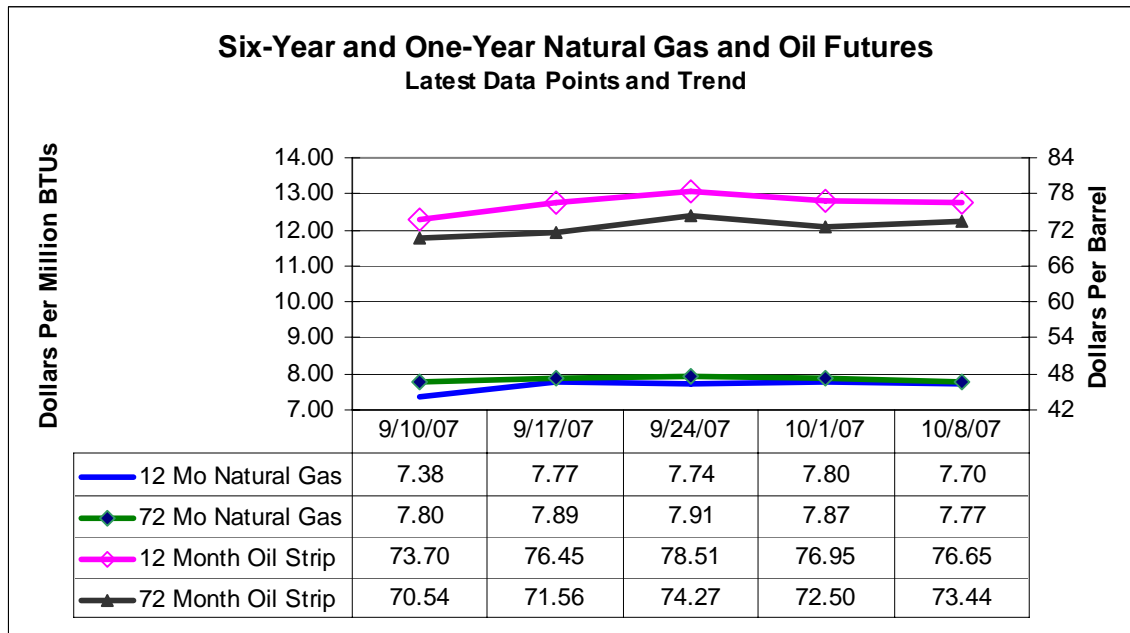


Oil Stocks Lead Natural Gas Stocks

Summary and Recommendation

Investors who prize current action may prefer stocks concentrated on oil that have been performing recently while investors with more patience may prefer stocks concentrated on natural gas that may have better performance ahead. We rank stocks by the popular momentum indicator, the ratio of current price to the average of the past 200 days (see table, page 4, Rank by Price to 200-Day Average). In either case, stocks with low McDep Ratios have fundamental support for further gains by our analysis. Among small cap independent producer buy recommendations, gassy **Cimarex (XEC)** is stable at a price to 200 day ratio of 1.00 and low McDep Ratio of 0.54 while oily **Encore Acquisition (EAC)** is moving up with a price to 200 day ratio of 1.25 and low McDep Ratio of 0.75. Among large cap buy recommendations gassy **EOG Resources (EOG)** is moving up more slowly at a price to 200 day ratio of 1.07 and low McDep Ratio of 0.76 while oily **PetroChina (PTR)** is up strongly at a price to 200 day ratio of 1.36 and borderline McDep Ratio of 1.09. Recent mega cap top-performer **Chevron (CVX)**, at a price to 200 day ratio of 1.15 and low McDep Ratio of 0.88, has moved up enough in McDep Ratio ranking that we scale back the illustrative weighting from double (6% unlevered) to full (3% unlevered) in the McDep Energy Portfolio (see table, page 5, Composite of Buy Recommendations). Calculated as though the long-term oil price would be \$66 a barrel, McDep Ratios have some understatement considering the latest long-term quote is \$73 (see table below Six-Year and One-Year Natural Gas and Oil Futures).

