McDep LLC

Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

March 23, 2010

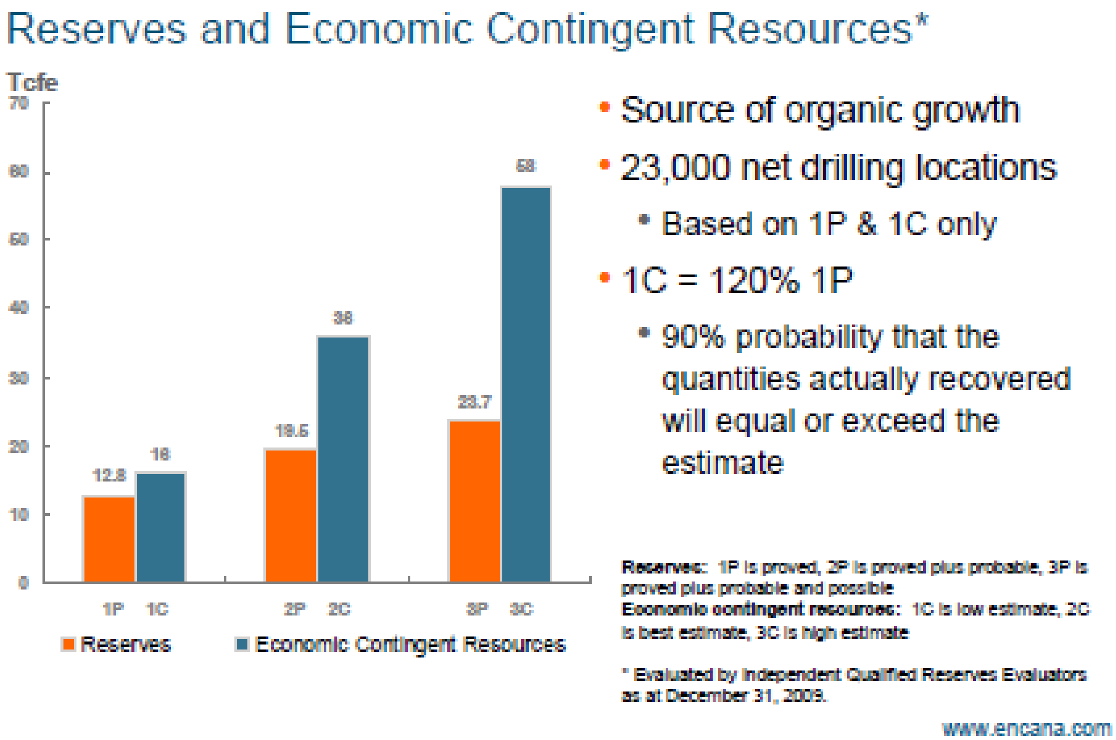
Raise EnCana NPV to $42 from $35 on Contingent Resources

Symbol	ECA	*Ebitda Next Twelve Months ending 3/31/11 (US$mm)*	3,600
Rating	Buy	*North American Natural Gas/Ebitda (%)*	90
Price (US$/sh)	30.45	*Natural Gas and Oil Production/Ebitda (%)*	100
Pricing Date	3/22/10	*Adjusted Reserves/Production NTM*	7.6
Shares (mm)	751	*EV/Ebitda*	8.8
Market Capitalization (US$mm)	22,900	*PV/Ebitda*	11.3
Debt (US$mm)	8,800	*Undeveloped Reserves (%)*	41
Enterprise Value (EV) (US$mm)	31,700	*Natural Gas and Oil Ebitda (US$/mcfe)*	2.98
Present Value (PV) (US$mm)	40,300	*Present Value Proven Reserves(US$/boe)*	20.98
Net Present Value (US$/share)	42	*Present Value Proven Reserves(US$/mcfe)*	3.50
Debt/Present Value	0.22	*Earnings Next Twelve Months (US$/sh)*	0.37
McDep Ratio - EV/PV	0.78	*Price/Earnings Next Twelve Months*	83
Dividend Yield (%/year)	2.6	*Indicated Annual Dividend (US$/sh)*	0.80
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US$75 a barrel and natural gas, $8 a million btu.			
For historical analysis of ECA since 2001 see www.mcdep.com/3eca.htm			

