

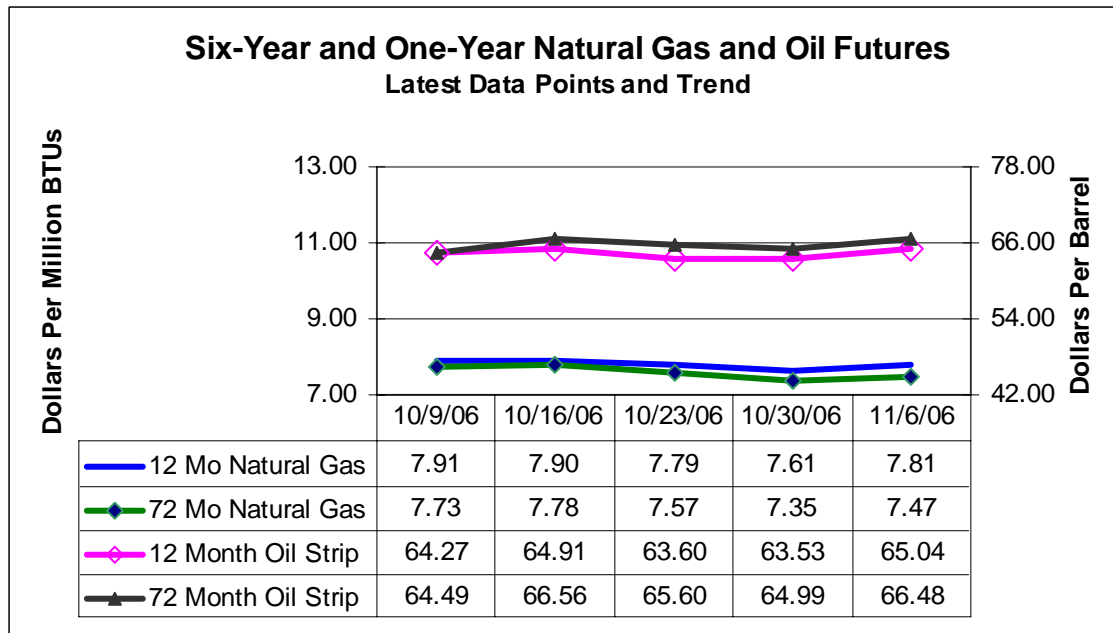
## Election Day

### Summary and Recommendation

We hope California voters turn down Proposition 87 to tax oil production in the state at 6% and turn the proceeds to an alternate energy bureaucracy. If so, it saves buy-recommended **Berry Petroleum (BRY)** a potential loss of perhaps 3% of its stock price. A defeat would also be a political victory for buy-recommended California producers **ExxonMobil (XOM)**, **Royal Dutch Shell (RDS)** and **Occidental Petroleum (OXY)**. Passage would be yet another ill-considered tax on oil that boosts long-term commodity price. More Democratic influence in Washington could be constructive if it were to lead to stricter environmental standards applied to coal to encourage gasification rather than burning. The higher value of gasified coal would also make natural gas and clean oil look more attractive. Meanwhile in Canada we note the formation of the *Coalition of Canadian Energy Trusts* to lobby the Federal government to rescind the intention to tax existing oil and gas income trusts as corporations.

*N.B. The proposition was turned down.*

Kurt H. Wulff, CFA



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**Oil and Gas Producers**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

