



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

July 20, 2010

ExxonMobil Stock Turning Up

Summary and Recommendation

Contrarian Buy-recommended **ExxonMobil (XOM)** may be on a new upswing after stock price declined earlier this month by 41% compared to its high in May 2008 (see table below Cyclical Declines in XOM (XON) Stock Price, 1980-2010). The degree of decline matches the median of five declines in historic cycles over the past thirty years (see chart XOM, 07/31/80 – 06/30/10 on page 2). The duration of 26 months is longer than any of the previous four cycles. Despite fluctuations in stock price, ExxonMobil (XOM) and predecessor Exxon (XON) has returned 13% a year for thirty years to investors in dividends and price trend. One catalyst for the turn may be the resumption of a higher level of stock repurchase with the lifting of regulatory restrictions after the XTO Energy merger was completed at the end of June. We also sense that political anger aimed at the industry as a result of the Gulf of Mexico blowout may be subsiding. At the same time, the upcoming fall elections may mean that the government becomes more business and tax friendly in order to remain in power. Enterprise Value may appreciate 40% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of \$89 a share (see Tables 1-3 on pages 3-5). At NPV we see an unlevered return of 7% a year before inflation presuming a long-term oil price of \$75 a barrel. XOM is 27% concentrated on natural gas which will likely continue to grow more rapidly than oil. The latest settlements of six-year futures are \$83 a barrel and \$5.76 a million btu (see chart Six-Year Commodity Price Meter on page 2 and Six-Year and One-Year Natural Gas and Oil Futures on page 7).

Kurt H. Wulff, CFA

Cyclical Declines in XOM (XON) Stock Price, 1980-2010

<i>Month-Year</i>	<i>High</i>	<i>Low</i>	<i>Decline(%)</i>	<i>Duration (months)</i>
Nov-80	5.55			
Aug-82		3.11	44	21
Sep-87	12.59			
Oct-87		7.17	43	1
Apr-93	17.25			
Oct-94		14.06	18	18
Oct-00	47.71			
Jul-02		29.75	38	21
May-08	96.12			
Jul-10		56.57	41	26
<i>Median</i>			<i>41</i>	<i>21</i>
Stock price from Bloomberg				

