



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

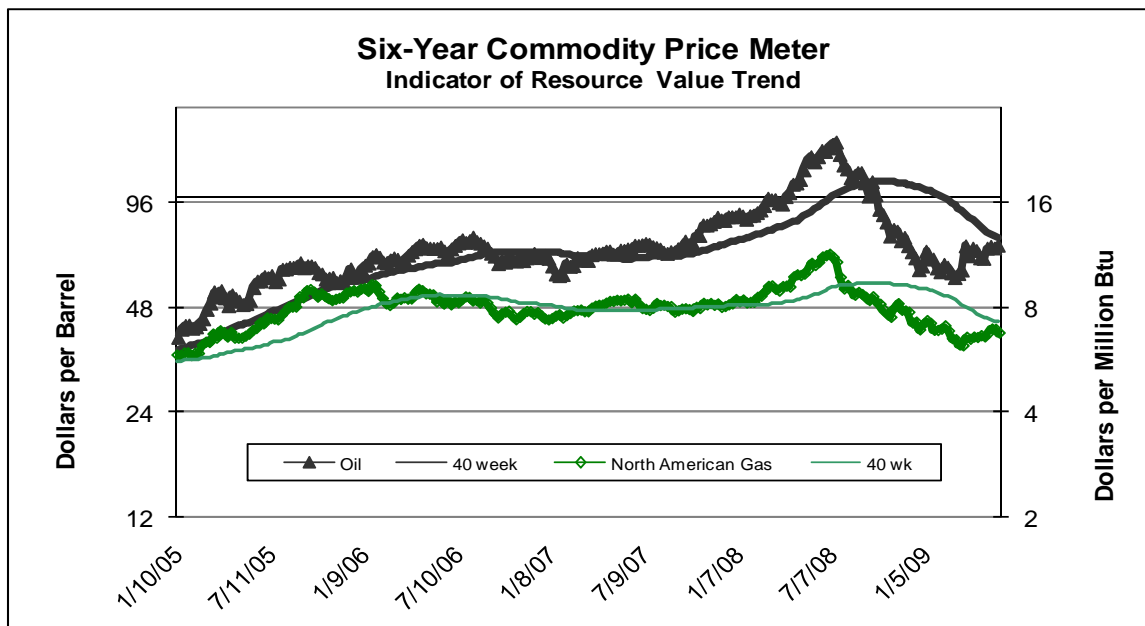
May 26, 2009

Lagging U.S. Integrated Oil Stocks

Summary and Recommendation

Yet to sustain stock price above the 200-day average, buy recommendations **ConocoPhillips (COP)** and **ExxonMobil (XOM)** along with two peer stocks that make up our U.S. Integrated group have the potential to confirm a new stock price uptrend. In contrast, non-U.S. large cap oil and gas stock groups are in a stock price uptrend already for the most part. Largely because of stock price action, the median McDep Ratio for the U.S. Integrated Group is now the lowest of five large cap groups compared to three months ago when it was the highest (see Tables 1 and 2). One could be pessimistic and reckon that the threat of higher taxes is overhanging the U.S. stock market and U.S. oil and gas stocks. Yet, because oil tax increases contribute to oil price increases our political leaders are likely to moderate anti-oil industry action. Meanwhile, crude oil price also appears to be near keeping a level above its 200-day average. Late last week both the near-month and twelve months crude oil futures prices crossed the 200-day and 40-week average, respectively, perhaps ending the downtrend since September 2008 and possibly indicating a new uptrend. Presuming no unforeseen upset, six-year futures may also confirm a new uptrend soon (see chart on last page [Six-Year and One-Year Natural Gas and Oil Futures](#) and chart below, [Six-Year Commodity Price Meter](#)). As a result, commodity price may be in the process of confirming the new stock price uptrend traced by most of our large cap recommendations.

