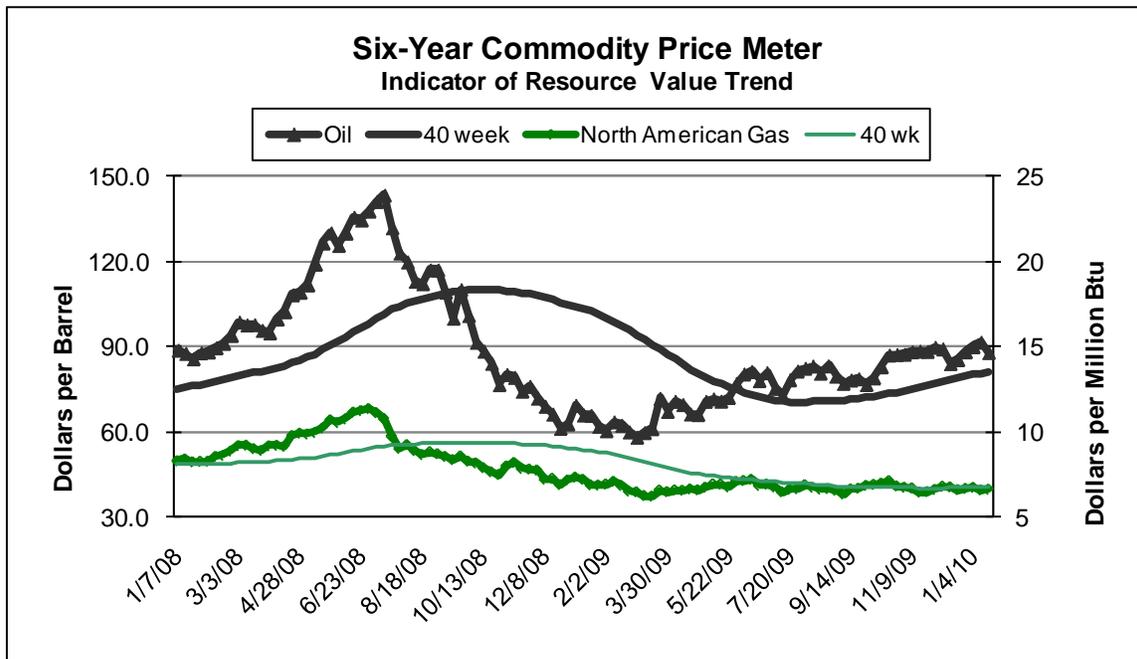
January 19, 2010

Buy Canadian Oil and Gas Producers

Summary and Recommendation

Six buy recommendations among Canadian producers include five concentrated on oil, **Canadian Oil Sands Trust (COSWF)**, **Suncor Energy (SU)**, **Imperial Oil (IMO)**, **Canadian Natural Resources (CNQ)** and **Cenovus Energy (CVE)** as well as one concentrated on natural gas, **Encana (ECA)** (see Table 1). The five oil producers trade at McDep Ratios ranging from COSWF at 0.70 to CVE at 0.95 (see Table 2). ECA has a stock price near Net Present Value (NPV) while some U.S. peers have recently crossed a McDep Ratio of 1.0 and trade above NPV. COSWF offers income anticipated to be 6.3% for the next twelve months including an increase expected to be announced on January 28 (see Table 3). McDep Ratios were unusually low during the global financial panic (see chart on page 2). Unlevered returns have been strong since then and we look for further gains ahead (see chart on page2). Recent news of the resignation of Alberta's energy minister may be a sign of a better provincial royalty (tax) program to further undo the damage of the untimely increase of a few years ago. Finally, the trend in long-term oil price continues upward with current quote of \$88 a barrel above the 40-week average of \$81 (see chart below, Six-Year Commodity Price Meter and on page 7, Six-Year and One-Year Natural Gas and Oil Futures). Natural gas has unusually strong potential to outperform oil in the 2010s.

