



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

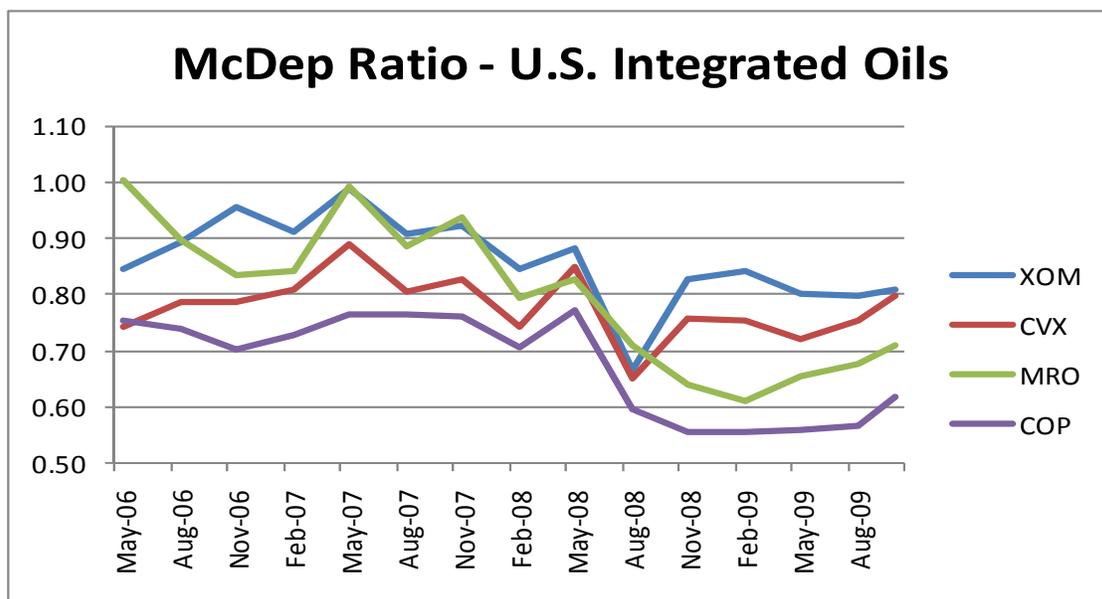
October 13, 2009

Bargains in U.S. Integrated Oil Stocks

Summary and Recommendation

Stocks of the U.S. Integrated Oil group, made up of four buy-recommendations, **ConocoPhillips (COP)**, **Marathon Oil (MRO)**, **Chevron (CVX)** and **ExxonMobil (XOM)**, have the lowest median McDep Ratio (0.75) among the six industry groups in our coverage (range 0.75-0.94, see Table 1). McDep Ratios for the lagging group have begun to pull out of a three-year slump (see chart below). In the context that lower McDep Ratio stocks should return more than higher McDep stocks, CVX has outperformed XOM over three years and MRO has underperformed during the same period. In contrast, COP has retained its lowest McDep Ratio position throughout the period. MRO and COP declined much more than XOM and CVX during last year's weak market and thus may have extra potential with market values advancing again. CVX's stronger relative performance has been helped by its highest concentration on oil (70%, see Table 1). Oil's average futures price for the next six years recovered quickly from last year's slump and is trading consistently above its 40-week average (see charts [Six-Year Commodity Price Meter](#) and [Six-Year and One-Year Natural Gas and Oil Futures](#) on page 6). Belated strength for natural gas with the third week's confirmation of the new rising trend should help COP and XOM proportionately more with global concentration of 21% and 30% respectively (see Table 1). The four stocks are also bargains at median cash flow multiple (EV/Ebitda) of 5.5 and pay respectable dividends at the median rate of 3.3% a year (see Table 3).

