



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

April 16, 2013

Chevron (CVX) Deflation Resistance

<i>Symbol</i>	CVX	<i>Ebitda Next Twelve Months ending 3/31/14 (US\$m)</i>	50,800
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	2
<i>Price (\$/sh)</i>	116.57	<i>Natural Gas and Oil Production/Ebitda (%)</i>	87
<i>Pricing Date</i>	4/15/13	<i>Adjusted Reserves/Production NTM</i>	9.2
<i>Shares (mm)</i>	1953	<i>EV/Ebitda</i>	5.1
<i>Market Capitalization (\$mm)</i>	228,000	<i>PV/Ebitda</i>	7.2
<i>Debt (\$mm)</i>	33,000	<i>Undeveloped Reserves (%)</i>	46
<i>Enterprise Value (EV) (\$mm)</i>	261,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	46.50
<i>Present Value (PV) (\$mm)</i>	365,000	<i>Present Value Proven Reserves(\$/boe)</i>	28.10
<i>Net Present Value (\$/share)</i>	170	<i>Present Value Proven Reserves(\$/mcf)</i>	4.70
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	11.71
<i>McDep Ratio - EV/PV</i>	0.71	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	3.1	<i>Indicated Annual Dividend (US\$/sh)</i>	3.60
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$6 a million btu.			
For historical analysis of CVX since 2002 see www.mcdep.com/1cvx.htm			

Summary and Recommendation

When deflationary winds blow and markets take a cyclical tumble, **Chevron (CVX)**'s strong financial position offers some resistance to downside pressures and gives the company more staying power should difficult trends last. By our two main measures of financial strength, Chevron has the second lowest ratio of Enterprise Value to Market Cap at 1.15 (see Table 1 on page 2) and second lowest ratio of Debt to Present Value at 0.09 among Global Integrated Oil and Gas Producers (see Table 2 on page 3).

Downstream oil and chemical businesses may also offer some deflation resistance if crude oil price is more volatile than refined product and chemical prices. A low McDep Ratio of 0.71 can help sustain investor confidence. Looking back to the upside, we see estimated Net Present Value of \$170 a share (see table Present Value on page 5). Up modestly last year, oil and gas reserves are spread around the globe, which diversifies political risk (see table Production and Reserves, 2012 on page 5). Production is expected to be stable in 2013 ahead of growth thereafter (see table Operating and Financial Estimates on page 6). Finally, Chevron's U.S. domicile may be an advantage compared to global competitors in pursuing growth unlocked by advances in producing oil and gas from shale formations.

