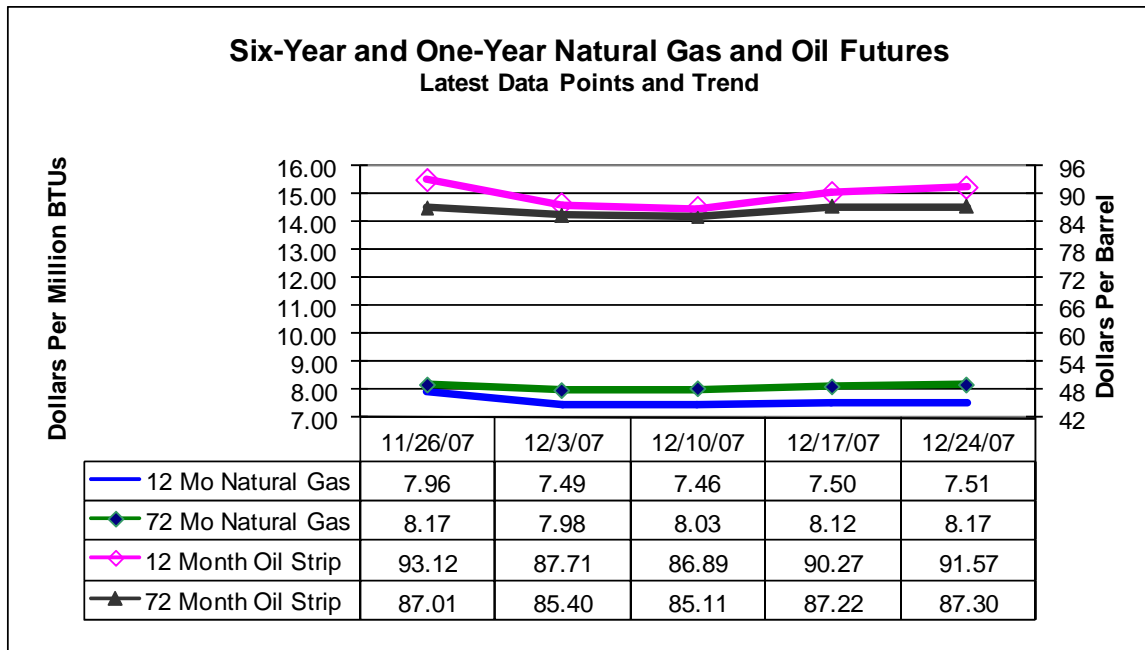


Election Year 2008

Summary and Recommendation

We are optimistic that the year of presidential elections in the U.S., Russia and perhaps elsewhere will be a good one for energy stocks on the basis of positive global growth, constrained supplies of oil and the clean-burning characteristic of more readily available natural gas. Our favorite historical election year comparison is 1980 when what we used to call “domestic integrated” companies appreciated a median 60% in stock price while independent producers advanced more. The unnecessary gasoline rationing and punitive oil taxation of the past need not be repeated. Nor do we need a repeat of high interest rates to combat inflation because millions more workers joining the capitalist economy each year help hold down labor costs. Instead of high interest rates that eventually induce recession, we have low interest rates today implying continued growth in economic activity and in energy demand. The relatively tighter oil supply is reflected in a 12-month price above the six-year price while the reverse is the case for natural gas (see table Natural Gas and Oil Futures). Buy recommendations have a composite McDep Ratio of 0.79 implying attractive investment potential (see table, page 4, McDep Energy Portfolio).

Kurt H. Wulff, CFA



Please see disclosures on the final page.

Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating	Price (US\$/sh) 24-Dec 2007	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap							
Petrobras	PBR	116.40	2,200	256,080	122.00	0.09	0.96
Exxon Mobil Corporation	XOM B	93.66	5,536	519,000	102.00	0.05	0.92
BP plc	BP B	73.44	3,177	233,000	84.00	0.17	0.90
Total S.A.	TOT B	80.93	2,273	184,000	100.00	0.13	0.83
Chevron Corporation	CVX B	94.48	2,206	208,000	117.00	0.08	0.82
Royal Dutch Shell plc	RDS-A B	83.46	3,143	262,000	104.00	0.10	0.82
Gazprom (50%)	OGZPY B	57.90	2,945	170,500	72.00	0.06	0.82
ConocoPhillips	COP B	87.19	1,644	143,000	124.00	0.18	0.76
<i>Total or Median</i>				1,976,000		0.09	0.83
Producer/Refiners - Large Cap							
Imperial Oil Limited (30%)	IMO B	54.92	278	15,290	48.00	0.07	1.13
Norsk Hydro ASA	NHYDY H	13.75	1,223	16,820	13.00	0.04	1.06
PetroChina Company Ltd (10%)	PTR H	181.72	178	32,330	190.00	0.05	0.96
Marathon Oil Corporation	MRO H	61.88	719	44,490	68.00	0.18	0.93
Suncor Energy	SU B	107.64	472	50,810	122.00	0.08	0.89
Petro-Canada	PCZ B	52.62	493	25,940	72.00	0.14	0.77
StatoilHydro ASA (29%)	STO B	29.73	928	27,590	41.00	0.12	0.76
Lukoil Oil Company	LUKOY B	87.00	826	72,000	134.00	0.02	0.66
<i>Total or Median</i>				285,000		0.07	0.91
Independent Natural Gas and Oil - Large Cap							
CNOOC Limited (34%)	CEO H	167.22	149	24,960	125.00	-	1.34
Encana Corporation	ECA B	69.08	756	52,200	75.00	0.18	0.93
Occidental Petroleum Corp.	OXY B	76.79	837	64,300	86.00	0.05	0.90
XTO Energy Inc.	XTO B	53.41	489	26,100	63.00	0.17	0.87
EOG Resources	EOG B	91.02	247	22,500	106.00	0.06	0.87
Anadarko Petroleum Corp.	APC B	66.31	468	31,000	82.00	0.31	0.87
Canadian Natural Resources	CNQ B	71.82	539	38,700	99.00	0.19	0.78
Devon Energy Corporation	DVN B	91.78	450	41,300	139.00	0.14	0.71
<i>Total or Median</i>				301,000		0.16	0.87
Independent Natural Gas and Oil - Small Cap							
Berry Petroleum Company	BRY B	45.62	45	2,050	50.00	0.21	0.93
Encore Acquisition Company	EAC B	34.03	54	1,840	60.00	0.29	0.69
Cimarex Energy Company	XEC B	42.34	84	3,560	76.00	0.09	0.60
Energy Partners Ltd.	EPL B	12.53	32	400	38.00	0.34	0.56
<i>Total or Median</i>				7,900		0.25	0.64
Income							
Kinder Morgan Energy Partners, L.P.	KMP S	53.10	179	9,520	17.00	0.54	1.98
Kinder Morgan Management, LLC	KMR S	52.50	63	3,310	17.00	0.54	1.96
Pengrowth Energy Trust	PGH	18.07	247	4,460	19.00	0.24	0.96
San Juan Basin Royalty Trust	SJT B	33.19	47	1,550	40.00	-	0.83
Canadian Oil Sands Trust	COSWF B	36.83	479	17,640	45.00	0.06	0.83
Enerplus Resources Fund	ERF	39.42	129	5,100	52.00	0.13	0.79
Penn West Energy Trust	PWE B	26.22	243	6,360	37.00	0.20	0.77
Hugoton Royalty Trust	HGT B	22.82	40	910	34.00	-	0.67
<i>Total or Median</i>				48,900		0.17	0.83

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

Please see disclosures on the final page.

