



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

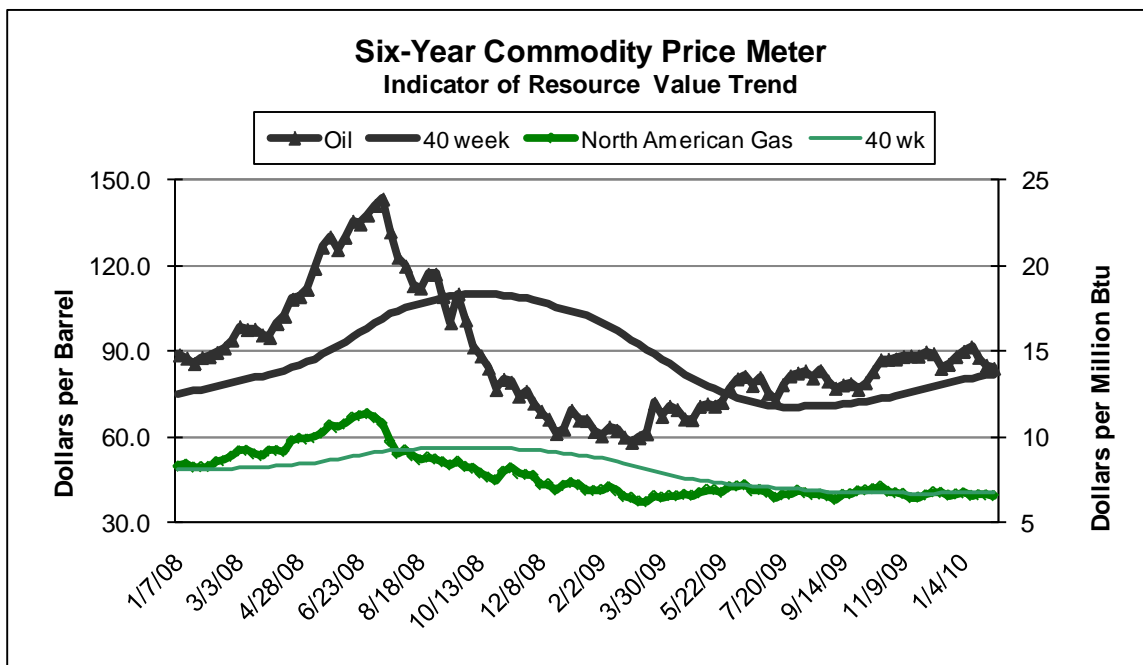
February 2, 2010

## Create Contrarian Buy (CB) Category

### Summary and Recommendation

We initiate a new designation, “Contrarian Buy”, for previous buy recommendations, **ExxonMobil (XOM)**, **Marathon Oil (MRO)**, **Woodside Petroleum (WOPEY)**, **Petrobras (PBR)**, and **Imperial Oil (IMO)** that trade below their respective 200-day average stock prices. We like the long-term prospects for the stocks, but can’t rule out a continuing medium-term downtrend for a while. Yet, prices can change quickly, faster than we can change our ratings. Provided the downtrend doesn’t persist, buying as a contrarian can be a rewarding strategy. Contrarian buys should be lower McDep Ratio stocks with the extra appreciation potential as the reward for more patience. Meanwhile, the trend in long-term oil price continues upward with the current quote of \$84 a barrel above the 40-week average of \$82 (see chart below, Six-Year Commodity Price Meter and on last page, Six-Year and One-Year Natural Gas and Oil Futures). Six-year natural gas is trendless with the current quote of \$6.50 compared to the 40-week average of \$6.70. One-year natural gas is in a rising trend indicated by a current quote of \$5.90 a million btu compared to the 40-week average of \$5.40.

