



# Meter Reader

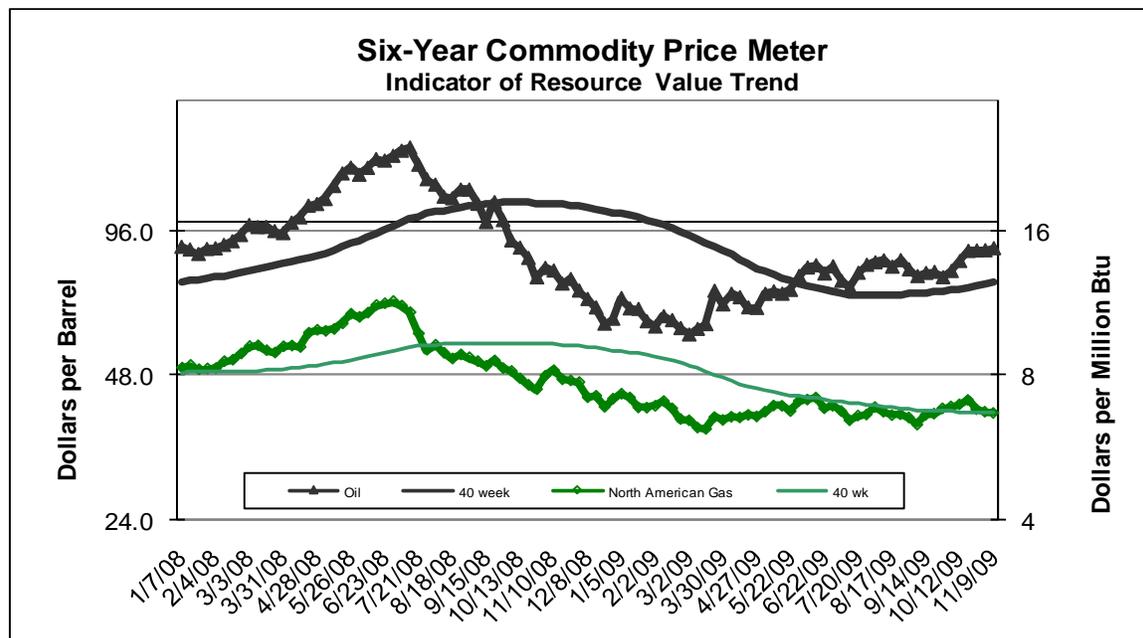
A Weekly Analysis of Large Cap Oil and Gas Stocks  
November 10, 2009

## Political Pressure on Natural Gas Price

### Summary and Recommendation

It is well understood that governments attempt to manipulate prices and we muse whether such an attempt may be under way in natural gas. The price of natural gas acts suspiciously to us, much as oil price did during 1998 when it hit lows most likely never to be seen again. Our political leaders made no bones about manipulating natural gas price from the 1950s through the 1980s when wellhead price controls were the law of the land in the U.S. Today we see a common effort by China and the U.S. to hold down natural gas by the promotion of coal in electrical generation. Influential global power strategists in the two countries may find common cause in holding down the economic development of rival Russia, the world's largest natural gas producer. For its part, China has stringent price controls on its cleanest fuel while it pollutes the world with massive coal burning. China also appears to be holding Russia's feet to the fire in negotiating a price for natural gas deliveries from the north. The U.S. is developing rules to curb carbon dioxide emissions that would give a pass to the largest emitter, coal and instead further penalize cleaner natural gas and oil. U.S. industrial users lobby to restrict the use of natural gas by others in order to keep the price low. Whether or not there was oil price manipulation in 1998, we may never know. We do know that market forces returned with a vengeance. The same may happen in natural gas, though when is another question.

