



# Meter Reader

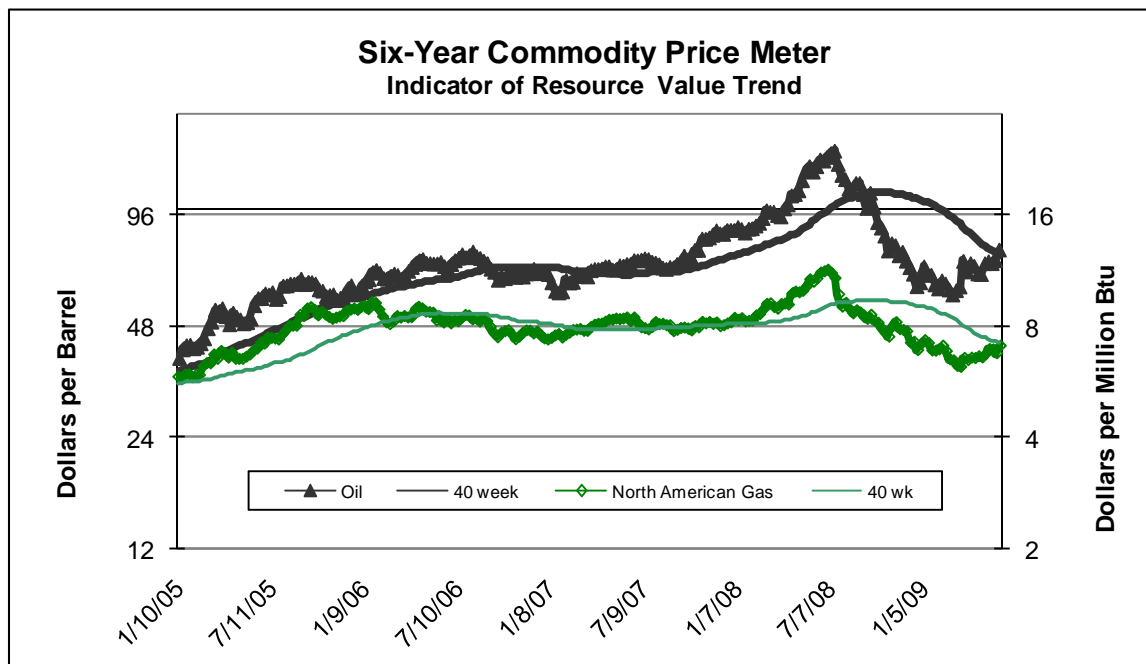
A Weekly Analysis of Large Cap Oil and Gas Stocks  
June 2, 2009

## Restore Buys on Marathon, BP and Royal Dutch Shell

### Summary and Recommendation

We restore buy recommendations on U.S. stock **Marathon Oil (MRO)** and European stocks **BP plc (BP)** and **Royal Dutch Shell (RDS)** triggered by stock prices resuming an uptrend above the 200-day average in each case. Those symbolic events appear confirmed by the long-term oil price cracking through its 40-week average for the first time since late last summer in our weekly tabulation (see chart below Six-Year Commodity Price Meter and chart on last page, Six-Year and One-Year Natural Gas and Oil Futures). The recent average of \$77 a barrel for futures prices for the next six years exceeds the 40-week average of \$75. Coincidentally, \$75 a barrel is also the long-term price we use to calculate present value for determining McDep Ratios. A composite McDep Ratio of about 0.75 for all stocks in our coverage implies that stocks are priced for oil at about \$56 a barrel (see Table 1 and Table 2). At the same time, long-term natural gas at \$7.06 appears ready to crunch through its 40-week average of \$7.23. Finally, spotlighting the outlook for oil and gas demand in the largest energy economy, the S&P 500 U.S. stock market index pushed through its 200-day average on June 1. Stocks and oil and gas tend to trade on the same side of 200-day or 40-week moving average for months and sometimes years. (For past research on stocks including MRO, BP and RDS, see index on page 5.)

