



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

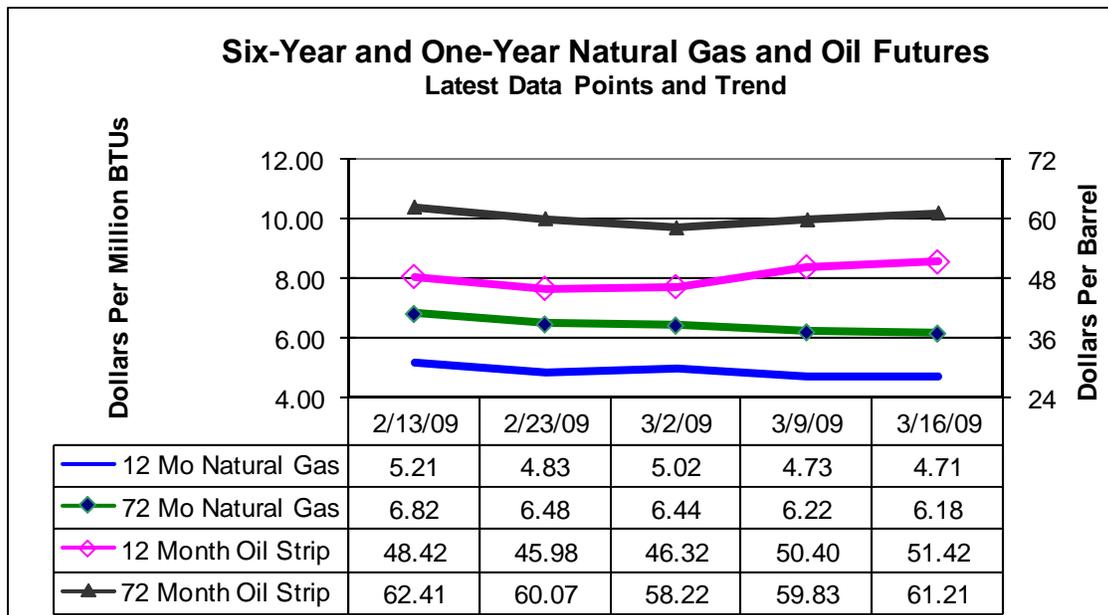
March 17, 2009

New Oil Price Advance Started

Summary and Recommendation

Signs of a new uptrend in oil and gas prices may catalyze investor interest in **ConocoPhillips (COP)** and **Devon Energy (DVN)** among our most depressed buy recommendations. Average futures prices for the next six years for crude oil and natural gas appear to be in a new uptrend following the advance for the past five weeks in a leading indicator of price action at market extremes. To get a jump on when prices might turn, we borrowed some ideas from an analyst who studies price patterns (see the book, Technical Analysis of the Financial Markets by John J. Murphy). Using the six-year futures that we have calculated weekly for the past nine years since the inputs have been publicly available, we plot the ratio of a shorter 10-week moving average to the longer 40-week moving average we have cited frequently. The ratios bottomed and turned up five weeks ago for oil and for natural gas (see bottom panels on charts on page 2 and 3). Taking the cue, our weekly tally of oil futures followed in two weeks while natural gas may be following now (see upper panels page 2 and 3). COP and DVN might be especially helped in the event of positive follow-through because those stocks are the two among ten large cap buy recommendations that simultaneously rank practically lowest on McDep Ratio, Enterprise Value to 200-day average and Enterprise Value to 50-day average. Finally on COP, attending the company's analyst meeting last week and visiting with management, we are reinforced in our investment conclusion.

