



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

July 27, 2010

Double WOPEY LNG in 2011

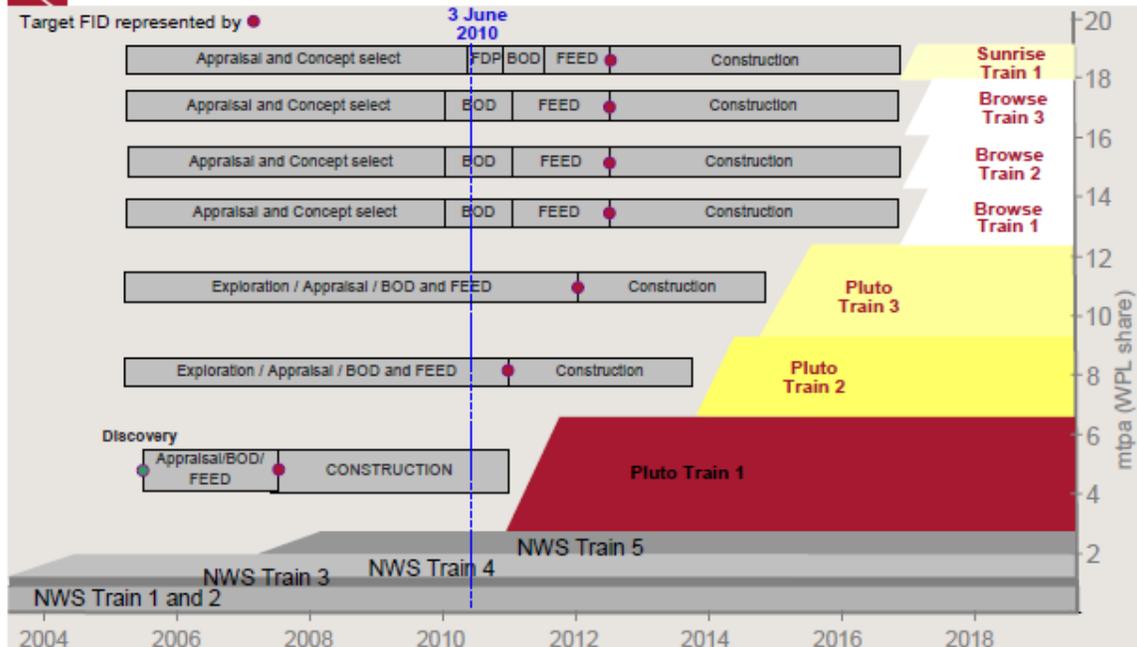
<i>Symbol</i>	WOPEY	<i>Ebitda Next Twelve Months ending 6/30/11 (US\$m)</i>	3,100
<i>Rating</i>	Contrarian Buy	<i>North American Natural Gas/Ebitda (%)</i>	2
<i>Price (US\$/sh)</i>	38.24	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/26/10	<i>Adjusted Reserves/Production NTM</i>	20.0
<i>Shares (mm)</i>	763	<i>EV/Ebitda</i>	11.1
<i>Market Capitalization (US\$m)</i>	29,200	<i>PV/Ebitda</i>	12.5
<i>Debt (US\$m)</i>	5,300	<i>Probable Reserves (%)</i>	22
<i>Enterprise Value (EV) (US\$m)</i>	34,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	42.33
<i>Present Value (PV) (US\$m)</i>	38,800	<i>Present Value /P2 Reserves(US\$/boe)</i>	23.50
<i>Net Present Value (US\$/share)</i>	44	<i>Present Value/ P2 Reserves(US\$/mcf)</i>	3.92
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.79
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	21
<i>Dividend Yield (%/year)</i>	2.6	<i>Indicated Annual Dividend (US\$/sh)</i>	1.00
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu.			
Royal Dutch Shell holds 34% of the outstanding shares.			

