



Meter Reader

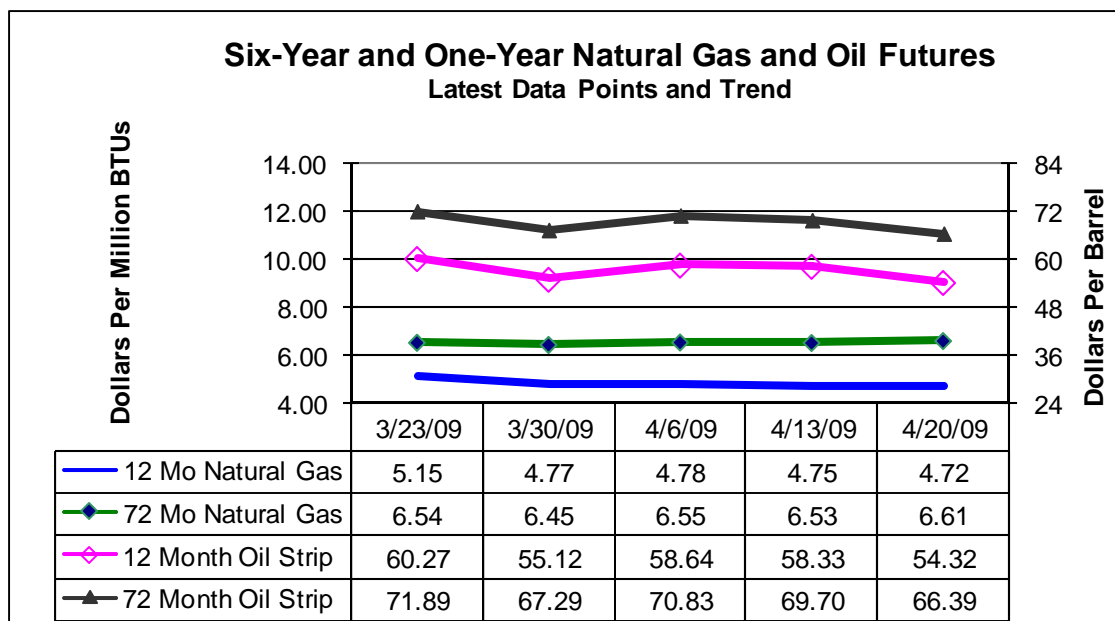
A Weekly Analysis of Large Cap Oil and Gas Stocks
 April 21, 2009

Oil and Gas below Replacement Cost

Summary and Recommendation

Current buy recommendations including **Total (TOT)**, **ConocoPhillips (COP)** and **EOG Resources (EOG)** have undeniable long-term appeal, we believe, while oil and natural gas are priced below replacement cost. Economic growth requires new supplies of energy. Even flat economic growth requires new energy supply after normal decline reduces existing capacity below demand. No significant amount of new producing capacity can be justified at the average quote for the next twelve months of \$4.72 a million btu for natural gas or \$54.32 a barrel for oil (see quotes in chart below Six-Year and One-Year Natural Gas and Oil Futures). Yet stocks of buy-recommendations are priced as though the long-term price were the same as one-year futures, or less, as we analyze it. More likely the price to justify large scale new investment in natural gas is closer to \$8 where the average futures price for the next six years has traded since 2005 (see chart on last page, Six-Year Commodity Price Meter). For oil, the price may be above \$75 a barrel that we use as the long-term price before adjustment for inflation in our estimates of Net Present Value (NPV) for each stock. As to when stock prices might be on trend to reflect replacement cost, we look to the ratio of stock price to 200-day average as one clue. On that basis, one stock in all our large cap coverage qualifies, hold-rated **CNOOC Limited (CEO)**. We are watching for an appropriate time to change our recommendation to buy. Investors acting on our current buy recommendations continue to need patience in realizing rewards.

