



Meter Reader

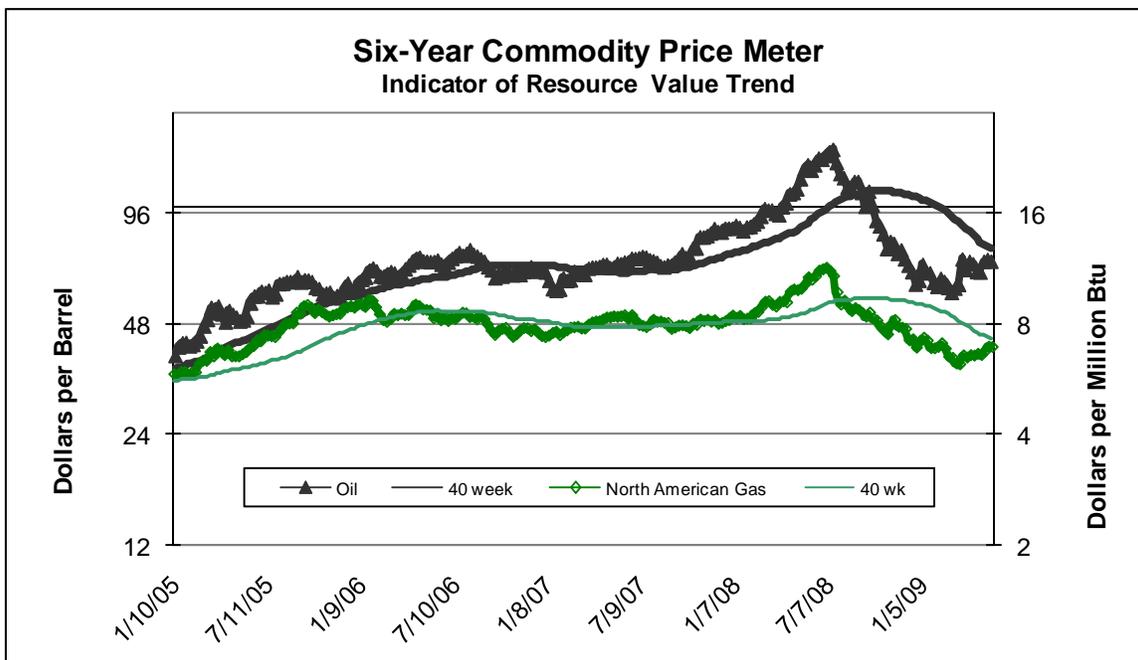
A Weekly Analysis of Large Cap Oil and Gas Stocks
 May 19, 2009

Track the Cash

Summary and Recommendation

Overcoming political, economic and financial challenges in 2009, large cap oil and gas producers generated almost the same cash flow relative to marker oil price in the first quarter as in the record year 2008. Median Ebitda of \$17 a barrel was about two-fifths of \$43 a barrel of Light, Sweet Crude Oil price in early 2009 just as median Ebitda of \$41 a barrel was about two-fifths of \$100 a barrel for average benchmark oil price in 2008 (see table next page [Ebitda \(Cash Flow\) per Barrel](#)). Meanwhile as U.S. political leaders debate taxing that cash flow more, we are optimistic that the risks of negative action will be tempered by realization that globally competitive companies are vital for economic growth. To diversify political risk, we suggest that large cap oil and gas investments be weighted about equally in each of five groups -- U.S. Integrated, Europe, Brazil/Russia/China, U.S. Independent and Canada. Twenty-one of the twenty six stocks in our large cap coverage are buy recommendations. Examples with low McDep Ratios and stock prices above the 200-day average include **StatoilHydro (STO)**, **PetroChina (PTR)**, **Anadarko Petroleum (APC)** and **XTO Energy (XTO)**. Finally, long-term oil at the recent average of \$71 a barrel for futures prices for the next six years approaches the 40-week average of \$77 (see chart on last page [Six-Year and One-Year Natural Gas and Oil Futures](#) and chart below, [Six-Year Commodity Price Meter](#)).

