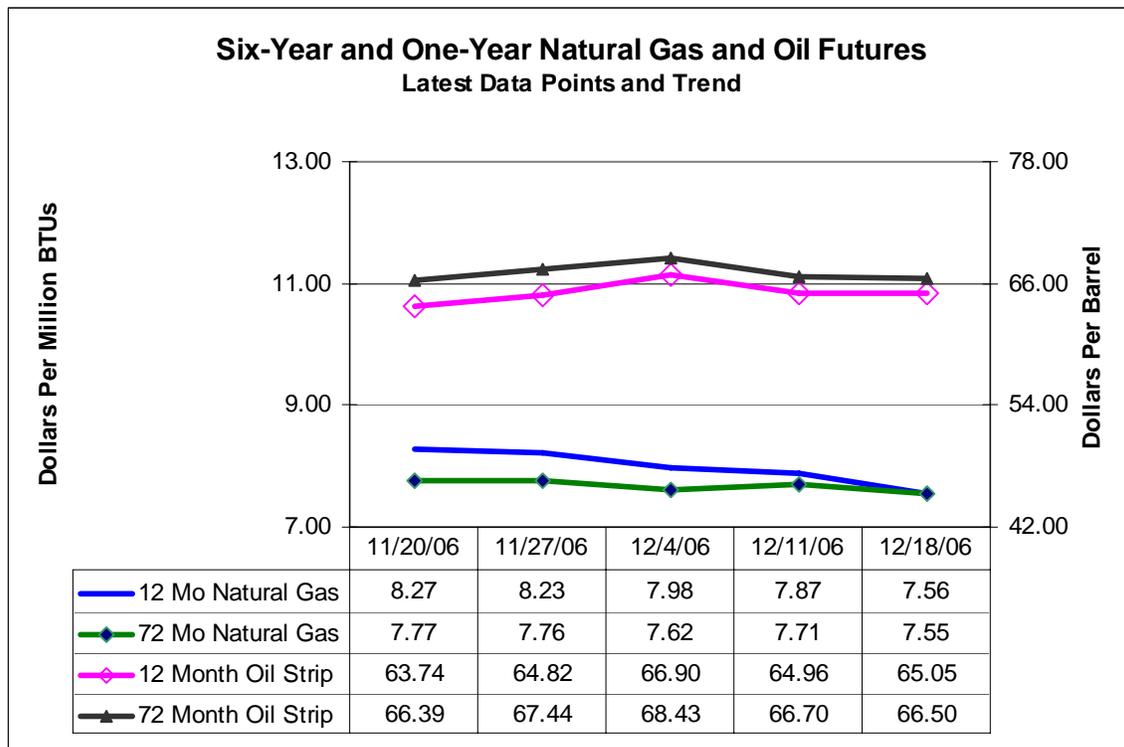


Happy Holideals!

Summary and Recommendation

Owners of buy-recommended **Norsk Hydro (NHY)** may rejoice on the news that fellow Norwegian company **Statoil (STO)** offers US\$29.5 billion in stock for NHY oil and gas properties having a present value of US\$28.5 billion by our estimates before the fact. The price implies a McDep Ratio of 1.04 at STO stock price immediately before the deal or 1.01 at STO stock price after the deal. Because NHY stock was valued at a McDep Ratio of 0.83 before the deal, the purchase price represents an unlevered premium of 22-25% for oil properties that accounted for about 63% of the value of NHY. After the deal closing expected in the third quarter of 2007, owners of NHY would have STO stock worth \$23 at today's stock market price and a stub representing ownership in the world's third largest aluminum company worth \$6 a share or more at today's stock market price. The deal seems to validate McDep analysis and it gives investors an opportunity to realize a gain if they wish to maintain the same portfolio representation in NHY as before the announcement of the pending transaction.

