



Meter Reader

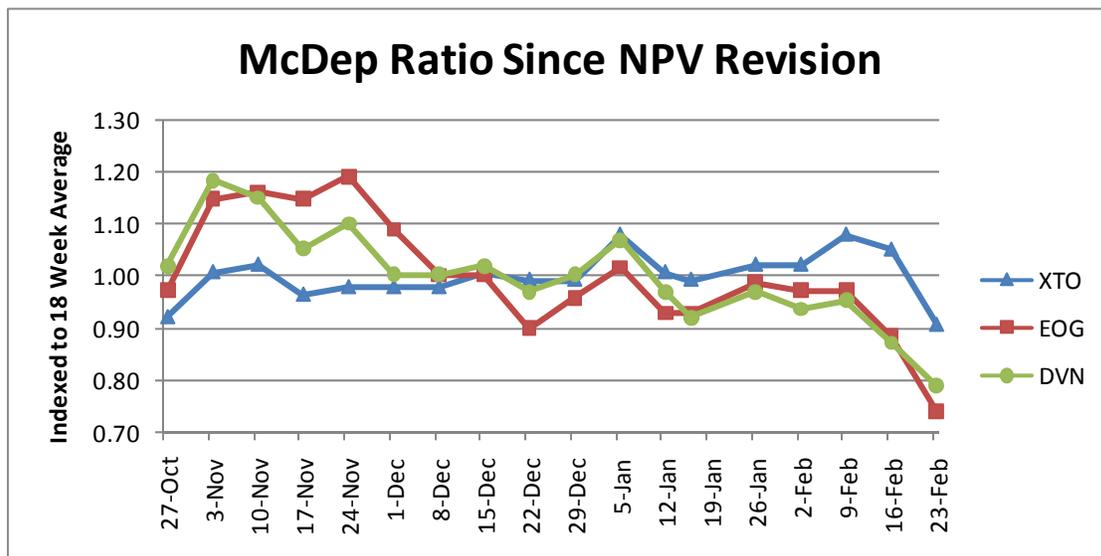
A Weekly Analysis of Large Cap Oil and Gas Stocks
February 24, 2009

Buy EOG Resources, Hold XTO Energy

Summary and Recommendation

We transfer our buy recommendation to **EOG Resources (EOG)** from **XTO Energy (XTO)** on the basis of change in relative unlevered market value (Enterprise Value). Since we reset estimates of Net Present Value (NPV) at the end of October last year, EOG has moved from plus 0.05 to minus 0.17 compared to XTO by McDep Ratio indexed to the 18 week average (see chart below, McDep Ratio since NPV Revision). On a long term basis both companies have a favorable record of return to investors of 29% a year for XTO and 16% a year for EOG, measured by the trend in 40-week average for the past 18 years. Both stocks are concentrated on natural gas, which has appreciated at some ten percent a year if we measured a trend in between the sharp peaks and sharp valleys (see chart, page 2, Near-Month Natural Gas, 1990-2009). The saw tooth pattern illustrates the current natural gas investment opportunity. Today's price looks like it is well below long-term trend, but it might go lower before it goes higher. We justify our few buy recommendations now on a long-term basis and we hope to convert hold ratings to buy recommendations when it is more apparent the decline has bottomed and has started reversing. Futures prices for more distant months continue at higher levels than widely reported near month quotes (see chart, page 2, Six-Year and One-Year Natural Gas and Oil Futures).

