

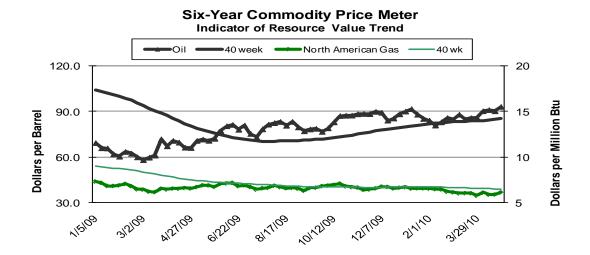
A Weekly Analysis of Large Cap Oil and Gas Stocks April 27, 2010

Undervalued Income Stocks

Summary and Recommendation

Buy recommendations ConocoPhillips (COP), Lukoil (LUKOY), Marathon Oil (MRO) and **Total (TOT)** offer competitive income in these low interest rate times along with McDep Ratios among the lowest. McDep Ratios of 0.72, 0.47, 0.71 and 0.69, respectively, qualify the four stocks with the six lowest in our large cap coverage (see Table 1). Financial risk is moderate to low with ratios of Debt/Present Value at 0.27, 0.05, 0.21, and 0.15 (see Table 2). Low McDep Ratios are reinforced by low multiples of unlevered cash flow (EV/Ebitda) at 5.2, 3.9, 5.0 and 4.6 times (see Table 3). Solid value and strong financial position add quality to the indicated dividend yields of 3.8%, 2.9%, 2.9% and 5.4% (see Table 3). COP recently underscored the overlooked value in its stock by selling an oil sands asset for a McDep Ratio near 1.0 while redeploying the proceeds by repurchasing its own stock and debt at a McDep Ratio near 0.7. Russian stock Lukoil offers the long-term growth potential of a leading capitalist company in an emerging market country that may have more upside than downside from current low investor expectations. Bringing on a major expansion at the bottom of the oil refining cycle in the U.S. in the fourth quarter of 2009, Marathon ought to benefit directionally in a new downstream up cycle now underway. A declining euro may have set up an investment opportunity in the French company, Total, whose long-term value depends on oil that tends to be priced in real terms, independent of currency. Meanwhile, those real terms are advancing with the current quote of \$93 a barrel for oil for the next six years compared to the 40-week average of \$85. Natural gas for the next six years at \$6.14 a million Btu is below the 40-week average of \$6.50 (see chart below, Six-Year Commodity Price Meter and on page 6, Six-Year and One-Year Natural Gas and Oil Futures).

