



Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

October 6, 2009

Suncor Evaluating Strategy for Acquired Assets

Summary and Recommendation

Sporting a McDep Ratio at the low end of the range, buy-recommended **Suncor (SU)** offers 42% unlevered appreciation potential to a McDep Ratio of 1.0 (see Tables 1 to 3). Management is saying less than usual to investors in recent weeks while it is focused on the future for resources acquired in the Petro-Canada merger. Combining the previous outlooks we had for each company, we update our Suncor model to include operations from acquired properties beginning August 1 (see table Next Twelve Months Operating and Financial Estimates, page 5). A primary purpose of the merger was to make Suncor strong enough to be able to withstand the financial market conditions that forced last year's interruption of Suncor's oil sands expansion. Oil sands in Canada account for most of the new company's 85% concentration on oil leaving oil and gas properties outside Canada potentially available for sale. Some natural gas properties may be sold. Petro-Canada's refineries are likely "keepers" as Suncor often looked at prospective downstream acquisitions. Nonetheless, Chief Executive Rick George wants to be "long bitumen" meaning he wants Suncor to produce more heavy oil sands crude than it upgrades to synthetic oil or refines into final products. That could mean that Suncor may be willing to part with its 12% ownership of Fort McMurray neighbor, Syncrude, which upgrades all of its bitumen. In any case, considering its minimal dividend, Suncor is our favorite oil sands stock for accounts which might not want taxable current income and might prefer equivalent appreciation on which taxes may be postponed.

Natural Gas Uptrend Proceeding

The current quote of \$6.88 for six-year natural gas exceeds the 40-week average of \$6.72 for the second straight week. The long-awaited break to the upside may be here. For oil the average of the latest settlement prices of futures for the next six years at \$79 a barrel continues above the 40-week average of \$72 (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures on page 7).

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)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down-stream	McDep Ratio	
	B = Buy H = Hold	5-Oct 2009	Cap							
U.S. Integrated										
Exxon Mobil Corporation	XOM	B	67.58	1.14	376,000	5	25	48	22	0.78
Chevron Corporation	CVX	B	69.39	1.24	171,000	4	10	70	16	0.76
Marathon Oil Corporation	MRO	B	30.93	1.52	33,500	8	5	61	26	0.68
ConocoPhillips	COP	B	47.86	1.73	124,000	12	9	64	14	0.59
<i>Total or Median *</i>	<i>30%</i>	<i>9%</i>	<i>14%</i>		<i>705,000</i>					<i>0.72</i>
Europe										
BG Group	BRGXF	B	16.97	1.12	64,500		23	45	32	0.79
BP plc	BP	B	51.44	1.40	227,000	7	9	60	24	0.78
Royal Dutch Shell plc	RDS-A	B	55.90	1.33	228,000	2	22	43	32	0.76
StatoilHydro ASA (33%)	STO	B	22.32	1.44	33,700		51	49	-	0.72
Total S.A.	TOT	B	57.62	1.27	163,000		19	59	22	0.69
<i>Total or Median *</i>	<i>31%</i>	<i>12%</i>	<i>17%</i>		<i>716,000</i>					<i>0.76</i>
Brazil/China/Russia										
CNOOC Limited (34%)	CEO	B	138.03	1.01	21,200		11	89	-	1.02
Petrobras	PBR	B	45.30	1.19	236,000		7	77	16	0.81
PetroChina Company Ltd (14%)	PTR	B	112.95	1.09	31,600		15	69	15	0.77
Lukoil Oil Company	LUKOY	B	54.95	1.14	53,300			67	33	0.44
Gazprom (50%)	OGZPY	B	23.05	1.27	91,000		80	20	-	0.42
<i>Total or Median *</i>	<i>19%</i>	<i>12%</i>	<i>17%</i>		<i>433,000</i>					<i>0.77</i>
U.S. Independent										
Anadarko Petroleum Corp.	APC	B	61.65	1.48	45,200	47		48	5	1.03
EOG Resources	EOG	B	82.51	1.13	23,200	72	4	24	-	0.91
XTO Energy Inc.	XTO	B	40.08	1.48	34,400	75		25	-	0.90
Chesapeake Energy Corp.	CHK		27.50	1.86	31,300	85		15	-	0.89
Occidental Petroleum Corp.	OXY	B	75.51	1.09	67,100	9	1	80	9	0.88
Devon Energy Corporation	DVN	B	66.34	1.31	39,200	61		39	-	0.73
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>17%</i>		<i>240,000</i>					<i>0.89</i>
Canada										
Encana Corporation	ECA	B	56.58	1.30	55,200	65		30	5	0.93
Canadian Natural Resources	CNQ	B	65.04	1.35	47,600	20		80	-	0.86
Imperial Oil Limited (30%)	IMO	B	38.57	1.09	10,800	5		79	16	0.82
Suncor Energy	SU	B	33.23	1.33	69,600	5		85	10	0.70
Canadian Oil Sands Trust	COSWF	B	27.26	1.11	14,600			100	-	0.67
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>17%</i>		<i>198,000</i>					<i>0.82</i>
Income and Small Cap (see separate weekly analysis)										
	<i>2%</i>	<i>42%</i>	<i>17%</i>		<i>40,400</i>	<i>40</i>		<i>60</i>		<i>0.84</i>
Composite										
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,332,400</i>	<i>11</i>	<i>15</i>	<i>57</i>	<i>17</i>	<i>0.74</i>
<i>Equal Weighting</i>		<i>100%</i>				<i>32</i>	<i>7</i>	<i>54</i>	<i>7</i>	<i>0.80</i>
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>25</i>	<i>10</i>	<i>54</i>	<i>10</i>	<i>0.77</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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Table 2

