



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

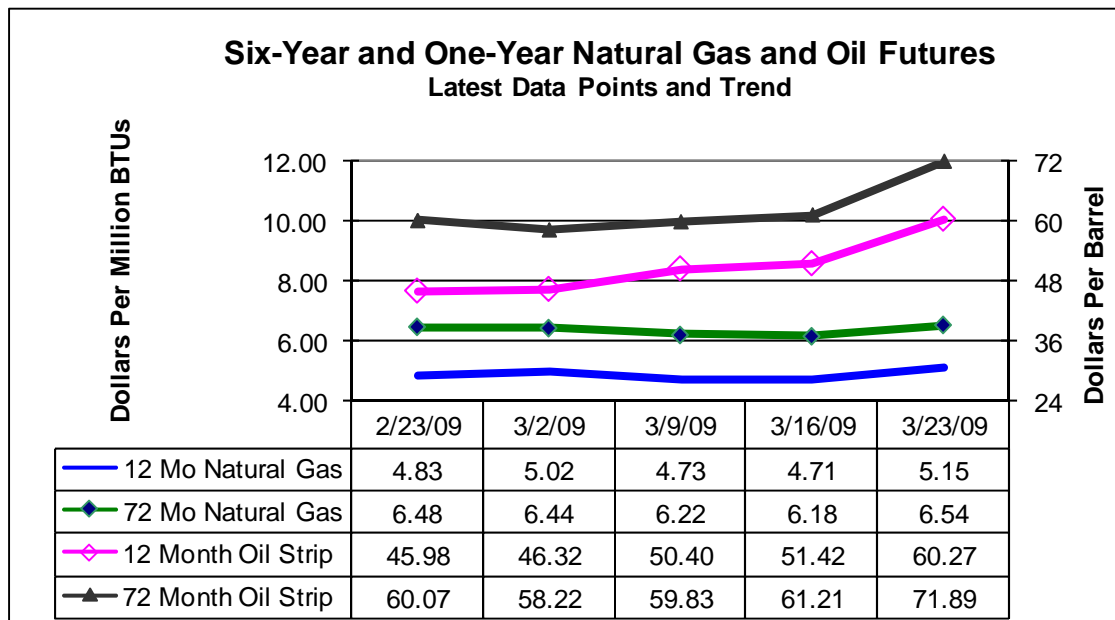
March 24, 2009

## Canada Deals

### Summary and Recommendation

Despite a powerful uptrend in stock prices to March 23, there remain bargain deals for investors in low McDep Ratio, large cap, oil and gas stocks in Canada, including buy recommendations **Encana (ECA)** and **Canadian Oil Sands Trust (COSWF)**. Frustration over a recurring low stock price for hold-rated **Petro-Canada (PCZ)** has ended with an all stock takeover deal from hold-rated **Suncor (SU)**. On the first day of trading, the increase in market value of PCZ was matched by the decline in market value of Suncor after adjusting for generally positive price action for all stocks. It was a frequently asked question (FAQ) whether PCZ would ever be a takeover target because the Canadian government retains veto power over such a transaction. An FAQ on Encana concerns when, if ever, the natural gas market will come back. On oil sands the latest FAQ's stem from a disproportionate perspective on environmental issues. FAQ's could fade quickly with new perspective stimulated by commodity price action. It was a good week for oil price and for a turn in natural gas price (see chart below).

