



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

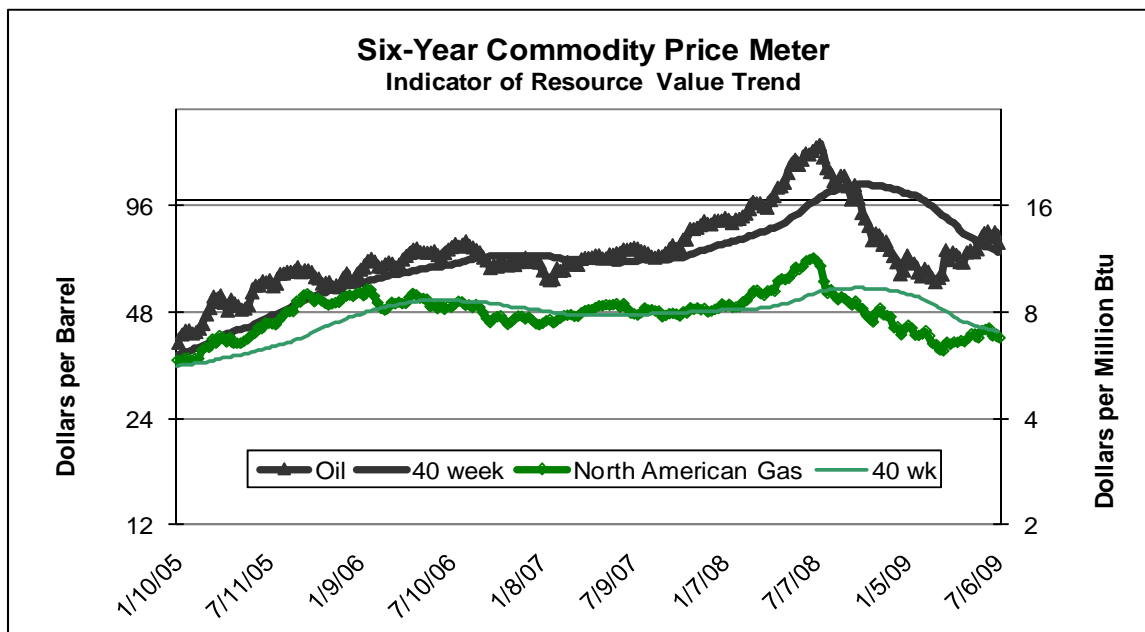
July 7, 2009

## Mr. Obama Goes to Moscow

### Summary and Recommendation

U.S. President Obama's historic visit July 6-8 with Russian President Medvedev and Prime Minister Putin is important for all of us and specifically for at least seven of our buy recommendations, **ConocoPhillips (COP)**, **ExxonMobil (XOM)**, **Gazprom (OGZPY)**, **Lukoil (LUKOY)**, **Total (TOT)**, **BP (BP plc)** and **Royal Dutch Shell (RDS)**. The humbling experience of a financial crisis initiated in the U.S. and the accompanying lower prices for Russia's exports of energy ought to contribute to an atmosphere for cooperation. COP has an apparently successful working relationship with 20% owned Lukoil including the joint development of a new oil field in Russia now contributing to production gains for both companies. Helped previously by French President Sarkozy, TOT gained recent acceptance as a 25% investor in independent Russian producer Novatek. More examples of Russian, European and U.S. companies working together efficiently might help justify higher stock prices for our recommendations. At the same time, we are aware of the risks in Russia and elsewhere, recently measured by stock price volatility over the past year. Meanwhile, six-year oil is holding above its 40-week average (\$75 v \$70) while six-year natural gas could struggle a bit longer (\$6.73 v \$7.04) (see chart below, [Six-Year Commodity Price Meter](#) and on last page, [Six-Year and One-Year Natural Gas and Oil Futures](#)). The quarter just ended can be the low point for rate of decline in energy price markers (see page 2, [Quarterly Price Markers](#) and [Price Marker Change](#)).

