



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

June 15, 2010

## Onshore On, Offshore Off

### Summary and Recommendation

As a result of the unwelcome Gulf of Mexico spill, the stocks of companies with onshore North American resources have increasing appeal including buy recommendations **ExxonMobil (XOM)**, **ConocoPhillips (COP)**, **Occidental Petroleum (OXY)** and newly created **Cenovus Energy (CVE)**. XOM's acquisition of XTO Energy to be completed within two weeks now looks doubly timely by increasing both onshore and natural gas emphasis. Oil spiller **BP plc (BP)** facing intense scrutiny looks sound financially at a new Net Present Value (NPV) of \$75 a share, down from \$85 after adjusting for a tentative \$50 billion liability (see tables on page 2, Functional Cash Flow and Present Value). BP ranks most undervalued among European producers as investors await better news (see Tables 1-3 on pages 3-6). For BP's 25% partner **Anadarko Petroleum (APC)** we reduce NPV to \$44 a share from \$64. Meanwhile, oil price measured by six-year futures at \$85 a barrel is close to the 40-week average of \$86. Natural gas price measured by six-year futures at \$5.89 a million btu is close to the 40-week average of \$6.39 (see charts on page 6, Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures).

Large caps are seeing new-found momentum as Contrarian Buys shift back to Buys. Those changes are triggered when stock price moves back above the 200-day average, which signals an uptrend by that measure. North American stocks are leading. COP enjoys a top natural gas position in the San Juan Basin in the U.S. and the Deep Basin in Canada. It is also a partner with CVE in growing oil sands production. Finding more oil where oil has already been found, Oxy looks for new oil growth in California and more development of rich reserves in West Texas. XOM, COP, OXY and CVE are joined by nine more Buys and Contrarian Buys in the U.S. Integrated, U.S. Independent and Canada groups.

Kurt H. Wulff, CFA



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

June 15, 2010

<b>BP plc</b>					
<b>Functional Cash Flow and Present Value</b>					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<u><i>(US\$mm)</i></u>	<u><i>R/P</i></u>	<u><i>Ebitda</i></u>	<u><i>(US\$mm)</i></u>	
North American Natural Gas	1,500	15.3	12.7	19,000	6%
Rest of World Natural Gas	4,480	9.5	8.5	38,000	12%
Oil	32,790	8.9	6.1	201,000	61%
Downstream	9,300		7.5	70,000	21%
Oil Spill Liability				(32,000)	-10%
	48,070	9.7	6.2	296,000	90%
Debt (US\$mm)					58,300
Net Present Value (US\$mm)					237,500
Shares (mm)					3,167
Net Present Value - Standard Estimate (US\$/sh)					75
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					78

<b>Anadarko Petroleum Corporation</b>					
<b>Functional Cash Flow and Present Value</b>					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<u><i>(US\$mm)</i></u>	<u><i>R/P</i></u>	<u><i>Ebitda</i></u>	<u><i>(US\$mm)</i></u>	
North American Natural Gas	2,480	8.4	8.5	21,000	44%
Oil	4,220	8.5	5.9	25,100	52%
Downstream and Minerals	240		8.3	2,000	4%
Oil Spill Liability				(12,000)	-25%
	6,940	8.4	5.2	36,100	75%
Debt (US\$mm)					14,300
Net Present Value (US\$mm)					21,800
Shares (mm)					496
Net Present Value - Standard Estimate (US\$/sh)					44
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					50





# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

June 15, 2010

Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/Rating		14-Jun	Shares	Cap	Value	Present	McDep
	B = Buy, CB (see below)		2010	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	CB	61.37	5,215	320,000	89.00	0.12	0.73
Chevron Corporation	CVX	CB	74.18	2,004	149,000	110.00	0.11	0.71
Marathon Oil Corporation	MRO	B	32.56	711	23,150	53.00	0.23	0.70
ConocoPhillips	COP	B	52.80	1,504	79,000	95.00	0.27	0.68
<i>Total or Median</i>					571,000		0.18	0.71
<b>Europe</b>								
BG Group plc	BRGXF		16.30	3,400	55,400	22.00	0.11	0.77
Royal Dutch Shell plc	RDS-A	CB	52.38	3,066	161,000	79.00	0.21	0.73
Statoil ASA (33%)	STO	CB	21.04	1,050	22,100	35.00	0.21	0.68
Total S.A.	TOT	CB	47.83	2,243	107,000	90.00	0.13	0.59
BP plc	BP		30.67	3,167	97,000	75.00	0.20	0.53
<i>Total or Median</i>					443,000		0.20	0.68
<b>Australia/Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO		166.00	152	25,300	145.00	0.03	1.14
Woodside Petroleum Ltd.	WOPEY	CB	39.18	794	31,200	44.00	0.13	0.91
PetroChina Company Ltd (14%)	PTR	CB	111.61	256	28,600	150.00	0.15	0.78
Petrobras	PBR		37.21	4,387	163,200	58.00	0.20	0.71
Lukoil Oil Company	LUKOY	CB	53.00	847	44,900	135.00	0.05	0.42
Gazprom (50%)	OGZPY	CB	19.95	2,915	58,200	64.00	0.10	0.38
<i>Total or Median</i>					351,000		0.12	0.75
<b>U.S. Independent</b>								
Southwestern Energy Company	SWN		43.54	349	15,200	35.00	0.09	1.22
EOG Resources	EOG	B	108.95	250	27,200	92.00	0.13	1.16
Anadarko Petroleum Corp.	APC		42.00	496	20,800	44.00	0.40	0.97
Occidental Petroleum Corp.	OXY	B	84.71	814	68,900	95.00	0.06	0.90
Chesapeake Energy Corp.	CHK		24.62	647	15,900	31.00	0.40	0.88
Devon Energy Corporation	DVN	B	67.71	448	30,300	98.00	0.03	0.70
<i>Total or Median</i>					178,300		0.11	0.93
<b>Canada</b>								
EnCana Corporation	ECA	B	33.60	749	25,200	42.00	0.22	0.84
Canadian Natural Resources	CNQ	B	36.14	1,086	39,200	45.00	0.18	0.84
Imperial Oil Limited (30%)	IMO	B	39.30	256	10,100	48.00	0.08	0.83
Cenovus Energy Inc.	CVE	B	28.74	752	21,600	37.00	0.20	0.82
Suncor Energy	SU	CB	32.50	1,572	51,100	48.00	0.19	0.74
Canadian Oil Sands Trust	COSWF	CB	27.18	484	13,200	38.00	0.07	0.74
<i>Total or Median</i>					160,000		0.19	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.



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

June 15, 2010

			<i>Price (US\$/sh)</i>	<i>Adjustd Resrvs/ Prod</i>	<i>PV/ Ebitda</i>	<i>EV/ Ebitda</i>	<i>P/E</i>	<i>Divd or Distrib NTM</i>
	<i>Symbol/Rating</i>		<i>14-Jun 2010</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>
<i>B = Buy, CB (see below)</i>								
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	CB	61.37	13.5	8.6	6.2	11	2.7
Marathon Oil Corporation	MRO	B	32.56	9.1	7.6	5.3	12	2.3
ConocoPhillips	COP	B	52.80	10.5	7.4	5.0	8	3.1
Chevron Corporation	CVX	CB	74.18	9.1	6.7	4.7	9	3.7
<i>Total or Median</i>				9.8	7.5	5.2	10	2.9
<b>Europe</b>								
BG Group plc	BRGXF		16.30	13.4	8.7	6.7	12	0.8
Royal Dutch Shell plc	RDS-A	CB	52.38	8.7	6.4	4.7	8	6.4
Total S.A.	TOT	CB	47.83	9.6	7.4	4.4	8	5.8
Statoil ASA (33%)	STO	CB	21.04	6.4	5.9	4.0	8	4.4
BP plc	BP		30.67	9.7	6.2	3.2	4	11.0
<i>Total or Median</i>				9.6	6.4	4.4	8	5.8
<b>Australia/Brazil/China/Russia</b>								
Woodside Petroleum Ltd.	WOPEY	CB	39.18	17.8	13.4	12.1	21	2.4
Petrobras	PBR		37.21	9.1	9.0	6.4	10	3.6
PetroChina Company Ltd (14%)	PTR	CB	111.61	13.8	8.1	6.3	14	3.6
CNOOC Limited (34%)	CEO		166.00	6.8	5.1	5.9	11	3.1
Gazprom (50%)	OGZPY	CB	19.95	30.2	10.0	3.8	5	0.2
Lukoil Oil Company	LUKOY	CB	53.00	15.7	8.1	3.4	6	3.1
<i>Total or Median</i>				14.7	8.6	6.1	10	3.1
<b>U.S. Independent</b>								
Southwestern Energy Company	SWN		43.54	6.5	8.2	10.0	19	-
EOG Resources	EOG	B	108.95	9.7	8.0	9.3	35	0.6
Chesapeake Energy Corp.	CHK		24.62	12.0	10.3	9.0	13	1.2
Occidental Petroleum Corp.	OXY	B	84.71	10.5	7.6	6.8	15	1.2
Devon Energy Corporation	DVN	B	67.71	10.0	7.8	5.4	12	0.9
Anadarko Petroleum Corp.	APC		42.00	8.4	5.2	5.1		0.9
<i>Total or Median</i>				9.8	7.9	7.9	15	0.9
<b>Canada</b>								
Canadian Natural Resources	CNQ	B	36.14	20.2	11.5	9.6	34	0.8
Imperial Oil Limited (30%)	IMO	B	39.30	20.2	11.6	9.6	19	1.0
Canadian Oil Sands Trust	COSWF	CB	27.18	31.0	12.6	9.3	15	7.1
EnCana Corporation	ECA	B	33.60	17.0	10.0	8.5	26	2.4
Suncor Energy	SU	CB	32.50	25.3	11.4	8.4	20	1.2
Cenovus Energy Inc.	CVE	B	28.74	19.5	10.2	8.4	18	2.7
<i>Total or Median</i>				20.2	11.4	8.9	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 June 30, 2011; P/E = Stock Price to