Summary and Recommendation

Meeting separately with analysts in New York and Calgary last week, management of buy-recommended **EnCana Corporation (ECA)** expanded its disclosure of estimated resources, which we use to justify estimated Net Present Value (NPV) of US$42 a share, up from $35. Drawing from the standards of the Society of Petroleum Engineers and Canada's National Instrument 51-101, Encana offers independent estimates of resources in six categories (see slide Reserves and Economic Contingent Resources). In addition to proven reserves of 12.8 trillion cubic feet equivalent (Tcfe), economic contingent resources of 16 Tcfe have comparable probability of being achieved with the passage of more time. As a result, Chief Executive Randy Eresman believes Encana owns the assets to justify a 15% a year rate of growth to double volume in 5 years. Allowing for the cost of development and the longer timing we assess a value of $8 billion for economic contingent resources in addition to $32 billion for proven reserves (see table Functional Cash Flow and Present Value). Ironically for a Canadian company, the Haynesville shale of Texas and Louisiana dominates the geographic distribution of contingent resources (see slide 1C Economic Contingent Resources). Should aggressive expansion have an adverse effect on the price of natural gas, EnCana's drilling would slow and its financial position would remain strong because it is a low cost producer. Meanwhile, natural gas for the next six years is currently quoted at $6.05 a million Btu, which is below the 40-week average of $6.59 (see chart on page 4, Six-Year and One-Year Natural Gas and Oil Futures and on page 9, Six-Year Commodity Price Meter). Finally, at a McDep Ratio of 0.8, Encana ranks as a top choice among large cap natural gas producers (see Tables 1-3).