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) 18-Dec 2006	Shares (mm)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	75.51	5,922	447,000	78.00	0.04	0.97
Total S.A.	TOT	B	71.36	2,302	164,000	80.00	0.14	0.91
BP plc	BP	B	66.75	3,303	221,000	80.00	0.16	0.86
Royal Dutch Shell plc	RDS-A	B	70.02	3,200	224,000	84.00	0.13	0.86
Gazprom (50%)	OGZPY	B	46.06	2,847	131,200	56.00	0.05	0.83
Chevron Corporation	CVX	B	73.33	2,206	162,000	92.00	0.10	0.82
ConocoPhillips	COP	B	72.50	1,676	122,000	100.00	0.21	0.78
<i>Total or Median</i>					<i>1,471,000</i>		<i>0.13</i>	<i>0.86</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S2	105.50	135	14,240	33.00	0.75	1.54
Imperial Oil Limited (30%)	IMO	H	36.43	292	10,640	37.00	0.07	0.99
Norsk Hydro ASA	NHY	B	29.55	1,236	36,520	31.00	0.15	0.96
PetroChina Company Ltd (10%)	PTR	B	132.62	179	23,740	140.00	0.04	0.95
Petro-Canada	PCZ	B	40.78	506	20,630	49.00	0.18	0.86
Marathon Oil Corporation	MRO	B	92.46	359	33,190	110.00	0.12	0.86
Suncor Energy	SU	B	78.29	461	36,100	95.00	0.06	0.83
Lukoil Oil Company	LUKOY	B	87.80	830	73,000	110.00	0.02	0.80
<i>Total or Median</i>					<i>248,000</i>		<i>0.10</i>	<i>0.91</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	48.17	371	17,870	52.00	0.16	0.94
CNOOC Limited (34%)	CEO	B	87.91	140	12,290	98.00	-	0.90
Encana Corporation	ECA	B	47.47	824	39,100	65.00	0.12	0.76
Anadarko Petroleum Corp.	APC	B	44.03	463	20,400	75.00	0.42	0.76
Occidental Petroleum Corp.	OXY	B	49.70	860	42,700	69.00	0.09	0.74
EOG Resources	EOG	B	65.48	246	16,100	92.00	0.04	0.72
Devon Energy Corporation	DVN	B	68.22	447	30,500	115.00	0.13	0.65
<i>Total or Median</i>					<i>179,000</i>		<i>0.12</i>	<i>0.76</i>
Independent Natural Gas and Oil - Small Cap								
Energy Partners Ltd.	EPL	B	25.18	41	1,020	31.00	0.25	0.86
Berry Petroleum Company	BRY	B	30.89	45	1,380	44.00	0.22	0.77
Cimarex Energy Company	XEC	B	36.60	84	3,090	68.00	0.08	0.58
Encore Acquisition Company	EAC	B	25.41	54	1,370	54.00	0.19	0.57
<i>Total or Median</i>					<i>6,900</i>		<i>0.20</i>	<i>0.67</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.56	168	8,140	15.00	0.54	2.03
Kinder Morgan Management, LLC	KMR	S3	46.37	61	2,810	15.00	0.54	1.96
Enerplus Resources Fund	ERF		46.24	123	5,690	47.00	0.11	0.99
Pengrowth Energy Trust	PGH		17.31	241	4,170	20.00	0.27	0.90
San Juan Basin Royalty Trust	SJT	B	34.78	47	1,620	40.00	-	0.87
Canadian Oil Sands Trust	COSWF	B	28.40	479	13,600	35.00	0.09	0.83
Penn West Energy Trust	PWE	B	31.04	239	7,420	39.00	0.13	0.82
<i>Total or Median</i>					<i>43,500</i>		<i>0.13</i>	<i>0.90</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) 18-Dec 2006	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	
Mega Cap									
Gazprom (50%)	OGZPY	B	46.06	24.0	9.0	7.4	11	0.5	
Exxon Mobil Corporation	XOM	B	75.51	11.4	6.4	6.2	11	1.7	
Total S.A.	TOT	B	71.36	9.7	6.6	6.0	11	3.0	
BP plc	BP	B	66.75	9.5	6.4	5.5	9	3.5	
Chevron Corporation	CVX	B	73.33	10.9	6.2	5.0	9	2.8	
ConocoPhillips	COP	B	72.50	11.0	6.3	4.9	9	2.0	
Royal Dutch Shell plc	RDS-A	B	70.02	7.4	5.7	4.9	9	3.8	
	<i>Median</i>				10.9	6.4	5.5	9	2.8
Producer/Refiners - Large Cap									
Kinder Morgan, Inc.	KMI	S2	105.50		8.8	13.6	22	3.3	
Suncor Energy	SU	B	78.29	20.8	11.4	9.5	17	0.4	
Imperial Oil Limited (30%)	IMO	H	36.43	10.3	7.8	7.7	13	0.8	
PetroChina Company Ltd (10%)	PTR	B	132.62	15.1	6.3	6.0	12	3.7	
Petro-Canada	PCZ	B	40.78	7.2	6.9	5.9	11	1.1	
Lukoil Oil Company	LUKOY	B	87.80	18.7	7.4	5.9	10	1.4	
Marathon Oil Corporation	MRO	B	92.46	8.6	6.0	5.2	9	1.4	
Norsk Hydro ASA	NHY	B	29.55	8.1	5.1	4.9	11	2.4	
	<i>Median</i>				10.3	7.1	6.0	11	1.4
Independent Natural Gas and Oil - Large Cap									
XTO Energy Inc.	XTO	B	48.17	11.3	6.9	6.5	11	0.7	
EOG Resources	EOG	B	65.48	9.3	8.2	5.9	15	0.4	
Anadarko Petroleum Corp.	APC	B	44.03	11.5	7.7	5.8	8	1.6	
CNOOC Limited (34%)	CEO	B	87.91	10.6	6.4	5.8	11	3.2	
Encana Corporation	ECA	B	47.47	8.7	7.2	5.5	11	0.8	
Occidental Petroleum Corp.	OXY	B	49.70	11.0	7.2	5.4	10	1.8	
Devon Energy Corporation	DVN	B	68.22	8.2	6.8	4.4	8	0.7	
	<i>Median</i>				10.6	7.2	5.8	11	0.8
Independent Natural Gas and Oil - Small Cap									
Berry Petroleum Company	BRY	B	30.89	10.1	8.4	6.4	11	1.0	
Encore Acquisition Company	EAC	B	25.41	15.5	9.2	5.2	14	-	
Energy Partners Ltd.	EPL	B	25.18	5.0	4.7	4.1	-	-	
Cimarex Energy Company	XEC	B	36.60	7.8	6.6	3.8	9	0.4	
	<i>Median</i>				9.0	7.5	4.7	11	0.2
Income									
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.56		7.8	15.8	33	6.7	
Kinder Morgan Management, LLC	KMR	S3	46.37		7.8	15.3	32	7.0	
Canadian Oil Sands Trust	COSWF	B	28.40	23.0	12.9	10.7	15	6.4	
San Juan Basin Royalty Trust	SJT	B	34.78	9.3	10.6	9.2	11	8.8	
Enerplus Resources Fund	ERF		46.24	9.5	7.4	7.3	16	9.5	
Penn West Energy Trust	PWE	B	31.04	8.1	8.2	6.7	11	11.4	
Pengrowth Energy Trust	PGH		17.31	7.1	6.9	6.2	10	15.1	
	<i>Median</i>				9.3	7.8	9.2	15	8.8

