Meter Reader A Weekly Analysis of Energy Stocks Using the McDep Ratio January 8, 2008



\$18 LNG, \$8 Nymex

Summary and Recommendation

A wide difference in price for the same commodity in Asia compared to North America seems almost certain to narrow, we believe, to the ultimate benefit of investors in natural gas. Amid apparent fuel shortages in Japan, Korea, China and India, buyers are looking for uncommitted cargos of liquefied natural gas (LNG). Buyers are acting logically in their willingness to pay the approximate equivalent of oil, \$18 a million btu. Meanwhile on the New York Mercantile Exchange the futures price for natural gas is \$8 a million btu on average for the next six years. If oil price were to decline sharply, it might be logical that natural gas price would match oil by oil price moving down. Yet the futures price for oil on average for the next six years remains near the current level at \$89 a barrel. Believing that eventually natural gas will outperform oil for investors, we overweight the smaller natural gas business at 42% of the illustrative McDep Energy Portfolio compared to the larger oil business at 50% and refined products at 8% (see table <u>Composite of Buy Recommendations</u>).

Six-Year and One-Year Natural Gas and Oil Futures Latest Data Points and Trend 17.00 102 **Dollars Per Million BTUs** Barrel 06 15.00 13.00 78 Ъ 11.00 66 2 E 54 8 9.00 7.00 42 12/24/07 12/3/07 12/10/07 12/17/07 12/31/07 1/7/08 12 Mo Natural Gas 7.51 7.96 7.49 7.46 7.50 8.20 72 Mo Natural Gas 7.98 8.03 8.12 8.17 8.41 8.28 12 Month Oil Strip 87.71 90.27 93.28 93.25 86.89 91.57 72 Month Oil Strip 87.22 87.24 85.40 85.11 87.30 88.83

