



# Meter Reader

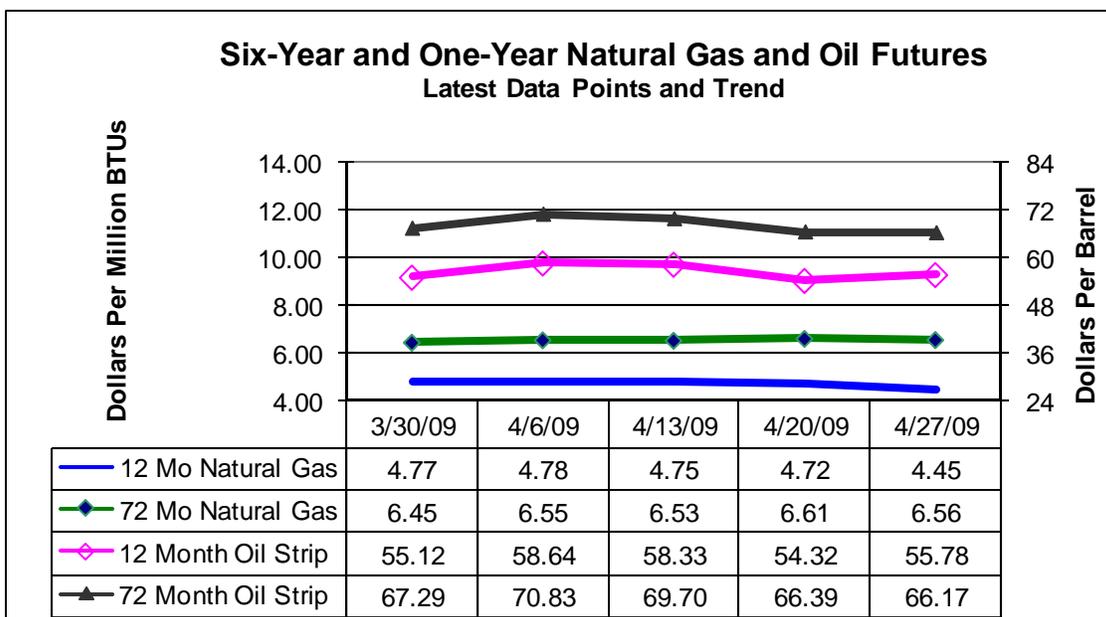
A Weekly Analysis of Large Cap Oil and Gas Stocks  
 April 28, 2009

## Russian Stocks Acting Better

### Summary and Recommendation

The stocks of buy-recommended **Gazprom (OGZPY)** and hold-rated **Lukoil (LUKOY)** are “acting better” along with global stock markets. Both have been trading above their 50-day average since early March after having registered steeper than average declines from their 52-week highs. Perhaps reflecting their commodity orientation, Lukoil, the oil company has been leading Gazprom, the natural gas company. Lukoil is approaching its 200-day average, which could attract more investor attention if the average is penetrated to the upside. Both stocks have remarkably low McDep Ratios. Yet profits are what the Russian government allows, hence the political risk we often cite. Nonetheless, it is in the Russian national interest, we believe, to have profitable, strong, well-respected global companies. That can’t happen without investors making money on stocks of companies like Gazprom and Lukoil. Speaking of the commodities, natural gas holds above its weekly low of \$6.18 set on March 16 on a six-year average basis (chart below [Six-Year and One-Year Natural Gas and Oil Futures](#)). Recent new lows in the near-month quote must be interpreted in the context that prices are low seasonally in the months between winter heating demand and summer air conditioning demand. A more positive trend for oil helps (see chart on last page, [Six-Year Commodity Price Meter](#)). Devotees of the moving average will anticipate that when the high numbers from just before last fall’s steep price decline drop out of the average in June, the whole chart may look more bullish.

