



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

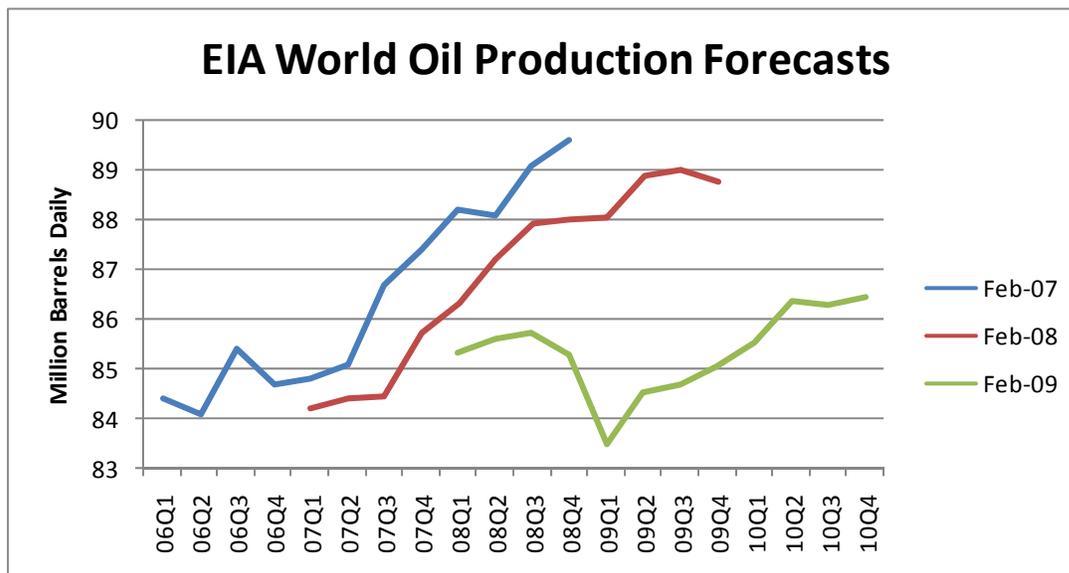
February 17, 2009

Long-Term Oil Supply Declining

Summary and Recommendation

Stocks of oil and gas companies including buy-recommended European leaders **Total S.A. (TOT)** and **StatoilHydro (STO)** are likely to demonstrate positive price momentum before it is obvious the oil supply/demand balance has tightened. At a quote of \$40 a barrel, or less, for oil to be delivered next month, almost no new investment in oil supply is justified economically. As a result, existing oil supply is declining. It is just a matter of time before price firms to reverse declining investment and to encourage new supply. The difficulty in estimating supply trends is illustrated by an updated comparison of the forecast issued in February of each of the past three years by the Energy Information Administration of the U.S. Department of Energy (EIA). The best official information now tells us that sustained oil production was indeed limited to an annual ceiling of 85 million barrels daily (mmbd) (see chart below). Repeated forecasts of higher levels could not be achieved and price went up accordingly until demand reacted. Today, the question is moot temporarily because demand is less than maximum supply. The futures market is not much better as a forecaster. Nonetheless, we believe it is reasonable that average prices for oil and gas over the next six years and for the next twelve months are higher than the widely reported near month quote (see chart, page 6, Six-Year and One-Year Natural Gas and Oil Futures).