Kurt H. Wulff, CFA

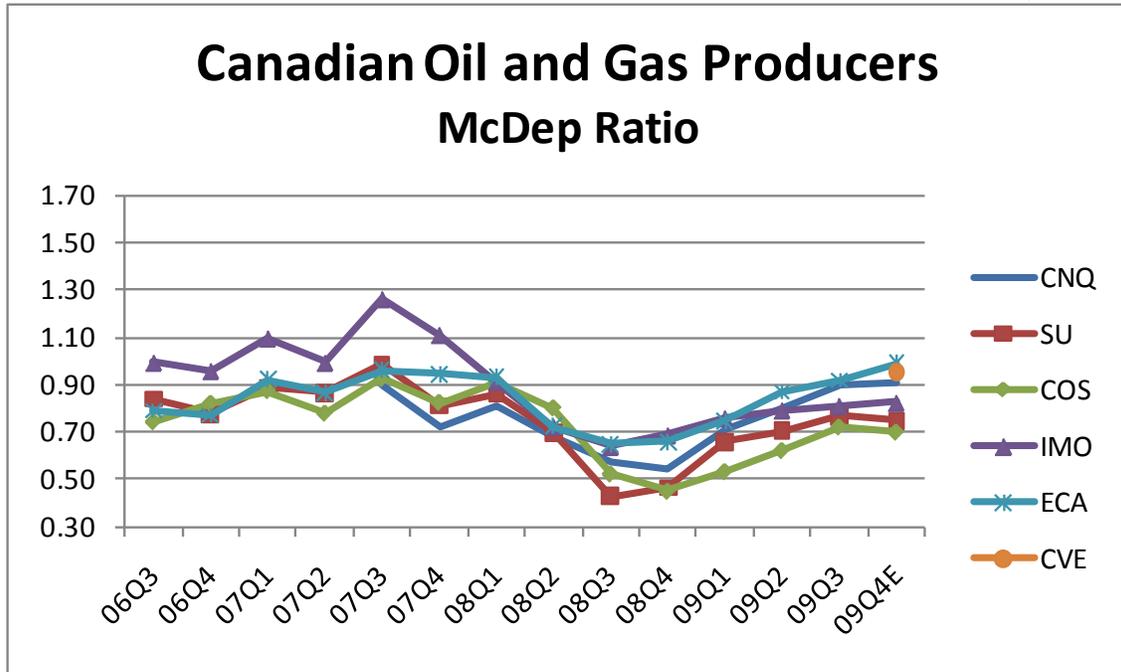




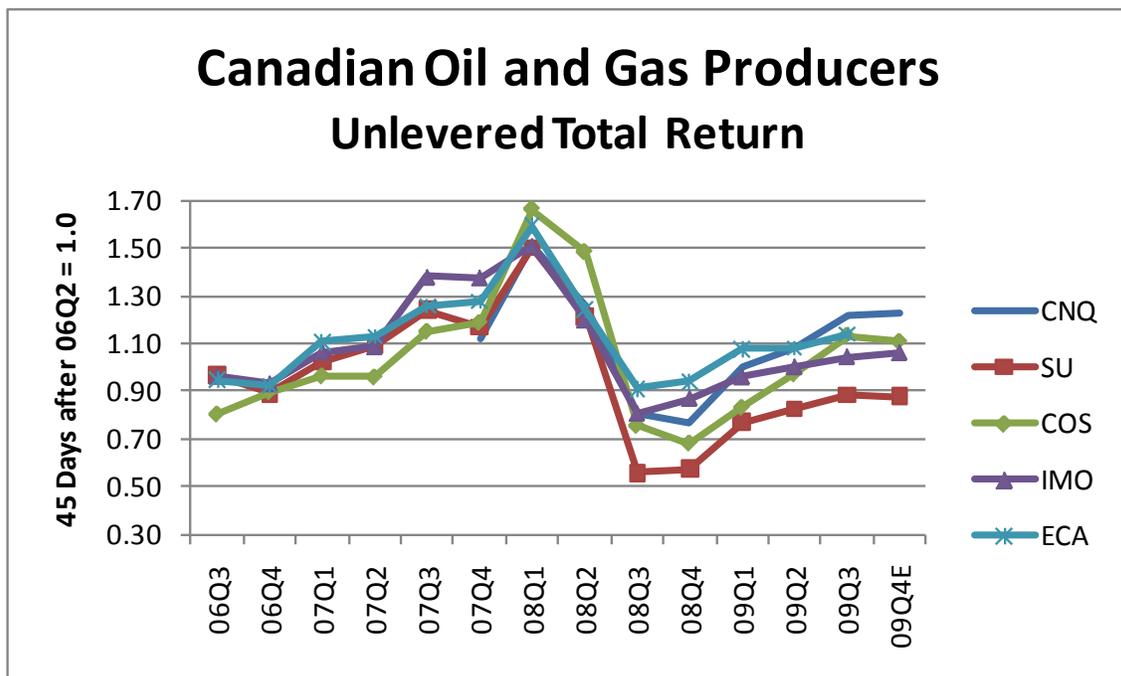
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Note: Data points at end of quarter plus about 45 days



