



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

June 28, 2011

Marathon Oil (MRO)

Buy New U.S. Independent Producer

| | | | |
|--|---------|--|-------|
| <i>Symbol</i> | MRO-W | <i>Ebitda Next Twelve Months ending 6/30/12 (US\$mm)</i> | 5,500 |
| <i>Rating</i> | Buy | <i>North American Natural Gas/Ebitda (%)</i> | 8 |
| <i>Price (US\$/sh) when issued</i> | 30.38 | <i>Natural Gas and Oil Production/Ebitda (%)</i> | 100 |
| <i>Pricing Date</i> | 6/27/11 | <i>Adjusted Reserves/Production NTM</i> | 10.1 |
| <i>Shares (mm)</i> | 715 | <i>EV/Ebitda</i> | 4.8 |
| <i>Market Capitalization (US\$mm)</i> | 21,700 | <i>PV/Ebitda</i> | 7.9 |
| <i>Debt (US\$mm)</i> | 4,900 | <i>Undeveloped Reserves (%)</i> | 25 |
| <i>Enterprise Value (EV) (US\$mm)</i> | 26,600 | <i>Natural Gas and Oil Ebitda (US\$/boe)</i> | 38.80 |
| <i>Present Value (PV) (US\$mm)</i> | 43,500 | <i>Present Value Proven Reserves(US\$/boe)</i> | 26.60 |
| <i>Net Present Value (US\$/share)</i> | 54 | <i>Present Value Proven Reserves(US\$/mcfe)</i> | 4.43 |
| <i>Debt/Present Value</i> | 0.11 | <i>Earnings Next Twelve Months (US\$/sh)</i> | 1.86 |
| <i>McDep Ratio - EV/PV</i> | 0.61 | <i>Price/Earnings Next Twelve Months</i> | 16 |
| <i>Dividend Yield (%/year)</i> | 2.0 | <i>Indicated Annual Dividend (US\$/sh)</i> | 0.60 |
| 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\$100 a barrel and natural gas, \$8 a million btu. | | | |
| For historical research on Marathon since 2001 see http://www.mcdep.com/3mro.htm | | | |

Summary and Recommendation

After buy-recommended **Marathon Oil Corporation (MRO)** separates into two companies on June 30, 2011, we plan to continue our buy recommendation on MRO as a pure exploration and production company. We have no plans to cover the downstream refining and marketing company named Marathon Petroleum Corporation (MPC) because we concentrate on companies with oil and gas production. Two shares of MRO at \$49 on June 27 are equivalent to two shares of new MRO at \$30 and one share of MPC at \$38 according to “when-issued” trading initiated on June 23, a week ahead of the separation date. Estimated Net Present Value (NPV) for MRO of \$68 a share before the spin off becomes \$54 a share after (see tables [Functional Cash Flow and Present Value](#) on page 2 and [Next Twelve Months Operating and Financial Estimates](#) on page 3). The \$14 a share difference becomes \$28 a share for MPC considering that MPC will have half the shares outstanding as MRO will have. Stock price for new MRO may be well below NPV, perhaps adversely affected temporarily by the politically-motivated release of crude oil from strategic storage announced June 23 by consuming country governments. Conversely, MPC may benefit from lower crude oil price in the short term. At the same time, long-term crude oil price has not been affected. The latest settlement of six-year futures at \$97 a barrel tracks above the 40-week average of \$96 (see charts [Six-Year Commodity Price Meter](#) on page 2 and [Six-Year and One-Year Natural Gas and Oil Futures](#) on page 9). In the regular weekly valuation tables, new MRO at a McDep Ratio of perhaps 0.61 will look undervalued compared to its new U.S. Independent peers at a median McDep Ratio of 0.86 (see [Tables 1-4](#) on pages 4-7).

