

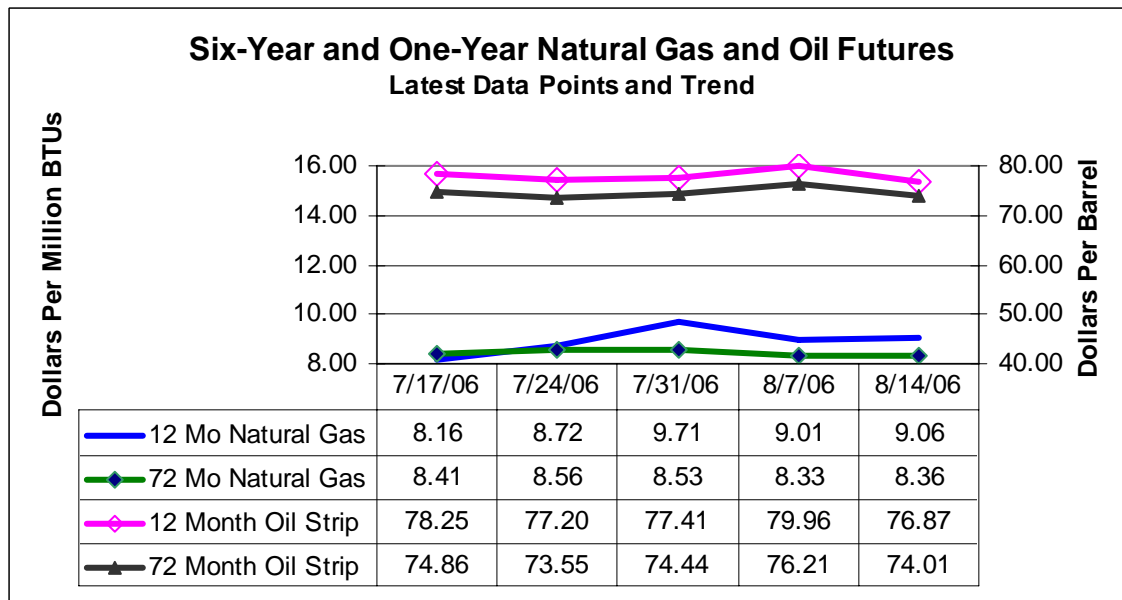
Unchanged Thesis

Summary and Recommendation

Despite a momentous oil shutdown in Alaska and a Hezbollah-Israeli war in the Middle East, our oil and gas investment thesis is unchanged. Oil price appears to be on a long-term uptrend while natural gas has extra price potential especially from a cyclical low. Stocks of oil and gas producers appear to be priced for less than current commodity price. The illustrative McDep Energy Portfolio has its highest participation in oil production at a composite 48% followed by natural gas at a composite of 42%, 28% North America and 14% Rest of World. The largest suggested portfolio holdings of individual buy recommendations are **Canadian Oil Sands Trust (COSWF)** in oil, **San Juan Basin Royalty Trust (SJT)** in North American natural gas and **Gazprom (OGZPY)** in Rest of World natural gas. Rankings by McDep Ratio are updated for stock price while rankings by cash flow multiple are also updated for latest commodity futures prices.

After vacation on August 22 and 29, Meter Reader is expected to resume weekly publication on September 5.

