



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

December 4, 2012

Bigger Bakken Shale Oil Volume Booster, Slight Price Dampener

Summary and Recommendation

King of the Bakken, small cap buy **Continental Resources (CLR)** created by Harold Hamm, announces well results that prompt a 57% increase in estimated oil in place to 903 billion barrels equivalent. Estimated recoverable reserves remain unchanged at 24 billion barrels in the Bakken and the first bench of the Three Forks formation (TF1), the largest oil discovery in the U.S. in forty years or more. The latest well successfully tested 953 barrels daily in the third bench (TF3). The first TF2 well has been producing since last year. A TF4 probe is part of a 14-well test program to be completed in 2013 which may demonstrate whether the current estimate of 24 billion barrels recoverable can be increased in line with oil in place. CLR is proving the volume prospects remain bright for Bakken producers including large cap buys **EOG Resources (EOG)**, **Statoil (STO)**, **Marathon Oil (MRO)**, **ConocoPhillips (COP)** and **ExxonMobil (XOM)**. The price impact is to limit the likelihood of undesirably high oil price in the future. The slow pace of regulatory approval of transportation options periodically depresses the price for growing Bakken volume in North Dakota as well as oil sands volume in Alberta. Yet, delay in getting oil to market tends to drive up global oil price, which benefits all producers. Nonetheless, near-term North American oil price is trending down with latest futures for the next six years at \$89 a barrel compared to the 40-week average of \$90 (see chart [Six-Year and One-Year Futures](#) on last page). With the global oil price over \$100, we keep our long-term assumption at \$100. Natural gas, on the other hand, is in an uptrend with the six-year quote of \$4.32 a million btu above the rising 40-week average at \$4.13. Investment values look attractive in our buy recommendations and related stocks (see [Tables 1-3](#) on pages 2-4).

Kurt H. Wulff, CFA



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Table 1										
McDep Large Cap Energy Stocks										
Geographic Domicile and Business Segments										
					Present Value by Segment (%)					
		Price	EV/	Enterprise	North	Rest				
Symbol/Rating		(US\$/sh)	Market	Value	Amer.	of World				
B = Buy, CB (see below)		3-Dec	Cap	(\$mm)	Natural	Natural	Oil	Down-	McDep	
		2012			Gas	Gas	Prod'n	stream	Ratio	
U.S. and Europe Integrated										
BG Group	BRGYY		17.14	1.33	78,000		25	41	34	0.86
Exxon Mobil Corporation	XOM B		87.61	1.17	473,000	7	19	57	16	0.82
Royal Dutch Shell plc	RDS-A CB		66.69	1.29	270,000	3	22	56	18	0.71
Statoil ASA (33%)	STO CB		24.14	1.53	38,800		35	65	-	0.65
Chevron Corporation	CVX CB		104.66	1.14	234,000	3	11	76	10	0.65
BP plc	BP		41.19	1.66	218,000	4	8	63	25	0.61
Total S.A.	TOT B		49.97	1.37	155,000		19	67	14	0.58
<i>Total or Median</i>					1,467,000			63		0.65
Brazil/Russia/Australia/China										
CNOOC Limited (36%)	CEO		210.11	1.01	34,300		9	91	-	0.84
Woodside Petroleum Ltd.	WOPEY		35.53	1.26	36,000		66	34	-	0.83
PetroChina Company Ltd (14%)	PTR CB		131.90	1.41	47,700		14	77	8	0.70
Petrobras	PBR CB		18.12	1.66	196,000		6	81	13	0.53
Lukoil Oil Company	LUKOY B		62.75	1.03	50,000			77	23	0.43
Gazprom (50%)	OGZPY CB		8.98	1.41	73,000		11	12	77	0.40
<i>Total or Median</i>					437,000			77		0.62
U.S. Independent										
Southwestern Energy Company	SWN		34.98	1.15	14,100	100			-	0.89
EOG Resources, Inc.	EOG B		117.24	1.20	38,000	31	5	64	-	0.83
Chesapeake Energy Corp.	CHK		16.90	2.80	35,600	58		42	-	0.82
Anadarko Petroleum Corp.	APC		73.79	1.46	53,900	35		63	3	0.75
ConocoPhillips	COP B		57.17	1.57	108,000	14	12	74	-	0.70
Occidental Petroleum Corp.	OXY CB		73.58	1.15	68,800	8	1	81	10	0.65
Marathon Oil Corporation	MRO B		30.80	1.47	32,100	8	3	90	-	0.61
Devon Energy Corporation	DVN CB		51.90	1.42	29,900	48		52	-	0.60
<i>Total or Median</i>					380,000			64		0.72
Canada										
Cenovus Energy Inc.	CVE CB		33.42	1.30	32,800	10		72	18	0.75
Imperial Oil Limited (30%)	IMO CB		43.02	1.19	13,000	2		84	14	0.73
EnCana Corporation	ECA B		21.70	1.60	25,500	89		11	-	0.69
Penn West Exploration	PWE		10.98	1.90	9,700	18		82	-	0.69
Suncor Energy	SU B		32.48	1.28	64,000	2		79	19	0.57
Canadian Oil Sands Limited	COSWF CB		20.30	1.24	12,200			100	-	0.50
<i>Total or Median</i>					157,000			81		0.69
Composite					2,441,000	8	13	63	16	0.66