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Table 2

McDep Energy Portfolio Net Present Value and McDep Ratio

	<i>Symbol/Rating</i>		<i>Price</i> (US\$/sh)			<i>Market</i>	<i>Net</i>		
	B = Buy	12-Oct	<i>Shares</i>		<i>Cap</i>	<i>Value</i>	<i>Debt/</i>		
	H = Hold	2009	(mm)		(US\$mm)	(US\$/sh)	<i>Present</i>	<i>Value</i>	<i>McDep</i>
							<i>Value</i>		<i>Ratio</i>
U.S. Integrated									
Exxon Mobil Corporation	XOM	B	70.13	4,871	342,000	89.00	0.10	0.81	
Chevron Corporation	CVX	B	73.67	1,992	147,000	97.00	0.14	0.79	
Marathon Oil Corporation	MRO	B	32.71	711	23,260	53.00	0.23	0.71	
ConocoPhillips	COP	B	51.36	1,496	77,000	105.00	0.25	0.62	
<i>Total or Median</i>					589,000		0.19	0.75	
Europe									
BG Group plc	BRGXF	B	17.61	3,388	59,680	22.00	0.09	0.82	
BP plc	BP	B	52.64	3,155	166,000	72.00	0.22	0.79	
Royal Dutch Shell plc	RDS-A	B	57.87	3,065	177,000	79.00	0.19	0.78	
StatoilHydro ASA (33%)	STO	B	23.80	1,051	25,010	35.00	0.22	0.75	
Total S.A.	TOT	B	60.33	2,236	135,000	90.00	0.15	0.72	
<i>Total or Median</i>					563,000		0.19	0.78	
Brazil/China/Russia									
CNOOC Limited (34%)	CEO	B	144.99	152	22,060	135.00	0.01	1.07	
Petrobras	PBR	B	48.28	4,387	211,800	58.00	0.13	0.85	
PetroChina Company Ltd (14%)	PTR	B	120.43	256	30,850	150.00	0.06	0.82	
Lukoil Oil Company	LUKOY	B	66.45	847	56,000	135.00	0.06	0.52	
Gazprom (50%)	OGZPY	B	26.20	3,130	82,000	64.00	0.09	0.46	
<i>Total or Median</i>					403,000		0.06	0.82	
U.S. Independent									
Anadarko Petroleum Corp.	APC	B	67.99	495	33,700	59.00	0.33	1.10	
EOG Resources	EOG	B	90.58	250	22,700	92.00	0.10	0.99	
XTO Energy Inc.	XTO	B	43.49	579	25,180	47.00	0.29	0.95	
Occidental Petroleum Corp.	OXY	B	80.31	814	65,400	87.00	0.07	0.93	
Chesapeake Energy Corp.	CHK		29.01	610	17,700	34.00	0.41	0.91	
Devon Energy Corporation	DVN	B	69.16	450	31,100	98.00	0.17	0.76	
<i>Total or Median</i>					195,800		0.23	0.94	
Canada									
EnCana Corporation	ECA	B	60.86	751	45,700	62.00	0.21	0.99	
Canadian Natural Resources	CNQ	B	72.40	542	39,200	80.00	0.23	0.93	
Imperial Oil Limited (30%)	IMO	B	40.36	256	10,350	48.00	0.07	0.85	
Suncor Energy	SU	B	37.25	1,572	58,560	52.00	0.18	0.77	
Canadian Oil Sands Trust	COSWF	B	31.15	484	15,080	42.00	0.07	0.76	
<i>Total or Median</i>					169,000		0.18	0.85	

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.