Kurt H. Wulff, CFA





# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

March 24, 2009

Table 1											
McDep Energy Portfolio											
Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating	Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream		McDep Ratio	
	B = Buy H = Hold	23-Mar 2009									
<b>U.S. Integrated</b>											
Exxon Mobil Corporation	XOM	B	70.53	1.10	392,000	5	27	47	21	0.80	
Chevron Corporation	CVX	H	69.15	1.21	185,000	4	12	65	19	0.74	
Marathon Oil Corporation	MRO	H	26.70	1.57	29,600	7	6	60	27	0.61	
ConocoPhillips	COP	B	40.75	1.83	111,000	13	10	61	17	0.52	
<i>Total or Median *</i>	<i>35%</i>	<i>10%</i>	<i>17%</i>		<i>718,000</i>					<i>0.67</i>	
<b>Europe</b>											
BG Group	BRGXF		16.24	1.12	61,300		33	40	27	0.87	
BP plc	BP	H	41.90	1.50	196,000	8	15	62	16	0.66	
Total S.A.	TOT	B	52.61	1.27	149,000		25	53	22	0.64	
StatoilHydro ASA (33%)	STO	B	20.09	1.43	30,200		50	50	-	0.66	
Royal Dutch Shell plc	RDS-A	H	47.36	1.32	192,000	3	23	45	29	0.58	
<i>Total or Median *</i>	<i>31%</i>	<i>12%</i>	<i>17%</i>		<i>629,000</i>					<i>0.66</i>	
<b>Brazil/China/Russia</b>											
CNOOC Limited (34%)	CEO	H	108.50	1.00	16,500		12	88	-	0.80	
Petrobras	PBR		34.99	1.24	190,000		13	77	10	0.74	
PetroChina Company Ltd (14%)	PTR	B	85.67	1.12	24,600		17	66	17	0.60	
Lukoil Oil Company	LUKOY	H	42.32	1.05	37,800			61	39	0.33	
Gazprom (50%)	OGZPY	B	16.91	1.25	62,000		80	20	-	0.31	
<i>Total or Median *</i>	<i>16%</i>	<i>12%</i>	<i>17%</i>		<i>331,000</i>					<i>0.60</i>	
<b>U.S. Independent</b>											
Anadarko Petroleum Corp.	APC	H	43.84	1.75	35,300	58		37	5	0.75	
Occidental Petroleum Corp.	OXY	H	60.97	1.11	55,100	9	1	81	9	0.71	
XTO Energy Inc.	XTO	H	35.37	1.57	32,100	79		21	-	0.69	
EOG Resources	EOG	B	66.08	1.14	18,900	75	5	20	-	0.63	
Chesapeake Energy Corp.	CHK		19.50	2.27	25,500	91		9	-	0.63	
Devon Energy Corporation	DVN	B	52.04	1.37	31,700	67		33	-	0.53	
<i>Total or Median *</i>	<i>10%</i>	<i>15%</i>	<i>17%</i>		<i>199,000</i>					<i>0.66</i>	
<b>Canada</b>											
Imperial Oil Limited (30%)	IMO	H	35.83	1.07	10,000	5		80	16	0.76	
Encana Corporation	ECA	B	45.26	1.36	46,300	69		26	4	0.67	
Canadian Natural Resources	CNQ	H	43.15	1.48	34,500	24		76	-	0.60	
Suncor Energy pro forma	SU	H	24.84	1.36	52,900	6		85	8	0.55	
Canadian Oil Sands Trust	COSWF	B	21.52	1.11	11,500			100	-	0.54	
Petro-Canada (to be SU@1.28)	PCZ	H	29.29								
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>17%</i>		<i>155,000</i>					<i>0.60</i>	
<b>Income and Small Cap (see separate weekly analysis)</b>											
	<i>1%</i>	<i>39%</i>	<i>17%</i>		<i>28,000</i>	<i>44</i>		<i>56</i>		<i>0.56</i>	
<b>Composite</b>											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,060,000</i>	<i>11</i>	<i>18</i>	<i>55</i>	<i>16</i>	<i>0.65</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>35</i>	<i>8</i>	<i>50</i>	<i>7</i>	<i>0.62</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>33</i>	<i>17</i>	<i>43</i>	<i>7</i>	<i>0.60</i>	



