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First Quarter 2011 Earnings Preview

EPS/CFPS Rise as Production/Oil Price Gains Offset Gas Weakness

- **Sharp EPS/CFPS Uptick** – On average, first quarter 2011 EPS/CFPS for our coverage group are projected to be up 19%/10% versus the first quarter of 2010, as ~6% aggregate production growth and a nearly 20% increase in WTI spot oil prices more than offset a 10% decline in natural gas price realizations. Adjusted for acquisitions/divestitures, we estimate "organic" production increased 11% year-over-year and nearly 5% sequentially.
- **Natural Gas Production/Prices** – Despite the ongoing rush to liquids, North American natural gas production for our coverage group is projected to have increased 8% versus the year-ago period, outpacing liquids growth. However, we expect daily gas output will be essentially flat sequentially mainly due to the impact of well freeze-offs. Importantly, despite winter weather averaging 5.4% colder-than-normal (and 5.2% colder than the prior winter), natural gas prices averaged $4.19/MMBtu in Q1'11, or ~20% lower than the first quarter of 2010. But natural gas price realizations were only ~10% lower as hedging helped to mitigate the year-over-year actual price drop.
- **MENA Turmoil Drives Crude Oil Up** – Ongoing political unrest in key MENA producing region led crude oil prices up throughout the first quarter with WTI spot crude averaging $93.79/BBl (up 19% year-over-year), while Brent averaged $105.63/Bbl (up 39% year-over-year). E&P producers are expected to benefit directly from crude's ascent, as offsetting hedge losses were minimal for most companies. Key beneficiaries of Brent's rally include APA, NXY, TLM, CNQ, although higher cash taxes partially offset the gains.
- **Operating Costs Rising** – Per-unit costs (incl. production taxes) are projected to have risen ~5% versus the year-ago first quarter and ~3% sequentially. Importantly, per-unit LOE and G&A are projected to have risen ~8% and 16%, respectively, year over year (up 7% and flat sequentially) due largely to endeavors to shift production toward more expensive oil/liquids plays and as companies rush to hire more engineers/geologists to pursue expanding and new shale plays, while volumes were lost in the first quarter of this year due to weather related and other outages (notably CNQ's Horizon project).
- **2011 Capital Budgets** – At this juncture, 2011 E&D budgets for our coverage group are pegged to be up ~13%, on average, over 2010, which equates to 104% of our projected cash flows. Last year, E&D spending outpaced cash flow by 7% although total capital outlays, including acquisitions, exceeded cash flow by nearly 70% with this outspend funded by asset sales, up-front joint venture payments and equity issuances.
- **Adjusting Estimates** – We are adjusting our estimates to reflect actual first quarter natural gas and crude oil prices along with other fine tuning to our models. However, our EPS/CPFS projections, on average, are little changed but are now 3.2%/3.7% lower, on average, than the First Call consensus most likely due to natural gas prices ending up lower than Street consensus. Versus consensus, we expect APC, NBL, ROSE to beat consensus, while HK, RRC, ECA are expected to fall short.
- **Top Picks** – Our top picks at this juncture are APC, APA, CNQ and NXY.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

Figure 1. 1Q'11 EPS and CFPS Estimates

	Q1'11 Recurring Diluted EPS					Q10'11 Recurring Diluted CFPS				
	Citi Previous	Citi Current	% Change	FirstCall Consensus	Citi vs. Consensus	Citi Previous	Citi Current	% Change	FirstCall Consensus	Citi vs. Consensus
Anadarko Petroleum (APC)	$ 0.63	$ 0.67	5%	$ 0.57	17%	$ 3.06	$ 3.15	3%	$ 2.94	7%
Apache Corporation (APA)	$ 2.58	$ 2.51	-3%	$ 2.58	-3%	$ 5.67	$ 5.54	-2%	$ 5.56	0%
Canadian Natural Res. (CNQ)[1]	$ 0.45	$ 0.36	-20%	$ 0.40	-10%	$ 1.21	$ 1.16	-5%	$ 1.19	-3%
Chesapeake Energy (CHK)	$ 0.71	$ 0.74	5%	$ 0.70	6%	$ 1.39	$ 1.45	4%	$ 1.59	-9%
Concho Resources (CXO)	$ 0.74	$ 0.80	7%	$ 0.77	4%	$ 2.01	$ 2.10	4%	$ 2.15	-2%
Denbury Resources (DNR)	$ 0.25	$ 0.24	-3%	$ 0.26	-8%	$ 0.62	$ 0.60	-3%	$ 0.64	-6%
Devon Energy (DVN)[2]	$ 1.33	$ 1.29	-3%	$ 1.30	0%	$ 2.67	$ 2.62	-2%	$ 2.88	-9%
EnCana Corp. (ECA)	$ 0.09	$ 0.08	-19%	$ 0.16	-54%	$ 1.21	$ 1.18	-2%	$ 1.29	-9%
EOG Resources (EOG)	$ 0.46	$ 0.48	4%	$ 0.53	-10%	$ 3.19	$ 3.21	1%	$ 3.26	-1%
Newfield Exploration (NFX)	$ 0.92	$ 0.95	3%	$ 0.94	1%	$ 2.38	$ 2.42	2%	$ 2.66	-9%
Nexen, Inc. (NXY)[1]	$ 0.63	$ 0.67	6%	$ 0.58	15%	$ 1.16	$ 1.19	2%	$ 1.21	-2%
Noble Energy (NBL)	$ 1.21	$ 1.19	-1%	$ 1.11	8%	$ 2.93	$ 2.90	-1%	$ 2.82	3%
Petrohawk Energy (HK)	$ 0.08	$ 0.09	13%	$ 0.13	-32%	$ 0.58	$ 0.60	3%	$ 0.69	-13%
Range Resources (RRC)	$ 0.15	$ 0.19	23%	$ 0.22	-14%	$ 0.94	$ 0.96	3%	$ 1.07	-10%
Rosetta Resources (ROSE)	$ 0.32	$ 0.31	-3%	$ 0.28	11%	$ 1.21	$ 1.18	-2%	$ 1.15	3%
Southwestern Energy (SWN)	$ 0.35	$ 0.38	8%	$ 0.39	-4%	$ 1.04	$ 1.03	-1%	$ 1.07	-3%
Talisman Energy (TLM)[1]	$ 0.36	$ 0.27	-26%	$ 0.31	-14%	$ 0.96	$ 0.90	-6%	$ 0.96	-6%
Ultra Petroleum (UPL)	$ 0.57	$ 0.58	1%	$ 0.61	-4%	$ 1.35	$ 1.36	1%	$ 1.40	-3%
Average (Ex High/Low)			**0.0%**		**-3.2%**			**0.1%**		**-3.7%**

Source: Citi Investment Research and Analysis, First Call Consensus

Figure 2. 2011, 2012, 2013 Full Year EPS and CFPS Estimates

	2011 Recurring Diluted EPS			2011 Recurring CFPS			2012 Recurring Diluted EPS			2012 Recurring CFPS			2013 Recurring Diluted EPS			2013 Recurring CFPS		
	Citi Previous	Citi Current	% Change	Citi Previous	Citi Current	% Change	Citi Previous	Citi Current	% Change	Citi Previous	Citi Current	% Change	Citi Previous	Citi Current	% Change	Citi Previous	Citi Current	% Change
Anadarko Petroleum (APC)	$ 3.17	$ 3.20	1%	$ 13.43	$ 13.52	1%	$ 5.17	$ 5.13	-1%	16.97	$ 16.98	0%	$ 4.75	$ 4.72	-1%	17.36	$ 17.38	0%
Apache Corporation (APA)	$ 10.94	$ 10.86	-1%	$ 24.08	$ 23.96	-1%	$ 11.92	$ 11.93	0%	25.78	$ 25.80	0%	$ 11.64	$ 11.65	0%	26.03	$ 26.05	0%
Canadian Natural Res. (CNQ)[1]	$ 2.58	$ 2.46	-5%	$ 5.98	$ 5.92	-1%	$ 4.19	$ 4.08	-2%	8.38	$ 8.33	-1%	$ 3.93	$ 3.83	-3%	8.28	$ 8.16	-1%
Chesapeake Energy (CHK)	$ 3.03	$ 3.06	1%	$ 6.00	$ 6.04	1%	$ 3.75	$ 3.77	0%	7.33	$ 7.36	0%	$ 4.15	$ 4.17	0%	8.11	$ 8.14	0%
Concho Resources (CXO)	$ 3.87	$ 3.90	1%	$ 10.03	$ 10.10	1%	$ 5.39	$ 5.39	0%	12.98	$ 12.98	0%	$ 6.09	$ 6.09	0%	14.97	$ 14.97	0%
Denbury Resources (DNR)	$ 1.15	$ 1.16	1%	$ 2.83	$ 2.83	0%	$ 1.20	$ 1.20	0%	3.01	$ 3.01	0%	$ 1.07	$ 1.07	0%	2.91	$ 2.91	0%
Devon Energy (DVN)[2]	$ 6.02	$ 5.95	-1%	$ 11.90	$ 11.80	-1%	$ 8.25	$ 8.25	0%	15.15	$ 15.14	0%	$ 8.20	$ 8.20	0%	15.31	$ 15.30	0%
EnCana Corp. (ECA)	$ 0.58	$ 0.56	-3%	$ 5.25	$ 5.22	-1%	$ 1.93	$ 1.92	0%	7.07	$ 7.06	0%	$ 1.92	$ 1.92	0%	7.34	$ 7.32	0%
EOG Resources (EOG)	$ 3.24	$ 3.25	1%	$ 15.80	$ 15.83	0%	$ 6.33	$ 6.33	0%	21.34	$ 21.34	0%	$ 6.49	$ 6.49	0%	22.48	$ 22.48	0%
Newfield Exploration (NFX)	$ 4.83	$ 5.04	4%	$ 11.83	$ 12.18	3%	$ 5.89	$ 6.22	6%	14.15	$ 14.69	4%	$ 6.46	$ 6.83	6%	15.60	$ 16.22	4%
Nexen, Inc. (NXY)[1]	$ 2.34	$ 2.48	6%	$ 4.58	$ 4.70	3%	$ 2.81	$ 2.86	2%	5.69	$ 5.78	2%	$ 2.65	$ 2.70	2%	5.63	$ 5.72	2%
Noble Energy (NBL)	$ 4.83	$ 4.84	0%	$ 12.50	$ 12.51	0%	$ 5.59	$ 5.58	0%	13.77	$ 13.75	0%	$ 5.88	$ 5.88	0%	15.37	$ 15.35	0%
Petrohawk Energy (HK)	$ 0.66	$ 0.71	8%	$ 3.11	$ 3.21	3%	$ 1.69	$ 1.73	3%	5.08	$ 5.10	0%	$ 2.08	$ 2.13	3%	6.04	$ 6.07	0%
Range Resources (RRC)	$ 0.92	$ 0.94	2%	$ 4.07	$ 4.10	1%	$ 1.91	$ 1.87	-2%	6.30	$ 6.30	0%	$ 2.29	$ 2.24	-2%	7.27	$ 7.27	0%
Rosetta Resources (ROSE)	$ 1.74	$ 1.73	0%	$ 5.55	$ 5.54	0%	$ 2.73	$ 2.73	0%	7.18	$ 7.18	0%	$ 3.03	$ 3.03	0%	8.17	$ 8.17	0%
Southwestern Energy (SWN)	$ 1.51	$ 1.63	8%	$ 4.49	$ 4.45	-1%	$ 2.55	$ 2.69	5%	6.66	$ 6.59	-1%	$ 2.90	$ 3.09	7%	7.55	$ 7.55	0%
Talisman Energy (TLM)[1]	$ 1.22	$ 1.10	-10%	$ 3.74	$ 3.68	-2%	$ 1.43	$ 1.39	-3%	4.59	$ 4.59	0%	$ 1.29	$ 1.25	-3%	4.61	$ 4.61	0%
Ultra Petroleum (UPL)	$ 2.78	$ 2.78	0%	$ 6.35	$ 6.36	0%	$ 3.37	$ 3.37	0%	7.61	$ 7.61	0%	$ 3.91	$ 3.91	0%	8.83	$ 8.83	0%
Average (Ex High/Low)			**0.8%**			**0.3%**			**0.2%**			**0.1%**			**0.3%**			**0.1%**

Source: Citi Investment Research and Analysis

Figure 3. Upcoming E&P Earnings Releases for First Quarter 2011

	Date of Release	Time of Release	Date of Conf. Call	Time of Conf. Call	Citi 1Q11E	1Q EPS Consen.	Conf. Call Dial In	Code
Anadarko Petroleum	2-May	AMC	3-May	10:00 AM	$ 0.67	$ 0.57	N/A	N/A
Apache Corporation	28-Apr	BMO	28-Apr	2:00 PM	$ 2.51	$ 2.58	N/A	N/A
Canadian Natural Res.	5-May	AMC	6-May	11:00 AM	$ 0.36	$ 0.40	800-952-6845	N/A
Chesapeake Energy	2-May	AMC	3-May	9:00 AM	$ 0.74	$ 0.70	888-820-9417	8789033
Concho Resources	4-May	AMC	5-May	10:00 AM	$ 0.80	$ 0.77	866-271-0675	95571365
Denbury Resources	N/A	N/A	N/A	N/A	$ 0.24	$ 0.26	N/A	N/A
Devon Energy	4-May	BMO	4-May	11:00 AM	$ 1.29	$ 1.30	N/A	N/A
EnCana Corporation	20-Apr	BMO	20-Apr	12:00 PM	$ 0.08	$ 0.16	N/A	N/A
EOG Resources	6-May	BMO	6-May	9:00 AM	$ 0.48	$ 0.53	877-681-3376	2361206
Newfield Exploration	20-Apr	AMC	21-Apr	9:30 AM	$ 0.95	$ 0.92	719-325-4804	N/A
Nexen, Inc.	27-Apr	N/A	N/A	N/A	$ 0.67	$ 0.58	N/A	N/A
Noble Energy	28-Apr	BMO	28-Apr	10:00 AM	$ 1.19	$ 1.11	800-479-9001	9871975
Petrohawk Energy	N/A	N/A	3-May	N/A	$ 0.09	$ 0.13	N/A	N/A
Range Resources	26-Apr	AMC	27-Apr	1:00 PM	$ 0.19	$ 0.22	N/A	N/A
Rosetta Resources	29-Apr	AMC	2-May	N/A	$ 0.31	$ 0.28	N/A	N/A
Southwestern Energy	28-Apr	AMC	29-Apr	10:00 AM	$ 0.38	$ 0.39	877-407-8035	N/A
Talisman Energy	4-May	AMC	5-May	10:30 AM	$ 0.27	$ 0.31	N/A	N/A
Ultra Petroleum	6-May	BMO	6-May	11:00 AM	$ 0.58	$ 0.60	800-591-6923	45385515

[1] BMO = before market open, AMC = After Market Close

Source: Citi Investment Research and Analysis

EPS/CFPS Rise as Production/Oil Price Gains Offset Natural Gas Price Weakness

Year-over-year, we project a solid increase in bottom line results for our coverage group in Q1'11…

On average, first quarter EPS and CFPS estimates for our coverage group are projected to increase by 19% and 10%, respectively, compared with the first quarter of 2010 (see Figure 3), as a ~6% aggregate production uptick, a 19% increase in WTI spot crude oil prices, and a 19% average uplift from natural gas hedges more than offset a 19% year-over-year decrease in composite spot natural gas prices and a 5% year-over-year increase in average per-unit costs. The first quarter ~6% year-over-year aggregate production increase was driven by unconventional shale plays (including SWN, HK, ROSE, CHK), helped by acquisitions (APA, DNR, CXO) but partially offset by outages (CNQ) and divestitures (DVN, NXY, CHK, HK).

…led by ~6% aggregate production growth driven by natural gas (up ~8%)...

We project that North American natural gas production (onshore, offshore and Canada) for our coverage universe increased ~8% year-over-year. On the cost side, combined per-unit costs (lease operating expense (LOE), general and administrative (G&A), interest, and depreciation, depletion, and amortization (DD&A) expense are projected to have increased 4.8% year-over-year. The per-unit cost uptick is being driven by higher production taxes, decreased output due to weather-related issues as well as CNQ's Horizon outage, higher LOE associated with liquids plays, and higher G&A. DD&A is also up nearly 4% year-over-year. Although DD&A is benefitting from lower natural gas F&D, this is being more than offset by mix shift towards "oilier" plays which typically entails higher F&D expense. However, interest expense is essentially flat year-over-year.

…despite a ~5% increase in per-unit costs on higher taxes, LOE and G&A…

…while WTI spot oil rose ~20% on MENA turmoil, but Brent jumped nearly 40%...

First quarter 2011 WTI spot crude oil prices averaged $93.79/Bbl, or 19% higher than the first quarter of 2010 $78.84/Bbl average but in-line with our forecast of $94.00/Bbl (for further details, see our March 7th report titled: MENA Turmoil Heightens Oil Price Outlook - Raising 2011 Brent/WTI Forecasts To $105/$95; 2012 to $100/$95). Ongoing political unrest in the key producing regions in the Middle

East and Africa, including Egypt, Libya, Syria, Yemen and Nigeria, among others, continues to fuel fears of a supply shortage, and led to a spike in WTI and Brent crude oil prices, especially towards the end of the quarter. WTI spot crude averaged ~$103/Bbl in March, and currently hovers around $106/Bbl. We note that Brent crude prices have risen even more sharply, averaging $105.63/Bbl in the first quarter 2011, or up nearly ~40% from its $76.07/Bbl average in Q1 2010, and is currently at ~$120/Bbl. The impact of crude oil hedging by E&P's (approximately ~30% was hedged) was essentially immaterial (-1% impact) in the first quarter, but some companies are projected to incur modest losses either due to purchased put options expiring out of the money, or from spot crude prices exceeding the ceiling or swap prices on some of the oldest contracts.

…and realized natural gas prices declined ~10% year-over-year.

Composite spot natural gas prices averaged $4.19/MMBtu, or nearly 20% lower than the first quarter of 2010 $5.15/MMBtu average. Recall that most companies sell the majority of their natural gas during bid-week, or the last three days of the month, typically reducing price realizations during periods of rising and/or volatile spot prices, but improving price realizations during periods of falling and/or volatile spot prices. First quarter 2011 bid week natural gas prices averaged $4.09/MMBtu, or 23% lower than the first quarter of 2010. However, gas hedges this quarter boosted price realizations by 19% versus a 9% enhancement in Q1 2010 (companies received a smaller hedging benefit in the year-ago quarter due to much higher spot prices). In aggregate, we estimate that realized natural gas prices in the first quarter declined 10% year-over-year, but less than the 20% year-over-year decline in spot prices as hedges helped cushion the drop.

U.S. natural gas basis differentials continued to tighten both sequentially and year-over-year…

Natural gas basis differentials in the Mid-Continent region, the Rockies, New Mexico and the Appalachian regions, continued to tighten versus the prior and year-ago quarters. However, the price differential at the Western Canadian AECO benchmark hub widened modestly on a sequential basis following year-end supply growth from the B.C. shale basins, but the differential was nevertheless tighter than in the first quarter of 2010. Basis tightening in the U.S. continues to be driven by the increase in takeaway capacity between delivery points, which has largely eliminated regional gluts that have roiled local markets in the past. We note that the 12-region composite spot average of $4.19/MMBtu essentially matched the Henry Hub average of $4.22/MMBtu.

…but the Western Canada basis differential remains significant and widened modestly last quarter.

However, regional disparities in Canada remain significant, with AECO averaging just $3.61/MMBtu last quarter due to high tolls on cross-country pipelines that transport gas from producing Western Canadian areas to key consuming cities like Toronto and Montreal located in the East. Instead, eastern Canadian provinces like Ontario and Quebec are increasingly relying on imported U.S. gas, notably from the lower-cost Pennsylvania Marcellus shale play.

Sequentially, we project a 5% decrease in CFPS with production volumes down 3%.

Sequentially, first quarter 2011 CFPS for our coverage group is projected to have decreased about 5%, on average, as ~3% lower projected production volumes, a ~5% increase in cash costs offset ~10% higher realized crude oil prices, while we estimate that realized natural gas prices were essentially unchanged quarter-over-quarter.