Kurt H. Wulff, CFA





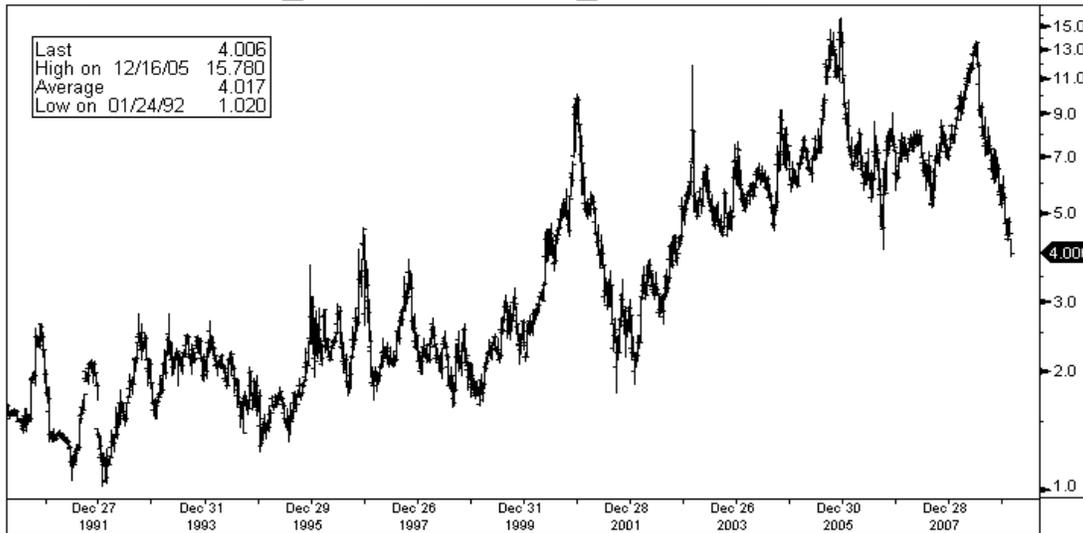
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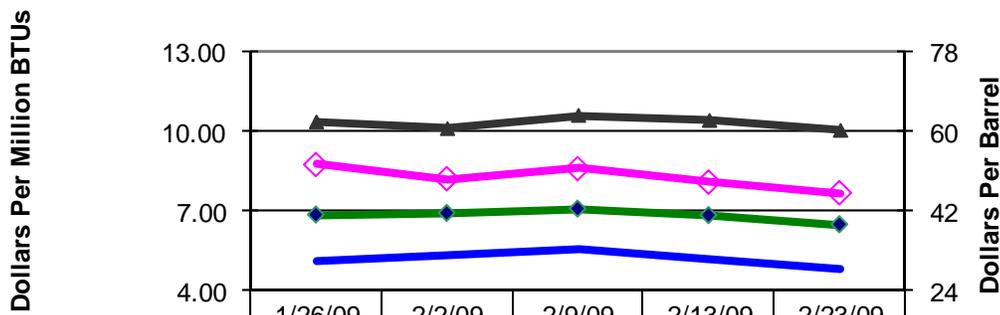
Near Month Natural Gas, 1990-2009

NG1 ↓ **4.093** +.087 S 4.094/4.098 S 2x8 Comdty**GPL**
 At 16:04 Vol 54,235 Op 4.075 Hi 4.159 Lo 4.010 Prev 4.006
 NG1 COMB COMDTY Hide GPL - Logarithmic Chart Page 1/77
 Range 04/06/90 - 02/20/09 Upper Bar Chart How. Avgs Currency USD
 Period Weekly Lower None How. Avg Events



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.
 SN 216934 23-Feb-2009 16:05:11

Six-Year and One-Year Natural Gas and Oil Futures Latest Data Points and Trend



	1/26/09	2/2/09	2/9/09	2/13/09	2/23/09
— 12 Mo Natural Gas	5.12	5.33	5.57	5.21	4.83
—◆— 72 Mo Natural Gas	6.84	6.90	7.06	6.82	6.48
—◇— 12 Month Oil Strip	52.45	49.21	51.51	48.42	45.98
—▲— 72 Month Oil Strip	62.05	60.49	63.60	62.41	60.07