Kurt H. Wulff, CFA





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	Symbol/Rating B = Buy	Price (US\$/sh) 9-Nov 2009	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)					McDep Ratio
					North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream		
<b>U.S. Integrated</b>										
Exxon Mobil Corporation	XOM B	72.85	1.13	397,000	5	22	54	19	0.84	
Chevron Corporation	CVX B	77.66	1.21	188,000	4	10	71	14	0.79	
Marathon Oil Corporation	MRO B	34.59	1.47	36,100	8	5	61	26	0.73	
ConocoPhillips	COP B	52.85	1.66	131,000	12	11	64	13	0.63	
<i>Total or Median *</i>	<i>30%</i>	<i>9%</i>	<i>14%</i>	<i>752,000</i>					<i>0.76</i>	
<b>Europe</b>										
BG Group	BRGXF B	18.32	1.15	71,500		21	48	31	0.85	
Royal Dutch Shell plc	RDS-A B	62.07	1.31	249,000	3	27	49	22	0.83	
BP plc	BP B	59.93	1.32	250,000	6	9	63	22	0.80	
Statoil ASA (33%)	STO B	25.40	1.39	37,200		49	51	-	0.79	
Total S.A.	TOT B	62.47	1.26	177,000		19	59	22	0.74	
<i>Total or Median *</i>	<i>31%</i>	<i>12%</i>	<i>17%</i>	<i>785,000</i>					<i>0.80</i>	
<b>Brazil/China/Russia</b>										
CNOOC Limited (34%)	CEO B	163.75	1.01	25,200		11	89	-	1.21	
PetroChina Company Ltd (14%)	PTR B	133.18	1.08	36,800		15	69	15	0.90	
Petrobras	PBR B	50.89	1.16	260,000		7	77	16	0.89	
Lukoil Oil Company	LUKOY B	61.00	1.13	58,400			67	33	0.48	
Gazprom (50%)	OGZPY B	25.44	1.27	96,000		76	24	-	0.46	
<i>Total or Median *</i>	<i>19%</i>	<i>12%</i>	<i>17%</i>	<i>476,000</i>					<i>0.89</i>	
<b>U.S. Independent</b>										
Anadarko Petroleum Corp.	APC B	65.69	1.43	46,400	48		47	5	1.08	
EOG Resources	EOG B	92.40	1.15	26,700	68	5	28	-	1.00	
XTO Energy Inc.	XTO B	45.13	1.42	37,200	73		27	-	0.97	
Occidental Petroleum Corp.	OXY B	83.05	1.08	73,300	10	1	82	7	0.88	
Chesapeake Energy Corp.	CHK	25.26	1.94	29,900	85		15	-	0.85	
Devon Energy Corporation	DVN B	69.10	1.30	40,300	61		39	-	0.76	
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>17%</i>	<i>254,000</i>					<i>0.93</i>	
<b>Canada</b>										
EnCana Corporation	ECA B	59.40	1.29	57,300	65		30	5	0.97	
Canadian Natural Resources	CNQ B	67.99	1.34	49,500	20		80	-	0.88	
Imperial Oil Limited (30%)	IMO B	39.14	1.09	10,900	5		79	16	0.83	
Suncor Energy	SU B	35.20	1.33	73,400	5		85	10	0.74	
Canadian Oil Sands Trust	COSWF B	28.90	1.10	15,400			100	-	0.71	
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>17%</i>	<i>207,000</i>					<i>0.83</i>	
<b>Income and Small Cap (see separate weekly analysis)</b>										
	<i>2%</i>	<i>42%</i>	<i>17%</i>	<i>44,000</i>	<i>40</i>		<i>60</i>		<i>0.92</i>	
<b>Composite</b>										
<i>Enterprise Value Weighting</i>	<i>100%</i>			<i>2,518,000</i>	<i>10</i>	<i>15</i>	<i>59</i>	<i>15</i>	<i>0.79</i>	
<i>Equal Weighting</i>		<i>100%</i>			<i>32</i>	<i>7</i>	<i>55</i>	<i>6</i>	<i>0.86</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>		<i>25</i>	<i>10</i>	<i>55</i>	<i>10</i>	<i>0.82</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