Summary and Recommendation

Contrarian Buy-recommended **Woodside Petroleum Ltd (WOPEY)** aims to start up its Pluto liquefied natural gas (LNG) Train 1 in the first quarter of 2011, which will double LNG production (see slide on page 2). Further expansion of Pluto along with new production at Browse and Sunrise may take LNG to about 19 million tonnes or 170 million barrels oil equivalent a year by 2020. To give some recognition to the strong growth potential we have included 24% in estimated Net Present Value (NPV) of \$44 a share for projects not yet under construction and reserves not yet proven or probable (see table Functional Cash Flow and Present Value on page 2). Meanwhile, maintenance operations reduced LNG volume in the second quarter according to disclosures in advance of half-yearly results expected on August 18 (see table Quarterly Operations on page 2). The details behind our projections have been recast in U.S. dollars with the change in the company's reporting practices beginning this year (see table Half-Year Financial Results on page 4). Among the challenges, a labor dispute delayed Pluto from earlier expectations that startup would occur by year end 2010. Boom conditions in LNG construction in Australia and nearby may contribute further cost pressures. A tax threat raised by the Australian Prime Minister has been put to rest for now with Mr. Rudd's resignation in favor of Ms. Gillard (see *MR* 6/29/10). Oil and gas pricing trends also suggest patience as we see latest settlements of six-year futures at \$85 a barrel and \$5.71 a million btu tracking below the 40-week averages of \$86 and \$6.25 (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures on page 5). Finally, McDep Ratio at 0.89 supports the strategic appeal of the stock while cash flow multiple (EV/Ebitda) is high at 11.1 times (see Tables 1-3 on pages 6-8).

Kurt H. Wulff, CFA

Woodside LNG: plans are all coming together



*Graphical representation of this scenario assumes FID and required approvals are achieved with an Indicative WPL equity of 60% for Pluto T2, 75% for Pluto T3, 46% for Browse T1-3, 33.44% for Sunrise T1. Achieving FID and other timetables are subject to a number of risk factors

Slide 3

Woodside Petroleum Ltd.					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
Natural Gas	1,270	29.4	14.2	18,000	46%
Oil	1,830	7.9	6.0	10,900	28%
Liquefied Natural Gas Projects				10,000	26%
	3,100	20.0	12.5	38,900	100%
Debt (US\$mm)					5,300
Net Present Value (US\$mm)					33,600
Shares (mm)					763
Net Present Value - Standard Estimate (US\$/sh)					44



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Woodside Petroleum Ltd.									
Quarterly Operations									
(U.S Dollars)									
									<i>Twelve</i>
	<i>Q2</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Months E</i>
	<i>6/30/09</i>	<i>3/31/10</i>	<i>6/30/10</i>	<i>9/30/10</i>	<i>12/31/10</i>	<i>2010E</i>	<i>3/31/11</i>	<i>6/30/11</i>	<i>6/30/11</i>
Volume									
Natural gas (bcf)	67	66	57	57	59	240	67	66	249
Natural Gas (mmcf)	738	737	626	620	646	657	739	725	682
Days	91	90	91	92	92	365	90	91	365
Oil (mmb)	8.2	8.2	8.0	8.1	8.1	32.3	7.9	8.0	32.1
Oil (mbd)	90	91	88	88	88	89	88	88	88
Total gas & oil (boe)	19.4	19.2	17.5	17.6	18.0	72.3	19.0	19.0	73.6
Total gas & oil (mbd)	213	213	192	191	196	198	211	209	202
Price									
Natural gas (\$/mcf)									
Henry Hub (US\$/mmbtu)	3.50	5.32	4.09	4.64	4.86	4.73	5.16	5.00	4.92
Company (\$/mcf)	3.96	6.73	8.43	6.62	6.76	7.12	6.87	6.97	6.81
Oil (\$/bbl)									
WTI Cushing	59.52	78.67	77.85	78.14	79.81	78.62	81.10	82.34	80.35
Company	56.36	71.35	74.18	74.45	76.04	74.00	77.27	78.45	76.54
Total gas & oil (\$/bbl)	37.53	53.54	61.37	55.68	56.51	56.70	56.24	57.26	56.43
Revenue (\$mm)									
Natural Gas	266	446	480	378	402	1,706	457	460	1,697
Oil	462	582	594	602	615	2,393	612	628	2,457
Total	728	1,028	1,074	980	1,017	4,099	1,068	1,088	4,154



