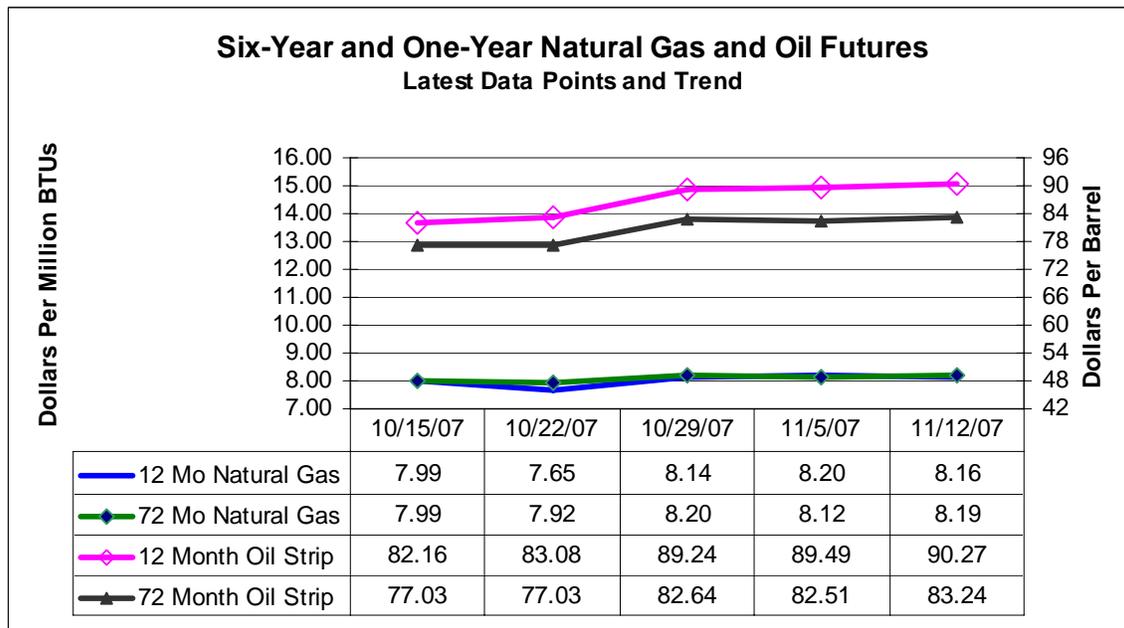


Fuel and Geography

Summary and Recommendation

Energy Portfolio logic suggests that investors direct new purchases to natural gas and to Russia, Europe and the U.S. Coincidentally, the Shtokman partners, Russian **Gazprom (OGZ)**, and Europeans **Total (TOT)** and **StatoilHydro (STO)**, are the three buy recommendations most concentrated on natural gas outside North America. Multiple attractive U.S. independent natural gas producer buy recommendations include **Devon Energy (DVN)**, **XTO Energy** and **EOG Resources (EOG)**. Since natural gas has gone up less than oil for five years, natural gas stocks may not have advanced as much as oil stocks. Recommended weightings do not change as often as stock prices, but we have removed oil-oriented China stocks from the buy portfolio as a result of price gains and we have cut back oil-oriented Canada stocks slightly because of unexpected tax increases. The oil price trend continues up on a 40-week or 200-day basis as long as the six-year quote now at \$83 a barrel stays above \$70. On a 6:1 crude oil price equivalent basis, six-year natural gas, now at \$8 a million btu ought to be \$14 (see chart 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) 12-Nov 2007	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	72.11	3,177	229,000	75.00	0.18	0.97
Exxon Mobil Corporation	XOM	B	84.65	5,536	469,000	92.00	0.05	0.92
Petrobras	PBR		94.90	2,200	208,780	105.00	0.10	0.91
Total S.A.	TOT	B	80.00	2,273	182,000	89.00	0.14	0.91
Royal Dutch Shell plc	RDS-A	B	80.74	3,143	254,000	94.00	0.11	0.87
Gazprom (50%)	OGZPY	B	52.10	2,990	155,800	62.00	0.07	0.85
Chevron Corporation	CVX	B	85.17	2,206	188,000	105.00	0.08	0.83
ConocoPhillips	COP	B	78.97	1,644	130,000	112.00	0.19	0.76
<i>Total or Median</i>					<i>1,817,000</i>		<i>0.11</i>	<i>0.89</i>
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	53.78	278	14,970	42.00	0.08	1.26
PetroChina Company Ltd (10%)	PTR	H	186.04	178	33,090	166.00	0.06	1.11
Norsk Hydro ASA	NHY	H	14.38	1,223	17,590	13.00	0.04	1.10
Suncor Energy	SU	B	103.02	472	48,630	105.00	0.10	0.98
Marathon Oil Corporation	MRO	H	57.40	719	41,270	62.00	0.20	0.94
StatoilHydro ASA (29%)	STO	B	31.54	928	29,270	35.00	0.14	0.91
Petro-Canada	PCZ	B	54.97	493	27,100	65.00	0.16	0.87
Lukoil Oil Company	LUKOY	B	88.90	832	74,000	121.00	0.03	0.74
<i>Total or Median</i>					<i>286,000</i>		<i>0.09</i>	<i>0.96</i>
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	161.20	149	24,060	108.00	-	1.49
Encana Corporation	ECA	B	68.60	756	51,900	72.00	0.19	0.96
Canadian Natural Resources	CNQ		75.71	539	40,800	87.00	0.23	0.90
Occidental Petroleum Corp.	OXY	B	67.23	837	56,300	77.00	0.07	0.88
XTO Energy Inc.	XTO	B	60.90	391	23,800	75.00	0.17	0.84