	Symbol/ Rating		Price (US\$/sh) 6-Nov 2006	Shares (mm)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
Exxon Mobil Corporation	XOM	B	72.91	5,922	432,000	78.00	0.04	0.94
Total S.A.	TOT	B	69.22	2,323	161,000	80.00	0.13	0.88
BP plc	BP	B	68.31	3,303	226,000	80.00	0.16	0.88
Royal Dutch Shell plc	RDS-A	B	69.98	3,200	224,000	84.00	0.13	0.85
Gazprom (50%)	OGZPY	B	44.25	2,847	126,000	56.00	0.05	0.80
Chevron Corporation	CVX	B	69.77	2,206	154,000	92.00	0.10	0.78
ConocoPhillips	COP	B	61.05	1,676	102,000	100.00	0.21	0.69
<i>Total or Median</i>					<i>1,425,000</i>		<i>0.13</i>	<i>0.85</i>
<b>Producer/Refiners - Large Cap</b>								
Kinder Morgan, Inc.	KMI	S2	105.50	135	14,240	33.00	0.75	1.54
Imperial Oil Limited (30%)	IMO	H	36.22	292	10,580	37.00	0.07	0.98
Petro-Canada	PCZ	B	43.87	506	22,200	49.00	0.18	0.91
Marathon Oil Corporation	MRO	B	89.76	359	32,220	110.00	0.12	0.84
Suncor Energy	SU	B	78.60	461	36,240	95.00	0.06	0.84
Norsk Hydro ASA	NHY	B	24.55	1,236	30,340	31.00	0.14	0.82
PetroChina Company Ltd (10%)	PTR	B	113.40	179	20,300	140.00	0.04	0.82
Lukoil Oil Company	LUKOY	B	84.90	830	70,000	110.00	0.02	0.78
<i>Total or Median</i>					<i>236,000</i>		<i>0.10</i>	<i>0.84</i>
<b>Independent Natural Gas and Oil - Large Cap</b>								
XTO Energy Inc.	XTO	B	46.95	371	17,420	52.00	0.18	0.92
CNOOC Limited (34%)	CEO	B	84.79	140	11,860	98.00	-	0.87
Anadarko Petroleum Corp.	APC	B	48.37	463	22,400	75.00	0.43	0.80
Encana Corporation	ECA	B	49.20	824	40,500	65.00	0.12	0.79
EOG Resources	EOG	B	66.89	246	16,500	92.00	0.04	0.74
Occidental Petroleum Corp.	OXY	B	48.53	860	41,700	69.00	0.09	0.73
Devon Energy Corporation	DVN	B	68.85	447	30,800	115.00	0.13	0.65
<i>Total or Median</i>					<i>181,000</i>		<i>0.12</i>	<i>0.79</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Energy Partners Ltd.	EPL	B	24.84	41	1,010	31.00	0.25	0.85
Berry Petroleum Company	BRY	B	31.15	45	1,400	44.00	0.17	0.76
Cimarex Energy Company	XEC	B	36.65	84	3,090	68.00	0.08	0.58
Encore Acquisition Company	EAC	B	25.30	54	1,360	54.00	0.19	0.57
<i>Total or Median</i>					<i>6,900</i>		<i>0.18</i>	<i>0.67</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	44.81	168	7,520	15.00	0.54	1.92
Kinder Morgan Management, LLC	KMR	S3	43.49	61	2,640	15.00	0.54	1.88
Enerplus Resources Fund	ERF		45.54	123	5,600	47.00	0.11	0.97
San Juan Basin Royalty Trust	SJT	B	37.97	47	1,770	40.00	-	0.95
Pengrowth Energy Trust	PGH		17.50	220	3,850	20.00	0.22	0.90
Penn West Energy Trust	PWE	B	31.60	246	7,770	39.00	0.13	0.83
Canadian Oil Sands Trust	COSWF	B	26.60	468	12,450	35.00	0.08	0.78
<i>Total or Median</i>					<i>41,600</i>		<i>0.13</i>	<i>0.95</i>

B = Buy, S2 = Short half unlevered position, S3 = Short quarter unlevered position, 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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**Oil and Gas Producers**

**Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.**

	Symbol/ Rating		Price (US\$/sh) 6-Nov 2006	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>Mega Cap</b>								
Gazprom (50%)	OGZPY	B	44.25	24.0	9.0	7.2	11	0.5
Exxon Mobil Corporation	XOM	B	72.91	11.4	6.6	6.2	11	1.8
Total S.A.	TOT	B	69.22	9.8	6.7	6.0	10	3.0
BP plc	BP	B	68.31	9.5	6.5	5.7	9	3.5
Royal Dutch Shell plc	RDS-A	B	69.98	7.4	5.8	4.9	9	3.6
Chevron Corporation	CVX	B	69.77	10.9	6.3	4.9	9	3.0
ConocoPhillips	COP	B	61.05	11.0	6.6	4.6	8	2.4
		<i>Median</i>		<i>10.9</i>	<i>6.6</i>	<i>5.7</i>	<i>9</i>	<i>3.0</i>
<b>Producer/Refiners - Large Cap</b>								
Kinder Morgan, Inc.	KMI	S2	105.50		8.8	13.6	22	3.3
Suncor Energy	SU	B	78.60	20.8	11.8	9.9	18	0.4
Imperial Oil Limited (30%)	IMO	H	36.22	10.4	7.9	7.8	13	0.8
Petro-Canada	PCZ	B	43.87	7.2	7.2	6.6	13	0.8
Lukoil Oil Company	LUKOY	B	84.90	18.7	7.5	5.9	10	1.5
PetroChina Company Ltd (10%)	PTR	B	113.40	15.1	6.3	5.2	10	4.3
Marathon Oil Corporation	MRO	B	89.76	8.6	5.9	5.0	9	1.5
Norsk Hydro ASA	NHY	B	24.55	8.2	5.3	4.3	9	2.8
		<i>Median</i>		<i>10.4</i>	<i>7.4</i>	<i>6.2</i>	<i>11</i>	<i>1.5</i>
<b>Independent Natural Gas and Oil - Large Cap</b>								
XTO Energy Inc.	XTO	B	46.95	11.3	8.0	7.4	11	0.4
Anadarko Petroleum Corp.	APC	B	48.37	11.5	8.9	7.1	14	1.5
EOG Resources	EOG	B	66.89	9.3	8.6	6.3	16	0.4
Encana Corporation	ECA	B	49.20	8.7	7.6	6.0	12	0.8
CNOOC Limited (34%)	CEO	B	84.79	10.6	6.4	5.5	10	3.3
Occidental Petroleum Corp.	OXY	B	48.53	11.0	7.4	5.4	10	-
Devon Energy Corporation	DVN	B	68.85	8.2	7.2	4.7	9	0.7
		<i>Median</i>		<i>10.6</i>	<i>7.6</i>	<i>6.0</i>	<i>11</i>	<i>0.7</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	31.15	9.9	8.4	6.4	15	1.0
Encore Acquisition Company	EAC	B	25.30	15.5	9.6	5.4	15	-
Energy Partners Ltd.	EPL	B	24.84	5.0	5.2	4.4		-
Cimarex Energy Company	XEC	B	36.65	7.8	6.9	4.0	10	0.4
		<i>Median</i>		<i>8.9</i>	<i>7.7</i>	<i>4.9</i>	<i>15</i>	<i>0.2</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	44.81		7.8	14.9	31	7.2
Kinder Morgan Management, LLC	KMR	S3	43.49		7.8	14.6	30	7.4
San Juan Basin Royalty Trust	SJT	B	37.97	9.3	11.3	10.7	13	7.5
Canadian Oil Sands Trust	COSWF	B	26.60	24.4	12.6	9.9	13	7.0
Enerplus Resources Fund	ERF		45.54	9.4	8.0	7.7	17	9.8
Penn West Energy Trust	PWE	B	31.60	8.0	8.6	7.1	13	11.4
Pengrowth Energy Trust	PGH		17.50	7.6	7.6	6.9	10	15.2
		<i>Median</i>		<i>9.3</i>	<i>8.0</i>	<i>9.9</i>	<i>13</i>	<i>7.5</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2007; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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**Oil and Gas Producers  
Portfolio Composite of Buy Recommendations**

	Symbol	Price	Portfolio Weight		Non-U.S. HQ (%)	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down-stream (%)	McDep Ratio
		(US\$/sh)	6-Nov 2006	Equity (%)		EV (%)				
<b>Mega Cap</b>										
Exxon Mobil Corporation	XOM	72.91	3.2	2.9		0.2	0.5	1.3	0.9	0.94
Total S.A.	TOT	69.22	2.8	2.9	2.9		0.9	1.2	0.8	0.88
BP plc	BP	68.31	1.4	1.4	1.4	0.1	0.2	0.7	0.4	0.88
Royal Dutch Shell plc	RDS-A	69.98	2.8	2.9	2.9	0.1	0.5	1.1	1.1	0.85
Gazprom	OGZPY	44.25	9.4	8.6	8.6		8.6	1.1		0.80
Chevron Corporation	CVX	69.77	5.8	5.7		0.4	0.4	3.4	1.5	0.78
ConocoPhillips	COP	61.05	4.6	5.7		0.9	0.4	3.0	1.3	0.69
<b>Producer/Refiners - Large Cap</b>										
Petro-Canada	PCZ	43.87	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.91
Marathon Oil Corporation	MRO	89.76	1.4	1.4		0.1	0.1	0.6	0.6	0.84
Suncor Energy	SU	78.60	1.5	1.4	1.4	0.1		1.3	0.1	0.84
Norsk Hydro ASA	NHY	24.55	2.7	2.9	2.9		0.7	1.1	1.1	0.82
PetroChina Company Ltd.	PTR	113.40	3.2	2.9	2.9		0.2	2.4	0.2	0.82
Lukoil Oil Company	LUKOY	84.90	6.5	5.7	5.7			4.3	1.4	0.78
<b>Independent Natural Gas and Oil - Large Cap</b>										
XTO Energy Inc.	XTO	46.95	2.7	2.9		2.2		0.7		0.92
CNOOC Limited	CEO	84.79	3.3	2.9	2.9		0.3	2.6		0.87
Anadarko Petroleum Corp.	APC	48.37	1.5	2.9		1.6		1.2		0.80
Encana Corporation	ECA	49.20	5.6	5.7	5.7	4.1		1.2	0.4	0.79
EOG Resources	EOG	66.89	6.3	5.7		4.4	0.4	1.0		0.74
Occidental Petroleum Corp	OXY	48.53	2.9	2.9		0.4	0.0	2.1	0.3	0.73
Devon Energy Corporation	DVN	68.85	5.3	5.7		3.1		2.6		0.65
<b>Independent Natural Gas and Oil - Small Cap</b>										
Energy Partners Ltd.	EPL	24.84	1.2	1.4		0.8		0.7		0.85
Berry Petroleum Company	BRY	31.15	1.3	1.4		0.2		1.2		0.76
Cimarex Energy Company	XEC	36.65	2.8	2.9		2.0		0.9		0.58
Encore Acquisition Comp	EAC	25.30	2.2	2.9		0.7		2.1		0.57
<b>Income</b>										
San Juan Basin Royalty Tr	SJT	37.97	6.6	5.7		5.7				0.95
Penn West Energy Trust	PWE	31.60	5.6	5.7	5.7	1.7		4.0		0.83
Canadian Oil Sands Trust	COSWF	26.60	5.9	5.7	5.7			5.7		0.78
<b>Portfolio Composite</b>			<b>100</b>	<b>100</b>	<b>50</b>	<b>29</b>	<b>13</b>	<b>48</b>	<b>10</b>	<b>0.78</b>