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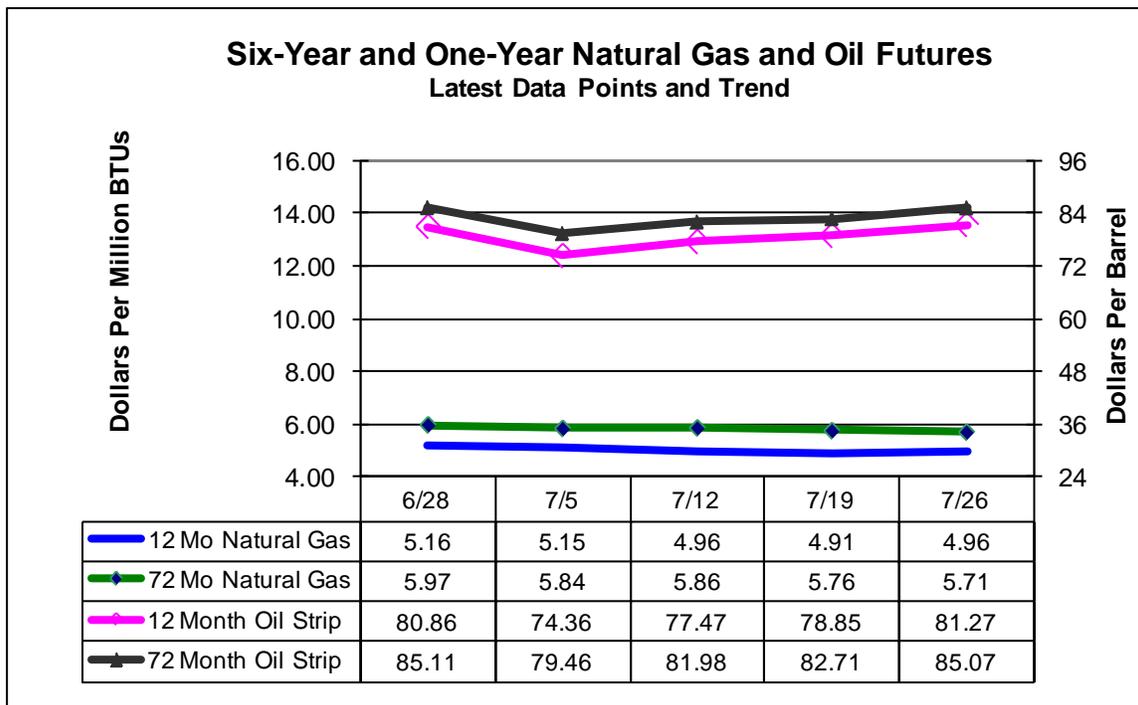
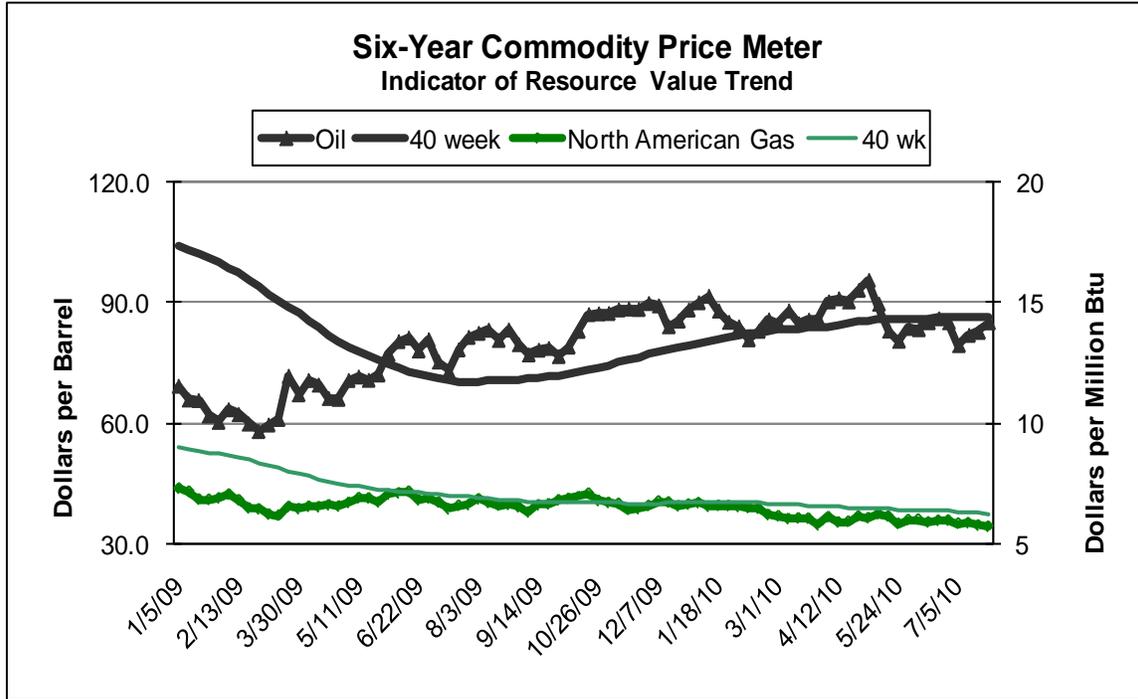
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Woodside Petroleum Ltd.								
Half-Year Financial Results								
(U.S. Dollars)								
	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1E</i>	<i>H2E</i>	<i>Year</i>	<i>H1E</i>	<i>Twelve</i>
	<i>6/30/09</i>	<i>12/31/09</i>	<i>2009</i>	<i>6/30/10</i>	<i>12/31/10</i>	<i>2010</i>	<i>6/30/11</i>	<i>Months</i>
								<i>6/30/11</i>
Volume								
Natural gas (bcf)	130	133	263	123	117	57	132	249
Natural Gas (mmcf)	719	723	721	681	633	620	732	682
Days	181	184	365	181	184	92	181	365
Oil (mmb)	18.3	18.6	37.0	16.2	16.2	8.1	15.9	32.1
Oil (mbd)	101	101	101	89	88	88	88	88
Total gas & oil (boe)	40.0	40.8	80.8	36.7	35.6	17.6	38.0	73.6
Total gas & oil (mbd))	221	222	221	203	193	191	210	202
Price								
Natural gas (\$/mcf)								
Henry Hub (US\$/mmbtu)	4.20	3.78	3.99	4.71	4.75	4.64	5.08	4.92
Company	4.50	5.53	5.03	7.52	6.69	6.62	6.92	6.81
Oil (\$/bbl)								
