

PetroChina (PTR)

Reduce NPV to \$180 from \$210 on Price Controls

Symbol	PTR	Ebitda Next Twelve Months ending 3/31/14 (US\$mm)	58,000
Rating		North American Natural Gas/Ebitda (%)	0
Price (US\$/sh)	130.30	Natural Gas and Oil Production/Ebitda (%)	92
Pricing Date	3/25/13	Adjusted Reserves/Production NTM	12.6
Shares (mm)	1830	EV/Ebitda	6.2
Market Capitalization (US\$mm)	238,000	PV/Ebitda	7.7
Debt (US\$mm)	116,000	Undeveloped Reserves (%)	43
Enterprise Value (EV) (US\$mm)	354,000	Natural Gas and Oil Ebitda (US\$/boe)	38.44
Present Value (PV) (US\$mm)	445,000	Present Value Proven Reserves(US\$/boe)	18.46
Net Present Value (US\$/share)	180	Present Value Proven Reserves(US\$/mcfe)	3.08
Debt/Present Value	0.26	Earnings Next Twelve Months (US\$/sh)	10.42
McDep Ratio - EV/PV	0.80	Price/Earnings Next Twelve Months	13
Dividend Yield (%/year)	3.5	Indicated Annual Dividend (US\$/sh)	4.56
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
The Peoples Republic of China holds 86% of the outstanding shares.			
Estimated present value presumes a long-term price for oil of US\$100 a barrel.			
For historical analysis of PTR since 2001 see www.mcdep.com/3ptr.htm			

Summary and Recommendation

Persistent government price controls on **PetroChina (PTR)**'s refined products and natural gas cause us to reduce estimated Net Present Value (NPV) to \$180 a share from \$210 (see table Present Value on page 2). Along with fourth quarter results released on March 21, the company also reduced its dividend about 10% to hold payout to 45% of earnings. Seven straight quarters of downstream losses and a dividend reduction diminish the stock's appeal. At the same time, there can be money-making opportunities when there are signs of change. China's new leader since November 2012, Xi Jinping, may be better for PTR. The company may gain exploration rights in the Russian Arctic as part of bilateral government negotiations for Russia to supply oil and gas to China. PTR would also be the importer of the natural gas, but judging by experience with long distance pipeline imports from Central Asia as well as imports by tanker from several sources, those operations may be unprofitable because of bureaucratic fiat. In contrast to natural gas and downstream, PTR reports profits in oil production, though Ebitda margin and earnings are lower than we expected seven months ago (see table Operating and Financial Estimates on page 3). Exceeding 10% of the total last year, overseas sources of oil and gas production are spread across the globe (see map on page 2). Finally, the ratio of debt to present value has risen to 0.26 and stock price has slipped below its 200-day average (see Tables 1-4 on pages 4-7). A McDep Ratio of 0.8 may be low enough to justify maintaining a moderate investment in PTR stock, but the indication of relief from price controls and restored margins in production does not appear strong enough to stimulate current purchase of the shares.