Figure 4. First Quarter 2011E Operating Summary

	Recurring Fully-Diluted EPS							Recurring Fully-Diluted CFPS						
					Variance							Variance		
	Q1'11 Estimate	Q1'11 Consensus	Q4'10 Actual	Q1'10 Actual	Citi vs. Consensus	Q1'11 vs Q4'10	Q1'11 vs Q1'10	Q1'11 Estimate	Q1'11 Consensus	Q4'10 Actual	Q1'10 Actual	Citi vs. Consensus	Q1'11 vs Q4'10	Q1'11 vs Q1'10
Anadarko Petroleum (APC)	$ 0.67	$ 0.57	$ 0.29	$ 0.83	17%	129%	-20%	$ 3.15	$ 2.94	$ 2.82	$ 2.77	7%	12%	14%
Apache Corporation (APA)	$ 2.51	$ 2.58	$ 2.19	$ 2.10	-3%	15%	19%	$ 5.54	$ 5.56	$ 5.91	$ 4.47	0%	-6%	24%
Canadian Natural Res. (CNQ)[1]	$ 0.36	$ 0.40	$ 0.57	$ 0.61	-10%	-37%	-41%	$ 1.16	$ 1.19	$ 3.38	$ 2.74	-3%	-66%	-58%
Chesapeake Energy (CHK)	$ 0.74	$ 0.70	$ 0.70	$ 0.82	6%	6%	-9%	$ 1.45	$ 1.59	$ 1.69	$ 1.42	-9%	-14%	2%
Concho Resources (CXO)	$ 0.80	$ 0.77	$ 0.75	$ 0.59	4%	6%	36%	$ 2.10	$ 2.15	$ 2.17	$ 1.57	-2%	-3%	33%
Denbury Resources (DNR)	$ 0.24	$ 0.26	$ 0.22	$ 0.06	-8%	9%	311%	$ 0.60	$ 0.64	$ 0.62	$ 0.22	-6%	-2%	174%
Devon Energy (DVN)[2]	$ 1.29	$ 1.30	$ 1.46	$ 1.65	0%	-12%	-22%	$ 2.62	$ 2.88	$ 2.72	$ 2.58	-9%	-4%	1%
EnCana Corp. (ECA)	$ 0.08	$ 0.16	$ 0.09	$ 0.56	-54%	-18%	-86%	$ 1.18	$ 1.29	$ 1.56	$ 1.35	-9%	-24%	-13%
EOG Resources (EOG)	$ 0.48	$ 0.53	$ 0.36	$ 0.46	-10%	32%	3%	$ 3.21	$ 3.27	$ 4.59	$ 2.97	-2%	-30%	8%
Newfield Exploration (NFX)	$ 0.95	$ 0.94	$ 1.16	$ 1.19	1%	-18%	-20%	$ 2.42	$ 2.66	$ 2.31	$ 2.71	-9%	5%	-11%
Nexen, Inc. (NXY)[1]	$ 0.67	$ 0.58	$ 0.42	$ 0.35	15%	59%	89%	$ 1.19	$ 1.21	$ 1.13	$ 1.00	-2%	5%	19%
Noble Energy (NBL)	$ 1.19	$ 1.11	$ 1.22	$ 0.78	8%	-3%	53%	$ 2.90	$ 2.82	$ 2.91	$ 2.32	3%	0%	25%
Petrohawk Energy (HK)	$ 0.09	$ 0.13	$ 0.10	$ 0.13	-32%	-13%	-31%	$ 0.60	$ 0.69	$ 0.66	$ 0.58	-13%	-9%	4%
Range Resources (RRC)	$ 0.19	$ 0.22	$ 0.19	$ 0.16	-14%	-2%	15%	$ 0.96	$ 1.07	$ 1.00	$ 0.91	-10%	-3%	6%
Rosetta Resources (ROSE)	$ 0.31	$ 0.28	$ 0.17	$ 0.14	11%	85%	121%	$ 1.18	$ 1.15	$ 1.01	$ 0.74	3%	17%	60%
Southwestern Energy (SWN)	$ 0.38	$ 0.39	$ 0.43	$ 0.49	-4%	-12%	-24%	$ 1.03	$ 1.07	$ 1.34	$ 1.11	-3%	-23%	-7%
Talisman Energy (TLM)[1]	$ 0.27	$ 0.31	$ 0.08	$ 0.12	-14%	223%	126%	$ 0.90	$ 0.96	$ 0.98	$ 0.75	-6%	-8%	20%
Ultra Petroleum (UPL)	$ 0.58	$ 0.61	$ 0.50	$ 0.55	-4%	17%	5%	$ 1.36	$ 1.39	$ 1.17	$ 1.22	-2%	16%	11%
Average (Ex High/Low)					**-3%**	**16%**	**19%**					**-4%**	**-5%**	**11%**

[1] Amounts in CAD$
[2] Citi estimates include recurring, continuing operations only while consensus estimates vary.

Source: First Call, Citi Investment Research and Analysis, company reports

Natural gas prices started the year strong then plummeted, but still averaged ~11% higher than Q4 2010.

The $4.19/MMBtu first quarter 2011 average composite spot natural gas price was 11% higher than the $3.77/MMBtu fourth quarter 2010 average, while first quarter bid week prices averaged $4.09/MMbtu, or 8% above the fourth quarter 2010 bid week average price. Extremely cold weather in January (~9% colder than normal) helped provide a modest lift to pricing early in the year, with January spot composite prices averaging $4.42/MMBtu. However, strong gas production growth continued to offset frigid winter temperatures and average gas prices subsequently slid in February and March to $4.23/MMBtu and $3.93/MMBtu, respectively.

However, natural gas hedges were less impactful this quarter than in Q4'10, and thus realized gas prices were unchanged.

We estimate that natural gas price hedges boosted price realizations by roughly 19% in the first quarter of 2011 (see Figure 9) vs. a 30% uplift in the fourth quarter of 2010. We note that although producers have hedged a similar proportion of projected current year natural gas output as in prior years, the average strike price is trending lower (for further details, see our March 10th report titled: E&P Natural Gas Hedging Gains Poised To Drop In 2011). Thus, incorporating the effect of hedging, natural gas price realizations were essentially unchanged from the prior quarter, but crude oil price realizations were up 10% quarter-over-quarter.

Despite frigid temperatures, natural gas prices averaged just ~2% above our Q1 forecast (based on normal weather).

The official winter withdrawal season (November 1st - March 31st) ended up 5.4% colder than the 10-year average, or the coldest winter since 2000-2001 (for further details, see our March 25th report titled: Natural Gas Winter Wrap-Up). Despite this tailwind, the first quarter composite spot natural gas price average of $4.19/MMBtu was only 2% above our $4.10/MMBtu forecast (which assumed normal weather), and down ~20% year-over-year. Our 2011 composite spot natural gas price forecast remains $4.25/MMBtu (see Figure 4).

Figure 5. Average WTI Spot Crude Oil and Composite Spot Natural Gas Prices

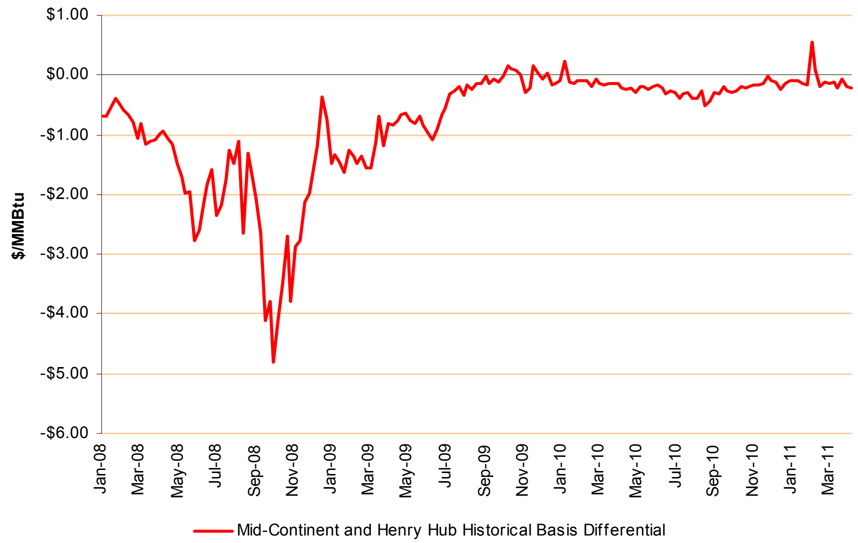
	Citi Investment Research		Street Consensus**	
	Oil ($/Bbl.)	Natural gas ($/MMBtu)	Oil ($/Bbl.)	Natural Gas ($/MMBtu)
2003	$31.14	$5.49		
2004	$41.41	$5.69		
2005	$56.44	$8.35		
2006	$66.11	$6.42		
2007	$72.35	$6.64		
2008	$99.69	$8.36		
2009	$61.77	$3.78		
2010	$79.39	$4.33		
Q1	$93.79	$4.19		
Q2E	$100.00	$3.75	$88.73	$4.15
Q3E	$95.00	$4.00	$88.16	$4.32
Q4E	$90.00	$5.15	$88.67	$4.63
2011E	**$95.00**	**$4.25**	**$88.57**	**$4.44**
2012E	**$95.00**	**$5.50**	**$92.93**	**$4.96**
2013E	**$90.00**	**$5.50**	**$94.54**	**$5.33**

*Quarterly consensus figures may not equate to the full-year average due to a fewer number of analysts providing quarterly estimates.
** First Call Commodity Price consensus forecasts as of 4/11/11
Crude oil: WTI Cushing spot wellhead price average.
Natural gas: 12 U.S. region spot wellhead price average.

Source: Citi Investment Research and Analysis, First Call

Companies with Mid-Continent natural gas production include: Anadarko, Apache Corporation, Chesapeake Energy, Concho Resources, Devon Energy, EnCana Corp, EOG Resources, Newfield Exploration, Noble Energy and Range Resources.

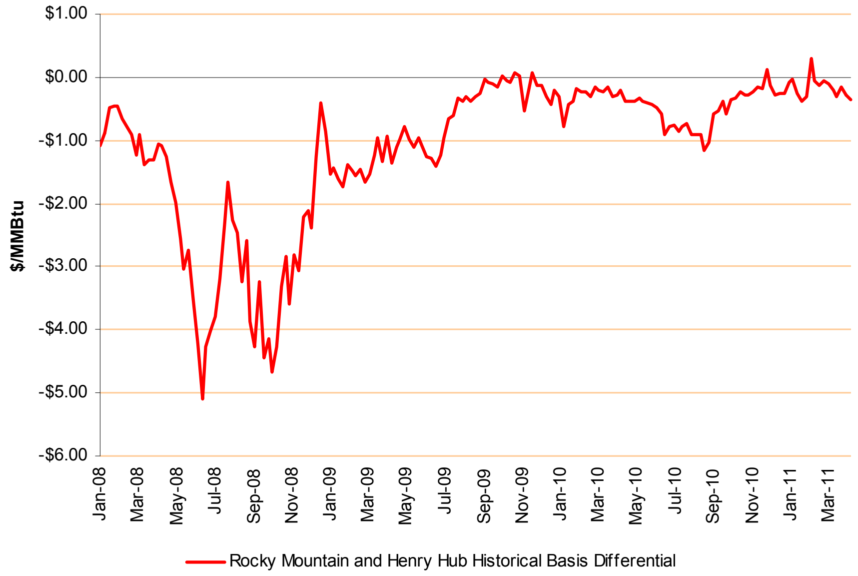
Figure 6. Mid-Continent and Henry Hub Historical Basis Differential



Source: Natural Gas Week, Citi Investment Research and Analysis

Companies with Rocky Mountain natural gas production include: Anadarko Petroleum, Devon Energy, EnCana, EOG Resources, Newfield Exploration, Noble Energy and Ultra Petroleum.

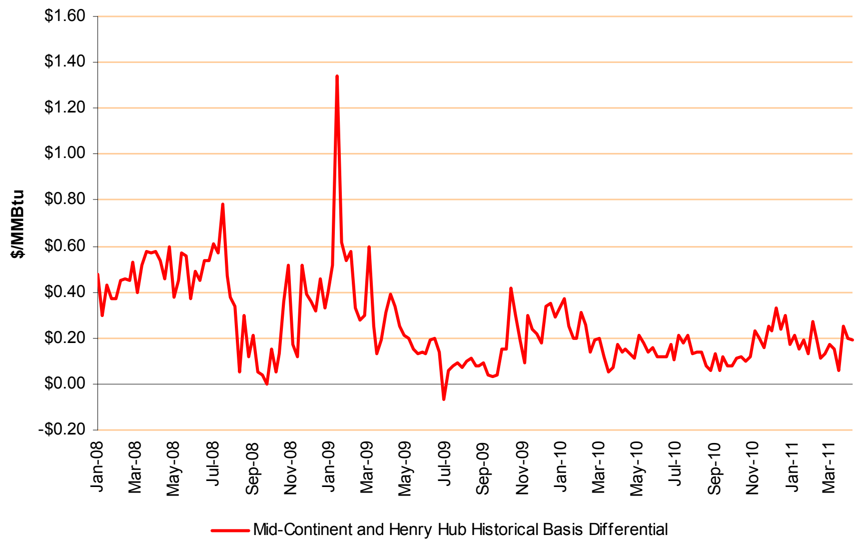
Figure 7. Rocky Mountain and Henry Hub Historical Basis Differential



Source: Natural Gas Week, Citi Investment Research and Analysis

Companies with Appalachia natural gas production include: Anadarko Petroleum, Chesapeake Energy, EOG Resources, Range Resources, Ultra Petroleum and Talisman Energy.

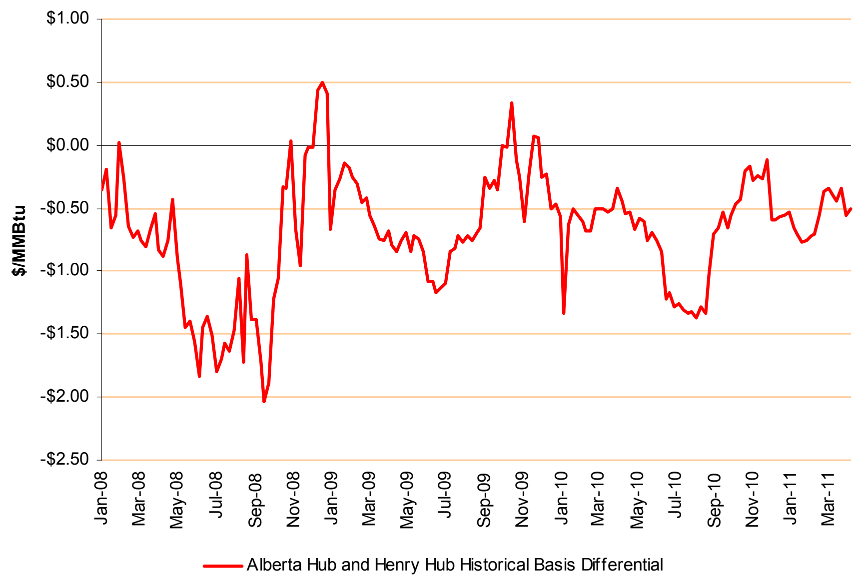
Figure 8. Appalachia and Henry Hub Historical Basis Differential



Source: Natural Gas Week, Citi Investment Research and Analysis

Companies with Canadian natural gas production include: Apache Corp, Canadian Natural Resources, Devon Energy, EnCana, EOG Resources, Nexen Inc. and Talisman Energy.

Figure 9. AECO and Henry Hub Historical Basis Differential



Source: Natural Gas Week, Citi Investment Research and Analysis

Hedges boosted natural gas price realizations in Q1'11 by nearly 20% but the impact of oil price hedges was negligible.

Figure 10. First Quarter 2011E Projected Hedging Impact

	North American Natural Gas Realized Price			Crude Oil Realized Price		
	Q1'11			Q1'11		
	Pre-Hedge	Including Hedging	Hedging Impact	Pre-Hedge	Including Hedging	Hedging Impact
Anadarko Petroleum (APC)	$3.89	$4.28	10%	$76.22	$76.22	0%
Apache Corporation (APA)	$4.67	$4.96	6%	$93.79	$92.39	-1%
Canadian Natural Res. (CNQ)	$3.74	$3.74	0%	$75.54	$76.69	2%
Chesapeake Energy (CHK)	$3.24	$5.54	71%	$71.29	$70.05	-2%
Concho Resources (CXO)	$6.69	$7.26	8%	$89.79	$79.73	-11%
Denbury Resources (DNR)	$4.59	$7.78	69%	$91.79	$91.63	0%
Devon Energy (DVN)	$3.54	$3.92	11%	$72.78	$72.78	0%
EnCana Corp. (ECA)	$4.22	$5.01	19%	$84.79	$84.79	0%
EOG Resources (EOG)	$4.07	$4.19	3%	$79.67	$87.91	10%
Newfield Exploration (NFX)	$3.79	$5.31	40%	$86.79	$84.22	-3%
Nexen, Inc. (NXY)	$3.96	$3.96	0%	$99.22	$99.22	0%
Noble Energy (NBL)	$4.49	$4.52	1%	$94.52	$93.87	-1%
Petrohawk Energy (HK)	$3.90	$4.95	27%	$85.35	$85.35	0%
Range Resources (RRC)	$3.44	$4.21	23%	$79.72	$76.42	-4%
Rosetta Resources (ROSE)	$4.29	$5.08	18%	$85.79	$85.79	0%
Southwestern Energy (SWN)	$3.59	$4.05	13%	NA	NA	NA
Talisman Energy (TLM)	$4.61	$4.92	7%	$96.55	$94.36	-2%
Ultra Petroleum (UPL)	$4.14	$5.08	23%	$84.08	$84.96	1%
Average		$4.93	**19%**		$84.49	**-1%**

Source: Company Reports, Citi Investment Research and Analysis

Daily Q1'11 Production for Our Coverage Group Rose ~6% Year-Over-Year but Was Flat Sequentially…

We project a ~6% year-over-year increase in total production for our coverage group (~11% on an "organic" basis) …

…but roughly flat sequential (although a ~4.5% "organic" uptick)…

In aggregate, first quarter 2011 production for our coverage group is projected to have risen nearly 6.0% year-over-year, driven by accelerated activity in oil and liquids rich plays, and by drilling to hold acreage and to satisfy joint venture requirements in natural gas shale plays. These trends were partially offset by well freeze-offs, asset sales, reduced conventional natural gas drilling and the impact of CNQ's Horizon outage. However, on an "organic" basis, i.e. excluding acquisitions, divestitures and production curtailments, we estimate production for our coverage group increased by 11% year-over-year in Q1 2011. Sequentially, we expect headline aggregate production to show a 2.7% quarter-over-quarter drop (we note that Q1 has two days less than Q4, and thus on a day count-adjusted basis, output is projected to be essentially flat). But on an "organic" basis, we see a 2.2% increase in total production (or a ~4.5% uptick in average daily rates). See Figures 11-14 for further details on a company-by-company basis.

....with North American gas production up ~8% year-over-year but essentially flat sequentially for our coverage group.

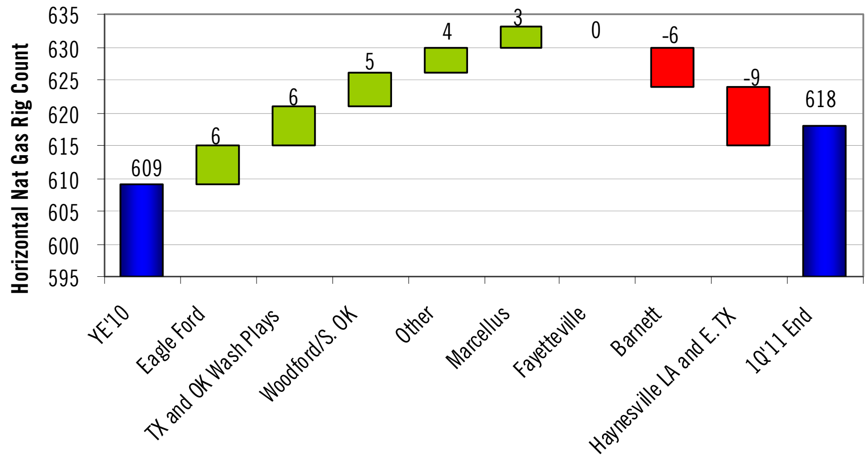
For our coverage group, total first quarter 2011 North American natural gas production is projected to have risen 7.7% year-over-year. But on a daily basis, natural gas volumes were essentially flat sequentially versus the fourth quarter of 2010. However, this average trend obscures the significant variability within the group, with APC, SWN, APA, and TLM poised to show strong North American natural gas growth, while DNR, EOG, NFX are set to show declining gas output. We note that several companies (DVN, CXO, APA) reported that extremely cold temperatures in Texas/Oklahoma during February impacted production significantly in the Texas Permian Basin and Barnett Shale, and more modestly in the Marcellus. Anadarko's natural gas output is set to rise due to lower Gulf of Mexico maintenance as well as rising activity in its Eagle Ford/Marcellus area, while Talisman is also benefitting from ongoing shale growth in the Marcellus and Montney. The Fayetteville shale did not experience unduly cold weather, and thus Southwestern was likely able to grow production as planned. Although Apache was affected by weather issues, it is still slated to post sequential gas production growth driven by a full quarter of output from its Mariner acquisition. Denbury's gas production is expected to fall following its Haynesville divestiture in late Q4 2010. Meanwhile, EOG's natural gas output is set to decline due to asset sales combined with the company's de-emphasis of natural gas-directed drilling. Similarly, Newfield's gas production is expected to decrease due to the company's curtailment of natural gas drilling.

