MCDEP LLC

Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

November 15, 2011

Buy Canadian Oil Producers on U.S. Presidential Disappointment

Summary and Recommendation

President Obama's decision to kill the proposed Keystone XL pipeline until after the 2012 election may be the buy on the bad news event to trigger an upturn in stock price for Contrarian Buy recommended Canadian oil producers **Cenovus Energy (CVE)**, **Imperial Oil (IMO)**, **Suncor Energy (SU)** and **Canadian Oil Sands Limited (COSWF)**. Investors often anticipate bad news by selling in advance and then buying when the news is finally known by all. Yet while delaying indefinitely a pipeline to deliver more oil supply to the U.S. from a friendly country looks bad for the economy, it is good for higher global oil price. This latest action and previous actions by the president drive up price by restricting supply. At the same time, money created out of thin air finances exploding government spending that drives up oil price by boosting demand. Higher price compensates producers for the slower growth in volume imposed by politically-induced bottlenecks. As a result, the stocks offer strong appreciation potential measured by McDep Ratios ranging from 0.43 to 0.72 (see Tables 1 to 2 on pages 2 to 3). Low cash flow multiples (EV/Ebitda) ranging from 4.2 to 8.6 times corroborate the attractive valuation for new investment (see Table 3 on page 4). Lagging stock market performance shows up in low ratios of enterprise value to 200-day average ranging from 0.77 to 0.94 (see Table 4 on page 5). Latest quarterly results support estimates of Net Present Value (NPV) of US$49, 62, 64 and 52 a share for CVE, IMO, SU and COSWF respectively (see tables Functional Cash Flow and Present Value and Next Twelve Months Operating and Financial Results on pages 6-9). Finally, the latest policy action heightens our anticipation that election year 2012 may have exciting consequences to reward investors in productive enterprises.

Combined with free money, the low price of natural gas tempers economic resistance to seemingly high oil price. U.S. oil for delivery over the next six years settled at $94 a barrel, more than three times the heating value of natural gas (see chart Six-Year and One-Year Natural Gas and Oil Futures on page 11). The average price of natural gas for the next six years at $4.73 a million btu is equivalent to $28 a barrel in heating value. U.S. consumption is about 2 barrels of oil for each barrel equivalent of natural gas. Low price natural gas reduces the weighted average of oil and gas equivalent to $71 a barrel from $94 for oil alone.

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Table 1

McDep Large Cap Energy Stocks

Geographic Domicile and Business Segments

						Present Value by Segment (%)				
			Price			*North*	*Rest*			
			(US$/sh)	*EV/*	*Enterprise*	*Amer.*	*of World*			
	Symbol/Rating		*14-Nov*	*Market*	*Value*	*Natural*	*Natural*	*Oil*	*Down-*	*McDep*
	B = Buy, CB (see below)		*2011*	*Cap*	*($mm)*	*Gas*	*Gas*	*Prod'n*	*stream*	*Ratio*
U.S. Integrated										
Exxon Mobil Corporation	XOM	CB	78.96	1.19	454,000	9	19	57	15	0.74
ConocoPhillips	COP	CB	71.70	1.43	139,000	14	11	58	17	0.68
Chevron Corporation	CVX	B	106.17	1.11	236,000	3	10	78	9	0.65
Total or Median					*829,000*			*58*		*0.68*
Europe										
BG Group	BRGXF		21.56	1.21	89,200		34	46	21	0.88
Royal Dutch Shell plc	RDS-A	B	70.63	1.28	283,000	3	20	59	18	0.74
Statoil ASA (33%)	STO	B	25.96	1.47	40,100		34	66	-	0.68
BP plc	BP		43.57	1.65	228,000	4	9	64	23	0.63
Total S.A.	TOT	CB	51.20	1.35	156,000		21	66	13	0.59
Total or Median					*796,000*			*64*		*0.68*
Brazil/Russia/Australia/China										
Woodside Petroleum Ltd.	WOPEY		36.96	1.22	36,000		64	36	-	0.85
CNOOC Limited (36%)	CEO		198.86	1.01	32,400		9	91	-	0.80
PetroChina Company Ltd (14%)	PTR	CB	134.15	1.31	45,100		14	70	16	0.70
Petrobras	PBR	CB	27.00	1.37	239,000		8	77	15	0.51
Gazprom (50%)	OGZPY	CB	12.05	1.21	84,000		82	18	-	0.48
Lukoil Oil Company	LUKOY	CB	56.49	1.10	49,600			72	28	0.40
Total or Median					*486,000*			*72*		*0.61*
U.S. Independent										
Southwestern Energy Company	SWN		41.50	1.10	15,900	100			-	0.99
Anadarko Petroleum Corp.	APC		79.28	1.48	58,300	38		59	3	0.92
Chesapeake Energy Corp.	CHK		25.67	1.86	36,000	71		29	-	0.87
EOG Resources, Inc.	EOG	B	103.77	1.19	32,500	41	4	55	-	0.82
Occidental Petroleum Corp.	OXY	B	97.81	1.09	86,400	10	1	80	8	0.81
Devon Energy Corporation	DVN	CB	66.88	1.22	33,900	55		45	-	0.64
Marathon Oil Corporation	MRO	CB	27.67	1.26	24,900	7	4	89	-	0.57
Total or Median					*288,000*			*55*		*0.82*
Canada										
Cenovus Energy Inc.	CVE	CB	32.96	1.27	31,600	16		75	9	0.72
Imperial Oil Limited (30%)	IMO	CB	41.58	1.15	12,200	3		86	11	0.70
Penn West Exploration	PWE		17.78	1.48	12,500	16		84	-	0.67
EnCana Corporation	ECA	CB	19.92	1.72	25,200	89		11	-	0.57
Suncor Energy	SU	CB	31.95	1.26	63,800	2		86	11	0.56
Canadian Oil Sands Limited	COSWF	CB	20.36	1.15	11,400			100	-	0.43
Total or Median					*157,000*			*85*		*0.62*
Composite					*2,556,000*	*9*	*16*	*62*	*13*	*0.66*
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.										