Kurt H. Wulff, CFA





Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

May 19, 2009

Ebitda (Cash Flow) per Barrel

<u>Stock</u>	<u>Industry Group</u>	<u>2009 Quarter (US\$/bbl)</u>	<u>2008 Year (US\$/bbl)</u>	<u>Gain to Restore (%)</u>
CNOOC Limited	Brazil/China/Russia		66	
Occidental Petroleum	U.S. Independent	21	61	187
Petro-Canada	Canada	18	56	214
Suncor Energy	Canada	16	56	240
Canadian Oil Sands Trust	Canada	12	54	336
Imperial Oil Limited	Canada	12	48	314
Marathon Oil	U.S. Integrated	20	47	135
StatoilHydro	Europe	21	45	113
Devon Energy	U.S. Independent	18	44	145
Canadian Natural Resources	Canada	17	44	157
Petrobras	Brazil/China/Russia		43	
ExxonMobil	U.S. Integrated	19	43	121
Anadarko Petroleum	U.S. Independent	16	41	162
XTO Energy	U.S. Independent	14	41	181
Chesapeake Energy	U.S. Independent	12	39	228
Total S.A.	Europe	26	39	50
Encana	Canada	17	39	129
Chevron	U.S. Integrated	18	39	112
PetroChina	Brazil/China/Russia		38	
EOG Resources	U.S. Independent	15	37	141
ConocoPhillips	U.S. Integrated	15	37	150
Royal Dutch Shell	Europe	16	35	120
BG Group	Europe	21	34	64
BP plc	Europe	11	32	189
Gazprom	Brazil/China/Russia		14	
Lukoil	Brazil/China/Russia		12	
	<i>Median</i>	17	41	
	<i>Light, Sweet Crude Oil</i>	43	100	
	<i>Cash to Price</i>	0.39	0.41	

Calculated from reported results.

Ebitda includes the effect of overhead and excludes the effect of hedging.



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks
May 19, 2009

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	18-May 2009									
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	70.50	1.12	392,000	6	21	49	23	0.80	
Chevron Corporation	CVX	H	66.03	1.25	164,000	4	11	66	18	0.72	
Marathon Oil Corporation	MRO	H	29.79	1.53	32,500	10	7	57	26	0.65	
ConocoPhillips	COP	B	45.52	1.76	120,000	13	10	61	16	0.56	
<i>Total or Median *</i>	<i>33%</i>	<i>9%</i>	<i>10%</i>		<i>709,000</i>					<i>0.69</i>	
Europe											
BG Group	BRGXF	B	16.95	1.12	64,100		27	46	27	0.79	
BP plc	BP	H	47.26	1.44	214,000	8	12	64	15	0.72	
Royal Dutch Shell plc	RDS-A	H	50.34	1.32	203,000	3	24	40	33	0.69	
StatoilHydro ASA (33%)	STO	B	21.19	1.37	30,400		54	46	-	0.68	
Total S.A.	TOT	B	55.27	1.25	154,000		25	53	22	0.67	
<i>Total or Median *</i>	<i>31%</i>	<i>12%</i>	<i>14%</i>		<i>666,000</i>					<i>0.69</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	B	129.86	1.00	19,800		12	88	-	0.96	
PetroChina Company Ltd (14%)	PTR	B	108.40	1.15	31,900		13	74	13	0.75	
Petrobras	PBR	B	39.40	1.20	207,000		10	81	10	0.72	
Gazprom (50%)	OGZPY	B	21.58	1.25	79,000		79	21	-	0.39	
Lukoil Oil Company	LUKOY	B	47.51	1.16	46,700			54	46	0.39	
<i>Total or Median *</i>	<i>18%</i>	<i>12%</i>	<i>19%</i>		<i>384,000</i>					<i>0.72</i>	
U.S. Independent											
XTO Energy Inc.	XTO	B	42.06	1.46	35,400	79		21	-	0.77	
Anadarko Petroleum Corp.	APC	B	44.66	1.76	36,000	55		41	4	0.75	
Occidental Petroleum Corp.	OXY	B	61.96	1.11	56,000	12	1	78	9	0.72	
EOG Resources	EOG	B	71.05	1.13	20,100	77	3	19	-	0.67	
Chesapeake Energy Corp.	CHK		21.08	2.12	26,600	89		11	-	0.64	
Devon Energy Corporation	DVN	B	61.52	1.33	36,400	67		33	-	0.60	
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>19%</i>		<i>211,000</i>					<i>0.70</i>	
Canada											
Imperial Oil Limited (30%)	IMO	B	35.62	1.08	9,900	5		79	16	0.76	
Encana Corporation	ECA	B	51.99	1.31	51,100	69		26	4	0.75	
Canadian Natural Resources	CNQ	B	52.56	1.42	40,400	24		76	-	0.70	
Suncor Energy pro forma	SU	B	30.22	1.33	62,900	6		85	7	0.65	
Canadian Oil Sands Trust	COSWF	B	21.00	1.12	11,300			100	-	0.53	
Petro-Canada (to be SU@1.28)	PCZ	B	37.39								
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>24%</i>		<i>176,000</i>					<i>0.70</i>	
Income and Small Cap (see separate weekly analysis)											
	<i>2%</i>	<i>42%</i>	<i>14%</i>		<i>33,100</i>	<i>46</i>		<i>54</i>		<i>0.63</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,179,100</i>	<i>12</i>	<i>16</i>	<i>56</i>	<i>17</i>	<i>0.69</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>20</i>	<i>12</i>	<i>63</i>	<i>9</i>	<i>0.69</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

