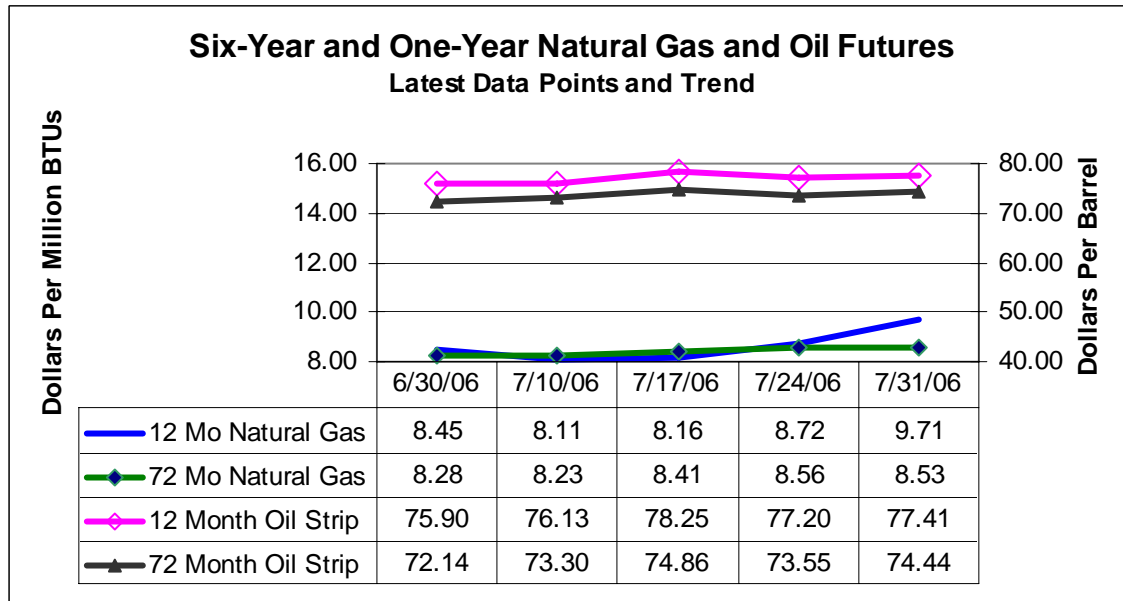


Oil/Gas Portfolio Composition

Summary and Recommendation

A five stock portfolio of buy recommendations including **ConocoPhillips COP**, **Gazprom (OGZPY)**, **Devon Energy (DVN)**, **Canadian Oil Sands Trust (COSWF)** and **San Juan Basin Royalty Trust (SJT)** would have concentration of about 57% in natural gas, 38% in oil and 5% in downstream. That example compares to the illustrative 28 stock portfolio of all buy recommendations concentrated about 42%, 58% and 11% respectively. The information to make that determination for any portfolio is supplied in a more convenient form (see table, page 5, Ratios to Calculate Portfolio Concentration by Industry Segment). A natural gas oriented portfolio might help make the record heat of the season more bearable.