Kurt H. Wulff, CFA

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Ratting 2008 (mm) (USS/smi) (USS/sh) Value R Mega Cap F F B 74.81 3,177 238,000 84.00 0.17 Exon Mobil Corporation XOM B 91.24 5,356 505,000 102.00 0.05 Petrobras PBR 107.44 2,200 236,370 122.00 0.09 Cols A. TOT B 86.10 2,273 196,000 100.00 0.13 Gaprom (50%) OGZPY B S5800 2,945 170,800 72.00 0.06 Concorphatips COP B 84.41 1,644 139,000 117.00 0.18 Concorphatips COP B 5.7 278 14,910 480.0 0.07 PetroChran Company Ltd (10%) PTR H 17.704 178 31,430 190.00 0.02 Suncer Energy SU B 107.87 472 50,910 122.00 0.08 Corporation MRC H 58.95	Oil and G	as Pro	duc	ers - R	ank by	McDep	Ratio		
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Garprom (50%) OGZPY B 58.00 2,945 170,800 72.00 0.06 Chevron Corporation CVX B 92.15 2,206 203,000 117.00 0.08 ConocoPhilips COP B 84.41 1,644 139,000 124.00 0.18 Producer/Refiners - Large Cap Imperial Oil Limited (30%) IMO B 53.57 278 14,910 48.00 0.07 PetroChrina Company Ltd (10%) PTR H 177.04 178 31,490 190.00 0.05 Suncer Energy SU B 107.87 472 50,910 122.00 0.08 Marathon Oil Corporation MRC H 58.95 719 42,390 68.00 0.12 Lukoil Oil Company LUKOY B 84.60 826 70,000 134.00 0.02 Coldental or Medican CEO H 171.37 149 25,580 125.00 - Encana Corporation ECA B <	Total S.A.	TOT	В	86.10	2,273	196,000	100.00	0.13	0.88
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Producer/Refiners - Large Cap IMO B 53.57 278 14.910 48.00 0.07 PetroChina Company Ltd (10%) PTR H 177.04 178 31.490 190.00 0.05 Suncor Energy SU B 107.87 472 50.910 122.00 0.08 Marathon Oil Corporation MRO H 58.95 719 42.390 68.00 0.18 Petro-Canada PCZ B 54.44 493 26.840 0.02 StatoilHydro ASA (29%) STO B 30.47 928 28.280 41.00 0.02 Lukoil Oil Company LUKOY B 84.60 826 70,000 134.00 0.02 CNOOC Limited (34%) CEO H 171.37 149 25,580 125.00 - Encana Corporation ECA B 68.76 756 52,000 75.00 0.18 Occidental Petroleum Corp. APC B 63.90 446 29,400	ConocoPhillips	COP	В	84.41	1,644	139,000	124.00	0.18	0.74
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Energy Partners Ltd. EPL B 12.06 32 380 38.00 0.34 Total or Median 7,600 0.25 0 Income 7,600 0.25 0 Kinder Morgan Energy Partners, L.P KMP S 55.34 179 9,920 17.00 0.54 Kinder Morgan Management, LLC KMR S 53.54 63 3,370 17.00 0.54 Pengrowth Energy Trust PGH 17.81 247 4,400 19.00 0.25 San Juan Basin Royalty Trust SJT B 35.13 47 1,640 40.00 - Canadian Oil Sands Trust COSWF B 37.82 479 18,120 45.00 0.06 Energhus Resources Fund ERF 39.47 129 5,110 52.00 0.13 Penn West Energy Trust PWE B 26.20 243 6,360 37.00 0.20 Hugoton Royalty Trust HGT B 23.83 40 950 34.									0.59
Total or Median 7,600 0.25 0 Income Kinder Morgan Energy Partners, L.P.KMP S 55.34 179 9,920 17.00 0.54 55.34 55.34 179 9,920 17.00 0.54 55.34 55.34 179 9,920 17.00 0.54 55.34 55.34 179 9,920 17.00 0.54 55.34 55.34 55.34 179 9,920 17.00 0.54 55.33 55.35 55.35 55.35 55.35 55.35 55.35 55.35 55.35<			-						0.55
Income Kinder Morgan Energy Partners, L.P. KMP S 55.34 179 9,920 17.00 0.54 Kinder Morgan Management, LLC KMR S 53.54 63 3,370 17.00 0.54 Pengrowth Energy Trust PGH 17.81 247 4,400 19.00 0.25 San Juan Basin Royalty Trust SJT B 35.13 47 1,640 40.00 - Canadian Oil Sands Trust COSWF B 37.82 479 18,120 45.00 0.06 Enerplus Resources Fund ERF 39.47 129 5,110 52.00 0.13 Penn West Energy Trust PWE B 26.20 243 6,360 37.00 0.20 Hugoton Royalty Trust HGT B 23.83 40 950 34.00 - Total or Median 49,900 0.17 0		LIL	-	12.00	52		50.00		0.64