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Table 2

McDep Large Cap Energy Stocks

Net Present Value and McDep Ratio

	Symbol/Rating		*Price (US$/sh) 14-Nov 2011*	*Shares (mm)*	*Market Cap (US$mm)*	*Net Present Value (US$/sh)*	*Debt/ Present Value*	*McDep Ratio*
	B = Buy, CB (see below)							
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	78.96	4,843	382,000	112.00	0.12	0.74
ConocoPhillips	COP	CB	71.70	1,352	97,000	119.00	0.21	0.68
Chevron Corporation	CVX	B	106.17	1,999	212,000	170.00	0.07	0.65
Total or Median					*691,000*		*0.12*	*0.68*
Europe								
BG Group plc	BRGXF		21.56	3,412	73,600	25.00	0.16	0.88
Royal Dutch Shell plc	RDS-A	B	70.63	3,124	221,000	102.00	0.16	0.74
Statoil ASA (33%)	STO	B	25.96	1,050	27,300	44.00	0.22	0.68
BP plc	BP		43.57	3,170	138,000	85.00	0.25	0.63
Total S.A.	TOT	CB	51.20	2,261	116,000	100.00	0.15	0.59
Total or Median					*576,000*		*0.16*	*0.68*
Brazil/Russia/Australia/China								
Woodside Petroleum Ltd.	WOPEY		36.96	787	29,100	45.00	0.16	0.85
CNOOC Limited (36%)	CEO		198.86	162	32,100	250.00	0.01	0.80
PetroChina Company Ltd (14%)	PTR	CB	134.15	256	34,400	210.00	0.17	0.70
Petrobras	PBR	CB	27.00	6,465	174,600	62.00	0.14	0.51
Gazprom (50%)	OGZPY	CB	12.05	5,750	69,300	28.00	0.08	0.48
Lukoil Oil Company	LUKOY	CB	56.49	802	45,300	150.00	0.03	0.40
Total or Median					*385,000*		*0.11*	*0.61*
U.S. Independent								
Southwestern Energy Company	SWN		41.50	350	14,500	42.00	0.09	0.99
Anadarko Petroleum Corp.	APC		79.28	498	39,500	90.00	0.30	0.92
Chesapeake Energy Corp.	CHK		25.67	753	19,300	33.00	0.40	0.87
EOG Resources, Inc.	EOG	B	103.77	263	27,300	130.00	0.13	0.82
Occidental Petroleum Corp.	OXY	B	97.81	813	79,500	123.00	0.06	0.81
Devon Energy Corporation	DVN	CB	66.88	415	27,800	112.00	0.12	0.64
Marathon Oil Corporation	MRO	CB	27.67	714	19,760	54.00	0.12	0.57
Total or Median					*227,700*		*0.12*	*0.82*
Canada								
Cenovus Energy Inc.	CVE	CB	32.96	758	25,000	49.00	0.15	0.72
Imperial Oil Limited (30%)	IMO	CB	41.58	256	10,700	62.00	0.09	0.70
Penn West Exploration	PWE		17.78	469	8,400	31.00	0.22	0.67
EnCana Corporation	ECA	CB	19.92	738	14,700	46.00	0.24	0.57
Suncor Energy	SU	CB	31.95	1,582	50,500	64.00	0.12	0.56
Canadian Oil Sands Limited	COSWF	CB	20.36	485	9,900	52.00	0.06	0.43
Total or Median					*119,000*		*0.13*	*0.62*

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$100 a barrel and natural gas, $8 a million btu.

