



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

March 16, 2010

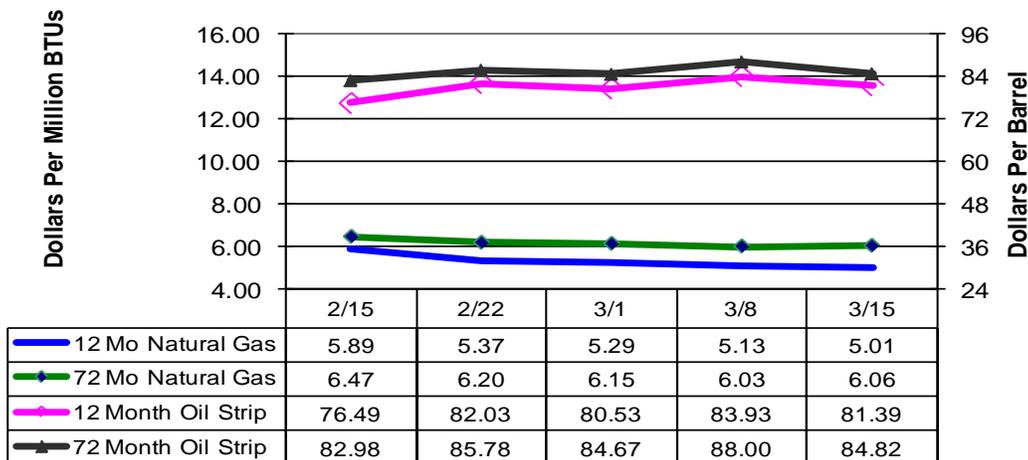
ExxonMobil and Chevron See Upstream Growth

