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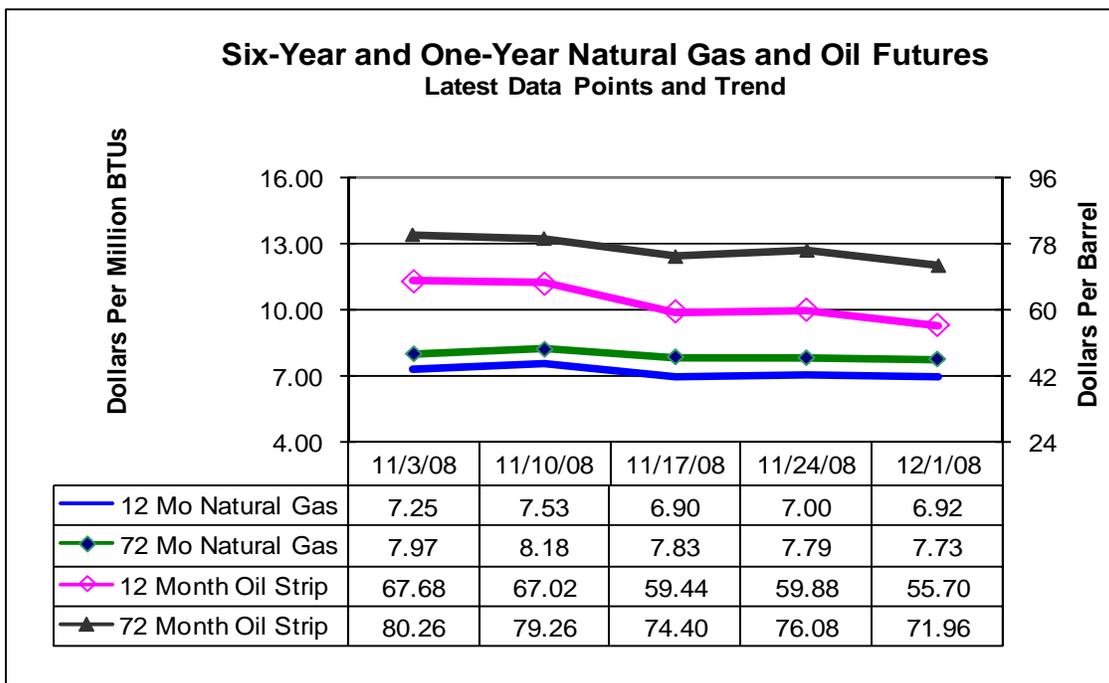
A Weekly Analysis of Energy Stocks Using the McDep Ratio
December 2, 2008

European Oils for Dividends

Summary and Recommendation

Indicated annual dividend yields for buy-recommended **Total (TOT)** at 5.9%, hold-rated **Royal Dutch Shell plc (RDS-A)** at 6.7% and hold-rated **BP plc (BP)** at 7.7% are the highest distributions in *Meter Reader* coverage other than for trusts and partnerships. RDS assures its owners that dividends are intended to be increased to offset inflation. The indicated yield for buy-recommended **StatoilHydro (STO)** is 4.0% for the regular dividend that is expected to grow over time. The yield would be 8% if a special dividend is paid next year for 2008 operations at the level it was paid this year for 2007 operations. A stronger emphasis on dividends in Europe contrasts with a stronger emphasis on stock repurchase by the largest U.S. oil companies. Possibly related to currency among other factors, the European stocks have declined more in price as a group. Accordingly, lower McDep Ratios imply higher potential investment return (see valuation tables, pages 2-4). Meanwhile oil and gas stock prices after a down day on December 1 remain above the November 20 daily low, but not by much. Perhaps the best sign of commodity strength is average natural gas price for the next six-years holding near the same \$8 a million btu mark for the past three years (see table below and on last page).

