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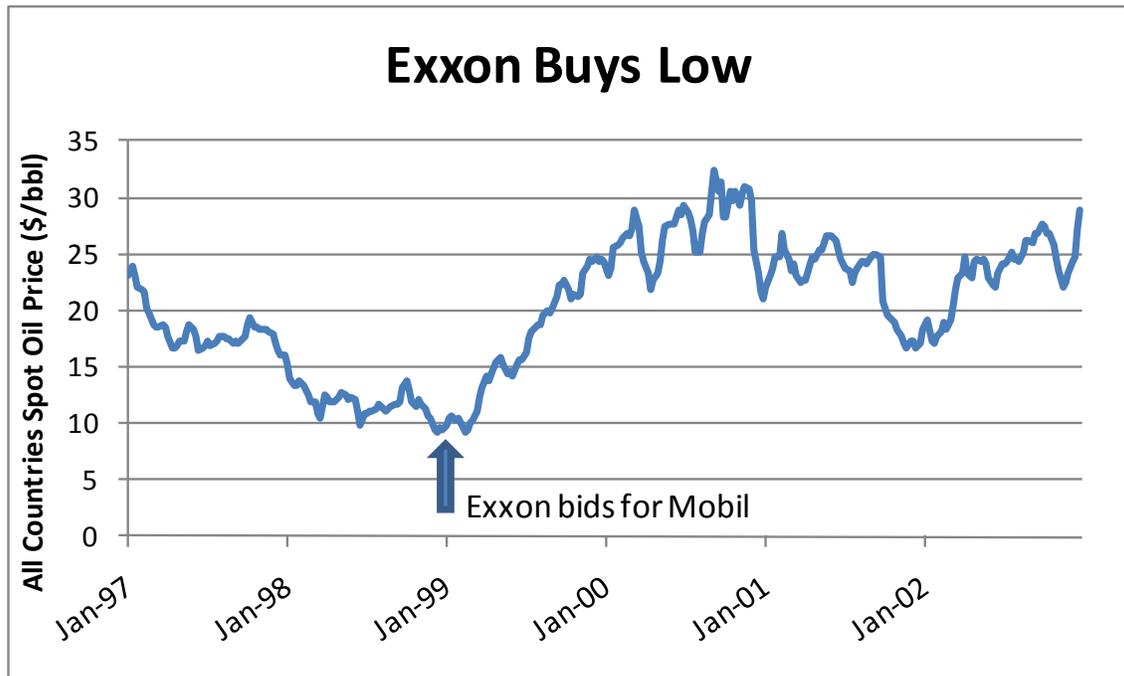
A Weekly Analysis of Large Cap Oil and Gas Stocks
December 22, 2009

Exquisite Timing

Summary and Recommendation

The timing of buy-recommended **ExxonMobil (XOM)**'s bid a week ago for buy-recommended **XTO Energy (XTO)** may prove to be as exquisite as when predecessor Exxon bid for Mobil just as crude price bottomed in December 1998. Within two years, oil price tripled to \$30 a barrel from under \$10 (see chart [Exxon Buys Low](#)). Eleven years and two weeks later, XOM bids for a natural gas producer just as natural gas price has reached an extraordinarily low level (see chart [ExxonMobil buys Natural Gas Low](#)). The low price of natural gas is even more remarkable when compared to oil (see chart [Oil/Natural Gas Futures Ratio](#)). An uptrend may be confirmed early next year for natural gas price compared to the 40-week average of six-year futures at \$6.70 a million btu. The latest settlement is \$6.65 (see table on last page [Six-Year and One-Year Natural Gas and Oil Futures](#)). In any case, stock prices are leading futures with all oil and gas large cap buy recommendations trading above the 200-day average. The ironic exception by a slim margin is XOM. That should change should a repeat of exquisite timing become a reality as we expect.