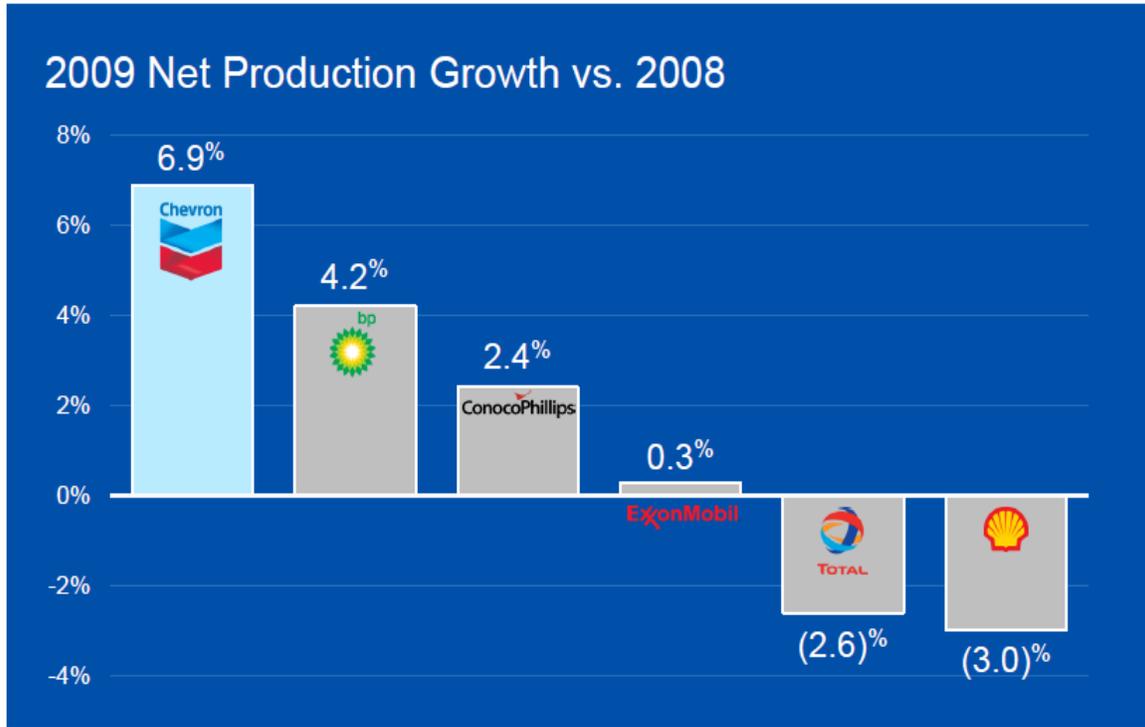
Summary and Recommendation

Meeting separately with analysts in New York last week, managements of buy-recommendations **ExxonMobil (XOM)** and **Chevron (CVX)** projected moderate growth in oil and gas production and cautioned that better downstream profitability may take a few years. Chevron exploration and production chief George Kirkland savored last year's 7% volume gain for a moment before disclosing a less exciting, nearly flat outlook for the next few years until reacceleration (see slide [2009 Net Production Growth](#)). ExxonMobil's Andy Swiger sees accelerated growth of 3-4% in 2009 and a trend of 2-3% a year through 2013 (see slide [Total Production Outlook](#)). ExxonMobil has also demonstrated how large, mature companies can use share repurchase to overcome the natural limits of growth. The strategy boosted historical production gains to 6% a year (see slide [Production per Share](#)). On the downstream side, Chevron's new chairman, John Watson, makes a virtue of Chevron's diminishing representation in the cyclically depressed business (see slide [Global Refining Capacity](#)). While recognizing that downstream is cyclical, ExxonMobil's Don Humphreys proudly points to a high average return (see slide [Downstream Return](#)). Looking at Mr. Humphrey's chart a pessimist might bemoan that another peak could be five years away, judging by the last cycle. An optimist could say we are now at the bottom and each succeeding year from here may be better. We put more weight on the latter view and believe that both Chevron and ExxonMobil are likely to be rewarding long-term investments with low financial risk. Finally, long-term oil, currently quoted at \$85 a barrel, is above the 40-week average of \$84 (see chart below, [Six-Year and One-Year Natural Gas and Oil Futures](#) and on page 4, [Six-Year Commodity Price Meter](#)).

Kurt H. Wulff, CFA

Six-Year and One-Year Natural Gas and Oil Futures
Latest Data Points and Trend

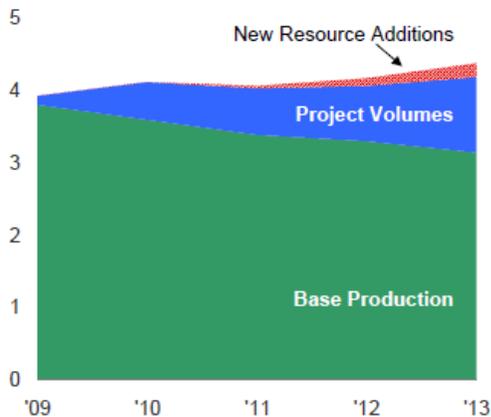




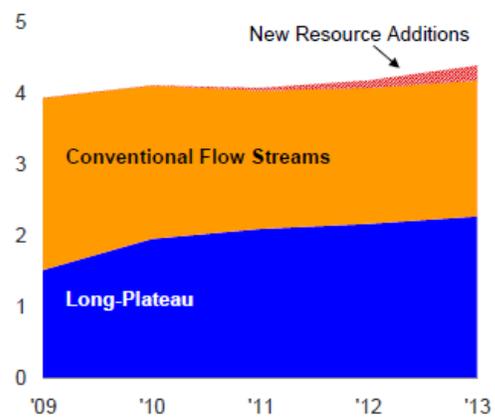
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Total Production Outlook

