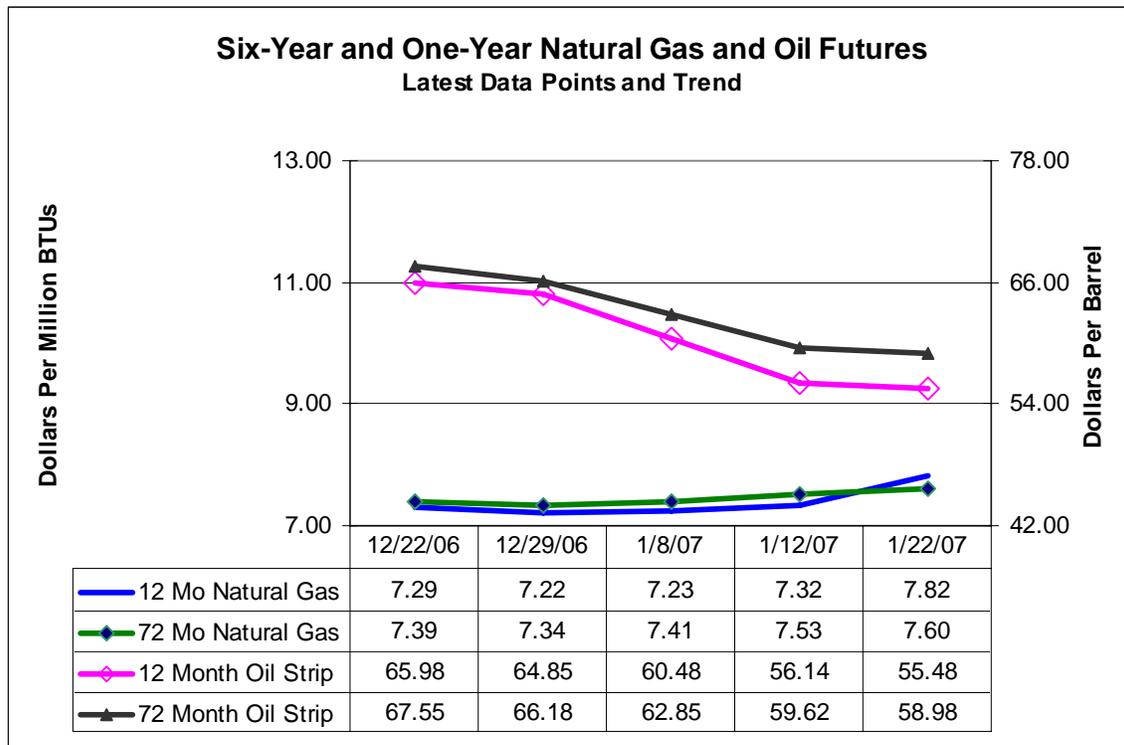


## Clues from Price Patterns

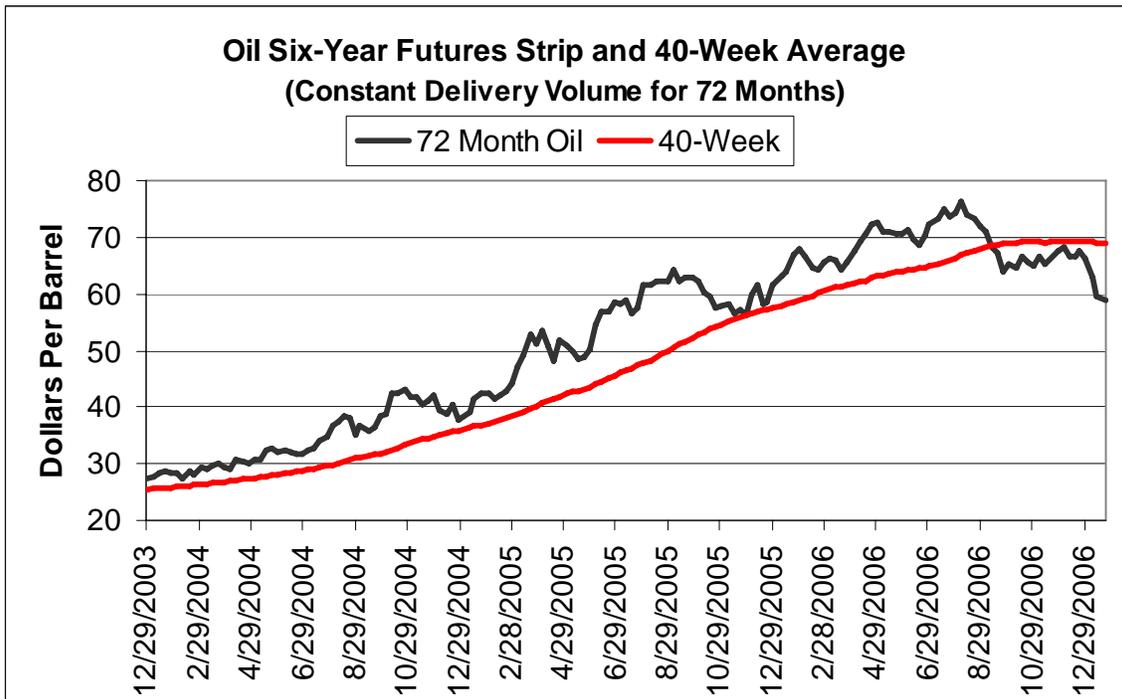
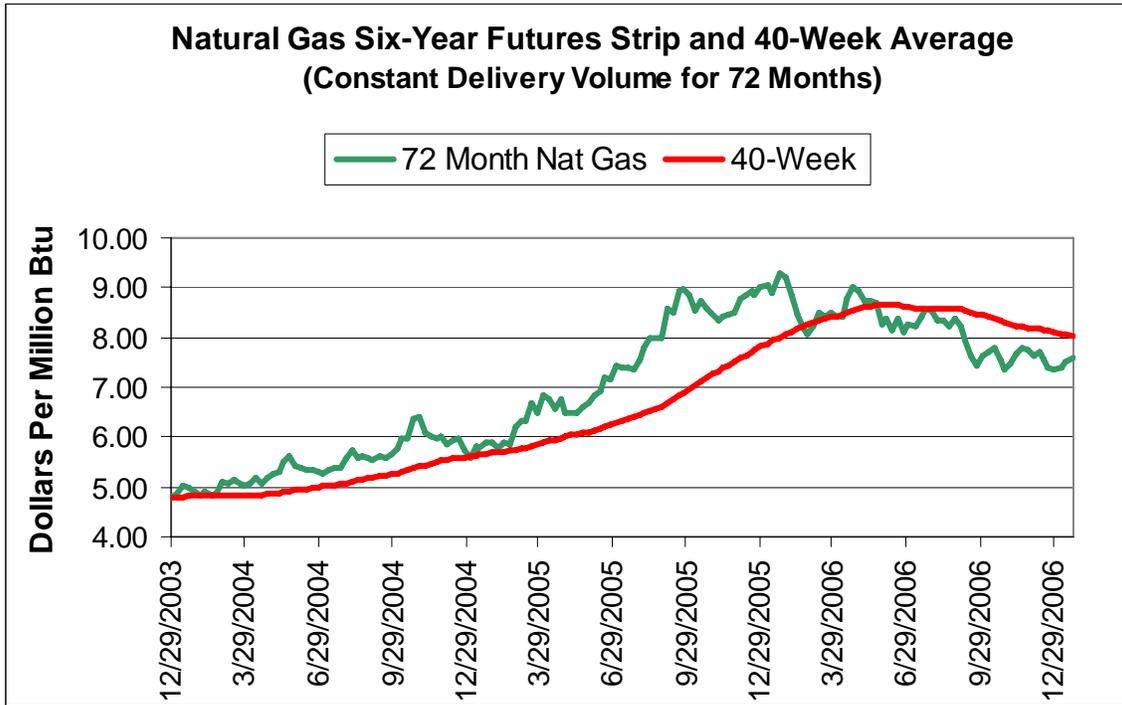
### Summary and Recommendation

**Chevron (CVX), Devon Energy (DVN), ExxonMobil (XOM) and Marathon (MRO)** are among buy recommendations with positive stock price momentum measured by current price above the 200-day moving average. We hope that positive momentum continues and that some negative trends turn positive again. Along those lines there may be a change in trend for natural gas perhaps helped by new concern about global warming (see *Royalty Trusts Cap and Trade*, January 18, 2007). Under a declining 40-week average since last spring, six-year natural gas appears to have bottomed in the last quarter and at the recent rate of change may cross back above its 40-week average within the next few months (see chart, Natural Gas Six-Year Futures Strip). By analogy, six-year oil price may remain below its 40-week average for some additional months (see chart, Oil Six-Year Futures Strip). The lack of positive oil price momentum helps keep our rating of **Imperial Oil (IMO)** as Hold rather than Buy.

