



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 20, 2011

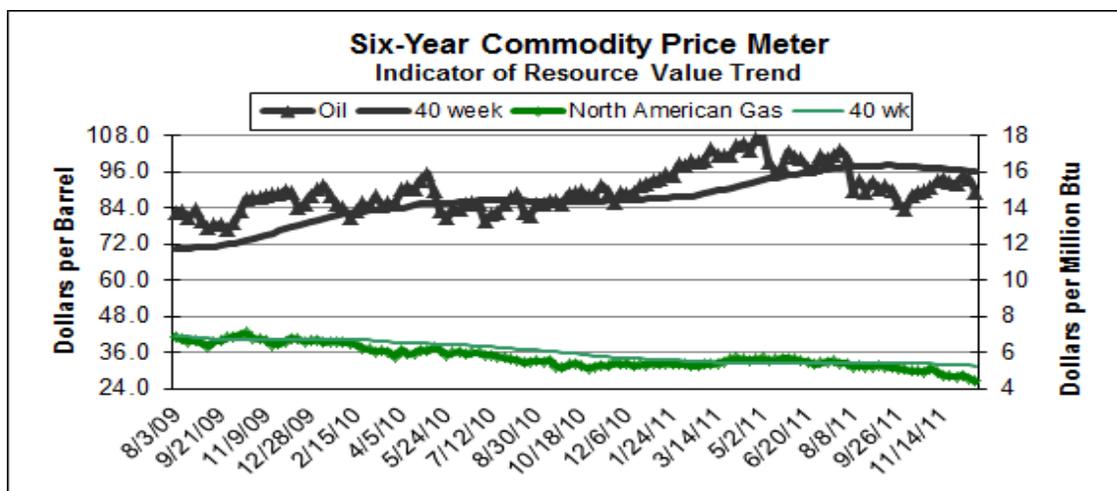
Centenarians Win Large Cap Race in 2011

Summary and Recommendation

In the 100th anniversary year of the breakup of the Standard Oil Trust, the separate companies and their Anglo-Dutch rival delivered most of the positive performance for investors in large cap global oil and gas producers. Running slow, but steady, the old guys beat most of the upstarts in the past twelve months of “risk on – risk off” market schizophrenia. Our Buys of late 2010 fared better than all-industry equity alternatives in each geographic group. Total return for U.S. Large Cap Buys was +7% for the past twelve months compared to the Total U.S. Stock Market at -1%. European Buys beat Europe and Pacific stocks, +8% to -14%. Australia/Brazil/Russia/China Buys were off less than Emerging Market stocks, -11% to -18% (see table One-Year Total Return on page 2). Among U.S. Buys, **ExxonMobil** (XOM +14%), **Chevron** (CVX +17%), **Marathon** (MRO +27%) and the Conoco of **ConocoPhillips** (COP +8%) were original Rockefeller companies. Their principal global competitor 100 years ago, **Royal Dutch Shell** (RDS +14%) paced our European Buys. Another Rockefeller company, **Imperial Oil** (IMO +10%) was the leader in performance of Canadian recommendations in place for the full year.

Meanwhile McDep Ratios remain low (see Tables 1-2 on page 3-4). Dividends are attractive at indicated annual yield as high as 6.3% (see Table 3 on page 5). Contrarian opportunities abound as prices are below the 200-day average for most stocks (see Table 4 on page 6). Both oil price and natural gas price also trade below the equivalent 40-week average (see charts Six-Year Commodity Price Meter below and Six-Year and One-Year Natural Gas and Oil Futures on page 8). We are gradually building global equities, primarily McDep stocks, large cap as well as small cap and income, toward a 70% portfolio allocation while holding cash, bonds and gold to 30%.