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**Index of Recent Research****Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
7-Nov	XEC	Cimarex Energy Company	Steady Operations
7-Nov	EPL	Energy Partners, Ltd.	Buyers Looking
6-Nov	BRY	Berry Petroleum	Raise NPV to \$44 a Share on Election Eve
3-Nov	EOG	EOG Resources Inc.	Stealth Explorer
3-Nov	IMO	Imperial Oil Limited	Hold While Six-Year Oil below 40-Week Average
3-Nov	EAC	Encore Acquisition Company	Brown Bassett Wolfcamp
2-Nov	DVN	Devon Energy Corporation	Deep Gulf Explorer
1-Nov	MRO	Marathon Oil Corporation	Raise NPV to \$110 a Share
31-Oct	CEO	CNOOC Ltd	Future Growth in Natural Gas
30-Oct	CVX	Chevron Corporation	Raise NPV to \$92 a Share
27-Oct	XOM	Exxon Mobil Corporation	Oil Production Per Share Grows
27-Oct	SU	Suncor Energy Inc.	Next Milestone 2008
27-Oct	PCZ	Petro-Canada	Volume Growth around the Corner
26-Oct	RDSA	Royal Dutch Shell plc	New Structure Working
26-Oct	ECA	EnCana Corporation	Beating Cost Inflation
26-Oct	COP	ConocoPhillips	Volume Growth Adjusted for Debt and Shares
25-Oct	COSWF	Canadian Oil Sands Trust	Syncrude at 97% of New Capacity
25-Oct	XTO	XTO Energy Inc.	CEO May Be Winning Billion Dollar Bet
25-Oct	BP	BP p.l.c.	Solid Cash Flow
24-Oct	NHY	Norsk Hydro ASA	Lowest EV/Ebitda
20-Oct	* LUKOY	Lukoil Oil Company	Presents to Investors in New York
19-Oct	* KMx	Kinder Morgan	Dilution Ahead
19-Oct	* OXY	Occidental Petroleum Corporation	Stock Cheaper than Oil
6-Oct	* ECA	EnCana Corporation	Raise NPV to \$65 a Share
6-Oct	* COP	ConocoPhillips	Oil Sands Link with Encana
5-Oct	* OGZPY	Gazprom	Russian Natural Gas Price Too Low
5-Oct	* APC	Anadarko Petroleum Corporation	Financial Risk Declines
15-Sep	* PTR	PetroChina Company Limited	Future Natural Gas and Downstream Profits
15-Sep	* SJT	San Juan Basin Royalty Trust	Sub \$5 Natural Gas and SJT
6-Sep	* DVN	Devon Energy Corporation	Raise NPV to \$115 a Share
23-Aug	* PTR	PetroChina Company Limited	Profits despite Government Limits
15-Aug	* PWTFF	Penn West Energy Trust	Marketable High Current Income
4-Aug	* TOT	Total S.A.	Positioned to Profit

**Meter Reader - A Weekly Analysis**

7-Nov		Election Day
31-Oct	*	Small Cap Upside
24-Oct	*	Shell Canada at 0.99 McDep Ratio on Buyout Bid
17-Oct	*	Own More Norsk Hydro, Less BP

**Natural Gas and Oil Royalty Trusts - A Weekly Analysis**

3-Nov		Country Risk
27-Oct		Last Chance to Buy Cyclically
20-Oct	*	Momentum Returning
13-Oct	*	Pengrowth Indicates Highest Rate of Distribution

**Industry Ideas**

2-Nov	*	Flash	Political Opportunity
1-Nov	*	Flash	Canada Tax Bomb
27-Jun	*	Presentation Slides	Oil and Gas Investment to 2010

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