



Raise Present Value for \$100 Oil

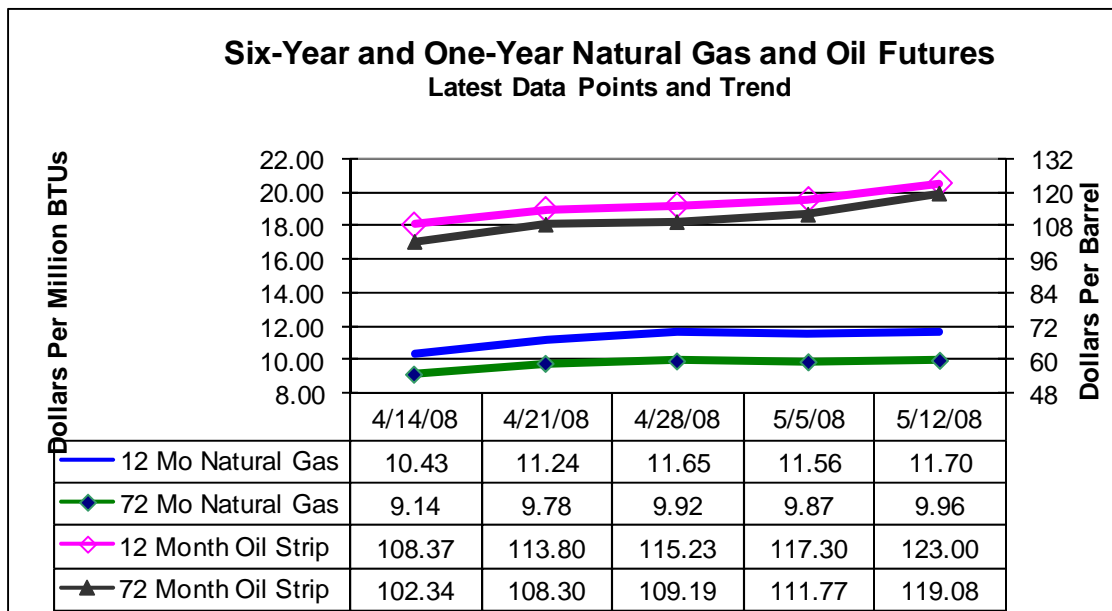
Summary and Recommendation

Raising long-term oil price to \$100 a barrel from \$80 a barrel we raise Net Present Value (NPV) a median 23% for 35 oil and gas producers. The new price for calculating NPV is exceeded by futures price for oil to be delivered over the next six years at \$119 a barrel (see chart Six-Year and One-Year Natural Gas and Oil Futures). In roughly the same proportion as for oil, we raise our long-term price for natural gas to \$14 a million btu from \$11. Our long-term expectation is unchanged at \$11 a barrel for average margin in the volatile oil refining segment. On the new numbers, buy recommendations all have McDep Ratios below 1.0 implying that stocks are priced for oil at less than \$100 (see table Rank by McDep Ratio). The illustrative McDep Energy Portfolio has a combined 55% unlevered weight in the independent producers and income stocks concentrated purely on the two commodities. The remaining 45% is in the lower McDep Ratio, integrated Mega Caps and Large Cap Producer/Refiners (see table, page 4, Composite of Buy Recommendations).

Encana Splits Natural Gas and Oil Sands

By analogy with 1980, buy-recommended **Encana (ECA)** stock may double between now and the end of November as it creates two separate, high quality entities, one well-positioned in natural gas in North America and the other in oil from Canada's magical sands. That happened twenty-eight years ago when a leading independent producer, Southland Royalty, created two long-life royalty trusts, one in natural gas in New Mexico and the other in oil in West Texas, both of which continue in our coverage to this day. Then, beginning in December 1980, most stocks declined until August 1982.

