

## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio  
January 8, 2008

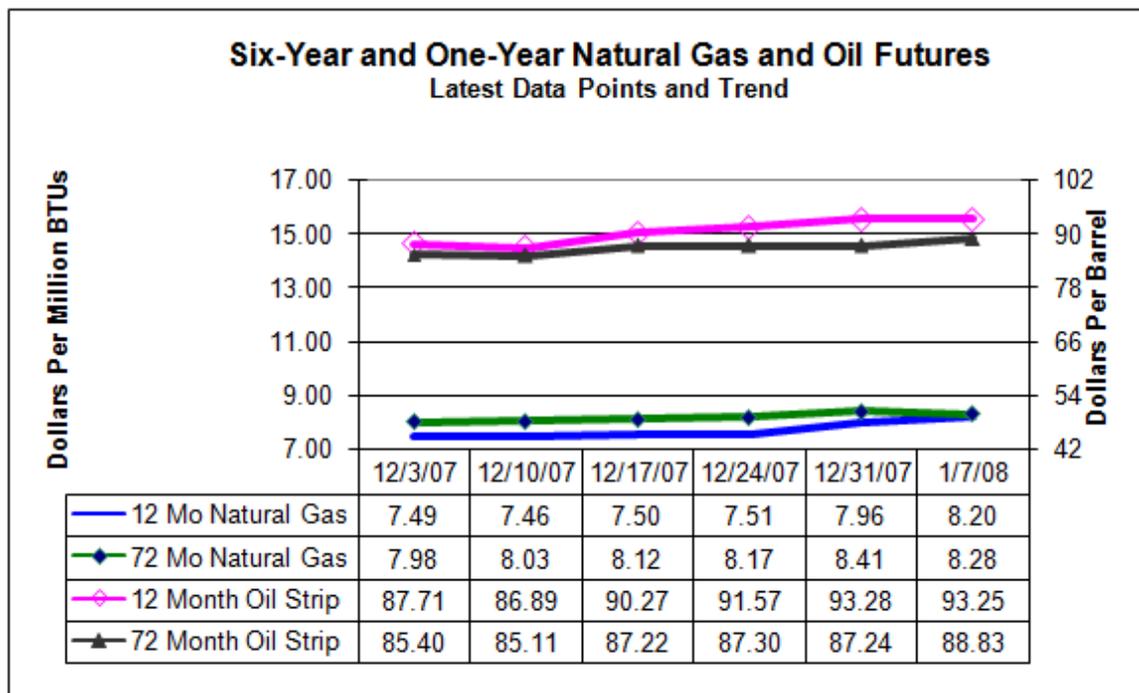


### \$18 LNG, \$8 Nymex

#### Summary and Recommendation

A wide difference in price for the same commodity in Asia compared to North America seems almost certain to narrow, we believe, to the ultimate benefit of investors in natural gas. Amid apparent fuel shortages in Japan, Korea, China and India, buyers are looking for uncommitted cargos of liquefied natural gas (LNG). Buyers are acting logically in their willingness to pay the approximate equivalent of oil, \$18 a million btu. Meanwhile on the New York Mercantile Exchange the futures price for natural gas is \$8 a million btu on average for the next six years. If oil price were to decline sharply, it might be logical that natural gas price would match oil by oil price moving down. Yet the futures price for oil on average for the next six years remains near the current level at \$89 a barrel. Believing that eventually natural gas will outperform oil for investors, we overweight the smaller natural gas business at 42% of the illustrative McDep Energy Portfolio compared to the larger oil business at 50% and refined products at 8% (see table [Composite of Buy Recommendations](#)).

