

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

July 1, 2008



Gazprom Cheap Natural Gas

Symbol	OGZPY	Ebitda Next Twelve Months ending 6/30/09 (US\$m)	52,700
Rating	Buy	North American Natural Gas/Ebitda (%)	0
Price (US\$/sh)	58.00	Natural Gas and Oil Production/Ebitda (%)	100
Pricing Date	6/30/08	Adjusted Reserves/Production NTM	24.6
Shares (mm)	5,730	EV/Ebitda	7.3
Market Capitalization (US\$m)	332,000	PV/Ebitda	10.6
Debt (US\$m)	53,000	Undeveloped Reserves (%)	50
Enterprise Value (EV) (US\$m)	385,000	Natural Gas and Oil Ebitda (US\$/boe)	15.66
Present Value (PV) (US\$m)	557,000	Present Value Proven Reserves(US\$/boe)	4.78
Net Present Value (US\$/share)	88	Present Value Proven Reserves(US\$/mcfe)	0.80
Debt/Present Value	0.09	Earnings Next Twelve Months (US\$/sh)	5.37
McDep Ratio - EV/PV	0.69	Price/Earnings Next Twelve Months	11
Dividend Yield (%/year)	0.8	Indicated Annual Dividend (US\$/sh)	0.45
Note: The Russian government owns about 50% of the equity.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$14 a million btu.			
For historical analysis of Gazprom since 2005 see www.mcdep.com/2ogz.htm			

Summary and Recommendation

The largest weighting in the McDep Energy Portfolio, buy-recommended **Gazprom (OGZPY)**, sells its world leading natural gas volume for less than one-fifth the oil equivalent price. At an unlevered weighting of 9.6% in the illustrative portfolio, the company supplies 9.6% of our suggested 17% weighting in Russia and 8% of the 11% weighting in Rest of World Natural Gas (see table on page 5, Composite of Buy Recommendations). Disclosed on June 30, final results according to international accounting standards recorded natural gas sales of 55 billion cubic feet daily in 2007, coincidentally the same as total marketed production in the U.S. by all companies (see table Operating and Financial Results). Average price may reach \$4 a thousand cubic feet in the Next Twelve Months, less than a third of current futures prices and less than a fifth of the natural gas equivalent of oil at about \$23 (see table on page 7 Six-Year and One-Year Natural Gas and Oil Futures). Reported by *Bloomberg* among other sources, Russia plans to allow prices to domestic industrial users to reach European levels of profitability in three years while keeping caps on household prices for the time being. Chief Executive Alexei Miller eyes a trillion dollar capitalization for Gazprom by 2015, which would be a triple in stock price for a compound annual rate of 17% a year, assuming no dilution in shares outstanding. By the McDep Ratio, the stock has unlevered appreciation potential of 45% to be realized perhaps in 12 -24 months. Energy investors are subject to political risk in Russia as well as every country in the world.

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Please see disclosures on the final page.

