



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

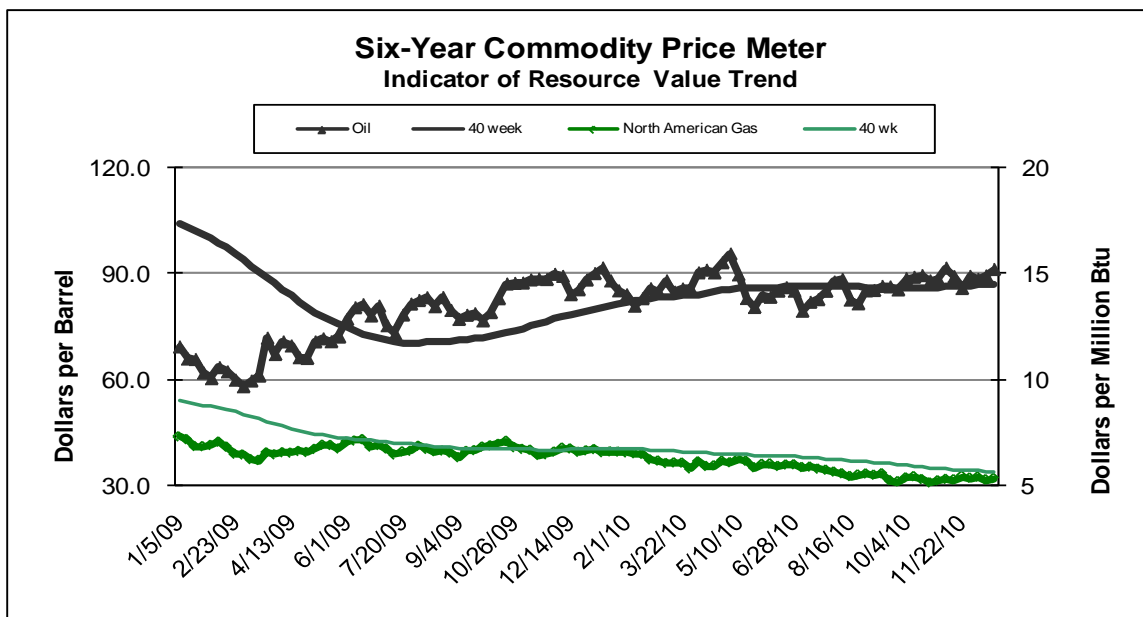
December 21, 2010

Carl Icahn Owns 5.8% of Chesapeake Energy

Summary and Recommendation

Disclosure of a legendary investor's 5.8% stake boosts the stock price of **Chesapeake Energy (CHK)** by 8% in one day and may have implications for unlocking value in peer stocks including buy recommendations **Devon Energy (DVN)**, **EOG Resources (EOG)** and **Encana (ECA)**. More than two decades ago, Mr. Icahn's investment influenced the restructuring of Phillips Petroleum, now part of buy-recommended **ConocoPhillips (COP)** and USX Corporation, now a separate U.S. Steel and buy-recommended **Marathon Oil (MRO)**. CHK stock has appreciated only modestly since the chairman sold all his stock at the bottom of the market in October 2008. At a low McDep Ratio and low credibility, CHK is a classic target for a proactive financier. Meanwhile, DVN has already undertaken major actions to unlock value as it has concentrated its resources, retired debt and is repurchasing stock at a rate of about 0.5% a month. Though EOG manages its finances conservatively, an activist investor might advocate taking on some debt to finance stock repurchase. ECA offers attractive long-term value concentrated on a growth resource while high cash flow multiple at today's low natural gas price may be holding back stock price. A widening gap in McDep Ratio between small cap and large cap stocks in the past year attests to rising resource value. Logically, those stocks at the smaller end of the large cap spectrum become doubly interesting for both fundamental value and the increasing likelihood of being targeted for acquisition, leveraged buyout, or stimulus from a change agent.