Kurt H. Wulff, CFA



Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

May 13, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		12-May	Shares	Cap	Value	Present	McDep
		Rating	2008	(mm)	(US\$m)	(US\$/sh)	Value	Ratio
Mega Cap								
Petrobras	PBR		65.69	4,387	288,180	75.00	0.10	0.89
Exxon Mobil Corporation	XOM	B	89.19	5,362	478,000	118.00	0.05	0.77
BP plc	BP	B	73.00	3,146	230,000	104.00	0.16	0.75
Chevron Corporation	CVX	B	97.42	2,206	215,000	135.00	0.08	0.74
Gazprom (50%)	OGZPY	B	61.25	2,940	180,100	88.00	0.09	0.72
Royal Dutch Shell plc	RDS-A	B	81.12	3,106	252,000	120.00	0.10	0.71
Total S.A.	TOT	B	84.31	2,254	190,000	125.00	0.10	0.71
ConocoPhillips	COP	B	88.69	1,582	140,000	150.00	0.16	0.66
<i>Total or Median</i>					1,973,000		0.10	0.73
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	59.03	272	16,040	65.00	0.05	0.91
Suncor Energy	SU	B	126.90	473	60,020	150.00	0.08	0.86
StatoilHydro ASA (29%)	STO	B	38.47	927	35,670	52.00	0.13	0.77
Marathon Oil Corporation	MRO	H	53.34	717	38,240	75.00	0.18	0.76
Lukoil Oil Company	LUKOY	B	104.75	828	87,000	150.00	0.02	0.70
Petro-Canada	PCZ	B	56.32	488	27,480	90.00	0.10	0.66
PetroChina Company Ltd (14%)	PTR	B	140.45	256	35,980	220.00	0.04	0.65
<i>Total or Median</i>					300,000		0.08	0.76
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	180.36	152	27,460	180.00	-	1.00
EOG Resources	EOG	B	135.81	250	33,900	140.00	0.05	0.97
Encana Corporation	ECA	B	91.73	753	69,100	100.00	0.18	0.93
Anadarko Petroleum Corp.	APC	B	76.55	470	36,000	100.00	0.27	0.83
Canadian Natural Resources	CNQ	B	96.05	540	51,900	124.00	0.17	0.81
Chesapeake Energy Corporation	CHK		55.96	476	26,640	80.00	0.25	0.78
XTO Energy Inc.	XTO	B	63.62	504	32,060	88.00	0.15	0.76
Occidental Petroleum Corp.	OXY	B	88.11	828	73,000	120.00	0.05	0.75
Devon Energy Corporation	DVN	B	116.28	449	52,200	170.00	0.10	0.72
<i>Total or Median</i>					402,000		0.15	0.81
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.14	112	1,360	14.00	0.09	0.88
Berry Petroleum Company	BRY	B	54.21	45	2,460	65.00	0.20	0.87
Encore Acquisition Company	EAC	B	55.44	54	2,990	75.00	0.25	0.81
Cimarex Energy Company	XEC	B	67.70	85	5,770	100.00	0.07	0.70
Energy Partners Ltd.	EPL		14.96	32	470	30.00	0.39	0.69
<i>Total or Median</i>					13,100		0.20	0.81
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	60.29	188	11,350	17.00	0.57	2.10
Kinder Morgan Management, LLC	KMR	S	56.33	65	3,660	17.00	0.57	2.00
Canadian Oil Sands Trust	COSWF	B	51.75	479	24,790	57.00	0.04	0.91
Pengrowth Energy Trust	PGH		19.89	247	4,910	24.00	0.23	0.87
San Juan Basin Royalty Trust	SJT	B	40.52	47	1,890	48.00	-	0.84
Enerplus Resources Fund	ERF		47.14	153	7,210	63.00	0.13	0.78
Penn West Energy Trust	PWE	B	32.06	373	11,950	45.00	0.20	0.77
Hugoton Royalty Trust	HGT	B	32.02	40	1,280	42.00	-	0.76
<i>Total or Median</i>					67,000		0.17	0.86
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.

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Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