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 Cap	Enterprise Value (\$mm)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream		McDep Ratio	
	B = Buy H = Hold	27-Apr 2009									
<b>U.S. Integrated</b>											
Exxon Mobil Corporation	XOM	B	66.13	1.11	370,000	5	27	47	21	0.75	
Chevron Corporation	CVX	H	65.41	1.23	177,000	4	12	65	19	0.71	
Marathon Oil Corporation	MRO	H	29.63	1.51	31,700	7	6	60	27	0.65	
ConocoPhillips	COP	B	41.03	1.82	112,000	13	10	61	16	0.52	
<i>Total or Median *</i>	<i>34%</i>	<i>9%</i>	<i>17%</i>		<i>691,000</i>					<i>0.68</i>	
<b>Europe</b>											
BG Group	BRGXF		15.60	1.12	59,200		33	40	27	0.84	
BP plc	BP	H	41.92	1.50	196,000	8	15	62	16	0.66	
Total S.A.	TOT	B	49.66	1.27	141,000		25	52	23	0.61	
StatoilHydro ASA (33%)	STO	B	17.70	1.45	27,100		50	50	-	0.60	
Royal Dutch Shell plc	RDS-A	H	45.01	1.34	184,000	3	24	43	29	0.56	
<i>Total or Median *</i>	<i>30%</i>	<i>12%</i>	<i>17%</i>		<i>607,000</i>					<i>0.61</i>	
<b>Brazil/China/Russia</b>											
CNOOC Limited (34%)	CEO	H	110.32	1.00	16,800		12	88	-	0.82	
PetroChina Company Ltd (14%)	PTR	B	85.50	1.19	26,100		13	74	13	0.61	
Petrobras	PBR		32.25	1.24	175,000		10	81	10	0.61	
Lukoil Oil Company	LUKOY	H	43.55	1.17	43,400			54	46	0.36	
Gazprom (50%)	OGZPY	B	17.26	1.25	63,000		80	20	-	0.31	
<i>Total or Median *</i>	<i>16%</i>	<i>12%</i>	<i>17%</i>		<i>324,000</i>					<i>0.61</i>	
<b>U.S. Independent</b>											
Anadarko Petroleum Corp.	APC	H	42.22	1.78	34,500	58		37	5	0.73	
XTO Energy Inc.	XTO	H	33.21	1.61	30,900	79		21	-	0.67	
Occidental Petroleum Corp.	OXY	H	54.81	1.13	50,300	12	1	78	9	0.64	
Chesapeake Energy Corp.	CHK		20.29	2.22	25,900	91		9	-	0.64	
EOG Resources	EOG	B	62.42	1.15	18,000	75	5	20	-	0.60	
Devon Energy Corporation	DVN	B	50.92	1.38	31,200	67		33	-	0.52	
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>17%</i>		<i>191,000</i>					<i>0.64</i>	
<b>Canada</b>											
Imperial Oil Limited (30%)	IMO	H	35.02	1.07	9,800	5		80	16	0.74	
Encana Corporation	ECA	B	44.43	1.36	45,500	69		26	4	0.66	
Canadian Natural Resources	CNQ	H	47.81	1.44	37,200	24		76	-	0.65	
Suncor Energy pro forma	SU	H	25.06	1.38	54,100	6		86	7	0.56	
Canadian Oil Sands Trust	COSWF	B	21.94	1.11	11,700			100	-	0.55	
Petro-Canada (to be SU@1.28)	PCZ	H	30.96								
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>17%</i>		<i>158,000</i>					<i>0.65</i>	
<b>Income and Small Cap (see separate weekly analysis)</b>											
	<i>2%</i>	<i>42%</i>	<i>17%</i>		<i>31,900</i>	<i>44</i>		<i>56</i>		<i>0.61</i>	
<b>Composite</b>											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,002,900</i>	<i>12</i>	<i>18</i>	<i>55</i>	<i>16</i>	<i>0.62</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>35</i>	<i>8</i>	<i>51</i>	<i>7</i>	<i>0.63</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>21</i>	<i>17</i>	<i>55</i>	<i>6</i>	<i>0.58</i>	