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) 22-Jan 2007	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
Exxon Mobil Corporation	XOM	B	72.90	5,922	432,000	78.00	0.04	0.94
Total S.A.	TOT	B	66.55	2,302	153,000	80.00	0.14	0.86
Royal Dutch Shell plc	RDS-A	B	67.92	3,200	217,000	84.00	0.13	0.83
BP plc	BP	B	63.91	3,303	211,000	80.00	0.16	0.83
Chevron Corporation	CVX	B	71.22	2,206	157,000	92.00	0.10	0.80
Gazprom (50%)	OGZPY	B	43.65	2,850	124,400	56.00	0.06	0.79
ConocoPhillips	COP	B	63.38	1,676	106,000	100.00	0.20	0.71
<i>Total or Median</i>					<i>1,400,000</i>		<i>0.13</i>	<i>0.83</i>
<b>Producer/Refiners - Large Cap</b>								
Kinder Morgan, Inc.	KMI	S2	106.31	133	14,170	33.00	0.76	1.53
Norsk Hydro ASA	NHY	B	29.10	1,236	35,970	31.00	0.15	0.95
Imperial Oil Limited (30%)	IMO	H	32.88	292	9,610	37.00	0.07	0.90
PetroChina Company Ltd (10%)	PTR	B	123.26	179	22,060	140.00	0.04	0.88
Marathon Oil Corporation	MRO	B	87.49	359	31,410	110.00	0.12	0.82
Petro-Canada	PCZ	B	36.70	506	18,570	49.00	0.17	0.79
Suncor Energy	SU	B	73.23	461	33,770	95.00	0.06	0.78
Lukoil Oil Company	LUKOY	B	80.00	835	67,000	110.00	0.02	0.73
<i>Total or Median</i>					<i>233,000</i>		<i>0.10</i>	<i>0.85</i>
<b>Independent Natural Gas and Oil - Large Cap</b>								
CNOOC Limited (34%)	CEO	B	85.45	140	11,950	98.00	-	0.87
XTO Energy Inc.	XTO	B	48.15	371	17,860	60.00	0.14	0.83
Anadarko Petroleum Corp.	APC	B	42.54	463	19,700	75.00	0.42	0.75
Encana Corporation	ECA	B	46.22	824	38,100	65.00	0.12	0.75
EOG Resources	EOG	B	64.93	246	16,000	92.00	0.04	0.72
Occidental Petroleum Corp.	OXY	B	43.81	860	37,700	69.00	0.09	0.67
Devon Energy Corporation	DVN	B	67.28	447	30,100	115.00	0.13	0.64
<i>Total or Median</i>					<i>171,000</i>		<i>0.12</i>	<i>0.75</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Energy Partners Ltd.	EPL	B	21.80	41	890	31.00	0.25	0.78
Berry Petroleum Company	BRY	B	29.09	45	1,300	44.00	0.22	0.73
Cimarex Energy Company	XEC	B	36.23	84	3,050	68.00	0.08	0.57
Encore Acquisition Company	EAC	B	23.63	54	1,270	54.00	0.19	0.55
<i>Total or Median</i>					<i>6,500</i>		<i>0.21</i>	<i>0.65</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	49.99	171	8,530	15.00	0.54	2.08
Kinder Morgan Management, LLC	KMR	S3	49.58	62	3,060	15.00	0.54	2.07
Enerplus Resources Fund	ERF		41.44	123	5,100	47.00	0.11	0.89
Pengrowth Energy Trust	PGH		16.81	241	4,050	20.00	0.26	0.88
San Juan Basin Royalty Trust	SJT	B	32.27	47	1,500	40.00	-	0.80
Penn West Energy Trust	PWE	B	28.47	239	6,800	39.00	0.13	0.76
Canadian Oil Sands Trust	COSWF	B	24.72	479	11,840	35.00	0.09	0.73
Hugoton Royalty Trust	HGT	B	24.18	40	970	34.00	-	0.71
<i>Total or Median</i>					<i>41,900</i>		<i>0.12</i>	<i>0.84</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) 22-Jan 2007	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	43.65	24.0	8.8	7.0	11	0.2
Exxon Mobil Corporation	XOM	B	72.90	11.4	6.9	6.4	12	1.8
Total S.A.	TOT	B	66.55	9.7	7.2	6.1	11	3.2
BP plc	BP	B	63.91	9.7	7.1	5.9	10	3.7
Royal Dutch Shell plc	RDS-A	B	67.92	7.4	6.1	5.0	10	3.9
Chevron Corporation	CVX	B	71.22	10.9	6.2	5.0	9	2.9
ConocoPhillips	COP	B	63.38	11.1	6.8	4.8	9	2.3
	<i>Median</i>			10.9	6.9	5.9	10	2.9
<b>Producer/Refiners - Large Cap</b>								
Kinder Morgan, Inc.	KMI	S2	106.31		8.9	13.6	21	3.3
Suncor Energy	SU	B	73.23	20.8	13.5	10.6	20	0.4
Imperial Oil Limited (30%)	IMO	H	32.88	10.3	8.8	7.9	13	0.8
Petro-Canada	PCZ	B	36.70	7.2	7.8	6.2	12	1.2
PetroChina Company Ltd (10%)	PTR	B	123.26	15.2	6.8	6.0	12	4.0
Lukoil Oil Company	LUKOY	B	80.00	18.1	8.1	5.9	10	1.6
Marathon Oil Corporation	MRO	B	87.49	8.6	6.3	5.2	9	1.5
Norsk Hydro ASA	NHY	B	29.10	8.1	5.3	5.0	11	2.4
	<i>Median</i>			10.3	7.9	6.1	12	1.5
<b>Independent Natural Gas and Oil - Large Cap</b>								
XTO Energy Inc.	XTO	B	48.15	11.3	8.7	7.3	11	0.7
EOG Resources	EOG	B	64.93	9.3	9.2	6.6	18	0.4
Anadarko Petroleum Corp.	APC	B	42.54	11.5	8.7	6.5	10	1.7
Encana Corporation	ECA	B	46.22	8.7	8.1	6.1	12	0.9
CNOOC Limited (34%)	CEO	B	85.45	10.6	7.0	6.1	11	3.3
Devon Energy Corporation	DVN	B	67.28	8.2	7.8	5.0	10	0.7
Occidental Petroleum Corp.	OXY	B	43.81	11.0	7.4	4.9	9	2.0
	<i>Median</i>			10.6	8.1	6.1	11	0.9
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	29.09	10.1	9.4	6.9	12	1.1
Encore Acquisition Company	EAC	B	23.63	15.5	11.2	6.1	19	-
Energy Partners Ltd.	EPL	B	21.80	5.0	5.7	4.4	-	-
Cimarex Energy Company	XEC	B	36.23	7.8	7.7	4.4	13	0.4
	<i>Median</i>			9.0	8.6	5.3	13	0.2
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	49.99		7.7	16.1	37	6.6
Kinder Morgan Management, LLC	KMR	S3	49.58		7.7	16.0	36	6.7
Canadian Oil Sands Trust	COSWF	B	24.72	23.0	16.1	11.8	18	7.2
San Juan Basin Royalty Trust	SJT	B	32.27	9.3	11.4	9.2	11	8.8
Hugoton Royalty Trust	HGT	B	24.18	13.7	11.8	8.4	14	6.9
Enerplus Resources Fund	ERF		41.44	9.5	8.9	7.9	21	10.4
Penn West Energy Trust	PWE	B	28.47	8.1	9.9	7.5	15	12.2
Pengrowth Energy Trust	PGH		16.81	7.1	7.9	7.0	13	15.2
	<i>Median</i>			9.4	9.4	8.8	17	8.0