Kurt H. Wulff, CFA



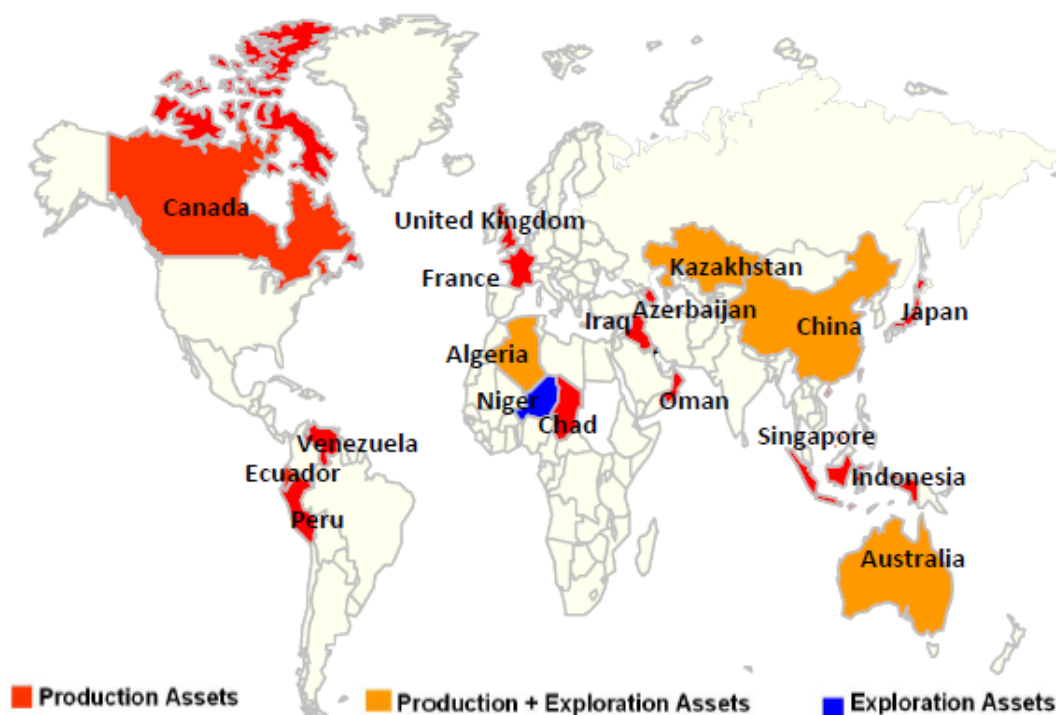
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A Weekly Analysis of Large Cap Oil and Gas Stocks

March 26, 2013

PetroChina					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
Natural Gas	6,700	18.0	9.0	60,000	13%
Oil	46,400	10.0	7.7	355,000	80%
Downstream	4,400		6.8	30,000	7%
	57,500	12.6	7.7	445,000	100%
Debt (US\$mm)					116,000
Net Present Value (US\$mm)					329,000
Shares (mm)					1,830
Net Present Value - Standard Estimate (US\$/sh)					180
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					177

