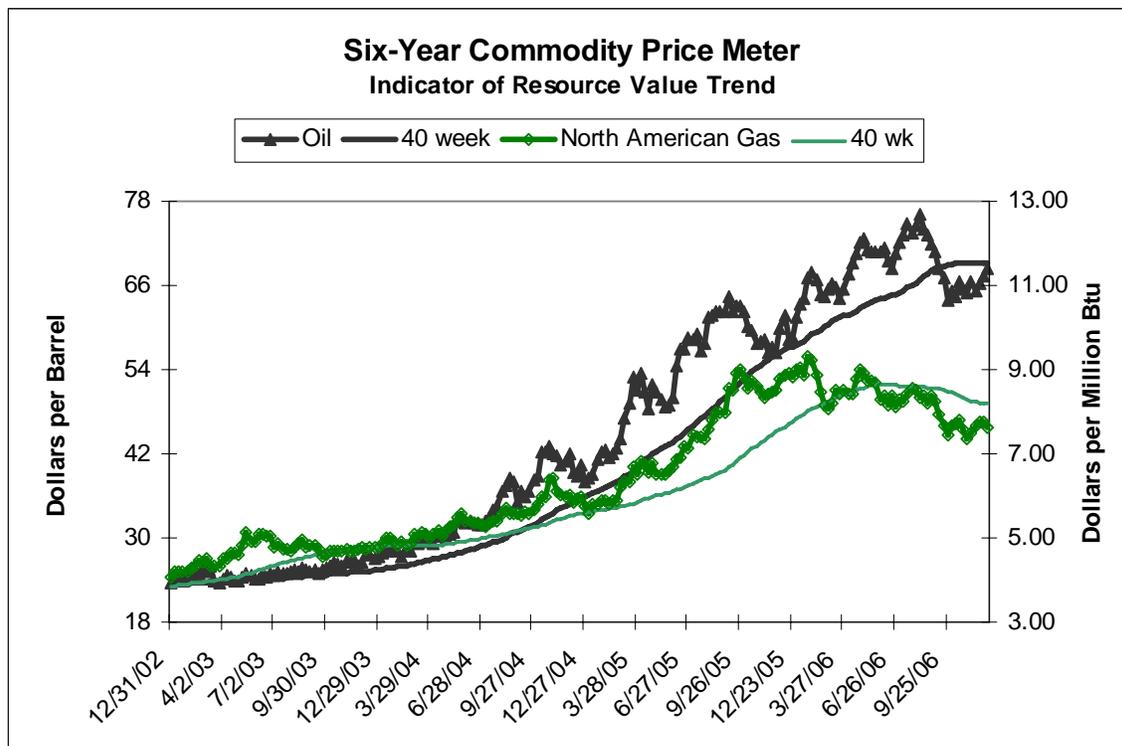


## Six-Year Oil Rebounds

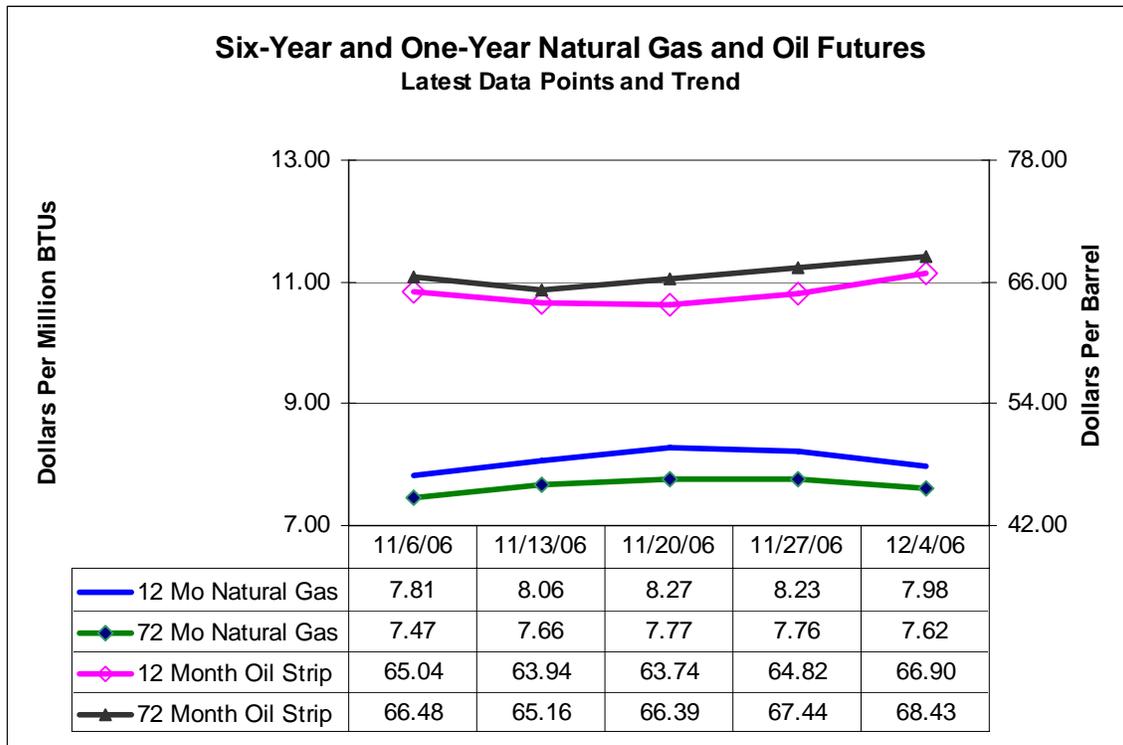