The horizontal natural gas rig count is up year-to-date led by the Eagle Ford, TX/OK Wash plays and the Cana/Woodford…

Overall, while the combined effects of drilling to hold acreage and to fulfill joint venture requirements and drilling in liquids-rich plays continue to drive natural gas production growth, we expect the trend towards deemphasizing natural gas assets to continue. After dropping from its October 2010 peak of 644 to 609 by the end of last year, the horizontal natural gas rig count rebounded over the past few weeks to 618. The increase was driven primarily by the liquids rich plays in Texas and Oklahoma, including the Eagle Ford, Woodford and Wash plays, which more than offset continued declines in the dry gas Haynesville and the Barnett plays (see Figure 1). Drilling activity in the Texas and Oklahoma Wash Plays in particular has picked up recently, accounting for 10 of the 15 rig increase in the horizontal rig count over the past two weeks. Further illustrating the shift to oil and liquids plays, the total number of oil rigs has risen by 26 in just the past week and stands to surpass the total number of gas rigs for the first time in 16 years. The trend is being driven by sustained relative weakness in domestic natural gas prices (our 2011 price forecast remains unchanged at $4.25/MMBtu), rapidly rising oil prices (WTI spot crude price rose by ~17% from year-end 2010 compared to ~3% rise in composite spot gas), and advances in drilling and completion techniques. For further rig count-related analysis, see our April 7th Natural Gas Weekly.

…with these additions more than offsetting curtailed dry gas drilling, notably in the Haynesville and Barnett shale plays.

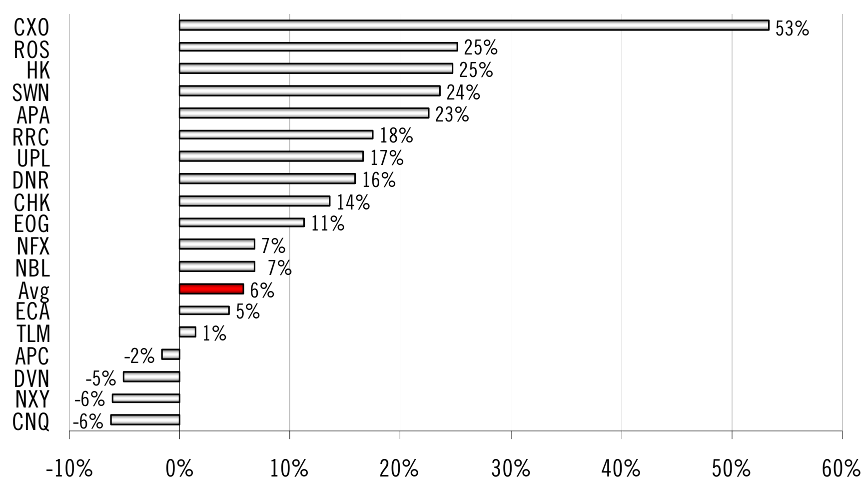
Figure 11. 2011 Year-to-Date Rise in Horizontal Natural Gas Rig Count



Source: Baker Hughes, Citi Investment Research and Analysis

Year over year, CXO should post the highest year-over-year growth aided by the Marbob acquisition, while CNQ is down due to the Horizon upgrader fire…

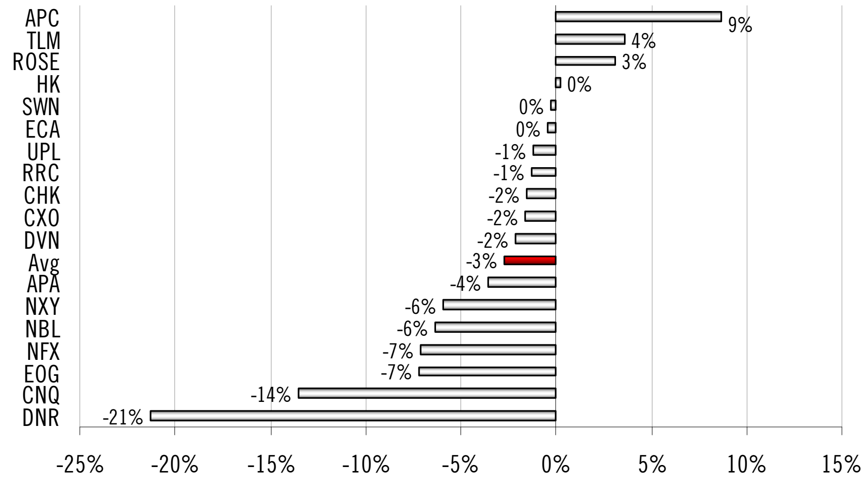
Figure 12. Percentage Change in Total Equivalent Production from 1Q10 to 1Q11E



Source: Company Reports, Citi Investment Research and Analysis

…and sequentially, APC benefits from the startup of Jubilee, lifting timing and less facility maintenance, while DNR production is down due to its Haynesville asset sale.

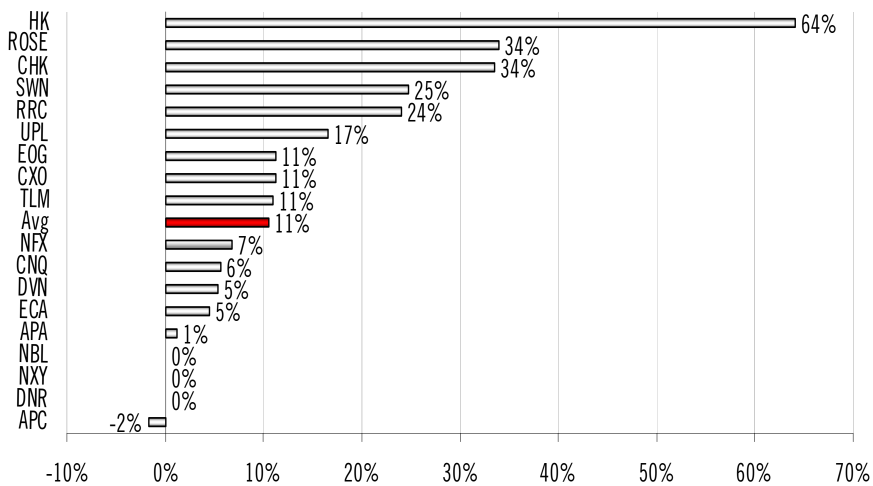
Figure 13. Percentage Change in Total Equivalent Production from 4Q10 to 1Q11E



Source: Company Reports, Citi Investment Research and Analysis

"Organically" year over year, HK tops the list with strong production growth from its Eagle Ford and Haynesville plays, while APC is lower on declining natural gas volumes, especially from the deepwater Gulf of Mexico…

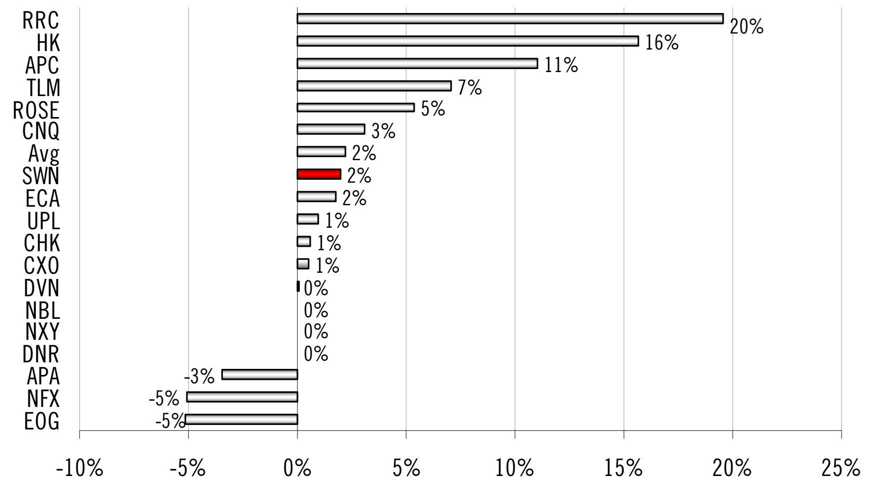
Figure 14. Percentage Change in "Organic" Production from 1Q10 to 1Q11E



Source: Company Reports, Citi Investment Research and Analysis

…while RRC is rapidly growing its Marcellus volumes, while EOG is reducing natural gas-related activity.

Figure 15. Percentage Change in "Organic" Production from 4Q10 to 1Q11E



Source: Company Reports, Citi Investment Research and Analysis

…while Per-Unit Costs Were Up ~5% Year Over Year And ~3% Sequentially

We estimate a 4.8% increase in per-unit costs versus last year's first quarter...

Meanwhile, combined per-unit lease operating expense (LOE), general and administrative (G&A) expense, and depreciation, depletion and amortization (DD&A), and interest costs for our coverage group are projected to have risen 4.8% year-over-year. On a sequential basis, we estimate total per-unit costs were up 3.0% versus the fourth quarter of 2010.

...with LOE rising on higher production taxes, higher liquids mix, and the impact of weather and other outages…

Per-unit LOE (including production taxes) is projected to have increased 6.4% versus the year-ago first quarter and 7.9% sequentially, as energy inputs and production taxes rise along with crude oil prices, companies' production mix shifts towards liquids, and the detrimental impact of weather and other (notably CNQ's Horizon) interruptions.

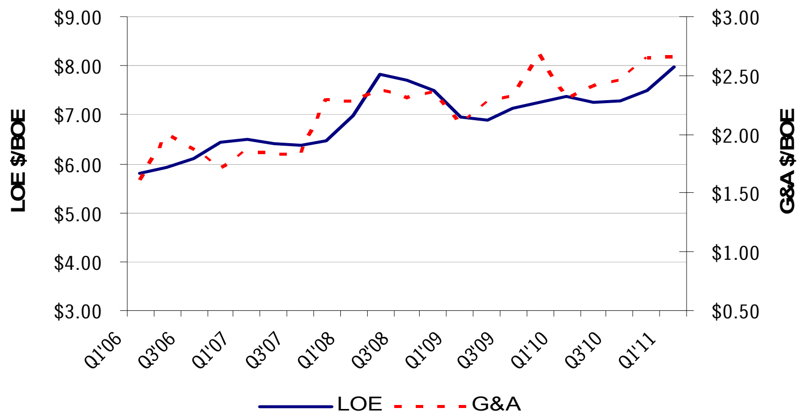
...while G&A increased sharply both year-over-year and sequentially.

In addition, first quarter 2011 per-unit G&A (excluding stock-based incentive compensation) is projected to have increased ~10% year-over-year as companies continue to add headcount amidst a competitive market for oil and gas talent. Meanwhile, per-unit G&A is expected to be up 6.0% sequentially on modestly lower volumes and ongoing public relations, lobbying, legal and deal-related expenses.

Meanwhile, DD&A is expected to be little changed sequentially, down -0.6%, but up 3.7% year-over-year.

Finally, we expect per-unit first quarter DD&A will be up 3.7% compared with the first quarter of 2010, although down -0.6% sequentially. Natural gas-only DD&A is falling due to lower F&D costs associated with shale plays, but the overall mix shift towards more expensive "oilier" plays is raising total DD&A expense modestly.

Figure 16. Per-Unit Lease Operating Expense (excluding Production Taxes) and G&A Expense



Source: Company Reports, Citi Investment Research and Analysis

LOE and G&A are both continuing to tick up over the last several quarters.

At this juncture, we project 2011 E&D budgets will be up 13% over 2010, exceeding projected cash flows by 4%...

For the full year 2011, at this juncture, we expect E&D budgets to be up 13%, on average, over 2010 E&D outlays (see Figure 16). Consequently, we expect 2011 E&D budgets will exceed internally generated cash flows by ~$2.0 billion, or 4% on average. This is substantially lower than the prior year, when companies' corporate E&D budgets rose 33%, exceeding cash flows by ~$3.4 billion, or 7% on average. We project the majority of the increase will be directed towards oil and liquids-rich projects, while companies are likely to curtail spending on drilling for dry natural gas.

…while total capital spending is expected to be $7.6 bn or 13% above projected cash flows.

However, total capital spending by our coverage group, including acquisitions announced to date (see Figure 17), is currently projected to exceed internally generated cash flows by ~$7.6 billion, or 13% this year. In 2010, total capital spending exceeded cash flow by more than $33 billion, or ~70%. Companies covered this shortfall last year with a combination of asset sales (~$16 billion), joint ventures proceeds (~2.5 billion) and equity issuances (~$7 billion). For 2011, asset sales year to date total ~$17 billion, up-front joint venture proceeds are ~$1 billion and equity issued is at ~$1.4 billion.

Figure 17. E&D Capital Expenditures/Budgets and Cash Flow 2010-2011E

	2010			2011E			Variance	
	E&D Budget ($MM)[1]	After Tax Operating Cash Flow ($MM)	E&D Budget % of CF	E&D Budget ($MM)[1]	After Tax Operating Cash Flow ($MM)[2]	E&D Budget % of CF	Change in E&P Budget '10 vs '09	'11 vs '10
Anadarko Petroleum (APC)	5,170	5,368	96%	5,600	6,735	83%	14%	8%
Apache Corporation (APA)	4,995	7,194	69%	7,000	9,430	74%	29%	40%
Canadian Natural Res. (CNQ)	3,334	6,125	54%	5,880	6,448	91%	27%	76%
Chesapeake Energy (CHK)	5,242	4,510	116%	5,200	4,376	119%	48%	-1%
Concho Resources (CXO)	693	675	103%	1,100	1,031	107%	72%	59%
Denbury Resources (DNR)	1,177	774	152%	1,280	1,140	112%	4%	9%
Devon Energy (DVN)	5,905	4,466	132%	5,200	5,017	104%	41%	-12%
EnCana Corp. (ECA)	4,476	4,444	101%	4,400	3,844	114%	8%	-2%
EOG Resources (EOG)	5,329	3,155	169%	6,050	4,253	142%	66%	14%
Newfield Exploration (NFX)	1,639	1,398	117%	1,700	1,632	104%	19%	4%
Nexen, Inc. (NXY)	2,089	2,057	102%	2,480	2,473	100%	-2%	19%
Noble Energy (NBL)	1,863	1,946	96%	2,520	2,227	113%	54%	35%
Petrohawk Energy (HK)	1,961	582	337%	2,300	969	237%	31%	17%
Range Resources (RRC)	1,024	565	181%	1,130	648	174%	70%	10%
Rosetta Resources (ROSE)	312	179	174%	360	291	124%	131%	15%
Southwestern Energy (SWN)	1,806	1,542	117%	1,615	1,553	104%	15%	-11%
Talisman Energy (TLM)	3,761	2,814	134%	4,000	3,806	105%	27%	6%
Ultra Petroleum (UPL)	1,212	762	159%	1,074	981	110%	67%	-11%
Aggregate	51,989	48,557	107%	58,889	56,853	104%	33%	13%

[1] E&P Budgets are shown net of capitalized interest and overhead.
[2] Based on a 2011WTI spot crude oil price of $90.00/Bbl and a $4.25/MMBtu composite spot natural gas price.

Source: Company Reports, Citi Investment Research and Analysis

Figure 18. Total Capital Expenditures/Budgets and Cash Flow 2010-2011E

	2010			2011E			Variance	
	Total Capital Budget ($MM)	After Tax Operating Cash Flow ($MM)	Capital Budget % of CF	Total Capital Budget ($MM)	After Tax Operating Cash Flow ($MM)3	Capital Budget % of CF	Change in Capital Budgets ($MM)	Change in Operating CFs ($MM)
Anadarko Petroleum (APC)	5,169	5,368	96%	6,000	6,688	90%	16%	25%
Apache Corporation (APA)	13,156	7,194	183%	7,500	9,615	78%	-43%	34%
Canadian Natural Res. (CNQ)	5,506	6,125	90%	6,350	6,540	97%	15%	7%
Chesapeake Energy (CHK)	13,513	4,510	300%	7,600	4,340	175%	-44%	-4%
Concho Resources (CXO)	2,127	675	315%	1,100	1,031	107%	-48%	53%
Denbury Resources (DNR)	5,565	774	719%	1,200	1,139	105%	-78%	47%
Devon Energy (DVN)	6,476	4,466	145%	5,800	5,061	115%	-10%	13%
EnCana Corp. (ECA)	4,773	4,444	107%	4,700	3,865	122%	-2%	-13%
EOG Resources (EOG)	5,750	3,155	182%	6,420	4,247	151%	12%	35%
Newfield Exploration (NFX)	2,039	1,398	146%	1,700	1,585	107%	-17%	13%
Nexen, Inc. (NXY)	2,702	2,057	131%	2,500	2,686	93%	-7%	31%
Noble Energy (NBL)	2,946	1,946	151%	2,820	2,225	127%	-4%	14%
Petrohawk Energy (HK)	2,850	582	490%	2,695	938	287%	-5%	61%
Range Resources (RRC)	1,212	565	215%	1,380	649	212%	14%	15%
Rosetta Resources (ROSE)	339	179	190%	360	292	123%	6%	63%
Southwestern Energy (SWN)	2,073	1,542	134%	1,900	1,569	121%	-8%	2%
Talisman Energy (TLM)	4,052	2,814	144%	4,000	4,018	100%	-1%	43%
Ultra Petroleum (UPL)	1,630	762	214%	1,074	980	110%	-34%	29%
Aggregate	81,878	48,557	169%	65,099	57,468	113%	-13%	26%

Source: Company Reports, Citi Investment Research and Analysis

Company Focus

Anadarko Petroleum Corp (APC)

- Company Update
- Estimate Change

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have increased our Q1 gathering/marketing margins and NGL realization assumptions. Thus, our Q1 EPS/CFPS estimates increase to $0.67/$3.15, while our full year 2011 estimates increase to $3.20/$13.52. Our 2012-2013 estimates decrease marginally due to slightly higher DD&A expense assumptions.

Buy/High Risk	**1H**
Price (12 Apr 11)	US$78.04
Target price	US$95.00
Expected share price return	21.7%
Expected dividend yield	0.5%
Expected total return	**22.2%**
Market Cap	US$39,265M

Price Performance
(RIC: APC.N, BB: APC US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.83A	0.49A	0.21A	0.29A	1.82A	1.82A
2011E	**0.67E**	**0.79E**	**0.81E**	**0.93E**	**3.20E**	**2.68E**
Previous	0.63E	0.79E	0.81E	0.93E	3.17E	na
2012E	**na**	**na**	**na**	**na**	**5.13E**	**3.67E**
Previous	na	na	na	na	5.17E	na
2013E	**na**	**na**	**na**	**na**	**4.72E**	**3.63E**
Previous	na	na	na	na	4.75E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Apache Corp (APA)

- Company Update
- Estimate Change

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we decreased our Q1 production assumptions to reflect Van Gogh project downtime offshore Australia, Egypt PSC effects related to higher Brent pricing and lost Permian/Mid-Continent volumes due to cold weather. Thus, our Q1 EPS/CFPS estimates decrease slightly to $2.51/$5.54, and our full year 2011 estimates drop to $10.86/$23.96.

Buy/Medium Risk	**1M**
Price (12 Apr 11)	US$122.18
Target price	US$150.00
Expected share price return	22.8%
Expected dividend yield	0.5%
Expected total return	**23.3%**
Market Cap	US$46,777M

Price Performance
(RIC: APA.N, BB: APA US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	2.10A	2.44A	2.19A	2.19A	8.91A	8.92A
2011E	**2.51E**	**2.81E**	**2.74E**	**2.80E**	**10.86E**	**11.41E**
Previous	2.58E	2.81E	2.74E	2.80E	10.94E	na
2012E	**na**	**na**	**na**	**na**	**11.93E**	**12.87E**
Previous	na	na	na	na	11.92E	na
2013E	**na**	**na**	**na**	**na**	**11.65E**	**13.38E**
Previous	na	na	na	na	11.64E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Canadian Natural Resources Ltd (CNQ)

- Company Update
- Estimate Change

Buy/High Risk	1H
Price (12 Apr 11)	US$45.79
Target price	US$60.00
Expected share price return	31.0%
Expected dividend yield	0.8%
Expected total return	**31.8%**
Market Cap	US$50,081M

Price Performance
(RIC: CNQ.N, BB: CNQ US)

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas we have increased our Q1 operating cost assumption for Horizon based on on-going facility activity and accelerated maintenance despite the production shutdown due to the upgrader fire. We have also updated our USD/CAD FX assumptions to reflect current exchange rates. Consequently, our Q1 EPS/CFPS estimates drop to $0.36/$1.16, while our full year 2011 estimates decrease to $2.46/$5.92. Our 2012-2013 estimates also decrease marginally due to the stronger Canadian dollar.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.61A	0.63A	0.55A	0.57A	2.36A	2.36A
2011E	**0.36E**	**0.58E**	**0.69E**	**0.83E**	**2.46E**	**2.47E**
Previous	0.45E	0.61E	0.69E	0.83E	2.58E	na
2012E	**na**	**na**	**na**	**na**	**4.08E**	**3.54E**
Previous	na	na	na	na	4.19E	na
2013E	**na**	**na**	**na**	**na**	**3.83E**	**3.86E**
Previous	na	na	na	na	3.93E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Chesapeake Energy Corp (CHK)

- Company Update
- Estimate Change

Hold/Speculative	2S
Price (12 Apr 11)	US$31.78
Target price	US$35.00
Expected share price return	10.1%
Expected dividend yield	0.9%
Expected total return	**11.1%**
Market Cap	US$20,900M

Price Performance
(RIC: CHK.N, BB: CHK US)

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted our share count assumptions, and we have also lowered our LOE assumptions. Thus, our Q1 EPS/CFPS estimates increase to $0.74/$1.45 from $0.71/$1.39, while our full year estimates increase to $3.06/$6.04 from $3.03/$6.00.
- We have also adjusted our proven-only NAV estimate to reflect actual 2010 figures. Thus, our 2010 proven-only NAV drops slightly to $38.75/share from $39.50/share.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.82A	0.75A	0.70A	0.70A	2.95A	2.95A
2011E	**0.74E**	**0.78E**	**0.75E**	**0.79E**	**3.06E**	**2.80E**
Previous	0.71E	0.78E	0.75E	0.80E	3.03E	na
2012E	**na**	**na**	**na**	**na**	**3.77E**	**3.22E**
Previous	na	na	na	na	3.75E	na
2013E	**na**	**na**	**na**	**na**	**4.17E**	**3.51E**
Previous	na	na	na	na	4.15E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Concho Resources Inc (CXO)

- Company Update
- Estimate Change

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have increased our Q1 natural gas realization assumptions due to stronger NGL prices (Concho produces high-BTU natural gas). Thus, our Q1 EPS/CFPS estimates increase to $0.80/$2.10, and our full-year 2011 estimates go to $3.90/$10.10.