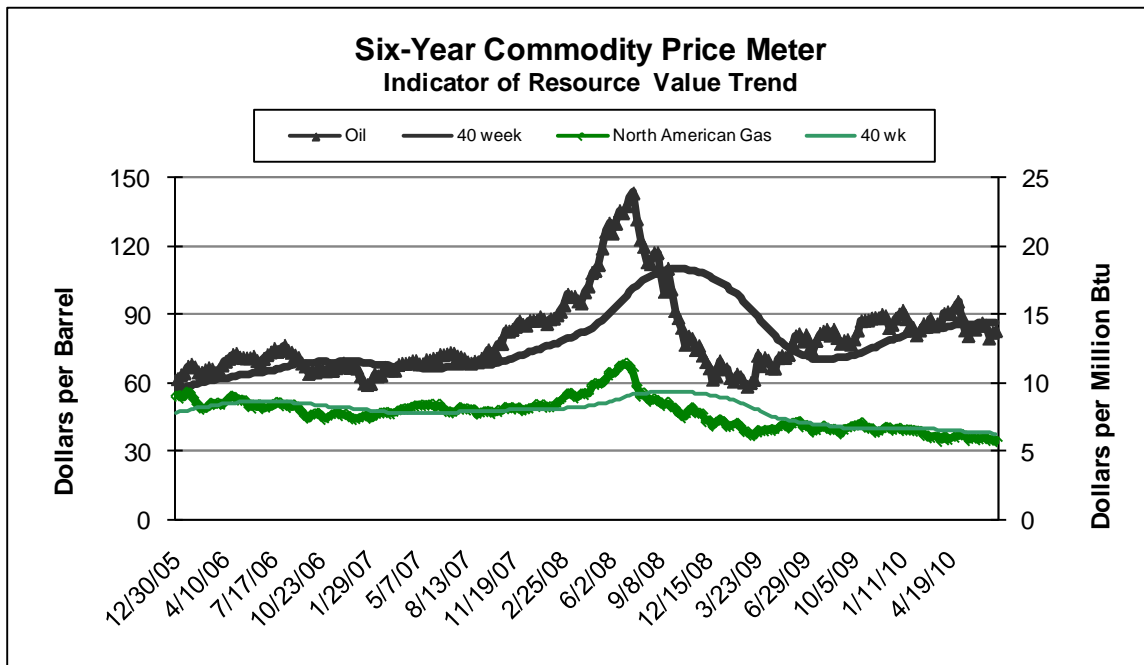
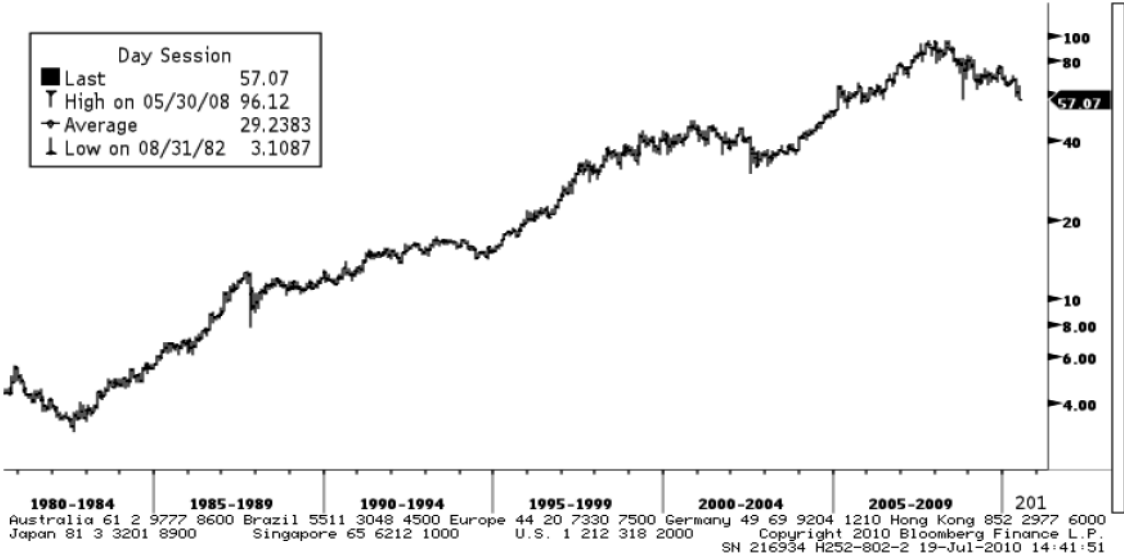


Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

July 20, 2010

XOM US \$ ↑ **58.4325** +.4725 D 1s T 58.43/58.44 P 32x16
 At 14:41 Vol 13,398,619 Op 58.33 T Hi 58.74 T Lo 58.1 B ValTrd 782.123m
 XOM US EQUITY Advanced Hide GPL - Logarithmic Chart Page 1/31
 Range 07/31/80 - 06/30/10 Upper Bar Chart Mov. Avgs Currency USD
 Period Monthly Lower None Mov. Avg Events