Table 3

McDep Large Cap Energy Stocks

Value Multiples and Distribution Yield

			Price (US$/sh) 14-Nov 2011	*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	78.96	14.3	7.2	5.3	9	2.4
ConocoPhillips	COP	CB	71.70	12.6	7.5	5.2	9	3.7
Chevron Corporation	CVX	B	106.17	8.8	6.4	4.1	8	3.1
Total or Median				*12.6*	*7.2*	*5.2*	*9*	*3.1*
Europe								
BG Group plc	BRGXF		21.56	17.0	9.9	8.7	16	1.0
Royal Dutch Shell plc	RDS-A	B	70.63	9.0	6.2	4.6	8	4.8
BP plc	BP		43.57	11.4	7.1	4.5	6	3.9
Statoil ASA (33%)	STO	B	25.96	6.6	6.1	4.2	9	4.3
Total S.A.	TOT	CB	51.20	9.9	7.0	4.1	6	6.1
Total or Median				*9.9*	*7.0*	*4.5*	*8*	*4.3*
Brazil/Russia/Australia/China								
Woodside Petroleum Ltd.	WOPEY		36.96	20.6	8.8	7.5	12	3.0
Petrobras	PBR	CB	27.00	13.6	9.6	5.0	7	4.7
PetroChina Company Ltd (14%)	PTR	CB	134.15	13.4	6.5	4.5	8	4.1
CNOOC Limited (36%)	CEO		198.86	6.9	5.3	4.2	7	3.2
Lukoil Oil Company	LUKOY	CB	56.49	16.4	6.2	2.5	4	3.4
Gazprom (50%)	OGZPY	CB	12.05	30.2	5.0	2.4	3	2.6
Total or Median				*15.0*	*6.3*	*4.4*	*7*	*3.3*
U.S. Independent								
Southwestern Energy Company	SWN		41.50	7.3	12.7	12.5	24	-
Chesapeake Energy Corp.	CHK		25.67	10.0	10.2	8.9	9	1.4
Anadarko Petroleum Corp.	APC		79.28	7.2	7.6	7.0		0.5
EOG Resources, Inc.	EOG	B	103.77	9.1	7.7	6.4	23	0.6
Occidental Petroleum Corp.	OXY	B	97.81	11.1	7.1	5.8	11	1.9
Devon Energy Corporation	DVN	CB	66.88	10.2	8.8	5.7	11	1.0
Marathon Oil Corporation	MRO	CB	27.67	9.8	5.9	3.4	7	2.2
Total or Median				*9.8*	*7.7*	*6.4*	*11*	*1.0*
Canada								
Imperial Oil Limited (30%)	IMO	CB	41.58	42.6	12.3	8.6	13	1.0
Cenovus Energy Inc.	CVE	CB	32.96	21.3	11.6	8.4	23	2.4
EnCana Corporation	ECA	CB	19.92	12.3	13.6	7.7	44	4.0
Penn West Exploration	PWE		17.78	8.6	10.2	6.9	14	6.0
Suncor Energy	SU	CB	31.95	24.5	9.4	5.2	9	1.4
Canadian Oil Sands Limited	COSWF	CB	20.36	26.5	9.9	4.2	6	5.8
Total or Median				*22.9*	*10.9*	*7.3*	*13*	*3.2*

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 September 30, 2012; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Table 4

McDep Large Cap Energy Stocks

Rank by Enterprise Value to 200 Day Average

			Price					
			($/sh)	*Enterprise Value/*				
	Symbol		*14-Nov*	*52Wk*	*52Wk*	*50 Day*	*200 Day*	*McDep*
		Rating	*2011*	*High*	*Low*	*Avg.*	*Avg.*	*Ratio*
U.S. Integrated								
Chevron Corporation	CVX	B	106.17	0.97	1.28	1.06	1.04	0.65
ConocoPhillips	COP	CB	71.70	0.91	1.15	1.04	1.00	0.68
Exxon Mobil Corporation	XOM	CB	78.96	0.91	1.15	1.04	0.99	0.74
Median				*0.91*	*1.15*	*1.04*	*1.00*	*0.68*
Europe								
Statoil ASA (33%)	STO	B	25.96	0.91	1.19	1.07	1.03	0.68
Royal Dutch Shell plc	RDS-A	B	70.63	0.93	1.16	1.04	1.01	0.74
BP plc	BP		43.57	0.92	1.16	1.06	1.00	0.63
BG Group plc	BRGXF		107.80	0.86	1.18	1.04	0.97	0.88
Total S.A.	TOT	CB	51.20	0.84	1.19	1.05	0.95	0.59
Median				*0.91*	*1.17*	*1.05*	*1.00*	*0.68*
Brazil/Russia/Australia/China								
PetroChina Company Ltd (14%)	PTR	CB	134.15	0.88	1.15	1.06	0.99	0.70
CNOOC Limited (36%)	CEO		198.86	0.73	1.40	1.13	0.92	0.80
Lukoil Oil Company	LUKOY	CB	56.49	0.76	1.20	1.02	0.91	0.40
Gazprom (50%)	OGZPY	CB	12.05	0.73	1.31	1.10	0.91	0.48
Woodside Petroleum Ltd.	WOPEY		36.96	0.75	1.21	1.05	0.90	0.85
Petrobras	PBR	CB	27.00	0.70	1.20	1.05	0.87	0.51
Median				*0.74*	*1.21*	*1.06*	*0.91*	*0.61*
U.S. Independent								
EOG Resources, Inc.	EOG	B	103.77	0.87	1.43	1.17	1.03	0.82
Anadarko Petroleum Corp.	APC		79.28	0.95	1.23	1.05	1.03	0.92
Southwestern Energy Company	SWN		42.45	0.85	1.30	1.08	1.03	0.99
Occidental Petroleum Corp.	OXY	B	97.81	0.84	1.42	1.15	1.02	0.81
Chesapeake Energy Corp.	CHK		25.67	0.82	1.11	0.95	0.90	0.87
Devon Energy Corporation	DVN	CB	66.88	0.75	1.25	1.06	0.89	0.64
Marathon Oil Corporation	MRO	CB	27.67					0.57
Median				*0.85*	*1.28*	*1.07*	*1.02*	*0.82*
Canada								
Cenovus Energy Inc.	CVE	CB	32.96	0.84	1.16	0.99	0.94	0.72
Imperial Oil Limited (30%)	IMO	CB	41.58	0.77	1.25	1.06	0.93	0.70
Suncor Energy	SU	CB	31.95	0.71	1.30	1.07	0.87	0.56
Penn West Exploration	PWE		17.78	0.71	1.26	1.05	0.86	0.67
EnCana Corporation	ECA	CB	19.92	0.69	1.07	0.97	0.80	0.57
Canadian Oil Sands Limited	COSWF	CB	20.35	0.61	1.16	0.95	0.77	0.43
Median				*0.71*	*1.25*	*1.05*	*0.87*	*0.67*