Sell/High Risk	**3H**
Price (12 Apr 11)	US$100.17
Target price	US$95.00
Expected share price return	-5.2%
Expected dividend yield	0.0%
Expected total return	**-5.2%**
Market Cap	US$10,320M

Price Performance
(RIC: CXO.N, BB: CXO US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.59A	0.63A	0.77A	0.75A	2.74A	2.71A
2011E	**0.80E**	**0.88E**	**1.04E**	**1.18E**	**3.90E**	**3.88E**
Previous	0.74E	0.89E	1.05E	1.19E	3.87E	na
2012E	**na**	**na**	**na**	**na**	**5.39E**	**5.67E**
Previous	na	na	na	na	5.39E	na
2013E	**na**	**na**	**na**	**na**	**6.09E**	**6.34E**
Previous	na	na	na	na	6.09E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Denbury Resources, Inc. (DNR)

- Company Update
- Estimate Change

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted our pricing realizations assumptions and our output estimates for weather related outages. As a result, our Q1 EPS/CFPS estimates change to $0.24/$0.60 from $0.25/$0.62, while our full year estimates change to $1.16/$2.83 from $1.15/$2.83.

Hold/High Risk	**2H**
Price (12 Apr 11)	US$22.25
Target price	US$24.00
Expected share price return	7.9%
Expected dividend yield	0.0%
Expected total return	**7.9%**
Market Cap	US$8,923M

Price Performance
(RIC: DNR.N, BB: DNR US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.06A	0.18A	0.13A	0.22A	0.62A	0.62A
2011E	**0.24E**	**0.34E**	**0.32E**	**0.26E**	**1.16E**	**1.14E**
Previous	0.25E	0.33E	0.31E	0.26E	1.15E	na
2012E	**na**	**na**	**na**	**na**	**1.20E**	**1.35E**
Previous	na	na	na	na	1.20E	na
2013E	**na**	**na**	**na**	**na**	**1.07E**	**1.02E**
Previous	na	na	na	na	1.07E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Devon Energy Corp (DVN)

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted production estimates to reflect updated company guidance updated for weather related outages. As a result, our Q1 EPS/CFPS estimates decrease to $1.29/$2.62 from $1.33/$2.67, while our full year estimates decrease to $5.95/$11.80 from $6.02/$11.90.

- Company Update
- Estimate Change

Hold/Medium Risk	**2M**
Price (12 Apr 11)	US$86.21
Target price	US$82.00
Expected share price return	-4.9%
Expected dividend yield	0.7%
Expected total return	**-4.1%**
Market Cap	US$36,812M

Price Performance
(RIC: DVN.N, BB: DVN US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	1.65A	1.33A	1.31A	1.46A	5.76A	6.53A
2011E	**1.29E**	**1.46E**	**1.52E**	**1.68E**	**5.95E**	**6.40E**
Previous	1.33E	1.47E	1.53E	1.70E	6.02E	na
2012E	**na**	**na**	**na**	**na**	**8.25E**	**7.92E**
Previous	na	na	na	na	8.25E	na
2013E	**na**	**na**	**na**	**na**	**8.20E**	**9.23E**
Previous	na	na	na	na	8.20E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

EnCana Corp (ECA)

- Company Update
- Estimate Change

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have updated our USD/CAD FX assumptions to reflect current exchange rates (stronger Canadian dollar). Consequently our Q1 EPS/CFPS estimates drop slightly to \$0.08/\$1.18, while our full year 2011 estimates decrease to \$0.56/\$5.22.

Hold/Medium Risk	**2M**
Price (12 Apr 11)	US$32.83
Target price	US$32.00
Expected share price return	-2.5%
Expected dividend yield	2.4%
Expected total return	**-0.1%**
Market Cap	US$24,142M

Price Performance
(RIC: ECA.N, BB: ECA US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.56A	0.11A	0.13A	0.09A	0.90A	0.90A
2011E	**0.08E**	**0.05E**	**0.11E**	**0.33E**	**0.56E**	**0.68E**
Previous	0.09E	0.05E	0.11E	0.33E	0.58E	na
2012E	**na**	**na**	**na**	**na**	**1.92E**	**1.06E**
Previous	na	na	na	na	1.93E	na
2013E	**na**	**na**	**na**	**na**	**1.92E**	**1.58E**
Previous	na	na	na	na	1.92E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

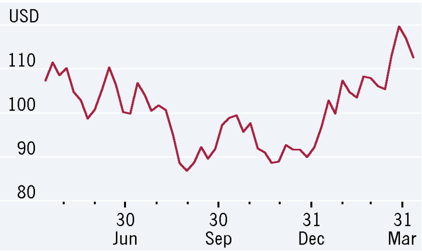
EOG Resources Inc (EOG)

- Company Update
- Estimate Change

- Upon incorporating actual Q1 2011 prices for crude oil and natural gas, our Q1 EPS/CFPS estimates increase to $0.48/$3.21 from $0.46/$3.19, while our full year estimates increase to $3.25/$15.83 from $3.24/$15.80.
- We have also adjusted our proven-only NAV estimate to reflect actual 2010 figures. Thus, our 2010 proven-only NAV drops to $76.00/share from $90.25/share due to higher-than-expected future production costs.

Hold/Medium Risk	**2M**
Price (12 Apr 11)	US$109.03
Target price	US$120.00
Expected share price return	10.1%
Expected dividend yield	0.6%
Expected total return	**10.6%**
Market Cap	US$29,241M

Price Performance
(RIC: EOG.N, BB: EOG US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.46A	0.18A	0.18A	0.36A	1.18A	0.92A
2011E	**0.48E**	**0.70E**	**0.90E**	**1.16E**	**3.25E**	**3.61E**
Previous	0.46E	0.70E	0.90E	1.16E	3.24E	na
2012E	**na**	**na**	**na**	**na**	**6.33E**	**6.01E**
Previous	na	na	na	na	6.33E	na
2013E	**na**	**na**	**na**	**na**	**6.49E**	**6.95E**
Previous	na	na	na	na	6.49E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Newfield Exploration Co. (NFX)

- Company Update
- Estimate Change

Hold/Medium Risk	2M
Price (12 Apr 11)	US$69.90
Target price	US$76.00
Expected share price return	8.7%
Expected dividend yield	0.0%
Expected total return	**8.7%**
Market Cap	US$9,394M

Price Performance
(RIC: NFX.N, BB: NFX US)

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted our pricing realizations assumptions and our output estimates, whereby our natural gas production estimates for the quarter have decreased while our liquids production estimates have gone up. Thus, our Q1 EPS/CFPS estimates increase to $0.95/$2.42 from $0.92/$2.38, while our full year estimates increase to $5.04/$12.18 from $4.83/$11.83.
- We have also adjusted our proven-only NAV estimate to reflect actual 2010 figures. Thus, our 2010 proven-only NAV increases to $62.45/share from $56.20/share on lower-than-expected future production costs.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	1.19A	1.06A	1.10A	1.16A	4.52A	4.51A
2011E	**0.95E**	**1.25E**	**1.32E**	**1.52E**	**5.04E**	**4.84E**
Previous	0.92E	1.19E	1.26E	1.46E	4.83E	na
2012E	**na**	**na**	**na**	**na**	**6.22E**	**6.03E**
Previous	na	na	na	na	5.89E	na
2013E	**na**	**na**	**na**	**na**	**6.83E**	**7.13E**
Previous	na	na	na	na	6.46E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Nexen Inc (NXY)

- Company Update
- Estimate Change

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted our pricing realizations. We also adjusted our production projections for updated guidance from Long Lake in Alberta, outages at the Buzzard field in the North Sea and slightly higher output from the company's Syncrude project in British Columbia. As a result, our Q1 EPS/CFPS estimates increase to C$0.67/C$1.17 from C$0.63/C$1.16, while our full year estimates increase to C$2.48/C$4.70 from C$2.34/C$4.58.

Buy/High Risk	1H
Price (12 Apr 11)	US$23.43
Target price	US$30.00
Expected share price return	28.0%
Expected dividend yield	0.8%
Expected total return	**28.9%**
Market Cap	US$12,340M

Price Performance
(RIC: NXY.N, BB: NXY US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.35A	0.30A	0.31A	0.42A	1.38A	2.27A
2011E	**0.67E**	**0.64E**	**0.56E**	**0.61E**	**2.48E**	**2.07E**
Previous	0.63E	0.60E	0.54E	0.58E	2.34E	na
2012E	**na**	**na**	**na**	**na**	**2.86E**	**2.68E**
Previous	na	na	na	na	2.81E	na
2013E	**na**	**na**	**na**	**na**	**2.70E**	**3.01E**
Previous	na	na	na	na	2.65E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Noble Energy Inc (NBL)

- Company Update
- Estimate Change

Hold/Medium Risk	2M
Price (12 Apr 11)	US$91.30
Target price	US$90.00
Expected share price return	-1.4%
Expected dividend yield	0.8%
Expected total return	**-0.6%**
Market Cap	US$16,094M

Price Performance
(RIC: NBL.N, BB: NBL US)

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted our pricing realizations assumptions and production figures. We increased our production volumes from Israel for higher output due to the recent political turmoil and lowered our volumes estimates for the U.S. assets due to weather related issues. As a result, our Q1 EPS/CFPS estimates decrease to $1.19/$2.90 from $1.21/$2.93, while our full year estimates decrease to $4.84/$12.51 from $4.83/$12.50.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.78A	1.07A	1.27A	1.22A	4.34A	4.22A
2011E	**1.19E**	**1.31E**	**1.17E**	**1.17E**	**4.84E**	**4.71E**
Previous	1.21E	1.30E	1.16E	1.17E	4.83E	na
2012E	**na**	**na**	**na**	**na**	**5.58E**	**6.28E**
Previous	na	na	na	na	5.59E	na
2013E	**na**	**na**	**na**	**na**	**5.88E**	**8.17E**
Previous	na	na	na	na	5.88E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Petrohawk Energy Corp. (HK)

- Company Update
- Estimate Change

Hold/High Risk	2H
Price (12 Apr 11)	US$23.02
Target price	US$20.00
Expected share price return	-13.1%
Expected dividend yield	0.0%
Expected total return	**-13.1%**
Market Cap	US$6,963M

Price Performance
(RIC: HK.N, BB: HK US)

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted our NGL pricing realizations assumptions, incorporated the most recent hedges, and adjusted our operating costs assumptions as well as our interest expense assumptions. We have also increased our production estimates. Thus, our Q1 EPS/CFPS estimates increase to $0.09/$0.60 from $0.08/$0.58, while our full year estimates increase to $0.71/$3.21 from $0.66/$3.10.
- We have also adjusted our proven-only NAV estimate to reflect actual 2010 figures. Thus, our 2010 proven-only NAV drops slightly to $16.50/share from $17.50/share.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.13A	0.09A	0.13A	0.10A	0.46A	0.45A
2011E	**0.09E**	**0.13E**	**0.19E**	**0.30E**	**0.71E**	**0.86E**
Previous	0.08E	0.12E	0.18E	0.28E	0.66E	na
2012E	**na**	**na**	**na**	**na**	**1.73E**	**1.44E**
Previous	na	na	na	na	1.69E	na
2013E	**na**	**na**	**na**	**na**	**2.13E**	**1.82E**
Previous	na	na	na	na	2.08E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Range Resources Corp (RRC)

- Company Update
- Estimate Change

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted our pricing realizations assumptions, increased our LOE assumptions, and decreased our exploration and interest expense assumptions. Thus, our Q1 EPS/CFPS estimates increase to $0.19/$0.96 from $0.15/$0.94, while our full year estimates increase to $0.94/$4.10 from $0.92/$4.10.
- We have also adjusted our proven-only NAV estimate to reflect actual 2010 figures. Thus, our 2010 proven-only NAV drops slightly to $32.25/share from $34.00/share.

Sell/High Risk	**3H**
Price (12 Apr 11)	US$53.99
Target price	US$44.00
Expected share price return	-18.5%
Expected dividend yield	0.2%
Expected total return	**-18.3%**
Market Cap	US$8,673M

Price Performance
(RIC: RRC.N, BB: RRC US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.16A	0.09A	0.12A	0.19A	0.56A	0.56A
2011E	**0.19E**	**0.20E**	**0.23E**	**0.33E**	**0.94E**	**1.02E**
Previous	0.15E	0.21E	0.24E	0.33E	0.92E	na
2012E	**na**	**na**	**na**	**na**	**1.87E**	**1.49E**
Previous	na	na	na	na	1.91E	na
2013E	**na**	**na**	**na**	**na**	**2.24E**	**2.26E**
Previous	na	na	na	na	2.29E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Rosetta Resources (ROSE)

- Company Update
- Estimate Change

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted our Q1 NGL production mix and pricing assumptions. Thus, our Q1 EPS/CFPS estimates decrease marginally to $0.31/$1.18, and our full-year 2011 estimates go to $1.73/$4.45.

Hold/High Risk	**2H**
Price (12 Apr 11)	US$42.77
Target price	US$44.00
Expected share price return	2.9%
Expected dividend yield	0.0%
Expected total return	**2.9%**
Market Cap	US$2,249M

Price Performance
(RIC: ROSE.O, BB: ROSE US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.14A	0.08A	0.17A	0.17A	0.56A	0.56A
2011E	**0.31E**	**0.41E**	**0.48E**	**0.53E**	**1.73E**	**1.60E**
Previous	0.32E	0.41E	0.48E	0.52E	1.74E	na
2012E	**na**	**na**	**na**	**na**	**2.73E**	**2.62E**
Previous	na	na	na	na	2.73E	na
2013E	**na**	**na**	**na**	**na**	**3.03E**	**3.40E**
Previous	na	na	na	na	3.03E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Southwestern Energy Co (SWN)

- **Company Update**
- **Estimate Change**

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have adjusted our pricing realizations assumptions, decreased our LOE and DD&A assumptions, increased our interest expense assumptions and incorporated the most recent hedges. Thus, our Q1 EPS estimates increase slightly while our CFPS estimates drop to $0.38/$1.03 from $0.35/$1.04, while our full year estimates increase to $1.63/$4.45 from $1.51/$4.49.

Hold/High Risk	**2H**
Price (12 Apr 11)	US$38.04
Target price	US$40.00
Expected share price return	5.2%
Expected dividend yield	0.0%
Expected total return	**5.2%**
Market Cap	US$13,237M

Price Performance
(RIC: SWN.N, BB: SWN US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.49A	0.35A	0.46A	0.43A	1.73A	1.73A
2011E	**0.38E**	**0.34E**	**0.38E**	**0.54E**	**1.63E**	**1.65E**
Previous	0.35E	0.31E	0.35E	0.50E	1.51E	na
2012E	**na**	**na**	**na**	**na**	**2.69E**	**2.24E**
Previous	na	na	na	na	2.55E	na
2013E	**na**	**na**	**na**	**na**	**3.09E**	**2.67E**
Previous	na	na	na	na	2.90E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Talisman Energy Inc (TLM)

- Company Update
- Estimate Change

- Apart from incorporating actual Q1 2011 prices for crude oil and natural gas, we have updated our USD/CAD FX assumptions to reflect current exchange rates and increased UK cash taxes due to higher-than-expected average Brent prices. Consequently, our Q1 EPS/CFPS estimates decrease to $0.27/$0.90, and our full-year 2011 estimates drop to $1.10/$3.68. Our 2012-2013 estimates also decrease marginally due to the stronger Canadian dollar.

Buy/Medium Risk	**1M**
Price (12 Apr 11)	US$23.18
Target price	US$27.00
Expected share price return	16.5%
Expected dividend yield	1.0%
Expected total return	**17.5%**
Market Cap	US$23,840M

Price Performance
(RIC: TLM.N, BB: TLM US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.12A	0.13A	0.02A	0.08A	0.35A	0.34A
2011E	**0.27E**	**0.26E**	**0.26E**	**0.31E**	**1.10E**	**1.17E**
Previous	0.36E	0.27E	0.27E	0.32E	1.22E	na
2012E	**na**	**na**	**na**	**na**	**1.39E**	**1.25E**
Previous	na	na	na	na	1.43E	na
2013E	**na**	**na**	**na**	**na**	**1.25E**	**1.25E**
Previous	na	na	na	na	1.29E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

Ultra Petroleum Corp. (UPL)

- Company Update
- Estimate Change

- Upon incorporating actual Q1 2011 prices for crude oil and natural gas, our Q1 EPS/CFPS estimates increase to $0.58/$1.36 from $0.57/$1.35, while our full year estimates increase to $2.78/$6.36 from $2.78/$6.35.
- We have also adjusted our proven-only NAV estimate to reflect actual 2010 figures. Thus, our 2010 proven-only NAV drops slightly to $29.80/share from $30.40/share.

Hold/High Risk	**2H**
Price (12 Apr 11)	US$47.75
Target price	US$50.00
Expected share price return	4.7%
Expected dividend yield	0.0%
Expected total return	**4.7%**
Market Cap	US$7,285M

Price Performance
(RIC: UPL.N, BB: UPL US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.55A	0.54A	0.60A	0.50A	2.18A	2.18A
2011E	**0.58E**	**0.68E**	**0.73E**	**0.80E**	**2.78E**	**2.72E**
Previous	0.57E	0.68E	0.73E	0.80E	2.78E	na
2012E	**na**	**na**	**na**	**na**	**3.37E**	**2.96E**
Previous	na	na	na	na	3.37E	na
2013E	**na**	**na**	**na**	**na**	**3.91E**	**3.60E**
Previous	na	na	na	na	3.91E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Anadarko Petroleum Corp

Company description

Anadarko Petroleum Corporation explores for, develops and produces natural gas, crude oil and natural gas liquids with about 2.3 billion barrels of oil equivalent (BOE) of proved reserves. It also produces hard minerals from land grant holdings, and owns and operates midstream assets to gather, treat and process natural gas. The company is has about 60% of its reserves and production as natural gas, and 40% as crude oil. Anadarko was founded in 1959 with headquarters in The Woodlands, Texas.

In the U.S., Anadarko operates both onshore including the Rockies and Southern region (which includes the Marcellus, Haynesville and Eagleford shale areas), as well as offshore in the deepwater Gulf of Mexico. Internationally, Anadarko has an extensive operation in Algeria including the in-development El Merk project, as well as production at Bohai Bay in China. In Ghana, Anadarko (along with its partners) is developing the Jubilee project. Anadarko is a prolific deepwater explorer hold exploration acreage and conducting extensive exploration in the deepwater Gulf, Brazil, Ghana, Mozambique, China, Indonesia as well as other countries.

Investment strategy

We rate Anadarko Buy/High Risk (1H) based on the upside to our current price target in the context of the risk rating. Anadarko is unique among its peers in maintaining a high-risk but high-potential exploration program around the globe and has posted exceptional success over the past year. Consequently, the company has significant potential in both discoveries already notched and prospects, many of which have been enhanced by its recent successes, yet to be drilled. At the same time, like many of its peers, the company also possesses meaningful upside potential in North American shale plays. And even though Anadarko is expected to generate more moderate production growth near-term, its inventory of mega projects essentially assures strong growth longer term. Finally, Anadarko has well above average sensitivity to changes in crude oil prices and below average sensitivity to changes to natural gas prices, which we are much more cautious on near term. Therefore, as we look forward to continued success with the exploration drill bit we assign Anadarko a Buy rating.

Valuation

Our $95 price target is based on APC's stock achieving an EV multiple of 7.0x our 2011 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of $90.00/Bbl and $5.25/MMBtu, respectively, and ~114% of proved-only NAV.

Risks

We rate Anadarko High Risk.

Our risk rating on APC is High based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research. Risks to our target price include:

Maconda Liability - Anadarko holds a 25% non-operated interest in the BP-operated Macondo prospect that leaked oil into the Gulf of Mexico. It is potentially liable for a pro-rata share of costs and damages associated with Macondo.

