



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks
December 13, 2011

No Fluff

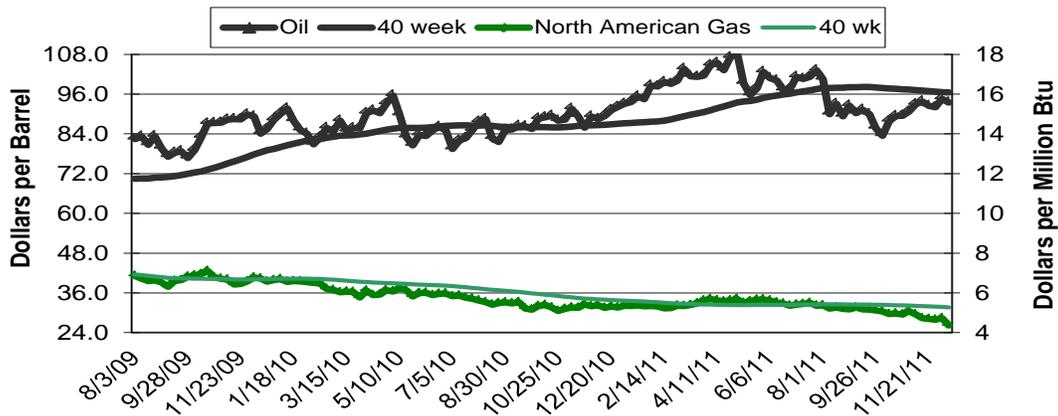
Summary and Recommendation

Believing in long-term values we advocate accumulating recommended stocks in the face of volatile markets. At a median McDep Ratio of 0.62 there appears to be no excess valuation in our buy recommendations (see [Tables 1-2](#) on page 2-3). Median unlevered multiple of enterprise value to estimated cash flow for the next twelve months (EV/Ebitda) for Buy and Contrarian Buy stocks is a low 4.7 times (see [Table 3](#) on page 4). More tangibly, median indicated annual dividend yield is 3.1%. Six recommended companies -- three European (RDS - 4.8%, STO - 4.2%, TOT - 5.9%), a Brazilian (PBR - 4.8%), a Chinese (PTR - 4.5%) and a Canadian (COSWF - 5.7%) -- pay expected income from 4.2% to as high as 5.9% (see [Table 3](#) on page 4). Five buys trade at stock prices above the 200-day average (CVX, XOM, STO, RDS, EOG) while the other 14 get the Contrarian designation for trading below the 200-day average (see [Table 4](#) on page 5). The oil price trend looks comparatively firm as futures prices for the next six years in North America trade at \$93 a barrel, near the 40-week average of \$97. The natural gas price trend seems weak with futures prices for the next six years in North America trading at \$4.55 a million btu, below the 40-week average of \$5.27 (see charts [Six-Year Commodity Price Meter](#) below and [Six-Year and One-Year Natural Gas and Oil Futures](#) on page 7). Recommendations have evolved to more concentration on oil as a result of divergent price trends for the two fuels as well as changing strategic emphasis for the companies. While it may require extra patience to buy the one large cap recommendation dominated by natural gas (ECA - 89%), experience has shown us the value of maintaining representation in both oil and natural gas (see *Present Value by Segment* on [Table 1](#)).

