



# Meter Reader

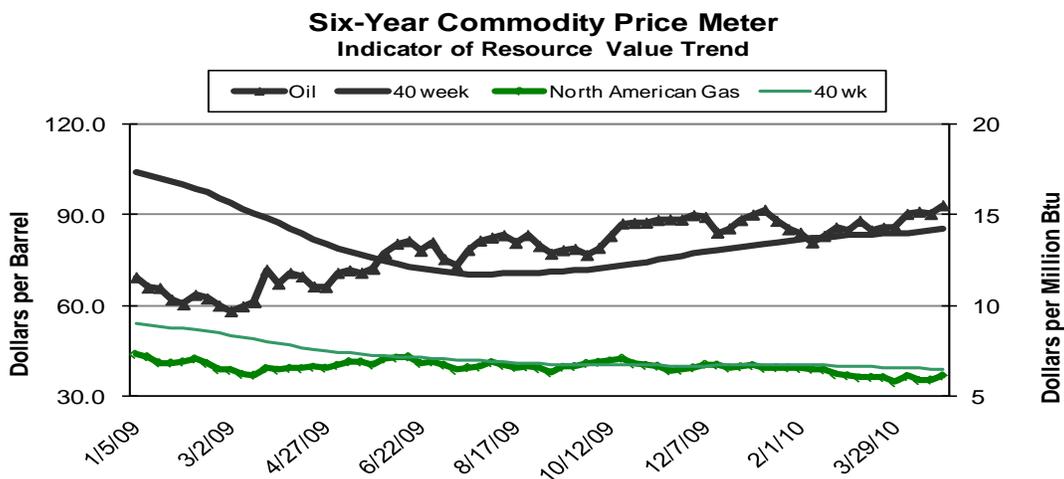
A Weekly Analysis of Large Cap Oil and Gas Stocks  
 April 27, 2010

## Undervalued Income Stocks

### Summary and Recommendation

Buy recommendations **ConocoPhillips (COP)**, **Lukoil (LUKOY)**, **Marathon Oil (MRO)** and **Total (TOT)** offer competitive income in these low interest rate times along with McDep Ratios among the lowest. McDep Ratios of 0.72, 0.47, 0.71 and 0.69, respectively, qualify the four stocks with the six lowest in our large cap coverage (see Table 1). Financial risk is moderate to low with ratios of Debt/Present Value at 0.27, 0.05, 0.21, and 0.15 (see Table 2). Low McDep Ratios are reinforced by low multiples of unlevered cash flow (EV/Ebitda) at 5.2, 3.9, 5.0 and 4.6 times (see Table 3). Solid value and strong financial position add quality to the indicated dividend yields of 3.8%, 2.9%, 2.9% and 5.4% (see Table 3). COP recently underscored the overlooked value in its stock by selling an oil sands asset for a McDep Ratio near 1.0 while redeploying the proceeds by repurchasing its own stock and debt at a McDep Ratio near 0.7. Russian stock Lukoil offers the long-term growth potential of a leading capitalist company in an emerging market country that may have more upside than downside from current low investor expectations. Bringing on a major expansion at the bottom of the oil refining cycle in the U.S. in the fourth quarter of 2009, Marathon ought to benefit directionally in a new downstream up cycle now underway. A declining euro may have set up an investment opportunity in the French company, Total, whose long-term value depends on oil that tends to be priced in real terms, independent of currency. Meanwhile, those real terms are advancing with the current quote of \$93 a barrel for oil for the next six years compared to the 40-week average of \$85. Natural gas for the next six years at \$6.14 a million Btu is below the 40-week average of \$6.50 (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)			Net Present Value	Debt/ Present Value	McDep Ratio
	Symbol/Rating		26-Apr 2010	Shares (mm)	Market Cap (US\$mm)	(US\$/sh)	Value	
B = Buy, CB (see below)								
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	69.29	5,215	361,000	89.00	0.12	0.80
Chevron Corporation	CVX	B	82.59	2,004	166,000	110.00	0.12	0.78
ConocoPhillips	COP	B	58.30	1,501	88,000	95.00	0.27	0.72
Marathon Oil Corporation	MRO	B	33.04	711	23,490	53.00	0.24	0.71
<i>Total or Median</i>						638,000	0.18	0.75
<b>Europe</b>								
Royal Dutch Shell plc	RDS-A	B	61.18	3,064	187,000	79.00	0.21	0.82
BG Group plc	BRGXF	CB	17.25	3,397	58,600	22.00	0.10	0.81
BP plc	BP	B	57.91	3,162	183,000	80.00	0.19	0.78
Statoil ASA (33%)	STO	B	24.89	1,050	26,100	35.00	0.22	0.77
Total S.A.	TOT	CB	56.97	2,241	128,000	90.00	0.15	0.69
<i>Total or Median</i>						583,000	0.19	0.78
<b>Australia/Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO	B	178.54	152	27,200	145.00	0.03	1.23
Woodside Petroleum Ltd.	WOPEY	B	42.85	793	33,900	44.00	0.14	0.98
PetroChina Company Ltd (14%)	PTR	CB	117.77	256	30,200	150.00	0.15	0.82
Petrobras	PBR	CB	43.16	4,387	189,300	58.00	0.19	0.79
Lukoil Oil Company	LUKOY	B	59.30	847	50,200	135.00	0.05	0.47
Gazprom (50%)	OGZPY	B	24.37	2,955	72,000	64.00	0.10	0.45
<i>Total or Median</i>						403,000	0.12	0.81
<b>U.S. Independent</b>								
Southwestern Energy Company	SWN		42.41	349	14,800	32.00	0.09	1.30
EOG Resources	EOG	B	112.48	251	28,200	92.00	0.12	1.20
Anadarko Petroleum Corp.	APC	B	73.18	494	36,200	64.00	0.32	1.10
Occidental Petroleum Corp.	OXY	B	87.41	814	71,100	95.00	0.06	0.93
Chesapeake Energy Corp.	CHK		24.47	628	15,400	34.00	0.39	0.83
Devon Energy Corporation	DVN	B	68.54	450	30,900	98.00	0.03	0.71
<i>Total or Median</i>						196,600	0.11	1.01
<b>Canada</b>								
Cenovus Energy Inc.	CVE	B	29.48	751	22,100	27.00	0.25	1.07
Imperial Oil Limited (30%)	IMO	B	43.40	256	11,100	48.00	0.07	0.91
Canadian Natural Resources	CNQ	B	78.25	542	42,400	90.00	0.19	0.89
EnCana Corporation	ECA	B	33.00	749	24,700	42.00	0.22	0.83
Canadian Oil Sands Trust	COSWF	B	31.07	484	15,000	38.00	0.07	0.83
Suncor Energy	SU	B	34.31	1,566	53,700	48.00	0.20	0.77
<i>Total or Median</i>						169,000	0.20	0.86

