



Meter Reader

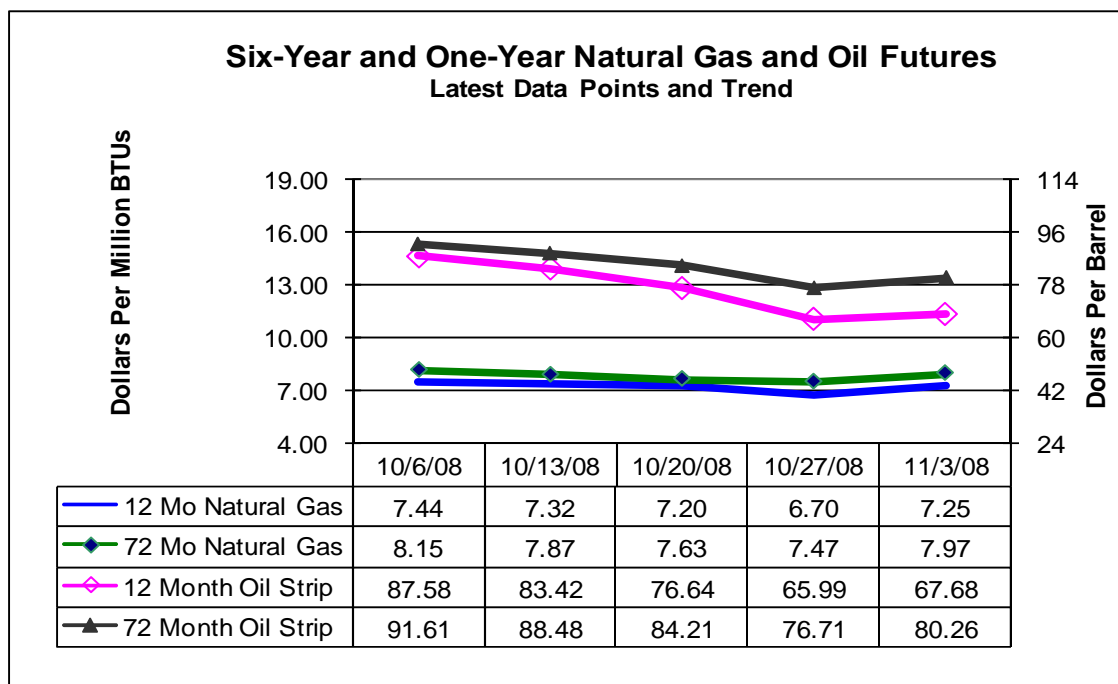
A Weekly Analysis of Energy Stocks Using the McDep Ratio
November 4, 2008

Election Day

Summary and Recommendation

Best Wishes to the U.S. President-Elect, whoever he may be. We hope the occasion catalyzes a seasonal stock market rebound for which we have eleven buy recommendations in position. Because the new U.S. leader has a tall task economically, we have 16 hold recommendations in recognition that a sustained stock price upturn may not be launched until a year from now. Meanwhile, with all the bailout activity, our political leaders may have less time and certainly less money for unsound alternate energy schemes. Tragically, the false promise of one such program, energy from food, is symbolized by the weekend bankruptcy filing of the largest corn ethanol producer. The overlooked alternative energy, in our opinion, is natural gas --- clean, affordable and produced in North America. Our eleven buy recommendations average an opportunistic 35% concentration on North American natural gas and 15% on Rest of World clean fuel (see table McDep Energy Portfolio, page 2). Concentration on oil at 45% is higher, but less than the market weighting. Both energy commodities scored the first weekly gain in price in awhile (see charts Six-Year and One-Year Oil and Natural Gas Futures below and Six-Year Commodity Price Meter, page 6). It will be a challenge for oil to meet demand when economic growth resumes a more robust trend.