Overseas Oil & Gas Exploration & Production Areas





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PetroChina Company Limited									
Next Twelve Months Operating and Financial Estimates									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Year	Next
	12/31/11	9/30/12	12/31/12	2012	3/31/13	6/30/13	9/30/13	2013E	Twelve
									3/31/14
Volume									
Natural gas (bcf)	661	587	680	2,559	745	616	622	2,704	2,749
Natural Gas (mmcf)	7,185	6,380	7,391	6,992	8,281	6,769	6,763	7,409	7,531
Days	92	92	92	366	90	91	92	365	365
Oil (mmb)	216	231	233	916	228	230	233	924	924
Oil (mbd)	2,348	2,511	2,533	2,503	2,533	2,533	2,533	2,533	2,533
Total gas & oil (mmb)	326	329	346	1,343	352	333	337	1,375	1,383
Total gas & oil (mbd)	3,545	3,574	3,764	3,668	3,913	3,661	3,660	3,767	3,788
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	3.55	2.80	3.40	2.79	3.34	3.90	3.99	3.83	4.07
Company	6.81	5.06	5.20	5.03	4.87	5.00	5.06	5.03	5.03
Oil (\$/bbl)									
WTI Cushing	94.06	92.22	88.18	94.16	94.35	94.84	95.09	94.59	94.20
Company	105.50	95.09	103.74	103.65	103.86	104.39	104.67	104.13	103.69
Total gas & oil (\$/bbl)	83.67	75.84	79.99	80.31	77.53	81.47	81.79	79.89	79.33
NY Harbor 3-2-1 (\$/bbl)	21.79	36.23	33.86	31.29	30.13	30.51	28.76	28.02	26.07
Revenue (\$mm)									
Natural Gas	4,501	2,973	3,533	12,873	3,629	3,080	3,151	13,605	13,823
Oil	22,789	21,966	24,171	94,943	23,673	24,059	24,389	96,255	95,856
Total	27,289	24,938	27,704	107,816	27,302	27,139	27,540	109,860	109,679
RMB/\$US	6.36	6.35	6.24	6.31	6.21	6.21	6.21	6.21	6.21
Total Upstream (RMB)	173,561	158,357	172,872	679,935	169,613	168,600	171,090	682,493	681,368
Other (Downstream)	347,374	393,251	424,155	1,515,361	424,155	424,155	424,155	1,696,621	1,696,621
Total Revenue (RMB)	520,935	551,608	597,027	2,195,296	593,769	592,755	595,245	2,379,113	2,377,989
Expense	433,607	472,108	513,890	1,850,210	514,466	513,943	502,341	2,034,174	2,020,708
Ebitda (RMB)									
Exploration and Production	126,242	71,808	86,023	329,844	82,189	81,697	82,904	330,712	330,167
Other	(38,914)	7,692	(2,886)	15,242	(2,886)	(2,886)	10,000	14,228	27,114
Total	87,328	79,500	83,137	345,086	79,303	78,811	92,904	344,940	357,281
Exploration	2,847	3,996	6,071	23,972	6,071	6,071	6,071	24,284	24,284
Deprec., Deplet., & Amort.	35,359	39,286	38,643	151,975	38,643	38,643	38,643	154,572	154,572
Other non cash				-				-	-
Ebit	49,122	36,218	38,423	169,139	34,589	34,097	48,190	166,084	178,425
Interest	4,679	4,193	6,398	18,164	6,398	6,398	6,398	25,592	25,592
Ebt	44,443	32,025	32,025	150,975	28,191	27,699	41,792	140,492	152,833
Income Tax	13,333	6,405	6,405	35,685	6,343	6,232	9,403	31,611	34,387
Net Income (RMB)									
Exploration and Production	58,748	49,501	51,662	214,955					
Other	(30,109)	(7,484)	(15,715)	(40,436)					
Unallocated	2,471	(16,397)	(10,327)	(59,229)					
Total	31,110	25,620	25,620	115,290	21,848	21,467	32,389	108,881	118,445
Shares (millions)	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830
Earnings per share (RMB)	17	14	14	63	12	12	18	59	65
Ebitda Margin (E&P)	73%	45%	50%	49%	48%	48%	48%	48%	48%
Tax Rate	30%	20%	20%	24%	23%	23%	23%	23%	23%



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Table 1										
McDep Large Cap Energy Stocks										
Enterprise Value, Business Segments and McDep Ratio										
						Present Value by Segment (%)				
			Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream	McDep Ratio
Symbol/Rating			25-Mar 2013	Cap						
B = Buy, CB (see below)										
Global Integrated										
Exxon Mobil Corporation	XOM	B	89.02	1.19	480,000	7	19	57	17	0.83
PetroChina Company Ltd (14%)	PTR	H	130.30	1.48	49,600		13	80	7	0.80
Chevron Corporation	CVX	H	120.18	1.12	263,000	3	10	76	11	0.73
Royal Dutch Shell plc	RDS-A	H	64.87	1.31	266,000	4	22	56	18	0.70
Petrobras	PBR	H	16.75	1.85	202,000		6	83	11	0.63
Total S.A.	TOT	H	48.81	1.37	151,000		20	64	16	0.62
Gazprom (50%)	OGZPY	H	8.94	1.41	72,000		12	18	69	0.47
Lukoil Oil Company	LUKOY	B	62.34	1.06	51,100			77	23	0.43
Total or Median				1.34	1,535,000			70	16	0.66
U.S. Independent										
EOG Resources, Inc.	EOG	H	123.92	1.20	39,900	20	3	77	-	0.80
Occidental Petroleum Corp.	OXY	H	78.05	1.15	72,200	8	1	81	10	0.68
ConocoPhillips	COP	H	60.21	1.48	108,000	14	13	73	-	0.67
Marathon Oil Corporation	MRO	B	33.72	1.43	34,200	7	3	90	-	0.65
Devon Energy Corporation	DVN	B	57.02	1.42	32,900	47		53	-	0.64
Total or Median				1.42	287,000	14		77		0.67
Canada/Norway/Australia										
Woodside Petroleum Ltd.	WOPEY	H	38.30	1.17	37,000		64	36	-	0.87
EnCana Corporation	ECA	H	19.07	1.62	22,600	82		18	-	0.74
Imperial Oil Limited (30%)	IMO	CB	41.35	1.19	12,600	2		84	14	0.70
Cenovus Energy Inc.	CVE	H	30.77	1.33	31,000	10		72	18	0.70
Statoil ASA (33%)	STO	H	24.29	1.51	38,400		36	64	-	0.65
Suncor Energy	SU	CB	30.10	1.31	60,500	2		79	19	0.54
Canadian Oil Sands Limited	COSWF	H	20.66	1.23	12,400			100	-	0.51
Total or Median				1.31	215,000			72		0.70
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold										
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$6 a million btu.										
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses										



