



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

March 27, 2012

## Optimism on Kearl and Syncrude (Buy IMO, COSWF)

### Summary and Recommendation

A successful startup of new oil sands mine, Kearl, and capacity operations at the oil sands mine and upgrader, Syncrude, would boost cash flow 31% and 14% respectively for Buy recommendations **Imperial Oil (IMO)** and **Canadian Oil Sands (COSWF)**. After IMO management's visit with analysts in New York on March 22, we add those gains to our estimates for the first quarter of 2013, the final quarter of our Next Twelve Months (NTM) period for estimating corporate performance (see tables NTM Operating and Financial Estimates on pages 3-5). Imperial has a 70% interest in Kearl and 25% in Syncrude. COSWF has 37% of Syncrude. The volume prospects may catalyze stock price gains implied by McDep Ratios of 0.78 and 0.47 for the two stocks concentrated 84% and 100% on oil production (see Table 1 on page 6). Financial risk is low with ratios of Debt/Present Value at 0.11 and 0.08 (see Table 2 on page 7). Dividend yield is high at 5.4% a year for COSWF (see Table 3 on page 8). Investors may be encouraged that stock price is trending up compared to the 200-day average for Imperial while there may be catch up price opportunity for COSWF as one of the few stocks priced below its 200-day average (see Table 4 on page 9).

### Volume Gains Approaching

Besides the overlapping of the new NTM period with the startup of Kearl, we also project startup at full volume. While we might normally add a cushion for the timing it is analytically useful to see the full impact on cash flow. First quarter 2013 cash flow for IMO increases by 26% when Kearl volume is added at net 77 thousand barrels daily (mbd). Estimated Syncrude volume at 350 mbd instead of 300 mbd adds a further 5% to a total increase of 31%. The calculation presumes that oil production cash flow remains a constant percentage of revenue and includes downstream cash flow in the base from which increases are measured. First quarter 2013 cash flow for COSWF increases by 14% when we estimate Syncrude volume at 350 mbd instead of 300 mbd.

### Syncrude Operated at 84% Reliability

Since the expansion of Syncrude capacity to 350 mbd from 250 mbd completed in mid-2006, actual production has been about 293 mbd, or about 84% of capacity. The unplanned interruptions in production mostly have been caused by failures of supporting equipment such as a valve, a control instrument or a pump. The rigorous ExxonMobil training procedures are supposed to limit such incidents. We are optimistic that



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beginning on July 1, 2012, with no scheduled major maintenance on any of the three cokers until late 2013, the probability should be high that capacity operations can be achieved for several quarters or longer. We think the downside of 84% reliability instead of 100% is already reflected in low stock price compared to estimated net present value of \$52 a share for COSWF.

Kurt H. Wulff, CFA

<i>Symbol</i>	IMO	<i>Ebitda Next Twelve Months ending 3/31/13 (US\$mm)</i>	6,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	2
<i>Price (US\$/sh)</i>	46.63	<i>Natural Gas and Oil Production/Ebitda (%)</i>	80
<i>Pricing Date</i>	3/26/12	<i>Adjusted Reserves/Production NTM</i>	40.2
<i>Shares (mm)</i>	853	<i>EV/Ebitda</i>	7.6
<i>Market Capitalization (US\$mm)</i>	39,800	<i>PV/Ebitda</i>	9.8
<i>Debt (US\$mm)</i>	6,400	<i>Probable Reserves (%)</i>	45
<i>Enterprise Value (EV) (US\$mm)</i>	46,200	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	49.10
<i>Present Value (PV) (US\$mm)</i>	59,300	<i>Present Value Proven and Probable Reserves(US\$/boe)</i>	8.16
<i>Net Present Value (US\$/share)</i>	62	<i>Present Value Proven and Probable Reserves(US\$/mcfe)</i>	1.36
<i>Debt/Present Value</i>	0.11	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.71
<i>McDep Ratio - EV/PV</i>	0.78	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	1.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.48

Note: Estimated cash flow and earnings tied to one-year futures prices for oil, natural gas and refinery crack.

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\$100 a barrel and natural gas, \$6 a million btu.

For historical research on Imperial Oil since 2004 see <http://www.mcdep.com/2imo.htm>

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 3/31/13 (US\$mm)</i>	2,360
<i>Rating</i>	Contrarian Buy	<i>North American Natural Gas/Ebitda (%)</i>	-3
<i>Price (US\$/share)</i>	22.29	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/26/12	<i>Adjusted Reserves/Production NTM</i>	27.1
<i>Shares (mm)</i>	485	<i>EV/Ebitda</i>	5.5
<i>Market Capitalization (US\$mm)</i>	10,800	<i>PV/Ebitda</i>	11.6
<i>Debt (US\$mm)</i>	2,100	<i>Probable Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	12,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	55.46
<i>Present Value (PV) (US\$mm)</i>	27,300	<i>Present Value Proven and Probable Reserves(US\$/boe)</i>	17.18
<i>Net Present Value (US\$/share)</i>	52	<i>Ebitda Margin NTM (%)</i>	57
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/share)</i>	2.81
<i>McDep Ratio - EV/PV</i>	0.47	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	5.4	<i>Dividend Next Twelve Months (US\$/share)</i>	1.21

Note: Estimated cash flow and earnings tied to one-year futures prices for oil.

Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$8 a million btu.

