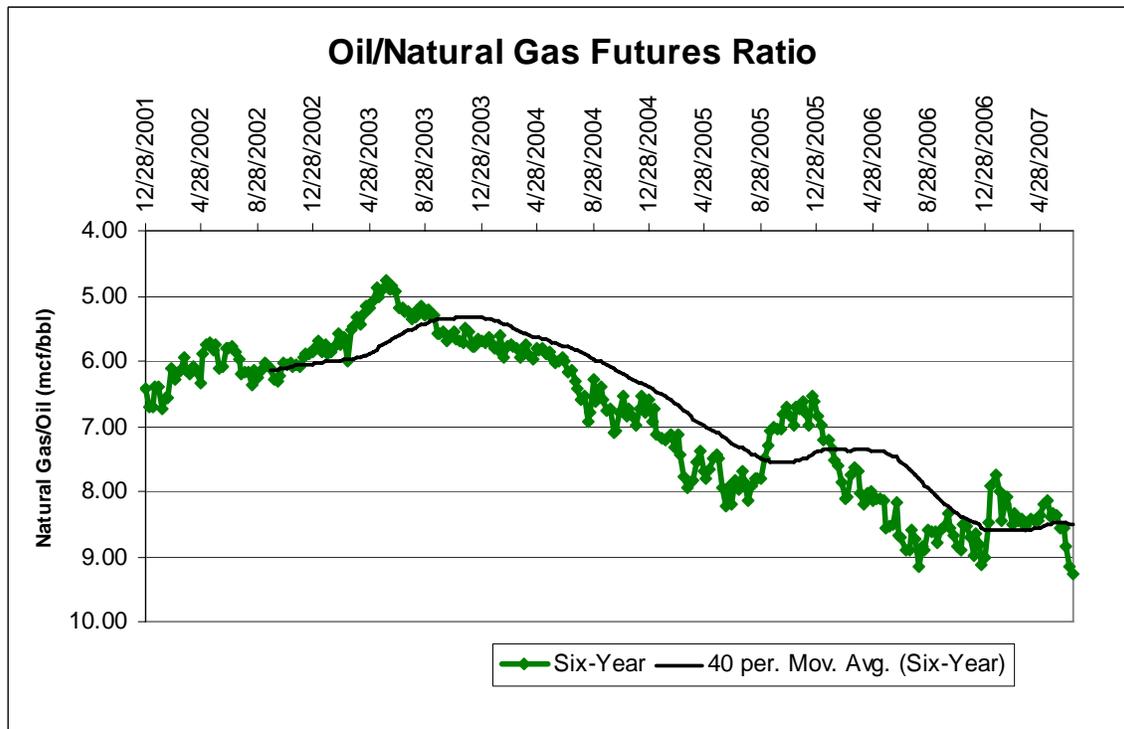


Natural Gas Price Extremely Low

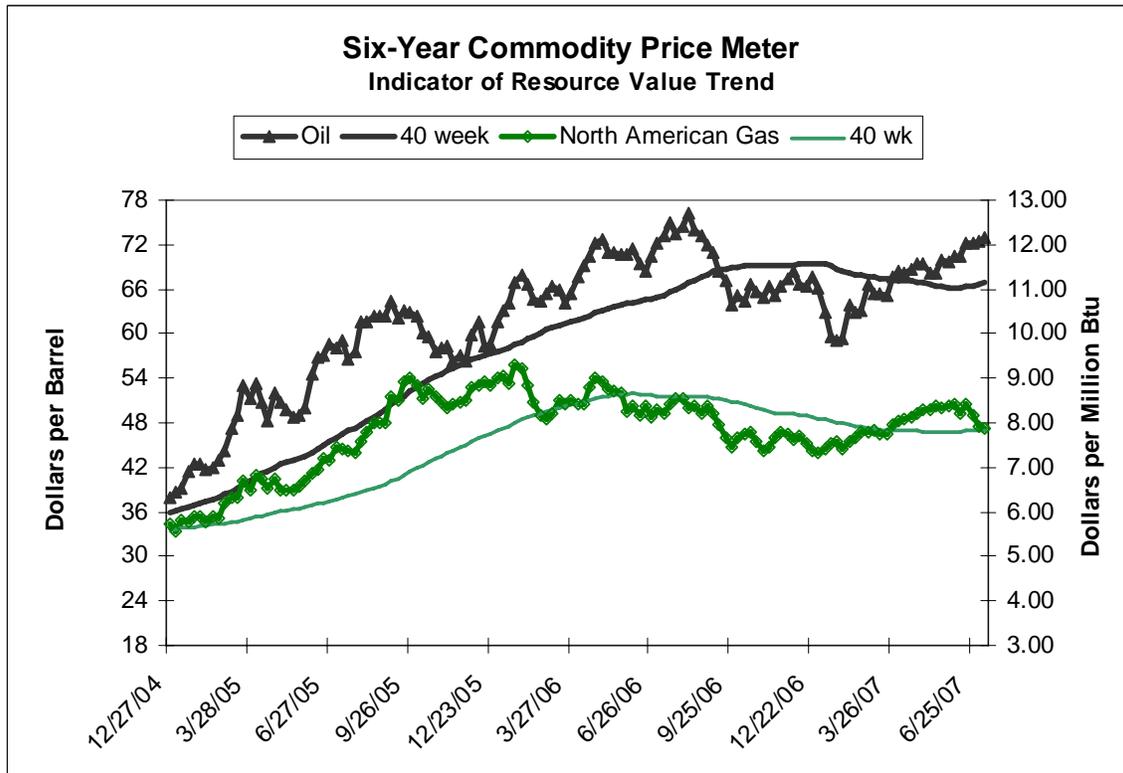
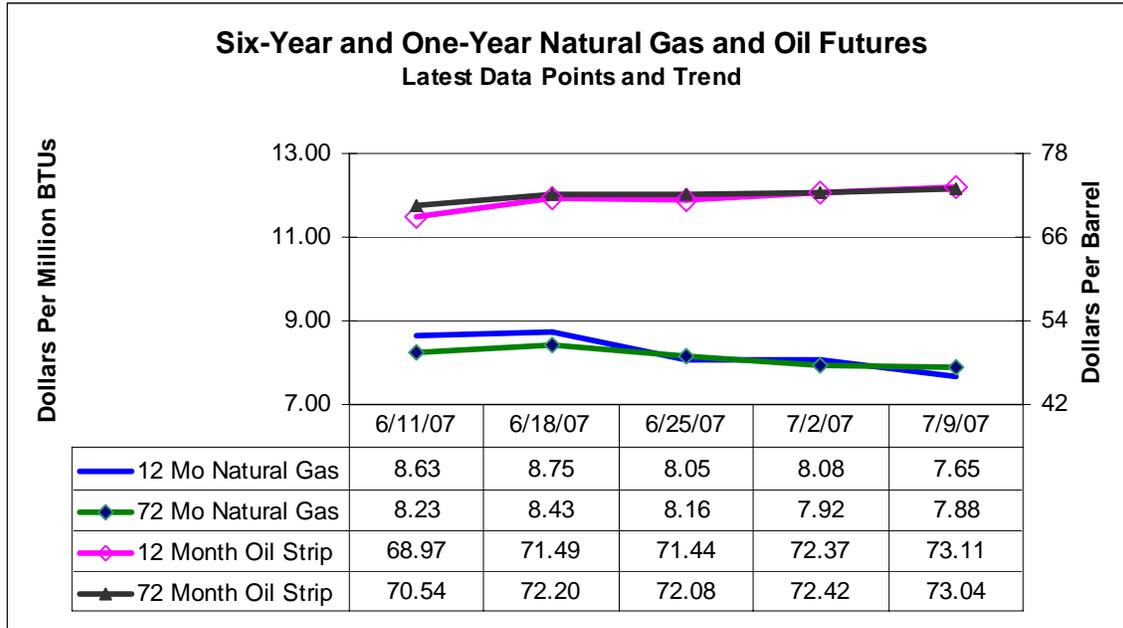
Summary and Recommendation

With the ratio of oil price to natural gas price reaching 9.3, the relative value of natural gas has fallen to its lowest level in the six years long-term quotes have been publicly available (see chart below, Oil/Natural Gas Futures Ratio). Long-term natural gas price is nearly as low as it can be, now \$7.88 a million btu, while staying in an uptrend above the 40-week average we calculate at \$7.85 (see charts Latest Data Points and Trend, Six-Year Commodity Price Meter, page 2). A potential change in trend would be a contradiction to crude oil price that is in a strong uptrend and refined products prices that continue near record levels compared to crude oil. In that case, natural gas investors may need more patience until an uptrend is restored for the clean fuel. Meanwhile a reversal of natural gas price to the upside could occur just as rapidly as the recent decline. We advocate managing portfolio concentration toward 41% on natural gas, 50% on crude oil, 8% on downstream, mostly refining and marketing, and 47% on companies headquartered outside the U.S. (see table Composite of Buy Recommendations, page 5).