Volatile Commodity Prices – Anadarko is sensitive to changes in the prices of crude oil, and natural gas. Their exposure is substantially reduced due to extensive hedging of expected natural gas and crude oil production in 2010, but a portion of their production is unhedged.

Political Risks – Anadarko operates or explores in developing countries such as Algeria, Ghana, Sierra Leone, Liberia, Cote d'Ivoire, Mozambique and thus is subject to political risks including changes in operating terms, taxes, or expropriation.

Expensive Long-Term Projects – Anadarko pursues long-term projects which require large capital outlays and several years of development before any cash flows are realized. These projects are subject to substantial uncertainties in terms of projects costs, as well as the timing and amount of eventual returns.

Exploration Risk - Anadarko is conducting or is planning to conduct exploration in several under-explored areas within Mozambique, Sierra Leone, Liberia, Indonesia and elsewhere, and such exploration projects have a high probability of failure.

Apache Corp

Company description

Apache Corporation explores for, develops and produces natural gas, crude oil and natural gas liquids with about 3 billion barrels of oil equivalent (BOE) of proved reserves at year-end 2010. The company is evenly balanced with about half of its reserves and production as natural gas, and half as crude oil. Apache was founded in 1954 with headquarters in Houston, Texas.

In the U.S., Apache operates on the Gulf Coast, as well as the Permian and Anadarko basins, and East Texas. In Canada, Apache operates in British Columbia (including the Horn River area), Alberta and Saskatchewan. Internationally, Apache has extensive operations in Egypt and the U.K. North Sea, and smaller operations in Argentina and Australia. Apache also holds exploration interests in Chile.

In the last few years, Apache has focused on being capital disciplined, spending within cash flow to maintain a strong balance sheet, expanding North American onshore shale production, pursuing development and exploration opportunities internationally, as well as recently taking a 16.25% stake in Chevron’s Wheatstone LNG project.

Investment strategy

We rate Apache Buy/Medium Risk (1M) based on the upside to our current price target in the context of the risk rating. We expect Apache will continue to exhibit solid financial discipline while posting high organic production growth. Apache also has above-average sensitivity to changes in oil prices and well below average sensitivity to changes in natural gas prices. Therefore, we are confident in Apache’s ability to continue to create shareholder value and at this juncture, assign a Buy rating.

Valuation

Our $150 per share price target is based on the stock reaching a 6.6x multiple of our 2011 debt-adjusted cash flow estimates using our “normalized” forecast of $90.00/Bbl crude, $5.25/MMBtu gas and 118% of NAV.

Risks

We rate Apache Medium Risk

Our risk rating on APA is Medium based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Volatile Commodity Prices – Apache is sensitive to changes in the prices of crude oil, and natural gas. Their exposure to natural gas is reduced through a combination of hedges and long-term fixed-price contracts, but most of their crude production is unhedged and subject to market price volatility.

Political Risks – Apache operates in developing countries such as Argentina, Chile and Egypt and thus is subject to political risks including changes in operating terms, taxes, or expropriation.

Expensive Long-Term Projects – Apache pursues long-term projects which require large capital outlays and several years of development before any cash flows are realized. These projects are subject to substantial uncertainties in terms of projects costs, as well as the timing and amount of eventual returns.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Canadian Natural Resources Ltd

Company description

Canadian National Resources Limited (CNRL) explores for, develops and produces natural gas, crude oil and natural gas liquids with about 4.5 billion barrels of oil equivalent (BOE) of proved reserves. The company has about two-thirds of its production as crude oil, and one-third as natural gas. CNRL was founded in 1973 with headquarters in Calgary, Canada.

Canada accounts for most of CNRL's production and reserves with the company holding over 18 million acres in British Columbia, Alberta, and Saskatchewan, and is the second-largest Canadian producer of natural gas. It holds extensive conventional gas assets as well as a sizeable position in the emerging Montney shale area. To produce crude oil, CNRL owns and operates their flagship Horizon Oil Sands Projects in Alberta, the Primrose thermal project, as well as heavy crude production at Pelican Lake and elsewhere in Western Canada. Internationally, CNRL owns and operates assets in the UK North Sea. It also operates in offshore Africa – Cote d'Ivoire and Gabon, with exploration planned in offshore South Africa.

In the last few years, CNRL has focused on successfully starting up the Horizon project, and utilizing free cash flow to pay down debt to improve balance sheet metrics. The company has long-term potential to expand Horizon as well as expand and develop thermal assets at Primrose, Kirby and five other potential locations.

Investment strategy

We rate Canadian National Resources Buy/High Risk (1H) based on the upside to our current price target in the context of the risk rating. CNQ has built a very

attractive highly oil-oriented, long reserve life portfolio with significant expansion potential. We believe that the firm provides an excellent vehicle for investors to position themselves for secularly higher oil prices and structurally limited supply. With 95% of its production coming from either Canada or the U.K., the company has broad upside potential without any of the political risk inherent in many other oil companies that operate in unstable countries.

Valuation

Our $60 price target is based on CNQ's stock achieving an EV multiple of 7.2x our 2012 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of $100.00/Bbl and $5.25/MMBtu, respectively, and ~169% of NAV.

Risks

We rate Canadian Natural Resources High Risk. Our risk rating on CNQ is High based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Horizon Facility Fire - CNQ recently had a fire at its Horizon Oil Sands project and production has been suspended. At this juncture the exact timing and regulatory approval for production restart is uncertain..

Volatile Commodity Prices – CNQ is sensitive to changes in the prices of crude oil, and natural gas. They have some commodity hedges in place, but the majority of their natural gas and crude oil production is unhedged and subject to market price volatility.

Expensive Long-Term Projects – CNQ pursues long-term oil projects which require large capital outlays and several years of development before any cash flows are realized. These projects are subject to substantial uncertainties in terms of projects costs, as well as the timing and amount of eventual returns.

Environmental Risks – CNQ’s existing and proposed oil sand and thermal oil assets in Canada could be subject to both increased scrutiny as well as new rules to mitigate environmental impact. These changes could substantially increase costs, decrease viability, or block certain projects.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Chesapeake Energy Corp

Company description

Chesapeake Energy Corporation (CHK) is one of the largest independent producers of natural gas in the United States, with natural gas output of 2.6 Billion cubic feet per day, or >3% of total US natural gas production. The company has 14.6 Tcf of proved reserves as of year-end 2010 (pro-forma for the recent sale of the Fayetteville properties). It is either the largest or second largest leased acreage holder in the Barnett, Haynesville and Marcellus shale along with the Granite Wash plays.

Investment strategy

We rate Chesapeake Energy Corporation Hold/ Speculative (2S) based on limited upside to our current price target in the context of the risk rating. We recognize that Chesapeake possesses significant upside potential to its proven reserve base but given its premium valuation and well above average operating and enterprise value risk associated with weaker natural gas prices, we are comfortable with a Hold rating on the stock at this juncture.

Valuation

Our $35 price target is based on CHK's stock achieving an EV multiple of 7.3x/6.7x our 2011/2012 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of $90.00/Bbl and $5.25/MMBtu, respectively, and ~93% of proven-only NAV.

Risks

Our risk rating on CHK is Speculative based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Balance Sheet Risk -The overriding constraint on CHK’s output is its debt-laden balance sheet. CHK is currently one of the most financially levered large-cap E&P companies, though it is taking steps to reduce financial leverage.

Deal Execution Risk - As part of its stated operating strategy, Chesapeake acquires leasehold positions in natural gas plays and markets these positions to other industry players at prices above its cost basis. Chesapeake may amass a larger position than it can prudently sell or develop.

Drilling and Operational Risk - With future production growth pinned on natural gas shale plays, disappointing drilling results could impact Chesapeake's share price. However, if results exceed our estimates, this would constitute an upside risk to our target price.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, the stock could materially underperform/outperform our target price.

Concho Resources Inc

Company description

Concho Resources explores for, develops and produces crude oil and natural gas, predominantly from the Permian Basin areas of New Mexico and West Texas. Concho is the largest oil producer in New Mexico and holds ~440k net Permian acres including ~145k net in the emerging Avalon Shale/Bone Spring horizontal oil plays. Nearly two-thirds of CXO’s current production is crude oil with high-BTU natural gas accounting for most of the rest. Concho was founded in April 2004, went public in July 2007 and is headquartered in Midland, Texas.

Investment strategy

We rate Concho Sell/High Risk based on the return to our current price target in the context of the risk rating. Since its founding less than 7 years ago, Concho has

grown both organically and though a slew of successfully executed acquisitions into a major Permian Basin player. We expect the company to continue to post strong production and earnings growth in 2011. However, we are concerned that Concho's recent share price outperformance has outpaced its underlying fundamentals. Specifically, we note that 1) Concho has cut off most near-term oil price upside above $83.00/Bbl, 2) alongside higher oil prices, the company is likely to face higher service and operating costs next year, especially in the service-intensive Delaware Basin, and 3) its debt ratios are above our E&P coverage group averages. Thus, we believe that its current market valuation is somewhat stretched at this juncture and therefore assign Concho a Sell rating.

Valuation

Our 12-month price target of $95.00 per share is based on the company trading at a premium multiple to our E&P group, based on higher investor premium for U.S. onshore oil producers, of 7.9x our 2012 debt-adjusted cash flow estimates and ~161% of NAV based on "normalized" WTI spot crude oil and composite spot natural gas prices of $100.00/Bbl and $5.25/MMBtu, respectively.

Risks

We rate Concho Resources High Risk based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citigroup Investment Research.

Upside risks:

1) Although we believe Concho to be richly valued limiting its attractiveness, we note that its current ~$12 billion enterprise value makes it potentially "acquirable" by an oil major. For example, Chevron generates over $30 billion of cash flow annually. However we note that such a transaction would likely be dilutive for the purchaser given the valuation disparity.

2) The company holds 145k net acres in the emerging Bone Spring/Avalon Shale horizontal oil plays. If production and oil recoveries from this area were markedly greater than currently understood, this could be an upside surprise.

3) Finally, despite its oil hedging program that constrains 2011 cash flow upside, a continued run-up of oil prices into triple digits and beyond would likely push CXO's stock price up further along with the overall E&P sector.

Downside risk:

Geographical Concentration – About 97% of Concho's production comes from the Permian Basin areas of New Mexico and West Texas. The company may face competition for equipment and personnel and is vulnerable to infrastructure disruptions in the region.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Denbury Resources, Inc.

Company description

Denbury Resources explores for, develops and produces crude oil and natural gas in the two regions - the Gulf Coast including Mississippi, Louisiana, Texas and Alabama and in the Rockies (Wyoming). It specializes in CO2-driven tertiary oil recovery that sweeps remaining oil from mature, conventional fields. It controls its own CO2 source, a old volcano located near Jackson, MS as well as its 835 mile proprietary pipeline network. Denbury was founded in 1951 with headquarters in Plano, Texas.

Investment strategy

We rate Denbury Hold/High Risk based on the upside to our current price target in the context of the risk rating. We believe that Denbury is effectively executing its strategy of focusing on tertiary oil recovery. The company has a clear competitive advantage in this niche over the vast majority of other E&P's and even majors, through its control of both a CO_2 sources as well as means of distribution. Via its extensive holdings of mature conventional oil fields, it can grow tertiary output at double-digit rates for the foreseeable future. However, it is a relatively high-cost producer with above-average debt levels and an extensive hedging program that, although it protects downside, also substantially limits near-term upside above $100/Bbl. The company's stock already trades at a substantial valuation premium to the group and therefore we believe that its tertiary oil advantage is already reflected in its current share price. Therefore, we assign Denbury a Hold rating.

Valuation

Our $24.00 price target is based on the company achieving a multiple of 8.9x our 2011 debt-adjusted cash flow estimate and ~145% of NAV based on “normalized” WTI spot crude oil and composite spot natural gas prices of $100.00/Bbl and $5.25/MMBtu, respectively.

Risks

We rate Denbury Resources High Risk.

Our risk rating on DNR is High based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by CIRA.

Volatile Commodity Prices – Denbury, especially due to the high operating costs associated with tertiary oil recovery, is sensitive to changes in the prices of crude oil, and to a lesser extent, natural gas. Their exposure is substantially reduced due to an extensive hedging program, but a portion of their anticipated future production in unhedged.

Single CO2 Source – Currently, all of the CO2 Denbury requires for tertiary oil extraction (which account for about one-half of its total production) comes from its Jackson Dome facility. Thus, Denbury is vulnerable to any CO2 supply disruptions at this location.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Devon Energy Corp

Company description

Oklahoma City-based Devon Energy is one of the largest producing independent North American E&P companies with current output of near 4 Bcfe/d. The company is in the process of re-focusing to solely operate onshore North America, planning to exit the offshore Gulf of Mexico and International regions during 2010. Both before and after the planned divestitures, Devon's production mix will approximate two-thirds natural gas and one-third oil. Devon's near-term production growth is derived from six main assets - the Barnett, Haynesville, Cana-Woodford, Arkoma-Woodford and Horn River natural gas shale plays and the Jackfish Canadian oil sands project.

Investment strategy

Overall, we believe that Devon's strategic repositioning in 2010 will bode well for its operations and growth longer term even though it is yet one more company presently more dependent on domestic natural gas drilling to grow production in a currently oversupplied natural gas market. In addition, the transformation makes the company a bit more "gassier." Also, on a pro forma basis, the company will sharply outspend cash flow in 2010 (supplemented by asset sales proceeds) to just keep production flat on a year-over-year basis although this "kick start" should result in a 10% CAGR thereafter through at least 2014. Therefore, we have a Hold/ Medium Risk rating on the stock.

Valuation

Our $82 price target is based on the company achieving a multiple of 7.6x our 2011 total company debt-adjusted cash flow estimates based on "normalized" WTI spot crude oil and composite spot natural gas prices of $90.00/Bbl and $5.25/MMBtu, respectively and ~110% of NAV. Our target multiple reflects upside potential in the Permian Basin and Cana Woodford, where Devon largely focused its $1.2 billion lease acquisition program last year.

Risks

WE RATE DEVON ENERGY MEDIUM RISK

Our risk rating on Devon is Medium based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citigroup Investment Research.

Drilling Results - With future production growth pinned on US shale plays, disappointing drilling results, particularly in the Haynesville, Horn River and Cana-Woodford shale plays could impact Devon's share performance.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance. Devon has mitigated some commodity price risk by assuming historically high levels of hedging into 2010.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

EnCana Corp

Company description

EnCana Corporation has recently re-positioned itself as a "pure-play" North American natural gas producer, by spinning off their crude oil production, and refinery assets in a new company Cenovus. The "new" EnCana holds about 14 Tcf of proved natural gas reserves, controls about 15 million net acres in North America, with about 99% of production from natural gas or natural gas liquids. EnCana was formed in 2002 with the merger of PanCanadian Energy and Alberta Energy Company, with headquarters in Calgary, Canada.

In Canada, EnCana will remain the largest producer of natural gas with extensive land holdings in British Columbia and Alberta, encompassing both conventional assets as well as sizeable positions in the Horn River and Montney shale plays. EnCana also owns and will operate the in-development Deep Panuke project in offshore Nova Scotia. In the U.S., EnCana holds natural gas positions in Colorado, Wyoming, Louisiana, and Texas including the Haynesville and Barnett shale.

Investment strategy

We rate EnCana Hold/Medium Risk (2M) based on the upside to our current price target in the context of the risk rating. Although we acknowledge that EnCana appears to have struck an impressive deal with PetroChina, we continue to be cautious in chasing gas-oriented names at this juncture given our expectation that natural gas prices will average just $4.25/MMBtu this year (versus $4.61/MMBtu consensus). We believe that EnCana 5-6% growth target for 2011 is below both our and Street expectations as well as the company’s previously stated double-digit targets. Although we recognize that reining in production growth is likely prudent given current gas pricing and over-supply, we surmise that its 2011 guidance would not have been favorably received absent the concurrent PetroChina transaction.

Valuation

Our $32 price target is based on ECA's stock achieving an EV multiple of 5.2x our 2011 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of $90.00/Bbl and $5.25/MMBtu, respectively, and ~127% of NAV.

Risks

We rate EnCana Medium Risk

Our risk rating on ECA is Medium based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Volatile Commodity Prices - EnCana is sensitive to changes in the price of natural gas. A portion of their exposure is hedged, however some of their expected natural gas production is unhedged and subject to market price volatility.

Lack Of Diversification - All of the EnCana assets are now related to natural gas production in North America, and so they lack commodity or geographic diversification and will be adversely affected if natural gas prices are low.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

EOG Resources Inc

Company description

EOG Resources is a leading independent exploration & production company that explores for, develops and produces natural gas, crude oil and natural gas liquids. The company's key operating regions are the Barnett oil and gas plays, the Bakken, East Texas, Appalachia, the Mid-Continent, Canada, Trinidad, and the U.K. North Sea.

Investment strategy

We rate EOG Resources Hold/Medium Risk (2M) based on the upside to our current price target in the context of the risk rating. Overall, while EOG should post strong production growth this year while continuing to achieve top-tier economic returns, we believe that the stock currently fairly reflects the company's growth prospects . Meanwhile, EOG's still significant leverage to natural gas prices in what we expect will be a weak natural gas price environment near-term further tempers our risk appetite for the name.

Valuation

Our $120 price target is based on the company achieving a enterprise value to discretionary cash flow (EV/DACF) multiple of 7.7x and 6.8x our 2011 and 2012 estimates, respectively, based on “normalized” WTI spot crude oil and composite spot natural gas prices of $90.00/Bbl and $5.25/MMBtu, respectively, and ~137% of proven NAV.

Risks

We rate EOG Resources Medium Risk.

Our risk rating on EOG is Medium based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Drilling Results - Disappointing drilling results, particularly in EOG's key operating areas in the Eagle Ford, Barnett Combo play, the Bakken, the Haynesville shale, the Marcellus shale and the Horn River Basin, could impact EOG's share performance.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Newfield Exploration Co.

Company description

Newfield Exploration is a Houston-based Exploration and Production company with key operations in the Woodford shale, the Monument Butte oil field, the liquids-rich Granite Wash, the Bakken oil shale, offshore Gulf of Mexico and Malaysia. The company also is a recent entrant in the Eagle Ford shale and the Alberta Basin.

Investment strategy

We rate Newfield Resources with a Hold/ Medium Risk rating and with a 12-month price target of $76.00 per share. Newfield is well positioned to post 10%-plus production growth over at least the next two years largely driven by domestic crude oil volumes, which should be up 20-25% per annum. While Newfield fits within our preference for the more oil-leveraged names with above-average growth and economic returns, we believe NFX's stock price reflects near term upside potential at this juncture.

Valuation

Our $76 price target is based on the company achieving a multiple of 7.3x our 2011 DACF based on “normalized” 2011 WTI spot crude oil and composite spot natural gas prices of $90.00/Bbl and $5.25/MMBtu, respectively, and ~138% of proven NAV.

Risks

We rate Newfield Resources Medium Risk.

Our risk rating on NFX is Medium based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Drilling Results - Disappointing drilling results, particularly in NFX's key operating areas in the Woodford shale, Monument Butte, the Granite Wash, the Bakken, offshore Gulf of Mexico, the Eagle Ford shale, the Alberta Basin or the Marcellus shale could impact NFX's share performance.

Gulf of Mexico uncertainties - Increased regulation, higher costs and possible delays in the Gulf of Mexico could impact NFX's GOM operations.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Nexen Inc

Company description

Nexen Inc. explores for, develops and produces natural gas, crude oil and natural gas liquids with about 1 billion barrels of oil equivalent (BOE) of proved reserves at

year-end 2009. Nexen is heavily-oriented towards crude oil with about 90% of its reserves and 85% of production as liquids, while the remaining as natural gas. Nexen was originally founded at Canadian Occidental Petroleum Limited (CanOxy) in 1971, majority owned by Occidental Petroleum of California, but the name was changed to Nexen in 2001 after Occidental fully divested its ownership. Headquarters are in Calgary, Canada.

In Alberta, Canada, Nexen owns 65% of, and operates the Long Lake Steam-Assisted Gravity Drainage (SAGD) crude oil project. Additionally, the company holds a 7.23% non-operating interest in the Syncrude Oil Sands Project. In British Columbia, Canada, Nexen holds an 88,000 acre position and is producing natural gas at the Horn River shale play. In the offshore U.S., Nexen has both operated and non-operated interests in various Shelf and Deepwater Gulf of Mexico wells.

Internationally, Nexen has substantial assets in the North Sea area and continues to produce, develop and explore additional resources there. Nexen also has a major presence in Yemen, although their current contract expires at the end of 2011. Other smaller operations are in Columbia and Nigeria.

Investment strategy

We rate Nexen Buy/High Risk (1H) based on the upside to our current price target in the context of the risk rating. We expect higher crude oil prices to be a positive catalyst for Nexen given than more than 80% of the company's production comes from oil projects. We note additional upside potential from the company's growing footprint in the Horn RIver Shale, stabilizing output at Lond River and potential in the Gulf of Mexico that we feel have not yet been fully reflected in the share price.