			<i>Price</i> <i>(US\$/sh)</i>	<i>Shares</i>	<i>Market</i> <i>Cap</i> <i>(US\$mm)</i>	<i>Net</i> <i>Present</i> <i>Value</i> <i>(US\$/sh)</i>	<i>Debt/</i> <i>Present</i> <i>Value</i>	<i>McDep</i> <i>Ratio</i>
	<i>Symbol/Rating</i>		<i>9-Nov</i> <i>2009</i>	<i>(mm)</i>				
	<i>B = Buy</i>							
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	72.85	4,803	350,000	89.00	0.10	0.84
Chevron Corporation	CVX	B	77.66	2,001	155,000	102.00	0.14	0.79
Marathon Oil Corporation	MRO	B	34.59	711	24,590	53.00	0.23	0.73
ConocoPhillips	COP	B	52.85	1,498	79,000	105.00	0.25	0.63
<i>Total or Median</i>					<i>609,000</i>		<i>0.19</i>	<i>0.76</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	18.32	3,390	62,100	22.00	0.11	0.85
Royal Dutch Shell plc	RDS-A	B	62.07	3,066	190,000	79.00	0.20	0.83
BP plc	BP	B	59.93	3,156	189,000	80.00	0.20	0.80
Statoil ASA (33%)	STO	B	25.40	1,051	26,690	35.00	0.22	0.79
Total S.A.	TOT	B	62.47	2,237	140,000	90.00	0.15	0.74
<i>Total or Median</i>					<i>608,000</i>		<i>0.20</i>	<i>0.80</i>
<b>Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO	B	163.75	152	24,920	135.00	0.01	1.21
PetroChina Company Ltd (14%)	PTR	B	133.18	256	34,120	150.00	0.06	0.90
Petrobras	PBR	B	50.89	4,387	223,250	58.00	0.13	0.89
Lukoil Oil Company	LUKOY	B	61.00	847	52,000	135.00	0.06	0.48
Gazprom (50%)	OGZPY	B	25.44	2,965	75,400	64.00	0.10	0.46
<i>Total or Median</i>					<i>410,000</i>		<i>0.06</i>	<i>0.89</i>
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC	B	65.69	494	32,400	59.00	0.32	1.08
EOG Resources	EOG	B	92.40	251	23,200	92.00	0.13	1.00
XTO Energy Inc.	XTO	B	45.13	580	26,180	47.00	0.29	0.97
Occidental Petroleum Corp.	OXY	B	83.05	814	67,600	95.00	0.07	0.88
Chesapeake Energy Corp.	CHK		25.26	610	15,410	34.00	0.41	0.85
Devon Energy Corporation	DVN	B	69.10	450	31,100	98.00	0.17	0.76
<i>Total or Median</i>					<i>195,900</i>		<i>0.23</i>	<i>0.93</i>
<b>Canada</b>								
EnCana Corporation	ECA	B	59.40	751	44,600	62.00	0.21	0.97
Canadian Natural Resources	CNQ	B	67.99	542	36,900	80.00	0.22	0.88
Imperial Oil Limited (30%)	IMO	B	39.14	256	10,040	48.00	0.07	0.83
Suncor Energy	SU	B	35.20	1,572	55,330	52.00	0.18	0.74
Canadian Oil Sands Trust	COSWF	B	28.90	484	13,990	42.00	0.06	0.71
<i>Total or Median</i>					<i>161,000</i>		<i>0.18</i>	<i>0.83</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.