A Weekly Analysis of Large Cap Oil and Gas Stocks

May 19, 2009

Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)		Market	Present	Debt/	
	B = Buy	18-May	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	70.50	4,959	350,000	90.00	0.09	0.80
Chevron Corporation	CVX	H	66.03	2,000	132,000	98.00	0.14	0.72
Marathon Oil Corporation	MRO	H	29.79	712	21,210	54.00	0.23	0.65
ConocoPhillips	COP	B	45.52	1,495	68,000	109.00	0.24	0.56
<i>Total or Median</i>					571,000		0.18	0.69
Europe								
BG Group plc	BRGXF	B	16.95	3,384	57,350	22.00	0.08	0.79
BP plc	BP	H	47.26	3,153	149,000	74.00	0.22	0.72
Royal Dutch Shell plc	RDS-A	H	50.34	3,063	154,000	80.00	0.17	0.69
StatoilHydro ASA (33%)	STO	B	21.19	1,051	22,270	35.00	0.18	0.68
Total S.A.	TOT	B	55.27	2,235	124,000	90.00	0.13	0.67
<i>Total or Median</i>					507,000		0.17	0.69
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	129.86	152	19,770	135.00	-	0.96
PetroChina Company Ltd (14%)	PTR	B	108.40	256	27,770	150.00	0.10	0.75
Petrobras	PBR	B	39.40	4,387	172,850	58.00	0.12	0.72
Gazprom (50%)	OGZPY	B	21.58	2,925	63,100	64.00	0.08	0.39
Lukoil Oil Company	LUKOY	B	47.51	850	40,000	135.00	0.05	0.39
<i>Total or Median</i>					323,000		0.08	0.72
U.S. Independent								
XTO Energy Inc.	XTO	B	42.06	578	24,310	60.00	0.24	0.77
Anadarko Petroleum Corp.	APC	B	44.66	460	20,500	70.00	0.33	0.75
Occidental Petroleum Corp.	OXY	B	61.96	814	50,500	89.00	0.07	0.72
EOG Resources	EOG	B	71.05	250	17,800	110.00	0.08	0.67
Chesapeake Energy Corp.	CHK		21.08	597	12,580	46.00	0.34	0.64
Devon Energy Corporation	DVN	B	61.52	444	27,300	116.00	0.15	0.60
<i>Total or Median</i>					153,000		0.20	0.70
Canada								
Imperial Oil Limited (30%)	IMO	B	35.62	257	9,150	48.00	0.06	0.76
Encana Corporation	ECA	B	51.99	751	39,000	75.00	0.18	0.75
Canadian Natural Resources	CNQ	B	52.56	541	28,400	85.00	0.21	0.70
Suncor Energy pro forma	SU	B	30.22	1,565	47,290	52.00	0.16	0.65
Canadian Oil Sands Trust	COSWF	B	21.00	482	10,130	42.00	0.05	0.53
Petro-Canada (to be SU@1.28)	PCZ	B	37.39					
<i>Total or Median</i>					134,000		0.16	0.70
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