Kurt H. Wulff, CFA





A Weekly Analysis of Large Cap Oil and Gas Stocks

		_		Table						
					y Portfoli					
	Geogr	aphic	Domic	cile and	d Busines	s Segn	nents			
								G	(0/)	
			n.,				ıt Value by	Segment	(%)	
			Price	F77.7/	.	North	Rest			
			(US\$/sh)	EV/	Enterprise	Amer.	of World			
	Symbol/		26-Apr	Market	Value	Natural	Natural		Down-	McDep
	y, CB (see	below)	2010	Сар	(\$mm)	Gas	Gas	Prod'n	stream	Ratio
U.S. Integrated										
Exxon Mobil Corporation	XOM	В	69.29	1.17	423,000	9	21	53	17	0.80
Chevron Corporation	CVX	В	82.59	1.18	196,000	4	10	72	14	0.78
ConocoPhillips	COP	В	58.30	1.60	140,000	13	10	63	14	0.72
Marathon Oil Corporation	MRO	В	33.04	1.51	35,500	7	3	64	26	0.71
Total or Median *	31%	8%	13%		795,000					0.75
Europe										
Royal Dutch Shell plc	RDS-A	В	61.18	1.33	250,000	3	26	48	23	0.82
BG Group	BRGXF	CB	17.25	1.15	67,100		21	48	31	0.81
BP plc	BP	В	57.91	1.32	242,000	6	10	62	22	0.78
Statoil ASA (33%)	STO	В	24.89	1.40	36,600		49	51	-	0.77
Total S.A.	TOT	CB	56.97	1.27	162,000		19	59	22	0.69
Total or Median *	29%	10%	16%		758,000					0.78
Australia/Brazil/China/Russi	ia				,					
CNOOC Limited (34%)	CEO	В	178.54	1.02	27,800		11	89	_	1.23
Woodside Petroleum Ltd.	WOPEY	В	42.85	1.17	40,000		74	26	_	0.98
PetroChina Company Ltd (14%		CB	117.77	1.23	37,000		14	72	14	0.82
Petrobras	PBR	СВ	43.16	1.31	249,000		4	81	15	0.79
Lukoil Oil Company	LUKOY	В	59.30	1.13	56,800			68	32	0.47
	OGZPY	В	24.37	1.13	94,000		76	24	- 32	0.45
Gazprom (50%)				1.51			/0	24	-	0.43
Total or Median *	19%	12%	19%		505,000					0.81
U.S. Independent	CITILI		10.11	1.00	15,000	100				1.00
Southwestern Energy Compan			42.41	1.08	15,900	100	_	25	-	1.30
EOG Resources	EOG	В	112.48	1.11	31,300	69	5	27	-	1.20
Anadarko Petroleum Corp.	APC	В	73.18	1.41	50,900	45		50	4	1.10
Occidental Petroleum Corp.	OXY	В	87.41	1.07	76,200	10	1	82	7	0.93
Chesapeake Energy Corp.	CHK		24.47	1.90	29,200	89		11	-	0.83
Devon Energy Corporation	DVN	В	68.54	1.04	32,300	57		43	-	0.71
Total or Median *	9%	12%	16%		236,000					1.01
Canada										
Cenovus Energy Inc.	CVE	В	29.48	1.31	29,000	23		70	7	1.07
Imperial Oil Limited (30%)	IMO	В	43.40	1.08	12,000	5		81	15	0.91
Canadian Natural Resources	CNQ	В	78.25	1.28	54,200	13		87	-	0.89
EnCana Corporation	ECA	В	33.00	1.36	33,500	95		5	-	0.83
Canadian Oil Sands Trust	COSWF	В	31.07	1.09	16,400	. ,		100	-	0.83
Suncor Energy	SU	В	34.31	1.36	72,900	5		84	11	0.77
Total or Median *	8%	12%	19%		218,000					0.86
Income and Small Cap (see se					210,000					5.00
and similar cup (see se	3%	45%	16%		83,700	55		45		1.08
Composite	570	1570	1070		33,700	33		73		1.00
Enterprise Value Weighting	100%				2,596,000	12	15	59	15	0.80
Equal Weighting	100%	100%			2,390,000	36	7	51	6	0.80
		100%	100%						9	
Equal Weighted Buys CB=Contrarian Buy, Stock Pric		1.			0 1	26	11	54	9	0.85
u B≕uontrarian Bijy Stock Pric	e may be i	n aown	trena comp	parea to 20	n-day average	.				