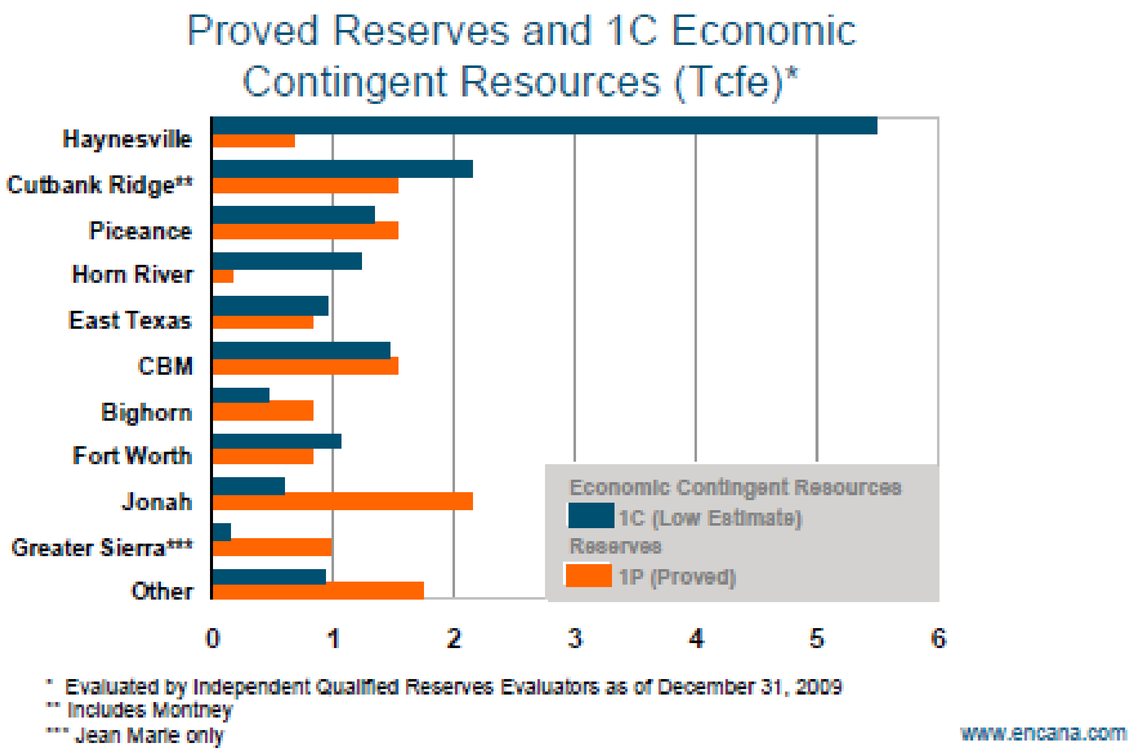
Kurt H. Wulff, CFA

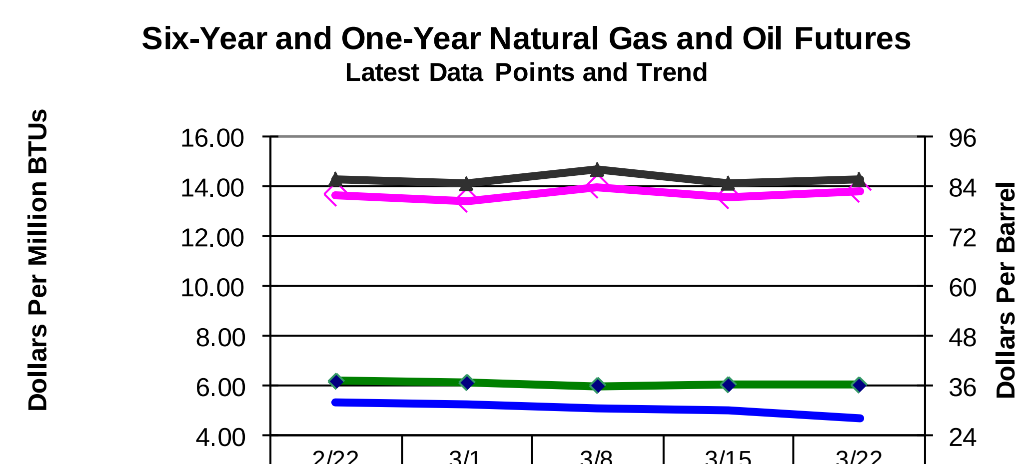


EnCana Corporation					
Functional Cash Flow and Present Value					
	NTM	*Adjusted*	*PV/*	*Present*	
	Ebitda	*R/P*	*Ebitda*	*Value*	
North American Natural Gas	3,240	7.6	9.4	30,300	75%
Oil	340	7.6	5.9	2,000	5%
High-Probablility Contingent Resource				8,000	
	3,580	7.6	11.3	40,300	100%
Debt					8,800
Net Present Value ($mm)					31,500
Shares					751
Net Present Value - Standard Estimate (US$/sh)					42
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US$/sh)					43

