

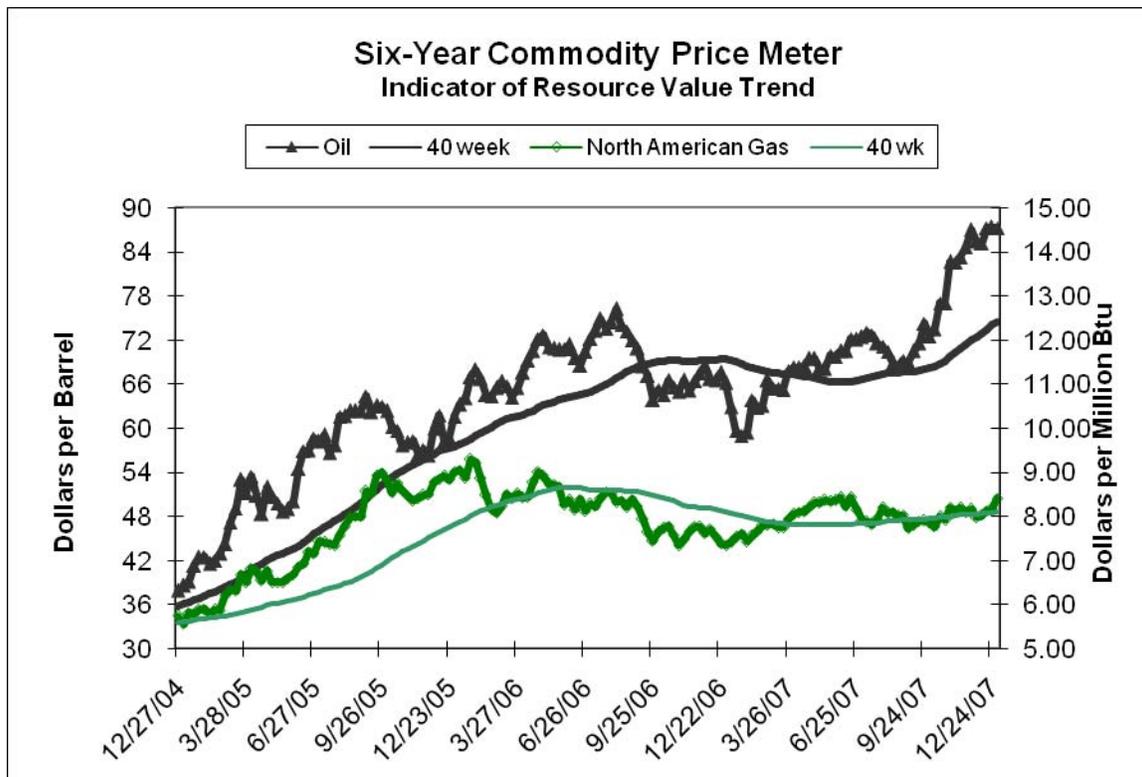
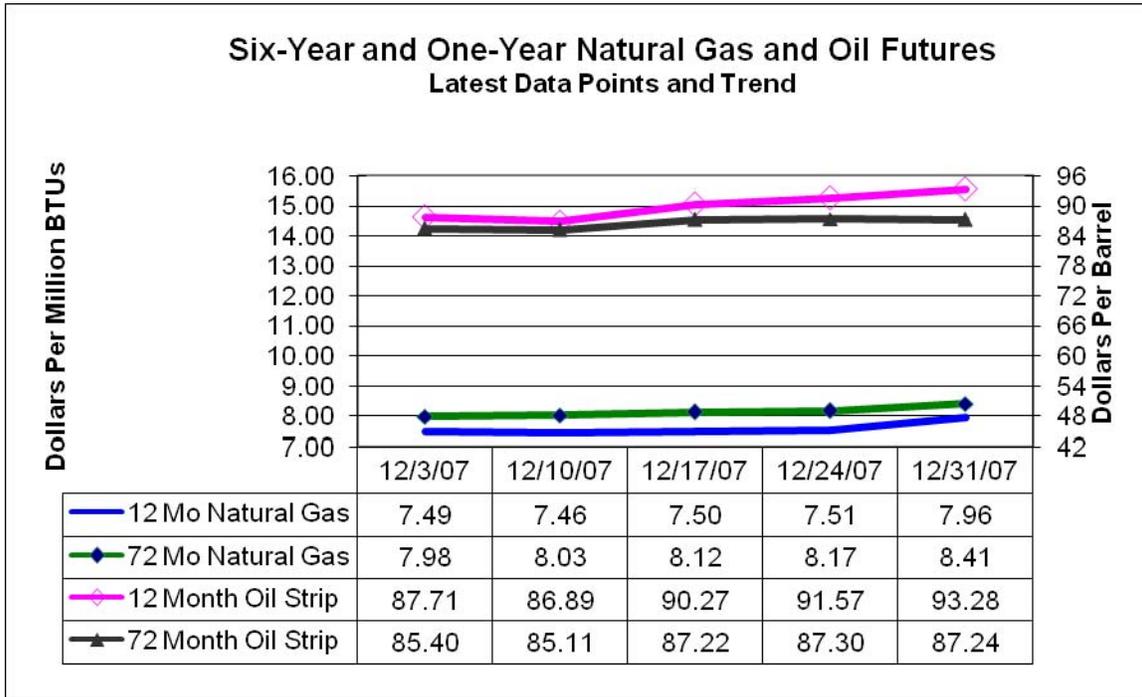
2002 Buys Gain 40% a Year**Summary and Recommendation**

Though it gives no assurance for the future, the five-year performance of the 12 stocks on our year-end 2002 buy list may be the best for our recommendations in twenty years. The median pick clocked a total return of 40% a year, equivalent to multiplying the original value 5 times in 5 years. A stricter interpretation of our recommendations might be different as we have made changes in ratings and weightings during the period. Over the same period six-year oil futures increased to \$87 a barrel, 3.7 times the \$24 a barrel quote five years earlier. Looking to 2008, we are optimistic for the investment performance of the stocks on our current buy list.

Kurt H. Wulff, CFA

Five-Year Performance of McDep Year-End 2002 Buy List			
	<i>Total Return</i>	<i>Appreciated</i>	<i>Debt-Adjusted</i>
	<i>(%/yr)</i>	<i>Value Index</i>	<i>Total Return</i>
			<i>(%/yr)</i>
PetroChina	63	11.5	75
Canadian Oil Sands Trust	58	9.8	72
CNOOC Limited	50	7.6	72
Burlington Resources (to 3/31/06)	60	4.6	62
XTO Energy	44	6.2	47
San Juan Basin Royalty Trust	30	3.8	43
Marathon Oil	46	6.6	41
Encana	36	4.7	38
Chevron	27	3.4	32
ConocoPhillips	33	4.2	30
Royal Dutch Shell	16	2.1	20
Energy Partners Ltd.	5	1.3	4
Average	39	5.5	45
Median	40	4.6	42
<i>Source: Bloomberg, McDep</i>			

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Oil and Gas Producers - Rank by McDep Ratio								
			<i>Price</i>			<i>Net</i>		
	<i>Symbol/</i>		<i>(US\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>Rating</i>	<i>31-Dec</i>	<i>2007</i>	<i>(mm)</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	
					<i>(US\$m)</i>	<i>(US\$/sh)</i>	<i>Value</i>	
							<i>McDep</i>	
							<i>Ratio</i>	
Mega Cap								
Petrobras	PBR		115.24	2,200	253,530	122.00	0.09	0.95
Exxon Mobil Corporation	XOM	B	93.69	5,536	519,000	102.00	0.05	0.92
BP plc	BP	B	73.17	3,177	233,000	84.00	0.17	0.89
Total S.A.	TOT	B	82.60	2,273	188,000	100.00	0.13	0.85
Royal Dutch Shell plc	RDS-A	B	84.20	3,143	265,000	104.00	0.10	0.83