Valuation

Our $30 price target is based on NXY's stock achieving 2011/2012 EV/DACF multiples of 6.1x/4.9x and 76% of NAV using on our $100/Bbl and $5.25/MMBtu normalized price deck.

Risks

We rate Nexen High Risk.

Our risk rating on NXY is High based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research and Analysis.

Volatile Commodity Prices – Nexen is highly sensitive to changes in the prices of crude oil, and natural gas. Only a small portion of their expected production is hedged, with most production subject to market price volatility.

Political Risks – Nexen operates in developing countries including Yemen, Columbia and Nigeria and thus is subject to political risks including changes in operating terms, taxes, or expropriation. About 15% of current production is from Yemen, a country with considerable political instability, and where their current contract that expires at the end of 2011 may not be extended.

Technical Risks – Nexen is utilizing a new technology, OrCrude, licensed from their partner OPTI Canada Inc. at their Long Lake project. This technology is yet to be fully proven, as even through production has began at Long Lake, output remains well below capacity and has encountered numerous delays and technical issues.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Noble Energy Inc

Company description

Noble Energy is a Houston-based independent energy company engaged in oil and gas exploration and production. Operations are located in the U.S. Rockies, Mid-Continent, and onshore and offshore Gulf of Mexico, while international operations are focused offshore West Africa, Israel, the North Sea, China and Ecuador.

Investment strategy

We rate Noble Energy Hold/Medium Risk (2M) based on the upside to our current price target in the context of the risk rating. Overall, while Noble has a host of deepwater Gulf of Mexico and international development projects that should significantly boost production longer-term, the development of these projects is diverting cash flow from activities that might otherwise grow production near term. In fact, we project that the company's total organic production will be essentially flat through 2012 until these development projects begin to come on stream. In addition, based on our commodity price projections, Noble will sharply outspend operating cash flow over the next three years. In the mean time, it is allocating nearly one-quarter of capital outlays to high-impact exploration endeavors but any success will only add to the longer-term project pipeline and would likely add further strains on the balance sheet in the mean time. Therefore, while we acknowledge Noble's success with the drill bit and upside exploration exposure, we believe this, combined with the lack of near-to-medium-term growth, is nearly fully reflected in its stock price at this juncture.

Valuation

Our $90.00 price target is based on Noble's share achieving a EV/DACF multiple of 7.8x and a Price/NAV ratio of 99% based on our "normalized" WTI spot crude oil and composite spot natural gas prices of $90.00/Bbl and $5.25/MMBtu, respectively.

Risks

We rate Noble Medium Risk, based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research and Analysis.

Offshore Gulf of Mexico Exposure - Future political and economic ramifications of the turmoil in the deepwater Gulf of Mexico crisis are uncertain.

Exploration Results - Noble allocates ~20% of its capital budget to its exploration program. Exploration results, particularly in the deepwater Gulf of Mexico, offshore West Africa and offshore Israel, may impact on NBL's share price.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance. NBL has mitigated some commodity price risk by assuming high levels of hedging into 2010.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Petrohawk Energy Corp.

Company description

Petrohawk Energy Corporation is a leading independent exploration & production company that explores for, develops and produces natural gas, crude oil and natural gas liquids. The company's key operating regions are the Haynesville Shale, the Eagle Ford Shale, and Lower Bossier Shale.

Investment strategy

Petrohawk Energy is well positioned to deliver 20%+ production growth over the next two years, with expected 2011 growth of 31%. Production growth will largely be driven by ramp-up in the company's two key regions, the Haynesville and the Eagle Ford, with the Eagle Ford expected to drive growth in liquids output. However, given that 95% of the company's current production is natural gas, we are comfortable with our Hold rating at this time.

Valuation

Our $20 price target is based on the company achieving a enterprise value to discretionary cash flow (EV/DACF) multiple of 8.6x our 2011 estimates based on “normalized” 2010 WTI spot crude oil and composite spot natural gas prices of $90.00/Bbl and $5.25/MMBtu. This target also equates to 121% of our proven reserve only NAV but is roughly equal to our total proved plus risked reserve assessment.

Risks

We rate Petrohawk Energy Corporation High Risk.

Our risk rating on Petrohawk is High based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Drilling Results - Disappointing drilling results, particularly in Petrohawk's key operating areas in the Haynesville and Eagle Ford, could impact Petrohawk's share performance.

Volatile Commodity Prices - Hydrocarbon prices, as well as cash flow and earnings, have shown increasing volatility in recent years. This volatility tends to significantly impact sector stock performance.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Range Resources Corp

Company description

Range Resources is a Fort Worth, Texas-based independent Exploration and Production company. The company' key operating area is the Marcellus shale in Pennsylvania, while it also operates in the Nora field in Virginia in addition to traditional oil and gas properties in the Mid-Continent, Appalachia and the Southwestern US. Range's production mix is ~81% natural gas and ~19% crude oil or natural gas liquids.

Investment strategy

Overall, we believe that Range Resources has established an enviable position in one of the key future, if not among the highest resource potential, shale plays in North America. The company's Marcellus shale position should allow it to continue to post industry leading returns and production growth for several years into the future. However, Range's production is predominantly natural gas for which we believe the outlook will remain quite dismal near term. The company also continues to sharply outspend cash flow which is likely to ultimately lead to further equity issuance in order to sustain the rapid development of the Marcellus shale. The stock continues to trade at a significant premium to its E&P peer group. Given our continued concerns regarding the near-term outlook for natural gas prices plus Range's financial leverage, we believe that its current valuation premium is difficult to justify and therefore we maintain a Sell/High Risk rating and 12-month price target of $44 per share.

Valuation

Our $44 price target is based on RRC's stock achieving an EV multiple of 11.2x and 8.5x our 2011 and 2012 debt-adjusted cash flow estimate and ~133% proven of NAV based on YE2010 proven reserves using 'normalized' WTI spot oil and composite spot gas prices of $90.00/Bbl and $5.25/MMBtu, respectively.

Risks

We rate Range Resources High Risk.

Our risk rating on RRC is High based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citigroup Investment Research.

Regulatory Risk - With future growth pinned largely on the Marcellus, Range is significantly exposed the developing natural gas regulatory environment in Pennsylvania. Conversely, political and regulatory risks could subside and relieve pressure on Range's stock.

Funding Risk - Range relies on asset sales, debt or equity issuance to fund continued production growth. Failure to secure these funds could put future growth at risk.

Drilling Results - Disappointing drilling results or positive drilling results, particularly in the Marcellus could impact RRC's share performance.

Volatile Commodity Prices - Hydrocarbon prices have shown increasing volatility in recent years, as well as cash flow and earnings. This volatility tends to significantly impact sector stock performance, both positive and negative. RRC has partially mitigated commodity price risk with high levels of hedging over the next year.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target.

Rosetta Resources

Company description

Rosetta Resources explores for, develops and produces crude oil, natural gas and natural gas liquids (NGL's) across several regions in the U.S. including Texas, California and Wyoming. It holds ~65k net acres in the prolific TX Eagle Ford Shale area and this play now accounts for nearly 60% of its total production. It also holds ~300k net acres in the emerging Alberta Basin Bakken oil play (located in Western Montana) where it is conducting exploratory drilling. Rosetta was founded in 2005 and is headquartered in Houston, Texas.

Investment strategy

We rate Rosetta Hold/High Risk based on the upside to our current price target in the context of the risk rating. The company has successfully built a sizeable position in the TX Eagle Ford shale, condensing itself from a scattered dry gas player to a focused liquids-oriented producer. We estimate that over one-half of its 2011 revenue will come from crude oil or NGL's, and with nearly one-half of its projected natural gas production hedged at ~$5.80/MMBtu, the company has limited downside exposure to lower natural gas prices (which we forecast will average a below-consensus $4.25/MMBtu in 2011). Rosetta has been fiscally prudent, and despite its diminutive size has kept its net debt-to-book capitalization and debt-to-cash flow ratios at appropriate levels. However, we believe that the company is approaching fair value at current share price levels, leading us to await a better entry point at this juncture. Therefore, we assign Rosetta a Hold rating.

Valuation

Our 12-month price target of $44.00 per share is based on the company achieving a multiple of 8.5x and 7.5x our respective 2011/2012 debt-adjusted cash flow estimates and ~183% of NAV based on "normalized" WTI spot crude oil and composite spot natural gas prices of $90.00/Bbl and $5.25/MMBtu, respectively.

Risks

We rate Rosetta Resources High Risk.

Our risk rating on ROSE is High based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citigroup Investment Research.

Volatile Commodity Prices – Rosetta is sensitive to changes in the prices of crude oil, natural gas and natural gas liquids (NGL's). Their exposure is partially reduced due to its hedging program, but a significant portion of their anticipated future production is not ed.

High Exposure To Single Play – About 60% of its current production comes from the relatively new Texas Eagle Ford Shale play, where long-term results have yet to be definitively established. Additionally, insufficient gathering and processing infrastructure in this emerging area may constrain Rosetta's production.

Small Company Size – Rosetta is significantly smaller than many of its major competitors within the oil & gas sector. Thus, it may have difficulty securing necessary equipment, personnel and financing for its operations.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Southwestern Energy Co

Company description

Southwestern Energy is a domestic onshore natural gas-leveraged E&P company primarily focused in the Arkoma Basin (Arkansas and Oklahoma), East Texas, and Appalachia. The company is also focused on creating and capturing additional value at and beyond the wellhead through established natural gas distribution, marketing and transportation businesses and expanding gathering activities.

Investment strategy

We rate Southwestern Energy Hold/High Risk (2H) based on the upside to our current price target in the context of the risk rating. Overall, while Southwestern has sharply underperformed the E&P sector this year despite its leading production growth and economic return matrices, we believe the stock is still somewhat fully valued particularly given our outlook for natural gas prices near term. And the company is still among the most sensitive in our coverage group to changes in natural gas prices near term. Thus, while we believe that Southwestern will continue to post top-tier production growth and economic returns, we are maintaining our Hold/ High Risk rating at this juncture

Valuation

Our $40 price target is based on Southwestern's stock achieving a multiple of 8.0x our 2011 debt-adjusted cash flow estimates based on “normalized” WTI spot crude oil and composite spot natural gas prices of $90.00/Bbl and $5.25/MMBtu, respectively and ~157% of proven NAV.

Risks

We rate Southwestern Energy High Risk

Our risk rating on SWN is High based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Drilling Results - Disappointing drilling results, particularly in the Fayetteville, Haynesville, and Marcellus shale plays, could negatively impact SWN's share performance. Conversely, positive exploration results from its New Ventures group could be favorable for SWN's shares.

Repeatability - SWN has achieved high organic growth and low F&D costs through the exploitation of its Fayetteville shale position. Once the Fayetteville play matures, SWN is at risk of not securing as compelling of opportunities.

Infrastructure Build Out - The overarching bottleneck in developing the Fayetteville play has traditionally been overall takeaway capacity from third party operators. Delays in future expansions of takeaway capacity could delay SWN's production growth.

Volatile Commodity Prices - With 100% natural gas production and minimal hedges in place, SWN is the most natural gas levered name in our universe.

The impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Talisman Energy Inc

Company description

Talisman Energy Inc. explores for, develops and produces natural gas, crude oil and natural gas liquids with about 1.4 billion barrels of oil equivalent (BOE) of proved reserves at year-end 2010. The company is roughly evenly balanced with about 50% of its production as natural gas, and 50% as crude oil. Talisman was originally part of British Petroleum but became an independent company in 1992 and is headquartered in Calgary, Canada.

Within North America, Talisman holds both conventional and unconventional natural gas assets with a land position exceeding 2 million acres including the Marcellus Shale (Pennsylvania/New York), the Montney Shale (British Columbia), the Utica Shale (Quebec) and recently the Eagle Ford Shale (TX). Internationally, in the North Sea, Talisman owns producing assets on both the U.K. and Norwegian sides, and pursues both development and exploration projects. Talisman has substantial operations in South East Asia including Indonesia, Malaysia and Vietnam and is conducting extensive exploration throughout S.E. Asia as well as in Australia and Papua New Guinea. Talisman also operates in Algeria, and explores in Kurdistan (Northern Iraq). Columbia and Peru.

Talisman is now focused on growth from North American unconventional gas, generating cash flow from mature North Sea assets, and is pursuing large international development and exploration targets.

Investment strategy

We rate Talisman Buy/Medium Risk (1M) based on the upside to our current price target in the context of the risk rating. Talisman has markedly improved the quality of its portfolio both in North America as well as globally and is now well-positioned to grow production organically with improved economic returns. The company has also completed all of its planned asset sales, resulting in a more consistent strategy focused on growth with solid footholds in several emerging North America shale plays and upside exposure through the exploration drill bit internationally. Talisman is also still one of the more oil leveraged names in our coverage group

Valuation

Our $27 price target is based on TLM's stock achieving an EV multiple of 7.6x our 2011 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of $90.00/Bbl and $5.25/MMBtu, respectively, and ~173% of NAV.

Risks

We rate Talisman Medium Risk

Our risk rating on Talisman is Medium based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Volatile Commodity Prices – Talisman is sensitive to changes in the prices of crude oil, and natural gas. Only some of their expected natural gas and crude oil exposure is hedged, with the majority unhedged and subject to market price volatility.

Political Risks – Talisman operates in developing countries including Indonesia, Vietnam, Kurdistan, Columbia and Papua New Guinea and thus is subject to political risks including changes in operating terms, taxes, or expropriation.

Exploration Risk – Talisman is conducting exploration in several under-explored areas within Indonesia, Kurdistan, Peru, and Papua New Guinea, and these exploration projects have a high-probability of failure.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Ultra Petroleum Corp.

Company description

Ultra Petroleum Corporation (founded in 1979) is a Houston-based independent exploration & production company with about 4.4 Tcfe of proved reserves. Its operations are in two areas: an established position in Wyoming’s Green River Basin and a newer position in Pennsylvania’s Marcellus Shale. About 96% of the company’s production is natural gas.

Investment strategy

Overall, we believe that Ultra is following a simple yet effective strategy of truly being a low-cost producer of dry natural gas. The company has built sizeable positions in two key producing areas – Wyoming’s Green River Basin and Pennsylvania’s Marcellus Shale which provide visible 15%+ production growth for several years at the very least. Its core Rockies region provides a stable cash flow base with UPL benefitting from a secular improvement in Rockies price realizations following the completion of the REX-East pipeline. Ultra’s newer Marcellus position is growing rapidly and is poised to account to about one-third of company production within three years. Financially, the company is well-managed with about two-thirds of anticipated 2011 natural gas production hedged. The stock continues to trade at a significant premium to its E&P peer group which we believe reflects its cost advantage and large resource potential of its two plays. However, given that 96% of Ultra’s production is U.S. natural gas and our concerns about the outlook for the commodity, we believe that its current valuation premium is appropriate and therefore we maintain our Hold/High Risk rating and a 12-month price target of $50 per share. We believe that this target price, based on the aforementioned valuation parameters is an appropriate premium to our E&P coverage universe given its production cost advantage and upside reserve potential.

Valuation

Our $50.00 price target is based on the company achieving a premium multiple of 8.5x/7.7x our 2011/2012 debt-adjusted cash flow estimates and ~176% of NAV based on "normalized" WTI spot crude oil and composite spot natural gas prices of $90.00/Bbl and $5.25/MMBtu, respectively.

Risks

We rate Ultra Petroleum Corp. High Risk.

Our risk rating on UPL is High based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research and Analysis.

Regulatory Risk – Ultra operates in only two areas: Rockies and Marcellus. In the Rockies (Wyoming), the company leases federal land and thus is subject to tight government oversight, environment rules, and regulatory scrutiny. In the Marcellus (Pennsylvania), Ultra is significantly exposed to evolving regulations, restrictions and potentially new taxes.

Volatile Commodity Prices – Ultra is highly sensitive to changes in the price of natural gas given that about one-half of its anticipated production during 2010-11 is unhedged.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform our target price.

Appendix A-1

Analyst Certification

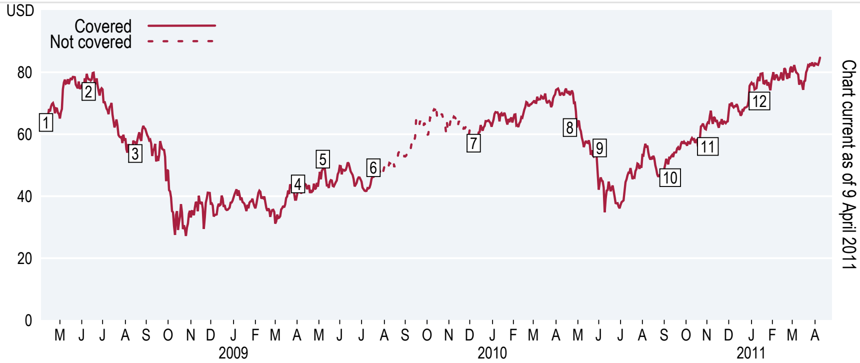
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

Anadarko Petroleum Corp (APC)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	11-Apr-08	1H	*80.00	63.80
2	11-Jun-08	1H	*106.00	77.69
3	15-Aug-08	1H	*76.00	57.61
4	2-Apr-09	1H	*49.00	42.05
5	7-May-09	1H	*60.00	48.72
6	17-Jul-09	Coverage terminated		
7	7-Dec-09	1H	*80.00	58.27
8	21-Apr-10	1H	*100.00	72.58
9	2-Jun-10	1H	*75.00	44.36
10	9-Sep-10	1H	*74.00	52.28
11	2-Nov-10	1H	*80.00	63.82
12	13-Jan-11	1H	*95.00	77.14

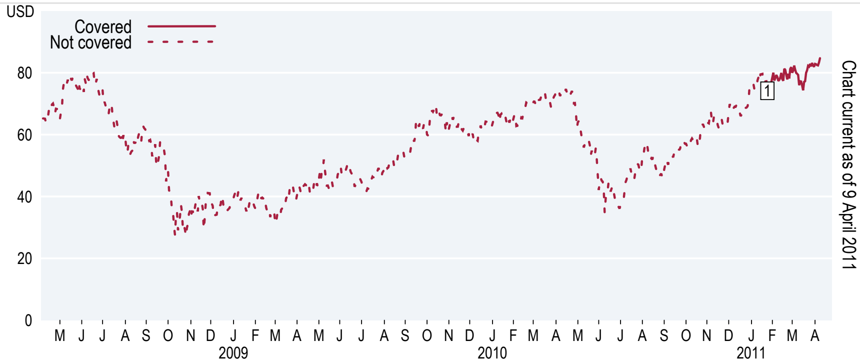
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Anadarko Petroleum Corp (APC)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	25-Jan-11	*ADD MP	-	75.70

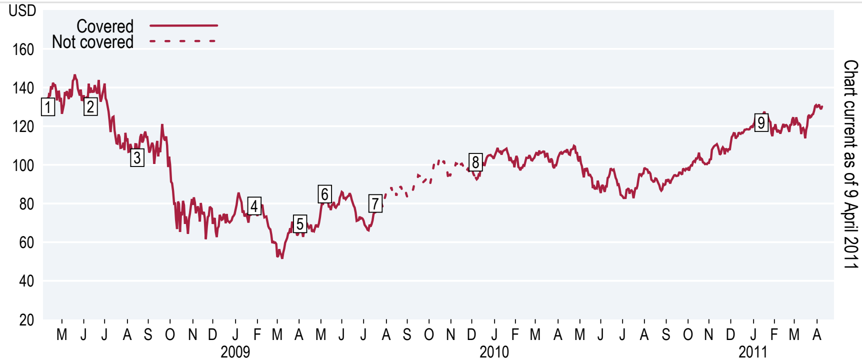
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Apache Corp (APA)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	11-Apr-08	2H	*144.00	131.93
2	11-Jun-08	2H	*161.00	140.00
3	15-Aug-08	2H	*116.00	106.74
4	28-Jan-09	2H	*85.00	78.62
5	2-Apr-09	2H	*75.00	67.92
6	7-May-09	2H	*86.00	81.46
7	17-Jul-09	Coverage terminated		
8	7-Dec-09	*1M	*130.00	93.34
9	13-Jan-11	1M	*150.00	125.18

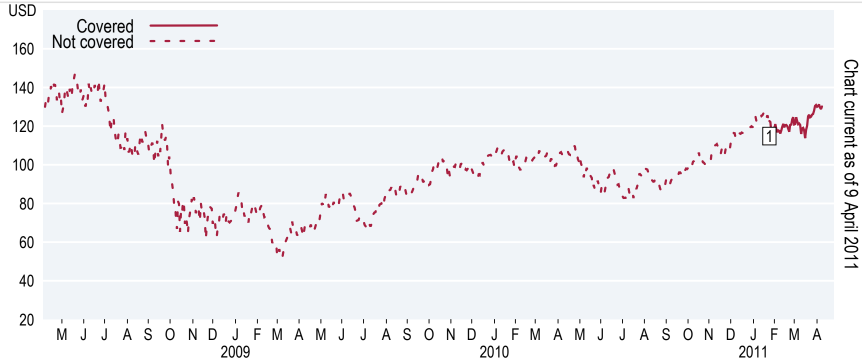
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Apache Corp (APA)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	25-Jan-11	*ADD MP	-	122.64