Kurt H. Wulff, CFA





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McDep Large Cap Energy Portfolio						
One-Year Total Return						
			<i>Price</i>	<i>McDep</i>	<i>Total</i>	<i>Total</i>
	<i>Symbol</i>	<i>Rating</i>	<i>(US\$/sh)</i>	<i>Ratio</i>	<i>Return</i>	<i>Return</i>
		<i>20-Dec</i>	<i>20-Dec</i>	<i>20-Dec</i>	<i>19-Dec</i>	<i>Buy</i>
		<i>2010</i>	<i>2010</i>	<i>2010</i>	<i>2011</i>	<i>Only</i>
U.S. Integrated						
Exxon Mobil Corporation	XOM	B	72.22	0.73	14%	14%
Chevron Corporation	CVX	B	88.80	0.66	17%	17%
ConocoPhillips	COP	B	65.99	0.65	8%	8%
Marathon Oil Corporation	MRO	B	35.91	0.64	27%	27%
	<i>Average</i>				17%	17%
Europe						
BG Group plc	BRGXF		20.76	0.85	0%	
Royal Dutch Shell plc	RDS-A	B	64.53	0.76	14%	14%
Statoil ASA (33%)	STO	B	22.99	0.64	13%	13%
BP plc	BP		43.68	0.61	-3%	
Total S.A.	TOT	B	52.69	0.56	-4%	-4%
	<i>Average</i>				4%	8%
Australia/Brazil/China/Russia						
CNOOC Limited (34%)	CEO		228.98	1.11	-21%	
Woodside Petroleum Ltd.	WOPEY	B	42.55	0.91	-27%	2%
PetroChina Company Ltd (14%)	PTR	B	124.97	0.67	-4%	-4%
Petrobras	PBR	B	33.93	0.65	-25%	-25%
Gazprom (50%)	OGZPY	B	56.67	0.51	-8%	-8%
Lukoil Oil Company	LUKOY	B	25.40	0.42	-18%	-18%
	<i>Average</i>				-17%	-11%
U.S. Independent						
Anadarko Petroleum Corp.	APC		66.42	0.99	10%	
Southwestern Energy Company	SWN		35.51	1.08	-7%	
Occidental Petroleum Corp.	OXY	B	95.47	0.81	-5%	-5%
Chesapeake Energy Corp.	CHK		25.36	0.87	-10%	
EOG Resources, Inc.	EOG	CB	91.46	0.75	7%	7%
Devon Energy Corporation	DVN	B	73.98	0.72	-17%	-17%
	<i>Average</i>				-4%	-5%
Canada						
Penn West Petroleum Ltd.	PWE		23.18	0.82	-14%	
Cenovus Energy Inc.	CVE	B	31.40	0.73	1%	1%
Canadian Natural Resources Limited	CNQ	B	42.41	0.72		15%
Imperial Oil Limited (30%)	IMO	B	38.09	0.69	10%	10%
Suncor Energy	SU	B	36.10	0.66	-25%	-25%
Canadian Oil Sands Limited	COSWF	B	24.74	0.55	-10%	-10%
EnCana Corporation	ECA	CB	28.05	0.66	-33%	-33%
	<i>Average</i>				-12%	-7%
	<i>All McDep Stocks</i>				-4%	-1%
	<i>U.S. McDep Stocks</i>				4%	7%
	<i>Total Stock Market - U.S.</i>	<i>VTI</i>			-1%	
	<i>Europe and Pacific</i>	<i>VEA</i>			-14%	
	<i>Emerging Markets</i>	<i>VWO</i>			-18%	
Buy removed on WOPEY on 6/20/11						
Buy removed on CNQ on 3/7/11, dropped from coverage.						
Total return from <i>Bloomberg</i> (intraday price on 12/19/11).						

Please see disclosures on the final page.