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Table 1										
McDep Energy Portfolio										
Geographic Domicile and Business Segments										
Symbol/Rating	B = Buy	Price (US\$/sh) 15-Jan 2010	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)					McDep Ratio
					North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream		
U.S. Integrated										
Chevron Corporation	CVX	B	79.23	1.19	189,000	4	10	71	14	0.81
Exxon Mobil Corporation	XOM	B	69.11	1.15	383,000	5	22	54	19	0.80
Marathon Oil Corporation	MRO	B	31.64	1.51	33,900	8	5	61	26	0.69
ConocoPhillips	COP	B	53.02	1.66	132,000	12	11	64	13	0.63
<i>Total or Median *</i>	29%	9%	13%		738,000					0.75
Europe										
BG Group	BRGXF	B	19.80	1.14	76,300		21	48	31	0.91
BP plc	BP	B	61.64	1.31	256,000	6	9	63	22	0.82
Royal Dutch Shell plc	RDS-A	B	60.51	1.32	245,000	3	27	49	22	0.81
Statoil ASA (33%)	STO	B	25.92	1.38	37,600		49	51	-	0.80
Total S.A.	TOT	B	63.41	1.25	177,000		19	59	22	0.75
<i>Total or Median *</i>	31%	11%	17%		792,000					0.81
Australia/Brazil/China/Russia										
CNOOC Limited (34%)	CEO	B	156.73	1.01	24,100		11	89	-	1.16
Woodside Petroleum Ltd.	WOPEY	B	43.51	1.20	37,000		77	23	-	0.99
PetroChina Company Ltd (14%)	PTR	B	122.17	1.08	33,900		15	69	15	0.83
Petrobras	PBR	B	45.37	1.27	252,000		5	80	15	0.82
Lukoil Oil Company	LUKOY	B	58.35	1.12	55,100			66	34	0.46
Gazprom (50%)	OGZPY	B	25.25	1.27	95,000		76	24	-	0.45
<i>Total or Median *</i>	20%	13%	20%		497,000					0.82
U.S. Independent										
Anadarko Petroleum Corp.	APC	B	65.89	1.43	46,500	48		47	5	1.08
EOG Resources	EOG	B	96.87	1.14	27,800	68	5	28	-	1.05
XTO Energy Inc.	XTO	B	47.35	1.40	38,500	73		27	-	1.01
Chesapeake Energy Corp.	CHK		27.91	1.74	30,400	88		12	-	0.89
Occidental Petroleum Corp.	OXY	B	78.92	1.08	69,300	10	1	82	7	0.84
Devon Energy Corporation	DVN	B	73.03	1.28	42,100	61		39	-	0.79
<i>Total or Median *</i>	10%	13%	17%		255,000					0.95
Canada										
EnCana Corporation	ECA	B	34.49	1.40	36,300	93		7	-	0.99
Cenovus Energy Inc.	CVE	B	25.25	1.32	25,000	24		64	11	0.95
Canadian Natural Resources	CNQ	B	70.19	1.31	49,900	20		80	-	0.90
Imperial Oil Limited (30%)	IMO	B	39.56	1.09	11,100	5		80	16	0.84
Suncor Energy	SU	B	35.82	1.33	74,900	5		85	10	0.75
Canadian Oil Sands Trust	COSWF	B	28.42	1.11	15,200			100	-	0.70
<i>Total or Median *</i>	8%	13%	20%		212,000					0.87
Income and Small Cap (see separate weekly analysis)										
	2%	41%	13%		50,700	37		63		0.95
Composite										
<i>Enterprise Value Weighting</i>	100%				2,544,700	11	16	59	15	0.79
<i>Equal Weighting</i>		100%				32	8	54	6	0.87
<i>Equal Weighted Buys</i>			100%			15	12	64	9	0.83

* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.