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

Cenovus Energy Inc. Functional Cash Flow and Present Value					
	NTM Ebitda	*Adjusted R/P*	*PV/ Ebitda*	*Present Value*	
North American Natural Gas	560	6.3	12.5	7,000	16%
Oil	2,550	33.6	12.8	32,700	75%
Downstream	720		5.6	4,000	9%
	3,830	21.3	11.4	43,700	100%
Debt					6,600
Net Present Value ($mm)					37,100
Shares					758
Net Present Value - Standard Estimate (US$/sh)					49
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US$/sh)					47

Cenovus Energy Inc. Next Twelve Months Operating and Financial Estimates (Canadian Dollars)									
	Q3	*Q2*	*Q3*	*Q4E*	***Year***	*Q1E*	*Q2E*	*Q3E*	***Next Twelve Months***
	9/30/10	*6/30/11*	*9/30/11*	*12/31/11*	***2011E***	*3/31/12*	*6/30/12*	*9/30/12*	***9/30/12***
Volume									
Natural Gas (mmcfd)	738	654	656	656	**655**	656	656	656	**656**
Oil (mbd)	128	122	133	133	**131**	133	133	133	**133**
Total (mmb)	23	21	22	22	**88**	22	22	22	**89**
Total (mbd)	251	231	242	242	**240**	242	242	242	**242**
Price									
Henry Hub (US$/mmbtu	4.38	4.32	4.19	3.58	**4.05**	3.60	3.66	3.78	**3.65**
Currency (US$/C$)	0.96	1.03	1.02	0.98	**1.01**	0.98	0.98	0.98	**0.98**
Henry Hub (C$/mmbtu)	4.55	4.18	4.11	3.64	**3.99**	3.66	3.72	3.84	**3.71**
Differential	0.87	0.47	0.39	0.34	**0.42**	0.35	0.35	0.36	**0.29**
Company ($/mcf)	3.68	3.71	3.72	3.29	**3.63**	3.31	3.37	3.48	**3.36**
WTI Cushing (US$/bbl)	76.08	102.55	89.76	94.23	**95.16**	98.13	97.80	97.18	**96.84**
WTI Cushing (C$/bbl)	79.05	99.21	87.94	95.76	**93.92**	99.73	99.39	98.76	**98.41**
Differential	18.25	20.49	20.51	22.34	**24.12**	23.26	23.18	23.04	**21.38**
Company ($/bbl)	60.80	78.72	67.43	73.43	**71.04**	76.47	76.20	75.72	**75.45**
Total ($/bbl)	41.83	52.06	47.08	49.21	**48.70**	50.94	50.95	50.97	**50.51**
Revenue ($mm)									
Natural Gas	250	221	225	199	**868**	198	201	210	**807**
Oil	716	873	825	898	**3,404**	925	922	927	**3,673**
Royalties	(107)	(76)	(131)	(137)	**(475)**	(140)	(140)	(142)	**(559)**
Other	2,256	2,077	2,939	2,939	**10,554**	2,131	2,131	2,131	**9,332**
Total	3,115	3,094	3,858	3,900	**14,352**	3,114	3,114	3,125	**13,254**
Expense	2,450	1,953	2,859	2,958	**10,407**	2,154	2,154	2,157	**9,423**
Ebitda ($mm)									
Natural Gas and Oil	697	816	761	762	**3,022**	780	780	789	**3,111**
Other	(32)	325	238	180	**923**	180	180	180	**720**
Total	665	1,141	999	942	**3,945**	960	960	969	**3,831**
Deprec., Deplet., & Amor	333	288	318	318	**1,230**	318	318	318	**1,272**
Hedging and other	10	171	134	170	**654**	170	169	171	**680**
Interest	79	75	81	81	**291**	81	81	81	**324**
Ebt	243	606	466	373	**1,770**	391	392	399	**1,555**
Income tax	85	212	163	112	**601**	117	118	120	**466**
Net Income ($mm)	158	394	303	261	**1,169**	273	275	279	**1,088**
Per share ($)	0.21	0.52	0.40	0.34	**1.54**	0.36	0.36	0.37	**1.44**
Shares (millions)	752	758	758	758	**757**	758	758	758	**758**
Ebitda Margin (NG&Oil)	81%	80%	83%	79%	**80%**	79%	79%	79%	**79%**
Tax rate	35%	35%	35%	30%	**34%**	30%	30%	30%	**30%**