Kurt H. Wulff, CFA





Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 21, 2010

Table 1										
McDep Large Cap Energy Portfolio										
Geographic Domicile and Business Segments										
						<i>Present Value by Segment (%)</i>				
			<i>Price</i>	<i>EV/</i>	<i>Enterprise</i>	<i>North</i>	<i>Rest</i>			
	<i>Symbol/Rating</i>	<i>20-Dec</i>	<i>Market</i>	<i>Value</i>	<i>Natural</i>	<i>Natural</i>	<i>Oil</i>	<i>Down-</i>	<i>McDep</i>	
	B = Buy, CB (see below)	<i>2010</i>	<i>Cap</i>	<i>(\$mm)</i>	<i>Gas</i>	<i>Gas</i>	<i>Prod'n</i>	<i>stream</i>	<i>Ratio</i>	
U.S. Integrated										
Exxon Mobil Corporation	XOM B	72.22	1.18	434,000	10	16	53	21	0.84	
Chevron Corporation	CVX B	88.80	1.15	204,000	4	12	71	13	0.79	
ConocoPhillips	COP B	65.99	1.42	131,000	16	9	58	16	0.76	
Marathon Oil Corporation	MRO B	35.91	1.44	36,700	7	2	64	27	0.75	
<i>Total or Median</i>					806,000					0.78
Europe										
BG Group	BRGXF	20.76	1.15	81,400		29	40	31	0.95	
Royal Dutch Shell plc	RDS-A B	64.53	1.35	268,000	3	23	49	25	0.86	
Statoil ASA (33%)	STO B	22.99	1.49	35,900		41	59	-	0.74	
BP plc	BP	43.68	1.66	229,000	6	10	62	22	0.72	
Total S.A.	TOT B	52.69	1.32	156,000		19	59	22	0.65	
<i>Total or Median</i>					770,000					0.74
Australia/Brazil/China/Russia										
CNOOC Limited (34%)	CEO	228.98	1.04	36,300		10	90	-	1.33	
Woodside Petroleum Ltd.	WOPEY B	42.55	1.15	38,000		70	30	-	0.97	
PetroChina Company Ltd (14%)	PTR B	124.97	1.20	38,500		15	62	22	0.77	
Petrobras	PBR	33.93	1.23	269,000		3	77	20	0.71	
Lukoil Oil Company	LUKOY B	56.67	1.16	53,400			66	34	0.46	
Gazprom (50%)	OGZPY B	25.40	1.24	90,000		82	18	-	0.45	
<i>Total or Median</i>					525,000					0.74
U.S. Independent										
Anadarko Petroleum Corp.	APC	66.42	1.64	53,900	43		53	4	1.06	
Southwestern Energy Company	SWN	35.51	1.10	13,600	100			-	1.01	
Occidental Petroleum Corp.	OXY B	95.47	1.06	82,700	10	1	82	7	1.00	
Chesapeake Energy Corp.	CHK	25.36	1.74	32,800	90		10	-	0.89	
EOG Resources, Inc.	EOG CB	91.46	1.22	27,800	52	4	44	-	0.80	
Devon Energy Corporation	DVN B	73.98	1.12	36,300	62		38	-	0.78	
<i>Total or Median</i>					247,000					0.95
Canada										
Penn West Petroleum Ltd.	PWE	23.18	1.34	13,100	22		78	-	0.98	
Cenovus Energy Inc.	CVE B	31.40	1.29	30,400	17		77	6	0.88	
Canadian Natural Resources Lin	CNQ B	42.41	1.23	56,800	15		85	-	0.87	
Imperial Oil Limited (30%)	IMO CB	38.09	1.11	10,900	4		82	15	0.81	
Suncor Energy	SU B	36.10	1.28	72,900	5		84	11	0.80	
Canadian Oil Sands Limited	COSWF CB	24.74	1.13	13,500			100	-	0.68	
EnCana Corporation	ECA CB	28.05	1.42	29,400	94		6	-	0.65	
<i>Total or Median</i>					227,000					0.81
Composite					2,575,000	10	15	59	17	0.77