						<i>Present Value by Segment (%)</i>				
				<i>Price</i>	<i>EV/</i>	<i>Enterprise</i>	<i>North</i>	<i>Rest</i>		
				<i>(US\$/sh)</i>	<i>Market</i>	<i>Value</i>	<i>Amer.</i>	<i>of World</i>		
	<i>Symbol/Rating</i>	<i>19-Jul</i>	<i>Market</i>	<i>Cap</i>	<i>(\$mm)</i>	<i>Natural</i>	<i>Natural</i>	<i>Oil</i>	<i>Down-</i>	<i>McDep</i>
	<i>B = Buy, CB (see below)</i>	<i>2010</i>	<i>Cap</i>			<i>Gas</i>	<i>Gas</i>	<i>Prod'n</i>	<i>stream</i>	<i>Ratio</i>
U.S. Integrated										
Exxon Mobil Corporation	XOM B	58.43	1.20	366,000		10	17	56	17	0.70
Chevron Corporation	CVX CB	72.00	1.20	173,000		4	10	71	14	0.69
Marathon Oil Corporation	MRO B	31.79	1.51	34,100		7	3	64	26	0.69
ConocoPhillips	COP CB	51.84	1.68	131,000		13	9	64	14	0.67
<i>Total or Median *</i>	31% 8%	16%		704,000						0.69
Europe										
BG Group	BRGXF	16.16	1.16	64,000			31	44	25	0.76
Royal Dutch Shell plc	RDS-A CB	54.91	1.37	231,000		3	23	48	26	0.76
Statoil ASA (33%)	STO CB	20.08	1.47	31,000			49	51	-	0.66
Total S.A.	TOT CB	49.16	1.30	143,000			19	59	22	0.61
BP plc	BP	35.72	1.52	171,000		6	12	61	21	0.60
<i>Total or Median *</i>	28% 10%	12%		640,000						0.66
Australia/Brazil/China/Russia										
CNOOC Limited (34%)	CEO	160.09	1.02	25,000			12	88	-	1.10
Woodside Petroleum Ltd.	WOPEY CB	36.13	1.18	34,000			75	25	-	0.84
PetroChina Company Ltd (14%)	PTR CB	108.82	1.24	34,700			14	72	14	0.77
Petrobras	PBR	34.60	1.41	214,000			4	77	20	0.68
Lukoil Oil Company	LUKOY CB	52.35	1.13	50,000				68	32	0.42
Gazprom (50%)	OGZPY CB	20.50	1.36	81,000				77	23	0.39
<i>Total or Median *</i>	19% 12%	16%		439,000						0.72
U.S. Independent										
Southwestern Energy Compan	SWN	36.36	1.10	13,900		100			-	1.04
Anadarko Petroleum Corp.	APC	45.52	1.63	36,900		45		51	4	0.90
EOG Resources	EOG B	102.01	1.14	29,000		54	4	42	-	0.87
Occidental Petroleum Corp.	OXY CB	79.52	1.07	69,500		10	1	82	7	0.85
Chesapeake Energy Corp.	CHK	20.94	1.99	27,000		89		11	-	0.81
Devon Energy Corporation	DVN CB	61.11	1.05	28,800		57		43	-	0.64
<i>Total or Median *</i>	9% 12%	12%		205,000						0.86
Canada										
EnCana Corporation	ECA B	31.98	1.37	32,800		94		6	-	0.81
Canadian Natural Resources	CNQ CB	34.52	1.28	48,100		15		85	-	0.81
Imperial Oil Limited (30%)	IMO CB	37.89	1.11	10,800		3		82	15	0.81
Cenovus Energy Inc.	CVE B	28.07	1.32	27,800		18		76	6	0.81
Canadian Oil Sands Trust	COSWF CB	26.20	1.11	14,000				100	-	0.71
Suncor Energy	SU CB	30.84	1.36	65,900		4		85	11	0.71
<i>Total or Median *</i>	9% 12%	24%		199,000						0.81
Income and Small Cap (see separate weekly analysis)										
		4%	46%	20%	86,100	54		46		0.95
Composite										
<i>Enterprise Value Weighting</i>	100%			2,273,000		12	15	59	15	0.70
<i>Equal Weighting</i>		100%				36	7	51	5	0.85
<i>Equal Weighted Buys</i>			100%			12	13	52	8	0.71
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.										