MOEBD, net

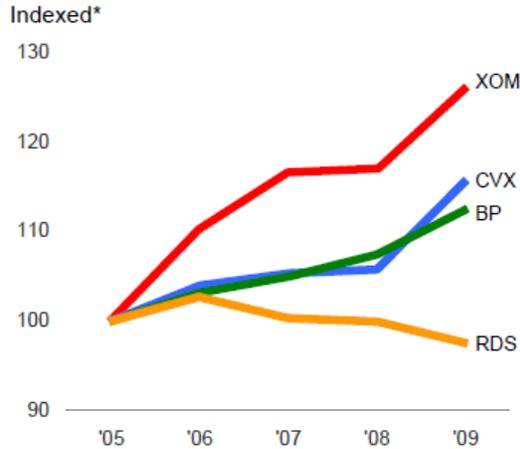


MOEBD, net



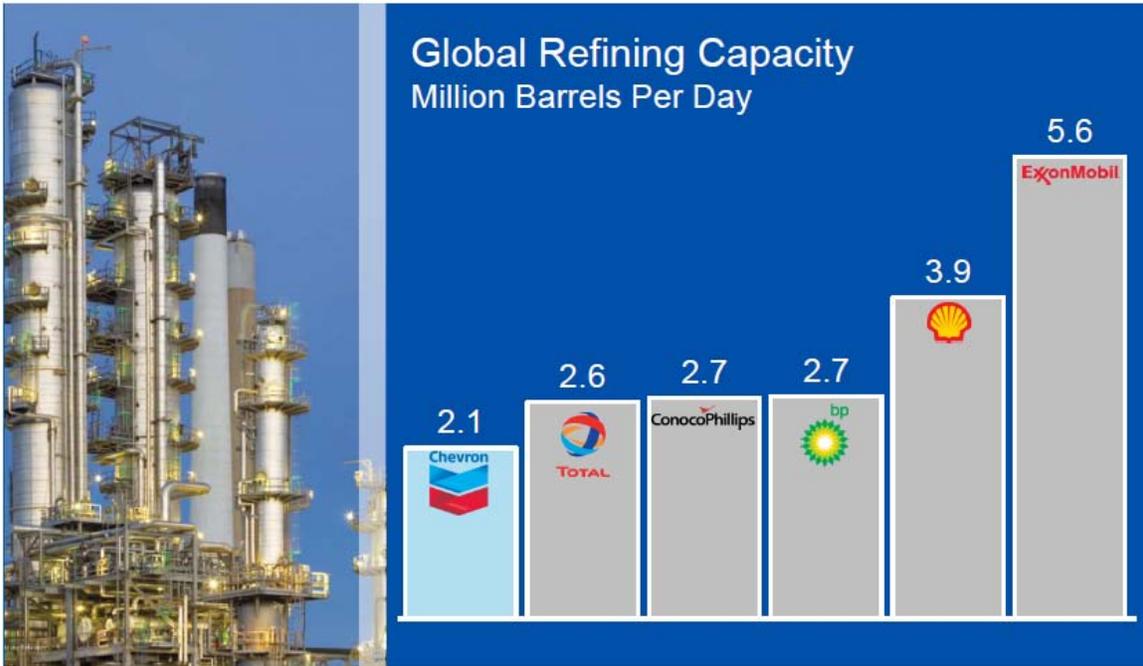
ExxonMobil

Production per Share



- Significantly enhanced share value over 5-year period
- Annual average per share increase:
 - Production 6%
 - Reserves 8%**
- Underpinned by superior and consistent reserves replacement

* Competitor data estimated on a consistent basis with ExxonMobil, and based on public information.
 ** Reserves based on SEC pricing bases, including oil sands and equity companies; 2008 reserves data used for competitors as 2009 data not yet available



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Source: Companies' 2008 Annual Reports and Fact Books.



