



# Meter Reader

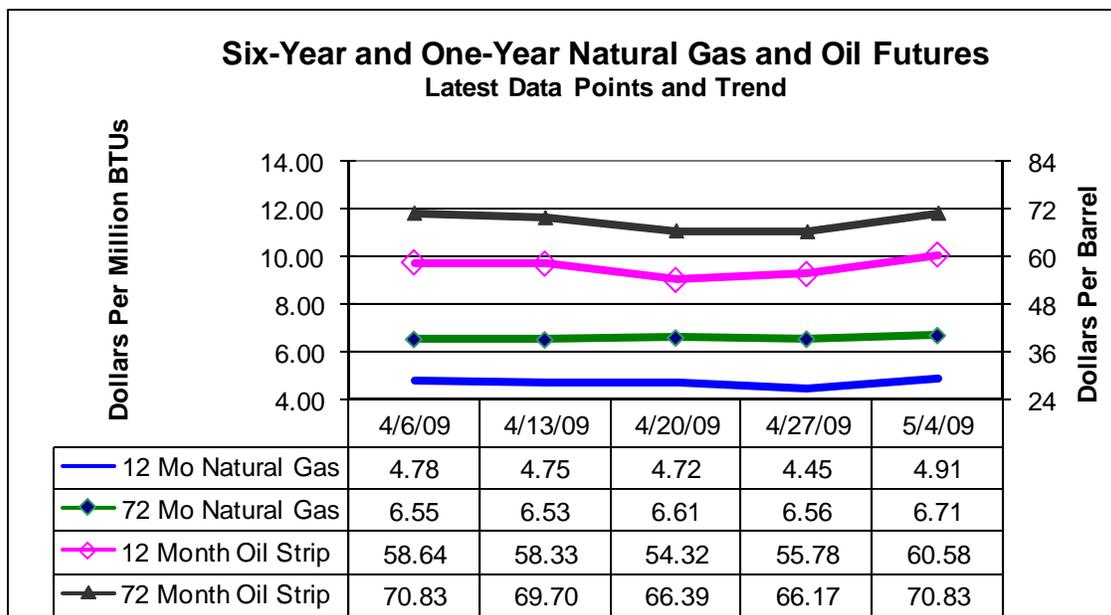
A Weekly Analysis of Large Cap Oil and Gas Stocks  
 May 5, 2009

## New Buys on Stock Price Uptrend

### Summary and Recommendation

We issue new buy recommendations on Brazilian stock **Petrobras (PBR)** and U.K. stock **BG Group plc (BG)** in separate simultaneous analyses triggered by stock price penetrating the 200-day average to the upside. More important, the companies are both well represented in the most important new oil province – the Pre-Salt formation beneath deep waters offshore Brazil. At the same time, the technological challenges are daunting, the capital requirements formidable and the politics uncertain. Meanwhile, advancing oil price may reflect an improving economic outlook that also supports increased confidence in Brazilian oil. Futures prices for the next six years averaged almost \$71 a barrel recently (see chart below Six-Year and One-Year Natural Gas and Oil Futures). It looks like a matter of just a few weeks before six-year oil penetrates its 40-week average presuming a continuing quote near the current level (see chart on last page, Six-Year Commodity Price Meter). In an earlier sign of improving investor confidence, we reinstated our buy recommendation on Chinese stock **CNOOC Ltd. (CEO)** on April 29.