For historical analysis of COS since 2002 see [www.mcdep.com/4cos.htm](http://www.mcdep.com/4cos.htm)



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<b>Imperial Oil Limited</b>									
<b>Next Twelve Months Operating and Financial Estimates</b>									
<b>(Canadian Dollars)</b>									
									<i>Next Twelve Months</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Year</i>	<i>Q1E</i>	
	<i>3/31/11</i>	<i>12/31/11</i>	<i>2011</i>	<i>3/31/12</i>	<i>6/30/12</i>	<i>9/30/12</i>	<i>2012E</i>	<i>3/31/13</i>	<i>3/31/13</i>
<b>Volume</b>									
Natural Gas (mmcf/d)	249	249	<b>249</b>	249	249	249	<b>249</b>	249	<b>249</b>
Oil (mbd)	215	202	<b>204</b>	210	197	214	<b>209</b>	295	<b>230</b>
Total gas & oil (bcf)	139	134	<b>538</b>	137	130	141	<b>549</b>	182	<b>594</b>
Total gas & oil (mbd))	257	244	<b>246</b>	251	239	255	<b>250</b>	337	<b>271</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	4.11	3.55	<b>4.04</b>	2.73	2.33	2.61	<b>2.66</b>	3.43	<b>2.83</b>
Currency (US\$/C\$)	1.01	0.98	<b>1.01</b>	1.01	1.01	1.01	<b>1.01</b>	1.01	<b>1.01</b>
Henry Hub (C\$/mmbtu)	4.05	3.63	<b>4.00</b>	2.71	2.31	2.58	<b>2.64</b>	3.39	<b>2.81</b>
Company (C\$/mcf)	3.85	3.25	<b>3.58</b>	2.42	2.07	2.31	<b>2.36</b>	3.04	<b>2.51</b>
Oil (\$/bbl)									
WTI Cushing	94.10	94.06	<b>95.12</b>	103.06	107.26	108.34	<b>106.87</b>	108.77	<b>108.30</b>
WTI Cushing (C\$/bbl)	92.75	96.20	<b>94.03</b>	102.15	106.31	107.38	<b>105.92</b>	107.81	<b>107.34</b>
Company (C\$/bbl)	70.81	83.29	<b>77.48</b>	84.68	89.29	91.49	<b>89.37</b>	89.44	<b>90.46</b>
Total gas & oil (\$/mcf)	10.52	12.07	<b>11.34</b>	12.18	12.65	13.14	<b>12.82</b>	13.44	<b>13.15</b>
NY Harbor 3-2-1 (\$/bbl)	17.69	21.79	<b>25.56</b>	24.19	29.24	28.12	<b>25.45</b>	19.12	<b>24.18</b>
<b>Revenue (\$mm)</b>									
Natural Gas	87	74	<b>327</b>	55	47	53	<b>215</b>	68	<b>228</b>
Oil	1,370	1,548	<b>5,775</b>	1,618	1,604	1,798	<b>6,827</b>	2,377	<b>7,586</b>
Other	5,413	6,502	<b>24,612</b>	6,502	6,502	6,502	<b>26,007</b>	6,502	<b>26,007</b>
Total	6,871	8,124	<b>30,714</b>	8,175	8,152	8,353	<b>33,049</b>	8,947	<b>33,821</b>
<b>Expense (\$mm)</b>									
Exploration and Production	824	1,118	<b>3,773</b>	1,031	1,017	1,141	<b>4,339</b>	1,507	<b>4,815</b>
Other	448	359	<b>1,493</b>	276	276	321	<b>1,200</b>	276	<b>1,200</b>
Total Ebitda	1,272	1,478	<b>5,266</b>	1,307	1,293	1,461	<b>5,539</b>	1,783	<b>6,015</b>
Exploration	37	16	<b>92</b>	16	16	16	<b>64</b>	16	<b>64</b>
Deprec., Deplet., & Amort.	188	194	<b>764</b>	194	194	194	<b>776</b>	194	<b>776</b>
<b>Ebit</b>	1,047	1,268	<b>4,410</b>	1,097	1,083	1,251	<b>4,699</b>	1,573	<b>5,175</b>
Interest	-	2	<b>3</b>	2			<b>2</b>	-	<b>-</b>
<b>Ebt</b>	1,047	1,266	<b>4,407</b>	1,095	1,083	1,251	<b>4,697</b>	1,573	<b>5,175</b>
Income Tax	270	259	<b>1,035</b>	252	249	288	<b>1,080</b>	362	<b>1,190</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	528	771	<b>2,457</b>						
Other	314	283	<b>1,038</b>						
Unallocated	(65)	(47)	<b>(123)</b>						
Total	777	1,007	<b>3,372</b>	843	834	964	<b>3,617</b>	1,211	<b>3,985</b>
<b>Shares (millions)</b>									
Shares	854	853	<b>854</b>	853	853	853	<b>853</b>	853	<b>853</b>
Earnings per share (\$)	0.91	1.18	<b>3.95</b>	0.99	0.98	1.13	<b>4.24</b>	1.42	<b>4.67</b>
Ebitda Margin (E&P)	57%	69%	<b>62%</b>	62%	62%	62%	<b>62%</b>	62%	<b>62%</b>
Tax Rate	26%	20%	<b>23%</b>	23%	23%	23%	<b>23%</b>	23%	<b>23%</b>