Kurt H. Wulff, CFA

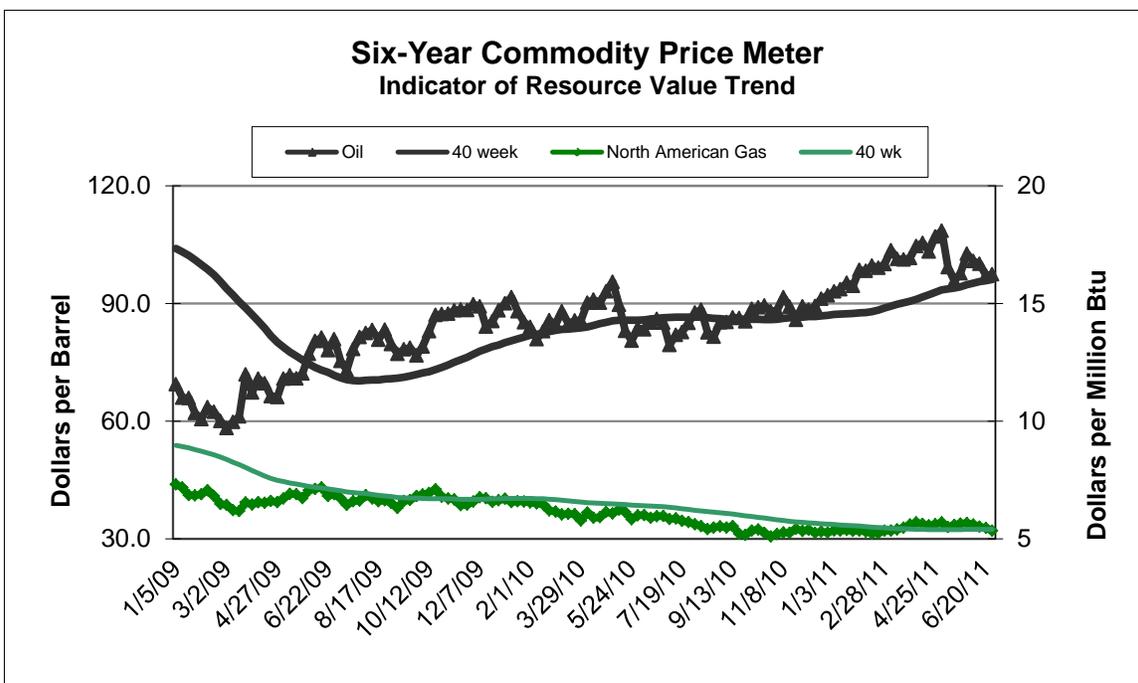


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| Marathon Oil Corporation | | | | | |
|---|---------------|-----------------|---------------|----------------|--------|
| Functional Cash Flow and Present Value | | | | | |
| | <i>NTM</i> | <i>Adjusted</i> | <i>PV/</i> | <i>Present</i> | |
| | <i>Ebitda</i> | <i>R/P</i> | <i>Ebitda</i> | <i>Value</i> | |
| North American Natural Gas | 460 | 5.0 | 8.3 | 3,800 | 9% |
| Rest of World Natural Gas | 260 | 8.0 | 6.2 | 1,600 | 4% |
| Oil | 4,780 | 12.3 | 8.0 | 38,100 | 88% |
| | 5,500 | 10.1 | 7.9 | 43,500 | 100% |
| Debt | | | | | 4,900 |
| Net Present Value (\$mm) | | | | | 38,600 |
| Shares | | | | | 715 |
| Net Present Value - Standard Estimate (US\$/sh) | | | | | 54 |
| NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh) | | | | | 56 |