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. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream	McDep Ratio	
	B = Buy H = Hold	4-May 2009	Cap							
<b>U.S. Integrated</b>										
Exxon Mobil Corporation	XOM	B	68.20	1.11	375,000	6	22	49	24	0.78
Chevron Corporation	CVX	H	66.68	1.24	166,000	4	11	66	18	0.73
Marathon Oil Corporation	MRO	H	31.33	1.48	33,100	10	7	57	26	0.67
ConocoPhillips	COP	B	43.87	1.77	116,000	13	10	61	16	0.54
<i>Total or Median *</i>	<i>33%</i>	<i>9%</i>	<i>13%</i>		<i>690,000</i>					<i>0.70</i>
<b>Europe</b>										
BG Group	BRGXF	B	16.85	1.12	63,600		27	46	27	0.78
BP plc	BP	H	45.02	1.46	207,000	8	12	64	15	0.69
Royal Dutch Shell plc	RDS-A	H	48.57	1.33	198,000	3	24	40	33	0.67
StatoilHydro ASA (33%)	STO	B	20.35	1.41	30,100		50	50	-	0.66
Total S.A.	TOT	B	52.99	1.26	149,000		25	53	22	0.64
<i>Total or Median *</i>	<i>31%</i>	<i>12%</i>	<i>20%</i>		<i>648,000</i>					<i>0.67</i>
<b>Brazil/China/Russia</b>										
CNOOC Limited (34%)	CEO	B	126.56	1.00	19,300		12	88	-	0.94
PetroChina Company Ltd (14%)	PTR	B	99.00	1.16	29,500		13	74	13	0.69
Petrobras	PBR	B	37.67	1.20	199,000		10	81	10	0.69
Lukoil Oil Company	LUKOY	H	47.00	1.16	46,300			54	46	0.38
Gazprom (50%)	OGZPY	B	19.15	1.27	71,000		79	21	-	0.35
<i>Total or Median *</i>	<i>17%</i>	<i>12%</i>	<i>27%</i>		<i>365,000</i>					<i>0.69</i>
<b>U.S. Independent</b>										
Anadarko Petroleum Corp.	APC	H	47.88	1.69	37,100	58		37	5	0.78
XTO Energy Inc.	XTO	H	38.89	1.52	34,200	79		21	-	0.74
Occidental Petroleum Corp.	OXY	H	60.90	1.11	55,200	12	1	78	9	0.71
EOG Resources	EOG	B	72.04	1.13	20,400	75	5	20	-	0.68
Chesapeake Energy Corp.	CHK		22.82	2.09	27,400	91		9	-	0.67
Devon Energy Corporation	DVN	B	57.18	1.34	34,000	67		33	-	0.57
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>13%</i>		<i>208,000</i>					<i>0.69</i>
<b>Canada</b>										
Imperial Oil Limited (30%)	IMO	H	36.54	1.08	10,100	5		79	16	0.77
Encana Corporation	ECA	B	51.25	1.31	50,600	69		26	4	0.74
Canadian Natural Resources	CNQ	H	51.77	1.41	39,600	24		76	-	0.69
Suncor Energy pro forma	SU	H	28.36	1.35	59,900	6		85	7	0.62
Canadian Oil Sands Trust	COSWF	B	22.86	1.11	12,200			100	-	0.57
Petro-Canada (to be SU@1.28)	PCZ	H	34.90							
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>13%</i>		<i>172,000</i>					<i>0.69</i>
<b>Income and Small Cap (see separate weekly analysis)</b>										
	<i>2%</i>	<i>42%</i>	<i>13%</i>		<i>36,000</i>	<i>45</i>		<i>55</i>		<i>0.65</i>
<b>Composite</b>										
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,119,000</i>	<i>12</i>	<i>16</i>	<i>55</i>	<i>17</i>	<i>0.67</i>
<i>Equal Weighting</i>		<i>100%</i>				<i>35</i>	<i>7</i>	<i>51</i>	<i>7</i>	<i>0.66</i>
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>17</i>	<i>16</i>	<i>57</i>	<i>10</i>	<i>0.64</i>