Page 1

Meter Reader

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Gazprom										
Operating and Financial Results										
										Next
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Twelve
	12/31/06	9/30/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	2008E	Months
										6/30/09
Volume (billion cubic meters)										
Europe	42.7	37.7	51.5	169	39.9	39.5	37.7	51.5	169	169
Former Soviet Union	25.5	21.6	24.5	97	28.1	22.3	21.6	24.5	97	97
Russia	96.7	46.4	95.5	307	105.6	59.5	46.4	95.5	307	307
Total (bcm)	164.9	105.7	171.5	572	173.6	121.3	105.7	171.5	572	572
Total (bcf)	5,821	3,731	6,054	20,195	6,128	4,282	3,731	6,054	20,195	20,195
Daily (bcfd)	63.3	40.6	65.8	55.3	67.3	47.1	40.6	65.8	55.2	55.3
Days	92	92	92	365	91	91	92	92	366	365
Price (Russian Rubles/cubic meters)										
Europe	5.66	4.94	5.38	5.18	7.00	7.00	7.00	7.00	7.00	7.00
FSU	2.05	2.62	2.63	2.64	2.96	2.95	2.85	2.76	2.88	2.88
Russia	1.13	1.32	1.30	1.30	1.44	1.45	1.44	1.36	1.42	1.42
Total (RR/cm)	2.45	2.88	2.71	2.67	2.97	3.53	3.71	3.26	3.31	3.31
Rubles/Dollar	26.59	25.47	24.65	25.57	23.45	23.45	23.45	23.45	23.45	23.45
Total (\$/mcf)	2.61	3.20	3.12	2.96	3.58	4.27	4.48	3.93	4.00	4.00
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	8.02	10.93	13.32	13.79	11.52	13.71
Revenue (RUB billion)										
Europe	241.7	186.1	277.1	873	279	277	264	361	1,180	1,180
FSU	52.4	56.6	64.4	255	83	66	61	68	278	278
Russia	109.2	61.4	123.8	400	152	86	67	130	436	436
Total Natural Gas	403.3	304.1	465.3	1,528	515	429	392	558	1,894	1,894
Other	167.3	212.1	265.1	863	265	265	265	265	1,060	1,060
Total	570.6	516.2	730.4	2,391	780	694	657	823	2,954	2,954
Expense (RUB billion)										
Expense	290.4	302.5	434.4	1,391	454	404	382	479	1,718	1,718
Ebitda (RUB billion)										
Ebitda										-
Natural Gas	221.2	147.6	209.8	751	276	232	203	254	965	965
Oil	59.0	66.1	86.2	249	50	58	72	91	270	270
Total Ebitda	280.2	213.7	296.0	1,000	326	290	275	344	1,236	1,236
Deprec., Deplet., & A	46.1	44.0	46.6	184	55	47	48	51	202	212
Other non cash			(60.0)	(113.2)					-	-
Ebit										
Ebit	234.1	169.7	309.4	930	271	243	226	293	1,034	1,024
Interest	6.4	11.6	12.3	42	12	12	12	12	49	49
Ebt										
Ebt	227.7	158.1	297.1	887	259	231	214	281	985	974
Income Tax	56.8	45.0	72.1	229	67	60	56	73	256	253
Net Income (RUB billic)										
Net Income	171.0	113.1	224.9	658	192	171	158	208	729	721
Shares (billions)										
Shares	22.8	23.5	22.9	23.4	22.9	22.9	22.9	22.9	22.9	22.9
Per share (RUB)	7.49	4.81	9.82	28.07	8.36	7.45	6.92	9.07	31.81	31.48
Ebitda Margin	49%	41%	41%	42%	42%	42%	42%	42%	42%	42%
Tax Rate	25%	28%	24%	26%	26%	26%	26%	26%	26%	26%