Kinder Morgan Energy Partners, L.P. KMP S 55.34 179 9,920 17.00 0.54 Kinder Morgan Management, LLC KMR S 53.54 63 3,370 17.00 0.54 Pengrowth Energy Trust PGH 17.81 247 4,400 19.00 0.25 San Juan Basin Royalty Trust SJT B 35.13 47 1,640 40.00 - Canadian Oil Sands Trust COSWF B 37.82 479 18,120 45.00 0.06 Enerplus Resources Fund ERF 39.47 129 5,110 52.00 0.13 Penn West Energy Trust PWE B 26.20 243 6,360 37.00 0.20 Hugoton Royalty Trust HGT B 23.83 40 950 34.00 - Total or Median 49,900 0.17 0 B = Buy, S = Sell, H = Hold 49,900 0.17 0						7,000		0.20	0.04
Kinder Morgan Management, LLC KMR S 53.54 63 3,370 17.00 0.54 Pengrowth Energy Trust PGH 17.81 247 4,400 19.00 0.25 San Juan Basin Royalty Trust SJT B 35.13 47 1,640 40.00 - Canadian Oil Sands Trust COSWF B 37.82 479 18,120 45.00 0.06 Enerplus Resources Fund ERF 39.47 129 5,110 52.00 0.13 Penn West Energy Trust PWE B 26.20 243 6,360 37.00 0.20 Hugoton Royalty Trust HGT B 23.83 40 950 34.00 - Total or Median 49,900 0.17 0 B = Buy, S = Sell, H = Hold 49,900 0.17 0		KMP	s	55 34	179	9 920	17.00	0.54	2.04
Pengrowth Energy Trust PGH 17.81 247 4,400 19.00 0.25 San Juan Basin Royalty Trust SJT B 35.13 47 1,640 40.00 - Canadian Oil Sands Trust COSWF B 37.82 479 18,120 45.00 0.06 Enerplus Resources Fund ERF 39.47 129 5,110 52.00 0.13 Penn West Energy Trust PWE B 26.20 243 6,360 37.00 0.20 Hugoton Royalty Trust HGT B 23.83 40 950 34.00 - Total or Median 49,900 0.17 0 0.17 0									1.99
San Juan Basin Royalty Trust SJT B 35.13 47 1,640 40.00 - Canadian Oil Sands Trust COSWF B 37.82 479 18,120 45.00 0.06 Enerplus Resources Fund ERF 39.47 129 5,110 52.00 0.13 Penn West Energy Trust PWE B 26.20 243 6,360 37.00 0.20 Hugoton Royalty Trust HGT B 23.83 40 950 34.00 - Total or Median 49,900 0.17 0									0.95
Canadian Oil Sands Trust COSWF B 37.82 479 18,120 45.00 0.06 Enerplus Resources Fund ERF 39.47 129 5,110 52.00 0.13 Penn West Energy Trust PWE B 26.20 243 6,360 37.00 0.20 Hugoton Royalty Trust HGT B 23.83 40 950 34.00 - Total or Median 49,900 0.17 0 B = Buy, S = Sell, H = Hold 0 0 0 0			в						0.88
Enerplus Resources Fund ERF 39.47 129 5,110 52.00 0.13 Penn West Energy Trust PWE B 26.20 243 6,360 37.00 0.20 Hugoton Royalty Trust HGT B 23.83 40 950 34.00 - Total or Median 49,900 0.17 0 B = Buy, S = Sell, H = Hold 0 0 0 0									0.85
Penn West Energy Trust PWE B 26.20 243 6,360 37.00 0.20 Hugoton Royalty Trust HGT B 23.83 40 950 34.00 - Total or Median 49,900 0.17 0 B = Buy, S = Sell, H = Hold 0 0 0 0			5						0.79
Hugoton Royalty Trust HGT B 23.83 40 950 34.00 - Total or Median 49,900 0.17 0 B = Buy, S = Sell, H = Hold 23.83 40 950 34.00 -	-		в						0.73
Total or Median 49,900 0.17 0 B = Buy, S = Sell, H = Hold 0 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>0.20</td><td>0.70</td></td<>								0.20	0.70
B = Buy, S = Sell, H = Hold		101	Б	23.03	40		54.00	0.17	0.86
						49,900		0.17	0.80
riesent value – Shares times iver riesent value divided by (1-Debt/riesent value).	•	an out Mater	نيونية. مراجع	dad her (1	Dalat (Dec	ont Value)			
Debt = Present Value times Debt/Present Value				aea by (1-	Debt/Pres	ent value).			