Kurt H. Wulff, CFA



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Oil and Gas Producers
Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating		Price (US\$/sh) 31-Jul 2006	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	72.52	3,362	244,000	80.00	0.15	0.92
Exxon Mobil Corporation	XOM	B	67.74	6,030	409,000	78.00	0.04	0.87
Total S.A.	TOT	B	68.23	2,336	159,000	80.00	0.13	0.87
Royal Dutch Shell plc	RDS-A	B	70.80	3,242	230,000	84.00	0.10	0.86
Chevron Corporation	CVX	B	65.78	2,206	145,000	88.00	0.10	0.77
Gazprom (50%)	OGZPY	B	42.30	2,845	120,300	56.00	0.06	0.77
ConocoPhillips	COP	B	68.64	1,678	115,000	100.00	0.22	0.75
<i>Total or Median</i>					<i>1,422,000</i>		<i>0.10</i>	<i>0.86</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	102.00	135	13,770	33.00	0.75	1.52
Marathon Oil Corporation	MRO	B	90.64	367	33,260	86.00	0.18	1.04
Imperial Oil Limited (30%)	IMO	B	36.25	299	10,840	37.00	0.08	0.98
Norsk Hydro ASA	NHY	B	28.90	1,247	36,040	31.00	0.15	0.94
Petro-Canada	PCZ	B	44.75	512	22,910	49.00	0.17	0.93
Suncor Energy	SU	B	81.05	461	37,370	95.00	0.07	0.86
PetroChina Company Ltd (10%)	PTR	B	114.40	178	20,340	140.00	0.05	0.83
Lukoil Oil Company	LUKOY	B	87.89	830	73,000	110.00	0.01	0.80
<i>Total or Median</i>					<i>248,000</i>		<i>0.11</i>	<i>0.94</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	46.99	369	17,340	52.00	0.18	0.92
Encana Corporation	ECA	B	54.06	845	45,700	60.00	0.13	0.91
CNOOC Limited (29%)	CEO	B	85.86	119	10,240	98.00	-	0.88
EOG Resources	EOG	B	74.15	246	18,200	92.00	0.03	0.81
Occidental Petroleum Corp.	OXY	B	107.75	431	46,500	138.00	0.11	0.80
Anadarko Petroleum Corp.	APC	B	45.74	463	21,200	77.00	0.46	0.78
Devon Energy Corporation	DVN	B	64.64	449	29,000	102.00	0.11	0.68
<i>Total or Median</i>					<i>188,000</i>		<i>0.11</i>	<i>0.81</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	33.64	45	1,510	39.00	0.17	0.88
Energy Partners Ltd.	EPL	B	18.17	75	1,360	31.00	0.44	0.77
Encore Acquisition Company	EAC	B	30.46	54	1,640	54.00	0.18	0.64
Cimarex Energy Company	XEC	B	40.83	85	3,470	68.00	0.08	0.63
<i>Total or Median</i>					<i>8,000</i>		<i>0.18</i>	<i>0.71</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	46.06	165	7,590	15.00	0.56	1.92
Kinder Morgan Management, LLC	KMR	S3	43.27	60	2,570	15.00	0.56	1.83
Enerplus Resources Fund	ERF		57.54	123	7,080	47.00	0.10	1.20
Pengrowth Energy Trust	PGH		22.38	161	3,600	20.00	0.15	1.10
Penn West Energy Trust	PWE	B	40.23	243	9,790	39.00	0.12	1.03
San Juan Basin Royalty Trust	SJT	B	40.38	47	1,880	40.00	-	1.01
Canadian Oil Sands Trust	COSWF	B	32.92	466	15,330	35.00	0.09	0.95
<i>Total or Median</i>					<i>47,800</i>		<i>0.12</i>	<i>1.10</i>

B = Buy, S2 = Short half unlevered position, S3 = Short quarter unlevered position, H = Hold

Present Value = Shares times Net Present Value divided by (1-Debt/Present Value).