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**Table 3**

## McDep Energy Portfolio Value Multiples and Distribution Yield

			<i>Price</i>	<i>Adjustd</i>				<i>Divd or</i>
			<i>(US\$/sh)</i>	<i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>		<i>Distrib</i>
	<i>Symbol/Rating</i>		<i>9-Nov</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>P/E</i>	<i>NTM</i>
	<i>B = Buy</i>		<i>2009</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	72.85	12.4	8.6	7.2	14	2.3
Chevron Corporation	CVX	B	77.66	9.7	6.9	5.5	11	3.5
ConocoPhillips	COP	B	52.85	11.1	8.3	5.2	9	3.8
Marathon Oil Corporation	MRO	B	34.59	9.3	7.1	5.2	10	2.8
	<i>Total or Median</i>			<i>10.4</i>	<i>7.7</i>	<i>5.3</i>	<i>11</i>	<i>3.1</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	18.32	8.5	9.0	7.6	15	1.2
Royal Dutch Shell plc	RDS-A	B	62.07	7.9	6.9	5.7	13	5.4
Total S.A.	TOT	B	62.47	9.4	7.3	5.4	10	5.5
BP plc	BP	B	59.93	9.6	6.8	5.4	9	5.6
Statoil ASA (33%)	STO	B	25.40	7.6	6.4	5.0	22	5.1
	<i>Total or Median</i>			<i>8.5</i>	<i>6.9</i>	<i>5.4</i>	<i>13</i>	<i>5.4</i>
<b>Brazil/China/Russia</b>								
Petrobras	PBR	B	50.89	9.2	9.6	8.6	16	2.6
CNOOC Limited (34%)	CEO	B	163.75	6.9	5.6	6.8	12	3.2
PetroChina Company Ltd (14%)	PTR	B	133.18	13.9	7.4	6.6	16	3.0
Lukoil Oil Company	LUKOY	B	61.00	16.3	8.6	4.2	8	2.2
Gazprom (50%)	OGZPY	B	25.44	24.6	8.1	3.7	5	0.2
	<i>Total or Median</i>			<i>13.9</i>	<i>8.1</i>	<i>6.6</i>	<i>12</i>	<i>2.6</i>
<b>U.S. Independent</b>								
Chesapeake Energy Corp.	CHK		25.26	11.3	11.2	9.5	14	1.2
EOG Resources	EOG	B	92.40	9.8	9.1	9.2	25	0.6
XTO Energy Inc.	XTO	B	45.13	10.7	9.4	9.2	15	1.1
Anadarko Petroleum Corp.	APC	B	65.69	8.9	7.4	7.9		0.5
Occidental Petroleum Corp.	OXY	B	83.05	11.2	7.8	6.9	15	1.6
Devon Energy Corporation	DVN	B	69.10	8.9	8.1	6.1	12	0.9
	<i>Total or Median</i>			<i>10.3</i>	<i>8.6</i>	<i>8.5</i>	<i>15</i>	<i>1.0</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	39.14	18.3	11.7	9.7	18	1.0
EnCana Corporation	ECA	B	59.40	9.1	9.4	9.1	22	0.7
Canadian Oil Sands Trust	COSWF	B	28.90	22.7	12.5	8.9	13	5.6
Canadian Natural Resources	CNQ	B	67.99	7.7	8.7	7.7	14	0.6
Suncor Energy	SU	B	35.20	13.9	10.4	7.6	26	1.1
	<i>Total or Median</i>			<i>13.9</i>	<i>10.4</i>	<i>8.9</i>	<i>18</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 September 30, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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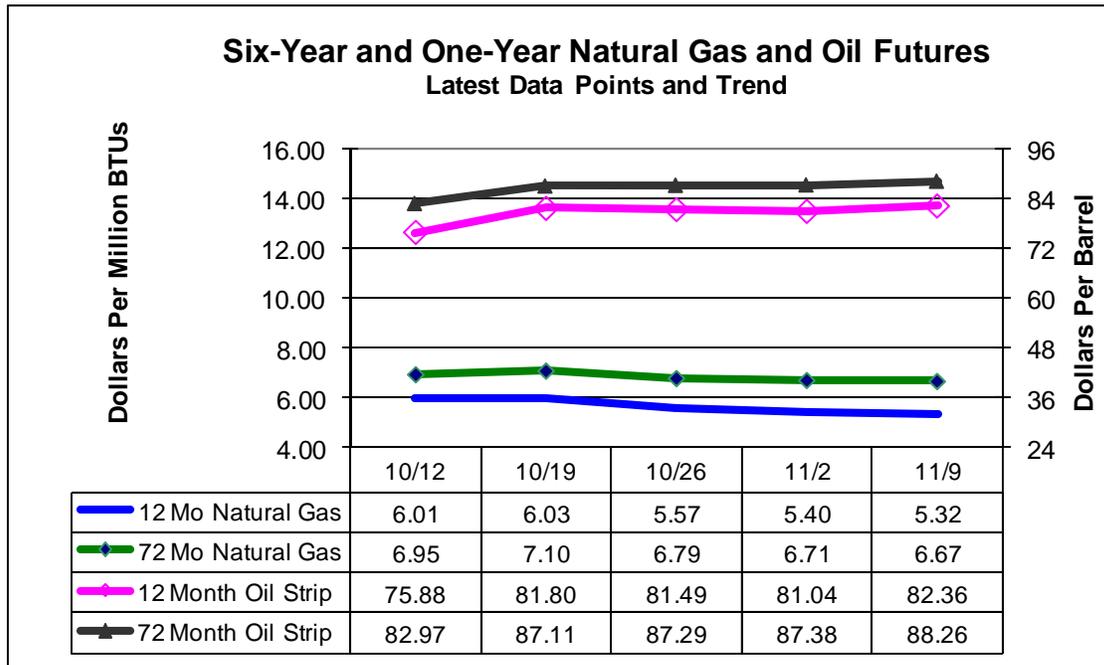
## Index of Recent Research