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) 22-Jan 2007	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	72.90	3.2	2.9		0.2	0.5	1.3	0.9	0.94
Total S.A.	TOT	66.55	2.8	2.9	2.9		0.9	1.2	0.8	0.86
Royal Dutch Shell plc	RDS-A	67.92	2.8	2.9	2.9	0.1	0.5	1.1	1.1	0.83
BP plc	BP	63.91	1.3	1.4	1.4	0.1	0.2	0.7	0.4	0.83
Chevron Corporation	CVX	71.22	5.8	5.7		0.4	0.4	3.4	1.5	0.80
Gazprom	OGZPY	43.65	9.2	8.6	8.6		6.8	1.8		0.79
ConocoPhillips	COP	63.38	4.8	5.7		1.0	0.4	3.0	1.4	0.71
<b>Producer/Refiners - Large Cap</b>										
Norsk Hydro ASA	NHY	29.10	2.8	2.9	2.9		0.7	1.1	1.0	0.95
PetroChina Company Ltd.	PTR	123.26	3.2	2.9	2.9		0.2	2.4	0.2	0.88
Marathon Oil Corporation	MRO	87.49	1.4	1.4		0.1	0.1	0.6	0.6	0.82
Petro-Canada	PCZ	36.70	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.79
Suncor Energy	SU	73.23	1.5	1.4	1.4	0.1		1.3	0.1	0.78
Lukoil Oil Company	LUKOY	80.00	6.5	5.7	5.7			4.3	1.4	0.73
<b>Independent Natural Gas and Oil - Large Cap</b>										
CNOOC Limited	CEO	85.45	3.3	2.9	2.9		0.3	2.6		0.87
XTO Energy Inc.	XTO	48.15	2.8	2.9		2.0		0.8		0.83
Anadarko Petroleum Corp.	APC	42.54	1.5	2.9		1.6		1.2	0.1	0.75
Encana Corporation	ECA	46.22	5.6	5.7	5.7	4.1		1.2	0.4	0.75
EOG Resources	EOG	64.93	6.3	5.7		4.4	0.4	1.0		0.72
Occidental Petroleum Corp	OXY	43.81	2.9	2.9		0.4	0.0	2.1	0.3	0.67
Devon Energy Corporatiør	DVN	67.28	5.3	5.7		3.1		2.6		0.64
<b>Independent Natural Gas and Oil - Small Cap</b>										
Energy Partners Ltd.	EPL	21.80	1.1	1.4		0.8		0.7		0.78
Berry Petroleum Company	BRY	29.09	1.2	1.4		0.2		1.2		0.73
Cimarex Energy Company	XEC	36.23	2.8	2.9		2.0		0.9		0.57
Encore Acquisition Compæ	EAC	23.63	2.1	2.9		0.7		2.1		0.55
<b>Income</b>										
San Juan Basin Royalty Tr	SJT	32.27	6.7	5.7		5.7				0.80
Penn West Energy Trust	PWE	28.47	4.2	4.3	4.3	1.3		3.0		0.76
Canadian Oil Sands Trust	COSWF	24.72	5.8	5.7	5.7			5.7		0.73
Hugoton Royalty Trust	HGT	24.18	1.7	1.4		1.4				0.71
<b>Portfolio Composite</b>			<b>100</b>	<b>100</b>	<b>49</b>	<b>30</b>	<b>12</b>	<b>48</b>	<b>11</b>	<b>0.75</b>

