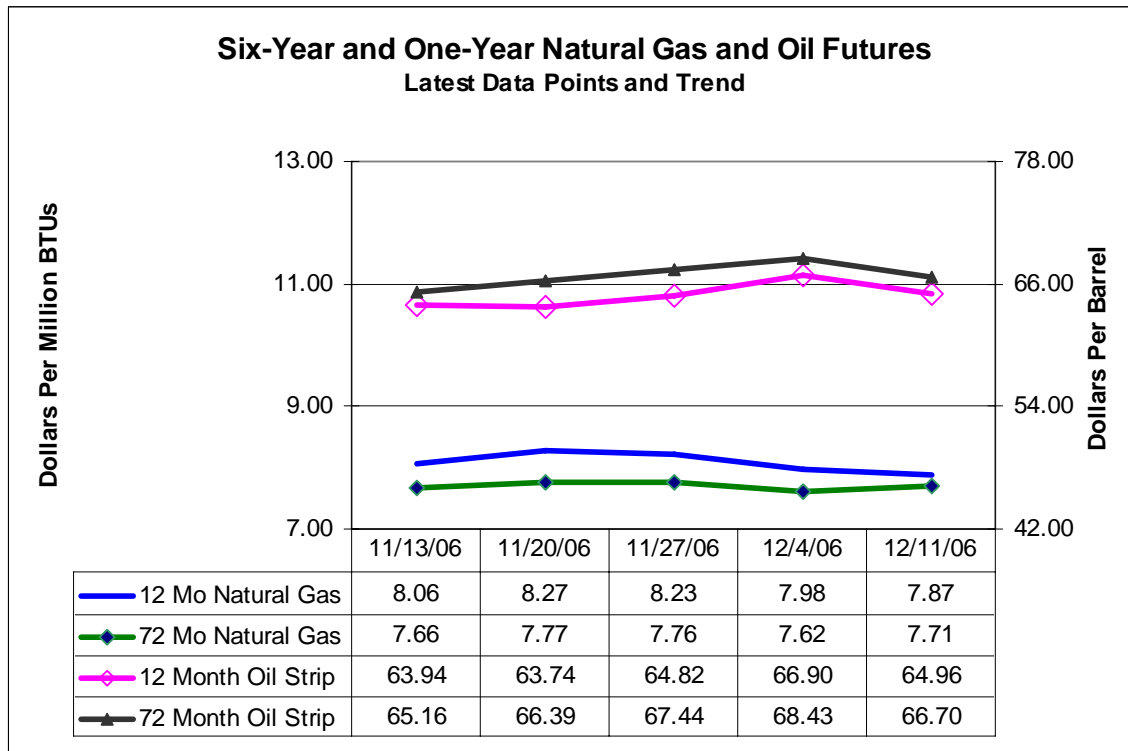


Four More Years

Summary and Recommendation

Patient investors in oil and gas buy recommendations ought to be well rewarded should our vision of \$150 a barrel for light, sweet crude oil in 2010 materialize. Even today's futures price of \$67 for 2010 implies an attractive outlook for oil stocks, natural gas futures and natural gas stocks. Considering that a McDep Ratio of 1.00 relates to \$60 oil, a composite McDep Ratio of 0.81 for individually weighted recommendations suggests stocks may be priced for \$49 oil (see table Portfolio Composite, page 2). A top performing stock like **PetroChina (PTR)** has more potential at the same time experience tells us that the same stock is not always the leader in the portfolio for every time period. Similarly a stock with lagging performance recently like small cap **Encore Acquisition (EAC)** is likely to appreciate again, perhaps benefiting soon from a "January effect". The 28 buy recommendations compose a portfolio that is weighted equally between U.S. and non-U.S. and by business is concentrated 42% natural gas, 48% oil and 10% downstream.