Please see disclosures on the final page.

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			Price	Adjustd				Divd or
			(US\$/sh)	Resrvs/	PV/	EV/		Distri
	Symbol/		7-Jan	Prod	Ebitda	Ebitda	P/E	NTA
		ting	2008	NTM	NTM	NTM	NTM	(%)
ega Cap	na	ung	2000	142142	142142	142142	142142	(20)
izprom (50%)	OGZPY	в	58.00	24.6	10.3	8.4	15	0.7
trobras	PBR	5	107.44	9.8	9.3	8.3	15	1.6
xon Mobil Corporation	XOM	в	91.24	12.1	6.8	6.1	10	1.5
plc	BP	B	74.81	10.0	6.7	6.1	10	3.5
otal S.A.	TOT	B	86.10	9.6	6.4	5.6	10	3.2
nevron Corporation	CVX	B	92.15	10.2	6.3	5.1	9	2.5
oyal Dutch Shell plc	RDS-A	B	86.00	8.1	5.9	5.0	9	3.3
onocoPhillips	COP	B	84.41	10.7	6.5	4.8	8	1.9
Median		Б	04.41	10.7		5.9	10	
	1	-		10.1	6.6	J.9	10	2.2
roducer/Refiners - Large Cap	SU	D	107.87	26.6	10.9	9.8	17	0.4
ncor Energy		В						
perial Oil Limited (30%) traChina Company Ltd (10%)	IMO PTR	B H	53.57 177.04	14.0 15.0	7.7 7.2	8.5 6.8	14 13	0.7
troChina Company Ltd (10%)								
arathon Oil Corporation	MRO	H	58.95	8.7	6.0	5.3	9	1.6
atoilHydro ASA (29%)	STO	B	30.47	7.7	6.1	4.7	10	5.5
koil Oil Company	LUKOY	B	84.60	18.4	6.7	4.3	7	1.8
tro-Canada	PCZ	В	54.44	6.4	5.4	4.2	8	1.0
Median				14.0	6 .7	5.3	10	1.6
dependent Natural Gas and Oil - Lar								
NOOC Limited (34%)	CEO	H	171.37	10.6	6.1	8.3	15	2.0
TO Energy Inc.	XTO	В	53.92	11.1	9.1	8.0	15	0.9
icana Corporation	ECA	В	68.76	8.9	7.5	7.0	13	1.2
madian Natural Resources	CNQ	В	73.00	8.2	8.7	6.9	13	0.5
OG Resources	EOG	В	88.46	9.0	7.9	6.7	17	0.4
nadarko Petroleum Corp.	APC	в	62.90	11.4	7.4	6.2	15	1.1
ccidental Petroleum Corp.	OXY	в	76.40	11.7	6.6	5.9	11	1.3
evon Energy Corporation	DVN	в	89.86	8.9	7.9	5.5	11	0.6
Median	-			9.8	7.7	6.8	14	1.0
dependent Natural Gas and Oil - Sm	all Cap							
rry Petroleum Company	BRY	в	43.42	9.9	7.2	6.5	11	0.7
core Acquisition Company	EAC	в	32.84	14.5	7.4	5.0	12	-
marex Energy Company	XEC	в	41.94	7.9	6.5	3.9	9	0.4
ergy Partners Ltd.	EPL	в	12.06	6.0	5.8	3.1		-
Median	1			8.9	6.9	4.4	- 11	0.2
come								
nder Morgan Energy Partners, L.P.	KMP	S	55.34		7.9	16.1	35	6.4
nder Morgan Management, LLC	KMR	S	53.54		7.9	15.7	34	6.6
n Juan Basin Royalty Trust	SJT	В	35.13	10.2	12.2	10.7	13	7.7
madian Oil Sands Trust	COSWF	В	37.82	23.2	9.5	8.0	9	9.0
igoton Royalty Trust	HGT	В	23.83	13.4	10.9	7.6	11	9.3
ngrowth Energy Trust	PGH		17.81	7.4	6.5	6.2	15	15.3
erplus Resources Fund	ERF		39.47	9.7	7.5	5.9	9	12.9
nn West Energy Trust	PWE	В	26.20	7.8	6.5	5.0	8	15.7
ill west fileigy flust				9.9	7.9	7.8		9.1

