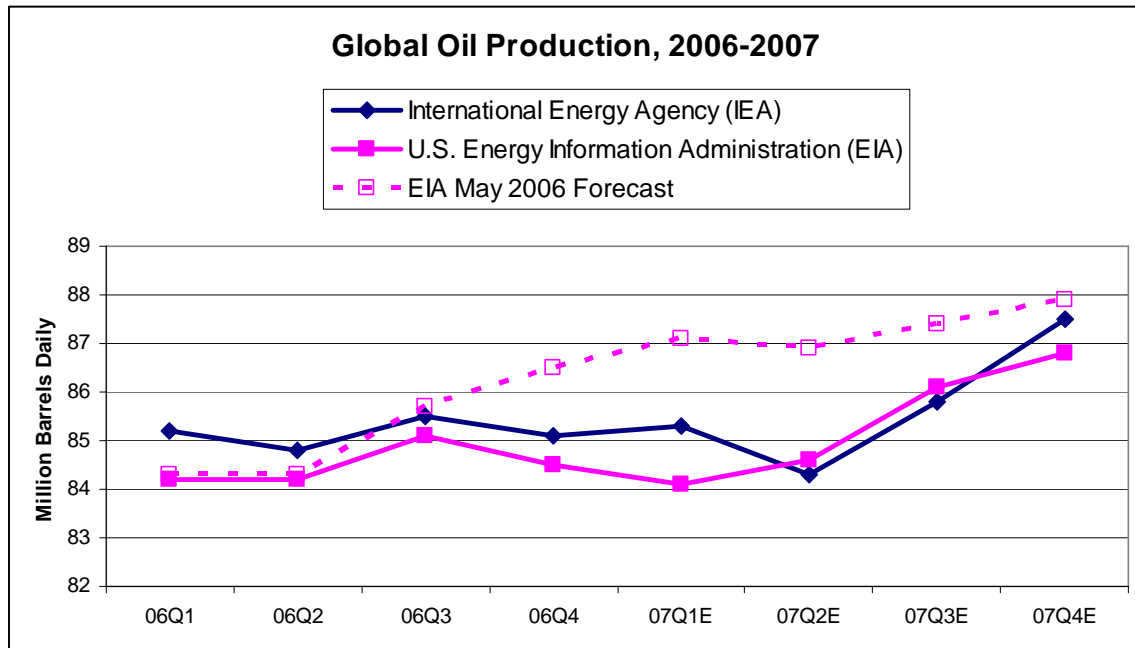


Peak Oil Test Looming

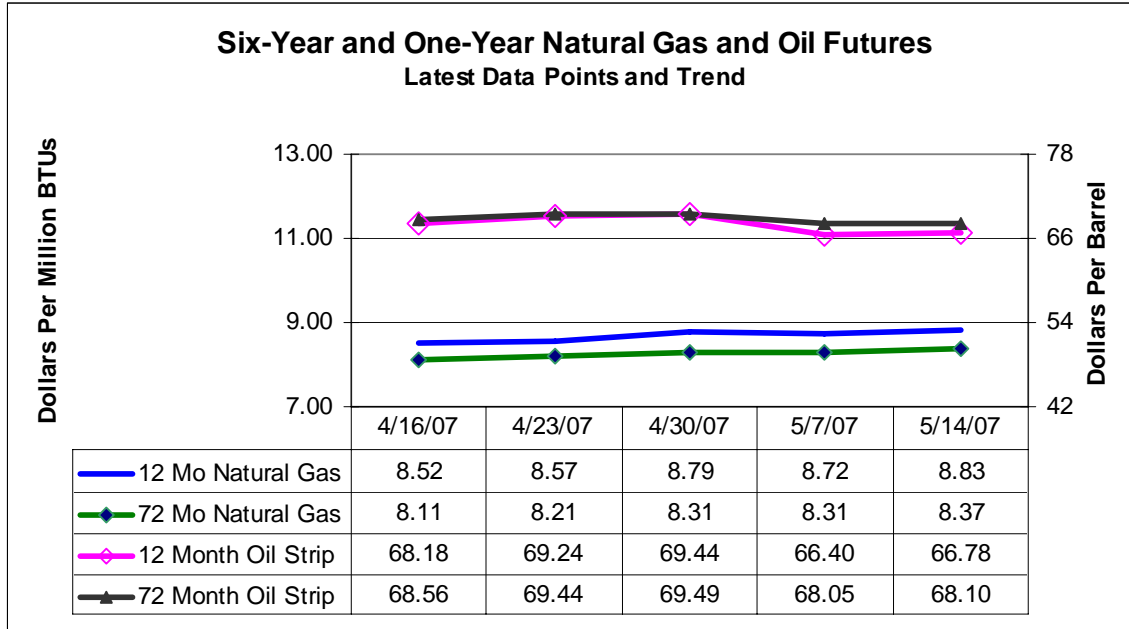
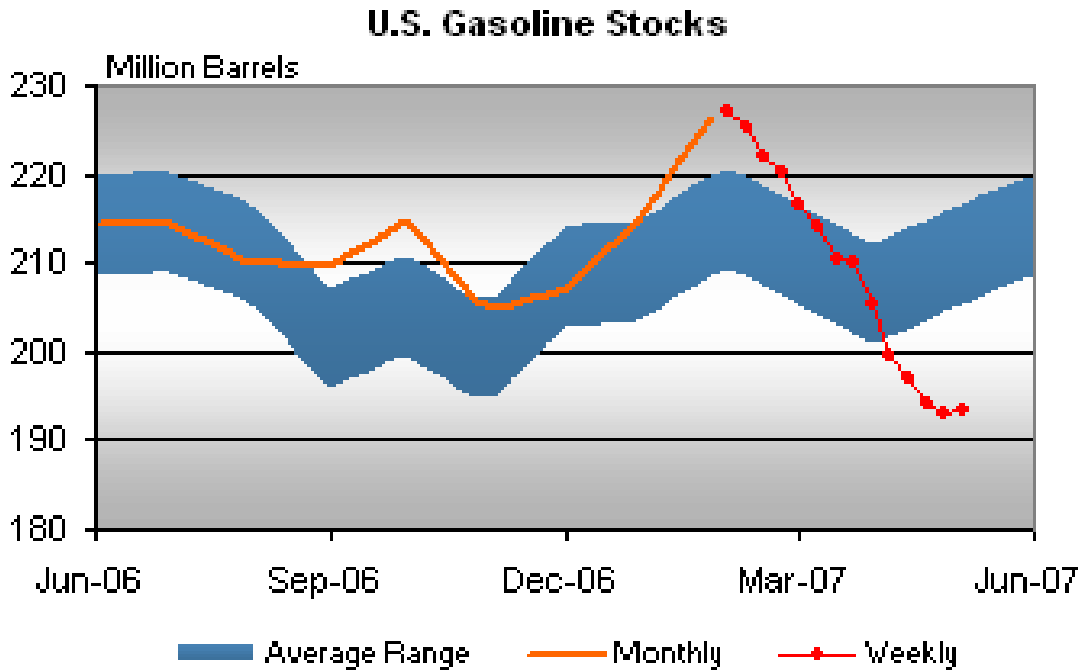
Summary and Recommendation

Gradually rising prices are accompanying a gradual peaking of oil production and pointing to investment opportunity in buy-recommended oil and gas producers including **ConocoPhillips (COP)**, **XTO Energy (XTO)** and **Occidental Petroleum (OXY)**. World oil production may have already peaked at about 85 million barrels daily (mmbd) where it has been stuck for the past year (see chart Global Oil Production). With current demand near 86 mmbd, the difference has been made up by declining inventory. Gasoline stored in the U.S. is especially low (see chart from the EIA, U.S. Gasoline Stocks). The apparent peak may be tested later this year as both the IEA and the EIA, the well-known consuming country government energy forecasters, expect oil production to break out to a new high of 87 mmbd. Regardless, maintaining current production is enough of a challenge, we think, to propel a continuation in the recently renewed uptrend in long-term oil price now quoted at \$68 a barrel (see table Six-Year and One-Year Natural Gas and Oil Futures).

