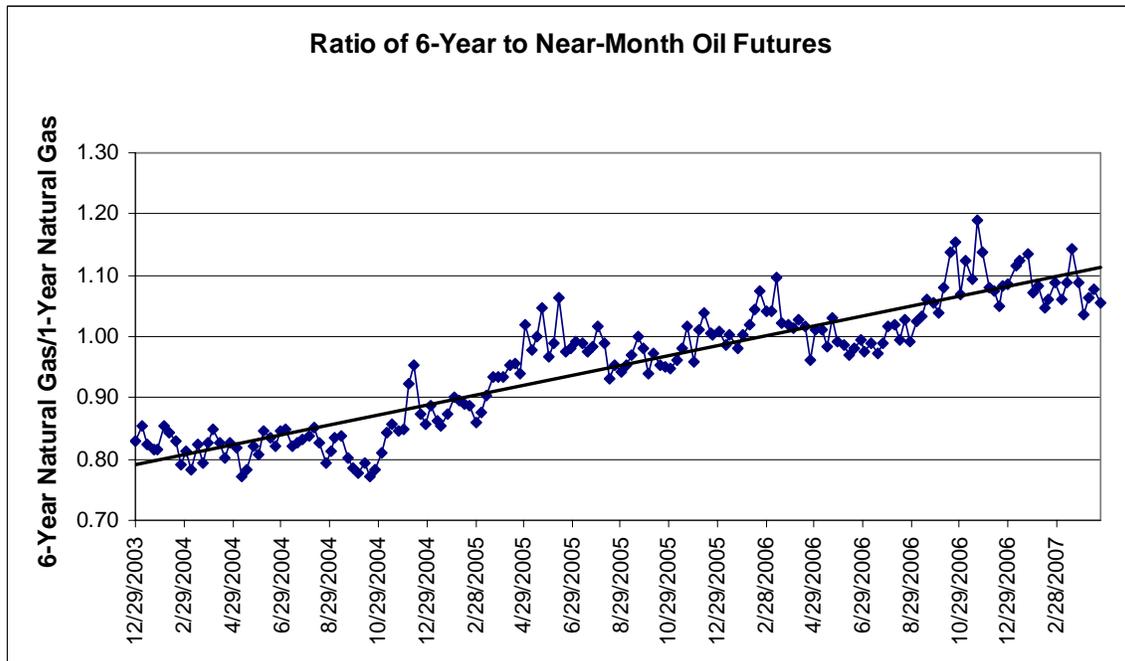


Stealth Oil Price Trend

Summary and Recommendation

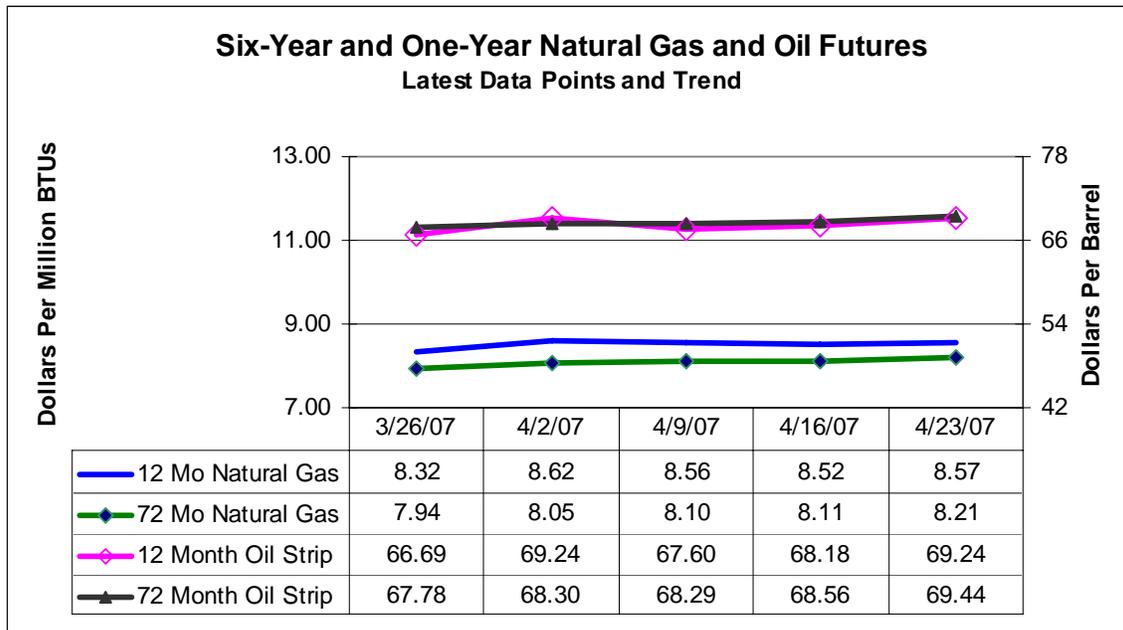
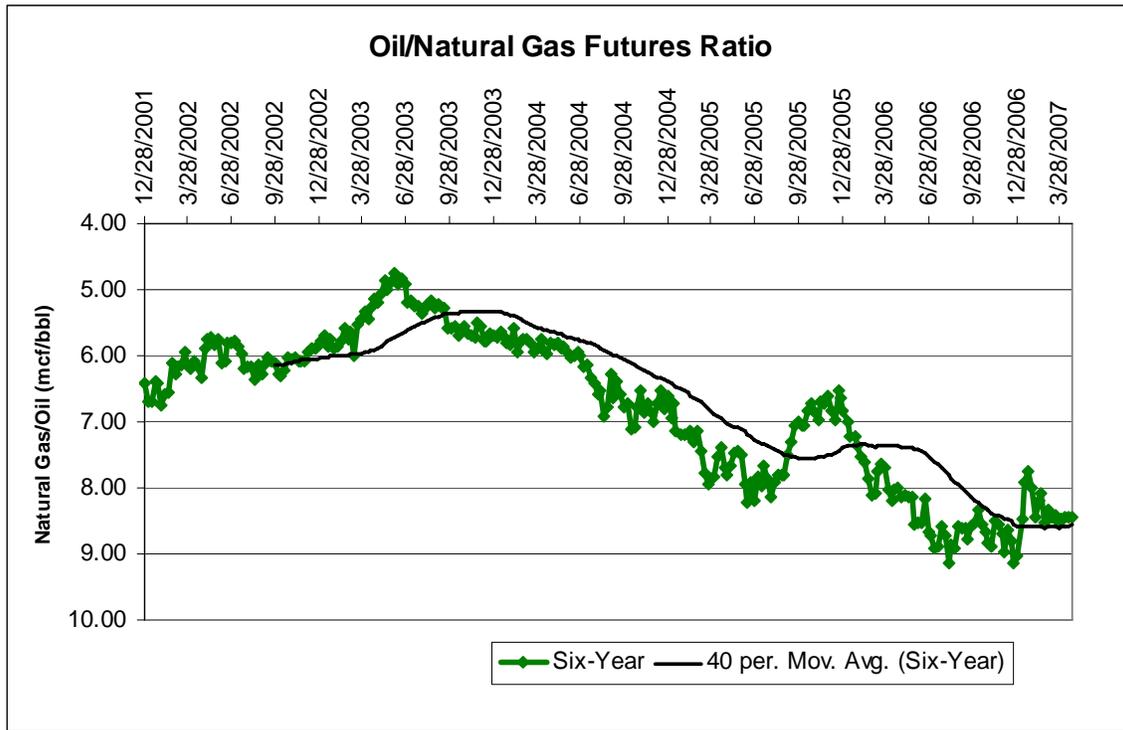
The long-term oil price trend appears stronger than indicated by the popularly quoted, widely traded, near-month futures price. The average of futures prices for the next 72 months, the six-year price as we call it, has trended from a 20% discount three years ago to a 10% premium to the near month price (see chart Ratio of Six-Year to Near-Month Oil Futures). Six-year futures are currently more than \$69 a barrel compared to the near-month price of almost \$66. While both oil and natural gas have positive 40-week momentum, natural gas at a 40% discount to a competitive price with oil in generating electricity has catch-up potential in the next few years. (see chart Oil/Natural Gas Futures Ratio). Stock prices for oil and gas producers may also be lagging considering that a McDep Ratio of 1.0 corresponds to a long-term oil price of \$60 by our assessments. On that basis, the McDep Ratio is 0.80 for the composite of buy recommendations and as low as 0.66 for oil-oriented **Encore Acquisition (EAC)** and 0.60 for natural gas-oriented **Cimarex (XEC)**, both small caps (see table Energy Portfolio).