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



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Table 2								
McDep Large Cap Energy Stocks								
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		3-Dec 2012	(mm)				
B = Buy, CB (see below)								
U.S. and Europe Integrated								
BG Group plc	BRGYY		17.14	3,417	58,600	21.00	0.21	0.86
Exxon Mobil Corporation	XOM	B	87.61	4,597	403,000	110.00	0.12	0.82
Royal Dutch Shell plc	RDS-A	CB	66.69	3,137	209,000	102.00	0.16	0.71
Statoil ASA (33%)	STO	CB	24.14	1,050	25,400	44.00	0.23	0.65
Chevron Corporation	CVX	CB	104.66	1,960	205,000	170.00	0.08	0.65
BP plc	BP		41.19	3,190	131,000	84.00	0.24	0.61
Total S.A.	TOT	B	49.97	2,261	113,000	100.00	0.16	0.58
<i>Total or Median</i>					<i>1,145,000</i>		<i>0.16</i>	<i>0.65</i>
Brazil/Russia/Australia/China								
CNOOC Limited (36%)	CEO		210.11	161	33,900	250.00	0.01	0.84
Woodside Petroleum Ltd.	WOPEY		35.53	808	28,700	45.00	0.17	0.83
PetroChina Company Ltd (14%)	PTR	CB	131.90	256	33,800	210.00	0.21	0.70
Petrobras	PBR	CB	18.12	6,522	118,200	45.00	0.21	0.53
Lukoil Oil Company	LUKOY	B	62.75	775	48,600	150.00	0.01	0.43
Gazprom (50%)	OGZPY	CB	8.98	5,735	51,500	28.00	0.12	0.40
<i>Total or Median</i>					<i>315,000</i>		<i>0.14</i>	<i>0.62</i>
U.S. Independent								
Southwestern Energy Company	SWN		34.98	349	12,200	40.00	0.12	0.89
EOG Resources, Inc.	EOG	B	117.24	271	31,800	145.00	0.14	0.83
Chesapeake Energy Corp.	CHK		16.90	751	12,700	27.00	0.53	0.82
Anadarko Petroleum Corp.	APC		73.79	502	37,000	110.00	0.23	0.75
ConocoPhillips	COP	B	57.17	1,207	69,000	96.00	0.25	0.70
Occidental Petroleum Corp.	OXY	CB	73.58	810	59,600	120.00	0.09	0.65
Marathon Oil Corporation	MRO	B	30.80	709	21,840	60.00	0.19	0.61
Devon Energy Corporation	DVN	CB	51.90	405	21,000	102.00	0.18	0.60
<i>Total or Median</i>					<i>265,100</i>		<i>0.19</i>	<i>0.72</i>
Canada								
Cenovus Energy Inc.	CVE	CB	33.42	758	25,300	48.00	0.17	0.75
Imperial Oil Limited (30%)	IMO	CB	43.02	255	11,000	62.00	0.12	0.73
EnCana Corporation	ECA	B	21.70	736	16,000	37.00	0.26	0.69
Penn West Exploration	PWE		10.98	477	5,100	20.00	0.32	0.69
Suncor Energy	SU	B	32.48	1,538	50,000	64.00	0.12	0.57
Canadian Oil Sands Limited	COSWF	CB	20.30	485	9,900	45.00	0.10	0.50
<i>Total or Median</i>					<i>117,000</i>		<i>0.15</i>	<i>0.69</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, \$6 a million btu.