EnCana Corporation
Next Twelve Months Operating and Financial Estimates

									Next
		Pro Forma							***Twelve***
	Q3	*Q4*	*Q1E*	*Q2E*	*Q3E*	*Q4E*	***Year***	*Q1E*	***Months***
	9/30/09	*12/31/09*	*3/31/10*	*6/30/10*	*9/30/10*	*12/31/10*	***2010E***	*3/31/11*	***3/31/11***
Volume									
Natural Gas (bcf)	327	247	284	287	290	290	**1,152**	284	**1,152**
Natural Gas (mmcfd)	3,551	2,687	3,155	3,155	3,155	3,155	**3,155**	3,155	**3,155**
Days	92	92	90	91	92	92	**365**	90	**365**
Oil (mmb)	12.8	2.2	2.1	2.1	2.1	2.1	**8**	2.1	**8**
Oil (mbd)	139	24	23	23	23	23	**23**	23	**23**
Total (bcf)	403	260	296	300	303	303	**1,202**	296	**1,202**
Total (mmcfed)	4,385	2,831	3,293	3,293	3,293	3,293	**3,293**	3,293	**3,293**
Price									
Henry Hub (US$/mmbtu	3.39	4.16	5.32	4.15	4.37	4.94	**4.69**	5.30	**4.69**
Differential	0.28	(0.31)	-	-	-	-	**0.00**	-	**0.00**
EnCana ($/mcf)	3.11	4.47	5.32	4.15	4.37	4.94	**4.69**	5.30	**4.69**
WTI Cushing (US$/bbl)	68.22	76.09	78.63	81.64	82.74	83.46	**81.62**	83.56	**82.85**
Differential	10.82	13.78	14.24	14.78	14.98	15.11	**14.77**	15.13	**15.00**
EnCana ($/bbl)	57.40	62.31	64.39	66.86	67.76	68.35	**66.85**	68.43	**67.85**
Total ($/bbl)	26.03	28.63	33.28	26.68	27.94	31.24	**29.78**	33.33	**29.79**
Revenue ($mm)									
Natural Gas	1,016	1,105	1,511	1,193	1,267	1,433	**5,403**	1,505	**5,398**
Oil	734	138	133	140	143	145	**561**	142	**570**
Other	2,131						-		
Total	3,881	1,243	1,644	1,333	1,411	1,577	**5,965**	1,646	**5,967**
Expense	2,780	534	658	533	564	631	**2,386**	659	**2,387**
Ebitda ($mm)									
Natural Gas and Oil	1,015	708	986	800	847	946	**3,579**	988	**3,580**
Other	86						-		-
Total	1,101	708	986	800	847	946	**3,579**	988	**3,580**
Deprec., Deplet., & Amort	992	708	663	663	663	663	**2,652**	663	**2,652**
Hedging and other	(838)	(501)					-		-
Interest	155	126	126	126	126	126	**504**	126	**504**
Ebt	792	376	197	11	58	157	**423**	199	**424**
Income tax	18		69	4	20	55	**148**	70	**148**
Net Income ($mm)	774	376	128	7	37	102	**275**	129	**276**
Per share ($)	1.03	0.50	0.17	0.01	0.05	0.14	**0.37**	0.17	**0.37**
Shares (millions)	751	751	751	751	751	751	**751**	751	**751**
Ebitda margin	58%	57%	60%	60%	60%	60%	**60%**	60%	**60%**
Tax rate	2%	0%	35%	35%	35%	35%	**35%**	35%	**35%**





	2/22	3/1	3/8	3/15	3/22
12 Mo Natural Gas	5.37	5.29	5.13	5.01	4.75
72 Mo Natural Gas	6.20	6.15	6.03	6.06	6.05
12 Month Oil Strip	82.03	80.53	83.93	81.39	82.94
72 Month Oil Strip	85.78	84.67	88.00	84.82	85.72