Kurt H. Wulff, CFA

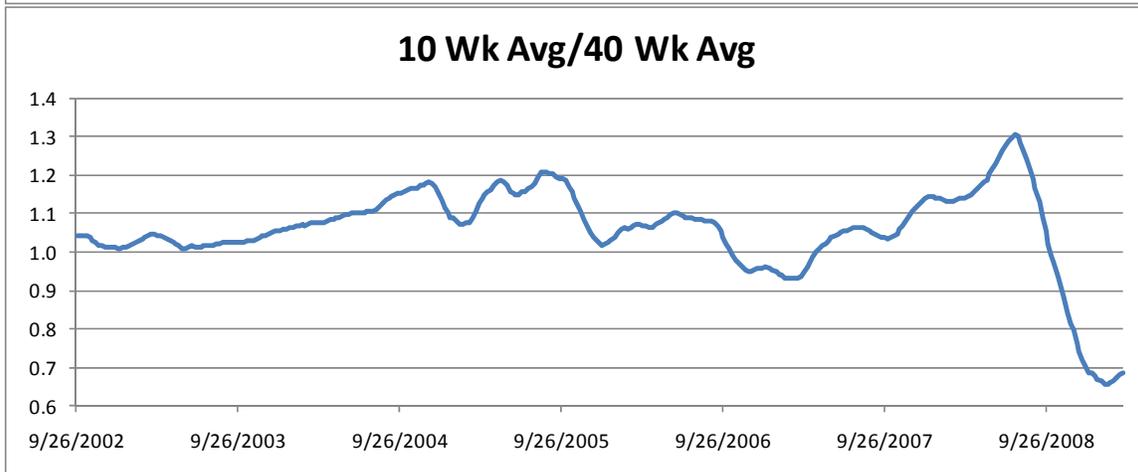
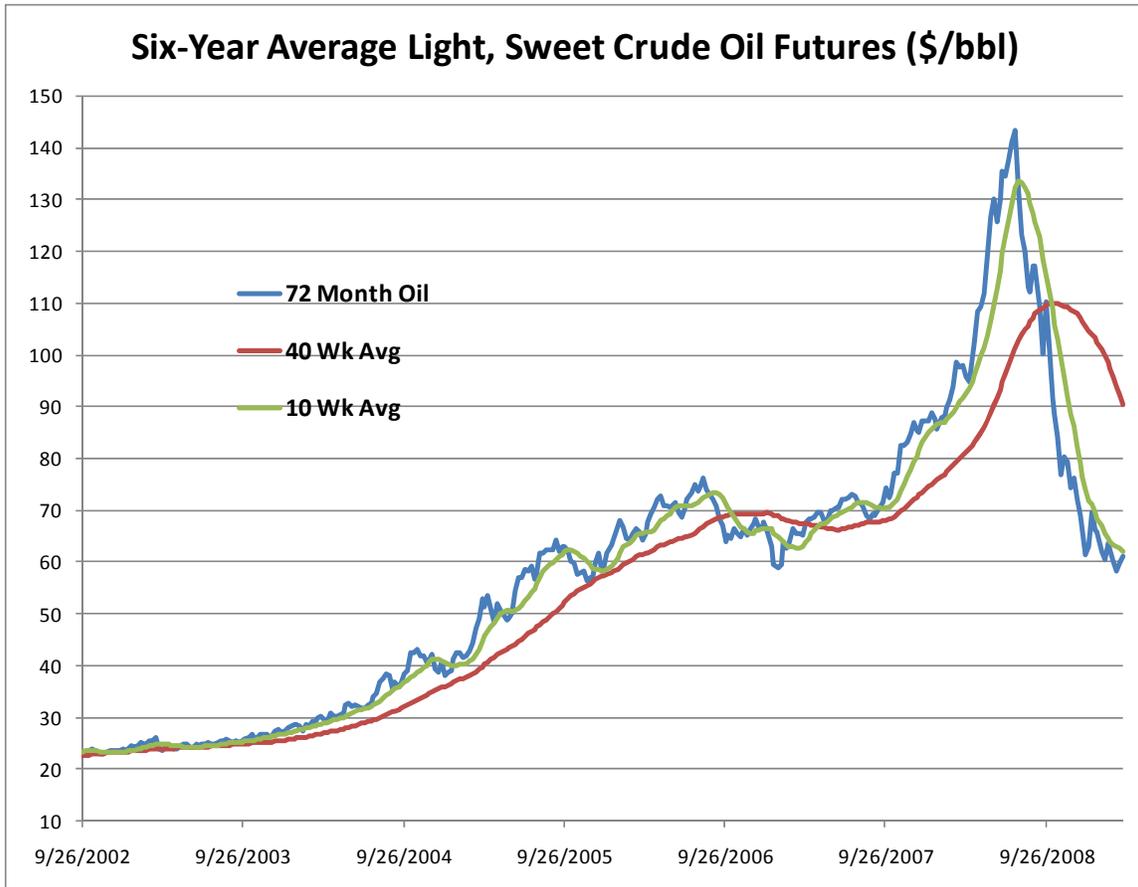