Imperial Oil Limited Functional Cash Flow and Present Value					
	NTM Ebitda (US$mm)	*Adjusted R/P*	*PV/ Ebitda*	*Present Value (US$mm)*	
North American Natural Gas	127	4.9	12.6	1,600	3%
Oil and Bitumen	1,594	68.3	19.9	31,800	55%
Synthetic Oil	1,846	34.3	9.9	18,200	31%
Downstream	1,181		5.5	6,500	11%
	4,748	42.6	12.2	58,100	100%
Debt (US$mm)					5,200
Net Present Value (US$mm)					52,900
Shares (mm)					854
Net Present Value - Standard Estimate (US$/sh)					62
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US$/sh)					62

Imperial Oil Limited Next Twelve Months Operating and Financial Estimates (Canadian Dollars)									
	Q3 9/30/10	*Q2 6/30/11*	*Q3 9/30/11*	*Q4E 12/31/11*	***Year 2011E***	*Q1E 3/31/12*	*Q2E 6/30/12*	*Q3E 9/30/12*	***Next Twelve Months 9/30/12***
Volume									
Natural Gas (mmcfd)	263	249	249	249	**249**	249	249	249	**249**
Oil (mbd)	195	193	207	200	**204**	207	197	218	**206**
Total gas & oil (bcf)	132	128	137	133	**537**	134	130	143	**541**
Total gas & oil (mbd))	239	234	249	242	**245**	249	239	260	**247**
Price									
Natural gas ($/mcf)									
Henry Hub ($/mmbtu)	4.38	4.32	4.19	3.58	**4.05**	3.60	3.66	3.78	**3.65**
Currency (US$/C$)	0.96	1.03	1.02	0.98	**1.01**	0.98	0.98	0.98	**0.98**
Henry Hub (C$/mmbtu)	4.55	4.18	4.11	3.64	**4.00**	3.66	3.72	3.84	**3.71**
Company (C$/mcf)	3.58	3.68	3.56	3.15	**3.56**	3.17	3.23	3.33	**3.22**
Oil ($/bbl)									
WTI Cushing	76.08	102.55	89.76	94.23	**95.16**	98.13	97.80	97.18	**96.84**
WTI Cushing (C$/bbl)	79.05	99.21	87.94	95.76	**93.92**	99.73	99.39	98.76	**98.41**
Company (C$/bbl)	64.17	84.33	72.26	76.22	**75.72**	78.80	79.13	79.32	**78.39**
Total gas & oil ($/mcf)	9.39	12.22	10.63	11.06	**11.09**	11.47	11.46	11.64	**11.41**
NY Harbor 3-2-1 ($/bbl)	8.31	27.68	35.09	22.07	**25.63**	17.60	21.54	20.35	**20.39**
Revenue ($mm)									
Natural Gas	87	83	82	72	**324**	71	73	76	**293**
Oil	1,152	1,481	1,376	1,403	**5,630**	1,471	1,419	1,593	**5,886**
Other	4,613	6,210	6,487	6,487	**24,598**	6,487	6,487	6,487	**25,949**
Total	5,851	7,774	7,945	7,962	**30,552**	8,030	7,980	8,156	**32,128**
Expense	813	1,172	1,345	1,192	**4,981**	1,181	1,152	1,300	**15,400**
Ebitda ($mm)									
Exploration and Production	637	985	846	865	**3,520**	905	876	979	**3,625**
Other	176	187	499	327	**1,460**	276	276	321	**1,200**
Total Ebitda	813	1,172	1,345	1,192	**4,981**	1,181	1,152	1,300	$\boxed{\textbf{4,825}}$
Exploration	54	22	17	17	**93**	17	17	17	**68**
Deprec., Deplet., & Amort.	187	190	192	192	**762**	192	192	192	**768**
Ebit	572	960	1,136	983	**4,126**	972	943	1,091	**3,989**
Interest	3	1	-		**1**	-			**-**
Ebt	569	959	1,136	983	**4,125**	972	943	1,091	**3,989**
Income Tax	150	233	273	295	**1,071**	292	283	327	**1,197**
Net Income ($mm)									
Exploration and Production	348	624	534						
Other	92	100	341						
Unallocated	(21)	2	(12)						
Total	419	726	863	688	**3,054**	681	660	764	**2,792**
Shares (millions)	855	854	854	854	**854**	854	854	854	**854**
Earnings per share ($)	0.49	0.85	1.01	0.81	**3.58**	0.80	0.77	0.89	**3.27**
Ebitda Margin (E&P)	51%	63%	58%	59%	**59%**	59%	59%	59%	**59%**
Tax Rate	26%	24%	24%	30%	**26%**	30%	30%	30%	**30%**

