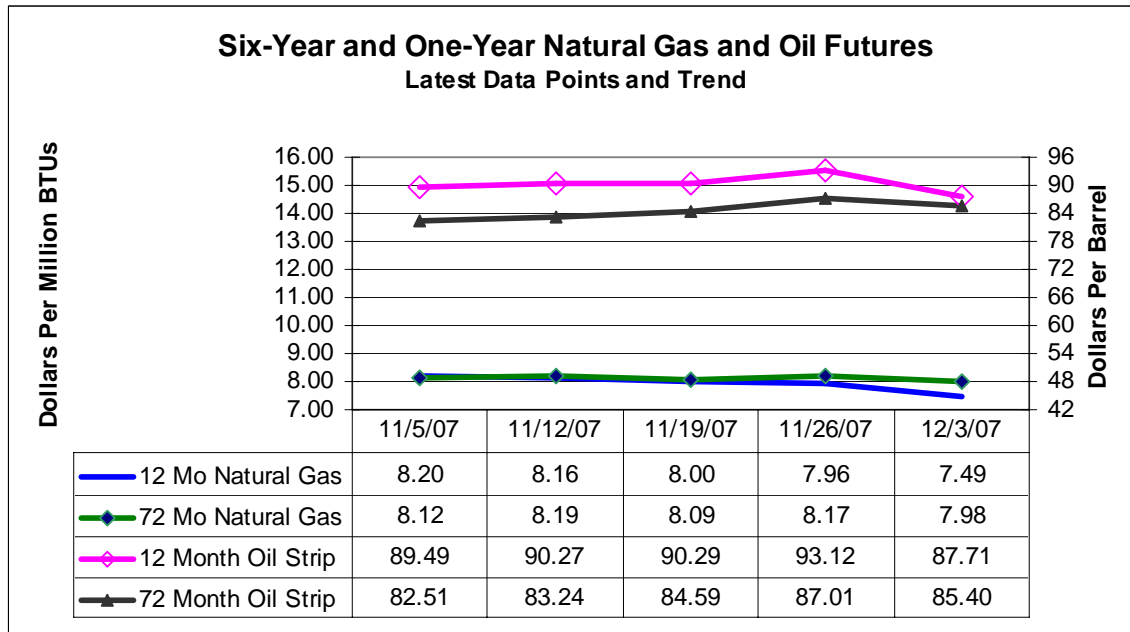


Weighting for Winners

Summary and Recommendation

\$100 oil presented opportunities to reshuffle the illustrative McDep Energy Portfolio to emphasize what we hope will be tomorrow’s winners. Redeploying the 6% weighting formerly allocated to Chinese stocks was the most important change in the past three months (see table, page 5, McDep Energy Portfolio – Three Months Changes). Some of the redeployment goes to Russian buy recommendations **Gazprom (OGZPY)** and **Lukoil (LUKOY)** that we hope can do as well as **PetroChina (PTR)** and **CNOOC Limited (CEO)** have done. Some of the elimination in weighting for China restored part of the reduction in weighting for Canadian stocks after the Premier of Alberta recommended an unwelcome tax increase. The Canadian weighting was further restored with our buy recommendation of **Canadian Natural Resources (CNQ)** upon its 24% decline in stock price. The fuel we hope can do especially well eventually, natural gas, has increased in weight to 45% from 41% (see table, page 4, Portfolio Composite). Considering how natural gas price has lagged oil price for the past few years, our title above might have been “Waiting for Winners”.

