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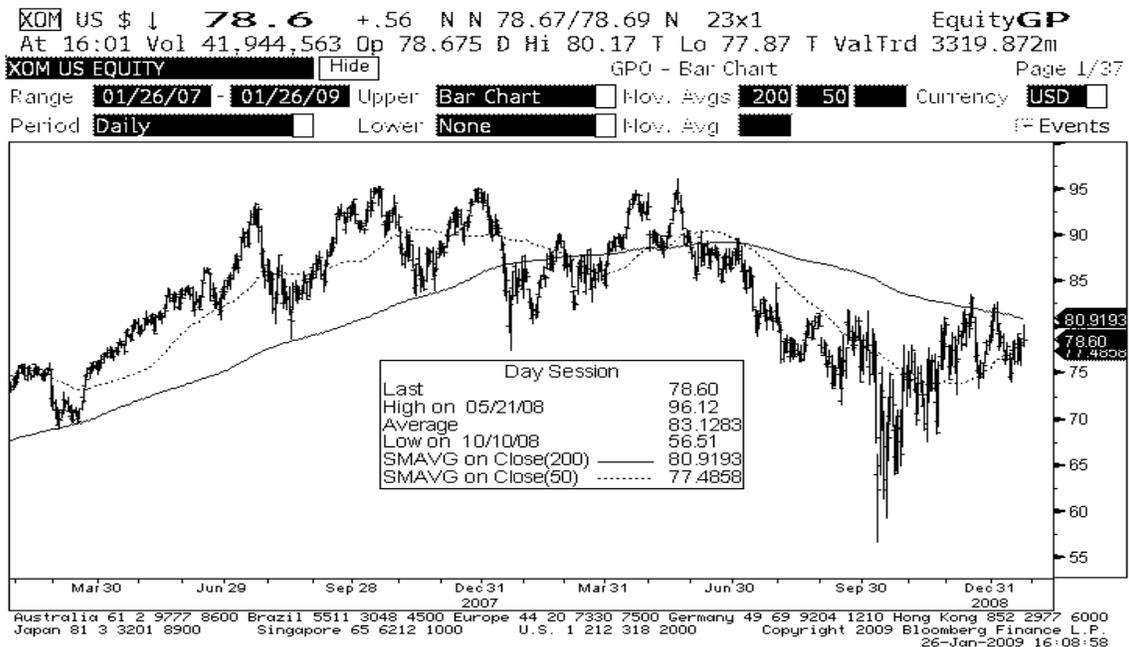
A Weekly Analysis of Large Cap Oil and Gas Stocks
 January 27, 2009

ExxonMobil Leading the Bull Charge

Summary and Recommendation

The stock price performance of buy-recommended **ExxonMobil (XOM)** mirrors past action after a climactic bottom and the beginning of a multi-year uptrend. After a panic intraday low on October 10, 2008, XOM stock price is pointing to renewed trading above the 200-day average (see chart below). Should the pattern unfold as it did in 2002, a new bull run may have begun (see top chart, next page). A similar chart pattern in 1982 signaled a change from a downtrend to a sustained uptrend (see bottom chart, next page). XOM looks like the leader of oil and gas stocks coming out of the turn because it is closest to the 200-day average. If a rising market gets reestablished, most sound oil and gas stocks with lower McDep Ratios are likely to appreciate more than XOM (see Tables 1, 2, 3). In contrast, if we are surprised by another leg down in the stock market, XOM, “The World’s Safest Investment”, would likely be more resistant to decline. For XOM or other stocks in our coverage, long-term value looks attractive regardless of whether stock prices respond sooner or later. An average McDep Ratio of 0.59 for 26 large cap stocks corresponds to a long-term oil price of about \$45 a barrel. That is in line with the short-term, spot price of Light, Sweet Crude Oil. The higher, long-term quote for the average over the next six years at \$62 a barrel expresses the long-term investment opportunity (see chart on last page [Six-Year and One-Year Natural Gas and Oil Futures](#)).