Kurt H. Wulff, CFA

□

Six-Year Commodity Price Meter
Indicator of Resource Value Trend





Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 13, 2011

			Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)				McDep Ratio
						North Amer.	Rest of World	Oil Prod'n	Down- stream	
Symbol/Rating			12-Dec 2011			Natural Gas	Natural Gas			
B = Buy, CB (see below)										
U.S. Integrated										
Exxon Mobil Corporation	XOM	B	80.05	1.19	460,000	9	19	57	15	0.75
ConocoPhillips	COP	CB	70.48	1.44	137,000	14	11	58	17	0.68
Chevron Corporation	CVX	B	103.07	1.12	230,000	3	10	78	9	0.63
<i>Total or Median</i>					827,000			58		0.68
Europe										
BG Group	BRGXF		20.58	1.22	85,900		34	46	21	0.85
Royal Dutch Shell plc	RDS-A	B	70.63	1.28	283,000	3	20	59	18	0.74
Statoil ASA (33%)	STO	B	25.56	1.46	39,300		34	66	-	0.67
BP plc	BP		41.83	1.68	222,000	4	9	64	23	0.62
Total S.A.	TOT	CB	50.55	1.34	153,000		21	66	13	0.58
<i>Total or Median</i>					783,000			64		0.67
Brazil/Russia/Australia/China										
Woodside Petroleum Ltd.	WOPEY		31.90	1.26	32,000		64	36	-	0.75
CNOOC Limited (36%)	CEO		186.64	1.01	30,400		9	91	-	0.75
PetroChina Company Ltd (14%)	PTR	CB	120.33	1.35	41,500		14	70	16	0.64
Petrobras	PBR	CB	26.20	1.38	234,000		8	77	15	0.50
Gazprom (50%)	OGZPY	CB	10.17	1.24	73,000		64	19	17	0.42
Lukoil Oil Company	LUKOY	CB	49.69	1.07	42,600			72	28	0.35
<i>Total or Median</i>					454,000			72		0.57
U.S. Independent										
Anadarko Petroleum Corp.	APC		77.81	1.49	57,500	38		59	3	0.90
Southwestern Energy Company	SWN		35.59	1.11	13,900	100			-	0.86
Chesapeake Energy Corp.	CHK		23.72	1.93	34,500	71		29	-	0.83
EOG Resources, Inc.	EOG	B	101.05	1.20	31,200	41	4	55	-	0.81
Occidental Petroleum Corp.	OXY	CB	91.78	1.09	81,500	10	1	80	8	0.76
Devon Energy Corporation	DVN	CB	64.23	1.23	32,800	55		45	-	0.62
Marathon Oil Corporation	MRO	CB	27.32	1.27	24,700	7	4	89	-	0.56
<i>Total or Median</i>					276,000			55		0.81
Canada										
Cenovus Energy Inc.	CVE	CB	33.20	1.26	31,700	16		75	9	0.73
Imperial Oil Limited (30%)	IMO	CB	42.23	1.14	12,400	3		86	11	0.71
Penn West Exploration	PWE		18.46	1.46	12,600	16		84	-	0.68
EnCana Corporation	ECA	CB	18.51	1.77	24,200	89		11	-	0.54
Suncor Energy	SU	CB	28.27	1.29	57,900	2		86	11	0.51
Canadian Oil Sands Limited	COSWF	CB	20.47	1.15	11,400			100	-	0.43
<i>Total or Median</i>					150,000			85		0.61
Composite					2,490,000	9	15	63	14	0.64