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McDep Large Cap Energy Stocks								
Net Present Value and McDep Ratio								
			<i>Price</i>			<i>Net</i>		
			<i>(US\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>Symbol/Rating</i>		<i>19-Dec</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
	B = Buy, CB (see below)		<i>2011</i>	<i>(mm)</i>	<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	<i>Ratio</i>
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	79.54	4,843	385,000	112.00	0.12	0.74
ConocoPhillips	COP	CB	67.85	1,345	91,000	119.00	0.21	0.66
Chevron Corporation	CVX	CB	99.72	1,999	199,000	170.00	0.07	0.61
<i>Total or Median</i>					<i>675,000</i>		<i>0.12</i>	<i>0.66</i>
Europe								
BG Group plc	BRGXF		20.04	3,412	68,400	25.00	0.16	0.83
Royal Dutch Shell plc	RDS-A	B	69.75	3,124	218,000	102.00	0.16	0.74
Statoil ASA (33%)	STO	CB	24.42	1,050	25,600	44.00	0.21	0.65
BP plc	BP		40.50	3,170	128,000	85.00	0.25	0.61
Total S.A.	TOT	CB	47.08	2,261	106,000	100.00	0.14	0.55
<i>Total or Median</i>					<i>546,000</i>		<i>0.16</i>	<i>0.65</i>
Brazil/Russia/Australia/China								
Woodside Petroleum Ltd.	WOPEY		29.63	787	23,300	45.00	0.16	0.71
CNOOC Limited (36%)	CEO		172.24	162	27,800	250.00	0.01	0.69
PetroChina Company Ltd (14%)	PTR	CB	114.45	256	29,300	210.00	0.17	0.62
Petrobras	PBR	CB	24.02	6,465	155,300	62.00	0.14	0.47
Gazprom (50%)	OGZPY	CB	10.15	5,750	58,400	28.00	0.08	0.41
Lukoil Oil Company	LUKOY	CB	50.01	799	40,000	150.00	0.02	0.35
<i>Total or Median</i>					<i>334,000</i>		<i>0.11</i>	<i>0.55</i>
U.S. Independent								
Anadarko Petroleum Corp.	APC		71.40	498	35,600	90.00	0.30	0.86
Chesapeake Energy Corp.	CHK		22.07	753	16,600	33.00	0.40	0.80
Southwestern Energy Company	SWN		32.66	350	11,400	42.00	0.09	0.80
EOG Resources, Inc.	EOG	CB	95.58	257	24,600	130.00	0.13	0.77
Occidental Petroleum Corp.	OXY	CB	87.35	813	71,000	123.00	0.06	0.73
Devon Energy Corporation	DVN	CB	59.05	415	24,500	112.00	0.12	0.58
Marathon Oil Corporation	MRO	CB	26.46	714	18,890	54.00	0.12	0.55
<i>Total or Median</i>					<i>202,600</i>		<i>0.12</i>	<i>0.77</i>
Canada								
Imperial Oil Limited (30%)	IMO	CB	40.86	256	10,500	62.00	0.09	0.69
Penn West Exploration	PWE		18.73	469	8,800	31.00	0.21	0.69
Cenovus Energy Inc.	CVE	CB	30.25	758	22,900	49.00	0.15	0.67
EnCana Corporation	ECA	CB	17.87	738	13,200	46.00	0.24	0.53
Suncor Energy	SU	CB	26.45	1,582	41,800	64.00	0.11	0.48
Canadian Oil Sands Limited	COSWF	CB	20.81	485	10,100	52.00	0.06	0.43
<i>Total or Median</i>					<i>107,000</i>		<i>0.13</i>	<i>0.60</i>

