



# Meter Reader

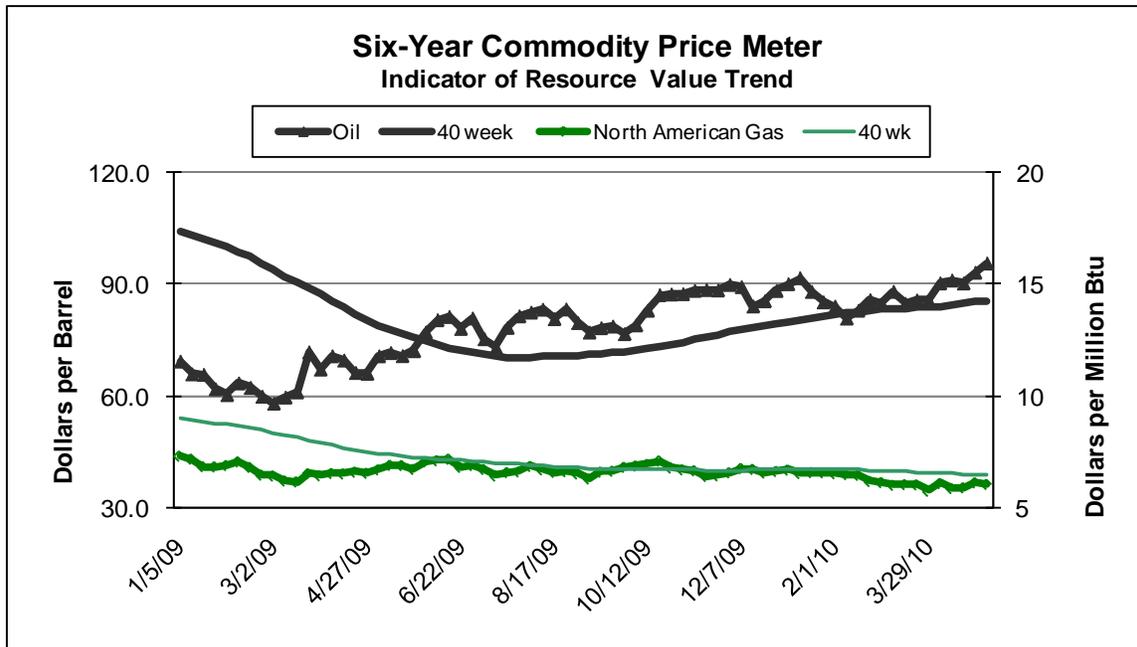
A Weekly Analysis of Large Cap Oil and Gas Stocks  
May 4, 2010