Kurt H. Wulff, CFA





Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

April 21, 2009

Table 1											
McDep Energy Portfolio											
Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating		Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream	McDep Ratio	
	B = Buy H = Hold	20-Apr 2009		Cap							
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	65.29	1.11	366,000	5	27	47	21	0.75	
Chevron Corporation	CVX	H	63.87	1.23	173,000	4	12	65	19	0.70	
Marathon Oil Corporation	MRO	H	28.55	1.53	30,900	7	6	60	27	0.63	
ConocoPhillips	COP	B	37.94	1.89	107,000	13	10	61	17	0.50	
<i>Total or Median *</i>	<i>35%</i>	<i>9%</i>	<i>17%</i>		<i>677,000</i>					<i>0.66</i>	
Europe											
BG Group	BRGXF		14.85	1.13	56,600		33	40	27	0.80	
BP plc	BP	H	38.90	1.54	186,000	8	15	62	16	0.63	
StatoilHydro ASA (33%)	STO	B	17.01	1.47	26,200		50	50	-	0.58	
Total S.A.	TOT	B	45.24	1.29	131,000		25	52	23	0.57	
Royal Dutch Shell plc	RDS-A	H	41.65	1.36	174,000	3	23	45	29	0.53	
<i>Total or Median *</i>	<i>30%</i>	<i>12%</i>	<i>17%</i>		<i>574,000</i>					<i>0.58</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	H	112.65	1.00	17,200		12	88	-	0.83	
Petrobras	PBR		32.16	1.24	175,000		10	81	10	0.61	
PetroChina Company Ltd (14%)	PTR	B	85.21	1.19	26,000		13	74	13	0.61	
Lukoil Oil Company	LUKOY	H	42.65	1.17	42,600			54	46	0.35	
Gazprom (50%)	OGZPY	B	15.64	1.27	58,000		80	20	-	0.29	
<i>Total or Median *</i>	<i>16%</i>	<i>12%</i>	<i>17%</i>		<i>319,000</i>					<i>0.61</i>	
U.S. Independent											
Anadarko Petroleum Corp.	APC	H	41.02	1.80	34,000	58		37	5	0.72	
XTO Energy Inc.	XTO	H	33.01	1.62	30,800	79		21	-	0.66	
Occidental Petroleum Corp.	OXY	H	55.88	1.12	51,000	9	1	81	9	0.65	
Chesapeake Energy Corp.	CHK		19.57	2.27	25,500	91		9	-	0.63	
EOG Resources	EOG	B	55.97	1.17	16,300	75	5	20	-	0.55	
Devon Energy Corporation	DVN	B	48.30	1.40	30,000	67		33	-	0.50	
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>17%</i>		<i>188,000</i>					<i>0.64</i>	
Canada											
Imperial Oil Limited (30%)	IMO	H	34.87	1.07	9,800	5		80	16	0.74	
Encana Corporation	ECA	B	42.69	1.38	44,400	69		26	4	0.65	
Canadian Natural Resources	CNQ	H	43.61	1.47	34,700	25		75	-	0.61	
Suncor Energy pro forma	SU	H	23.44	1.38	50,500	6		85	8	0.52	
Canadian Oil Sands Trust	COSWF	B	20.90	1.11	11,200			100	-	0.52	
Petro-Canada (to be SU@1.28)	PCZ	H	29.06								
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>17%</i>		<i>151,000</i>					<i>0.61</i>	
Income and Small Cap (see separate weekly analysis)											
		2%	42%	17%	35,300	45		55		0.64	
Composite											
<i>Enterprise Value Weighting</i>		100%			1,944,300	12	17	55	16	0.61	
<i>Equal Weighting</i>			100%			35	7	51	7	0.62	
<i>Equal Weighted Buys</i>				100%		21	17	55	6	0.56	
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.											
* Percentages in Price column refer to equal weighted buys.											



