

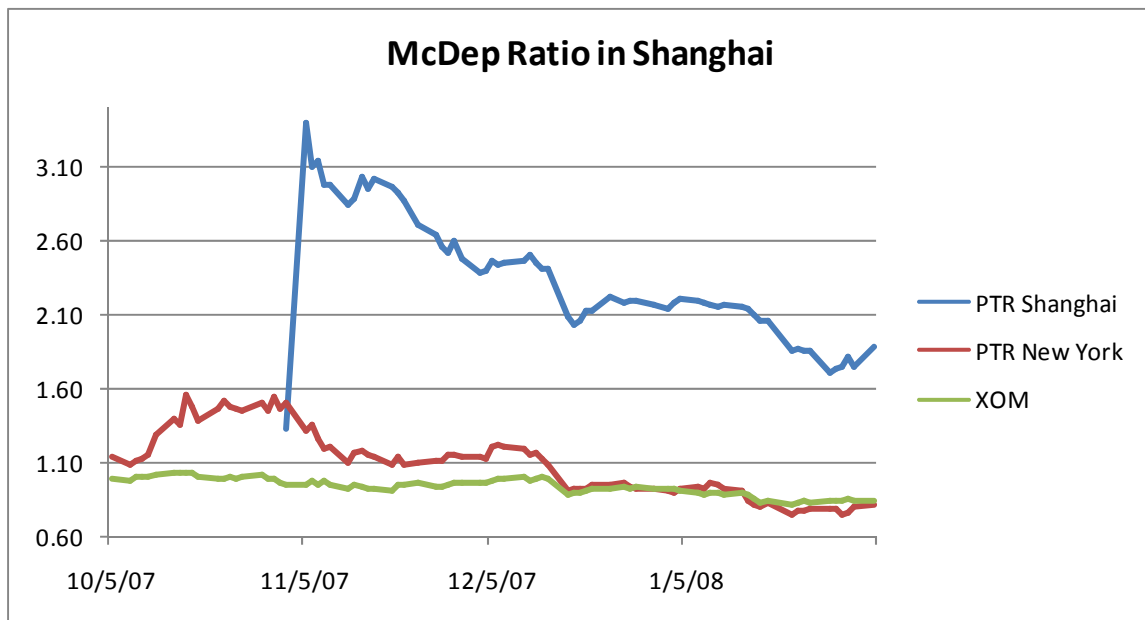


Buy PetroChina

Summary and Recommendation

We reinstate our buy recommendation on **PetroChina (PTR)** on the basis of a low McDep Ratio in New York of 0.83, which is less than half the McDep Ratio in Shanghai of 1.89. Such a gap in valuation will likely close eventually with the Shanghai price underperforming and the New York price outperforming. Since mid December when we raised estimates of Present Value, the denominator of the McDep Ratio, PetroChina in New York has roughly aligned with buy-recommended **ExxonMobil (XOM)** (see chart). An optimist might wonder if the confidence of Chinese investors in supporting premium valuations in their local market might ultimately pull up valuations in markets outside of China. At the same time, acute energy shortages in the face of price controls ought to encourage a more positive economic policy towards Chinese oil companies. For now we suggest a half unlevered weighting for PTR stock in the illustrative McDep Energy Portfolio (see page 4). For more analysis see *Stock Idea, PetroChina*, January 30, 2008.

Kurt H. Wulff, CFA



Source: Bloomberg, McDep LLC

N.B. The regular chart of six-year and one-year oil and natural gas futures appears on the last page of this weekly analysis.

