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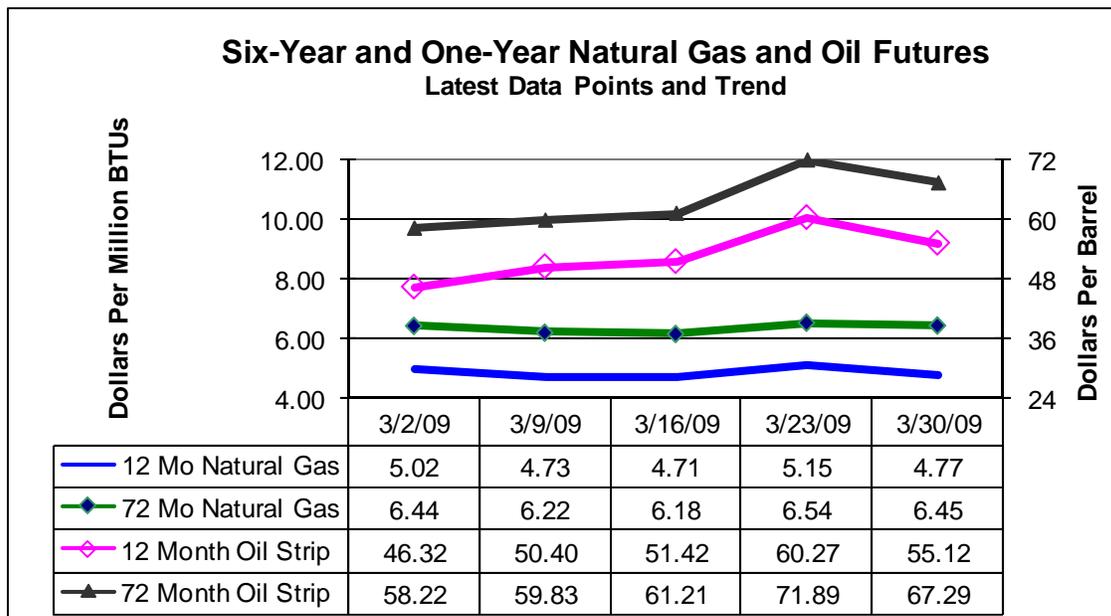
A Weekly Analysis of Large Cap Oil and Gas Stocks
 March 31, 2009

Spring Arrives Every Year

Summary and Recommendation

Prices for oil and gas stocks will turn up again just as winter turns to spring. We hope all of the plants in the garden come back, but some may not. Temperatures gradually warm up, but some days are still cold. We see that natural gas for the next six years has held above its weekly low though by only a few pennies (see chart below). The drilling cycle in natural gas seems especially obvious. Rig activity decline is approaching 50% and continues to drop. As the decline in supply accelerates in the months ahead, prices will likely advance to the point where drilling resumes. Then supply will likely not react soon enough to keep prices from rising further. Our buy recommendations are likely at or near the bottom of price cycles which is enough to justify current action, we believe. We watch for more evidence that the turn is advancing as indicated by prices above the 200-day average to justify more recommendations.