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	1-Jun 2009	Cap								
<b>U.S. Integrated</b>											
Exxon Mobil Corporation	XOM	B	71.76	1.12	398,000	6	21	49	23	0.81	
Chevron Corporation	CVX	H	69.21	1.23	171,000	4	11	66	18	0.75	
Marathon Oil Corporation	MRO	B	33.32	1.48	35,000	10	7	57	26	0.70	
ConocoPhillips	COP	B	47.90	1.72	123,000	13	10	61	16	0.57	
<i>Total or Median *</i>	<i>31%</i>	<i>9%</i>	<i>13%</i>		<i>727,000</i>					<i>0.73</i>	
<b>Europe</b>											
BG Group	BRGXF	B	19.04	1.12	72,000		27	46	27	0.88	
BP plc	BP	B	51.88	1.40	229,000	8	12	64	15	0.77	
Royal Dutch Shell plc	RDS-A	B	55.47	1.29	219,000	3	24	40	33	0.74	
Total S.A.	TOT	B	59.47	1.24	165,000		25	53	22	0.71	
StatoilHydro ASA (33%)	STO	B	22.03	1.37	31,800		53	47	-	0.70	
<i>Total or Median *</i>	<i>30%</i>	<i>12%</i>	<i>21%</i>		<i>717,000</i>					<i>0.74</i>	
<b>Brazil/China/Russia</b>											
CNOOC Limited (34%)	CEO	B	143.93	1.00	21,900		12	88	-	1.07	
PetroChina Company Ltd (14%)	PTR	B	122.13	1.13	35,400		13	74	13	0.83	
Petrobras	PBR	B	45.64	1.18	237,000		7	77	16	0.81	
Lukoil Oil Company	LUKOY	B	57.56	1.13	55,300			54	46	0.46	
Gazprom (50%)	OGZPY	B	25.10	1.22	90,000		79	21	-	0.44	
<i>Total or Median *</i>	<i>19%</i>	<i>12%</i>	<i>17%</i>		<i>440,000</i>					<i>0.81</i>	
<b>U.S. Independent</b>											
Anadarko Petroleum Corp.	APC	B	49.78	1.68	38,400	55		41	4	0.81	
XTO Energy Inc.	XTO	B	44.08	1.43	36,600	79		21	-	0.80	
Occidental Petroleum Corp.	OXY	B	69.34	1.10	62,000	12	1	78	9	0.79	
EOG Resources	EOG	B	76.72	1.12	21,500	77	3	19	-	0.72	
Chesapeake Energy Corp.	CHK		24.52	1.96	28,700	89		11	-	0.69	
Devon Energy Corporation	DVN	B	66.45	1.31	38,600	67		33	-	0.64	
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>17%</i>		<i>226,000</i>					<i>0.76</i>	
<b>Canada</b>											
Imperial Oil Limited (30%)	IMO	B	42.51	1.07	11,700	5		79	16	0.89	
Encana Corporation	ECA	B	57.54	1.28	55,300	69		26	4	0.81	
Canadian Natural Resources	CNQ	B	62.48	1.38	46,800	24		76	-	0.79	
Suncor Energy pro forma	SU	B	36.57	1.29	74,100	6		86	7	0.75	
Canadian Oil Sands Trust	COSWF	B	27.14	1.10	14,400			100	-	0.67	
Petro-Canada (to be SU@1.28)	PCZ	B	45.64								
<i>Total or Median *</i>	<i>9%</i>	<i>12%</i>	<i>21%</i>		<i>202,000</i>					<i>0.79</i>	
<b>Income and Small Cap (see separate weekly analysis)</b>											
	<i>2%</i>	<i>42%</i>	<i>13%</i>		<i>41,000</i>	<i>46</i>		<i>54</i>		<i>0.75</i>	
<b>Composite</b>											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,353,000</i>	<i>12</i>	<i>16</i>	<i>55</i>	<i>17</i>	<i>0.74</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>35</i>	<i>7</i>	<i>50</i>	<i>7</i>	<i>0.74</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>19</i>	<i>12</i>	<i>61</i>	<i>12</i>	<i>0.76</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	1-Jun	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	71.76	4,959	356,000	90.00	0.09	0.81
Chevron Corporation	CVX	H	69.21	2,000	138,000	98.00	0.14	0.75
Marathon Oil Corporation	MRO	B	33.32	712	23,720	54.00	0.23	0.70
ConocoPhillips	COP	B	47.90	1,495	72,000	109.00	0.24	0.57
<i>Total or Median</i>					590,000		0.18	0.73
<b>Europe</b>								
BG Group plc	BRGXF	B	19.04	3,384	64,430	22.00	0.09	0.88
BP plc	BP	B	51.88	3,153	164,000	74.00	0.22	0.77
Royal Dutch Shell plc	RDS-A	B	55.47	3,063	170,000	80.00	0.17	0.74
Total S.A.	TOT	B	59.47	2,235	133,000	90.00	0.14	0.71
StatoilHydro ASA (33%)	STO	B	22.03	1,051	23,150	35.00	0.19	0.70
<i>Total or Median</i>					555,000		0.17	0.74
<b>Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO	B	143.93	152	21,920	135.00	-	1.07
PetroChina Company Ltd (14%)	PTR	B	122.13	256	31,290	150.00	0.10	0.83
Petrobras	PBR	B	45.64	4,387	200,220	58.00	0.13	0.81
Lukoil Oil Company	LUKOY	B	57.56	850	49,000	135.00	0.05	0.46
Gazprom (50%)	OGZPY	B	25.10	2,925	73,400	64.00	0.08	0.44
