

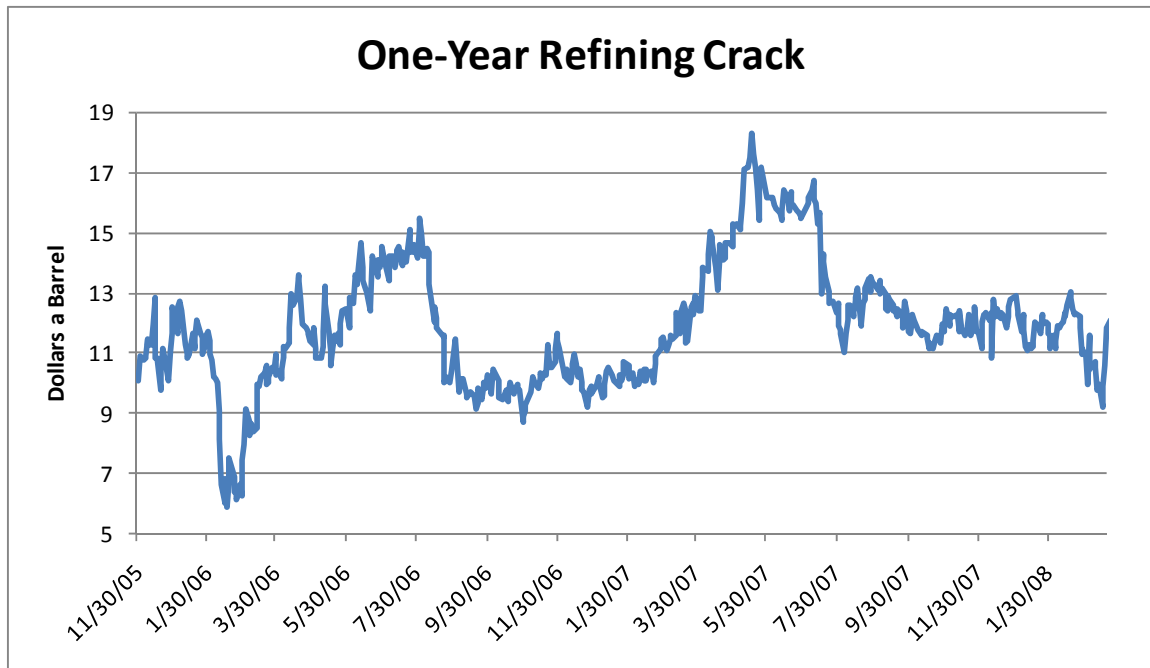


## Downstream Spring

### Summary and Recommendation

Oil refiners including buy-recommended **Total (TOT)**, **Chevron (CVX)**, **ExxonMobil (XOM)** and **Lukoil (LUKOY)** may spring back into investor favor with the traditional rally in the “crack spread” ahead of the usually profitable summer driving season. Refining margins measured by the difference in price of three barrels of light sweet crude oil compared to two barrels of gasoline and one barrel of heating oil (the 3-2-1 crack spread) formed a V bottom last week commensurate with the Bear Stearns news as well as the end of winter. When we measure the crack with futures prices for the next twelve months, seasonal influences should be neutralized. Yet expectations for the whole year rose in the spring and fell in the summer in each of the past two years of daily quotes plotted (see chart [One-Year Refining Crack](#)). Timing an investment in refining is difficult, we find. Nonetheless, the business has long term appeal for those who can refine ever cleaner products from ever more difficult to handle crude oil. We believe that investors who own our buy-recommended Mega Caps and Producer/Refiners will have ample downstream exposure.