Kurt H. Wulff, CFA

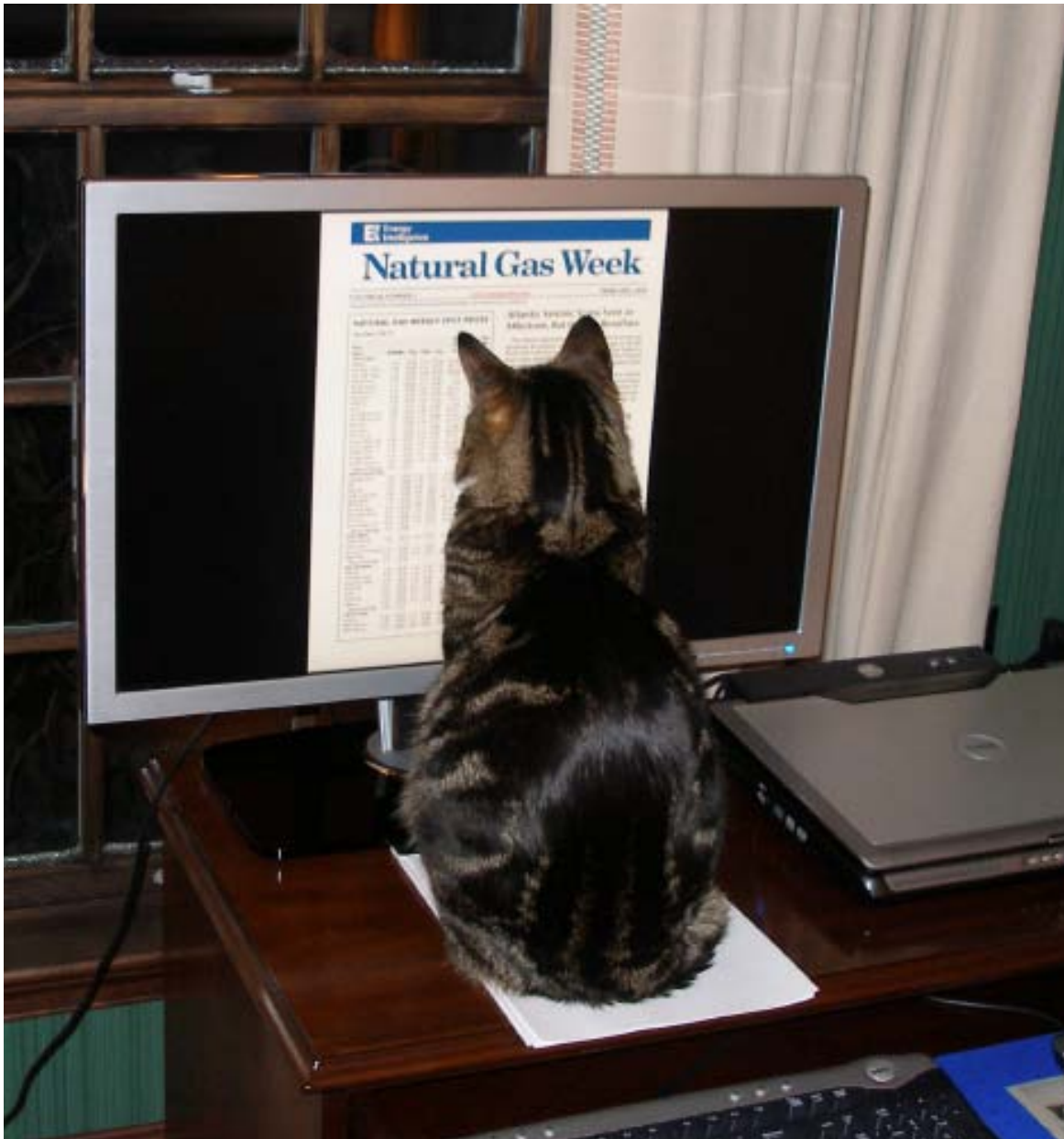




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**McDep Assistant Checks Natural Gas Prices on a Cold Winter Night**