Earnings; PV = Present Value of oil and gas and other businesses

A Weekly Analysis of Energy Stocks Using the McDep Ratio January 8, 2008



		omnosi	ite of R	Inv Rec	ommo	ndation				
		Jombos	ne or b	ouy Ket	ошше	-nuation:	`			
						North	Rest			
		Price			Non-	Amer.	of World			
		(US\$/sh)	Portfolie	Weight	U.S.	Natural	Natural	Oil	Down-	
				-						MaDa
	C b l		Equity	EV	HQ	Gas	Gas	Prod'n	stream	McDep Detti
	Symbol	2008	(%)	(%)	(%)	(%)	(%)	(%)	(%)	Ratio
Mega Cap		74.01	2.0	2.2	2.2	0.2	0.2	2.1	0.5	0.01
BP plc	BP	74.81		3.2	3.2	0.3	0.3	2.1	0.5	0.91
Exxon Mobil Corporation	XOM			3.2		0.2	0.4	1.9	0.6	0.90
Total S.A.	TOT	86.10		3.2	3.2		1.0	1.7	0.6	0.88
Royal Dutch Shell plc	RDS-A	86.00		3.2	3.2	0.1	0.4	1.7	1.0	0.84
Gazprom	OGZPY	58.00		9.6	9.6		6.3	3.2		0.82
Chevron Corporation	CVX	92.15		3.2		0.1	0.2	2.2	0.7	0.80
ConocoPhillips	COP	84.41		6.4		0.9	0.4	3.6	1.4	0.74
Total or Median			32	32						0.84
Producer/Refiners - Large	Cap									
Imperial Oil Limited	IMO	53.57	1.4	1.3	1.3	0.1		1.0	0.2	1.11
Suncor Energy	SU	107.87	1.4	1.3	1.3	0.0		1.2	0.1	0.89
Petro-Canada	PCZ	54.44	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.79
StatoilHydro ASA	STO	30.47	1.6	1.6	1.6		0.6	1.0	-	0.77
Lukoil Oil Company	LUKOY	84.60	7.2	6.4	6.4			4.7	1.7	0.64
Total or Median			13	12						0.79
Independent Natural Gas an	d Oil - La	rge Cap								
Encana Corporation	ECA		3.6	3.8	3.8	2.5		1.0	0.3	0.93
Occidental Petroleum Corp.	OXY	76.40		3.2		0.4	0.0	2.5	0.3	0.89
XTO Energy Inc.	XTO			4.8		3.6		1.2		0.88
EOG Resources	EOG			6.4		4.8	0.2	1.4		0.85
Anadarko Petroleum Corp.	APC	62.90		3.2		1.7	0.2	1.4	0.1	0.84
Canadian Natural Resources				1.6	1.6	0.4		1.4	V.1	0.79
Devon Energy Corporation	DVN	89.86		6.4	1.0	3.3		3.0		0.69
Total or Median	DVIN	09.00	28	29		3.3		5.0		0.85
Independent Natural Gas an	10:1 6.		20	29						0.65
-		-	1.4	16		0.4		1.2		0.00
Berry Petroleum Company	BRY	43.42		1.6		0.4		1.2		0.89
Encore Acquisition Compan	EAC	32.84		3.2		0.6		2.6		0.68
Cimarex Energy Company	XEC	41.94		3.2		2.2		1.0		0.59
Energy Partners Ltd.	EPL	12.06		1.6		0.8		0.8		0.55
Total or Median			7	10						0.64
ncome										
San Juan Basin Royalty Tru:	SJT	35.13		6.4		6.4				0.88
Canadian Oil Sands Trust	COSWF	37.82		5.1	5.1	(0.5)		5.6		0.85
Penn West Energy Trust	PWE			2.6	2.6	0.7		1.8		0.77
Hugoton Royalty Trust	HGT	23.83	3.7	3.2		3.2				0.70
Total or Median			19	17						0.81
Portfolio Composite			100	100	44	32	10	50	8	0.79
Canada					17					
Russia					16					
Europe					11					