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) 14-Aug 2006	Shares (mm)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	69.25	6,030	418,000	78.00	0.04	0.89
BP plc	BP	B	69.30	3,362	233,000	80.00	0.15	0.89
Total S.A.	TOT	B	67.29	2,323	156,000	80.00	0.13	0.86
Royal Dutch Shell plc	RDS-A	B	69.82	3,242	226,000	84.00	0.10	0.85
Gazprom (50%)	OGZPY	B	46.80	2,845	133,100	56.00	0.06	0.85
Chevron Corporation	CVX	B	67.05	2,206	148,000	88.00	0.10	0.79
ConocoPhillips	COP	B	66.82	1,678	112,000	100.00	0.22	0.74
<i>Total or Median</i>					<i>1,426,000</i>		<i>0.10</i>	<i>0.85</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	100.99	135	13,630	33.00	0.75	1.51
Imperial Oil Limited (30%)	IMO	B	38.41	295	11,340	37.00	0.07	1.04
Petro-Canada	PCZ	B	44.90	512	22,990	49.00	0.18	0.93
Marathon Oil Corporation	MRO	B	86.33	367	31,680	98.00	0.15	0.90
Norsk Hydro ASA	NHY	B	27.11	1,247	33,810	31.00	0.14	0.89
Suncor Energy	SU	B	81.86	461	37,750	95.00	0.07	0.87
PetroChina Company Ltd (10%)	PTR	B	115.88	178	20,600	140.00	0.05	0.84
Lukoil Oil Company	LUKOY	B	89.00	830	74,000	110.00	0.01	0.81
<i>Total or Median</i>					<i>246,000</i>		<i>0.11</i>	<i>0.90</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
CNOOC Limited (29%)	CEO	B	91.33	119	10,890	98.00	-	0.93
XTO Energy Inc.	XTO	B	45.77	369	16,890	52.00	0.18	0.90
Encana Corporation	ECA	B	52.66	845	44,500	60.00	0.13	0.89
Anadarko Petroleum Corp.	APC	B	45.86	463	21,200	77.00	0.46	0.78
Occidental Petroleum Corp.	OXY	B	102.39	433	44,300	138.00	0.08	0.76
EOG Resources	EOG	B	66.13	246	16,300	92.00	0.07	0.74
Devon Energy Corporation	DVN	B	61.93	446	27,600	102.00	0.15	0.67
<i>Total or Median</i>					<i>182,000</i>		<i>0.13</i>	<i>0.78</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	31.88	45	1,430	39.00	0.17	0.85
Energy Partners Ltd.	EPL	B	17.51	75	1,310	31.00	0.44	0.76
Cimarex Energy Company	XEC	B	38.61	85	3,280	68.00	0.09	0.61
Encore Acquisition Company	EAC	B	27.04	54	1,450	54.00	0.19	0.59
<i>Total or Median</i>					<i>7,500</i>		<i>0.18</i>	<i>0.68</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	44.82	165	7,390	15.00	0.56	1.88
Kinder Morgan Management, LLC	KMR	S3	41.98	60	2,500	15.00	0.56	1.80
Enerplus Resources Fund	ERF		56.88	123	7,000	47.00	0.10	1.19
Pengrowth Energy Trust	PGH		23.00	161	3,700	20.00	0.15	1.13
Penn West Energy Trust	PWE	B	40.20	244	9,800	39.00	0.12	1.03
San Juan Basin Royalty Trust	SJT	B	38.40	47	1,790	40.00	-	0.96
Canadian Oil Sands Trust	COSWF	B	32.47	466	15,120	35.00	0.10	0.93
<i>Total or Median</i>					<i>47,300</i>		<i>0.12</i>	<i>1.13</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) 14-Aug 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	46.80	20.0	9.0	7.6	13	0.5
BP plc	BP	B	69.30	9.3	6.3	5.6	9	3.4
Exxon Mobil Corporation	XOM	B	69.25	11.4	6.3	5.6	10	1.8
Total S.A.	TOT	B	67.29	9.8	5.8	5.0	8	3.1
Royal Dutch Shell plc	RDS-A	B	69.82	7.4	5.4	4.6	8	3.6
Chevron Corporation	CVX	B	67.05	10.9	5.7	4.5	8	3.1
ConocoPhillips	COP	B	66.82	11.0	5.3	3.9	6	2.2
	<i>Median</i>			10.9	5.8	5.0	8	3.1
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	100.99		8.8	13.2	21	3.5
Suncor Energy	SU	B	81.86	18.8	8.8	7.7	13	0.3
Imperial Oil Limited (30%)	IMO	B	38.41	9.8	6.9	7.1	12	0.7
Petro-Canada	PCZ	B	44.90	6.9	6.3	5.8	11	0.8
Lukoil Oil Company	LUKOY	B	89.00	18.9	6.4	5.2	8	1.4
PetroChina Company Ltd (10%)	PTR	B	115.88	14.8	6.1	5.1	9	3.7
Norsk Hydro ASA	NHY	B	27.11	7.8	5.3	4.7	10	2.6
Marathon Oil Corporation	MRO	B	86.33	8.6	5.1	4.6	8	1.5
	<i>Median</i>			9.8	6.3	5.5	10	1.5
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	45.77	11.6	7.2	6.4	11	0.4
EOG Resources	EOG	B	66.13	9.7	7.7	5.7	12	0.4
Encana Corporation	ECA	B	52.66	8.7	6.1	5.4	12	0.8
Anadarko Petroleum Corp.	APC	B	45.86	11.2	6.7	5.3	7	1.6
Occidental Petroleum Corp.	OXY	B	102.39	10.6	6.2	4.8	9	1.7
Devon Energy Corporation	DVN	B	61.93	8.7	6.0	4.0	7	0.7
CNOOC Limited (29%)	CEO	B	91.33	10.0	4.4	4.1	7	2.8
	<i>Median</i>			10.0	6.2	5.3	9	0.8
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	31.88	9.9	6.1	5.2	14	1.0
Encore Acquisition Company	EAC	B	27.04	14.9	7.1	4.2	9	-
Cimarex Energy Company	XEC	B	38.61	7.8	6.0	3.6	8	0.4
Energy Partners Ltd.	EPL	B	17.51	6.2	4.7	3.6	11	-
	<i>Median</i>			8.9	6.1	3.9	10	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	44.82		7.9	14.8	24	7.2
Kinder Morgan Management, LLC	KMR	S3	41.98		7.9	14.2	23	7.7
San Juan Basin Royalty Trust	SJT	B	38.40	13.8	11.4	10.9	12	8.2
Canadian Oil Sands Trust	COSWF	B	32.47	26.5	11.1	10.3	13	5.7
Enerplus Resources Fund	ERF		56.88	9.4	6.9	8.2	15	7.9
Penn West Energy Trust	PWE	B	40.20	7.9	6.8	7.0	9	9.0
Pengrowth Energy Trust	PGH		23.00	7.5	6.3	7.1	12	11.6
	<i>Median</i>			9.4	7.9	10.3	13	7.9

