



Meter Reader

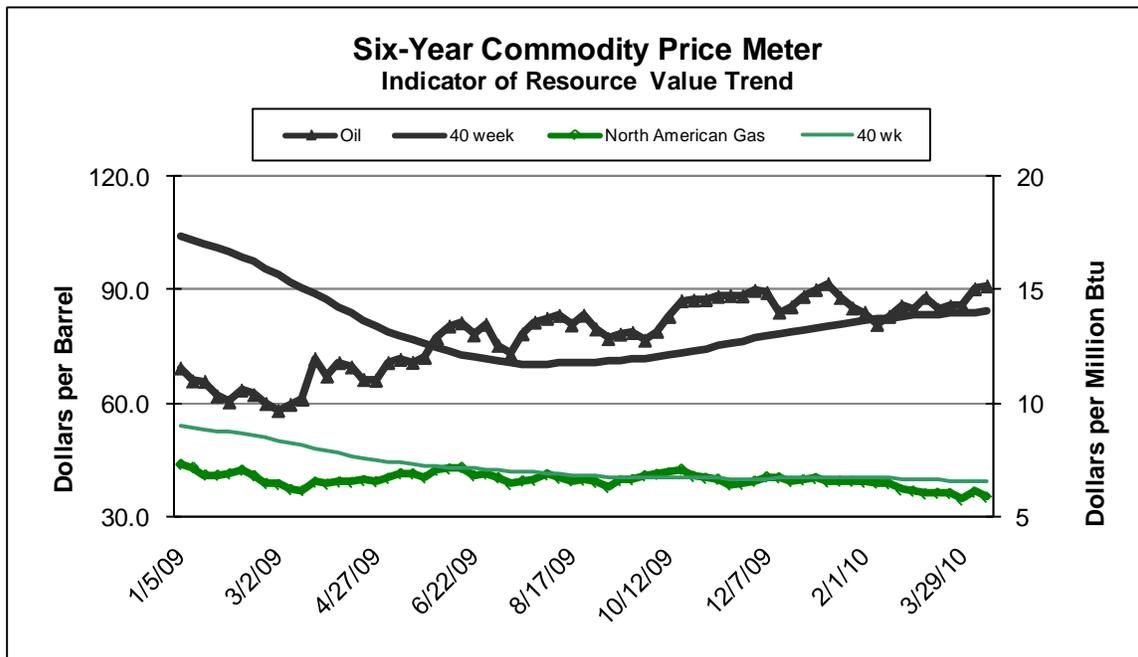
A Weekly Analysis of Large Cap Oil and Gas Stocks
 April 13, 2010

Syncrude Priced at a McDep Ratio of 0.96

Summary and Recommendation

Buy-recommended **ConocoPhillips (COP)** agreed to sell its 9.03% interest in Syncrude to China Petroleum and Chemical Corporation (Sinopec) for \$4.65 billion, which implies a McDep Ratio of 0.96. The transaction also implies a value of 0.96 times our estimated present value of buy-recommended **Canadian Oil Sands Trust (COSWF)**, whose sole asset is 36.74% of the synthetic crude oil producer. At the same McDep Ratio, COP and COSWF stocks would be \$90 a share and \$35 a share, respectively, compared to current quotes of about \$56 and \$32. In addition to being a pure play on the same asset, COSWF stock price need no longer be dampened by any speculation that COSWF would buy the COP interest in Syncrude in a dilutive transaction. For COP, the sale would accomplish almost half of a \$10 billion divestiture program designed to better highlight the unrecognized value in COP stock. Meanwhile, oil for the next six years trends up with a current quote of \$91 a barrel, which is above the 40-week average of \$84. Natural gas for the next six years trends down with a current quote of \$5.89 a million Btu, which is below the 40-week average of \$6.52 (see chart below, Six-Year Commodity Price Meter and on page 6, Six-Year and One-Year Natural Gas and Oil Futures).