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Table 1

McDep Energy Portfolio

Geographic Domicile and Business Segments

						Present Value by Segment (%)				
			Price			*North*	*Rest*			
			(US$/sh)	*EV/*	*Enterprise*	*Amer.*	*of World*			
	Symbol/Rating		*22-Mar*	*Market*	*Value*	*Natural*	*Natural*	*Oil*	*Down-*	*McDep*
B = Buy, CB (see below)			*2010*	*Cap*	*($mm)*	*Gas*	*Gas*	*Prod'n*	*stream*	*Ratio*
U.S. Integrated										
Exxon Mobil Corporation	XOM	CB	66.97	1.18	411,000	9	21	53	17	0.78
Chevron Corporation	CVX	B	74.46	1.20	179,000	4	10	72	14	0.72
Marathon Oil Corporation	MRO	B	31.66	1.53	34,500	7	3	64	26	0.69
ConocoPhillips	COP	B	52.10	1.68	131,000	12	10	64	13	0.62
*Total or Median **	*31%*	*9%*	*14%*		*756,000*					*0.71*
Europe										
BG Group	BRGXF	B	17.88	1.14	69,100		22	47	31	0.83
Royal Dutch Shell plc	RDS-A	B	58.26	1.35	241,000	3	26	48	23	0.79
BP plc	BP	B	57.35	1.33	241,000	6	10	62	22	0.77
Statoil ASA (33%)	STO	B	22.92	1.43	34,400		49	51	-	0.73
Total S.A.	TOT	CB	57.31	1.27	163,000		19	59	22	0.69
*Total or Median **	*31%*	*11%*	*17%*		*749,000*					*0.77*
Australia/Brazil/China/Russia										
CNOOC Limited (34%)	CEO	B	161.08	1.01	24,700		11	89	-	1.19
Woodside Petroleum Ltd.	WOPEY	B	42.40	1.17	38,000		72	28	-	0.97
Petrobras	PBR	B	44.97	1.27	250,000		5	80	15	0.81
PetroChina Company Ltd (14%	PTR	B	116.51	1.09	32,500		15	69	15	0.79
Lukoil Oil Company	LUKOY	B	57.45	1.12	54,300			66	34	0.45
Gazprom (50%)	OGZPY	B	23.15	1.32	90,000		76	24	-	0.43
*Total or Median **	*20%*	*14%*	*21%*		*490,000*					*0.80*
U.S. Independent										
Anadarko Petroleum Corp.	APC	B	70.52	1.42	49,500	45		50	4	1.07
EOG Resources	EOG	B	91.50	1.14	26,100	69	5	27	-	1.00
Occidental Petroleum Corp.	OXY	B	82.57	1.08	72,300	10	1	82	7	0.88
Chesapeake Energy Corp.	CHK		23.24	1.95	28,400	89		11	-	0.81
Devon Energy Corporation	DVN	CB	64.00	1.05	30,200	57		43	-	0.66
*Total or Median **	*8%*	*11%*	*14%*		*207,000*					*0.88*
Canada										
Cenovus Energy Inc.	CVE	B	24.72	1.37	25,400	23		70	7	0.94
Canadian Natural Resources	CNQ	B	71.42	1.30	50,300	13		87	-	0.83
Imperial Oil Limited (30%)	IMO	B	37.92	1.09	10,600	5		81	15	0.80
EnCana Corporation	ECA	B	30.45	1.38	31,700	75		5	20	0.79
Canadian Oil Sands Trust	COSWF	B	28.36	1.10	15,100			100	-	0.76
Suncor Energy	SU	CB	30.69	1.39	66,900	5		84	11	0.71
*Total or Median **	*8%*	*14%*	*21%*		*200,000*					*0.79*
Income and Small Cap (see separate weekly analysis)										
	2%	*41%*	*14%*		*50,800*	*38*		*62*		*0.99*
Composite										
Enterprise Value Weighting	*100%*				*2,453,000*	*10*	*16*	*59*	*15*	*0.76*
Equal Weighting		*100%*				*31*	*8*	*54*	*7*	*0.86*
Equal Weighted Buys			*100%*			*23*	*12*	*55*	*10*	*0.79*

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.

* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.

* Percentages in Price column refer to equal weighted buys.

