



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

April 6, 2010

Canadian Values

Summary and Recommendation

Canadian buy recommendations including natural gas producer **Encana (ECA)** and oil producer **Canadian Oil Sands Trust (COSWF)** trend toward a McDep Ratio of 1.00 while the Canadian Dollar has reached a ratio of 1.00 to the U.S. Dollar compared to the 200-day average of 0.94. At the same time, six-year oil is at \$90 a barrel compared to the 40-week average of \$84. Six-year natural gas at \$6.11 a million btu is approaching the 40-week average of \$6.54 (see chart below, [Six-Year Commodity Price Meter](#) and on page 6, [Six-Year and One-Year Natural Gas and Oil Futures](#)). Modest size, measured by Market Cap and Debt, along with primary concentration on a single fuel may make ECA and COSWF particularly attractive to a potential acquirer (see Tables 1-3). ECA could hold the same technological and resource appeal for a large integrated company that XTO Energy held for buy-recommended **ExxonMobil (XOM)**. COSWF might have special appeal to national oil companies in consuming countries, like China and India, which actively seek international oil supply. Integrated oil producer **Cenovus (CVE)** is an attractive size as a potential acquisition while larger **Canadian Natural Resources (CNQ)** would be more of a surprise as a target. More diversified **Suncor (SU)** inherited some government-related takeover restrictions in its acquisition of Petro-Canada last year. **Imperial Oil (IMO)**, 70% owned by XOM, regularly repurchases its own stock as it pursues an effective “self-takeover” strategy. All six of the Canadian large cap buy recommendations have attractive long-term resource potential, in our opinion.