McDep Energy Portfolio Net Present Value and McDep Ratio

	Symbol/Rating	Price (US\$/sh)	Shares	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio	
	B = Buy	5-Oct	(mm)					
	H = Hold	2009						
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	67.58	4,871	329,000	89.00	0.10	0.78
Chevron Corporation	CVX	B	69.39	1,992	138,000	97.00	0.14	0.76
Marathon Oil Corporation	MRO	B	30.93	711	21,990	53.00	0.23	0.68
ConocoPhillips	COP	B	47.86	1,496	72,000	105.00	0.25	0.59
<i>Total or Median</i>					561,000		0.19	0.72
Europe								
BG Group plc	BRGXF	B	16.97	3,388	57,500	22.00	0.09	0.79
BP plc	BP	B	51.44	3,155	162,000	72.00	0.22	0.78
Royal Dutch Shell plc	RDS-A	B	55.90	3,065	171,000	79.00	0.19	0.76
StatoilHydro ASA (33%)	STO	B	22.32	1,051	23,450	35.00	0.22	0.72
Total S.A.	TOT	B	57.62	2,236	129,000	90.00	0.15	0.69
<i>Total or Median</i>					543,000		0.19	0.76
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	B	138.03	152	21,000	135.00	0.01	1.02
Petrobras	PBR	B	45.30	4,387	198,730	58.00	0.13	0.81
PetroChina Company Ltd (14%)	PTR	B	112.95	256	28,940	150.00	0.06	0.77
Lukoil Oil Company	LUKOY	B	54.95	847	47,000	135.00	0.06	0.44
Gazprom (50%)	OGZPY	B	23.05	3,130	72,100	64.00	0.09	0.42
<i>Total or Median</i>					368,000		0.06	0.77
U.S. Independent								
Anadarko Petroleum Corp.	APC	B	61.65	495	30,500	59.00	0.33	1.03
EOG Resources	EOG	B	82.51	250	20,600	92.00	0.10	0.91
XTO Energy Inc.	XTO	B	40.08	579	23,210	47.00	0.29	0.90
Chesapeake Energy Corp.	CHK		27.50	610	16,780	34.00	0.41	0.89
Occidental Petroleum Corp.	OXY	B	75.51	814	61,500	87.00	0.07	0.88
Devon Energy Corporation	DVN	B	66.34	450	29,900	98.00	0.17	0.73
<i>Total or Median</i>					182,500		0.23	0.89
Canada								
Encana Corporation	ECA	B	56.58	751	42,500	62.00	0.21	0.93
Canadian Natural Resources	CNQ	B	65.04	542	35,300	80.00	0.22	0.86
Imperial Oil Limited (30%)	IMO	B	38.57	256	9,890	48.00	0.07	0.82
Suncor Energy	SU	B	33.23	1,572	52,240	52.00	0.17	0.70
Canadian Oil Sands Trust	COSWF	B	27.26	484	13,190	42.00	0.07	0.67
<i>Total or Median</i>					153,000		0.17	0.82