Table 2

McDep Energy Portfolio

Net Present Value and McDep Ratio

			Price (US$/sh) 22-Mar 2010	Shares (mm)	Market Cap (US$mm)	Net Present Value (US$/sh)	Debt/ Present Value	McDep Ratio
B = Buy, CB (see below)	Symbol/Rating							
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	66.97	5,215	349,000	89.00	0.12	0.78
Chevron Corporation	CVX	B	74.46	2,004	149,000	110.00	0.12	0.72
Marathon Oil Corporation	MRO	B	31.66	711	22,510	53.00	0.24	0.69
ConocoPhillips	COP	B	52.10	1,501	78,000	105.00	0.25	0.62
Total or Median					*599,000*		*0.18*	*0.71*
Europe								
BG Group plc	BRGXF	B	17.88	3,397	60,700	22.00	0.10	0.83
Royal Dutch Shell plc	RDS-A	B	58.26	3,064	179,000	79.00	0.21	0.79
BP plc	BP	B	57.35	3,162	181,000	80.00	0.19	0.77
Statoil ASA (33%)	STO	B	22.92	1,050	24,100	35.00	0.22	0.73
Total S.A.	TOT	CB	57.31	2,241	128,000	90.00	0.15	0.69
Total or Median					*573,000*		*0.19*	*0.77*
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	161.08	152	24,500	135.00	0.01	1.19
Woodside Petroleum Ltd.	WOPEY	B	42.40	763	32,400	44.00	0.14	0.97
Petrobras	PBR	B	44.97	4,387	197,300	58.00	0.17	0.81
PetroChina Company Ltd (14%)	PTR	B	116.51	256	29,900	150.00	0.06	0.79
Lukoil Oil Company	LUKOY	B	57.45	847	48,700	135.00	0.05	0.45
Gazprom (50%)	OGZPY	B	23.15	2,955	68,400	64.00	0.10	0.43
Total or Median					*401,000*		*0.08*	*0.80*
U.S. Independent								
Anadarko Petroleum Corp.	APC	B	70.52	494	34,800	64.00	0.32	1.07
EOG Resources	EOG	B	91.50	251	22,900	92.00	0.12	1.00
Occidental Petroleum Corp.	OXY	B	82.57	814	67,200	95.00	0.06	0.88
Chesapeake Energy Corp.	CHK		23.24	628	14,600	34.00	0.39	0.81
Devon Energy Corporation	DVN	CB	64.00	450	28,800	98.00	0.03	0.66
Total or Median					*168,300*		*0.12*	*0.88*
Canada								
Cenovus Energy Inc.	CVE	B	24.72	751	18,600	27.00	0.25	0.94
Canadian Natural Resources	CNQ	B	71.42	542	38,700	90.00	0.19	0.83
Imperial Oil Limited (30%)	IMO	B	37.92	256	9,700	48.00	0.07	0.80
EnCana Corporation	ECA	B	30.45	751	22,900	42.00	0.22	0.79
Canadian Oil Sands Trust	COSWF	B	28.36	484	13,700	38.00	0.07	0.76
Suncor Energy	SU	CB	30.69	1,566	48,100	48.00	0.20	0.71
Total or Median					*152,000*		*0.20*	*0.79*

CB=Contrarian Buy, Stock Price may in downtrend compared to 200-day average.

McDep Ratio = **M**arket **c**ap and **De**bt to **p**resent 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.

Table 3

McDep Energy Portfolio
Value Multiples and Distribution Yield

			Price (US$/sh) 22-Mar 2010	*Adjustd Resrvs/ Prod NTM*	*PV/ Ebitda NTM*	*EV/ Ebitda NTM*	*P/E NTM*	*Divd or Distrib NTM (%)*
Symbol/Rating B = Buy, CB (see below)								
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	66.97	13.6	8.4	6.6	12	2.5
Marathon Oil Corporation	MRO	B	31.66	8.9	7.3	5.1	10	3.0
ConocoPhillips	COP	B	52.10	14.3	8.2	5.1	9	3.8
Chevron Corporation	CVX	B	74.46	9.0	6.5	4.6	9	3.7
Total or Median				*11.3*	*7.8*	*5.1*	*10*	*3.3*
Europe								
BG Group plc	BRGXF	B	17.88	8.2	8.8	7.3	14	1.0
Royal Dutch Shell plc	RDS-A	B	58.26	8.9	6.5	5.2	10	5.8
BP plc	BP	B	57.35	9.5	6.6	5.1	9	5.9
Total S.A.	TOT	CB	57.31	9.3	7.1	4.9	9	5.4
Statoil ASA (33%)	STO	B	22.92	7.4	6.0	4.4	10	4.4
Total or Median				*8.9*	*6.6*	*5.1*	*10*	*5.4*
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	B	42.40	17.8	11.9	11.5	20	2.4
Petrobras	PBR	B	44.97	8.9	8.7	7.1	12	3.0
PetroChina Company Ltd (14%)	PTR	B	116.51	13.7	6.8	5.4	12	3.4
CNOOC Limited (34%)	CEO	B	161.08	6.3	4.5	5.3	9	3.2
Lukoil Oil Company	LUKOY	B	57.45	15.6	8.5	3.8	8	2.2
Gazprom (50%)	OGZPY	B	23.15	24.6	8.3	3.6	4	0.2
Total or Median				*14.7*	*8.4*	*5.3*	*10*	*2.7*
U.S. Independent								
EOG Resources	EOG	B	91.50	10.8	9.7	9.7	46	0.7
Chesapeake Energy Corp.	CHK		23.24	11.8	12.0	9.7	21	1.3
Anadarko Petroleum Corp.	APC	B	70.52	9.2	7.8	8.3	121	0.5
Occidental Petroleum Corp.	OXY	B	82.57	10.9	7.5	6.6	14	1.6
Devon Energy Corporation	DVN	CB	64.00	10.4	8.6	5.7	14	1.0
Total or Median				*10.8*	*8.6*	*8.3*	*21*	*1.0*
Canada								
Canadian Natural Resources	CNQ	B	71.42	15.6	10.9	9.1	15	0.8
Imperial Oil Limited (30%)	IMO	B	37.92	19.7	11.2	9.0	17	1.0
EnCana Corporation	ECA	B	30.45	7.6	11.3	8.9	83	2.6
Canadian Oil Sands Trust	COSWF	B	28.36	21.5	11.5	8.8	15	4.8
Cenovus Energy Inc.	CVE	B	24.72	10.4	9.2	8.6	18	3.2
Suncor Energy	SU	CB	30.69	15.4	10.1	7.2	19	1.3
Total or Median				*15.5*	*11.1*	*8.8*	*18*	*2.0*