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| Marathon Oil Corporation | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|-----------------|---------------|----------------|----------------|----------------|
| Next Twelve Months Operating and Financial Estimates | | | | | | | | | |
| (excludes downstream spinoff, Marathon Petroleum Corporation, after 6/30/11) | | | | | | | | | |
| | <i>Q2</i> | <i>Q1</i> | <i>Q2E</i> | <i>Q3E</i> | <i>Q4E</i> | <i>Year</i> | <i>Q1E</i> | <i>Q2E</i> | <i>Next</i> |
| | <i>6/30/10</i> | <i>3/31/11</i> | <i>6/30/11</i> | <i>9/30/11</i> | <i>12/31/11</i> | <i>2011E</i> | <i>3/31/12</i> | <i>6/30/12</i> | <i>Months</i> |
| | | | | | | | | | <i>6/30/12</i> |
| Volume | | | | | | | | | |
| Natural Gas (mmcf) | | | | | | | | | |
| U.S. (or North America) | 334 | 368 | 368 | 368 | 368 | 368 | 368 | 368 | 369 |
| Overseas (or Int'l) | 506 | 548 | 548 | 548 | 548 | 548 | 548 | 548 | 550 |
| Total | 840 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 919 |
| Oil (mbd) | 266 | 284 | 234 | 234 | 234 | 246 | 234 | 234 | 234 |
| Total gas & oil (mbd) | 406 | 437 | 387 | 387 | 387 | 399 | 387 | 387 | 387 |
| Price | | | | | | | | | |
| Natural gas (\$/mcf) | | | | | | | | | |
| Henry Hub (\$/mmbtu) | 4.09 | 4.11 | 4.32 | 4.28 | 4.48 | 4.30 | 4.72 | 4.58 | 4.52 |
| U.S. (or North America) | 4.41 | 5.15 | 5.41 | 5.36 | 5.62 | 5.38 | 5.92 | 5.74 | 5.66 |
| Overseas (or Int'l) | 1.41 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 |
| Total | 2.60 | 3.34 | 3.44 | 3.42 | 3.52 | 3.43 | 3.65 | 3.57 | 3.54 |
| Oil (\$/bbl) | | | | | | | | | |
| WTI Cushing | 77.85 | 94.10 | 102.36 | 90.84 | 92.23 | 94.88 | 93.52 | 94.67 | 92.82 |
| Worldwide | 73.87 | 94.38 | 102.66 | 91.12 | 92.51 | 95.11 | 93.80 | 94.95 | 93.09 |
| Total gas & oil (\$/mcf) | 8.96 | 11.40 | 11.71 | 10.54 | 10.72 | 11.10 | 10.90 | 10.99 | 10.79 |
| Revenue (\$mm) | | | | | | | | | |
| Natural Gas | | | | | | | | | |
| U.S. (or North America) | 134 | 171 | 181 | 181 | 190 | 723 | 198 | 192 | 762 |
| Overseas (or Int'l) | 65 | 105 | 106 | 107 | 107 | 424 | 106 | 106 | 425 |
| Total | 199 | 275 | 287 | 288 | 297 | 1,147 | 304 | 298 | 1,187 |
| Oil | 1,788 | 2,412 | 2,186 | 1,962 | 1,992 | 8,552 | 1,997 | 2,022 | 7,972 |
| Other | 16,587 | 18,383 | 18,383 | | | 36,767 | - | - | - |
| Total | 18,574 | 21,071 | 20,856 | 2,250 | 2,289 | 46,466 | 2,301 | 2,320 | 9,159 |
| Expense | 16,442 | 18,074 | 18,448 | 900 | 915 | 38,337 | 921 | 928 | 3,664 |
| Ebitda (\$mm) | | | | | | | | | |
| Exploration and Production | 1,192 | 1,974 | 1,484 | 1,350 | 1,373 | 6,181 | 1,381 | 1,392 | 5,496 |
| Other | 940 | 1,023 | 925 | | | 1,948 | | | - |
| Total Ebitda | 2,132 | 2,997 | 2,409 | 1,350 | 1,373 | 8,129 | 1,381 | 1,392 | 5,496 |
| Exploration | 125 | 230 | 230 | 230 | 230 | 920 | 125 | 125 | 710 |
| Deprec., Deplet., & Amort. | 691 | 852 | 852 | 635 | 635 | 2,974 | 635 | 635 | 2,540 |
| Ebit | 1,316 | 1,915 | 1,327 | 485 | 508 | 4,235 | 621 | 632 | 2,246 |
| Interest | 100 | 100 | 100 | 50 | 50 | 300 | 50 | 50 | 200 |
| Ebt | 1,216 | 1,815 | 1,227 | 435 | 458 | 3,935 | 571 | 582 | 2,046 |
| Income Tax | 426 | 635 | 429 | 152 | 160 | 1,377 | 200 | 204 | 716 |
| Net Income (\$mm) | | | | | | | | | |
| Exploration and Production | 343 | 700 | | | | | | | |
| Other | 448 | 587 | | | | | | | |
| Unallocated | (1) | (107) | | | | | | | |
| Total | 790 | 1,180 | 797 | 283 | 298 | 2,558 | 371 | 378 | 1,330 |
| Shares (millions) | | | | | | | | | |
| Per share (\$) | 1.11 | 1.65 | 1.12 | 0.40 | 0.42 | 3.58 | 0.52 | 0.53 | 1.86 |
| Ebitda Margin (E&P) | 60% | 73% | 60% | 60% | 60% | 64% | 60% | 60% | 60% |
| Tax Rate | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| Dividends | 0.25 | 0.25 | 0.25 | 0.15 | 0.15 | | 0.15 | 0.15 | 0.60 |