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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	13-Feb 2009	Cap								
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	74.59	1.08	407,000	5	27	46	21	0.84	
Chevron Corporation	CVX	H	69.73	1.18	181,000	4	12	64	20	0.74	
Marathon Oil Corporation	MRO	H	27.00	1.61	30,800	7	6	61	26	0.62	
ConocoPhillips	COP	B	45.67	1.69	114,000	13	10	60	17	0.55	
<i>Total or Median *</i>	<i>37%</i>	<i>15%</i>	<i>20%</i>		<i>733,000</i>					<i>0.68</i>	
Europe											
BG Group	BRGXF		15.31	1.07	55,600		29	46	25	0.82	
BP plc	BP	H	43.85	1.47	202,000	8	15	62	16	0.68	
Total S.A.	TOT	B	52.88	1.25	148,000		25	52	23	0.64	
Royal Dutch Shell plc	RDS-A	H	51.03	1.30	203,000	3	23	45	29	0.62	
StatoilHydro ASA (33%)	STO	B	18.13	1.35	25,700		43	57	-	0.59	
<i>Total or Median *</i>	<i>32%</i>	<i>19%</i>	<i>20%</i>		<i>634,000</i>					<i>0.64</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	H	93.90	1.00	14,300		12	88	-	0.70	
Petrobras	PBR		29.97	1.28	168,000		13	77	10	0.66	
PetroChina Company Ltd (14%)	PTR	B	81.87	1.13	23,600		17	66	17	0.57	
Lukoil Oil Company	LUKOY	H	36.80	1.06	33,200			61	39	0.28	
Gazprom (50%)	OGZPY	B	14.62	1.24	53,000		88	12	-	0.27	
<i>Total or Median *</i>	<i>15%</i>	<i>19%</i>	<i>20%</i>		<i>292,000</i>					<i>0.57</i>	
U.S. Independent											
XTO Energy Inc.	XTO	B	37.73	1.57	32,600	77		23	-	0.73	
Anadarko Petroleum Corp.	APC	H	39.91	1.89	34,800	57		38	5	0.72	
Occidental Petroleum Corp.	OXY	H	56.58	1.11	50,800	9	1	81	9	0.66	
Chesapeake Energy Corp.	CHK		18.60	2.36	25,800	91		9	-	0.62	
EOG Resources	EOG	H	63.72	1.15	18,300	75	5	20	-	0.61	
Devon Energy Corporation	DVN	B	52.64	1.37	32,000	67		33	-	0.53	
<i>Total or Median *</i>	<i>10%</i>	<i>23%</i>	<i>20%</i>		<i>194,000</i>					<i>0.64</i>	
Canada											
Imperial Oil Limited (30%)	IMO	H	32.05	1.08	9,000	5		79	16	0.68	
Encana Corporation	ECA	B	43.65	1.37	45,100	69		26	4	0.66	
Canadian Natural Resources	CNQ	H	34.50	1.58	29,600	26		74	-	0.52	
Petro-Canada	PCZ	H	23.10	1.50	16,800	11	3	71	14	0.48	
Suncor Energy	SU	H	19.75	1.45	27,000	3		92	5	0.45	
Canadian Oil Sands Trust	COSWF	B	17.35	1.13	9,500			100	-	0.44	
<i>Total or Median *</i>	<i>7%</i>	<i>23%</i>	<i>20%</i>		<i>137,000</i>					<i>0.50</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>1,990,000</i>	<i>11</i>	<i>18</i>	<i>54</i>	<i>17</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>0.60</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>23</i>	<i>21</i>	<i>48</i>	<i>8</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	13-Feb	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	74.59	5,045	376,000	90.00	0.06	0.84
Chevron Corporation	CVX	H	69.73	2,206	154,000	98.00	0.11	0.74
Marathon Oil Corporation	MRO	H	27.00	707	19,090	54.00	0.23	0.62
ConocoPhillips	COP	B	45.67	1,486	68,000	109.00	0.22	0.55
<i>Total or Median</i>					617,000		0.17	0.68
Europe								
BG Group plc	BRGXF		15.31	3,382	51,770	19.00	0.06	0.82
BP plc	BP	H	43.85	3,119	137,000	74.00	0.22	0.68
Total S.A.	TOT	B	52.88	2,235	118,000	90.00	0.13	0.64
Royal Dutch Shell plc	RDS-A	H	51.03	3,064	156,000	92.00	0.14	0.62
StatoilHydro ASA (33%)	STO	B	18.13	1,051	19,060	35.00	0.15	0.59
<i>Total or Median</i>					482,000		0.14	0.64
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	93.90	152	14,300	135.00	-	0.70
Petrobras	PBR		29.97	4,387	131,480	50.00	0.14	0.66
PetroChina Company Ltd (14%)	PTR	B	81.87	256	20,980	150.00	0.06	0.57
Lukoil Oil Company	LUKOY	H	36.80	848	31,000	135.00	0.02	0.28
Gazprom (50%)	OGZPY	B	14.62	2,940	43,000	64.00	0.05	0.27
<i>Total or Median</i>					241,000		0.05	0.57
U.S. Independent								
XTO Energy Inc.	XTO	B	37.73	552	20,830	60.00	0.26	0.73
Anadarko Petroleum Corp.	APC	H	39.91	460	18,400	70.00	0.34	0.72
Occidental Petroleum Corp.	OXY	H	56.58	812	45,900	89.00	0.06	0.66
Chesapeake Energy Corp.	CHK		18.60	588	10,940	46.00	0.36	0.62
EOG Resources	EOG	H	63.72	250	15,900	110.00	0.08	0.61
Devon Energy Corporation	DVN	B	52.64	444	23,400	116.00	0.14	0.53
<i>Total or Median</i>					135,400		0.20	0.64