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Table 1											
McDep 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	23-Feb 2009	Cap								
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	69.30	1.09	380,000	5	27	46	21	0.78	
Chevron Corporation	CVX	H	62.94	1.20	166,000	4	12	64	20	0.68	
Marathon Oil Corporation	MRO	H	22.54	1.74	27,700	7	6	61	26	0.55	
ConocoPhillips	COP	B	37.58	1.83	102,000	13	10	60	17	0.49	
<i>Total or Median *</i>	<i>37%</i>	<i>10%</i>	<i>17%</i>		<i>676,000</i>					<i>0.62</i>	
Europe											
BG Group	BRGXF		14.04	1.14	53,800		33	40	27	0.76	
BP plc	BP	H	38.65	1.54	185,000	8	15	62	16	0.63	
Total S.A.	TOT	B	47.01	1.28	134,000		25	52	23	0.58	
Royal Dutch Shell plc	RDS-A	H	45.69	1.33	187,000	3	23	45	29	0.57	
StatoilHydro ASA (33%)	STO	B	16.01	1.50	25,200		50	50	-	0.56	
<i>Total or Median *</i>	<i>32%</i>	<i>12%</i>	<i>17%</i>		<i>585,000</i>					<i>0.58</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	H	85.91	1.00	13,100		12	88	-	0.64	
Petrobras	PBR		24.97	1.33	146,000		13	77	10	0.57	
PetroChina Company Ltd (14%)	PTR	B	72.72	1.14	21,300		17	66	17	0.52	
Lukoil Oil Company	LUKOY	H	29.01	1.08	26,600			61	39	0.23	
Gazprom (50%)	OGZPY	B	12.10	1.28	46,000		88	12	-	0.23	
<i>Total or Median *</i>	<i>14%</i>	<i>12%</i>	<i>17%</i>		<i>253,000</i>					<i>0.52</i>	
U.S. Independent											
Anadarko Petroleum Corp.	APC	H	33.33	2.07	31,700	57		38	5	0.65	
XTO Energy Inc.	XTO	H	30.04	1.68	29,100	79		21	-	0.63	
Occidental Petroleum Corp.	OXY	H	47.56	1.13	43,500	9	1	81	9	0.56	
Chesapeake Energy Corp.	CHK		14.84	2.67	22,800	91		9	-	0.56	
EOG Resources	EOG	B	50.98	1.18	15,100	75	5	20	-	0.51	
Devon Energy Corporation	DVN	B	45.50	1.43	28,800	67		33	-	0.48	
<i>Total or Median *</i>	<i>9%</i>	<i>14%</i>	<i>17%</i>		<i>171,000</i>					<i>0.56</i>	
Canada											
Imperial Oil Limited (30%)	IMO	H	29.05	1.08	8,200	5		79	16	0.62	
Encana Corporation	ECA	B	35.90	1.45	39,300	69		26	4	0.57	
Canadian Natural Resources	CNQ	H	29.29	1.68	26,600	26		74	-	0.47	
Petro-Canada	PCZ	H	19.88	1.58	15,200	11	3	71	14	0.44	
Suncor Energy	SU	H	17.00	1.51	24,300	3		92	5	0.40	
Canadian Oil Sands Trust	COSWF	B	15.38	1.15	8,500			100	-	0.40	
<i>Total or Median *</i>	<i>7%</i>	<i>14%</i>	<i>17%</i>		<i>122,000</i>					<i>0.45</i>	
Income and Small Cap (see separate weekly analysis)											
	2%	38%	17%		33,000	37		63		0.66	
Composite											
<i>Enterprise Value Weighting</i>	100%				1,840,000	11	18	54	17	0.58	
<i>Equal Weighting</i>		100%				#REF!	8	51	7	0.55	
<i>Equal Weighted Buys</i>			100%			33	18	42	7	0.52	
* 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 Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)		Market	Present	Debt/	
	B = Buy	23-Feb	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	69.30	5,045	350,000	90.00	0.06	0.78
Chevron Corporation	CVX	H	62.94	2,206	139,000	98.00	0.11	0.68
Marathon Oil Corporation	MRO	H	22.54	707	15,940	54.00	0.23	0.55
ConocoPhillips	COP	B	37.58	1,486	56,000	109.00	0.22	0.49
<i>Total or Median</i>					561,000		0.17	0.62
Europe								
BG Group plc	BRGXF		14.04	3,379	47,430	19.00	0.09	0.76
BP plc	BP	H	38.65	3,119	121,000	74.00	0.22	0.63
Total S.A.	TOT	B	47.01	2,235	105,000	90.00	0.13	0.58
Royal Dutch Shell plc	RDS-A	H	45.69	3,064	140,000	92.00	0.14	0.57
StatoilHydro ASA (33%)	STO	B	16.01	1,051	16,830	35.00	0.18	0.56
<i>Total or Median</i>					430,000		0.14	0.58
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	85.91	152	13,080	135.00	-	0.64
Petrobras	PBR		24.97	4,387	109,540	50.00	0.14	0.57
PetroChina Company Ltd (14%)	PTR	B	72.72	256	18,630	150.00	0.06	0.52