Kurt H. Wulff, CFA





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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.	Rest of World	Oil Prod'n	Down- stream	McDep Ratio		
	B = Buy H = Hold	30-Mar 2009	Cap		Natural Gas	Natural Gas					
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	68.63	1.11	383,000	5	27	47	21	0.78	
Chevron Corporation	CVX	H	66.80	1.22	180,000	4	12	65	19	0.72	
Marathon Oil Corporation	MRO	H	25.46	1.60	28,700	7	6	60	27	0.59	
ConocoPhillips	COP	B	39.02	1.87	108,000	13	10	61	17	0.51	
<i>Total or Median *</i>	<i>36%</i>	<i>10%</i>	<i>17%</i>		<i>700,000</i>					<i>0.66</i>	
Europe											
BG Group	BRGXF		14.25	1.13	54,500		33	40	27	0.77	
BP plc	BP	H	39.43	1.53	188,000	8	15	62	16	0.64	
Total S.A.	TOT	B	48.40	1.28	139,000		25	52	23	0.60	
StatoilHydro ASA (33%)	STO	B	17.39	1.46	26,700		50	50	-	0.59	
Royal Dutch Shell plc	RDS-A	H	44.27	1.34	182,000	3	23	45	29	0.55	
<i>Total or Median *</i>	<i>30%</i>	<i>12%</i>	<i>17%</i>		<i>590,000</i>					<i>0.60</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	H	99.29	1.00	15,100		12	88	-	0.74	
Petrobras	PBR		30.84	1.27	172,000		13	77	10	0.67	
PetroChina Company Ltd (14%)	PTR	B	79.18	1.20	24,400		13	74	13	0.57	
Lukoil Oil Company	LUKOY	H	37.50	1.06	33,800			61	39	0.29	
Gazprom (50%)	OGZPY	B	14.40	1.29	55,000		80	20	-	0.27	
<i>Total or Median *</i>	<i>15%</i>	<i>12%</i>	<i>17%</i>		<i>300,000</i>					<i>0.57</i>	
U.S. Independent											
Anadarko Petroleum Corp.	APC	H	38.88	1.84	33,000	58		37	5	0.70	
Occidental Petroleum Corp.	OXY	H	56.20	1.12	51,200	9	1	81	9	0.66	
XTO Energy Inc.	XTO	H	30.90	1.66	29,600	79		21	-	0.64	
Chesapeake Energy Corp.	CHK		17.44	2.42	24,300	91		9	-	0.60	
EOG Resources	EOG	B	56.66	1.16	16,500	75	5	20	-	0.55	
Devon Energy Corporation	DVN	B	44.62	1.43	28,400	67		33	-	0.47	
<i>Total or Median *</i>	<i>9%</i>	<i>15%</i>	<i>17%</i>		<i>183,000</i>					<i>0.62</i>	
Canada											
Imperial Oil Limited (30%)	IMO	H	35.38	1.07	9,900	5		80	16	0.75	
Encana Corporation	ECA	B	40.14	1.41	42,400	69		26	4	0.62	
Canadian Natural Resources	CNQ	H	38.76	1.52	31,900	25		75	-	0.56	
Suncor Energy pro forma	SU	H	22.12	1.39	48,200	6		85	8	0.50	
Canadian Oil Sands Trust	COSWF	B	18.34	1.12	9,900			100	-	0.47	
Petro-Canada (to be SU@1.28)	PCZ	H	26.52								
<i>Total or Median *</i>	<i>7%</i>	<i>12%</i>	<i>17%</i>		<i>142,000</i>					<i>0.56</i>	
Income and Small Cap (see separate weekly analysis)											
	<i>1%</i>	<i>39%</i>	<i>17%</i>		<i>27,000</i>	<i>44</i>		<i>56</i>		<i>0.55</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>1,942,000</i>	<i>11</i>	<i>18</i>	<i>55</i>	<i>16</i>	<i>0.61</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>35</i>	<i>8</i>	<i>50</i>	<i>7</i>	<i>0.58</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>33</i>	<i>17</i>	<i>44</i>	<i>6</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.											