May 13, 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		12-May 2008	NTM	NTM	NTM	NTM	NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	61.25	24.6	12.0	8.7	14	0.7
Petrobras	PBR		65.69	9.5	8.8	7.8	13	1.3
Exxon Mobil Corporation	XOM	B	89.19	12.2	6.7	5.2	9	1.8
BP plc	BP	B	73.00	9.9	6.3	4.7	7	4.4
Chevron Corporation	CVX	B	97.42	9.4	6.2	4.6	8	2.7
Total S.A.	TOT	B	84.31	9.0	6.5	4.6	8	3.8
Royal Dutch Shell plc	RDS-A	B	81.12	7.5	5.8	4.1	7	3.9
ConocoPhillips	COP	B	88.69	10.7	6.1	4.0	6	2.1
	<i>Median</i>			9.7	6.4	4.6	8	2.4
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	59.03	13.9	8.7	7.9	13	0.6
Suncor Energy	SU	B	126.90	22.2	8.6	7.4	12	0.3
StatoilHydro ASA (29%)	STO	B	38.47	7.7	6.3	4.9	10	4.3
PetroChina Company Ltd (14%)	PTR	B	140.45	14.4	6.8	4.5	8	3.7
Marathon Oil Corporation	MRO	H	53.34	8.3	5.8	4.4	8	1.8
Lukoil Oil Company	LUKOY	B	104.75	18.7	6.2	4.3	7	1.5
Petro-Canada	PCZ	B	56.32	6.5	4.8	3.2	6	0.9
	<i>Median</i>			13.9	6.3	4.5	8	1.5
Independent Natural Gas and Oil - Large Cap								
EOG Resources	EOG	B	135.81	10.0	6.7	6.5	13	0.4
Canadian Natural Resources	CNQ	B	96.05	8.7	7.6	6.2	12	0.4
CNOOC Limited (34%)	CEO	H	180.36	9.2	6.0	6.0	11	2.1
Encana Corporation	ECA	B	91.73	8.7	6.3	5.8	11	1.7
Chesapeake Energy Corporation	CHK		55.96	11.0	7.5	5.8	10	0.5
XTO Energy Inc.	XTO	B	63.62	12.2	7.6	5.8	13	0.8
Occidental Petroleum Corp.	OXY	B	88.11	11.6	6.7	5.0	9	1.5
Anadarko Petroleum Corp.	APC	B	76.55	9.5	5.9	4.9	10	0.9
Devon Energy Corporation	DVN	B	116.28	9.4	6.7	4.8	9	0.5
	<i>Median</i>			9.5	6.7	5.8	11	0.8
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.14	7.0	10.0	8.8	44	-
Berry Petroleum Company	BRY	B	54.21	10.3	6.7	5.8	10	0.6
Encore Acquisition Company	EAC	B	55.44	13.9	6.9	5.6	9	-
Cimarex Energy Company	XEC	B	67.70	7.5	5.2	3.6	7	0.2
Energy Partners Ltd.	EPL		14.96	7.4	4.2	2.9	-	-
	<i>Median</i>			7.5	6.7	5.6	10	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	60.29		7.4	15.5	23	6.1
Kinder Morgan Management, LLC	KMR	S	56.33		7.4	14.7	22	6.5
Canadian Oil Sands Trust	COSWF	B	51.75	23.2	9.5	8.7	10	7.7
San Juan Basin Royalty Trust	SJT	B	40.52	10.8	9.5	8.0	10	10.3
Hugoton Royalty Trust	HGT	B	32.02	13.2	8.7	6.6	9	10.7
Enerplus Resources Fund	ERF		47.14	9.6	7.0	5.5	7	10.6
Pengrowth Energy Trust	PGH		19.89	8.7	6.3	5.4	9	13.5
Penn West Energy Trust	PWE	B	32.06	7.3	5.9	4.6	10	12.7
	<i>Median</i>			10.2	7.4	7.3	10	10.5
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