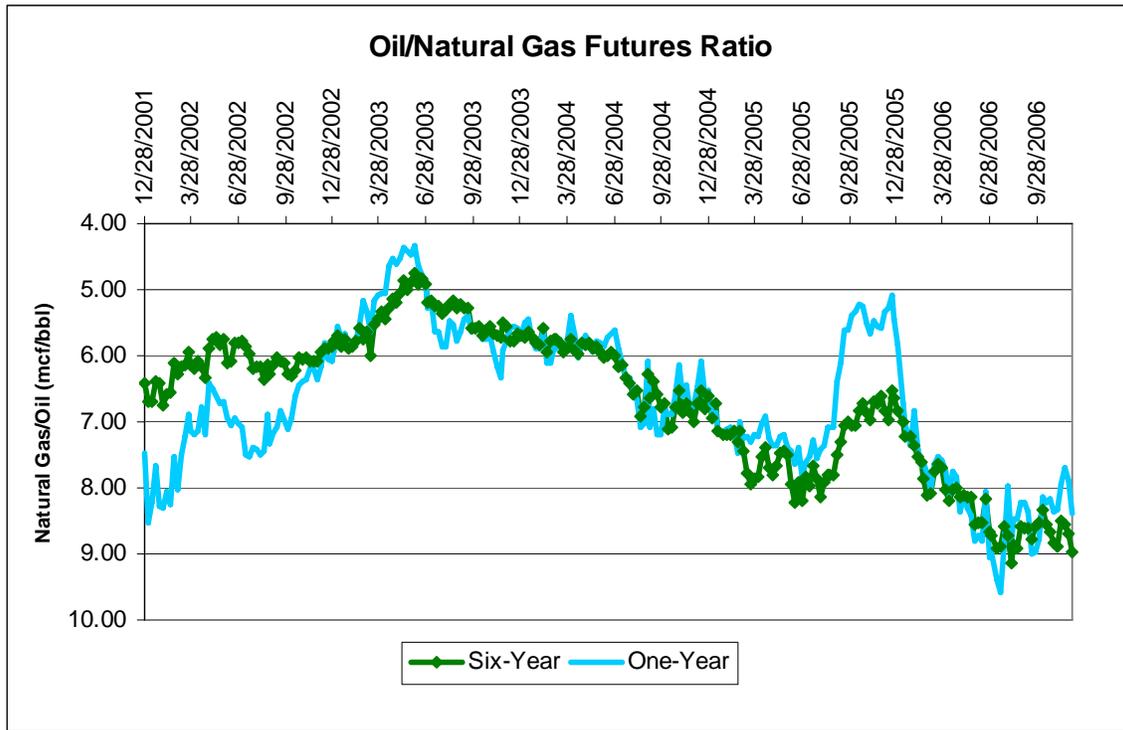
### Summary and Recommendation