Kurt H. Wulff, CFA



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Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 9-Jul 2007	Shares (mm)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Total S.A.	TOT	B	85.12	2,281	194,000	89.00	0.13	0.96
Exxon Mobil Corporation	XOM	B	87.44	5,714	500,000	92.00	0.05	0.95
Royal Dutch Shell plc	RDS-A	B	85.34	3,153	269,000	94.00	0.13	0.92
BP plc	BP	B	74.08	3,231	239,000	87.00	0.16	0.88
Chevron Corporation	CVX	B	89.50	2,206	197,000	105.00	0.09	0.86
ConocoPhillips	COP	B	84.05	1,669	140,000	112.00	0.18	0.79
Gazprom (50%)	OGZPY	B	43.65	2,855	124,600	62.00	0.07	0.72
<i>Total or Median</i>					<i>1,664,000</i>		<i>0.13</i>	<i>0.88</i>
Producer/Refiners - Large Cap								
Norsk Hydro ASA (post Oct 1)	NHY	H	12.86	1,241	15,960	11.00	0.13	1.15
Imperial Oil Limited (30%)	IMO	B	47.97	287	13,790	42.00	0.07	1.13
Marathon Oil Corporation	MRO	H	63.90	694	44,350	62.00	0.13	1.03
Petro-Canada	PCZ	B	55.32	502	27,770	55.00	0.18	1.00
PetroChina Company Ltd (10%)	PTR	B	159.94	181	28,950	166.00	0.05	0.97
Statoil ASA (29%)	STO	B	32.38	928	30,050	35.00	0.11	0.93
Suncor Energy	SU	B	91.45	461	42,170	105.00	0.07	0.88
Lukoil Oil Company	LUKOY	B	80.80	831	67,000	121.00	0.02	0.68
<i>Total or Median</i>					<i>270,000</i>		<i>0.09</i>	<i>0.99</i>
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	B	120.55	140	16,860	108.00	-	1.12
Encana Corporation	ECA	B	63.27	780	49,400	72.00	0.14	0.90
XTO Energy Inc.	XTO	B	60.92	372	22,660	70.00	0.13	0.89
Anadarko Petroleum Corp.	APC	B	52.40	465	24,400	74.00	0.38	0.82
Occidental Petroleum Corp.	OXY	B	60.64	847	51,300	77.00	0.07	0.80
EOG Resources	EOG	B	74.57	247	18,400	102.00	0.05	0.74
Devon Energy Corporation	DVN	B	79.69	450	35,900	129.00	0.15	0.67
<i>Total or Median</i>					<i>219,000</i>		<i>0.13</i>	<i>0.82</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	39.12	45	1,740	44.00	0.24	0.91
Encore Acquisition Company	EAC	B	29.57	53	1,570	54.00	0.34	0.70
Energy Partners Ltd.	EPL	B	17.45	31	550	38.00	0.35	0.65
Cimarex Energy Company	XEC	B	40.74	84	3,440	76.00	0.09	0.58
<i>Total or Median</i>					<i>7,300</i>		<i>0.29</i>	<i>0.68</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.88	172	9,590	15.00	0.54	2.25
Kinder Morgan Management, LLC	KMR	S	52.94	62	3,270	15.00	0.54	2.16
Pengrowth Energy Trust	PGH		19.63	244	4,790	17.00	0.29	1.11
Penn West Energy Trust	PWE	B	34.02	240	8,150	36.00	0.17	0.95
Enerplus Resources Fund	ERF		47.80	123	5,900	52.00	0.13	0.93
San Juan Basin Royalty Trust	SJT	B	32.06	47	1,490	40.00	-	0.80
Canadian Oil Sands Trust	COSWF	B	29.90	479	14,320	39.00	0.08	0.78
Hugoton Royalty Trust	HGT	B	26.03	40	1,040	34.00	-	0.76
<i>Total or Median</i>					<i>48,600</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) 9-Jul 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	43.65	24.6	9.4	6.8	10	0.9
Exxon Mobil Corporation	XOM	B	87.44	11.5	7.0	6.7	12	1.6
Total S.A.	TOT	B	85.12	9.4	6.6	6.3	11	1.4
BP plc	BP	B	74.08	9.6	6.9	6.1	10	3.3
Chevron Corporation	CVX	B	89.50	10.0	6.5	5.6	10	2.6
Royal Dutch Shell plc	RDS-A	B	85.34	7.9	6.1	5.6	10	3.4
ConocoPhillips	COP	B	84.05	11.2	6.6	5.3	9	2.0
	<i>Median</i>			<i>10.0</i>	<i>6.6</i>	<i>6.1</i>	<i>10</i>	<i>2.0</i>
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	47.97	13.3	8.4	9.5	16	0.6
Suncor Energy	SU	B	91.45	23.6	9.7	8.6	15	0.3
PetroChina Company Ltd (10%)	PTR	B	159.94	15.1	8.0	7.7	16	2.9
Norsk Hydro ASA (post Oct 1)	NHY	H	12.86	-	6.5	7.5	13	1.3
Marathon Oil Corporation	MRO	H	63.90	7.8	6.0	6.1	11	1.5
Statoil ASA (29%)	STO	B	32.38	7.7	6.1	5.7	13	4.8
Petro-Canada	PCZ	B	55.32	6.9	5.5	5.6	11	0.9
