



# Meter Reader

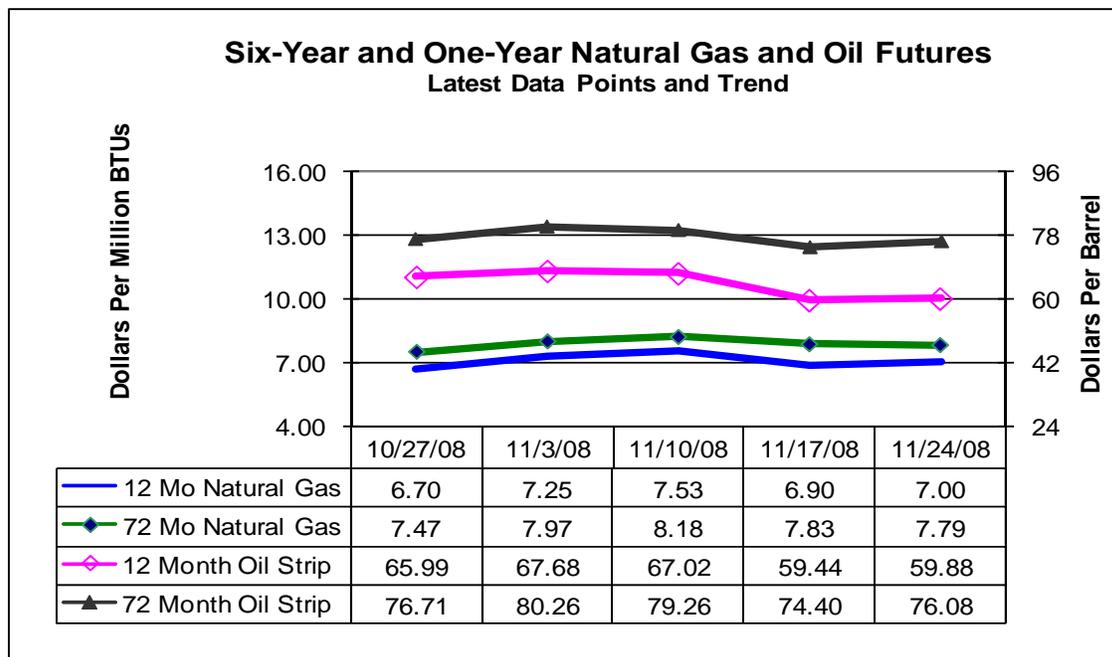
A Weekly Analysis of Energy Stocks Using the McDep Ratio  
November 25, 2008

## Canada on Sale

### Summary and Recommendation

The problems of excessive leverage in the financial sector have contributed to bargain stock prices for healthy energy companies, particularly in Canada where the recent strength of the U.S. dollar adds further to the current attraction of buy recommendations **Encana (ECA)** and **Canadian Oil Sands Trust (COSWF)** (see the ten stock Canada group in valuation tables, pages 2-4). By the McDep Ratio, only the emerging market group, Brazil/Russia/China, is more depressed in price than Canada. Three stocks with the lowest McDep Ratios of the ten North American companies may have more immediate appreciation potential. Two, hold-rated **Suncor (SU)** and **Petro-Canada (PCZ)**, oil sands producers which have trimmed expansion plans, seem to have faced exaggerated selling pressure by panicked investors. A third, small cap independent, **Birchcliff Energy (BIR.TO)**, has built a large Montney formation unconventional natural gas resource position that appears little recognized in a stock price down by three-fourths in a few months. Meanwhile, investors with fixed dollar denominated assets have a better opportunity to diversify as there is more bang in Canadian energy real assets for the U.S. buck. Though highly leveraged financial players may not be back for awhile, their buying power is being replaced by massive government borrowing globally to boost economic activity and indirectly reignite stock market appreciation.