Oil and Gas Producers - Rank by EV/Ebitda

	Symbol/ Rating	Price (US\$/sh) 24-Dec 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap							
Petrobras	PBR	116.40	9.8	9.8	9.3	18	1.5
Gazprom (50%)	OGZPY B	57.90	24.6	10.2	8.3	15	0.7
Exxon Mobil Corporation	XOM B	93.66	12.1	7.0	6.5	11	1.5
BP plc	BP B	73.44	10.0	6.9	6.2	10	3.5
Total S.A.	TOT B	80.93	9.6	6.6	5.5	9	3.4
Chevron Corporation	CVX B	94.48	10.2	6.5	5.3	10	2.5
ConocoPhillips	COP B	87.19	10.7	6.7	5.0	8	1.9
Royal Dutch Shell plc	RDS-A B	83.46	8.1	6.0	4.9	9	3.5
	<i>Median</i>		<i>10.1</i>	<i>6.8</i>	<i>5.9</i>	<i>10</i>	<i>2.2</i>
Producer/Refiners - Large Cap							
Suncor Energy	SU B	107.64	26.6	11.6	10.3	18	0.4
Imperial Oil Limited (30%)	IMO B	54.92	13.6	7.7	8.8	15	0.6
PetroChina Company Ltd (10%)	PTR H	181.72	15.0	7.6	7.3	14	2.7
Norsk Hydro ASA	NHYDY H	13.75	-	6.6	6.9	12	1.3
Marathon Oil Corporation	MRO H	61.88	8.7	6.1	5.6	10	1.6
StatoilHydro ASA (29%)	STO B	29.73	7.7	6.3	4.7	10	5.6
Lukoil Oil Company	LUKOY B	87.00	18.4	6.9	4.6	8	1.8
Petro-Canada	PCZ B	52.62	6.4	5.6	4.3	8	1.0
	<i>Median</i>		<i>11.1</i>	<i>6.8</i>	<i>6.3</i>	<i>11</i>	<i>1.4</i>
Independent Natural Gas and Oil - Large Cap							
CNOOC Limited (34%)	CEO H	167.22	10.6	6.3	8.5	15	2.1
XTO Energy Inc.	XTO B	53.41	11.1	9.3	8.1	15	0.9
Encana Corporation	ECA B	69.08	8.9	7.6	7.1	14	1.2
EOG Resources	EOG B	91.02	9.0	8.0	7.0	18	0.4
Canadian Natural Resources	CNQ B	71.82	8.2	8.9	7.0	14	0.5
Anadarko Petroleum Corp.	APC B	66.31	11.4	7.7	6.7	18	1.1
Occidental Petroleum Corp.	OXY B	76.79	11.7	6.9	6.2	12	1.3
Devon Energy Corporation	DVN B	91.78	8.9	8.0	5.7	12	0.6
	<i>Median</i>		<i>9.8</i>	<i>7.9</i>	<i>7.0</i>	<i>14</i>	<i>1.0</i>
Independent Natural Gas and Oil - Small Cap							
Berry Petroleum Company	BRY B	45.62	9.9	7.5	7.0	13	0.7
Encore Acquisition Company	EAC B	34.03	14.5	7.8	5.4	14	-
Cimarex Energy Company	XEC B	42.34	7.9	6.7	4.0	10	0.4
Energy Partners Ltd.	EPL B	12.53	6.0	6.0	3.3	-	-
	<i>Median</i>		<i>8.9</i>	<i>7.1</i>	<i>4.7</i>	<i>13</i>	<i>0.2</i>
Income							
Kinder Morgan Energy Partners, L.P.	KMP S	53.10		7.9	15.6	34	6.6
Kinder Morgan Management, LLC	KMR S	52.50		7.9	15.5	33	6.7
San Juan Basin Royalty Trust	SJT B	33.19	10.2	13.4	11.2	14	7.4
Canadian Oil Sands Trust	COSWF B	36.83	22.5	10.1	8.3	10	9.2
Hugoton Royalty Trust	HGT B	22.82	13.8	11.6	7.7	11	9.2
Pengrowth Energy Trust	PGH	18.07	7.4	7.1	6.9	20	14.7
Enerplus Resources Fund	ERF	39.42	9.7	8.3	6.5	11	12.6
Penn West Energy Trust	PWE B	26.22	7.8	7.1	5.5	10	15.3
	<i>Median</i>		<i>9.9</i>	<i>8.1</i>	<i>8.0</i>	<i>12</i>	<i>9.2</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Please see disclosures on the final page.