Chevron Corporation	CVX	B	93.33	2,206	206,000	117.00	0.08	0.81
Gazprom (50%)	OGZPY	B	56.30	2,945	165,800	72.00	0.06	0.80
ConocoPhillips	COP	B	88.30	1,644	145,000	124.00	0.18	0.76
<i>Total or Median</i>					<i>1,975,000</i>		<i>0.09</i>	<i>0.84</i>
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	54.78	278	15,250	48.00	0.07	1.13
Norsk Hydro ASA	NHYDY	H	13.95	1,223	17,060	13.00	0.04	1.07
PetroChina Company Ltd (10%)	PTR	H	175.47	178	31,210	190.00	0.05	0.93
Marathon Oil Corporation	MRO	H	60.86	719	43,760	68.00	0.18	0.91
Suncor Energy	SU	B	108.73	472	51,320	122.00	0.08	0.90
Petro-Canada	PCZ	B	53.62	493	26,430	72.00	0.14	0.78
StatoilHydro ASA (29%)	STO	B	30.52	928	28,320	41.00	0.12	0.77
Lukoil Oil Company	LUKOY	B	86.30	826	71,000	134.00	0.02	0.65
<i>Total or Median</i>					<i>284,000</i>		<i>0.07</i>	<i>0.91</i>
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	167.43	149	24,990	125.00	-	1.34
Encana Corporation	ECA	B	67.96	756	51,400	75.00	0.18	0.92
Occidental Petroleum Corp.	OXY	B	76.99	837	64,400	86.00	0.05	0.90
Anadarko Petroleum Corp.	APC	B	65.69	468	30,700	82.00	0.31	0.86
EOG Resources	EOG	B	89.25	247	22,100	106.00	0.06	0.85
XTO Energy Inc.	XTO	B	51.36	489	25,100	63.00	0.17	0.85
Canadian Natural Resources	CNQ	B	73.14	539	39,400	99.00	0.20	0.79
Devon Energy Corporation	DVN	B	88.91	450	40,000	139.00	0.14	0.69
<i>Total or Median</i>					<i>298,000</i>		<i>0.16</i>	<i>0.86</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	44.45	45	2,000	50.00	0.21	0.91
Encore Acquisition Company	EAC	B	33.37	54	1,810	60.00	0.29	0.69
Cimarex Energy Company	XEC	B	42.53	84	3,570	76.00	0.09	0.60
Energy Partners Ltd.	EPL	B	11.81	32	370	38.00	0.34	0.54
<i>Total or Median</i>					<i>7,800</i>		<i>0.25</i>	<i>0.64</i>
Income								
Kinder Morgan Energy Partners, L.P	KMP	S	53.99	179	9,680	17.00	0.54	2.00
Kinder Morgan Management, LLC	KMR	S	52.94	63	3,340	17.00	0.54	1.98
Pengrowth Energy Trust	PGH		17.77	247	4,390	19.00	0.25	0.95
Canadian Oil Sands Trust	COSWF	B	38.79	479	18,580	45.00	0.06	0.87
San Juan Basin Royalty Trust	SJT	B	33.36	47	1,550	40.00	-	0.83
Enerplus Resources Fund	ERF		40.05	129	5,180	52.00	0.13	0.80
Penn West Energy Trust	PWE	B	26.00	243	6,310	37.00	0.20	0.76