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| Table 1 | | | | | | | | | | | |
|---|-------|-----------|--------|------------|-----------|------------------------------|----------|---------|--------|--------|-------|
| McDep Large Cap Energy Portfolio | | | | | | | | | | | |
| Geographic Domicile and Business Segments | | | | | | | | | | | |
| | | | | | | Present Value by Segment (%) | | | | | |
| | | | | | | North | Rest | | | | |
| | | | | | | Amer. | of World | | | | |
| | | Price | EV/ | Enterprise | | | Natural | Natural | Oil | Down- | McDep |
| | | (US\$/sh) | Market | Value | | | Gas | Gas | Prod'n | stream | Ratio |
| Symbol/Rating | | 27-Jun | Cap | (\$mm) | | | | | | | |
| B = Buy, CB (see below) | | 2011 | | | | | | | | | |
| U.S. Integrated | | | | | | | | | | | |
| Marathon Oil Corporation | MRO | B | 49.08 | 1.31 | 45,900 | 6 | 3 | 69 | 22 | 0.77 | |
| Exxon Mobil Corporation | XOM | B | 77.91 | 1.17 | 454,000 | 9 | 19 | 56 | 16 | 0.73 | |
| ConocoPhillips | COP | B | 71.78 | 1.39 | 145,000 | 14 | 10 | 63 | 13 | 0.68 | |
| Chevron Corporation | CVX | B | 98.92 | 1.14 | 226,000 | 3 | 10 | 77 | 10 | 0.67 | |
| <i>Total or Median</i> | | | | | 871,000 | | | 66 | | 0.70 | |
| Europe | | | | | | | | | | | |
| BG Group | BRGXF | | 21.03 | 1.17 | 84,000 | | 26 | 46 | 28 | 0.86 | |
| Royal Dutch Shell plc | RDS-A | B | 68.13 | 1.31 | 275,000 | 3 | 22 | 54 | 21 | 0.76 | |
| Statoil ASA (33%) | STO | CB | 23.71 | 1.49 | 37,200 | | 37 | 63 | - | 0.64 | |
| BP plc | BP | | 42.26 | 1.65 | 222,000 | 5 | 9 | 67 | 20 | 0.58 | |
| Total S.A. | TOT | CB | 54.49 | 1.30 | 159,000 | | 18 | 68 | 14 | 0.56 | |
| <i>Total or Median</i> | | | | | 777,000 | | | 63 | | 0.64 | |
| Brazil/Russia/Australia/China | | | | | | | | | | | |
| Woodside Petroleum Ltd. | WOPEY | | 42.00 | 1.19 | 39,000 | | 63 | 37 | - | 0.94 | |
| CNOOC Limited (36%) | CEO | | 228.30 | 1.05 | 38,400 | | 9 | 91 | - | 0.92 | |
| PetroChina Company Ltd (14%) | PTR | B | 143.16 | 1.25 | 45,900 | | 13 | 69 | 18 | 0.73 | |
| Petrobras | PBR | CB | 32.26 | 1.28 | 270,000 | | 2 | 83 | 15 | 0.58 | |
| Gazprom (50%) | OGZPY | B | 14.00 | 1.25 | 100,000 | | 80 | 20 | - | 0.55 | |
| Lukoil Oil Company | LUKOY | CB | 61.85 | 1.11 | 53,800 | | | 67 | 33 | 0.44 | |
| <i>Total or Median</i> | | | | | 547,000 | | | 69 | | 0.65 | |
| U.S. Independent | | | | | | | | | | | |
| Southwestern Energy Company | SWN | | 40.70 | 1.11 | 15,800 | 100 | | | - | 0.97 | |
| Anadarko Petroleum Corp. | APC | | 72.00 | 1.58 | 56,900 | 37 | | 60 | 3 | 0.95 | |
| Chesapeake Energy Corp. | CHK | | 28.01 | 1.65 | 35,800 | 82 | | 18 | - | 0.90 | |
| Occidental Petroleum Corp. | OXY | B | 98.92 | 1.10 | 88,400 | 8 | 1 | 85 | 6 | 0.82 | |
| EOG Resources, Inc. | EOG | CB | 100.33 | 1.20 | 30,200 | 45 | 5 | 50 | - | 0.80 | |
| Devon Energy Corporation | DVN | CB | 76.02 | 1.12 | 36,700 | 54 | | 46 | - | 0.70 | |
| <i>Total or Median</i> | | | | | 264,000 | | | 50 | | 0.86 | |
| Canada | | | | | | | | | | | |
| Penn West Exploration | PWE | | 22.16 | 1.43 | 14,000 | 17 | | 83 | - | 0.78 | |
| Cenovus Energy Inc. | CVE | B | 33.85 | 1.30 | 33,100 | 19 | | 72 | 9 | 0.74 | |
| Imperial Oil Limited (30%) | IMO | B | 44.08 | 1.14 | 12,800 | 3 | | 86 | 11 | 0.74 | |
| EnCana Corporation | ECA | CB | 29.18 | 1.50 | 32,200 | 91 | | 9 | - | 0.67 | |
| Canadian Natural Resources Lin | CNQ | | 38.82 | 1.31 | 56,000 | 16 | | 84 | - | 0.64 | |
| Suncor Energy | SU | CB | 37.43 | 1.23 | 73,000 | 3 | | 84 | 13 | 0.63 | |
| Canadian Oil Sands Limited | COSWF | CB | 26.58 | 1.13 | 14,500 | | | 100 | - | 0.54 | |
| <i>Total or Median</i> | | | | | 236,000 | | | 84 | | 0.67 | |
| Composite | | | | | 2,695,000 | 9 | 14 | 63 | 13 | 0.67 | |