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<b>Table 2</b>								
<b>McDep Energy Portfolio</b>								
<b>Net Present Value and McDep Ratio</b>								
			<i>Price</i>			<i>Net</i>		
	<i>Symbol/Rating</i>		<i>(US\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>B = Buy</i>	<i>4-May</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>	
	<i>H = Hold</i>	<i>2009</i>	<i>(mm)</i>	<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	<i>Ratio</i>	
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	68.20	4,959	338,000	90.00	0.08	0.78
Chevron Corporation	CVX	H	66.68	2,000	133,000	98.00	0.14	0.73
Marathon Oil Corporation	MRO	H	31.33	712	22,310	54.00	0.22	0.67
ConocoPhillips	COP	B	43.87	1,495	66,000	109.00	0.24	0.54
<i>Total or Median</i>					<i>559,000</i>		<i>0.18</i>	<i>0.70</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	16.85	3,384	57,010	22.00	0.08	0.78
BP plc	BP	H	45.02	3,153	142,000	74.00	0.22	0.69
Royal Dutch Shell plc	RDS-A	H	48.57	3,063	149,000	80.00	0.17	0.67
StatoilHydro ASA (33%)	STO	B	20.35	1,051	21,390	35.00	0.19	0.66
Total S.A.	TOT	B	52.99	2,235	118,000	90.00	0.13	0.64
<i>Total or Median</i>					<i>487,000</i>		<i>0.17</i>	<i>0.67</i>
<b>Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO	B	126.56	152	19,270	135.00	-	0.94
PetroChina Company Ltd (14%)	PTR	B	99.00	256	25,360	150.00	0.10	0.69
Petrobras	PBR	B	37.67	4,387	165,260	58.00	0.12	0.69
Lukoil Oil Company	LUKOY	H	47.00	850	40,000	135.00	0.05	0.38
Gazprom (50%)	OGZPY	B	19.15	2,925	56,000	64.00	0.08	0.35
<i>Total or Median</i>					<i>306,000</i>		<i>0.08</i>	<i>0.69</i>
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC	H	47.88	460	22,000	70.00	0.32	0.78
XTO Energy Inc.	XTO	H	38.89	577	22,440	60.00	0.25	0.74
Occidental Petroleum Corp.	OXY	H	60.90	814	49,600	89.00	0.07	0.71
EOG Resources	EOG	B	72.04	250	18,000	110.00	0.08	0.68
Chesapeake Energy Corp.	CHK		22.82	575	13,120	46.00	0.35	0.67
Devon Energy Corporation	DVN	B	57.18	444	25,400	116.00	0.14	0.57
<i>Total or Median</i>					<i>150,600</i>		<i>0.20</i>	<i>0.69</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	H	36.54	257	9,380	48.00	0.06	0.77
Encana Corporation	ECA	B	51.25	751	38,500	75.00	0.18	0.74
Canadian Natural Resources	CNQ	H	51.77	541	28,000	85.00	0.20	0.69
Suncor Energy pro forma	SU	H	28.36	1,565	44,380	52.00	0.16	0.62
Canadian Oil Sands Trust	COSWF	B	22.86	482	11,020	42.00	0.05	0.57
Petro-Canada (to be SU@1.28)	PCZ	H	34.90					
<i>Total or Median</i>					<i>131,000</i>		<i>0.16</i>	<i>0.69</i>
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		4-May	Prod	Ebitda	Ebitda	P/E	
	H = Hold		2009	NTM	NTM	NTM	NTM	
							(%)	
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	68.20	11.9	9.7	7.5	15	2.3
Chevron Corporation	CVX	H	66.68	9.9	8.6	6.3	15	3.9
Marathon Oil Corporation	MRO	H	31.33	9.2	8.4	5.6	15	3.1
ConocoPhillips	COP	B	43.87	10.5	10.1	5.5	10	4.3
	<i>Total or Median</i>			<i>10.2</i>	<i>9.1</i>	<i>6.0</i>	<i>15</i>	<i>3.5</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	16.85	9.1	9.7	7.6	16	1.0
BP plc	BP	H	45.02	9.8	9.2	6.4	11	7.5
Total S.A.	TOT	B	52.99	9.3	9.0	5.8	13	5.7
Royal Dutch Shell plc	RDS-A	H	48.57	7.6	7.9	5.3	11	6.9
StatoilHydro ASA (33%)	STO	B	20.35	7.5	7.6	5.0	15	5.4
	<i>Total or Median</i>			<i>9.1</i>	<i>9.0</i>	<i>5.8</i>	<i>13</i>	<i>5.7</i>
<b>Brazil/China/Russia</b>								
Petrobras	PBR	B	37.67	9.2	11.7	8.1	15	2.6
PetroChina Company Ltd (14%)	PTR	B	99.00	14.3	10.5	7.3	27	4.2
CNOOC Limited (34%)	CEO	B	126.56	7.5	7.8	7.3	15	4.1
Lukoil Oil Company	LUKOY	H	47.00	16.7	11.2	4.3	10	2.4
Gazprom (50%)	OGZPY	B	19.15	24.6	11.4	4.0	5	1.7
	<i>Total or Median</i>			<i>14.3</i>	<i>11.2</i>	<i>7.3</i>	<i>15</i>	<i>2.6</i>
<b>U.S. Independent</b>								
XTO Energy Inc.	XTO	H	38.89	11.9	15.7	11.6	20	1.3
Chesapeake Energy Corp.	CHK		22.82	11.5	15.8	10.6	99	1.3
EOG Resources	EOG	B	72.04	10.0	13.5	9.2	88	0.8
Anadarko Petroleum Corp.	APC	H	47.88	9.3	11.2	8.8		1.5
Devon Energy Corporation	DVN	B	57.18	8.8	12.1	6.9	36	1.1
Occidental Petroleum Corp.	OXY	H	60.90	10.9	9.6	6.8	16	2.1
	<i>Total or Median</i>			<i>10.4</i>	<i>12.8</i>	<i>9.0</i>	<i>36</i>	<i>1.3</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	H	36.54	18.5	16.2	12.5	25	0.9
Canadian Oil Sands Trust	COSWF	B	22.86	23.2	20.2	11.5	21	2.2
Canadian Natural Resources	CNQ	H	51.77	8.0	13.6	9.3	22	0.7
Encana Corporation	ECA	B	51.25	9.0	12.4	9.1	17	3.1
Suncor Energy pro forma	SU	H	28.36	-	12.0	7.4	16	0.6
Petro-Canada (to be SU@1.28)	PCZ	H	34.90					
	<i>Total or Median</i>			<i>9.0</i>	<i>13.6</i>	<i>9.3</i>	<i>21</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>
1-May	CVX	Chevron Corporation	Creating Energy Wealth Globally
1-May	BRY	Berry Petroleum	Getting through Tough Times
30-Apr	IMO	Imperial Oil Limited	Investing through the Cycle
30-Apr	MRO	Marathon Oil Corporation	Refining Helping Performance
30-Apr	XOM	Exxon Mobil Corporation	Strong Performer in Tough Times
29-Apr	COSWF	Canadian Oil Sands Trust	Cash Flow Exceeds Distribution
29-Apr	OGZPY	Gazprom	Expect Modest Results for 2009
29-Apr	RDSA	Royal Dutch Shell plc	Lower Net Present Value to \$80 a Share
29-Apr	CEO	CNOOC Ltd	Reinstate Buy on Rising Outlook
28-Apr	PTR	PetroChina Company Limited	Tax and Price Control Relief
28-Apr	BP	BP p.l.c.	Downstream Increase Offsets Upstream Cash Decrease
28-Apr	PCZ	Petro-Canada	Suncor at a Discount
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
5-Mar	* CNQ	Canadian Natural Resources	Horizon Produces First Oil
4-Mar	* BIR.TO	Birchcliff Energy Ltd.	Alberta Reduces Royalties (Taxes) on New Wells
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	* APC	Anadarko Petroleum Corporation	Deep Water Explorer