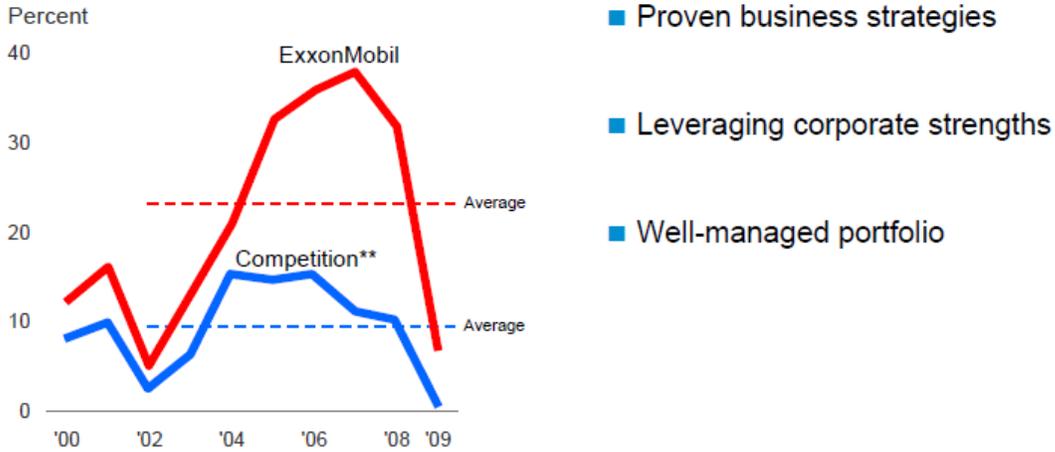
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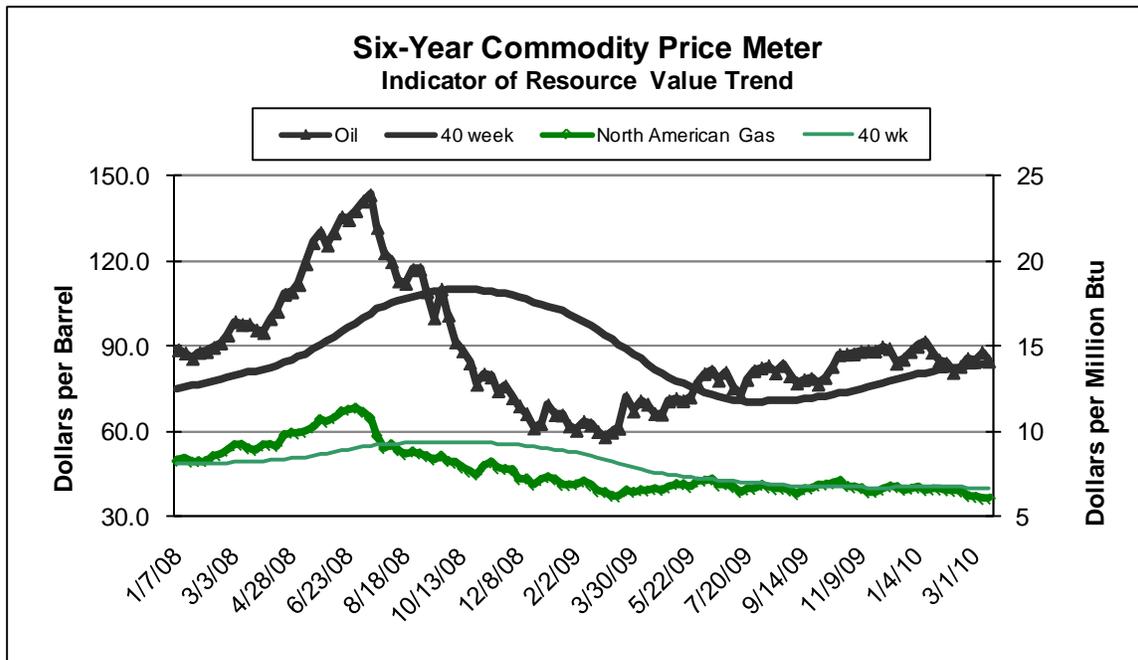
Downstream Return on Capital Employed

Return on Average Capital Employed*



* Competitor data estimated on a consistent basis with ExxonMobil, and based on public information

** BP, RDS and CVX





Meter Reader

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Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price (US\$/sh)	Shares	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
	Symbol/Rating		15-Mar 2010	(mm)				
B = Buy, CB (see below)								
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	66.30	5,215	346,000	89.00	0.12	0.77
Chevron Corporation	CVX	B	73.57	2,004	147,000	110.00	0.12	0.71
Marathon Oil Corporation	MRO	CB	31.23	711	22,200	53.00	0.24	0.69
ConocoPhillips	COP	B	51.65	1,501	78,000	105.00	0.25	0.62
<i>Total or Median</i>						593,000	0.18	0.70
Europe								
BG Group plc	BRGXF	B	17.75	3,397	60,300	22.00	0.10	0.83
Royal Dutch Shell plc	RDS-A	B	57.93	3,064	178,000	79.00	0.21	0.79
BP plc	BP	B	56.58	3,162	179,000	80.00	0.19	0.76
Statoil ASA (33%)	STO	B	22.75	1,050	23,900	35.00	0.22	0.73
Total S.A.	TOT	CB	58.05	2,241	130,000	90.00	0.15	0.70
<i>Total or Median</i>						571,000	0.19	0.76
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	165.54	152	25,200	135.00	0.01	1.22
Woodside Petroleum Ltd.	WOPEY	B	41.17	763	31,400	44.00	0.14	0.94
Petrobras	PBR	B	46.63	4,387	204,600	58.00	0.17	0.84
PetroChina Company Ltd (14%)	PTR	B	117.37	256	30,100	150.00	0.06	0.80
Lukoil Oil Company	LUKOY	B	53.90	847	45,700	135.00	0.05	0.43
Gazprom (50%)	OGZPY	B	23.00	2,955	68,000	64.00	0.10	0.43
<i>Total or Median</i>						405,000	0.08	0.82
U.S. Independent								
Anadarko Petroleum Corp.	APC	B	71.30	494	35,200	64.00	0.32	1.08
EOG Resources	EOG	B	96.89	252	24,400	92.00	0.12	1.05
Occidental Petroleum Corp.	OXY	B	81.06	814	65,900	95.00	0.06	0.86
Chesapeake Energy Corp.	CHK		25.42	628	16,000	34.00	0.39	0.85
Devon Energy Corporation	DVN	B	68.73	450	31,000	98.00	0.03	0.71
<i>Total or Median</i>						172,500	0.12	0.86
Canada								
EnCana Corporation	ECA	B	33.25	751	25,000	35.00	0.25	0.96
Cenovus Energy Inc.	CVE	B	25.43	751	19,100	27.00	0.25	0.96
Canadian Natural Resources	CNQ	B	71.84	542	38,900	90.00	0.19	0.84
Imperial Oil Limited (30%)	IMO	B	38.92	256	10,000	48.00	0.07	0.82
Canadian Oil Sands Trust	COSWF	B	27.32	484	13,200	38.00	0.07	0.74
Suncor Energy	SU	CB	30.43	1,562	47,500	48.00	0.20	0.71
<i>Total or Median</i>						154,000	0.20	0.83