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		26-Apr 2010	NTM	NTM	NTM	NTM	(%)
B = Buy, CB (see below)								
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	69.29	13.6	8.1	6.5	12	2.4
ConocoPhillips	COP	B	58.30	10.4	7.3	5.2	9	3.8
Marathon Oil Corporation	MRO	B	33.04	8.9	7.0	5.0	10	2.9
Chevron Corporation	CVX	B	82.59	9.0	6.2	4.8	9	3.3
<i>Total or Median</i>				9.7	7.2	5.1	10	3.1
<b>Europe</b>								
BG Group plc	BRGXF	CB	17.25	8.2	8.5	6.8	13	1.1
Royal Dutch Shell plc	RDS-A	B	61.18	8.9	6.3	5.1	10	5.5
BP plc	BP	B	57.91	9.5	6.3	4.9	8	5.8
Total S.A.	TOT	CB	56.97	9.6	6.8	4.6	9	5.4
Statoil ASA (33%)	STO	B	24.89	6.9	5.7	4.4	10	4.1
<i>Total or Median</i>				8.9	6.3	4.9	10	5.4
<b>Australia/Brazil/China/Russia</b>								
Woodside Petroleum Ltd.	WOPEY	B	42.85	17.8	12.2	11.9	21	2.4
Petrobras	PBR	CB	43.16	9.1	8.7	6.9	12	3.1
PetroChina Company Ltd (14%)	PTR	CB	117.77	14.0	7.2	5.9	12	3.4
CNOOC Limited (34%)	CEO	B	178.54	6.8	4.5	5.6	10	2.9
Lukoil Oil Company	LUKOY	B	59.30	15.8	8.2	3.9	7	2.9
Gazprom (50%)	OGZPY	B	24.37	24.6	8.2	3.7	5	0.2
<i>Total or Median</i>				14.9	8.2	5.7	11	2.9
<b>U.S. Independent</b>								
Southwestern Energy Company	SWN		42.41	6.7	8.9	11.5	23	-
EOG Resources	EOG	B	112.48	10.8	9.4	11.2	51	0.6
Chesapeake Energy Corp.	CHK		24.47	11.8	11.6	9.6	20	1.2
Anadarko Petroleum Corp.	APC	B	73.18	9.2	7.4	8.2		0.5
Occidental Petroleum Corp.	OXY	B	87.41	12.1	7.1	6.6	14	1.5
Devon Energy Corporation	DVN	B	68.54	10.4	8.2	5.8	14	0.9
<i>Total or Median</i>				10.6	8.6	8.9	20	0.7
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	43.40	19.8	10.6	9.7	19	0.9
Cenovus Energy Inc.	CVE	B	29.48	10.4	8.8	9.4	20	2.7
Canadian Natural Resources	CNQ	B	78.25	15.6	10.4	9.3	16	0.8
EnCana Corporation	ECA	B	33.00	7.7	10.9	9.1	28	2.4
