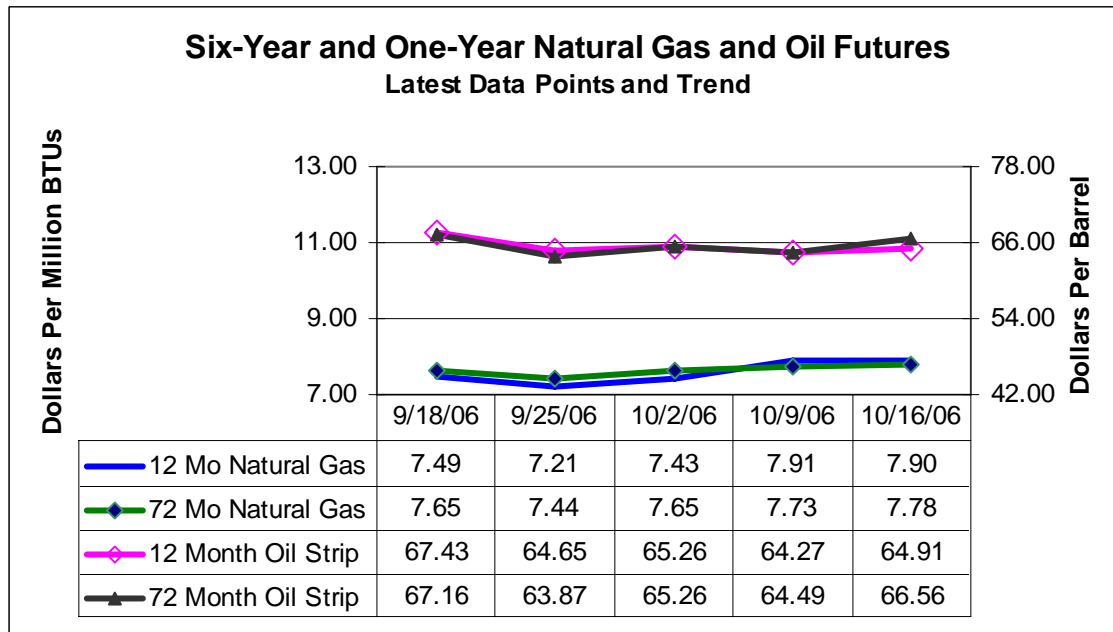


Own More Norsk Hydro, Less BP

Summary and Recommendation

Among European buy recommendations we raise our suggested weighting for **Norsk Hydro (NHY)** to 2.9% from 1.4% and lower it for **BP (BP)** to 1.4% from 2.9% while maintaining **Royal Dutch Shell (RDS)** and **Total (TOT)** at the full unlevered weighting of 2.9% each. European recommendations account for a cumulative 10% in the illustrative McDep Energy Portfolio (see table on page 2, Portfolio Composite of Buy Recommendations). At a low McDep Ratio of 0.78, NHY has 26% of its present value in long-life natural gas symbolized by the startup of a new pipeline from the company's Ormen Lange field to the U.K. dedicated by Prime Minister Blair on October 16. Natural gas accounts for 30% of present value in Total, where much-admired chief executive Thierry Desmarest passes the baton to a successor next year. Royal Dutch Shell may be getting criticism from Russia on a Far East natural gas project, but we expect limited impact on the company's interest in the economic value of the clean fuel resource. BP may be the new public relations outcast as a result of a string of unexpected mishaps that diminish the company's reputation. Though BP stock is off 12% from its high, NHY stock is off 28% and both stocks have McDep Ratios that point to new highs again.

Kurt H. Wulff, CFA



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**Oil and Gas Producers
Portfolio Composite of Buy Recommendations**

