



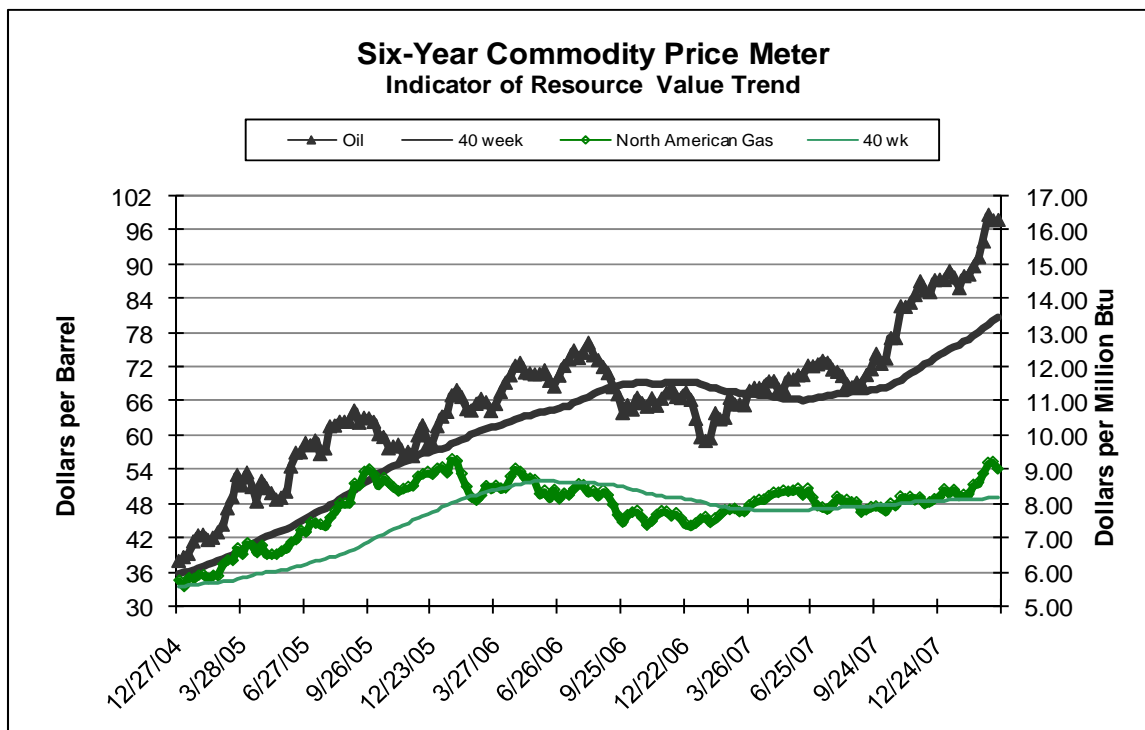
Upstream Trends Up

Summary and Recommendation

In the wake of the historic collapse of venerable Wall Street financial house Bear Stearns, we see the outlook for energy remaining supportive on balance for our buy recommendations. Six-year oil futures stay in an upward trend and are well above \$80 a barrel to which our estimates of present value relate (see chart below and table on page 7). Six-year natural gas futures, in a newly positive trend, are half the oil equivalent. Chief Executive Jim Mulva of buy-recommended **ConocoPhillips (COP)** exclaimed at the company's analyst meeting on March 12, "Everywhere in the world people need [natural] gas!" Independent natural gas and oil producers together with income stocks are nearly all in a positive stock price trend (see table on page 5, Rank by Price to 200-Day Average). Buy recommendations with positive stock price momentum and lower McDep Ratio include **Cimarex Energy (XEC)** and **Devon Energy (DVN)**.

Refining margins at about \$9 a barrel for the one-year crack are below the 40-week average. The lack of rising stock price trend on a 200-day basis for most of the integrated companies may also be a short-term cautionary sign contrasting with the positive sign of low McDep Ratios. Buy recommendations off the most relative to the 200-day average include euro giants **Royal Dutch Shell (RDS)** and **BP plc (BP)**.