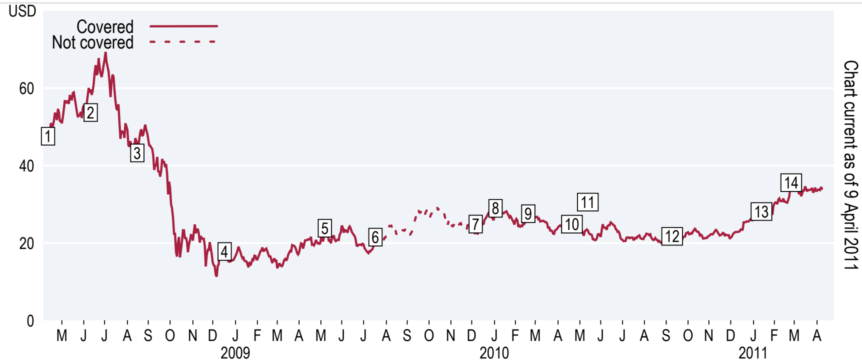
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Chesapeake Energy Corp (CHK)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	11-Apr-08	2H	*52.00	47.60
2	11-Jun-08	2H	*70.00	59.67
3	15-Aug-08	2H	*54.00	45.53
4	17-Dec-08	*2S	*20.00	16.09
5	7-May-09	2S	*25.00	21.92
6	17-Jul-09	Coverage terminated		
7	7-Dec-09	2S	*28.00	22.80
8	4-Jan-10	2S	*32.00	28.09
9	18-Feb-10	2S	*36.00	27.46
10	21-Apr-10	2S	*30.00	23.68
11	13-May-10	2S	*28.00	23.29
12	9-Sep-10	2S	*26.00	20.91
13	13-Jan-11	2S	*28.00	27.70
14	24-Feb-11	2S	*35.00	34.35

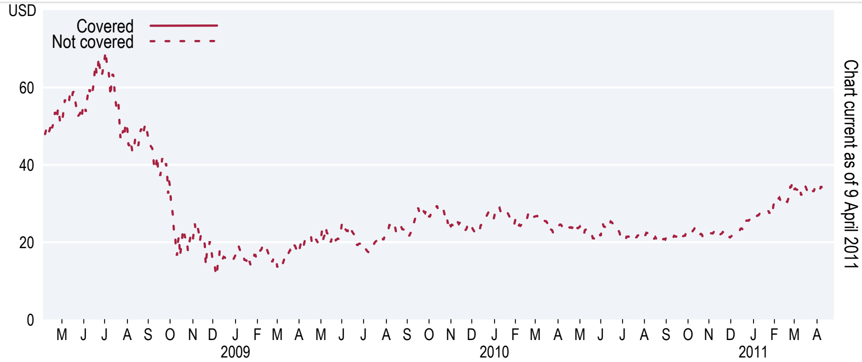
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Chesapeake Energy Corp (CHK)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



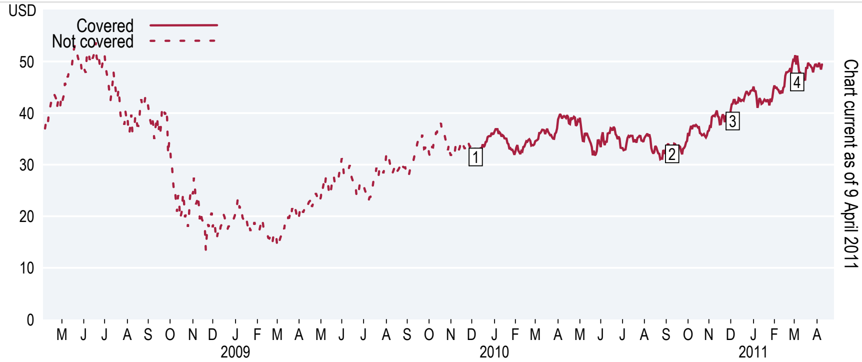
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Canadian Natural Resources Ltd (CNQ)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	7-Dec-09	*1H	*42.50	32.68
2	9-Sep-10	1H	*40.00	33.29
3	3-Dec-10	1H	*48.00	41.82
4	4-Mar-11	1H	*60.00	51.12

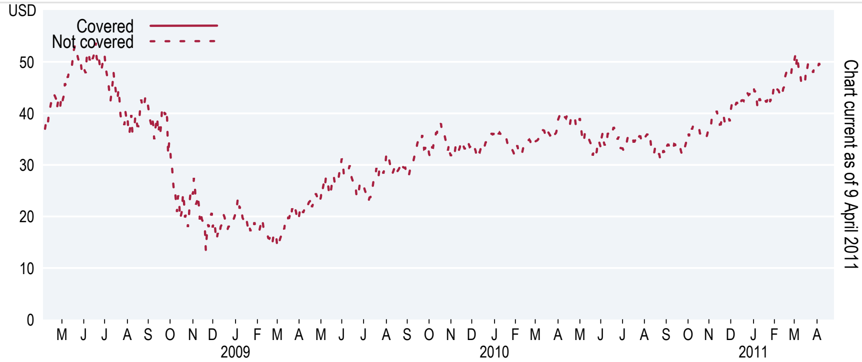
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Canadian Natural Resources Ltd (CNQ)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



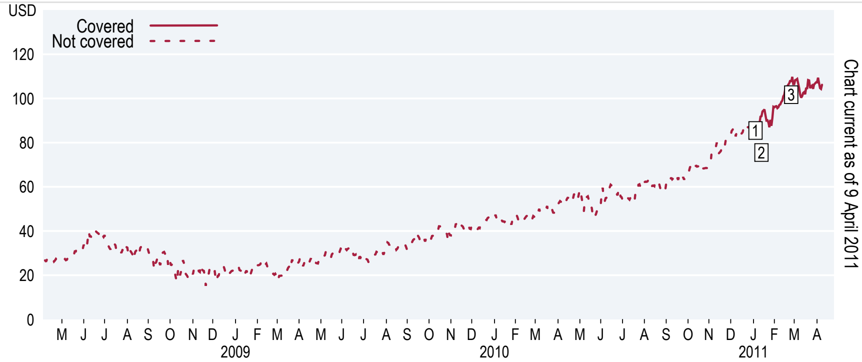
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Concho Resources Inc (CXO)

Ratings and Target Price History
Fundamental Research

Analyst: Aneet K Chachra, CFA
Covered since January 5 2011



	Date	Rating	Target Price	Closing Price
1	5-Jan-11	*3H	*81.00	86.51
2	13-Jan-11	3H	*83.00	91.97
3	24-Feb-11	3H	*95.00	107.53

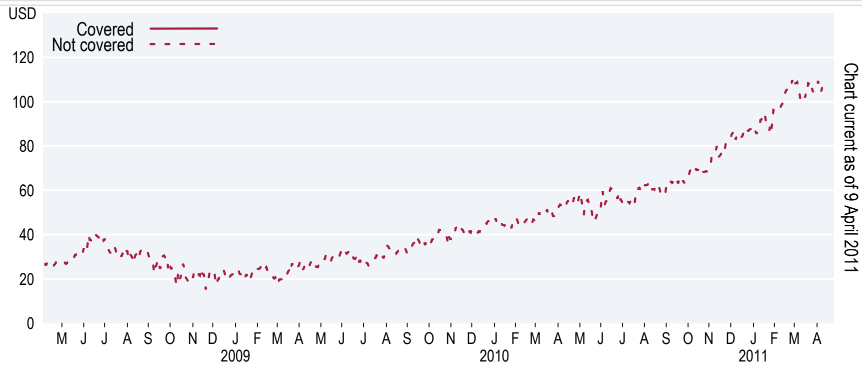
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Concho Resources Inc (CXO)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Aneet K Chachra, CFA
Covered since January 5 2011



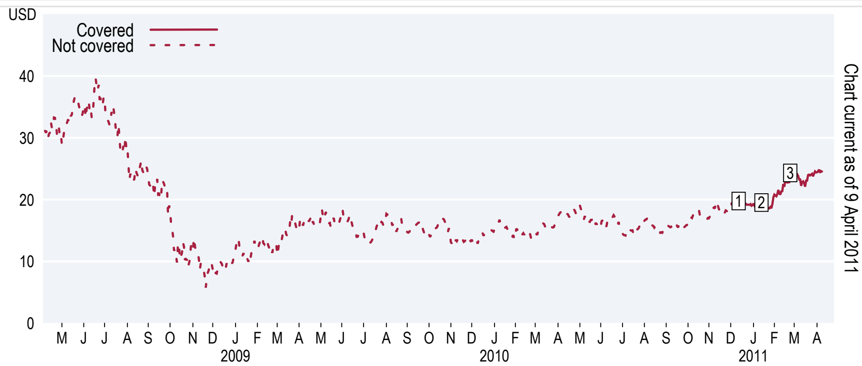
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Denbury Resources, Inc. (DNR)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 13 2010



	Date	Rating	Target Price	Closing Price
1	13-Dec-10	*2H	*20.00	19.77
2	13-Jan-11	2H	*21.00	19.06
3	23-Feb-11	2H	*24.00	23.56

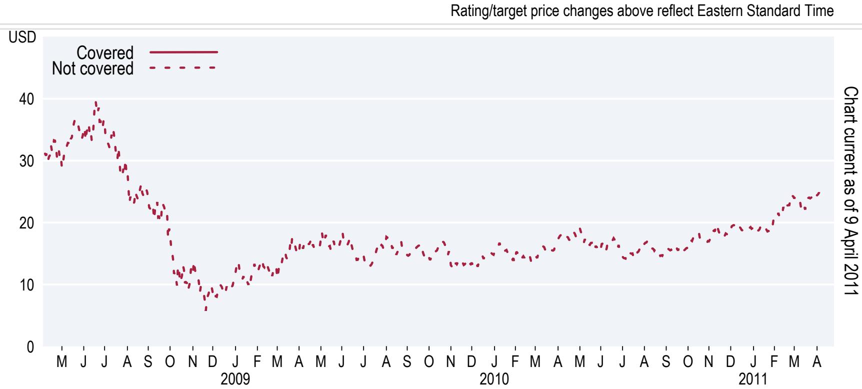
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Denbury Resources, Inc. (DNR)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 13 2010



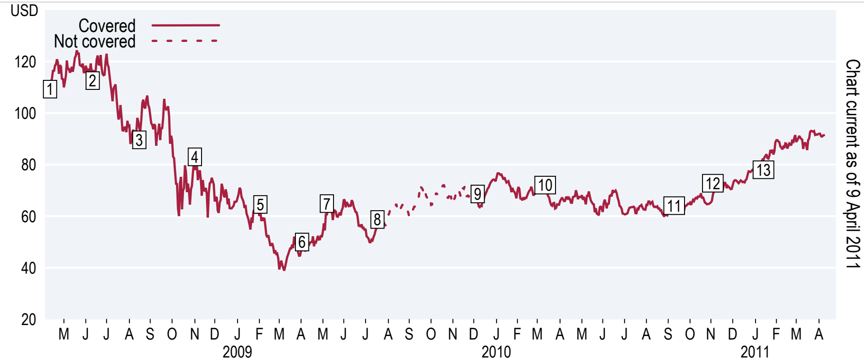
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Devon Energy Corp (DVN)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	11-Apr-08	2H	*121.00	109.26
2	11-Jun-08	2H	*135.00	116.61
3	15-Aug-08	2H	*110.00	93.95
4	3-Nov-08	2H	*85.00	77.89
5	3-Feb-09	2H	*70.00	61.91
6	2-Apr-09	2H	*55.00	48.40
7	7-May-09	2H	*70.00	60.34
8	17-Jul-09	Coverage terminated		
9	7-Dec-09	*2M	*75.00	65.79
10	11-Mar-10	2M	*78.00	72.04
11	9-Sep-10	2M	*68.00	62.86
12	3-Nov-10	2M	*72.00	68.22
13	13-Jan-11	2M	*82.00	81.94

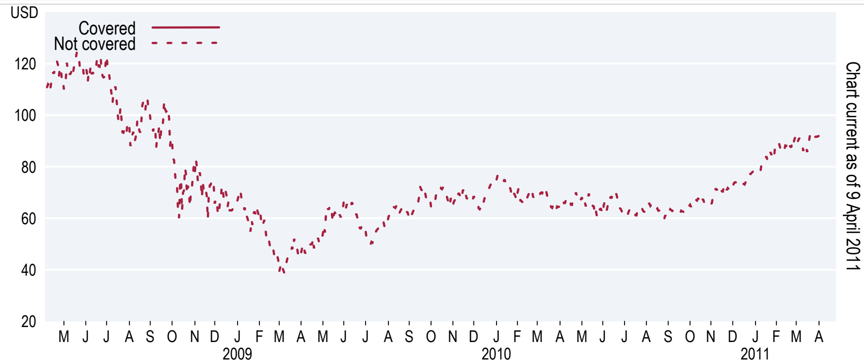
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Devon Energy Corp (DVN)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



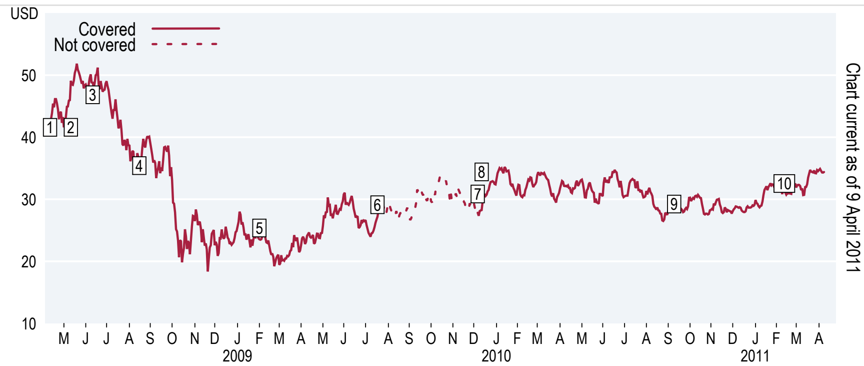
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

EnCana Corp (ECA)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	11-Apr-08	2H	*44.95	41.88
2	12-May-08	2H	*50.84	49.09
3	11-Jun-08	2H	*51.91	48.88
4	15-Aug-08	2H	*40.14	35.45
5	2-Feb-09	2H	*25.15	23.55
6	17-Jul-09	Coverage terminated		
7	7-Dec-09	*2M	*16.05	27.83
8	11-Dec-09	2M	*30.00	28.26
9	9-Sep-10	2M	*28.00	28.94
10	11-Feb-11	2M	*32.00	31.45

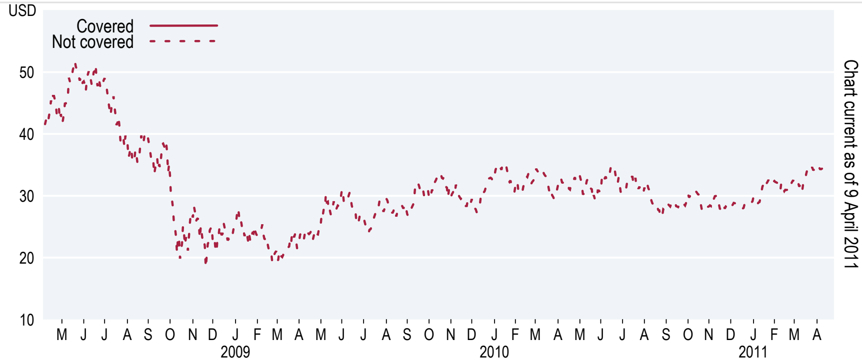
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

EnCana Corp (ECA)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



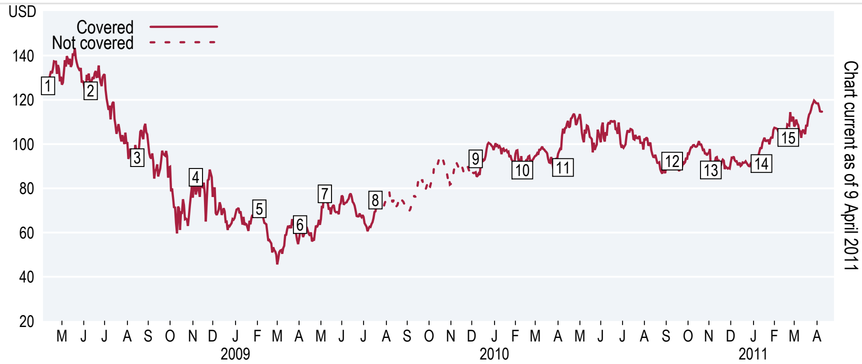
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

EOG Resources Inc (EOG)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	11-Apr-08	2H	*138.00	126.32
2	11-Jun-08	2H	*139.00	128.39
3	15-Aug-08	2H	*106.00	95.60
4	6-Nov-08	*1H	*95.00	77.17
5	4-Feb-09	1H	*88.00	68.58
6	2-Apr-09	1H	*70.00	60.33
7	7-May-09	*2H	*82.00	73.52
8	17-Jul-09	Coverage terminated		
9	7-Dec-09	*1M	*110.00	87.27
10	10-Feb-10	1M	*102.00	88.24
11	8-Apr-10	1M	*120.00	106.96
12	9-Sep-10	1M	*110.00	89.37
13	3-Nov-10	*2M	*95.00	88.64
14	13-Jan-11	2M	*105.00	97.86
15	21-Feb-11	2M	*120.00	108.89

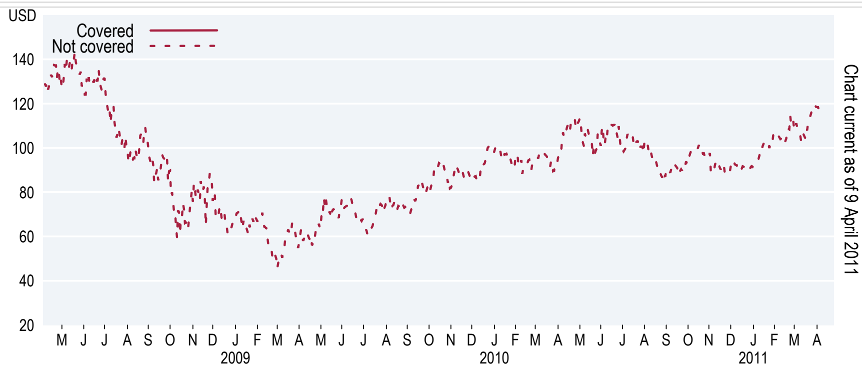
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

EOG Resources Inc (EOG)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



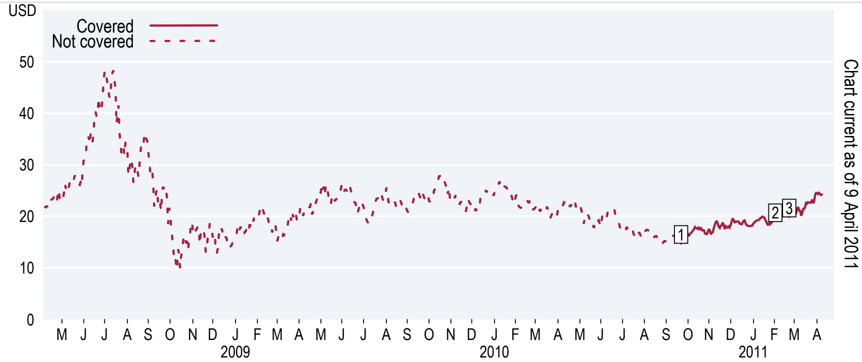
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Petrohawk Energy Corp. (HK)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since September 22 2010



	Date	Rating	Target Price	Closing Price
1	22-Sep-10	*2H	*19.00	14.71
2	2-Feb-11	2H	*22.00	20.29
3	22-Feb-11	2H	*20.00	19.78

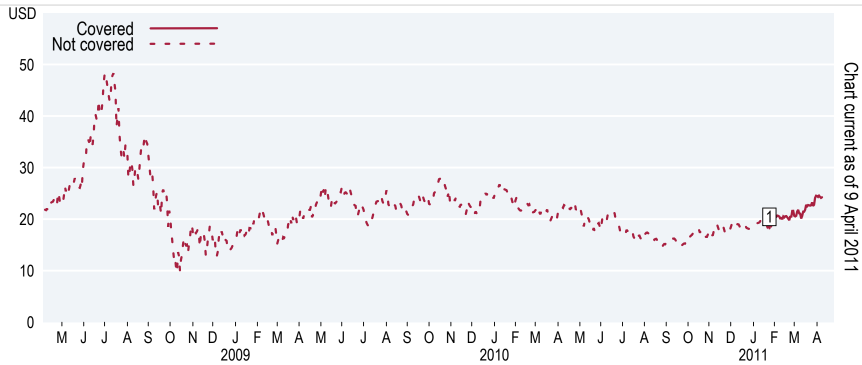
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Petrohawk Energy Corp. (HK)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since September 22 2010