WTI Cushing	51.24	72.15	61.70	78.26	78.98	78.14	81.72	80.35
Company	46.94	69.30	58.22	72.75	75.25	74.45	77.86	76.54
Total gas & oil (\$/bbl)								
Revenue (mmA\$)								
Natural Gas	586	736	1,322	927	780	1,706	917	1,697
Oil	860	1,291	2,151	1,175	1,218	2,393	1,239	2,457
Other	95	418	513			-		-
Total	1,541	2,445	3,987	2,102	1,997	4,099	2,156	4,154
Expense	457	925	1,382	526	499	1,025	539	1,038
Ebitda	1,085	1,520	2,605	1,577	1,498	3,074	1,617	3,115
Exploration	131	165	295	172	172	344	172	344
Deprec., Deplet., & Amort.	367	567	934	483	483	966	483	966
Other non cash	(501)	(432)	(934)	(200)	(200)	(400)	(200)	(400)
Ebit	1,088	1,221	2,309	1,122	1,043	2,164	1,162	2,205
Interest	51	53	104	53	53	106	53	106
Ebt	1,037	1,168	2,205	1,069	990	2,059	1,110	2,100
Income Tax	363	409	772	374	347	721	388	735
Net Income	674	759	1,433	695	644	1,338	721	1,365
Shares (millions)	702	703	703	763	763	763	763	763
Per share (US\$)	0.96	1.08	2.04	0.91	0.84	1.75	0.95	1.79
Ebitda Margin	75%	75%	75%	75%	75%	75%	75%	75%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%