Kurt H. Wulff, CFA





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McDep Energy Portfolio - Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating		Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream	McDep Ratio	
	B = Buy H = Hold		3-Nov 2008	Cap							
U.S. Integrated											
Exxon Mobil Corporation	XOM	H	74.29	1.09	417,000	6	23	46	25	0.84	
Chevron Corporation	CVX	H	73.69	1.17	190,000	5	12	67	16	0.78	
Marathon Oil Corporation	MRO	H	27.91	1.66	32,900	7	7	61	25	0.70	
ConocoPhillips	COP	B	51.56	1.61	127,000	14	9	57	20	0.59	
<i>Total or Median *</i>	<i>36%</i>	<i>11%</i>	<i>9%</i>		<i>767,000</i>					<i>0.74</i>	
Europe											
BG Group	BRGXF		14.30	1.13	54,800		29	46	26	0.77	
BP plc	BP	H	48.47	1.45	220,000	8	14	62	15	0.73	
Royal Dutch Shell plc	RDS-A	H	54.81	1.25	212,000	3	23	44	31	0.65	
StatoilHydro ASA (29%)	STO	B	20.01	1.32	24,400		43	57		0.64	
Total S.A.	TOT	B	54.76	1.20	148,000		21	61	18	0.63	
<i>Total or Median *</i>	<i>31%</i>	<i>14%</i>	<i>18%</i>		<i>659,000</i>					<i>0.65</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	H	82.84	1.00	12,600		12	88		0.61	
Petrobras	PBR		26.37	1.30	151,000		12	73	15	0.59	
PetroChina Company Ltd (14%)	PTR	B	76.23	1.13	22,200		14	69	17	0.54	
Gazprom (50%)	OGZPY	B	20.50	1.34	84,000		80	20		0.39	
Lukoil Oil Company	LUKOY	H	36.70	1.13	34,800			61	39	0.30	
<i>Total or Median *</i>	<i>14%</i>	<i>14%</i>	<i>18%</i>		<i>305,000</i>					<i>0.54</i>	
U.S. Independent											
San Juan Basin Royalty Trust	SJT	H	36.36	1.00	1,690	100				1.07	
Hugoton Royalty Trust	HGT	B	24.14	1.00	970	100				0.81	
EOG Resources	EOG	H	75.78	1.13	21,500	73	7	20		0.79	
Encore Acquisition Company	EAC	H	29.38	1.91	3,000	18		83		0.75	
Berry Petroleum Company	BRY	H	20.32	2.50	2,300	42		58		0.72	
Devon Energy Corporation	DVN	B	77.89	1.24	43,700	63		38		0.72	
XTO Energy Inc.	XTO	B	34.80	1.59	32,200	77		23		0.70	
Anadarko Petroleum Corp.	APC	H	33.13	2.12	33,000	53		43	4	0.69	
Energy Partners Ltd.	EPL		3.64	6.10	730	41		59		0.69	
Chesapeake Energy Corp.	CHK		20.63	2.38	27,000	90		10		0.66	
Occidental Petroleum Corp.	OXY	H	53.17	1.13	49,300	11	1	80	8	0.63	
Cimarex Energy Company	XEC	B	37.51	1.18	3,800	64		36		0.58	
<i>Total or Median *</i>	<i>10%</i>	<i>33%</i>	<i>36%</i>		<i>219,000</i>					<i>0.71</i>	
Canada											
Pengrowth Energy Trust	PGH		11.06	1.70	4,650	34		66		0.79	
Penn West Energy Trust	PWE	H	17.66	1.71	11,500	31		69		0.76	
Imperial Oil Limited (30%)	IMO	H	34.72	1.07	9,900	5		80	16	0.74	
Encana Corporation	ECA	B	49.50	1.37	51,000	68		29	4	0.73	
Enerplus Resources Fund	ERF		26.30	1.32	5,700	53		47		0.66	
Canadian Natural Resources	CNQ	H	48.48	1.51	39,600	25		75		0.67	
Canadian Oil Sands Trust	COSWF	B	26.63	1.08	13,800			100		0.65	
Birchcliff Energy Ltd. (US\$)	BIR.TO		4.99	1.28	740	70		30		0.56	
Suncor Energy	SU	H	23.12	1.28	28,300	3		92	5	0.48	
Petro-Canada	PCZ	H	24.20	1.38	16,200	11	3	70	16	0.44	
<i>Total or Median *</i>	<i>8%</i>	<i>28%</i>	<i>18%</i>		<i>181,000</i>					<i>0.66</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,131,000</i>	<i>12</i>	<i>17</i>	<i>54</i>	<i>17</i>	<i>0.66</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>30</i>	<i>9</i>	<i>53</i>	<i>8</i>	<i>0.67</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>35</i>	<i>15</i>	<i>45</i>	<i>5</i>	<i>0.63</i>	
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.											
* Percentages in Price column refer to equal weighted buys.											