Kurt H. Wulff, CFA



Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

March 18, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		17-Mar	Shares	Cap	Value	Present	McDep
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	Ratio
Mega Cap								
Petrobras	PBR		103.57	2,200	227,850	122.00	0.09	0.86
Exxon Mobil Corporation	XOM	B	85.79	5,454	468,000	102.00	0.05	0.85
BP plc	BP	B	62.03	3,163	196,000	84.00	0.18	0.79
Total S.A.	TOT	B	73.40	2,266	166,000	100.00	0.12	0.77
Chevron Corporation	CVX	B	84.19	2,206	186,000	117.00	0.09	0.75
Gazprom (50%)	OGZPY	B	49.55	2,940	145,700	72.00	0.10	0.72
Royal Dutch Shell plc	RDS-A	B	68.20	3,125	213,000	104.00	0.11	0.69
ConocoPhillips	COP	B	75.88	1,612	122,000	124.00	0.18	0.68
<i>Total or Median</i>					1,725,000		0.11	0.76
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	51.88	275	14,240	48.00	0.07	1.08
Suncor Energy	SU	B	101.74	473	48,120	122.00	0.08	0.85
StatoilHydro ASA (29%)	STO	B	29.39	926	27,220	41.00	0.15	0.76
Marathon Oil Corporation	MRO	H	46.70	713	33,300	68.00	0.19	0.75
Petro-Canada	PCZ	B	44.92	489	21,970	72.00	0.15	0.68
PetroChina Company Ltd (14%)	PTR	B	124.04	256	31,780	190.00	0.05	0.67
Lukoil Oil Company	LUKOY	B	74.40	826	61,000	134.00	0.02	0.57
<i>Total or Median</i>					238,000		0.08	0.75
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	149.99	149	22,390	125.00	-	1.20
EOG Resources	EOG	B	120.41	249	29,900	115.00	0.06	1.04
Encana Corporation	ECA	B	76.34	755	57,600	75.00	0.22	1.01
XTO Energy Inc.	XTO	B	59.19	491	29,030	68.00	0.17	0.89
Occidental Petroleum Corp.	OXY	B	70.67	833	58,900	86.00	0.06	0.83
Anadarko Petroleum Corp.	APC	B	61.62	470	29,000	82.00	0.31	0.83
Canadian Natural Resources	CNQ	B	69.65	540	37,600	99.00	0.20	0.76
Devon Energy Corporation	DVN	B	99.31	449	44,600	139.00	0.13	0.75
<i>Total or Median</i>					309,000		0.15	0.86
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	42.67	45	1,930	50.00	0.24	0.89
Encore Acquisition Company	EAC	B	37.00	54	2,010	60.00	0.29	0.73
Cimarex Energy Company	XEC	B	51.56	84	4,340	76.00	0.10	0.71
Energy Partners Ltd.	EPL		10.12	32	320	25.00	0.43	0.66
<i>Total or Median</i>					8,600		0.26	0.72
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	56.53	179	10,140	17.00	0.56	2.03
Kinder Morgan Management, LLC	KMR	S	52.10	64	3,330	17.00	0.56	1.91
Pengrowth Energy Trust	PGH		18.76	247	4,630	19.00	0.25	0.99
San Juan Basin Royalty Trust	SJT	B	37.87	47	1,770	40.00	-	0.95
Canadian Oil Sands Trust	COSWF	B	41.70	479	19,980	45.00	0.05	0.93
Enerplus Resources Fund	ERF		42.31	129	5,470	52.00	0.13	0.84
Hugoton Royalty Trust	HGT	B	27.85	40	1,110	34.00	-	0.82
Penn West Energy Trust	PWE	B	27.74	373	10,340	37.00	0.24	0.81
<i>Total or Median</i>					56,800		0.19	0.94
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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March 18, 2008