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Table 2								
McDep Large Cap Energy Stocks								
Net Present Value and McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/Rating		25-Mar	Shares	Cap	Value	Present	McDep
	B = Buy, CB (see below)		2013	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
Global Integrated								
Exxon Mobil Corporation	XOM	B	89.02	4,541	404,000	110.00	0.13	0.83
PetroChina Company Ltd (14%)	PTR	H	130.30	256	33,400	180.00	0.26	0.80
Chevron Corporation	CVX	H	120.18	1,953	235,000	170.00	0.08	0.73
Royal Dutch Shell plc	RDS-A	H	64.87	3,145	204,000	102.00	0.16	0.70
Petrobras	PBR	H	16.75	6,522	109,200	35.00	0.29	0.63
Total S.A.	TOT	H	48.81	2,270	111,000	90.00	0.17	0.62
Gazprom (50%)	OGZPY	H	8.94	5,735	51,300	23.00	0.14	0.47
Lukoil Oil Company	LUKOY	B	62.34	775	48,300	150.00	0.02	0.43
<i>Total or Median</i>					1,196,000		0.15	0.66
U.S. Independent								
EOG Resources, Inc.	EOG	H	123.92	269	33,300	160.00	0.13	0.80
Occidental Petroleum Corp.	OXY	H	78.05	808	63,100	120.00	0.09	0.68
ConocoPhillips	COP	H	60.21	1,216	73,000	105.00	0.22	0.67
Marathon Oil Corporation	MRO	B	33.72	711	23,970	60.00	0.19	0.65
Devon Energy Corporation	DVN	B	57.02	405	23,100	102.00	0.19	0.64
<i>Total or Median</i>					216,500		0.19	0.67
Canada/Norway/Australia								
Woodside Petroleum Ltd.	WOPEY	H	38.30	820	31,400	45.00	0.13	0.87
EnCana Corporation	ECA	H	19.07	736	14,000	30.00	0.28	0.74
Imperial Oil Limited (30%)	IMO	CB	41.35	255	10,500	62.00	0.11	0.70
Cenovus Energy Inc.	CVE	H	30.77	758	23,300	48.00	0.17	0.70
Statoil ASA (33%)	STO	H	24.29	1,049	25,500	44.00	0.22	0.65
Suncor Energy	SU	CB	30.10	1,529	46,000	64.00	0.13	0.54
Canadian Oil Sands Limited	COSWF	H	20.66	485	10,000	45.00	0.10	0.51
<i>Total or Median</i>					161,000		0.13	0.70
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold								
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$6 a million btu.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								