Kurt H. Wulff, CFA





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McDep Energy Portfolio - Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating		Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer.	Rest of World				
	B = Buy H = Hold		24-Nov 2008	Cap		Natural Gas	Natural Gas	Oil Prod'n	Down- stream	McDep Ratio	
<b>U.S. Integrated</b>											
Exxon Mobil Corporation	XOM	H	78.80	1.07	437,000	6	23	46	25	0.88	
Chevron Corporation	CVX	H	74.30	1.17	191,000	5	12	67	16	0.79	
Marathon Oil Corporation	MRO	H	24.51	1.67	29,200	7	7	60	26	0.64	
ConocoPhillips	COP	B	49.51	1.61	122,000	14	9	57	20	0.57	
<i>Total or Median *</i>		<i>39%</i>	<i>11%</i>	<i>9%</i>	<i>779,000</i>					<i>0.71</i>	
<b>Europe</b>											
BP plc	BP	H	46.14	1.48	213,000	8	14	62	15	0.71	
BG Group	BRGXF		12.82	1.09	47,400		29	46	25	0.69	
Total S.A.	TOT	B	52.93	1.14	135,000		25	52	23	0.62	
Royal Dutch Shell plc	RDS-A	H	50.80	1.27	199,000	3	23	44	31	0.61	
StatoilHydro ASA (29%)	STO	B	16.23	1.38	20,700		43	57		0.54	
<i>Total or Median *</i>		<i>31%</i>	<i>14%</i>	<i>18%</i>	<i>615,000</i>					<i>0.62</i>	
<b>Brazil/China/Russia</b>											
PetroChina Company Ltd (14%)	PTR	B	76.05	1.14	22,100		14	69	17	0.54	
CNOOC Limited (34%)	CEO	H	71.36	1.00	10,900		12	88		0.53	
Petrobras	PBR		19.31	1.43	121,000		13	77	10	0.47	
Gazprom (50%)	OGZPY	B	16.50	1.41	72,000		80	20		0.33	
Lukoil Oil Company	LUKOY	H	33.50	1.14	32,100			61	39	0.27	
<i>Total or Median *</i>		<i>13%</i>	<i>14%</i>	<i>18%</i>	<i>258,000</i>					<i>0.47</i>	
<b>U.S. Independent</b>											
San Juan Basin Royalty Trust	SJT	H	28.74	1.00	1,340	100				0.85	
EOG Resources	EOG	H	83.64	1.10	23,100	71	7	22		0.82	
Anadarko Petroleum Corp.	APC	H	37.87	1.93	34,100	54		42	4	0.74	
Encore Acquisition Company	EAC	H	24.47	2.09	2,740	18		83		0.69	
XTO Energy Inc.	XTO	B	34.25	1.62	30,700	77		23		0.68	
Energy Partners Ltd.	EPL		3.70	5.88	710	38		62		0.68	
Hugoton Royalty Trust	HGT	B	20.22	1.00	810	100				0.68	
Devon Energy Corporation	DVN	B	72.78	1.18	38,500	64		36		0.67	
Chesapeake Energy Corp.	CHK		18.26	2.39	25,600	91		9		0.61	
Berry Petroleum Company	BRY	H	11.70	3.61	1,910	42		58		0.60	
Occidental Petroleum Corp.	OXY	H	50.55	1.12	46,300	12	1	79	8	0.60	
Cimarex Energy Company	XEC	B	26.15	1.26	2,800	65		35		0.43	
<i>Total or Median *</i>		<i>10%</i>	<i>33%</i>	<i>36%</i>	<i>209,000</i>					<i>0.68</i>	
<b>Canada</b>											
Pengrowth Energy Trust	PGH		9.08	1.81	4,090	34		66		0.70	
Penn West Energy Trust	PWE	H	14.43	1.68	9,500	28		72		0.66	
Encana Corporation	ECA	B	41.55	1.44	45,000	68		29	4	0.64	
Imperial Oil Limited (30%)	IMO	H	28.51	1.09	8,200	5		80	16	0.61	
Canadian Natural Resources	CNQ	H	36.83	1.55	30,800	26		74		0.54	
Enerplus Resources Fund	ERF		20.53	1.23	4,170	56		44		0.52	
Canadian Oil Sands Trust	COSWF	B	19.05	1.10	10,100			100		0.48	
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.78	1.43	630	75		25		0.46	
Suncor Energy	SU	H	18.52	1.34	23,600	3		92	5	0.40	
Petro-Canada	PCZ	H	20.21	1.44	14,100	11	3	70	16	0.38	
<i>Total or Median *</i>		<i>7%</i>	<i>28%</i>	<i>18%</i>	<i>150,000</i>					<i>0.53</i>	
<b>Composite</b>											
<i>Enterprise Value Weighting</i>		<i>100%</i>			<i>2,011,000</i>	<i>12</i>	<i>18</i>	<i>53</i>	<i>17</i>	<i>0.63</i>	
<i>Equal Weighting</i>			<i>100%</i>			<i>30</i>	<i>9</i>	<i>53</i>	<i>8</i>	<i>0.60</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>35</i>	<i>16</i>	<i>43</i>	<i>6</i>	<i>0.56</i>	
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.											
* Percentages in Price column refer to equal weighted buys.											