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Oil and Gas Producers - Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)	Shares	Market Cap	Present Value	Debt/ Present Value	McDep Ratio
	B = Buy	3-Nov			(US\$mm)	(US\$/sh)		
	H = Hold	2008		(mm)				
U.S. Integrated								
Exxon Mobil Corporation	XOM	H	74.29	5,160	383,000	90.00	0.07	0.84
Chevron Corporation	CVX	H	73.69	2,206	163,000	98.00	0.11	0.78
Marathon Oil Corporation	MRO	H	27.91	711	19,840	48.00	0.28	0.70
ConocoPhillips	COP	B	51.56	1,528	79,000	109.00	0.22	0.59
<i>Total or Median</i>					645,000		0.17	0.74
Europe								
BG Group plc	BRGXF		14.30	3,384	48,390	19.00	0.09	0.77
BP plc	BP	H	48.47	3,124	151,000	74.00	0.23	0.73
Royal Dutch Shell plc	RDS-A	H	54.81	3,080	169,000	92.00	0.13	0.65
StatoilHydro ASA (29%)	STO	B	20.01	924	18,490	35.00	0.16	0.64
Total S.A.	TOT	B	54.76	2,253	123,000	94.00	0.10	0.63
<i>Total or Median</i>					510,000		0.13	0.65
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	82.84	152	12,610	135.00	-	0.61
Petrobras	PBR		26.37	4,387	115,690	50.00	0.14	0.59
PetroChina Company Ltd (14%)	PTR	B	76.23	256	19,530	150.00	0.06	0.54
Gazprom (50%)	OGZPY	B	20.50	3,080	63,100	64.00	0.10	0.39
Lukoil Oil Company	LUKOY	H	36.70	839	31,000	135.00	0.03	0.30
<i>Total or Median</i>					242,000		0.06	0.54
U.S. Independent								
San Juan Basin Royalty Trust	SJT	H	36.36	47	1,690	34.00	-	1.07
Hugoton Royalty Trust	HGT	B	24.14	40	970	30.00	-	0.81
EOG Resources	EOG	H	75.78	251	19,000	99.00	0.09	0.79
Encore Acquisition Company	EAC	H	29.38	54	1,570	48.00	0.36	0.75
Berry Petroleum Company	BRY	H	20.32	46	920	40.00	0.43	0.72
Devon Energy Corporation	DVN	B	77.89	450	35,100	116.00	0.14	0.72
XTO Energy Inc.	XTO	B	34.80	580	20,180	58.00	0.26	0.70
Anadarko Petroleum Corp.	APC	H	33.13	471	15,600	64.00	0.37	0.69
Energy Partners Ltd.	EPL		3.64	32	120	14.00	0.58	0.69
Chesapeake Energy Corp.	CHK		20.63	550	11,350	46.00	0.38	0.66
Occidental Petroleum Corp.	OXY	H	53.17	818	43,500	89.00	0.07	0.63
Cimarex Energy Company	XEC	B	37.51	86	3,210	70.00	0.09	0.58
<i>Total or Median</i>					153,200		0.20	0.71
Canada								
Pengrowth Energy Trust	PGH		11.06	248	2,740	16.00	0.33	0.79
Penn West Energy Trust	PWE	H	17.66	380	6,710	27.00	0.32	0.76
Imperial Oil Limited (30%)	IMO	H	34.72	265	9,210	48.00	0.05	0.74
Encana Corporation	ECA	B	49.50	751	37,200	75.00	0.20	0.73
Enerplus Resources Fund	ERF		26.30	165	4,330	44.00	0.16	0.66
Canadian Natural Resources	CNQ	H	48.48	541	26,200	85.00	0.23	0.67
Canadian Oil Sands Trust	COSWF	B	26.63	482	12,840	42.00	0.05	0.65
Birchcliff Energy Ltd. (US\$)	BIR.TO		4.99	117	580	10.00	0.12	0.56
Suncor Energy	SU	H	23.12	953	22,030	55.00	0.11	0.48
Petro-Canada	PCZ	H	24.20	484	11,710	67.00	0.12	0.44
<i>Total or Median</i>					134,000		0.14	0.66
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.								