Kurt H. Wulff, CFA





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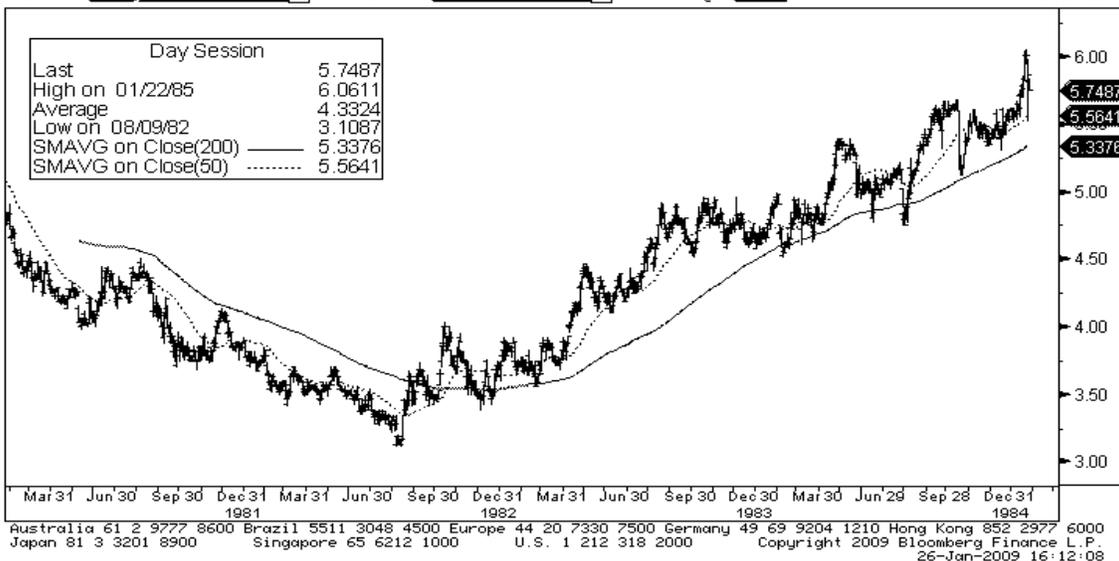
XOM US \$ ↓ **78.6** +.56 N N 78.67/78.69 N 23x1 EquityGP
 At 16:01 Vol 41,944,663 Op 78.675 D Hi 80.17 T Lo 77.87 T ValTrd 3319.880m

XOM US EQUITY GPO - Bar Chart Page 1/71
 Range 01/26/01 - 01/26/05 Upper Bar Chart Mov. Avgs 200 50 Currency USD
 Period Daily Lower None Mov. Avg Events



XOM US \$ ↓ **78.60** +.56 N N78.67/78.69N 23x1 EquityGP
 At 16:01 Vol 41,955,663 Op 78.675 D Hi 80.17 T Lo 77.87 T ValTrd 3320.75m

XOM US EQUITY GPO - Bar Chart Page 1/71
 Range 01/26/81 - 01/25/85 Upper Bar Chart Mov. Avgs 200 50 Currency USD
 Period Daily Lower None Mov. Avg Events