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<b>Imperial Oil Limited</b>									
<b>Next Twelve Months Oil Production and Revenue</b>									
<b>(Canadian Dollars)</b>									
									<i>Next</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Year</i>	<i>Q1E</i>	<i>Months</i>
	<i>3/31/11</i>	<i>12/31/11</i>	<i>2011</i>	<i>3/31/12</i>	<i>6/30/12</i>	<i>9/30/12</i>	<i>2012E</i>	<i>3/31/13</i>	<i>3/31/13</i>
<b>Volume</b>									
Days	90	92	<b>365</b>	91	91	92	<b>366</b>	90	<b>365</b>
Oil (mmb)									
Conventional	1.4	1.4	<b>5</b>	1.2	1.2	1.2	<b>5</b>	1.2	<b>5</b>
Cold Lake	10.8	11.3	<b>44</b>	10.9	10.9	11.0	<b>44</b>	10.8	<b>44</b>
Kearl								6.9	<b>7</b>
Syncrude	6.8	5.5	<b>24</b>	6.6	5.5	7.1	<b>26</b>	7.3	<b>27</b>
Natural Gas Liquids	0.4	0.4	<b>1</b>	0.4	0.4	0.4	<b>1</b>	0.4	<b>1</b>
Total Oil	19.4	18.6	<b>75</b>	19.1	18.0	19.7	<b>76</b>	26.6	<b>84</b>
Oil (mbd)									
Conventional	16	15	<b>13</b>	13	13	13	<b>13</b>	13	<b>13</b>
Cold Lake	120	123	<b>120</b>	120	120	120	<b>120</b>	120	<b>120</b>
Kearl								77	<b>19</b>
Syncrude	75	60	<b>67</b>	73	60	77	<b>72</b>	81	<b>74</b>
Natural Gas Liquids	4	4	<b>4</b>	4	4	4	<b>4</b>	4	<b>4</b>
Total Oil	215	202	<b>204</b>	210	197	214	<b>209</b>	295	<b>230</b>
<b>Price</b>									
Currency (US\$/C\$)	1.01	0.98	<b>1.01</b>	1.01	1.01	1.01	<b>1.01</b>	1.01	<b>1.01</b>
Oil (C\$/bbl)									
Light, Sweet (US\$/bbl)	94.10	94.06	<b>95.12</b>	103.06	107.26	108.34	<b>106.87</b>	108.77	<b>108.30</b>
Light, Sweet (C\$/bbl)	92.75	96.20	<b>94.03</b>	102.15	106.31	107.38	<b>105.92</b>	107.81	<b>107.34</b>
Conventional	81.18	89.06	<b>86.14</b>	94.57	98.42	99.41	<b>98.07</b>	99.81	<b>99.37</b>
Cold Lake Bitumen	55.76	72.83	<b>63.86</b>	77.33	80.49	81.30	<b>80.20</b>	81.62	<b>81.26</b>
Syncrude	93.24	104.82	<b>101.34</b>	96.15	106.31	107.38	<b>104.44</b>	107.81	<b>107.40</b>
Natural Gas Liquids	60.48	60.15	<b>59.23</b>	63.87	66.47	67.14	<b>66.23</b>	67.41	<b>67.11</b>
Total Oil	70.81	83.29	<b>77.48</b>	84.68	89.29	91.49	<b>89.37</b>	89.44	<b>90.46</b>
Ratio: Cold Lake/Light Swt	0.60	0.76	<b>0.68</b>	0.76	0.76	0.76	<b>0.76</b>	0.76	<b>0.76</b>
<b>Revenue (C\$mm)</b>									
Conventional	117	123	<b>408</b>	112	116	119	<b>467</b>	117	<b>472</b>
Cold Lake	602	824	<b>2,804</b>	844	879	898	<b>3,522</b>	881	<b>3,559</b>
Kearl								566	<b>566</b>
Syncrude	629	579	<b>2,477</b>	638	584	757	<b>2,741</b>	789	<b>2,891</b>
Natural Gas Liquids	22	22	<b>86</b>	23	24	25	<b>97</b>	24	<b>98</b>
Total Oil	1,370	1,548	<b>5,775</b>	1,618	1,604	1,798	<b>6,827</b>	2,377	<b>7,586</b>