Kurt H. Wulff, CFA



# Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

March 25, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		24-Mar	Shares	Cap	Value	Present	McDep
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	Ratio
<b>Mega Cap</b>								
Exxon Mobil Corporation	XOM	B	85.95	5,454	469,000	102.00	0.05	0.85
Petrobras	PBR		97.60	2,194	214,090	122.00	0.12	0.82
BP plc	BP	B	60.67	3,163	192,000	84.00	0.18	0.77
Total S.A.	TOT	B	72.07	2,266	163,000	100.00	0.13	0.76
Chevron Corporation	CVX	B	84.01	2,206	185,000	117.00	0.09	0.74
Gazprom (50%)	OGZPY	B	49.80	2,940	146,400	72.00	0.10	0.72
ConocoPhillips	COP	B	75.60	1,612	122,000	124.00	0.19	0.68
Royal Dutch Shell plc	RDS-A	B	66.60	3,125	208,000	104.00	0.11	0.68
<i>Total or Median</i>					1,699,000		0.11	0.75
<b>Producer/Refiners - Large Cap</b>								
Imperial Oil Limited (30%)	IMO	B	50.27	275	13,800	48.00	0.07	1.04
Suncor Energy	SU	B	93.92	473	44,420	122.00	0.08	0.79
Marathon Oil Corporation	MRO	H	47.24	713	33,680	68.00	0.19	0.75
StatoilHydro ASA (29%)	STO	B	28.63	927	26,540	41.00	0.16	0.75
PetroChina Company Ltd (14%)	PTR	B	123.20	256	31,560	190.00	0.05	0.66
Petro-Canada	PCZ	B	42.75	489	20,900	72.00	0.14	0.65
Lukoil Oil Company	LUKOY	B	76.15	826	63,000	134.00	0.02	0.58
<i>Total or Median</i>					234,000		0.08	0.75
<b>Independent Natural Gas and Oil - Large Cap</b>								
CNOOC Limited (34%)	CEO	H	136.75	149	20,410	125.00	-	1.09
EOG Resources	EOG	B	114.01	249	28,300	115.00	0.06	0.99
Encana Corporation	ECA	B	72.23	755	54,500	75.00	0.22	0.97
XTO Energy Inc.	XTO	B	58.57	491	28,730	68.00	0.17	0.89
Anadarko Petroleum Corp.	APC	B	62.56	470	29,400	82.00	0.31	0.84
Occidental Petroleum Corp.	OXY	B	70.74	833	58,900	86.00	0.06	0.83
Devon Energy Corporation	DVN	B	99.16	449	44,500	139.00	0.13	0.75
Canadian Natural Resources	CNQ	B	65.76	540	35,500	99.00	0.20	0.73
<i>Total or Median</i>					300,000		0.15	0.86
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	44.17	45	2,000	50.00	0.24	0.91
Encore Acquisition Company	EAC	B	37.01	54	2,010	60.00	0.29	0.73
Cimarex Energy Company	XEC	B	51.60	84	4,340	76.00	0.10	0.71
Energy Partners Ltd.	EPL		8.68	32	280	25.00	0.43	0.63
<i>Total or Median</i>					8,600		0.26	0.72
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.05	180	9,900	17.00	0.56	1.99
Kinder Morgan Management, LLC	KMR	S	50.22	64	3,210	17.00	0.56	1.86
Pengrowth Energy Trust	PGH		18.57	247	4,590	19.00	0.25	0.98
San Juan Basin Royalty Trust	SJT	B	35.42	47	1,650	40.00	-	0.89
Canadian Oil Sands Trust	COSWF	B	38.01	479	18,210	45.00	0.05	0.85
Enerplus Resources Fund	ERF		40.95	129	5,300	52.00	0.13	0.82
Hugoton Royalty Trust	HGT	B	27.18	40	1,090	34.00	-	0.80
Penn West Energy Trust	PWE	B	27.42	373	10,220	37.00	0.23	0.80
<i>Total or Median</i>					54,200		0.18	0.87
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