Hugoton Royalty Trust	HGT	B	22.43	40	900	34.00	-	0.66
<i>Total or Median</i>					<i>49,900</i>		<i>0.17</i>	<i>0.85</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								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	Divd or Distrib	
	Symbol/ Rating		31-Dec 2007	NTM	NTM	NTM	NTM	
							(%)	
Mega Cap								
Petrobras	PBR		115.24	9.8	9.3	8.9	17	1.5
Gazprom (50%)	OGZPY	B	56.30	24.6	10.3	8.2	15	0.7
Exxon Mobil Corporation	XOM	B	93.69	12.1	6.8	6.3	11	1.5
BP plc	BP	B	73.17	10.0	6.7	6.0	10	3.6
Total S.A.	TOT	B	82.60	9.6	6.4	5.4	9	3.3
Chevron Corporation	CVX	B	93.33	10.2	6.3	5.1	9	2.5
ConocoPhillips	COP	B	88.30	10.7	6.5	5.0	8	1.9
Royal Dutch Shell plc	RDS-A	B	84.20	8.1	5.9	4.9	9	3.4
	<i>Median</i>			<i>10.1</i>	<i>6.6</i>	<i>5.7</i>	<i>10</i>	<i>2.2</i>
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	108.73	26.6	10.9	9.8	17	0.4
Imperial Oil Limited (30%)	IMO	B	54.78	14.0	7.7	8.7	15	0.7
Norsk Hydro ASA	NHYDY	H	13.95	-	6.5	6.9	12	1.3
PetroChina Company Ltd (10%)	PTR	H	175.47	15.0	7.2	6.7	13	2.8
Marathon Oil Corporation	MRO	H	60.86	8.7	6.0	5.4	9	1.6
StatoilHydro ASA (29%)	STO	B	30.52	7.7	6.1	4.7	10	5.5
Lukoil Oil Company	LUKOY	B	86.30	18.4	6.7	4.4	7	1.8
Petro-Canada	PCZ	B	53.62	6.4	5.4	4.2	8	1.0
	<i>Median</i>			<i>11.3</i>	<i>6.6</i>	<i>6.1</i>	<i>11</i>	<i>1.4</i>
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	167.43	10.6	6.1	8.1	15	2.1
XTO Energy Inc.	XTO	B	51.36	11.1	9.1	7.7	14	0.9
Encana Corporation	ECA	B	67.96	8.9	7.5	6.9	13	1.2
Canadian Natural Resources	CNQ	B	73.14	8.2	8.7	6.9	13	0.5
EOG Resources	EOG	B	89.25	9.0	7.9	6.7	17	0.4
Anadarko Petroleum Corp.	APC	B	65.69	11.4	7.4	6.4	16	1.1
Occidental Petroleum Corp.	OXY	B	76.99	11.7	6.6	6.0	11	1.3
Devon Energy Corporation	DVN	B	88.91	8.9	7.9	5.4	11	0.6
	<i>Median</i>			<i>9.8</i>	<i>7.7</i>	<i>6.8</i>	<i>14</i>	<i>1.0</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	44.45	9.9	7.2	6.6	12	0.7
Encore Acquisition Company	EAC	B	33.37	14.5	7.4	5.1	12	-
Cimarex Energy Company	XEC	B	42.53	7.9	6.5	3.9	9	0.4
Energy Partners Ltd.	EPL	B	11.81	6.0	5.8	3.1	-	-