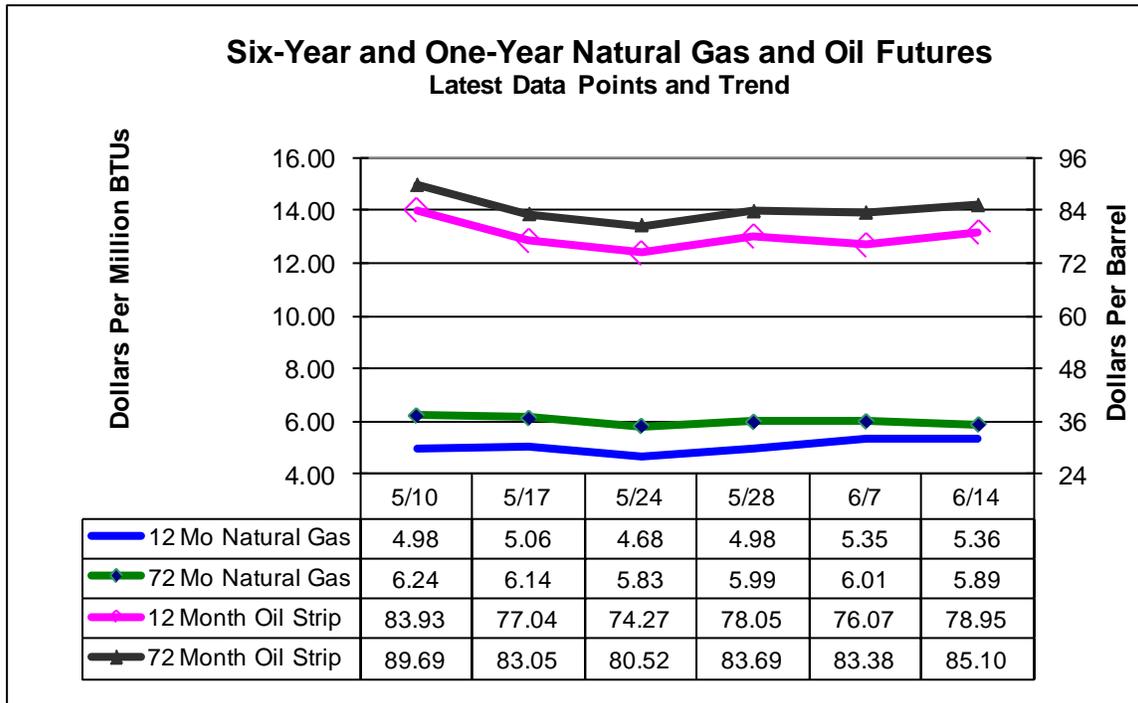
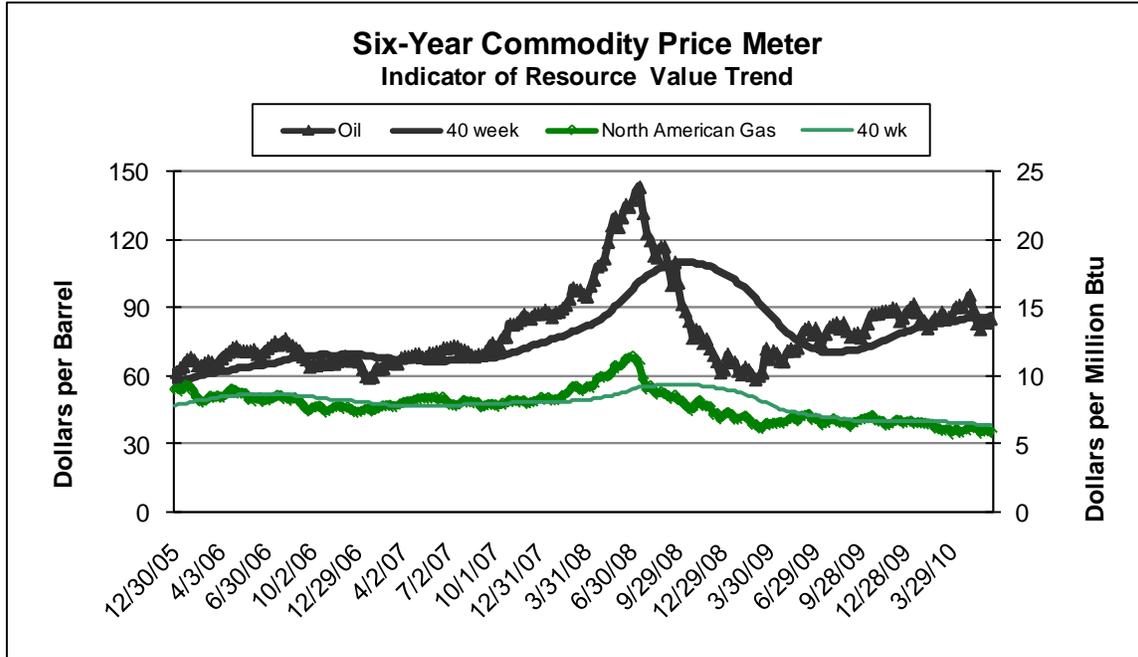
Earnings; PV = Present Value of oil and gas and other businesses