A Weekly Analysis of Large Cap Oil and Gas Stocks

May 19, 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	18-May	Prod	Ebitda	Ebitda	P/E	NTM	
	H = Hold	2009	NTM	NTM	NTM	NTM	(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	70.50	11.9	9.5	7.6	14	2.3
Chevron Corporation	CVX	H	66.03	9.9	8.4	6.1	14	3.9
ConocoPhillips	COP	B	45.52	10.5	9.9	5.5	10	4.1
Marathon Oil Corporation	MRO	H	29.79	9.2	8.3	5.4	13	3.2
	<i>Total or Median</i>			<i>10.2</i>	<i>9.0</i>	<i>5.8</i>	<i>14</i>	<i>3.6</i>
Europe								
BG Group plc	BRGXF	B	16.95	9.1	9.5	7.5	16	1.0
BP plc	BP	H	47.26	9.8	8.9	6.4	11	7.1
Total S.A.	TOT	B	55.27	9.3	8.3	5.5	10	5.6
Royal Dutch Shell plc	RDS-A	H	50.34	7.6	7.8	5.4	11	6.7
StatoilHydro ASA (33%)	STO	B	21.19	7.4	6.6	4.4	10	5.2
	<i>Total or Median</i>			<i>9.1</i>	<i>8.3</i>	<i>5.5</i>	<i>11</i>	<i>5.6</i>
Brazil/China/Russia								
Petrobras	PBR	B	39.40	9.3	11.4	8.2	15	2.5
PetroChina Company Ltd (14%)	PTR	B	108.40	14.3	10.3	7.7	28	3.8
CNOOC Limited (34%)	CEO	B	129.86	7.5	7.6	7.3	15	4.0
Gazprom (50%)	OGZPY	B	21.58	24.6	11.9	4.6	7	1.5
Lukoil Oil Company	LUKOY	B	47.51	16.7	11.1	4.3	9	2.5
	<i>Total or Median</i>			<i>14.3</i>	<i>11.1</i>	<i>7.3</i>	<i>15</i>	<i>2.5</i>
U.S. Independent								
XTO Energy Inc.	XTO	B	42.06	11.5	14.0	10.9	18	1.2
Chesapeake Energy Corp.	CHK		21.08	11.7	14.7	9.5	24	1.4
EOG Resources	EOG	B	71.05	9.8	13.0	8.8	122	0.8
Anadarko Petroleum Corp.	APC	B	44.66	9.2	10.4	7.8		1.6
Devon Energy Corporation	DVN	B	61.52	8.8	11.1	6.7	18	1.0
Occidental Petroleum Corp.	OXY	B	61.96	10.9	9.2	6.6	16	2.1
	<i>Total or Median</i>			<i>10.3</i>	<i>12.1</i>	<i>8.3</i>	<i>18</i>	<i>1.3</i>
Canada								
Imperial Oil Limited (30%)	IMO	B	35.62	18.5	15.7	11.9	23	1.0
Canadian Oil Sands Trust	COSWF	B	21.00	23.2	19.1	10.1	17	2.4
Canadian Natural Resources	CNQ	B	52.56	8.0	12.7	8.8	21	0.6
Encana Corporation	ECA	B	51.99	9.0	11.7	8.7	15	3.1
Suncor Energy pro forma	SU	B	30.22	-	11.5	7.4	15	0.6
Petro-Canada (to be SU@1.28)	PCZ	B	37.39					
	<i>Total or Median</i>			<i>9.0</i>	<i>12.7</i>	<i>8.8</i>	<i>17</i>	<i>1.0</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