Kurt H. Wulff, CFA



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Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 8-Oct 2007	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	90.68	5,620	510,000	92.00	0.05	0.99
Total S.A.	TOT	B	76.95	2,278	175,000	89.00	0.13	0.88
Chevron Corporation	CVX	B	91.58	2,206	202,000	105.00	0.08	0.88
Royal Dutch Shell plc	RDS-A	B	79.16	3,152	250,000	94.00	0.10	0.86
BP plc	BP	B	69.66	3,198	223,000	87.00	0.16	0.83
ConocoPhillips	COP	B	84.33	1,658	140,000	112.00	0.19	0.80
Gazprom (50%)	OGZPY	B	46.90	2,990	140,200	62.00	0.07	0.77
<i>Total or Median</i>					<i>1,640,000</i>		<i>0.10</i>	<i>0.86</i>
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	48.39	282	13,650	42.00	0.08	1.14
Norsk Hydro ASA (post Oct 1)	NHY	H	14.36	1,241	17,820	13.00	0.12	1.09
PetroChina Company Ltd (10%)	PTR	B	181.89	178	32,360	166.00	0.06	1.09
Marathon Oil Corporation	MRO	H	58.58	722	42,290	62.00	0.18	0.95
StatoilHydro ASA (29%)	STO	B	31.48	928	29,210	35.00	0.14	0.91
Suncor Energy	SU	B	94.27	472	44,500	105.00	0.08	0.91
Petro-Canada	PCZ	B	54.90	498	27,340	65.00	0.16	0.87
Lukoil Oil Company	LUKOY	B	87.00	832	72,000	121.00	0.03	0.73
<i>Total or Median</i>					<i>279,000</i>		<i>0.10</i>	<i>0.93</i>
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	154.87	149	23,120	108.00	-	1.43
XTO Energy Inc.	XTO	B	61.87	390	24,130	70.00	0.15	0.90
Encana Corporation	ECA	B	62.03	765	47,500	72.00	0.18	0.89
Canadian Natural Resources	CNQ		73.63	539	39,700	87.00	0.22	0.88
Occidental Petroleum Corp.	OXY	B	65.17	842	54,900	77.00	0.07	0.86
Anadarko Petroleum Corp.	APC	B	54.20	467	25,300	74.00	0.35	0.83
EOG Resources	EOG	B	76.51	247	18,900	102.00	0.05	0.76
Devon Energy Corporation	DVN	B	84.60	450	38,100	129.00	0.14	0.71
<i>Total or Median</i>					<i>272,000</i>		<i>0.15</i>	<i>0.87</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	40.63	45	1,820	44.00	0.23	0.94
Encore Acquisition Company	EAC	B	33.89	54	1,830	54.00	0.32	0.75
Energy Partners Ltd.	EPL	B	14.56	35	500	38.00	0.31	0.57
Cimarex Energy Company	XEC	B	37.76	85	3,200	76.00	0.09	0.54
<i>Total or Median</i>					<i>7,400</i>		<i>0.27</i>	<i>0.66</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	50.01	179	8,930	17.00	0.53	1.92
Kinder Morgan Management, LLC	KMR	S	47.57	62	2,940	17.00	0.53	1.85
Pengrowth Energy Trust	PGH		18.26	246	4,490	17.00	0.27	1.05
Enerplus Resources Fund	ERF		46.25	128	5,920	52.00	0.13	0.90
Penn West Energy Trust	PWE	B	30.99	242	7,480	36.00	0.20	0.89
San Juan Basin Royalty Trust	SJT	B	34.69	47	1,620	40.00	-	0.87
Canadian Oil Sands Trust	COSWF	B	32.51	479	15,570	39.00	0.08	0.85
Hugoton Royalty Trust	HGT	B	24.58	40	980	34.00	-	0.72
<i>Total or Median</i>					<i>47,900</i>		<i>0.17</i>	<i>0.90</i>