Meter Reader

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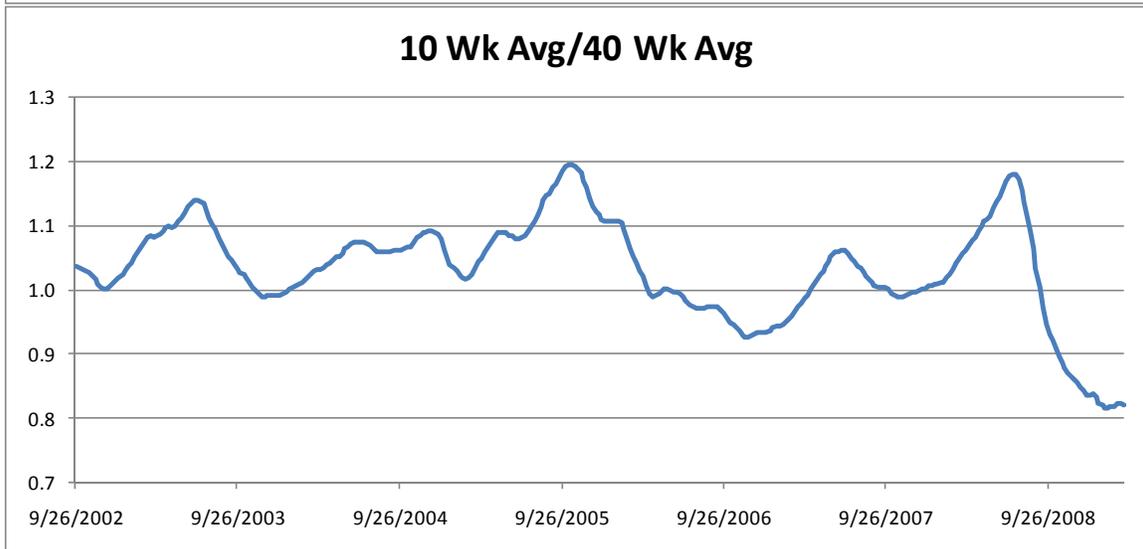
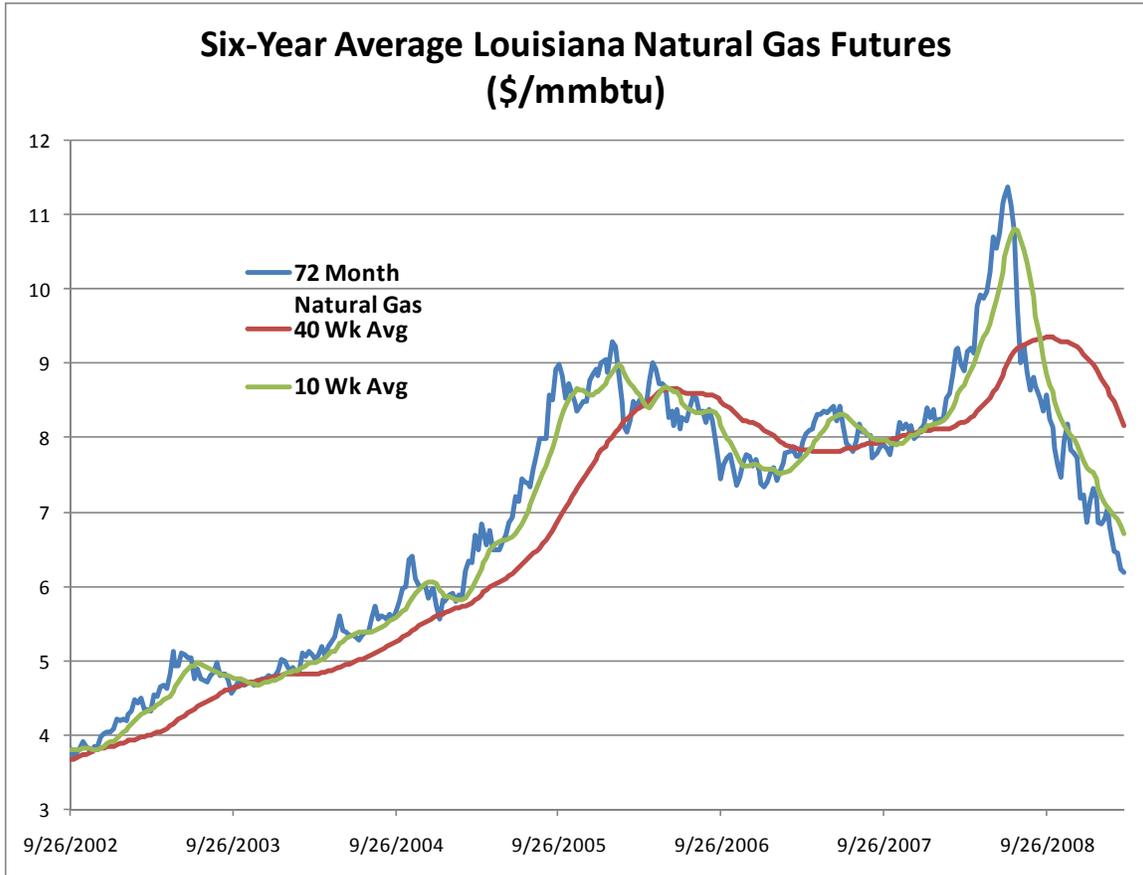