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

February 5, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		4-Feb	Shares	Cap	Value	Present	
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	
							McDep	
							Ratio	
Mega Cap								
Petrobras	PBR		113.89	2,200	250,560	122.00	0.09	0.94
Exxon Mobil Corporation	XOM	B	85.41	5,454	466,000	102.00	0.05	0.84
BP plc	BP	B	64.41	3,177	205,000	84.00	0.17	0.81
Total S.A.	TOT	B	73.85	2,273	168,000	100.00	0.13	0.77
Gazprom (50%)	OGZPY	B	51.30	2,945	151,100	72.00	0.06	0.73
Chevron Corporation	CVX	B	82.02	2,206	181,000	117.00	0.08	0.72
Royal Dutch Shell plc	RDS-A	B	71.51	3,125	223,000	104.00	0.11	0.72
ConocoPhillips	COP	B	79.76	1,612	129,000	124.00	0.18	0.71
<i>Total or Median</i>					1,774,000		0.10	0.75
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	51.42	275	14,110	48.00	0.07	1.07
PetroChina Company Ltd (14%)	PTR	B	155.50	256	39,840	190.00	0.05	0.83
Suncor Energy	SU	B	96.48	473	45,640	122.00	0.08	0.81
Marathon Oil Corporation	MRO	H	48.93	713	34,890	68.00	0.18	0.77
StatoilHydro ASA (29%)	STO	B	27.46	928	25,480	41.00	0.12	0.71
Petro-Canada	PCZ	B	46.15	489	22,570	72.00	0.15	0.69
Lukoil Oil Company	LUKOY	B	72.00	826	59,000	134.00	0.02	0.55
<i>Total or Median</i>					242,000		0.08	0.77
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	157.97	149	23,580	125.00	-	1.26
Encana Corporation	ECA	B	68.55	756	51,800	75.00	0.18	0.93
XTO Energy Inc.	XTO	B	53.53	489	26,160	63.00	0.17	0.88
EOG Resources	EOG	B	90.67	247	22,400	106.00	0.06	0.86
Occidental Petroleum Corp.	OXY	B	69.24	833	57,700	86.00	0.06	0.82
Anadarko Petroleum Corp.	APC	B	59.75	468	28,000	82.00	0.31	0.81
Canadian Natural Resources	CNQ	B	66.91	539	36,100	99.00	0.19	0.74
Devon Energy Corporation	DVN	B	87.32	450	39,300	139.00	0.14	0.68
<i>Total or Median</i>					285,000		0.16	0.84
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	38.78	45	1,750	50.00	0.21	0.82
Encore Acquisition Company	EAC	B	32.96	54	1,790	60.00	0.29	0.68
Cimarex Energy Company	XEC	B	42.13	84	3,540	76.00	0.09	0.59
Energy Partners Ltd.	EPL	B	12.36	32	390	38.00	0.34	0.55
<i>Total or Median</i>					7,500		0.25	0.64
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.86	179	10,380	17.00	0.56	2.06
Kinder Morgan Management, LLC	KMR	S	54.48	64	3,490	17.00	0.56	1.97
Pengrowth Energy Trust	PGH		17.45	247	4,310	19.00	0.24	0.94
San Juan Basin Royalty Trust	SJT	B	37.19	47	1,730	40.00	-	0.93
Penn West Energy Trust	PWE	B	26.98	280	7,550	37.00	0.28	0.81
Canadian Oil Sands Trust	COSWF	B	37.71	479	18,060	45.00	0.05	0.85
Enerplus Resources Fund	ERF		40.78	129	5,280	52.00	0.13	0.81
Hugoton Royalty Trust	HGT	B	25.76	40	1,030	34.00	-	0.76
<i>Total or Median</i>					51,800		0.19	0.89
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								

