



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

September 1, 2009

ExxonMobil Stock May Be Timely

Summary and Recommendation

Buy-recommended **ExxonMobil (XOM)** stock is the only one of twenty-four large cap buy recommendations not trading above its 200-day stock price average and its McDep Ratio of 0.80 is at a desirable buy level. Though trading below the 200-day indicates a downtrend, it also indicates a lagging stock price that may have catch up potential. Similarly the attractiveness of the 0.8 McDep Ratio takes on greater significance considering that most of the many years we have been analyzing XOM stock or its predecessor it has had near the highest McDep valuation. For example, seven years ago at another low point in the stock market cycle, XOM had a 0.98 McDep Ratio, at the top of its peers.

We know of no reason why XOM stock price should be lagging. Some investors may be concerned about higher future taxes, but that would affect most companies and most investors. Some owners of XOM stock may be concerned about future growth for a company that is already large. When we look at growth per share adjusted for debt and distributions we see that XOM continues to perform well. Finally, increasing natural gas exposure is also a plus for growth once we get past the next few weeks before winter weather starts alleviating the current supply/demand imbalance for the clean fuel. *Forbes* astutely picked up on the natural gas thrust in its August 24 feature, "Green Company of the Year: Exxon".

ExxonMobil's 25% concentration of value on "Rest of World" natural gas is the highest of the major companies with publicly traded enterprise value more than \$100 billion (see Table 1, McDep Energy Portfolio – Geographic Domicile and Business Segments). Debt is low whether measured by EV/Market Cap in Table 1 or Debt/Present Value (see Table 2, Net Present Value and McDep Ratio). Low debt reassures nervous investors at the same time it presents strategic investors an opportunity to own more stock for the same amount of financial risk in higher debt companies. Long reserve life, 12.4 years adjusted compared to a median 10, supports a higher cash flow multiple and higher stock price in our analysis than in current market quotes (see Table 3, Value Multiples and Distribution Yield).

Meanwhile, the oil price trend continues upward with the latest settlement prices for the average of futures for the next six years near \$80 a barrel compared to the 40-week average of \$71 (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures, page 5). In the face of acute short-term pressure on the price of near-month deliveries, natural gas for the next six years remains remarkably stable at \$6.53 a million btu, just under the 40-week average of \$6.79. Similarly, the ratio of oil price to natural gas price is at an extreme for the average of futures for the next twelve months at 15 times, but less so for the average of futures for the next 72 months, or six years, at 12 times (see chart Oil/Natural Gas Futures Ratio, page 7).