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Table 3								
McDep Large Cap Energy Stocks								
Value Multiples and Dividend Yield								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Dividend
Symbol/Rating			25-Mar	NTM	NTM	NTM	NTM	NTM
B = Buy, CB (see below)			2013					(%)
Global Integrated								
Exxon Mobil Corporation	XOM	B	89.02	13.2	7.8	6.5	11	2.6
PetroChina Company Ltd (14%)	PTR	H	130.30	12.6	7.7	6.2	13	3.5
Petrobras	PBR	H	16.75	12.9	8.1	5.1	6	2.8
Chevron Corporation	CVX	H	120.18	9.0	6.9	5.1	10	3.0
Royal Dutch Shell plc	RDS-A	H	64.87	9.9	6.5	4.5	8	5.3
Total S.A.	TOT	H	48.81	10.4	7.3	4.5	8	6.3
Lukoil Oil Company	LUKOY	B	62.34	15.9	6.1	2.6	5	3.9
Gazprom (50%)	OGZPY	H	8.94	31.2	4.6	2.2	3	6.5
Median				12.8	7.1	4.8	8	3.7
U.S. Independent								
Devon Energy Corporation	DVN	B	57.02	10.4	9.8	6.3	15	1.4
ConocoPhillips	COP	H	60.21	12.7	8.2	5.5	10	4.4
EOG Resources, Inc.	EOG	H	123.92	7.8	6.8	5.5	16	0.6
Occidental Petroleum Corp.	OXY	H	78.05	9.8	7.2	4.9	10	2.8
Marathon Oil Corporation	MRO	B	33.72	8.9	7.2	4.7	9	2.0
Median				9.8	7.2	5.5	10	2.0
Canada/Norway/Australia								
EnCana Corporation	ECA	H	19.07	8.4	10.7	7.9		4.2
Imperial Oil Limited (30%)	IMO	CB	41.35	19.0	11.2	7.9	10	1.1
Woodside Petroleum Ltd.	WOPEY	H	38.30	9.5	8.8	7.7	16	3.4
Cenovus Energy Inc.	CVE	H	30.77	13.7	9.8	6.9	7	3.1
Canadian Oil Sands Limited	COSWF	H	20.66	19.2	12.3	6.3	10	6.6
Suncor Energy	SU	CB	30.10	15.8	9.4	5.0	9	1.7
Statoil ASA (33%)	STO	H	24.29	6.3	5.9	3.8	7	4.8
Median				13.7	9.8	6.9	10	3.4
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold								
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation								
and amortization; NTM = Next Twelve Months Ended March 31, 2014; P/E = Stock Price to								
Earnings; PV = Present Value of oil and gas and other businesses								



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Table 4									
McDep Large Cap Energy Stocks									
Total Return and Enterprise Value Momentum									
				Equity					
			Price	Total					
			(\$/sh)	Return	Enterprise Value/				
	Symbol		25-Mar	YTD	52Wk	52Wk	50 Day	200 Day	McDep
	Rating		2013	(%)	High	Low	Avg.	Avg.	Ratio
Global Integrated									
Chevron Corporation	CVX	H	120.18	12	0.99	1.22	1.03	1.07	0.73
Lukoil Oil Company	LUKOY	B	62.34	(8)	0.92	1.23	0.95	1.02	0.43
Exxon Mobil Corporation	XOM	B	89.02	3	0.96	1.13	1.00	1.01	0.83
Total S.A.	TOT	H	48.81	(5)	0.91	1.12	0.96	0.99	0.62
PetroChina Company Ltd (14%)	PTR	H	130.30	(10)	0.90	1.08	0.96	0.99	0.80
Royal Dutch Shell plc	RDS-A	H	64.87	(5)	0.90	1.05	0.97	0.96	0.70
Gazprom (50%)	OGZPY	H	8.94	(8)	0.77	1.03	0.98	0.96	0.47
Petrobras	PBR	H	16.75	(14)	0.74	1.08	0.98	0.91	0.63
Median				(6)	0.91	1.10	0.97	0.99	0.66
U.S. Independent									
Marathon Oil Corporation	MRO	B	33.72	11	0.96	1.28	1.00	1.09	0.65
EOG Resources, Inc.	EOG	H	123.92	3	0.91	1.39	0.98	1.08	0.80
ConocoPhillips	COP	H	60.21	6	0.98	1.12	1.02	1.04	0.67
Devon Energy Corporation	DVN	B	57.02	10	0.83	1.08	1.01	1.00	0.64
Occidental Petroleum Corp.	OXY	H	78.05	2	0.80	1.07	0.94	0.95	0.68
Median				6	0.91	1.12	1.00	1.04	0.67
Canada/Norway/Australia									
Woodside Petroleum Ltd.	WOPEY	H	38.30	10	0.96	1.24	1.01	1.07	0.87
Canadian Oil Sands Limited	COSWF	H	20.62	4	0.90	1.13	0.99	1.00	0.51
Statoil ASA (33%)	STO	H	24.29	(3)	0.91	1.07	0.97	0.98	0.65
Suncor Energy	SU	CB	30.10	(8)	0.87	1.12	0.95	0.96	0.54
Imperial Oil Limited (30%)	IMO	CB	41.35	(3)	0.85	1.07	0.97	0.95	0.70
Cenovus Energy Inc.	CVE	H	30.77	(8)	0.86	1.05	0.96	0.95	0.70
EnCana Corporation	ECA	H	19.07	(2)	0.85	1.05	1.00	0.94	0.74
Median				(3)	0.87	1.07	0.97	0.96	0.70
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average. H = Hold									