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) 18-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 (%)							
Mega Cap										
Exxon Mobil Corporation	XOM	75.51	3.2	2.9		0.2	0.5	1.3	0.9	0.97
Total S.A.	TOT	71.36	2.8	2.9	2.9		0.9	1.2	0.8	0.91
BP plc	BP	66.75	1.4	1.4	1.4	0.1	0.2	0.7	0.4	0.86
Royal Dutch Shell plc	RDS-A	70.02	2.8	2.9	2.9	0.1	0.5	1.1	1.1	0.86
Gazprom	OGZPY	46.06	9.4	8.6	8.6		7.4	1.1		0.83
Chevron Corporation	CVX	73.33	5.8	5.7		0.4	0.4	3.4	1.5	0.82
ConocoPhillips	COP	72.50	4.8	5.7		0.9	0.4	3.0	1.3	0.78
Producer/Refiners - Large Cap										
Norsk Hydro ASA	NHY	29.55	2.8	2.9	2.9		0.7	1.1	1.1	0.96
PetroChina Company Ltd.	PTR	132.62	3.2	2.9	2.9		0.2	2.4	0.2	0.95
Petro-Canada	PCZ	40.78	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.86
Marathon Oil Corporation	MRO	92.46	1.4	1.4		0.1	0.1	0.6	0.6	0.86
Suncor Energy	SU	78.29	1.5	1.4	1.4	0.1		1.3	0.1	0.83
Lukoil Oil Company	LUKOY	87.80	6.4	5.7	5.7			4.3	1.4	0.80
Independent Natural Gas and Oil - Large Cap										
XTO Energy Inc.	XTO	48.17	2.8	2.9		2.2		0.7		0.94
CNOOC Limited	CEO	87.91	3.3	2.9	2.9		0.3	2.6		0.90
Encana Corporation	ECA	47.47	5.5	5.7	5.7	4.1		1.2	0.4	0.76
Anadarko Petroleum Corp.	APC	44.03	1.5	2.9		1.6		1.2	0.1	0.76
Occidental Petroleum Corp	OXY	49.70	2.9	2.9		0.4	0.0	2.1	0.3	0.74
EOG Resources	EOG	65.48	6.2	5.7		4.4	0.4	1.0		0.72
Devon Energy Corporation	DVN	68.22	5.3	5.7		3.1		2.6		0.65
Independent Natural Gas and Oil - Small Cap										
Energy Partners Ltd.	EPL	25.18	1.2	1.4		0.8		0.7		0.86
Berry Petroleum Company	BRY	30.89	1.2	1.4		0.2		1.2		0.77
Cimarex Energy Company	XEC	36.60	2.8	2.9		2.0		0.9		0.58
Encore Acquisition Compæ	EAC	25.41	2.2	2.9		0.7		2.1		0.57
Income										
San Juan Basin Royalty Tr	SJT	34.78	6.6	5.7		5.7				0.87
Canadian Oil Sands Trust	COSWF	28.40	5.9	5.7	5.7			5.7		0.83
Penn West Energy Trust	PWE	31.04	5.6	5.7	5.7	1.8		4.0		0.82
Portfolio Composite			100	100	50	29	12	48	11	0.79

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
11-Dec	COSWF	Canadian Oil Sands Trust	Tax Bomb Opportunity
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 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
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	* 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

19-Dec		Happy Holidays!
12-Dec	*	Four More Years
5-Dec	*	Six-Year Oil Rebounds
28-Nov	*	U.S./China Dollar Devaluation Accelerates

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

15-Dec		Distribution Anomalies
8-Dec		A Thousand Barrels a Second
1-Dec	*	Al Gore's Movie
24-Nov	*	Look Ahead for Distribution Yield

* Archived on www.mcdep.com

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