Symbol	Price (US\$/sh) 16-Oct	Portfolio Weight		Non- U.S. HQ (%)	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio	
		Equity (%)	EV (%)							
Mega Cap										
Exxon Mobil Corporation	XOM	69.83	3.2	2.9		0.2	0.6	1.1	0.8	0.90
BP plc	BP	67.47	1.4	1.4	1.4	0.1	0.2	0.7	0.5	0.87
Total S.A.	TOT	66.73	2.8	2.9	2.9		0.9	1.2	0.8	0.86
Royal Dutch Shell plc	RDS-A	66.92	2.9	2.9	2.9	0.1	0.5	1.1	1.1	0.82
Gazprom	OGZPY	44.75	9.4	8.6	8.6		8.6	1.1		0.81
Chevron Corporation	CVX	65.09	5.8	5.7		0.4	0.6	3.3	1.5	0.77
ConocoPhillips	COP	61.09	4.6	5.7		0.9	0.5	3.0	1.3	0.69
Producer/Refiners - Large Cap										
Marathon Oil Corporation	MRO	85.10	1.4	1.4		0.2	0.1	0.5	0.6	0.89
Petro-Canada	PCZ	41.58	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.88
Suncor Energy	SU	75.29	1.5	1.4	1.4	0.0		1.3	0.1	0.81
PetroChina Company Ltd.	PTR	110.51	3.2	2.9	2.9		0.2	2.4	0.2	0.80
Norsk Hydro ASA	NHY	23.22	2.7	2.9	2.9		0.7	1.1	1.0	0.78
Lukoil Oil Company	LUKOY	79.10	6.6	5.7	5.7			4.3	1.4	0.72
Independent Natural Gas and Oil - Large Cap										
XTO Energy Inc.	XTO	44.51	2.7	2.9		2.2		0.7		0.88
CNOOC Limited	CEO	84.22	3.3	2.9	2.9		0.3	2.6		0.86
Encana Corporation	ECA	48.35	5.6	5.7	5.7	4.0		1.3	0.4	0.78
Anadarko Petroleum Corp.	APC	45.66	1.5	2.9		1.6		1.2		0.78
EOG Resources	EOG	67.23	6.0	5.7		4.4	0.4	0.9		0.75
Occidental Petroleum Corp	OXY	47.87	2.9	2.9		0.3	0.0	2.2	0.3	0.72
Devon Energy Corporation	DVN	67.06	5.3	5.7		3.1		2.6		0.64
Independent Natural Gas and Oil - Small Cap										
Energy Partners Ltd.	EPL	25.24	1.2	1.4		0.8		0.6		0.85
Berry Petroleum Company	BRY	30.01	1.3	1.4		0.2		1.2		0.81
Encore Acquisition Comp	EAC	25.53	2.3	2.9		0.7		2.1		0.57
Cimarex Energy Company	XEC	35.52	2.8	2.9		1.9		0.9		0.57
Income										
San Juan Basin Royalty Tr	SJT	37.52	6.7	5.7		5.7				0.94
Penn West Energy Trust	PWE	36.20	5.7	5.7	5.7	1.7		4.0		0.94
Canadian Oil Sands Trust	COSWF	26.85	5.9	5.7	5.7			5.7		0.79
Portfolio Composite			100	100	50	29	14	48	10	0.77