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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		12-Oct	Prod	Ebitda	Ebitda	P/E	NTM
	H = Hold		2009	NTM	NTM	NTM	NTM	(%)
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	70.13	12.4	8.2	6.6	12	2.4
Chevron Corporation	CVX	B	73.67	9.8	7.4	5.9	14	3.7
ConocoPhillips	COP	B	51.36	10.6	8.3	5.1	9	3.9
Marathon Oil Corporation	MRO	B	32.71	8.3	6.7	4.7	10	2.9
<i>Total or Median</i>				<i>10.2</i>	<i>7.8</i>	<i>5.5</i>	<i>11</i>	<i>3.3</i>
Europe								
BG Group plc	BRGXF	B	17.61	8.8	9.2	7.5	16	1.1
BP plc	BP	B	52.64	9.6	7.5	5.9	11	6.4
Royal Dutch Shell plc	RDS-A	B	57.87	7.9	7.4	5.8	12	5.8
Total S.A.	TOT	B	60.33	9.7	8.0	5.8	11	5.6
StatoilHydro ASA (33%)	STO	B	23.80	7.5	6.8	5.1	16	5.4
<i>Total or Median</i>				<i>8.8</i>	<i>7.5</i>	<i>5.8</i>	<i>12</i>	<i>5.6</i>
Brazil/China/Russia								
Petrobras	PBR	B	48.28	9.2	10.2	8.7	16	2.8
PetroChina Company Ltd (14%)	PTR	B	120.43	14.0	8.4	6.8	18	3.3
CNOOC Limited (34%)	CEO	B	144.99	7.2	6.3	6.7	12	3.6
Lukoil Oil Company	LUKOY	B	66.45	16.3	9.0	4.7	9	1.9
Gazprom (50%)	OGZPY	B	26.20	24.6	8.4	3.9	5	0.2
<i>Total or Median</i>				<i>14.0</i>	<i>8.4</i>	<i>6.7</i>	<i>12</i>	<i>2.8</i>
U.S. Independent								
Chesapeake Energy Corp.	CHK		29.01	11.3	10.1	9.2	14	1.0
Anadarko Petroleum Corp.	APC	B	67.99	9.2	8.1	8.9		0.5
EOG Resources	EOG	B	90.58	10.1	8.8	8.7	24	0.6
XTO Energy Inc.	XTO	B	43.49	11.0	9.0	8.6	22	1.3
Occidental Petroleum Corp.	OXY	B	80.31	11.0	7.5	7.0	15	1.6
Devon Energy Corporation	DVN	B	69.16	8.4	7.5	5.7	11	0.9
<i>Total or Median</i>				<i>10.5</i>	<i>8.4</i>	<i>8.6</i>	<i>15</i>	<i>1.0</i>
Canada								
Imperial Oil Limited (30%)	IMO	B	40.36	18.4	13.7	11.7	24	0.9
Canadian Oil Sands Trust	COSWF	B	31.15	21.8	13.2	10.1	16	7.1
EnCana Corporation	ECA	B	60.86	9.1	8.7	8.6	23	0.7
Canadian Natural Resources	CNQ	B	72.40	7.6	8.9	8.2	16	0.5
Suncor Energy	SU	B	37.25	13.6	10.2	7.8	27	0.5