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

February 5, 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		4-Feb 2008	NTM	NTM	NTM	NTM	NTM (%)
Mega Cap								
Petrobras	PBR		113.89	9.8	9.6	9.0	17	1.5
Gazprom (50%)	OGZPY	B	51.30	24.6	10.3	7.5	13	0.8
Exxon Mobil Corporation	XOM	B	85.41	12.0	7.0	5.9	10	1.6
BP plc	BP	B	64.41	10.0	6.8	5.5	9	4.0
Total S.A.	TOT	B	73.85	9.6	6.5	5.1	8	3.7
Chevron Corporation	CVX	B	82.02	10.1	6.5	4.7	8	2.8
ConocoPhillips	COP	B	79.76	10.6	6.3	4.5	7	2.1
Royal Dutch Shell plc	RDS-A	B	71.51	8.1	6.0	4.3	8	4.5
	<i>Median</i>			10.1	6.7	5.3	9	2.4
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	96.48	23.8	11.1	9.0	16	0.4
Imperial Oil Limited (30%)	IMO	B	51.42	14.1	7.6	8.1	13	0.7
PetroChina Company Ltd (14%)	PTR	B	155.50	15.0	7.6	6.3	12	3.2
Marathon Oil Corporation	MRO	H	48.93	8.9	6.3	4.9	8	2.0
StatoilHydro ASA (29%)	STO	B	27.46	7.7	6.2	4.4	9	6.1
Petro-Canada	PCZ	B	46.15	6.9	5.8	4.0	9	1.1
Lukoil Oil Company	LUKOY	B	72.00	18.4	6.9	3.8	6	2.2
	<i>Median</i>			14.1	6.9	4.9	9	2.0
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	53.53	11.1	8.7	7.7	15	0.9
CNOOC Limited (34%)	CEO	H	157.97	9.8	5.8	7.3	13	2.2
Encana Corporation	ECA	B	68.55	8.9	7.2	6.7	13	1.2
EOG Resources	EOG	B	90.67	9.0	7.6	6.6	16	0.4
Canadian Natural Resources	CNQ	B	66.91	8.2	8.7	6.4	12	0.5
Anadarko Petroleum Corp.	APC	B	59.75	11.4	7.4	6.0	14	1.2
Occidental Petroleum Corp.	OXY	B	69.24	11.6	6.6	5.4	10	1.4
Devon Energy Corporation	DVN	B	87.32	8.9	7.6	5.2	10	0.6
	<i>Median</i>			9.4	7.5	6.5	13	1.0
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	38.78	9.9	7.4	6.1	10	0.8
Encore Acquisition Company	EAC	B	32.96	14.4	7.6	5.2	13	-
Cimarex Energy Company	XEC	B	42.13	7.9	6.4	3.8	9	0.4
Energy Partners Ltd.	EPL	B	12.36	6.0	5.5	3.0	-	-
	<i>Median</i>			8.9	6.9	4.5	10	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.86		7.8	16.2	30	6.4
Kinder Morgan Management, LLC	KMR	S	54.48		7.8	15.5	28	6.8
San Juan Basin Royalty Trust	SJT	B	37.19	10.3	11.6	10.7	13	7.7
Canadian Oil Sands Trust	COSWF	B	37.71	23.2	10.8	9.1	11	8.8
Hugoton Royalty Trust	HGT	B	25.76	13.6	10.9	8.2	12	8.6
Pengrowth Energy Trust	PGH		17.45	7.4	6.8	6.4	16	15.1
Enerplus Resources Fund	ERF		40.78	9.7	7.9	6.4	10	12.0
Penn West Energy Trust	PWE	B	26.98	7.4	6.0	4.8	12	14.7
	<i>Median</i>			10.0	7.9	8.7	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
February 5, 2008