Kurt H. Wulff, CFA





Meter Reader

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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	22-May 2009									
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	68.83	1.12	383,000	6	21	49	23	0.78	
Chevron Corporation	CVX	H	64.44	1.25	161,000	4	11	66	18	0.71	
Marathon Oil Corporation	MRO	H	29.43	1.54	32,300	10	7	57	26	0.65	
ConocoPhillips	COP	B	44.38	1.78	118,000	13	10	61	16	0.55	
<i>Total or Median *</i>	<i>32%</i>	<i>9%</i>	<i>10%</i>		<i>694,000</i>					<i>0.68</i>	
Europe											
BG Group	BRGXF	B	17.50	1.12	66,300		27	46	27	0.81	
BP plc	BP	H	47.60	1.43	215,000	8	12	64	15	0.72	
Royal Dutch Shell plc	RDS-A	H	51.41	1.31	207,000	3	24	40	33	0.70	
Total S.A.	TOT	B	55.02	1.26	155,000		25	53	22	0.66	
StatoilHydro ASA (33%)	STO	B	19.87	1.40	29,300		53	47	-	0.65	
<i>Total or Median *</i>	<i>31%</i>	<i>12%</i>	<i>14%</i>		<i>673,000</i>					<i>0.70</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	B	126.78	1.00	19,300		12	88	-	0.94	
PetroChina Company Ltd (14%)	PTR	B	108.42	1.15	31,900		13	74	13	0.75	
Petrobras	PBR	B	40.58	1.19	212,000		10	81	10	0.73	
Lukoil Oil Company	LUKOY	B	49.80	1.15	48,700			54	46	0.40	
Gazprom (50%)	OGZPY	B	22.36	1.25	82,000		79	21	-	0.40	
<i>Total or Median *</i>	<i>18%</i>	<i>12%</i>	<i>19%</i>		<i>394,000</i>					<i>0.73</i>	
U.S. Independent											
XTO Energy Inc.	XTO	B	40.08	1.48	34,300	79		21	-	0.75	
Anadarko Petroleum Corp.	APC	B	43.15	1.78	35,300	55		41	4	0.74	
Occidental Petroleum Corp.	OXY	B	62.03	1.11	56,000	12	1	78	9	0.72	
EOG Resources	EOG	B	69.19	1.14	19,700	77	3	19	-	0.66	
Chesapeake Energy Corp.	CHK		20.50	2.15	26,300	89		11	-	0.63	
Devon Energy Corporation	DVN	B	59.75	1.34	35,600	67		33	-	0.59	
<i>Total or Median *</i>	<i>9%</i>	<i>14%</i>	<i>19%</i>		<i>207,000</i>					<i>0.69</i>	
Canada											
Imperial Oil Limited (30%)	IMO	B	37.42	1.08	10,400	5		79	16	0.79	
Encana Corporation	ECA	B	51.67	1.31	50,900	69		26	4	0.74	
Canadian Natural Resources	CNQ	B	54.10	1.43	42,000	24		76	-	0.72	
Suncor Energy pro forma	SU	B	31.76	1.33	66,100	6		86	7	0.68	
Canadian Oil Sands Trust	COSWF	B	23.70	1.11	12,700			100	-	0.59	
Petro-Canada (to be SU@1.28)	PCZ	B	39.52								
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>24%</i>		<i>182,000</i>					<i>0.72</i>	
Income and Small Cap (see separate weekly analysis)											
	<i>2%</i>	<i>42%</i>	<i>14%</i>		<i>34,600</i>	<i>45</i>		<i>55</i>		<i>0.67</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,184,600</i>	<i>12</i>	<i>16</i>	<i>56</i>	<i>17</i>	<i>0.69</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>35</i>	<i>7</i>	<i>51</i>	<i>7</i>	<i>0.68</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>20</i>	<i>12</i>	<i>63</i>	<i>9</i>	<i>0.70</i>	
* 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