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<b>Table 2</b>								
<b>McDep Energy Portfolio</b>								
<b>Net Present Value and McDep Ratio</b>								
			<i>Price</i>			<i>Net</i>		
			<i>(US\$/sh)</i>			<i>Market</i>	<i>Debt/</i>	
	<i>Symbol/Rating</i>		<i>1-Feb</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
	B = Buy, CB (see below)		<i>2010</i>	<i>(mm)</i>	<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	<i>Ratio</i>
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	CB	66.18	5,215	345,000	89.00	0.12	0.77
Chevron Corporation	CVX	B	73.58	2,004	148,000	110.00	0.12	0.71
Marathon Oil Corporation	MRO	CB	30.65	711	21,790	53.00	0.23	0.68
ConocoPhillips	COP	B	49.07	1,501	74,000	105.00	0.25	0.60
<i>Total or Median</i>					<i>589,000</i>		<i>0.18</i>	<i>0.69</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	18.62	3,390	63,100	22.00	0.11	0.86
Royal Dutch Shell plc	RDS-A	B	56.71	3,066	174,000	79.00	0.20	0.77
BP plc	BP	B	57.23	3,156	181,000	80.00	0.20	0.77
Statoil ASA (33%)	STO	B	22.91	1,051	24,100	35.00	0.21	0.73
Total S.A.	TOT	B	58.98	2,237	132,000	90.00	0.14	0.71
<i>Total or Median</i>					<i>574,000</i>		<i>0.20</i>	<i>0.77</i>
<b>Australia/Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO	B	145.30	152	22,100	135.00	0.01	1.08
Woodside Petroleum Ltd.	WOPEY	CB	37.75	709	26,600	44.00	0.16	0.88
PetroChina Company Ltd (14%)	PTR	B	114.28	256	29,300	150.00	0.06	0.78
Petrobras	PBR	CB	41.74	4,387	183,100	58.00	0.17	0.77
Gazprom (50%)	OGZPY	B	25.28	2,955	74,700	64.00	0.10	0.46
Lukoil Oil Company	LUKOY	B	56.06	847	47,500	135.00	0.05	0.44
<i>Total or Median</i>					<i>383,000</i>		<i>0.08</i>	<i>0.77</i>
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC	B	65.10	493	32,100	59.00	0.32	1.07
EOG Resources	EOG	B	95.55	251	24,000	92.00	0.13	1.03
XTO Energy Inc.	XTO	B	45.98	580	26,700	47.00	0.29	0.98
Chesapeake Energy Corp.	CHK		25.86	626	16,200	34.00	0.38	0.85
Occidental Petroleum Corp.	OXY	B	79.83	814	64,900	95.00	0.06	0.85
Devon Energy Corporation	DVN	B	69.76	450	31,400	98.00	0.17	0.76
<i>Total or Median</i>					<i>195,300</i>		<i>0.23</i>	<i>0.92</i>
<b>Canada</b>								
EnCana Corporation	ECA	B	31.60	751	23,700	35.00	0.28	0.93
Cenovus Energy Inc.	CVE	B	24.36	751	18,300	27.00	0.23	0.92
Canadian Natural Resources	CNQ	B	65.06	542	35,300	80.00	0.21	0.85
Imperial Oil Limited (30%)	IMO	CB	36.67	256	9,400	48.00	0.07	0.78
Canadian Oil Sands Trust	COSWF	B	26.95	484	13,000	38.00	0.07	0.73
Suncor Energy	SU	B	32.73	1,572	51,500	52.00	0.18	0.70
<i>Total or Median</i>					<i>151,000</i>		<i>0.19</i>	<i>0.82</i>
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
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.								

Please see disclosures on the final page.