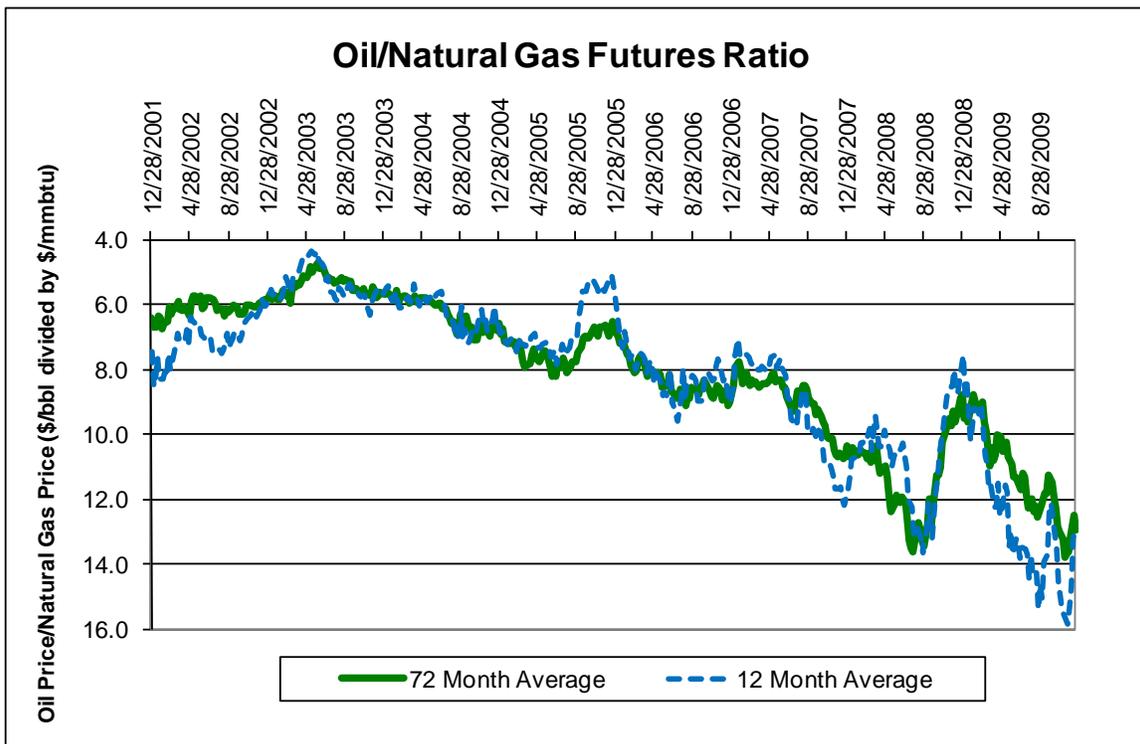
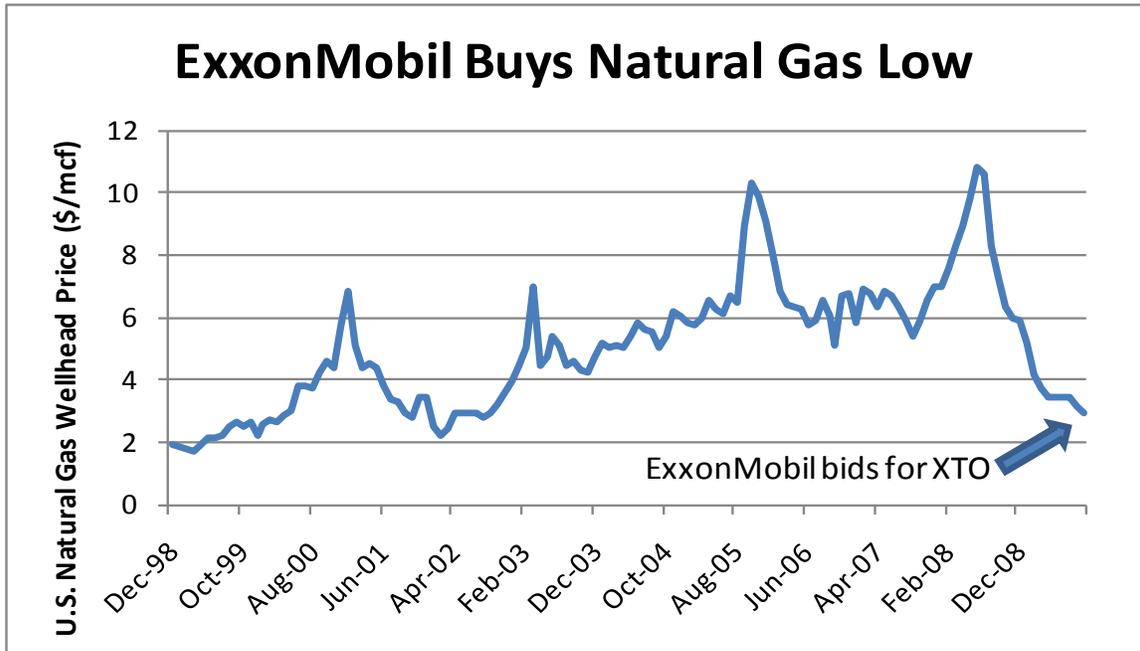
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Table 1										
McDep Energy Portfolio										
Geographic Domicile and Business Segments										
						Present Value by Segment (%)				
			Price (US\$/sh)	EV/ Market	Enterprise Value	North Amer.	Rest of World			
	Symbol/Rating		18-Dec 2009	Cap	(\$mm)	Natural Gas	Natural Gas	Oil Prod'n	Down- stream	McDep Ratio
	B = Buy									
U.S. Integrated										
Exxon Mobil Corporation	XOM	B	68.21	1.16	378,000	5	22	54	19	0.79
Chevron Corporation	CVX	B	76.90	1.20	184,000	4	10	71	14	0.79
Marathon Oil Corporation	MRO	B	30.91	1.52	33,400	8	5	61	26	0.68
ConocoPhillips	COP	B	49.80	1.70	127,000	12	11	64	13	0.61
<i>Total or Median *</i>	<i>30%</i>	<i>9%</i>	<i>13%</i>		<i>722,000</i>					<i>0.73</i>
Europe										
BG Group	BRGXF	B	17.49	1.15	68,400		21	48	31	0.82
Royal Dutch Shell plc	RDS-A	B	58.07	1.33	237,000	3	27	49	22	0.79
BP plc	BP	B	56.18	1.35	239,000	6	9	63	22	0.76
Statoil ASA (33%)	STO	B	24.29	1.39	35,600		49	51	-	0.76
Total S.A.	TOT	B	61.02	1.26	172,000		19	59	22	0.73
<i>Total or Median *</i>	<i>31%</i>	<i>11%</i>	<i>17%</i>		<i>752,000</i>					<i>0.76</i>
Brazil/China/Russia										
CNOOC Limited (34%)	CEO	B	153.10	1.01	23,500		11	89	-	1.13
Petrobras	PBR	B	46.56	1.26	257,000		5	80	15	0.84
PetroChina Company Ltd (14%)	PTR	B	119.24	1.09	33,200		15	69	15	0.81
Lukoil Oil Company	LUKOY	B	54.50	1.12	51,800			66	34	0.43
Gazprom (50%)	OGZPY	B	23.67	1.27	89,000		76	24	-	0.43
<i>Total or Median *</i>	<i>19%</i>	<i>11%</i>	<i>17%</i>		<i>455,000</i>					<i>0.81</i>
U.S. Independent										
Anadarko Petroleum Corp.	APC	B	61.15	1.46	44,200	48		47	5	1.02
EOG Resources	EOG	B	92.95	1.15	26,800	68	5	28	-	1.01
XTO Energy Inc.	XTO	B	46.68	1.41	38,100	73		27	-	1.00
Chesapeake Energy Corp.	CHK		26.06	1.79	29,200	88		12	-	0.85
Occidental Petroleum Corp.	OXY	B	79.98	1.08	70,200	10	1	82	7	0.85
Devon Energy Corporation	DVN	B	69.56	1.29	40,500	61		39	-	0.76