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

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
18-Jan	KMx	Kinder Morgan	Good Bye KMI
18-Jan	EAC	Encore Acquisition Company	Creating MLP for Income Investors
16-Jan	PTR	PetroChina Company Limited	Fourth Largest Oil and Gas Company
16-Jan	BP	BP p.l.c.	New Leader Designated
16-Jan	COP	ConocoPhillips	Weather Deal
12-Jan	LUKOY	Lukoil Oil Company	Downside Oil Price Protection
10-Jan	ECA	EnCana Corporation	Buy on the News
5-Jan	HGT	Hugoton Royalty Trust	New Buy for Natural Gas Income
28-Dec	* XTO	XTO Energy Inc.	Raise NPV to \$60 a Share
22-Dec	* OGZPY	Gazprom	World's Greatest Energy Company
19-Dec	* NHY	Norsk Hydro ASA	Happy Holideals!
11-Dec	* COSWF	Canadian Oil Sands Trust	Tax Bomb Opportunity
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
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
19-Oct	* OXY	Occidental Petroleum Corporation	Stock Cheaper than Oil

**Meter Reader - A Weekly Analysis**

23-Jan		Clues from Price Patterns
16-Jan	*	Minimal Spare Oil Capacity
9-Jan	*	Oil above \$60
2-Jan	*	Expected Return in 2007

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

19-Jan		Cap and Trade
11-Jan		Convergence 2007
5-Jan	*	The Winter That Wasn't
29-Dec	*	Crazy Trading

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