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May 26, 2009

Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)		Market	Present	Debt/	
	B = Buy	22-May	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	68.83	4,959	341,000	90.00	0.09	0.78
Chevron Corporation	CVX	H	64.44	2,000	129,000	98.00	0.14	0.71
Marathon Oil Corporation	MRO	H	29.43	712	20,950	54.00	0.23	0.65
ConocoPhillips	COP	B	44.38	1,495	66,000	109.00	0.24	0.55
<i>Total or Median</i>					557,000		0.18	0.68
Europe								
BG Group plc	BRGXF	B	17.50	3,384	59,220	22.00	0.09	0.81
BP plc	BP	H	47.60	3,153	150,000	74.00	0.22	0.72
Royal Dutch Shell plc	RDS-A	H	51.41	3,063	157,000	80.00	0.17	0.70
Total S.A.	TOT	B	55.02	2,235	123,000	90.00	0.14	0.66
StatoilHydro ASA (33%)	STO	B	19.87	1,051	20,880	35.00	0.19	0.65
<i>Total or Median</i>					510,000		0.17	0.70
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	126.78	152	19,310	135.00	-	0.94
PetroChina Company Ltd (14%)	PTR	B	108.42	256	27,780	150.00	0.10	0.75
Petrobras	PBR	B	40.58	4,387	178,020	58.00	0.12	0.73
Lukoil Oil Company	LUKOY	B	49.80	850	42,000	135.00	0.05	0.40
Gazprom (50%)	OGZPY	B	22.36	2,925	65,400	64.00	0.08	0.40
<i>Total or Median</i>					333,000		0.08	0.73
U.S. Independent								
XTO Energy Inc.	XTO	B	40.08	578	23,170	60.00	0.24	0.75
Anadarko Petroleum Corp.	APC	B	43.15	460	19,800	70.00	0.33	0.74
Occidental Petroleum Corp.	OXY	B	62.03	814	50,500	89.00	0.07	0.72
EOG Resources	EOG	B	69.19	250	17,300	110.00	0.08	0.66
Chesapeake Energy Corp.	CHK		20.50	597	12,240	46.00	0.34	0.63
Devon Energy Corporation	DVN	B	59.75	444	26,500	116.00	0.15	0.59
<i>Total or Median</i>					149,500		0.20	0.69
Canada								
Imperial Oil Limited (30%)	IMO	B	37.42	257	9,610	48.00	0.06	0.79
Encana Corporation	ECA	B	51.67	751	38,800	75.00	0.18	0.74
Canadian Natural Resources	CNQ	B	54.10	541	29,300	85.00	0.22	0.72
Suncor Energy pro forma	SU	B	31.76	1,565	49,700	52.00	0.17	0.68
Canadian Oil Sands Trust	COSWF	B	23.70	482	11,430	42.00	0.06	0.59
Petro-Canada (to be SU@1.28)	PCZ	B	39.52					
<i>Total or Median</i>					139,000		0.17	0.72
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