Kurt H. Wulff, CFA



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

Symbol	Price (US\$/sh) 11-Dec 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	75.36	3.2	2.9		0.2	0.5	1.3	0.9	0.97
Total S.A.	TOT	71.90	2.8	2.9	2.9		0.9	1.2	0.8	0.91
BP plc	BP	68.30	1.4	1.4	1.4	0.1	0.2	0.7	0.4	0.88
Royal Dutch Shell plc	RDS-A	70.85	2.8	2.9	2.9	0.1	0.5	1.1	1.1	0.86
Gazprom	OGZPY	46.07	9.4	8.6	8.6		8.6	1.1		0.83
Chevron Corporation	CVX	73.70	5.8	5.7		0.4	0.4	3.4	1.5	0.82
ConocoPhillips	COP	70.75	4.8	5.7		0.9	0.4	3.0	1.3	0.77
Producer/Refiners - Large Cap										
PetroChina Company Ltd.	PTR	132.74	3.2	2.9	2.9		0.2	2.4	0.2	0.95
Petro-Canada	PCZ	44.70	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.93
Marathon Oil Corporation	MRO	93.98	1.4	1.4		0.1	0.1	0.6	0.6	0.87
Suncor Energy	SU	79.13	1.5	1.4	1.4	0.1		1.3	0.1	0.84
Lukoil Oil Company	LUKOY	89.60	6.4	5.7	5.7			4.3	1.4	0.82
Norsk Hydro ASA	NHY	24.00	2.7	2.9	2.9		0.7	1.1	1.1	0.81
Independent Natural Gas and Oil - Large Cap										
XTO Energy Inc.	XTO	49.04	2.8	2.9		2.2		0.7		0.95
CNOOC Limited	CEO	89.56	3.3	2.9	2.9		0.3	2.6		0.91
Encana Corporation	ECA	53.00	5.6	5.7	5.7	4.1		1.2	0.4	0.84
Anadarko Petroleum Corp.	APC	49.86	1.6	2.9		1.6		1.2		0.80
EOG Resources	EOG	68.39	6.2	5.7		4.4	0.4	1.0		0.75
Occidental Petroleum Corp	OXY	49.20	2.9	2.9		0.4	0.0	2.1	0.3	0.74
Devon Energy Corporation	DVN	71.19	5.3	5.7		3.1		2.6		0.67
Independent Natural Gas and Oil - Small Cap										
Energy Partners Ltd.	EPL	25.07	1.2	1.4		0.8		0.7		0.86
Berry Petroleum Company	BRY	32.40	1.2	1.4		0.2		1.2		0.79
Cimarex Energy Company	XEC	37.35	2.8	2.9		2.0		0.9		0.59
Encore Acquisition Compæ	EAC	26.35	2.2	2.9		0.7		2.1		0.59
Income										
San Juan Basin Royalty Tr	SJT	37.84	6.6	5.7		5.7				0.94
Penn West Energy Trust	PWE	32.48	5.6	5.7	5.7	1.8		4.0		0.85
Canadian Oil Sands Trust	COSWF	26.73	5.8	5.7	5.7			5.7		0.78
Portfolio Composite			100	100	50	29	13	48	10	0.81