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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	30-Mar	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	68.63	5,045	346,000	90.00	0.07	0.78
Chevron Corporation	CVX	H	66.80	2,206	147,000	98.00	0.13	0.72
Marathon Oil Corporation	MRO	H	25.46	707	18,000	54.00	0.22	0.59
ConocoPhillips	COP	B	39.02	1,486	58,000	109.00	0.24	0.51
<i>Total or Median</i>					569,000		0.18	0.66
Europe								
BG Group plc	BRGXF		14.25	3,379	48,150	19.00	0.09	0.77
BP plc	BP	H	39.43	3,119	123,000	74.00	0.22	0.64
Total S.A.	TOT	B	48.40	2,235	108,000	90.00	0.13	0.60
StatoilHydro ASA (33%)	STO	B	17.39	1,051	18,280	35.00	0.19	0.59
Royal Dutch Shell plc	RDS-A	H	44.27	3,064	136,000	92.00	0.14	0.55
<i>Total or Median</i>					433,000		0.14	0.60
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	99.29	152	15,120	135.00	-	0.74
Petrobras	PBR		30.84	4,387	135,300	50.00	0.14	0.67
PetroChina Company Ltd (14%)	PTR	B	79.18	256	20,290	150.00	0.10	0.57
Lukoil Oil Company	LUKOY	H	37.50	848	32,000	135.00	0.02	0.29
Gazprom (50%)	OGZPY	B	14.40	2,940	42,300	64.00	0.06	0.27
<i>Total or Median</i>					245,000		0.06	0.57
U.S. Independent								
Anadarko Petroleum Corp.	APC	H	38.88	460	17,900	70.00	0.32	0.70
Occidental Petroleum Corp.	OXY	H	56.20	812	45,600	89.00	0.07	0.66
XTO Energy Inc.	XTO	H	30.90	577	17,830	60.00	0.25	0.64
Chesapeake Energy Corp.	CHK		17.44	575	10,030	46.00	0.35	0.60
EOG Resources	EOG	B	56.66	250	14,200	110.00	0.08	0.55
Devon Energy Corporation	DVN	B	44.62	444	19,800	116.00	0.14	0.47
<i>Total or Median</i>					125,400		0.20	0.62
Canada								
Imperial Oil Limited (30%)	IMO	H	35.38	262	9,260	48.00	0.05	0.75
Encana Corporation	ECA	B	40.14	751	30,100	75.00	0.18	0.62
Canadian Natural Resources	CNQ	H	38.76	541	21,000	85.00	0.19	0.56
Suncor Energy pro forma	SU	H	22.12	1,563	34,560	52.80	0.14	0.50
Canadian Oil Sands Trust	COSWF	B	18.34	482	8,840	42.00	0.05	0.47
Petro-Canada (to be SU@1.28)	PCZ	H	26.52					
<i>Total or Median</i>					104,000		0.14	0.56
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		30-Mar	Prod	Ebitda	Ebitda	P/E	
	H = Hold		2009	NTM	NTM	NTM	NTM	
							(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	68.63	12.0	10.4	8.1	16	2.3
Chevron Corporation	CVX	H	66.80	10.1	10.5	7.6	17	3.9
ConocoPhillips	COP	B	39.02	10.6	11.1	5.7	12	4.8
Marathon Oil Corporation	MRO	H	25.46	8.5	8.0	4.7	11	3.8
	<i>Total or Median</i>			<i>10.3</i>	<i>10.4</i>	<i>6.6</i>	<i>14</i>	<i>3.8</i>
Europe								
BG Group plc	BRGXF		14.25	7.4	9.9	7.7	16	1.1
BP plc	BP	H	39.43	9.8	9.9	6.3	11	8.5
Total S.A.	TOT	B	48.40	9.3	9.4	5.6	12	6.2
StatoilHydro ASA (33%)	STO	B	17.39	7.5	8.0	4.7	14	6.1
Royal Dutch Shell plc	RDS-A	H	44.27	7.6	8.1	4.5	9	7.6
	<i>Total or Median</i>			<i>7.6</i>	<i>9.4</i>	<i>5.6</i>	<i>12</i>	<i>6.2</i>
Brazil/China/Russia								
Petrobras	PBR		30.84	10.2	12.1	8.1	18	2.8
CNOOC Limited (34%)	CEO	H	99.29	7.8	8.4	6.2	12	4.8
PetroChina Company Ltd (14%)	PTR	B	79.18	14.0	9.8	5.6	18	5.2
Gazprom (50%)	OGZPY	B	14.40	24.6	7.6	2.1	3	2.2
Lukoil Oil Company	LUKOY	H	37.50	16.7	6.9	2.0	4	3.0
	<i>Total or Median</i>			<i>14.0</i>	<i>8.4</i>	<i>5.6</i>	<i>12</i>	<i>3.0</i>
U.S. Independent								
XTO Energy Inc.	XTO	H	30.90	11.9	15.8	10.1	16	1.6
Chesapeake Energy Corp.	CHK		17.44	11.5	15.7	9.4	72	1.7
Anadarko Petroleum Corp.	APC	H	38.88	9.3	11.6	8.1		1.9
EOG Resources	EOG	B	56.66	10.0	13.6	7.5	76	1.0
Occidental Petroleum Corp.	OXY	H	56.20	11.4	10.3	6.8	17	2.3
Devon Energy Corporation	DVN	B	44.62	8.8	12.4	5.9	31	1.4
	<i>Total or Median</i>			<i>10.7</i>	<i>13.0</i>	<i>7.8</i>	<i>31</i>	<i>1.7</i>
Canada								
Imperial Oil Limited (30%)	IMO	H	35.38	19.1	13.9	10.4	19	0.9
Canadian Oil Sands Trust	COSWF	B	18.34	23.2	20.5	9.6	17	2.6
Canadian Natural Resources	CNQ	H	38.76	8.0	14.1	7.9	18	0.8
Encana Corporation	ECA	B	40.14	9.1	11.7	7.2	30	4.0
Suncor Energy pro forma	SU	H	22.12	-	13.7	6.9	17	0.7
Petro-Canada (to be SU@1.28)	PCZ	H	26.52					
	<i>Total or Median</i>			<i>9.1</i>	<i>13.9</i>	<i>7.9</i>	<i>18</i>	<i>0.9</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>
25-Mar	PTR	PetroChina Company Limited	Fundamental to the Growth of China
23-Mar	PCZ	Petro-Canada	Suncor to Acquire Petro-Canada
23-Mar	SU	Suncor Energy	Suncor to Acquire Petro-Canada
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	* 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
21-Jan	* CEO	CNOOC Ltd	More Volume Growth in 2009
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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31-Mar		Weekly	
24-Mar		Weekly	Canada Deals
17-Mar		Weekly	New Oil Price Advance Started
10-Mar	*	Weekly	ExxonMobil's Supreme Test