Kurt H. Wulff, CFA

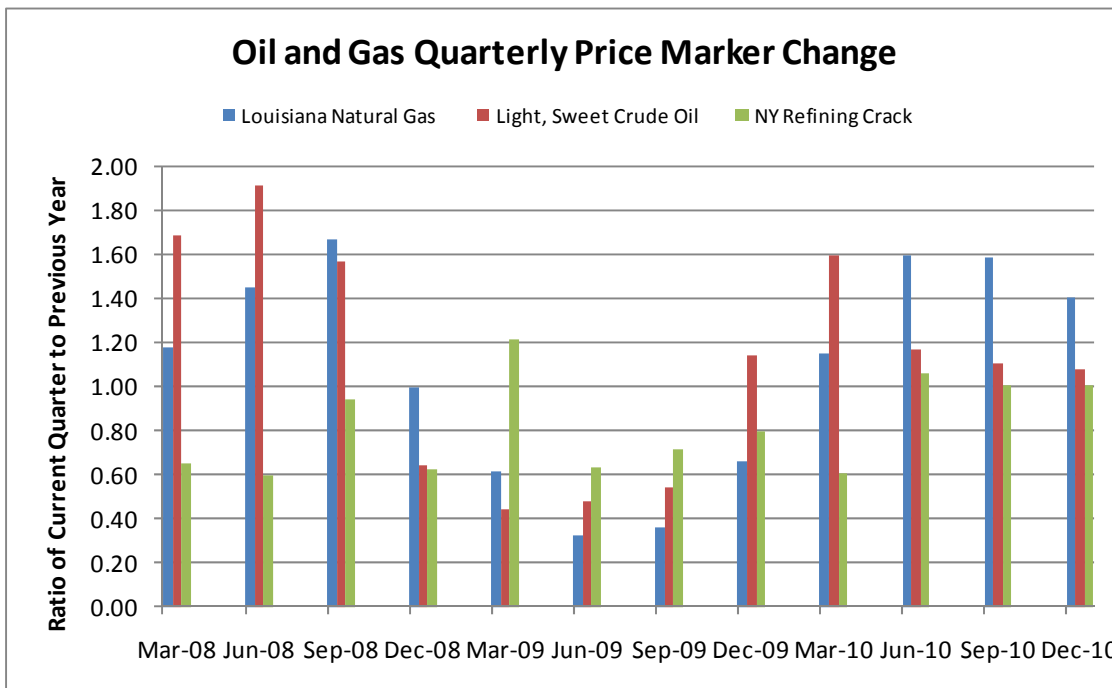
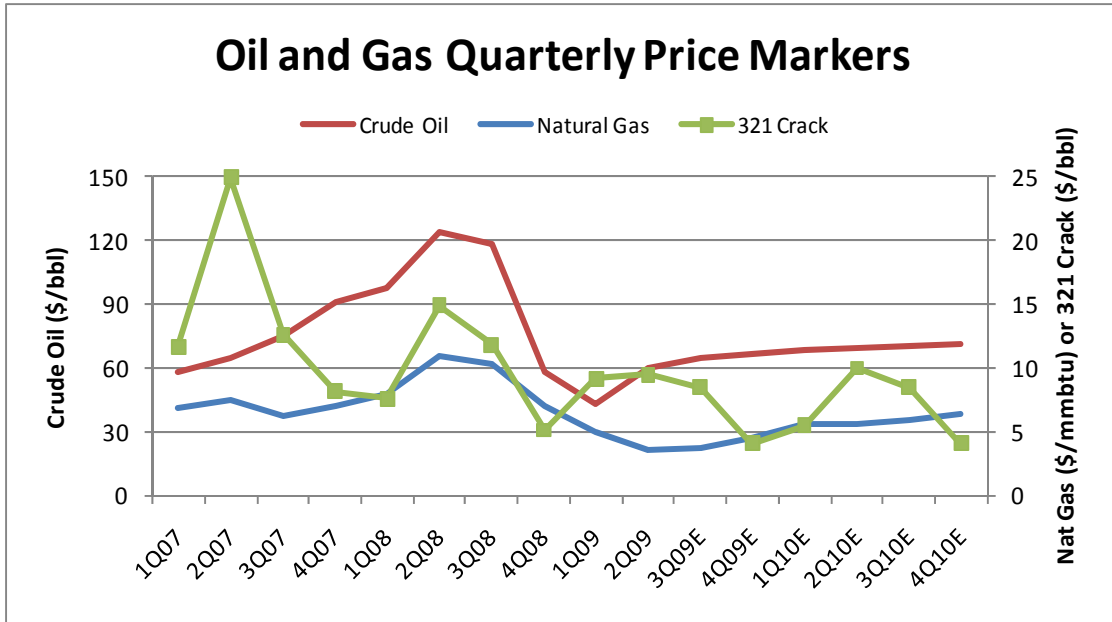