	Date	Rating	Target Price	Closing Price
1	25-Jan-11	*ADD LP	-	18.21

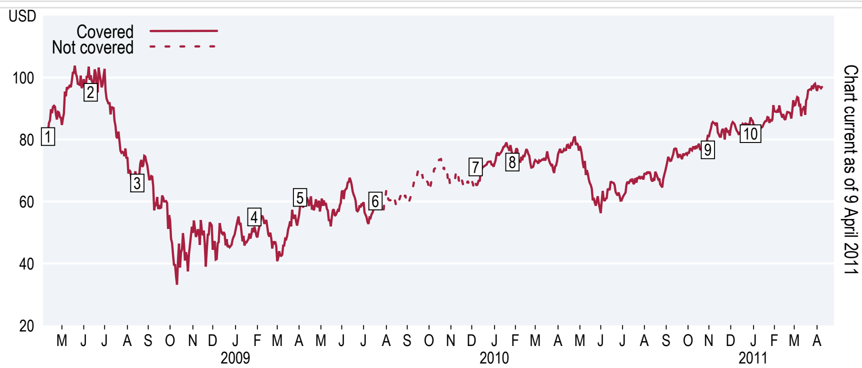
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Noble Energy Inc (NBL)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	11-Apr-08	2H	*88.00	82.75
2	11-Jun-08	2H	*115.00	100.72
3	15-Aug-08	2H	*74.00	67.06
4	28-Jan-09	2H	*55.00	51.82
5	2-Apr-09	2H	*62.00	58.39
6	17-Jul-09	Coverage terminated		
7	7-Dec-09	*2M	*68.00	65.68
8	27-Jan-10	2M	*74.00	75.00
9	29-Oct-10	2M	*80.00	81.48
10	29-Dec-10	2M	*90.00	87.16

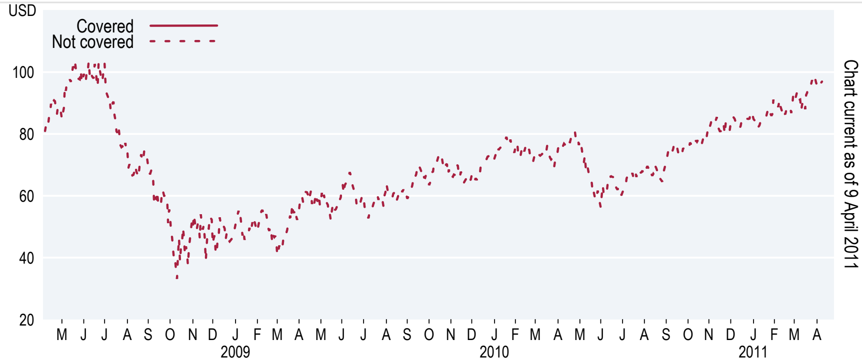
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Noble Energy Inc (NBL)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



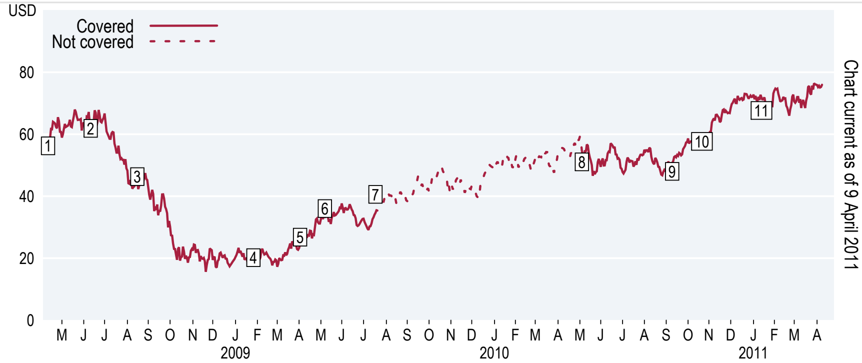
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Newfield Exploration Co. (NFX)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since May 6 2010



	Date	Rating	Target Price	Closing Price
1	11-Apr-08	2H	*66.00	56.25
2	11-Jun-08	2H	*74.00	64.52
3	15-Aug-08	2H	*49.00	44.12
4	27-Jan-09	2H	*21.00	18.60
5	2-Apr-09	2H	*26.00	24.50
6	7-May-09	*1H	*42.00	32.96
7	17-Jul-09	Coverage terminated		
8	5-May-10	*1M	*66.00	54.66
9	9-Sep-10	1M	*60.00	50.67
10	21-Oct-10	1M	*68.00	58.91
11	13-Jan-11	*2M	*76.00	71.86

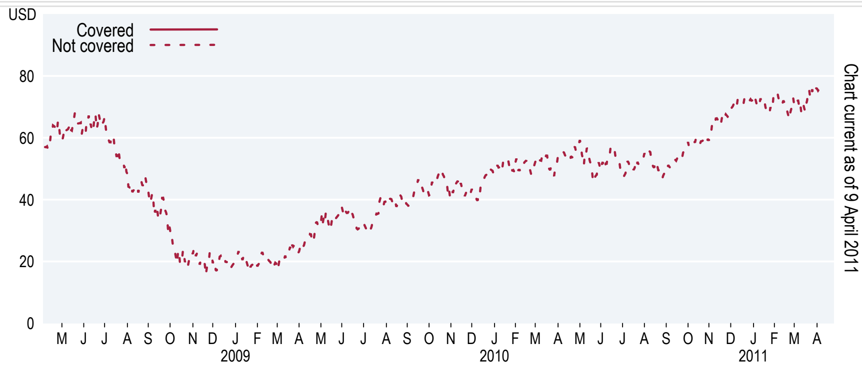
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Newfield Exploration Co. (NFX)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since May 6 2010



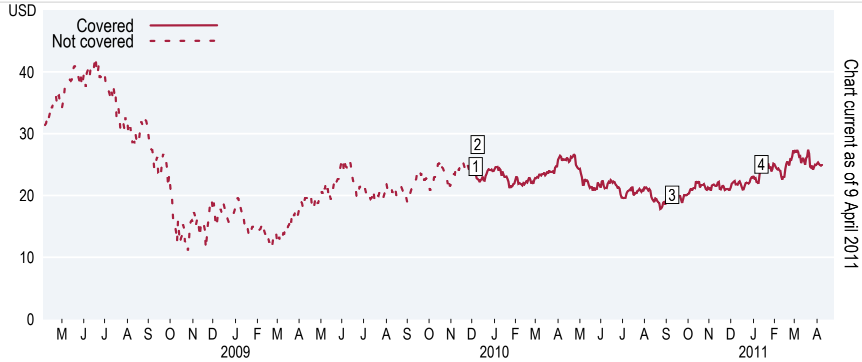
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Nexen Inc (NXY)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	7-Dec-09	*2H	*27.00	23.48
2	9-Dec-09	2H	*26.00	22.66
3	9-Sep-10	2H	*25.00	19.51
4	13-Jan-11	*1H	*30.00	24.12

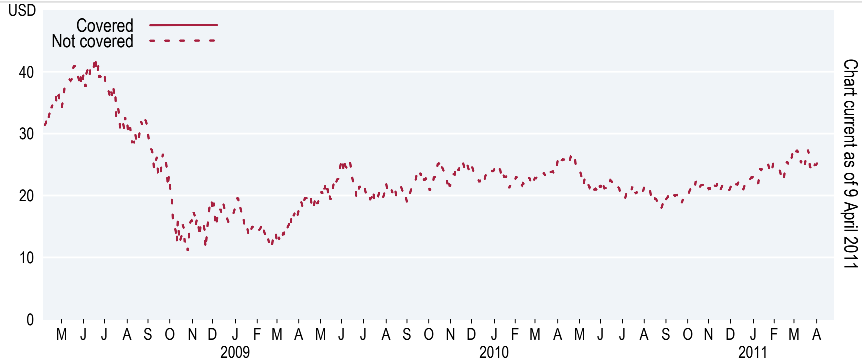
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Nexen Inc (NXY)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



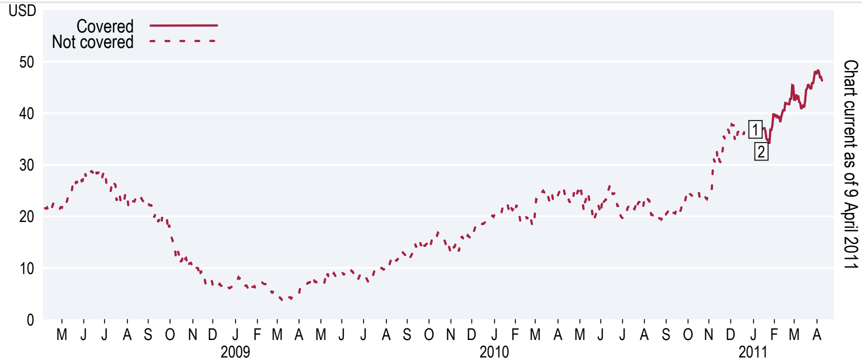
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Rosetta Resources (ROSE)

Ratings and Target Price History
Fundamental Research

Analyst: Aneet K Chachra, CFA
Covered since January 5 2011



	Date	Rating	Target Price	Closing Price
1	5-Jan-11	*2H	*42.00	37.67
2	13-Jan-11	2H	*44.00	36.94

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Rosetta Resources (ROSE)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Aneet K Chachra, CFA
Covered since January 5 2011

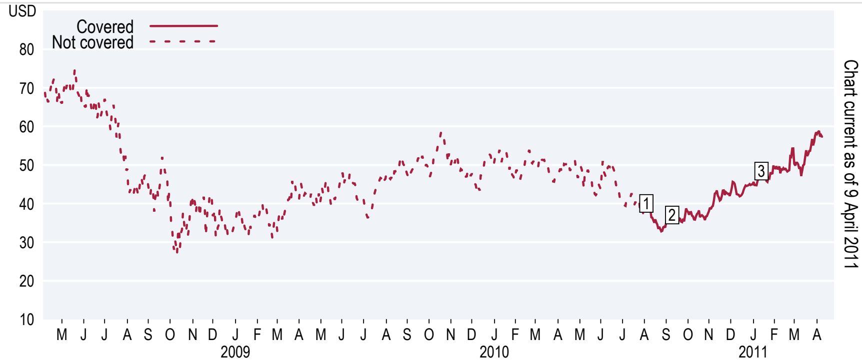
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Range Resources Corp (RRC)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since August 5 2010



	Date	Rating	Target Price	Closing Price
1	4-Aug-10	*2H	*42.00	39.46

	Date	Rating	Target Price	Closing Price
2	9-Sep-10	2H	*40.00	36.47

	Date	Rating	Target Price	Closing Price
3	13-Jan-11	*3H	*44.00	48.16

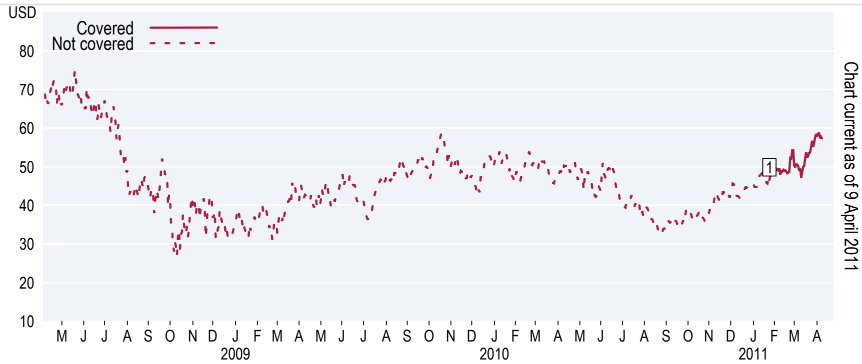
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Range Resources Corp (RRC)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since August 5 2010



	Date	Rating	Target Price	Closing Price
1	25-Jan-11	*ADD LP	-	46.54

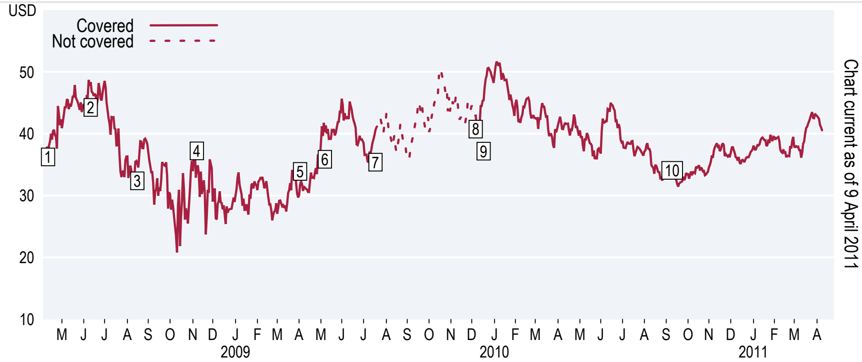
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Southwestern Energy Co (SWN)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	11-Apr-08	2H	*41.00	36.80
2	11-Jun-08	2H	*52.00	48.33
3	15-Aug-08	2H	*41.00	35.18
4	7-Nov-08	*1H	41.00	34.42
5	2-Apr-09	1H	*38.00	31.69
6	7-May-09	1H	*50.00	40.26
7	17-Jul-09	Coverage terminated		
8	7-Dec-09	*2H	*52.00	42.93
9	17-Dec-09	2H	*50.00	45.40
10	9-Sep-10	2H	*40.00	32.94

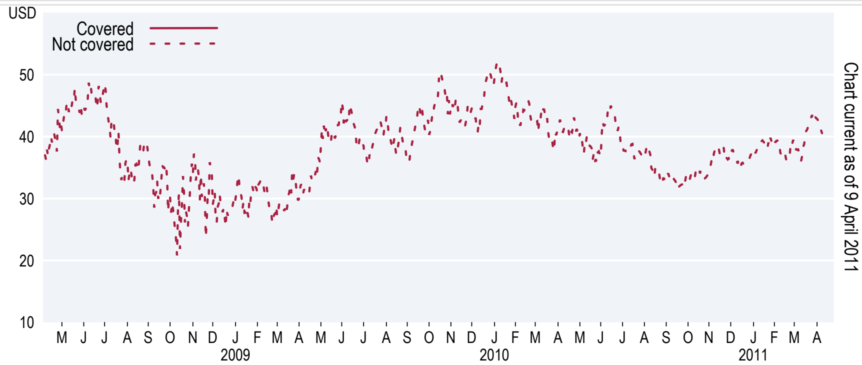
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Southwestern Energy Co (SWN)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



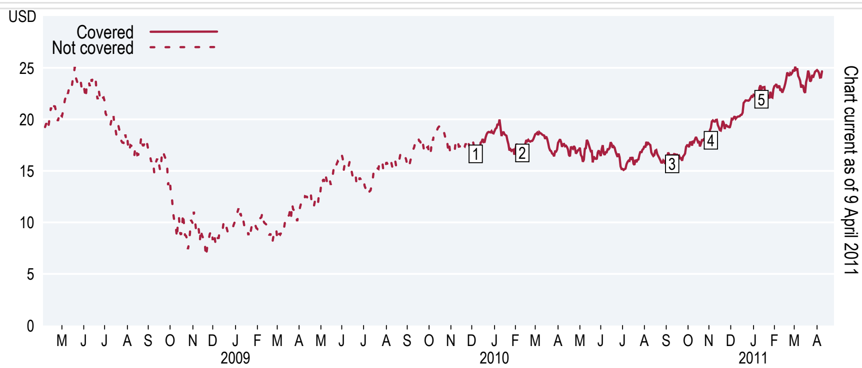
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Talisman Energy Inc (TLM)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	7-Dec-09	*1H	*23.00	17.21
2	10-Feb-10	1H	*21.00	16.74
3	9-Sep-10	1H	*20.00	16.53
4	3-Nov-10	1H	*22.00	19.17
5	13-Jan-11	*1M	*27.00	22.87

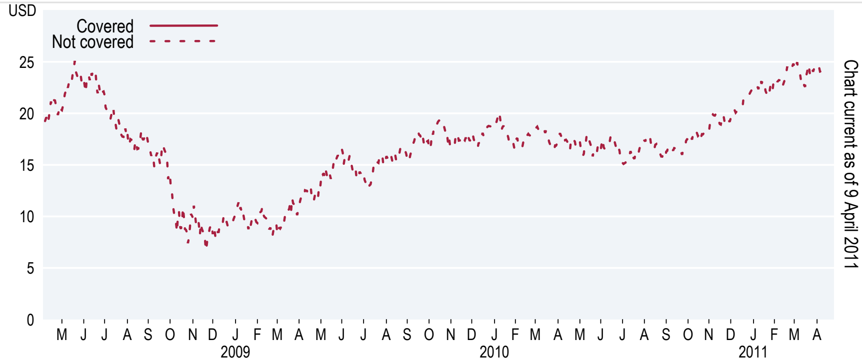
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Talisman Energy Inc (TLM)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since December 7 2009



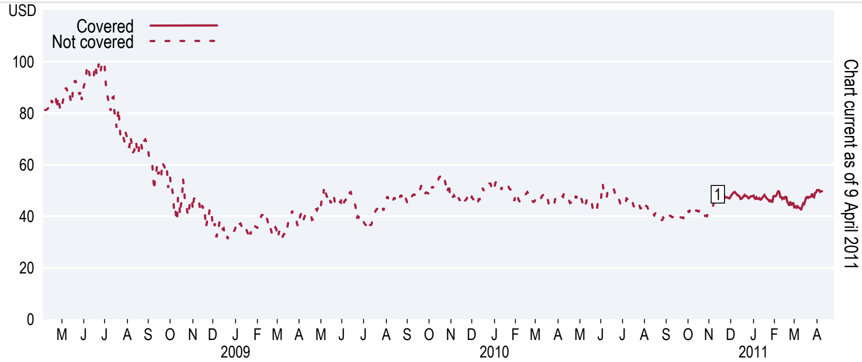
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Ultra Petroleum Corp. (UPL)

Ratings and Target Price History
Fundamental Research

Analyst: Robert S Morris
Covered since November 12 2010



	Date	Rating	Target Price	Closing Price
1	12-Nov-10	*2H	*50.00	47.77

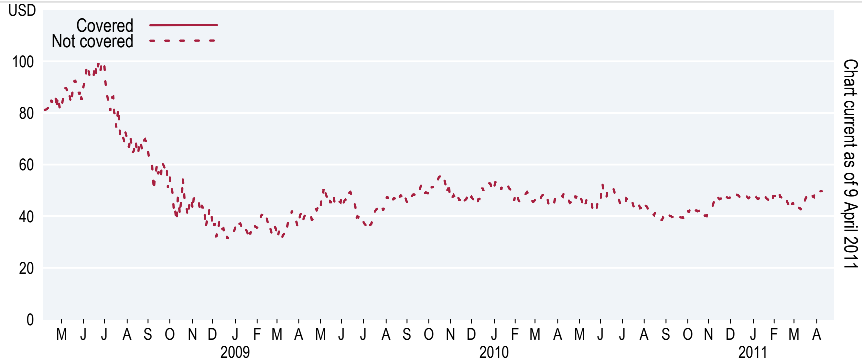
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Ultra Petroleum Corp. (UPL)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Robert S Morris
Covered since November 12 2010



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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Robert S Morris, Analyst, holds a long position in the securities of Chesapeake Energy Corp,EOG Resources Inc,Canadian Natural Resources Ltd.

Robert S Morris, Analyst, holds a derivative position in the securities of Chesapeake Energy Corp,EOG Resources Inc,Canadian Natural Resources Ltd.

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Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Anadarko Petroleum Corp, Apache Corp, Chesapeake Energy Corp, Canadian Natural Resources Ltd, Concho Resources Inc, Devon Energy Corp, EnCana Corp, EOG Resources Inc, Petrohawk Energy Corp., Noble Energy Inc, Newfield Exploration Co., Nexen Inc, Range Resources Corp, Southwestern Energy Co, Talisman Energy Inc, Ultra Petroleum Corp. in the past 12 months.

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Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Anadarko Petroleum Corp, Apache Corp, Chesapeake Energy Corp, Canadian Natural Resources Ltd, Concho Resources Inc, Devon Energy Corp, EnCana Corp, EOG Resources Inc, Petrohawk Energy Corp., Noble Energy Inc, Newfield Exploration Co., Nexen Inc, Range Resources Corp, Southwestern Energy Co, Talisman Energy Inc, Ultra Petroleum Corp..

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: Anadarko Petroleum Corp, Apache Corp, Chesapeake Energy Corp, Canadian Natural Resources Ltd, Devon Energy Corp, EnCana Corp, EOG Resources Inc, Petrohawk Energy Corp., Noble Energy Inc, Nexen Inc, Range Resources Corp, Southwestern Energy Co, Talisman Energy Inc, Ultra Petroleum Corp..

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The Firm is a market maker in the publicly traded equity securities of Petrohawk Energy Corp., Rosetta Resources.

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	12 Month Rating			*Relative Rating*		
Data current as of 31 Mar 2011	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Investment Research & Analysis Global Fundamental Coverage	52%	37%	11%	9%	82%	9%
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To satisfy regulatory requirements, we correspond Under Review to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.

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Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

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Citigroup Global Markets Inc	Robert S Morris; Aneet K Chachra, CFA; Maria Zagrodzka-Sears, CFA; Dilya Safine, CFA

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