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Oil and Gas Producers
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>	<i>Rating</i>	<i>Price</i> <i>(US\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Net</i>	<i>Debt/</i>	<i>McDep</i>
			<i>16-Oct</i>	<i>(mm)</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>Ratio</i>
			<i>2006</i>		<i>(US\$mm)</i>	<i>(US\$/sh)</i>	<i>Value</i>	
Mega Cap								
Exxon Mobil Corporation	XOM	B	69.83	6,030	421,000	78.00	0.04	0.90
BP plc	BP	B	67.47	3,362	227,000	80.00	0.16	0.87
Total S.A.	TOT	B	66.73	2,323	155,000	80.00	0.13	0.86
Royal Dutch Shell plc	RDS-A	B	66.92	3,242	217,000	84.00	0.10	0.82
Gazprom (50%)	OGZPY	B	44.75	2,847	127,400	56.00	0.05	0.81
Chevron Corporation	CVX	B	65.09	2,206	144,000	88.00	0.10	0.77
ConocoPhillips	COP	B	61.09	1,678	103,000	100.00	0.21	0.69
<i>Total or Median</i>					<i>1,394,000</i>		<i>0.10</i>	<i>0.82</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S2	105.70	135	14,270	33.00	0.75	1.55
Imperial Oil Limited (30%)	IMO	H	32.58	295	9,620	37.00	0.08	0.89
Marathon Oil Corporation	MRO	B	85.10	367	31,230	98.00	0.14	0.89
Petro-Canada	PCZ	B	41.58	512	21,290	49.00	0.18	0.88
Suncor Energy	SU	B	75.29	461	34,720	95.00	0.06	0.81
PetroChina Company Ltd (10%)	PTR	B	110.51	179	19,780	140.00	0.04	0.80
Norsk Hydro ASA	NHY	B	23.22	1,247	28,960	31.00	0.14	0.78
Lukoil Oil Company	LUKOY	B	79.10	830	66,000	110.00	0.01	0.72
<i>Total or Median</i>					<i>226,000</i>		<i>0.11</i>	<i>0.84</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	44.51	369	16,420	52.00	0.18	0.88
CNOOC Limited (34%)	CEO	B	84.22	140	11,780	98.00	-	0.86
Encana Corporation	ECA	B	48.35	845	40,900	65.00	0.12	0.78
Anadarko Petroleum Corp.	APC	B	45.66	463	21,100	75.00	0.43	0.78
EOG Resources	EOG	B	67.23	246	16,500	92.00	0.07	0.75
Occidental Petroleum Corp.	OXY	B	47.87	868	41,600	69.00	0.08	0.72
Devon Energy Corporation	DVN	B	67.06	446	29,900	115.00	0.13	0.64
<i>Total or Median</i>					<i>178,000</i>		<i>0.12</i>	<i>0.78</i>
Independent Natural Gas and Oil - Small Cap								
Energy Partners Ltd.	EPL	B	25.24	41	1,020	31.00	0.23	0.85
Berry Petroleum Company	BRY	B	30.01	45	1,350	39.00	0.19	0.81
Encore Acquisition Company	EAC	B	25.53	54	1,370	54.00	0.19	0.57
Cimarex Energy Company	XEC	B	35.52	85	3,020	68.00	0.09	0.57
<i>Total or Median</i>					<i>6,800</i>		<i>0.19</i>	<i>0.69</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	43.75	165	7,210	15.00	0.56	1.85
Kinder Morgan Management, LLC	KMR	S3	41.64	60	2,480	15.00	0.56	1.79
Enerplus Resources Fund	ERF		52.36	123	6,440	47.00	0.11	1.10
Pengrowth Energy Trust	PGH		19.49	220	4,290	20.00	0.22	0.98
San Juan Basin Royalty Trust	SJT	B	37.52	47	1,750	40.00	-	0.94
Penn West Energy Trust	PWE	B	36.20	246	8,910	39.00	0.13	0.94
Canadian Oil Sands Trust	COSWF	B	26.85	466	12,520	35.00	0.09	0.79
<i>Total or Median</i>					<i>43,600</i>		<i>0.13</i>	<i>0.98</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) 16-Oct 2006	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	44.75	24.0	9.0	7.2	11	0.5
BP plc	BP	B	67.47	9.3	7.2	6.2	10	3.5
Exxon Mobil Corporation	XOM	B	69.83	11.4	6.7	6.0	11	1.8
Total S.A.	TOT	B	66.73	9.8	6.7	5.7	10	3.1
Royal Dutch Shell plc	RDS-A	B	66.92	7.4	5.9	4.8	9	3.8
Chevron Corporation	CVX	B	65.09	10.9	6.2	4.7	8	3.2
ConocoPhillips	COP	B	61.09	11.3	6.1	4.3	7	2.4
	<i>Median</i>			10.9	6.7	5.7	10	3.1
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S2	105.70		8.8	13.5	22	3.3
Suncor Energy	SU	B	75.29	18.8	10.7	8.7	16	0.3
Imperial Oil Limited (30%)	IMO	H	32.58	10.5	8.1	7.2	12	0.9
Petro-Canada	PCZ	B	41.58	6.8	7.1	6.2	12	0.9
Lukoil Oil Company	LUKOY	B	79.10	18.9	7.9	5.7	9	1.6
PetroChina Company Ltd (10%)	PTR	B	110.51	14.7	6.4	5.1	10	4.4
Norsk Hydro ASA	NHY	B	23.22	7.9	5.7	4.5	9	2.9
Marathon Oil Corporation	MRO	B	85.10	8.6	4.8	4.3	7	1.6
	<i>Median</i>			10.5	7.5	5.9	11	1.6
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	44.51	11.6	8.6	7.6	14	0.4
EOG Resources	EOG	B	67.23	9.7	9.1	6.8	16	0.4
Anadarko Petroleum Corp.	APC	B	45.66	11.5	8.7	6.8	12	1.6
Encana Corporation	ECA	B	48.35	8.7	7.5	5.8	13	0.8
Occidental Petroleum Corp.	OXY	B	47.87	10.6	7.4	5.3	10	1.8
Devon Energy Corporation	DVN	B	67.06	8.7	7.8	5.0	10	0.7
CNOOC Limited (34%)	CEO	B	84.22	10.6	5.6	4.8	9	3.3
	<i>Median</i>			10.6	7.8	5.8	12	0.8
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	30.01	9.9	7.5	6.1	15	1.0
Encore Acquisition Company	EAC	B	25.53	14.9	8.5	4.9	11	-
Energy Partners Ltd.	EPL	B	25.24	5.0	4.8	4.1	-	-
Cimarex Energy Company	XEC	B	35.52	7.8	7.2	4.1	9	0.5
	<i>Median</i>			8.9	7.4	4.5	11	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	43.75		7.9	14.6	24	7.4
Kinder Morgan Management, LLC	KMR	S3	41.64		7.9	14.1	22	7.8
San Juan Basin Royalty Trust	SJT	B	37.52	9.3	11.9	11.2	14	7.1
Canadian Oil Sands Trust	COSWF	B	26.85	24.4	12.6	9.9	14	7.0
Enerplus Resources Fund	ERF		52.36	9.4	7.8	8.6	19	8.6
Penn West Energy Trust	PWE	B	36.20	8.0	8.3	7.8	14	10.1
Pengrowth Energy Trust	PGH		19.49	7.4	7.2	7.0	10	13.7
	<i>Median</i>			9.3	7.9	9.9	14	7.8