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

	Symbol/ Rating		Price (US\$/sh) 11-Dec 2006	Shares (mm)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	75.36	5,922	446,000	78.00	0.04	0.97
Total S.A.	TOT	B	71.90	2,302	166,000	80.00	0.14	0.91
BP plc	BP	B	68.30	3,303	226,000	80.00	0.16	0.88
Royal Dutch Shell plc	RDS-A	B	70.85	3,200	227,000	84.00	0.13	0.86
Gazprom (50%)	OGZPY	B	46.07	2,847	131,200	56.00	0.05	0.83
Chevron Corporation	CVX	B	73.70	2,206	163,000	92.00	0.10	0.82
ConocoPhillips	COP	B	70.75	1,676	119,000	100.00	0.21	0.77
<i>Total or Median</i>					<i>1,478,000</i>		<i>0.13</i>	<i>0.86</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S2	105.39	135	14,230	33.00	0.75	1.54
Imperial Oil Limited (30%)	IMO	H	38.73	292	11,320	37.00	0.07	1.04
PetroChina Company Ltd (10%)	PTR	B	132.74	179	23,760	140.00	0.04	0.95
Petro-Canada	PCZ	B	44.70	506	22,620	49.00	0.18	0.93
Marathon Oil Corporation	MRO	B	93.98	359	33,740	110.00	0.12	0.87
Suncor Energy	SU	B	79.13	461	36,490	95.00	0.06	0.84
Lukoil Oil Company	LUKOY	B	89.60	830	74,000	110.00	0.02	0.82
Norsk Hydro ASA	NHY	B	24.00	1,236	29,660	31.00	0.15	0.81
<i>Total or Median</i>					<i>246,000</i>		<i>0.10</i>	<i>0.90</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	49.04	371	18,190	52.00	0.16	0.95
CNOOC Limited (34%)	CEO	B	89.56	140	12,520	98.00	-	0.91
Encana Corporation	ECA	B	53.00	824	43,700	65.00	0.12	0.84
Anadarko Petroleum Corp.	APC	B	49.86	463	23,100	75.00	0.42	0.80
EOG Resources	EOG	B	68.39	246	16,800	92.00	0.04	0.75
Occidental Petroleum Corp.	OXY	B	49.20	860	42,300	69.00	0.09	0.74
Devon Energy Corporation	DVN	B	71.19	447	31,800	115.00	0.13	0.67
<i>Total or Median</i>					<i>188,000</i>		<i>0.12</i>	<i>0.80</i>
Independent Natural Gas and Oil - Small Cap								
Energy Partners Ltd.	EPL	B	25.07	41	1,020	31.00	0.25	0.86
Berry Petroleum Company	BRY	B	32.40	45	1,450	44.00	0.22	0.79
Cimarex Energy Company	XEC	B	37.35	84	3,150	68.00	0.08	0.59
Encore Acquisition Company	EAC	B	26.35	54	1,420	54.00	0.19	0.59
<i>Total or Median</i>					<i>7,000</i>		<i>0.20</i>	<i>0.69</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.92	168	8,040	15.00	0.54	2.01
Kinder Morgan Management, LLC	KMR	S3	46.25	61	2,800	15.00	0.54	1.96
Enerplus Resources Fund	ERF		46.31	123	5,700	47.00	0.11	0.99
San Juan Basin Royalty Trust	SJT	B	37.84	47	1,760	40.00	-	0.94
Pengrowth Energy Trust	PGH		16.78	241	4,040	20.00	0.27	0.88
Penn West Energy Trust	PWE	B	32.48	239	7,760	39.00	0.13	0.85
Canadian Oil Sands Trust	COSWF	B	26.73	479	12,800	35.00	0.09	0.78
<i>Total or Median</i>					<i>42,900</i>		<i>0.13</i>	<i>0.94</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) 11-Dec 2006	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	46.07	24.0	9.0	7.4	11	0.5
Exxon Mobil Corporation	XOM	B	75.36	11.4	6.4	6.2	11	1.7
Total S.A.	TOT	B	71.90	9.7	6.6	6.0	11	3.0
BP plc	BP	B	68.30	9.5	6.4	5.6	9	3.5
Chevron Corporation	CVX	B	73.70	10.9	6.2	5.1	9	2.8
Royal Dutch Shell plc	RDS-A	B	70.85	7.4	5.7	4.9	9	3.7
ConocoPhillips	COP	B	70.75	11.0	6.3	4.9	8	2.0