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>17%</i>		<i>249,000</i>					<i>0.92</i>
Canada										
Cenovus Energy Inc.	CVE	B	23.97	1.34	24,100	24		64	11	0.91
EnCana Corporation	ECA	B	30.74	1.45	33,500	93		7	-	0.91
Canadian Natural Resources	CNQ	B	67.32	1.31	47,900	20		80	-	0.87
Imperial Oil Limited (30%)	IMO	B	37.22	1.09	10,400	5		79	16	0.79
Suncor Energy	SU	B	33.70	1.34	70,900	5		85	10	0.71
Canadian Oil Sands Trust	COSWF	B	27.23	1.11	14,600			100	-	0.67
<i>Total or Median *</i>	<i>8%</i>	<i>14%</i>	<i>20%</i>		<i>201,000</i>					<i>0.83</i>
Income and Small Cap (see separate weekly analysis)										
	<i>2%</i>	<i>41%</i>	<i>17%</i>		<i>44,700</i>	<i>39</i>		<i>61</i>		<i>0.94</i>
Composite										
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,423,700</i>	<i>11</i>	<i>15</i>	<i>59</i>	<i>15</i>	<i>0.76</i>
<i>Equal Weighting</i>		<i>100%</i>				<i>33</i>	<i>7</i>	<i>54</i>	<i>6</i>	<i>0.85</i>
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>26</i>	<i>10</i>	<i>55</i>	<i>9</i>	<i>0.79</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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McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			<i>Price</i>			<i>Net</i>		
	<i>Symbol/Rating</i>		<i>(US\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>B = Buy</i>		<i>18-Dec</i>	<i>(mm)</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
			<i>2009</i>		<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	<i>Ratio</i>
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	68.21	4,803	328,000	89.00	0.11	0.79
Chevron Corporation	CVX	B	76.90	2,001	154,000	102.00	0.13	0.79
Marathon Oil Corporation	MRO	B	30.91	711	21,980	53.00	0.23	0.68
ConocoPhillips	COP	B	49.80	1,498	75,000	105.00	0.25	0.61
<i>Total or Median</i>					<i>579,000</i>		<i>0.18</i>	<i>0.73</i>
Europe								
BG Group plc	BRGXF	B	17.49	3,390	59,300	22.00	0.11	0.82
Royal Dutch Shell plc	RDS-A	B	58.07	3,066	178,000	79.00	0.20	0.79
BP plc	BP	B	56.18	3,156	177,000	80.00	0.20	0.76