McDep Energy Portfolio										
Composite of Buy Recommendations										
						North	Rest			
		Price	Portfolio Weight		Non-	Amer.	of World			
		(US\$/sh)	Equity	EV	U.S.	Natural	Natural	Oil	Down-	
	Symbol	4-Feb	(%)	(%)	HQ	Gas	Gas	Prod'n	stream	McDep
		2008			(%)	(%)	(%)	(%)	(%)	Ratio
Mega Cap										
Exxon Mobil Corporation	XOM	85.41	3.5	3.1		0.2	0.4	1.9	0.6	0.84
BP plc	BP	64.41	2.9	3.1	3.1	0.3	0.3	2.1	0.5	0.81
Total S.A.	TOT	73.85	3.1	3.1	3.1		1.0	1.6	0.6	0.77
Gazprom	OGZPY	51.30	10.2	9.4	9.4		6.2	3.2		0.73
Chevron Corporation	CVX	82.02	3.3	3.1		0.1	0.2	2.2	0.7	0.72
Royal Dutch Shell plc	RDS-A	71.51	3.2	3.1	3.1	0.1	0.4	1.7	1.0	0.72
ConocoPhillips	COP	79.76	5.5	6.3		0.9	0.5	3.5	1.4	0.71
<i>Total or Median</i>			32	31						0.73
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	51.42	1.4	1.3	1.3	0.1		1.0	0.2	1.07
PetroChina Company Ltd (14)	PTR	155.50	1.7	1.6	1.6	-	0.1	1.4	0.1	0.83
Suncor Energy	SU	96.48	1.3	1.3	1.3	0.0		1.1	0.1	0.81
StatoilHydro ASA	STO	27.46	1.5	1.6	1.6		0.6	1.0	-	0.71
Petro-Canada	PCZ	46.15	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.69
Lukoil Oil Company	LUKOY	72.00	7.1	6.3	6.3			4.7	1.6	0.55
<i>Total or Median</i>			14	13						0.76
Independent Natural Gas and Oil - Large Cap										
Encana Corporation	ECA	68.55	3.6	3.8	3.8	2.5		1.0	0.3	0.93
XTO Energy Inc.	XTO	53.53	4.5	4.7		3.5		1.2		0.88
EOG Resources	EOG	90.67	6.9	6.3		4.7	0.2	1.3		0.86
Occidental Petroleum Corp.	OXY	69.24	3.5	3.1		0.4	0.0	2.5	0.2	0.82
Anadarko Petroleum Corp.	APC	59.75	2.3	3.1		1.7		1.4	0.1	0.81
Canadian Natural Resources	CNQ	66.91	1.4	1.6	1.6	0.4		1.1		0.74
Devon Energy Corporation	DVN	87.32	5.9	6.3		3.3		3.0		0.68
<i>Total or Median</i>			28	29						0.82
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	38.78	1.4	1.6		0.4		1.2		0.82
Encore Acquisition Company	EAC	32.96	2.1	3.1		0.5		2.6		0.68
Cimarex Energy Company	XEC	42.13	3.2	3.1		2.1		1.0		0.59
Energy Partners Ltd.	EPL	12.36	0.7	1.6		0.8		0.8		0.55
<i>Total or Median</i>			7	9						0.64
Income										
San Juan Basin Royalty Trust	SJT	37.19	7.4	6.3		6.3				0.93
Canadian Oil Sands Trust	COSWF	37.71	5.6	5.0	5.0	(0.5)		5.5		0.85
Penn West Energy Trust	PWE	26.98	1.9	2.5	2.5	0.8		1.7		0.81
Hugoton Royalty Trust	HGT	25.76	3.7	3.1		3.1				0.76
<i>Total or Median</i>			19	17						0.83
Portfolio Composite										
			100	100	45	32	10	50	8	0.75
Canada					17					
Russia					16					
Europe					11					
China					2					
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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A Weekly Analysis of Energy Stocks Using the McDep Ratio
February 5, 2008



Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
1-Feb	CVX	Chevron Corporation	Oil Concentration Rewarded
1-Feb	XOM	Exxon Mobil Corporation	Global Energy Leader
1-Feb	IMO	Imperial Oil Limited	Long-Term Canadian Oil Money Maker
31-Jan	PCZ	Petro-Canada	Facing Oil Sands Investment Decision
31-Jan	MRO	Marathon Oil Corporation	Downstream Surprise
31-Jan	RDSA	Royal Dutch Shell plc	Downstream Offset
31-Jan	COSWF	Canadian Oil Sands Trust	Distribution Nearly Doubles in Two Quarters
30-Jan	PTR	PetroChina Company Limited	Cheap in New York, Dear in Shanghai
29-Jan	CEO	CNOOC Ltd	Volume Gains Expected in 2008
29-Jan	OXY	Occidental Petroleum Corporation	Crude is King
23-Jan	COP	ConocoPhillips	Cool under Fire
22-Jan	SU	Suncor Energy	Oil Sands for Taxable Investors
17-Jan	KMP	Kinder Morgan	Energy Infrastructure Fee Machine
11-Jan	* HGT	Hugoton Royalty Trust	Insider Buying (Income Weekly)
6-Jan	* SJT	San Juan Basin Royalty Trust	\$18 a Million Btu for LNG
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
1-Nov	* CNQ	Canadian Natural Resources	Heavy Oil, Natural Gas and Oil Sands
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	* NHY	Norsk Hydro ASA	Real Growth in Materials
29-Oct	* EOG	EOG Resources Inc.	Natural Gas Sleeper
29-Oct	* STO	StatoilHydro ASA	Shtokman Partner
25-Oct	* ECA	EnCana Corporation	Political Cloud over Canada
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