Kurt H. Wulff, CFA





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McDep Energy Portfolio - Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating		Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer.	Rest of World				
	B = Buy H = Hold		1-Dec 2008	Cap		Natural Gas	Natural Gas	Oil Prod'n	Down- stream	McDep Ratio	
U.S. Integrated											
Exxon Mobil Corporation	XOM	H	74.31	1.08	414,000	6	23	46	25	0.84	
Chevron Corporation	CVX	H	72.02	1.17	186,000	5	12	67	16	0.76	
Marathon Oil Corporation	MRO	H	23.21	1.71	28,200	7	7	60	26	0.62	
ConocoPhillips	COP	B	48.02	1.63	120,000	14	9	57	20	0.56	
<i>Total or Median *</i>	<i>39%</i>	<i>11%</i>	<i>9%</i>		<i>748,000</i>	<i>7</i>	<i>11</i>	<i>58</i>	<i>23</i>	<i>0.69</i>	
Europe											
BG Group	BRGXF		12.68	1.09	46,800		29	46	25	0.69	
BP plc	BP	H	43.57	1.51	205,000	8	14	62	15	0.68	
Royal Dutch Shell plc	RDS-A	H	48.00	1.29	191,000	3	23	44	31	0.58	
Total S.A.	TOT	B	47.16	1.15	122,000		25	52	23	0.56	
StatoilHydro ASA (29%)	STO	B	14.89	1.41	19,400		44	56		0.51	
<i>Total or Median *</i>	<i>30%</i>	<i>14%</i>	<i>18%</i>		<i>584,000</i>		<i>25</i>	<i>52</i>		<i>0.58</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	H	75.36	1.00	11,500		12	88		0.56	
PetroChina Company Ltd (14%)	PTR	B	77.42	1.13	22,400		14	69	17	0.55	
Petrobras	PBR		17.88	1.47	115,000		13	77	10	0.45	
Gazprom (50%)	OGZPY	B	15.80	1.42	69,000		80	20		0.32	
Lukoil Oil Company	LUKOY	H	27.81	1.17	27,400			61	39	0.23	
<i>Total or Median *</i>	<i>13%</i>	<i>14%</i>	<i>18%</i>		<i>245,000</i>			<i>69</i>		<i>0.45</i>	
U.S. Independent											
San Juan Basin Royalty Trust	SJT	H	27.45	1.00	1,280	100				0.81	
EOG Resources	EOG	H	76.10	1.11	21,200	71	7	22		0.75	
Anadarko Petroleum Corp.	APC	H	37.60	1.93	34,000	54		42	4	0.73	
XTO Energy Inc.	XTO	B	34.20	1.62	30,700	77		23		0.68	
Encore Acquisition Company	EAC	H	22.52	2.20	2,630	18		83		0.66	
Energy Partners Ltd.	EPL		2.76	7.51	680	38		62		0.65	
Hugoton Royalty Trust	HGT	B	18.52	1.00	740	100				0.62	
Devon Energy Corporation	DVN	B	65.69	1.20	35,300	64		36		0.61	
Berry Petroleum Company	BRY	H	9.55	4.21	1,810	42		58		0.57	
Chesapeake Energy Corp.	CHK		15.00	2.69	23,700	91		9		0.57	
Occidental Petroleum Corp.	OXY	H	45.89	1.13	42,400	12	1	79	8	0.55	
Cimarex Energy Company	XEC	B	25.32	1.27	2,730	65		35		0.42	
<i>Total or Median *</i>	<i>10%</i>	<i>33%</i>	<i>36%</i>		<i>197,000</i>	<i>64</i>				<i>0.64</i>	
Canada											
Pengrowth Energy Trust	PGH		8.13	1.90	3,840	34		66		0.66	
Imperial Oil Limited (30%)	IMO	H	30.42	1.08	8,700	5		80	16	0.65	
Encana Corporation	ECA	B	42.21	1.43	45,500	68		29	4	0.65	
Penn West Energy Trust	PWE	H	13.01	1.75	8,900	28		72		0.62	
Canadian Natural Resources	CNQ	H	35.69	1.56	30,100	26		74		0.53	
Enerplus Resources Fund	ERF		20.44	1.23	4,140	56		44		0.52	
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.87	1.42	640	75		25		0.47	
Canadian Oil Sands Trust	COSWF	B	18.04	1.11	9,600			100		0.45	
Petro-Canada	PCZ	H	22.66	1.39	15,200	11	3	70	16	0.42	
Suncor Energy	SU	H	19.02	1.33	24,100	3		92	5	0.41	