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Oil and Gas Producers - Value Multiples and Distribution Yield								
			Price	Adjustd			Divd or	
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/	Distrib	
	B = Buy	3-Nov	Prod	Ebitda	Ebitda	P/E	NTM	
	H = Hold	2008	NTM	NTM	NTM	NTM	(%)	
U.S. Integrated								
Exxon Mobil Corporation	XOM	H	74.29	12.9	7.5	6.3	11	2.2
Chevron Corporation	CVX	H	73.69	9.6	7.3	5.7	10	3.5
Marathon Oil Corporation	MRO	H	27.91	8.5	6.6	4.6	7	3.4
ConocoPhillips	COP	B	51.56	11.0	7.8	4.6	8	3.6
	<i>Total or Median</i>			<i>10.3</i>	<i>7.4</i>	<i>5.1</i>	<i>9</i>	<i>3.5</i>
Europe								
BG Group plc	BRGXF		14.30	7.5	8.7	6.7	13	1.2
BP plc	BP	H	48.47	9.9	7.1	5.2	8	6.9
Total S.A.	TOT	B	54.76	9.1	7.6	4.8	8	5.1
StatoilHydro ASA (29%)	STO	B	20.01	8.0	7.3	4.7	12	6.3
Royal Dutch Shell plc	RDS-A	H	54.81	7.9	6.5	4.2	8	5.8
	<i>Total or Median</i>			<i>8.0</i>	<i>7.3</i>	<i>4.8</i>	<i>8</i>	<i>5.8</i>
Brazil/China/Russia								
Petrobras	PBR		26.37	10.4	9.5	5.6	12	3.3
CNOOC Limited (34%)	CEO	H	82.84	8.8	7.7	4.7	9	5.8
PetroChina Company Ltd (14%)	PTR	B	76.23	14.3	8.0	4.3	11	5.5
Gazprom (50%)	OGZPY	B	20.50	24.6	8.4	3.2	4	1.9
Lukoil Oil Company	LUKOY	H	36.70	18.6	7.1	2.1	3	3.8
	<i>Total or Median</i>			<i>14.3</i>	<i>8.0</i>	<i>4.3</i>	<i>9</i>	<i>3.8</i>
U.S. Independent								
San Juan Basin Royalty Trust	SJT	H	36.36	10.5	12.4	13.2	16	6.2
Hugoton Royalty Trust	HGT	B	24.14	13.0	10.8	8.8	12	8.1
Encore Acquisition Company	EAC	H	29.38	13.4	9.6	7.2	21	-
XTO Energy Inc.	XTO	B	34.80	11.4	9.6	6.8	15	1.4
EOG Resources	EOG	H	75.78	9.8	8.2	6.5	18	0.7
Chesapeake Energy Corp.	CHK		20.63	11.1	9.6	6.4	10	1.5
Devon Energy Corporation	DVN	B	77.89	9.3	8.7	6.3	17	0.8
Berry Petroleum Company	BRY	H	20.32	9.6	8.4	6.0	7	1.5
Anadarko Petroleum Corp.	APC	H	33.13	9.7	8.2	5.7	26	2.2
Occidental Petroleum Corp.	OXY	H	53.17	11.9	8.5	5.3	11	2.4
Energy Partners Ltd.	EPL		3.64	8.5	7.3	5.0		-
Cimarex Energy Company	XEC	B	37.51	7.4	6.5	3.7	10	0.6
	<i>Total or Median</i>			<i>10.2</i>	<i>8.6</i>	<i>6.3</i>	<i>15</i>	<i>1.4</i>
Canada								
Canadian Oil Sands Trust	COSWF	B	26.63	21.6	14.2	9.2	13	9.5
Imperial Oil Limited (30%)	IMO	H	34.72	14.4	9.7	7.2	12	1.0
Canadian Natural Resources	CNQ	H	48.48	9.0	10.7	7.1	19	0.7
Birchcliff Energy Ltd. (US\$)	BIR.TO		4.99	7.1	12.7	7.1		-
Suncor Energy	SU	H	23.12	24.0	12.9	6.2	10	0.7
Pengrowth Energy Trust	PGH		11.06	9.1	7.6	6.0		20.7