A Weekly Analysis of Large Cap Oil and Gas Stocks

		Table 2					
McL	en l		Portfol	io			
	_						
				- I			
		Price			Net		
		(US\$/sh)		Market	Present	Debt/	
Symbol/R	ating	26-Apr	Shares	Cap	Value	Present	McDep
, CB (see b	elow)	2010	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
XOM	R	69 29	5 215	361 000	89.00	0.12	0.80
							0.78
							0.72
							0.72
WIKO	ъ	33.04	/11		33.00	0.24	0.75
			_				
	В			,			0.82
	CB	17.25	3,397		22.00	0.10	0.81
	В	57.91	3,162	183,000	80.00	0.19	0.78
	В	24.89	1,050	26,100	35.00	0.22	0.77
TOT	CB	56.97	2,241	128,000	90.00	0.15	0.69
				583,000		0.19	0.78
CEO	В	178.54	152	27.200	145.00	0.03	1.23
							0.98
							0.82
				,			0.79
							0.47
							0.47
OGZII	В	24.37	2,755	,	04.00	0.10	0.43
				,			
SWN		42.41	349	14,800	32.00	0.09	1.30
EOG	В	112.48	251	28,200	92.00	0.12	1.20
APC	В	73.18	494	36,200	64.00	0.32	1.10
OXY	В	87.41	814	71,100	95.00	0.06	0.93
CHK		24.47	628	15,400	34.00	0.39	0.83
DVN	В	68.54	450	30,900	98.00	0.03	0.71
				196,600		0.11	1.01
CVE	В	29.48	751	22,100	27.00	0.25	1.07
	В	43.40	256	11,100		0.07	0.91
CNQ	В	78.25	542	42,400	90.00	0.19	0.89
ECA	В	33.00	749	24,700	42.00	0.22	0.83
COSWF	В	31.07	484	15,000	38.00	0.07	0.83
SU	В	34.31	1,566	53,700	48.00	0.20	0.77
				169,000		0.20	0.86
y in downti	rend co	ompared to	200-day av	erage.			
t to p resen	t value	e of oil and	gas and ot	her business	es		
	Symbol/R. CB (see b XOM CVX COP MRO RDS-A BRGXF BP STO TOT CEO WOPEY PTR PBR LUKOY OGZPY SWN EOG APC OXY CHK DVN CVE IMO CNQ ECA COSWF SU y in downti	Symbol/Rating CB (see below) XOM B CVX B COP B MRO B RDS-A B BRGXF CB BP B STO B TOT CB CEO B WOPEY B PTR CB PBR CB LUKOY B OGZPY B SWN EOG B APC B OXY B CHK DVN B CVE B IMO B CNQ B ECA B COSWF B SU B V in downtrend count to present value	Price (US\$/sh) Symbol/Rating 26-Apr CB (see below) 2010 XOM B 69.29 CVX B 82.59 COP B 58.30 MRO B 33.04 RDS-A B 61.18 BRGXF CB 17.25 BP B 57.91 STO B 24.89 TOT CB 56.97 CEO B 178.54 WOPEY B 42.85 PTR CB 117.77 PBR CB 43.16 LUKOY B 59.30 OGZPY B 24.37 SWN 42.41 EOG B 112.48 APC B 73.18 OXY B 87.41 CHK 24.47 DVN B 68.54 CVE B 29.48 IMO B 43.40 CNQ B 78.25 ECA B 33.00 COSWF B 31.07 SU B 34.31 V in downtrend compared to to present value of oil and yin downtrend compared to to to present value of oil a	Price (US\$/sh) Symbol/Rating 26-Apr Shares, CB (see below) 2010 (mm) XOM B 69.29 5,215 CVX B 82.59 2,004 COP B 58.30 1,501 MRO B 33.04 711 RDS-A B 61.18 3,064 BRGXF CB 17.25 3,397 BP B 57.91 3,162 STO B 24.89 1,050 TOT CB 56.97 2,241 CEO B 117.77 256 PBR CB 43.16 4,387 LUKOY B 59.30 847 OGZPY B 24.37 2,955 CWN 42.41 349 EOG B 112.48 251 APC B 73.18 494 OXY B 87.41 814 CHK 24.47 628 DVN B 68.54 450 CVE B 29.48 751 IMO B 43.40 256 CNQ B 78.25 542 ECA B 33.00 749 COSWF B 31.07 484 SU B 34.31 1,566 over the present value of oil and gas and other corporate of the present value of oil a	CB CB CB CB CB CB CB CB	Present Value and McDep Ratio Net	Present Value and McDep Ratio Price Net (US\$/sh) Market Present Debt/ Symbol/Rating 26-Apr Shares Cap Value Present Common (US\$/sh) Value Present Debt/ (US\$/sh) (US\$/sh) Value Present Debt/ Value Value