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



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| 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 | | 27-Jun 2011 | (mm) | | | | |
| | B = Buy, CB (see below) | | | | | | | |
| U.S. Integrated | | | | | | | | |
| Marathon Oil Corporation | MRO | B | 49.08 | 715 | 35,090 | 68.00 | 0.18 | 0.77 |
| Exxon Mobil Corporation | XOM | B | 77.91 | 4,971 | 387,000 | 112.00 | 0.11 | 0.73 |
| ConocoPhillips | COP | B | 71.78 | 1,445 | 104,000 | 119.00 | 0.19 | 0.68 |
| Chevron Corporation | CVX | B | 98.92 | 2,009 | 199,000 | 154.00 | 0.08 | 0.67 |
| | <i>Total or Median</i> | | | | 725,000 | | 0.14 | 0.70 |
| Europe | | | | | | | | |
| BG Group plc | BRGXF | | 21.03 | 3,407 | 71,600 | 25.00 | 0.13 | 0.86 |
| Royal Dutch Shell plc | RDS-A | B | 68.13 | 3,087 | 210,000 | 96.00 | 0.18 | 0.76 |
| Statoil ASA (33%) | STO | CB | 23.71 | 1,050 | 24,900 | 44.00 | 0.21 | 0.64 |
| BP plc | BP | | 42.26 | 3,173 | 134,000 | 93.00 | 0.23 | 0.58 |
| Total S.A. | TOT | CB | 54.49 | 2,251 | 123,000 | 111.00 | 0.13 | 0.56 |
| | <i>Total or Median</i> | | | | 564,000 | | 0.18 | 0.64 |
| Brazil/Russia/Australia/China | | | | | | | | |
| Woodside Petroleum Ltd. | WOPEY | | 42.00 | 774 | 32,500 | 45.00 | 0.15 | 0.94 |
| CNOOC Limited (36%) | CEO | | 228.30 | 161 | 36,700 | 250.00 | 0.04 | 0.92 |
| PetroChina Company Ltd (14%) | PTR | B | 143.16 | 256 | 36,700 | 210.00 | 0.15 | 0.73 |
| Petrobras | PBR | CB | 32.26 | 6,539 | 210,900 | 62.00 | 0.13 | 0.58 |
| Gazprom (50%) | OGZPY | B | 14.00 | 5,750 | 80,500 | 28.00 | 0.11 | 0.55 |
| Lukoil Oil Company | LUKOY | CB | 61.85 | 786 | 48,600 | 150.00 | 0.04 | 0.44 |
| | <i>Total or Median</i> | | | | 446,000 | | 0.12 | 0.65 |
| U.S. Independent | | | | | | | | |
| Southwestern Energy Company | SWN | | 40.70 | 350 | 14,300 | 42.00 | 0.09 | 0.97 |
| Anadarko Petroleum Corp. | APC | | 72.00 | 499 | 35,900 | 78.00 | 0.35 | 0.95 |
| Chesapeake Energy Corp. | CHK | | 28.01 | 774 | 21,700 | 33.00 | 0.36 | 0.90 |
| Occidental Petroleum Corp. | OXY | B | 98.92 | 813 | 80,500 | 123.00 | 0.07 | 0.82 |
| EOG Resources, Inc. | EOG | CB | 100.33 | 250 | 25,100 | 130.00 | 0.14 | 0.80 |
| Devon Energy Corporation | DVN | CB | 76.02 | 430 | 32,700 | 112.00 | 0.08 | 0.70 |
| | <i>Total or Median</i> | | | | 210,200 | | 0.11 | 0.86 |
| Canada | | | | | | | | |
| Penn West Exploration | PWE | | 22.16 | 440 | 9,800 | 31.00 | 0.24 | 0.78 |
| Cenovus Energy Inc. | CVE | B | 33.85 | 753 | 25,500 | 49.00 | 0.17 | 0.74 |
| Imperial Oil Limited (30%) | IMO | B | 44.08 | 256 | 11,300 | 62.00 | 0.09 | 0.74 |
| EnCana Corporation | ECA | CB | 29.18 | 738 | 21,500 | 51.00 | 0.22 | 0.67 |
| Canadian Natural Resources Limited | CNQ | | 38.82 | 1,106 | 42,900 | 67.00 | 0.15 | 0.64 |
| Suncor Energy | SU | CB | 37.43 | 1,581 | 59,200 | 64.00 | 0.12 | 0.63 |
| Canadian Oil Sands Limited | COSWF | CB | 26.58 | 485 | 12,900 | 52.00 | 0.06 | 0.54 |
| | <i>Total or Median</i> | | | | 183,000 | | 0.15 | 0.67 |
| 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\$100 a barrel and natural gas, \$8 a million btu. | | | | | | | | |