March 25, 2008



Oil and Gas Producers - Rank by EV/Ebitda								
			Price	Adjustd				Divd or
			(US\$/sh)	Resrvs/	PV/	EV/		Distrib
	Symbol/		24-Mar	Prod	Ebitda	Ebitda	P/E	NTM
	Rating		2008	NTM	NTM	NTM	NTM	(%)
<b>Mega Cap</b>								
Gazprom (50%)	OGZPY	B	49.80	24.6	10.0	7.3	11	0.9
Petrobras	PBR		97.60	9.5	8.7	7.2	12	1.7
Exxon Mobil Corporation	XOM	B	85.95	12.0	6.6	5.6	10	1.6
BP plc	BP	B	60.67	9.9	6.2	4.8	8	5.4
Chevron Corporation	CVX	B	84.01	9.6	6.2	4.6	7	2.8
Total S.A.	TOT	B	72.07	8.9	6.0	4.5	8	4.0
ConocoPhillips	COP	B	75.60	10.6	5.9	4.0	6	2.5
Royal Dutch Shell plc	RDS-A	B	66.60	7.5	5.7	3.9	7	4.8
	<i>Median</i>			9.8	6.2	4.7	8	2.6
<b>Producer/Refiners - Large Cap</b>								
Suncor Energy	SU	B	93.92	23.8	10.1	7.9	14	0.4
Imperial Oil Limited (30%)	IMO	B	50.27	12.9	7.1	7.4	12	0.7
PetroChina Company Ltd (14%)	PTR	B	123.20	15.3	7.8	5.2	10	4.1
StatoilHydro ASA (29%)	STO	B	28.63	7.7	6.1	4.6	10	5.6
Marathon Oil Corporation	MRO	H	47.24	8.8	6.0	4.5	7	2.0
Lukoil Oil Company	LUKOY	B	76.15	18.2	6.5	3.7	6	2.1
Petro-Canada	PCZ	B	42.75	6.9	5.5	3.6	7	1.2
	<i>Median</i>			12.9	6.5	4.6	10	2.0
<b>Independent Natural Gas and Oil - Large Cap</b>								
EOG Resources	EOG	B	114.01	10.5	7.0	6.9	15	0.4
XTO Energy Inc.	XTO	B	58.57	12.5	7.8	6.9	16	0.8
Encana Corporation	ECA	B	72.23	8.8	6.6	6.4	13	2.2
Canadian Natural Resources	CNQ	B	65.76	8.4	8.0	5.8	10	0.6
CNOOC Limited (34%)	CEO	H	136.75	9.8	5.3	5.8	10	2.5
Anadarko Petroleum Corp.	APC	B	62.56	9.9	6.7	5.6	13	1.2
Devon Energy Corporation	DVN	B	99.16	9.5	6.9	5.2	10	0.6
Occidental Petroleum Corp.	OXY	B	70.74	11.7	6.0	5.0	9	1.4
	<i>Median</i>			9.9	6.8	5.8	12	1.0
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	44.17	10.3	6.7	6.1	12	0.7
Encore Acquisition Company	EAC	B	37.01	14.2	7.3	5.3	11	-
Cimarex Energy Company	XEC	B	51.60	7.6	5.1	3.7	8	0.3
Energy Partners Ltd.	EPL		8.68	7.4	5.1	3.2		-
	<i>Median</i>			9.0	5.9	4.5	11	0.2
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.05		7.9	15.6	29	6.7
Kinder Morgan Management, LLC	KMR	S	50.22		7.9	14.6	26	7.3
San Juan Basin Royalty Trust	SJT	B	35.42	10.2	9.9	8.8	11	9.3
Canadian Oil Sands Trust	COSWF	B	38.01	23.1	9.5	8.1	10	9.1
Hugoton Royalty Trust	HGT	B	27.18	13.1	9.1	7.3	10	10.4
Pengrowth Energy Trust	PGH		18.57	7.5	5.9	5.8	12	14.2
Enerplus Resources Fund	ERF		40.95	9.7	6.7	5.5	8	12.0
Penn West Energy Trust	PWE	B	27.42	7.3	6.5	5.2	12	14.5
	<i>Median</i>			9.9	7.9	7.7	11	9.9
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2009; 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 25, 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-	
		24-Mar			HQ	Gas	Gas	Prod'n	stream	McDep
	Symbol	2008	(%)	(%)	(%)	(%)	(%)	(%)	(%)	Ratio
<b>Mega Cap</b>										
Exxon Mobil Corporation	XOM	85.95	3.6	3.2		0.2	0.4	1.8	0.7	0.85
BP plc	BP	60.67	2.9	3.2	3.2	0.3	0.3	2.1	0.5	0.77
Total S.A.	TOT	72.07	3.1	3.2	3.2		1.0	1.6	0.6	0.76
Chevron Corporation	CVX	84.01	3.3	3.2		0.1	0.2	2.2	0.7	0.74
Gazprom	OGZPY	49.80	9.7	9.6	9.6		7.5	2.1		0.72
ConocoPhillips	COP	75.60	5.5	6.4		1.0	0.5	3.6	1.4	0.68
Royal Dutch Shell plc	RDS-A	66.60	3.2	3.2	3.2	0.1	0.5	1.7	1.0	0.68
<i>Total or Median</i>				31	32					0.74
<b>Producer/Refiners - Large Cap</b>										
Imperial Oil Limited	IMO	50.27	1.4	1.3	1.3	0.1		1.0	0.2	1.04
Suncor Energy	SU	93.92	1.4	1.3	1.3	0.0		1.2	0.1	0.79
StatoilHydro ASA	STO	28.63	1.5	1.6	1.6		0.5	1.1	-	0.75
PetroChina Company Ltd (14	PTR	123.20	1.8	1.6	1.6	-	0.1	1.3	0.2	0.66
Petro-Canada	PCZ	42.75	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.65
Lukoil Oil Company	LUKOY	76.15	7.3	6.4	6.4			4.7	1.7	0.58
<i>Total or Median</i>				14	13					0.71
<b>Independent Natural Gas and Oil - Large Cap</b>										
EOG Resources	EOG	114.01	5.3	4.8		3.4	0.3	1.1		0.99
Encana Corporation	ECA	72.23	3.5	3.8	3.8	2.7		0.9	0.3	0.97
XTO Energy Inc.	XTO	58.57	4.6	4.8		3.7		1.1		0.89
Anadarko Petroleum Corp.	APC	62.56	3.6	4.8		2.5		2.2	0.1	0.84
Occidental Petroleum Corp.	OXY	70.74	3.5	3.2		0.4	0.0	2.5	0.3	0.83
Devon Energy Corporation	DVN	99.16	6.3	6.4		3.4		3.0		0.75
Canadian Natural Resources	CNQ	65.76	1.4	1.6	1.6	0.4		1.2		0.73
<i>Total or Median</i>				28	29					0.84
<b>Independent Natural Gas and Oil - Small Cap</b>										
Berry Petroleum Company	BRY	44.17	1.4	1.6		0.4		1.2		0.91
Encore Acquisition Company	EAC	37.01	2.3	3.2		0.5		2.7		0.73
Cimarex Energy Company	XEC	51.60	3.3	3.2		2.1		1.1		0.71
<i>Total or Median</i>				7	8					0.73
<b>Income</b>										
San Juan Basin Royalty Trust	SJT	35.42	7.6	6.4		6.4				0.89
Canadian Oil Sands Trust	COSWF	38.01	5.7	5.1	5.1	(0.5)		5.6		0.85
Hugoton Royalty Trust	HGT	27.18	3.8	3.2		3.2				0.80
Penn West Energy Trust	PWE	27.42	2.2	2.6	2.6	0.7		1.9		0.80
<i>Total or Median</i>				19	17					0.83
<b>Portfolio Composite</b>										
			100	100	46	31	11	50	8	0.77
	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%.										

## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

March 25, 2008



### Index of Recent Research

#### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
24-Mar	PBR	Petrobras	Oil Growth at a Reasonable Price
21-Mar	SJT	San Juan Basin Royalty Trust	SJT Timely (Income Weekly)
19-Mar	PTR	PetroChina Company Limited	\$300 a Share in Shanghai
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
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)

#### Meter Reader

25-Mar		Weekly	
18-Mar		Weekly	Upstream Trends Up
11-Mar	*	Weekly	Buy Major Oil Mega Caps
4-Mar	*	Weekly	Natural Gas Breakout

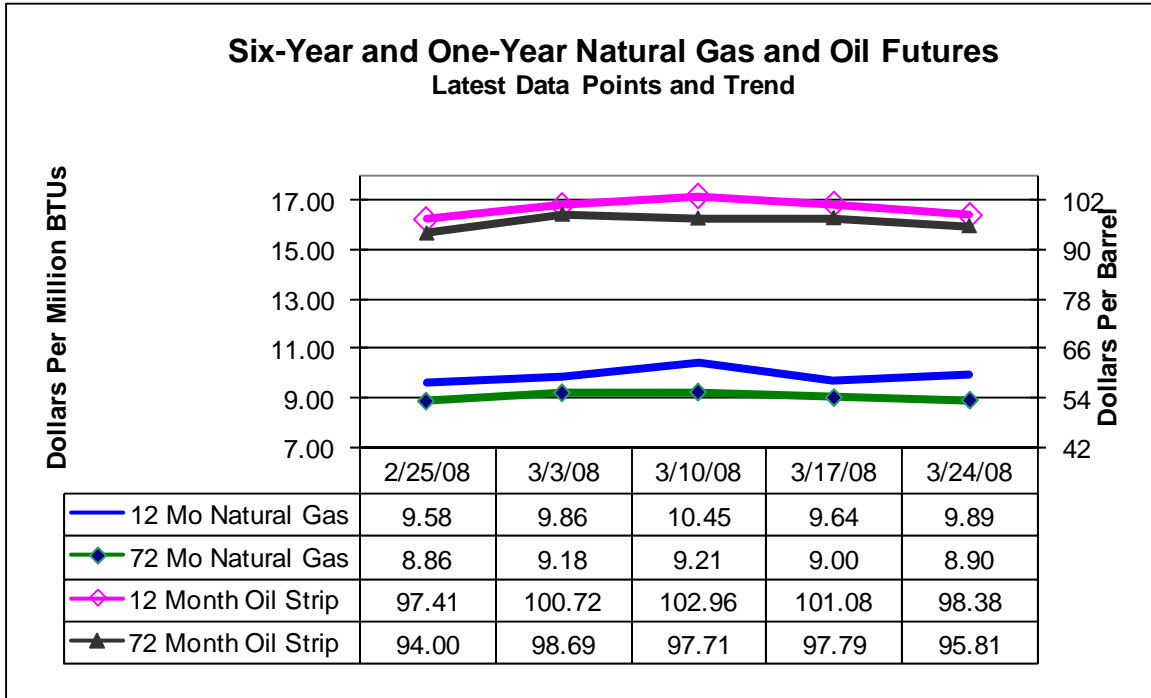
#### Oil and Gas Income Stocks (previously Natural Gas and Oil Royalty Trusts)

21-Mar		Weekly	COSWF and SJT Timely
14-Mar		Kinder Morgan	General Partner Owner Reneges
7-Mar	*	Weekly	Oil Price Points
29-Feb	*	Weekly	Trading Opportunities

\* Archived on [www.mcdep.com](http://www.mcdep.com)

## Meter Reader

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 March 25, 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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