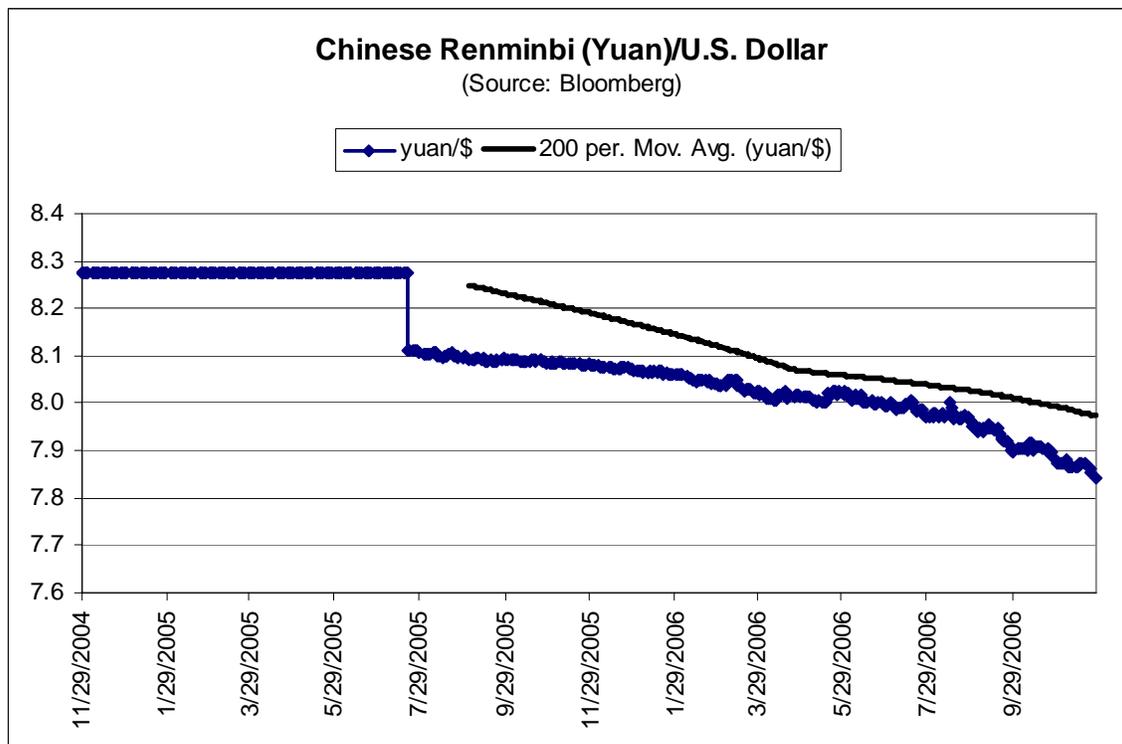


U.S./China Currency Devaluation Accelerates

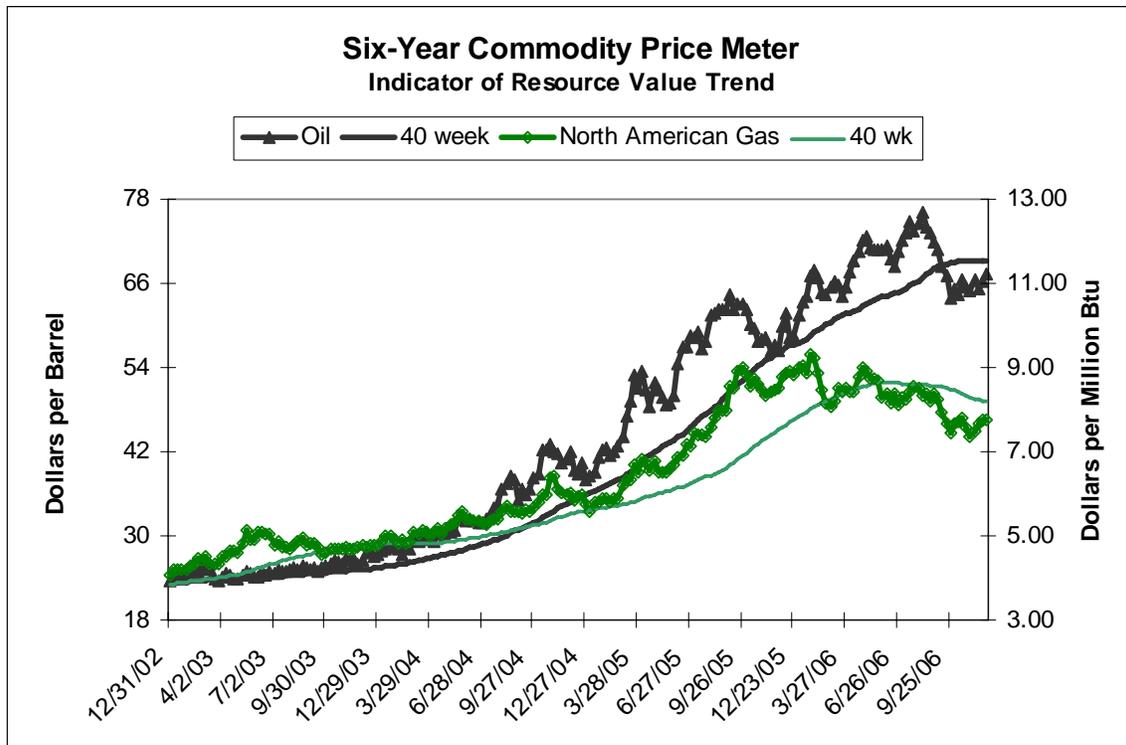
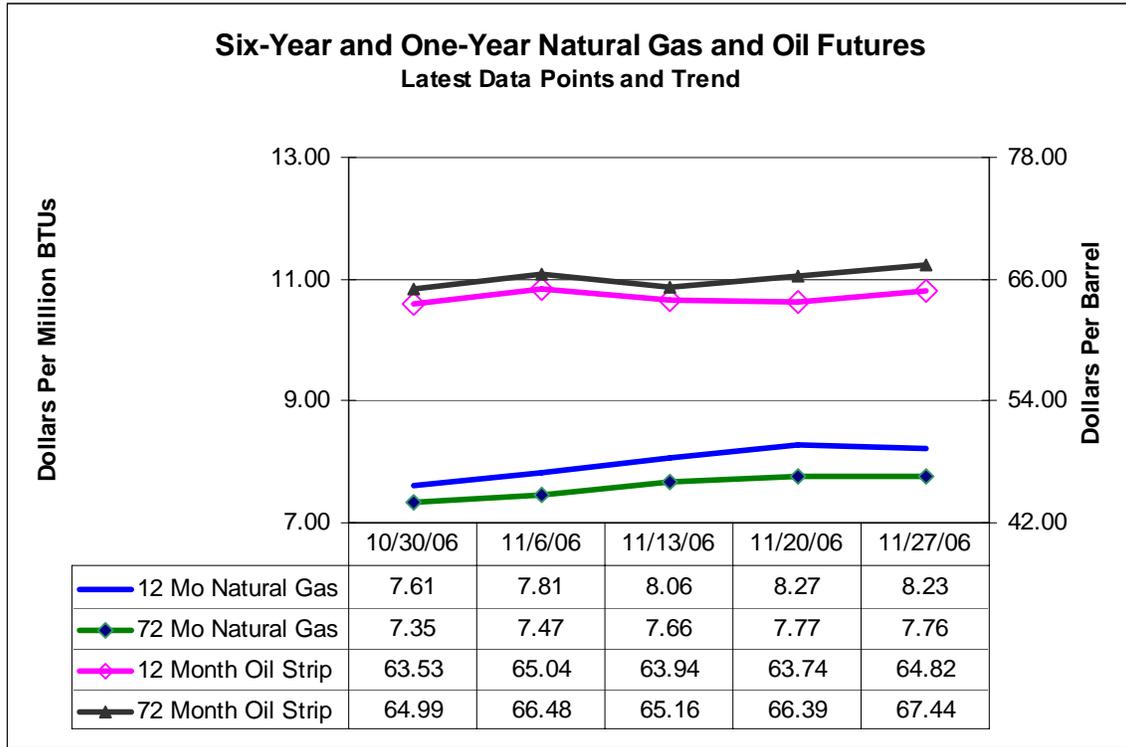
Summary and Recommendation

Some of the recent action in stock price for buy-recommended **PetroChina (PTR)** and **CNOOC Ltd. (CEO)** seems to validate owning those stocks in part to protect against dollar devaluation. In recent years when the dollar slid compared to stronger currencies, its relationship to the Chinese Renminbi (Yuan) remained fixed. Now the dollar is sliding versus the yuan as well and the rate appears to be accelerating coincident with recent U.S. elections (see chart). Though American workers feeling the heat of competition from China may feel more secure in their jobs with a weaker dollar, American consumers accustomed to cheap imports are worse off as are investors in dollar denominated assets. Investors can protect themselves and perhaps prosper by committing to real assets and to businesses outside the U.S. As global commodities, oil and gas are real assets whose price in dollar terms tends to be adjusted upward when the dollar loses value. Stock prices for non-U.S. companies set in non-dollar terms may look better when translated back to dollars.