Debt = Present Value times Debt/Present Value

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

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Oil and Gas Producers

Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating		Price (US\$/sh) 31-Jul 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	42.30	20.0	9.0	6.9	12	0.5
BP plc	BP	B	72.52	9.3	6.3	5.8	9	3.3
Exxon Mobil Corporation	XOM	B	67.74	11.4	6.2	5.4	9	1.9
Total S.A.	TOT	B	68.23	9.4	5.7	5.0	8	3.0
Royal Dutch Shell plc	RDS-A	B	70.80	7.4	5.4	4.6	8	3.6
Chevron Corporation	CVX	B	65.78	10.9	5.7	4.4	8	3.2
ConocoPhillips	COP	B	68.64	11.0	5.2	3.9	6	2.1
	<i>Median</i>			10.9	5.7	5.0	8	3.0
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	102.00		8.8	13.3	21	3.4
Imperial Oil Limited (30%)	IMO	B	36.25	9.3	7.5	7.3	12	2.3
Suncor Energy	SU	B	81.05	18.2	8.0	6.9	12	0.3
Petro-Canada	PCZ	B	44.75	6.9	6.1	5.7	10	0.8
Lukoil Oil Company	LUKOY	B	87.89	18.9	6.3	5.1	8	1.4
PetroChina Company Ltd (10%)	PTR	B	114.40	14.8	6.1	5.0	9	3.7
Norsk Hydro ASA	NHY	B	28.90	7.8	5.2	4.9	10	2.5
Marathon Oil Corporation	MRO	B	90.64	8.3	4.5	4.7	8	1.5
	<i>Median</i>			9.3	6.2	5.4	10	1.9
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	46.99	11.6	6.8	6.3	11	0.4
Encana Corporation	ECA	B	54.06	8.7	5.7	5.2	11	0.7
EOG Resources	EOG	B	74.15	9.6	6.3	5.1	11	0.3
Anadarko Petroleum Corp.	APC	B	45.74	11.2	6.3	5.0	6	1.6
Occidental Petroleum Corp.	OXY	B	107.75	10.4	5.7	4.6	8	1.6
Devon Energy Corporation	DVN	B	64.64	8.6	5.7	3.9	7	0.7
CNOOC Limited (29%)	CEO	B	85.86	10.0	4.3	3.8	7	3.0
	<i>Median</i>			10.0	5.7	5.0	8	0.7
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	33.64	10.5	6.4	5.7	18	0.9
Encore Acquisition Company	EAC	B	30.46	14.4	7.1	4.6	10	-
Energy Partners Ltd.	EPL	B	18.17	6.2	4.5	3.5	10	-
Cimarex Energy Company	XEC	B	40.83	7.2	5.2	3.3	7	0.4
	<i>Median</i>			8.9	5.8	4.0	10	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	46.06		7.9	15.1	25	7.0
Kinder Morgan Management, LLC	KMR	S3	43.27		7.9	14.4	23	7.5
San Juan Basin Royalty Trust	SJT	B	40.38	13.7	10.5	10.6	12	8.5
Canadian Oil Sands Trust	COSWF	B	32.92	26.5	11.0	10.4	13	5.6
Enerplus Resources Fund	ERF		57.54	9.4	6.6	7.9	14	7.7
Penn West Energy Trust	PWE	B	40.23	7.9	6.5	6.7	9	9.0
Pengrowth Energy Trust	PGH		22.38	7.5	6.0	6.6	10	11.8
	<i>Median</i>			9.4	7.9	10.4	13	7.7

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2007; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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**Oil and Gas Producers
Portfolio Composite of Buy Recommendations**

Symbol	Price (US\$/sh) 31-Jul 2006	Portfolio Weight		Non- U.S. Home (%)	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio	
		Equity (%)	EV (%)							
Mega Cap										
BP plc	BP	72.52	2.8	2.9	2.9	0.2	0.3	1.4	1.0	0.92
Exxon Mobil Corporation	XOM	67.74	3.2	2.9		0.2	0.7	1.1	0.9	0.87
Total S.A.	TOT	68.23	2.9	2.9	2.9		0.8	1.2	0.9	0.87
Royal Dutch Shell plc	RDS-A	70.80	3.0	2.9	2.9	0.1	0.5	1.1	1.1	0.86
Chevron Corporation	CVX	65.78	5.8	5.8		0.4	0.6	3.3	1.6	0.77
Gazprom	OGZPY	42.30	9.3	8.7	8.7		8.7			0.77
ConocoPhillips	COP	68.64	4.8	5.8		0.9	0.5	2.9	1.5	0.75
Producer/Refiners - Large Cap and Mid Cap										
Marathon Oil Corporation	MRO	90.64	1.4	1.4		0.2	0.1	0.5	0.6	1.04
Imperial Oil Limited	IMO	36.25	1.5	1.4	1.4	0.1		1.0	0.3	0.98
Norsk Hydro ASA	NHY	28.90	1.4	1.4	1.4		0.4	0.6	0.5	0.94
Petro-Canada	PCZ	44.75	1.4	1.4	1.4	0.2	0.0	0.9	0.2	0.93
Suncor Energy	SU	81.05	1.5	1.4	1.4	0.0		1.3	0.1	0.86
PetroChina Company Ltd.	PTR	114.40	3.2	2.9	2.9		0.2	2.4	0.2	0.83
Lukoil Oil Company	LUKOY	87.89	6.6	5.8	5.8			4.3	1.5	0.80
Independent Natural Gas and Oil - Large Cap and Mid Cap										
XTO Energy Inc.	XTO	46.99	2.7	2.9		2.2		0.7		0.92
Encana Corporation	ECA	54.06	2.9	2.9	2.9	2.2		0.7		0.91
CNOOC Limited	CEO	85.86	3.4	2.9	2.9		0.3	2.6		0.88
EOG Resources	EOG	74.15	6.4	5.8		4.5	0.4	0.8		0.81
Occidental Petroleum Corp	OXY	107.75	2.9	2.9		0.4	0.0	2.2	0.3	0.80
Anadarko Petroleum Corp.	APC	45.74	1.4	2.9		1.7		1.2		0.78
Devon Energy Corporatio	DVN	64.64	5.6	5.8		3.5		2.3		0.68
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	33.64	1.4	1.4		0.2		1.2		0.88
Energy Partners Ltd.	EPL	18.17	0.7	1.4		0.3		1.2		0.77
Encore Acquisition Comp	EAC	30.46	2.4	2.9		0.7		2.2		0.64
Cimarex Energy Company	XEC	40.83	2.9	2.9		2.0		0.9		0.63
Income										
Penn West Energy Trust	PWE	40.23	5.9	5.8	5.8	1.8		4.0		1.03
San Juan Basin Royalty Tr	SJT	40.38	6.7	5.8		5.8				1.01
Canadian Oil Sands Trust	COSWF	32.92	6.0	5.8	5.8			5.8		0.95
Portfolio Composite			100	100	49	28	14	48	11	0.83