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 13, 2011

			Price (US\$/sh)	Shares	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
	Symbol/Rating		12-Dec 2011	(mm)				
	B = Buy, CB (see below)							
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	80.05	4,843	388,000	112.00	0.12	0.75
ConocoPhillips	COP	CB	70.48	1,345	95,000	119.00	0.21	0.68
Chevron Corporation	CVX	B	103.07	1,999	206,000	170.00	0.07	0.63
	<i>Total or Median</i>				689,000		0.12	0.68
Europe								
BG Group plc	BRGXF		20.58	3,412	70,200	25.00	0.16	0.85
Royal Dutch Shell plc	RDS-A	B	70.63	3,124	221,000	102.00	0.16	0.74
Statoil ASA (33%)	STO	B	25.56	1,050	26,800	44.00	0.21	0.67
BP plc	BP		41.83	3,170	133,000	85.00	0.25	0.62
Total S.A.	TOT	CB	50.55	2,261	114,000	100.00	0.15	0.58
	<i>Total or Median</i>				565,000		0.16	0.67
Brazil/Russia/Australia/China								
Woodside Petroleum Ltd.	WOPEY		31.90	787	25,100	45.00	0.16	0.75
CNOOC Limited (36%)	CEO		186.64	162	30,200	250.00	0.01	0.75
PetroChina Company Ltd (14%)	PTR	CB	120.33	256	30,800	210.00	0.17	0.64
Petrobras	PBR	CB	26.20	6,465	169,400	62.00	0.14	0.50
Gazprom (50%)	OGZPY	CB	10.17	5,750	58,500	28.00	0.08	0.42
Lukoil Oil Company	LUKOY	CB	49.69	799	39,700	150.00	0.02	0.35
	<i>Total or Median</i>				354,000		0.11	0.57
U.S. Independent								
Anadarko Petroleum Corp.	APC		77.81	498	38,700	90.00	0.30	0.90
Southwestern Energy Company	SWN		35.59	350	12,500	42.00	0.09	0.86
Chesapeake Energy Corp.	CHK		23.72	753	17,900	33.00	0.40	0.83
EOG Resources, Inc.	EOG	B	101.05	258	26,000	130.00	0.13	0.81
Occidental Petroleum Corp.	OXY	CB	91.78	813	74,600	123.00	0.06	0.76
Devon Energy Corporation	DVN	CB	64.23	415	26,700	112.00	0.12	0.62
Marathon Oil Corporation	MRO	CB	27.32	714	19,510	54.00	0.12	0.56
	<i>Total or Median</i>				215,900		0.12	0.81
Canada								
Cenovus Energy Inc.	CVE	CB	33.20	758	25,200	49.00	0.15	0.73
Imperial Oil Limited (30%)	IMO	CB	42.23	256	10,800	62.00	0.09	0.71
Penn West Exploration	PWE		18.46	469	8,600	31.00	0.22	0.68
EnCana Corporation	ECA	CB	18.51	738	13,700	46.00	0.24	0.54
Suncor Energy	SU	CB	28.27	1,582	44,700	64.00	0.11	0.51
Canadian Oil Sands Limited	COSWF	CB	20.47	485	9,900	52.00	0.06	0.43
	<i>Total or Median</i>				113,000		0.13	0.61

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.



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 13, 2011

Table 3								
McDep Large Cap Energy Stocks								
Value Multiples and Distribution Yield								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/Rating		12-Dec 2011	NTM	NTM	NTM	NTM	
	B = Buy, CB (see below)							
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	80.05	14.3	7.2	5.4	9	2.3
ConocoPhillips	COP	CB	70.48	12.6	7.5	5.1	9	3.7
Chevron Corporation	CVX	B	103.07	8.8	6.3	4.0	7	3.1
	<i>Total or Median</i>			12.6	7.2	5.1	9	3.1
Europe								
BG Group plc	BRGXF		20.58	16.8	9.6	8.2	15	1.1
Royal Dutch Shell plc	RDS-A	B	70.63	9.0	6.1	4.5	8	4.8
BP plc	BP		41.83	11.4	7.1	4.4	5	4.0
Statoil ASA (33%)	STO	B	25.56	6.6	6.2	4.2	8	4.2
Total S.A.	TOT	CB	50.55	9.9	6.9	4.0	6	5.9
	<i>Total or Median</i>			9.9	6.9	4.4	8	4.2
Brazil/Russia/Australia/China								
Woodside Petroleum Ltd.	WOPEY		31.90	20.6	8.7	6.6	10	3.4
Petrobras	PBR	CB	26.20	13.6	9.6	4.8	6	4.8
PetroChina Company Ltd (14%)	PTR	CB	120.33	13.3	6.4	4.1	7	4.5
CNOOC Limited (36%)	CEO		186.64	6.9	5.2	3.9	7	3.4
Gazprom (50%)	OGZPY	CB	10.17	30.2	5.8	2.4	3	2.9
Lukoil Oil Company	LUKOY	CB	49.69	16.6	5.9	2.0	3	3.8
	<i>Total or Median</i>			15.1	6.1	4.0	6	3.6
U.S. Independent								
Southwestern Energy Company	SWN		35.59	7.2	13.1	11.3	21	-
Chesapeake Energy Corp.	CHK		23.72	9.7	9.7	8.1	8	1.5
Anadarko Petroleum Corp.	APC		77.81	7.2	7.7	6.9	24	0.5
EOG Resources, Inc.	EOG	B	101.05	9.0	7.3	5.9	20	0.6
Devon Energy Corporation	DVN	CB	64.23	10.2	8.9	5.6	10	1.1
Occidental Petroleum Corp.	OXY	CB	91.78	11.1	7.1	5.4	10	2.0
Marathon Oil Corporation	MRO	CB	27.32	9.8	5.9	3.3	7	2.2
	<i>Total or Median</i>			9.7	7.7	5.9	10	1.1
Canada								
Imperial Oil Limited (30%)	IMO	CB	42.23	43.0	12.4	8.8	13	1.0
Cenovus Energy Inc.	CVE	CB	33.20	21.3	11.6	8.4	24	2.3
EnCana Corporation	ECA	CB	18.51	12.2	14.0	7.6	39	4.3
Penn West Exploration	PWE		18.46	8.4	10.0	6.8	15	5.7
Suncor Energy	SU	CB	28.27	24.5	9.4	4.7	8	1.5
Canadian Oil Sands Limited	COSWF	CB	20.47	27.8	10.9	4.6	7	5.7
	<i>Total or Median</i>			22.9	11.2	7.2	14	3.3
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, 2012; 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 13, 2011