Kurt H. Wulff, CFA

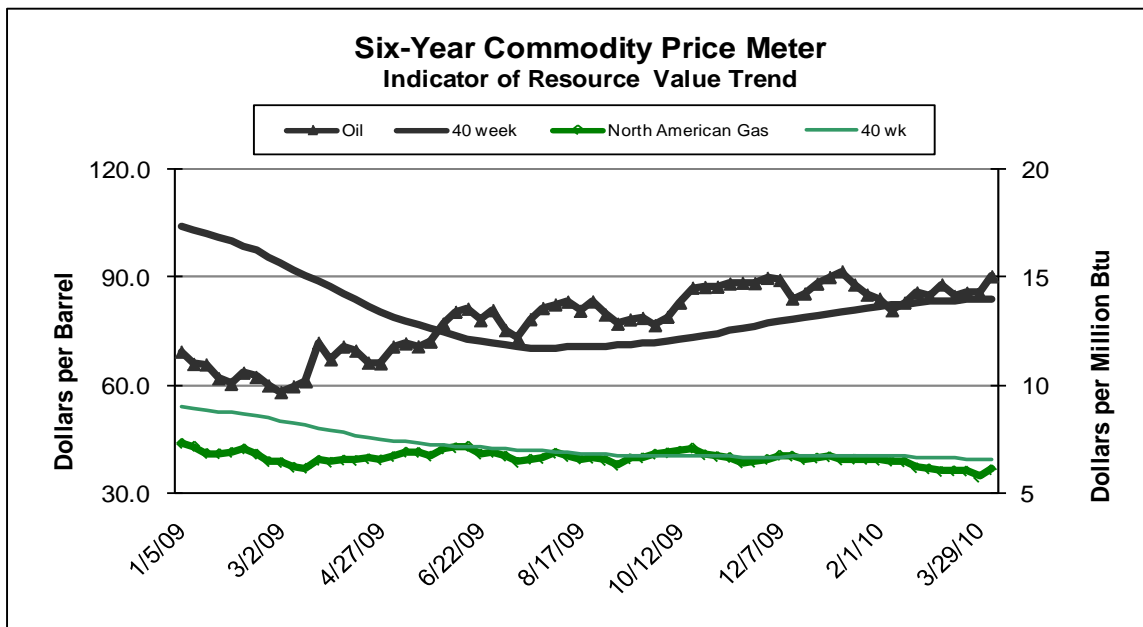


Table 1											
McDep Energy Portfolio											
Geographic Domicile and Business Segments											
				Present Value by Segment (%)							
				Price	EV/	Enterprise	North	Rest			
				(US\$/sh)	Market	Value	Amer.	of World			
				5-Apr	Cap	(\$mm)	Natural	Natural	Oil	Down-	McDep
				2010			Gas	Gas	Prod'n	stream	Ratio
B = Buy, CB (see below)											
Symbol/Rating											
U.S. Integrated											
Exxon Mobil Corporation	XOM	CB	68.19	1.17	417,000	9	21	53	17	0.79	
Chevron Corporation	CVX	B	77.66	1.19	186,000	4	10	72	14	0.74	
Marathon Oil Corporation	MRO	B	32.42	1.52	35,100	7	3	64	26	0.71	
ConocoPhillips	COP	B	53.28	1.66	133,000	13	10	63	14	0.68	
<i>Total or Median *</i>	30%	9%	14%		771,000					0.72	
Europe											
BG Group	BRGX	B	18.20	1.14	70,300		22	47	31	0.84	
Royal Dutch Shell plc	RDSA	B	59.55	1.34	245,000	3	26	48	23	0.80	
BP plc	BP	B	58.51	1.32	244,000	6	10	62	22	0.78	
Statoil ASA (33%)	STO	B	23.97	1.41	35,600		49	51	-	0.75	
Total S.A.	TOT	B	59.89	1.26	169,000		19	59	22	0.71	
<i>Total or Median *</i>	30%	11%	17%		764,000					0.78	
Australia/Brazil/China/Russia											
CNOOC Limited (34%)	CEO	B	172.53	1.02	26,800		11	89	-	1.18	
Woodside Petroleum Ltd.	WOPEY	B	43.75	1.17	39,000		71	29	-	0.99	
PetroChina Company Ltd (14%)	PTR	B	121.52	1.22	37,900		14	72	14	0.84	
Petrobras	PBR	B	45.91	1.26	254,000		5	80	15	0.83	
Lukoil Oil Company	LUKOY	B	59.01	1.13	56,500			68	32	0.47	
Gazprom (50%)	OGZPY	B	24.30	1.31	94,000		76	24	-	0.44	
<i>Total or Median *</i>	20%	14%	21%		508,000					0.83	
U.S. Independent											
Anadarko Petroleum Corp.	APC	B	74.74	1.40	51,600	45		50	4	1.11	
EOG Resources	EOG	B	97.77	1.13	27,600	69	5	27	-	1.06	
Occidental Petroleum Corp.	OXY	B	88.41	1.07	77,000	10	1	82	7	0.93	
Chesapeake Energy Corp.	CHK		24.58	1.90	29,300	89		11	-	0.83	
Devon Energy Corporation	DVN	B	67.21	1.04	31,700	57		43	-	0.70	
<i>Total or Median *</i>	9%	11%	14%		217,000					0.93	
Canada											
Cenovus Energy Inc.	CVE	B	28.58	1.32	28,300	23		70	7	1.04	
Canadian Natural Resources	CNQ	B	79.61	1.27	54,800	13		87	-	0.91	
Imperial Oil Limited (30%)	IMO	B	41.44	1.08	11,500	5		81	15	0.87	
Canadian Oil Sands Trust	COSWF	B	31.59	1.09	16,700			100	-	0.84	
EnCana Corporation	ECA	B	32.95	1.36	33,500	95		5	-	0.83	
Suncor Energy	SU	B	35.12	1.35	74,000	5		84	11	0.79	
<i>Total or Median *</i>	9%	14%	21%		219,000					0.86	
Income and Small Cap (see separate weekly analysis)											
	2%	41%	14%		50,800	38		62		0.99	
Composite											
<i>Enterprise Value Weighting</i>	100%				2,530,000	10	16	60	15	0.78	
<i>Equal Weighting</i>		100%				31	8	54	6	0.88	
<i>Equal Weighted Buys</i>			100%			24	12	55	9	0.83	
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.											
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.											
* Percentages in Price column refer to equal weighted buys.											