Income and Small Cap Weekly

27-Mar		Weekly	Calgary Presentation
20-Mar		Weekly	Small Cap Independent Producers Rising
13-Mar		Weekly	Oversold, Undervalued Stocks
6-Mar	*	Weekly	Accumulate Away

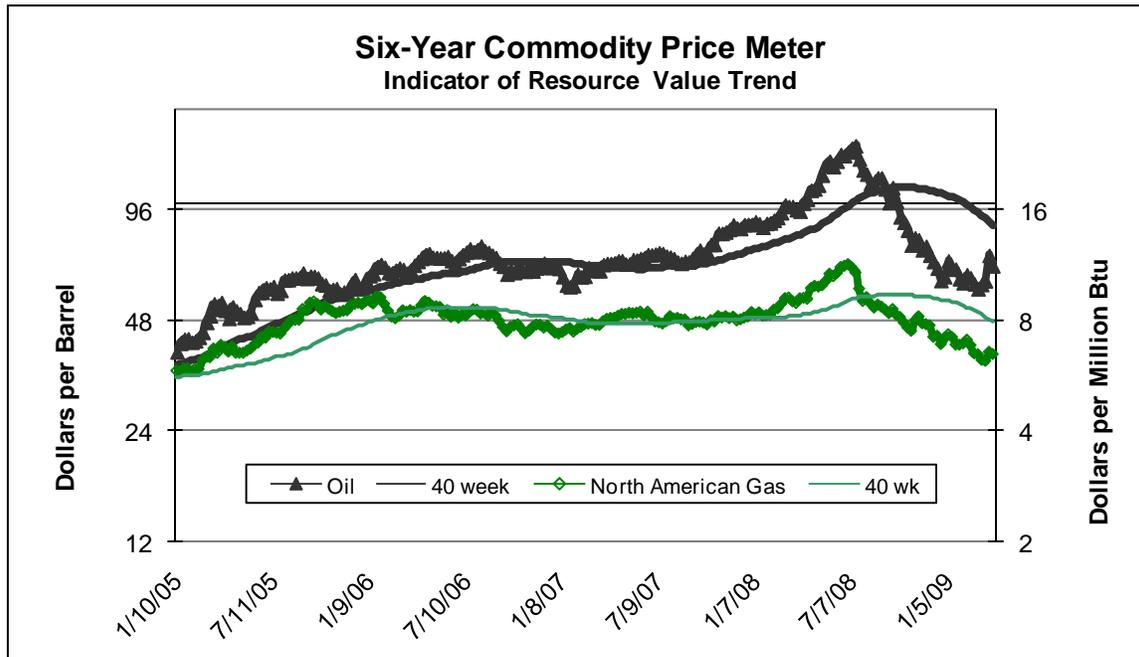
* Archived on www.mcdep.com



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