* Percentages in Price column refer to equal weighted buys.

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McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			<i>Price</i>			<i>Net</i>		
	<i>Symbol/Rating</i>		<i>(US\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>B = Buy</i>	<i>15-Jan</i>	<i>2010</i>	<i>(mm)</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
					<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	<i>Ratio</i>
U.S. Integrated								
Chevron Corporation	CVX	B	79.23	2,001	159,000	102.00	0.13	0.81
Exxon Mobil Corporation	XOM	B	69.11	4,803	332,000	89.00	0.11	0.80
Marathon Oil Corporation	MRO	B	31.64	711	22,500	53.00	0.23	0.69
ConocoPhillips	COP	B	53.02	1,498	79,000	105.00	0.25	0.63
<i>Total or Median</i>					<i>593,000</i>		<i>0.18</i>	<i>0.75</i>
Europe								
BG Group plc	BRGXF	B	19.80	3,390	67,100	22.00	0.11	0.91
BP plc	BP	B	61.64	3,156	195,000	80.00	0.20	0.82
Royal Dutch Shell plc	RDS-A	B	60.51	3,066	186,000	79.00	0.20	0.81
Statoil ASA (33%)	STO	B	25.92	1,051	27,200	35.00	0.22	0.80
Total S.A.	TOT	B	63.41	2,237	142,000	90.00	0.15	0.75
<i>Total or Median</i>					<i>617,000</i>		<i>0.20</i>	<i>0.81</i>
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	156.73	152	23,900	135.00	0.01	1.16
Woodside Petroleum Ltd.	WOPEY	B	43.51	709	30,800	44.00	0.17	0.99
PetroChina Company Ltd (14%)	PTR	B	122.17	256	31,300	150.00	0.06	0.83
Petrobras	PBR	B	45.37	4,387	199,000	58.00	0.17	0.82
Lukoil Oil Company	LUKOY	B	58.35	847	49,400	135.00	0.05	0.46
Gazprom (50%)	OGZPY	B	25.25	2,965	74,900	64.00	0.10	0.45
<i>Total or Median</i>					<i>409,000</i>		<i>0.08</i>	<i>0.82</i>
U.S. Independent								
Anadarko Petroleum Corp.	APC	B	65.89	493	32,500	59.00	0.32	1.08
EOG Resources	EOG	B	96.87	251	24,300	92.00	0.13	1.05
XTO Energy Inc.	XTO	B	47.35	580	27,500	47.00	0.29	1.01
Chesapeake Energy Corp.	CHK		27.91	626	17,500	34.00	0.38	0.89
Occidental Petroleum Corp.	OXY	B	78.92	814	64,200	95.00	0.06	0.84
Devon Energy Corporation	DVN	B	73.03	450	32,900	98.00	0.17	0.79
<i>Total or Median</i>					<i>198,900</i>		<i>0.23</i>	<i>0.95</i>
Canada								
EnCana Corporation	ECA	B	34.49	751	25,900	35.00	0.28	0.99
Cenovus Energy Inc.	CVE	B	25.25	751	19,000	27.00	0.23	0.95
Canadian Natural Resources	CNQ	B	70.19	542	38,000	80.00	0.21	0.90
Imperial Oil Limited (30%)	IMO	B	39.56	256	10,200	48.00	0.07	0.84
Suncor Energy	SU	B	35.82	1,572	56,300	52.00	0.19	0.75
Canadian Oil Sands Trust	COSWF	B	28.42	484	13,800	42.00	0.07	0.70
<i>Total or Median</i>					<i>163,000</i>		<i>0.20</i>	<i>0.87</i>