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

April 21, 2009

Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)		Market	Present	Debt/	
	B = Buy	20-Apr	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	65.29	5,045	329,000	90.00	0.07	0.75
Chevron Corporation	CVX	H	63.87	2,206	141,000	98.00	0.13	0.70
Marathon Oil Corporation	MRO	H	28.55	707	20,180	54.00	0.22	0.63
ConocoPhillips	COP	B	37.94	1,486	56,000	109.00	0.24	0.50
<i>Total or Median</i>					546,000		0.18	0.66
Europe								
BG Group plc	BRGXF		14.85	3,379	50,180	19.00	0.09	0.80
BP plc	BP	H	38.90	3,119	121,000	74.00	0.22	0.63
StatoilHydro ASA (33%)	STO	B	17.01	1,051	17,880	35.00	0.19	0.58
Total S.A.	TOT	B	45.24	2,235	101,000	90.00	0.13	0.57
Royal Dutch Shell plc	RDS-A	H	41.65	3,064	128,000	92.00	0.14	0.53
<i>Total or Median</i>					418,000		0.14	0.58
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	112.65	152	17,150	135.00	-	0.83
Petrobras	PBR		32.16	4,387	141,090	58.00	0.12	0.61
PetroChina Company Ltd (14%)	PTR	B	85.21	256	21,830	150.00	0.10	0.61
Lukoil Oil Company	LUKOY	H	42.65	850	36,000	135.00	0.05	0.35
Gazprom (50%)	OGZPY	B	15.64	2,940	46,000	64.00	0.06	0.29
<i>Total or Median</i>					262,000		0.06	0.61
U.S. Independent								
Anadarko Petroleum Corp.	APC	H	41.02	460	18,900	70.00	0.32	0.72
XTO Energy Inc.	XTO	H	33.01	577	19,050	60.00	0.25	0.66
Occidental Petroleum Corp.	OXY	H	55.88	812	45,400	89.00	0.07	0.65
Chesapeake Energy Corp.	CHK		19.57	575	11,250	46.00	0.35	0.63
EOG Resources	EOG	B	55.97	250	14,000	110.00	0.08	0.55
Devon Energy Corporation	DVN	B	48.30	444	21,400	116.00	0.14	0.50
<i>Total or Median</i>					130,000		0.20	0.64
Canada								
Imperial Oil Limited (30%)	IMO	H	34.87	262	9,120	48.00	0.05	0.74
Encana Corporation	ECA	B	42.69	751	32,100	75.00	0.18	0.65
Canadian Natural Resources	CNQ	H	43.61	541	23,600	85.00	0.19	0.61
Canadian Oil Sands Trust	COSWF	B	20.90	482	10,070	42.00	0.05	0.52
Suncor Energy pro forma	SU	H	23.44	1,563	36,630	52.80	0.14	0.52
Petro-Canada (to be SU@1.28)	PCZ	H	29.06					
<i>Total or Median</i>					112,000		0.14	0.61
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

April 21, 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		20-Apr	Prod	Ebitda	Ebitda	P/E	
	H = Hold		2009	NTM	NTM	NTM	NTM	
							(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	65.29	12.0	10.5	7.8	16	2.5
Chevron Corporation	CVX	H	63.87	10.1	10.5	7.4	17	4.1
ConocoPhillips	COP	B	37.94	10.6	11.2	5.6	12	5.0
Marathon Oil Corporation	MRO	H	28.55	8.5	8.1	5.1	12	3.4
	<i>Total or Median</i>			<i>10.3</i>	<i>10.5</i>	<i>6.5</i>	<i>14</i>	<i>3.7</i>
Europe								
BG Group plc	BRGXF		14.85	7.4	9.9	7.9	16	1.1
BP plc	BP	H	38.90	9.8	9.9	6.3	11	8.6
Total S.A.	TOT	B	45.24	9.3	9.5	5.4	12	6.5
StatoilHydro ASA (33%)	STO	B	17.01	7.5	8.1	4.7	14	6.2
Royal Dutch Shell plc	RDS-A	H	41.65	7.6	8.2	4.3	9	8.1
	<i>Total or Median</i>			<i>7.6</i>	<i>9.5</i>	<i>5.4</i>	<i>12</i>	<i>6.5</i>
Brazil/China/Russia								
Petrobras	PBR		32.16	9.2	12.2	7.4	13	3.0
CNOOC Limited (34%)	CEO	H	112.65	7.6	8.4	7.0	15	4.6
PetroChina Company Ltd (14%)	PTR	B	85.21	14.0	9.9	6.1	20	4.8
Lukoil Oil Company	LUKOY	H	42.65	16.7	11.7	4.1	9	2.6
Gazprom (50%)	OGZPY	B	15.64	24.6	7.6	2.2	3	2.0
	<i>Total or Median</i>			<i>14.0</i>	<i>9.9</i>	<i>6.1</i>	<i>13</i>	<i>3.0</i>
U.S. Independent								
XTO Energy Inc.	XTO	H	33.01	11.9	16.1	10.7	17	1.5
Chesapeake Energy Corp.	CHK		19.57	11.5	16.0	10.0	99	1.5
Anadarko Petroleum Corp.	APC	H	41.02	9.3	11.7	8.4		1.8
EOG Resources	EOG	B	55.97	10.0	13.8	7.6	84	1.0
Occidental Petroleum Corp.	OXY	H	55.88	11.4	10.4	6.8	17	2.3
Devon Energy Corporation	DVN	B	48.30	8.8	12.6	6.3	36	1.3
	<i>Total or Median</i>			<i>10.7</i>	<i>13.2</i>	<i>8.0</i>	<i>36</i>	<i>1.5</i>
Canada								
Imperial Oil Limited (30%)	IMO	H	34.87	19.1	15.9	11.7	22	0.9
Canadian Oil Sands Trust	COSWF	B	20.90	23.2	21.4	11.2	21	2.3
Canadian Natural Resources	CNQ	H	43.61	8.0	14.4	8.7	21	0.7
Encana Corporation	ECA	B	42.69	9.1	12.9	8.3	48	3.7
Suncor Energy pro forma	SU	H	23.44	-	13.8	7.3	19	0.7
Petro-Canada (to be SU@1.28)	PCZ	H	29.06					
	<i>Total or Median</i>			<i>9.1</i>	<i>14.4</i>	<i>8.7</i>	<i>21</i>	<i>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