McDEP LLC

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Suncor Functional Cash Flow and Present Value	NTM Ebitda *(US$mm)*	Adjusted *R/P*	PV/ *Ebitda*	Present Value *(US$mm)*	
Natural Gas	190	11.6	13.2	2,500	2%
Oil	9,520	25.9	10.4	99,000	86%
Downstream	2,460		5.3	13,000	11%
	12,170	24.5	9.4	114,500	100%
Debt (US$mm)					13,300
Net Present Value (US$mm)					101,200
Shares (mm)					1,582
Net Present Value - Standard Estimate (US$/sh)					64
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US$/sh)					70

Suncor Next Twelve Months Operating and Financial Estimates (Canadian Dollars)	*Q3* *9/30/10*	*Q2* *6/30/11*	*Q3* *9/30/11*	*Q4E* *12/31/11*	***Year*** ***2011E***	*Q1E* *3/31/12*	*Q2E* *6/30/12*	*Q3E* *9/30/12*	***Next Twelve Months*** ***9/30/12***
Volume									
Natural Gas (mmcfd)	380	370	346	336	**365**	336	326	316	**328**
Oil (mbd)	521	398	489	489	**478**	489	489	489	**489**
Total gas & oil (bcf)	323	251	302	301	**1,181**	301	297	299	**1,197**
Total gas & oil (mbd))	584	460	547	545	**539**	545	543	542	**544**
Price									
Natural gas ($/mcf)									
Henry Hub ($/mmbtu)	4.38	4.32	4.19	3.58	**4.05**	3.60	3.66	3.78	**3.65**
Currency (US$/C$)	0.96	1.03	1.02	0.98	**1.01**	0.98	0.98	0.98	**0.98**
Henry Hub (C$/mmbtu)	4.55	4.18	4.11	3.64	**3.99**	3.66	3.72	3.84	**3.71**
Company	3.66	3.75	3.52	3.11	**3.54**	3.13	3.19	3.29	**3.18**
Oil ($/bbl)									
WTI Cushing	76.08	102.55	89.76	94.23	**95.16**	98.13	97.80	97.18	**96.84**
WTI Cushing (C$/bbl)	79.05	99.21	87.94	95.76	**93.92**	99.73	99.39	98.76	**98.41**
Company	72.15	97.75	91.89	99.06	**94.02**	103.16	102.81	102.16	**101.79**
Total gas & oil ($/mcf)	11.12	14.61	14.07	15.13	**14.30**	15.58	15.74	15.69	**15.54**
NY Harbor 3-2-1 ($/bbl)	8.31	27.68	35.09	22.07	**25.63**	17.60	21.54	20.35	**20.39**
Revenue ($mm)									
Natural Gas	128	126	112	96	**472**	96	94	95	**382**
Oil	3,458	3,540	4,134	4,456	**16,417**	4,590	4,575	4,596	**18,217**
Other	5,050	5,920	6,432	6,000	**23,773**	6,000	6,000	6,000	**24,000**
Total	8,636	9,587	10,678	10,552	**40,662**	10,686	10,669	10,691	**42,599**
Expense	6,314	6,743	7,375	7,436	**28,011**	7,599	7,591	7,601	**30,227**
Ebitda ($mm)									
Exploration and Production	1,932	2,021	2,501	2,416	**9,036**	2,487	2,478	2,490	**9,872**
Other	389	823	802	700	**3,615**	600	600	600	**2,500**
Total Ebitda	2,322	2,844	3,303	3,116	**12,651**	3,087	3,078	3,090	**12,372**
Exploration	67	31	17	17	**123**	17	17	17	**68**
Deprec., Deplet., & Amort.	1,114	1,310	834	834	**3,763**	834	834	834	**3,336**
Ebit	1,141	1,503	2,452	2,265	**8,765**	2,236	2,227	2,239	**8,968**
Interest	160	40	3	3	**86**	3	3	3	**12**
Ebt	981	1,463	2,449	2,262	**8,679**	2,233	2,224	2,236	**8,956**
Income Tax	367	479	646	792	**2,935**	782	779	783	**3,135**
Net Income ($mm)									
Exploration and Production	481	159	1,257						
Other	152	313	479						
Unallocated	(19)	512	67						
Total	614	984	1,803	1,471	**5,744**	1,452	1,446	1,453	**5,822**
Shares (millions)	1,574	1,587	1,582	1,582	**1,583**	1,582	1,582	1,582	**1,582**
Per share ($)	0.39	0.62	1.14	0.93	**3.63**	0.92	0.91	0.92	**3.68**
Ebitda Margin (E&P)	54%	55%	59%	53%	**54%**	53%	53%	53%	**53%**
Tax Rate	37%	33%	26%	35%	**34%**	35%	35%	35%	**35%**

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Canadian Oil Sands Ltd. Functional Cash Flow and Present Value					
	NTM Ebitda (US$mm)	*Adjusted R/P*	*PV/ Ebitda*	*Present Value (US$mm)*	
Oil	2,710	26.5	9.9	26,720	100%
Debt (US$mm)					1,500
Net Present Value (US$mm)					25,220
Shares (mm)					485
Net Present Value (US$/sh)					52
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US$/sh)					61