Rebounding commodity price may add strength to stock prices for buy recommendations including **Lukoil (LUKOY)**, **Devon Energy (DVN)** and **ConocoPhillips (COP)**. The average price for crude oil to be delivered over the next six years is nearing its 40-week average of \$69 a barrel after dipping below \$64 in late September (see chart Six-Year Meter). The steadier long-term quote may have been an anchor that kept the daily quote from going below \$55. Yet, the typical buy recommendation with a McDep Ratio around 0.8 appears to be priced for oil at about \$48 a barrel considering that a McDep Ratio of 1.0 presumes \$60 a barrel as a long-term price. Thus, we see justification for stocks to appreciate without the price of oil advancing. We see similar justification for natural gas commodity price and natural gas stocks. Should a warm winter diminish natural gas demand, it might also strengthen concern about global warming and desire to substitute low-carbon natural gas for high-carbon coal (see *Royalty Trust Weekly*, Al Gore's Movie, December 1, 2006).

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) 4-Dec 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	77.77	5,922	461,000	78.00	0.04	1.00
Total S.A.	TOT	B	70.54	2,302	162,000	80.00	0.14	0.90
BP plc	BP	B	67.56	3,303	223,000	80.00	0.16	0.87
Royal Dutch Shell plc	RDS-A	B	70.48	3,200	226,000	84.00	0.13	0.86
Gazprom (50%)	OGZPY	B	46.70	2,847	133,000	56.00	0.05	0.84
Chevron Corporation	CVX	B	73.50	2,206	162,000	92.00	0.10	0.82
ConocoPhillips	COP	B	67.26	1,676	113,000	100.00	0.21	0.74
<i>Total or Median</i>					<i>1,480,000</i>		<i>0.13</i>	<i>0.86</i>
<b>Producer/Refiners - Large Cap</b>								
Kinder Morgan, Inc.	KMI	S2	105.24	135	14,210	33.00	0.75	1.54
Imperial Oil Limited (30%)	IMO	H	38.01	292	11,110	37.00	0.07	1.03
Petro-Canada	PCZ	B	45.18	506	22,860	49.00	0.18	0.94
PetroChina Company Ltd (10%)	PTR	B	128.86	179	23,070	140.00	0.04	0.92
Marathon Oil Corporation	MRO	B	95.43	359	34,260	110.00	0.12	0.88
Suncor Energy	SU	B	79.77	461	36,780	95.00	0.06	0.85
Norsk Hydro ASA	NHY	B	24.80	1,236	30,650	31.00	0.15	0.83
Lukoil Oil Company	LUKOY	B	90.00	830	75,000	110.00	0.02	0.82
<i>Total or Median</i>					<i>248,000</i>		<i>0.10</i>	<i>0.90</i>
<b>Independent Natural Gas and Oil - Large Cap</b>								
XTO Energy Inc.	XTO	B	49.82	371	18,480	52.00	0.16	0.96
CNOOC Limited (34%)	CEO	B	87.65	140	12,260	98.00	-	0.89
Encana Corporation	ECA	B	53.30	824	43,900	65.00	0.12	0.84
Anadarko Petroleum Corp.	APC	B	48.69	463	22,500	75.00	0.42	0.79
EOG Resources	EOG	B	69.17	246	17,000	92.00	0.04	0.76
Occidental Petroleum Corp.	OXY	B	49.92	860	42,900	69.00	0.09	0.75
Devon Energy Corporation	DVN	B	73.07	447	32,700	115.00	0.13	0.68
<i>Total or Median</i>					<i>190,000</i>		<i>0.12</i>	<i>0.79</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Energy Partners Ltd.	EPL	B	25.18	41	1,020	31.00	0.25	0.86