Kurt H. Wulff, CFA



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

September 1, 2009

Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)	Shares	Market	Present	Debt/	
	B = Buy	31-Aug			Cap	Value	Present	McDep
	H = Hold	2009		(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	69.15	4,871	337,000	89.00	0.10	0.80
Chevron Corporation	CVX	B	69.94	1,992	139,000	97.00	0.14	0.76
Marathon Oil Corporation	MRO	B	30.87	711	21,950	53.00	0.23	0.68
ConocoPhillips	COP	B	45.03	1,496	67,000	105.00	0.25	0.57
<i>Total or Median</i>					<i>565,000</i>		<i>0.19</i>	<i>0.72</i>
Europe								
BP plc	BP	B	51.45	3,155	162,000	72.00	0.22	0.78
BG Group plc	BRGXF	B	16.39	3,388	55,520	22.00	0.09	0.77
Royal Dutch Shell plc	RDS-A	B	55.47	3,065	170,000	79.00	0.19	0.76
StatoilHydro ASA (33%)	STO	B	21.84	1,051	22,950	35.00	0.21	0.70
Total S.A.	TOT	B	57.27	2,236	128,000	90.00	0.14	0.69
<i>Total or Median</i>					<i>538,000</i>		<i>0.19</i>	<i>0.76</i>
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	130.65	152	19,880	135.00	0.01	0.97
PetroChina Company Ltd (14%)	PTR	B	109.75	256	28,120	150.00	0.06	0.75
Petrobras	PBR	B	39.64	4,387	173,900	58.00	0.13	0.72
Lukoil Oil Company	LUKOY	B	49.25	847	42,000	135.00	0.06	0.40
Gazprom (50%)	OGZPY	B	20.26	3,130	63,400	64.00	0.08	0.37
<i>Total or Median</i>					<i>327,000</i>		<i>0.06</i>	<i>0.72</i>
U.S. Independent								
Anadarko Petroleum Corp.	APC	B	52.87	495	26,200	59.00	0.33	0.93
XTO Energy Inc.	XTO	B	38.60	579	22,350	47.00	0.29	0.87
Occidental Petroleum Corp.	OXY	B	73.10	814	59,500	87.00	0.07	0.85
Chesapeake Energy Corp.	CHK		22.84	610	13,930	34.00	0.41	0.81
EOG Resources	EOG	B	72.00	250	18,000	92.00	0.10	0.80
Devon Energy Corporation	DVN	B	61.38	450	27,600	98.00	0.17	0.69
<i>Total or Median</i>					<i>167,600</i>		<i>0.23</i>	<i>0.83</i>
Canada								
Encana Corporation	ECA	B	51.99	751	39,000	62.00	0.21	0.87
Canadian Natural Resources	CNQ	B	57.23	542	31,000	80.00	0.22	0.78
Imperial Oil Limited (30%)	IMO	B	35.86	256	9,200	48.00	0.06	0.76
Suncor Energy	SU	B	30.64	1,572	48,160	52.00	0.17	0.66
Canadian Oil Sands Trust	COSWF	B	25.14	484	12,170	42.00	0.07	0.62
<i>Total or Median</i>					<i>140,000</i>		<i>0.17</i>	<i>0.76</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, \$8 a million btu.

Please see disclosures on the final page.