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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	27-Apr	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	66.13	5,045	334,000	90.00	0.07	0.75
Chevron Corporation	CVX	H	65.41	2,206	144,000	98.00	0.13	0.71
Marathon Oil Corporation	MRO	H	29.63	707	20,950	54.00	0.22	0.65
ConocoPhillips	COP	B	41.03	1,495	61,000	109.00	0.24	0.52
<i>Total or Median</i>					560,000		0.18	0.68
<b>Europe</b>								
BG Group plc	BRGXF		15.60	3,379	52,710	19.00	0.09	0.84
BP plc	BP	H	41.92	3,119	131,000	74.00	0.22	0.66
Total S.A.	TOT	B	49.66	2,235	111,000	90.00	0.13	0.61
StatoilHydro ASA (33%)	STO	B	17.70	1,051	18,600	35.00	0.19	0.60
Royal Dutch Shell plc	RDS-A	H	45.01	3,064	138,000	92.00	0.14	0.56
<i>Total or Median</i>					451,000		0.14	0.61
<b>Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO	H	110.32	152	16,800	135.00	-	0.82
PetroChina Company Ltd (14%)	PTR	B	85.50	256	21,910	150.00	0.10	0.61
Petrobras	PBR		32.25	4,387	141,480	58.00	0.12	0.61
Lukoil Oil Company	LUKOY	H	43.55	850	37,000	135.00	0.05	0.36
Gazprom (50%)	OGZPY	B	17.26	2,940	50,700	64.00	0.06	0.31
<i>Total or Median</i>					268,000		0.06	0.61
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC	H	42.22	460	19,400	70.00	0.32	0.73
XTO Energy Inc.	XTO	H	33.21	577	19,160	60.00	0.25	0.67
Occidental Petroleum Corp.	OXY	H	54.81	814	44,600	89.00	0.07	0.64
Chesapeake Energy Corp.	CHK		20.29	575	11,670	46.00	0.35	0.64
EOG Resources	EOG	B	62.42	250	15,600	110.00	0.08	0.60
Devon Energy Corporation	DVN	B	50.92	444	22,600	116.00	0.14	0.52
<i>Total or Median</i>					133,000		0.20	0.64
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	H	35.02	262	9,160	48.00	0.05	0.74
Encana Corporation	ECA	B	44.43	751	33,400	75.00	0.18	0.66
Canadian Natural Resources	CNQ	H	47.81	541	25,900	85.00	0.20	0.65
Suncor Energy pro forma	SU	H	25.06	1,564	39,180	52.00	0.16	0.56
Canadian Oil Sands Trust	COSWF	B	21.94	482	10,580	42.00	0.05	0.55
Petro-Canada (to be SU@1.28)	PCZ	H	30.96					
<i>Total or Median</i>					118,000		0.16	0.65
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		27-Apr	Prod	Ebitda	Ebitda	P/E	
	H = Hold		2009	NTM	NTM	NTM	NTM	
							(%)	
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	66.13	12.0	10.4	7.9	16	2.4
Chevron Corporation	CVX	H	65.41	10.1	10.5	7.5	17	4.0
ConocoPhillips	COP	B	41.03	10.5	10.7	5.6	11	4.6
Marathon Oil Corporation	MRO	H	29.63	8.5	8.0	5.2	12	3.2
	<i>Total or Median</i>			<i>10.3</i>	<i>10.5</i>	<i>6.5</i>	<i>14</i>	<i>3.6</i>
<b>Europe</b>								
BG Group plc	BRGXF		15.60	7.4	9.8	8.2	17	1.1
BP plc	BP	H	41.92	9.8	9.9	6.5	12	8.0
Total S.A.	TOT	B	49.66	9.3	9.4	5.7	13	6.0
StatoilHydro ASA (33%)	STO	B	17.70	7.5	8.0	4.8	15	6.1
Royal Dutch Shell plc	RDS-A	H	45.01	7.6	8.2	4.6	10	7.5
	<i>Total or Median</i>			<i>7.6</i>	<i>9.4</i>	<i>5.7</i>	<i>13</i>	<i>6.1</i>
<b>Brazil/China/Russia</b>								
Petrobras	PBR		32.25	9.2	12.0	7.3	13	3.0
CNOOC Limited (34%)	CEO	H	110.32	7.5	8.4	6.8	14	4.7
PetroChina Company Ltd (14%)	PTR	B	85.50	14.0	9.6	5.9	18	4.8
Lukoil Oil Company	LUKOY	H	43.55	16.7	11.6	4.2	9	2.6
Gazprom (50%)	OGZPY	B	17.26	24.6	7.5	2.4	3	1.8
	<i>Total or Median</i>			<i>14.0</i>	<i>9.6</i>	<i>5.9</i>	<i>13</i>	<i>3.0</i>
<b>U.S. Independent</b>								
XTO Energy Inc.	XTO	H	33.21	11.9	16.7	11.1	18	1.5
Chesapeake Energy Corp.	CHK		20.29	11.5	16.7	10.6	306	1.5
Anadarko Petroleum Corp.	APC	H	42.22	9.3	12.0	8.7		1.7
EOG Resources	EOG	B	62.42	10.0	14.3	8.6	127	0.9
Devon Energy Corporation	DVN	B	50.92	8.8	12.9	6.7	45	1.3
Occidental Petroleum Corp.	OXY	H	54.81	10.9	10.3	6.6	17	2.3
	<i>Total or Median</i>			<i>10.4</i>	<i>13.6</i>	<i>8.7</i>	<i>45</i>	<i>1.5</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	H	35.02	19.1	15.7	11.7	22	0.9
Canadian Oil Sands Trust	COSWF	B	21.94	23.2	21.0	11.5	22	2.2
Canadian Natural Resources	CNQ	H	47.81	8.0	14.5	9.4	24	0.7
Encana Corporation	ECA	B	44.43	9.0	13.1	8.7	16	3.6
Suncor Energy pro forma	SU	H	25.06	-	13.3	7.5	18	0.7
Petro-Canada (to be SU@1.28)	PCZ	H	30.96					
	<i>Total or Median</i>			<i>9.0</i>	<i>14.5</i>	<i>9.4</i>	<i>22</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>
23-Apr	OXY	Occidental Petroleum Corporation	Low-Cost U.S. Oil and Gas Producer
23-Apr	COP	ConocoPhillips	Overlooked Rich Resources
23-Apr	SU	Suncor Energy	Acquiring Financial Strength
22-Apr	EAC	Encore Acquisition Company	Levered to Oil Price
22-Apr	ECA	EnCana Corporation	Billion Dollar Hedge Gain
17-Apr	SJT	San Juan Basin Royalty Trust	Lower Net Present Value to \$26 from \$34 a Unit
17-Apr	HGT	Hugoton Royalty Trust	Natural Gas Price Limits Distributions
8-Apr	LUKOY	Lukoil Oil Company	Making Money after Interruption
31-Mar	* CEO	CNOOC Ltd	13% Volume Growth Projected for 2009
25-Mar	* PTR	PetroChina Company Limited	Fundamental to the Growth of China
23-Mar	* PCZ	Petro-Canada	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	* TOT	Total S.A.	Dividend and Investment Strength
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	* RDSA	Royal Dutch Shell plc	Dividend Trend Beats Inflation
28-Jan	* COSWF	Canadian Oil Sands Trust	Quarterly Distribution of C\$0.15 a Unit