Statoil ASA (33%)	STO	B	24.29	1,051	25,520	35.00	0.22	0.76
Total S.A.	TOT	B	61.02	2,237	137,000	90.00	0.15	0.73
<i>Total or Median</i>					<i>577,000</i>		<i>0.20</i>	<i>0.76</i>
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	153.10	152	23,300	135.00	0.01	1.13
Petrobras	PBR	B	46.56	4,387	204,260	58.00	0.17	0.84
PetroChina Company Ltd (14%)	PTR	B	119.24	256	30,550	150.00	0.06	0.81
Lukoil Oil Company	LUKOY	B	54.50	847	46,000	135.00	0.05	0.43
Gazprom (50%)	OGZPY	B	23.67	2,965	70,200	64.00	0.09	0.43
<i>Total or Median</i>					<i>374,000</i>		<i>0.06</i>	<i>0.81</i>
U.S. Independent								
Anadarko Petroleum Corp.	APC	B	61.15	494	30,200	59.00	0.32	1.02
EOG Resources	EOG	B	92.95	251	23,300	92.00	0.13	1.01
XTO Energy Inc.	XTO	B	46.68	580	27,070	47.00	0.29	1.00
Chesapeake Energy Corp.	CHK		26.06	626	16,310	34.00	0.38	0.85
Occidental Petroleum Corp.	OXY	B	79.98	814	65,100	95.00	0.06	0.85
Devon Energy Corporation	DVN	B	69.56	450	31,300	98.00	0.17	0.76
<i>Total or Median</i>					<i>193,300</i>		<i>0.23</i>	<i>0.92</i>
Canada								
Cenovus Energy Inc.	CVE	B	23.97	751	18,000	27.00	0.23	0.91
EnCana Corporation	ECA	B	30.74	751	23,100	35.00	0.28	0.91
Canadian Natural Resources	CNQ	B	67.32	542	36,500	80.00	0.21	0.87
Imperial Oil Limited (30%)	IMO	B	37.22	256	9,550	48.00	0.07	0.79
Suncor Energy	SU	B	33.70	1,572	52,980	52.00	0.18	0.71
Canadian Oil Sands Trust	COSWF	B	27.23	484	13,180	42.00	0.06	0.67
<i>Total or Median</i>					<i>153,000</i>		<i>0.19</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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			<i>Price</i> <i>(US\$/sh)</i>	<i>Adjustd</i> <i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>		<i>Divd or</i> <i>Distrib</i>
	<i>Symbol/Rating</i>		<i>18-Dec</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>
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	68.21	12.4	8.7	6.9	12	2.5
Chevron Corporation	CVX	B	76.90	9.7	7.2	5.7	13	3.5
ConocoPhillips	COP	B	49.80	11.2	8.5	5.2	9	4.0