Page 3



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

September 1, 2009

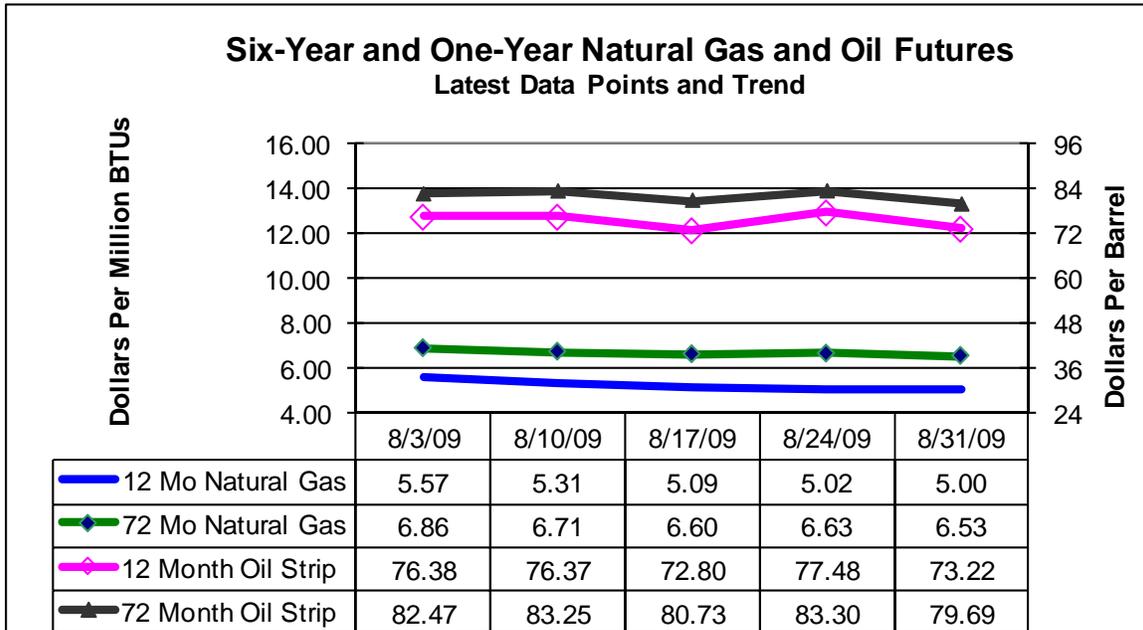
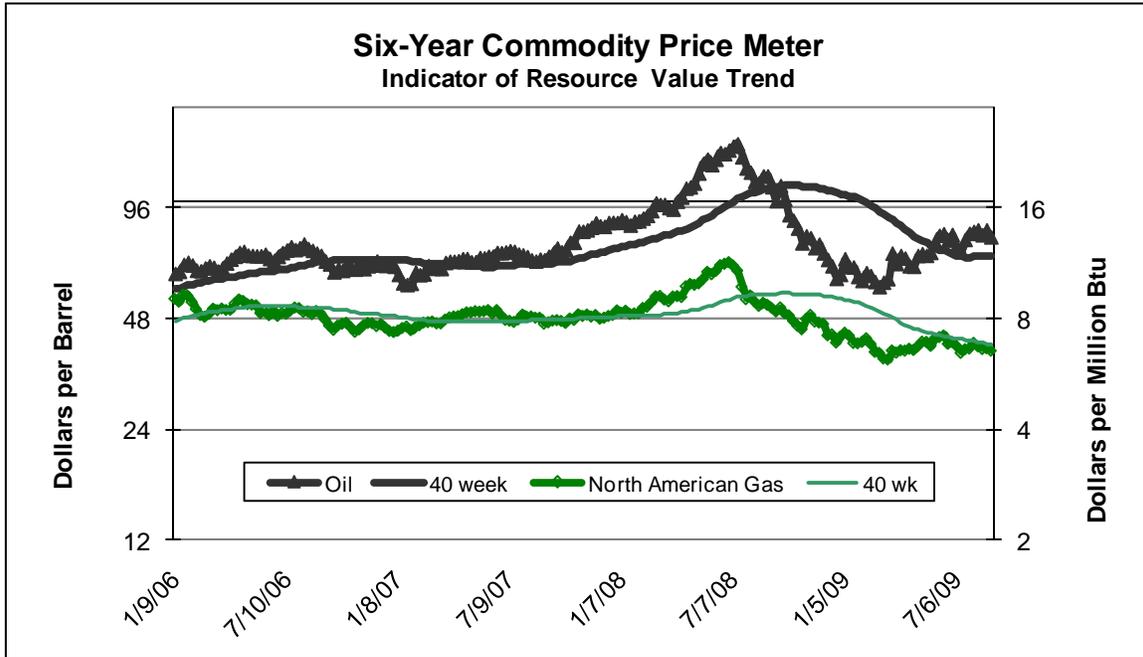
Table 3								
McDep Energy Portfolio								
Value Multiples and Distribution Yield								
			Price	Adjustd				Divd or
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/		Distrib
	B = Buy		31-Aug	Prod	Ebitda	Ebitda	P/E	NTM
	H = Hold		2009	NTM	NTM	NTM	NTM	(%)
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	69.15	12.4	8.6	6.9	13	2.4
Chevron Corporation	CVX	B	69.94	9.8	7.8	6.0	15	3.9
ConocoPhillips	COP	B	45.03	10.6	9.0	5.1	9	4.2
Marathon Oil Corporation	MRO	B	30.87	8.3	7.0	4.8	10	3.1
	<i>Total or Median</i>			<i>10.2</i>	<i>8.2</i>	<i>5.6</i>	<i>11</i>	<i>3.5</i>
Europe								
BG Group plc	BRGXF	B	16.39	8.8	9.1	7.0	14	1.2
BP plc	BP	B	51.45	9.6	7.9	6.1	12	6.5
Royal Dutch Shell plc	RDS-A	B	55.47	7.9	7.6	5.8	12	6.1
Total S.A.	TOT	B	57.27	9.7	8.4	5.8	11	5.7
StatoilHydro ASA (33%)	STO	B	21.84	7.5	7.2	5.1	16	5.5
	<i>Total or Median</i>			<i>8.8</i>	<i>7.9</i>	<i>5.8</i>	<i>12</i>	<i>5.7</i>
Brazil/China/Russia								
Petrobras	PBR	B	39.64	9.4	11.4	8.2	14	4.2