Table 4									
McDep Large Cap Energy Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price						
	Symbol		(\$/sh)	Enterprise Value/					
			12-Dec	52Wk	52Wk	50 Day	200 Day	McDep	
	Rating		2011	High	Low	Avg.	Avg.	Ratio	
U.S. Integrated									
	Chevron Corporation	CVX	B	103.07	0.94	1.17	1.02	1.01	0.63
	Exxon Mobil Corporation	XOM	B	80.05	0.92	1.16	1.02	1.01	0.75
	ConocoPhillips	COP	CB	70.48	0.90	1.13	1.01	0.99	0.68
	<i>Median</i>			<i>0.92</i>	<i>1.16</i>	<i>1.02</i>	<i>1.01</i>	<i>0.68</i>	
Europe									
	Statoil ASA (33%)	STO	B	25.56	0.90	1.17	1.02	1.01	0.67
	Royal Dutch Shell plc	RDS-A	B	70.63	0.93	1.16	1.02	1.01	0.74
	BP plc	BP		41.83	0.90	1.13	1.00	0.99	0.62
	Total S.A.	TOT	CB	50.55	0.83	1.19	1.00	0.96	0.58
	BG Group plc	BRGXF		102.91	0.82	1.14	0.98	0.94	0.85
	<i>Median</i>			<i>0.90</i>	<i>1.16</i>	<i>1.01</i>	<i>1.00</i>	<i>0.67</i>	
Brazil/Russia/Australia/China									
	PetroChina Company Ltd (14%)	PTR	CB	120.33	0.81	1.06	0.97	0.92	0.64
	CNOOC Limited (36%)	CEO		186.64	0.69	1.32	1.02	0.88	0.75
	Petrobras	PBR	CB	26.20	0.69	1.18	1.02	0.87	0.50
	Lukoil Oil Company	LUKOY	CB	49.69	0.67	1.07	0.91	0.82	0.35
	Woodside Petroleum Ltd.	WOPEY		31.90	0.66	1.07	0.92	0.81	0.75
	Gazprom (50%)	OGZPY	CB	10.17	0.63	1.14	0.94	0.80	0.42
	<i>Median</i>			<i>0.68</i>	<i>1.11</i>	<i>0.95</i>	<i>0.84</i>	<i>0.57</i>	
U.S. Independent									
	Anadarko Petroleum Corp.	APC		77.81	0.94	1.22	1.02	1.02	0.90
	EOG Resources, Inc.	EOG	B	101.05	0.86	1.39	1.08	1.01	0.81
	Occidental Petroleum Corp.	OXY	CB	91.78	0.79	1.34	1.02	0.97	0.76
	Southwestern Energy Company	SWN		41.54	0.74	1.13	0.93	0.89	0.86
	Devon Energy Corporation	DVN	CB	64.23	0.73	1.21	1.02	0.88	0.62
	Chesapeake Energy Corp.	CHK		23.72	0.79	1.03	0.95	0.88	0.83
	Marathon Oil Corporation	MRO	CB	27.32					0.56
	<i>Median</i>			<i>0.79</i>	<i>1.21</i>	<i>1.02</i>	<i>0.93</i>	<i>0.81</i>	
Canada									
	Cenovus Energy Inc.	CVE	CB	33.20	0.85	1.17	1.00	0.95	0.73
	Imperial Oil Limited (30%)	IMO	CB	42.23	0.78	1.26	1.04	0.95	0.71
	Penn West Exploration	PWE		18.46	0.72	1.29	1.05	0.89	0.68
	Suncor Energy	SU	CB	28.27	0.64	1.19	0.96	0.82	0.51
	Canadian Oil Sands Limited	COSWF	CB	20.46	0.61	1.17	0.98	0.79	0.43
	EnCana Corporation	ECA	CB	18.51	0.66	1.03	0.96	0.79	0.54
	<i>Median</i>			<i>0.72</i>	<i>1.19</i>	<i>1.00</i>	<i>0.89</i>	<i>0.68</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 13, 2011