McDep Energy Portfolio
Composite of Buy Recommendations

		<i>Price</i>	<i>Portfolio Weight</i>		<i>Non-</i>	<i>North</i>	<i>Rest</i>			
		<i>(US\$/sh)</i>	<i>Equity</i>	<i>EV</i>	<i>U.S.</i>	<i>Amer.</i>	<i>of World</i>	<i>Oil</i>	<i>Down-</i>	<i>McDep</i>
<i>Symbol</i>	<i>24-Dec</i>	<i>2007</i>	<i>(%)</i>	<i>(%)</i>	<i>HQ</i>	<i>Natural</i>	<i>Natural</i>	<i>Prod'n</i>	<i>stream</i>	<i>Ratio</i>
					<i>(%)</i>	<i>Gas</i>	<i>Gas</i>	<i>(%)</i>	<i>(%)</i>	
Mega Cap										
Exxon Mobil Corporation	XOM	93.66	3.5	3.2		0.2	0.4	1.9	0.6	0.92
BP plc	BP	73.44	3.0	3.2	3.2	0.3	0.3	2.1	0.5	0.90
Total S.A.	TOT	80.93	3.1	3.2	3.2		1.0	1.7	0.6	0.83
Chevron Corporation	CVX	94.48	3.4	3.2		0.1	0.2	2.2	0.7	0.82
Royal Dutch Shell plc	RDS-A	83.46	3.3	3.2	3.2	0.1	0.4	1.7	1.0	0.82
Gazprom	OGZPY	57.90	10.3	9.6	9.6		6.3	3.2		0.82
ConocoPhillips	COP	87.19	5.7	6.4		0.9	0.4	3.6	1.4	0.76
<i>Total or Median</i>			32	32						0.82
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	54.92	1.4	1.3	1.3	0.1		1.0	0.2	1.13
Suncor Energy	SU	107.64	1.4	1.3	1.3	0.0		1.2	0.1	0.89
Petro-Canada	PCZ	52.62	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.77
StatoilHydro ASA	STO	29.73	1.6	1.6	1.6		0.6	1.0	-	0.76
Lukoil Oil Company	LUKOY	87.00	7.2	6.4	6.4			4.7	1.7	0.66
<i>Total or Median</i>			13	12						0.77
Independent Natural Gas and Oil - Large Cap										
Encana Corporation	ECA	69.08	3.6	3.8	3.8	2.5		1.0	0.3	0.93
Occidental Petroleum Corp.	OXY	76.79	3.5	3.2		0.4	0.0	2.5	0.3	0.90
XTO Energy Inc.	XTO	53.41	4.5	4.8		3.6		1.2		0.87
EOG Resources	EOG	91.02	6.9	6.4		4.8	0.2	1.4		0.87
Anadarko Petroleum Corp.	APC	66.31	2.4	3.2		1.7		1.4	0.1	0.87
Canadian Natural Resources	CNQ	71.82	1.4	1.6	1.6	0.4		1.2		0.78
Devon Energy Corporation	DVN	91.78	6.0	6.4		3.3		3.0		0.71
<i>Total or Median</i>			28	29						0.87
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	45.62	1.4	1.6		0.4		1.2		0.93
Encore Acquisition Company	EAC	34.03	2.2	3.2		0.6		2.6		0.69
Cimarex Energy Company	XEC	42.34	3.2	3.2		2.2		1.0		0.60
Energy Partners Ltd.	EPL	12.53	0.7	1.6		0.8		0.8		0.56
<i>Total or Median</i>			8	10						0.64
Income										
San Juan Basin Royalty Trust	SJT	33.19	7.5	6.4		6.4				0.83
Canadian Oil Sands Trust	COSWF	36.83	5.6	5.1	5.1	(0.5)		5.6		0.83
Penn West Energy Trust	PWE	26.22	2.2	2.6	2.6	0.8		1.8		0.77
Hugoton Royalty Trust	HGT	22.82	3.7	3.2		3.2				0.67
<i>Total or Median</i>			19	17						0.80
Portfolio Composite			100	100	44	32	10	50	8	0.79
Canada					17					
Russia					16					
Europe					11					

Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 9.6% to four-tenths at 1.3%.

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
14-Dec	LUKOY	Lukoil Oil Company	Our Favorite Russian Oil Stock
6-Dec	OGZPY	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
1-Nov	* MRO	Marathon Oil Corporation	Oil Sands Deal Closed
1-Nov	* CNQ	Canadian Natural Resources	Heavy Oil, Natural Gas and Oil Sands
1-Nov	* XOM	Exxon Mobil Corporation	Energy Money Fund
31-Oct	* COSWF	Canadian Oil Sands Trust	Oil Price Trumps Alberta Tax Hike
31-Oct	* EAC	Encore Acquisition	Oil with Income Alternative in Encore Energy Partners
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.l.c.	Lower Net Present Value to \$75 A Share
17-Oct	* KMP	Kinder Morgan	A Little Corruption, American Style
6-Sep	* SJT	San Juan Basin Royalty Trust	Mountains and Valleys
23-Jul	* HGT	Hugoton Royalty Trust	Paying Unitholders to Wait

Meter Reader

24-Dec	Weekly	Election Year 2008
18-Dec	Weekly	Raise Oil Present Value 15%
11-Dec	* Weekly	GasPutin for Investors
4-Dec	* Weekly	Weighting for Winners

Oil and Gas Income Stocks (previously Natural Gas and Oil Royalty Trusts)

14-Dec	Weekly	How Low Can It Go?
7-Dec	* Weekly	Price Gap Narrows for Rockies Natural Gas
30-Nov	* Weekly	Penn West for Contrarians
23-Nov	* Weekly	Cross Timbers Royalty Trust

* Archived on www.mcdep.com**Please see disclosures on the final page.**

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