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.

Please see disclosures on the final page.

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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		5-Oct	Prod	Ebitda	Ebitda	P/E	NTM
	H = Hold		2009	NTM	NTM	NTM	NTM	(%)
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	67.58	12.4	8.5	6.6	12	2.5
Chevron Corporation	CVX	B	69.39	9.8	7.7	5.8	14	3.9
ConocoPhillips	COP	B	47.86	10.6	8.6	5.1	9	3.9
Marathon Oil Corporation	MRO	B	30.93	8.3	6.9	4.7	10	3.1
<i>Total or Median</i>				<i>10.2</i>	<i>8.1</i>	<i>5.4</i>	<i>11</i>	<i>3.5</i>
Europe								
BG Group plc	BRGXF	B	16.97	8.8	9.4	7.4	16	1.1
BP plc	BP	B	51.44	9.6	7.7	6.0	11	6.5
Royal Dutch Shell plc	RDS-A	B	55.90	7.9	7.6	5.8	12	6.0
Total S.A.	TOT	B	57.62	9.7	8.3	5.8	11	5.8
StatoilHydro ASA (33%)	STO	B	22.32	7.5	7.0	5.0	16	5.6
<i>Total or Median</i>				<i>8.8</i>	<i>7.7</i>	<i>5.8</i>	<i>12</i>	<i>5.8</i>
Brazil/China/Russia								
Petrobras	PBR	B	45.30	9.2	10.6	8.5	16	3.0
CNOOC Limited (34%)	CEO	B	138.03	7.2	6.5	6.6	12	3.7
PetroChina Company Ltd (14%)	PTR	B	112.95	14.0	8.6	6.6	18	3.5
Lukoil Oil Company	LUKOY	B	54.95	16.3	9.3	4.1	8	2.3
Gazprom (50%)	OGZPY	B	23.05	24.6	8.5	3.5	5	0.2
<i>Total or Median</i>				<i>14.0</i>	<i>8.6</i>	<i>6.6</i>	<i>12</i>	<i>3.0</i>
U.S. Independent								
Chesapeake Energy Corp.	CHK		27.50	11.3	10.2	9.0	13	1.1
Anadarko Petroleum Corp.	APC	B	61.65	9.2	8.3	8.5		0.6
XTO Energy Inc.	XTO	B	40.08	11.0	9.3	8.3	21	1.4
EOG Resources	EOG	B	82.51	10.1	9.0	8.2	23	0.7
Occidental Petroleum Corp.	OXY	B	75.51	11.0	7.8	6.8	15	1.7
Devon Energy Corporation	DVN	B	66.34	8.4	7.7	5.6	11	1.0
<i>Total or Median</i>				<i>10.5</i>	<i>8.6</i>	<i>8.3</i>	<i>15</i>	<i>1.0</i>
Canada								
Imperial Oil Limited (30%)	IMO	B	38.57	18.4	14.3	11.6	24	1.0
Canadian Oil Sands Trust	COSWF	B	27.26	21.8	13.9	9.4	15	7.8
Encana Corporation	ECA	B	56.58	9.1	8.9	8.3	22	0.7