<i>Total or Median *</i>	<i>8%</i>	<i>28%</i>	<i>18%</i>		<i>151,000</i>			<i>71</i>		<i>0.52</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>1,925,000</i>	<i>12</i>	<i>17</i>	<i>53</i>	<i>17</i>	<i>0.60</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>32</i>	<i>10</i>	<i>60</i>	<i>9</i>	<i>0.58</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>35</i>	<i>16</i>	<i>43</i>	<i>6</i>	<i>0.54</i>	
* 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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Oil and Gas Producers - Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)	Shares	Market Cap	Present Value	Debt/ Present Value	McDep Ratio
	B = Buy	I-Dec	2008	(mm)	(US\$mm)	(US\$/sh)		
	H = Hold							
U.S. Integrated								
Exxon Mobil Corporation	XOM	H	74.31	5,160	383,000	90.00	0.06	0.84
Chevron Corporation	CVX	H	72.02	2,206	159,000	98.00	0.11	0.76
Marathon Oil Corporation	MRO	H	23.21	711	16,500	48.00	0.26	0.62
ConocoPhillips	COP	B	48.02	1,528	73,000	109.00	0.22	0.56
<i>Total or Median</i>					632,000		0.17	0.69
Europe								
BG Group plc	BRGXF		12.68	3,382	42,880	19.00	0.06	0.69
BP plc	BP	H	43.57	3,124	136,000	74.00	0.23	0.68
Royal Dutch Shell plc	RDS-A	H	48.00	3,080	148,000	92.00	0.13	0.58
Total S.A.	TOT	B	47.16	2,244	106,000	90.00	0.07	0.56
StatoilHydro ASA (29%)	STO	B	14.89	924	13,760	35.00	0.15	0.51
<i>Total or Median</i>					447,000		0.13	0.58
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	75.36	152	11,480	135.00	-	0.56
PetroChina Company Ltd (14%)	PTR	B	77.42	256	19,840	150.00	0.06	0.55
Petrobras	PBR		17.88	4,387	78,440	50.00	0.14	0.45
Gazprom (50%)	OGZPY	B	15.80	3,080	48,700	64.00	0.09	0.32
Lukoil Oil Company	LUKOY	H	27.81	839	23,000	135.00	0.03	0.23
<i>Total or Median</i>					181,000		0.06	0.45
U.S. Independent								
San Juan Basin Royalty Trust	SJT	H	27.45	47	1,280	34.00	-	0.81
EOG Resources	EOG	H	76.10	251	19,100	104.00	0.08	0.75
Anadarko Petroleum Corp.	APC	H	37.60	468	17,600	64.00	0.35	0.73
XTO Energy Inc.	XTO	B	34.20	552	18,880	60.00	0.26	0.68
Encore Acquisition Company	EAC	H	22.52	54	1,200	48.00	0.36	0.66
Energy Partners Ltd.	EPL		2.76	32	90	14.00	0.57	0.65
Hugoton Royalty Trust	HGT	B	18.52	40	740	30.00	-	0.62
Devon Energy Corporation	DVN	B	65.69	446	29,300	116.00	0.10	0.61
Berry Petroleum Company	BRY	H	9.55	46	430	40.00	0.43	0.57
Chesapeake Energy Corp.	CHK		15.00	588	8,820	46.00	0.36	0.57
Occidental Petroleum Corp.	OXY	H	45.89	818	37,500	89.00	0.06	0.55
Cimarex Energy Company	XEC	B	25.32	85	2,140	70.00	0.09	0.42
<i>Total or Median</i>					137,100		0.18	0.64
Canada								
Pengrowth Energy Trust	PGH		8.13	249	2,020	16.00	0.31	0.66
Imperial Oil Limited (30%)	IMO	H	30.42	265	8,070	48.00	0.05	0.65
Encana Corporation	ECA	B	42.21	751	31,700	75.00	0.20	0.65
Penn West Energy Trust	PWE	H	13.01	390	5,070	27.00	0.27	0.62
Canadian Natural Resources	CNQ	H	35.69	541	19,300	85.00	0.19	0.53
Enerplus Resources Fund	ERF		20.44	165	3,370	44.00	0.10	0.52
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.87	117	450	10.00	0.14	0.47
Canadian Oil Sands Trust	COSWF	B	18.04	482	8,690	42.00	0.04	0.45
Petro-Canada	PCZ	H	22.66	484	10,970	67.00	0.12	0.42
Suncor Energy	SU	H	19.02	953	18,130	55.00	0.10	0.41
<i>Total or Median</i>					108,000		0.13	0.52
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.								