Oil and Gas Producers - Rank by EV/Ebitda								
			Price	Adjustd				Divd or
			(US\$/sh)	Resrvs/	PV/	EV/		Distrib
	Symbol/		17-Mar	Prod	Ebitda	Ebitda	P/E	NTM
	Rating		2008	NTM	NTM	NTM	NTM	(%)
Mega Cap								
Petrobras	PBR		103.57	9.8	8.6	7.4	13	1.6
Gazprom (50%)	OGZPY	B	49.55	24.6	10.1	7.2	11	0.9
Exxon Mobil Corporation	XOM	B	85.79	12.0	6.5	5.5	10	1.6
BP plc	BP	B	62.03	9.9	6.1	4.8	8	5.2
Chevron Corporation	CVX	B	84.19	9.6	6.0	4.5	7	2.8
Total S.A.	TOT	B	73.40	8.8	5.9	4.5	8	3.7
ConocoPhillips	COP	B	75.88	10.6	5.7	3.9	6	2.5
Royal Dutch Shell plc	RDS-A	B	68.20	7.5	5.6	3.9	7	4.7
	<i>Median</i>			9.9	6.1	4.6	8	2.6
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	101.74	23.8	9.8	8.3	15	0.4
Imperial Oil Limited (30%)	IMO	B	51.88	12.9	7.0	7.5	12	0.7
PetroChina Company Ltd (14%)	PTR	B	124.04	15.0	6.8	4.6	8	4.0
StatoilHydro ASA (29%)	STO	B	29.39	7.7	5.9	4.5	10	5.4
Marathon Oil Corporation	MRO	H	46.70	8.8	5.9	4.4	7	2.1
Lukoil Oil Company	LUKOY	B	74.40	18.1	6.3	3.6	6	2.1
Petro-Canada	PCZ	B	44.92	6.9	5.2	3.5	7	1.2
	<i>Median</i>			12.9	6.3	4.5	8	2.1
Independent Natural Gas and Oil - Large Cap								
EOG Resources	EOG	B	120.41	10.5	6.8	7.1	16	0.4
XTO Energy Inc.	XTO	B	59.19	12.6	7.7	6.8	16	0.8
Encana Corporation	ECA	B	76.34	8.7	6.5	6.6	13	2.1
CNOOC Limited (34%)	CEO	H	149.99	9.8	5.1	6.1	11	2.3
Canadian Natural Resources	CNQ	B	69.65	8.4	7.8	6.0	10	0.6
Anadarko Petroleum Corp.	APC	B	61.62	9.9	6.5	5.4	12	1.2
Devon Energy Corporation	DVN	B	99.31	9.5	6.7	5.0	10	0.6
Occidental Petroleum Corp.	OXY	B	70.67	11.6	5.9	4.9	9	1.4
	<i>Median</i>			9.9	6.6	6.0	12	1.0
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	42.67	10.3	6.5	5.8	11	0.7
Encore Acquisition Company	EAC	B	37.00	14.1	7.0	5.1	10	-
Cimarex Energy Company	XEC	B	51.56	7.6	5.0	3.6	7	0.3
Energy Partners Ltd.	EPL		10.12	7.4	4.9	3.3		-
	<i>Median</i>			9.0	5.8	4.3	10	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	56.53		7.8	15.9	29	6.5
Kinder Morgan Management, LLC	KMR	S	52.10		7.8	15.0	27	7.1
San Juan Basin Royalty Trust	SJT	B	37.87	10.4	10.4	9.9	12	8.4
Canadian Oil Sands Trust	COSWF	B	41.70	24.0	9.6	9.0	11	8.0
Hugoton Royalty Trust	HGT	B	27.85	13.1	9.2	7.5	10	9.9
Pengrowth Energy Trust	PGH		18.76	7.4	5.8	5.7	12	14.5
Enerplus Resources Fund	ERF		42.31	9.7	6.6	5.5	8	12.0
Penn West Energy Trust	PWE	B	27.74	7.3	6.3	5.1	13	14.8
	<i>Median</i>			10.1	7.8	8.2	12	9.2
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
March 18, 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	17-Mar	(%)	(%)	HQ	Gas	Gas	Prod'n	stream	McDep
		2008			(%)	(%)	(%)	(%)	(%)	Ratio
Mega Cap										
Exxon Mobil Corporation	XOM	85.79	3.6	3.2		0.2	0.4	1.8	0.7	0.85
BP plc	BP	62.03	2.9	3.2	3.2	0.3	0.3	2.1	0.5	0.79
Total S.A.	TOT	73.40	3.2	3.2	3.2		1.0	1.6	0.6	0.77
Chevron Corporation	CVX	84.19	3.3	3.2		0.1	0.2	2.2	0.7	0.75
Gazprom	OGZPY	49.55	9.7	9.6	9.6		7.5	2.1		0.72
Royal Dutch Shell plc	RDS-A	68.20	3.2	3.2	3.2	0.1	0.5	1.7	1.0	0.69
ConocoPhillips	COP	75.88	5.5	6.4		1.0	0.5	3.5	1.4	0.68
<i>Total or Median</i>				31	32					0.75
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	51.88	1.4	1.3	1.3	0.1		1.0	0.2	1.08
Suncor Energy	SU	101.74	1.4	1.3	1.3	0.0		1.2	0.1	0.85
StatoilHydro ASA	STO	29.39	1.5	1.6	1.6		0.5	1.1	-	0.76
Petro-Canada	PCZ	44.92	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.68
PetroChina Company Ltd (14	PTR	124.04	1.7	1.6	1.6	-	0.1	1.4	0.1	0.67
Lukoil Oil Company	LUKOY	74.40	7.2	6.4	6.4			4.7	1.7	0.57
<i>Total or Median</i>				14	13					0.72
Independent Natural Gas and Oil - Large Cap										
EOG Resources	EOG	120.41	5.3	4.8		3.4	0.3	1.1		1.04
Encana Corporation	ECA	76.34	3.6	3.8	3.8	2.7		0.9	0.3	1.01
XTO Energy Inc.	XTO	59.19	4.6	4.8		3.7		1.1		0.89
Occidental Petroleum Corp.	OXY	70.67	3.5	3.2		0.4	0.0	2.5	0.3	0.83
Anadarko Petroleum Corp.	APC	61.62	3.5	4.8		2.5		2.2	0.1	0.83
Canadian Natural Resources	CNQ	69.65	1.4	1.6	1.6	0.4		1.2		0.76
Devon Energy Corporation	DVN	99.31	6.3	6.4		3.4		3.0		0.75
<i>Total or Median</i>				28	29					0.83
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	42.67	1.4	1.6		0.4		1.2		0.89
Encore Acquisition Company	EAC	37.00	2.3	3.2		0.5		2.7		0.73
Cimarex Energy Company	XEC	51.56	3.3	3.2		2.1		1.1		0.71
<i>Total or Median</i>				7	8					0.73
Income										
San Juan Basin Royalty Trust	SJT	37.87	7.5	6.4		6.4				0.95
Canadian Oil Sands Trust	COSWF	41.70	5.7	5.1	5.1	(0.5)		5.6		0.93
Hugoton Royalty Trust	HGT	27.85	3.8	3.2		3.2				0.82
Penn West Energy Trust	PWE	27.74	2.1	2.6	2.6	0.7		1.9		0.81
<i>Total or Median</i>				19	17					0.87
Portfolio Composite										
			100	100	46	31	11	50	8	0.78
	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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March 18, 2008