A Weekly Analysis of Energy Stocks Using the McDep Ratio January 8, 2008



	_		Index of Rec	ent Research	
	-				
Stock 1	[de	as			
Date		Symbol	Subject	Theme	
6-Jan		SJT	San Juan Basin Royalty Trust	\$18 a Million Btu for LNG	
4-Jan		COSWF	Canadian Oil Sands Trust	\$100 Oil Gem (Income Weekly)	
14-Dec		LUKOY	Lukoil Oil Company	Our Favorite Russian Oil Stock	
6-Dec	*		Gazprom	Natural Gas Price Marching Up	
28-Nov		CNQ	Canadian Natural Resources	New Buy Recommendation	
11-Nov	-	PBR	Petrobras	Energy Mega Cap	
9-Nov	-	PWE	Penn West Energy Trust	Light Oil Consolidator	
8-Nov	-	PBR	Petrobras	Bonanza Offshore Brazil	
7-Nov	-	XEC	Cimarex Energy Company	Timely Turn to Oil	
7-Nov	-	DVN	Devon Energy Corporation	Oil Strength, Natural Gas Potential	
7-Nov	-	EPL	Energy Partners, Ltd.	Management Scales Back	
7-Nov	-	TOT	Total S.A.	Global Natural Gas Competitor	
6-Nov	-	APC	Anadarko Petroleum Corporation	Natural Gas Resource Value	
2-Nov	-	CVX	Chevron Corporation	A Bias to be Oilier	
2-1800 1-Nov	-	MRO	Marathon Oil Corporation	Oil Sands Deal Closed	
1-Nov	-	CNO	Canadian Natural Resources	Heavy Oil, Natural Gas and Oil Sands	
1-Nov	-	XOM		Energy Money Fund	
31-Oct	-	EAC	Exxon Mobil Corporation	Oil with Income Alternative in Encore En	orar Porto ora
	-		Encore Acquisition		ergy ranners
31-Oct	-	BRY	Berry Petroleum	Plans Master Limited Partnership (MLP)	
30-Oct	-	IMO	Imperial Oil Limited	Oil Price Yes, Alberta Royalties No	
30-Oct	-	NHY	Norsk Hydro ASA	Real Growth in Materials	
30-Oct	-	CEO	CNOOC Ltd	Flourishing China Stock Market	
29-Oct	-	EOG	EOG Resources Inc.	Natural Gas Sleeper	
29-Oct	-	STO	StatoilHydro ASA	Shtokman Partner	
26-Oct	-	PTR	PetroChina Company Limited	Revise to Hold from Buy on Price	
25-Oct	-	ECA	EnCana Corporation	Political Cloud over Canada	
25-Oct	-	SU	Suncor Energy	Political Pall over Canada	
25-Oct	-	RDSA	Royal Dutch Shell plc	Healthy Business	
25-Oct	*	PCZ	Petro-Canada	Political Pall over Canada	
24-Oct	*	OXY	Occidental Petroleum Corporation	Preferred Operator in the Middle East	
24-Oct	*	COP	ConocoPhillips	Low Stock Price for Strong Cash Flow	
23-Oct		XTO	XTO Energy Inc.	Raise Net Present Value to \$75 A Share	
23-Oct	*	BP	BP p.1.c.	Lower Net Present Value to \$75 A Share	
17-Oct	*	KMP	Kinder Morgan	A Little Corruption, American Style	
23-Jul	*	HGT	Hugoton Royalty Trust	Paying Unitholders to Wait	
Meter	R	eader			
8-Jan	1	cauci	Weekly		
31-Dec	-		Weekly	2002 Buys Gain 40% a Year	
24-Dec	*		Weekly	Election Year 2008	
18-Dec	*		Weekly	Raise Oil Present Value 15%	
ra-Dec	F		WEEKLY	Raise On Fresent value 1370	
Oil and	G	as Inco	me Stocks (previously Natural C	as and Oil Royalty Trusts)	
4-Jan			Canadian Oil Sands Trust	\$100 Oil Gem	
28-Dec			Weekly	Leaders and Laggards in 2007	
21-Dec	*		Weekly	Raise Oil Present Value	
14-Dec	*		Weekly	How Low Can It Go?	

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Disclaimer: T his analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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