



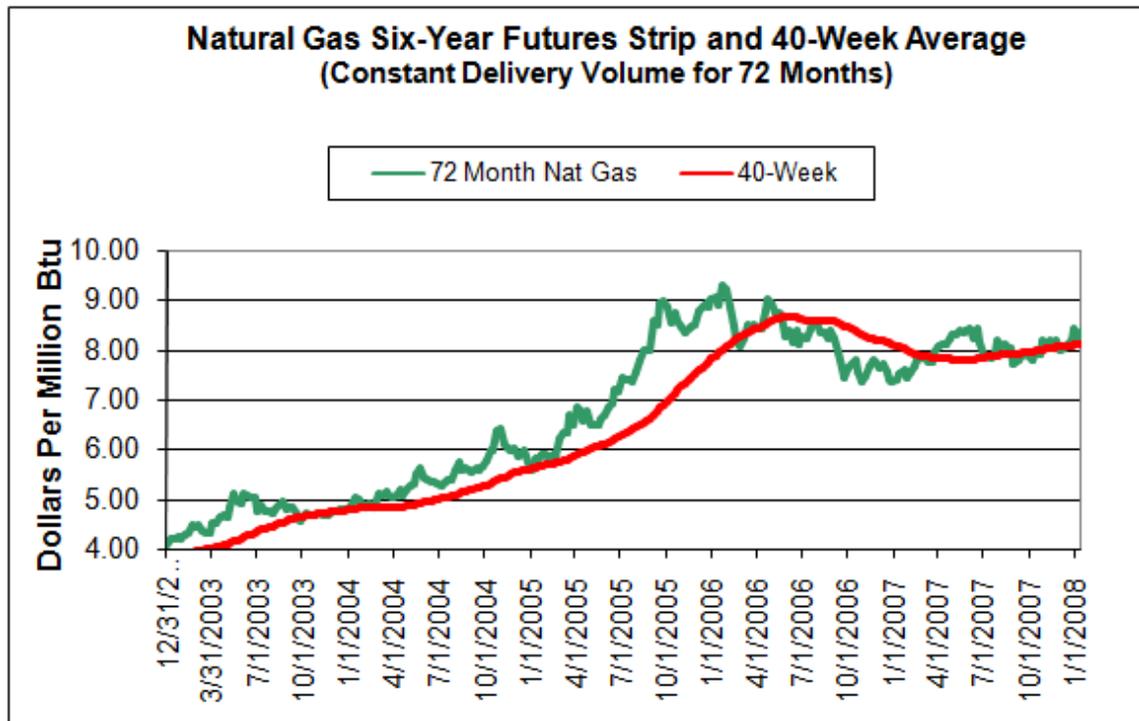
Price Momentum in Six-Year Natural Gas

Summary and Recommendation

Natural gas futures may be breaking out to the upside after trading around \$8 a million btu for more than two years (see chart [Natural Gas Six-Year Futures Strip and 40-Week Average](#)). A wide gap compared to oil offers fundamental reinforcement to the price action that may lie ahead (see chart [Six-Year Commodity Price Meter](#)). Logically, large natural gas consumers, such as electric utilities, should buy long-term futures. The mentality of regulators discourages such foresight, we think. If the bet is wrong, shareholders are at risk, and if the bet is right, utility ratepayers get the reward. Unexpected tax changes notwithstanding, investors would earn the reward in buy-recommended natural gas stocks for taking the commodity risk. The illustrative McDep Energy Portfolio has natural gas exposure in mega caps, large caps, small caps and income stocks (see table [Composite of Buy Recommendations](#)).