## Oil Spill and BP Stock Spill

### Summary and Recommendation

Down \$24 billion in market value in the past week, largely as a result of an oil spill in the Gulf of Mexico, and trading at a McDep Ratio of 0.66, the stock of **BP plc (BP)** has little further relative downside in a long-term context, we believe. As for reinstating our buy recommendation, we look for some time to pass for the stock to rebuild a new base before crossing to an uptrend above a lower 200-day average. Some of our buy recommendations including **Devon Energy (DVN)** at a McDep Ratio of 0.70 are as undervalued or nearly so as BP (see Tables 1-3). The timing of Devon's sale of deep water offshore prospects to BP seems eerily prescient, though no one could have anticipated the actual turn of events. The higher McDep Ratios of other buy recommendations might help long-term investors stick with BP shares currently held. While deep water assets may be impaired as a result of likely new government regulation, non-deep water energy assets all become more valuable in an outlook for delayed and more expensive deep water production. Possibly reflecting that economic likelihood in part, the average futures price for oil for the next six years advanced to \$96 a barrel compared to the 40-week average of \$86. Natural gas for the next six years at \$6.07 a million Btu is below the 40-week average of \$6.48 (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)	Shares	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio	
	Symbol/Rating		3-May 2010	(mm)					
B = Buy, CB (see below)									
<b>U.S. Integrated</b>									
Exxon Mobil Corporation	XOM	CB	67.84	5,215	354,000	89.00	0.12	0.79	
Chevron Corporation	CVX	B	82.83	2,004	166,000	110.00	0.12	0.78	
ConocoPhillips	COP	B	59.70	1,504	90,000	95.00	0.27	0.73	
Marathon Oil Corporation	MRO	B	32.27	711	22,940	53.00	0.24	0.70	
<i>Total or Median</i>						633,000		0.18	0.76
<b>Europe</b>									
Royal Dutch Shell plc	RDS-A	B	61.94	3,066	190,000	79.00	0.21	0.83	
BG Group plc	BRGXF		16.97	3,400	57,700	22.00	0.11	0.80	
Statoil ASA (33%)	STO	B	24.22	1,050	25,400	35.00	0.22	0.76	
BP plc	BP		50.19	3,167	159,000	85.00	0.18	0.66	
Total S.A.	TOT	CB	54.09	2,243	121,000	90.00	0.14	0.66	
<i>Total or Median</i>						553,000		0.18	0.76
<b>Australia/Brazil/China/Russia</b>									
CNOOC Limited (34%)	CEO	B	178.78	152	27,200	145.00	0.03	1.23	
Woodside Petroleum Ltd.	WOPEY	B	42.47	792	33,600	44.00	0.14	0.97	
PetroChina Company Ltd (14%)	PTR	CB	115.74	256	29,700	150.00	0.15	0.81	
Petrobras	PBR		41.00	4,387	179,900	58.00	0.19	0.76	
Lukoil Oil Company	LUKOY	B	57.30	847	48,500	135.00	0.05	0.46	
Gazprom (50%)	OGZPY	B	23.35	2,915	68,100	64.00	0.11	0.43	
<i>Total or Median</i>						387,000		0.12	0.78
<b>U.S. Independent</b>									
Southwestern Energy Company	SWN		40.54	349	14,200	32.00	0.09	1.24	
EOG Resources	EOG	B	113.56	251	28,500	92.00	0.12	1.21	
Anadarko Petroleum Corp.	APC		64.03	494	31,600	64.00	0.32	1.00	
Occidental Petroleum Corp.	OXY	B	89.99	814	73,200	95.00	0.06	0.95	
Chesapeake Energy Corp.	CHK		24.08	628	15,100	34.00	0.39	0.82	
Devon Energy Corporation	DVN	B	68.13	450	30,700	98.00	0.03	0.70	
<i>Total or Median</i>						193,300		0.11	0.98
<b>Canada</b>									
Cenovus Energy Inc.	CVE	B	29.23	752	22,000	27.00	0.26	1.06	
Canadian Natural Resources	CNQ	B	78.16	542	42,400	90.00	0.19	0.89	
Imperial Oil Limited (30%)	IMO	B	41.77	256	10,700	48.00	0.07	0.88	
EnCana Corporation	ECA	B	33.17	749	24,800	42.00	0.22	0.83	
Canadian Oil Sands Trust	COSWF	B	30.70	484	14,900	38.00	0.07	0.82	
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.

Please see disclosures on the final page.