May 13, 2008



McDep Energy Portfolio										
Composite of Buy Recommendations										
		Price	Portfolio Weight		Non-	North	Rest			
		(US\$/sh)	Equity	EV	U.S.	Amer.	of World			
	Symbol	12-May 2008	(%)	(%)	HQ	Natural Gas	Natural Gas	Oil Prod'n	Down-stream	McDep Ratio
Mega Cap										
Exxon Mobil Corporation	XOM	89.19	3.5	3.2		0.2	0.5	1.8	0.6	0.77
BP plc	BP	73.00	2.9	3.2	3.2	0.3	0.3	2.2	0.4	0.75
Chevron Corporation	CVX	97.42	3.3	3.2		0.2	0.2	2.3	0.5	0.74
Gazprom	OGZPY	61.25	9.7	9.6	9.6		7.6	2.0		0.72
Royal Dutch Shell plc	RDS-A	81.12	3.2	3.2	3.2	0.1	0.5	1.7	0.8	0.71
Total S.A.	TOT	84.31	3.2	3.2	3.2		1.2	1.5	0.5	0.71
ConocoPhillips	COP	88.69	5.6	6.4		0.9	0.5	3.8	1.2	0.66
<i>Total or Median</i>			<i>31</i>	<i>32</i>						<i>0.72</i>
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	59.03	1.4	1.3	1.3	0.1		1.0	0.2	0.91
Suncor Energy	SU	126.90	1.3	1.3	1.3	0.0		1.2	0.1	0.86
StatoilHydro ASA	STO	38.47	1.5	1.6	1.6		0.5	1.1	-	0.77
Lukoil Oil Company	LUKOY	104.75	7.2	6.4	6.4			4.9	1.5	0.70
Petro-Canada	PCZ	56.32	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.66
PetroChina Company Ltd (14	PTR	140.45	1.7	1.6	1.6	-	0.1	1.3	0.2	0.65
<i>Total or Median</i>			<i>14</i>	<i>13</i>						<i>0.74</i>
Independent Natural Gas and Oil - Large Cap										
EOG Resources	EOG	135.81	5.2	4.8		3.4	0.3	1.2		0.97
Encana Corporation	ECA	91.73	3.6	3.8	3.8	2.8		0.8	0.2	0.93
Anadarko Petroleum Corp.	APC	76.55	3.7	4.8		2.5		2.1	0.1	0.83
Canadian Natural Resources	CNQ	96.05	1.5	1.6	1.6	0.4		1.2		0.81
XTO Energy Inc.	XTO	63.62	4.5	4.8		3.6		1.2		0.76
Occidental Petroleum Corp.	OXY	88.11	3.4	3.2		0.4	0.0	2.6	0.2	0.75
Devon Energy Corporation	DVN	116.28	6.3	6.4		3.4		3.0		0.72
<i>Total or Median</i>			<i>28</i>	<i>29</i>						<i>0.81</i>
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	54.21	1.4	1.6		0.4		1.2		0.87
Encore Acquisition Company	EAC	55.44	2.5	3.2		0.5		2.7		0.81
Cimarex Energy Company	XEC	67.70	3.3	3.2		2.0		1.2		0.70
<i>Total or Median</i>			<i>7</i>	<i>8</i>						<i>0.81</i>
Income										
Canadian Oil Sands Trust	COSWF	51.75	5.6	5.1	5.1	(0.5)		5.6		0.91
San Juan Basin Royalty Trust	SJT	40.52	7.4	6.4		6.4				0.84
Penn West Energy Trust	PWE	32.06	2.2	2.6	2.6	0.6		2.0		0.77
Hugoton Royalty Trust	HGT	32.02	3.7	3.2		3.2				0.76
<i>Total or Median</i>			<i>19</i>	<i>17</i>						<i>0.81</i>
Portfolio Composite										
			<i>100</i>	<i>100</i>	<i>46</i>	<i>31</i>	<i>12</i>	<i>50</i>	<i>7</i>	<i>0.77</i>
Canada					<i>17</i>					
Russia					<i>16</i>					
Europe					<i>11</i>					
China					<i>2</i>					
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

May 13, 2008



Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
9-May	CNQ	Canadian Natural Resources	Raise Net Present Value to \$124 a Share
7-May	DVN	Devon Energy Corporation	Resources Three Times Reserves
7-May	TOT	Total S.A.	Euro Oil Leader
6-May	XEC	Cimarex Energy Company	Raise Net Present Value to \$85 a Share
6-May	APC	Anadarko Petroleum Corporation	Positives Outweigh Negatives
2-May	CVX	Chevron Corporation	Refining Penalty
2-May	EOG	EOG Resources Inc.	Stock Outperforms
1-May	IMO	Imperial Oil Limited	ExxonMobil's Undeveloped Opportunities
1-May	MRO	Marathon Oil Corporation	Hangover from Last Year's Refining Boom
1-May	XOM	Exxon Mobil Corporation	World's Safest Investment
29-Apr	BP	BP p.l.c.	Getting Back on Track
29-Apr	BRY	Berry Petroleum	Earnings Fit with Oil Price
29-Apr	PCZ	Petro-Canada	Low McDep Ratio
29-Apr	RDSA	Royal Dutch Shell plc	Non U.S. Energy MegaCap
28-Apr	COSWF	Canadian Oil Sands Trust	Ten-Bagger Distribution
28-Apr	PTR	PetroChina Company Limited	Winter Sacrifice
28-Apr	CEO	CNOOC Ltd	Raise Net Present Value to \$140 a Share
25-Apr	SJT	San Juan Basin Royalty Trust	Better News Ahead (Income Weekly)
24-Apr	COP	ConocoPhillips	Timely Investment Choice
24-Apr	OXY	Occidental Petroleum Corporation	Raise Net Present Value to \$100 a Share
24-Apr	SU	Suncor Energy	Booming Oil
23-Apr	XTO	XTO Energy Inc.	Positioned for Natural Gas Gain
22-Apr	ECA	EnCana Corporation	Largest North American Natural Gas Producer
18-Apr	HGT	Hugoton Royalty Trust	Simpson Sustainability (Income Weekly)
16-Apr	KMP	Kinder Morgan	Mounting Oil Losses
10-Apr	* LUKOY	Lukoil Oil Company	Strong Cash, Possibly Lower Tax
24-Mar	* PBR	Petrobras	Oil Growth at a Reasonable Price
27-Feb	* STO	StatoilHydro ASA	Dividends in Norwegian Currency
22-Feb	* PWE	Penn West Energy Trust	Acquisitions Expand Cash Flow in 2008 (Income Weekly)
18-Feb	* OGZPY	Gazprom	60-Day Bargain, 200-Day Momentum