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Table 3							
McDep Large Cap Energy Stocks							
Value Multiples and Dividend Yield							
			Price	Adjustd			
			(US\$/sh)	Resrvs/	PV/	EV/	Dividend
	Symbol/Rating		3-Dec	Prod	Ebitda	Ebitda	P/E
	B = Buy, CB (see below)		2012	NTM	NTM	NTM	NTM
							(%)
U.S. and Europe Integrated							
BG Group plc	BRGY		17.14	9.7	8.6	7.3	12
Exxon Mobil Corporation	XOM	B	87.61	13.6	8.2	6.7	12
BP plc	BP		41.19	11.5	8.8	5.4	8
Chevron Corporation	CVX	CB	104.66	9.5	7.7	5.0	10
Royal Dutch Shell plc	RDS-A	CB	66.69	10.1	6.8	4.9	9
Total S.A.	TOT	B	49.97	10.3	7.9	4.6	8
Statoil ASA (33%)	STO	CB	24.14	6.3	6.5	4.2	8
	<i>Median</i>			<i>10.1</i>	<i>7.9</i>	<i>5.0</i>	<i>9</i>
Brazil/Russia/Australia/China							
Woodside Petroleum Ltd.	WOPEY		35.53	13.0	9.4	7.8	13
PetroChina Company Ltd (14%)	PTR	CB	131.90	12.8	7.8	5.5	11
CNOOC Limited (36%)	CEO		210.11	6.6	5.8	4.9	10
Petrobras	PBR	CB	18.12	13.4	9.1	4.8	6
Lukoil Oil Company	LUKOY	B	62.75	16.4	6.4	2.7	5
Gazprom (50%)	OGZPY	CB	8.98	31.2	6.2	2.5	3
	<i>Median</i>			<i>13.2</i>	<i>7.1</i>	<i>4.9</i>	<i>8</i>
U.S. Independent							
Southwestern Energy Company	SWN		34.98	7.0	11.8	10.5	29
Chesapeake Energy Corp.	CHK		16.90	10.0	10.3	8.5	69
Anadarko Petroleum Corp.	APC		73.79	8.2	8.4	6.3	21
EOG Resources, Inc.	EOG	B	117.24	8.5	7.3	6.1	19
Devon Energy Corporation	DVN	CB	51.90	10.7	10.1	6.0	14
ConocoPhillips	COP	B	57.17	12.7	8.4	5.9	11
Occidental Petroleum Corp.	OXY	CB	73.58	9.9	8.1	5.2	11
Marathon Oil Corporation	MRO	B	30.80	8.7	7.6	4.6	9
	<i>Median</i>			<i>9.3</i>	<i>8.4</i>	<i>6.1</i>	<i>17</i>
Canada							
EnCana Corporation	ECA	B	21.70	8.6	17.6	12.2	3.7
Imperial Oil Limited (30%)	IMO	CB	43.02	18.5	10.9	8.0	10
Cenovus Energy Inc.	CVE	CB	33.42	12.4	9.6	7.2	18
Penn West Exploration	PWE		10.98	7.7	10.1	7.0	27
Canadian Oil Sands Limited	COSWF	CB	20.30	20.7	12.4	6.3	10
Suncor Energy	SU	B	32.48	17.3	10.3	5.9	11
	<i>Median</i>			<i>14.8</i>	<i>10.6</i>	<i>7.1</i>	<i>11</i>
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, 2013; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses							