Marathon Oil Corporation	MRO	B	30.91	9.3	7.3	5.0	10	3.1
	<i>Total or Median</i>			<i>10.4</i>	<i>7.9</i>	<i>5.4</i>	<i>11</i>	<i>3.3</i>
Europe								
BG Group plc	BRGXF	B	17.49	8.1	9.4	7.7	15	1.2
Total S.A.	TOT	B	61.02	9.4	7.7	5.6	10	5.4
Royal Dutch Shell plc	RDS-A	B	58.07	7.9	6.9	5.4	12	5.8
BP plc	BP	B	56.18	9.6	7.1	5.4	9	6.0
Statoil ASA (33%)	STO	B	24.29	7.5	6.6	5.0	23	5.1
	<i>Total or Median</i>			<i>8.1</i>	<i>7.1</i>	<i>5.4</i>	<i>12</i>	<i>5.4</i>
Brazil/China/Russia								
Petrobras	PBR	B	46.56	9.1	9.4	7.9	14	2.9
CNOOC Limited (34%)	CEO	B	153.10	6.9	5.9	6.7	12	3.4
PetroChina Company Ltd (14%)	PTR	B	119.24	13.9	7.7	6.2	16	3.4
Lukoil Oil Company	LUKOY	B	54.50	16.4	8.9	3.8	8	2.3
Gazprom (50%)	OGZPY	B	23.67	24.6	8.6	3.7	5	0.2
	<i>Total or Median</i>			<i>13.9</i>	<i>8.6</i>	<i>6.2</i>	<i>12</i>	<i>2.9</i>
U.S. Independent								
EOG Resources	EOG	B	92.95	9.8	8.8	8.9	27	0.6
XTO Energy Inc.	XTO	B	46.68	10.7	8.3	8.3	15	1.1
Chesapeake Energy Corp.	CHK		26.06	11.1	9.5	8.1	13	1.2
Anadarko Petroleum Corp.	APC	B	61.15	8.9	7.2	7.4		0.6
Occidental Petroleum Corp.	OXY	B	79.98	11.2	8.2	7.0	16	1.7
Devon Energy Corporation	DVN	B	69.56	8.9	7.8	5.9	11	0.9
	<i>Total or Median</i>			<i>10.3</i>	<i>8.3</i>	<i>7.7</i>	<i>15</i>	<i>1.0</i>
Canada								
Imperial Oil Limited (30%)	IMO	B	37.22	20.9	13.4	10.6	21	1.0
Canadian Oil Sands Trust	COSWF	B	27.23	23.1	14.7	9.8	16	6.4
Cenovus Energy Inc.	CVE	B	23.97	9.8	9.1	8.3	20	3.3
EnCana Corporation	ECA	B	30.74	8.7	8.9	8.2	25	2.6
Suncor Energy	SU	B	33.70	13.9	10.6	7.6	27	1.1
Canadian Natural Resources	CNQ	B	67.32	7.5	8.4	7.4	13	0.6
	<i>Total or Median</i>			<i>11.8</i>	<i>9.9</i>	<i>8.2</i>	<i>21</i>	<i>1.9</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								

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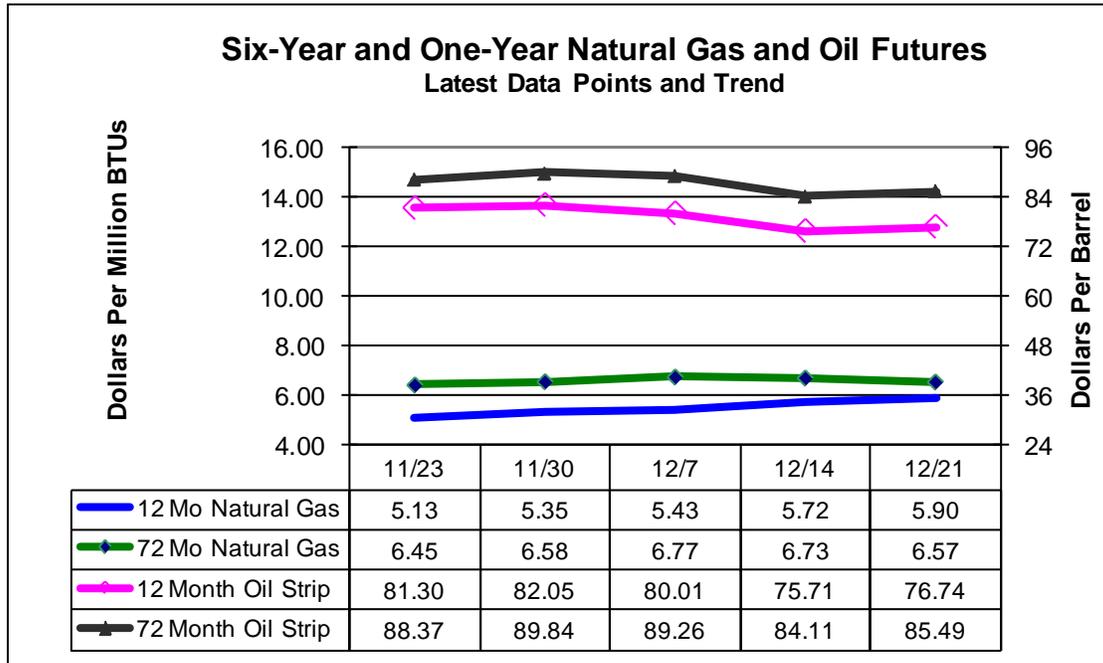
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Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
15-Dec	XTO, XOM	XTO Energy, ExxonMobil	ExxonMobil Offers \$52 a Share for XTO Energy