Canadian Oil Sands Ltd. Next Twelve Months Operating and Financial Estimates (Canadian Dollars)									
	Q3 9/30/10	*Q2 6/30/11*	*Q3 9/30/11*	*Q4E 12/31/11*	***Year 2011E***	*Q1E 3/31/12*	*Q2E 6/30/12*	*Q3E 9/30/12*	***Next Twelve Months 9/30/12***
Volume									
Syncrude (mmb)	24.3	25.6	27.5	28.0	**110.0**	31.5	27.3	32.2	**119.0**
Syncrude (mbd)	264	281	299	304	**301**	350	300	350	**326**
Days	92	91	92	92	**365**	90	91	92	**365**
Company share (%)	36.5	36.6	36.5	36.1	**36.7**	36.7	36.7	36.7	**36.6**
Company Oil (mmb)	8.88	9.37	10.05	10.09	**40.4**	11.57	10.03	11.83	**43.5**
Company Oil (mbd)	96.5	102.9	109.3	109.7	**110.7**	128.6	110.2	128.6	**119.2**
Price									
WTI Cushing (US$/bbl)	76.08	102.55	89.76	94.23	**95.16**	98.13	97.80	97.18	**96.84**
Currency (US$/C$)	0.96	1.03	1.02	0.98	**1.01**	0.98	0.98	0.98	**0.98**
WTI Cushing (C$/bbl)	79.05	99.21	87.94	95.76	**93.92**	99.73	99.39	98.76	**98.41**
Differential	(1.11)	11.79	9.95	9.83	**7.63**	10.24	10.20	10.14	**10.17**
Company Oil Price (C$/bbl)	77.94	111.00	97.89	105.59	**101.55**	109.97	109.59	108.90	**108.58**
Henry Hub Nat Gas (US$/mm	4.38	4.32	4.19	3.58	**4.05**	3.60	3.66	3.78	**3.65**
Henry Hub Nat Gas (C$/mmbt	4.55	4.18	4.11	3.64	**4.00**	3.66	3.72	3.84	**3.71**
AECO Natural Gas (C$/GJ)	3.44	3.62	3.51	3.11	**3.46**	3.13	3.18	3.28	**3.17**
Revenue (C$mm)	692	1,040	984	1,066	**4,102**	1,273	1,099	1,288	**4,726**
Expense (C$mm)									
Production	319	297	324	394	**1,347**	331	331	370	**1,427**
Purchased Energy	36	50	50	40	**195**	41	36	50	**168**
Crown Royalties	68	98	65	76	**310**	98	72	92	**338**
Insurance	5	2	2	2	**8**	3	3	3	**10**
Administration	1	4	4	9	**26**	7	6	6	**28**
Total	429	451	445	521	**1,886**	480	448	521	**1,970**
Ebitda	263	589	539	545	**2,216**	793	651	767	**2,756**
Deprec., Deplet., & Amort.	95	97	93	93	**378**	93	93	93	**372**
Non-Production	26	25	28	41	**127**	41	38	40	**160**
Exchange on U.S. Debt	(30)	(8)	75						
Other	(20)	(4)	(6)						
Ebit	191	478	349	411	**1,679**	659	520	634	**2,224**
Interest	22	15	11	(10)	**30**	8	8	8	**14**
Ebt		463	338	421	**1,649**	651	512	626	**2,210**
Income Tax		119	95	109	**426**	169	133	163	**575**
Net Income (C$mm)	169	344	243	311	**1,223**	482	379	464	**1,635**
Shares (millions)	484	485	485	485	**485**	485	485	485	**485**
Earnings per share (C$)	0.35	0.71	0.50	0.64	**2.52**	0.99	0.78	0.96	**3.37**
Ebitda Margin (E&P)	38%	57%	55%	51%	54%	62%	59%	60%	**58%**
Tax Rate		26%	28%	26%		26%	26%	26%	**26%**