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

March 24, 2009

Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)		Market	Present	Debt/	
	B = Buy	23-Mar	Shares		Cap	Value	Present	McDep
	H = Hold	2009	(mm)		(US\$mm)	(US\$/sh)	Value	Ratio
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	70.53	5,045	356,000	90.00	0.07	0.80
Chevron Corporation	CVX	H	69.15	2,206	153,000	98.00	0.13	0.74
Marathon Oil Corporation	MRO	H	26.70	707	18,880	54.00	0.22	0.61
ConocoPhillips	COP	B	40.75	1,486	61,000	109.00	0.24	0.52
<i>Total or Median</i>					589,000		0.18	0.67
<b>Europe</b>								
BG Group plc	BRGXF		16.24	3,379	54,860	19.00	0.09	0.87
BP plc	BP	H	41.90	3,119	131,000	74.00	0.22	0.66
Total S.A.	TOT	B	52.61	2,235	118,000	90.00	0.13	0.64
StatoilHydro ASA (33%)	STO	B	20.09	1,051	21,120	35.00	0.20	0.66
Royal Dutch Shell plc	RDS-A	H	47.36	3,064	145,000	92.00	0.14	0.58
<i>Total or Median</i>					470,000		0.14	0.66
<b>Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO	H	108.50	152	16,520	135.00	-	0.80
Petrobras	PBR		34.99	4,387	153,500	50.00	0.14	0.74
PetroChina Company Ltd (14%)	PTR	B	85.67	256	21,950	150.00	0.06	0.60
Lukoil Oil Company	LUKOY	H	42.32	848	36,000	135.00	0.02	0.33
Gazprom (50%)	OGZPY	B	16.91	2,940	49,700	64.00	0.06	0.31
<i>Total or Median</i>					278,000		0.06	0.60
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC	H	43.84	460	20,200	70.00	0.32	0.75
Occidental Petroleum Corp.	OXY	H	60.97	812	49,500	89.00	0.07	0.71
XTO Energy Inc.	XTO	H	35.37	577	20,410	60.00	0.25	0.69
EOG Resources	EOG	B	66.08	250	16,500	110.00	0.08	0.63
Chesapeake Energy Corp.	CHK		19.50	575	11,210	46.00	0.35	0.63
Devon Energy Corporation	DVN	B	52.04	444	23,100	116.00	0.14	0.53
<i>Total or Median</i>					140,900		0.20	0.66
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	H	35.83	262	9,370	48.00	0.05	0.76
Encana Corporation	ECA	B	45.26	751	34,000	75.00	0.18	0.67
Canadian Natural Resources	CNQ	H	43.15	541	23,300	85.00	0.20	0.60
Suncor Energy pro forma	SU	H	24.84	1,563	38,810	52.80	0.15	0.55
Canadian Oil Sands Trust	COSWF	B	21.52	482	10,370	42.00	0.05	0.54
Petro-Canada (to be SU@1.28)	PCZ	H	29.29					
<i>Total or Median</i>					116,000		0.15	0.60
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.								