### Meter Reader

5-May		Weekly	
28-Apr		Weekly	Russian Stocks Acting Better
21-Apr		Weekly	Oil and Gas below Replacement Cost
14-Apr	*	Weekly	Six-Year Natural Gas Holding above Low Price

### Income and Small Cap Weekly

1-May		Weekly	The Natural Gas Contrarian
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

### Industry Ideas

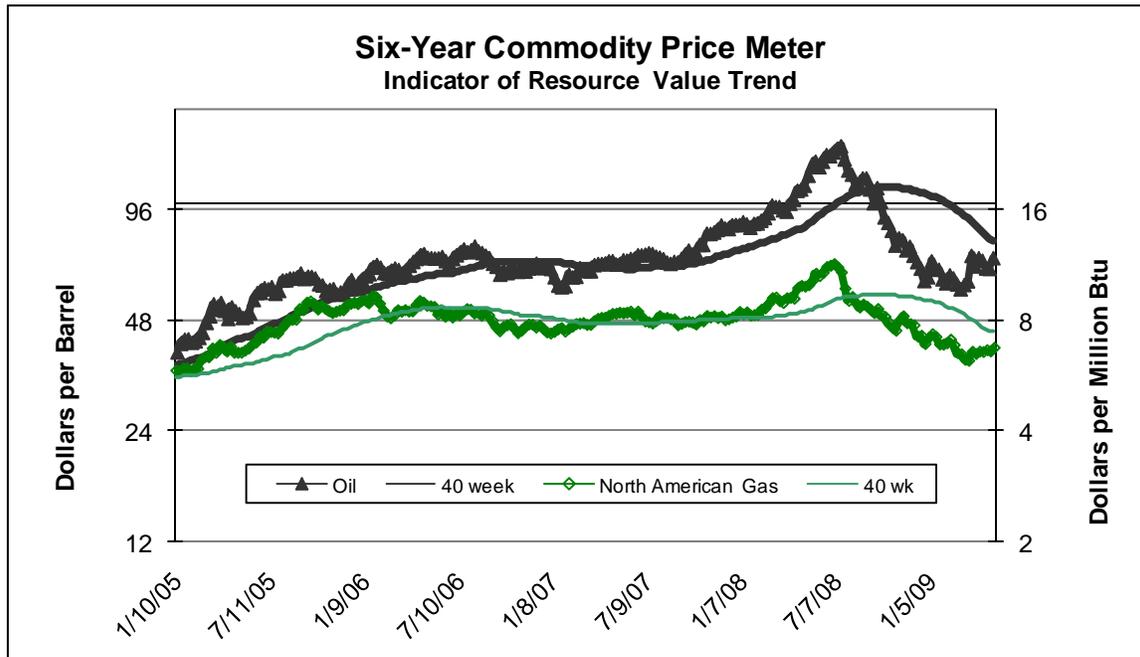
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
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\* Archived on [www.mcdep.com](http://www.mcdep.com)



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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.