Kurt H. Wulff, CFA



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Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 14-May 2007	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	81.25	5,714	464,000	82.40	0.05	0.99
Total S.A.	TOT	B	75.06	2,281	171,000	80.00	0.14	0.95
Chevron Corporation	CVX	B	80.87	2,206	178,000	92.00	0.10	0.89
Royal Dutch Shell plc	RDS-A	B	70.50	3,153	222,000	84.00	0.15	0.86
BP plc	BP	B	66.73	3,231	216,000	80.00	0.17	0.86
ConocoPhillips	COP	B	70.72	1,669	118,000	100.00	0.19	0.76
Gazprom (50%)	OGZPY	B	37.00	2,849	105,400	56.00	0.07	0.68
<i>Total or Median</i>					<i>1,474,000</i>		<i>0.14</i>	<i>0.86</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S	106.83	133	14,240	33.00	0.76	1.54
Imperial Oil Limited (30%)	IMO	B	40.82	287	11,730	37.00	0.08	1.10
Marathon Oil Corporation	MRO	B	108.92	347	37,800	110.00	0.14	0.99
Petro-Canada	PCZ	B	47.08	502	23,630	49.00	0.19	0.97
Norsk Hydro (pro forma)	NHY	B	34.22	1,229	42,060	38.00	0.20	0.92
Suncor Energy	SU	B	83.34	461	38,430	95.00	0.08	0.89
PetroChina Company Ltd (10%)	PTR	B	128.75	181	23,300	150.00	0.06	0.87
Lukoil Oil Company	LUKOY	B	72.85	830	60,000	110.00	0.02	0.67
<i>Total or Median</i>					<i>251,000</i>		<i>0.11</i>	<i>0.94</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	56.06	372	20,850	60.00	0.15	0.94
Encana Corporation	ECA	B	58.99	780	46,000	65.00	0.15	0.92
CNOOC Limited (34%)	CEO	B	88.82	140	12,420	98.00	-	0.91
EOG Resources	EOG	B	77.11	247	19,000	92.00	0.05	0.85
Anadarko Petroleum Corp.	APC	B	46.20	465	21,500	70.00	0.40	0.80
Occidental Petroleum Corp.	OXY	B	51.85	847	43,900	69.00	0.08	0.77
Devon Energy Corporation	DVN	B	76.00	450	34,200	115.00	0.16	0.72
<i>Total or Median</i>					<i>198,000</i>		<i>0.15</i>	<i>0.85</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	33.75	45	1,510	44.00	0.24	0.82
Encore Acquisition Company	EAC	B	26.78	53	1,420	48.00	0.41	0.74
Energy Partners Ltd.	EPL	B	16.24	31	510	33.00	0.39	0.69
Cimarex Energy Company	XEC	B	39.49	84	3,330	68.00	0.10	0.62
<i>Total or Median</i>					<i>6,800</i>		<i>0.31</i>	<i>0.71</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	56.65	172	9,720	15.00	0.54	2.27
Kinder Morgan Management, LLC	KMR	S	54.20	62	3,340	15.00	0.54	2.20
Pengrowth Energy Trust	PGH		17.62	241	4,250	17.00	0.29	1.03
Enerplus Resources Fund	ERF		45.15	123	5,570	47.00	0.14	0.97
Penn West Energy Trust	PWE	B	32.54	240	7,800	36.00	0.16	0.92
Canadian Oil Sands Trust	COSWF	B	28.06	479	13,440	35.00	0.08	0.82
San Juan Basin Royalty Trust	SJT	B	31.90	47	1,490	40.00	-	0.80
Hugoton Royalty Trust	HGT	B	26.85	40	1,070	34.00	-	0.79
<i>Total or Median</i>					<i>46,700</i>		<i>0.15</i>	<i>0.94</i>

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

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Oil and Gas Producers - Rank by EV/Ebitda