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Canadian Oil Sands Ltd.									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									<i>Next</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Year</i>	<i>Q1E</i>	<i>Months</i>
	<i>3/31/11</i>	<i>12/31/11</i>	<i>2011</i>	<i>3/31/12</i>	<i>6/30/12</i>	<i>9/30/12</i>	<i>2012E</i>	<i>3/31/13</i>	<i>3/31/13</i>
<b>Volume</b>									
Syncrude (mmb)	28.9	23.2	<b>105.2</b>	28.6	23.7	30.4	<b>113.0</b>	31.5	<b>115.9</b>
Syncrude (mbd)	321	252	<b>288</b>	314	260	330	<b>309</b>	350	<b>317</b>
Days	90	92	<b>365</b>	91	91	92	<b>366</b>	90	<b>365</b>
Company share (%)	37.6	36.2	<b>36.8</b>	36.7	36.7	36.7	<b>36.7</b>	36.7	<b>36.7</b>
Company Oil (mmb)	10.88	8.40	<b>38.7</b>	10.50	8.69	11.15	<b>41.5</b>	11.57	<b>42.6</b>
Company Oil (mbd)	120.9	91.3	<b>106.0</b>	115.4	95.5	121.2	<b>113.4</b>	128.6	<b>116.6</b>
<b>Price</b>									
WTI Cushing (US\$/bbl)	94.10	94.06	<b>95.12</b>	103.06	107.26	108.34	<b>106.87</b>	108.77	<b>108.30</b>
Currency (US\$/C\$)	1.01	0.98	<b>1.01</b>	1.01	1.01	1.01	<b>1.01</b>	1.01	<b>1.01</b>
WTI Cushing (C\$/bbl)	92.75	96.20	<b>94.03</b>	102.15	106.31	107.38	<b>105.92</b>	107.81	<b>107.34</b>
Differential	0.29	8.58	<b>7.17</b>	(6.00)	-	-	<b>(1.48)</b>	-	<b>0.06</b>
Company Oil Price (C\$/bbl)	93.04	104.78	<b>101.19</b>	96.15	106.31	107.38	<b>104.44</b>	107.81	<b>107.40</b>
Henry Hub Nat Gas (US\$/mm)	4.11	3.55	<b>4.04</b>	2.73	2.33	2.61	<b>2.66</b>	3.43	<b>2.83</b>
Henry Hub Nat Gas (C\$/mmb)	4.05	3.63	<b>4.00</b>	2.71	2.31	2.58	<b>2.64</b>	3.39	<b>2.81</b>
AECO Natural Gas (C\$/GJ)	3.59	3.19	<b>3.48</b>	2.38	2.03	2.27	<b>2.32</b>	2.98	<b>2.47</b>
<b>Revenue (C\$m)</b>									
Sales	1,012	880	<b>3,916</b>	1,010	924	1,198	<b>4,335</b>	1,248	<b>4,573</b>
Crown Royalties	71	73	<b>307</b>	87	66	134	<b>424</b>	147	<b>483</b>
Net Revenue	941	807	<b>3,609</b>	922	858	1,063	<b>3,911</b>	1,101	<b>4,089</b>
<b>Operating Expense (C\$m)</b>									
Production	333	348	<b>1,301</b>	357	338	396	<b>1,499</b>	422	<b>1,565</b>
Purchased Energy	54	45	<b>200</b>	28	20	50	<b>139</b>	39	<b>149</b>
<b>Operating Income (C\$m)</b>	554	414	<b>2,108</b>	537	500	618	<b>2,273</b>	639	<b>2,376</b>
Administration and Insurance	11	10	<b>33</b>	9	9	9	<b>35</b>	9	<b>35</b>
<b>Ebitda</b>	543	404	<b>2,075</b>	528	491	609	<b>2,238</b>	630	<b>2,341</b>
Non-Production Expense	33	27	<b>113</b>	37	37	37	<b>146</b>	37	<b>146</b>
Deprec., Deplet., & Amort.	95	96	<b>381</b>	96	96	96	<b>384</b>	96	<b>384</b>
Exchange on U.S. Debt	(22)	(23)	<b>22</b>						
Other	(4)	(5)	<b>(18)</b>						
<b>Ebit</b>	442	309	<b>1,577</b>	395	359	476	<b>1,708</b>	498	<b>1,811</b>
Interest	14	6	<b>46</b>	0	0	0	<b>1</b>	0	<b>1</b>
<b>Ebt</b>	428	303	<b>1,531</b>	395	358	476	<b>1,707</b>	497	<b>1,810</b>
Income Tax	103	70	<b>387</b>	100	91	120	<b>431</b>	126	<b>457</b>
<b>Net Income (C\$m)</b>	325	233	<b>1,144</b>	295	268	356	<b>1,276</b>	372	<b>1,352</b>
<b>Shares (millions)</b>	485	485	<b>485</b>	485	485	485	<b>485</b>	485	<b>485</b>
Earnings per share (C\$)	0.67	0.48	<b>2.36</b>	0.61	0.55	0.73	<b>2.63</b>	0.77	<b>2.79</b>
Ebitda Margin (E&P)	58%	50%	<b>57%</b>	57%	57%	57%	<b>57%</b>	57%	<b>57%</b>
Tax Rate	24%	23%	<b>25%</b>	25%	25%	25%	<b>25%</b>	25%	<b>25%</b>
<b>Cash Flow (C\$m)</b>									
Net Income	325	233	<b>1,144</b>	295	268	356	<b>1,276</b>	372	<b>1,352</b>
Deprec., Deplet., & Amort.	95	96	<b>381</b>	96	96	96	<b>384</b>	96	<b>384</b>
Exchange on U.S. Debt	(22)	(23)	<b>22</b>						
Deferred tax and other	82	58	<b>353</b>	80	72	96	<b>345</b>	100	<b>366</b>
Cash Flow from Operations	480	364	<b>1,901</b>	471	436	548	<b>2,005</b>	568	<b>2,102</b>
Capital Expenditures	109	205	<b>643</b>	365	365	365	<b>1,460</b>	300	<b>1,395</b>
Free Cash Flow	371	159	<b>1,258</b>	106	71	183	<b>545</b>	268	<b>707</b>
Cash Flow per share	0.99	0.75	<b>3.92</b>	0.97	0.90	1.13	<b>4.13</b>	1.17	<b>4.33</b>
Free Cash Flow per share	0.77	0.33	<b>2.59</b>	0.22	0.15	0.38	<b>1.12</b>	0.55	<b>1.46</b>
<b>Dividend (C\$/share)</b>	0.20	0.30	<b>1.10</b>	0.30	0.30	0.30	<b>1.20</b>	0.30	<b>1.20</b>

Please see disclosures on the final page.