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Oil and Gas Producers
Ratios to Calculate Portfolio Concentration by Industry Segment

Symbol	Price (US\$/sh) 31-Jul 2006	Portfolio Weight			Present Value Distribution				McDep Ratio	
		MC (\$)	EV/ MC	EV (\$)	Natural Gas					
					North Amer.	Rest of World	Oil Prod'n	Down- stream		
Mega Cap										
BP plc	BP	72.52	1.20	-	0.07	0.11	0.48	0.33	0.92	
Exxon Mobil Corporation	XOM	67.74	1.05	-	0.08	0.22	0.40	0.30	0.87	
Total S.A.	TOT	68.23	1.17	-	-	0.27	0.42	0.30	0.87	
Royal Dutch Shell plc	RDS-A	70.80	1.13	-	0.03	0.18	0.39	0.40	0.86	
Chevron Corporation	CVX	65.78	1.15	-	0.06	0.10	0.57	0.27	0.77	
Gazprom	OGZPY	42.30	0.92	1.08	1.00	-	1.00	-	0.77	
ConocoPhillips	COP	68.64	0.71	1.40	1.00	0.16	0.08	0.50	0.26	0.75
Producer/Refiners - Large Cap and Mid Cap										
Marathon Oil Corporation	MRO	90.64	1.21	-	0.12	0.06	0.38	0.44	1.04	
Imperial Oil Limited	IMO	36.25	1.08	-	0.09	-	0.71	0.20	0.98	
Norsk Hydro ASA	NHY	28.90	1.18	-	-	0.25	0.38	0.36	0.94	
Petro-Canada	PCZ	44.75	1.23	-	0.16	0.03	0.65	0.15	0.93	
Suncor Energy	SU	81.05	1.09	-	0.03	-	0.91	0.06	0.86	
PetroChina Company Ltd.	PTR	114.40	1.06	-	-	0.08	0.84	0.08	0.83	
Lukoil Oil Company	LUKOY	87.89	1.01	-	-	-	0.75	0.25	0.80	
Independent Natural Gas and Oil - Large Cap and Mid Cap										
XTO Energy Inc.	XTO	46.99	1.24	-	0.76	-	0.24	-	0.92	
Encana Corporation	ECA	54.06	1.17	-	0.75	-	0.25	-	0.91	
CNOOC Limited	CEO	85.86	1.00	-	-	0.11	0.89	-	0.88	
EOG Resources	EOG	74.15	1.04	-	0.78	0.08	0.14	-	0.81	
Occidental Petroleum Corp.	OXY	107.75	1.16	-	0.13	0.01	0.76	0.09	0.80	
Anadarko Petroleum Corp.	APC	45.74	2.43	-	0.58	-	0.42	-	0.78	
Devon Energy Corporation	DVN	64.64	0.83	1.20	1.00	0.61	-	0.39	0.68	
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	33.64	1.24	-	0.14	-	0.86	-	0.88	
Energy Partners Ltd.	EPL	18.17	2.37	-	0.20	-	0.80	-	0.77	
Encore Acquisition Company	EAC	30.46	1.40	-	0.25	-	0.75	-	0.64	
Cimarex Energy Company	XEC	40.83	1.15	-	0.68	-	0.32	-	0.63	
Income										
Penn West Energy Trust	PWE	40.23	1.13	-	0.31	-	0.69	-	1.03	
San Juan Basin Royalty Trust	SJT	40.38	1.00	1.00	1.00	-	-	-	1.01	
Canadian Oil Sands Trust	COSWF	32.92	0.90	1.11	1.00	-	1.00	-	0.95	
Portfolio Composite			4	5	35%	22%	38%	5%	0.81	
McDep Portfolio Composite					28%	14%	48%	11%	0.83	