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Table 1											
McDep Energy Portfolio											
Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream	McDep Ratio		
	B = Buy H = Hold	16-Mar 2009	Cap								
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	66.97	1.11	374,000	5	27	47	21	0.76	
Chevron Corporation	CVX	H	62.96	1.23	171,000	4	12	65	19	0.69	
Marathon Oil Corporation	MRO	H	24.44	1.62	28,000	7	6	60	27	0.57	
ConocoPhillips	COP	B	36.12	1.94	104,000	13	10	61	17	0.49	
<i>Total or Median *</i>	<i>35%</i>	<i>10%</i>	<i>17%</i>		<i>677,000</i>					<i>0.63</i>	
Europe											
BG Group	BRGXF		14.52	1.13	55,300		33	40	27	0.78	
BP plc	BP	H	38.42	1.54	185,000	8	15	62	16	0.62	
Total S.A.	TOT	B	48.99	1.27	139,000		25	52	23	0.60	
StatoilHydro ASA (33%)	STO	B	16.94	1.47	26,100		50	50	-	0.58	
Royal Dutch Shell plc	RDS-A	H	45.63	1.33	186,000	3	23	45	29	0.57	
<i>Total or Median *</i>	<i>31%</i>	<i>12%</i>	<i>17%</i>		<i>591,000</i>					<i>0.60</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	H	93.22	1.00	14,200		12	88	-	0.69	
Petrobras	PBR		29.39	1.28	165,000		13	77	10	0.65	
PetroChina Company Ltd (14%)	PTR	B	76.74	1.13	22,300		17	66	17	0.54	
Lukoil Oil Company	LUKOY	H	38.25	1.06	34,400			61	39	0.30	
Gazprom (50%)	OGZPY	B	14.80	1.28	56,000		80	20	-	0.28	
<i>Total or Median *</i>	<i>15%</i>	<i>12%</i>	<i>17%</i>		<i>292,000</i>					<i>0.54</i>	
U.S. Independent											
Anadarko Petroleum Corp.	APC	H	37.32	1.88	32,300	58		37	5	0.68	
XTO Energy Inc.	XTO	H	30.52	1.67	29,300	79		21	-	0.63	
Occidental Petroleum Corp.	OXY	H	53.59	1.13	49,100	9	1	81	9	0.63	
EOG Resources	EOG	B	61.52	1.15	17,700	75	5	20	-	0.59	
Chesapeake Energy Corp.	CHK		15.91	2.56	23,400	91		9	-	0.57	
Devon Energy Corporation	DVN	B	46.35	1.42	29,200	67		33	-	0.49	
<i>Total or Median *</i>	<i>9%</i>	<i>14%</i>	<i>17%</i>		<i>181,000</i>					<i>0.61</i>	
Canada											
Imperial Oil Limited (30%)	IMO	H	33.04	1.07	9,300	5		80	16	0.70	
Encana Corporation	ECA	B	39.27	1.42	41,800	69		26	4	0.61	
Canadian Natural Resources	CNQ	H	37.56	1.53	31,100	25		75	-	0.55	
Suncor Energy	SU	H	25.50	1.34	32,100	3		92	5	0.54	
Petro-Canada	PCZ	H	23.21	1.48	16,700	11	3	71	15	0.48	
Canadian Oil Sands Trust	COSWF	B	18.62	1.12	10,100			100	-	0.47	
<i>Total or Median *</i>	<i>7%</i>	<i>14%</i>	<i>17%</i>		<i>141,000</i>					<i>0.54</i>	
Income and Small Cap (see separate weekly analysis)											
	<i>1%</i>	<i>38%</i>	<i>17%</i>		<i>26,000</i>	<i>45</i>		<i>55</i>		<i>0.52</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>1,908,000</i>	<i>11</i>	<i>18</i>	<i>54</i>	<i>16</i>	<i>0.60</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>34</i>	<i>8</i>	<i>51</i>	<i>7</i>	<i>0.57</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>33</i>	<i>17</i>	<i>43</i>	<i>7</i>	<i>0.55</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.											