Meter Reader

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Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		30-Jun	Shares	Cap	Value	Present	McDep
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	Ratio
Mega Cap								
Petrobras	PBR		70.83	4,387	310,730	75.00	0.10	0.95
Exxon Mobil Corporation	XOM	B	88.13	5,362	473,000	118.00	0.05	0.76
Chevron Corporation	CVX	B	99.13	2,206	219,000	135.00	0.08	0.76
BP plc	BP	B	69.57	3,146	219,000	104.00	0.16	0.72
Royal Dutch Shell plc	RDS-A	B	81.71	3,106	254,000	120.00	0.10	0.71
Total S.A.	TOT	B	85.27	2,254	192,000	125.00	0.10	0.71
ConocoPhillips	COP	B	94.39	1,582	149,000	150.00	0.17	0.69
Gazprom (50%)	OGZPY	B	58.00	2,865	166,200	88.00	0.09	0.69
<i>Total or Median</i>					1,983,000		0.10	0.72
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	55.07	272	14,970	65.00	0.05	0.85
Suncor Energy	SU	B	58.12	946	54,980	75.00	0.08	0.79
StatoilHydro ASA (29%)	STO	B	37.38	928	34,690	52.00	0.12	0.75
Marathon Oil Corporation	MRO	H	51.87	717	37,190	75.00	0.18	0.75
Petro-Canada	PCZ	B	55.75	488	27,210	90.00	0.10	0.66
PetroChina Company Ltd (14%)	PTR	B	128.86	256	33,010	220.00	0.04	0.60
Lukoil Oil Company	LUKOY	B	98.60	826	81,000	170.00	0.01	0.59
<i>Total or Median</i>					283,000		0.08	0.75
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	173.54	152	26,430	180.00	-	0.96
EOG Resources	EOG	B	131.20	250	32,800	140.00	0.05	0.94
Encana Corporation	ECA	B	90.93	753	68,500	100.00	0.18	0.93
Chesapeake Energy Corporation	CHK		65.96	493	32,520	80.00	0.28	0.87
Canadian Natural Resources	CNQ	B	100.25	540	54,100	124.00	0.17	0.84
XTO Energy Inc.	XTO	B	68.51	549	37,600	88.00	0.19	0.82
Anadarko Petroleum Corp.	APC	B	74.84	470	35,200	100.00	0.27	0.82
Occidental Petroleum Corp.	OXY	B	89.86	828	74,400	120.00	0.05	0.76
Devon Energy Corporation	DVN	B	120.16	449	54,000	170.00	0.10	0.74
<i>Total or Median</i>					416,000		0.17	0.84
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		15.09	112	1,690	14.00	0.09	1.07
Encore Acquisition Company	EAC	B	75.19	54	4,050	75.00	0.25	1.00
Berry Petroleum Company	BRY	B	58.88	45	2,670	65.00	0.32	0.94
Cimarex Energy Company	XEC	B	69.67	85	5,940	100.00	0.07	0.72
Energy Partners Ltd.	EPL		14.92	32	470	30.00	0.35	0.67
<i>Total or Median</i>					14,800		0.25	0.94
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.73	189	10,540	17.00	0.57	1.99
Kinder Morgan Management, LLC	KMR	S	53.85	65	3,500	17.00	0.57	1.94
San Juan Basin Royalty Trust	SJT	B	46.26	47	2,160	48.00	-	0.97
Canadian Oil Sands Trust	COSWF	B	53.59	479	25,670	57.00	0.04	0.94
Penn West Energy Trust	PWE	B	33.84	377	12,750	40.00	0.25	0.88
Hugoton Royalty Trust	HGT	B	37.00	40	1,480	42.00	-	0.88
Pengrowth Energy Trust	PGH		20.11	247	4,970	24.00	0.25	0.88
Enerplus Resources Fund	ERF		46.24	153	7,070	63.00	0.14	0.77
<i>Total or Median</i>					68,100		0.19	0.91
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								
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$14 a million btu.								