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Table 1											
McDep Large Cap Energy Portfolio											
Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream		McDep Ratio	
	B = Buy H = Hold	26-Jan 2009	Cap								
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	78.60	1.07	436,000	6	23	46	25	0.88	
Chevron Corporation	CVX	H	71.29	1.17	185,000	5	12	67	16	0.76	
Marathon Oil Corporation	MRO	H	29.61	1.56	32,800	7	7	60	26	0.71	
ConocoPhillips	COP	B	49.13	1.62	122,000	14	9	57	20	0.57	
<i>Total or Median *</i>	<i>39%</i>	<i>15%</i>	<i>20%</i>		<i>776,000</i>					<i>0.74</i>	
Europe											
BG Group	BRGXF		13.28	1.08	48,600		29	46	25	0.72	
BP plc	BP	H	42.70	1.52	202,000	8	14	62	15	0.67	
Total S.A.	TOT	B	50.50	1.25	141,000		24	54	22	0.61	
Royal Dutch Shell plc	RDS-A	H	49.55	1.28	196,000	3	23	44	31	0.60	
StatoilHydro ASA (29%)	STO	B	17.81	1.36	22,400		43	57	-	0.59	
<i>Total or Median *</i>	<i>31%</i>	<i>19%</i>	<i>20%</i>		<i>610,000</i>					<i>0.61</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	H	87.81	1.00	13,400		12	88	-	0.65	
Petrobras	PBR		24.45	1.34	144,000		13	77	10	0.56	
PetroChina Company Ltd (14%)	PTR	B	75.17	1.14	21,900		17	66	17	0.53	
Lukoil Oil Company	LUKOY	H	34.70	1.07	31,400			61	39	0.27	
Gazprom (50%)	OGZPY	B	13.65	1.27	51,000		88	12	-	0.26	
<i>Total or Median *</i>	<i>13%</i>	<i>19%</i>	<i>20%</i>		<i>262,000</i>					<i>0.53</i>	
U.S. Independent											
XTO Energy Inc.	XTO	B	36.74	1.58	32,100	77		23	-	0.71	
Anadarko Petroleum Corp.	APC	H	38.30	1.92	34,300	51		45	4	0.70	
EOG Resources	EOG	H	68.00	1.13	19,200	71	7	22	-	0.68	
Occidental Petroleum Corp.	OXY	H	56.82	1.11	51,400	12	1	79	8	0.66	
Devon Energy Corporation	DVN	B	62.58	1.22	33,900	64		36	-	0.59	
Chesapeake Energy Corp.	CHK		15.80	2.60	24,200	91		9	-	0.58	
<i>Total or Median *</i>	<i>10%</i>	<i>23%</i>	<i>20%</i>		<i>195,000</i>					<i>0.67</i>	
Canada											
Imperial Oil Limited (30%)	IMO	H	32.62	1.08	9,300	5		80	16	0.70	
Encana Corporation	ECA	B	44.82	1.41	47,500	68		29	4	0.68	
Canadian Natural Resources	CNQ	H	36.89	1.55	31,000	26		74	-	0.54	
Suncor Energy	SU	H	19.81	1.45	27,100	3		92	5	0.45	
Petro-Canada	PCZ	H	22.98	1.39	15,500	11	3	70	16	0.42	
Canadian Oil Sands Trust	COSWF	B	14.29	1.14	7,800			100	-	0.37	
<i>Total or Median *</i>	<i>7%</i>	<i>23%</i>	<i>20%</i>		<i>138,000</i>					<i>0.50</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>1,981,000</i>	<i>11</i>	<i>17</i>	<i>54</i>	<i>18</i>	<i>0.63</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>20</i>	<i>13</i>	<i>56</i>	<i>11</i>	<i>0.59</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>23</i>	<i>20</i>	<i>48</i>	<i>9</i>	<i>0.58</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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Table 2								
McDep Large Cap Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)		Market	Present	Debt/	
	B = Buy	26-Jan	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	78.60	5,160	406,000	90.00	0.06	0.88
Chevron Corporation	CVX	H	71.29	2,206	157,000	98.00	0.11	0.76
Marathon Oil Corporation	MRO	H	29.61	711	21,050	48.00	0.26	0.71
ConocoPhillips	COP	B	49.13	1,528	75,000	109.00	0.22	0.57
<i>Total or Median</i>					659,000		0.17	0.74
Europe								
BG Group plc	BRGXF		13.28	3,382	44,910	19.00	0.05	0.72
BP plc	BP	H	42.70	3,124	133,000	74.00	0.23	0.67
Total S.A.	TOT	B	50.50	2,244	113,000	90.00	0.12	0.61
Royal Dutch Shell plc	RDS-A	H	49.55	3,080	153,000	92.00	0.13	0.60
StatoilHydro ASA (29%)	STO	B	17.81	924	16,460	35.00	0.15	0.59
<i>Total or Median</i>					460,000		0.13	0.61
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	87.81	152	13,370	135.00	-	0.65
Petrobras	PBR		24.45	4,387	107,260	50.00	0.14	0.56
PetroChina Company Ltd (14%)	PTR	B	75.17	256	19,260	150.00	0.06	0.53
Lukoil Oil Company	LUKOY	H	34.70	848	29,000	135.00	0.02	0.27
Gazprom (50%)	OGZPY	B	13.65	2,940	40,100	64.00	0.06	0.26
<i>Total or Median</i>					209,000		0.06	0.53
U.S. Independent								
XTO Energy Inc.	XTO	B	36.74	552	20,280	60.00	0.26	0.71
Anadarko Petroleum Corp.	APC	H	38.30	468	17,900	70.00	0.33	0.70
EOG Resources	EOG	H	68.00	251	17,100	104.00	0.08	0.68