Please see disclosures on the final page.

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Oil and Gas Producers - Value Multiples and Distribution Yield								
			Price	Adjustd			Divd or	
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/	Distrib	
	B = Buy		1-Dec	Prod	Ebitda	Ebitda	P/E	
	H = Hold		2008	NTM	NTM	NTM	NTM	
							(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	H	74.31	12.9	8.7	7.3	14	2.2
Chevron Corporation	CVX	H	72.02	9.6	8.6	6.5	13	3.6
ConocoPhillips	COP	B	48.02	11.0	9.1	5.1	9	3.9
Marathon Oil Corporation	MRO	H	23.21	8.5	7.7	4.7	8	4.1
	<i>Total or Median</i>			10.3	8.6	5.8	11	3.8
Europe								
BG Group plc	BRGXF		12.68	7.6	9.9	6.8	13	1.2
BP plc	BP	H	43.57	9.9	8.4	5.7	9	7.7
Total S.A.	TOT	B	47.16	9.4	8.3	4.7	9	5.9
Royal Dutch Shell plc	RDS-A	H	48.00	7.9	7.7	4.5	9	6.7
StatoilHydro ASA (29%)	STO	B	14.89	8.0	8.3	4.3	11	8.0
	<i>Total or Median</i>			8.0	8.3	4.7	9	6.7
Brazil/China/Russia								
Petrobras	PBR		17.88	10.2	11.8	5.3	10	4.8
CNOOC Limited (34%)	CEO	H	75.36	8.8	9.3	5.2	11	6.3
PetroChina Company Ltd (14%)	PTR	B	77.42	14.3	9.2	5.0	14	5.4
Gazprom (50%)	OGZPY	B	15.80	24.6	8.2	2.6	3	2.4
Lukoil Oil Company	LUKOY	H	27.81	18.6	7.6	1.8	3	4.9
	<i>Total or Median</i>			14.3	9.2	5.0	10	4.9
U.S. Independent								
San Juan Basin Royalty Trust	SJT	H	27.45	10.7	12.8	10.3	13	7.8
Hugoton Royalty Trust	HGT	B	18.52	13.1	12.1	7.5	11	9.3
Encore Acquisition Company	EAC	H	22.52	13.4	11.2	7.4	34	-
XTO Energy Inc.	XTO	B	34.20	11.4	9.9	6.8	14	1.4
Energy Partners Ltd.	EPL		2.76	9.8	9.9	6.5		-
Anadarko Petroleum Corp.	APC	H	37.60	10.1	8.6	6.3	56	1.9
EOG Resources	EOG	H	76.10	9.1	8.4	6.3	18	0.7
Chesapeake Energy Corp.	CHK		15.00	11.1	10.4	5.9	8	2.0
Berry Petroleum Company	BRY	H	9.55	9.6	9.8	5.5	5	3.1
Occidental Petroleum Corp.	OXY	H	45.89	11.8	10.1	5.5	13	2.8
Devon Energy Corporation	DVN	B	65.69	9.4	9.0	5.5	17	1.0
Cimarex Energy Company	XEC	B	25.32	7.4	7.8	3.3	15	0.9
	<i>Total or Median</i>			10.4	9.9	6.3	14	1.7
Canada								
Canadian Oil Sands Trust	COSWF	B	18.04	21.0	18.0	8.2	13	9.7
Imperial Oil Limited (30%)	IMO	H	30.42	14.3	12.1	7.9	14	1.1
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.87	6.9	16.4	7.7		-
Pengrowth Energy Trust	PGH		8.13	9.1	9.4	6.2		26.7
Canadian Natural Resources	CNQ	H	35.69	8.8	11.6	6.2	11	0.9
Suncor Energy	SU	H	19.02	22.5	14.2	5.9	10	0.8
Penn West Energy Trust	PWE	H	13.01	7.7	8.6	5.3	25	25.2