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Oil and Gas Producers - Rank by EV/Ebitda								
			Price	Adjustd				Divd or
			(US\$/sh)	Resrvs/	PV/	EV/		Distrib
	Symbol/		30-Jun	Prod	Ebitda	Ebitda	P/E	NTM
	Rating		2008	NTM	NTM	NTM	NTM	(%)
Mega Cap								
Petrobras	PBR		70.83	10.4	8.0	7.6	13	1.2
Gazprom (50%)	OGZPY	B	58.00	24.6	10.6	7.3	11	0.8
Exxon Mobil Corporation	XOM	B	88.13	12.2	6.2	4.7	8	1.8
Total S.A.	TOT	B	85.27	9.0	6.0	4.3	7	3.8
Chevron Corporation	CVX	B	99.13	9.4	5.6	4.2	7	2.6
BP plc	BP	B	69.57	9.9	5.7	4.1	6	4.7
ConocoPhillips	COP	B	94.39	10.7	5.6	3.8	6	2.0
Royal Dutch Shell plc	RDS-A	B	81.71	7.5	5.3	3.8	6	3.9
	<i>Median</i>			10.2	5.8	4.2	7	2.3
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	55.07	13.9	7.7	6.6	11	0.6
Suncor Energy	SU	B	58.12	21.2	7.3	5.8	9	0.7
StatoilHydro ASA (29%)	STO	B	37.38	7.7	5.6	4.2	8	4.5
Marathon Oil Corporation	MRO	H	51.87	8.3	5.3	4.0	7	1.9
PetroChina Company Ltd (14%)	PTR	B	128.86	14.4	6.2	3.7	7	4.1
Lukoil Oil Company	LUKOY	B	98.60	18.4	6.1	3.6	6	1.6
Petro-Canada	PCZ	B	55.75	6.5	4.3	2.8	5	0.9
	<i>Median</i>			13.9	6.1	4.0	7	1.6
Independent Natural Gas and Oil - Large Cap								
Chesapeake Energy Corporation	CHK		65.96	11.5	6.9	6.0	9	0.4
Canadian Natural Resources	CNQ	B	100.25	8.7	6.6	5.6	10	0.4
XTO Energy Inc.	XTO	B	68.51	12.2	6.7	5.5	12	0.7
EOG Resources	EOG	B	131.20	10.0	5.8	5.5	11	0.4
CNOOC Limited (34%)	CEO	H	173.54	9.2	5.4	5.2	9	2.2
Encana Corporation	ECA	B	90.93	8.7	5.5	5.1	9	1.8
Occidental Petroleum Corp.	OXY	B	89.86	11.6	5.9	4.5	8	1.4
Devon Energy Corporation	DVN	B	120.16	9.4	5.8	4.3	8	0.5
Anadarko Petroleum Corp.	APC	B	74.84	9.5	5.2	4.2	7	1.0
	<i>Median</i>			9.5	5.8	5.2	9	0.7
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		15.09	7.0	7.6	8.1	23	-
Encore Acquisition Company	EAC	B	75.19	13.9	6.1	6.1	10	-
Berry Petroleum Company	BRY	B	58.88	10.2	6.1	5.7	9	0.5
Cimarex Energy Company	XEC	B	69.67	7.5	4.5	3.3	6	0.2
Energy Partners Ltd.	EPL		14.92	7.3	3.2	2.1		-
	<i>Median</i>			7.5	6.1	5.7	10	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.73		7.4	14.7	22	6.6
Kinder Morgan Management, LLC	KMR	S	53.85		7.4	14.3	21	6.8
San Juan Basin Royalty Trust	SJT	B	46.26	10.4	7.7	7.5	9	11.0
Canadian Oil Sands Trust	COSWF	B	53.59	22.0	7.6	7.1	8	12.2
Hugoton Royalty Trust	HGT	B	37.00	13.2	7.3	6.4	9	10.9
Pengrowth Energy Trust	PGH		20.11	8.9	5.4	4.7	25	13.2
Enerplus Resources Fund	ERF		46.24	9.6	5.7	4.4	7	10.7
Penn West Energy Trust	PWE	B	33.84	7.2	4.8	4.2	9	13.5
	<i>Median</i>			10.0	7.3	6.8	9	10.9
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2009; P/E = Stock Price to								
Earnings; PV = Present Value of oil and gas and other businesses								