Berry Petroleum Company	BRY	B	32.21	45	1,440	44.00	0.22	0.79
Cimarex Energy Company	XEC	B	37.80	84	3,190	68.00	0.08	0.59
Encore Acquisition Company	EAC	B	26.50	54	1,430	54.00	0.19	0.59
<i>Total or Median</i>					<i>7,100</i>		<i>0.20</i>	<i>0.69</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.22	168	8,090	15.00	0.54	2.02
Kinder Morgan Management, LLC	KMR	S3	46.50	61	2,820	15.00	0.54	1.97
Enerplus Resources Fund	ERF		46.03	123	5,670	47.00	0.11	0.98
San Juan Basin Royalty Trust	SJT	B	38.75	47	1,810	40.00	-	0.97
Pengrowth Energy Trust	PGH		16.90	241	4,070	20.00	0.27	0.89
Penn West Energy Trust	PWE	B	31.53	239	7,540	39.00	0.13	0.83
Canadian Oil Sands Trust	COSWF	B	26.95	468	12,610	35.00	0.08	0.79
<i>Total or Median</i>					<i>42,600</i>		<i>0.13</i>	<i>0.97</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) 4-Dec 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	46.70	24.0	9.0	7.5	11	0.5
Exxon Mobil Corporation	XOM	B	77.77	11.4	6.4	6.3	11	1.6
Total S.A.	TOT	B	70.54	9.7	6.5	5.8	10	3.1
BP plc	BP	B	67.56	9.5	6.3	5.5	9	3.5
Chevron Corporation	CVX	B	73.50	10.9	6.1	5.0	9	2.8
Royal Dutch Shell plc	RDS-A	B	70.48	7.4	5.6	4.8	9	3.8
ConocoPhillips	COP	B	67.26	11.0	6.2	4.6	8	2.1
	<i>Median</i>			10.9	6.3	5.5	9	2.8
<b>Producer/Refiners - Large Cap</b>								
Kinder Morgan, Inc.	KMI	S2	105.24		8.8	13.6	22	3.3
Suncor Energy	SU	B	79.77	20.8	11.1	9.4	17	0.4
Imperial Oil Limited (30%)	IMO	H	38.01	10.4	7.6	7.8	13	0.7
Petro-Canada	PCZ	B	45.18	7.2	6.7	6.3	12	0.8
Lukoil Oil Company	LUKOY	B	90.00	18.7	7.1	5.9	10	1.4
PetroChina Company Ltd (10%)	PTR	B	128.86	15.1	6.3	5.8	11	3.8
Marathon Oil Corporation	MRO	B	95.43	8.6	6.0	5.3	9	1.4
Norsk Hydro ASA	NHY	B	24.80	8.1	5.0	4.2	9	2.9
	<i>Median</i>			10.4	6.9	6.1	11	1.4
<b>Independent Natural Gas and Oil - Large Cap</b>								
XTO Energy Inc.	XTO	B	49.82	11.3	6.9	6.6	11	0.7
EOG Resources	EOG	B	69.17	9.3	8.1	6.2	15	0.3
Anadarko Petroleum Corp.	APC	B	48.69	11.5	7.5	6.0	8	1.5
CNOOC Limited (34%)	CEO	B	87.65	10.6	6.3	5.7	10	3.2
Encana Corporation	ECA	B	53.30	8.7	6.7	5.6	11	0.8
Occidental Petroleum Corp.	OXY	B	49.92	11.0	7.0	5.3	10	1.8
Devon Energy Corporation	DVN	B	73.07	8.2	6.7	4.6	9	0.6
	<i>Median</i>			10.6	6.9	5.7	10	0.8
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	32.21	10.1	8.2	6.5	11	1.0
Encore Acquisition Company	EAC	B	26.50	15.5	8.9	5.2	13	-
Cimarex Energy Company	XEC	B	37.80	7.8	6.4	3.8	9	0.4
Energy Partners Ltd.	EPL	B	25.18	5.0	4.3	3.7	-	-
	<i>Median</i>			9.0	7.3	4.5	11	0.2
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.22		7.8	15.7	33	6.7
Kinder Morgan Management, LLC	KMR	S3	46.50		7.8	15.3	32	7.0
San Juan Basin Royalty Trust	SJT	B	38.75	9.3	10.4	10.1	12	8.1
Canadian Oil Sands Trust	COSWF	B	26.95	23.2	11.6	9.1	12	6.8
Enerplus Resources Fund	ERF		46.03	9.5	7.2	7.1	15	9.6
Penn West Energy Trust	PWE	B	31.53	8.1	7.6	6.3	10	11.3
Pengrowth Energy Trust	PGH		16.90	7.1	6.8	6.0	10	15.6
	<i>Median</i>			9.3	7.8	9.1	12	8.1