Kurt H. Wulff, CFA



Source: New York Mercantile Exchange, McDep

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Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 3-Dec 2007	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	73.34	3,177	233,000	75.00	0.18	0.98
Exxon Mobil Corporation	XOM	B	88.85	5,536	492,000	92.00	0.05	0.97
Petrobras	PBR		96.99	2,200	213,380	105.00	0.10	0.93
Total S.A.	TOT	B	80.74	2,273	184,000	89.00	0.15	0.92
Royal Dutch Shell plc	RDS-A	B	80.63	3,143	253,000	94.00	0.11	0.87
Gazprom (50%)	OGZPY	B	53.10	2,990	158,800	62.00	0.07	0.87
Chevron Corporation	CVX	B	87.84	2,206	194,000	105.00	0.09	0.85
ConocoPhillips	COP	B	80.25	1,644	132,000	112.00	0.19	0.77
<i>Total or Median</i>					<i>1,860,000</i>		<i>0.11</i>	<i>0.90</i>
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	49.34	278	13,740	42.00	0.08	1.16
PetroChina Company Ltd (10%)	PTR	H	190.60	178	33,910	166.00	0.06	1.14
Norsk Hydro ASA	NHYDY	H	13.60	1,223	16,630	13.00	0.04	1.04
Suncor Energy	SU	B	98.32	472	46,410	105.00	0.09	0.94
StatoilHydro ASA (29%)	STO	B	32.60	928	30,250	35.00	0.13	0.94
Marathon Oil Corporation	MRO	H	56.78	719	40,820	62.00	0.20	0.93
Petro-Canada	PCZ	B	48.55	493	23,940	65.00	0.15	0.79
Lukoil Oil Company	LUKOY	B	84.80	832	71,000	121.00	0.03	0.71
<i>Total or Median</i>					<i>277,000</i>		<i>0.08</i>	<i>0.94</i>
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	180.71	149	26,970	108.00	-	1.67
Encana Corporation	ECA	B	65.24	756	49,300	72.00	0.19	0.92
Occidental Petroleum Corp.	OXY	B	70.55	837	59,100	77.00	0.06	0.92
XTO Energy Inc.	XTO	B	61.45	391	24,030	75.00	0.18	0.85
Anadarko Petroleum Corp.	APC	B	57.22	468	26,800	74.00	0.33	0.85
EOG Resources	EOG	B	82.81	247	20,500	102.00	0.06	0.82
Canadian Natural Resources	CNQ	B	65.10	539	35,100	87.00	0.22	0.80
Devon Energy Corporation	DVN	B	83.33	450	37,500	129.00	0.15	0.70
<i>Total or Median</i>					<i>279,000</i>		<i>0.16</i>	<i>0.85</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	40.69	45	1,830	44.00	0.23	0.94
Encore Acquisition Company	EAC	B	32.01	54	1,730	54.00	0.31	0.72
Cimarex Energy Company	XEC	B	38.62	84	3,240	76.00	0.09	0.55
Energy Partners Ltd.	EPL	B	12.13	32	380	38.00	0.34	0.55
<i>Total or Median</i>					<i>7,200</i>		<i>0.27</i>	<i>0.64</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	51.23	179	9,190	17.00	0.54	1.93
Kinder Morgan Management, LLC	KMR	S	50.65	63	3,190	17.00	0.54	1.91
Pengrowth Energy Trust	PGH		18.05	247	4,460	17.00	0.27	1.05
Canadian Oil Sands Trust	COSWF	B	36.52	479	17,490	39.00	0.07	0.94
San Juan Basin Royalty Trust	SJT	B	33.80	47	1,580	40.00	-	0.85
Penn West Energy Trust	PWE	B	26.20	243	6,360	34.00	0.22	0.82
Enerplus Resources Fund	ERF		39.89	129	5,160	52.00	0.13	0.80
Hugoton Royalty Trust	HGT	B	22.89	40	920	34.00	-	0.68
<i>Total or Median</i>					<i>48,400</i>		<i>0.17</i>	<i>0.89</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) 3-Dec 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	53.10	24.6	9.5	8.2	12	0.8
Petrobras	PBR		96.99	9.8	8.5	7.9	15	1.8
BP plc	BP	B	73.34	10.0	6.3	6.2	10	3.5
Exxon Mobil Corporation	XOM	B	88.85	12.1	6.3	6.1	11	1.6
Total S.A.	TOT	B	80.74	9.6	6.0	5.5	9	3.4
Chevron Corporation	CVX	B	87.84	10.2	5.9	5.0	9	2.6
Royal Dutch Shell plc	RDS-A	B	80.63	8.1	5.5	4.8	8	3.6
ConocoPhillips	COP	B	80.25	10.7	6.1	4.7	8	2.0
	<i>Median</i>			10.1	6.2	5.8	10	2.3
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	98.32	26.6	9.9	9.3	17	0.4
Imperial Oil Limited (30%)	IMO	B	49.34	15.7	7.9	9.1	16	0.7
PetroChina Company Ltd (10%)	PTR	H	190.60	15.0	6.7	7.6	15	2.5
Norsk Hydro ASA	NHYDY	H	13.60	-	6.6	6.9	12	1.3
Marathon Oil Corporation	MRO	H	56.78	8.7	5.7	5.3	9	1.7
StatoilHydro ASA (29%)	STO	B	32.60	7.7	5.5	5.1	11	5.1
Lukoil Oil Company	LUKOY	B	84.80	17.8	6.4	4.6	8	1.8
Petro-Canada	PCZ	B	48.55	6.4	5.1	4.0	7	1.1
	<i>Median</i>			11.9	6.5	6.1	11	1.5
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	180.71	10.6	5.5	9.2	17	1.9
XTO Energy Inc.	XTO	B	61.45	11.1	8.9	7.6	14	0.8
Encana Corporation	ECA	B	65.24	8.9	7.3	6.8	13	1.2
Canadian Natural Resources	CNQ	B	65.10	8.2	8.1	6.5	13	0.5
EOG Resources	EOG	B	82.81	9.0	7.7	6.4	16	0.4
Anadarko Petroleum Corp.	APC	B	57.22	11.4	7.1	6.1	15	1.3
Occidental Petroleum Corp.	OXY	B	70.55	11.7	6.2	5.7	11	1.4
Devon Energy Corporation	DVN	B	83.33	8.9	7.5	5.3	11	0.7
	<i>Median</i>			9.8	7.4	6.4	13	1.0
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	40.69	9.9	6.8	6.4	11	0.7
Encore Acquisition Company	EAC	B	32.01	14.5	7.2	5.2	13	-
Cimarex Energy Company	XEC	B	38.62	7.9	6.7	3.7	9	0.4
Energy Partners Ltd.	EPL	B	12.13	6.0	5.9	3.2		-
	<i>Median</i>			8.9	6.8	4.4	11	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	51.23		7.9	15.3	32	6.9
Kinder Morgan Management, LLC	KMR	S	50.65		7.9	15.1	32	6.9
San Juan Basin Royalty Trust	SJT	B	33.80	10.2	13.4	11.4	14	7.2
Hugoton Royalty Trust	HGT	B	22.89	13.8	11.6	7.8	11	9.2
Canadian Oil Sands Trust	COSWF	B	36.52	20.9	8.1	7.6	9	9.4
Pengrowth Energy Trust	PGH		18.05	7.4	6.6	6.9	21	15.0
Enerplus Resources Fund	ERF		39.89	9.7	8.3	6.6	12	12.6
Penn West Energy Trust	PWE	B	26.20	7.8	6.7	5.5	10	15.6
	<i>Median</i>			9.9	8.0	7.7	13	9.3