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Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price (US\$/sh)	Shares	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
	Symbol/Rating	5-Apr	2010	(mm)				
B = Buy, CB (see below)								
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	68.19	5,215	356,000	89.00	0.12	0.79
Chevron Corporation	CVX	B	77.66	2,004	156,000	110.00	0.12	0.74
Marathon Oil Corporation	MRO	B	32.42	711	23,050	53.00	0.24	0.71
ConocoPhillips	COP	B	53.28	1,501	80,000	95.00	0.27	0.68
<i>Total or Median</i>						<i>615,000</i>	<i>0.18</i>	<i>0.72</i>
Europe								
BG Group plc	BRGXF	B	18.20	3,397	61,800	22.00	0.10	0.84
Royal Dutch Shell plc	RDS-A	B	59.55	3,064	182,000	79.00	0.21	0.80
BP plc	BP	B	58.51	3,162	185,000	80.00	0.19	0.78
Statoil ASA (33%)	STO	B	23.97	1,050	25,200	35.00	0.22	0.75
Total S.A.	TOT	B	59.89	2,241	134,000	90.00	0.15	0.71
<i>Total or Median</i>						<i>588,000</i>	<i>0.19</i>	<i>0.78</i>
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	172.53	152	26,200	145.00	0.03	1.18
Woodside Petroleum Ltd.	WOPEY	B	43.75	763	33,100	44.00	0.14	0.99
PetroChina Company Ltd (14%)	PTR	B	121.52	256	31,100	150.00	0.15	0.84
Petrobras	PBR	B	45.91	4,387	201,400	58.00	0.17	0.83
Lukoil Oil Company	LUKOY	B	59.01	847	50,000	135.00	0.05	0.47
Gazprom (50%)	OGZPY	B	24.30	2,955	71,800	64.00	0.10	0.44
<i>Total or Median</i>						<i>414,000</i>	<i>0.12</i>	<i>0.83</i>
U.S. Independent								
Anadarko Petroleum Corp.	APC	B	74.74	494	36,900	64.00	0.32	1.11
EOG Resources	EOG	B	97.77	251	24,500	92.00	0.12	1.06
Occidental Petroleum Corp.	OXY	B	88.41	814	71,900	95.00	0.06	0.93
Chesapeake Energy Corp.	CHK		24.58	628	15,400	34.00	0.39	0.83
Devon Energy Corporation	DVN	B	67.21	450	30,300	98.00	0.03	0.70
<i>Total or Median</i>						<i>179,000</i>	<i>0.12</i>	<i>0.93</i>
Canada								
Cenovus Energy Inc.	CVE	B	28.58	751	21,500	27.00	0.25	1.04
Canadian Natural Resources	CNQ	B	79.61	542	43,100	90.00	0.19	0.91
Imperial Oil Limited (30%)	IMO	B	41.44	256	10,600	48.00	0.07	0.87
Canadian Oil Sands Trust	COSWF	B	31.59	484	15,300	38.00	0.07	0.84
EnCana Corporation	ECA	B	32.95	751	24,700	42.00	0.22	0.83
Suncor Energy	SU	B	35.12	1,566	55,000	48.00	0.20	0.79
<i>Total or Median</i>						<i>170,000</i>	<i>0.20</i>	<i>0.86</i>

CB=Contrarian Buy, Stock Price may in downtrend compared to 200-day average.

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, \$8 a million btu.