PetroChina Company Ltd (14%)	PTR	B	109.75	14.2	8.5	6.4	17	3.6
CNOOC Limited (34%)	CEO	B	130.65	7.6	6.4	6.2	11	3.9
Lukoil Oil Company	LUKOY	B	49.25	16.3	9.3	3.7	7	2.4
Gazprom (50%)	OGZPY	B	20.26	24.6	9.1	3.4	4	1.7
	<i>Total or Median</i>			<i>14.2</i>	<i>9.1</i>	<i>6.2</i>	<i>11</i>	<i>3.6</i>
U.S. Independent								
XTO Energy Inc.	XTO	B	38.60	11.0	12.0	10.5	29	1.5
Chesapeake Energy Corp.	CHK		22.84	11.3	12.6	10.1	16	1.3
EOG Resources	EOG	B	72.00	10.1	10.9	8.8	23	0.8
Anadarko Petroleum Corp.	APC	B	52.87	9.2	9.2	8.6		0.7
Occidental Petroleum Corp.	OXY	B	73.10	11.0	8.0	6.8	15	1.8
Devon Energy Corporation	DVN	B	61.38	8.4	8.8	6.1	13	1.0
	<i>Total or Median</i>			<i>10.5</i>	<i>10.1</i>	<i>8.7</i>	<i>16</i>	<i>1.2</i>
Canada								
Imperial Oil Limited (30%)	IMO	B	35.86	18.5	14.7	11.2	22	1.0
Encana Corporation	ECA	B	51.99	9.1	10.4	9.1	17	0.8
Canadian Oil Sands Trust	COSWF	B	25.14	22.2	14.0	8.7	14	7.1
Canadian Natural Resources	CNQ	B	57.23	7.7	10.0	7.8	14	0.6
Suncor Energy	SU	B	30.64	12.5	10.6	7.0	70	0.6
	<i>Total or Median</i>			<i>12.5</i>	<i>10.6</i>	<i>8.7</i>	<i>17</i>	<i>0.8</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								