	Symbol/ Rating		Price (US\$/sh) 14-May 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	
Mega Cap									
Exxon Mobil Corporation	XOM	B	81.25	11.5	6.6	6.5	11	1.7	
Total S.A.	TOT	B	75.06	9.4	6.3	6.0	11	3.4	
BP plc	BP	B	66.73	9.6	6.8	5.8	10	3.7	
Gazprom (50%)	OGZPY	B	37.00	24.0	8.5	5.8	9	0.3	
Chevron Corporation	CVX	B	80.87	10.0	6.0	5.4	10	2.9	
Royal Dutch Shell plc	RDS-A	B	70.50	7.9	5.7	5.0	9	4.1	
ConocoPhillips	COP	B	70.72	11.0	6.2	4.7	8	2.3	
	<i>Median</i>				10.0	6.3	5.8	10	2.9
Producer/Refiners - Large Cap									
Kinder Morgan, Inc.	KMI	S	106.83		8.9	13.6	21	3.3	
Suncor Energy	SU	B	83.34	23.6	9.9	8.8	15	0.3	
Imperial Oil Limited (30%)	IMO	B	40.82	13.6	8.0	8.8	15	0.7	
PetroChina Company Ltd (10%)	PTR	B	128.75	15.1	7.7	6.7	14	3.6	
Marathon Oil Corporation	MRO	B	108.92	8.1	5.7	5.6	10	1.8	
Petro-Canada	PCZ	B	47.08	6.9	5.3	5.1	10	1.0	
Norsk Hydro (pro forma)	NHY	B	34.22	8.6	5.4	4.9	9	2.4	
Lukoil Oil Company	LUKOY	B	72.85	18.3	7.4	4.9	9	1.8	
	<i>Median</i>				13.6	7.5	6.2	12	1.8
Independent Natural Gas and Oil - Large Cap									
XTO Energy Inc.	XTO	B	56.06	12.2	7.7	7.2	13	0.9	
Anadarko Petroleum Corp.	APC	B	46.20	11.2	8.4	6.7	12	1.6	
Encana Corporation	ECA	B	58.99	9.5	6.8	6.3	12	1.4	
EOG Resources	EOG	B	77.11	9.6	6.9	5.8	13	0.5	
CNOOC Limited (34%)	CEO	B	88.82	10.6	5.9	5.3	10	3.7	
Occidental Petroleum Corp.	OXY	B	51.85	11.9	6.9	5.3	11	1.7	
Devon Energy Corporation	DVN	B	76.00	9.4	7.4	5.3	10	0.7	
	<i>Median</i>				10.6	6.9	5.8	12	1.4
Independent Natural Gas and Oil - Small Cap									
Berry Petroleum Company	BRY	B	33.75	10.3	9.4	7.7	13	0.9	
Encore Acquisition Company	EAC	B	26.78	14.5	9.0	6.7	16	-	
Cimarex Energy Company	XEC	B	39.49	8.1	6.2	3.9	9	0.4	
Energy Partners Ltd.	EPL	B	16.24	5.4	4.9	3.4	-	-	
	<i>Median</i>				9.2	7.6	5.3	13	0.2
Income									
Kinder Morgan Energy Partners, L.P.	KMP	S	56.65		7.9	17.9	55	5.9	
Kinder Morgan Management, LLC	KMR	S	54.20		7.9	17.3	53	6.1	
Canadian Oil Sands Trust	COSWF	B	28.06	22.7	12.3	10.1	14	6.1	
San Juan Basin Royalty Trust	SJT	B	31.90	9.8	10.8	8.6	10	9.6	
Pengrowth Energy Trust	PGH		17.62	7.5	7.5	7.7	26	15.5	
Hugoton Royalty Trust	HGT	B	26.85	13.4	9.6	7.6	10	10.0	
Penn West Energy Trust	PWE	B	32.54	7.6	7.6	7.0	15	11.4	
Enerplus Resources Fund	ERF		45.15	9.0	7.2	7.0	13	40.5	
	<i>Median</i>				9.4	7.9	8.1	14	9.8

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

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McDep Energy Portfolio
Composite of Buy Recommendations