Canada								
Imperial Oil Limited (30%)	IMO	H	32.05	262	8,380	48.00	0.05	0.68
Encana Corporation	ECA	B	43.65	751	32,800	75.00	0.18	0.66
Canadian Natural Resources	CNQ	H	34.50	541	18,700	85.00	0.19	0.52
Petro-Canada	PCZ	H	23.10	484	11,180	60.00	0.16	0.48
Suncor Energy	SU	H	19.75	943	18,620	55.00	0.14	0.45
Canadian Oil Sands Trust	COSWF	B	17.35	482	8,360	42.00	0.05	0.44
<i>Total or Median</i>					98,000		0.15	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	13-Feb	Prod	Ebitda	Ebitda	P/E	NTM	
	H = Hold	2009	NTM	NTM	NTM	NTM	(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	74.59	12.3	10.3	8.7	18	2.1
Chevron Corporation	CVX	H	69.73	9.6	10.5	7.8	19	3.7
ConocoPhillips	COP	B	45.67	10.4	10.8	5.9	14	4.1
Marathon Oil Corporation	MRO	H	27.00	7.8	8.9	5.5	14	3.6
	<i>Total or Median</i>			<i>10.0</i>	<i>10.4</i>	<i>6.9</i>	<i>16</i>	<i>3.6</i>
Europe								
BG Group plc	BRGXF		15.31	7.6	10.6	8.7	18	1.0
BP plc	BP	H	43.85	9.8	10.0	6.8	12	7.7
Total S.A.	TOT	B	52.88	9.3	10.1	6.5	16	5.5
StatoilHydro ASA (33%)	STO	B	18.13	8.0	9.2	5.4	18	6.0
Royal Dutch Shell plc	RDS-A	H	51.03	7.6	8.7	5.4	12	6.6
	<i>Total or Median</i>			<i>8.0</i>	<i>10.0</i>	<i>6.5</i>	<i>16</i>	<i>6.0</i>
Brazil/China/Russia								
Petrobras	PBR		29.97	10.2	13.4	8.8	21	2.9
CNOOC Limited (34%)	CEO	H	93.90	8.3	10.2	7.1	15	5.1
PetroChina Company Ltd (14%)	PTR	B	81.87	14.3	10.3	5.9	19	5.2
Lukoil Oil Company	LUKOY	H	36.80	18.2	7.2	2.1	4	3.0
Gazprom (50%)	OGZPY	B	14.62	24.6	6.4	1.7	2	2.1
	<i>Total or Median</i>			<i>14.3</i>	<i>10.2</i>	<i>5.9</i>	<i>15</i>	<i>3.0</i>
U.S. Independent								
XTO Energy Inc.	XTO	B	37.73	11.4	13.2	9.6	23	1.3
Chesapeake Energy Corp.	CHK		18.60	11.1	14.1	8.7	25	1.6
Anadarko Petroleum Corp.	APC	H	39.91	9.3	11.7	8.4		1.8
Occidental Petroleum Corp.	OXY	H	56.58	11.4	11.7	7.7	23	2.3
EOG Resources	EOG	H	63.72	10.1	12.2	7.4	44	0.9
Devon Energy Corporation	DVN	B	52.64	8.8	11.9	6.3	30	1.2
	<i>Total or Median</i>			<i>10.6</i>	<i>12.0</i>	<i>8.0</i>	<i>25</i>	<i>1.4</i>
Canada								
Canadian Oil Sands Trust	COSWF	B	17.35	23.3	29.1	12.9	41	2.8
Imperial Oil Limited (30%)	IMO	H	32.05	14.7	15.2	10.4	20	1.0
Suncor Energy	SU	H	19.75	22.5	20.4	9.1	18	0.8
Encana Corporation	ECA	B	43.65	9.1	11.7	7.7	29	3.7
Canadian Natural Resources	CNQ	H	34.50	8.8	14.6	7.6	17	0.9
Petro-Canada	PCZ	H	23.10	6.9	10.2	5.0	24	2.8
	<i>Total or Median</i>			<i>11.9</i>	<i>14.9</i>	<i>8.4</i>	<i>22</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>
12-Feb	ECA	EnCana Corporation	Steady Production and Reserves
12-Feb	TOT	Total S.A.	Dividend and Investment Strength
11-Feb	EAC	Encore Acquisition Company	Lower NPV to \$44 a Share
5-Feb	EOG	EOG Resources Inc.	Raise NPV on Higher Reserves
4-Feb	DVN	Devon Energy Corporation	Harvesting Accounting Losses
3-Feb	MRO	Marathon Oil Corporation	Raise NPV to \$54 a Share
3-Feb	BP	BP p.l.c.	Cash Flow Balance at \$50 to \$60 Oil in 2009
3-Feb	APC	Anadarko Petroleum Corporation	Deep Water Explorer
30-Jan	CVX	Chevron Corporation	Downstream Surprise
30-Jan	XOM	Exxon Mobil Corporation	Natural Gas Leader
29-Jan	IMO	Imperial Oil Limited	Extra Price Sensitivity in Heavy Oil
29-Jan	OXY	Occidental Petroleum Corporation	Resilience and Financial Strength
29-Jan	PCZ	Petro-Canada	Managing for \$50 to \$60 Oil in 2009
29-Jan	RDSA	Royal Dutch Shell plc	Dividend Trend Beats Inflation
28-Jan	COSWF	Canadian Oil Sands Trust	Quarterly Distribution of C\$0.15 a Unit
28-Jan	COP	ConocoPhillips	Harvesting Accounting Losses
22-Jan	PTR	PetroChina Company Limited	Government Managed Pricing
21-Jan	* CEO	CNOOC Ltd	More Volume Growth in 2009
20-Jan	* SU	Suncor Energy	Volumes Climbing
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)
16-Dec	* LUKOY	Lukoil Oil Company	Credible Russian Champion
12-Nov	* PWE	Penn West Energy Trust	Distribution Yield 20%
6-Nov	* CNQ	Canadian Natural Resources	Hidden Value in Heavy Oil
5-Nov	* XTO	XTO Energy Inc.	Personal Debt-Free Pledge
4-Nov	* XEC	Cimarex Energy Company	Capital Discipline
3-Nov	* STO	StatoilHydro ASA	Financially Strong Dividend Payer