Oil and Gas Producers - Rank by Price to 200-Day Average									
			Price (\$/sh)				Price/ 60-Day	Price/ 200-Day	
	Symbol		17-Mar 2008	60-Day Average	200-Day Average			McDep Ratio	
		Rating				Average	Average		
Mega Cap									
Gazprom (50%)	OGZPY	B	49.55	52.72	47.62	0.94	1.04	0.72	
Exxon Mobil Corporation	XOM	B	85.79	87.73	87.77	0.98	0.98	0.85	
Chevron Corporation	CVX	B	84.19	86.90	87.45	0.97	0.96	0.75	
Total S.A.	TOT	B	73.40	76.92	78.17	0.95	0.94	0.77	
ConocoPhillips	COP	B	75.88	80.77	81.69	0.94	0.93	0.68	
BP plc	BP	B	62.03	67.43	69.93	0.92	0.89	0.79	
Royal Dutch Shell plc	RDS-A	B	68.20	75.14	78.80	0.91	0.87	0.69	
Producer/Refiners - Large Cap									
Suncor Energy	SU	B	101.74	100.60	96.63	1.01	1.05	0.85	
Imperial Oil Limited (30%)	IMO	B	51.88	52.93	49.54	0.98	1.05	1.08	
StatoilHydro ASA (29%)	STO	B	29.39	28.85	30.31	1.02	0.97	0.76	
Lukoil Oil Company	LUKOY	B	74.40	77.07	79.92	0.97	0.93	0.57	
Petro-Canada	PCZ	B	44.92	48.88	52.02	0.92	0.86	0.68	
Marathon Oil Corporation	MRO	H	46.70	53.43	56.62	0.87	0.82	0.75	
PetroChina Company Ltd (10%)	PTR	B	124.04	155.82	166.24	0.80	0.75	0.67	
Independent Natural Gas and Oil - Large Cap									
EOG Resources	EOG	B	120.41	96.65	82.82	1.25	1.45	1.04	
XTO Energy Inc.	XTO	B	59.19	55.10	50.45	1.07	1.17	0.89	
Devon Energy Corporation	DVN	B	99.31	91.74	84.87	1.08	1.17	0.75	
Encana Corporation	ECA	B	76.34	69.43	65.31	1.10	1.17	1.01	
Anadarko Petroleum Corp.	APC	B	61.62	61.59	55.98	1.00	1.10	0.83	
Occidental Petroleum Corp.	OXY	B	70.67	72.82	65.66	0.97	1.08	0.83	
CNOOC Limited (34%)	CEO	H	149.99	159.43	147.25	0.94	1.02	1.20	
Canadian Natural Resources	CNQ	B	69.65	69.15	70.34	1.01	0.99	0.76	
Independent Natural Gas and Oil - Small Cap									
Cimarex Energy Company	XEC	B	51.56	45.01	40.69	1.15	1.27	0.71	
Encore Acquisition Company	EAC	B	37.00	33.65	31.76	1.10	1.17	0.73	
Berry Petroleum Company	BRY	B	42.67	40.80	39.89	1.05	1.07	0.89	
Energy Partners Ltd.	EPL		10.12	11.77	14.00	0.86	0.72	0.66	
Income									
Canadian Oil Sands Trust	COSWF	B	41.70	38.35	34.66	1.09	1.20	0.93	
Hugoton Royalty Trust	HGT	B	27.85	25.65	24.88	1.09	1.12	0.82	
San Juan Basin Royalty Trust	SJT	B	37.87	36.52	34.49	1.04	1.10	0.95	
Kinder Morgan Energy Partners, L	KMP	S	56.53	56.35	53.34	1.00	1.06	2.03	
Pengrowth Energy Trust	PGH		18.76	17.90	18.22	1.05	1.03	0.99	
Enerplus Resources Fund	ERF		42.31	40.30	43.42	1.05	0.97	0.84	
Penn West Energy Trust	PWE	B	27.74	27.03	29.73	1.03	0.93	0.81	
Source: Bloomberg, McDep, Yahoo									