Encana Corporation	ECA	B	42.21	8.4	7.6	4.9	11	3.8
Enerplus Resources Fund	ERF		20.44	10.0	9.5	4.9	10	17.9
Petro-Canada	PCZ	H	22.66	6.9	8.1	3.4	7	2.8
	<i>Total or Median</i>			8.9	10.5	6.0	11	3.3
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 30, 2009; 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>
20-Nov	COSWF	Canadian Oil Sands Trust	Alberta Reduces Royalties
12-Nov	PWE	Penn West Energy Trust	Distribution Yield 20%
6-Nov	CNQ	Canadian Natural Resources	Hidden Value in Heavy Oil
5-Nov	DVN	Devon Energy Corporation	Outperforming in Tough Times
5-Nov	XTO	XTO Energy Inc.	Personal Debt-Free Pledge
5-Nov	TOT	Total S.A.	Geographic Appeal
4-Nov	XEC	Cimarex Energy Company	Capital Discipline
4-Nov	APC	Anadarko Petroleum Corporation	Acquisition Value
4-Nov	EOG	EOG Resources Inc.	The Hat Trick
3-Nov	STO	StatoilHydro ASA	Financially Strong Dividend Payer
31-Oct	* CVX	Chevron Corporation	Oil in the Stock Market at \$59 a Barrel
30-Oct	* IMO	Imperial Oil Limited	Favorable Pricing for Heavy Oil
30-Oct	* MRO	Marathon Oil Corporation	Gasoline and Diesel Demand Rebounding
30-Oct	* XOM	Exxon Mobil Corporation	Building Value with Stock Repurchase
30-Oct	* RDSA	Royal Dutch Shell plc	Secure Dividend 5.7%
29-Oct	* COSWF	Canadian Oil Sands Trust	Quarterly Distribution C\$0.75 a Unit
29-Oct	* BRY	Berry Petroleum	Adjusting Spending to Cash Flow
29-Oct	* EAC	Encore Acquisition Company	Success with ExxonMobil in West Texas
29-Oct	* SU	Suncor Energy	Coping with Volatile Oil Price
29-Oct	* PTR	PetroChina Company Limited	Chinese Major Oil Company
28-Oct	* OXY	Occidental Petroleum Corporation	Low Debt, High Margin
28-Oct	* BP	BP p.l.c.	Dividend Yield 7.2%
28-Oct	* CEO	CNOOC Ltd	Oil & Gas Growth Offshore China
24-Oct	* ECA	EnCana Corporation	High-Performance Clean Energy Producer
24-Oct	* PCZ	Petro-Canada	Pacing Fort Hills
23-Oct	* OGZPY	Gazprom	Cheap Stock, Political Risk
23-Oct	* COP	ConocoPhillips	Australian Natural Gas Deal
22-Oct	* XEC	Cimarex Energy Company	Woodford Shale Leader
17-Oct	* SJT	San Juan Basin Royalty Trust	Hold Rating (Income Weekly)
7-Oct	* HGT	Hugoton Royalty Trust	Buy amid Financial Panic (Meter Reader)
16-Sep	* BRGXF	BG Group	Deep Water Brazil (Meter Reader)
16-Sep	* PBR	Petrobras	Deep Water Brazil (Meter Reader)
5-Sep	* LUKOY	Lukoil Oil Company	Suspend Buy Recommendation (Flash)