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November 25, 2008

Oil and Gas Producers - Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)		Market	Present	Debt/	
	B = Buy	24-Nov	Shares		Cap	Value	Present	McDep
	H = Hold	2008	(mm)		(US\$mm)	(US\$/sh)	Value	Ratio
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	H	78.80	5,160	407,000	90.00	0.06	0.88
Chevron Corporation	CVX	H	74.30	2,206	164,000	98.00	0.11	0.79
Marathon Oil Corporation	MRO	H	24.51	711	17,430	48.00	0.26	0.64
ConocoPhillips	COP	B	49.51	1,528	76,000	109.00	0.22	0.57
<i>Total or Median</i>					664,000		0.17	0.71
<b>Europe</b>								
BP plc	BP	H	46.14	3,124	144,000	74.00	0.23	0.71
BG Group plc	BRGXF		12.82	3,382	43,360	19.00	0.06	0.69
Total S.A.	TOT	B	52.93	2,244	119,000	90.00	0.08	0.62
Royal Dutch Shell plc	RDS-A	H	50.80	3,080	157,000	92.00	0.13	0.61
StatoilHydro ASA (29%)	STO	B	16.23	924	15,000	35.00	0.15	0.54
<i>Total or Median</i>					478,000		0.13	0.62
<b>Brazil/China/Russia</b>								
PetroChina Company Ltd (14%)	PTR	B	76.05	256	19,480	150.00	0.06	0.54
CNOOC Limited (34%)	CEO	H	71.36	152	10,870	135.00	-	0.53
Petrobras	PBR		19.31	4,387	84,710	50.00	0.14	0.47
Gazprom (50%)	OGZPY	B	16.50	3,080	50,800	64.00	0.10	0.33
Lukoil Oil Company	LUKOY	H	33.50	839	28,000	135.00	0.03	0.27
<i>Total or Median</i>					194,000		0.06	0.47
<b>U.S. Independent</b>								
San Juan Basin Royalty Trust	SJT	H	28.74	47	1,340	34.00	-	0.85
EOG Resources	EOG	H	83.64	251	21,000	104.00	0.08	0.82
Anadarko Petroleum Corp.	APC	H	37.87	468	17,700	64.00	0.35	0.74
Encore Acquisition Company	EAC	H	24.47	54	1,310	48.00	0.36	0.69
XTO Energy Inc.	XTO	B	34.25	552	18,910	60.00	0.26	0.68
Energy Partners Ltd.	EPL		3.70	32	120	14.00	0.57	0.68
Hugoton Royalty Trust	HGT	B	20.22	40	810	30.00	-	0.68
Devon Energy Corporation	DVN	B	72.78	446	32,500	116.00	0.10	0.67
Chesapeake Energy Corp.	CHK		18.26	588	10,740	46.00	0.36	0.61
Berry Petroleum Company	BRY	H	11.70	46	530	40.00	0.43	0.60
Occidental Petroleum Corp.	OXY	H	50.55	818	41,300	89.00	0.06	0.60
Cimarex Energy Company	XEC	B	26.15	85	2,210	70.00	0.09	0.43
<i>Total or Median</i>					148,500		0.18	0.68
<b>Canada</b>								
Pengrowth Energy Trust	PGH		9.08	249	2,260	16.00	0.32	0.70
Penn West Energy Trust	PWE	H	14.43	390	5,630	27.00	0.27	0.66
Encana Corporation	ECA	B	41.55	751	31,200	75.00	0.20	0.64
Imperial Oil Limited (30%)	IMO	H	28.51	265	7,560	48.00	0.05	0.61
Canadian Natural Resources	CNQ	H	36.83	541	19,900	85.00	0.19	0.54
Enerplus Resources Fund	ERF		20.53	165	3,390	44.00	0.10	0.52
Canadian Oil Sands Trust	COSWF	B	19.05	482	9,180	42.00	0.04	0.48
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.78	117	440	10.00	0.14	0.46
Suncor Energy	SU	H	18.52	953	17,650	55.00	0.10	0.40
Petro-Canada	PCZ	H	20.21	484	9,780	67.00	0.12	0.38
<i>Total or Median</i>					107,000		0.13	0.53
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, \$10 a million btu.								