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) 27-Nov 2006	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	72.47	5,922	429,000	78.00	0.04	0.93
Total S.A.	TOT	B	70.07	2,302	161,000	80.00	0.13	0.89
BP plc	BP	B	66.42	3,303	219,000	80.00	0.16	0.86
Royal Dutch Shell plc	RDS-A	B	70.08	3,200	224,000	84.00	0.13	0.86
Gazprom (50%)	OGZPY	B	43.90	2,847	125,000	56.00	0.05	0.79
Chevron Corporation	CVX	B	68.75	2,206	152,000	92.00	0.10	0.77
ConocoPhillips	COP	B	64.19	1,676	108,000	100.00	0.21	0.72
<i>Total or Median</i>					<i>1,418,000</i>		<i>0.13</i>	<i>0.86</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S2	105.05	135	14,180	33.00	0.75	1.54
Imperial Oil Limited (30%)	IMO	H	37.10	292	10,840	37.00	0.07	1.00
Petro-Canada	PCZ	B	44.00	506	22,260	49.00	0.18	0.92
PetroChina Company Ltd (10%)	PTR	B	122.49	179	21,930	140.00	0.04	0.88
Marathon Oil Corporation	MRO	B	91.76	359	32,940	110.00	0.12	0.85
Suncor Energy	SU	B	76.13	461	35,100	95.00	0.06	0.81
Norsk Hydro ASA	NHY	B	23.53	1,236	29,080	31.00	0.14	0.79
Lukoil Oil Company	LUKOY	B	85.70	830	71,000	110.00	0.02	0.78
<i>Total or Median</i>					<i>237,000</i>		<i>0.10</i>	<i>0.87</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	46.35	371	17,200	52.00	0.16	0.91
CNOOC Limited (34%)	CEO	B	87.02	140	12,170	98.00	-	0.89
Encana Corporation	ECA	B	51.13	824	42,100	65.00	0.12	0.81
Anadarko Petroleum Corp.	APC	B	46.64	463	21,600	75.00	0.42	0.78
EOG Resources	EOG	B	68.93	246	17,000	92.00	0.04	0.76
Occidental Petroleum Corp.	OXY	B	47.90	860	41,200	69.00	0.09	0.72
Devon Energy Corporation	DVN	B	69.49	447	31,100	115.00	0.13	0.66
<i>Total or Median</i>					<i>182,000</i>		<i>0.12</i>	<i>0.78</i>
Independent Natural Gas and Oil - Small Cap								
Energy Partners Ltd.	EPL	B	23.99	41	970	31.00	0.25	0.83
Berry Petroleum Company	BRY	B	30.98	45	1,380	44.00	0.22	0.77
Encore Acquisition Company	EAC	B	25.71	54	1,380	54.00	0.19	0.57
Cimarex Energy Company	XEC	B	35.88	84	3,020	68.00	0.08	0.57
<i>Total or Median</i>					<i>6,800</i>		<i>0.20</i>	<i>0.67</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.85	168	8,030	15.00	0.54	2.01
Kinder Morgan Management, LLC	KMR	S3	45.37	61	2,750	15.00	0.54	1.93
Enerplus Resources Fund	ERF		44.51	123	5,480	47.00	0.11	0.95
San Juan Basin Royalty Trust	SJT	B	38.03	47	1,770	40.00	-	0.95
Pengrowth Energy Trust	PGH		18.07	220	3,980	20.00	0.22	0.92
Penn West Energy Trust	PWE	B	31.33	239	7,490	39.00	0.13	0.83
Canadian Oil Sands Trust	COSWF	B	25.22	468	11,800	35.00	0.08	0.74
<i>Total or Median</i>					<i>41,300</i>		<i>0.13</i>	<i>0.95</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) 27-Nov 2006	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	43.90	24.0	9.0	7.1	11	0.5
Exxon Mobil Corporation	XOM	B	72.47	11.4	6.5	6.0	11	1.8
Total S.A.	TOT	B	70.07	9.7	6.7	6.0	11	3.0
BP plc	BP	B	66.42	9.5	6.5	5.5	9	3.6
Royal Dutch Shell plc	RDS-A	B	70.08	7.4	5.7	4.9	9	3.7
Chevron Corporation	CVX	B	68.75	10.9	6.2	4.8	9	3.0
ConocoPhillips	COP	B	64.19	11.0	6.4	4.6	8	2.2
	<i>Median</i>			10.9	6.5	5.5	9	3.0
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S2	105.05		8.8	13.6	22	3.3
Suncor Energy	SU	B	76.13	20.8	11.6	9.4	17	0.4
Imperial Oil Limited (30%)	IMO	H	37.10	10.3	7.8	7.8	13	0.8
Petro-Canada	PCZ	B	44.00	7.2	6.9	6.3	12	0.8
Lukoil Oil Company	LUKOY	B	85.70	18.7	7.5	5.9	10	1.4
PetroChina Company Ltd (10%)	PTR	B	122.49	15.1	6.4	5.7	11	4.0
Marathon Oil Corporation	MRO	B	91.76	8.6	6.0	5.2	9	1.4
Norsk Hydro ASA	NHY	B	23.53	8.1	5.3	4.2	9	2.9
	<i>Median</i>			10.3	7.2	6.1	11	1.4
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	46.35	11.3	6.8	6.2	10	0.8
EOG Resources	EOG	B	68.93	9.3	7.9	6.0	15	0.3
Anadarko Petroleum Corp.	APC	B	46.64	11.5	7.5	5.9	8	1.5
CNOOC Limited (34%)	CEO	B	87.02	10.6	6.6	5.8	11	3.2
Encana Corporation	ECA	B	51.13	8.7	6.9	5.6	11	0.8
Occidental Petroleum Corp.	OXY	B	47.90	11.0	7.3	5.2	10	-
Devon Energy Corporation	DVN	B	69.49	8.2	6.6	4.3	8	0.6
	<i>Median</i>			10.6	6.9	5.8	10	0.8
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	30.98	10.1	8.4	6.5	11	1.0
Encore Acquisition Company	EAC	B	25.71	15.5	9.1	5.2	14	-
Cimarex Energy Company	XEC	B	35.88	7.8	6.3	3.6	9	0.4
Energy Partners Ltd.	EPL	B	23.99	5.0	4.5	3.7	-	-
	<i>Median</i>			9.0	7.4	4.5	11	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.85		7.8	15.6	33	6.8
Kinder Morgan Management, LLC	KMR	S3	45.37		7.8	15.0	31	7.1
San Juan Basin Royalty Trust	SJT	B	38.03	9.3	10.0	9.5	11	8.7
Canadian Oil Sands Trust	COSWF	B	25.22	23.2	12.4	9.2	12	7.3
Enerplus Resources Fund	ERF		44.51	9.5	7.3	6.9	15	9.9
Pengrowth Energy Trust	PGH		18.07	7.6	7.2	6.6	9	14.5
Penn West Energy Trust	PWE	B	31.33	8.1	8.1	6.7	11	11.4
	<i>Median</i>			9.3	7.8	9.2	12	8.7