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Table 3								
McDep Energy Portfolio								
Value Multiples and Distribution Yield								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib NTM
	Symbol/Rating		5-Apr 2010	NTM	NTM	NTM	NTM	(%)
B = Buy, CB (see below)								
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	68.19	13.6	8.1	6.4	12	2.5
Marathon Oil Corporation	MRO	B	32.42	8.9	7.0	5.0	10	3.0
ConocoPhillips	COP	B	53.28	10.4	7.3	4.9	9	4.1
Chevron Corporation	CVX	B	77.66	9.0	6.2	4.6	9	3.5
<i>Total or Median</i>				9.7	7.2	5.0	9	3.2
Europe								
BG Group plc	BRGXF	B	18.20	8.2	8.5	7.2	14	1.0
Royal Dutch Shell plc	RDS-A	B	59.55	8.9	6.3	5.0	10	5.6
BP plc	BP	B	58.51	9.5	6.3	5.0	8	5.7
Total S.A.	TOT	B	59.89	9.6	6.8	4.8	9	5.2
Statoil ASA (33%)	STO	B	23.97	6.9	5.7	4.3	10	4.2
<i>Total or Median</i>				8.9	6.3	5.0	10	5.2
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	B	43.75	17.8	11.5	11.4	20	2.3
Petrobras	PBR	B	45.91	8.9	8.2	6.8	11	2.9
PetroChina Company Ltd (14%)	PTR	B	121.52	14.0	7.3	6.1	13	3.3
CNOOC Limited (34%)	CEO	B	172.53	6.8	4.7	5.6	10	3.0
Lukoil Oil Company	LUKOY	B	59.01	15.8	8.3	3.9	7	2.9
Gazprom (50%)	OGZPY	B	24.30	24.6	8.2	3.7	5	0.2
<i>Total or Median</i>				14.9	8.2	5.8	11	2.9
U.S. Independent								
EOG Resources	EOG	B	97.77	10.8	9.4	9.9	44	0.6
Chesapeake Energy Corp.	CHK		24.58	11.8	11.6	9.6	20	1.2
Anadarko Petroleum Corp.	APC	B	74.74	9.2	7.4	8.3		0.5
Occidental Petroleum Corp.	OXY	B	88.41	12.1	7.1	6.6	14	1.5
Devon Energy Corporation	DVN	B	67.21	10.4	8.2	5.7	13	1.0
<i>Total or Median</i>				10.8	8.2	8.3	17	1.0
Canada								
Canadian Natural Resources	CNQ	B	79.61	15.6	10.4	9.4	17	0.7
Imperial Oil Limited (30%)	IMO	B	41.44	19.8	10.7	9.3	18	1.0
Cenovus Energy Inc.	CVE	B	28.58	10.4	8.8	9.2	19	2.8
EnCana Corporation	ECA	B	32.95	7.6	10.9	9.1	71	2.4
Canadian Oil Sands Trust	COSWF	B	31.59	31.4	10.7	9.0	15	4.4
Suncor Energy	SU	B	35.12	15.2	9.6	7.5	19	1.1
<i>Total or Median</i>				15.4	10.5	9.1	18	1.8
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.								
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2011; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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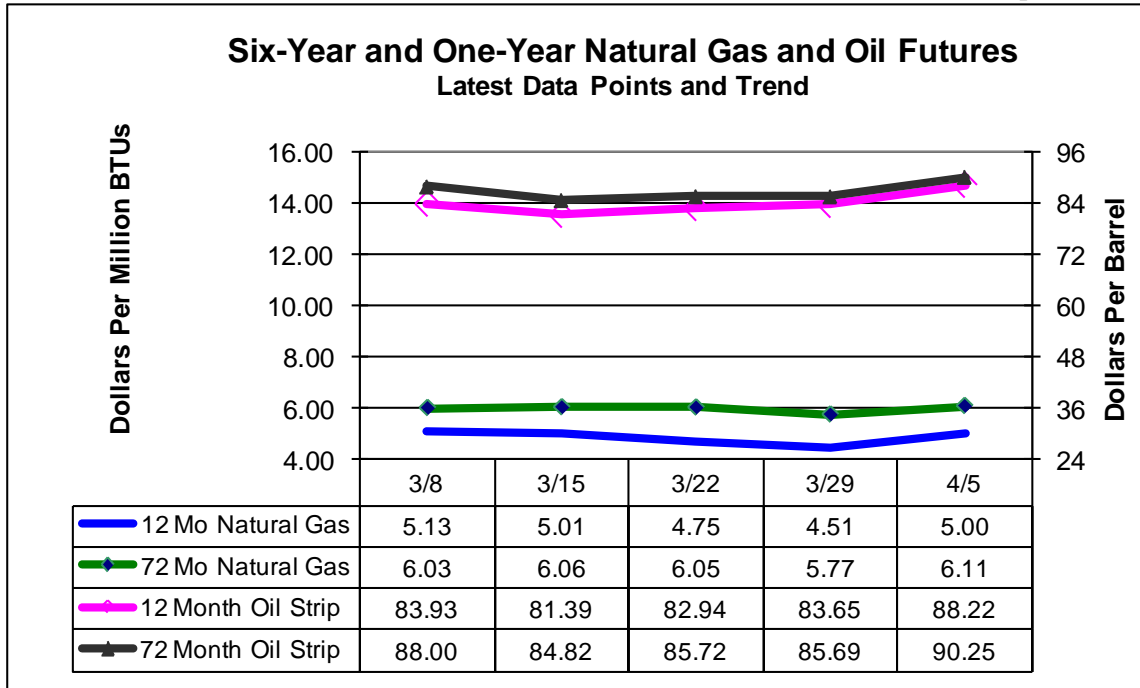
Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
2-Apr	SJT	San Juan Basin Royalty Trust	Low Cost Natural Gas (Income and Small Cap Weekly)
31-Mar	CEO	CNOOC Ltd	Raise NPV to \$145 from \$135 a Share on Reserves
31-Mar	LUKOY	Lukoil Oil Company	Shares Available