Penn West Energy Trust	PWE	H	17.66	7.5	7.7	5.9	9	19.5
Enerplus Resources Fund	ERF		26.30	9.6	8.4	5.6	55	14.7
Encana Corporation	ECA	B	49.50	8.4	7.2	5.2	12	3.2
Petro-Canada	PCZ	H	24.20	6.9	6.8	3.0	6	2.8
	<i>Total or Median</i>			<i>9.1</i>	<i>9.1</i>	<i>6.1</i>	<i>12</i>	<i>3.0</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2009; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
31-Oct	CVX	Chevron Corporation	Oil in the Stock Market at \$59 a Barrel
30-Oct	IMO	Imperial Oil Limited	Favorable Pricing for Heavy Oil
30-Oct	MRO	Marathon Oil Corporation	Gasoline and Diesel Demand Rebounding
30-Oct	XOM	Exxon Mobil Corporation	Building Value with Stock Repurchase
30-Oct	RDSA	Royal Dutch Shell plc	Secure Dividend 5.7%
29-Oct	COSWF	Canadian Oil Sands Trust	Quarterly Distribution C\$0.75 a Unit
29-Oct	BRY	Berry Petroleum	Adjusting Spending to Cash Flow
29-Oct	EAC	Encore Acquisition Company	Success with ExxonMobil in West Texas
29-Oct	SU	Suncor Energy	Coping with Volatile Oil Price
29-Oct	PTR	PetroChina Company Limited	Chinese Major Oil Company
28-Oct	OXY	Occidental Petroleum Corporation	Low Debt, High Margin
28-Oct	BP	BP p.l.c.	Dividend Yield 7.2%
28-Oct	CEO	CNOOC Ltd	Oil & Gas Growth Offshore China
24-Oct	ECA	EnCana Corporation	High-Performance Clean Energy Producer
24-Oct	PCZ	Petro-Canada	Pacing Fort Hills
23-Oct	OGZPY	Gazprom	Cheap Stock, Political Risk
23-Oct	COP	ConocoPhillips	Australian Natural Gas Deal
22-Oct	XEC	Cimarex Energy Company	Woodford Shale Leader
17-Oct	PWE	Penn West Energy Trust	Hold Rating (Income Weekly)
17-Oct	SJT	San Juan Basin Royalty Trust	Hold Rating (Income Weekly)
14-Oct	TOT	Total S.A.	Restore Buy Recommendation (Meter Reader)
14-Oct	XTO	XTO Energy Inc.	Restore Buy Recommendation (Meter Reader)
7-Oct	* HGT	Hugoton Royalty Trust	Buy amid Financial Panic (Meter Reader)
16-Sep	* DVN	Devon Energy Corporation	Reinstate Buy Recommendation (Flash)
16-Sep	* STO	StatoilHydro ASA	Reinstate Buy Recommendation (Flash)
16-Sep	* BRGXF	BG Group	Deep Water Brazil (Meter Reader)
16-Sep	* PBR	Petrobras	Deep Water Brazil (Meter Reader)
5-Sep	* APC	Anadarko Petroleum Corporation	Suspend Buy Recommendation (Flash)
5-Sep	* CNQ	Canadian Natural Resources	Suspend Buy Recommendation (Flash)
5-Sep	* EOG	EOG Resources Inc.	Suspend Buy Recommendation (Flash)
5-Sep	* LUKOY	Lukoil Oil Company	Suspend Buy Recommendation (Flash)