### Meter Reader

28-Apr		Weekly	
21-Apr		Weekly	Oil and Gas below Replacement Cost
14-Apr		Weekly	Six-Year Natural Gas Holding above Low Price
7-Apr	*	Weekly	Preparing to Meet

### Income and Small Cap Weekly

24-Apr		Weekly	Low McDep Ratios for Peyto and Freehold
17-Apr		Weekly	Readjust NPV for Volume Trend
10-Apr		Weekly	Long-Life, Clean Oil Sands
3-Apr	*	Weekly	Brief Notes from Calgary

### Industry Ideas

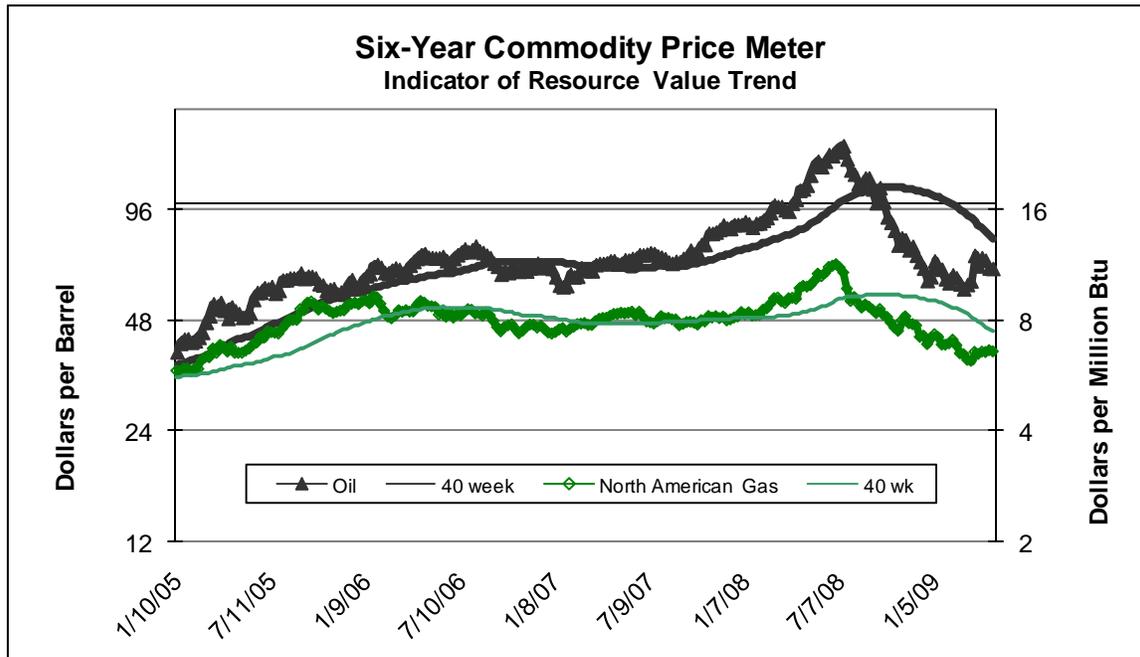
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
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\* Archived on [www.mcdep.com](http://www.mcdep.com)



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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.