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| Table 3 | | | | | | | |
|---|-------|----|--------------------|----------------------------|----------------------|----------------------|----------------------------------|
| McDep Large Cap Energy Portfolio | | | | | | | |
| Value Multiples and Distribution Yield | | | | | | | |
| | | | Price (US\$/sh) | Adjustd Resrvs/ Prod | PV/ Ebitda NTM | EV/ Ebitda NTM | Divd or Distrib NTM (%) |
| Symbol/Rating | | | 27-Jun 2011 | NTM | NTM | NTM | |
| B = Buy, CB (see below) | | | | | | | |
| U.S. Integrated | | | | | | | |
| ConocoPhillips | COP | B | 71.78 | 11.9 | 8.0 | 5.5 | 10 3.7 |
| Exxon Mobil Corporation | XOM | B | 77.91 | 13.8 | 7.4 | 5.4 | 9 2.3 |
| Marathon Oil Corporation | MRO | B | 49.08 | 9.0 | 6.4 | 4.9 | 11 2.0 |
| Chevron Corporation | CVX | B | 98.92 | 8.4 | 6.4 | 4.3 | 8 2.9 |
| <i>Total or Median</i> | | | | 10.5 | 6.9 | 5.2 | 10 2.6 |
| Europe | | | | | | | |
| BG Group plc | BRGXF | | 21.03 | 13.8 | 9.2 | 7.9 | 15 1.0 |
| Royal Dutch Shell plc | RDS-A | B | 68.13 | 8.9 | 6.8 | 5.1 | 9 4.9 |
| BP plc | BP | | 42.26 | 10.5 | 7.3 | 4.2 | 5 4.0 |
| Total S.A. | TOT | CB | 54.49 | 9.6 | 7.1 | 4.0 | 7 5.9 |
| Statoil ASA (33%) | STO | CB | 23.71 | 6.6 | 6.0 | 3.8 | 8 4.8 |
| <i>Total or Median</i> | | | | 9.6 | 7.1 | 4.2 | 8 4.8 |
| Brazil/Russia/Australia/China | | | | | | | |
| Woodside Petroleum Ltd. | WOPEY | | 42.00 | 22.5 | 13.3 | 12.6 | 22 2.5 |
| Petrobras | PBR | CB | 32.26 | 13.3 | 11.3 | 6.5 | 11 3.7 |
| PetroChina Company Ltd (14%) | PTR | B | 143.16 | 13.4 | 7.5 | 5.5 | 11 3.7 |
| CNOOC Limited (36%) | CEO | | 228.30 | 6.5 | 5.6 | 5.1 | 9 2.6 |
| Gazprom (50%) | OGZPY | B | 14.00 | 30.2 | 7.0 | 3.9 | 6 2.4 |
| Lukoil Oil Company | LUKOY | CB | 61.85 | 16.1 | 6.3 | 2.7 | 4 3.0 |
| <i>Total or Median</i> | | | | 14.8 | 7.3 | 5.3 | 10 2.8 |
| U.S. Independent | | | | | | | |
| Southwestern Energy Company | SWN | | 40.70 | 7.9 | 11.0 | 10.7 | 23 - |
| Chesapeake Energy Corp. | CHK | | 28.01 | 11.6 | 11.1 | 10.0 | 18 1.2 |
| Anadarko Petroleum Corp. | APC | | 72.00 | 7.0 | 7.5 | 7.2 | 0.5 |
| Occidental Petroleum Corp. | OXY | B | 98.92 | 11.3 | 8.6 | 7.0 | 15 1.9 |
| Devon Energy Corporation | DVN | CB | 76.02 | 10.7 | 9.7 | 6.8 | 14 0.9 |
| EOG Resources, Inc. | EOG | CB | 100.33 | 9.0 | 8.0 | 6.4 | 23 0.6 |
| <i>Total or Median</i> | | | | 9.9 | 9.2 | 7.1 | 18 0.8 |
| Canada | | | | | | | |
| Imperial Oil Limited (30%) | IMO | B | 44.08 | 42.7 | 13.0 | 9.6 | 15 1.0 |
| Cenovus Energy Inc. | CVE | B | 33.85 | 21.0 | 12.0 | 9.0 | 26 2.4 |
| Penn West Exploration | PWE | | 22.16 | 8.8 | 11.0 | 8.6 | 19 4.9 |
| EnCana Corporation | ECA | CB | 29.18 | 12.3 | 12.9 | 8.6 | 33 2.7 |
| Canadian Natural Resources Limited | CNQ | | 38.82 | 20.4 | 11.5 | 7.4 | 18 0.9 |
| Suncor Energy | SU | CB | 37.43 | 25.6 | 10.4 | 6.6 | 13 1.1 |
| Canadian Oil Sands Limited | COSWF | CB | 26.58 | 26.5 | 11.5 | 6.2 | 10 4.6 |
| <i>Total or Median</i> | | | | 21.0 | 11.5 | 8.6 | 18 2.4 |
| 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, 2012; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses | | | | | | | |



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| Table 4 | | | | | | | | |
|---|---------------|----|---------|-------------------|-------------|-------------|-------------|-------------|
| McDep Large Cap Energy Portfolio | | | | | | | | |
| Rank by Enterprise Value to 200 Day Average | | | | | | | | |
| | | | Price | | | | | |
| | | | (\$/sh) | Enterprise Value/ | | | | |
| | Symbol | | 27-Jun | 52Wk | 52Wk | 50 Day | 200 Day | McDep |
| | Rating | | 2011 | High | Low | Avg. | Avg. | Ratio |
| U.S. Integrated | | | | | | | | |
| Marathon Oil Corporation | MRO | B | 49.08 | 0.92 | 1.42 | 0.96 | 1.10 | 0.77 |
| Chevron Corporation | CVX | B | 98.92 | 0.91 | 1.40 | 0.96 | 1.04 | 0.67 |
| ConocoPhillips | COP | B | 71.78 | 0.91 | 1.31 | 0.98 | 1.03 | 0.68 |
| Exxon Mobil Corporation | XOM | B | 77.91 | 0.90 | 1.32 | 0.95 | 1.02 | 0.73 |
| | <i>Median</i> | | | <i>0.91</i> | <i>1.36</i> | <i>0.96</i> | <i>1.04</i> | <i>0.70</i> |
| Europe | | | | | | | | |
| Royal Dutch Shell plc | RDS-A | B | 68.13 | 0.90 | 1.27 | 0.97 | 1.00 | 0.76 |
| Statoil ASA (33%) | STO | CB | 23.71 | 0.86 | 1.18 | 0.94 | 0.99 | 0.64 |
| Total S.A. | TOT | CB | 54.49 | 0.88 | 1.17 | 0.96 | 0.98 | 0.56 |
| BG Group plc | BRGXF | | 105.14 | 0.83 | 1.33 | 0.93 | 0.98 | 0.86 |
| BP plc | BP | | 42.26 | 0.91 | 1.29 | 0.97 | 0.98 | 0.58 |
| | <i>Median</i> | | | <i>0.89</i> | <i>1.28</i> | <i>0.96</i> | <i>0.98</i> | <i>0.67</i> |
| Brazil/Russia/Australia/China | | | | | | | | |
| PetroChina Company Ltd (14%) | PTR | B | 143.16 | 0.92 | 1.29 | 1.02 | 1.06 | 0.73 |
| Gazprom (50%) | OGZPY | B | 14.00 | 0.83 | 1.38 | 0.95 | 1.03 | 0.55 |
| CNOOC Limited (36%) | CEO | | 228.30 | 0.85 | 1.44 | 0.96 | 1.00 | 0.92 |
| Lukoil Oil Company | LUKOY | CB | 61.85 | 0.83 | 1.22 | 0.97 | 0.99 | 0.44 |
| Woodside Petroleum Ltd. | WOPEY | | 42.00 | 0.83 | 1.18 | 0.89 | 0.95 | 0.94 |
| Petrobras | PBR | CB | 32.26 | 0.80 | 1.02 | 0.95 | 0.92 | 0.58 |
| | <i>Median</i> | | | <i>0.83</i> | <i>1.25</i> | <i>0.95</i> | <i>0.99</i> | <i>0.65</i> |
| U.S. Independent | | | | | | | | |
| Southwestern Energy Company | SWN | | 44.83 | 0.92 | 1.29 | 0.97 | 1.06 | 0.97 |
| Occidental Petroleum Corp. | OXY | B | 98.92 | 0.85 | 1.33 | 0.96 | 1.04 | 0.82 |
| Chesapeake Energy Corp. | CHK | | 28.01 | 0.85 | 1.22 | 0.95 | 1.01 | 0.90 |
| Anadarko Petroleum Corp. | APC | | 72.00 | 0.89 | 1.48 | 0.97 | 1.00 | 0.95 |
| EOG Resources, Inc. | EOG | CB | 100.33 | 0.85 | 1.14 | 0.95 | 0.99 | 0.80 |
| Devon Energy Corporation | DVN | CB | 76.02 | 0.83 | 1.25 | 0.92 | 0.97 | 0.70 |
| | <i>Median</i> | | | <i>0.85</i> | <i>1.27</i> | <i>0.95</i> | <i>1.00</i> | <i>0.86</i> |
| Canada | | | | | | | | |
| Cenovus Energy Inc. | CVE | B | 33.85 | 0.86 | 1.27 | 0.96 | 1.01 | 0.74 |
| Imperial Oil Limited (30%) | IMO | B | 44.08 | 0.81 | 1.20 | 0.92 | 1.00 | 0.74 |
| Suncor Energy | SU | CB | 37.43 | 0.81 | 1.24 | 0.92 | 0.97 | 0.63 |
| EnCana Corporation | ECA | CB | 29.18 | 0.88 | 1.08 | 0.93 | 0.96 | 0.67 |
| Canadian Natural Resources | CNQ | | 38.82 | 0.79 | 1.21 | 0.93 | 0.94 | 0.64 |
| Penn West Exploration | PWE | | 22.16 | 0.82 | 1.17 | 0.93 | 0.94 | 0.78 |
| Canadian Oil Sands Limited | COSWF | CB | 26.66 | 0.77 | 1.15 | 0.87 | 0.94 | 0.54 |
| | <i>Median</i> | | | <i>0.81</i> | <i>1.20</i> | <i>0.93</i> | <i>0.96</i> | <i>0.67</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