<i>Total or Median</i>				<i>13.6</i>	<i>10.2</i>	<i>8.6</i>	<i>23</i>	<i>0.7</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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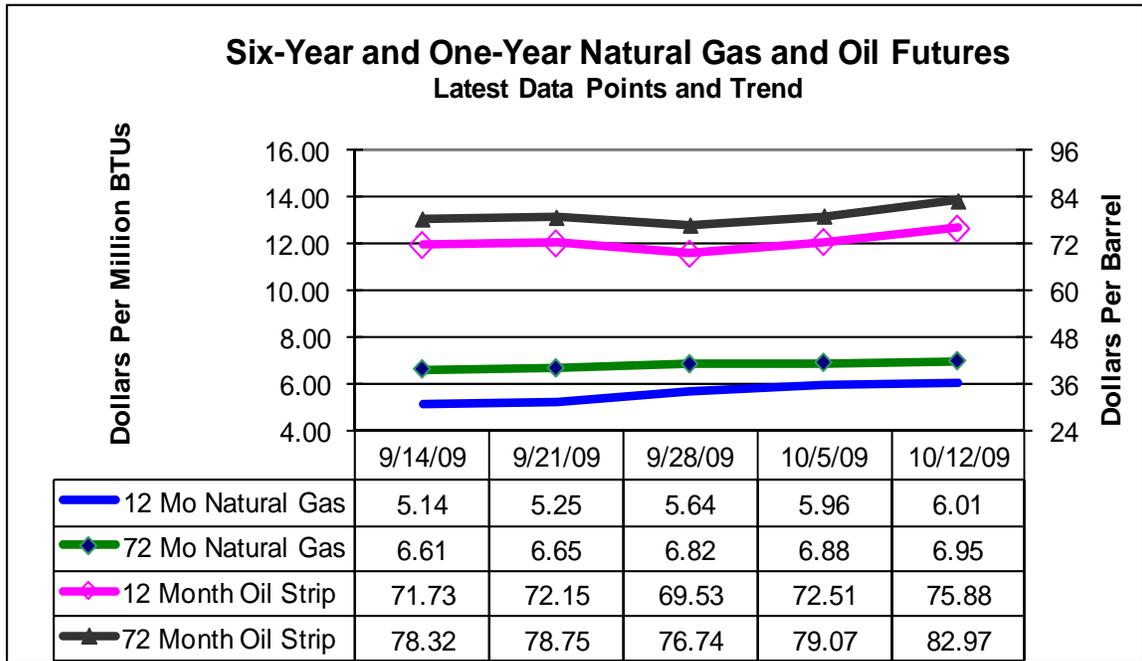
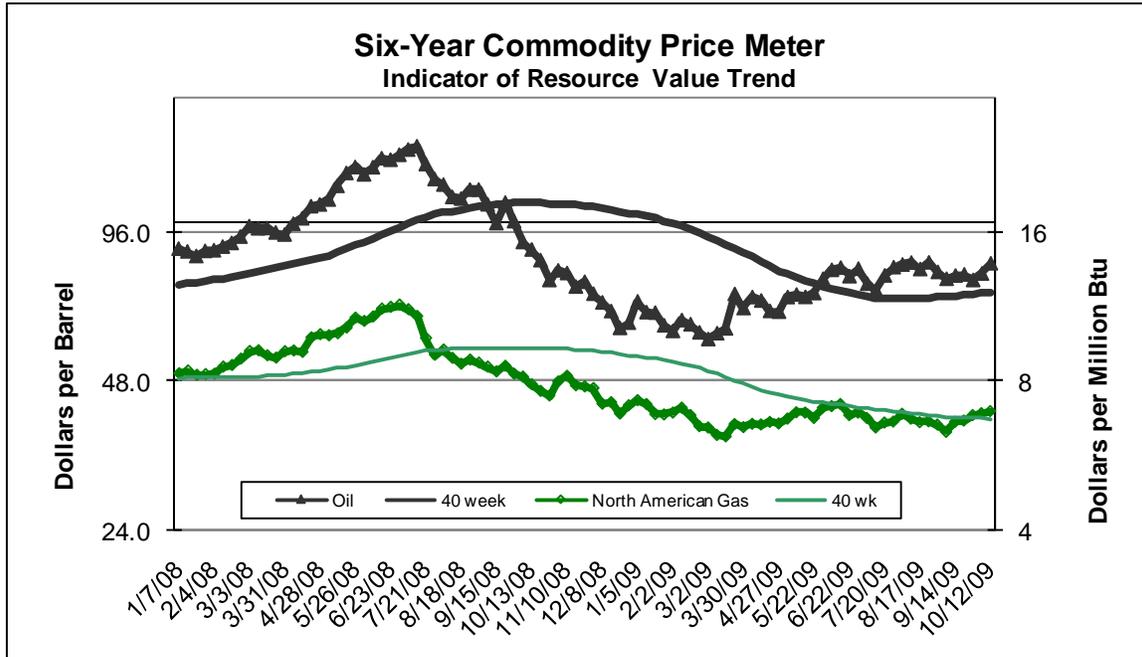
Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
6-Oct	SU	Suncor Energy	Evaluating Strategy for Acquired Assets (Meter Reader)
2-Oct	XEC	Cimarex Energy Company	Drilling Picking Up (Income and Small Cap Weekly)
17-Sep	COSWF	Canadian Oil Sands Trust	McDep Value (Income and Small Cap Weekly)
16-Sep	APC	Anadarko Petroleum Corporation	Rebalance on New Basin Discovery
15-Sep	* ECA	EnCana Corporation	Creating Oil Sands Prize (Meter Reader)
4-Sep	* SJT	San Juan Basin Royalty Trust	Upgrade to Buy (Income and Small Cap Weekly)
3-Sep	* PBR	Petrobras	New Regulatory Model Points to Stock Issue
1-Sep	* XOM	Exxon Mobil Corporation	Stock May Be Timely (Meter Reader)
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	* BIRTO	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	* 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	* 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	* 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
23-Jul	* OXY	Occidental Petroleum Corporation	California Discovery May Be Worth \$2 a Share
10-Jul	* HGT	Hugoton Royalty Trust	Rounding the Bend (Income and Small Cap Weekly)
Meter Reader			
13-Oct		Weekly	
6-Oct		Suncor Energy	Evaluating Strategy for Acquired Assets
29-Sep		Weekly	My Visit to Russia
22-Sep	*	Weekly	Replaying Energy Regulation in Russia
Income and Small Cap Weekly			
9-Oct		Weekly	Friendly Trends
2-Oct		Cimarex Energy Company	Drilling Picking Up
25-Sep		Mesa Royalty Trust (MTR)	Pure Natural Gas Income
18-Sep	*	Canadian Oil Sands Trust (COSWF)	McDep Value
Industry Ideas			
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
	*	Archived on www.mcdep.com	



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