Explanation: Multiply equity value of each stock by the Enterprise Value to Market Cap factor (EV/MC) to get Enterprise Value
 Multiply Enterprise Value by each of the four segment weights to allocate EV by segment.
 Compute totals for EV and EV by segment and use to determine composite percentages.

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
28-Jul	CVX	Chevron Corporation	Lagging a Little Lately
28-Jul	APC	Anadarko Petroleum Corporation	Favorable Volume Trend
28-Jul	XOM	Exxon Mobil Corporation	Volume and Cash Advancing
28-Jul	PCZ	Petro-Canada	Temporary Difficulties
28-Jul	RDSA	Royal Dutch Shell plc	Share Buyback Enhances Return
26-Jul	COP	ConocoPhillips	Raise NPV to \$100 a Share
26-Jul	BP	BP p.l.c.	Cash Flow per Barrel Lags
26-Jul	COSWF	Canadian Oil Sands Trust	0.7% Opportunity Loss
26-Jul	XTO	XTO Energy Inc.	Growth Standout
25-Jul	ECA	EnCana Corporation	Raise NPV to \$60 a Share
25-Jul	NHY	Norsk Hydro ASA	Commodity Price Beneficiary
20-Jul	KMx	Kinder Morgan	Focus Sharpens on Limited Partners
10-Jul	OGZPY	Gazprom	Number One in Global Energy
30-Jun	* LUKOY	Lukoil Oil Company	Russia Stronger than Ever
23-Jun	* SJT	San Juan Basin Royalty Trust	Irrefutable Logic
26-May	* EPL	Energy Partners, Ltd.	Offers to Buy Stone Energy
16-May	* OXY	Occidental Petroleum Corporation	Ecuador Expropriates
10-May	* PWTF	Penn West Energy Trust	Sleeping Seal
10-May	* BRY	Berry Petroleum	Debt for the Future
8-May	* XEC	Cimarex Energy Company	Seasonality Exaggerated
8-May	* EOG	EOG Resources Inc.	Seasonality Exaggerated
5-May	* SU	Suncor Energy Inc.	Retaking the Oil Sands Lead
5-May	* TOT	Total S.A.	Spinoff and Split Ahead
3-May	* EAC	Encore Acquisition Company	Lower NPV to \$45 a Share
3-May	* DVN	Devon Energy Corporation	Barnett Bargain
3-May	* IMO	Imperial Oil Limited	Oil Sands and Arctic Natural Gas
28-Apr	* MRO	Marathon Oil Corporation	Oil Sands Link
26-Apr	* CEO	CNOOC Ltd	Burst of Cash Flow
21-Mar	* PTR	PetroChina Company Limited	Growing Pains

Meter Reader - A Weekly Analysis

1-Aug		Oil/Gas Portfolio Composition
25-Jul	*	Natural Gas Rebalance
18-Jul	*	Mideast Hostilities
11-Jul	*	St. Petersburg Summit

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

28-Jul		Record Heat
21-Jul	*	Inflation Protected Securities
14-Jul	*	Deluded in Dallas
7-Jul	*	Rising Replacement Cost

Industry Ideas

27-Jun	*	Presentation Slides	Oil and Gas Investment to 2010
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* Archived on www.mcdep.com

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