June 28, 2011

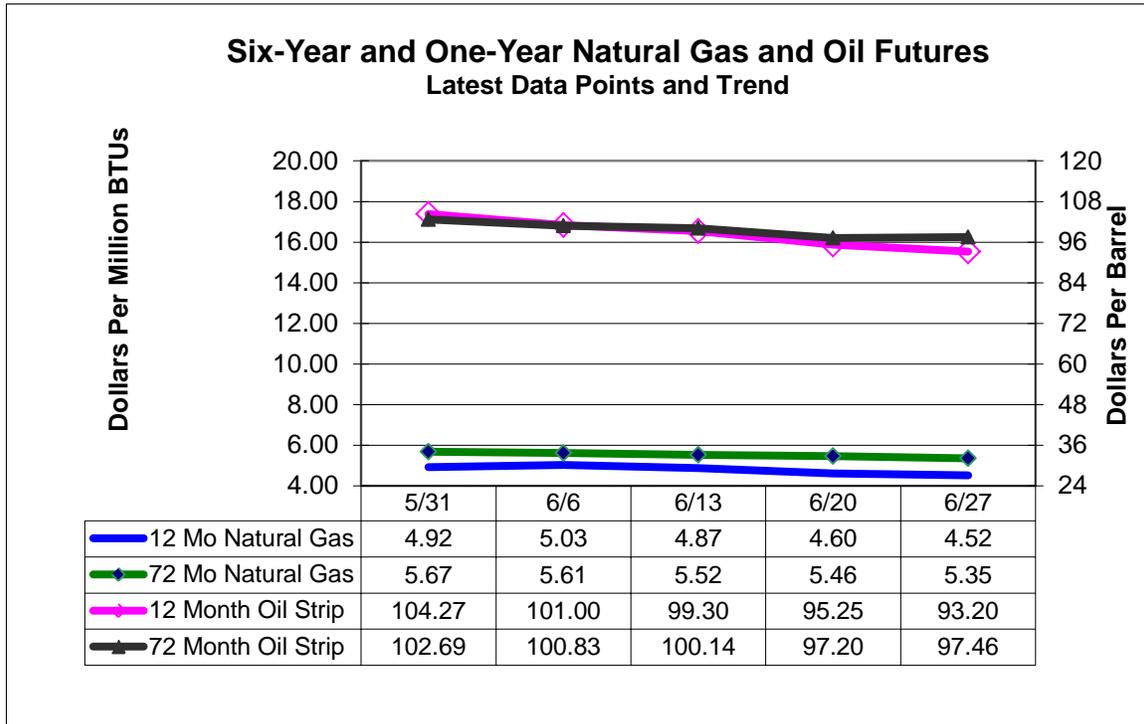
| Index of Recent Research | | | |
|---|-----------------|--------------------------------|--|
| Stock Ideas | | | |
| <u>Date</u> | <u>Symbol</u> | <u>Subject</u> | <u>Theme</u> |
| 24-Jun | HGT, SJT, MTR | Hugoton, San Juan, Mesa RTrust | Income Enhancers (ISC Weekly) |
| 21-Jun | WOPEY | Woodside Petroleum | Remove Buy on Costs and Delay (Meter Reader) |
| 17-Jun | PEYUF | Peyto Exploration | Update Growth (Income and Small Cap) |
| 14-Jun | CVE | Cenovus Energy | Accelerating Deep Oil Sands (Meter Reader) |
| 10-Jun | WLL | Whiting Petroleum | Bakken Backlog (Income and Small Cap Weekly) |
| 7-Jun | IMO | Imperial Oil | Double Oil Production by 2020 (Meter Reader) |
| 3-Jun | HK | Petrohawk | Raise NPV to \$34 a Share from \$24 on Eagle Ford (ISCW) |
| 31-May | OXY | Occidental Petroleum | Triple California Oil Production by 2020 (Meter Reader) |
| 27-May | XEC | Cimarex Energy | Timely Buy on Stock Price Underperformance (ISCW) |
| 24-May | STO | Statoil | Nordic Oil and Gas Stalwart (Meter Reader) |
| 20-May | SBR | Sabine Royalty Trust | Raise NPV to \$70 from \$59 on Rising Volume (ISCW) |
| 17-May | PBR | Petrobras | Out-of-Favor Oil Growth (Meter Reader) |
| 13-May | DMLP | Dorchester Minerals, L.P. | Fayetteville and Bakken Growth (Income and Small Cap Weekly) |
| 10-May | EOG | EOG Resources | High-Profit Light Sweet North American Oil (Meter Reader) |
| 3-May | TOT | Total | Profiting Outside U.S. (Meter Reader) |
| 29-Apr | BIREF | Birchcliff Energy | Independent Engineer Confirms Natural Gas Upside (ISCW) |
| 29-Apr | COSWF | Canadian Oil Sands Limited | Dividend Increased 50% |
| 22-Apr | ERF | Enerplus Corporation | New Buy - Bakken and Marcellus with 7% Income (ISCW) |
| 21-Apr | ECA | Encana | North America's Natural Gas Pure Play |
| 19-Apr | DVN | Devon Energy | Rich Resources, Low McDep, Low Debt (Meter Reader) |
| 12-Apr | COP | ConocoPhillips | Bad Government Actions Good for Oil Profits (Meter Reader) |
| 8-Apr | RRC | Range Resources | Raise NPV to \$60 from \$50 a Share (Income and Small Cap) |
| 5-Apr | CVX | Chevron | Raise NPV to \$154 a Share from \$146 (Meter Reader) |
| 29-Mar | XOM | Exxon Mobil | Natural Gas Enhanced by Nuclear (Meter Reader) |
| 22-Mar | PTR | PetroChina | Overlooked Oil in PTR Stock (Meter Reader) |
| 15-Mar | LUKOY | Lukoil | Lukoil and Russia Ride the Rise of Oil (Meter Reader) |
| 8-Mar | CNQ | Canadian Natural Resources | End Buy (Meter Reader) |
| 22-Feb | OGZPY | Gazprom | Nearer Accord on Natural Gas to China (Meter Reader) |
| For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name. | | | |
| Meter Reader | | | |
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