<i>Total or Median</i>					376,000		0.08	0.81
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC	B	49.78	460	22,900	70.00	0.33	0.81
XTO Energy Inc.	XTO	B	44.08	578	25,480	60.00	0.24	0.80
Occidental Petroleum Corp.	OXY	B	69.34	814	56,500	89.00	0.07	0.79
EOG Resources	EOG	B	76.72	250	19,200	110.00	0.08	0.72
Chesapeake Energy Corp.	CHK		24.52	597	14,640	46.00	0.34	0.69
Devon Energy Corporation	DVN	B	66.45	444	29,500	116.00	0.15	0.64
<i>Total or Median</i>					168,200		0.20	0.76
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	42.51	257	10,920	48.00	0.06	0.89
Encana Corporation	ECA	B	57.54	751	43,200	75.00	0.18	0.81
Canadian Natural Resources	CNQ	B	62.48	541	33,800	85.00	0.22	0.79
Suncor Energy pro forma	SU	B	36.57	1,565	57,220	52.00	0.17	0.75
Canadian Oil Sands Trust	COSWF	B	27.14	482	13,090	42.00	0.06	0.67
Petro-Canada (to be SU@1.28)	PCZ	B	45.64					
<i>Total or Median</i>					158,000		0.17	0.79
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		1-Jun	Prod	Ebitda	Ebitda	P/E	
	H = Hold		2009	NTM	NTM	NTM	NTM	
							(%)	
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	71.76	11.9	8.4	6.9	12	2.2
Chevron Corporation	CVX	H	69.21	9.9	7.5	5.6	12	3.8
Marathon Oil Corporation	MRO	B	33.32	9.2	7.4	5.2	11	2.9
ConocoPhillips	COP	B	47.90	10.5	8.8	5.0	8	3.9
	<i>Total or Median</i>			<i>10.2</i>	<i>8.0</i>	<i>5.4</i>	<i>12</i>	<i>3.3</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	19.04	9.1	8.7	7.6	15	1.0
BP plc	BP	B	51.88	9.8	7.4	5.7	9	6.5
Total S.A.	TOT	B	59.47	9.3	7.5	5.3	10	5.4
Royal Dutch Shell plc	RDS-A	B	55.47	7.6	7.1	5.3	10	6.1
StatoilHydro ASA (33%)	STO	B	22.03	7.4	5.9	4.1	8	5.3
	<i>Total or Median</i>			<i>9.1</i>	<i>7.4</i>	<i>5.3</i>	<i>10</i>	<i>5.4</i>
<b>Brazil/China/Russia</b>								
Petrobras	PBR	B	45.64	9.4	11.4	9.3	17	3.6
PetroChina Company Ltd (14%)	PTR	B	122.13	14.3	10.0	8.3	29	3.4
CNOOC Limited (34%)	CEO	B	143.93	7.5	6.8	7.2	14	3.6
Gazprom (50%)	OGZPY	B	25.10	24.6	11.3	5.0	7	1.4
Lukoil Oil Company	LUKOY	B	57.56	16.7	10.4	4.7	10	2.2
	<i>Total or Median</i>			<i>14.3</i>	<i>10.4</i>	<i>7.2</i>	<i>14</i>	<i>3.4</i>
<b>U.S. Independent</b>								
XTO Energy Inc.	XTO	B	44.08	11.5	12.3	9.8	18	1.1
Chesapeake Energy Corp.	CHK		24.52	11.7	13.0	9.0	20	1.2
EOG Resources	EOG	B	76.72	9.8	11.5	8.3	53	0.8
Anadarko Petroleum Corp.	APC	B	49.78	9.2	9.1	7.3		1.4
Occidental Petroleum Corp.	OXY	B	69.34	10.9	7.9	6.2	14	1.8
Devon Energy Corporation	DVN	B	66.45	8.8	9.7	6.1	14	1.0
	<i>Total or Median</i>			<i>10.3</i>	<i>10.6</i>	<i>7.8</i>	<i>18</i>	<i>1.2</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	42.51	18.3	13.3	11.9	24	0.9
Canadian Oil Sands Trust	COSWF	B	27.14	22.1	14.2	9.5	14	2.0
Canadian Natural Resources	CNQ	B	62.48	7.9	10.6	8.4	18	0.6
Encana Corporation	ECA	B	57.54	9.0	10.3	8.4	14	2.8
Suncor Energy pro forma	SU	B	36.57	-	9.3	7.1	50	0.5
Petro-Canada (to be SU@1.28)	PCZ	B	45.64					
	<i>Total or Median</i>			<i>9.0</i>	<i>10.6</i>	<i>8.4</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 June 30, 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>
2-Jun	RDSA	Royal Dutch Shell plc	Restore Buy (Meter Reader)
2-Jun	BP	BP p.l.c.	Restore Buy (Meter Reader)
2-Jun	MRO	Marathon Oil Corporation	Restore Buy (Meter Reader)
12-May	OXY	Occidental Petroleum Corporation	Restore Buy (Meter Reader)
12-May	LUKOY	Lukoil Oil Company	Restore Buy (Meter Reader)
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	* 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	* CEO	CNOOC Ltd	Reinstate Buy on Rising Outlook
28-Apr	* PTR	PetroChina Company Limited	Tax and Price Control Relief
23-Apr	* COP	ConocoPhillips	Overlooked Rich Resources
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)
4-Mar	* BIR.TO	Birchcliff Energy Ltd.	Alberta Reduces Royalties (Taxes) on New Wells