Symbol	Price (US\$/sh)	Portfolio Weight		Non- U.S. HQ	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio	
		14-May 2007	Equity (%)							EV (%)
Mega Cap										
Exxon Mobil Corporation	XOM	81.25	3.1	2.8		0.2	0.4	1.4	0.7	0.99
Total S.A.	TOT	75.06	2.8	2.8	2.8		0.8	1.4	0.6	0.95
Chevron Corporation	CVX	80.87	5.9	5.6		0.3	0.4	3.4	1.5	0.89
Royal Dutch Shell plc	RDS-A	70.50	2.7	2.8	2.8	0.1	0.4	1.3	1.0	0.86
BP plc	BP	66.73	1.3	1.4	1.4	0.1	0.1	0.8	0.3	0.86
ConocoPhillips	COP	70.72	5.0	5.6		1.0	0.4	3.0	1.3	0.76
Gazprom	OGZPY	37.00	9.0	8.5	8.5		6.7	1.8		0.68
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	40.82	1.5	1.4	1.4	0.1		1.1	0.2	1.10
Marathon Oil Corporation	MRO	108.92	1.4	1.4		0.1	0.1	0.6	0.6	0.99
Petro-Canada	PCZ	47.08	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.97
Norsk Hydro (pro forma)	NHY	34.22	2.6	2.8	2.8		0.7	1.0	1.1	0.92
Suncor Energy	SU	83.34	1.5	1.4	1.4	0.1		1.3	0.1	0.89
PetroChina Company Ltd.	PTR	128.75	3.1	2.8	2.8		0.2	2.4	0.2	0.87
Lukoil Oil Company	LUKOY	72.85	6.5	5.6	5.6			4.2	1.4	0.67
Independent Natural Gas and Oil - Large Cap										
XTO Energy Inc.	XTO	56.06	2.8	2.8		2.0		0.8		0.94
Encana Corporation	ECA	58.99	5.5	5.6	5.6	4.1		1.3	0.2	0.92
CNOOC Limited	CEO	88.82	3.3	2.8	2.8		0.3	2.5		0.91
EOG Resources	EOG	77.11	6.2	5.6		4.2	0.4	1.0		0.85
Anadarko Petroleum Corp.	APC	46.20	1.7	2.8		1.5		1.3	0.1	0.80
Occidental Petroleum Corp	OXY	51.85	3.0	2.8		0.4	0.0	2.1	0.3	0.77
Devon Energy Corporation	DVN	76.00	5.1	5.6		3.0		2.6		0.72
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	33.75	1.2	1.4		0.3		1.1		0.82
Encore Acquisition Comp	EAC	26.78	1.5	2.8		0.6		2.2		0.74
Energy Partners Ltd.	EPL	16.24	0.7	1.4		0.8		0.7		0.69
Cimarex Energy Company	XEC	39.49	2.8	2.8		1.9		0.9		0.62
Income										
Penn West Energy Trust	PWE	32.54	4.1	4.2	4.2	1.4		2.9		0.92
Canadian Oil Sands Trust	COSWF	28.06	6.0	5.6	5.6			5.6		0.82
San Juan Basin Royalty Tr	SJT	31.90	6.6	5.6		5.6				0.80
Hugoton Royalty Trust	HGT	26.85	1.7	1.4		1.4				0.79
Portfolio Composite			100	100	49	30	11	50	10	0.81
Canada					20					
Russia					14					
Europe					10					
China					6					

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
9-May	XEC	Cimarex Energy Company	Lowest McDep Ratio
8-May	OGZPY	Gazprom	Russian Value
8-May	PWE	Penn West Energy Trust	Committed to Income Distributions
7-May	EAC	Encore Acquisition	Encore for Bell Creek
7-May	PTR	PetroChina Company Limited	Raise NPV on Discovery
4-May	TOT	Total S.A.	Integrated Model
4-May	EPL	Energy Partners, Ltd.	Strategic Alternatives Disappointment
3-May	RDSA	Royal Dutch Shell plc	Record Results
2-May	BRY	Berry Petroleum	Piceance and Diatomite
2-May	DVN	Devon Energy Corporation	Low McDep Ratio Natural Gas
2-May	IMO	Imperial Oil Limited	Oil Sands Deal Unmasks Value
1-May	EOG	EOG Resources Inc.	Productive Drilling Boosts Cash Flow
1-May	MRO	Marathon Oil Corporation	Stock Split Declared
1-May	APC	Anadarko Petroleum Corporation	Adjust NPV to \$70 a Share on Lower Debt
27-Apr	CVX	Chevron Corporation	Solid Results
26-Apr	CEO	CNOOC Ltd	Volume up 5%
26-Apr	XOM	Exxon Mobil Corporation	Another Record Quarter
26-Apr	XTO	XTO Energy Inc.	Buy for Natural Gas
26-Apr	COSWF	Canadian Oil Sands Trust	Distribution Raised 33%
25-Apr	ECA	EnCana Corporation	Buy for Natural Gas
25-Apr	COP	ConocoPhillips	Strong Demand, Constrained Supply
25-Apr	* BP	BP p.l.c.	CEO Cycle
25-Apr	* LUKOY	Lukoil Oil Company	Tax Timing
24-Apr	* OXY	Occidental Petroleum Corporation	Well-Positioned in Oil
24-Apr	* PCZ	Petro-Canada	Volume Up 15%
18-Apr	* KMx	Kinder Morgan	Deal Delayed
23-Mar	* SJT	San Juan Basin Royalty Trust	Planetary Emergency
23-Mar	* HGT	Hugoton Royalty Trust	Planetary Emergency
20-Feb	* NHY	Norsk Hydro ASA	Raise NPV to \$36 a Share

Meter Reader - A Weekly Analysis

15-May		Peak Oil Test Looming
8-May		Russian Value
1-May	*	Deals and Debacles
24-Apr	*	Stealth Oil Price Trend

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

11-May		Income from Clean Fuel for Global Growth
4-May		Out of Favor
27-Apr	*	Distribution Decisions
20-Apr	*	Crank Up the Air Conditioning

* Archived on www.mcdep.com

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