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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McDep Energy Portfolio								
Value Multiples and Distribution Yield								
			<i>Price</i>	<i>Adjustd</i>			<i>Divd or</i>	
			<i>(US\$/sh)</i>	<i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>	<i>Distrib</i>	
	<i>Symbol/Rating</i>		<i>15-Jan</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>P/E</i>	
	<i>B = Buy</i>		<i>2010</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	
							<i>(%)</i>	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	69.11	12.4	8.4	6.7	12	2.4
Chevron Corporation	CVX	B	79.23	9.7	6.9	5.6	12	3.4
ConocoPhillips	COP	B	53.02	11.2	8.2	5.2	9	3.8
Marathon Oil Corporation	MRO	B	31.64	9.3	7.0	4.9	9	3.0
<i>Total or Median</i>				<i>10.4</i>	<i>7.6</i>	<i>5.4</i>	<i>11</i>	<i>3.2</i>
Europe								
BG Group plc	BRGXF	B	19.80	8.1	9.1	8.2	16	1.1
BP plc	BP	B	61.64	9.6	6.8	5.6	10	5.5
Total S.A.	TOT	B	63.41	9.4	7.4	5.5	10	5.2
Royal Dutch Shell plc	RDS-A	B	60.51	7.9	6.7	5.4	12	5.6
Statoil ASA (33%)	STO	B	25.92	7.5	6.3	5.0	22	4.9
<i>Total or Median</i>				<i>8.1</i>	<i>6.8</i>	<i>5.5</i>	<i>12</i>	<i>5.2</i>
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	B	43.51	15.0	12.7	12.6	29	2.3
Petrobras	PBR	B	45.37	9.1	9.0	7.4	13	3.0
CNOOC Limited (34%)	CEO	B	156.73	6.9	5.7	6.7	12	3.3
PetroChina Company Ltd (14%)	PTR	B	122.17	13.9	7.5	6.2	15	3.3
Lukoil Oil Company	LUKOY	B	58.35	16.4	8.6	4.0	8	2.2
Gazprom (50%)	OGZPY	B	25.25	24.6	8.3	3.8	5	0.2
<i>Total or Median</i>				<i>14.5</i>	<i>8.5</i>	<i>6.4</i>	<i>12</i>	<i>2.6</i>
U.S. Independent								
Chesapeake Energy Corp.	CHK		27.91	11.1	12.1	10.8	22	1.1
EOG Resources	EOG	B	96.87	9.8	9.3	9.8	32	0.6
XTO Energy Inc.	XTO	B	47.35	10.7	9.5	9.6	19	1.1
Anadarko Petroleum Corp.	APC	B	65.89	8.9	6.7	7.2		0.5
Occidental Petroleum Corp.	OXY	B	78.92	11.2	7.7	6.5	14	1.7
Devon Energy Corporation	DVN	B	73.03	8.9	7.2	5.7	11	0.9
<i>Total or Median</i>				<i>10.3</i>	<i>8.5</i>	<i>8.4</i>	<i>19</i>	<i>1.0</i>
Canada								
Imperial Oil Limited (30%)	IMO	B	39.56	18.4	11.6	9.7	19	1.0
Canadian Oil Sands Trust	COSWF	B	28.42	23.1	13.7	9.6	15	6.3
EnCana Corporation	ECA	B	34.49	8.7	9.0	8.9	28	2.3
Cenovus Energy Inc.	CVE	B	25.25	9.8	8.8	8.4	20	3.2
Suncor Energy	SU	B	35.82	13.9	10.2	7.6	27	1.1
Canadian Natural Resources	CNQ	B	70.19	7.5	8.1	7.4	13	0.6