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 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) 27-Nov 2006	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	72.47	3.2	2.9		0.2	0.5	1.3	0.9	0.93
Total S.A.	TOT	70.07	2.8	2.9	2.9		0.9	1.2	0.8	0.89
BP plc	BP	66.42	1.4	1.4	1.4	0.1	0.2	0.7	0.4	0.86
Royal Dutch Shell plc	RDS-A	70.08	2.8	2.9	2.9	0.1	0.5	1.1	1.1	0.86
Gazprom	OGZPY	43.90	9.4	8.6	8.6		8.6	1.1		0.79
Chevron Corporation	CVX	68.75	5.8	5.7		0.4	0.4	3.4	1.5	0.77
ConocoPhillips	COP	64.19	4.7	5.7		0.9	0.4	3.0	1.3	0.72
Producer/Refiners - Large Cap										
Petro-Canada	PCZ	44.00	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.92
PetroChina Company Ltd.	PTR	122.49	3.2	2.9	2.9		0.2	2.4	0.2	0.88
Marathon Oil Corporation	MRO	91.76	1.4	1.4		0.1	0.1	0.6	0.6	0.85
Suncor Energy	SU	76.13	1.5	1.4	1.4	0.1		1.3	0.1	0.81
Norsk Hydro ASA	NHY	23.53	2.7	2.9	2.9		0.7	1.1	1.1	0.79
Lukoil Oil Company	LUKOY	85.70	6.5	5.7	5.7			4.3	1.4	0.78
Independent Natural Gas and Oil - Large Cap										
XTO Energy Inc.	XTO	46.35	2.7	2.9		2.2		0.7		0.91
CNOOC Limited	CEO	87.02	3.3	2.9	2.9		0.3	2.6		0.89
Encana Corporation	ECA	51.13	5.6	5.7	5.7	4.1		1.2	0.4	0.81
Anadarko Petroleum Corp.	APC	46.64	1.5	2.9		1.6		1.2		0.78
EOG Resources	EOG	68.93	6.3	5.7		4.4	0.4	1.0		0.76
Occidental Petroleum Corp	OXY	47.90	2.9	2.9		0.4	0.0	2.1	0.3	0.72
Devon Energy Corporation	DVN	69.49	5.3	5.7		3.1		2.6		0.66
Independent Natural Gas and Oil - Small Cap										
Energy Partners Ltd.	EPL	23.99	1.2	1.4		0.8		0.7		0.83
Berry Petroleum Company	BRY	30.98	1.2	1.4		0.2		1.2		0.77
Encore Acquisition Comp	EAC	25.71	2.2	2.9		0.7		2.1		0.57
Cimarex Energy Company	XEC	35.88	2.8	2.9		2.0		0.9		0.57
Income										
San Juan Basin Royalty Tr	SJT	38.03	6.6	5.7		5.7				0.95
Penn West Energy Trust	PWE	31.33	5.6	5.7	5.7	1.8		4.0		0.83
Canadian Oil Sands Trust	COSWF	25.22	5.9	5.7	5.7			5.7		0.74
Portfolio Composite			100	100	50	29	13	48	10	0.78