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 Stocks									
Value Multiples and Distribution Yield									
			Price	Adjustd				Divd or	
			(US\$/sh)	Resrvs/	PV/	EV/		Distrib	
	Symbol/Rating		19-Dec	Prod	Ebitda	Ebitda	P/E	NTM	
	B = Buy, CB (see below)		2011	NTM	NTM	NTM	NTM	(%)	
U.S. Integrated									
	Exxon Mobil Corporation	XOM	B	79.54	14.3	7.4	5.5	9	2.4
	ConocoPhillips	COP	CB	67.85	12.6	7.7	5.1	9	3.9
	Chevron Corporation	CVX	CB	99.72	8.8	6.5	4.0	7	3.2
	<i>Total or Median</i>				12.6	7.4	5.1	9	3.2
Europe									
	BG Group plc	BRGXF		20.04	16.8	9.8	8.1	14	1.1
	Royal Dutch Shell plc	RDS-A	B	69.75	9.0	6.3	4.6	8	4.8
	BP plc	BP		40.50	11.4	7.3	4.4	6	4.1
	Statoil ASA (33%)	STO	CB	24.42	6.6	6.4	4.2	8	4.3
	Total S.A.	TOT	CB	47.08	9.9	7.0	3.8	6	6.3
	<i>Total or Median</i>				9.9	7.0	4.4	8	4.3
Brazil/Russia/Australia/China									
	Woodside Petroleum Ltd.	WOPEY		29.63	20.6	9.1	6.5	10	3.7
	Petrobras	PBR	CB	24.02	13.6	9.9	4.7	6	5.3
	PetroChina Company Ltd (14%)	PTR	CB	114.45	13.3	6.6	4.1	7	4.8
	CNOOC Limited (36%)	CEO		172.24	6.9	5.4	3.8	7	3.7
	Gazprom (50%)	OGZPY	CB	10.15	30.2	6.0	2.5	4	2.9
	Lukoil Oil Company	LUKOY	CB	50.01	16.6	6.0	2.1	4	3.7
	<i>Total or Median</i>				15.1	6.3	3.9	6	3.7
U.S. Independent									
	Southwestern Energy Company	SWN		32.66	7.2	13.6	10.8	19	-
	Chesapeake Energy Corp.	CHK		22.07	9.7	10.1	8.1	8	1.6
	Anadarko Petroleum Corp.	APC		71.40	7.2	8.0	6.8	25	0.5
	EOG Resources, Inc.	EOG	CB	95.58	9.0	7.6	5.9	21	0.7
	Devon Energy Corporation	DVN	CB	59.05	10.2	9.3	5.4	10	1.2
	Occidental Petroleum Corp.	OXY	CB	87.35	11.1	7.3	5.3	10	2.1
	Marathon Oil Corporation	MRO	CB	26.46	9.8	6.1	3.4	7	2.3
	<i>Total or Median</i>				9.7	8.0	5.9	10	1.2
Canada									
	Imperial Oil Limited (30%)	IMO	CB	40.86	43.0	12.9	8.9	13	1.0
	Cenovus Energy Inc.	CVE	CB	30.25	21.3	12.0	8.1	23	2.5
	EnCana Corporation	ECA	CB	17.87	12.2	14.5	7.7	41	4.5
	Penn West Exploration	PWE		18.73	8.4	10.4	7.1	15	5.6
	Canadian Oil Sands Limited	COSWF	CB	20.81	27.8	11.5	5.0	7	5.6
	Suncor Energy	SU	CB	26.45	24.5	9.7	4.6	8	1.6
	<i>Total or Median</i>				22.9	11.7	7.4	14	3.5
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, 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 Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price (\$/sh)	Enterprise Value/					
	Symbol		19-Dec	52Wk	52Wk	50 Day	200 Day	McDep	
		Rating	2011	High	Low	Avg.	Avg.	Ratio	
U.S. Integrated									
	Exxon Mobil Corporation	XOM	B	79.54	0.92	1.15	1.01	1.00	0.74
	Chevron Corporation	CVX	CB	99.72	0.92	1.13	0.98	0.98	0.61
	ConocoPhillips	COP	CB	67.85	0.88	1.10	0.98	0.96	0.66
	<i>Median</i>			<i>0.92</i>	<i>1.13</i>	<i>0.98</i>	<i>0.98</i>	<i>0.66</i>	
Europe									
	Royal Dutch Shell plc	RDS-A	B	69.75	0.92	1.15	1.00	1.00	0.74
	Statoil ASA (33%)	STO	CB	24.42	0.87	1.14	0.98	0.98	0.65
	BP plc	BP		40.50	0.88	1.11	0.98	0.97	0.61
	BG Group plc	BRGXF		100.21	0.81	1.11	0.95	0.92	0.83
	Total S.A.	TOT	CB	47.08	0.79	1.12	0.95	0.91	0.55
	<i>Median</i>			<i>0.88</i>	<i>1.13</i>	<i>0.98</i>	<i>0.98</i>	<i>0.65</i>	
Brazil/Russia/Australia/China									
	PetroChina Company Ltd (14%)	PTR	CB	114.45	0.78	1.02	0.93	0.89	0.62
	Lukoil Oil Company	LUKOY	CB	50.01	0.67	1.08	0.92	0.83	0.35
	Petrobras	PBR	CB	24.02	0.64	1.11	0.95	0.83	0.47
	CNOOC Limited (36%)	CEO		172.24	0.64	1.22	0.93	0.82	0.69
	Gazprom (50%)	OGZPY	CB	10.15	0.63	1.14	0.93	0.81	0.41
	Woodside Petroleum Ltd.	WOPEY		29.63	0.63	1.01	0.87	0.77	0.71
	<i>Median</i>			<i>0.64</i>	<i>1.09</i>	<i>0.93</i>	<i>0.82</i>	<i>0.55</i>	
U.S. Independent									
	EOG Resources, Inc.	EOG	CB	95.58	0.82	1.33	1.01	0.97	0.77
	Anadarko Petroleum Corp.	APC		71.40	0.89	1.15	0.95	0.96	0.86
	Occidental Petroleum Corp.	OXY	CB	87.35	0.76	1.28	0.96	0.93	0.73
	Chesapeake Energy Corp.	CHK		22.07	0.76	0.99	0.92	0.85	0.80
	Southwestern Energy Company	SWN		38.99	0.69	1.05	0.86	0.83	0.80
	Devon Energy Corporation	DVN	CB	59.05	0.68	1.13	0.94	0.83	0.58
	Marathon Oil Corporation	MRO	CB	26.46					0.55
	<i>Median</i>			<i>0.76</i>	<i>1.14</i>	<i>0.95</i>	<i>0.89</i>	<i>0.77</i>	
Canada									
	Imperial Oil Limited (30%)	IMO	CB	40.86	0.76	1.23	1.00	0.93	0.69
	Penn West Exploration	PWE		18.73	0.73	1.30	1.05	0.91	0.69
	Cenovus Energy Inc.	CVE	CB	30.25	0.79	1.09	0.93	0.89	0.67
	Canadian Oil Sands Limited	COSWF	CB	20.86	0.62	1.18	0.99	0.81	0.43
	Suncor Energy	SU	CB	26.45	0.61	1.13	0.91	0.78	0.48
	EnCana Corporation	ECA	CB	17.87	0.65	1.01	0.94	0.78	0.53
	<i>Median</i>			<i>0.73</i>	<i>1.14</i>	<i>0.95</i>	<i>0.89</i>	<i>0.67</i>	