	<i>Median</i>			<i>8.9</i>	<i>6.9</i>	<i>4.5</i>	<i>12</i>	<i>0.2</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	53.99		7.9	15.8	34	6.5
Kinder Morgan Management, LLC	KMR	S	52.94		7.9	15.6	33	6.6
San Juan Basin Royalty Trust	SJT	B	33.36	10.2	13.4	11.1	14	7.3
Canadian Oil Sands Trust	COSWF	B	38.79	23.2	10.1	8.8	10	8.3
Hugoton Royalty Trust	HGT	B	22.43	13.4	11.3	7.5	10	9.5
Pengrowth Energy Trust	PGH		17.77	7.4	6.9	6.6	18	15.2
Enerplus Resources Fund	ERF		40.05	9.7	8.0	6.4	11	12.6
Penn West Energy Trust	PWE	B	26.00	7.8	6.9	5.3	9	15.7
	<i>Median</i>			<i>9.9</i>	<i>8.0</i>	<i>8.1</i>	<i>12</i>	<i>8.9</i>
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											
		<i>Price</i>	<i>Portfolio Weight</i>		<i>Non-</i>	<i>North</i>	<i>Rest</i>				
		<i>(US\$/sh)</i>	<i>Equity</i>	<i>EV</i>	<i>U.S.</i>	<i>Amer.</i>	<i>of World</i>	<i>Oil</i>	<i>Down-</i>		
	<i>Symbol</i>	<i>31-Dec</i>	<i>(%)</i>	<i>(%)</i>	<i>HQ</i>	<i>Natural</i>	<i>Natural</i>	<i>Prod'n</i>	<i>stream</i>	<i>McDep</i>	
		<i>2007</i>			<i>(%)</i>	<i>Gas</i>	<i>Gas</i>	<i>(%)</i>	<i>(%)</i>	<i>Ratio</i>	
Mega Cap											
	Exxon Mobil Corporation	XOM	93.69	3.6	3.2		0.2	0.4	1.9	0.6	0.92
	BP plc	BP	73.17	3.0	3.2	3.2	0.3	0.3	2.1	0.5	0.89
	Total S.A.	TOT	82.60	3.2	3.2	3.2		1.0	1.7	0.6	0.85
	Royal Dutch Shell plc	RDS-A	84.20	3.3	3.2	3.2	0.1	0.4	1.7	1.0	0.83
	Chevron Corporation	CVX	93.33	3.4	3.2		0.1	0.2	2.2	0.7	0.81
	Gazprom	OGZPY	56.30	10.3	9.6	9.6		6.3	3.2		0.80
	ConocoPhillips	COP	88.30	5.7	6.4		0.9	0.4	3.6	1.4	0.76
	<i>Total or Median</i>			<i>32</i>	<i>32</i>						<i>0.83</i>
Producer/Refiners - Large Cap											
	Imperial Oil Limited	IMO	54.78	1.4	1.3	1.3	0.1		1.0	0.2	1.13
	Suncor Energy	SU	108.73	1.4	1.3	1.3	0.0		1.2	0.1	0.90
	Petro-Canada	PCZ	53.62	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.78
	StatoilHydro ASA	STO	30.52	1.6	1.6	1.6		0.6	1.0	-	0.77
	Lukoil Oil Company	LUKOY	86.30	7.2	6.4	6.4			4.7	1.7	0.65
	<i>Total or Median</i>			<i>13</i>	<i>12</i>						<i>0.78</i>
Independent Natural Gas and Oil - Large Cap											
	Encana Corporation	ECA	67.96	3.6	3.8	3.8	2.5		1.0	0.3	0.92
	Occidental Petroleum Corp.	OXY	76.99	3.5	3.2		0.4	0.0	2.5	0.3	0.90
	Anadarko Petroleum Corp.	APC	65.69	2.4	3.2		1.7		1.4	0.1	0.86