EOG Resources	EOG	B	84.22	247	20,800	102.00	0.06	0.84
Anadarko Petroleum Corp.	APC	B	54.81	468	25,700	74.00	0.35	0.83
Devon Energy Corporation	DVN	B	84.61	450	38,100	129.00	0.15	0.71
<i>Total or Median</i>					<i>281,000</i>		<i>0.16</i>	<i>0.86</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	41.90	45	1,890	44.00	0.23	0.97
Encore Acquisition Company	EAC	B	35.91	54	1,950	54.00	0.32	0.77
Energy Partners Ltd.	EPL	B	13.27	32	420	38.00	0.34	0.57
Cimarex Energy Company	XEC	B	39.86	84	3,350	76.00	0.09	0.57
<i>Total or Median</i>					<i>7,600</i>		<i>0.28</i>	<i>0.67</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	50.54	178	9,010	17.00	0.54	1.91
Kinder Morgan Management, LLC	KMR	S	49.08	63	3,090	17.00	0.54	1.87
Pengrowth Energy Trust	PGH		17.76	246	4,370	17.00	0.30	1.03
Canadian Oil Sands Trust	COSWF	B	35.78	479	17,140	39.00	0.07	0.92
San Juan Basin Royalty Trust	SJT	B	35.04	47	1,630	40.00	-	0.87
Penn West Energy Trust	PWE	B	28.13	243	6,820	34.00	0.23	0.87
Enerplus Resources Fund	ERF		42.04	129	5,440	52.00	0.14	0.84
Hugoton Royalty Trust	HGT	B	23.90	40	960	34.00	-	0.71
<i>Total or Median</i>					<i>48,500</i>		<i>0.18</i>	<i>0.90</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) 12-Nov 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	52.10	24.6	9.6	8.2	12	0.8
Petrobras	PBR		94.90	9.8	8.2	7.5	14	1.8
BP plc	BP	B	72.11	10.0	6.1	5.9	10	3.6
Exxon Mobil Corporation	XOM	B	84.65	12.1	6.2	5.7	10	1.7
Total S.A.	TOT	B	80.00	9.6	5.8	5.3	9	3.4
Chevron Corporation	CVX	B	85.17	10.2	5.7	4.7	8	2.7
Royal Dutch Shell plc	RDS-A	B	80.74	8.1	5.4	4.7	8	3.6
ConocoPhillips	COP	B	78.97	10.7	6.0	4.5	7	2.1
	<i>Median</i>			<i>10.1</i>	<i>6.0</i>	<i>5.5</i>	<i>9</i>	<i>2.4</i>
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	103.02	26.6	9.1	9.0	16	0.4
Imperial Oil Limited (30%)	IMO	B	53.78	13.7	6.6	8.3	14	0.7
PetroChina Company Ltd (10%)	PTR	H	186.04	15.0	6.5	7.2	14	2.6
Norsk Hydro ASA	NHY	H	14.38	-	6.4	7.1	12	1.3
Marathon Oil Corporation	MRO	H	57.40	9.1	5.6	5.3	9	1.7
StatoilHydro ASA (29%)	STO	B	31.54	7.7	5.3	4.9	10	5.4
Lukoil Oil Company	LUKOY	B	88.90	17.8	6.3	4.7	8	1.7
Petro-Canada	PCZ	B	54.97	6.4	4.9	4.3	8	1.0
	<i>Median</i>			<i>11.4</i>	<i>6.3</i>	<i>6.2</i>	<i>11</i>	<i>1.5</i>
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	161.20	10.6	5.4	8.0	14	2.2
XTO Energy Inc.	XTO	B	60.90	11.1	8.4	7.1	14	0.8
Canadian Natural Resources	CNQ		75.71	8.2	7.8	7.0	14	0.5
Encana Corporation	ECA	B	68.60	8.9	7.0	6.8	13	1.2
EOG Resources	EOG	B	84.22	9.0	7.4	6.2	15	0.4
Anadarko Petroleum Corp.	APC	B	54.81	11.4	7.1	5.9	13	1.3
Occidental Petroleum Corp.	OXY	B	67.23	11.8	6.1	5.3	10	1.5
Devon Energy Corporation	DVN	B	84.61	8.9	7.2	5.1	10	0.7
	<i>Median</i>			<i>9.8</i>	<i>7.1</i>	<i>6.5</i>	<i>13</i>	<i>1.0</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	41.90	9.9	6.7	6.4	11	0.7
