



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

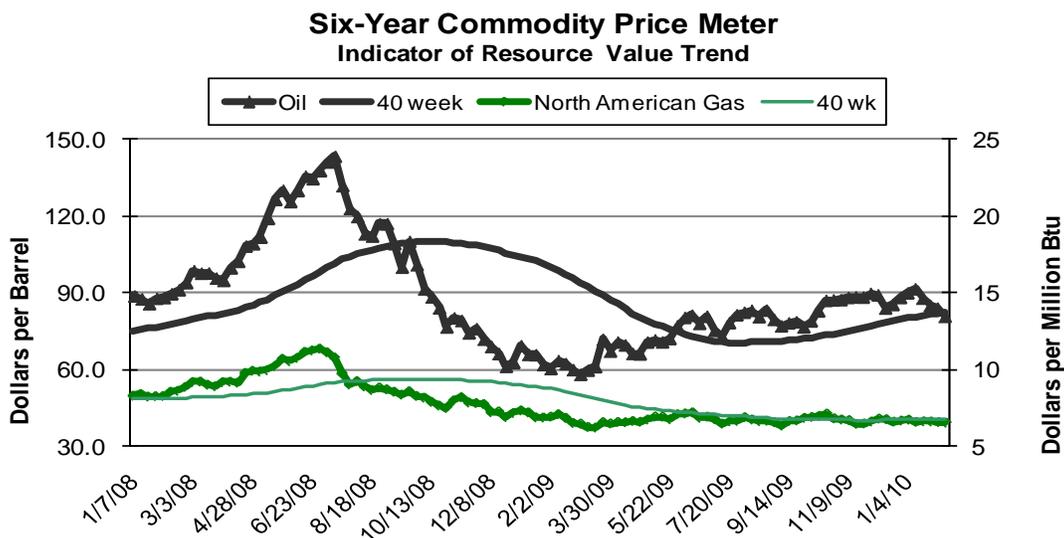
February 9, 2010

Designate Seven More Contrarian Buys

Summary and Recommendation

Seeing stock price fall below the 200-day average, we place the Contrarian Buy designation on previous Buys including **Chevron (CVX)**, **BG Group (BRGXF)**, **Royal Dutch Shell (RDS)**, **Statoil (STO)**, **Total (TOT)**, **PetroChina (PTR)**, and **Lukoil (LUKOY)**. Contrarian Buys offer the appreciation potential represented in low McDep Ratios without the company of as many similarly minded investors. There is the suggestion that a downward price trend may continue, but not the assurance of such. Some rest in gains after sharp recovery following financial panic could be normal. Nor is it much surprise that the chatter in the broader financial markets should turn to threatened defaults in Greece or California, for example. Throughout history, currency volatility and sovereign defaults have occurred in the wake of banking defaults such as we saw in 2008, explains a new analysis (see the book, *This Time is Different*, by Reinhart & Rogoff). Stocks often recover quickly from banking defaults while sovereign defaults may slow global growth temporarily. At the same time, six-year oil has ended an eight month uptrend by settling at \$81 a barrel, which is below 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). While that may also signal a need for medium-term caution with regard to appreciation prospects, the six-year quote remains above the long-term oil price of \$75 we use to calculate McDep Ratios. At a median of 0.75, McDep Ratios imply attractive investment value by our fundamental analysis (see Tables 1-3). Patient investors can continue to buy and hold low-McDep Ratio oil and gas stocks to build a target portfolio weighting.