Kurt H. Wulff, CFA





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Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price (US\$/sh)		Market	Net		
	Symbol/Rating		12-Apr	Shares	Cap	Present	Debt/	McDep
	B = Buy, CB (see below)		2010	(mm)	(US\$mm)	(US\$/sh)	Present	Ratio
							Value	Value
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	68.71	5,215	358,000	89.00	0.12	0.80
Chevron Corporation	CVX	B	80.43	2,004	161,000	110.00	0.12	0.76
Marathon Oil Corporation	MRO	B	32.20	711	22,890	53.00	0.24	0.70
ConocoPhillips	COP	B	55.96	1,501	84,000	95.00	0.27	0.70
<i>Total or Median</i>							<i>0.18</i>	<i>0.73</i>
Europe								
BG Group plc	BRGXF	B	18.23	3,397	61,900	22.00	0.10	0.85
Royal Dutch Shell plc	RDS-A	B	60.62	3,064	186,000	79.00	0.21	0.81
BP plc	BP	B	59.34	3,162	188,000	80.00	0.19	0.79
Statoil ASA (33%)	STO	B	24.37	1,050	25,600	35.00	0.22	0.76
Total S.A.	TOT	B	59.51	2,241	133,000	90.00	0.15	0.71
<i>Total or Median</i>						<i>595,000</i>	<i>0.19</i>	<i>0.79</i>
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	180.01	152	27,300	145.00	0.03	1.24
Woodside Petroleum Ltd.	WOPEY	B	44.25	763	33,800	44.00	0.14	1.00
PetroChina Company Ltd (14%)	PTR	B	121.92	256	31,200	150.00	0.15	0.84
Petrobras	PBR	CB	44.07	4,387	193,300	58.00	0.17	0.80
Lukoil Oil Company	LUKOY	B	60.10	847	50,900	135.00	0.05	0.48
Gazprom (50%)	OGZPY	B	24.28	2,955	71,700	64.00	0.10	0.44
<i>Total or Median</i>						<i>408,000</i>	<i>0.12</i>	<i>0.82</i>
U.S. Independent								
EOG Resources	EOG	B	107.18	251	26,900	92.00	0.12	1.15
Anadarko Petroleum Corp.	APC	B	72.91	494	36,000	64.00	0.32	1.09
Occidental Petroleum Corp.	OXY	B	86.79	814	70,600	95.00	0.06	0.92
Chesapeake Energy Corp.	CHK		24.33	628	15,300	34.00	0.39	0.83
Devon Energy Corporation	DVN	B	67.32	450	30,300	98.00	0.03	0.70
<i>Total or Median</i>						<i>193,700</i>	<i>0.11</i>	<i>1.01</i>
Canada								
Cenovus Energy Inc.	CVE	B	29.16	751	21,900	27.00	0.25	1.06
Canadian Natural Resources	CNQ	B	78.53	542	42,600	90.00	0.19	0.90
Imperial Oil Limited (30%)	IMO	B	41.68	256	10,700	48.00	0.07	0.88
EnCana Corporation	ECA	B	32.06	751	24,100	42.00	0.22	0.82
Canadian Oil Sands Trust	COSWF	B	32.11	484	15,500	38.00	0.07	0.86
Suncor Energy	SU	B	35.06	1,566	54,900	48.00	0.20	0.79
<i>Total or Median</i>						<i>170,000</i>	<i>0.20</i>	<i>0.87</i>