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

March 24, 2009

Table 3							
McDep Energy Portfolio							
Value Multiples and Distribution Yield							
			Price	Adjustd			Divd or
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/	Distrib
	B = Buy	23-Mar	Prod	Ebitda	Ebitda	P/E	NTM
	H = Hold	2009	NTM	NTM	NTM	NTM	(%)
<b>U.S. Integrated</b>							
Exxon Mobil Corporation	XOM	B	70.53	12.0	10.0	8.0	16 2.3
Chevron Corporation	CVX	H	69.15	10.1	9.9	7.4	16 3.8
ConocoPhillips	COP	B	40.75	10.6	10.5	5.5	11 4.6
Marathon Oil Corporation	MRO	H	26.70	8.5	7.6	4.6	10 3.6
<i>Total or Median</i>				<i>10.3</i>	<i>9.9</i>	<i>6.4</i>	<i>13 3.7</i>
<b>Europe</b>							
BG Group plc	BRGXF		16.24	7.4	9.6	8.3	17 1.0
BP plc	BP	H	41.90	9.8	9.3	6.2	11 8.0
Total S.A.	TOT	B	52.61	9.3	8.9	5.7	13 5.9
StatoilHydro ASA (33%)	STO	B	20.09	7.5	7.4	4.9	15 5.8
Royal Dutch Shell plc	RDS-A	H	47.36	7.6	7.8	4.5	9 7.1
<i>Total or Median</i>				<i>7.6</i>	<i>8.9</i>	<i>5.7</i>	<i>13 5.9</i>
<b>Brazil/China/Russia</b>							
Petrobras	PBR		34.99	10.2	11.3	8.4	18 2.5
CNOOC Limited (34%)	CEO	H	108.50	7.8	7.8	6.3	12 4.4
PetroChina Company Ltd (14%)	PTR	B	85.67	14.1	8.6	5.1	14 4.9
Gazprom (50%)	OGZPY	B	16.91	24.6	7.4	2.3	3 1.9
Lukoil Oil Company	LUKOY	H	42.32	16.7	6.6	2.2	4 2.7
<i>Total or Median</i>				<i>14.1</i>	<i>7.8</i>	<i>5.1</i>	<i>12 2.7</i>
<b>U.S. Independent</b>							
XTO Energy Inc.	XTO	H	35.37	11.9	15.2	10.6	18 1.4
Chesapeake Energy Corp.	CHK		19.50	11.5	15.3	9.5	59 1.5
EOG Resources	EOG	B	66.08	10.0	13.1	8.3	67 0.9
Anadarko Petroleum Corp.	APC	H	43.84	9.3	11.0	8.2	16 1.6
Occidental Petroleum Corp.	OXY	H	60.97	11.4	9.5	6.7	16 2.1
Devon Energy Corporation	DVN	B	52.04	8.8	11.8	6.2	29 1.2
<i>Total or Median</i>				<i>10.7</i>	<i>12.5</i>	<i>8.2</i>	<i>29 1.5</i>
<b>Canada</b>							
Imperial Oil Limited (30%)	IMO	H	35.83	19.1	12.9	9.8	18 0.9
Canadian Oil Sands Trust	COSWF	B	21.52	23.4	17.8	9.6	16 2.3
Canadian Natural Resources	CNQ	H	43.15	8.0	13.2	8.0	17 0.8
Encana Corporation	ECA	B	45.26	9.1	11.2	7.6	29 3.5
Suncor Energy pro forma	SU	H	24.84	-	12.7	7.0	17 0.7
Petro-Canada (to be SU@1.28)	PCZ	H	29.29				
<i>Total or Median</i>				<i>9.1</i>	<i>12.9</i>	<i>8.0</i>	<i>17 0.9</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses							



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

March 24, 2009

## Index of Recent Research

### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
23-Mar	PCZ	Petro-Canada	Suncor to Acquire Petro-Canada
23-Mar	SU	Suncor Energy	Suncor to Acquire Petro-Canada
5-Mar	CNQ	Canadian Natural Resources	Horizon Produces First Oil
5-Mar	OGZPY	Gazprom	Tax Risk Diversification
4-Mar	BIR.TO	Birchcliff Energy Ltd.	Alberta Reduces Royalties (Taxes) on New Wells
25-Feb	BRY	Berry Petroleum	Resource Rich, Credit Sensitive
19-Feb	* PWE	Penn West Energy Trust	Distribution Keyed to US\$45 Oil
19-Feb	* XTO	XTO Energy Inc.	Hedging Helping
18-Feb	* XEC	Cimarex Energy Company	Lower NPV to \$55 a Share
17-Feb	* STO	StatoilHydro ASA	Low Cost Offshore Operator
12-Feb	* ECA	EnCana Corporation	Steady Production and Reserves
12-Feb	* TOT	Total S.A.	Dividend and Investment Strength
11-Feb	* EAC	Encore Acquisition Company	Lower NPV to \$44 a Share
5-Feb	* EOG	EOG Resources Inc.	Raise NPV on Higher Reserves
4-Feb	* DVN	Devon Energy Corporation	Harvesting Accounting Losses
3-Feb	* MRO	Marathon Oil Corporation	Raise NPV to \$54 a Share
3-Feb	* BP	BP p.l.c.	Cash Flow Balance at \$50 to \$60 Oil in 2009
3-Feb	* APC	Anadarko Petroleum Corporation	Deep Water Explorer
30-Jan	* CVX	Chevron Corporation	Downstream Surprise
30-Jan	* XOM	Exxon Mobil Corporation	Natural Gas Leader
29-Jan	* IMO	Imperial Oil Limited	Extra Price Sensitivity in Heavy Oil
29-Jan	* OXY	Occidental Petroleum Corporation	Resilience and Financial Strength
29-Jan	* RDSA	Royal Dutch Shell plc	Dividend Trend Beats Inflation
28-Jan	* COSWF	Canadian Oil Sands Trust	Quarterly Distribution of C\$0.15 a Unit
28-Jan	* COP	ConocoPhillips	Harvesting Accounting Losses
22-Jan	* PTR	PetroChina Company Limited	Government Managed Pricing
21-Jan	* CEO	CNOOC Ltd	More Volume Growth in 2009
9-Jan	* SJT	San Juan Basin Royalty Trust	Clean Fuel Pure Play (Income and Small Cap Weekly)
26-Dec	* HGT	Hugoton Royalty Trust	Under Year-End Price Pressure (Income Weekly)
16-Dec	* LUKOY	Lukoil Oil Company	Credible Russian Champion