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

September 1, 2009





Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

September 1, 2009

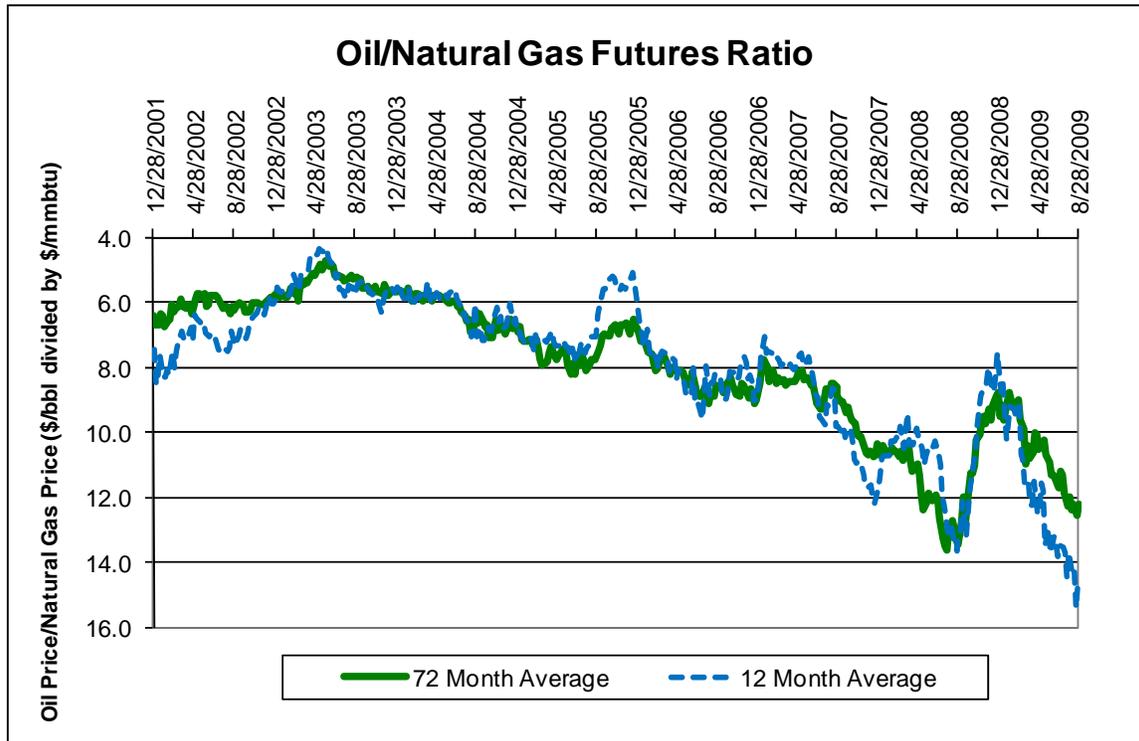
Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
30-Aug	LUKOY	Lukoil Oil Company	Contributing to Russia's Oil Future
30-Aug	PTR	PetroChina Company Limited	Growing Giant in Clean Energy
26-Aug	CEO	CNOOC Ltd	Full Current Valuation, Promising Prospects
26-Aug	OGZPY	Gazprom	Natural Gas Giant Reemerging
14-Aug	BIR.TO	Birchcliff Energy Ltd.	Spirited Small Cap Canadian Nat Gas Producer (ISCW)
12-Aug	PWE	Penn West Energy Trust	Reduce NPV on Volume Trend
11-Aug	DMLP	Dorchester Minerals, L.P.	Income Competitive with Growth
7-Aug	XEC	Cimarex Energy Company	Cana Shale Working Well
7-Aug	EOG	EOG Resources Inc.	Low-Debt Natural Gas Growth
6-Aug	CNQ	Canadian Natural Resources	First Cash from Horizon
5-Aug	BRY	Berry Petroleum	Back on Track
5-Aug	XTO	XTO Energy Inc.	Cutting Edge Natural Gas Producer
5-Aug	DVN	Devon Energy Corporation	Stock Price Moves to Uptrend
4-Aug	APC	Anadarko Petroleum Corporation	Frontier Exploration Off West Africa
4-Aug	STO	StatoilHydro ASA	Natural Gas Growth with Dividends
3-Aug	* MRO	Marathon Oil Corporation	Favorable Trends for Future Profit
31-Jul	* CVX	Chevron Corporation	Strength in Tough Times
31-Jul	* TOT	Total S.A.	Real Return and Secure Income
30-Jul	* IMO	Imperial Oil Limited	Downstream Hiccup
30-Jul	* PCZ	Petro-Canada	Good Bye Petro-Canada, Hello Suncor
30-Jul	* XOM	Exxon Mobil Corporation	Upstream Volume Growing
30-Jul	* RDSA	Royal Dutch Shell plc	Gaining Efficiency in Exploration and Production
29-Jul	* BRGXF	BG Group	Progressing in Pre-Salt Brazil
29-Jul	* EAC	Encore Acquisition Company	Tertiary Recovery Project Announced
29-Jul	* COP	ConocoPhillips	Positioned for Recovery
28-Jul	* BP	BP p.l.c.	Trending Up
27-Jul	* COSWF	Canadian Oil Sands Trust	Quarterly Distribution Raised to C\$0.25 a Unit
23-Jul	* OXY	Occidental Petroleum Corporation	California Discovery May Be Worth \$2 a Share
23-Jul	* ECA	EnCana Corporation	Hedges Helping in 2009
22-Jul	* SU	Suncor Energy	Merger with Petro-Canada to be Effective August 1
10-Jul	* SJT	San Juan Basin Royalty Trust	Rounding the Bend (Income and Small Cap Weekly)
10-Jul	* HGT	Hugoton Royalty Trust	Rounding the Bend (Income and Small Cap Weekly)
5-May	* PBR	Petrobras	New Buy on Oil Growth
Meter Reader			
1-Sep		Weekly	
11-Aug	*	Weekly	North American Natural Gas Buys
4-Aug	*	Weekly	High Quality Energy Investment
28-Jul	*	Chevron Corporation (CVX)	Restore Buy
Income and Small Cap Weekly			
14-Aug		Birchcliff Energy Ltd.	Spirited Small Cap Canadian Natural Gas Producer
7-Aug	*	Weekly	Volatile Geographic Differences Narrow for Natural Gas
31-Jul	*	MTR	Deducing the Trend at Mesa Royalty Trust
24-Jul	*	Weekly	Trend Setters
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

September 1, 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 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.