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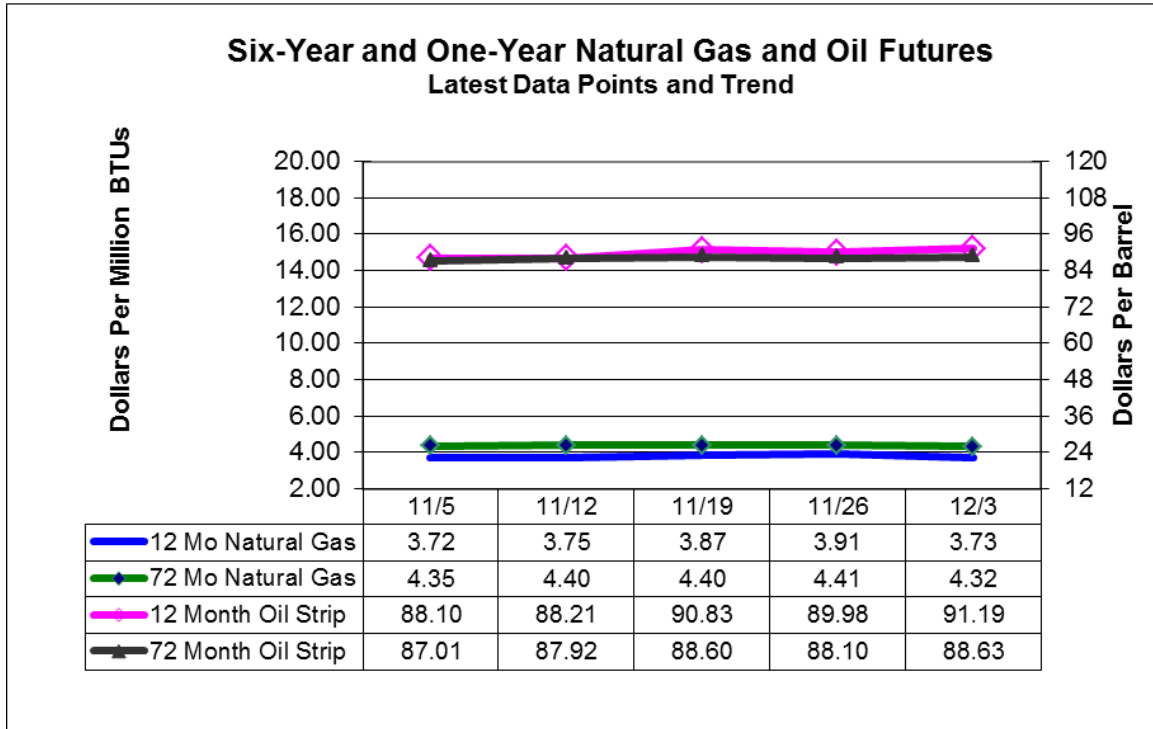
Index of Recent Research			
Stock Ideas			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
30-Nov	SJT	San Juan Basin Royalty Trust	Unlocking the Mancos Shale (Income and Small Cap Weekly)
27-Nov	XOM	Exxon Mobil	Making Money One Way or Another (Meter Reader)
20-Nov	MRO	Marathon Oil	Raise NPV to \$60 from \$54 on Volume (Meter Reader)
16-Nov	ERF	Enerplus Corporation	Bakken Sleeper (Income and Small Cap Weekly)
15-Nov	BIREF	Birchcliff Energy	Record Production, Raise Guidance
13-Nov	EOG	EOG Resources	Raise NPV to \$145 from \$130 on Eagle Ford Monster Wells (MR)
9-Nov	HK	Halcón Resources	Growing at Hawk Speed (Income and Small Cap Weekly)
6-Nov	HGT	Hugoton Royalty Trust	Interim Legal Ruling in Favor of Trust
6-Nov	ECA	Encana Corporation	Stock Trending with Natural Gas Price (Meter Reader)
2-Nov	RRC	Range Resources	Natural Gas Comeback Amplifies Volume Growth (ISCW)
30-Oct	COSWF	Canadian Oil Sands Limited	Discounted Pure Play on North American Oil with Income (MR)
23-Oct	PBR	Petrobras	Stock Price Recovering (Meter Reader)
19-Oct	DMLP	Dorchester Minerals, L.P.	Top Line Core (Income and Small Cap Weekly)
16-Oct	RDS	Royal Dutch Shell	Clean Energy for Global Growth (Meter Reader)
12-Oct	CLR	Continental Resources	New Buy on Bakken Growth (ISCW)
9-Oct	IMO	Imperial Oil	Kearl, Downstream and Syncrude (Meter Reader)
2-Oct	CVX	Chevron	Top Performer Shows Further Promise (Meter Reader)
25-Sep	COP	ConocoPhillips	Thriving Shale Oil, Potential Shale Gas (Meter Reader)
21-Sep	WLL	Whiting Petroleum	Growing, Secure, Price-Sensitive, Light Oil (Inc and Small Cap Wkly)
18-Sep	DVN	Devon Energy	Barnett Shale to Permian and Beyond (Meter Reader)
7-Sep	PEYUF	Peyto Exploration and Developmer	Canada Deep Basin Fracker (Income and Small Cap Weekly)