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A Weekly Analysis of Energy Stocks Using the McDep Ratio

March 18, 2008



Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
14-Mar	KMP	Kinder Morgan	General Partner Owner Reneges (Income Weekly)
7-Mar	LUKOY	Lukoil Oil Company	Anticipate Easing of Export Tax
29-Feb	EPL	Energy Partners, Ltd.	Discontinue Rating on Smaller Capitalization
28-Feb	CNQ	Canadian Natural Resources	Horizon Approaching
27-Feb	STO	StatoilHydro ASA	Dividends in Norwegian Currency
22-Feb	* PWE	Penn West Energy Trust	Acquisitions Expand Cash Flow in 2008 (Income Weekly)
20-Feb	XEC	Cimarex Energy Company	Strong Performance in 2007
18-Feb	OGZPY	Gazprom	60-Day Bargain, 200-Day Momentum
15-Feb	* BRY	Berry Petroleum	Postpones Master Limited Partnership
14-Feb	* EAC	Encore Acquisition	Low-Priced Stock Market Oil
14-Feb	* ECA	EnCana Corporation	Overcoming Alberta Tax Hunger
13-Feb	* TOT	Total S.A.	Stock Market Value with Oil Price Momentum
12-Feb	* XTO	XTO Energy Inc.	Raise Net Present Value to \$68 a Share
7-Feb	* EOG	EOG Resources Inc.	Raise Net Present Value to \$115 a Share
6-Feb	* DVN	Devon Energy Corporation	Reserves Grow with Production
5-Feb	* BP	BP p.l.c.	Underlying Resource Strength
5-Feb	* APC	Anadarko Petroleum Corporation	Rising Natural Gas Volume
5-Feb	* PTR	PetroChina Company Limited	Buy (Meter Reader)
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
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
11-Jan	* HGT	Hugoton Royalty Trust	Insider Buying (Income Weekly)
6-Jan	* SJT	San Juan Basin Royalty Trust	\$18 a Million Btu for LNG
11-Nov	* PBR	Petrobras	Energy Mega Cap