Encore Acquisition Company	EAC	B	35.91	14.5	7.0	5.4	13	-
Cimarex Energy Company	XEC	B	39.86	7.9	6.4	3.6	8	0.4
Energy Partners Ltd.	EPL	B	13.27	6.0	5.6	3.2		-
	<i>Median</i>			<i>8.9</i>	<i>6.5</i>	<i>4.5</i>	<i>11</i>	<i>0.2</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	50.54		7.9	15.1	32	7.0
Kinder Morgan Management, LLC	KMR	S	49.08		7.9	14.7	31	7.2
San Juan Basin Royalty Trust	SJT	B	35.04	10.3	13.0	11.3	14	7.3
Hugoton Royalty Trust	HGT	B	23.90	13.8	11.2	7.9	12	8.7
Canadian Oil Sands Trust	COSWF	B	35.78	21.7	8.2	7.6	9	8.9
Pengrowth Energy Trust	PGH		17.76	7.1	6.6	6.8	29	17.0
Enerplus Resources Fund	ERF		42.04	9.7	8.1	6.7	12	12.7
Penn West Energy Trust	PWE	B	28.13	7.8	6.4	5.6	10	15.4
	<i>Median</i>			<i>10.0</i>	<i>8.0</i>	<i>7.8</i>	<i>13</i>	<i>8.8</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 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) 12-Nov 2007	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										
BP plc	BP	72.11	3.1	3.3	3.3	0.3	0.3	2.1	0.6	0.97
Exxon Mobil Corporation	XOM	84.65	1.8	1.7		0.1	0.2	0.9	0.4	0.92
Total S.A.	TOT	80.00	3.3	3.3	3.3		1.0	1.7	0.6	0.91
Royal Dutch Shell plc	RDS-A	80.74	3.4	3.3	3.3	0.1	0.4	1.7	1.1	0.87
Gazprom	OGZPY	52.10	10.7	9.9	9.9		7.4	2.5		0.85
Chevron Corporation	CVX	85.17	3.5	3.3		0.2	0.2	2.2	0.8	0.83
ConocoPhillips	COP	78.97	5.8	6.6		1.1	0.4	3.5	1.6	0.76
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	53.78	1.5	1.3	1.3	0.1		1.0	0.2	1.26
Suncor Energy	SU	103.02	1.4	1.3	1.3	0.0		1.2	0.1	0.98
StatoilHydro ASA	STO	31.54	1.7	1.7	1.7		0.6	1.1	-	0.91
Petro-Canada	PCZ	54.97	1.3	1.3	1.3	0.2	0.0	0.9	0.2	0.87
Lukoil Oil Company	LUKOY	88.90	7.5	6.6	6.6			4.7	1.9	0.74
Independent Natural Gas and Oil - Large Cap										
Encana Corporation	ECA	68.60	3.8	4.0	4.0	2.7		1.0	0.3	0.96
Occidental Petroleum Corp	OXY	67.23	3.6	3.3		0.4	0.0	2.6	0.3	0.88
XTO Energy Inc.	XTO	60.90	4.6	5.0		3.9		1.0		0.84
EOG Resources	EOG	84.22	7.2	6.6		5.1	0.2	1.2		0.84
Anadarko Petroleum Corp	APC	54.81	2.2	3.3		1.9		1.4	0.1	0.83
Devon Energy Corporation	DVN	84.61	6.2	6.6		3.7		2.9		0.71
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	41.90	1.5	1.7		0.4		1.2		0.97
Encore Acquisition Comp.	EAC	35.91	2.3	3.3		0.7		2.6		0.77
Energy Partners Ltd.	EPL	13.27	0.8	1.7		0.9		0.8		0.57
Cimarex Energy Company	XEC	39.86	3.3	3.3		2.3		1.0		0.57
Income										
Canadian Oil Sands Trust	COSWF	35.78	5.8	5.3	5.3	(0.5)		5.8		0.92
San Juan Basin Royalty Tr	SJT	35.04	7.8	6.6		6.6				0.87
Penn West Energy Trust	PWE	28.13	2.3	2.6	2.6	0.8		1.8		0.87
Hugoton Royalty Trust	HGT	23.90	3.9	3.3		3.3				0.71
Portfolio Composite										
			100	100	44	34	11	47	8	0.82
	Canada				16					
	Russia				17					
	Europe				12					

Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 9.9% to four-tenths at 1.3%.

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
11-Nov	PBR	Petrobras	Energy Mega Cap
9-Nov	PWE	Penn West Energy Trust	Light Oil Consolidator
8-Nov	PBR	Petrobras	Bonanza Offshore Brazil
7-Nov	XEC	Cimarex Energy Company	Timely Turn to Oil
7-Nov	DVN	Devon Energy Corporation	Oil Strength, Natural Gas Potential
7-Nov	EPL	Energy Partners, Ltd.	Management Scales Back
7-Nov	TOT	Total S.A.	Global Natural Gas Competitor
6-Nov	APC	Anadarko Petroleum Corporation	Natural Gas Resource Value
2-Nov	CVX	Chevron Corporation	A Bias to be Oilier
1-Nov	MRO	Marathon Oil Corporation	Oil Sands Deal Closed
1-Nov	CNQ	Canadian Natural Resources	Heavy Oil, Natural Gas and Oil Sands
1-Nov	XOM	Exxon Mobil Corporation	Energy Money Fund
31-Oct	COSWF	Canadian Oil Sands Trust	Oil Price Trumps Alberta Tax Hike
31-Oct	EAC	Encore Acquisition	Oil with Income Alternative in Encore Energy Partners
31-Oct	BRY	Berry Petroleum	Plans Master Limited Partnership (MLP)
30-Oct	IMO	Imperial Oil Limited	Oil Price Yes, Alberta Royalties No
30-Oct	NHY	Norsk Hydro ASA	Real Growth in Materials
30-Oct	CEO	CNOOC Ltd	Flourishing China Stock Market
29-Oct	EOG	EOG Resources Inc.	Natural Gas Sleeper
29-Oct	STO	StatoilHydro ASA	Shtokman Partner
26-Oct	PTR	PetroChina Company Limited	Revise to Hold from Buy on Price
25-Oct	ECA	EnCana Corporation	Political Cloud over Canada
25-Oct	SU	Suncor Energy	Political Pall over Canada
25-Oct	RDSA	Royal Dutch Shell plc	Healthy Business
25-Oct	PCZ	Petro-Canada	Political Pall over Canada
24-Oct	OXY	Occidental Petroleum Corporation	Preferred Operator in the Middle East
24-Oct	COP	ConocoPhillips	Low Stock Price for Strong Cash Flow
23-Oct	XTO	XTO Energy Inc.	Raise Net Present Value to \$75 A Share
23-Oct	BP	BP p.l.c.	Lower Net Present Value to \$75 A Share
17-Oct	* KMP	Kinder Morgan	A Little Corruption, American Style
15-Oct	* PTR	PetroChina Company Limited	Stock Price Advance Carries Higher Risk
8-Oct	* OGZPY	Gazprom	The Saudi Arabia of Natural Gas
12-Sep	* LUKOY	Lukoil Oil Company	Emerging Oil Blue Chip
6-Sep	* SJT	San Juan Basin Royalty Trust	Mountains and Valleys
23-Jul	* HGT	Hugoton Royalty Trust	Paying Unitholders to Wait

Meter Reader

13-Nov		Weekly	
6-Nov		Weekly	Desert Deep Throat
30-Oct	*	Weekly	\$90 Oil and Alberta Tax
23-Oct	*	Weekly	China Omen

Oil and Gas Income Stocks (previously Natural Gas and Oil Royalty Trusts)

9-Nov		Weekly	Devon Reconsiders Partnership
2-Nov		Weekly	Penn West to Acquire Canetic
26-Oct	*	Weekly	McDep Ratio Opportunity in Hugoton
19-Oct	*	Weekly	Optimum Price for Natural Gas

Industry Ideas

26-Oct	*	Alberta's New Royalty Framework	Gradually Reduce Canadian Weighting
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* Archived on www.mcdep.com

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