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2-Dec		Weekly	
25-Nov		Weekly	Canada On Sale
18-Nov		Weekly	Natural Gas Buys - DVN, ECA, and XTO
11-Nov	*	Weekly	U.S. Integrated Oil Leaders - COP, CVX, XOM

Oil and Gas Income Stocks

28-Nov		Weekly	Insider Buying in Encore Energy Partners
21-Nov		Weekly	Alberta Acts to Reduce Royalties (Taxes)
14-Nov		Weekly	Ten Percent in Three Hours
7-Nov	*	Weekly	Tentative Recovery in Gasoline Demand

Industry Ideas

9-Oct	*	Presentation	Oil and Gas Strategy in Treacherous Times
24-Sep	*	Presentation	Energy Investment amid Financial Turmoil
16-Sep	*	Flash	Reinstate Five Buy Recommendations
5-Sep	*	Flash	Suspend Buy Recommendations

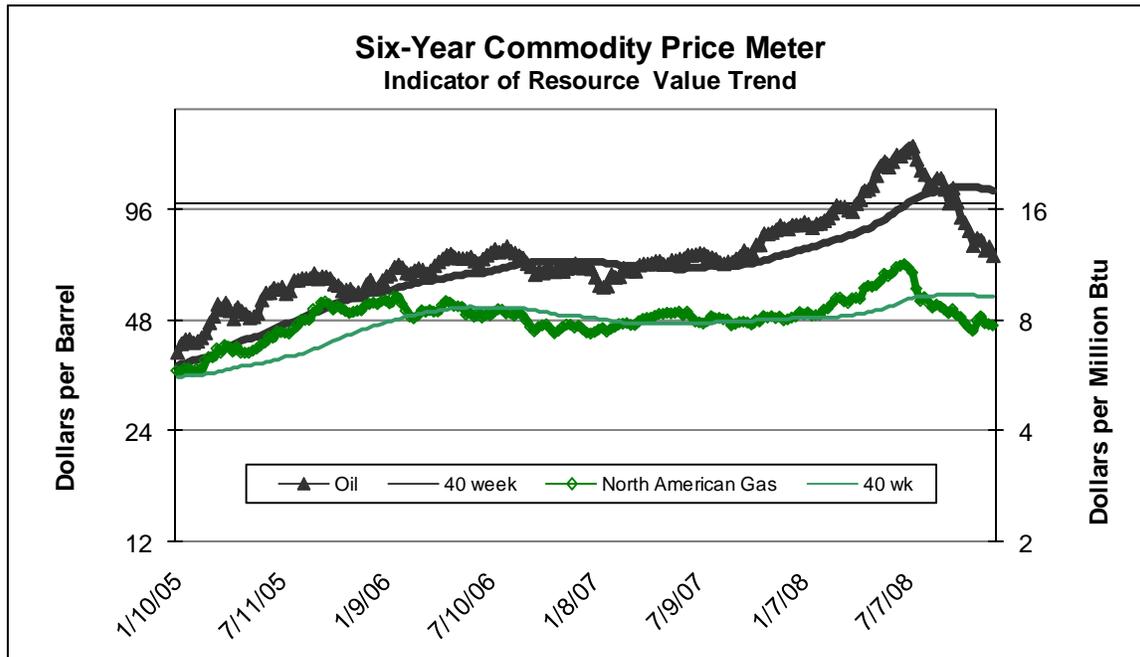
* Archived on www.mcdep.com



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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.