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17-Feb		Weekly	
10-Feb		Weekly	Optimism Creeping Back
3-Feb		Weekly	Low Price for Natural Gas
27-Jan	*	Weekly	ExxonMobil Leading the Bull Charge

Income and Small Cap Weekly

13-Feb		Weekly	Revisions, Differentials and Anomalies
6-Feb		Penn West Energy Trust	Strengthens Balance Sheet
30-Jan		Weekly	Quirky Lows for SJT and HGT
23-Jan	*	Canadian Oil Sands Trust	D - Day

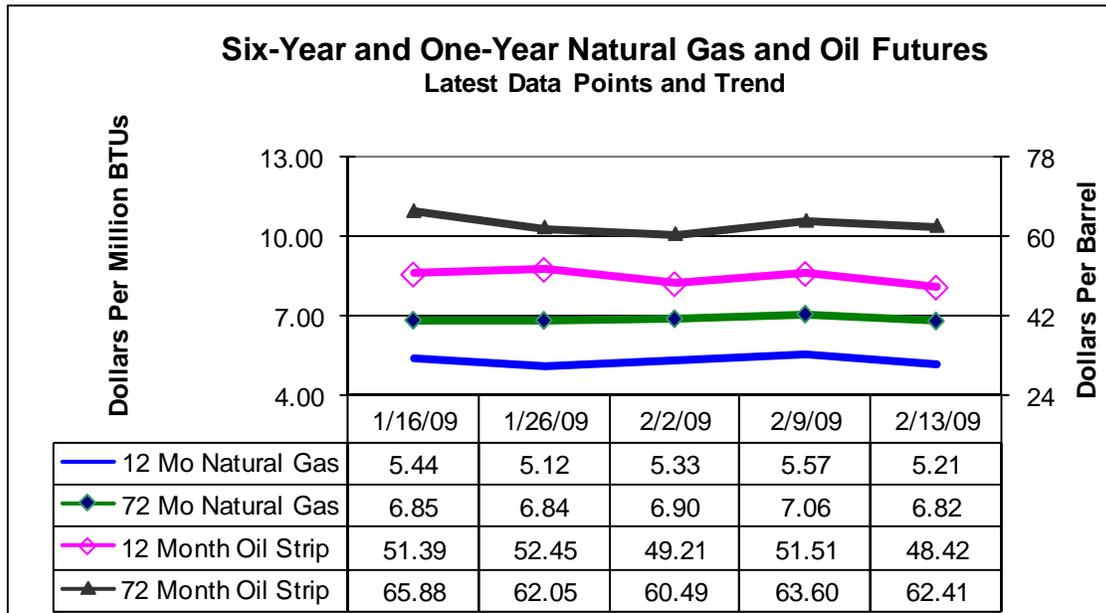
* Archived on www.mcdep.com



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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.