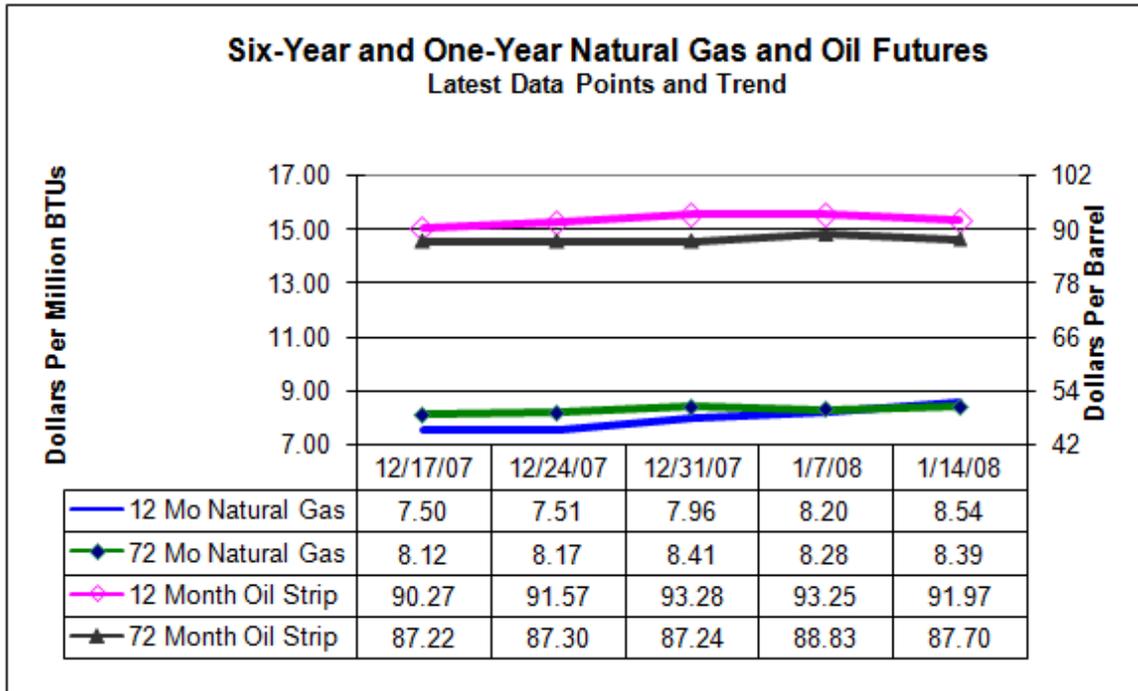
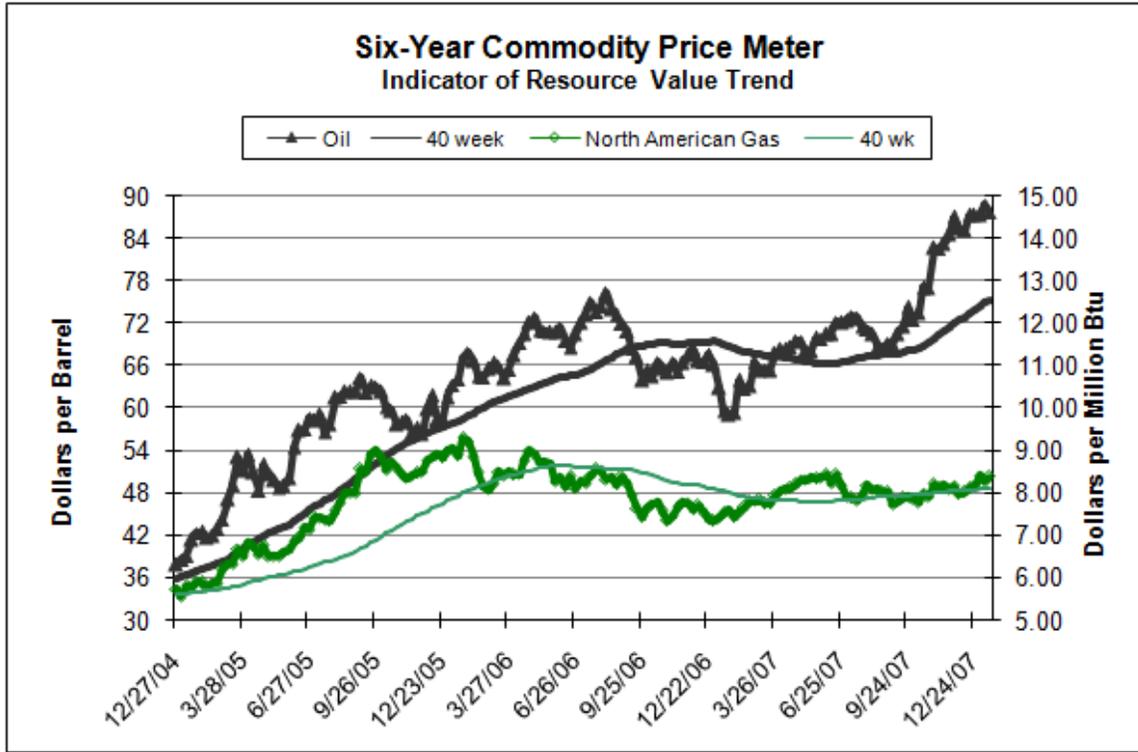
Kurt H. Wulff, CFA

No, it is not your eyesight. There may be some fuzziness in charts and tables until we become more familiar with Windows Vista and Adobe 8.