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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-	
		30-Jun			HQ	Gas	Gas	Prod'n	stream	McDep
	Symbol	2008	(%)	(%)	(%)	(%)	(%)	(%)	(%)	Ratio
Mega Cap										
Exxon Mobil Corporation	XOM	88.13	3.5	3.2		0.2	0.5	1.8	0.6	0.76
Chevron Corporation	CVX	99.13	3.3	3.2		0.2	0.2	2.3	0.5	0.76
BP plc	BP	69.57	2.9	3.2	3.2	0.3	0.3	2.2	0.4	0.72
Royal Dutch Shell plc	RDS-A	81.71	3.2	3.2	3.2	0.1	0.5	1.7	0.8	0.71
Total S.A.	TOT	85.27	3.2	3.2	3.2		0.5	2.2	0.5	0.71
ConocoPhillips	COP	94.39	5.6	6.4		0.9	0.4	3.8	1.2	0.69
Gazprom	OGZPY	58.00	9.6	9.6	9.6		7.7	1.8		0.69
<i>Total or Median</i>				31	32					0.71
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	55.07	1.4	1.3	1.3	0.1		1.0	0.2	0.85
Suncor Energy	SU	58.12	1.3	1.3	1.3	0.0		1.2	0.1	0.79
StatoilHydro ASA	STO	37.38	1.6	1.6	1.6		0.5	1.1	-	0.75
Petro-Canada	PCZ	55.75	1.3	1.3	1.3	0.1	0.0	0.9	0.2	0.66
PetroChina Company Ltd (14	PTR	128.86	1.7	1.6	1.6	-	0.1	1.3	0.2	0.60
Lukoil Oil Company	LUKOY	98.60	7.2	6.4	6.4			4.6	1.8	0.59
<i>Total or Median</i>				14	13					0.71
Independent Natural Gas and Oil - Large Cap										
EOG Resources	EOG	131.20	5.2	4.8		3.4	0.3	1.2		0.94
Encana Corporation	ECA	90.93	3.6	3.8	3.8	2.8		0.8	0.2	0.93
Canadian Natural Resources	CNQ	100.25	1.5	1.6	1.6	0.4		1.2		0.84
XTO Energy Inc.	XTO	68.51	4.3	4.8		3.5		1.3		0.82
Anadarko Petroleum Corp.	APC	74.84	3.7	4.8		2.5		2.2	0.1	0.82
Occidental Petroleum Corp.	OXY	89.86	3.5	3.2		0.4	0.0	2.6	0.2	0.76
Devon Energy Corporation	DVN	120.16	6.4	6.4		3.4		3.0		0.74
<i>Total or Median</i>				28	29					0.82
Independent Natural Gas and Oil - Small Cap										
Encore Acquisition Company	EAC	75.19	2.8	3.2		0.5		2.7		1.00
Berry Petroleum Company	BRY	58.88	1.2	1.6		0.7		0.9		0.94
Cimarex Energy Company	XEC	69.67	3.4	3.2		2.0		1.2		0.72
<i>Total or Median</i>				7	8					0.94
Income										
San Juan Basin Royalty Trust	SJT	46.26	7.4	6.4		6.4				0.97
Canadian Oil Sands Trust	COSWF	53.59	5.7	5.1	5.1	(0.5)		5.6		0.94
Penn West Energy Trust	PWE	33.84	2.1	2.6	2.6	0.8		1.8		0.88
Hugoton Royalty Trust	HGT	37.00	3.7	3.2		3.2				0.88
<i>Total or Median</i>				19	17					0.91
Portfolio Composite										
			100	100	46	31	11	50	7	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%.										

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July 1, 2008



Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
1-Jul	OGZPY	Gazprom	Cheap Natural Gas (Meter Reader)
17-Jun	XTO	XTO Energy Inc.	Beating a Tax Deadline
16-Jun	BRY	Berry Petroleum	Timely Natural Gas Deal
13-Jun	PWE	Penn West Energy Trust	Raise Distribution, Adjust NPV (Income Weekly)
6-Jun	COSWF	Canadian Oil Sands Trust	Raise Distribution Estimate 50% (Income Weekly)
4-Jun	LUKOY	Lukoil Oil Company	Raise Net Present Value to \$170 a Share
29-May	* XTO	XTO Energy Inc.	Low McDep Ratio Natural Gas
27-May	* EAC	Encore Acquisition Company	Bullish Encore (Meter Reader)
22-May	* PBR	Petrobras	Raise Net Present Value to \$75 a Share
13-May	* PWE	Penn West Energy Trust	Raise Net Present Value to \$45 a Share
13-May	* STO	StatoilHydro ASA	Raise Net Present Value to \$52 a Share
13-May	* ECA	EnCana Corporation	Splits Natural Gas and Oil Sands (Meter Reader)
9-May	* CNQ	Canadian Natural Resources	Raise Net Present Value to \$124 a Share
8-May	* EAC	Encore Acquisition Company	\$120 a Barrel Excitement
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	* PCZ	Petro-Canada	Low McDep Ratio
29-Apr	* RDSA	Royal Dutch Shell plc	Non U.S. Energy MegaCap
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
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