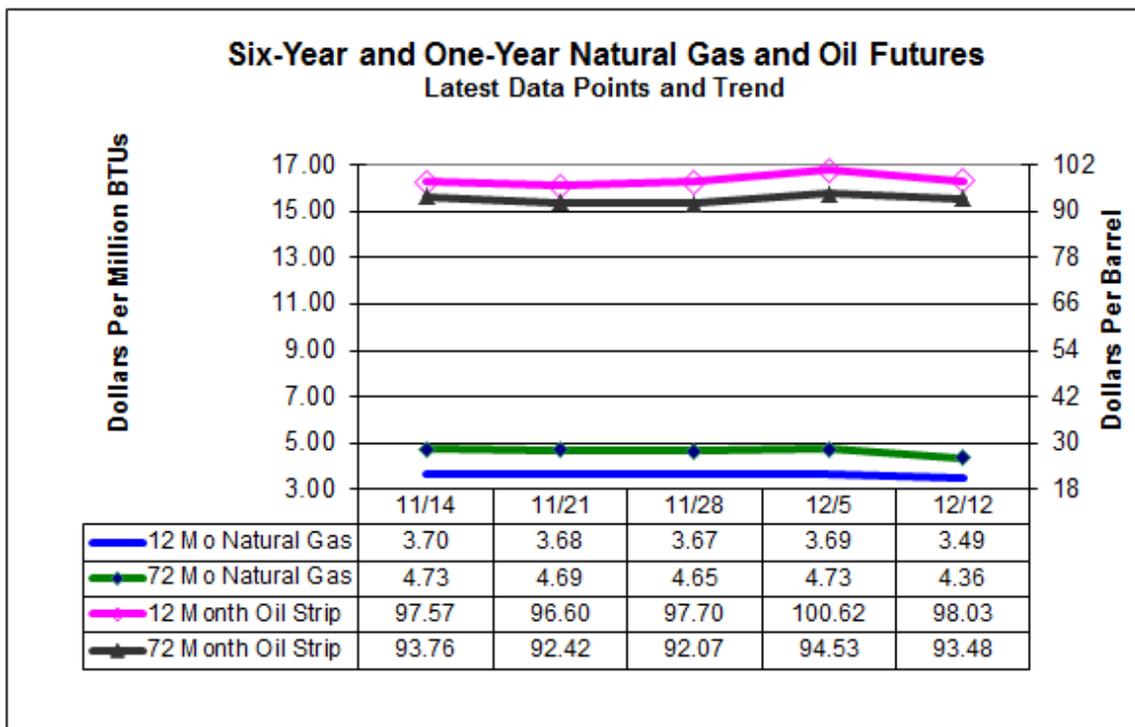
Index of Recent Research			
Stock Ideas			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
8-Dec	COSWF	Canadian Oil Sands Limited	Dividend Upside in 2012
2-Dec	XEC	Cimarex Energy	Hedged against Frackophobia (ISCW)
29-Nov	LUKOY, OGZPY	Lukoil, Gazprom	Oil and Gas Undervalued in Russian Stocks (Meter Reader)
25-Nov	COSWF	Canadian Oil Sands Limited	Dividend Obstacle Removed
23-Nov	WLL	Whiting Petroleum	North Dakota Shale Oil (Income and Small Cap Weekly)
22-Nov	XOM	Exxon Mobil	Stash Your Cash in ExxonMobil Stock (Meter Reader)
18-Nov	DMLP	Dorchester Minerals, L.P.	Insider Accumulation (Income and Small Cap Weekly)
15-Nov	CVE, IMO, SU, COSWF		Buy Canadian Oil on U.S. Presidential Disappointment (MR)
8-Nov	DVN, EOG, OXY, MRO		U.S. Independent Shale Buys (Meter Reader)
4-Nov	NDRO	Enduro Royalty Trust	New Bottom Line Cash Payer (Income and Small Cap Weekly)
1-Nov	RDS	Royal Dutch Shell plc	Raise NPV to \$102 from \$96 on Reappearing Luster (MR)
25-Oct	ECA, PBR	Encana, Petrobras	Most Out-of-Favor Buys (Meter Reader)
19-Oct	PETD	PDC Energy	Returning to Appalachian Roots (ISCW)
18-Oct	APC, BP	Anadarko Petroleum, BP plc	Settle Oil Spill Dispute (Meter Reader)
14-Oct	ERF	Enerplus Corporation	Marcellus, Bakken and Canada with 8% Income (ISCW)
3-Oct	STO	Statoil	Giant North Sea Oil Discovery (Meter Reader)
7-Oct	BIREF	Birchcliff Energy	Seeks Offers to Acquire the Company (ISCW)
30-Sep	RRC, WLL, XEC, LINE, LGCY		5 Ideas from IPAA San Francisco
23-Sep	SJT, HGT	San Juan Basin RT, Hugoton RT	Transfer Buy to SJT from HGT (Income and Small Cap Wkly)
16-Sep	FRHLF, PBT, SBR, DMLP, CRT		Volume Upside in Top Line Cash Payers (Income and Small Cap)