B = Buy, S = Sell, 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

	Symbol/ Rating		Price (US\$/sh) 8-Oct 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	46.90	24.6	9.7	7.5	11	0.9
Exxon Mobil Corporation	XOM	B	90.68	11.7	6.4	6.3	11	1.5
BP plc	BP	B	69.66	9.6	6.7	5.6	9	3.7
Total S.A.	TOT	B	76.95	9.7	6.2	5.5	10	3.7
Chevron Corporation	CVX	B	91.58	10.1	5.9	5.2	9	2.5
ConocoPhillips	COP	B	84.33	10.3	6.2	5.0	8	1.9
Royal Dutch Shell plc	RDS-A	B	79.16	8.1	5.5	4.7	9	3.6
	<i>Median</i>			10.1	6.2	5.5	9	2.5
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	94.27	23.8	9.9	9.0	16	0.4
Imperial Oil Limited (30%)	IMO	B	48.39	13.2	7.4	8.4	14	0.8
PetroChina Company Ltd (10%)	PTR	B	181.89	15.0	7.1	7.8	15	2.6
Norsk Hydro ASA (post Oct 1)	NHY	H	14.36	-	6.2	6.7	11	1.3
StatoilHydro ASA (29%)	STO	B	31.48	7.7	5.7	5.2	11	5.4
Marathon Oil Corporation	MRO	H	58.58	8.6	5.3	5.1	9	1.6
Lukoil Oil Company	LUKOY	B	87.00	17.8	7.0	5.1	8	1.8
Petro-Canada	PCZ	B	54.90	6.5	5.4	4.7	9	1.0
	<i>Median</i>			10.9	6.6	6.0	11	1.5
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	154.87	10.7	6.3	9.0	17	2.2
Canadian Natural Resources	CNQ		73.63	8.1	8.6	7.5	15	0.5
XTO Energy Inc.	XTO	B	61.87	11.3	8.1	7.3	14	0.8
Encana Corporation	ECA	B	62.03	9.2	7.3	6.5	12	1.3
Anadarko Petroleum Corp.	APC	B	54.20	11.2	7.8	6.5	12	1.3
EOG Resources	EOG	B	76.51	9.3	8.2	6.2	16	0.5
Occidental Petroleum Corp.	OXY	B	65.17	11.5	6.6	5.6	11	1.5
Devon Energy Corporation	DVN	B	84.60	9.0	7.9	5.6	11	0.7
	<i>Median</i>			10.0	7.9	6.5	13	1.0
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	40.63	10.2	8.2	7.7	15	0.7
Encore Acquisition Company	EAC	B	33.89	15.5	8.1	6.1	15	-
Cimarex Energy Company	XEC	B	37.76	8.0	7.0	3.8	9	0.4
Energy Partners Ltd.	EPL	B	14.56	5.9	5.8	3.3	-	-
	<i>Median</i>			9.1	7.6	4.9	15	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	50.01		8.0	15.3	34	6.8
Kinder Morgan Management, LLC	KMR	S	47.57		8.0	14.8	33	7.1
San Juan Basin Royalty Trust	SJT	B	34.69	10.0	13.2	11.5	14	7.1
Canadian Oil Sands Trust	COSWF	B	32.51	21.7	10.2	8.6	11	9.6
Hugoton Royalty Trust	HGT	B	24.58	13.9	11.9	8.6	12	8.0
Pengrowth Energy Trust	PGH		18.26	7.1	7.6	8.0	51	15.7
Enerplus Resources Fund	ERF		46.25	9.4	8.7	7.8	16	11.0
Penn West Energy Trust	PWE	B	30.99	7.7	7.6	6.8	14	13.3
	<i>Median</i>			9.7	8.3	8.6	15	8.8

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Oil and Gas Producers - Rank by Price to 200-Day Average