Occidental Petroleum Corp.	OXY	H	56.82	818	46,500	89.00	0.06	0.66
Devon Energy Corporation	DVN	B	62.58	446	27,900	116.00	0.10	0.59
Chesapeake Energy Corp.	CHK		15.80	588	9,290	46.00	0.36	0.58
<i>Total or Median</i>					139,000		0.18	0.67
Canada								
Imperial Oil Limited (30%)	IMO	H	32.62	265	8,650	48.00	0.05	0.70
Encana Corporation	ECA	B	44.82	751	33,700	75.00	0.20	0.68
Canadian Natural Resources	CNQ	H	36.89	541	20,000	85.00	0.19	0.54
Suncor Energy	SU	H	19.81	943	18,680	55.00	0.14	0.45
Petro-Canada	PCZ	H	22.98	484	11,120	67.00	0.12	0.42
Canadian Oil Sands Trust	COSWF	B	14.29	482	6,890	42.00	0.04	0.37
<i>Total or Median</i>					99,000		0.13	0.50
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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Table 3								
McDep Large Cap Energy Portfolio								
Value Multiples and Distribution Yield								
			Price	Adjustd			Divd or	
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/	Distrib	
	B = Buy		26-Jan	Prod	Ebitda	Ebitda	P/E	
	H = Hold		2009	NTM	NTM	NTM	NTM	
							(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	78.60	12.9	10.0	8.8	18	2.0
Chevron Corporation	CVX	H	71.29	9.6	9.8	7.4	16	3.6
Marathon Oil Corporation	MRO	H	29.61	8.5	9.0	6.5	14	3.2
ConocoPhillips	COP	B	49.13	11.0	10.2	5.8	12	3.8
	<i>Total or Median</i>			<i>10.3</i>	<i>9.9</i>	<i>6.9</i>	<i>15</i>	<i>3.4</i>
Europe								
BG Group plc	BRGXF		13.28	7.6	10.6	7.6	15	1.1
BP plc	BP	H	42.70	9.9	9.5	6.4	11	7.9
Total S.A.	TOT	B	50.50	9.4	9.7	6.0	11	5.8
Royal Dutch Shell plc	RDS-A	H	49.55	7.9	8.9	5.3	12	6.5
StatoilHydro ASA (29%)	STO	B	17.81	8.0	8.7	5.1	16	6.2
	<i>Total or Median</i>			<i>8.0</i>	<i>9.5</i>	<i>6.0</i>	<i>12</i>	<i>6.2</i>
Brazil/China/Russia								
Petrobras	PBR		24.45	10.2	12.7	7.1	16	3.5
CNOOC Limited (34%)	CEO	H	87.81	8.3	9.5	6.1	13	5.4
PetroChina Company Ltd (14%)	PTR	B	75.17	14.3	9.7	5.2	16	5.6
Lukoil Oil Company	LUKOY	H	34.70	18.2	7.0	1.9	3	3.3
Gazprom (50%)	OGZPY	B	13.65	24.6	6.2	1.6	2	2.4
	<i>Total or Median</i>			<i>14.3</i>	<i>9.5</i>	<i>5.2</i>	<i>13</i>	<i>3.5</i>
U.S. Independent								
XTO Energy Inc.	XTO	B	36.74	11.4	12.8	9.1	22	1.3
Chesapeake Energy Corp.	CHK		15.80	11.1	13.8	8.0	20	1.9
Occidental Petroleum Corp.	OXY	H	56.82	11.8	11.2	7.4	20	2.3
Anadarko Petroleum Corp.	APC	H	38.30	10.1	10.6	7.4		1.9
EOG Resources	EOG	H	68.00	9.1	10.6	7.2	30	0.8
Devon Energy Corporation	DVN	B	62.58	9.4	11.5	6.8	34	1.0
	<i>Total or Median</i>			<i>10.6</i>	<i>11.4</i>	<i>7.4</i>	<i>22</i>	<i>1.6</i>
Canada								
Imperial Oil Limited (30%)	IMO	H	32.62	14.5	14.5	10.1	18	1.0
Canadian Oil Sands Trust	COSWF	B	14.29	23.3	24.5	9.0	21	5.7
Suncor Energy	SU	H	19.81	22.5	19.0	8.5	16	0.8
Canadian Natural Resources	CNQ	H	36.89	8.8	13.8	7.5	16	0.9
Encana Corporation	ECA	B	44.82	8.4	9.6	6.5	22	3.6
Petro-Canada	PCZ	H	22.98	6.9	9.4	4.0	10	2.8
	<i>Total or Median</i>			<i>11.6</i>	<i>14.2</i>	<i>8.0</i>	<i>17</i>	<i>1.9</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>
22-Jan	PTR	PetroChina Company Limited	Government Managed Pricing
21-Jan	CEO	CNOOC Ltd	More Volume Growth in 2009
20-Jan	SU	Suncor Energy	Coping with Volatile Oil Price
9-Jan	SJT	San Juan Basin Royalty Trust	Clean Fuel Pure Play (Income and Small Cap Weekly)
31-Dec	OGZPY	Gazprom	Underrated Investment
30-Dec	* BRY	Berry Petroleum	Customer Bankruptcy Manageable
26-Dec	* HGT	Hugoton Royalty Trust	Under Year-End Price Pressure (Income Weekly)
17-Dec	* XOM	Exxon Mobil Corporation	Upgrade to Buy on Stock Price Change Trend
16-Dec	* LUKOY	Lukoil Oil Company	Credible Russian Champion
10-Dec	* COSWF	Canadian Oil Sands Trust	Budget Quarterly Distribution of C\$0.25 a Unit
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	* RDSA	Royal Dutch Shell plc	Secure Dividend 5.7%
29-Oct	* EAC	Encore Acquisition Company	Success with ExxonMobil in West Texas
28-Oct	* OXY	Occidental Petroleum Corporation	Low Debt, High Margin
28-Oct	* BP	BP p.l.c.	Dividend Yield 7.2%
24-Oct	* ECA	EnCana Corporation	High-Performance Clean Energy Producer
24-Oct	* PCZ	Petro-Canada	Pacing Fort Hills
23-Oct	* COP	ConocoPhillips	Australian Natural Gas Deal