11-Dec	SJT	San Juan Basin Royalty Trust	Natural Gas Income with Upside (ISC Weekly)
8-Dec	LUKOY	Lukoil Oil Company	Reemphasizing Oil
8-Dec	PBR	Petrobras	Buy for Long-Term Growth (Meter Reader)
4-Dec	COSWF	Canadian Oil Sands Trust	November Production Below Capacity
1-Dec	* ECA, CVE	EnCana, Cenovus Energy Inc.	Buy EnCana, Buy Cenovus (Meter Reader)
20-Nov	* FRHLF	Freehold Royalty Trust	Highest Distribution Rate Unhedged (ISC Weekly)
17-Nov	* BRGXF	BG Group	Oil Price Trend Validates Offshore Brazil (Meter Reader)
13-Nov	* ECA	EnCana Corporation	Approaching November 30 Split into Two Companies
13-Nov	* PEYUF	Peyto Energy Trust	Deep Basin Drilling "Going to Explode" (ISC Weekly)
9-Nov	* OGZPY	Gazprom	Sharp Recovery from Sharp Dip
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	* 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
29-Oct	* RDSA	Royal Dutch Shell plc	Shedding Downstream Image
28-Oct	* COP	ConocoPhillips	Downsizing to Revitalize
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
14-Aug	* BIR.TO	Birchcliff Energy Ltd.	Spirited Small Cap Canadian Nat Gas Producer (ISCW)
Meter Reader			
22-Dec		Weekly	
15-Dec	XTO, XOM	XTO Energy, ExxonMobil	ExxonMobil Offers \$52 a Share for XTO Energy
8-Dec	PBR	Petrobras	Buy for Long-Term Growth
1-Dec	* ECA, CVE	EnCana, Cenovus Energy Inc.	Buy EnCana, Buy Cenovus
Income and Small Cap Weekly			
18-Dec	CRT, SBR	Top Line Cash Payers	Raise CRT NPV 21%; Lower SBR NPV 18%
11-Dec	SJT	San Juan Basin Royalty Trust	Natural Gas Income with Upside
4-Dec	COSWF	Canadian Oil Sands Trust	November Production Below Capacity
27-Nov	*	Weekly	Practically Unlimited Global Demand for Natural Gas
Industry Ideas			
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
	*	Archived on www.mcdep.com	



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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.

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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.