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4-Nov	Weekly	
28-Oct	Weekly	Oil in the Stock Market for \$40 a Barrel
21-Oct	Weekly	Look Ahead
14-Oct	Weekly	Restore Four Buy Recommendations

Oil and Gas Income Stocks

31-Oct	Weekly	Reset for Recovery
24-Oct	Weekly	Median Distribution Yield 10.5%
17-Oct	Weekly	Low Long-Term Risk
10-Oct	Weekly	Rebound Candidates

Industry Ideas

9-Oct	*	Presentation	Oil and Gas Strategy in Treacherous Times
24-Sep	*	Presentation	Energy Investment amid Financial Turmoil
16-Sep	*	Flash	Reinstate Five Buy Recommendations
5-Sep	*	Flash	Suspend Buy Recommendations

* Archived on www.mcdep.com

Please see disclosures on the final page.

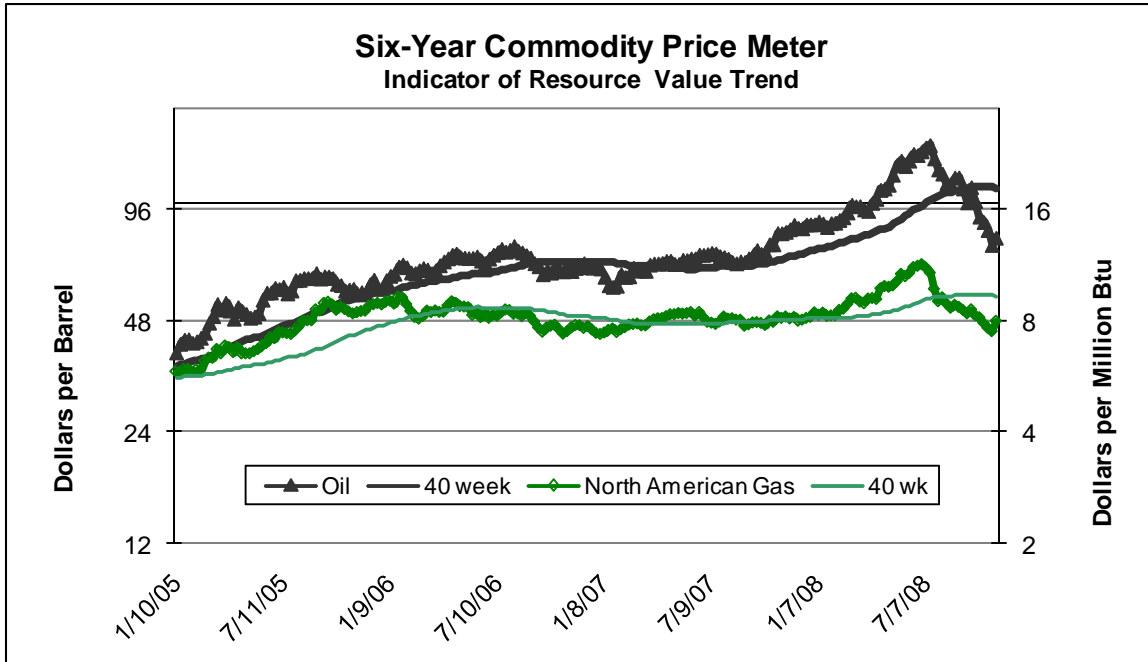
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Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.