Kurt H. Wulff, CFA



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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		15-Apr	Shares	Cap	Value	Present	McDep
	B = Buy, CB (see below)		2013	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
Global Integrated								
Exxon Mobil Corporation	XOM	CB	86.49	4,541	393,000	110.00	0.13	0.81
PetroChina Company Ltd (14%)	PTR	H	122.02	256	31,300	180.00	0.26	0.76
Chevron Corporation	CVX	H	116.57	1,953	228,000	170.00	0.09	0.71
Royal Dutch Shell plc	RDS-A	H	64.35	3,145	202,000	102.00	0.16	0.69
Petrobras	PBR	H	15.82	6,522	103,200	35.00	0.29	0.61
Total S.A.	TOT	H	47.40	2,270	108,000	90.00	0.17	0.61
Gazprom (50%)	OGZPY	H	7.85	5,735	45,000	23.00	0.14	0.43
Lukoil Oil Company	LUKOY	CB	58.75	775	45,500	150.00	0.02	0.41
<i>Total or Median</i>					<i>1,156,000</i>		<i>0.15</i>	<i>0.65</i>
U.S. Independent								
EOG Resources, Inc.	EOG	H	116.19	269	31,300	160.00	0.13	0.76
Occidental Petroleum Corp.	OXY	H	80.70	808	65,200	120.00	0.09	0.70
ConocoPhillips	COP	H	57.24	1,216	70,000	105.00	0.22	0.64
Devon Energy Corporation	DVN	CB	53.10	405	21,500	102.00	0.19	0.61
Marathon Oil Corporation	MRO	B	30.62	711	21,770	60.00	0.21	0.61
<i>Total or Median</i>					<i>209,800</i>		<i>0.19</i>	<i>0.64</i>
Canada/Norway/Australia								
Woodside Petroleum Ltd.	WOPEY	H	36.80	820	30,200	45.00	0.13	0.84
EnCana Corporation	ECA	H	18.74	736	13,800	30.00	0.28	0.73
Cenovus Energy Inc.	CVE	H	28.32	758	21,500	48.00	0.17	0.66
Imperial Oil Limited (30%)	IMO	CB	38.27	255	9,800	62.00	0.12	0.66
Statoil ASA (33%)	STO	H	23.14	1,049	24,300	44.00	0.22	0.63
Suncor Energy	SU	CB	26.84	1,529	41,000	64.00	0.13	0.49
Canadian Oil Sands Limited	COSWF	H	18.77	485	9,100	45.00	0.10	0.47
<i>Total or Median</i>					<i>150,000</i>		<i>0.13</i>	<i>0.66</i>
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	Adjustd				
			(US\$/sh)	Resrvs/	PV/	EV/		Dividend
	Symbol/Rating		15-Apr	Prod	Ebitda	Ebitda	P/E	NTM
	B = Buy, CB (see below)		2013	NTM	NTM	NTM	NTM	(%)
Global Integrated								
Exxon Mobil Corporation	XOM	CB	86.49	13.2	8.0	6.5	11	2.6
PetroChina Company Ltd (14%)	PTR	H	122.02	12.6	8.0	6.1	13	3.8
Chevron Corporation	CVX	H	116.57	9.2	7.2	5.1	10	3.1
Petrobras	PBR	H	15.82	12.9	8.3	5.1	6	3.0
Royal Dutch Shell plc	RDS-A	H	64.35	9.9	6.6	4.6	8	5.3
Total S.A.	TOT	H	47.40	10.4	7.5	4.5	8	6.5
Lukoil Oil Company	LUKOY	CB	58.75	15.9	6.2	2.5	4	4.1
Gazprom (50%)	OGZPY	H	7.85	31.2	4.6	2.0	2	7.4
	<i>Median</i>			12.8	7.3	4.8	8	3.9
U.S. Independent								
Devon Energy Corporation	DVN	CB	53.10	10.4	9.8	6.0	14	1.5
ConocoPhillips	COP	H	57.24	12.7	8.4	5.4	10	4.6
EOG Resources, Inc.	EOG	H	116.19	7.8	6.9	5.3	16	0.6
Occidental Petroleum Corp.	OXY	H	80.70	10.0	7.5	5.2	11	3.2
Marathon Oil Corporation	MRO	B	30.62	9.7	8.2	5.0	10	2.2
	<i>Median</i>			10.0	8.2	5.3	11	2.2
Canada/Norway/Australia								
Imperial Oil Limited (30%)	IMO	CB	38.27	19.0	11.5	7.6	10	1.2
Woodside Petroleum Ltd.	WOPEY	H	36.80	9.5	8.9	7.5	16	3.5
EnCana Corporation	ECA	H	18.74	8.4	10.2	7.5		4.3
Cenovus Energy Inc.	CVE	H	28.32	13.7	9.9	6.6	7	3.4
Canadian Oil Sands Limited	COSWF	H	18.77	19.2	12.7	6.0	9	7.4
Suncor Energy	SU	CB	26.84	15.8	9.6	4.7	9	1.9
Statoil ASA (33%)	STO	H	23.14	6.3	6.1	3.8	7	5.1
	<i>Median</i>			13.7	9.9	6.6	9	3.5
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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Chevron Corporation					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	1,110	6.9	10.8	12,000	3%
Rest of World Natural Gas	5,240	12.1	6.7	35,000	10%
Oil	38,080	8.3	7.3	277,000	76%
Downstream	6,400		6.4	41,000	11%
	50,830	9.2	7.2	365,000	100%
Debt (US\$mm)					33,000
Net Present Value (US\$mm)					332,000
Shares (mm)					1,953
Net Present Value - Standard Estimate (US\$/sh)					170
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					183

Chevron Corporation							
Production and Reserves, 2012							
		<i>2012</i>	<i>12/31/2012 Proven Reserves</i>			<i>Weighted</i>	<i>NTM</i>
		<i>Production</i>	<i>Developed</i>	<i>Undeveloped</i>	<i>Weighted</i>	<i>Life Index</i>	<i>Adjusted</i>
		<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(years)</i>	<i>R/P</i>
North American Natural Gas							
	U.S.	440	2,574	1,148	3,148	7.2	
	Total	440	2,574	1,148	3,148	7.2	6.9
Rest of World Natural Gas							
	Other Americas	146	1,063	412	1,269	8.7	
	Africa	87	1,163	1,918	2,122	24.4	
	Asia	819	4,511	2,356	5,689	6.9	
	Australia	158	682	9,570	5,467	34.6	
	Europe	87	191	66	224	2.6	
	Kazakhstan	110	1,261	1,038	1,780	16.2	
	Other affiliates	10	377	865	810	81.0	
	Total	1,417	9,248	16,225	17,361	12.3	12.1
Oil							
	U.S.	166	1,012	347	1,186	7.1	
	Other Americas	19	91	132			
	Africa	151	782	348	956	6.3	
	Asia	147	643	194	740	5.0	
	Australia	10	31	103			
	Europe	27	103	54	130	4.8	
	Kazakhstan	86	977	755	1,355	15.8	
	Other affiliates	18	115	49	140	7.8	
	Synthetic Crude Oil	22	441	304	593	27.0	
	Total	646	4,195	2,286	5,099	7.9	8.3
	Total Oil Equivalent	956	6,165	5,182	8,517	8.9	9.2

Weighted Life Index counts undeveloped reserves at half stated value and is computed on latest calendar year volume
 NTM Adjusted R/P also counts undeveloped reserves at half and is computed on next twelve months production.