4-Sep	LUKOY	Lukoil	Proven Competitor, Uncommon Value (Meter Reader)
28-Aug	PTR	PetroChina	Pent-Up Profits (Meter Reader)
21-Aug	TOT	Total	Buy \$100 NPV for \$50 Stock Price (Meter Reader)
14-Aug	APC	Anadarko Petroleum	Raise NPV to \$100 as Growth Trumps Legal Issues (Meter Reader)
7-Aug	SU	Suncor Energy	New CEO, New Focus on Shareholder Return (Meter Reader)
3-Aug	XEC	Cimarex Energy	West Texas Wolfcamp Shale Oil (ISCW)
31-Jul	OXY	Occidental Petroleum	California Oil Growth Accelerates (Meter Reader)
24-Jul	CEO	CNOOC Ltd.	60% Premium in \$21 Billion Deal (Meter Reader)
20-Jul	BRY	Berry Petroleum	Momentum Resuming (Income and Small Cap Weekly)
3-Jul	OGZPY	Gazprom	Dividend Double Approved (Meter Reader)
26-Jun	STO	Statoil	Financially Strong Norse Explorers (Meter Reader)
19-Jun	CVE	Cenovus	Deep Oil Sands Growth at Lower Price (Meter Reader)
12-Jun	BRGY	BG Group	Lower NPV to \$21 (6/12/12 Meter Reader, page 2)
5-Jun	WOPEY	Woodside Petroleum Ltd.	Pluto LNG Delivering (Meter Reader)
For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.			
Meter Reader			
27-Nov	XOM	Exxon Mobil	Making Money One Way or Another
20-Nov	MRO	Marathon Oil	Raise NPV to \$60 from \$54 on Volume
13-Nov	EOG	EOG Resources	Raise NPV to \$145 from \$130 on Eagle Ford Monster Wells
6-Nov	ECA	Encana Corporation	Stock Trending with Natural Gas Price
For earlier editions, go to mcdep.com , click on Meter Reader .			
Income and Small Cap Weekly			
30-Nov	SJT	San Juan Basin Royalty Trust	Unlocking the Mancos Shale
23-Nov		Royalty Trust Fund	Invest through the RTF Cycle
16-Nov	ERF	Enerplus Corporation	Bakken Sleeper
9-Nov	HK	Halcón Resources	Growing at Hawk Speed
For earlier editions, go to mcdep.com , click on Energy Income .			



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