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A Weekly Analysis of Energy Stocks Using the McDep Ratio
 January 15, 2008



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A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 15, 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		14-Jan 2008	(mm)				
Mega Cap								
Petrobras	PBR		111.26	2,200	244,770	122.00	0.09	0.92
Exxon Mobil Corporation	XOM	B	90.83	5,536	503,000	102.00	0.05	0.90
Total S.A.	TOT	B	85.22	2,273	194,000	100.00	0.13	0.87
BP plc	BP	B	70.23	3,177	223,000	84.00	0.17	0.86
Gazprom (50%)	OGZPY	B	59.90	2,945	176,400	72.00	0.06	0.84
Royal Dutch Shell plc	RDS-A	B	82.40	3,143	259,000	104.00	0.10	0.81
Chevron Corporation	CVX	B	90.91	2,206	201,000	117.00	0.08	0.79
ConocoPhillips	COP	B	83.39	1,644	137,000	124.00	0.18	0.73
<i>Total or Median</i>					1,938,000		0.09	0.85
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	52.99	278	14,750	48.00	0.07	1.10
PetroChina Company Ltd (10%)	PTR	H	173.00	178	30,780	190.00	0.05	0.92
Suncor Energy	SU	B	104.27	472	49,220	122.00	0.08	0.87
Marathon Oil Corporation	MRO	H	54.88	719	39,460	68.00	0.18	0.84
Petro-Canada	PCZ	B	53.60	493	26,420	72.00	0.14	0.78
StatoilHydro ASA (29%)	STO	B	29.19	928	27,090	41.00	0.12	0.75
Lukoil Oil Company	LUKOY	B	82.00	826	68,000	134.00	0.02	0.62
<i>Total or Median</i>					256,000		0.08	0.84
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	178.25	149	26,610	125.00	-	1.43
Encana Corporation	ECA	B	67.94	756	51,400	75.00	0.18	0.92
XTO Energy Inc.	XTO	B	56.73	489	27,730	63.00	0.17	0.92
EOG Resources	EOG	B	93.17	247	23,100	106.00	0.06	0.89
Occidental Petroleum Corp.	OXY	B	75.35	837	63,100	86.00	0.05	0.88
Anadarko Petroleum Corp.	APC	B	64.88	468	30,400	82.00	0.31	0.86
Canadian Natural Resources	CNQ	B	72.08	539	38,900	99.00	0.20	0.78
Devon Energy Corporation	DVN	B	90.20	450	40,600	139.00	0.14	0.70
<i>Total or Median</i>					302,000		0.16	0.88
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	43.35	45	1,950	50.00	0.21	0.89
Encore Acquisition Company	EAC	B	33.08	54	1,790	60.00	0.29	0.68
Cimarex Energy Company	XEC	B	44.09	84	3,700	76.00	0.09	0.62
Energy Partners Ltd.	EPL	B	11.81	32	370	38.00	0.34	0.54
<i>Total or Median</i>					7,800		0.25	0.65
Income								
Kinder Morgan Energy Partners, L.P	KMP	S	55.95	179	10,030	17.00	0.54	2.05
Kinder Morgan Management, LLC	KMR	S	53.64	63	3,380	17.00	0.54	1.99
Pengrowth Energy Trust	PGH		17.70	247	4,370	19.00	0.25	0.95
San Juan Basin Royalty Trust	SJT	B	37.54	47	1,750	40.00	-	0.94
Canadian Oil Sands Trust	COSWF	B	38.53	479	18,450	45.00	0.06	0.86
Enerplus Resources Fund	ERF		40.22	129	5,200	52.00	0.13	0.80
Penn West Energy Trust	PWE	B	26.93	243	6,530	37.00	0.20	0.78
Hugoton Royalty Trust	HGT	B	25.46	40	1,020	34.00	-	0.75
<i>Total or Median</i>					50,700		0.17	0.90