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

July 20, 2010

Table 2								
McDep Large Cap Energy Portfolio								
Net Present Value and McDep Ratio								
			<i>Price</i>			<i>Net</i>		
	<i>Symbol/Rating</i>		<i>(US\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	B = Buy, CB (see below)		<i>19-Jul</i>	<i>(mm)</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
			<i>2010</i>		<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	<i>Ratio</i>
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	58.43	5,215	305,000	89.00	0.12	0.70
Chevron Corporation	CVX	CB	72.00	2,004	144,000	110.00	0.11	0.69
Marathon Oil Corporation	MRO	B	31.79	711	22,600	53.00	0.23	0.69
ConocoPhillips	COP	CB	51.84	1,504	78,000	95.00	0.27	0.67
	<i>Total or Median</i>				<i>550,000</i>		<i>0.18</i>	<i>0.69</i>
Europe								
BG Group plc	BRGXF		16.16	3,400	54,900	22.00	0.11	0.76
Royal Dutch Shell plc	RDS-A	CB	54.91	3,066	168,000	79.00	0.21	0.76
Statoil ASA (33%)	STO	CB	20.08	1,050	21,100	35.00	0.21	0.66
Total S.A.	TOT	CB	49.16	2,243	110,000	90.00	0.14	0.61
BP plc	BP		35.72	3,167	113,000	72.00	0.20	0.60
	<i>Total or Median</i>				<i>467,000</i>		<i>0.20</i>	<i>0.66</i>
Australia/Brazil/China/Russia								
CNOOC Limited (34%)	CEO		160.09	152	24,400	145.00	0.03	1.10
Woodside Petroleum Ltd.	WOPEY	CB	36.13	794	28,700	44.00	0.13	0.84
PetroChina Company Ltd (14%)	PTR	CB	108.82	256	27,900	150.00	0.15	0.77
Petrobras	PBR		34.60	4,387	151,800	58.00	0.20	0.68
Lukoil Oil Company	LUKOY	CB	52.35	847	44,300	135.00	0.05	0.42
Gazprom (50%)	OGZPY	CB	20.50	2,915	59,800	64.00	0.10	0.39
	<i>Total or Median</i>				<i>337,000</i>		<i>0.12</i>	<i>0.72</i>
U.S. Independent								
Southwestern Energy Company	SWN		36.36	349	12,700	35.00	0.09	1.04
Anadarko Petroleum Corp.	APC		45.52	496	22,600	54.00	0.35	0.90
EOG Resources	EOG	B	102.01	250	25,500	120.00	0.10	0.87
Occidental Petroleum Corp.	OXY	CB	79.52	814	64,700	95.00	0.06	0.85
Chesapeake Energy Corp.	CHK		20.94	647	13,600	31.00	0.40	0.81
Devon Energy Corporation	DVN	CB	61.11	448	27,400	98.00	0.03	0.64
	<i>Total or Median</i>				<i>166,500</i>		<i>0.10</i>	<i>0.86</i>
Canada								
EnCana Corporation	ECA	B	31.98	749	24,000	42.00	0.22	0.81
Canadian Natural Resources	CNQ	CB	34.52	1,086	37,500	45.00	0.18	0.81
Imperial Oil Limited (30%)	IMO	CB	37.89	256	9,700	48.00	0.08	0.81
Cenovus Energy Inc.	CVE	B	28.07	752	21,100	37.00	0.19	0.81
Canadian Oil Sands Trust	COSWF	CB	26.20	484	12,700	38.00	0.07	0.71
Suncor Energy	SU	CB	30.84	1,572	48,500	48.00	0.19	0.71
	<i>Total or Median</i>				<i>154,000</i>		<i>0.18</i>	<i>0.81</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.								



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

July 20, 2010

Table 3								
McDep Large Cap 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		19-Jul 2010	NTM	NTM	NTM	NTM	(%)
B = Buy, CB (see below)								
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	58.43	13.5	8.8	6.1	11	2.9
Marathon Oil Corporation	MRO	B	31.79	9.1	7.7	5.3	11	2.4
ConocoPhillips	COP	CB	51.84	10.5	7.5	5.0	9	3.2
Chevron Corporation	CVX	CB	72.00	9.1	6.7	4.7	9	3.8
<i>Total or Median</i>				9.8	7.6	5.2	10	3.0
Europe								
BG Group plc	BRGXF		16.16	13.4	9.0	6.9	13	0.8
Royal Dutch Shell plc	RDS-A	CB	54.91	8.7	6.6	5.0	9	6.1
Total S.A.	TOT	CB	49.16	9.6	7.4	4.5	8	6.0
Statoil ASA (33%)	STO	CB	20.08	6.4	5.9	3.9	8	4.7
BP plc	BP		35.72	9.7	6.0	3.6	5	9.4
<i>Total or Median</i>				9.6	6.6	4.5	8	6.0
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	CB	36.13	17.8	13.3	11.2	19	2.7
PetroChina Company Ltd (14%)	PTR	CB	108.82	13.8	8.1	6.2	14	3.7
Petrobras	PBR		34.60	9.1	9.1	6.1	9	3.9
CNOOC Limited (34%)	CEO		160.09	6.8	5.2	5.7	11	3.2
Gazprom (50%)	OGZPY	CB	20.50	30.2	9.7	3.8	5	0.2
Lukoil Oil Company	LUKOY	CB	52.35	15.7	8.2	3.4	6	3.3
<i>Total or Median</i>				14.7	8.6	5.9	10	3.2
U.S. Independent								
Southwestern Energy Company	SWN		36.36	6.5	9.1	9.4	19	-
EOG Resources	EOG	B	102.01	9.7	10.5	9.1	35	0.6
Chesapeake Energy Corp.	CHK		20.94	12.0	11.1	9.0	13	1.4
Occidental Petroleum Corp.	OXY	CB	79.52	10.5	7.7	6.5	15	1.3
Anadarko Petroleum Corp.	APC		45.52	8.4	6.1	5.5		0.8
Devon Energy Corporation	DVN	CB	61.11	10.0	8.2	5.2	12	1.0
<i>Total or Median</i>				9.8	8.6	7.7	15	0.9
Canada								
Canadian Natural Resources	CNQ	CB	34.52	20.2	11.7	9.5	34	0.8
Imperial Oil Limited (30%)	IMO	CB	37.89	20.2	11.7	9.4	18	1.0
EnCana Corporation	ECA	B	31.98	17.0	10.9	8.9	25	2.5
Canadian Oil Sands Trust	COSWF	CB	26.20	30.8	12.3	8.7	14	7.2
Cenovus Energy Inc.	CVE	B	28.07	19.5	10.5	8.4	18	2.7
Suncor Energy	SU	CB	30.84	25.3	11.5	8.2	19	1.2
<i>Total or Median</i>				20.2	11.6	8.8	19	1.9
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 June 30, 2011; 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