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Table 2								
McDep Large Cap 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		26-Jul 2010	(mm)				
	B = Buy, CB (see below)							
U.S. Integrated								
Marathon Oil Corporation	MRO	B	33.37	711	23,730	53.00	0.23	0.72
Exxon Mobil Corporation	XOM	B	60.39	5,215	315,000	89.00	0.12	0.72
Chevron Corporation	CVX	CB	74.62	2,004	150,000	110.00	0.11	0.72
ConocoPhillips	COP	CB	54.43	1,504	82,000	95.00	0.27	0.69
	<i>Total or Median</i>				571,000		0.18	0.72
Europe								
BG Group plc	BRGXF		16.60	3,400	56,400	22.00	0.11	0.78
Royal Dutch Shell plc	RDS-A	CB	56.64	3,066	174,000	79.00	0.21	0.78
Statoil ASA (33%)	STO	CB	21.36	1,050	22,400	35.00	0.22	0.69
BP plc	BP		38.65	3,167	122,000	72.00	0.20	0.63
Total S.A.	TOT	CB	49.74	2,243	112,000	90.00	0.14	0.62
	<i>Total or Median</i>				487,000		0.20	0.69
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO		169.35	152	25,800	145.00	0.03	1.16
Woodside Petroleum Ltd.	WOPEY	CB	38.24	763	29,200	44.00	0.14	0.89
PetroChina Company Ltd (14%)	PTR	CB	115.40	256	29,600	150.00	0.15	0.80
Petrobras	PBR		36.29	4,387	159,200	58.00	0.20	0.70
Lukoil Oil Company	LUKOY	B	56.11	847	47,500	135.00	0.05	0.44
Gazprom (50%)	OGZPY	CB	21.50	2,915	62,700	64.00	0.10	0.41
	<i>Total or Median</i>				354,000		0.12	0.75
U.S. Independent								
Southwestern Energy Company	SWN		37.58	349	13,100	35.00	0.09	1.07
Anadarko Petroleum Corp.	APC		50.53	496	25,100	54.00	0.35	0.96
Occidental Petroleum Corp.	OXY	B	82.92	814	67,500	95.00	0.06	0.88
EOG Resources	EOG	B	103.72	250	25,900	120.00	0.10	0.88
Chesapeake Energy Corp.	CHK		21.98	647	14,200	31.00	0.40	0.83
Devon Energy Corporation	DVN	CB	64.33	448	28,800	98.00	0.03	0.67
	<i>Total or Median</i>				174,600		0.10	0.88
Canada								
Imperial Oil Limited (30%)	IMO	B	39.93	256	10,200	48.00	0.08	0.85
Cenovus Energy Inc.	CVE	B	29.83	752	22,400	37.00	0.20	0.84
Canadian Natural Resources	CNQ	B	35.59	1,086	38,700	45.00	0.18	0.83
EnCana Corporation	ECA	CB	31.49	738	23,200	42.00	0.22	0.80
Canadian Oil Sands Trust	COSWF	B	28.25	484	13,700	38.00	0.07	0.76
Suncor Energy	SU	CB	32.71	1,572	51,400	48.00	0.19	0.74
	<i>Total or Median</i>				160,000		0.19	0.82
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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			<i>Price</i> <i>(US\$/sh)</i>	<i>Adjustd</i> <i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>		<i>Divd or</i> <i>Distrib</i>
	<i>Symbol/Rating</i>		<i>26-Jul</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>P/E</i>	<i>NTM</i>
	<i>B = Buy, CB (see below)</i>		<i>2010</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	60.39	13.5	8.6	6.2	11	2.8
Marathon Oil Corporation	MRO	B	33.37	9.1	7.5	5.4	12	2.2
ConocoPhillips	COP	CB	54.43	10.5	7.4	5.1	9	4.0
Chevron Corporation	CVX	CB	74.62	9.1	6.6	4.7	9	3.6
<i>Total or Median</i>				9.8	7.5	5.2	10	3.2
Europe								
BG Group plc	BRGXF		16.60	13.4	8.9	6.9	13	0.7
Royal Dutch Shell plc	RDS-A	CB	56.64	8.7	6.5	5.0	9	5.9
Total S.A.	TOT	CB	49.74	9.6	7.2	4.4	8	5.9
Statoil ASA (33%)	STO	CB	21.36	6.4	5.8	4.0	8	4.5
BP plc	BP		38.65	9.7	5.9	3.7	5	8.7
<i>Total or Median</i>				9.6	6.5	4.4	8	5.9
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	CB	38.24	20.0	12.5	11.1	21	2.6
PetroChina Company Ltd (14%)	PTR	CB	115.40	13.8	8.0	6.4	14	3.5
Petrobras	PBR		36.29	9.1	8.9	6.2	9	3.7
CNOOC Limited (34%)	CEO		169.35	6.8	5.0	5.9	11	3.0
Gazprom (50%)	OGZPY	CB	21.50	30.2	9.6	3.9	5	0.2
Lukoil Oil Company	LUKOY	B	56.11	15.7	8.0	3.6	7	3.1
<i>Total or Median</i>				14.7	8.5	6.0	10	3.0
U.S. Independent								
Southwestern Energy Company	SWN		37.58	6.5	9.0	9.6	19	-
EOG Resources	EOG	B	103.72	9.7	10.3	9.1	34	0.6
Chesapeake Energy Corp.	CHK		21.98	12.0	11.0	9.1	13	1.4
Occidental Petroleum Corp.	OXY	B	82.92	10.5	7.5	6.6	15	1.3
Anadarko Petroleum Corp.	APC		50.53	8.4	6.0	5.8		0.7
Devon Energy Corporation	DVN	CB	64.33	10.0	8.0	5.4	12	1.0
<i>Total or Median</i>				9.8	8.5	7.8	15	0.9
Canada								
Imperial Oil Limited (30%)	IMO	B	39.93	20.2	11.4	9.7	19	1.0
Canadian Natural Resources	CNQ	B	35.59	20.2	11.5	9.5	34	0.8
Canadian Oil Sands Trust	COSWF	B	28.25	30.8	11.9	9.1	14	6.8
Cenovus Energy Inc.	CVE	B	29.83	19.5	10.3	8.7	18	2.6
EnCana Corporation	ECA	CB	31.49	16.6	10.4	8.4	30	2.5
Suncor Energy	SU	CB	32.71	25.3	11.3	8.4	20	1.2
<i>Total or Median</i>				20.2	11.4	8.9	19	1.9
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								