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Table 1											
McDep Energy Portfolio											
Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating	Price (US\$/sh)	EV/Market	Enterprise Value (\$mm)	Natural Gas	Rest of World	Oil Prod'n	Down-stream	McDep Ratio		
	B = Buy H = Hold	6-Jul 2009	Cap								
<b>U.S. Integrated</b>											
Exxon Mobil Corporation	XOM	B	68.10	1.12	380,000	6	21	49	23	0.78	
Chevron Corporation	CVX	H	64.14	1.25	161,000	4	11	66	18	0.70	
Marathon Oil Corporation	MRO	B	28.76	1.55	31,800	10	7	57	26	0.64	
ConocoPhillips	COP	B	40.83	1.84	113,000	13	10	61	16	0.52	
<i>Total or Median *</i>	<i>33%</i>	<i>9%</i>	<i>11%</i>		<i>686,000</i>					<i>0.67</i>	
<b>Europe</b>											
BG Group	BRGXF	B	16.46	1.13	63,200		27	46	27	0.77	
BP plc	BP	B	45.93	1.45	210,000	8	12	64	15	0.70	
Royal Dutch Shell plc	RDS-A	B	47.96	1.33	196,000	3	24	40	33	0.67	
Total S.A.	TOT	B	52.08	1.27	148,000		25	53	22	0.64	
StatoilHydro ASA (33%)	STO	B	18.75	1.42	27,900		54	46	-	0.62	
<i>Total or Median *</i>	<i>31%</i>	<i>12%</i>	<i>19%</i>		<i>645,000</i>					<i>0.67</i>	
<b>Brazil/China/Russia</b>											
CNOOC Limited (34%)	CEO	B	117.92	1.00	18,000		12	88	-	0.87	
PetroChina Company Ltd (14%)	PTR	B	105.68	1.15	31,200		13	74	13	0.73	
Petrobras	PBR	B	37.43	1.22	201,000		7	77	16	0.69	
Lukoil Oil Company	LUKOY	B	42.15	1.18	42,000			62	38	0.35	
Gazprom (50%)	OGZPY	B	18.65	1.29	71,000		79	21	-	0.35	
<i>Total or Median *</i>	<i>17%</i>	<i>12%</i>	<i>19%</i>		<i>363,000</i>					<i>0.69</i>	
<b>U.S. Independent</b>											
Anadarko Petroleum Corp.	APC	B	41.79	1.81	34,700	55		41	4	0.73	
Occidental Petroleum Corp.	OXY	B	61.70	1.11	55,800	12	1	78	9	0.71	
XTO Energy Inc.	XTO	B	34.13	1.56	30,800	79		21	-	0.67	
EOG Resources	EOG	B	62.63	1.15	18,000	77	3	19	-	0.60	
Chesapeake Energy Corp.	CHK		17.93	2.31	24,800	89		11	-	0.60	
Devon Energy Corporation	DVN	B	51.29	1.40	31,900	67		33	-	0.53	
<i>Total or Median *</i>	<i>9%</i>	<i>14%</i>	<i>19%</i>		<i>196,000</i>					<i>0.64</i>	
<b>Canada</b>											
Imperial Oil Limited (30%)	IMO	B	36.35	1.08	10,100	5		79	16	0.77	
Encana Corporation	ECA	B	45.93	1.35	46,600	69		26	4	0.68	
Canadian Natural Resources	CNQ	B	48.24	1.47	38,300	24		76	-	0.66	
Suncor Energy pro forma	SU	B	26.79	1.38	57,800	6		85	7	0.59	
Canadian Oil Sands Trust	COSWF	B	22.17	1.12	11,900			100	-	0.56	
Petro-Canada (to be SU@1.28)	PCZ	B	33.93								
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>19%</i>		<i>165,000</i>					<i>0.66</i>	
<b>Income and Small Cap (see separate weekly analysis)</b>											
	<i>2%</i>	<i>42%</i>	<i>15%</i>		<i>40,700</i>	<i>46</i>		<i>54</i>		<i>0.74</i>	
<b>Composite</b>											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,095,700</i>	<i>12</i>	<i>16</i>	<i>56</i>	<i>17</i>	<i>0.66</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>35</i>	<i>7</i>	<i>50</i>	<i>7</i>	<i>0.68</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>25</i>	<i>11</i>	<i>54</i>	<i>10</i>	<i>0.65</i>	