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
20-Nov	EPL	Energy Partners, Ltd.	Hostile Bidder Withdraws
14-Nov	PWE	Penn West Energy Trust	Canada's Dastardly Deed
9-Nov	BRY	Berry Petroleum	Election Winner
9-Nov	TOT	Total S.A.	Steady High Return
7-Nov	APC	Anadarko Petroleum Corporation	Hedging and Deleveraging
7-Nov	XEC	Cimarex Energy Company	Steady Operations
7-Nov	EPL	Energy Partners, Ltd.	Buyers Looking
6-Nov	BRY	Berry Petroleum	Raise NPV to \$44 a Share on Election Eve
3-Nov	EOG	EOG Resources Inc.	Stealth Explorer
3-Nov	IMO	Imperial Oil Limited	Hold While Six-Year Oil below 40-Week Average
3-Nov	EAC	Encore Acquisition Company	Brown Bassett Wolfcamp
2-Nov	DVN	Devon Energy Corporation	Deep Gulf Explorer
1-Nov	* MRO	Marathon Oil Corporation	Raise NPV to \$110 a Share
31-Oct	* CEO	CNOOC Ltd	Future Growth in Natural Gas
30-Oct	* CVX	Chevron Corporation	Raise NPV to \$92 a Share
27-Oct	* XOM	Exxon Mobil Corporation	Oil Production Per Share Grows
27-Oct	* SU	Suncor Energy Inc.	Next Milestone 2008
27-Oct	* PCZ	Petro-Canada	Volume Growth around the Corner
26-Oct	* RDSA	Royal Dutch Shell plc	New Structure Working
26-Oct	* ECA	EnCana Corporation	Beating Cost Inflation
26-Oct	* COP	ConocoPhillips	Volume Growth Adjusted for Debt and Shares
25-Oct	* COSWF	Canadian Oil Sands Trust	Syncrude at 97% of New Capacity
25-Oct	* XTO	XTO Energy Inc.	CEO May Be Winning Billion Dollar Bet
25-Oct	* BP	BP p.l.c.	Solid Cash Flow
24-Oct	* NHY	Norsk Hydro ASA	Lowest EV/Ebitda
20-Oct	* LUKOY	Lukoil Oil Company	Presents to Investors in New York
19-Oct	* KMX	Kinder Morgan	Dilution Ahead
19-Oct	* OXY	Occidental Petroleum Corporation	Stock Cheaper than Oil
5-Oct	* OGZPY	Gazprom	Russian Natural Gas Price Too Low
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

Meter Reader - A Weekly Analysis

21-Nov		Dollar Devaluation Accelerates v. China
21-Nov	*	Natural Gas Warming Investors
14-Nov	*	Downstream Cash
7-Nov	*	Election Day

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

24-Nov		Look Ahead for Distribution Yield
17-Nov		Dip/Rebound and New Shale Potential
10-Nov	*	Commodity Trumps Politics
3-Nov	*	Country Risk

Industry Ideas

12-Nov	*	Political Action Idea	Email the Canadian Prime Minister
2-Nov	*	Flash	Political Opportunity
1-Nov	*	Flash	Canada Tax Bomb

* Archived on www.mcdep.com

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