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27-Jan		Weekly	
20-Jan		Weekly	
13-Jan		Weekly	Buy ECA and COSWF among Canadian Producers
6-Jan	*	Weekly	Buy STO and TOT among European Producers Buy COP and XOM among U.S. Integrated Producers

Income and Small Cap Weekly

23-Jan		Weekly	D - Day for Canadian Oil Sands Trust
16-Jan		Weekly	Natural Gas Price Low after Stock Price Low
9-Jan		Weekly	SJT - A Clean Fuel Pure Play
2-Jan	*	Weekly	Exceptional Deflation Resistance in Dorchester Minerals

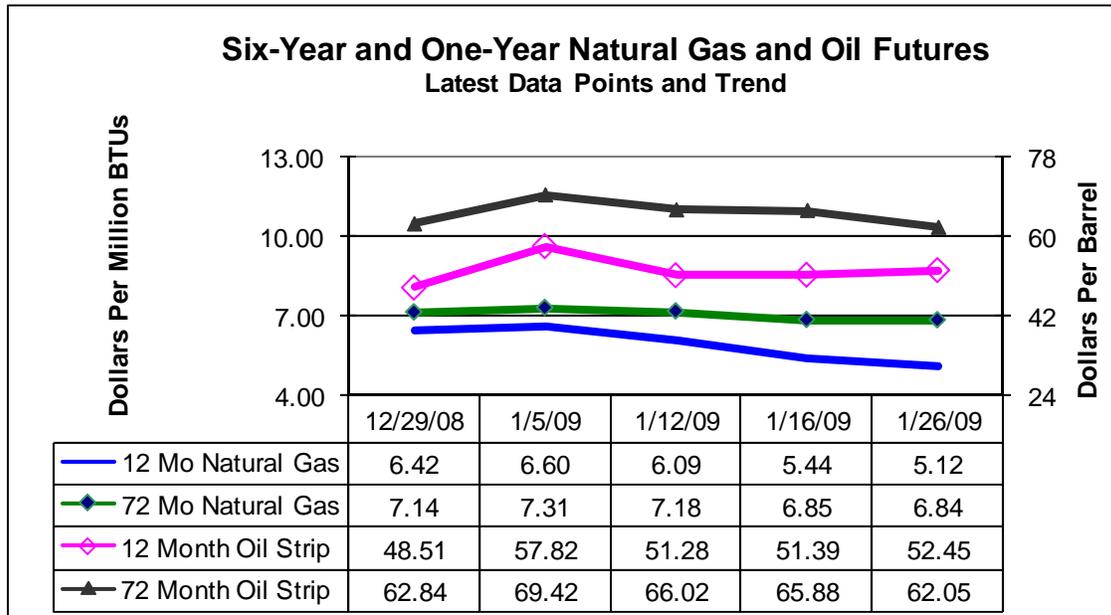
* Archived on www.mcdep.com



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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.