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/	PV/	EV/		Divd or Distrib
	Symbol/Rating		12-Apr 2010	Prod NTM	Ebitda NTM	Ebitda NTM	P/E NTM	NTM (%)
B = Buy, CB (see below)								
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	68.71	13.6	8.2	6.5	12	2.4
ConocoPhillips	COP	B	55.96	10.4	7.4	5.2	9	3.9
Marathon Oil Corporation	MRO	B	32.20	8.9	7.1	5.0	10	3.0
Chevron Corporation	CVX	B	80.43	9.0	6.2	4.8	9	3.4
	<i>Total or Median</i>			9.7	7.2	5.1	10	3.2
Europe								
BG Group plc	BRGXF	B	18.23	8.2	8.5	7.2	14	1.0
Royal Dutch Shell plc	RDS-A	B	60.62	8.9	6.4	5.2	10	5.5
BP plc	BP	B	59.34	9.5	6.4	5.1	9	5.7
Total S.A.	TOT	B	59.51	9.6	6.8	4.8	9	5.2
Statoil ASA (33%)	STO	B	24.37	6.9	5.8	4.4	10	4.2
	<i>Total or Median</i>			8.9	6.4	5.1	10	5.2
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	B	44.25	17.8	11.6	11.7	20	2.3
Petrobras	PBR	CB	44.07	8.9	8.3	6.7	11	3.0
PetroChina Company Ltd (14%)	PTR	B	121.92	14.0	7.3	6.1	13	3.3
CNOOC Limited (34%)	CEO	B	180.01	6.8	4.7	5.8	11	2.9
Lukoil Oil Company	LUKOY	B	60.10	15.8	8.3	3.9	7	2.9
Gazprom (50%)	OGZPY	B	24.28	24.6	8.2	3.6	5	0.2
	<i>Total or Median</i>			14.9	8.2	6.0	11	2.9
U.S. Independent								
EOG Resources	EOG	B	107.18	10.8	9.6	11.0	52	0.6
Chesapeake Energy Corp.	CHK		24.33	11.8	12.1	10.0	22	1.2
Anadarko Petroleum Corp.	APC	B	72.91	9.2	7.6	8.3		0.5
Occidental Petroleum Corp.	OXY	B	86.79	12.1	7.2	6.6	14	1.5
Devon Energy Corporation	DVN	B	67.32	10.4	8.5	5.9	14	1.0
	<i>Total or Median</i>			10.8	8.5	8.3	18	1.0
Canada								
Imperial Oil Limited (30%)	IMO	B	41.68	19.8	10.7	9.4	18	1.0
Canadian Natural Resources	CNQ	B	78.53	15.6	10.5	9.4	16	0.8
Cenovus Energy Inc.	CVE	B	29.16	10.4	9.0	9.5	20	2.7
EnCana Corporation	ECA	B	32.06	7.6	11.4	9.3	99	2.5
Canadian Oil Sands Trust	COSWF	B	32.11	31.4	10.8	9.2	16	4.3
Suncor Energy	SU	B	35.06	15.2	9.6	7.6	20	1.1
	<i>Total or Median</i>			15.4	10.6	9.4	19	1.8
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 March 31, 2011; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								