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) 14-Aug 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										
Exxon Mobil Corporation	XOM	69.25	3.2	2.9		0.2	0.7	1.1	0.9	0.89
BP plc	BP	69.30	2.8	2.9	2.9	0.2	0.3	1.4	1.0	0.89
Total S.A.	TOT	67.29	2.9	2.9	2.9		0.9	1.2	0.8	0.86
Royal Dutch Shell plc	RDS-A	69.82	3.0	2.9	2.9	0.1	0.5	1.1	1.1	0.85
Gazprom	OGZPY	46.80	9.4	8.7	8.7		8.7			0.85
Chevron Corporation	CVX	67.05	5.9	5.8		0.4	0.6	3.3	1.6	0.79
ConocoPhillips	COP	66.82	4.8	5.8		0.9	0.5	2.9	1.5	0.74
Producer/Refiners - Large Cap and Mid Cap										
Imperial Oil Limited	IMO	38.41	1.6	1.4	1.4	0.1		1.0	0.3	1.04
Petro-Canada	PCZ	44.90	1.4	1.4	1.4	0.2	0.0	0.9	0.2	0.93
Marathon Oil Corporation	MRO	86.33	1.4	1.4		0.2	0.1	0.6	0.6	0.90
Norsk Hydro ASA	NHY	27.11	1.4	1.4	1.4		0.4	0.6	0.5	0.89
Suncor Energy	SU	81.86	1.6	1.4	1.4	0.0		1.3	0.1	0.87
PetroChina Company Ltd.	PTR	115.88	3.2	2.9	2.9		0.2	2.4	0.2	0.84
Lukoil Oil Company	LUKOY	89.00	6.7	5.8	5.8			4.3	1.5	0.81
Independent Natural Gas and Oil - Large Cap and Mid Cap										
CNOOC Limited	CEO	91.33	3.4	2.9	2.9		0.3	2.6		0.93
XTO Energy Inc.	XTO	45.77	2.7	2.9		2.2		0.7		0.90
Encana Corporation	ECA	52.66	2.9	2.9	2.9	2.2		0.7		0.89
Anadarko Petroleum Corp.	APC	45.86	1.4	2.9		1.7		1.2		0.78
Occidental Petroleum Corp.	OXY	102.39	3.0	2.9		0.4	0.0	2.2	0.3	0.76
EOG Resources	EOG	66.13	6.1	5.8		4.5	0.4	0.9		0.74
Devon Energy Corporatior	DVN	61.93	5.3	5.8		3.4		2.4		0.67
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	31.88	1.4	1.4		0.2		1.2		0.85
Energy Partners Ltd.	EPL	17.51	0.7	1.4		0.8		0.6		0.76
Cimarex Energy Company	XEC	38.61	2.9	2.9		2.0		0.9		0.61
Encore Acquisition Compa	EAC	27.04	2.3	2.9		0.7		2.2		0.59
Income										
Penn West Energy Trust	PWE	40.20	6.0	5.8	5.8	1.8		4.0		1.03
San Juan Basin Royalty Tr	SJT	38.40	6.8	5.8		5.8				0.96
Canadian Oil Sands Trust	COSWF	32.47	6.1	5.8	5.8			5.8		0.93
Portfolio Composite			100	100	49	28	14	48	11	0.82

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
10-Aug	BRY	Berry Petroleum	Oil Rich
10-Aug	EPL	Energy Partners, Ltd.	Gulf of Mexico and Natural Gas
7-Aug	OXY	Occidental Petroleum Corporation	Positive Profit and Volume Trends
4-Aug	IMO	Imperial Oil Limited	Oil Sands <i>in situ</i> and Mineable
4-Aug	EAC	Encore Acquisition Company	Abundant Appreciation Potential
4-Aug	SU	Suncor Energy Inc.	Trading Oil Sands Leadership
4-Aug	TOT	Total S.A.	Positioned to Profit
3-Aug	XEC	Cimarex Energy Company	Volume Slippage
3-Aug	DVN	Devon Energy Corporation	Best Value Large Cap Producer
2-Aug	MRO	Marathon Oil Corporation	Raise NPV to \$98 a Share
2-Aug	EOG	EOG Resources Inc.	Add Natural Gas to Your Portfolio
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
10-May	* PWTF	Penn West Energy Trust	Sleeping Seal
26-Apr	* CEO	CNOOC Ltd	Burst of Cash Flow
21-Mar	* PTR	PetroChina Company Limited	Growing Pains

Meter Reader - A Weekly Analysis

15-Aug		Unchanged Thesis
8-Aug	*	Tough Business
1-Aug	*	Oil/Gas Portfolio Composition
25-Jul	*	Natural Gas Rebalance

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

11-Aug		Oily Gassy
4-Aug	*	The Developed Advantage
28-Jul	*	Record Heat
21-Jul	*	Inflation Protected Securities

Industry Ideas

27-Jun	*	Presentation Slides	Oil and Gas Investment to 2010
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