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



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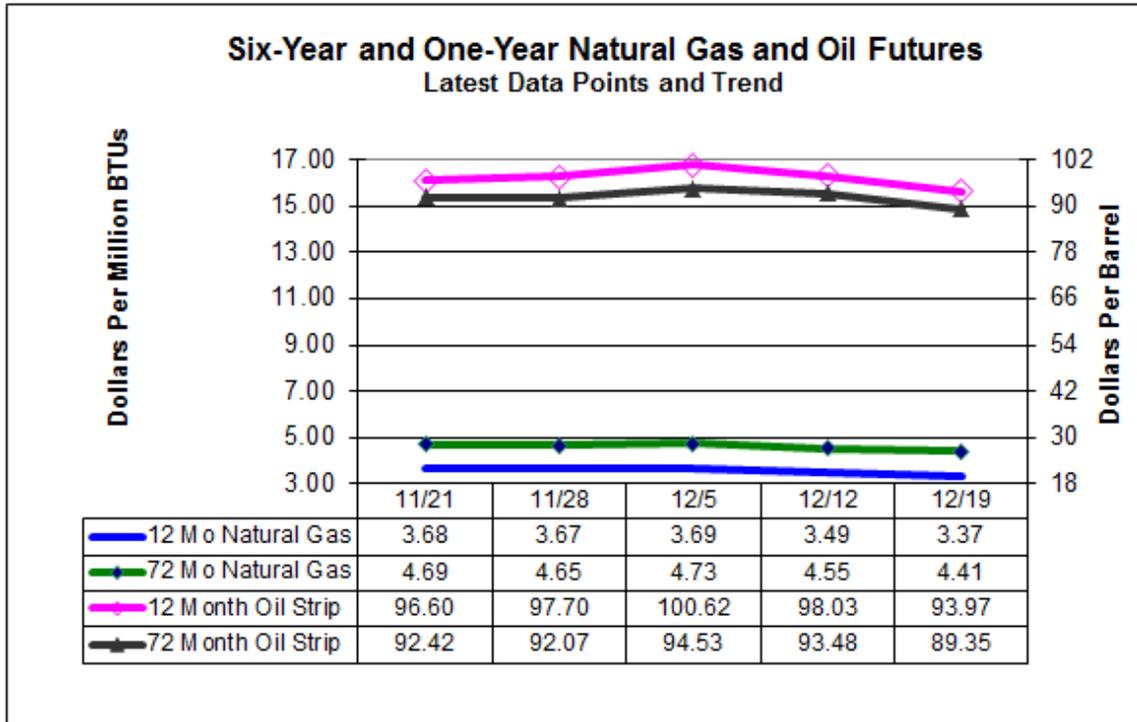
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Index of Recent Research			
Stock Ideas			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
8-Dec	COSWF	Canadian Oil Sands Limited	Dividend Upside in 2012
2-Dec	XEC	Cimarex Energy	Hedged against Frackophobia (ISCW)
29-Nov	LUKOY, OGZPY	Lukoil, 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			
13-Dec			No Fluff
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
For earlier editions, go to mcdep.com , click on Meter Reader .			
Income and Small Cap Weekly			
16-Dec			Hits Offset Misses in Small Cap Producers
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
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



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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.