Lukoil Oil Company	LUKOY	B	80.80	17.8	7.6	5.2	9	1.8
	<i>Median</i>			<i>10.6</i>	<i>7.1</i>	<i>6.8</i>	<i>13</i>	<i>1.4</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	60.92	12.2	9.0	8.0	14	0.8
Anadarko Petroleum Corp.	APC	B	52.40	11.2	8.6	7.1	13	1.4
Encana Corporation	ECA	B	63.27	9.5	7.8	7.0	14	1.3
CNOOC Limited (34%)	CEO	B	120.55	10.6	6.1	6.8	12	2.8
EOG Resources	EOG	B	74.57	9.6	8.0	6.0	14	0.5
Occidental Petroleum Corp.	OXY	B	60.64	11.9	7.2	5.7	11	1.5
Devon Energy Corporation	DVN	B	79.69	9.4	8.3	5.6	11	0.7
	<i>Median</i>			<i>10.6</i>	<i>8.0</i>	<i>6.8</i>	<i>13</i>	<i>1.3</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	39.12	10.3	8.8	8.1	14	0.8
Encore Acquisition Company	EAC	B	29.57	14.8	8.9	6.3	15	-
Cimarex Energy Company	XEC	B	40.74	8.1	7.1	4.1	10	0.4
Energy Partners Ltd.	EPL	B	17.45	5.4	5.5	3.6	-	-
	<i>Median</i>			<i>9.2</i>	<i>8.0</i>	<i>5.2</i>	<i>14</i>	<i>0.2</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.88		7.9	17.7	54	5.9
Kinder Morgan Management, LLC	KMR	S	52.94		7.9	17.0	51	6.3
San Juan Basin Royalty Trust	SJT	B	32.06	10.2	12.3	9.8	12	8.3
Canadian Oil Sands Trust	COSWF	B	29.90	21.1	10.9	8.6	11	6.7
Pengrowth Energy Trust	PGH		19.63	7.5	7.6	8.5	33	14.5
Hugoton Royalty Trust	HGT	B	26.03	14.0	11.0	8.4	12	8.4
Enerplus Resources Fund	ERF		47.80	9.0	7.9	7.4	14	10.0
Penn West Energy Trust	PWE	B	34.02	7.6	7.5	7.2	16	11.4
	<i>Median</i>			<i>9.6</i>	<i>7.9</i>	<i>8.5</i>	<i>15</i>	<i>8.3</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 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	Rest	Oil Prod'n (%)	Down- stream (%)	McDep Ratio	
		9-Jul	EV		Amer.	of World				
		2007	(%)		Natural	Natural				
Mega Cap										
Total S.A.	TOT	85.12	2.9	2.9			0.7	1.5	0.6	0.96
Exxon Mobil Corporation	XOM	87.44	1.6	1.4		0.1	0.2	0.8	0.4	0.95
Royal Dutch Shell plc	RDS-A	85.34	2.8	2.9	2.9	0.1	0.4	1.4	1.0	0.92
BP plc	BP	74.08	2.7	2.9	2.9	0.2	0.3	1.7	0.7	0.88
Chevron Corporation	CVX	89.50	6.0	5.7		0.3	0.4	3.6	1.5	0.86
ConocoPhillips	COP	84.05	5.2	5.7		0.9	0.4	3.0	1.4	0.79
Gazprom	OGZPY	43.65	9.1	8.6	8.6		6.6	2.0		0.72
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	47.97	1.6	1.4	1.4	0.1		1.1	0.2	1.13
Petro-Canada	PCZ	55.32	1.4	1.4	1.4	0.2	0.0	1.0	0.2	1.00
PetroChina Company Ltd.	PTR	159.94	3.1	2.9	2.9		0.2	2.5	0.2	0.97
Statoil ASA	STO	32.38	1.5	1.4	1.4		0.5	0.9	-	0.93
Suncor Energy	SU	91.45	1.5	1.4	1.4	0.1		1.3	0.1	0.88
Lukoil Oil Company	LUKOY	80.80	6.4	5.7	5.7			4.1	1.6	0.68
Independent Natural Gas and Oil - Large Cap										
CNOOC Limited	CEO	120.55	3.3	2.9	2.9		0.3	2.6		1.12
Encana Corporation	ECA	63.27	4.2	4.3	4.3	3.2		0.9	0.1	0.90
XTO Energy Inc.	XTO	60.92	4.2	4.3		3.3		1.0		0.89
Anadarko Petroleum Corp.	APC	52.40	1.8	2.9		1.5		1.3	0.1	0.82
Occidental Petroleum Corp	OXY	60.64	3.0	2.9		0.4	0.0	2.2	0.3	0.80
EOG Resources	EOG	74.57	6.2	5.7		4.3	0.4	1.0		0.74
Devon Energy Corporation	DVN	79.69	5.2	5.7		3.2		2.5		0.67
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	39.12	1.2	1.4		0.4		1.0		0.91
Encore Acquisition Comp	EAC	29.57	1.7	2.9		0.5		2.4		0.70
Energy Partners Ltd.	EPL	17.45	1.5	2.9		1.4		1.5		0.65
Cimarex Energy Company	XEC	40.74	2.8	2.9		2.0		0.9		0.58
Income										
Penn West Energy Trust	PWE	34.02	2.7	2.9	2.9	0.9		1.9		0.95
San Juan Basin Royalty Tr	SJT	32.06	6.7	5.7		5.7				0.80
Canadian Oil Sands Trust	COSWF	29.90	6.0	5.7	5.7	(0.6)		6.3		0.78
Hugoton Royalty Trust	HGT	26.03	3.3	2.9		2.9				0.76
Portfolio Composite										
			100	100	47	31	10	50	8	0.80
	Canada				17					
	Russia				14					
	Europe				10					
	China				6					

Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 8.6% to half at 1.4%.

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
29-Jun	OGZPY	Gazprom	Raise NPV to \$62 a Share
29-Jun	LUKOY	Lukoil Oil Company	Raise NPV to \$121 a Share
1-Jun	* SJT	San Juan Basin Royalty Trust	Stable Present Value (RT Weekly)
1-Jun	* HGT	Hugoton Royalty Trust	Stable Present Value (RT Weekly)
31-May	* NHY	Norsk Hydro ASA	Hold New NHY, Buy Statoil
18-May	* MRO	Marathon Oil Corporation	Downgrade to Hold from Buy on Price
9-May	* XEC	Cimarex Energy Company	Lowest McDep Ratio
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	* COSWF	Canadian Oil Sands Trust	Distribution Raised 33%
25-Apr	* XTO	XTO Energy Inc.	Buy for Natural Gas
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
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

Meter Reader - A Weekly Analysis

10-Jul		Natural Gas Price Extremely Low
3-Jul		New Oil Sands Breakeven - \$50 a Barrel
26-Jun	*	Our Friend, the Trend
19-Jun	*	Oil Rich Country

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

6-Jul		Permian for Patient Investors
29-Jun		Honest Ed Stemplach
22-Jun	*	CAPPitalizing Canadian Oil Sands Trust
15-Jun	*	Dorchester Minerals Defies Decline

* Archived on www.mcdep.com

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