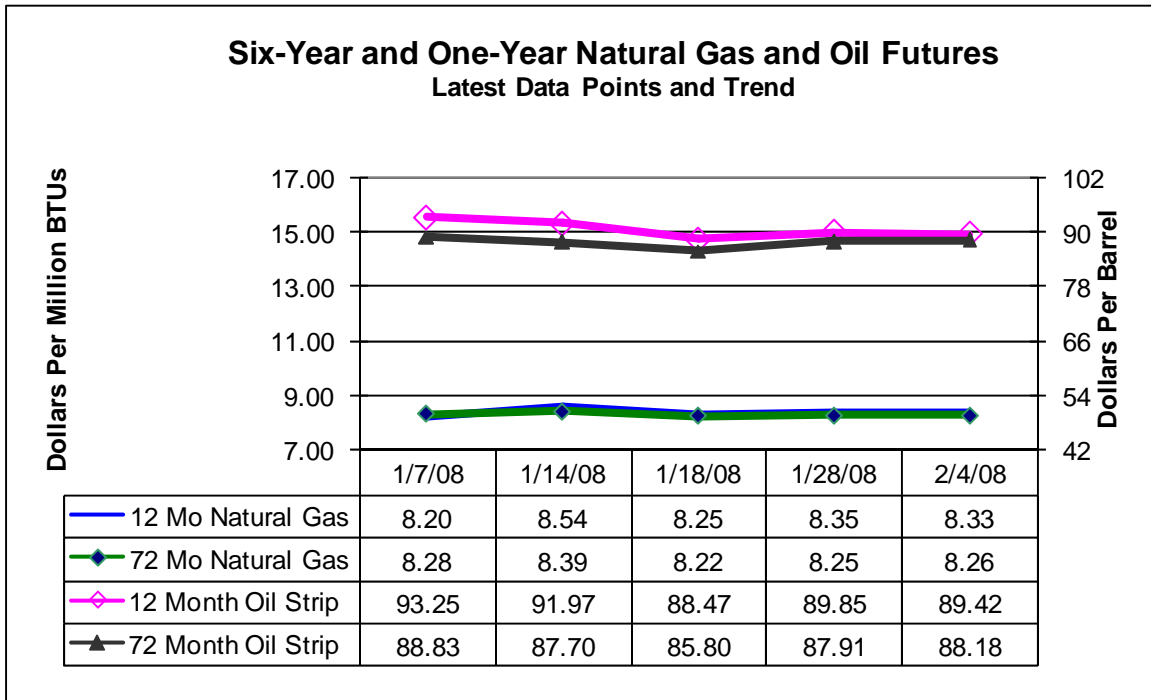
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5-Feb		Weekly	Buy PetroChina
29-Jan		Weekly	Buy Large Cap Natural Gas
22-Jan	*	Weekly	Small Caps on Sale
15-Jan	*	Weekly	Price Momentum in Six-Year Natural Gas

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

4-Feb		Weekly	Canada Tax Developments
25-Jan		Weekly	False Alarm
20-Jan	*	Weekly	Thriving in Debt-Stressed Market
11-Jan	*	Hugoton Royalty Trust	Insider Buying

* Archived on www.mcdep.com



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.