Kurt H. Wulff, CFA



## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 8, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price (US\$/sh)	Shares	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		7-Jan 2008	(mm)				
<b>Mega Cap</b>								
BP plc	BP	B	74.81	3,177	238,000	84.00	0.17	0.91
Exxon Mobil Corporation	XOM	B	91.24	5,536	505,000	102.00	0.05	0.90
Petrobras	PBR		107.44	2,200	236,370	122.00	0.09	0.89
Total S.A.	TOT	B	86.10	2,273	196,000	100.00	0.13	0.88
Royal Dutch Shell plc	RDS-A	B	86.00	3,143	270,000	104.00	0.10	0.84
Gazprom (50%)	OGZPY	B	58.00	2,945	170,800	72.00	0.06	0.82
Chevron Corporation	CVX	B	92.15	2,206	203,000	117.00	0.08	0.80
ConocoPhillips	COP	B	84.41	1,644	139,000	124.00	0.18	0.74
<i>Total or Median</i>					<i>1,958,000</i>		<i>0.09</i>	<i>0.86</i>
<b>Producer/Refiners - Large Cap</b>								
Imperial Oil Limited (30%)	IMO	B	53.57	278	14,910	48.00	0.07	1.11
PetroChina Company Ltd (10%)	PTR	H	177.04	178	31,490	190.00	0.05	0.94
Suncor Energy	SU	B	107.87	472	50,910	122.00	0.08	0.89
Marathon Oil Corporation	MRO	H	58.95	719	42,390	68.00	0.18	0.89
Petro-Canada	PCZ	B	54.44	493	26,840	72.00	0.14	0.79
StatoilHydro ASA (29%)	STO	B	30.47	928	28,280	41.00	0.12	0.77
Lukoil Oil Company	LUKOY	B	84.60	826	70,000	134.00	0.02	0.64
<i>Total or Median</i>					<i>265,000</i>		<i>0.08</i>	<i>0.89</i>
<b>Independent Natural Gas and Oil - Large Cap</b>								
CNOOC Limited (34%)	CEO	H	171.37	149	25,580	125.00	-	1.37
Encana Corporation	ECA	B	68.76	756	52,000	75.00	0.18	0.93
Occidental Petroleum Corp.	OXY	B	76.40	837	64,000	86.00	0.05	0.89
XTO Energy Inc.	XTO	B	53.92	489	26,350	63.00	0.17	0.88
EOG Resources	EOG	B	88.46	247	21,900	106.00	0.06	0.85
Anadarko Petroleum Corp.	APC	B	62.90	468	29,400	82.00	0.31	0.84
Canadian Natural Resources	CNQ	B	73.00	539	39,300	99.00	0.20	0.79
Devon Energy Corporation	DVN	B	89.86	450	40,400	139.00	0.14	0.69
<i>Total or Median</i>					<i>299,000</i>		<i>0.16</i>	<i>0.86</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	43.42	45	1,950	50.00	0.21	0.89
Encore Acquisition Company	EAC	B	32.84	54	1,780	60.00	0.29	0.68
Cimarex Energy Company	XEC	B	41.94	84	3,520	76.00	0.09	0.59
Energy Partners Ltd.	EPL	B	12.06	32	380	38.00	0.34	0.55
<i>Total or Median</i>					<i>7,600</i>		<i>0.25</i>	<i>0.64</i>
<b>Income</b>								
Kinder Morgan Energy Partners, LP	KMP	S	55.34	179	9,920	17.00	0.54	2.04
Kinder Morgan Management, LLC	KMR	S	53.54	63	3,370	17.00	0.54	1.99
Pengrowth Energy Trust	PGH		17.81	247	4,400	19.00	0.25	0.95
San Juan Basin Royalty Trust	SJT	B	35.13	47	1,640	40.00	-	0.88
Canadian Oil Sands Trust	COSWF	B	37.82	479	18,120	45.00	0.06	0.85
Enerplus Resources Fund	ERF		39.47	129	5,110	52.00	0.13	0.79
Penn West Energy Trust	PWE	B	26.20	243	6,360	37.00	0.20	0.77
Hugoton Royalty Trust	HGT	B	23.83	40	950	34.00	-	0.70
<i>Total or Median</i>					<i>49,900</i>		<i>0.17</i>	<i>0.86</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								

Please see disclosures on the final page.

## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 8, 2008



Oil and Gas Producers - Rank by EV/Ebitda								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib
	Symbol/ Rating		7-Jan 2008	NTM	NTM	NTM	NTM	NTM (%)
<b>Mega Cap</b>								
Gazprom (50%)	OGZPY	B	58.00	24.6	10.3	8.4	15	0.7
Petrobras	PBR		107.44	9.8	9.3	8.3	16	1.6
Exxon Mobil Corporation	XOM	B	91.24	12.1	6.8	6.1	11	1.5
BP plc	BP	B	74.81	10.0	6.7	6.1	10	3.5
Total S.A.	TOT	B	86.10	9.6	6.4	5.6	10	3.2
Chevron Corporation	CVX	B	92.15	10.2	6.3	5.1	9	2.5
Royal Dutch Shell plc	RDS-A	B	86.00	8.1	5.9	5.0	9	3.3
ConocoPhillips	COP	B	84.41	10.7	6.5	4.8	8	1.9
	<i>Median</i>			<i>10.1</i>	<i>6.6</i>	<i>5.9</i>	<i>10</i>	<i>2.2</i>
<b>Producer/Refiners - Large Cap</b>								
Suncor Energy	SU	B	107.87	26.6	10.9	9.8	17	0.4
Imperial Oil Limited (30%)	IMO	B	53.57	14.0	7.7	8.5	14	0.7
PetroChina Company Ltd (10%)	PTR	H	177.04	15.0	7.2	6.8	13	2.8
Marathon Oil Corporation	MRO	H	58.95	8.7	6.0	5.3	9	1.6
StatoilHydro ASA (29%)	STO	B	30.47	7.7	6.1	4.7	10	5.5
Lukoil Oil Company	LUKOY	B	84.60	18.4	6.7	4.3	7	1.8
Petro-Canada	PCZ	B	54.44	6.4	5.4	4.2	8	1.0
	<i>Median</i>			<i>14.0</i>	<i>6.7</i>	<i>5.3</i>	<i>10</i>	<i>1.6</i>
<b>Independent Natural Gas and Oil - Large Cap</b>								
CNOOC Limited (34%)	CEO	H	171.37	10.6	6.1	8.3	15	2.0
XTO Energy Inc.	XTO	B	53.92	11.1	9.1	8.0	15	0.9
Encana Corporation	ECA	B	68.76	8.9	7.5	7.0	13	1.2
Canadian Natural Resources	CNQ	B	73.00	8.2	8.7	6.9	13	0.5
EOG Resources	EOG	B	88.46	9.0	7.9	6.7	17	0.4
Anadarko Petroleum Corp.	APC	B	62.90	11.4	7.4	6.2	15	1.1
Occidental Petroleum Corp.	OXY	B	76.40	11.7	6.6	5.9	11	1.3
Devon Energy Corporation	DVN	B	89.86	8.9	7.9	5.5	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>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	43.42	9.9	7.2	6.5	11	0.7
Encore Acquisition Company	EAC	B	32.84	14.5	7.4	5.0	12	-
Cimarex Energy Company	XEC	B	41.94	7.9	6.5	3.9	9	0.4
Energy Partners Ltd.	EPL	B	12.06	6.0	5.8	3.1	-	-
	<i>Median</i>			<i>8.9</i>	<i>6.9</i>	<i>4.4</i>	<i>11</i>	<i>0.2</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.34		7.9	16.1	35	6.4
Kinder Morgan Management, LLC	KMR	S	53.54		7.9	15.7	34	6.6
San Juan Basin Royalty Trust	SJT	B	35.13	10.2	12.2	10.7	13	7.7
Canadian Oil Sands Trust	COSWF	B	37.82	23.2	9.5	8.0	9	9.0
Hugoton Royalty Trust	HGT	B	23.83	13.4	10.9	7.6	11	9.3
Pengrowth Energy Trust	PGH		17.81	7.4	6.5	6.2	15	15.3
Enerplus Resources Fund	ERF		39.47	9.7	7.5	5.9	9	12.9
Penn West Energy Trust	PWE	B	26.20	7.8	6.5	5.0	8	15.7
	<i>Median</i>			<i>9.9</i>	<i>7.9</i>	<i>7.8</i>	<i>12</i>	<i>9.1</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								

## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 8, 2008



<b>McDep Energy Portfolio</b>											
<b>Composite of Buy Recommendations</b>											
		<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>7-Jan</i>			<i>HQ</i>	<i>Natural</i>	<i>Natural</i>	<i>Oil</i>	<i>Down-</i>		
	<i>Symbol</i>	<i>2008</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>Gas</i>	<i>Gas</i>	<i>Prod'n</i>	<i>stream</i>	<i>McDep</i>	
										<i>Ratio</i>	
<b>Mega Cap</b>											
	BP plc	BP	74.81	3.0	3.2	3.2	0.3	0.3	2.1	0.5	0.91
	Exxon Mobil Corporation	XOM	91.24	3.6	3.2		0.2	0.4	1.9	0.6	0.90
	Total S.A.	TOT	86.10	3.2	3.2	3.2		1.0	1.7	0.6	0.88
	Royal Dutch Shell plc	RDS-A	86.00	3.3	3.2	3.2	0.1	0.4	1.7	1.0	0.84
	Gazprom	OGZPY	58.00	10.3	9.6	9.6		6.3	3.2		0.82
	Chevron Corporation	CVX	92.15	3.4	3.2		0.1	0.2	2.2	0.7	0.80
	ConocoPhillips	COP	84.41	5.7	6.4		0.9	0.4	3.6	1.4	0.74
	<i>Total or Median</i>			<i>32</i>	<i>32</i>						<i>0.84</i>
<b>Producer/Refiners - Large Cap</b>											
	Imperial Oil Limited	IMO	53.57	1.4	1.3	1.3	0.1		1.0	0.2	1.11
	Suncor Energy	SU	107.87	1.4	1.3	1.3	0.0		1.2	0.1	0.89
	Petro-Canada	PCZ	54.44	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.79
	StatoilHydro ASA	STO	30.47	1.6	1.6	1.6		0.6	1.0	-	0.77
	Lukoil Oil Company	LUKOY	84.60	7.2	6.4	6.4			4.7	1.7	0.64
	<i>Total or Median</i>			<i>13</i>	<i>12</i>						<i>0.79</i>
<b>Independent Natural Gas and Oil - Large Cap</b>											
	Encana Corporation	ECA	68.76	3.6	3.8	3.8	2.5		1.0	0.3	0.93
	Occidental Petroleum Corp.	OXY	76.40	3.5	3.2		0.4	0.0	2.5	0.3	0.89
	XTO Energy Inc.	XTO	53.92	4.5	4.8		3.6		1.2		0.88
	EOG Resources	EOG	88.46	6.9	6.4		4.8	0.2	1.4		0.85
	Anadarko Petroleum Corp.	APC	62.90	2.4	3.2		1.7		1.4	0.1	0.84
	Canadian Natural Resources	CNQ	73.00	1.4	1.6	1.6	0.4		1.2		0.79
	Devon Energy Corporation	DVN	89.86	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>
<b>Independent Natural Gas and Oil - Small Cap</b>											
	Berry Petroleum Company	BRY	43.42	1.4	1.6		0.4		1.2		0.89
	Encore Acquisition Compan	EAC	32.84	2.1	3.2		0.6		2.6		0.68
	Cimarex Energy Company	XEC	41.94	3.2	3.2		2.2		1.0		0.59
	Energy Partners Ltd.	EPL	12.06	0.7	1.6		0.8		0.8		0.55
	<i>Total or Median</i>			<i>7</i>	<i>10</i>						<i>0.64</i>
<b>Income</b>											
	San Juan Basin Royalty Tru	SJT	35.13	7.5	6.4		6.4				0.88
	Canadian Oil Sands Trust	COSWF	37.82	5.6	5.1	5.1	(0.5)		5.6		0.85
	Penn West Energy Trust	PWE	26.20	2.2	2.6	2.6	0.7		1.8		0.77
	Hugoton Royalty Trust	HGT	23.83	3.7	3.2		3.2				0.70
	<i>Total or Median</i>			<i>19</i>	<i>17</i>						<i>0.81</i>
	<b>Portfolio Composite</b>			<b>100</b>	<b>100</b>	<b>44</b>	<b>32</b>	<b>10</b>	<b>50</b>	<b>8</b>	<b>0.79</b>
	Canada					<b>17</b>					
	Russia					<b>16</b>					
	Europe					<b>11</b>					
Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 9.6% to four-tenths at 1.3%.											

## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 8, 2008



Index of Recent Research			
<b>Stock Ideas</b>			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
6-Jan	SJT	San Juan Basin Royalty Trust	\$18 a Million Btu for LNG
4-Jan	COSWF	Canadian Oil Sands Trust	\$100 Oil Gem (Income Weekly)
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	* 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
23-Jul	* HGT	Hugoton Royalty Trust	Paying Unitholders to Wait
<b>Meter Reader</b>			
8-Jan		Weekly	
31-Dec		Weekly	2002 Buys Gain 40% a Year
24-Dec	*	Weekly	Election Year 2008
18-Dec	*	Weekly	Raise Oil Present Value 15%
<b>Oil and Gas Income Stocks (previously Natural Gas and Oil Royalty Trusts)</b>			
4-Jan		Canadian Oil Sands Trust	\$100 Oil Gem
28-Dec		Weekly	Leaders and Laggards in 2007
21-Dec	*	Weekly	Raise Oil Present Value
14-Dec	*	Weekly	How Low Can It Go?
	*	Archived on <a href="http://www.mcdep.com">www.mcdep.com</a>	

## ***Meter Reader***

### ***A Weekly Analysis of Energy Stocks Using the McDep Ratio***

January 8, 2008



**Disclaimer:** This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**Research Methodology/Ratings Description:** McDep LLC 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.