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 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	
		3-Dec 2007	Equity (%)							EV (%)
Mega Cap										
BP plc	BP	73.34	3.1	3.2	3.2	0.3	0.3	2.0	0.6	0.98
Exxon Mobil Corporation	XOM	88.85	3.6	3.2		0.2	0.4	1.8	0.7	0.97
Total S.A.	TOT	80.74	3.2	3.2	3.2		1.0	1.6	0.6	0.92
Royal Dutch Shell plc	RDS-A	80.63	3.3	3.2	3.2	0.1	0.4	1.6	1.1	0.87
Gazprom	OGZPY	53.10	10.3	9.6	9.6		7.2	2.4		0.87
Chevron Corporation	CVX	87.84	3.4	3.2		0.2	0.2	2.1	0.8	0.85
ConocoPhillips	COP	80.25	5.6	6.4		1.0	0.4	3.4	1.5	0.77
<i>Total or Median</i>			32	32						0.87
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	49.34	1.4	1.3	1.3	0.1		0.9	0.2	1.16
Suncor Energy	SU	98.32	1.4	1.3	1.3	0.0		1.1	0.1	0.94
StatoilHydro ASA	STO	32.60	1.6	1.6	1.6		0.6	1.0	-	0.94
Petro-Canada	PCZ	48.55	1.2	1.3	1.3	0.2	0.0	0.9	0.2	0.79
Lukoil Oil Company	LUKOY	84.80	7.2	6.4	6.4			4.6	1.8	0.71
<i>Total or Median</i>			13	12						0.94
Independent Natural Gas and Oil - Large Cap										
Encana Corporation	ECA	65.24	3.6	3.8	3.8	2.6		0.9	0.3	0.92
Occidental Petroleum Corp.	OXY	70.55	3.5	3.2		0.4	0.0	2.5	0.3	0.92
XTO Energy Inc.	XTO	61.45	4.5	4.8		3.7		1.0		0.85
Anadarko Petroleum Corp.	APC	57.22	2.3	3.2		1.9		1.3	0.1	0.85
EOG Resources	EOG	82.81	6.9	6.4		5.0	0.2	1.2		0.82
Canadian Natural Resources	CNQ	65.10	1.4	1.6	1.6	0.5		1.1		0.80
Devon Energy Corporation	DVN	83.33	5.9	6.4		3.6		2.8		0.70
<i>Total or Median</i>			28	29						0.85
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	40.69	1.4	1.6		0.4		1.2		0.94
Encore Acquisition Company	EAC	32.01	2.1	3.2		0.7		2.5		0.72
Cimarex Energy Company	XEC	38.62	3.2	3.2		2.2		1.0		0.55
Energy Partners Ltd.	EPL	12.13	0.7	1.6		0.8		0.8		0.55
<i>Total or Median</i>			7	10						0.64
Income										
Canadian Oil Sands Trust	COSWF	36.52	5.6	5.1	5.1	(0.5)		5.6		0.94
San Juan Basin Royalty Trust	SJT	33.80	7.5	6.4		6.4				0.85
Penn West Energy Trust	PWE	26.20	2.2	2.6	2.6	0.8		1.8		0.82
Hugoton Royalty Trust	HGT	22.89	3.8	3.2		3.2				0.68
<i>Total or Median</i>			19	17						0.83
Portfolio Composite			100	100	44	34	11	47	8	0.81
Canada					17					
Russia					16					
Europe					11					

Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 9.6% to four-tenths at 1.3%.

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McDep Energy Portfolio
Three Months Changes

Unlevered Weighting (Percent of Enterprise Value)

Symbol	4-Sep	25-Sep	9-Oct	23-Oct	30-Oct	6-Nov	13-Nov	20-Nov	27-Nov	4-Dec
Mega Cap										
BP plc										3.2
Chevron Corporation			5.9	3.0						3.2
Exxon Mobil Corporation								1.7	3.2	3.2
Royal Dutch Shell plc										3.2
Total S.A.										3.2
ConocoPhillips										6.4
Gazprom										9.6
<i>Total or Median</i>										32
Producer/Refiners - Large Cap										
Imperial Oil Limited				1.5	1.3					1.3
Petro-Canada				1.5	1.3					1.3
Suncor Energy										1.3
StatoilHydro ASA										1.6
Lukoil Oil Company				1.5	1.3					6.4
PetroChina Company Ltd.				3.0	0.0					
<i>Total or Median</i>										12
Independent Natural Gas and Oil - Large Cap										
Canadian Natural Resources									0.0	1.6
Anadarko Petroleum Corp.										3.2
Occidental Petroleum Corp.										3.2
Encana Corporation				4.5	3.9					3.8
XTO Energy Inc.										4.8
Devon Energy Corporation										6.4
EOG Resources										6.4
CNOOC Limited		2.9	0.0							
<i>Total or Median</i>										29
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company										1.6
Energy Partners Ltd.						3.2	1.7			1.6
Cimarex Energy Company										3.2
Encore Acquisition Company										3.2
<i>Total or Median</i>										10
Income										
Penn West Energy Trust				3.0	2.6					2.6
Hugoton Royalty Trust										3.2
Canadian Oil Sands Trust				6.1	5.2					5.1
San Juan Basin Royalty Trust										6.4
<i>Total or Median</i>										17
Portfolio Composite										
U.S.	53	54	53	53	57	57	55	55	57	56
Canada	17	18	18	18	16	16	16	16	16	17
Russia	14	15	15	15	16	16	17	17	16	16
Europe	10	10	11	11	11	11	12	12	11	11
China	6	3	3	3						

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
28-Nov	CNQ	Canadian Natural Resources	New Buy Recommendation
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
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

4-Dec		Weekly	Weighting for Winners
27-Nov		Weekly	Alaska Avarice
20-Nov	*	Weekly	U.K. Natural Gas Futures Price Triples
13-Nov	*	Weekly	Fuel and Geography

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

30-Nov		Weekly	Penn West for Contrarians
23-Nov		Weekly	Cross Timbers Royalty Trust
16-Nov	*	Weekly	Natural Gas Fuels Electricity Growth
9-Nov	*	Weekly	Devon Reconsiders Partnership

* Archived on www.mcdep.com

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