Canadian Natural Resources	CNQ	B	65.04	7.6	9.2	7.8	14	0.6
Suncor Energy	SU	B	33.23	13.6	10.5	7.4	26	0.6
<i>Total or Median</i>				<i>13.6</i>	<i>10.5</i>	<i>8.3</i>	<i>22</i>	<i>0.7</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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Suncor									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									<i>Next Twelve Months</i>
	<i>Q3</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>9/30/10</i>
	<i>9/30/08</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>3/31/10</i>	<i>6/30/10</i>	<i>9/30/10</i>	<i>9/30/10</i>
Volume									
Natural Gas (mmcf)	197	192	578	771	437	771	771	771	771
Days	92	91	92	92	365	90	91	92	365
Oil (mbd)	222	289	457	541	384	541	541	541	541
Total gas & oil (bcf)	140	175	305	370	1,001	362	366	370	1,466
Total gas & oil (mbd))	254	321	553	670	457	670	670	670	670
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	10.25	3.50	3.39	4.81	4.15	6.00	5.97	6.18	5.74
Currency (US\$/C\$)	0.96	0.86	0.92	0.92	0.87	0.92	0.92	0.92	0.92
Henry Hub (C\$/mmbtu)	10.66	4.08	3.67	5.21	4.76	6.50	6.46	6.69	6.21
Company	9.10	3.52	3.19	4.18	3.94	5.22	5.19	5.38	4.99
Oil (\$/bbl)									
WTI Cushing	117.99	59.52	68.22	70.59	60.32	71.38	72.74	74.00	72.18
WTI Cushing (C\$/bbl)	122.77	69.38	73.88	76.45	68.28	77.30	78.77	80.14	78.16
Company	116.90	63.54	68.71	71.86	66.31	72.66	76.50	77.82	74.72
Total gas & oil (\$/mcf)	18.14	9.89	10.01	10.48	9.92	10.79	11.30	11.51	11.02
NY Harbor 3-2-1 (\$/bbl)	11.84	9.49	9.45	4.49	8.15	5.17	8.42	8.46	6.64
Revenue (\$mm)									
Natural Gas	165	62	169	297	629	362	364	381	1,405
Oil	2,383	1,671	2,889	3,577	9,303	3,538	3,766	3,873	14,754
Other	6,398	3,326	5,109	6,000	17,981	6,000	6,000	6,000	24,000
Total	8,946	5,058	8,167	9,873	27,912	9,900	10,130	10,255	40,159
Expense									
	7,053	4,112	6,507	7,553	22,265	7,322	7,442	7,680	29,996
Ebitda (\$mm)									
Exploration and Production	1,760	818	1,480	2,130	4,943	2,145	2,272	2,340	8,887