Lukoil Oil Company	LUKOY	H	29.01	848	25,000	135.00	0.02	0.23
Gazprom (50%)	OGZPY	B	12.10	2,940	35,600	64.00	0.05	0.23
<i>Total or Median</i>					202,000		0.05	0.52
U.S. Independent								
Anadarko Petroleum Corp.	APC	H	33.33	460	15,300	70.00	0.34	0.65
XTO Energy Inc.	XTO	H	30.04	577	17,330	60.00	0.25	0.63
Occidental Petroleum Corp.	OXY	H	47.56	812	38,600	89.00	0.06	0.56
Chesapeake Energy Corp.	CHK		14.84	575	8,530	46.00	0.35	0.56
EOG Resources	EOG	B	50.98	250	12,800	110.00	0.08	0.51
Devon Energy Corporation	DVN	B	45.50	444	20,200	116.00	0.14	0.48
<i>Total or Median</i>					112,800		0.20	0.56
Canada								
Imperial Oil Limited (30%)	IMO	H	29.05	262	7,600	48.00	0.05	0.62
Encana Corporation	ECA	B	35.90	751	27,000	75.00	0.18	0.57
Canadian Natural Resources	CNQ	H	29.29	541	15,800	85.00	0.19	0.47
Petro-Canada	PCZ	H	19.88	484	9,620	60.00	0.16	0.44
Suncor Energy	SU	H	17.00	943	16,030	55.00	0.14	0.40
Canadian Oil Sands Trust	COSWF	B	15.38	482	7,420	42.00	0.05	0.40
<i>Total or Median</i>					83,000		0.15	0.45
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 Energy Portfolio								
Value Multiples and Distribution Yield								
			Price	Adjustd			Divd or	
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/	Distrib	
	B = Buy		23-Feb	Prod	Ebitda	Ebitda	P/E	
	H = Hold		2009	NTM	NTM	NTM	NTM	
							(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	69.30	12.3	10.4	8.2	16	2.3
Chevron Corporation	CVX	H	62.94	9.6	10.5	7.2	17	4.1
ConocoPhillips	COP	B	37.58	10.4	10.9	5.4	12	5.0
Marathon Oil Corporation	MRO	H	22.54	7.8	8.9	5.0	12	4.3
	<i>Total or Median</i>			<i>10.0</i>	<i>10.5</i>	<i>6.3</i>	<i>14</i>	<i>4.2</i>
Europe								
BG Group plc	BRGXF		14.04	7.4	10.2	7.8	16	1.2
BP plc	BP	H	38.65	9.8	10.0	6.3	11	8.7
Total S.A.	TOT	B	47.01	9.3	10.2	5.9	14	6.2
Royal Dutch Shell plc	RDS-A	H	45.69	7.6	8.7	5.0	11	7.4
StatoilHydro ASA (33%)	STO	B	16.01	7.5	8.7	4.9	17	6.6
	<i>Total or Median</i>			<i>7.6</i>	<i>10.0</i>	<i>5.9</i>	<i>14</i>	<i>6.6</i>
Brazil/China/Russia								
Petrobras	PBR		24.97	10.2	13.5	7.7	18	3.4
CNOOC Limited (34%)	CEO	H	85.91	7.8	9.1	5.8	12	5.6
PetroChina Company Ltd (14%)	PTR	B	72.72	14.1	10.0	5.2	16	5.8
Lukoil Oil Company	LUKOY	H	29.01	18.2	7.3	1.7	3	3.6
Gazprom (50%)	OGZPY	B	12.10	24.6	6.5	1.5	2	2.4
	<i>Total or Median</i>			<i>14.1</i>	<i>9.1</i>	<i>5.2</i>	<i>12</i>	<i>3.6</i>
U.S. Independent								
XTO Energy Inc.	XTO	H	30.04	11.9	15.6	9.8	16	1.7
Chesapeake Energy Corp.	CHK		14.84	11.5	15.0	8.4	39	2.0
Anadarko Petroleum Corp.	APC	H	33.33	9.3	12.3	8.0		2.2
EOG Resources	EOG	B	50.98	10.0	13.5	6.8	65	1.1
Occidental Petroleum Corp.	OXY	H	47.56	11.4	11.5	6.5	18	2.7
Devon Energy Corporation	DVN	B	45.50	8.8	12.6	6.0	34	1.4
	<i>Total or Median</i>			<i>10.7</i>	<i>13.1</i>	<i>7.4</i>	<i>34</i>	<i>1.8</i>
Canada								
Canadian Oil Sands Trust	COSWF	B	15.38	23.3	29.1	11.6	35	3.1
Imperial Oil Limited (30%)	IMO	H	29.05	18.3	15.4	9.6	18	1.1
Suncor Energy	SU	H	17.00	22.5	20.7	8.4	15	0.9
Canadian Natural Resources	CNQ	H	29.29	8.6	15.1	7.1	15	1.1
Encana Corporation	ECA	B	35.90	9.1	11.5	6.6	25	4.5
Petro-Canada	PCZ	H	19.88	6.9	10.3	4.5	21	3.2
	<i>Total or Median</i>			<i>13.7</i>	<i>15.2</i>	<i>7.7</i>	<i>19</i>	<i>2.1</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2010; 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>
19-Feb	PWE	Penn West Energy Trust	Distribution Keyed to US\$45 Oil
19-Feb	XTO	XTO Energy Inc.	Hedging Helping
18-Feb	XEC	Cimarex Energy Company	Lower NPV to \$55 a Share
17-Feb	STO	StatoilHydro ASA	Low Cost Offshore Operator
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
6-Nov	* CNQ	Canadian Natural Resources	Hidden Value in Heavy Oil