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1-Jul		Gazprom	Cheap Natural Gas
24-Jun		Weekly	Small Cap Surge
17-Jun		Weekly	Shale Gas
10-Jun	*	Weekly	NASDAQ 5000, Oil 500

Oil and Gas Income Stocks

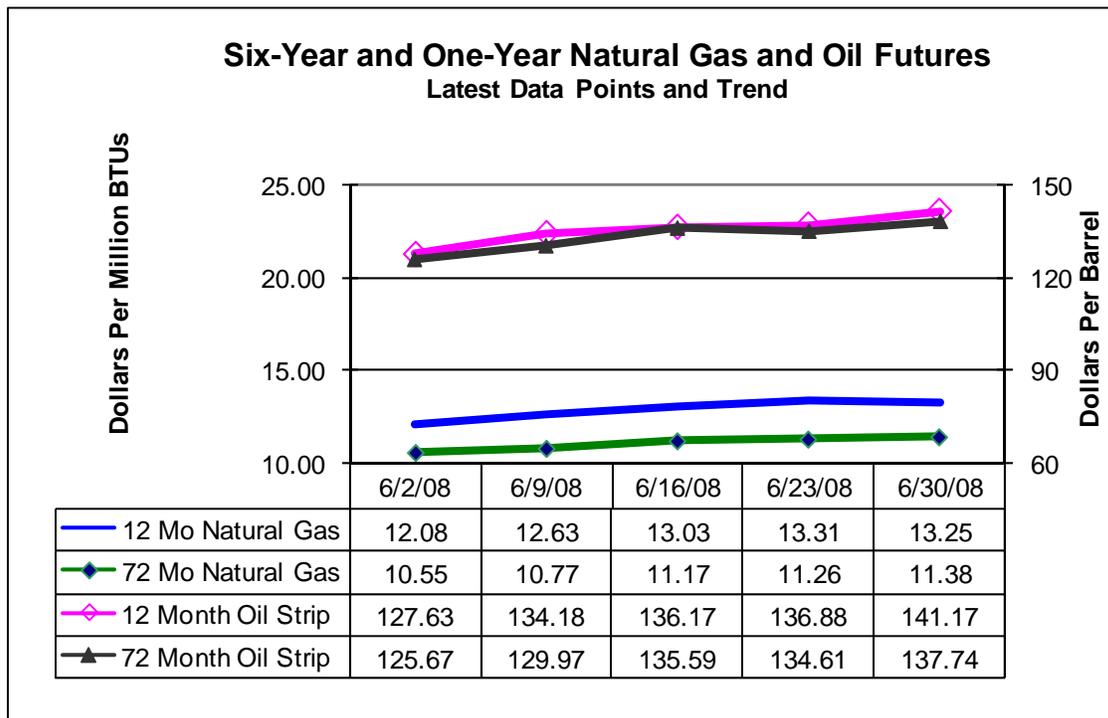
27-Jun		Weekly	Monetary Diversification
20-Jun		Weekly	Natural Gas Gaining Altitude
13-Jun		Penn West Energy Trust	Raise Distribution, Adjust NPV
6-Jun	*	Canadian Oil Sands Trust	Raise Distribution Estimate 50%

* Archived on www.mcdep.com

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

July 1, 2008



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