Other	133	128	180	190	705	433	417	235	1,275
Total Ebitda	1,893	946	1,660	2,320	5,647	2,578	2,689	2,575	10,162
Exploration	30	32	111	150	300	150	150	150	600
Deprec., Deplet., & Amort.	279	340	1,020	1,360	3,022	1,360	1,360	1,360	5,440
Other		562			562				-
Ebit	1,584	12	529	810	1,764	1,068	1,179	1,065	4,122
Interest	74	99	153	180	496	180	180	180	720
Ebt	1,510	(87)	376	630	1,268	888	999	885	3,402
Income Tax	529	(31)	132	221	444	311	350	310	1,191
Net Income (\$mm)									
Exploration and Production	872	(335)							
Other	46	72							
Unallocated	64	206							
Total	982	(57)	245	410	824	577	649	575	2,211
Shares (millions)									
	953	947	1,364	1,572	1,329	1,572	1,572	1,572	1,572
Per share (\$)	1.03	(0.06)	0.18	0.26	0.62	0.37	0.41	0.37	1.41
Ebitda Margin (E&P)	69%	47%	48%	55%	50%	55%	55%	55%	55%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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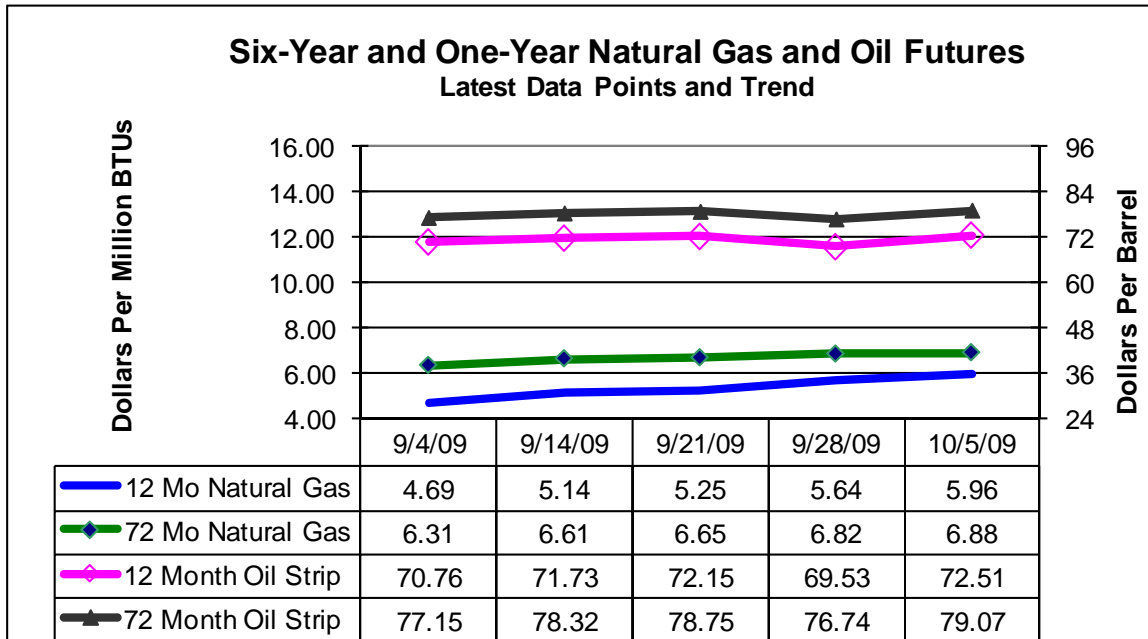
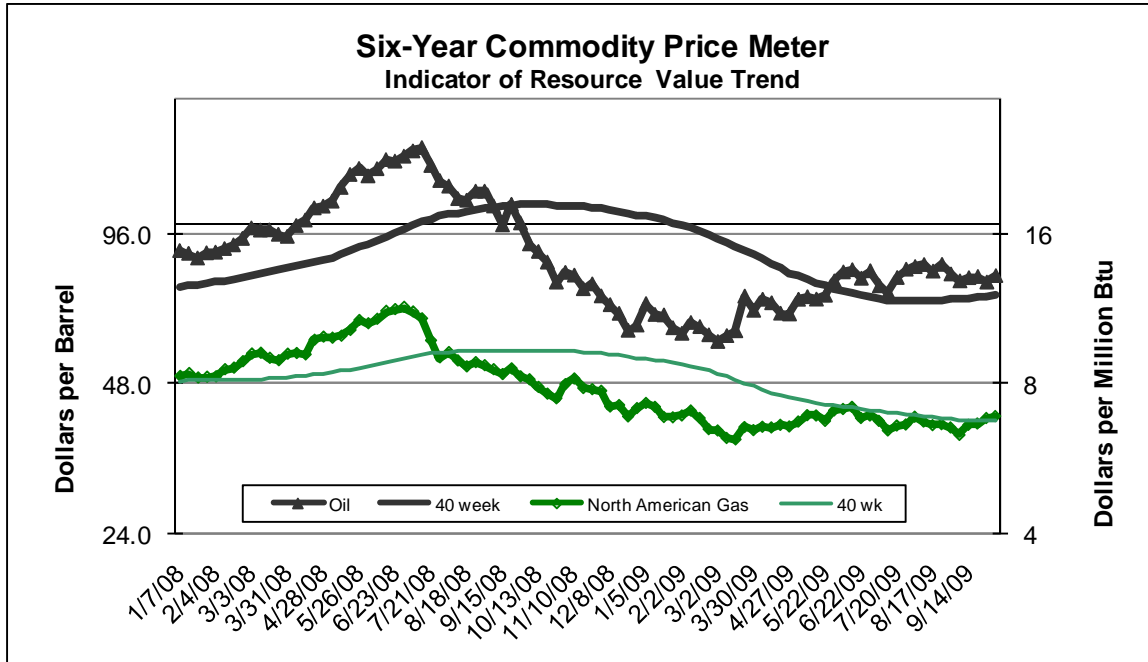
Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
2-Oct	XEC	Cimarex Energy Company	Drilling Picking Up
17-Sep	COSWF	Canadian Oil Sands Trust	McDep Value (Income and Small Cap Weekly)
16-Sep	APC	Anadarko Petroleum Corporation	Rebalance on New Basin Discovery
15-Sep	ECA	EnCana Corporation	Creating Oil Sands Prize (Meter Reader)
4-Sep	SJT	San Juan Basin Royalty Trust	Upgrade to Buy (Income and Small Cap Weekly)
3-Sep	PBR	Petrobras	New Regulatory Model Points to Stock Issue
1-Sep	* XOM	Exxon Mobil Corporation	Stock May Be Timely (Meter Reader)
30-Aug	* LUKOY	Lukoil Oil Company	Contributing to Russia's Oil Future
30-Aug	* PTR	PetroChina Company Limited	Growing Giant in Clean Energy
26-Aug	* CEO	CNOOC Ltd	Full Current Valuation, Promising Prospects
26-Aug	* OGZPY	Gazprom	Natural Gas Giant Reemerging
14-Aug	* BIRTO	Birchcliff Energy Ltd.	Spirited Small Cap Canadian Nat Gas Producer (ISCW)