13-Sep	EOG	EOG Resources	Horizontal Leads Renewed U.S. Oil Growth (Meter Reader)
30-Aug	PTR	PetroChina	China Growth at Low Stock Market Value (Meter Reader)
9-Aug	HK	Petrohawk	Discontinue on Pending Acquisition at NPV Premium (ISCW)
9-Aug	RRC	Range Resources	Raise NPV to \$70 from \$60 a Share (Income and Small Cap)
2-Aug	CVX	Chevron	Raise NPV to \$170 from \$154 on Cash Flow Margin
2-Aug	TOT	Total	Lower NPV to \$100 from \$111 on Cash Flow Margin (MReader)
19-Jul	COP	ConocoPhillips	Downstream Spinoff Promises to Unlock Value (Meter Reader)
5-Jul	DVN	Devon Energy	Thermal Oil Growth in Canada (Meter Reader)
21-Jun	WOPEY	Woodside Petroleum	Remove Buy on Costs and Delay (Meter Reader)
17-Jun	PEYUF	Peyto Exploration	Update Growth (Income and Small Cap)
For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.			
Meter Reader			
6-Dec	COP	ConocoPhillips	Buy Ahead of Downstream Spinoff
29-Nov	LUKOY, OGZPY	Lukoil, Gazprom	Oil and Gas Undervalued in Russian Stocks
22-Nov	XOM	Exxon Mobil	Stash Your Cash in ExxonMobil Stock
15-Nov	CVE, IMO, SU, COSWF		Buy Canadian Oil Producers on U.S. Presidential Disappointment
For earlier editions, go to mcdep.com , click on Meter Reader .			
Income and Small Cap Weekly			
9-Dec	PETD	PDC Energy	Raise NPV to \$36 from \$32 on Wattenberg Drilling
2-Dec	XEC	Cimarex	Hedged against Frackophobia
23-Nov	WLL	Whiting Petroleum	North Dakota Shale Oil
18-Nov	DMLP	Dorchester Minerals, L.P.	Insider Accumulation
For earlier editions, go to mcdep.com , click on Energy Income .			
Industry Ideas			
10-Oct	China Buys More Oil and Gas in Canada		Sinopec Bids for Daylight Energy



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 13, 2011



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.