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Chevron									
Next Twelve Months Operating and Financial Estimates									
									Next Twelve Months
	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Next Twelve Months
	9/30/12	12/31/12	2012	3/31/13	6/30/13	9/30/13	12/31/13	2013E	3/31/14
Volume									
Natural Gas (mmcf)									
U.S.	1,184	1,273	1,203	1,256	1,256	1,256	1,256	1,256	1,256
Rest of World	3,778	3,963	3,871	4,035	3,894	3,778	3,963	3,917	3,917
Total	4,962	5,236	5,074	5,291	5,150	5,034	5,219	5,173	5,173
Oil (mbd)	1,689	1,795	1,764	1,754	1,754	1,754	1,754	1,754	1,754
Total gas & oil (mbd)	2,516	2,668	2,610	2,636	2,612	2,593	2,624	2,616	2,616
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	2.80	3.40	2.79	3.34	4.18	4.35	4.45	4.08	4.39
U.S.	2.63	3.22	2.64	3.06	3.83	3.99	3.98	3.72	3.98
Rest of World	6.03	5.97	5.99	6.03	6.03	6.03	6.03	6.03	6.03
Total	5.22	5.30	5.20	5.32	5.49	5.52	5.54	5.47	5.53
Oil (\$/bbl)									
WTI Cushing	92.22	88.18	94.16	94.48	90.99	91.56	90.97	92.00	90.91
Worldwide	96.26	97.55	100.18	101.64	97.89	98.50	97.86	98.96	97.80
Total gas & oil (\$/bbl)	74.91	76.04	77.82	78.32	76.56	77.35	76.43	77.16	76.51
NY Harbor 3-2-1 (\$/bbl)	36.23	33.86	31.29	30.03	29.45	26.94	21.44	26.97	24.81
Revenue (\$mm)									
Natural Gas									
U.S.	286	377	1,162	346	438	461	460	1,705	1,824
Rest of World	2,096	2,177	8,494	2,190	2,137	2,096	2,199	8,621	8,621
Total	2,382	2,554	9,655	2,536	2,575	2,557	2,659	10,326	10,445
Oil	14,958	16,109	64,672	16,044	15,624	15,895	15,792	63,355	62,615
Other	40,703	41,889	167,581	41,889	41,889	41,889	41,889	167,558	167,558
Total	58,044	60,552	241,909	60,469	60,088	60,341	60,340	241,239	240,618
Expense									
Production	6,530	7,652	29,191	7,281	7,131	7,230	7,230	28,872	28,629
Other	39,105	39,820	159,148	40,289	40,289	40,289	40,289	161,158	161,158
Ebitda (\$mm)									
Exploration and Production	10,811	11,011	45,137	11,299	11,068	11,222	11,221	44,809	44,431
Other	1,598	2,070	8,433	1,600	1,600	1,600	1,600	6,400	6,400
Total Ebitda	12,409	13,081	53,570	12,899	12,668	12,822	12,821	51,209	50,831
Exploration	475	357	1,728	357	357	357	357	1,428	1,428
Deprec., Deplet., & Amort.	3,370	3,554	13,413	3,554	3,554	3,554	3,554	14,216	14,216
Ebit									
Interest	8,564	9,170	38,429	8,988	8,757	8,911	8,910	35,565	35,187