		<i>Median</i>		<i>10.9</i>	<i>6.4</i>	<i>5.6</i>	<i>9</i>	<i>2.8</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S2	105.39		8.8	13.6	22	3.3
Suncor Energy	SU	B	79.13	20.8	11.4	9.6	17	0.4
Imperial Oil Limited (30%)	IMO	H	38.73	10.3	7.8	8.1	14	0.7
Petro-Canada	PCZ	B	44.70	7.2	6.9	6.4	12	0.8
Lukoil Oil Company	LUKOY	B	89.60	18.7	7.4	6.0	10	1.4
PetroChina Company Ltd (10%)	PTR	B	132.74	15.1	6.3	6.0	12	3.7
Marathon Oil Corporation	MRO	B	93.98	8.6	6.0	5.3	9	1.4
Norsk Hydro ASA	NHY	B	24.00	8.1	5.1	4.2	9	2.9
		<i>Median</i>		<i>10.3</i>	<i>7.1</i>	<i>6.2</i>	<i>12</i>	<i>1.4</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	49.04	11.3	6.9	6.6	11	0.7
EOG Resources	EOG	B	68.39	9.3	8.2	6.2	15	0.4
Anadarko Petroleum Corp.	APC	B	49.86	11.5	7.7	6.2	9	1.4
Encana Corporation	ECA	B	53.00	8.7	7.2	6.1	12	0.8
CNOOC Limited (34%)	CEO	B	89.56	10.6	6.4	5.9	11	3.2
Occidental Petroleum Corp.	OXY	B	49.20	11.0	7.2	5.3	10	1.8
Devon Energy Corporation	DVN	B	71.19	8.2	6.8	4.6	9	0.6
		<i>Median</i>		<i>10.6</i>	<i>7.2</i>	<i>6.1</i>	<i>11</i>	<i>0.8</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	32.40	10.1	8.4	6.7	11	1.0
Encore Acquisition Company	EAC	B	26.35	15.5	9.2	5.4	14	-
Energy Partners Ltd.	EPL	B	25.07	5.0	4.7	4.1	-	-
Cimarex Energy Company	XEC	B	37.35	7.8	6.6	3.9	10	0.4
		<i>Median</i>		<i>9.0</i>	<i>7.5</i>	<i>4.7</i>	<i>11</i>	<i>0.2</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.92		7.8	15.7	33	6.8
Kinder Morgan Management, LLC	KMR	S3	46.25		7.8	15.2	32	7.0
San Juan Basin Royalty Trust	SJT	B	37.84	9.3	10.6	10.0	12	8.1
Canadian Oil Sands Trust	COSWF	B	26.73	23.0	12.4	9.7	13	6.8
Enerplus Resources Fund	ERF		46.31	9.5	7.4	7.3	16	9.5
Penn West Energy Trust	PWE	B	32.48	8.1	8.2	7.0	12	10.9
Pengrowth Energy Trust	PGH		16.78	7.1	6.9	6.1	10	15.6
		<i>Median</i>		<i>9.3</i>	<i>7.8</i>	<i>9.7</i>	<i>13</i>	<i>8.1</i>

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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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
11-Dec	COSWF	Canadian Oil Sands Trust	Tax Bomb Opportunity
28-Nov	PTR	PetroChina Company Limited	U.S./China Dollar Devaluation Accelerates
28-Nov	CEO	CNOOC Ltd	U.S./China Dollar Devaluation Accelerates
20-Nov	EPL	Energy Partners, Ltd.	Hostile Bidder Withdraws
17-Nov	SJT	San Juan Basin Royalty Trust	Dip/Rebound and New Shale Potential
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 Avera
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
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	* 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

Meter Reader - A Weekly Analysis

12-Dec		Four More Years
5-Dec	*	Six-Year Oil Rebounds
28-Nov	*	U.S./China Dollar Devaluation Accelerates
21-Nov	*	Natural Gas Warming Investors

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

8-Dec		A Thousand Barrels a Second
1-Dec		Al Gore's Movie
24-Nov	*	Look Ahead for Distribution Yield
17-Nov	*	Dip/Rebound and New Shale Potential

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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