July 20, 2010

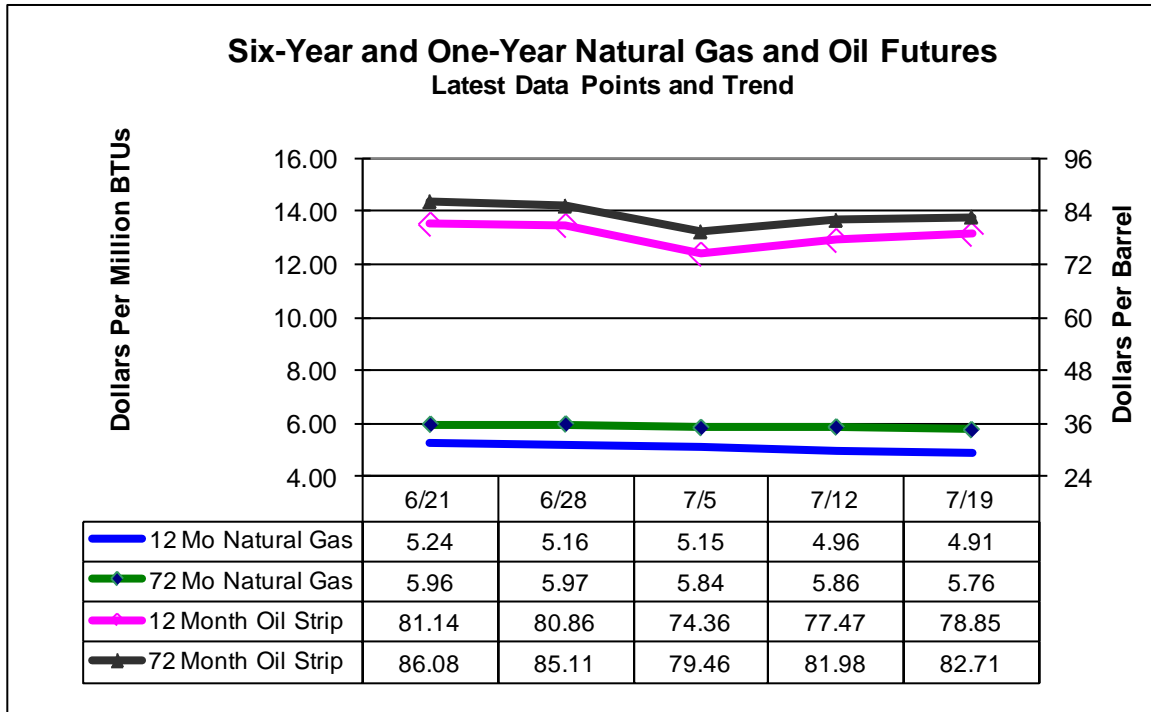
Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
16-Jul	SJT	San Juan Basin Royalty Trust	Raise NPV to \$25 from \$23 (Income and Small Cap Weekly)
9-Jul	HK	Petrohawk	Early in Haynesville (Income and Small Cap Weekly)
7-Jul	EOG	EOG Resources	Raise NPV to \$120 from \$92 a Share (Meter Reader)
1-Jul	RRC	Range Resources	First in Marcellus (Income and Small Cap Weekly)
29-Jun	* WOPEY, PTR, LUKOY, OGZPY, PBR, CNOOC		Value in Developing Country Growth (Meter Reader)
25-Jun	* DNR	Denbury Resources	Small Cap Oil Growth (Income and Small Cap Weekly)
22-Jun	* CVE	Cenovus Energy	Quintuple in Deep Oil Sands (Meter Reader)
18-Jun	* BIREF, FRHLF, PWE, COSWF		Montney Buzz from Calgary (Income and Small Cap Weekly)
15-Jun	* XOM, COP, OXY, CVE, BP, APC		Onshore On, Offshore Off (Meter Reader)
11-Jun	* HGT, SJT, MTR, LGCY, LINE, ENP		Bright Outlook for Pure Play Oil and Gas (ISCW)
8-Jun	* OXY, DVN, EOG, SWN, CHK, APC		U.S. Independent Producers Unlocking Resources (MReader)
4-Jun	* DMLP, FRHLF, CRT, PBT, SBR		Top Line Cash - Pure Plays in Reawakening Oil and Gas (ISC)
3-Jun	* LUKOY	Lukoil Oil Company	Underrated Oil Performer
1-Jun	* ECA, COSWF, CNQ, CVE, IMO, SU		Long-Life Resources in Canada (Meter Reader)
28-May	* XEC, BIREF, WLL, BRY, RRC, HK, UPL		Shell Shale Gas Deal Boosts Independent Producers (ISCW)
25-May	* XOM, BP, TOT		Large Caps Go Contrarian (Meter Reader)
21-May	* COSWF, PWE, ERF, PGH, PEYUF		Canadian Income Trusts for Value and Distributions (ISCW)
20-May	* CEO	CNOOC Ltd	Remove Buy on Valuation and Trend