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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		3-May 2010	NTM	NTM	NTM	NTM	(%)
B = Buy, CB (see below)								
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	CB	67.84	13.5	8.1	6.4	11	2.5
ConocoPhillips	COP	B	59.70	10.4	6.8	5.0	8	3.7
Marathon Oil Corporation	MRO	B	32.27	8.9	6.9	4.9	9	3.0
Chevron Corporation	CVX	B	82.83	9.0	6.1	4.7	9	3.3
<i>Total or Median</i>				9.7	6.9	4.9	9	3.1
<b>Europe</b>								
BG Group plc	BRGXF		16.97	8.3	8.3	6.6	12	0.7
Royal Dutch Shell plc	RDS-A	B	61.94	8.7	6.1	5.1	9	5.4
Total S.A.	TOT	CB	54.09	9.6	6.6	4.3	7	5.6
Statoil ASA (33%)	STO	B	24.22	6.9	5.6	4.3	9	4.2
BP plc	BP		50.19	9.7	6.1	4.1	6	6.7
<i>Total or Median</i>				8.7	6.1	4.3	9	5.4
<b>Australia/Brazil/China/Russia</b>								
Woodside Petroleum Ltd.	WOPEY	B	42.47	17.8	12.2	11.8	20	2.4
Petrobras	PBR		41.00	9.1	8.5	6.5	11	3.3
PetroChina Company Ltd (14%)	PTR	CB	115.74	13.8	6.9	5.6	11	3.5
CNOOC Limited (34%)	CEO	B	178.78	6.8	4.4	5.4	10	2.9
Gazprom (50%)	OGZPY	B	23.35	24.6	9.6	4.2	6	0.2
Lukoil Oil Company	LUKOY	B	57.30	15.8	8.1	3.7	7	3.0
<i>Total or Median</i>				14.8	8.3	5.5	10	2.9
<b>U.S. Independent</b>								
EOG Resources	EOG	B	113.56	10.8	9.4	11.4	52	0.5
Southwestern Energy Company	SWN		40.54	6.7	9.4	11.7	25	-
Chesapeake Energy Corp.	CHK		24.08	11.8	12.0	9.9	22	1.2
Anadarko Petroleum Corp.	APC		64.03	9.2	7.4	7.4		0.6
Occidental Petroleum Corp.	OXY	B	89.99	10.5	6.8	6.5	14	1.6
Devon Energy Corporation	DVN	B	68.13	10.4	8.3	5.9	14	0.9
<i>Total or Median</i>				10.4	8.9	8.6	22	0.8
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	41.77	20.3	10.4	9.1	18	0.9
Canadian Natural Resources	CNQ	B	78.16	15.6	10.2	9.1	16	0.8
EnCana Corporation	ECA	B	33.17	7.7	11.4	9.5	29	2.4
Canadian Oil Sands Trust	COSWF	B	30.70	31.4	10.1	8.3	12	6.4
Cenovus Energy Inc.	CVE	B	29.23	9.4	7.5	8.0	14	2.7
Suncor Energy	SU	B	34.31	15.2	9.4	7.2	18	1.2
<i>Total or Median</i>				15.4	10.2	8.7	17	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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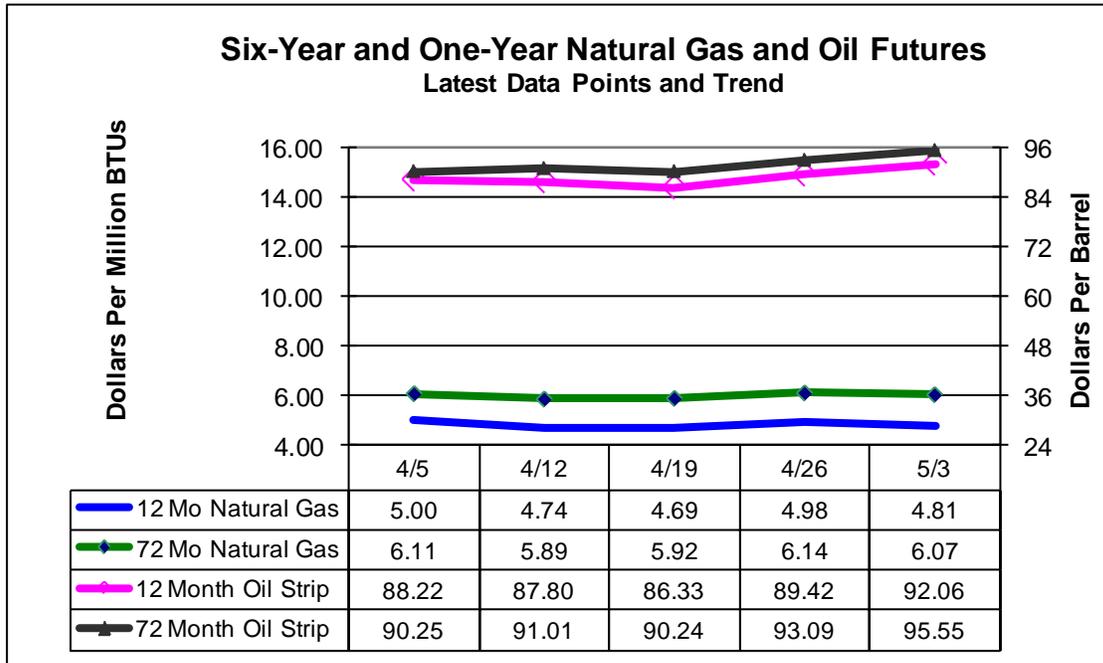
May 4, 2010

<b>Index of Recent Research</b>			
<b>Stock Ideas</b>			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
30-Apr	WLL	Whiting Petroleum Corporation	Raise NPV to \$95 a Share on Onshore Oil Drilling (ISCW)
30-Apr	PBR, BG, APC and BP		Remove Buys - Accident May Delay Deep Water Oil
30-Apr	COSWF	Canadian Oil Sands Trust	Distribution Raised 43% to C\$0.50 a Quarter
27-Apr	BP	BP p.l.c.	Raise Net Present Value to \$85 a Share from \$80
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, and HK		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
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
1-Feb	* OGZPY	Gazprom	European Natural Gas Sales Rebound
28-Jan	* OXY	Occidental Petroleum Corporation	Volume Growth Supporting Appreciation Potential
<b>Meter Reader</b>			
4-May			
27-Apr	COP, LUKOY, MRO, TOT		Undervalued Income Stocks
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
<b>Income and Small Cap Weekly</b>			
30-Apr	WLL	Whiting Petroleum Corporation	Raise NPV to \$95 a Share on Onshore Oil Drilling
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
<b>Industry Ideas</b>			
30-Apr	PBR, BG, APC and BP		Remove Buys - Accident May Delay Deep Water Oil
	* Archived on <a href="http://www.mcdep.com">www.mcdep.com</a>		



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