Canadian Oil Sands Trust	COSWF	B	31.07	31.4	10.7	8.9	15	4.5
Suncor Energy	SU	B	34.31	15.2	9.5	7.4	19	1.2
<i>Total or Median</i>				15.4	10.5	9.2	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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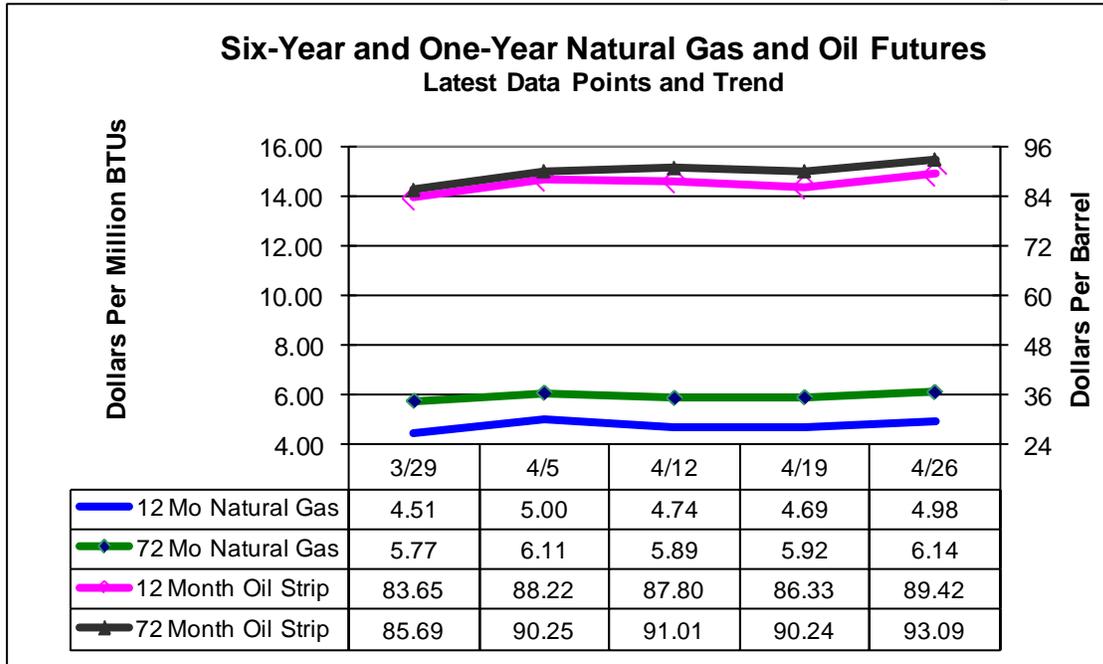
<b>Index of Recent Research</b>			
<b>Stock Ideas</b>			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
23-Apr	LGCY, LINE	Legacy Reserves L.P., Linn Energy	Oily Cash Payers - Add Legacy, Raise Linn NPV (ISCW)
21-Apr	ECA	EnCana Corporation	New Natural Gas Company Performs Well
16-Apr	ERF	Enerplus Resources Fund	Attractive for 9% Distribution Yield (ISCW)
13-Apr	COP,COSWF	ConocoPhillips, Canadian Oil Sands Trust	Syncrude Priced at a McDep Ratio of 0.96 (Meter Reader)
9-Apr	UPL RRC HK	Ultra Pete, Range Resources, Petrohawk	Add Ultra, Range, Petrohawk to Coverage (ISCW)
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
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
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
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	Horn 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
<b>Meter Reader</b>			
27-Apr		Weekly	
20-Apr	SWN	Southwestern Energy	Shale Gas Slowdown
13-Apr	COP,COSWF	ConocoPhillips, Canadian Oil Sands Trust	Syncrude Priced at a McDep Ratio of 0.96
6-Apr	*	Weekly	Canadian Values
<b>Income and Small Cap Weekly</b>			
23-Apr	LGCY, LINE	Legacy Reserves L.P., Linn Energy	Oily Cash Payers - Add Legacy, Raise Linn NPV
16-Apr	ERF	Enerplus Resources Fund	Attractive for 9% Distribution Yield
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
	*		
	*		Archived on www.mcdep.com



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