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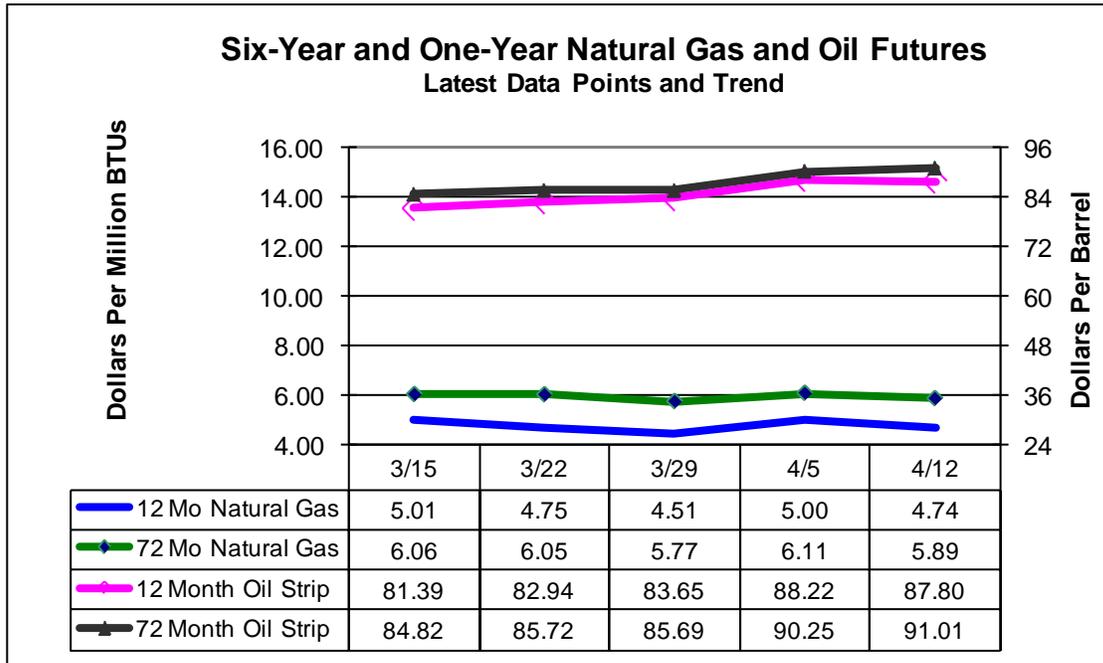
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Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
2-Apr	SJT	San Juan Basin Royalty Trust	Low Cost Natural Gas (Income and Small Cap Weekly)
31-Mar	CEO	CNOOC Ltd	Raise NPV to \$145 from \$135 a Share on Reserves
31-Mar	LUKOY	Lukoil Oil Company	Shares Available
30-Mar	COP	ConocoPhillips	Lower NPV to \$95 from \$105 (Meter Reader)
26-Mar	PEYUF	Peyto Energy Trust	Raise NPV to US\$15 from \$13 (ISC Weekly)
26-Mar	PTR	PetroChina Company Limited	Gas Growth - Natural Gas and Gasoline
23-Mar	ECA	EnCana Corporation	Raise NPV to \$42 from \$35 (MR)
22-Mar	HGT	Hugoton Royalty Trust	Monthly Volume Distortion
16-Mar	* XOM	ExxonMobil Corporation	Upstream Growth (Meter Reader)
16-Mar	* CVX	Chevron Corporation	Upstream Growth (Meter Reader)
12-Mar	* DVN	Devon Energy Corporation	Virtually Eliminates Debt
9-Mar	* APC	Anadarko Petroleum Corporation	Upside in Oil and Gas Portfolio (Meter Reader)
5-Mar	* CNQ	Canadian Natural Resources	Raise NPV to US\$90 a Share from \$80
2-Mar	* COSWF	Canadian Oil Sands Trust	Oil Growth of 70% to 2020 (Meter Reader)
26-Feb	* DMLP	Dorchester Minerals, L.P.	Replaces Reserves and Pays 8% Income (ISCW)
25-Feb	* WOPEY	Woodside Petroleum	Financing in Place for 2010
19-Feb	* BIREF	Birchcliff Energy Ltd.	Raise NPV to US\$11 a Share from US\$9
19-Feb	* XEC	Cimarex Energy Company	On a Roll - Raise NPV to \$65 (ISC Weekly)
15-Feb	* CVE	Cenovus Energy Inc.	Quadruple Bitumen by 2017
15-Feb	* STO	Statoil ASA	Reposition Dividend for Growth
15-Feb	* EOG	EOG Resources Inc.	Proven Reserves Increase 24%
12-Feb	* TOT	Total S.A.	Secure Income at 5.5%
5-Feb	* BRGXF	BG Group	Natural Gas Growth in Australia
4-Feb	* RDSA	Royal Dutch Shell plc	Cautious Outlook, Nice Dividend
3-Feb	* IMO	Imperial Oil Limited	Hom River Shale Gas Explorer
3-Feb	* MRO	Marathon Oil Corporation	Ready for Recovery in Demand for Diesel Fuel
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	* OGZPY	Gazprom	European Natural Gas Sales Rebound
28-Jan	* OXY	Occidental Petroleum Corporation	Volume Growth Supporting Appreciation Potential
8-Dec	* PBR	Petrobras	Buy for Long-Term Growth (Meter Reader)
Meter Reader			
13-Apr		Weekly	
6-Apr		Weekly	Canadian Values
30-Mar	COP	ConocoPhillips	Lower NPV to \$95 from \$105
23-Mar	* ECA	EnCana Corporation	Raise NPV to \$42 from \$35 on Contingent Resources
Income and Small Cap Weekly			
9-Apr	UPL RRC HK	Ultra Pete, Range Resources, Petrohawk	Add Ultra, Range, Petrohawk to Coverage
2-Apr	SJT	San Juan Basin Royalty Trust	Low Cost Natural Gas
26-Mar	PEYUF	Peyto Energy Trust	Raise NPV to US\$15 from \$13
19-Mar	*	Weekly	Price Pressure for Natural Gas
			* 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.