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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A Weekly Analysis of Energy Stocks Using the McDep Ratio

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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		14-Jan 2008	NTM	NTM	NTM	NTM	NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	59.90	24.6	10.3	8.7	15	0.7
Petrobras	PBR		111.26	9.8	9.3	8.6	16	1.5
Exxon Mobil Corporation	XOM	B	90.83	12.1	6.8	6.1	11	1.5
BP plc	BP	B	70.23	10.0	6.7	5.8	10	3.7
Total S.A.	TOT	B	85.22	9.6	6.4	5.6	9	3.2
Chevron Corporation	CVX	B	90.91	10.2	6.3	5.0	9	2.6
Royal Dutch Shell plc	RDS-A	B	82.40	8.1	5.9	4.8	8	3.5
ConocoPhillips	COP	B	83.39	10.7	6.5	4.8	8	2.0
	<i>Median</i>			10.1	6.6	5.7	9	2.3
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	104.27	26.6	10.9	9.5	17	0.4
Imperial Oil Limited (30%)	IMO	B	52.99	14.0	7.7	8.4	14	0.7
PetroChina Company Ltd (10%)	PTR	H	173.00	15.0	7.2	6.6	13	2.8
Marathon Oil Corporation	MRO	H	54.88	8.7	6.0	5.0	8	1.7
StatoilHydro ASA (29%)	STO	B	29.19	7.7	6.1	4.5	9	5.7
Lukoil Oil Company	LUKOY	B	82.00	18.4	6.7	4.2	7	1.9
Petro-Canada	PCZ	B	53.60	6.4	5.4	4.2	8	1.0
	<i>Median</i>			14.0	6.7	5.0	9	1.7
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	178.25	10.6	6.1	8.6	16	1.9
XTO Energy Inc.	XTO	B	56.73	11.1	9.1	8.4	16	0.8
EOG Resources	EOG	B	93.17	9.0	7.9	7.0	18	0.4
Encana Corporation	ECA	B	67.94	8.9	7.5	6.9	13	1.2
Canadian Natural Resources	CNQ	B	72.08	8.2	8.7	6.8	13	0.5
Anadarko Petroleum Corp.	APC	B	64.88	11.4	7.4	6.4	16	1.1
Occidental Petroleum Corp.	OXY	B	75.35	11.7	6.6	5.9	11	1.3
Devon Energy Corporation	DVN	B	90.20	8.9	7.9	5.5	11	0.6
	<i>Median</i>			9.8	7.7	6.9	14	1.0
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	43.35	9.9	7.2	6.5	11	0.7
Encore Acquisition Company	EAC	B	33.08	14.5	7.4	5.0	12	-
Cimarex Energy Company	XEC	B	44.09	7.9	6.5	4.0	10	0.4
Energy Partners Ltd.	EPL	B	11.81	6.0	5.8	3.1	-	-
	<i>Median</i>			8.9	6.9	4.5	11	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.95		7.9	16.3	35	6.3
Kinder Morgan Management, LLC	KMR	S	53.64		7.9	15.8	34	6.6
San Juan Basin Royalty Trust	SJT	B	37.54	10.2	12.2	11.4	14	7.2
Hugoton Royalty Trust	HGT	B	25.46	13.8	11.1	8.3	12	8.6
Canadian Oil Sands Trust	COSWF	B	38.53	23.2	9.5	8.2	10	8.8
Pengrowth Energy Trust	PGH		17.70	7.4	6.5	6.2	15	15.4
Enerplus Resources Fund	ERF		40.22	9.7	7.5	6.0	10	12.7
Penn West Energy Trust	PWE	B	26.93	7.8	6.5	5.1	8	15.3
	<i>Median</i>			9.9	7.9	8.2	13	8.7
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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A Weekly Analysis of Energy Stocks Using the McDep Ratio
January 15, 2008