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Oil and Gas Producers - Value Multiples and Distribution Yield								
			Price	Adjustd			Divd or	
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/	Distrib	
	B = Buy	24-Nov	Prod	Ebitda	Ebitda	P/E	NTM	
	H = Hold	2008	NTM	NTM	NTM	NTM	(%)	
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	H	78.80	12.9	8.5	7.5	14	2.0
Chevron Corporation	CVX	H	74.30	9.6	8.2	6.4	12	3.5
ConocoPhillips	COP	B	49.51	11.0	8.7	5.0	9	3.8
Marathon Oil Corporation	MRO	H	24.51	8.5	7.4	4.7	8	3.9
	<i>Total or Median</i>			<i>10.3</i>	<i>8.3</i>	<i>5.7</i>	<i>11</i>	<i>3.6</i>
<b>Europe</b>								
BG Group plc	BRGXF		12.82	7.6	9.5	6.6	13	1.2
BP plc	BP	H	46.14	9.9	8.0	5.7	9	7.3
Total S.A.	TOT	B	52.93	9.4	8.0	5.0	10	5.4
Royal Dutch Shell plc	RDS-A	H	50.80	7.9	7.4	4.5	9	6.3
StatoilHydro ASA (29%)	STO	B	16.23	8.0	7.9	4.3	11	7.5
	<i>Total or Median</i>			<i>8.0</i>	<i>8.0</i>	<i>5.0</i>	<i>10</i>	<i>6.3</i>
<b>Brazil/China/Russia</b>								
Petrobras	PBR		19.31	10.2	11.2	5.3	10	4.5
PetroChina Company Ltd (14%)	PTR	B	76.05	14.3	8.7	4.7	13	5.6
CNOOC Limited (34%)	CEO	H	71.36	8.8	8.7	4.6	9	6.7
Gazprom (50%)	OGZPY	B	16.50	24.6	8.1	2.7	3	2.4
Lukoil Oil Company	LUKOY	H	33.50	18.6	7.4	2.0	3	4.1
	<i>Total or Median</i>			<i>14.3</i>	<i>8.7</i>	<i>4.6</i>	<i>9</i>	<i>4.5</i>
<b>U.S. Independent</b>								
San Juan Basin Royalty Trust	SJT	H	28.74	10.7	12.5	10.5	13	7.7
Hugoton Royalty Trust	HGT	B	20.22	13.1	11.7	7.9	11	8.8
Encore Acquisition Company	EAC	H	24.47	13.4	10.5	7.2	26	-
EOG Resources	EOG	H	83.64	9.1	8.1	6.6	19	0.6
XTO Energy Inc.	XTO	B	34.25	11.4	9.6	6.5	14	1.4
Energy Partners Ltd.	EPL		3.70	9.8	9.1	6.2		-
Chesapeake Energy Corp.	CHK		18.26	11.1	10.1	6.2	9	1.6
Anadarko Petroleum Corp.	APC	H	37.87	10.1	8.3	6.1	38	1.9
Devon Energy Corporation	DVN	B	72.78	9.4	8.6	5.8	17	0.9
Occidental Petroleum Corp.	OXY	H	50.55	11.8	9.5	5.7	13	2.5
Berry Petroleum Company	BRY	H	11.70	9.6	9.2	5.5	6	2.6
Cimarex Energy Company	XEC	B	26.15	7.4	7.4	3.2	12	0.9
	<i>Total or Median</i>			<i>10.4</i>	<i>9.4</i>	<i>6.2</i>	<i>13</i>	<i>1.5</i>
<b>Canada</b>								
Canadian Oil Sands Trust	COSWF	B	19.05	21.0	16.1	7.7	11	10.6
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.78	6.9	15.7	7.3		-
Imperial Oil Limited (30%)	IMO	H	28.51	14.3	11.4	7.0	12	1.1
Pengrowth Energy Trust	PGH		9.08	9.1	9.0	6.3		24.1
Canadian Natural Resources	CNQ	H	36.83	8.8	11.0	6.0	10	0.9
Suncor Energy	SU	H	18.52	22.5	13.4	5.4	9	0.9
Penn West Energy Trust	PWE	H	14.43	7.7	8.1	5.4	20	22.9
Encana Corporation	ECA	B	41.55	8.4	7.4	4.7	11	3.9
Enerplus Resources Fund	ERF		20.53	10.0	9.0	4.7	9	18.0
Petro-Canada	PCZ	H	20.21	6.9	7.7	3.0	6	3.2
	<i>Total or Median</i>			<i>8.9</i>	<i>10.0</i>	<i>5.7</i>	<i>11</i>	<i>3.5</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 30, 2009; 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