A Weekly Analysis of Large Cap Oil and Gas Stocks

		-	Table 3					27, 2010
	McDe	n F	nergy I	Portfoli	0			
Value		•	and Dis			A.		
value	- William	ICS	and Di	Jun	on rich	<u>u</u>		
			Price	Adjustd				Divd or
			(US\$/sh)	Resrvs/	PV/	EV/		Distrib
S	ymbol/Rai	ting	26-Apr	Prod	Ebitda	Ebitda	P/E	NTM
B = Buy, C		_	2010	NTM	NTM	NTM	NTM	(%)
•	, i							, ,
U.S. Integrated								
Exxon Mobil Corporation	XOM	В	69.29	13.6	8.1	6.5	12	2.4
ConocoPhillips	COP	В	58.30	10.4	7.3	5.2	9	3.8
Marathon Oil Corporation	MRO	В	33.04	8.9	7.0	5.0	10	2.9
Chevron Corporation	CVX	В	82.59	9.0	6.2	4.8	9	3.3
Total or Median				9.7	7.2	5.1	10	3.1
Europe						- 0		
BG Group plc	BRGXF	СВ	17.25	8.2	8.5	6.8	13	1.1
Royal Dutch Shell plc	RDS-A	В	61.18	8.9	6.3	5.1	10	5.5
BP plc	BP	В	57.91	9.5	6.3	4.9	8	5.8
Total S.A.	TOT	CB	56.97	9.6	6.8	4.6	9	5.4
Statoil ASA (33%)	STO	В	24.89	6.9	5.7	4.4	10	4.1
Total or Median				8.9	6.3	4.9	10	5.4
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	В	42.85	17.8	12.2	11.9	21	2.4
Petrobras	PBR	СВ	43.16	9.1	8.7	6.9	12	3.1
PetroChina Company Ltd (14%)	PTR	CB	117.77	14.0	7.2	5.9	12	3.4
CNOOC Limited (34%)	CEO	В	178.54	6.8	4.5	5.6	10	2.9
Lukoil Oil Company	LUKOY	В	59.30	15.8	8.2	3.9	7	2.9
Gazprom (50%)	OGZPY	В	24.37	24.6	8.2	3.7	5	0.2
Total or Median		D	21.57	14.9	8.2	5.7	11	2.9
U.S. Independent								
Southwestern Energy Company	SWN		42.41	6.7	8.9	11.5	23	-
EOG Resources	EOG	В	112.48	10.8	9.4	11.2	51	0.6
Chesapeake Energy Corp.	CHK		24.47	11.8	11.6	9.6	20	1.2
Anadarko Petroleum Corp.	APC	В	73.18	9.2	7.4	8.2		0.5
Occidental Petroleum Corp.	OXY	В	87.41	12.1	7.1	6.6	14	1.5
Devon Energy Corporation	DVN	В	68.54	10.4	8.2	5.8	14	0.9
Total or Median				10.6	8.6	8.9	20	0.7
Canada								
Imperial Oil Limited (30%)	IMO	В	43.40	19.8	10.6	9.7	19	0.9
Cenovus Energy Inc.	CVE	В	29.48	10.4	8.8	9.4	20	2.7
Canadian Natural Resources	CNQ	В	78.25	15.6	10.4	9.3	16	0.8
EnCana Corporation	ECA	В	33.00	7.7	10.9	9.1	28	2.4
Canadian Oil Sands Trust	COSWF	В	31.07	31.4	10.7	8.9	15	4.5
Suncor Energy	SU	В	34.31	15.2	9.5	7.4	19	1.2
Total or Median	_		31.31	15.4	10.5	9.2	19	1.8
CB=Contrarian Buy, Stock Price may be i		nd co	ompared to			7.2		1.0
EV = Enterprise Value = Market Cap and						reciation		
and amortization; NTM = Next Twelve M								
Earnings; PV = Present Value of oil and g				Ţ,				