McDep Energy Portfolio										
Composite of Buy Recommendations										
		Price	Portfolio Weight		Non-	North	Rest			
		(US\$/sh)	Equity	EV	U.S.	Amer.	of World			
		14-Jan			HQ	Natural	Natural	Oil	Down-	McDep
	Symbol	2008	(%)	(%)	(%)	Gas	Gas	Prod'n	stream	Ratio
Mega Cap										
Exxon Mobil Corporation	XOM	90.83	3.5	3.2		0.2	0.4	1.9	0.6	0.90
Total S.A.	TOT	85.22	3.2	3.2	3.2		1.0	1.7	0.6	0.87
BP plc	BP	70.23	3.0	3.2	3.2	0.3	0.3	2.1	0.5	0.86
Gazprom	OGZPY	59.90	10.4	9.6	9.6		6.3	3.2		0.84
Royal Dutch Shell plc	RDS-A	82.40	3.3	3.2	3.2	0.1	0.4	1.7	1.0	0.81
Chevron Corporation	CVX	90.91	3.4	3.2		0.1	0.2	2.2	0.7	0.79
ConocoPhillips	COP	83.39	5.6	6.4		0.9	0.4	3.6	1.4	0.73
<i>Total or Median</i>			32	32						0.84
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	52.99	1.4	1.3	1.3	0.1		1.0	0.2	1.10
Suncor Energy	SU	104.27	1.4	1.3	1.3	0.0		1.2	0.1	0.87
Petro-Canada	PCZ	53.60	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.78
StatoilHydro ASA	STO	29.19	1.6	1.6	1.6		0.6	1.0	-	0.75
Lukoil Oil Company	LUKOY	82.00	7.2	6.4	6.4			4.7	1.7	0.62
<i>Total or Median</i>			13	12						0.78
Independent Natural Gas and Oil - Large Cap										
Encana Corporation	ECA	67.94	3.6	3.8	3.8	2.5		1.0	0.3	0.92
XTO Energy Inc.	XTO	56.73	4.5	4.8		3.6		1.2		0.92
EOG Resources	EOG	93.17	6.9	6.4		4.8	0.2	1.4		0.89
Occidental Petroleum Corp.	OXY	75.35	3.5	3.2		0.4	0.0	2.5	0.3	0.88
Anadarko Petroleum Corp.	APC	64.88	2.4	3.2		1.7		1.4	0.1	0.86
Canadian Natural Resources	CNQ	72.08	1.4	1.6	1.6	0.4		1.2		0.78
Devon Energy Corporation	DVN	90.20	6.0	6.4		3.3		3.0		0.70
<i>Total or Median</i>			28	29						0.88
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	43.35	1.4	1.6		0.4		1.2		0.89
Encore Acquisition Compan	EAC	33.08	2.1	3.2		0.6		2.6		0.68
Cimarex Energy Company	XEC	44.09	3.2	3.2		2.2		1.0		0.62
Energy Partners Ltd.	EPL	11.81	0.7	1.6		0.8		0.8		0.54
<i>Total or Median</i>			7	10						0.65
Income										
San Juan Basin Royalty Trust	SJT	37.54	7.5	6.4		6.4				0.94
Canadian Oil Sands Trust	COSWF	38.53	5.6	5.1	5.1	(0.5)		5.6		0.86
Penn West Energy Trust	PWE	26.93	2.2	2.6	2.6	0.7		1.8		0.78
Hugoton Royalty Trust	HGT	25.46	3.7	3.2		3.2				0.75
<i>Total or Median</i>			19	17						0.82
Portfolio Composite			100	100	44	32	10	50	8	0.80
Canada					17					
Russia					16					
Europe					11					
<p>Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 9.6% to four-tenths at 1.3%.</p>										

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Index of Recent Research			
Stock Ideas			
<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
11-Jan	HGT	Hugoton Royalty Trust	Insider Buying (Income Weekly)
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
Meter Reader			
15-Jan		Weekly	Price Momentum in Six-Year Natural Gas
8-Jan		Weekly	\$18 LNG, \$8 Nymex
31-Dec	*	Weekly	2002 Buys Gain 40% a Year
24-Dec	*	Weekly	Election Year 2008
Oil and Gas Income Stocks (previously Natural Gas and Oil Royalty Trusts)			
11-Jan		Hugoton Royalty Trust	Insider Buying
4-Jan		Canadian Oil Sands Trust	\$100 Oil Gem
28-Dec	*	Weekly	Leaders and Laggards in 2007
21-Dec	*	Weekly	Raise Oil Present Value
	*	Archived on www.mcdep.com	

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 15, 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.

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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.