Index of Recent Research			
<b>Stock Ideas</b>			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
6-Nov	SU	Suncor Energy	Expects to Keep 12% Syncrude
6-Nov	EOG	EOG Resources Inc.	Accenting Oil
6-Nov	DMLP	Dorchester Minerals, L.P.	More Drilling on DMLP Land
6-Nov	HGT	Hugoton Royalty Trust	Distribution Trend Up (Income and Small Cap Weekly)
6-Nov	MRO	Marathon Oil Corporation	Refinery Expansion Nearly Complete
6-Nov	APC	Anadarko Petroleum Corporation	McDep Ratio above 1.0
5-Nov	CNQ	Canadian Natural Resources	Oil Sands Mining Challenge
5-Nov	TOT	Total S.A.	New Projects for Growth
5-Nov	STO	Statoil ASA	Oil Price Leading Natural Gas Price
4-Nov	XTO	XTO Energy Inc.	Remarkable Business Model
4-Nov	DVN	Devon Energy Corporation	Progress in Shale Gas
4-Nov	XEC	Cimarex Energy Company	Raise Net Present Value to \$50 a Share from \$46
3-Nov	CEO	CNOOC Ltd	Buy China Oil and Gas (Meter Reader)
3-Nov	PTR	PetroChina Company Limited	Buy China Oil and Gas (Meter Reader)
2-Nov	IMO	Imperial Oil Limited	<i>In Situ</i> Oil Production Cumulates Past a Billion Barrels
2-Nov	EAC	Encore Acquisition Company	Denbury Resources Offers \$50 a Share to Acquire Encore
2-Nov	CVX	Chevron Corporation	Raise Net Present Value to \$102 a Share from \$97
30-Oct	COSWF	Canadian Oil Sands Trust	COSWF Priced for Deal (ISC Weekly)
29-Oct	COSWF	Canadian Oil Sands Trust	Operating at Capacity
29-Oct	XOM	Exxon Mobil Corporation	Cash Flow Rising after Decline
29-Oct	RDSA	Royal Dutch Shell plc	Shedding Downstream Image
28-Oct	COP	ConocoPhillips	Downsizing to Revitalize
28-Oct	EAC	Encore Acquisition Company	Raise Net Present Value to \$50 a Share from \$44
27-Oct	BP	BP p.l.c.	Raise Net Present Value to \$80 a Share from \$72
23-Oct	OXY	Occidental Petroleum Corporation	Raise Net Present Value to \$95 a Share from \$87
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
30-Aug	* LUKOY	Lukoil Oil Company	Contributing to Russia's Oil Future
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
5-Aug	* BRY	Berry Petroleum	Back on Track
29-Jul	* BRGXF	BG Group	Progressing in Pre-Salt Brazil
<b>Meter Reader</b>			
10-Nov		Weekly	
3-Nov		Weekly	Buy China Oil and Gas
27-Oct		Weekly	Return of Defensive Rebalancing
20-Oct	*	Weekly	European Oil Stock Bargains
<b>Income and Small Cap Weekly</b>			
6-Nov		Hugoton Royalty Trust	Distribution Trend Up
30-Oct		Canadian Oil Sands Trust	COSWF Priced for Deal
23-Oct		Weekly	Going Horizontal
16-Oct	*	Weekly	Canada Trusts on Real Growth Trend
<b>Industry Ideas</b>			
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
	*	Archived on <a href="http://www.mcdep.com">www.mcdep.com</a>	



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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.