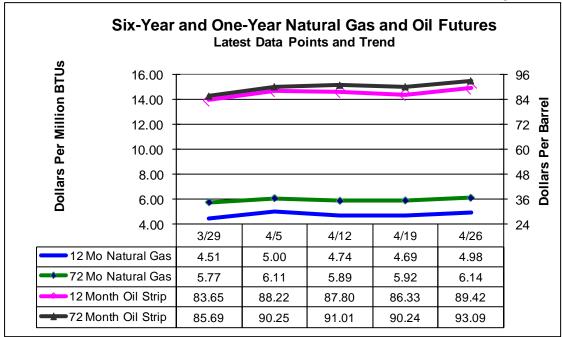
A Weekly Analysis of Large Cap Oil and Gas Stocks April 27, 2010

			Index of Recent	Research
Stock 1		200		
	lae			
<u>Date</u>	H	Symbol 1	<u>Subject</u>	Theme
23-Apr	H		Legacy Reserves L.P., Linn Energy	Oily Cash Payers - Add Legacy, Raise Linn NPV (ISCW)
21-Apr	H	ECA	EnCana Corporation	New Natural Gas Company Performs Well
16-Apr	H	ERF	Enerplus Resources Fund	Attractrive for 9% Distribution Yield (ISCW)
13-Apr	H		ConocoPhillips, Canadian Oil Sands Trust	Syncrude Priced at a McDep Ratio of 0.96 (Meter Reader)
9-Apr	l.		Ultra Pete, Range Resources, Petrohawk	Add Ultra, Range, Petrohawk to Coverage (ISCW)
2-Apr	*	SJT	San Juan Basin Royalty Trust	Low Cost Natural Gas (Income and Small Cap Weekly)
31-Mar	H	CEO	CNOOC Ltd	Raise NPV to \$145 from \$135 a Share on Reserves
31-Mar		LUKOY	Lukoil Oil Company	Shares Available
26-Mar	-	PEYUF	Peyto Energy Trust	Raise NPV to US\$15 from \$13 (ISC Weekly)
26-Mar	-	PTR	PetroChina Company Limited	Gas Growth - Natural Gas and Gasoline
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	-	DVN	Devon Energy Corporation	Virtually Eliminates Debt
9-Mar	-	APC	Anadarko Petroleum Corporation	Upside in Oil and Gas Portfolio (Meter Reader)
5-Mar	*	CNQ	Canadian Natural Resources	Raise NPV to US\$90 a Share from \$80
26-Feb	*	DMLP	Dorchester Minerals, L.P.	Replaces Reserves and Pays 8% Income (ISCW)
25-Feb	*	WOPEY	Woodside Petroleum	Financing in Place for 2010
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)
15-Feb	*	CVE	Cenovus Energy Inc.	Quadruple Bitumen by 2017
15-Feb	*	STO	Statoil ASA	Reposition Dividend for Growth
15-Feb	*	EOG	EOGResources Inc.	Proven Reserves Increase 24%
12-Feb	*	TOT	Total S.A.	Secure Income at 5.5%
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	*	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
Meter	R	eader		
27-Apr	Г		Weekly	
20-Apr	Т	SWN	Southwestern Energy	Shale Gas Slowdown
13-Apr	Т	COP,COSWF	ConocoPhillips, Canadian Oil Sands Trust	Syncrude Priced at a McDep Ratio of 0.96
6-Apr	*		Weekly	Canadian Values
	a	nd Small Ca		
23-Apr	Т		Legacy Reserves L.P., Linn Energy	Oily Cash Payers - Add Legacy, Raise Linn NPV
16-Apr	Т	ERF	Enerplus Resources Fund	Attractrive for 9% Distribution Yield
9-Apr	t		Ultra Pete, Range Resources, Petrohawk	Add Ultra, Range, Petrohawk to Coverage
2-Apr	*	SJT	San Juan Basin Royalty Trust	Low Cost Natural Gas
•	Ī		, ,	
	*	Archived on v	www.mcdep.com	



DEP Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks April 27, 2010



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.