<i>Total or Median</i>				<i>11.8</i>	<i>9.6</i>	<i>8.6</i>	<i>19</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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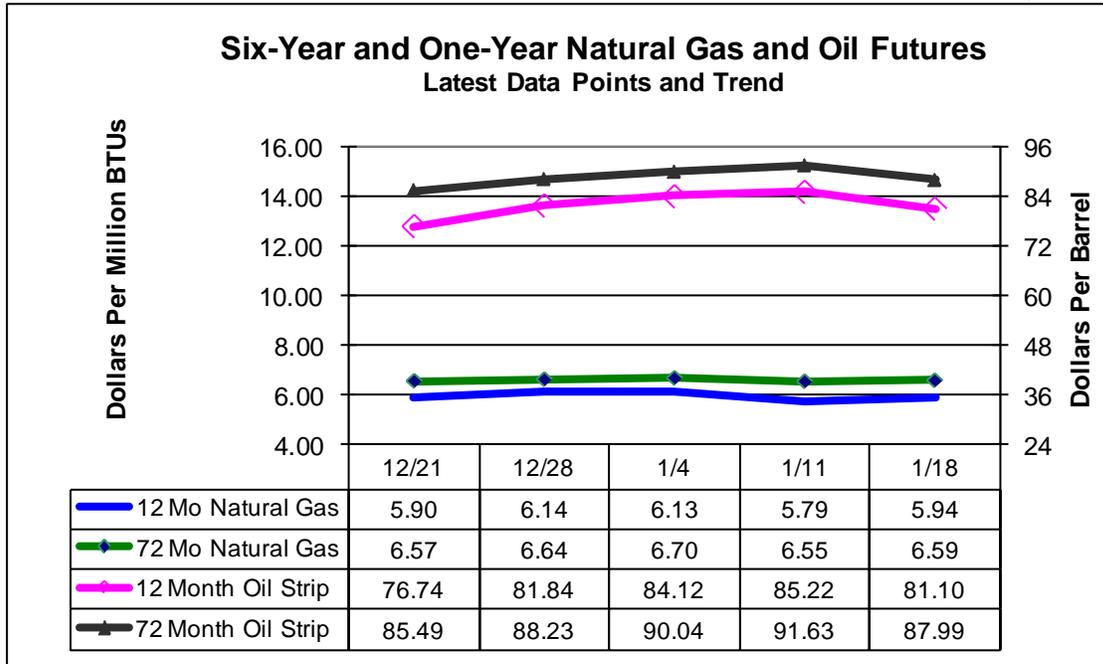
Index of Recent Research			
Stock Ideas			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
31-Dec	WLL	Whiting Petroleum	North Dakota Bakken Oil Producer (ISC Weekly)
29-Dec	* WOPEY	Woodside Petroleum	Buy for Australian LNG (Meter Reader)
15-Dec	* XTO, XOM	XTO Energy, ExxonMobil	ExxonMobil Offers \$52 a Share for XTO Energy (MR)
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 (ISCW)
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	* PEYUF	Peyto Energy Trust	Deep Basin Drilling "Going to Explode" (ISC Weekly)
9-Nov	* OGZPY	Gazprom	Sharp Recovery from Sharp Dip
6-Nov	* APC	Anadarko Petroleum Corporation	McDep Ratio above 1.0
6-Nov	* DMLP	Dorchester Minerals, L.P.	More Drilling on DMLP Land
6-Nov	* EOG	EOG Resources Inc.	Accenting Oil
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	* SU	Suncor Energy	Expects to Keep 12% Syncrude
5-Nov	* CNQ	Canadian Natural Resources	Oil Sands Mining Challenge
5-Nov	* STO	Statoil ASA	Oil Price Leading Natural Gas Price
5-Nov	* TOT	Total S.A.	New Projects for Growth
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	* CVX	Chevron Corporation	Raise Net Present Value to \$102 a Share from \$97
2-Nov	* EAC	Encore Acquisition Company	Denbury Resources Offers \$50 a Share to Acquire Encore
2-Nov	* IMO	Imperial Oil Limited	<i>In Situ</i> Oil Production Cumulates Past a Billion Barrels
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			
19-Jan		Weekly	Buy Canadian Oil and Gas Producers
12-Jan	DVN, EOG	U.S. Independent Producers	Buy Devon, Rebalance EOG Resources
5-Jan		Weekly	Natural Gas and Oil for the Twenty-Tens
29-Dec	* WOPEY	Woodside Petroleum	Buy for Australian LNG
Income and Small Cap Weekly			
19-Jan	XEC	Cimarex Energy	Raise NPV to \$60 a Share from \$50
8-Jan	HGT, SJT	Bottom Line Cash Payers	Raise LINE NPV 13%; Lower HGT NPV 9%
31-Dec	WLL	Whiting Petroleum	North Dakota Bakken Oil Producer
24-Dec	*	Weekly	Trending Up for the Tens
	* Archived on www.mcdep.com		



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Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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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.