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# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

March 27, 2012

Table 1										
McDep Large Cap Energy Stocks										
Geographic Domicile and Business Segments										
					Present Value by Segment (%)					
		Price	EV/	Enterprise	North	Rest				
Symbol/Rating		(US\$/sh)	Market	Value	Amer.	of World	Oil	Down-	McDep	
B = Buy, CB (see below)		26-Mar	Cap	(\$mm)	Natural	Natural	Prod'n	stream	Ratio	
		2012			Gas	Gas				
<b>U.S. and Europe Integrated</b>										
BG Group	BRGXF		24.35	1.21	100,600		25	48	26	0.98
Exxon Mobil Corporation	XOM	B	87.03	1.19	494,000	8	19	57	16	0.82
Royal Dutch Shell plc	RDS-A	B	72.17	1.28	288,000	3	21	58	18	0.76
Statoil ASA (33%)	STO	B	28.08	1.46	43,200		33	67	-	0.72
Chevron Corporation	CVX	B	107.84	1.14	243,000	3	11	77	10	0.66
BP plc	BP		46.23	1.57	233,000	4	9	62	25	0.66
Total S.A.	TOT	B	54.79	1.34	166,000		23	63	14	0.62
<i>Total or Median</i>					1,568,000			62		0.72
<b>Brazil/Russia/Australia/China</b>										
CNOOC Limited (36%)	CEO		214.68	1.01	35,000		9	91	-	0.86
Woodside Petroleum Ltd.	WOPEY		37.23	1.25	37,000		67	33	-	0.86
PetroChina Company Ltd (14%)	PTR	B	144.00	1.29	47,700		14	70	16	0.74
Petrobras	PBR	CB	27.47	1.39	248,000		8	77	15	0.53
Gazprom (50%)	OGZPY	B	12.69	1.23	90,000		11	13	76	0.51
Lukoil Oil Company	LUKOY	B	63.80	1.04	53,900			72	28	0.44
<i>Total or Median</i>					512,000			71		0.63
<b>U.S. Independent</b>										
Anadarko Petroleum Corp.	APC		79.46	1.47	58,300	33		64	3	0.95
Chesapeake Energy Corp.	CHK		24.21	2.01	36,400	61		39	-	0.95
EOG Resources, Inc.	EOG	B	112.16	1.19	33,900	31	4	65	-	0.94
Occidental Petroleum Corp.	OXY	B	99.17	1.10	88,500	8	1	83	9	0.84
Southwestern Energy Company	SWN		32.24	1.13	12,800	100			-	0.82
Devon Energy Corporation	DVN	B	72.65	1.24	36,600	52		48	-	0.75
ConocoPhillips	COP	B	77.36	1.43	145,000	12	11	59	18	0.75
Marathon Oil Corporation	MRO	B	32.51	1.38	31,700	7	3	90	-	0.68
<i>Total or Median</i>					443,000			64		0.83
<b>Canada</b>										
Cenovus Energy Inc.	CVE	B	36.87	1.26	35,200	11		82	7	0.81
Imperial Oil Limited (30%)	IMO	B	46.63	1.16	13,800	2		84	14	0.78
Penn West Exploration	PWE		20.85	1.46	14,400	11		89	-	0.77
EnCana Corporation	ECA	CB	20.57	1.60	24,300	87		13	-	0.67
Suncor Energy	SU	B	33.41	1.28	67,200	2		87	11	0.58
Canadian Oil Sands Limited	COSWF	CB	22.29	1.19	12,900			100	-	0.47
<i>Total or Median</i>					168,000			85		0.72
<b>Composite</b>					2,691,000	7	14	63	16	0.70

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



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A Weekly Analysis of Large Cap Oil and Gas Stocks