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 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 (US\$/sh) 4-Dec 2006	Portfolio Weight		Non- U.S. HQ (%)	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio	
		Equity (%)	EV (%)							
<b>Mega Cap</b>										
Exxon Mobil Corporation	XOM	77.77	3.2	2.9		0.2	0.5	1.3	0.9	1.00
Total S.A.	TOT	70.54	2.8	2.9	2.9		0.9	1.2	0.8	0.90
BP plc	BP	67.56	1.4	1.4	1.4	0.1	0.2	0.7	0.4	0.87
Royal Dutch Shell plc	RDS-A	70.48	2.8	2.9	2.9	0.1	0.5	1.1	1.1	0.86
Gazprom	OGZPY	46.70	9.4	8.6	8.6		8.6	1.1		0.84
Chevron Corporation	CVX	73.50	5.8	5.7		0.4	0.4	3.4	1.5	0.82
ConocoPhillips	COP	67.26	4.7	5.7		0.9	0.4	3.0	1.3	0.74
<b>Producer/Refiners - Large Cap</b>										
Petro-Canada	PCZ	45.18	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.94
PetroChina Company Ltd.	PTR	128.86	3.2	2.9	2.9		0.2	2.4	0.2	0.92
Marathon Oil Corporation	MRO	95.43	1.4	1.4		0.1	0.1	0.6	0.6	0.88
Suncor Energy	SU	79.77	1.5	1.4	1.4	0.1		1.3	0.1	0.85
Norsk Hydro ASA	NHY	24.80	2.7	2.9	2.9		0.7	1.1	1.0	0.83
Lukoil Oil Company	LUKOY	90.00	6.4	5.7	5.7			4.3	1.4	0.82
<b>Independent Natural Gas and Oil - Large Cap</b>										
XTO Energy Inc.	XTO	49.82	2.8	2.9		2.2		0.7		0.96
CNOOC Limited	CEO	87.65	3.3	2.9	2.9		0.3	2.6		0.89
Encana Corporation	ECA	53.30	5.6	5.7	5.7	4.1		1.2	0.4	0.84
Anadarko Petroleum Corp.	APC	48.69	1.6	2.9		1.6		1.2		0.79
EOG Resources	EOG	69.17	6.3	5.7		4.4	0.4	1.0		0.76
Occidental Petroleum Corp	OXY	49.92	2.9	2.9		0.4	0.0	2.1	0.3	0.75
Devon Energy Corporation	DVN	73.07	5.3	5.7		3.1		2.6		0.68
<b>Independent Natural Gas and Oil - Small Cap</b>										
Energy Partners Ltd.	EPL	25.18	1.2	1.4		0.8		0.7		0.86
Berry Petroleum Company	BRY	32.21	1.2	1.4		0.2		1.2		0.79
Encore Acquisition Comp	EAC	26.50	2.2	2.9		0.7		2.1		0.59
Cimarex Energy Company	XEC	37.80	2.8	2.9		2.0		0.9		0.59
<b>Income</b>										
San Juan Basin Royalty Tr	SJT	38.75	6.6	5.7		5.7				0.97
Penn West Energy Trust	PWE	31.53	5.6	5.7	5.7	1.8		4.0		0.83
Canadian Oil Sands Trust	COSWF	26.95	5.9	5.7	5.7			5.7		0.79
<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>0.81</b>

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

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
28-Nov	PTR	PetroChina Company Limited	U.S./China Dollar Devaluation Accelerates
28-Nov	CEO	CNOOC Ltd	U.S./China Dollar Devaluation Accelerates
20-Nov	EPL	Energy Partners, Ltd.	Hostile Bidder Withdraws
17-Nov	SJT	San Juan Basin Royalty Trust	Dip/Rebound and New Shale Potential
14-Nov	PWE	Penn West Energy Trust	Canada's Dastardly Deed
9-Nov	BRY	Berry Petroleum	Election Winner
9-Nov	TOT	Total S.A.	Steady High Return
7-Nov	APC	Anadarko Petroleum Corporation	Hedging and Deleveraging
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 Avera,
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
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
5-Oct	* OGZPY	Gazprom	Russian Natural Gas Price Too Low

**Meter Reader - A Weekly Analysis**

5-Dec		Six-Year Oil Rebounds
28-Nov	*	U.S./China Dollar Devaluation Accelerates
21-Nov	*	Natural Gas Warming Investors
14-Nov	*	Downstream Cash

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

1-Dec		Al Gore's Movie
24-Nov		Look Ahead for Distribution Yield
17-Nov	*	Dip/Rebound and New Shale Potential
10-Nov	*	Commodity Trumps Politics

**Industry Ideas**

12-Nov	*	Political Action Idea	Email the Canadian Prime Minister
2-Nov	*	Flash	Political Opportunity
1-Nov	*	Flash	Canada Tax Bomb

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