CB=Contrarian Buy, Stock Price may 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.



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Table 3								
McDep Energy Portfolio								
Value Multiples and Distribution Yield								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib NTM
	Symbol/Rating		15-Mar 2010	NTM	NTM	NTM	NTM	(%)
B = Buy, CB (see below)								
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	66.30	13.6	8.4	6.5	12	2.5
Marathon Oil Corporation	MRO	CB	31.23	8.8	7.5	5.1	11	3.1
ConocoPhillips	COP	B	51.65	14.2	8.2	5.1	9	3.9
Chevron Corporation	CVX	B	73.57	9.0	6.6	4.7	9	3.7
<i>Total or Median</i>				<i>11.3</i>	<i>7.8</i>	<i>5.1</i>	<i>10</i>	<i>3.4</i>
Europe								
BG Group plc	BRGXF	B	17.75	8.3	9.0	7.5	14	1.0
Royal Dutch Shell plc	RDS-A	B	57.93	7.8	6.6	5.2	10	5.8
BP plc	BP	B	56.58	9.5	6.8	5.2	9	5.9
Total S.A.	TOT	CB	58.05	9.3	7.2	5.0	10	5.4
Statoil ASA (33%)	STO	B	22.75	7.4	6.2	4.5	11	4.5
<i>Total or Median</i>				<i>8.3</i>	<i>6.8</i>	<i>5.2</i>	<i>10</i>	<i>5.4</i>
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	B	41.17	17.8	12.0	11.3	19	2.4
Petrobras	PBR	B	46.63	9.1	9.1	7.6	13	2.9
CNOOC Limited (34%)	CEO	B	165.54	6.5	5.5	6.7	12	3.1
PetroChina Company Ltd (14%)	PTR	B	117.37	13.9	7.5	6.0	15	3.4
Lukoil Oil Company	LUKOY	B	53.90	15.6	8.6	3.7	7	2.4
Gazprom (50%)	OGZPY	B	23.00	24.6	8.3	3.5	4	0.2
<i>Total or Median</i>				<i>14.8</i>	<i>8.5</i>	<i>6.4</i>	<i>12</i>	<i>2.7</i>
U.S. Independent								
EOG Resources	EOG	B	96.89	10.8	9.7	10.1	48	0.6
Chesapeake Energy Corp.	CHK		25.42	11.8	11.6	9.8	21	1.2
Anadarko Petroleum Corp.	APC	B	71.30	9.2	7.7	8.3	110	0.5
Occidental Petroleum Corp.	OXY	B	81.06	10.9	7.6	6.6	15	1.6
Devon Energy Corporation	DVN	B	68.73	10.4	8.4	6.0	14	0.9
<i>Total or Median</i>				<i>10.8</i>	<i>8.4</i>	<i>8.3</i>	<i>21</i>	<i>0.9</i>
Canada								
Canadian Oil Sands Trust	COSWF	B	27.32	23.1	13.7	10.1	21	5.0
EnCana Corporation	ECA	B	33.25	9.1	10.1	9.7	98	2.4
Imperial Oil Limited (30%)	IMO	B	38.92	20.1	11.6	9.6	19	1.0
Canadian Natural Resources	CNQ	B	71.84	15.9	11.3	9.5	15	0.8
Cenovus Energy Inc.	CVE	B	25.43	10.2	9.2	8.8	18	3.1
Suncor Energy	SU	CB	30.43	14.3	10.2	7.2	21	1.3
<i>Total or Median</i>				<i>15.1</i>	<i>10.8</i>	<i>9.5</i>	<i>20</i>	<i>1.8</i>
CB=Contrarian Buy, Stock Price may be 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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