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
20-Nov	COSWF	Canadian Oil Sands Trust	Alberta Reduces Royalties
12-Nov	PWE	Penn West Energy Trust	Distribution Yield 20%
6-Nov	CNQ	Canadian Natural Resources	Hidden Value in Heavy Oil
5-Nov	DVN	Devon Energy Corporation	Outperforming in Tough Times
5-Nov	XTO	XTO Energy Inc.	Personal Debt-Free Pledge
5-Nov	TOT	Total S.A.	Geographic Appeal
4-Nov	XEC	Cimarex Energy Company	Capital Discipline
4-Nov	APC	Anadarko Petroleum Corporation	Acquisition Value
4-Nov	EOG	EOG Resources Inc.	The Hat Trick
3-Nov	STO	StatoilHydro ASA	Financially Strong Dividend Payer
31-Oct	CVX	Chevron Corporation	Oil in the Stock Market at \$59 a Barrel
30-Oct	IMO	Imperial Oil Limited	Favorable Pricing for Heavy Oil
30-Oct	MRO	Marathon Oil Corporation	Gasoline and Diesel Demand Rebounding
30-Oct	XOM	Exxon Mobil Corporation	Building Value with Stock Repurchase
30-Oct	RDSA	Royal Dutch Shell plc	Secure Dividend 5.7%
29-Oct	COSWF	Canadian Oil Sands Trust	Quarterly Distribution C\$0.75 a Unit
29-Oct	BRY	Berry Petroleum	Adjusting Spending to Cash Flow
29-Oct	* EAC	Encore Acquisition Company	Success with ExxonMobil in West Texas
29-Oct	* SU	Suncor Energy	Coping with Volatile Oil Price
29-Oct	* PTR	PetroChina Company Limited	Chinese Major Oil Company
28-Oct	* OXY	Occidental Petroleum Corporation	Low Debt, High Margin
28-Oct	* BP	BP p.l.c.	Dividend Yield 7.2%
28-Oct	* CEO	CNOOC Ltd	Oil & Gas Growth Offshore China
24-Oct	* ECA	EnCana Corporation	High-Performance Clean Energy Producer
24-Oct	* PCZ	Petro-Canada	Pacing Fort Hills
23-Oct	* OGZPY	Gazprom	Cheap Stock, Political Risk
23-Oct	* COP	ConocoPhillips	Australian Natural Gas Deal
22-Oct	* XEC	Cimarex Energy Company	Woodford Shale Leader
17-Oct	* SJT	San Juan Basin Royalty Trust	Hold Rating (Income Weekly)
7-Oct	* HGT	Hugoton Royalty Trust	Buy amid Financial Panic (Meter Reader)
16-Sep	* BRGXF	BG Group	Deep Water Brazil (Meter Reader)
16-Sep	* PBR	Petrobras	Deep Water Brazil (Meter Reader)
5-Sep	* LUKOY	Lukoil Oil Company	Suspend Buy Recommendation (Flash)