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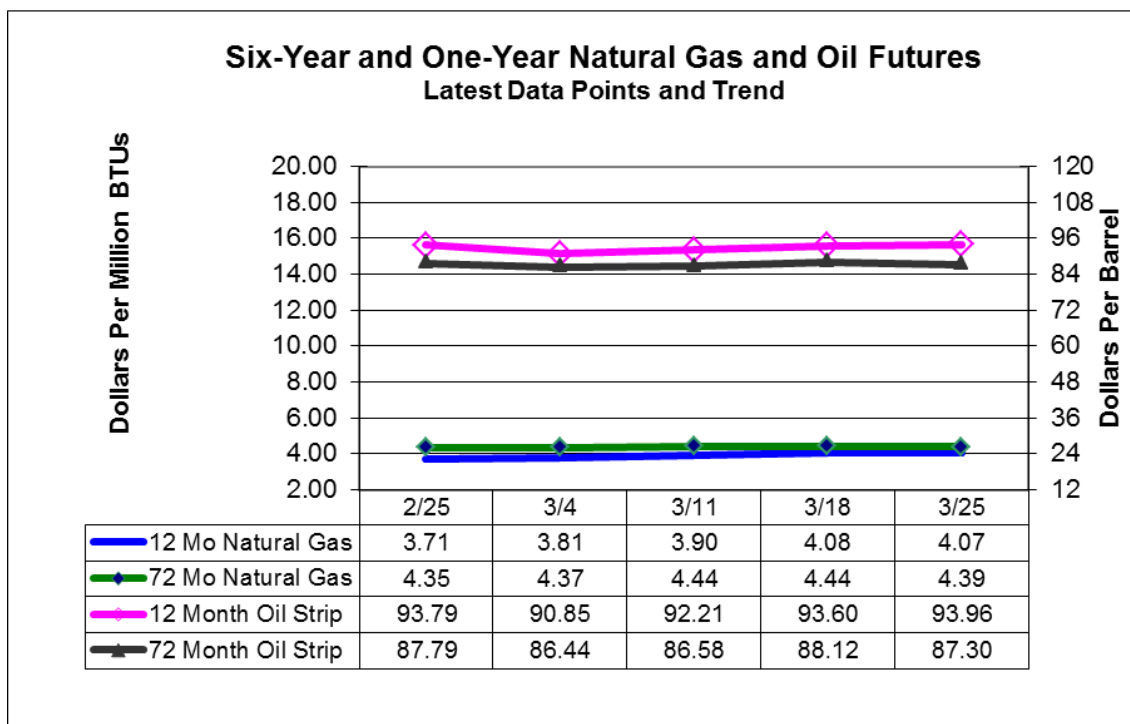
Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
22-Mar	SJT	San Juan Basin Royalty Trust	Drill and It Shale Set You Free (ISCW)
19-Mar	LUKOY	Lukoil	Emerging Oil Capitalists (Meter Reader)
15-Mar	CRT	Cross Timbers Royalty Trust	San Juan Basin Gem (Income and Small Cap Weekly)
12-Mar	XOM	Exxon Mobil	Energy Anchor (Meter Reader)
8-Mar	RRC	Range Resources	Raise NPV to \$90 from \$70 on Big Wells (Income and Small Cap Wkly)
5-Mar	EOG	EOG Resources	Raise NPV to \$160 from \$145 on Shale Oil (Meter Reader)
1-Mar	ERF	Enerplus Corporation	Back on Track, Discontinue Buy (Income and Small Cap Weekly)
26-Feb	SU	Suncor Energy	Keystone Decision Beneficiary (Meter Reader)
22-Feb	XEC	Cimarex Energy	Wolfcamp New Legacy Asset (Income and Small Cap Weekly)
21-Feb	BRY	Berry Petroleum	Linn Energy to Acquire Berry for McDep Ratio of 0.77
19-Feb	ECA	Encana Corporation	Survived the Downside, Ready for the Upside (Meter Reader)
15-Feb	BIREF	Birchcliff Energy	Production Up 26% in 2012 (Income and Small Cap Weekly)
12-Feb	IMO	Imperial Oil	New Volume Imminent (Meter Reader)
8-Feb	WLL	Whiting Petroleum	Low McDep Ratio Shale Oil (Inc and Small Cap Wkly)
5-Feb	COP	ConocoPhillips	Raise NPV to \$105 from \$96 on Performance (Meter Reader)
25-Jan	CLR	Continental Resources	Bakken Reserves Exceed a Half-Billion Barrels (ISCW)
22-Jan	WOPEY	Woodside Petroleum, Ltd.	Politically-Secure, Clean Fuel Supplier (Meter Reader)
18-Jan	DMLP	Dorchester Minerals, L.P.	Distribution Swings Up (Income and Small Cap Weekly)
17-Jan	SJT	San Juan Basin Royalty Trust	7.7% Holder Disclosed
11-Jan	PDCE	PDC Energy	Mancos (Niobrara) Winner (Income and Small Cap Weekly)
8-Jan	DVN	Devon Energy	Quality North American Oil and Gas Supplier (Meter Reader)