30-Mar	COP	ConocoPhillips	Lower NPV to \$95 from \$105 (Meter Reader)
26-Mar	PEYUF	Peyto Energy Trust	Raise NPV to US\$15 from \$13 (ISC Weekly)
26-Mar	PTR	PetroChina Company Limited	Gas Growth - Natural Gas and Gasoline
23-Mar	ECA	EnCana Corporation	Raise NPV to \$42 from \$35 (MR)
22-Mar	HGT	Hugoton Royalty Trust	Monthly Volume Distortion
16-Mar	* XOM	ExxonMobil Corporation	Upstream Growth (Meter Reader)
16-Mar	* CVX	Chevron Corporation	Upstream Growth (Meter Reader)
12-Mar	DVN	Devon Energy Corporation	Virtually Eliminates Debt
9-Mar	* APC	Anadarko Petroleum Corporation	Upside in Oil and Gas Portfolio (Meter Reader)
5-Mar	* CNQ	Canadian Natural Resources	Raise NPV to US\$90 a Share from \$80
2-Mar	* COSWF	Canadian Oil Sands Trust	Oil Growth of 70% to 2020 (Meter Reader)
26-Feb	* DMLP	Dorchester Minerals, L.P.	Replaces Reserves and Pays 8% Income (ISCW)
25-Feb	* WOPEY	Woodside Petroleum	Financing in Place for 2010
19-Feb	* BIREF	Birchcliff Energy Ltd.	Raise NPV to US\$11 a Share from US\$9
19-Feb	* XEC	Cimarex Energy Company	On a Roll - Raise NPV to \$65 (ISC Weekly)
15-Feb	* CVE	Cenovus Energy Inc.	Quadruple Bitumen by 2017
15-Feb	* STO	Statoil ASA	Reposition Dividend for Growth
15-Feb	* EOG	EOG Resources Inc.	Proven Reserves Increase 24%
12-Feb	* TOT	Total S.A.	Secure Income at 5.5%
5-Feb	* BRGXF	BG Group	Natural Gas Growth in Australia
4-Feb	* RDSA	Royal Dutch Shell plc	Cautious Outlook, Nice Dividend
3-Feb	* IMO	Imperial Oil Limited	Horn River Shale Gas Explorer
3-Feb	* MRO	Marathon Oil Corporation	Ready for Recovery in Demand for Diesel Fuel
2-Feb	* SU	Suncor Energy	Reduce Net Present Value to US\$48 a Share from US\$52
2-Feb	* BP	BP p.l.c.	Credibility Reestablished
1-Feb	* OGZPY	Gazprom	European Natural Gas Sales Rebound
28-Jan	* OXY	Occidental Petroleum Corporation	Volume Growth Supporting Appreciation Potential
8-Dec	* PBR	Petrobras	Buy for Long-Term Growth (Meter Reader)
Meter Reader			
6-Apr			
30-Mar	COP	ConocoPhillips	Lower NPV to \$95 from \$105
23-Mar	ECA	EnCana Corporation	Raise NPV to \$42 from \$35 on Contingent Resources
16-Mar	* CVX, XOM	ExxonMobil and Chevron	Upstream Growth
Income and Small Cap Weekly			
2-Apr	SJT	San Juan Basin Royalty Trust	Low Cost Natural Gas
26-Mar	PEYUF	Peyto Energy Trust	Raise NPV to US\$15 from \$13
19-Mar		Weekly	Price Pressure for Natural Gas
12-Mar	* HGT	Hugoton Royalty Trust	High Income from Cheap Clean Fuel
	*	Archived on www.mcdep.com	



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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.