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<b>Table 2</b>								
<b>McDep Large Cap Energy Stocks</b>								
<b>Net Present Value and McDep Ratio</b>								
			<i>Price</i>			<i>Net</i>		
			<i>(US\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>Symbol/Rating</i>		<i>26-Mar</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
	B = Buy, CB (see below)		<i>2012</i>	<i>(mm)</i>	<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	<i>Ratio</i>
<b>U.S. and Europe Integrated</b>								
BG Group plc	BRGXF		24.35	3,415	83,200	25.00	0.17	0.98
Exxon Mobil Corporation	XOM	B	87.03	4,775	416,000	110.00	0.13	0.82
Royal Dutch Shell plc	RDS-A	B	72.17	3,121	225,000	102.00	0.17	0.76
Statoil ASA (33%)	STO	B	28.08	1,050	29,500	44.00	0.23	0.72
Chevron Corporation	CVX	B	107.84	1,987	214,000	170.00	0.08	0.66
BP plc	BP		46.23	3,203	148,000	84.00	0.24	0.66
Total S.A.	TOT	B	54.79	2,264	124,000	100.00	0.16	0.62
	<i>Total or Median</i>				<i>1,240,000</i>		<i>0.17</i>	<i>0.72</i>
<b>Brazil/Russia/Australia/China</b>								
CNOOC Limited (36%)	CEO		214.68	162	34,700	250.00	0.01	0.86
Woodside Petroleum Ltd.	WOPEY		37.23	797	29,700	45.00	0.17	0.86
PetroChina Company Ltd (14%)	PTR	B	144.00	256	36,900	210.00	0.17	0.74
Petrobras	PBR	CB	27.47	6,473	177,800	62.00	0.15	0.53
Gazprom (50%)	OGZPY	B	12.69	5,750	73,000	28.00	0.10	0.51
Lukoil Oil Company	LUKOY	B	63.80	809	51,600	150.00	0.02	0.44
	<i>Total or Median</i>				<i>404,000</i>		<i>0.12</i>	<i>0.63</i>
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC		79.46	498	39,600	86.00	0.30	0.95
Chesapeake Energy Corp.	CHK		24.21	750	18,200	27.00	0.47	0.95
EOG Resources, Inc.	EOG	B	112.16	253	28,400	120.00	0.15	0.94
Occidental Petroleum Corp.	OXY	B	99.17	812	80,500	120.00	0.08	0.84
Southwestern Energy Company	SWN		32.24	350	11,300	40.00	0.10	0.82
Devon Energy Corporation	DVN	B	72.65	405	29,400	102.00	0.15	0.75
ConocoPhillips	COP	B	77.36	1,306	101,000	114.00	0.23	0.75
Marathon Oil Corporation	MRO	B	32.51	707	22,980	54.00	0.19	0.68
	<i>Total or Median</i>				<i>331,400</i>		<i>0.17</i>	<i>0.83</i>
<b>Canada</b>								
Cenovus Energy Inc.	CVE	B	36.87	758	28,000	48.00	0.17	0.81
Imperial Oil Limited (30%)	IMO	B	46.63	256	11,900	62.00	0.11	0.78
Penn West Exploration	PWE		20.85	471	9,800	30.00	0.24	0.77
EnCana Corporation	ECA	CB	20.57	739	15,200	37.00	0.25	0.67
Suncor Energy	SU	B	33.41	1,572	52,500	64.00	0.13	0.58
Canadian Oil Sands Limited	COSWF	CB	22.29	485	10,800	52.00	0.08	0.47
	<i>Total or Median</i>				<i>128,000</i>		<i>0.15</i>	<i>0.72</i>

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

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\$100 a barrel and natural gas, \$6 a million btu.





# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

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Table 3								
McDep Large Cap Energy Stocks								
Value Multiples and Dividend Yield								
			Price	Adjustd				
			(US\$/sh)	Resrvs/	PV/	EV/	Dividend	
	Symbol/Rating		26-Mar	Prod	Ebitda	Ebitda	P/E	
	B = Buy, CB (see below)		2012	NTM	NTM	NTM	NTM	
							(%)	
<b>U.S. and Europe Integrated</b>								
BG Group plc	BRGXF		24.35	17.0	8.9	8.7	15	1.0
Exxon Mobil Corporation	XOM	B	87.03	12.8	7.1	5.8	10	2.2
Royal Dutch Shell plc	RDS-A	B	72.17	10.2	6.6	5.0	8	4.8
BP plc	BP		46.23	10.9	7.0	4.6	6	3.6
Statoil ASA (33%)	STO	B	28.08	6.5	5.9	4.3	8	3.9
Chevron Corporation	CVX	B	107.84	9.1	6.3	4.2	8	3.0
Total S.A.	TOT	B	54.79	10.2	6.8	4.2	7	5.6
	<i>Median</i>			<i>10.2</i>	<i>6.8</i>	<i>4.6</i>	<i>8</i>	<i>3.6</i>
<b>Brazil/Russia/Australia/China</b>								
Woodside Petroleum Ltd.	WOPEY		37.23	15.2	8.0	6.9	10	3.0
Petrobras	PBR	CB	27.47	13.2	9.2	4.8	7	3.7
PetroChina Company Ltd (14%)	PTR	B	144.00	13.2	6.0	4.4	7	3.8
CNOOC Limited (36%)	CEO		214.68	6.9	4.8	4.1	7	3.0
Gazprom (50%)	OGZPY	B	12.69	30.2	5.7	2.9	4	4.6
Lukoil Oil Company	LUKOY	B	63.80	16.6	5.4	2.3	4	3.2
	<i>Median</i>			<i>14.2</i>	<i>5.8</i>	<i>4.3</i>	<i>7</i>	<i>3.5</i>
<b>U.S. Independent</b>								
Southwestern Energy Company	SWN		32.24	8.0	15.0	12.4	19	-
Chesapeake Energy Corp.	CHK		24.21	10.0	8.9	8.4	10	1.4
Anadarko Petroleum Corp.	APC		79.46	8.7	7.0	6.6	21	0.5
Devon Energy Corporation	DVN	B	72.65	10.5	8.0	6.1	12	1.1
EOG Resources, Inc.	EOG	B	112.16	9.4	5.8	5.5	16	0.6
ConocoPhillips	COP	B	77.36	12.3	6.8	5.1	9	3.4
Occidental Petroleum Corp.	OXY	B	99.17	10.2	6.1	5.1	9	2.2
Marathon Oil Corporation	MRO	B	32.51	10.7	6.1	4.1	8	2.1
	<i>Median</i>			<i>10.1</i>	<i>6.9</i>	<i>5.8</i>	<i>11</i>	<i>1.3</i>
<b>Canada</b>								
EnCana Corporation	ECA	CB	20.57	13.9	15.0	10.0	63	3.9
Cenovus Energy Inc.	CVE	B	36.87	23.3	10.5	8.5	24	2.4
Imperial Oil Limited (30%)	IMO	B	46.63	40.2	9.8	7.6	10	1.0
Penn West Exploration	PWE		20.85	9.1	9.0	7.0	13	5.2
Canadian Oil Sands Limited	COSWF	CB	22.29	27.1	11.6	5.5	8	5.4
Suncor Energy	SU	B	33.41	23.2	8.2	4.8	8	1.3
	<i>Median</i>			<i>23.2</i>	<i>10.2</i>	<i>7.3</i>	<i>12</i>	<i>3.1</i>
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, 2013; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								