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18-Mar		Weekly	
11-Mar		Weekly	Buy Major Oil Mega Caps
4-Mar	*	Weekly	Natural Gas Breakout
26-Feb	*	Weekly	12-Year Natural Gas Futures Debut

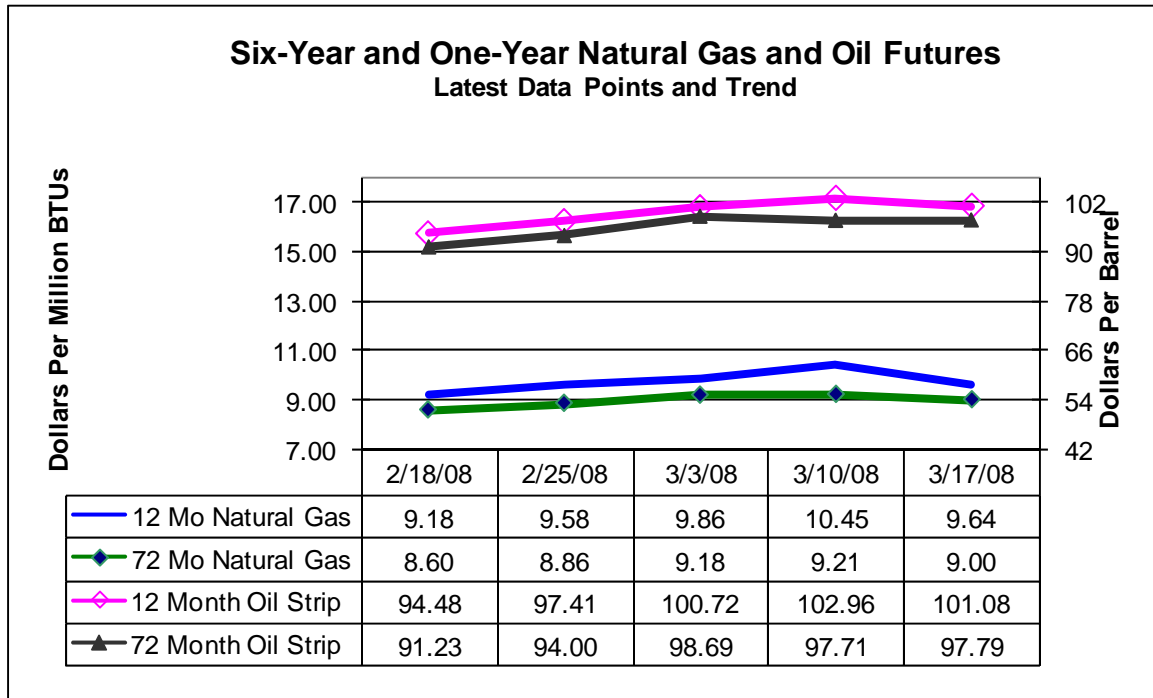
Oil and Gas Income Stocks (previously Natural Gas and Oil Royalty Trusts)

14-Mar		Kinder Morgan	General Partner Owner Reneges
7-Mar		Weekly	Oil Price Points
29-Feb	*	Weekly	Trading Opportunities
22-Feb	*	Penn West Energy Trust	Acquisitions Expand Cash Flow in 2008

* Archived on www.mcdep.com

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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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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.