Meter Reader

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March 17, 2009

Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)		Market	Present	Debt/	
	B = Buy	16-Mar	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	66.97	5,045	338,000	90.00	0.07	0.76
Chevron Corporation	CVX	H	62.96	2,206	139,000	98.00	0.13	0.69
Marathon Oil Corporation	MRO	H	24.44	707	17,280	54.00	0.22	0.57
ConocoPhillips	COP	B	36.12	1,486	54,000	109.00	0.24	0.49
<i>Total or Median</i>					548,000		0.18	0.63
Europe								
BG Group plc	BRGXF		14.52	3,379	49,060	19.00	0.09	0.78
BP plc	BP	H	38.42	3,119	120,000	74.00	0.22	0.62
Total S.A.	TOT	B	48.99	2,235	110,000	90.00	0.13	0.60
StatoilHydro ASA (33%)	STO	B	16.94	1,051	17,800	35.00	0.18	0.58
Royal Dutch Shell plc	RDS-A	H	45.63	3,064	140,000	92.00	0.14	0.57
<i>Total or Median</i>					437,000		0.14	0.60
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	93.22	152	14,200	135.00	-	0.69
Petrobras	PBR		29.39	4,387	128,930	50.00	0.14	0.65
PetroChina Company Ltd (14%)	PTR	B	76.74	256	19,660	150.00	0.06	0.54
Lukoil Oil Company	LUKOY	H	38.25	848	32,000	135.00	0.02	0.30
Gazprom (50%)	OGZPY	B	14.80	2,940	43,500	64.00	0.06	0.28
<i>Total or Median</i>					238,000		0.06	0.54
U.S. Independent								
Anadarko Petroleum Corp.	APC	H	37.32	460	17,200	70.00	0.32	0.68
XTO Energy Inc.	XTO	H	30.52	577	17,610	60.00	0.25	0.63
Occidental Petroleum Corp.	OXY	H	53.59	812	43,500	89.00	0.07	0.63
EOG Resources	EOG	B	61.52	250	15,400	110.00	0.08	0.59
Chesapeake Energy Corp.	CHK		15.91	575	9,150	46.00	0.35	0.57
Devon Energy Corporation	DVN	B	46.35	444	20,600	116.00	0.14	0.49
<i>Total or Median</i>					123,500		0.20	0.61
Canada								
Imperial Oil Limited (30%)	IMO	H	33.04	262	8,640	48.00	0.05	0.70
Encana Corporation	ECA	B	39.27	751	29,500	75.00	0.18	0.61
Canadian Natural Resources	CNQ	H	37.56	541	20,300	85.00	0.19	0.55
Suncor Energy	SU	H	25.50	943	24,050	55.00	0.13	0.54
Petro-Canada	PCZ	H	23.21	484	11,230	60.00	0.16	0.48
Canadian Oil Sands Trust	COSWF	B	18.62	482	8,980	42.00	0.05	0.47
<i>Total or Median</i>					103,000		0.15	0.54
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.								