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A Weekly Analysis of Large Cap Oil and Gas Stocks

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	Symbol	Rating	Price	Enterprise Value/				McDep
			(\$/sh)	26-Mar	52Wk	52Wk	50 Day	
			2012	High	Low	Avg.	Avg.	Ratio
<b>U.S. and Europe Integrated</b>								
BG Group plc	BRGXF		24.35	0.95	1.30	1.03	1.10	0.98
Statoil ASA (33%)	STO	B	28.08	0.96	1.24	1.03	1.08	0.72
Exxon Mobil Corporation	XOM	B	87.03	0.99	1.24	1.01	1.07	0.82
BP plc	BP		46.23	0.97	1.21	1.00	1.05	0.66
Total S.A.	TOT	B	54.79	0.88	1.25	1.01	1.05	0.62
Chevron Corporation	CVX	B	107.84	0.97	1.21	1.00	1.04	0.66
Royal Dutch Shell plc	RDS-A	B	72.17	0.94	1.18	1.00	1.03	0.76
	<i>Median</i>			<i>0.96</i>	<i>1.24</i>	<i>1.01</i>	<i>1.05</i>	<i>0.72</i>
<b>Brazil/Russia/Australia/China</b>								
Lukoil Oil Company	LUKOY	B	63.80	0.87	1.36	1.04	1.09	0.44
CNOOC Limited (36%)	CEO		214.68	0.79	1.51	1.00	1.07	0.86
PetroChina Company Ltd (14%)	PTR	B	144.00	0.93	1.21	0.98	1.06	0.74
Gazprom (50%)	OGZPY	B	12.69	0.77	1.35	1.00	1.04	0.51
Woodside Petroleum Ltd.	WOPEY		37.23	0.76	1.21	1.00	1.00	0.86
Petrobras	PBR	CB	27.47	0.73	1.21	0.95	0.98	0.53
	<i>Median</i>			<i>0.78</i>	<i>1.28</i>	<i>1.00</i>	<i>1.05</i>	<i>0.63</i>
<b>U.S. Independent</b>								
EOG Resources, Inc.	EOG	B	112.16	0.94	1.51	1.01	1.11	0.94
Marathon Oil Corporation	MRO	B	32.51	0.94	1.51	1.01	1.11	0.68
ConocoPhillips	COP	B	77.36	0.96	1.20	1.03	1.06	0.75
Devon Energy Corporation	DVN	B	72.65	0.81	1.32	1.04	1.05	0.75
Occidental Petroleum Corp.	OXY	B	99.17	0.85	1.43	0.98	1.05	0.84
Anadarko Petroleum Corp.	APC		79.46	0.93	1.24	0.97	1.02	0.95
Chesapeake Energy Corp.	CHK		24.21	0.81	1.08	1.02	0.95	0.95
Southwestern Energy Company	SWN		32.24	0.68	1.12	0.99	0.88	0.82
	<i>Median</i>			<i>0.89</i>	<i>1.28</i>	<i>1.01</i>	<i>1.05</i>	<i>0.83</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	46.63	0.87	1.36	0.99	1.07	0.78
Cenovus Energy Inc.	CVE	B	36.87	0.92	1.26	0.99	1.04	0.81
Penn West Exploration	PWE		20.85	0.80	1.38	0.99	1.04	0.77
Suncor Energy	SU	B	33.41	0.76	1.34	0.98	1.02	0.58
Canadian Oil Sands Limited	COSWF	CB	22.33	0.67	1.24	0.96	0.96	0.47
EnCana Corporation	ECA	CB	20.57	0.69	1.12	1.03	0.94	0.67
	<i>Median</i>			<i>0.78</i>	<i>1.30</i>	<i>0.99</i>	<i>1.03</i>	<i>0.72</i>