### Meter Reader

2-Jun		Weekly	Restore Buys on Marathon, BP and Royal Dutch
26-May		Weekly	Lagging U.S. Integrated Oil Stocks
19-May		Weekly	Track the Cash
12-May	*	Weekly	Restore Buys on Occidental (OXY) and Lukoil (LUKOY)

### Income and Small Cap Weekly

29-May		Weekly	Deal Conditions Ripe
22-May		Weekly	Hedge U.S. Dollar with Canadian Income and Small Cap
15-May		Weekly	Cash Flow Strength
8-May	*	Encore Acquisition Company	Restore Buy

### 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)

*Please see disclosures on the final page.*

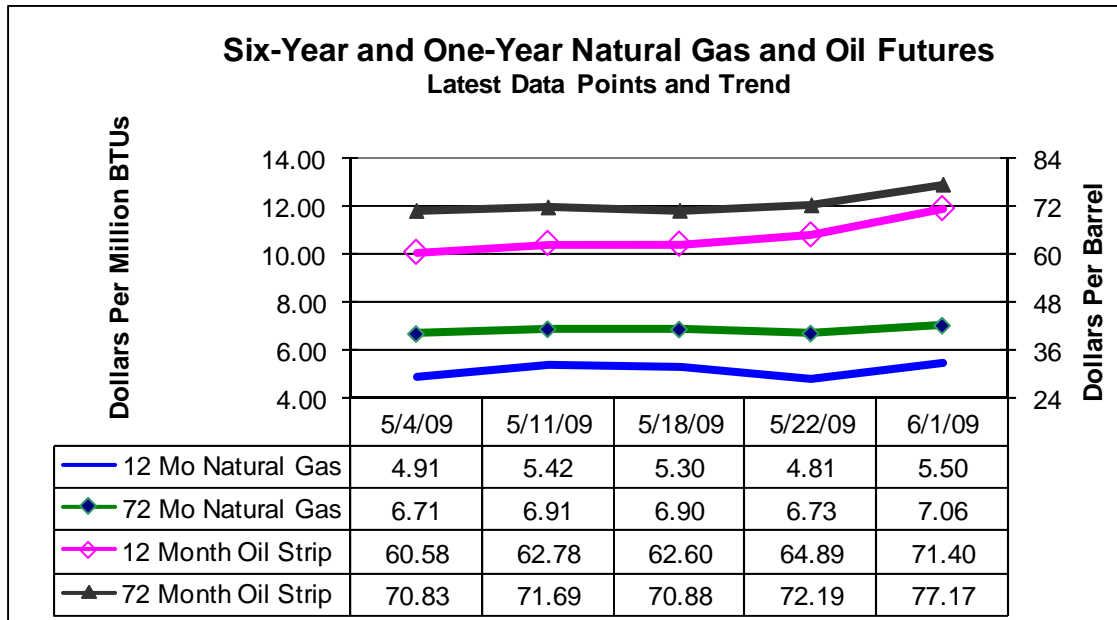
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**Research Methodology/Ratings Description:** McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources 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.