April 21, 2009

Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
17-Apr	SJT	San Juan Basin Royalty Trust	Lower Net Present Value to \$26 from \$34 a Unit
17-Apr	HGT	Hugoton Royalty Trust	Natural Gas Price Limits Distributions
8-Apr	LUKOY	Lukoil Oil Company	Making Money after Interruption
31-Mar	CEO	CNOOC Ltd	13% Volume Growth Projected for 2009
25-Mar	* PTR	PetroChina Company Limited	Fundamental to the Growth of China
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

Meter Reader

21-Apr		Weekly	
14-Apr		Weekly	Six-Year Natural Gas Holding Above Low Price
7-Apr		Weekly	Preparing to Meet
31-Mar	*	Weekly	Spring Arrives Every Year

Income and Small Cap Weekly

17-Apr		Weekly	Readjust NPV for Volume Trend
10-Apr		Weekly	Long-Life, Clean Oil Sands
3-Apr		Weekly	Brief Notes from Calgary
27-Mar	*	Weekly	Calgary Presentation

Industry Ideas

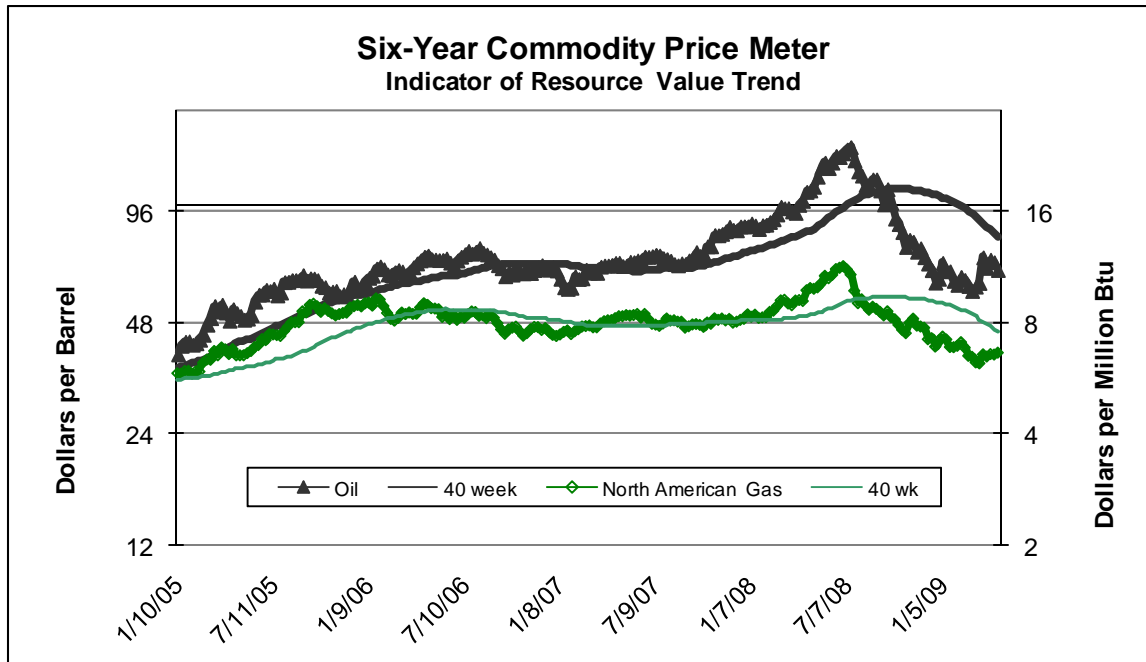
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
-------	---	--------------	------------------------------------

* Archived on www.mcdep.com



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks
 April 21, 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.