28-Dec	FRHLF	Freehold Royalties Ltd.	Advantaged Ride on North American Oil Growth (ISCW)
18-Dec	STO	Statoil	Profitable Reinvestment (Meter Reader)
11-Dec	CVE	Cenovus	Canada Approves CNOOC and Petronas Deals (Meter Reader)
7-Dec	PBT	Permian Basin Royalty Trust	New Volume from Horizontal Fracking (ISCW)
20-Nov	MRO	Marathon Oil	Raise NPV to \$60 from \$54 on Volume (Meter Reader)
9-Nov	HK	Halcón Resources	Growing at Hawk Speed (Income and Small Cap Weekly)
6-Nov	HGT	Hugoton Royalty Trust	Interim Legal Ruling in Favor of Trust
30-Oct	COSWF	Canadian Oil Sands Limited	Discounted Pure Play on North American Oil with Income (MR)
23-Oct	PBR	Petrobras	Stock Price Recovering (Meter Reader)
16-Oct	RDS	Royal Dutch Shell	Clean Energy for Global Growth (Meter Reader)
2-Oct	CVX	Chevron	Top Performer Shows Further Promise (Meter Reader)
7-Sep	PEYUF	Peyto Exploration and Development	Canada Deep Basin Fracker (Income and Small Cap Weekly)
28-Aug	PTR	PetroChina	Pent-Up Profits (Meter Reader)
21-Aug	TOT	Total	Buy \$100 NPV for \$50 Stock Price (Meter Reader)
For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.			
Meter Reader			
19-Mar	LUKOY	Lukoil	Emerging Oil Capitalists
12-Mar	XOM	Exxon Mobil	Energy Anchor
5-Mar	EOG	EOG Resources	Raise NPV to \$160 from \$145 on Shale Oil
26-Feb	SU	Suncor Energy	Keystone Decision Beneficiary
For earlier editions, go to mcdep.com , click on Meter Reader .			
Income and Small Cap Weekly			
22-Mar	SJT	San Juan Basin Royalty Trust	Drill and It Shale Set You Free
15-Mar	CRT	Cross Timbers Royalty Trust	San Juan Basin Gem
8-Mar	RRC	Range Resources	Raise NPV to \$90 from \$70 on Big Wells
1-Mar	ERF	Enerplus Corporation	Back on Track, Discontinue Buy
For earlier editions, go to mcdep.com , click on Energy Income .			



Meter Reader

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March 26, 2013



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