12-Aug	* PWE	Penn West Energy Trust	Reduce NPV on Volume Trend
11-Aug	* DMLP	Dorchester Minerals, L.P.	Income Competitive with Growth
7-Aug	* EOG	EOG Resources Inc.	Low-Debt Natural Gas Growth
6-Aug	* CNQ	Canadian Natural Resources	First Cash from Horizon
5-Aug	* BRY	Berry Petroleum	Back on Track
5-Aug	* XTO	XTO Energy Inc.	Cutting Edge Natural Gas Producer
5-Aug	* DVN	Devon Energy Corporation	Stock Price Moves to Uptrend
4-Aug	* STO	StatoilHydro ASA	Natural Gas Growth with Dividends
3-Aug	* MRO	Marathon Oil Corporation	Favorable Trends for Future Profit
31-Jul	* CVX	Chevron Corporation	Strength in Tough Times
31-Jul	* TOT	Total S.A.	Real Return and Secure Income
30-Jul	* IMO	Imperial Oil Limited	Downstream Hiccup
30-Jul	* PCZ	Petro-Canada	Good Bye Petro-Canada, Hello Suncor
30-Jul	* RDSA	Royal Dutch Shell plc	Gaining Efficiency in Exploration and Production
29-Jul	* BRGXF	BG Group	Progressing in Pre-Salt Brazil
29-Jul	* EAC	Encore Acquisition Company	Tertiary Recovery Project Announced
29-Jul	* COP	ConocoPhillips	Positioned for Recovery
28-Jul	* BP	BP p.l.c.	Trending Up
23-Jul	* OXY	Occidental Petroleum Corporation	California Discovery May Be Worth \$2 a Share
22-Jul	* SU	Suncor Energy	Merger with Petro-Canada to be Effective August 1
10-Jul	* HGT	Hugoton Royalty Trust	Rounding the Bend (Income and Small Cap Weekly)
Meter Reader			
6-Oct		Weekly	
29-Sep		Weekly	My Visit to Russia
22-Sep		Weekly	Replaying Energy Regulation in Russia
15-Sep	*	EnCana Corporation (ECA)	Creating Oil Sands Prize
Income and Small Cap Weekly			
2-Oct		Cimarex Energy Company	Drilling Picking Up
25-Sep		Mesa Royalty Trust (MTR)	Pure Natural Gas Income
18-Sep		Canadian Oil Sands Trust (COSWF)	McDep Value
11-Sep	*	Weekly	Natural Gas Low Set
Industry Ideas			
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
	*	Archived on www.mcdep.com	



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