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2007; 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>Stock</u>	<u>Theme</u>
16-Oct	EPL	Energy Partners, Ltd.	Live Acquisition Target
6-Oct	ECA	EnCana Corporation	Raise NPV to \$65 a Share
6-Oct	COP	ConocoPhillips	Oil Sands Link with Encana
5-Oct	OGZPY	Gazprom	Russian Natural Gas Price Too Low
5-Oct	APC	Anadarko Petroleum Corporation	Financial Risk Declines
19-Sep	IMO	Imperial Oil Limited	Change to Hold on Oil Price Momentum
15-Sep	* PTR	PetroChina Company Limited	Future Natural Gas and Downstream Profits
15-Sep	* SJT	San Juan Basin Royalty Trust	Sub \$5 Natural Gas and SJT
6-Sep	* DVN	Devon Energy Corporation	Raise NPV to \$115 a Share
29-Aug	* CEO	CNOOC Ltd	Volume Growth and Commodity Price
23-Aug	* PTR	PetroChina Company Limited	Profits despite Government Limits
15-Aug	* PWTF	Penn West Energy Trust	Marketable High Current Income
10-Aug	* BRY	Berry Petroleum	Oil Rich
7-Aug	* OXY	Occidental Petroleum Corporation	Positive Profit and Volume Trends
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	* 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	* 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	* NHY	Norsk Hydro ASA	Commodity Price Beneficiary
20-Jul	* KMx	Kinder Morgan	Focus Sharpens on Limited Partners
30-Jun	* LUKOY	Lukoil Oil Company	Russia Stronger than Ever

Meter Reader - A Weekly Analysis

17-Oct		Own More Norsk Hydro, Less BP
10-Oct	*	Russian Resource Recommendations
3-Oct	*	Value Buoyed by Calendar and Chart
26-Sep	*	Seasonal Scare

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

6-Oct		Basic Reasons
29-Sep	*	Mesa Royalty Trust Liquidity Opportunity
22-Sep	*	Sub \$5 Natural Gas and CRT
15-Sep	*	Sub \$5 Natural Gas and SJT

Industry Ideas

27-Jun	*	Presentation Slides	Oil and Gas Investment to 2010
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* Archived on www.mcdep.com

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