Meter Reader

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March 17, 2009

Table 3								
McDep Energy Portfolio								
Value Multiples and Distribution Yield								
			Price	Adjustd			Divd or	
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/	Distrib	
	B = Buy	16-Mar	Prod	Ebitda	Ebitda	P/E	NTM	
	H = Hold	2009	NTM	NTM	NTM	NTM	(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	66.97	12.0	10.6	8.1	17	2.4
Chevron Corporation	CVX	H	62.96	10.1	10.8	7.4	17	4.1
ConocoPhillips	COP	B	36.12	10.6	11.4	5.6	12	5.2
Marathon Oil Corporation	MRO	H	24.44	8.5	8.2	4.7	11	3.9
	<i>Total or Median</i>			<i>10.3</i>	<i>10.7</i>	<i>6.5</i>	<i>14</i>	<i>4.0</i>
Europe								
BG Group plc	BRGXF		14.52	7.4	10.2	8.0	16	1.1
BP plc	BP	H	38.42	9.8	10.1	6.3	11	8.7
Total S.A.	TOT	B	48.99	9.3	9.6	5.8	13	6.0
StatoilHydro ASA (33%)	STO	B	16.94	7.5	8.2	4.8	15	6.3
Royal Dutch Shell plc	RDS-A	H	45.63	7.6	8.3	4.7	10	7.4
	<i>Total or Median</i>			<i>7.6</i>	<i>9.6</i>	<i>5.8</i>	<i>13</i>	<i>6.3</i>
Brazil/China/Russia								
Petrobras	PBR		29.39	10.2	12.5	8.1	18	2.9
CNOOC Limited (34%)	CEO	H	93.22	7.8	8.9	6.2	13	5.1
PetroChina Company Ltd (14%)	PTR	B	76.74	14.1	9.3	5.0	14	5.5
Gazprom (50%)	OGZPY	B	14.80	24.6	7.7	2.1	3	2.1
Lukoil Oil Company	LUKOY	H	38.25	16.7	7.0	2.1	4	2.9
	<i>Total or Median</i>			<i>14.1</i>	<i>8.9</i>	<i>5.0</i>	<i>13</i>	<i>2.9</i>
U.S. Independent								
XTO Energy Inc.	XTO	H	30.52	11.9	15.8	10.0	16	1.6
Chesapeake Energy Corp.	CHK		15.91	11.5	15.5	8.9	57	1.9
EOG Resources	EOG	B	61.52	10.0	13.6	8.1	82	0.9
Anadarko Petroleum Corp.	APC	H	37.32	9.3	11.7	8.0		1.9
Occidental Petroleum Corp.	OXY	H	53.59	11.4	10.7	6.7	18	2.4
Devon Energy Corporation	DVN	B	46.35	8.8	12.5	6.1	34	1.4
	<i>Total or Median</i>			<i>10.7</i>	<i>13.1</i>	<i>8.0</i>	<i>34</i>	<i>1.8</i>
Canada								
Canadian Oil Sands Trust	COSWF	B	18.62	23.3	22.5	10.6	21	2.5
Imperial Oil Limited (30%)	IMO	H	33.04	19.1	14.4	10.1	18	1.0
Suncor Energy	SU	H	25.50	22.5	18.8	10.1	19	0.6
Canadian Natural Resources	CNQ	H	37.56	8.0	14.6	8.0	18	0.8
Encana Corporation	ECA	B	39.27	9.1	11.6	7.1	29	4.1
Petro-Canada	PCZ	H	23.21	6.9	9.7	4.7	18	2.7
	<i>Total or Median</i>			<i>14.1</i>	<i>14.5</i>	<i>9.0</i>	<i>19</i>	<i>1.7</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								