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24-Feb	Weekly	
17-Feb	Weekly	Long-Term Oil Supply Declining
10-Feb	Weekly	Optimism Creeping Back
3-Feb	* Weekly	Low Price for Natural Gas

Income and Small Cap Weekly

20-Feb	Weekly	Geographic Distortion in Natural Gas Price
13-Feb	Weekly	Revisions, Differentials and Anomalies
6-Feb	Weekly	Strengthens Balance Sheet
30-Jan	* Weekly	Quirky Lows for SJT and HGT

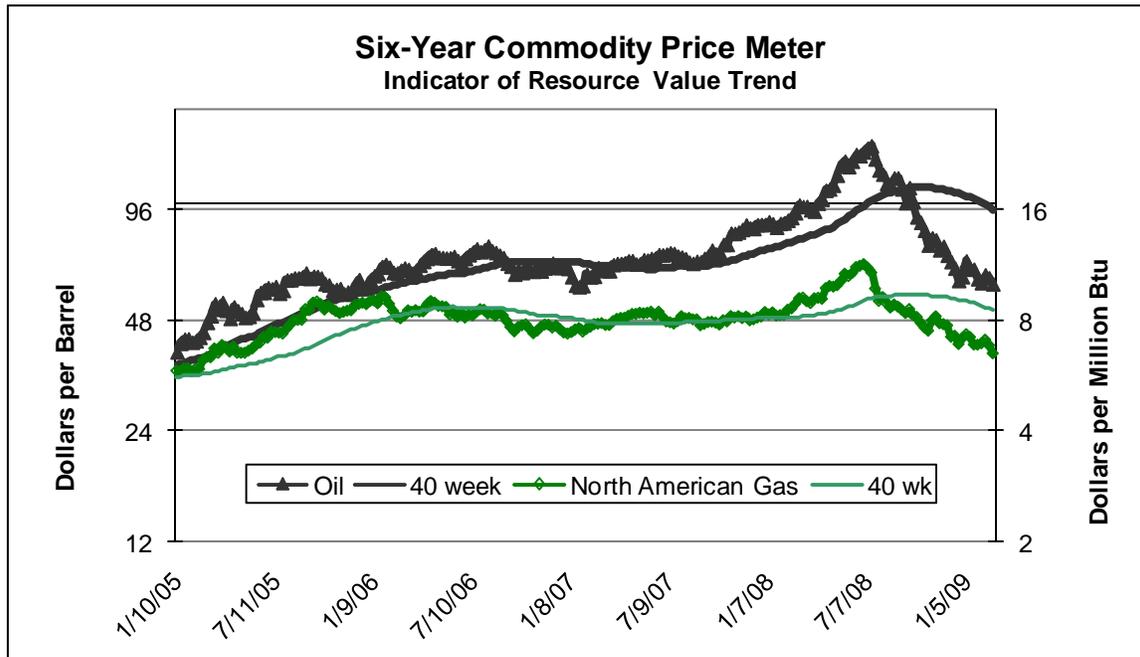
* Archived on www.mcdep.com



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