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Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
21-Jul	ECA	Encana	Aggressive Growth at Lower Cost
20-Jul	XOM	ExxonMobil	Stock Turning Up (Meter Reader)
16-Jul	SJT	San Juan Basin Royalty Trust	Raise NPV to \$25 from \$23 (Income and Small Cap Weekly)
9-Jul	HK	Petrohawk	Early in Haynesville (Income and Small Cap Weekly)
7-Jul	* EOG	EOG Resources	Raise NPV to \$120 from \$92 a Share (Meter Reader)
1-Jul	* RRC	Range Resources	First in Marcellus (Income and Small Cap Weekly)
29-Jun	* WOPEY, PTR, LUKOY, OGZPY, PBR, CNOOC		Value in Developing Country Growth (Meter Reader)
25-Jun	* DNR	Denbury Resources	Small Cap Oil Growth (Income and Small Cap Weekly)
22-Jun	* CVE	Cenovus Energy	Quintuple in Deep Oil Sands (Meter Reader)
18-Jun	* BIREF, FRHLF, PWE, COSWF		Montney Buzz from Calgary (Income and Small Cap Weekly)
15-Jun	* XOM, COP, OXY, CVE, BP, APC		Onshore On, Offshore Off (Meter Reader)
11-Jun	* HGT, SJT, MTR, LGCY, LINE, ENP		Bright Outlook for Pure Play Oil and Gas (ISCW)
8-Jun	* OXY, DVN, EOG, SWN, CHK, APC		U.S. Independent Producers Unlocking Resources (MReader)
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
Meter Reader			
20-Jul	XOM	ExxonMobil	Stock Turning Up
13-Jul		Weekly	Abundant Value
7-Jul	* EOG	EOG Resources	Raise NPV to \$120 from \$92 a Share
29-Jun	* WOPEY, PTR, LUKOY, OGZPY, PBR, CEO		Value in Developing Country Growth
Income and Small Cap Weekly			
23-Jul	HGT	Hugoton Royalty Trust	Pays 8% with Natural Gas Upside
16-Jul	SJT	San Juan Basin Royalty Trust	Raise NPV to \$25 from \$23
9-Jul	HK	Petrohawk	Early in Haynesville
1-Jul	* RRC	Range Resources	First in Marcellus
25-Jun	* DNR	Denbury Resources	Small Cap Oil Growth
Industry Ideas			
30-Apr	* PBR, BG, APC and BP		Remove Buys - Accident May Delay Deep Water Oil
			* Archived on www.mcdep.com



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