### Meter Reader

25-Nov		Weekly	
18-Nov		Weekly	Natural Gas Buys - DVN, ECA, and XTO
11-Nov		Weekly	U.S. Integrated Oil Leaders - COP, CVX, XOM
4-Nov	*	Weekly	Election Day

### Oil and Gas Income Stocks

21-Nov		Weekly	Alberta Acts to Reduce Royalties (Taxes)
14-Nov		Weekly	Ten Percent in Three Hours
7-Nov		Weekly	Tentative Recovery in Gasoline Demand
31-Oct	*	Weekly	Reset for Recovery

### Industry Ideas

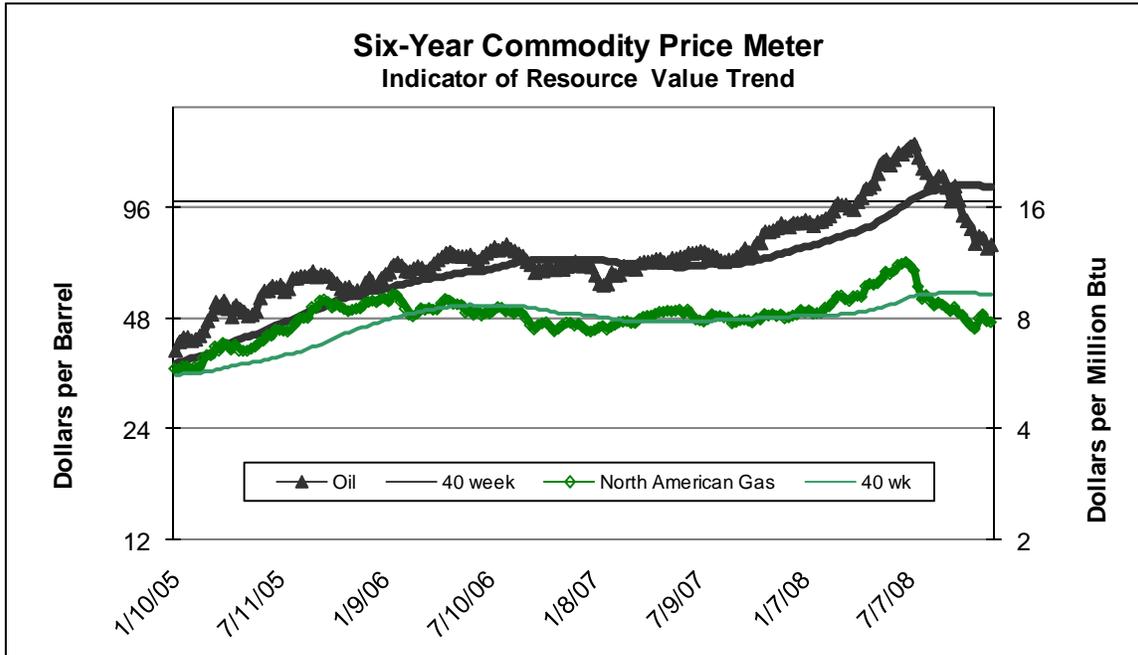
9-Oct	*	Presentation	Oil and Gas Strategy in Treacherous Times
24-Sep	*	Presentation	Energy Investment amid Financial Turmoil
16-Sep	*	Flash	Reinstate Five Buy Recommendations
5-Sep	*	Flash	Suspend Buy Recommendations

\* Archived on [www.mcdep.com](http://www.mcdep.com)



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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.