Ebt									
Interest	-	-	-	-	-	-	-	-	-
Ebt	8,564	9,170	38,429	8,988	8,757	8,911	8,910	35,565	35,187
Income Tax	2,997	3,209	13,450	3,146	3,065	3,119	3,118	12,448	12,316
Net Income (\$mm)									
Exploration and Production	5,391	5,492	22,455						
Other	732	1,022	4,261						
Unallocated	(557)	(554)	(1,737)						
Total	5,566	5,960	24,979	5,842	5,692	5,792	5,791	23,117	22,872
Shares (millions)									
Per share (\$)	1,960	1,953	1,965	1,953	1,953	1,953	1,953	1,953	1,953
Ebitda Margin (E&P)	2.84	3.05	12.71	2.99	2.91	2.97	2.97	11.84	11.71
Ebitda Margin (E&P)	62%	59%	61%	61%	61%	61%	61%	61%	61%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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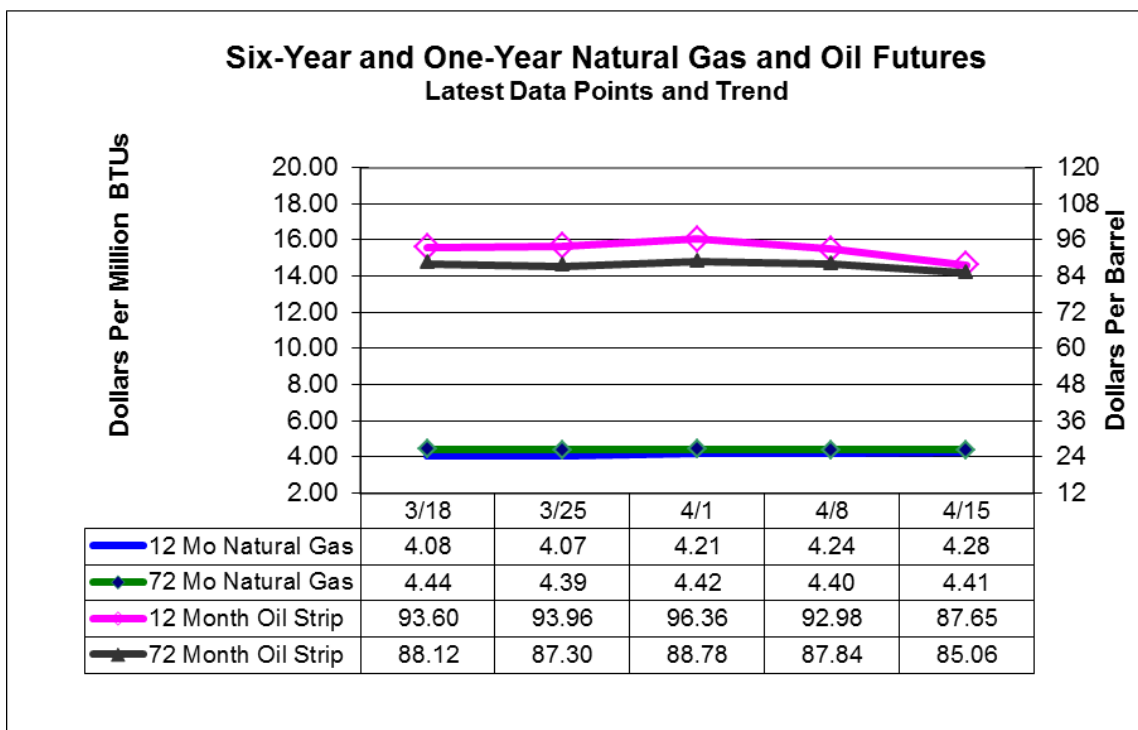
Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
12-Apr	MTR	Mesa Royalty Trust	RTF Stealth Play on Long-Life Natural Gas (Income and Small Cap Wkly)
9-Apr	MRO	Marathon Oil	Oil Shale and Global Exploration (Meter Reader)
5-Apr	SBR	Sabine Royalty Trust	Accelerating Volume Growth (Income and Small Cap Weekly)
2-Apr	OXY	Occidental Petroleum	Six-Year Oil Price Returns to Uptrend (Meter Reader)
1-Apr	SJT	San Juan Basin Royalty Trust	Drilling Discipline
28-Mar	PEYUF	Peyto Exploration and Developmen	Raise NPV to \$32 for Fracking Winner (Income and Small Cap Weekly)
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	PDC	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)
For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.			
Meter Reader			
9-Apr	MRO	Marathon Oil	Oil Shale and Global Exploration
2-Apr	OXY	Occidental Petroleum	Six-Year Oil Price Returns to Uptrend
26-Mar	PTR	PetroChina	Reduce NPV to \$180 from \$210 on Price Controls
19-Mar	LUKOY	Lukoil	Emerging Oil Capitalists
For earlier editions, go to mcdep.com , click on Meter Reader .			
Income and Small Cap Weekly			
12-Apr	MTR	Mesa Royalty Trust	RTF Stealth Play on Long-Life Natural Gas
5-Apr	SBR	Sabine Royalty Trust	Accelerating Volume Growth
28-Mar	PEYUF	Peyto Exploration and Developmen	Raise NPV to \$32 for Fracking Winner
15-Mar	CRT	Cross Timbers Royalty Trust	San Juan Basin Gem
For earlier editions, go to mcdep.com , click on Energy Income .			



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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.