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 21, 2010

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		20-Dec 2010	(mm)				
	B = Buy, CB (see below)							
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	72.22	5,089	368,000	89.00	0.13	0.84
Chevron Corporation	CVX	B	88.80	2,007	178,000	116.00	0.10	0.79
ConocoPhillips	COP	B	65.99	1,400	92,000	95.00	0.23	0.76
Marathon Oil Corporation	MRO	B	35.91	712	25,570	53.00	0.23	0.75
	<i>Total or Median</i>				664,000		0.18	0.78
Europe								
BG Group plc	BRGXF		20.76	3,402	70,600	22.00	0.13	0.95
Royal Dutch Shell plc	RDS-A	B	64.53	3,069	198,000	79.00	0.22	0.86
Statoil ASA (33%)	STO	B	22.99	1,050	24,200	35.00	0.24	0.74
BP plc	BP		43.68	3,156	138,000	72.00	0.29	0.72
Total S.A.	TOT	B	52.69	2,245	118,000	90.00	0.16	0.65
	<i>Total or Median</i>				549,000		0.22	0.74
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO		228.98	152	34,900	170.00	0.05	1.33
Woodside Petroleum Ltd.	WOPEY	B	42.55	782	33,300	44.00	0.13	0.97
PetroChina Company Ltd (14%)	PTR	B	124.97	256	32,000	170.00	0.13	0.77
Petrobras	PBR		33.93	6,428	218,100	51.00	0.13	0.71
Lukoil Oil Company	LUKOY	B	56.67	814	46,200	135.00	0.06	0.46
Gazprom (50%)	OGZPY	B	25.40	2,865	72,800	64.00	0.09	0.45
	<i>Total or Median</i>				437,000		0.11	0.74
U.S. Independent								
Anadarko Petroleum Corp.	APC		66.42	496	32,900	60.00	0.41	1.06
Southwestern Energy Company	SWN		35.51	349	12,400	35.00	0.09	1.01
Occidental Petroleum Corp.	OXY	B	95.47	814	77,700	95.00	0.06	1.00
Chesapeake Energy Corp.	CHK		25.36	744	18,900	31.00	0.38	0.89
EOG Resources, Inc.	EOG	CB	91.46	250	22,900	120.00	0.14	0.80
Devon Energy Corporation	DVN	B	73.98	436	32,300	98.00	0.09	0.78
	<i>Total or Median</i>				197,100		0.12	0.95
Canada								
Penn West Petroleum Ltd.	PWE		23.18	440	9,800	23.00	0.25	0.98
Cenovus Energy Inc.	CVE	B	31.40	752	23,600	37.00	0.20	0.88
Canadian Natural Resources Limited	CNQ	B	42.41	1,089	46,200	50.00	0.16	0.87
Imperial Oil Limited (30%)	IMO	CB	38.09	257	9,800	48.00	0.08	0.81
Suncor Energy	SU	B	36.10	1,572	56,800	48.00	0.18	0.80
Canadian Oil Sands Limited	COSWF	CB	24.74	484	12,000	38.00	0.08	0.68
EnCana Corporation	ECA	CB	28.05	736	20,700	50.00	0.19	0.65
	<i>Total or Median</i>				179,000		0.18	0.81
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