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



# Meter Reader

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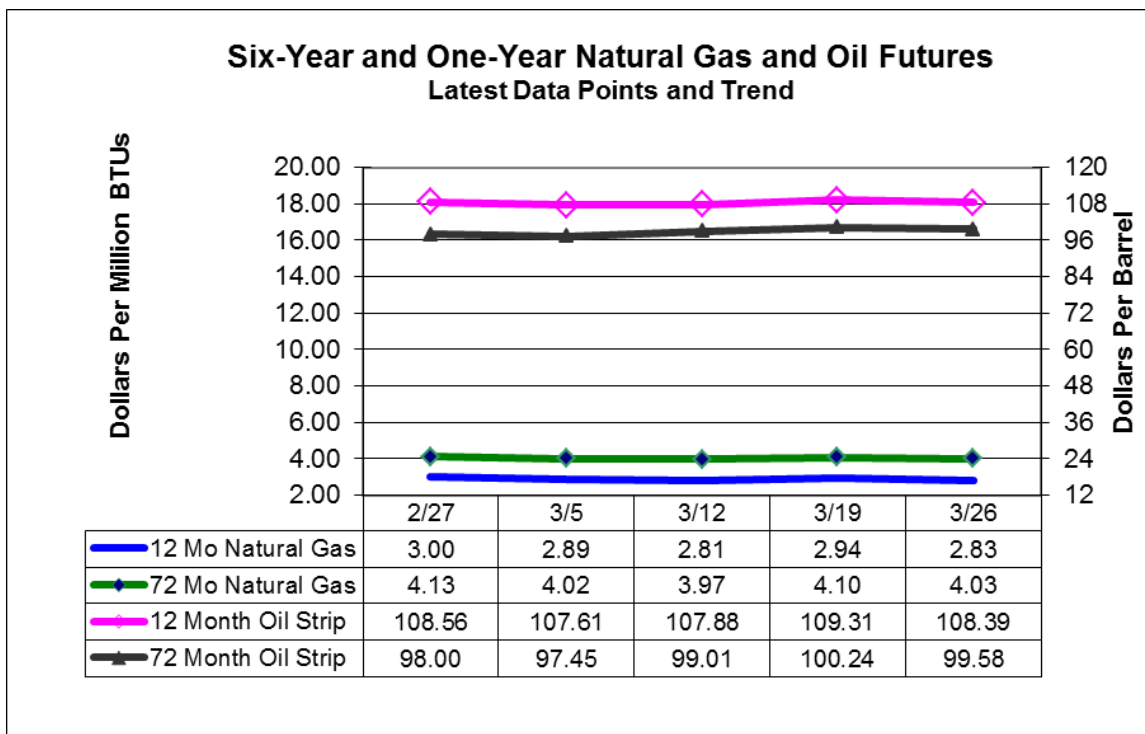
<b>Index of Recent Research</b>			
<b>Stock Ideas</b>			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
20-Mar	CVX	Chevron	Investing in Australian LNG for Growth (Meter Reader)
13-Mar	XOM	Exxon Mobil	Renewable Energy Cash Flow (Meter Reader)
9-Mar	BRY, DNR, WLL, FRHLF, LGCY		Vote for Oil (Income and Small Cap Weekly)
6-Mar	IMO	Imperial Oil	Kearl Startup Late This Year (Meter Reader)
2-Mar	DMLP	Dorchester Minerals, L.P.	Fourth Quarter Production Up 42% (Income and Small Cap Weekly)
28-Feb	COP	ConocoPhillips	Shale Oil Growth with Alaska Upside (Meter Reader)
24-Feb	BIREF	Birchcliff Energy	Reserves Up 37% in 2011 (Income and Small Cap Weekly)
20-Feb	OGZPY	Gazprom	Dividend Double Expected (Meter Reader)
17-Feb	XEC	Cimarex Energy	Permian Payoff (ISCW)
13-Feb	TOT	Total	Sharpening Competitive Edge (Meter Reader)
3-Feb	CRT	Cross Timbers Royalty Trust	Firm Oil Balances Soft Natural Gas (ISCW)
2-Feb	COSWF	Canadian Oil Sands Limited	Possible Year of High Volume Ahead
31-Jan	OXY	Occidental Petroleum	Delivering U.S. Oil Results (Meter Reader)
27-Jan	PETD	PDC Energy	Raise NPV to \$40 from \$36 on Reserves and Production (ISCW)
24-Jan	SU	Suncor Energy	Oil as a Political Weapon against Canada (Meter Reader)
20-Jan	ERF	Enerplus Corporation	Timlier on Equity Offering Discount (ISCW)
17-Jan	MRO	Marathon Oil	Oil Resources and Shale Growth (Meter Reader)
10-Jan	PTR	PetroChina	A Bit More Free Market Capitalism (Meter Reader)
6-Jan	RRC	Range Resources	Rediscovered Mississippian Oil (Income and Small Cap Weekly)
3-Jan	DVN, TOT, CHK	Devon Energy, Total S.A.	Shale Deals (Meter Reader)
29-Nov	LUKOY, OGZPY	Lukoil, Gazprom	Oil and Gas Undervalued in Russian Stocks (Meter Reader)
23-Nov	WLL	Whiting Petroleum	North Dakota Shale Oil (Income and Small Cap Weekly)
15-Nov	CVE, IMO, SU, COSWF		Buy Canadian Oil on U.S. Presidential Disappointment (MR)
8-Nov	DVN, EOG, OXY, MRO		U.S. Independent Shale Buys (Meter Reader)
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)
18-Oct	APC, BP	Anadarko Petroleum, BP plc	Settle Oil Spill Dispute (Meter Reader)
3-Oct	STO	Statoil	Giant North Sea Oil Discovery (Meter Reader)
For historical research by stock, go to <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Stock Ideas</a> , click on stock by name.			
<b>Meter Reader</b>			
20-Mar	CVX	Chevron	Investing in Australian LNG for Growth
13-Mar	XOM	ExxonMobil	Renewable Energy Cash Flow
6-Mar	IMO	Imperial Oil	Kearl Startup Late This Year
28-Feb	COP	ConocoPhillips	Shale Oil Growth with Alaska Upside
For earlier editions, go to <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Meter Reader</a> .			
<b>Income and Small Cap Weekly</b>			
23-Mar			Gut Check on Natural Gas
16-Mar			Bullish for U.S. Economic Growth
9-Mar	BRY, DNR, WLL, FRHLF, LGCY		Vote for Oil
2-Mar	DMLP	Dorchester Minerals, L.P.	Fourth Quarter Production Up 42%
For earlier editions, go to <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Energy Income</a> .			
<b>Industry Ideas</b>			
10-Oct	China Buys More Oil and Gas in Canada		Sinopec Bids for Daylight Energy



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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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**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.