Please see disclosures on the final page.

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			Price			Net		
	Symbol/Rating		(US\$/sh)	Shares	Market	Present	Debt/	
	B = Buy	6-Jul			Cap	Value	Present	McDep
	H = Hold	2009		(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	68.10	4,959	338,000	90.00	0.09	0.78
Chevron Corporation	CVX	H	64.14	2,000	128,000	98.00	0.14	0.70
Marathon Oil Corporation	MRO	B	28.76	712	20,480	54.00	0.23	0.64
ConocoPhillips	COP	B	40.83	1,495	61,000	109.00	0.24	0.52
<i>Total or Median</i>					<i>547,000</i>		<i>0.18</i>	<i>0.67</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	16.46	3,384	55,690	22.00	0.09	0.77
BP plc	BP	B	45.93	3,153	145,000	74.00	0.22	0.70
Royal Dutch Shell plc	RDS-A	B	47.96	3,063	147,000	80.00	0.17	0.67
Total S.A.	TOT	B	52.08	2,235	116,000	90.00	0.14	0.64
StatoilHydro ASA (33%)	STO	B	18.75	1,051	19,710	35.00	0.18	0.62
<i>Total or Median</i>					<i>483,000</i>		<i>0.17</i>	<i>0.67</i>
<b>Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO	B	117.92	152	17,960	135.00	-	0.87
PetroChina Company Ltd (14%)	PTR	B	105.68	256	27,080	150.00	0.10	0.73
Petrobras	PBR	B	37.43	4,387	164,210	58.00	0.13	0.69
Lukoil Oil Company	LUKOY	B	42.15	847	36,000	135.00	0.05	0.35
Gazprom (50%)	OGZPY	B	18.65	2,925	54,600	64.00	0.08	0.35
<i>Total or Median</i>					<i>300,000</i>		<i>0.08</i>	<i>0.69</i>
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC	B	41.79	460	19,200	70.00	0.33	0.73
Occidental Petroleum Corp.	OXY	B	61.70	814	50,300	89.00	0.07	0.71
XTO Energy Inc.	XTO	B	34.13	578	19,730	60.00	0.24	0.67
EOG Resources	EOG	B	62.63	250	15,700	110.00	0.08	0.60
Chesapeake Energy Corp.	CHK		17.93	597	10,700	46.00	0.34	0.60
Devon Energy Corporation	DVN	B	51.29	444	22,800	116.00	0.15	0.53
<i>Total or Median</i>					<i>138,400</i>		<i>0.20</i>	<i>0.64</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	36.35	257	9,330	48.00	0.06	0.77
Encana Corporation	ECA	B	45.93	751	34,500	75.00	0.18	0.68
Canadian Natural Resources	CNQ	B	48.24	541	26,100	85.00	0.21	0.66
Suncor Energy pro forma	SU	B	26.79	1,565	41,920	52.00	0.16	0.59
Canadian Oil Sands Trust	COSWF	B	22.17	482	10,690	42.00	0.06	0.56
Petro-Canada (to be SU@1.28)	PCZ	B	33.93					
<i>Total or Median</i>					<i>123,000</i>		<i>0.16</i>	<i>0.66</i>
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.								