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Index of Recent Research

Stock Ideas

Date	*Symbol*	*Subject*	*Theme*
4-Nov	NDRO	Enduro Royalty Trust	New Bottom Line Cash Payer (Income and Small Cap Weekly)
1-Nov	RDS	Royal Dutch Shell plc	Raise NPV to $102 from $96 on Reappearing Luster (MR)
25-Oct	ECA, PBR	Encana, Petrobras	Most Out-of-Favor Buys (Meter Reader)
19-Oct	PETD	PDC Energy	Returning to Appalachian Roots (ISCW)
18-Oct	APC, BP	Anadarko Petroleum, BP plc	Settle Oil Spill Dispute (Meter Reader)
14-Oct	ERF	Enerplus Corporation	Marcellus, Bakken and Canada with 8% Income (ISCW)
3-Oct	STO	Statoil	Giant North Sea Oil Discovery (Meter Reader)
7-Oct	BIREF	Birchcliff Energy	Seeks Offers to Acquire the Company (ISCW)
30-Sep	RRC, WLL, XEC, LINE, LGCY		5 Ideas from IPAA San Francisco
23-Sep	SJT, HGT	San Juan Basin RT, Hugoton RT	Transfer Buy to SJT from HGT (Income and Small Cap Wkly)
16-Sep	FRHLF, PBT, SBR, DMLP, CRT		Volume Upside in Top Line Cash Payers (Income and Small Cap
13-Sep	EOG	EOG Resources	Horizontal Leads Renewed U.S. Oil Growth (Meter Reader)
6-Sep	LUKOY	Lukoil	Capitalist Success with Upside (Meter Reader)
2-Sep	XEC	Cimarex Energy	Solid Company, Bouncy Stock (Income and Small Cap Weekly)
30-Aug	PTR	PetroChina	China Growth at Low Stock Market Value (Meter Reader)
19-Aug	DMLP	Dorchester Minerals, L.P.	Preferred Risk 7% Income with Oil and Gas Upside (ISCW)
16-Aug	COSWF	Canadian Oil Sands Limited	Undervalued Laggard (Meter Reader)
9-Aug	HK	Petrohawk	Discontinue on Pending Acquisition at NPV Premium (ISCW)
9-Aug	RRC	Range Resources	Raise NPV to $70 from $60 a Share (Income and Small Cap)
2-Aug	CVX	Chevron	Raise NPV to $170 from $154 on Cash Flow Margin
2-Aug	TOT	Total	Lower NPV to $100 from $111 on Cash Flow Margin (MReade
19-Jul	COP	ConocoPhillips	Downstream Spinoff Promises to Unlock Value (Meter Reader)
5-Jul	DVN	Devon Energy	Thermal Oil Growth in Canada (Meter Reader)
28-Jun	MRO	Marathon Oil	Buy New U.S. Independent Producer (Meter Reader)
21-Jun	WOPEY	Woodside Petroleum	Remove Buy on Costs and Delay (Meter Reader)
17-Jun	PEYUF	Peyto Exploration	Update Growth (Income and Small Cap)
14-Jun	CVE	Cenovus Energy	Accelerating Deep Oil Sands (Meter Reader)
7-Jun	IMO	Imperial Oil	Double Oil Production by 2020 (Meter Reader)
31-May	OXY	Occidental Petroleum	Triple California Oil Production by 2020 (Meter Reader)
	For historical research by stock, go to mcdep.com, click on Stock Ideas, click on stock by name.		

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8-Nov	DVN, EOG, OXY, MRO		U.S. Independent Shale Buys
1-Nov	RDS	Royal Dutch Shell plc	Raise NPV to $102 from $96 on Reappearing Luster
25-Oct	ECA, PBR	Encana, Petrobras	Most Out-of-Favor Buys
18-Oct	APC, BP	Anadarko Petroleum, BP plc	Settle Oil Spill Dispute
	For earlier editions, go to mcdep.com, click on Meter Reader.		

Income and Small Cap Weekly

11-Nov			Oil and Gas Investing under Uncertainty
4-Nov	NDRO	Enduro Royalty Trust	New Bottom Line Cash Payer
28-Oct	BRY	Berry Petroleum	Volatility Break
20-Oct	PETD	PDC Energy	Returning to Appalachian Roots
	For earlier editions, go to mcdep.com, click on Energy Income.		

Industry Ideas

10-Oct	China Buys More Oil and Gas in Canada	Sinopec Bids for Daylight Energy

McDep LLC

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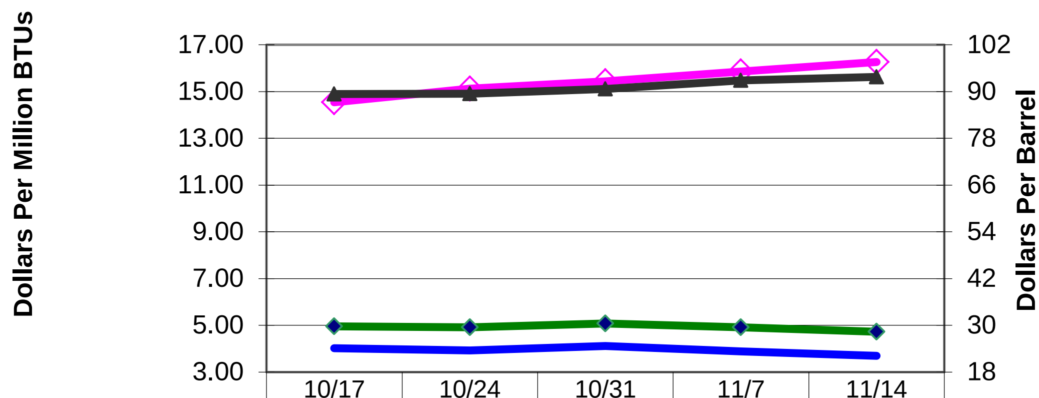
Six-Year and One-Year Natural Gas and Oil Futures

Latest Data Points and Trend



	10/17	10/24	10/31	11/7	11/14
12 Mo Natural Gas	4.02	3.92	4.11	3.88	3.70
72 Mo Natural Gas	4.96	4.91	5.08	4.92	4.73
12 Month Oil Strip	87.27	90.77	92.63	95.20	97.57
72 Month Oil Strip	89.40	89.47	90.71	92.92	93.76

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.