A Weekly Analysis of Large Cap Oil and Gas Stocks
May 19, 2009

Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
11-May	STO	StatoilHydro ASA	Alternative Energy Practical Idealist
8-May	EAC	Encore Acquisition Company	Restore Buy (Small Cap Weekly)
8-May	SU	Suncor Energy	Restore Buy on New Price Trend
8-May	PCZ	Petro-Canada	Restore Buy on New Price Trend
8-May	IMO	Imperial Oil Limited	Restore Buy on New Price Trend
8-May	CNQ	Canadian Natural Resources	Restore Buy on New Price Trend
7-May	APC	Anadarko Petroleum Corporation	Restore Buy on New Price Trend
6-May	PWE	Penn West Energy Trust	Transitioning to Exploration and Production Company
6-May	XTO	XTO Energy Inc.	Restore Buy on New Price Trend
6-May	DVN	Devon Energy Corporation	Efficient Producer
6-May	TOT	Total S.A.	Resilience to Recession
5-May	XEC	Cimarex Energy Company	Ready to Drill Shale
5-May	EOG	EOG Resources Inc.	Ready to Develop More Oil and Gas
5-May	BRGXF	BG Group	New Buy on Global LNG and Brazil Oil
5-May	PBR	Petrobras	New Buy on Oil Growth
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 (Weekly)
17-Apr	* HGT	Hugoton Royalty Trust	Natural Gas Price Limits Distributions (ISC Weekly)
8-Apr	* LUKOY	Lukoil Oil Company	Making Money after Interruption
4-Mar	* BIR.TO	Birchcliff Energy Ltd.	Alberta Reduces Royalties (Taxes) on New Wells

Meter Reader

19-May		Weekly	
12-May		Weekly	Restore Buys on Occidental (OXY) and Lukoil (LUKOY)
5-May		Weekly	New Buys on Stock Price Uptrend
28-Apr	*	Weekly	Russian Stocks Acting Better

Income and Small Cap Weekly

15-Feb		Weekly	Cash Flow Strength
8-May		Encore Acquisition Company	Restore Buy
1-May		Weekly	The Natural Gas Contrarian
24-Apr	*	Weekly	Low McDep Ratios for Peyto and Freehold

Industry Ideas

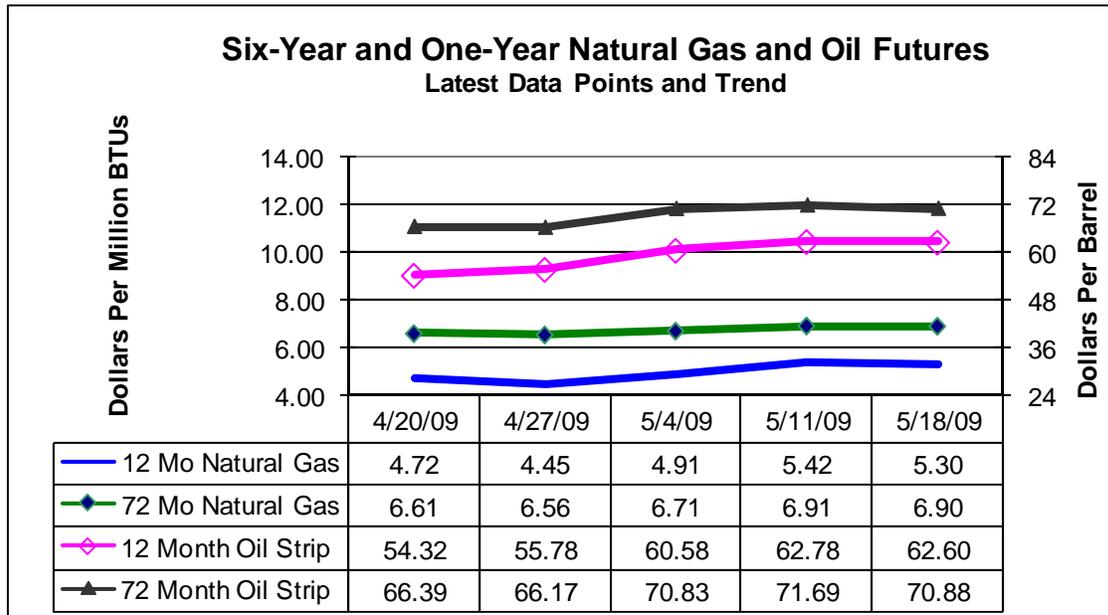
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
-------	---	--------------	------------------------------------

* Archived on www.mcdep.com



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks
 May 19, 2009



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

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.