	Symbol	Rating	Price (\$/sh) 8-Oct 2007	60-Day Average	200-Day Average	Price/ 60-Day Average	Price/ 200-Day Average	McDep Ratio
Mega Cap								
Chevron Corporation	CVX	B	91.58	88.39	79.88	1.04	1.15	0.88
ConocoPhillips	COP	B	84.33	83.08	74.56	1.02	1.13	0.80
Gazprom (50%)	OGZPY	B	46.90	42.96	41.79	1.09	1.12	0.77
Exxon Mobil Corporation	XOM	B	90.68	87.77	80.82	1.03	1.12	0.99
Royal Dutch Shell plc	RDS-A	B	79.16	78.95	73.18	1.00	1.08	0.86
Total S.A.	TOT	B	76.95	77.47	73.69	0.99	1.04	0.88
BP plc	BP	B	69.66	68.77	66.78	1.01	1.04	0.83
Producer/Refiners - Large Cap								
PetroChina Company Ltd (10%)	PTR	B	181.89	151.35	134.04	1.20	1.36	1.09
Petro-Canada	PCZ	B	54.90	53.69	46.34	1.02	1.18	0.87
Imperial Oil Limited (30%)	IMO	B	48.39	45.84	41.30	1.06	1.17	1.14
Suncor Energy	SU	B	94.27	91.35	82.95	1.03	1.14	0.91
StatoilHydro ASA (29%)	STO	B	31.48	30.43	28.18	1.03	1.12	0.91
Marathon Oil Corporation	MRO	H	58.58	55.55	52.79	1.05	1.11	0.95
Lukoil Oil Company	LUKOY	B	87.00	78.37	79.59	1.11	1.09	0.73
Norsk Hydro ASA (post Oct 1)	NHY	H	14.36					1.09
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	154.87	127.26	102.32	1.22	1.51	1.43
Occidental Petroleum Corp.	OXY	B	65.17	59.31	53.26	1.10	1.22	0.86
Canadian Natural Resources	CNQ		73.63	70.12	61.07	1.05	1.21	0.88
Anadarko Petroleum Corp.	APC	B	54.20	50.94	46.99	1.06	1.15	0.83
Devon Energy Corporation	DVN	B	84.60	78.69	73.89	1.08	1.15	0.71
XTO Energy Inc.	XTO	B	61.87	57.70	55.15	1.07	1.12	0.90
Encana Corporation	ECA	B	62.03	60.74	55.64	1.02	1.11	0.89
EOG Resources	EOG	B	76.51	71.44	71.22	1.07	1.07	0.76
Independent Natural Gas and Oil - Small Cap								
Encore Acquisition Company	EAC	B	33.89	29.41	27.01	1.15	1.25	0.75
Berry Petroleum Company	BRY	B	40.63	36.68	33.99	1.11	1.20	0.94
Cimarex Energy Company	XEC	B	37.76	37.33	37.84	1.01	1.00	0.54
Energy Partners Ltd.	EPL	B	14.56					0.57
Income								
San Juan Basin Royalty Trust	SJT	B	34.69	32.81	32.25	1.06	1.08	0.87
Canadian Oil Sands Trust	COSWF	B	32.51	32.12	30.45	1.01	1.07	0.85
Enerplus Resources Fund	ERF		46.25	44.15	44.24	1.05	1.05	0.90
Pengrowth Energy Trust	PGH		18.26	17.92	17.69	1.02	1.03	1.05
Penn West Energy Trust	PWE	B	30.99	30.32	30.93	1.02	1.00	0.89
Hugoton Royalty Trust	HGT	B	24.58	24.09	25.01	1.02	0.98	0.72
Kinder Morgan Energy Partners, L.	KMP	S	50.01	51.12	52.32	0.98	0.96	1.92

Source: Bloomberg, McDep, Yahoo

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**McDep Energy Portfolio
Composite of Buy Recommendations**

	Symbol	Price	Portfolio Weight		Non-U.S. HQ (%)	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down-stream (%)	McDep Ratio
		(US\$/sh)	8-Oct	EV		U.S. Gas	Gas			
Mega Cap										
Exxon Mobil Corporation	XOM	90.68	1.7	1.5		0.1	0.2	0.8	0.4	0.99
Total S.A.	TOT	76.95	3.0	3.0	3.0		0.8	1.5	0.6	0.88
Chevron Corporation	CVX	91.58	3.2	3.0		0.1	0.2	1.9	0.8	0.88
Royal Dutch Shell plc	RDS-A	79.16	3.2	3.0	3.0	0.1	0.4	1.5	1.1	0.86
BP plc	BP	69.66	2.9	3.0	3.0	0.3	0.3	1.8	0.7	0.83
ConocoPhillips	COP	84.33	5.4	6.1		1.0	0.4	3.3	1.4	0.80
Gazprom	OGZPY	46.90	9.7	9.1	9.1		6.8	2.3		0.77
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	48.39	1.7	1.5	1.5	0.1		1.2	0.2	1.14
PetroChina Company Ltd.	PTR	181.89	3.4	3.0	3.0		0.2	2.6	0.2	1.09
StatoilHydro ASA	STO	31.48	1.5	1.5	1.5		0.5	1.0	-	0.91
Suncor Energy	SU	94.27	1.6	1.5	1.5	0.0		1.4	0.1	0.91
Petro-Canada	PCZ	54.90	1.5	1.5	1.5	0.2	0.0	1.1	0.2	0.87
Lukoil Oil Company	LUKOY	87.00	6.9	6.1	6.1			4.4	1.7	0.73
Independent Natural Gas and Oil - Large Cap										
XTO Energy Inc.	XTO	61.87	4.4	4.5		3.7		0.9		0.90
Encana Corporation	ECA	62.03	4.3	4.5	4.5	3.0		1.2	0.4	0.89
Occidental Petroleum Corp	OXY	65.17	3.3	3.0		0.4	0.0	2.3	0.3	0.86
Anadarko Petroleum Corp.	APC	54.20	2.0	3.0		1.7		1.2	0.1	0.83
EOG Resources	EOG	76.51	6.6	6.1		4.8	0.2	1.1		0.76
Devon Energy Corporati	DVN	84.60	5.7	6.1		3.4		2.7		0.71
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	40.63	1.3	1.5		0.4		1.1		0.94
Encore Acquisition Comp	EAC	33.89	2.0	3.0		0.5		2.5		0.75
Energy Partners Ltd.	EPL	14.56	1.6	3.0		1.5		1.5		0.57
Cimarex Energy Company	XEC	37.76	3.0	3.0		2.1		1.0		0.54
Income										
Penn West Energy Trust	PWE	30.99	2.8	3.0	3.0	0.9		2.1		0.89
San Juan Basin Royalty Tr	SJT	34.69	7.1	6.1		6.1				0.87
Canadian Oil Sands Trust	COSWF	32.51	6.5	6.1	6.1	(0.6)		6.7		0.85
Hugoton Royalty Trust	HGT	24.58	3.6	3.0		3.0				0.72
Portfolio Composite			100	100	47	33	10	49	8	0.80
	Canada				18					
	Russia				15					
	Europe				11					
	China				3					

Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 9.1% to half at 1.5%.

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
8-Oct	OGZPY	Gazprom	The Saudi Arabia of Natural Gas
2-Oct	COSWF	Canadian Oil Sands Trust	Operating Interruption
24-Sep	CEO	CNOOC Ltd	Revise to Hold from Buy on Price
12-Sep	LUKOY	Lukoil Oil Company	Emerging Oil Blue Chip
6-Sep	* SJT	San Juan Basin Royalty Trust	Mountains and Valleys
5-Sep	* COSWF	Canadian Oil Sands Trust	Record 375,000 Barrels Daily for August
29-Aug	* CEO	CNOOC Ltd	Making Money Offshore China
23-Aug	* PTR	PetroChina Company Limited	Price Controls Ease in 2007 Half
8-Aug	* EPL	Energy Partners, Ltd.	Oversold
3-Aug	* EOG	EOG Resources Inc.	Natural Gas with North Dakota Oil
3-Aug	* PWE	Penn West Energy Trust	High Return from Distributions
3-Aug	* IMO	Imperial Oil Limited	High Return from Stock Repurchase
2-Aug	* TOT	Total S.A.	Constructive Russo-French Interdependence
2-Aug	* BRY	Berry Petroleum	Rocky Mountain Constraints
1-Aug	* XEC	Cimarex Energy Company	Stable Volume
1-Aug	* DVN	Devon Energy Corporation	Volume Advances
1-Aug	* EAC	Encore Acquisition	Nice to be Oily
31-Jul	* MRO	Marathon Oil Corporation	Oil Sands Acquirer
31-Jul	* APC	Anadarko Petroleum Corporation	Transition Maturing
30-Jul	* STO	Statoil ASA	Norwegian Oil and Gas Champion
27-Jul	* CVX	Chevron Corporation	Oil and Downstream Vigor
26-Jul	* SU	Suncor Energy	Oil Sands Growth Stock
26-Jul	* XOM	Exxon Mobil Corporation	Steady Strength
26-Jul	* PCZ	Petro-Canada	Raise NPV to US\$65 a Share
26-Jul	* RDSA	Royal Dutch Shell plc	Downstream Benefit
25-Jul	* ECA	EnCana Corporation	Downstream Blessing
25-Jul	* COP	ConocoPhillips	Downstream Blessing
25-Jul	* BP	BP p.l.c.	Controversy Diminishing
24-Jul	* XTO	XTO Energy Inc.	Volume Growth in Underpriced Natural Gas
24-Jul	* OXY	Occidental Petroleum Corporation	Ready for Peak Oil Test
24-Jul	* NHY	Norsk Hydro ASA	Confidence in Aluminium
23-Jul	* HGT	Hugoton Royalty Trust	Paying Unitholders to Wait
19-Jul	* KMX	Kinder Morgan	Suggestions for New General Partner Owners

Meter Reader - A Weekly Analysis

9-Oct		Oil Stocks Lead Natural Stocks
2-Oct		Peak Oil is Here
25-Sep	*	The Long-Term Energy Squeeze
18-Sep	*	Downstream on Moving Average

Oil and Gas Income Stocks (previously Natural Gas and Oil Royalty Trusts) - A Weekly Analysis

5-Oct		Linn Energy, LLC
28-Sep		Takeover Bid for PrimeWest Energy Trust
21-Sep	*	A Royalty Out for Syncrude
14-Sep	*	Encore Energy Partners Completes IPO

Industry Ideas

19-Sep	*	Flash	Alberta Royalty Panel Bomb
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* Archived on www.mcdep.com

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