December 21, 2010

Table 3								
McDep Large Cap 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		20-Dec 2010	NTM	NTM	NTM	NTM	(%)
B = Buy, CB (see below)								
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	72.22	13.3	7.5	6.2	11	2.4
ConocoPhillips	COP	B	65.99	10.4	7.3	5.6	12	3.3
Marathon Oil Corporation	MRO	B	35.91	9.2	6.7	5.0	11	2.8
Chevron Corporation	CVX	B	88.80	9.2	5.9	4.7	10	3.2
<i>Total or Median</i>				9.8	7.0	5.3	11	3.0
Europe								
BG Group plc	BRGXF		20.76	14.9	8.6	8.2	16	0.9
Royal Dutch Shell plc	RDS-A	B	64.53	8.6	6.2	5.3	10	5.2
BP plc	BP		43.68	10.2	7.1	5.1	7	-
Total S.A.	TOT	B	52.69	9.5	6.7	4.3	7	5.7
Statoil ASA (33%)	STO	B	22.99	7.0	5.6	4.2	8	4.4
<i>Total or Median</i>				9.5	6.7	5.1	8	4.4
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	B	42.55	17.1	11.1	10.8	20	2.4
Petrobras	PBR		33.93	10.0	9.6	6.8	12	3.5
CNOOC Limited (34%)	CEO		228.98	5.6	4.5	6.0	11	2.4
PetroChina Company Ltd (14%)	PTR	B	124.97	13.6	6.7	5.1	10	3.5
Gazprom (50%)	OGZPY	B	25.40	30.2	9.0	4.1	5	0.2
Lukoil Oil Company	LUKOY	B	56.67	16.0	7.0	3.2	5	3.0
<i>Total or Median</i>				14.8	8.0	5.6	10	2.7
U.S. Independent								
Chesapeake Energy Corp.	CHK		25.36	10.2	11.2	9.9	18	1.2
Southwestern Energy Company	SWN		35.51	5.7	9.4	9.6	21	-
Anadarko Petroleum Corp.	APC		66.42	8.5	7.3	7.8		0.5
Devon Energy Corporation	DVN	B	73.98	10.1	9.0	7.0	13	0.9
EOG Resources, Inc.	EOG	CB	91.46	8.6	8.7	6.9	30	0.7
Occidental Petroleum Corp.	OXY	B	95.47	10.4	6.7	6.7	14	1.9
<i>Total or Median</i>				9.4	8.8	7.4	18	0.8
Canada								
Cenovus Energy Inc.	CVE	B	31.40	18.2	10.7	9.4	23	2.5
EnCana Corporation	ECA	CB	28.05	13.9	13.6	8.8	26	2.9
Penn West Petroleum Ltd.	PWE		23.18	9.9	8.7	8.5	35	4.6
Canadian Natural Resources Limited	CNQ	B	42.41	18.2	9.5	8.3	21	0.7
Imperial Oil Limited (30%)	IMO	CB	38.09	21.0	10.1	8.2	15	1.1
Suncor Energy	SU	B	36.10	21.9	9.7	7.8	21	1.1
Canadian Oil Sands Limited	COSWF	CB	24.74	29.2	10.1	6.9	12	3.2
<i>Total or Median</i>				18.2	10.1	8.3	21	2.5
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 December 31, 2011; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 21, 2010

Table 4								
McDep Large Cap Energy Portfolio								
Rank by Enterprise Value to 200 Day Average								
			Price	Enterprise Value/				