Page 4



# Meter Reader

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**Table 3**

## McDep Energy Portfolio Value Multiples and Distribution Yield

			<i>Price</i> <i>(US\$/sh)</i>	<i>Adjustd</i> <i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>		<i>Divd or</i> <i>Distrib</i>
	<i>Symbol/Rating</i>		<i>1-Feb</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>P/E</i>	<i>NTM</i>
	B = Buy, CB (see below)		<i>2010</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	CB	66.18	12.1	8.8	6.8	13	2.5
ConocoPhillips	COP	B	49.07	11.0	8.3	5.0	9	4.1
Chevron Corporation	CVX	B	73.58	9.5	7.0	5.0	10	3.7
Marathon Oil Corporation	MRO	CB	30.65	9.3	7.3	4.9	10	3.1
	<i>Total or Median</i>			<i>10.2</i>	<i>7.8</i>	<i>5.0</i>	<i>10</i>	<i>3.4</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	18.62	8.1	9.4	8.1	16	1.2
BP plc	BP	B	57.23	9.6	7.1	5.5	10	5.9
Total S.A.	TOT	B	58.98	9.4	7.7	5.4	10	5.4
Royal Dutch Shell plc	RDS-A	B	56.71	7.9	6.9	5.3	12	5.9
Statoil ASA (33%)	STO	B	22.91	7.5	6.6	4.8	21	5.3
	<i>Total or Median</i>			<i>8.1</i>	<i>7.1</i>	<i>5.4</i>	<i>12</i>	<i>5.4</i>
<b>Australia/Brazil/China/Russia</b>								
Woodside Petroleum Ltd.	WOPEY	CB	37.75	15.0	13.2	11.5	27	2.6
Petrobras	PBR	CB	41.74	9.1	9.4	7.2	12	3.2
CNOOC Limited (34%)	CEO	B	145.30	6.9	5.9	6.3	11	3.5
PetroChina Company Ltd (14%)	PTR	B	114.28	13.9	7.7	5.9	15	3.5
Lukoil Oil Company	LUKOY	B	56.06	16.4	8.9	3.9	8	2.2
Gazprom (50%)	OGZPY	B	25.28	24.6	8.6	3.9	5	0.2
	<i>Total or Median</i>			<i>14.5</i>	<i>8.7</i>	<i>6.1</i>	<i>12</i>	<i>2.9</i>
<b>U.S. Independent</b>								
Chesapeake Energy Corp.	CHK		25.86	11.1	12.5	10.7	22	1.2
EOG Resources	EOG	B	95.55	9.8	9.7	10.0	34	0.6
XTO Energy Inc.	XTO	B	45.98	10.7	9.9	9.7	19	1.1
Anadarko Petroleum Corp.	APC	B	65.10	8.9	6.9	7.4		0.6
Occidental Petroleum Corp.	OXY	B	79.83	10.9	7.8	6.7	15	1.7
Devon Energy Corporation	DVN	B	69.76	8.9	7.5	5.7	11	0.9
	<i>Total or Median</i>			<i>10.3</i>	<i>8.7</i>	<i>8.6</i>	<i>19</i>	<i>1.0</i>
<b>Canada</b>								
Canadian Oil Sands Trust	COSWF	B	26.95	23.1	14.6	10.7	23	4.9
Imperial Oil Limited (30%)	IMO	CB	36.67	18.4	12.1	9.4	18	1.0
EnCana Corporation	ECA	B	31.60	8.7	9.2	8.6	27	2.5
Cenovus Energy Inc.	CVE	B	24.36	9.8	9.2	8.5	21	3.3
Suncor Energy	SU	B	32.73	13.9	10.6	7.4	26	1.1
Canadian Natural Resources	CNQ	B	65.06	7.5	8.4	7.2	13	0.6
	<i>Total or Median</i>			<i>11.8</i>	<i>9.9</i>	<i>8.5</i>	<i>22</i>	<i>1.8</i>
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