May 26, 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	22-May	Prod	Ebitda	Ebitda	P/E	NTM	
	H = Hold	2009	NTM	NTM	NTM	NTM	(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	68.83	11.9	9.4	7.4	13	2.3
Chevron Corporation	CVX	H	64.44	9.9	8.3	5.9	14	4.0
ConocoPhillips	COP	B	44.38	10.5	9.8	5.4	10	4.2
Marathon Oil Corporation	MRO	H	29.43	9.2	8.2	5.3	13	3.3
<i>Total or Median</i>				<i>10.2</i>	<i>8.8</i>	<i>5.6</i>	<i>13</i>	<i>3.6</i>
Europe								
BG Group plc	BRGXF	B	17.50	9.1	9.2	7.4	15	1.0
BP plc	BP	H	47.60	9.8	8.8	6.3	11	7.1
Total S.A.	TOT	B	55.02	9.3	8.2	5.4	10	5.8
Royal Dutch Shell plc	RDS-A	H	51.41	7.6	7.7	5.4	11	6.5
StatoilHydro ASA (33%)	STO	B	19.87	7.4	6.4	4.2	9	5.8
<i>Total or Median</i>				<i>9.1</i>	<i>8.2</i>	<i>5.4</i>	<i>11</i>	<i>5.8</i>
Brazil/China/Russia								
Petrobras	PBR	B	40.58	9.3	11.2	8.2	15	2.4
PetroChina Company Ltd (14%)	PTR	B	108.42	14.3	10.2	7.7	27	3.8
CNOOC Limited (34%)	CEO	B	126.78	7.5	7.4	6.9	14	4.1
Gazprom (50%)	OGZPY	B	22.36	24.6	11.7	4.7	7	1.5
Lukoil Oil Company	LUKOY	B	49.80	16.7	11.0	4.4	10	2.5
<i>Total or Median</i>				<i>14.3</i>	<i>11.0</i>	<i>6.9</i>	<i>14</i>	<i>2.5</i>
U.S. Independent								
XTO Energy Inc.	XTO	B	40.08	11.5	14.8	11.1	17	1.2
Chesapeake Energy Corp.	CHK		20.50	11.7	15.9	10.1	32	1.5
EOG Resources	EOG	B	69.19	9.8	13.7	9.0	236	0.8
Anadarko Petroleum Corp.	APC	B	43.15	9.2	10.6	7.9		1.7
Devon Energy Corporation	DVN	B	59.75	8.8	11.5	6.8	19	1.1
Occidental Petroleum Corp.	OXY	B	62.03	10.9	9.1	6.6	15	2.1
<i>Total or Median</i>				<i>10.3</i>	<i>12.6</i>	<i>8.4</i>	<i>19</i>	<i>1.4</i>
Canada								
Imperial Oil Limited (30%)	IMO	B	37.42	18.5	15.3	12.2	24	1.0
Canadian Oil Sands Trust	COSWF	B	23.70	23.2	18.8	11.1	20	2.3
Canadian Natural Resources	CNQ	B	54.10	8.0	12.8	9.2	23	0.7
Encana Corporation	ECA	B	51.67	9.0	12.3	9.2	17	3.1
Suncor Energy pro forma	SU	B	31.76	-	11.4	7.7	17	0.6
Petro-Canada (to be SU@1.28)	PCZ	B	39.52					
<i>Total or Median</i>				<i>9.0</i>	<i>12.8</i>	<i>9.2</i>	<i>20</i>	<i>1.0</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

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May 26, 2009

Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
12-May	OXY	Occidental Petroleum Corporation	Restore Buy (Meter Reader)
12-May	LUKOY	Lukoil Oil Company	Restore Buy (Meter Reader)
11-May	STO	StatoilHydro ASA	Alternative Energy Practical Idealist
8-May	EAC	Encore Acquisition Company	Restore Buy (Small Cap Weekly)
8-May	SU	Suncor Energy	Restore Buy on New Price Trend
8-May	PCZ	Petro-Canada	Restore Buy on New Price Trend
8-May	IMO	Imperial Oil Limited	Restore Buy on New Price Trend
8-May	CNQ	Canadian Natural Resources	Restore Buy on New Price Trend
7-May	APC	Anadarko Petroleum Corporation	Restore Buy on New Price Trend
6-May	PWE	Penn West Energy Trust	Transitioning to Exploration and Production Company
6-May	XTO	XTO Energy Inc.	Restore Buy on New Price Trend
6-May	DEVN	Devon Energy Corporation	Efficient Producer
6-May	TOT	Total S.A.	Resilience to Recession
5-May	XEC	Cimarex Energy Company	Ready to Drill Shale
5-May	EOG	EOG Resources Inc.	Ready to Develop More Oil and Gas
5-May	BRGXF	BG Group	New Buy on Global LNG and Brazil Oil
5-May	PBR	Petrobras	New Buy on Oil Growth
1-May	CVX	Chevron Corporation	Creating Energy Wealth Globally
1-May	BRY	Berry Petroleum	Getting through Tough Times
30-Apr	IMO	Imperial Oil Limited	Investing through the Cycle
30-Apr	MRO	Marathon Oil Corporation	Refining Helping Performance
30-Apr	XOM	Exxon Mobil Corporation	Strong Performer in Tough Times
29-Apr	* COSWF	Canadian Oil Sands Trust	Cash Flow Exceeds Distribution
29-Apr	* OGZPY	Gazprom	Expect Modest Results for 2009
29-Apr	* RDSA	Royal Dutch Shell plc	Lower Net Present Value to \$80 a Share
29-Apr	* CEO	CNOOC Ltd	Reinstate Buy on Rising Outlook
28-Apr	* PTR	PetroChina Company Limited	Tax and Price Control Relief
28-Apr	* BP	BP p.l.c.	Downstream Increase Offsets Upstream Cash Decrease
23-Apr	* COP	ConocoPhillips	Overlooked Rich Resources
22-Apr	* ECA	EnCana Corporation	Billion Dollar Hedge Gain
17-Apr	* SJT	San Juan Basin Royalty Trust	Lower Net Present Value to \$26 from \$34 a Unit (Weekly)
17-Apr	* HGT	Hugoton Royalty Trust	Natural Gas Price Limits Distributions (ISC Weekly)
4-Mar	* BIR.TO	Birchcliff Energy Ltd.	Alberta Reduces Royalties (Taxes) on New Wells