Kurt H. Wulff, CFA





Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

February 9, 2010

Table 2									
McDep Energy Portfolio									
Net Present Value and McDep Ratio									
			<i>Price</i>			<i>Net</i>			
			<i>(US\$/sh)</i>			<i>Market</i>	<i>Debt/</i>		
	<i>Symbol/Rating</i>		<i>8-Feb</i>	<i>Shares</i>		<i>Cap</i>	<i>Value</i>	<i>Present</i>	
	B = Buy, CB (see below)		<i>2010</i>	<i>(mm)</i>		<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	
								<i>McDep</i>	
								<i>Ratio</i>	
U.S. Integrated									
Exxon Mobil Corporation	XOM	CB	64.35	5,215		336,000	89.00	0.12	0.76
Chevron Corporation	CVX	CB	70.13	2,004		141,000	110.00	0.12	0.68
Marathon Oil Corporation	MRO	CB	28.04	711		19,940	53.00	0.23	0.64
ConocoPhillips	COP	B	47.37	1,501		71,000	105.00	0.25	0.59
	<i>Total or Median</i>					<i>568,000</i>		<i>0.18</i>	<i>0.66</i>
Europe									
BG Group plc	BRGXF	CB	17.05	3,397		57,900	22.00	0.10	0.80
Royal Dutch Shell plc	RDS-A	CB	53.85	3,064		165,000	79.00	0.21	0.75
BP plc	BP	B	52.43	3,162		166,000	80.00	0.19	0.72
Statoil ASA (33%)	STO	CB	21.57	1,051		22,700	35.00	0.21	0.70
Total S.A.	TOT	CB	55.17	2,237		123,000	90.00	0.14	0.67
	<i>Total or Median</i>					<i>535,000</i>		<i>0.19</i>	<i>0.72</i>
Australia/Brazil/China/Russia									
CNOOC Limited (34%)	CEO	B	145.34	152		22,100	135.00	0.01	1.08
Woodside Petroleum Ltd.	WOPEY	CB	36.50	709		26,200	44.00	0.16	0.87
PetroChina Company Ltd (14%)	PTR	CB	106.30	256		27,200	150.00	0.06	0.73
Petrobras	PBR	CB	38.20	4,387		167,600	58.00	0.17	0.72
Gazprom (50%)	OGZPY	B	22.90	2,955		67,700	64.00	0.10	0.42
Lukoil Oil Company	LUKOY	CB	52.00	847		44,000	135.00	0.05	0.41
	<i>Total or Median</i>					<i>355,000</i>		<i>0.08</i>	<i>0.72</i>
U.S. Independent									
EOG Resources	EOG	B	91.58	251		23,000	92.00	0.13	1.00
Anadarko Petroleum Corp.	APC	B	62.33	494		30,800	64.00	0.31	0.98
XTO Energy Inc.	XTO	B	44.97	580		26,100	47.00	0.29	0.97
Chesapeake Energy Corp.	CHK		24.24	626		15,200	34.00	0.38	0.82
Occidental Petroleum Corp.	OXY	B	76.30	814		62,100	95.00	0.06	0.82
Devon Energy Corporation	DVN	B	66.14	450		29,800	98.00	0.17	0.73
	<i>Total or Median</i>					<i>187,000</i>		<i>0.23</i>	<i>0.90</i>
Canada									
EnCana Corporation	ECA	B	30.33	751		22,800	35.00	0.28	0.91
Cenovus Energy Inc.	CVE	B	23.27	751		17,500	27.00	0.23	0.89
Canadian Natural Resources	CNQ	B	64.09	542		34,700	80.00	0.21	0.84
Imperial Oil Limited (30%)	IMO	CB	35.22	256		9,000	48.00	0.06	0.75
Canadian Oil Sands Trust	COSWF	B	26.12	484		12,600	38.00	0.07	0.71
Suncor Energy	SU	CB	29.12	1,562		45,500	48.00	0.19	0.68
	<i>Total or Median</i>					<i>142,000</i>		<i>0.20</i>	<i>0.80</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.



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

February 9, 2010

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		8-Feb 2010	NTM	NTM	NTM	NTM	
B = Buy, CB (see below)								
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	64.35	12.1	9.0	6.8	13	2.6
ConocoPhillips	COP	B	47.37	11.0	8.5	5.0	9	4.2
Marathon Oil Corporation	MRO	CB	28.04	10.9	7.7	4.9	10	3.4
Chevron Corporation	CVX	CB	70.13	9.5	7.2	4.9	10	3.9
<i>Total or Median</i>				<i>11.0</i>	<i>8.1</i>	<i>5.0</i>	<i>10</i>	<i>3.7</i>
Europe								
BG Group plc	BRGXF	CB	17.05	8.3	9.2	7.4	14	1.1
Royal Dutch Shell plc	RDS-A	CB	53.85	7.8	7.1	5.3	11	6.2
Total S.A.	TOT	CB	55.17	9.4	7.9	5.3	10	5.7
BP plc	BP	B	52.43	9.5	7.0	5.1	9	6.4
Statoil ASA (33%)	STO	CB	21.57	7.5	6.7	4.7	21	5.6
<i>Total or Median</i>				<i>8.3</i>	<i>7.1</i>	<i>5.3</i>	<i>11</i>	<i>5.7</i>
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	CB	36.50	15.0	13.6	11.7	27	2.6
Petrobras	PBR	CB	38.20	9.1	9.7	7.0	12	3.5
CNOOC Limited (34%)	CEO	B	145.34	6.5	5.7	6.2	11	3.5
PetroChina Company Ltd (14%)	PTR	CB	106.30	13.9	7.7	5.6	14	3.8
Lukoil Oil Company	LUKOY	CB	52.00	16.4	9.1	3.8	8	2.4
Gazprom (50%)	OGZPY	B	22.90	24.6	8.6	3.6	5	0.2
<i>Total or Median</i>				<i>14.5</i>	<i>8.8</i>	<i>5.9</i>	<i>11</i>	<i>3.1</i>
U.S. Independent								
Chesapeake Energy Corp.	CHK		24.24	11.1	12.6	10.4	21	1.2
EOG Resources	EOG	B	91.58	9.8	9.8	9.8	34	0.6
XTO Energy Inc.	XTO	B	44.97	10.7	10.0	9.7	19	1.1
Anadarko Petroleum Corp.	APC	B	62.33	9.1	7.6	7.4		0.6
Occidental Petroleum Corp.	OXY	B	76.30	10.9	8.1	6.6	15	1.7
Devon Energy Corporation	DVN	B	66.14	8.9	7.7	5.6	11	1.0
<i>Total or Median</i>				<i>10.3</i>	<i>8.9</i>	<i>8.6</i>	<i>19</i>	<i>1.0</i>
Canada								
Canadian Oil Sands Trust	COSWF	B	26.12	23.1	15.7	11.1	27	5.0
Imperial Oil Limited (30%)	IMO	CB	35.22	19.2	12.6	9.4	19	1.1
EnCana Corporation	ECA	B	30.33	8.7	9.3	8.4	26	2.6
Cenovus Energy Inc.	CVE	B	23.27	9.8	9.4	8.4	21	3.4
Suncor Energy	SU	CB	29.12	14.3	11.0	7.5	23	1.3
Canadian Natural Resources	CNQ	B	64.09	7.5	8.7	7.3	12	0.6
<i>Total or Median</i>				<i>12.0</i>	<i>10.2</i>	<i>8.4</i>	<i>22</i>	<i>2.0</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								