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2011; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Index of Recent Research

Stock Ideas

Date		Symbol	Subject	Theme
23-Mar		ECA	EnCana Corporation	Raise NPV to $40 from $35 on Contingent Resources (MR)
22-Mar		HGT	Hugoton Royalty Trust	Monthly Volume Distortion
16-Mar		XOM	ExxonMobil Corporation	Upstream Growth (Meter Reader)
16-Mar		CVX	Chevron Corporation	Upstream Growth (Meter Reader)
12-Mar		HGT	Hugoton Royalty Trust	High Income from Cheap Clean Fuel (ISCW)
12-Mar		DVN	Devon Energy Corporation	Virtually Eliminates Debt
9-Mar		APC	Anadarko Petroleum Corporation	Upside in Oil and Gas Portfolio (Meter Reader)
5-Mar		SJT	San Juan Basin Royalty Trust	Raise NPV to $23 (ISC Weekly)
5-Mar		CNQ	Canadian Natural Resources	Raise NPV to US$90 a Share from $80
2-Mar	*	COSWF	Canadian Oil Sands Trust	Oil Growth of 70% to 2020 (Meter Reader)
26-Feb	*	DMLP	Dorchester Minerals, L.P.	Replaces Reserves and Pays 8% Income (ISCW)
25-Feb	*	WOPEY	Woodside Petroleum	Financing in Place for 2010
22-Feb	*	XTO, XOM	XTO Energy, ExxonMobil	Merger on Track for Second Quarter Completion
19-Feb	*	BIREF	Birchcliff Energy Ltd.	Raise NPV to US$11 a Share from US$9
19-Feb	*	XEC	Cimarex Energy Company	On a Roll - Raise NPV to $65 (ISC Weekly)
18-Feb	*	DVN	Devon Energy Corporation	Proven Reserves Increase 19%
15-Feb	*	CVE	Cenovus Energy Inc.	Quadruple Bitumen by 2017
15-Feb	*	STO	Statoil ASA	Reposition Dividend for Growth
15-Feb	*	EOG	EOG Resources Inc.	Proven Reserves Increase 24%
12-Feb	*	TOT	Total S.A.	Secure Income at 5.5%
9-Feb	*	PTR	PetroChina Company Limited	Change Buy to Contrarian Buy (Meter Reader)
8-Feb	*	XEC	Cimarex Energy Company	Booming Production Estimated up 18% in 2010
5-Feb	*	BRGXF	BG Group	Natural Gas Growth in Australia
4-Feb	*	RDSA	Royal Dutch Shell plc	Cautious Outlook, Nice Dividend
3-Feb	*	IMO	Imperial Oil Limited	Horn River Shale Gas Explorer
3-Feb	*	CEO	CNOOC Ltd	Blockbuster Growth Forecast
3-Feb	*	MRO	Marathon Oil Corporation	Ready for Recovery in Demand for Diesel Fuel
2-Feb	*	SU	Suncor Energy	Reduce Net Present Value to US$48 a Share from US$52
2-Feb	*	BP	BP p.l.c.	Credibility Reestablished
1-Feb	*	OGZPY	Gazprom	European Natural Gas Sales Rebound
28-Jan	*	OXY	Occidental Petroleum Corporation	Volume Growth Supporting Appreciation Potential
27-Jan	*	COP	ConocoPhillips	Lowest Large Cap McDep Ratio
8-Dec	*	PBR	Petrobras	Buy for Long-Term Growth (Meter Reader)
8-Dec	*	LUKOY	Lukoil Oil Company	Reemphasizing Oil
Meter Reader				
23-Mar			EnCana Corporation	Raise NPV to $40 from $35 on Contingent Resources
16-Mar		CVX, XOM	ExxonMobil and Chevron	Upstream Growth
9-Mar		APC	Anadarko Petroleum Corporation	Upside in Anadarko's Oil and Gas Portfolio
2-Mar	*	COSWF	Canadian Oil Sands Trust	Oil Growth of 70% to 2020 for COSWF
Income and Small Cap Weekly				
19-Mar			Weekly	Price Pressure for Natural Gas
12-Mar		HGT	Hugoton Royalty Trust	High Income from Cheap Clean Fuel
5-Mar		SJT	San Juan Basin Royalty Trust	Raise Distribution, Net Present Value
26-Feb	*	DMLP	Dorchester Minerals, L.P.	Replaces Reserves and Pays 8% Income
	*	Archived on www.mcdep.com		