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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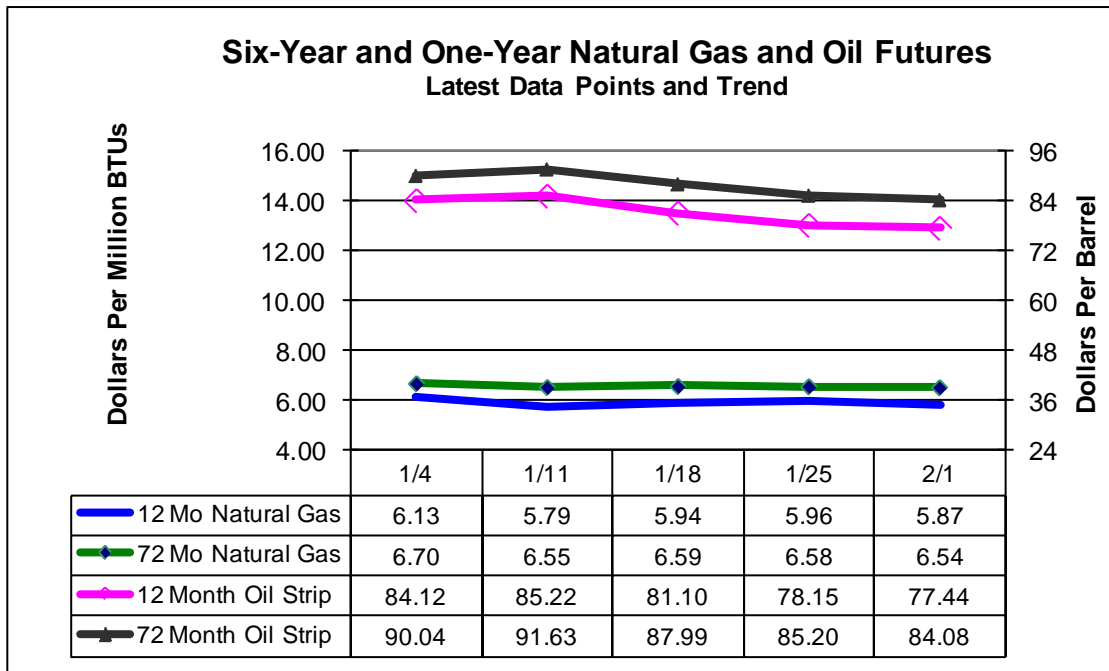
<b>Index of Recent Research</b>			
<b>Stock Ideas</b>			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
1-Feb	XOM	ExxonMobil Corporation	Modify to Contrarian Buy from Buy
1-Feb	OGZPY	Gazprom	European Natural Gas Sales Rebound
29-Jan	CVX	Chevron Corporation	Raise Net Present Value to \$110 a Share from \$102
29-Jan	COSWF	Canadian Oil Sands Trust	Distribution Unchanged, Reduce NPV to \$38 from \$US42
28-Jan	OXY	Occidental Petroleum Corporation	Volume Growth Supporting Appreciation Potential
27-Jan	COP	ConocoPhillips	Lowest Large Cap McDep Ratio
8-Jan	* HGT	Hugoton Royalty Trust	Lower Net Present Value to \$21 a Unit from \$23
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	* PBR	Petrobras	Buy for Long-Term Growth (Meter Reader)
8-Dec	* LUKOY	Lukoil Oil Company	Reemphasizing Oil
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)
6-Nov	* SU	Suncor Energy	Expects to Keep 12% Syncrude
6-Nov	* MRO	Marathon Oil Corporation	Refinery Expansion Nearly Complete
6-Nov	* EOG	EOG Resources Inc.	Accenting Oil
6-Nov	* DMLP	Dorchester Minerals, L.P.	More Drilling on DMLP Land
6-Nov	* APC	Anadarko Petroleum Corporation	McDep Ratio above 1.0
5-Nov	* TOT	Total S.A.	New Projects for Growth
5-Nov	* STO	Statoil ASA	Oil Price Leading Natural Gas Price
5-Nov	* CNQ	Canadian Natural Resources	Oil Sands Mining Challenge
4-Nov	* XEC	Cimarex Energy Company	Raise Net Present Value to \$50 a Share from \$46
4-Nov	* DVN	Devon Energy Corporation	Progress in Shale Gas
3-Nov	* PTR	PetroChina Company Limited	Buy China Oil and Gas (Meter Reader)
3-Nov	* CEO	CNOOC Ltd	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
29-Oct	* RDSA	Royal Dutch Shell plc	Shedding Downstream Image
27-Oct	* BP	BP p.l.c.	Raise Net Present Value to \$80 a Share from \$72
<b>Meter Reader</b>			
2-Feb		Weekly	
26-Jan		Weekly	A Few Price Flags
19-Jan		Weekly	Buy Canadian Oil and Gas Producers
12-Jan	* DVN, EOG	U.S. Independent Producers	Buy Devon, Rebalance EOG Resources
<b>Income and Small Cap Weekly</b>			
29-Jan		Weekly	Tenuous Timing
22-Jan		Weekly	U.S. Natural Gas Inventories Drop Sharply
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%
	* Archived on <a href="http://www.mcdep.com">www.mcdep.com</a>		



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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.