	Symbol		(\$/sh)	20-Dec	52Wk	52Wk	50 Day	200 Day
		Ratin.	2010	High	Low	Avg.	Avg.	McDep
								Ratio
U.S. Integrated								
ConocoPhillips	COP	B	65.99	1.00	1.26	1.05	1.12	0.76
Chevron Corporation	CVX	B	88.80	1.00	1.28	1.05	1.12	0.79
Exxon Mobil Corporation	XOM	B	72.22	0.99	1.24	1.05	1.10	0.84
Marathon Oil Corporation	MRO	B	35.91	0.99	1.19	1.03	1.07	0.75
	<i>Median</i>			<i>1.00</i>	<i>1.25</i>	<i>1.05</i>	<i>1.11</i>	<i>0.78</i>
Europe								
BG Group plc	BRGXF		103.79	0.98	1.40	1.06	1.17	0.95
Royal Dutch Shell plc	RDS-A	B	64.53	0.96	1.21	1.01	1.08	0.86
Statoil ASA (33%)	STO	B	22.99	0.90	1.16	1.05	1.05	0.74
Total S.A.	TOT	B	52.69	0.82	1.16	0.99	1.01	0.65
BP plc	BP		43.68	0.80	1.30	1.03	1.01	0.72
	<i>Median</i>			<i>0.93</i>	<i>1.23</i>	<i>1.04</i>	<i>1.06</i>	<i>0.76</i>
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO		228.98	0.96	1.61	1.05	1.25	1.33
Gazprom (50%)	OGZPY	B	25.40	0.96	1.31	1.11	1.13	0.45
PetroChina Company Ltd (14%)	PTR	B	124.97	0.93	1.21	0.99	1.06	0.77
Woodside Petroleum Ltd.	WOPEY	B	42.55	0.92	1.25	1.00	1.05	0.97
Lukoil Oil Company	LUKOY	B	56.67	0.94	1.23	0.99	1.02	0.46
Petrobras	PBR		33.93	0.73	1.07	1.00	0.92	0.71
	<i>Median</i>			<i>0.93</i>	<i>1.24</i>	<i>1.00</i>	<i>1.05</i>	<i>0.74</i>
U.S. Independent								
Occidental Petroleum Corp.	OXY	B	95.47	1.00	1.30	1.11	1.15	1.00
Devon Energy Corporation	DVN	B	73.98	0.97	1.23	1.06	1.11	0.78
Anadarko Petroleum Corp.	APC		66.42	0.93	1.41	1.03	1.08	1.06
Chesapeake Energy Corp.	CHK		25.36	0.92	1.15	1.07	1.07	0.89
Southwestern Energy Company	SWN		43.15	0.69	1.14	1.00	0.95	1.01
EOG Resources, Inc.	EOG	CB	91.46	0.83	1.06	0.97	0.94	0.80
	<i>Median</i>			<i>0.92</i>	<i>1.19</i>	<i>1.05</i>	<i>1.08</i>	<i>0.95</i>
Canada								
Canadian Natural Resources	CNQ	B	42.41	0.98	1.31	1.08	1.14	0.87
Cenovus Energy Inc.	CVE	B	31.40	0.96	1.27	1.05	1.10	0.88
Suncor Energy	SU	B	36.10	0.96	1.22	1.04	1.08	0.80
Penn West Petroleum Ltd.	PWE		66.42	0.95	1.27	1.00	1.07	0.98
Imperial Oil Limited (30%)	IMO	CB	38.09	0.89	1.07	1.00	0.99	0.81
EnCana Corporation	ECA	CB	28.05	0.84	1.06	0.98	0.94	0.65
Canadian Oil Sands Limited	COSWF	CB	24.67	0.77	1.06	0.95	0.93	0.68
	<i>Median</i>			<i>0.95</i>	<i>1.22</i>	<i>1.00</i>	<i>1.07</i>	<i>0.81</i>
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.								