Meter Reader

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
5-Mar	CNQ	Canadian Natural Resources	Horizon Produces First Oil
5-Mar	OGZPY	Gazprom	Tax Risk Diversification
4-Mar	BIR.TO	Birchcliff Energy Ltd.	Alberta Reduces Royalties (Taxes) on New Wells
25-Feb	BRY	Berry Petroleum	Resource Rich, Credit Sensitive
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)
26-Dec	* HGT	Hugoton Royalty Trust	Under Year-End Price Pressure (Income Weekly)
16-Dec	* LUKOY	Lukoil Oil Company	Credible Russian Champion

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17-Mar	Weekly	
10-Mar	Weekly	ExxonMobil's Supreme Test
3-Mar	Weekly	Home of the Brave
24-Feb	Weekly	Buy EOG, Hold XTO

Income and Small Cap Weekly

13-Mar	Weekly	Oversold, Undervalued Stocks
6-Mar	Weekly	Accumulate Away
27-Feb	Weekly	Turning Points
20-Feb	Weekly	Geographic Distortion in Natural Gas Price

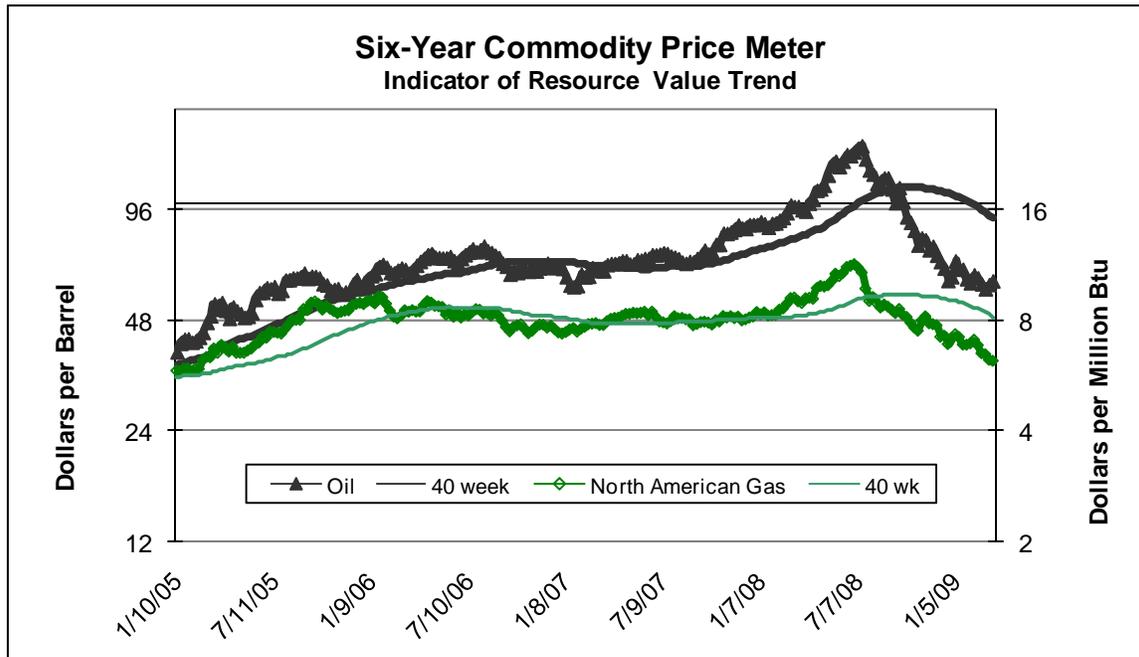
* Archived on www.mcdep.com



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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.