### Meter Reader

24-Mar		Weekly	
17-Mar		Weekly	New Oil Price Advance Started
10-Mar		Weekly	ExxonMobil's Supreme Test
3-Mar	*	Weekly	Home of the Brave

### Income and Small Cap Weekly

20-Mar		Weekly	Small Cap Independent Producers Rising
13-Mar		Weekly	Oversold, Undervalued Stocks
6-Mar		Weekly	Accumulate Away
27-Feb	*	Weekly	Turning Points

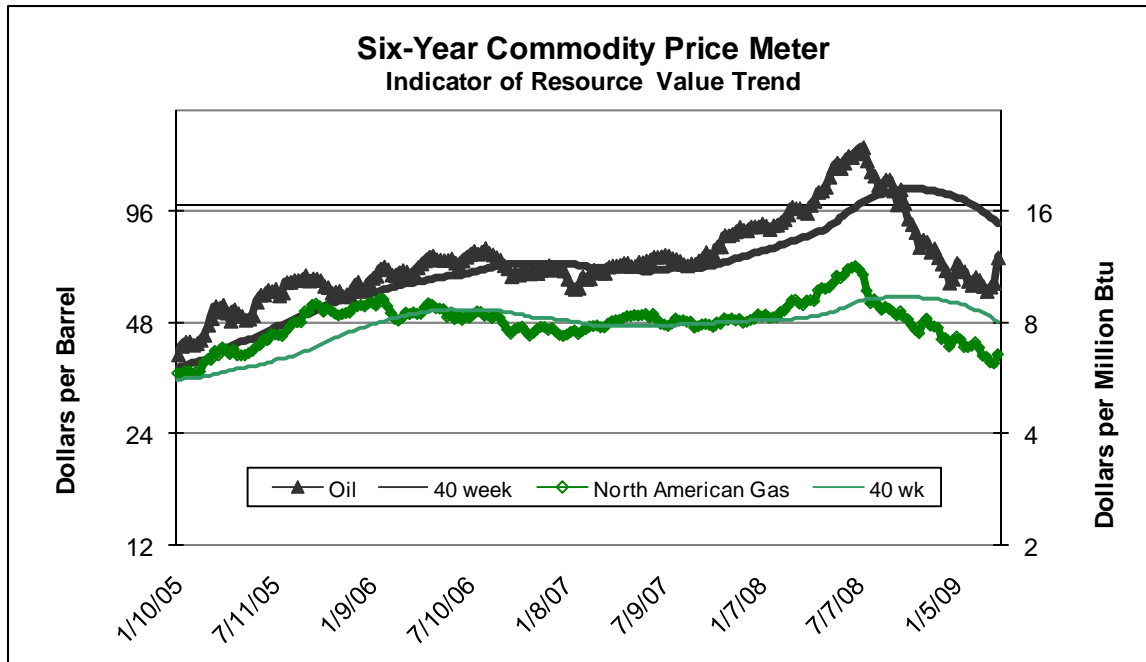
\* Archived on [www.mcdep.com](http://www.mcdep.com)



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

March 24, 2009



**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 does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

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.