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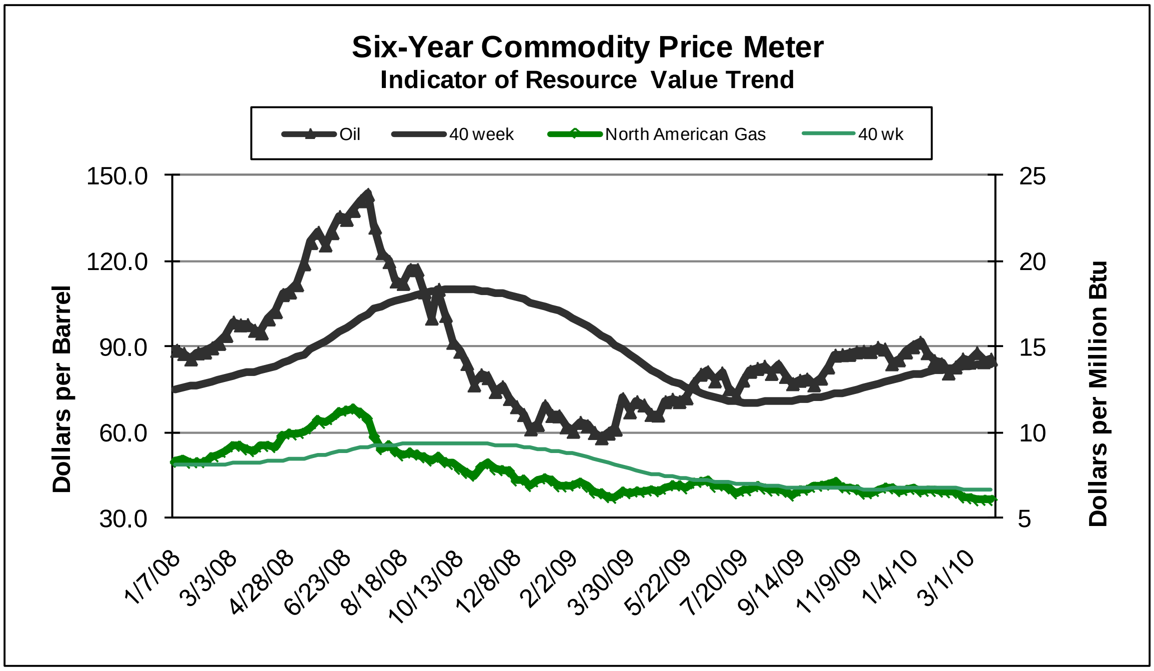
A Weekly Analysis of Large Cap Oil and Gas Stocks
March 23, 2010



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