18-May	* RDSA, STO, TOT		European Oil for Contrarians (Meter Reader)
13-May	* BIREF	Birchcliff Energy Ltd.	New Buy for Small Cap Natural Gas Growth
11-May	* XOM, CVX, COP, MRO		U.S. Integrated Oil in New Trend (Meter Reader)
10-May	* XEC	Cimarex Energy Company	Raise NPV Again on More Production
5-May	* DVN	Devon Energy Corporation	Stock Repurchase Compelling
4-May	* BP	BP p.l.c.	Oil Spill and BP Stock Spill (Meter Reader)
30-Apr	* WLL	Whiting Petroleum Corporation	Raise NPV to \$95 a Share on Onshore Oil Drilling (ISCW)
30-Apr	* PBR, BG, APC and BP		Remove Buys - Accident May Delay Deep Water Oil
Meter Reader			
20-Jul		Weekly	
13-Jul		Weekly	Abundant Value
7-Jul	EOG	EOG Resources	Raise NPV to \$120 from \$92 a Share
29-Jun	* WOPEY, PTR, LUKOY, OGZPY, PBR, CEO		Value in Developing Country Growth
22-Jun	* CVE	Cenovus Energy	Quintuple in Deep Oil Sands
15-Jun	* XOM, COP, OXY, CVE, BP, APC		Onshore On, Offshore Off
Income and Small Cap Weekly			
16-Jul	SJT	San Juan Basin Royalty Trust	Raise NPV to \$25 from \$23
9-Jul	HK	Petrohawk	Early in Haynesville
1-Jul	RRC	Range Resources	First in Marcellus
25-Jun	* DNR	Denbury Resources	Small Cap Oil Growth
18-Jun	* BIREF, FRHLF, PWE, COSWF		Montney Buzz from Calgary
Industry Ideas			
30-Apr	* PBR, BG, APC and BP		Remove Buys - Accident May Delay Deep Water Oil
			* Archived on www.mcdep.com



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

July 20, 2010



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 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.