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 21, 2010

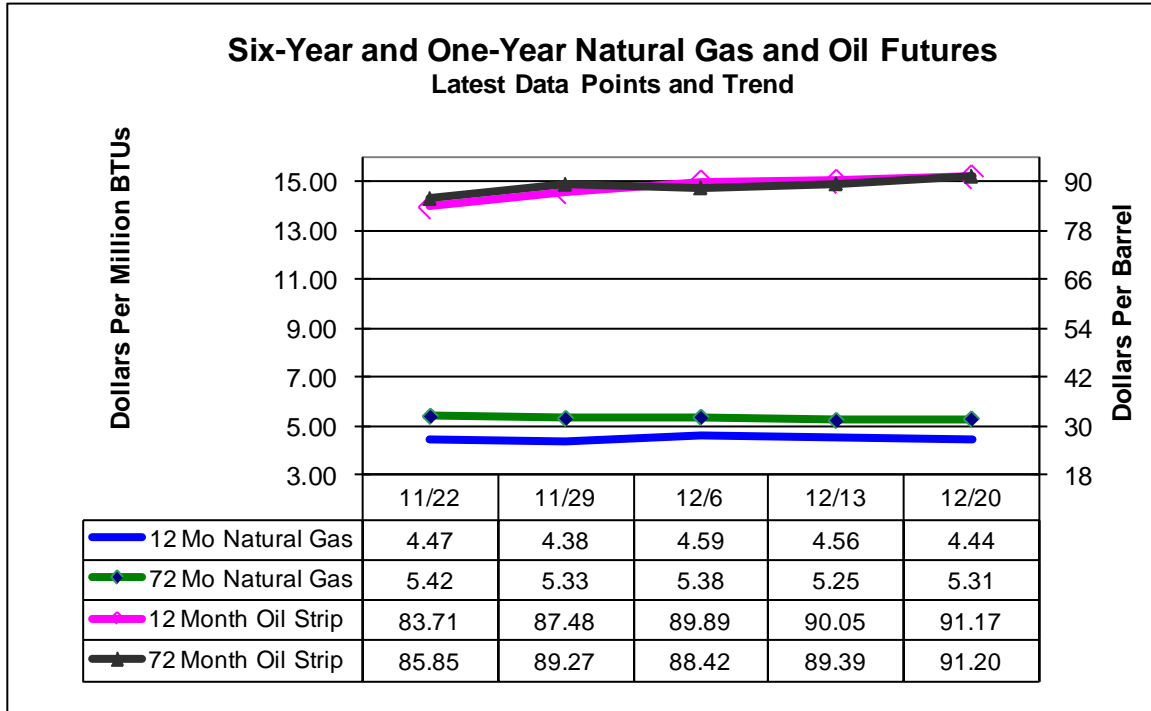
Index of Recent Research			
Stock Ideas			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
6-Dec	COSWF	Canadian Oil Sands Trust	Buy on Stock Price Drop
3-Dec	HK	Petrohawk	New Buy - Selling Pressure Exhausted (I and Small Cap Wkly)
3-Dec	RRC	Range Resources	New Buy - Selling Pressure Exhausted (I and Small Cap Wkly)
26-Nov	SBR	Sabine Royalty Trust	Raise NPV on Proven Performance (Income and SC Weekly)
22-Nov	SJT	San Juan Basin Royalty Trust	Distribution Yield 5.8%, Not 4.6%
19-Nov	VNR	Vanguard Natural Resources	Vanguard to Manage High-Income Encore (Income and SCW)
19-Nov	ENP	Encore Energy Partners	Vanguard to Manage High-Income Encore (Income and SCW)
16-Nov	PBR	Petrobras	Digesting Record Stock Offering (Meter Reader)
12-Nov	DMLP	Dorchester Minerals, L.P.	Volume Trend Strengthening (Income and Small Cap Weekly)
11-Nov	BIREF	Birchcliff Energy Ltd.	Production Ahead of Forecast
9-Nov	OGZPY	Gazprom	Breakout from a Long Stock Price Base (Meter Reader)
9-Nov	SU	Suncor Energy	Breakout from a Long Stock Price Base (Meter Reader)
9-Nov	DVN	Devon Energy Corporation	Breakout from a Long Stock Price Base (Meter Reader)
4-Nov	EOG	EOG Resources	Buy on Stock Price Drop
2-Nov	XOM	ExxonMobil	Political Trends Turning (Meter Reader)
29-Oct	HGT	Hugoton Royalty Trust	Natural Gas Income at Low Price (Income and SC Weekly)
28-Oct	PTR	PetroChina	Raise NPV to \$170 from \$150 on Natural Gas and Downstream
28-Sep	CVX	Chevron Corporation	Reload Oil Stock Classics (Meter Reader)
28-Sep	MRO	Marathon Oil Company	Reload Oil Stock Classics (Meter Reader)
28-Sep	COP	ConocoPhillips	Reload Oil Stock Classics (Meter Reader)
7-Sep	LUKOY	Lukoil	Russian Growth in Oil (Meter Reader)
24-Aug	CEO	CNOOC Ltd	Raise NPV on Volume and Profit (Meter Reader)
For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.			
Meter Reader			
14-Dec	EOG ECA IMO COSWF		A Few Good Contrarian Buys Left
7-Dec	MRO CVX STO TOT OGZPY LUKOY		Cash Machines
30-Nov	COP TOT COSWF		Free Money Enhances Energy Outlook for 2011
23-Nov	DVN, ECA, RDS, LUKOY, MRO		A Little Life in Natural Gas Price and Oil Refining Margin
16-Nov	PBR	Petrobras	Digesting Record Stock Offering
9-Nov	DVN, SU, OGZPY		Breakout from a Long Stock Price Base
2-Nov	XOM	ExxonMobil	Political Trends Turning
For earlier editions, go to mcdep.com , click on Meter Reader .			
Income and Small Cap Weekly			
17-Dec			Canadian Income Trusts R.I.P.
10-Dec	PWE BRY FRHLF ENP		Reverse McDep Identifies Higher Oil Values
3-Dec	RRC, HK	Range Resources, Petrohawk	New Buys - Selling Pressure Exhausted
26-Nov	SBR	Sabine Royalty Trust	Raise NPV on Proven Performance
19-Nov	ENP, VNR	Encore Energy, Vanguard Natural	Vanguard (VNR) to Manage High-Income Encore (ENP)
12-Nov	DMLP	Dorchester Minerals, L.P.	Volume Trend Strengthening
5-Nov		Weekly Valuation	Frac Shortage Limits Energy Supply
For earlier editions, go to mcdep.com , click on Energy Income .			



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 21, 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.