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12-May		Weekly	Raise Present Value for \$100 Oil
5-May		Weekly	Déjà vu 1980
29-Apr	*	Weekly	New High for Global Oil Supply
22-Apr	*	Weekly	Sold Out

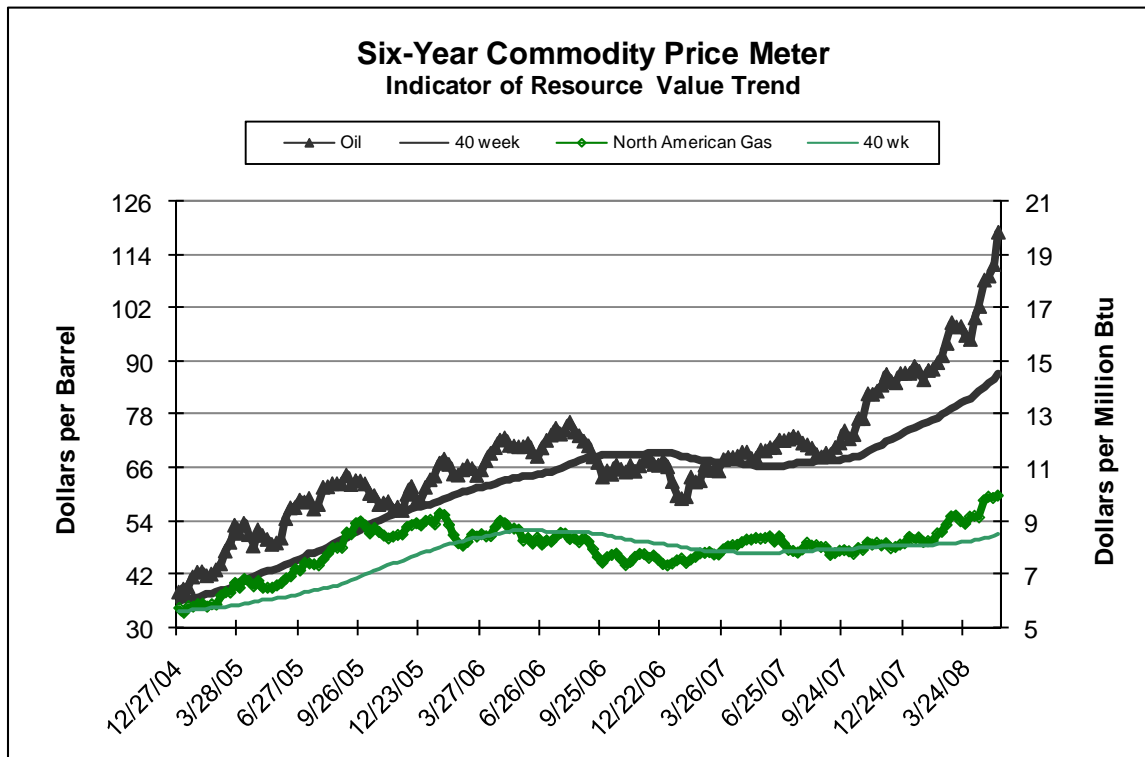
Oil and Gas Income Stocks

9-May		Weekly	Raise Present Value 25%
2-May		Weekly	Trust Distributions Rising
25-Apr	*	San Juan Basin Royalty Trust	Better News Ahead
18-Apr	*	Hugoton Royalty Trust	Simpson Sustainability

* Archived on www.mcdep.com

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May 13, 2008



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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.

Please see disclosures on the final page.