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26-May		Weekly	
19-May		Weekly	Track the Cash
12-May		Weekly	Restore Buys on Occidental (OXY) and Lukoil (LUKOY)
5-May	*	Weekly	New Buys on Stock Price Uptrend

Income and Small Cap Weekly

22-May		Weekly	Hedge U.S. Dollar with Canadian Income and Small Cap
15-May		Weekly	Cash Flow Strength
8-May		Encore Acquisition Company	Restore Buy
1-May	*	Weekly	The Natural Gas Contrarian

Industry Ideas

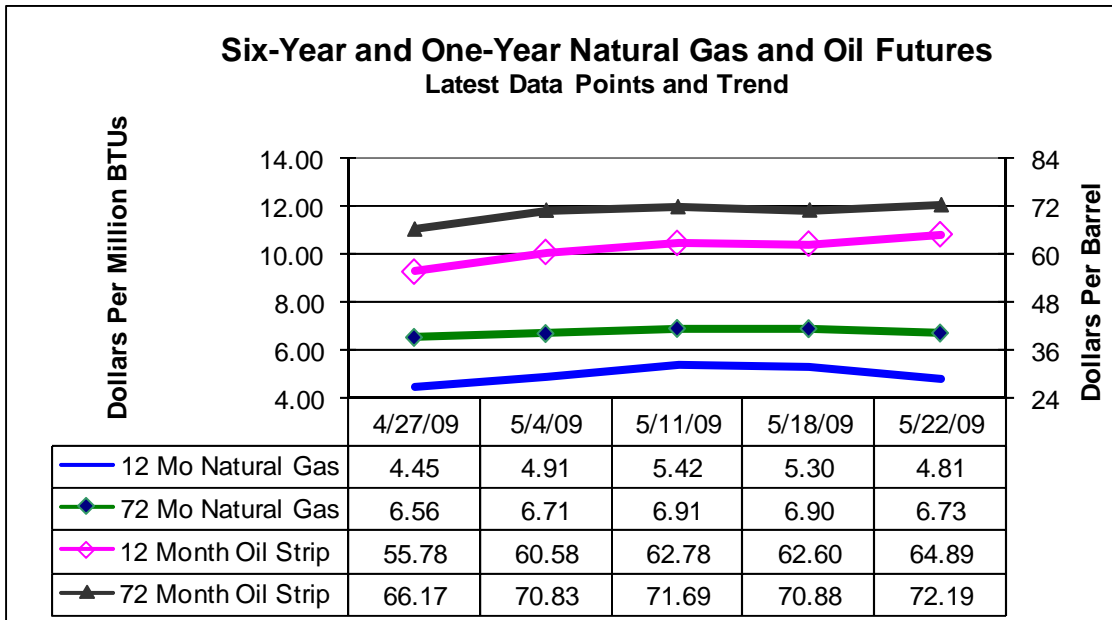
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
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* Archived on www.mcdep.com



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks
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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.