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

February 9, 2010

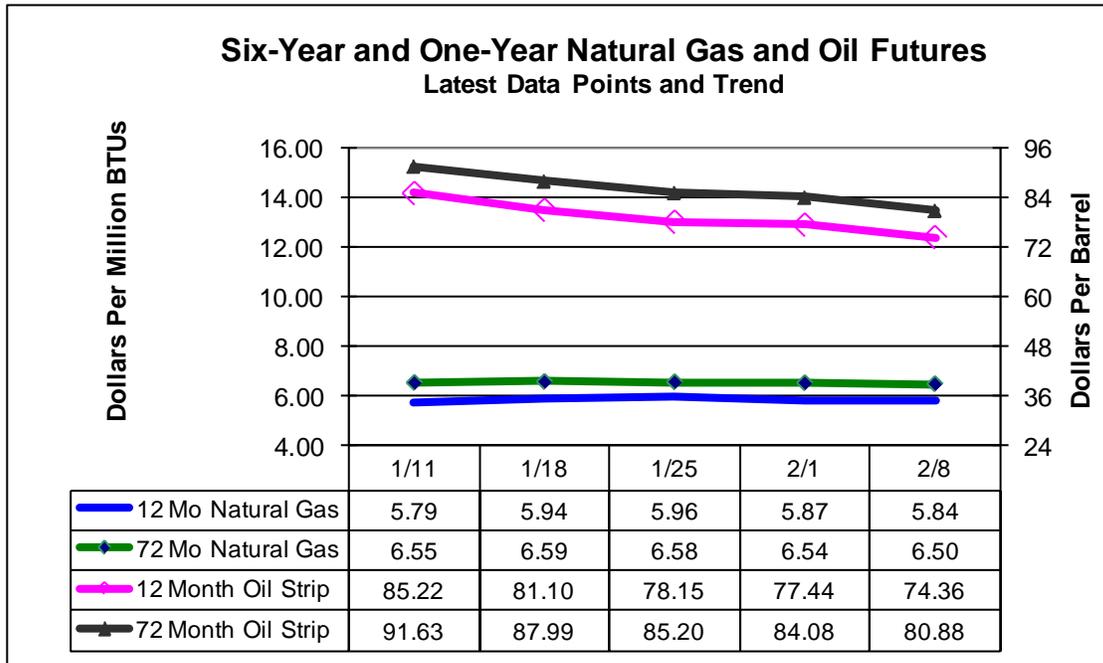
Index of Recent Research			
Stock Ideas			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
8-Feb	XEC	Cimarex Energy Company	Booming Production Estimated up 18% in 2010
4-Feb	RDSA	Royal Dutch Shell plc	Cautious Outlook, Nice Dividend
3-Feb	IMO	Imperial Oil Limited	Horn River Shale Gas Explorer
3-Feb	CEO	CNOOC Ltd	Blockbuster Growth Forecast
3-Feb	MRO	Marathon Oil Corporation	Ready for Recovery in Demand for Diesel Fuel
3-Feb	APC	Anadarko Petroleum Corporation	Raise Net Present Value to \$64 a Share from \$59
2-Feb	SU	Suncor Energy	Reduce Net Present Value to US\$48 a Share from US\$52
2-Feb	BP	BP p.l.c.	Credibility Reestablished
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	* EOG	EOG Resources Inc.	Accenting Oil
6-Nov	* DMLP	Dorchester Minerals, L.P.	More Drilling on DMLP Land
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	* DVN	Devon Energy Corporation	Progress in Shale Gas
3-Nov	* PTR	PetroChina Company Limited	Buy China Oil and Gas (Meter Reader)
2-Nov	* EAC	Encore Acquisition Company	Denbury Resources Offers \$50 a Share to Acquire Encore
Meter Reader			
9-Feb		Weekly	
2-Feb		Weekly	Create Contrarian Buy (CB) Category
26-Jan		Weekly	A Few Price Flags
19-Jan	*	Weekly	Buy Canadian Oil and Gas Producers
Income and Small Cap Weekly			
5-Feb	COSWF	Weekly	Sycrude Transaction in the Works
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
	*	Archived on www.mcdep.com	



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

February 9, 2010



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.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

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.