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Table 3								
McDep Energy Portfolio								
Value Multiples and Distribution Yield								
			Price	Adjustd				Divd or
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/		Distrib
	B = Buy		6-Jul	Prod	Ebitda	Ebitda	P/E	NTM
	H = Hold		2009	NTM	NTM	NTM	NTM	(%)
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	68.10	11.9	8.8	6.9	12	2.3
Chevron Corporation	CVX	H	64.14	9.9	7.8	5.5	12	4.1
Marathon Oil Corporation	MRO	B	28.76	9.2	7.8	5.0	11	3.3
ConocoPhillips	COP	B	40.83	10.5	9.2	4.8	8	4.6
	<i>Total or Median</i>			<i>10.2</i>	<i>8.3</i>	<i>5.2</i>	<i>12</i>	<i>3.7</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	16.46	9.1	8.9	6.8	14	1.1
BP plc	BP	B	45.93	9.8	7.8	5.5	9	7.3
Total S.A.	TOT	B	52.08	9.3	7.8	5.0	9	6.1
Royal Dutch Shell plc	RDS-A	B	47.96	7.6	7.4	4.9	9	7.0
StatoilHydro ASA (33%)	STO	B	18.75	7.4	6.2	3.8	8	6.0
	<i>Total or Median</i>			<i>9.1</i>	<i>7.8</i>	<i>5.0</i>	<i>9</i>	<i>6.1</i>
<b>Brazil/China/Russia</b>								
Petrobras	PBR	B	37.43	9.4	11.9	8.2	14	4.4
PetroChina Company Ltd (14%)	PTR	B	105.68	14.3	9.8	7.2	24	3.9
CNOOC Limited (34%)	CEO	B	117.92	7.5	7.2	6.2	12	4.4
Gazprom (50%)	OGZPY	B	18.65	24.6	11.5	4.0	5	1.8
Lukoil Oil Company	LUKOY	B	42.15	16.4	11.2	3.9	8	2.9
	<i>Total or Median</i>			<i>14.3</i>	<i>11.2</i>	<i>6.2</i>	<i>12</i>	<i>3.9</i>
<b>U.S. Independent</b>								
XTO Energy Inc.	XTO	B	34.13	11.5	13.6	9.2	15	1.5
Chesapeake Energy Corp.	CHK		17.93	11.7	14.7	8.7	22	1.7
EOG Resources	EOG	B	62.63	9.8	12.6	7.6	76	0.9
Anadarko Petroleum Corp.	APC	B	41.79	9.2	9.8	7.2		1.7
Occidental Petroleum Corp.	OXY	B	61.70	10.9	8.3	6.0	13	2.1
Devon Energy Corporation	DVN	B	51.29	8.8	10.6	5.6	13	1.2
	<i>Total or Median</i>			<i>10.3</i>	<i>11.6</i>	<i>7.4</i>	<i>15</i>	<i>1.6</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	36.35	18.2	14.1	10.8	22	0.9
Canadian Oil Sands Trust	COSWF	B	22.17	21.5	14.4	8.0	11	8.9
Encana Corporation	ECA	B	45.93	9.0	11.4	7.8	13	3.5
Canadian Natural Resources	CNQ	B	48.24	7.9	11.2	7.4	15	0.7
Suncor Energy pro forma	SU	B	26.79	-	9.8	5.8	38	0.6
Petro-Canada (to be SU@1.28)	PCZ	B	33.93					
	<i>Total or Median</i>			<i>9.0</i>	<i>11.4</i>	<i>7.8</i>	<i>15</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 June 30, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses



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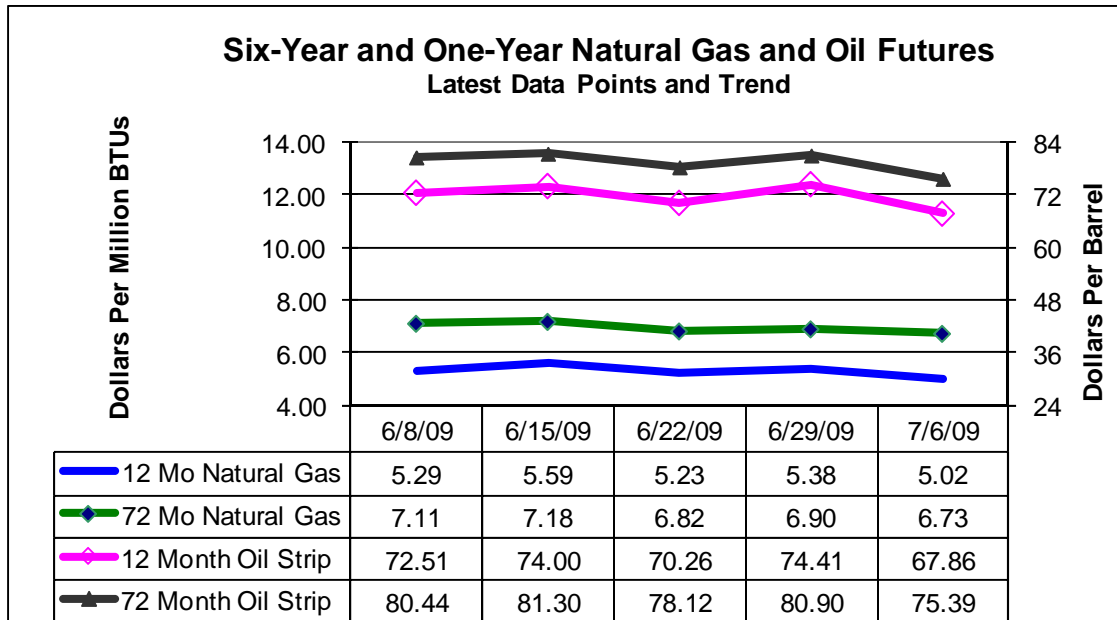
<b>Index of Recent Research</b>			
<b>Stock Ideas</b>			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
3-Jul	EAC	Encore Acquisition Company	Raise NPV for EAC and ENP on Timely Deals (ISCW)
19-Jun	PWE	Penn West Energy Trust	Play It by Income in Canadian Light Oil (ISC Weekly)
12-Jun	COSWF	Canadian Oil Sands Trust	Raise Estimated Distribution to US\$2.06 from 0.55 (ISCW)
5-Jun	* DMLP	Dorchester Minerals, L.P.	New Buy on Shale Formation Backlog (ISC Weekly)
2-Jun	* RDSA	Royal Dutch Shell plc	Restore Buy (Meter Reader)
2-Jun	* BP	BP p.l.c.	Restore Buy (Meter Reader)
2-Jun	* MRO	Marathon Oil Corporation	Restore Buy (Meter Reader)
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	* 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	* XTO	XTO Energy Inc.	Restore Buy on New Price Trend
6-May	* DVN	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	* XOM	Exxon Mobil Corporation	Strong Performer in Tough Times
29-Apr	* OGZPY	Gazprom	Expect Modest Results for 2009
29-Apr	* CEO	CNOOC Ltd	Reinstate Buy on Rising Outlook
28-Apr	* PTR	PetroChina Company Limited	Tax and Price Control Relief
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
<b>Meter Reader</b>			
7-Jul		Weekly	
30-Jun		Weekly	Natural Gas Innovators' Dilemma
23-Jun		Weekly	Constructive on Marathon Oil
16-Jun	*	Weekly	Long-Term Natural Gas Price in Uptrend
<b>Income and Small Cap Weekly</b>			
3-Jul		Encore (EAC, ENP)	Raise NPV on Timely Deals
26-Jun		Weekly	Volume Decline Boosts Product Price, Trims Cash
19-Jun		Penn West, Pengrowth, Enerplus	Play It by Income in Canadian Light Oil
12-Jun	*	Canadian Oil Sands Trust	Raise Estimated Distribution to US\$2.06 from 0.55
<b>Industry Ideas</b>			
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
	*	Archived on <a href="http://www.mcdep.com">www.mcdep.com</a>	



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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.