*Please see disclosures on the final page.*



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks  
June 15, 2010





# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks  
June 15, 2010

<b>Index of Recent Research</b>			
<b>Stock Ideas</b>			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
11-Jun	HGT, SJT, MTR, LGCY, LINE, ENP		Bright Outlook for Pure Play Oil and Gas
8-Jun	OXY, DVN, EOG, SWN, CHK, APC		U.S. Independent Producers Unlocking Resources
4-Jun	DMLP, FRHLF, CRT, PBT, SBR		Top Line Cash - Pure Plays in Reawakening Oil and Gas (ISC)
3-Jun	LUKOY	Lukoil Oil Company	Underrated Oil Performer
1-Jun	ECA, COSWF, CNQ, CVE, IMO, SU		Long-Life Resources in Canada (Meter Reader)
28-May	XEC, BIREF, WLL, BRY, RRC, HK, UPL		Shell Shale Gas Deal Boosts Independent Producers (ISCW)
25-May	* XOM, BP, TOT		Large Caps Go Contrarian (Meter Reader)
21-May	* COSWF, PWE, ERF, PGH, PEYUF		Canadian Income Trusts for Value and Distributions (ISCW)
20-May	CEO	CNOOC Ltd	Remove Buy on Valuation and Trend
18-May	* RDSA, STO, TOT		European Oil for Contrarians (Meter Reader)
13-May	* BIREF	Birchcliff Energy Ltd.	New Buy for Small Cap Natural Gas Growth
11-May	* XOM, CVX, COP, MRO		U.S. Integrated Oil in New Trend (Meter Reader)
10-May	* XEC	Cimarex Energy Company	Raise NPV Again on More Production
5-May	* DVN	Devon Energy Corporation	Stock Repurchase Compelling
4-May	* BP	BP p.l.c.	Oil Spill and BP Stock Spill (Meter Reader)
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
26-Mar	* PTR	PetroChina Company Limited	Gas Growth - Natural Gas and Gasoline
25-Feb	* WOPEY	Woodside Petroleum	Financing in Place for 2010
<b>Meter Reader</b>			
15-Jun			
8-Jun	* OXY, DVN, EOG, SWN, CHK, APC		U.S. Independent Producers Unlocking Resources
1-Jun	ECA, COSWF, CNQ, CVE, IMO, SU		Long-Life Resources in Canada
25-May	* XOM, BP, TOT		Large Caps Go Contrarian
<b>Income and Small Cap Weekly</b>			
11-Jun	HGT, SJT, MTR, LGCY, LINE, ENP		Bright Outlook for Pure Play Oil and Gas
4-Jun	DMLP, FRHLF, CRT, PBT, SBR		Top Line Cash Payers - Pure Plays in Reawakening Oil and Gas
28-May	XEC, BIREF, WLL, BRY, RRC, HK and UPL		Shell Shale Gas Deal Boosts Independent Producers
21-May	* COSWF, PWE, ERF, PGH and PEYUF		Canadian Income Trusts for Value and Distributions
<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>		



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

June 15, 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.