	EOG Resources	EOG	89.25	6.9	6.4		4.8	0.2	1.4		0.85
	XTO Energy Inc.	XTO	51.36	4.5	4.8		3.6		1.2		0.85
	Canadian Natural Resources	CNQ	73.14	1.4	1.6	1.6	0.4		1.2		0.79
	Devon Energy Corporation	DVN	88.91	6.0	6.4		3.3		3.0		0.69
	<i>Total or Median</i>			<i>28</i>	<i>29</i>						<i>0.85</i>
Independent Natural Gas and Oil - Small Cap											
	Berry Petroleum Company	BRY	44.45	1.4	1.6		0.4		1.2		0.91
	Encore Acquisition Compan	EAC	33.37	2.2	3.2		0.6		2.6		0.69
	Cimarex Energy Company	XEC	42.53	3.2	3.2		2.2		1.0		0.60
	Energy Partners Ltd.	EPL	11.81	0.7	1.6		0.8		0.8		0.54
	<i>Total or Median</i>			<i>7</i>	<i>10</i>						<i>0.64</i>
Income											
	Canadian Oil Sands Trust	COSWF	38.79	5.6	5.1	5.1	(0.5)		5.6		0.87
	San Juan Basin Royalty Tru	SJT	33.36	7.5	6.4		6.4				0.83
	Penn West Energy Trust	PWE	26.00	2.2	2.6	2.6	0.7		1.8		0.76
	Hugoton Royalty Trust	HGT	22.43	3.7	3.2		3.2				0.66
	<i>Total or Median</i>			<i>19</i>	<i>17</i>						<i>0.80</i>
	Portfolio Composite			100	100	44	32	10	50	8	0.79
	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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Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
14-Dec	LUKOY	Lukoil Oil Company	Our Favorite Russian Oil Stock
6-Dec	OGZPY	Gazprom	Natural Gas Price Marching Up
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
6-Sep	* SJT	San Juan Basin Royalty Trust	Mountains and Valleys
23-Jul	* HGT	Hugoton Royalty Trust	Paying Unitholders to Wait
Meter Reader			
31-Dec		Weekly	2002 Buys Gain 40% a Year
24-Dec		Weekly	Election Year 2008
18-Dec	*	Weekly	Raise Oil Present Value 15%
11-Dec	*	Weekly	GasPutin for Investors
Oil and Gas Income Stocks (previously Natural Gas and Oil Royalty Trusts)			
28-Dec		Weekly	Leaders and Laggards in 2007
21-Dec		Weekly	Raise Oil Present Value
14-Dec	*	Weekly	How Low Can It Go?
7-Dec	*	Weekly	Price Gap Narrows for Rockies Natural Gas
	*	Archived on www.mcdep.com	

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Research Methodology/Ratings Description: McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.

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