Kurt H. Wulff, CFA



Source: New York Mercantile Exchange, Bloomberg and McDep Associates

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Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 23-Apr 2007	Shares (mm)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	79.24	5,816	461,000	82.40	0.05	0.96
Total S.A.	TOT	B	73.36	2,288	168,000	80.00	0.14	0.93
BP plc	BP	B	68.74	3,268	225,000	80.00	0.17	0.88
Chevron Corporation	CVX	B	77.53	2,206	171,000	92.00	0.10	0.86
Royal Dutch Shell plc	RDS-A	B	69.90	3,171	222,000	84.00	0.14	0.86
ConocoPhillips	COP	B	70.64	1,672	118,000	100.00	0.19	0.76
Gazprom (50%)	OGZPY	B	40.27	2,849	114,700	56.00	0.07	0.74
<i>Total or Median</i>					<i>1,480,000</i>		<i>0.14</i>	<i>0.86</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S	107.09	133	14,280	33.00	0.76	1.54
Imperial Oil Limited (30%)	IMO	B	38.28	289	11,060	37.00	0.07	1.03
Norsk Hydro (pro forma)	NHY	B	34.67	1,229	42,610	38.00	0.20	0.93
Marathon Oil Corporation	MRO	B	100.38	352	35,330	110.00	0.13	0.92
Petro-Canada	PCZ	B	41.87	498	20,850	49.00	0.19	0.88
Suncor Energy	SU	B	80.82	461	37,270	95.00	0.07	0.86
PetroChina Company Ltd (10%)	PTR	B	114.96	181	20,810	140.00	0.06	0.83
Lukoil Oil Company	LUKOY	B	83.90	835	70,000	110.00	0.02	0.77
<i>Total or Median</i>					<i>252,000</i>		<i>0.10</i>	<i>0.90</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	55.17	371	20,470	60.00	0.14	0.93
CNOOC Limited (34%)	CEO	B	86.71	140	12,120	98.00	-	0.88
Encana Corporation	ECA	B	53.53	806	43,200	65.00	0.13	0.85
EOG Resources	EOG	B	74.22	247	18,300	92.00	0.05	0.82
Anadarko Petroleum Corp.	APC	B	47.37	464	22,000	75.00	0.44	0.79
Occidental Petroleum Corp.	OXY	B	51.45	853	43,900	69.00	0.09	0.77
Devon Energy Corporation	DVN	B	73.36	448	32,900	115.00	0.14	0.69
<i>Total or Median</i>					<i>193,000</i>		<i>0.13</i>	<i>0.82</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	32.85	45	1,470	44.00	0.22	0.80
Energy Partners Ltd.	EPL	B	18.76	40	750	31.00	0.26	0.71
Encore Acquisition Company	EAC	B	26.73	54	1,440	48.00	0.23	0.66
Cimarex Energy Company	XEC	B	37.99	84	3,190	68.00	0.09	0.60
<i>Total or Median</i>					<i>6,900</i>		<i>0.23</i>	<i>0.68</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	56.00	172	9,610	15.00	0.54	2.25
Kinder Morgan Management, LLC	KMR	S	53.74	62	3,320	15.00	0.54	2.19
Pengrowth Energy Trust	PGH		17.36	241	4,180	17.00	0.26	1.01
Enerplus Resources Fund	ERF		43.32	123	5,330	47.00	0.11	0.93
Penn West Energy Trust	PWE	B	30.44	240	7,290	36.00	0.15	0.87
San Juan Basin Royalty Trust	SJT	B	31.80	47	1,480	40.00	-	0.79
Canadian Oil Sands Trust	COSWF	B	25.64	479	12,280	35.00	0.08	0.75
Hugoton Royalty Trust	HGT	B	25.35	40	1,010	34.00	-	0.74
<i>Total or Median</i>					<i>44,500</i>		<i>0.13</i>	<i>0.90</i>

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

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Oil and Gas Producers - Rank by EV/Ebitda

	Symbol/ Rating		Price (US\$/sh) 23-Apr 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	40.27	24.0	8.5	6.3	10	0.2
Exxon Mobil Corporation	XOM	B	79.24	11.6	6.4	6.2	11	1.6
BP plc	BP	B	68.74	9.7	6.8	6.0	10	3.4
Total S.A.	TOT	B	73.36	9.6	6.2	5.7	10	3.4
Chevron Corporation	CVX	B	77.53	10.0	6.0	5.2	9	2.7
Royal Dutch Shell plc	RDS-A	B	69.90	7.5	5.4	4.6	9	4.1
ConocoPhillips	COP	B	70.64	10.4	5.7	4.4	7	2.3
	<i>Median</i>			<i>10.0</i>	<i>6.2</i>	<i>5.7</i>	<i>10</i>	<i>2.7</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S	107.09		8.9	13.6	21	3.3
Suncor Energy	SU	B	80.82	22.3	11.4	9.9	18	0.3
Imperial Oil Limited (30%)	IMO	B	38.28	13.5	8.4	8.6	15	0.7
PetroChina Company Ltd (10%)	PTR	B	114.96	15.1	7.0	5.8	12	4.0
Marathon Oil Corporation	MRO	B	100.38	8.2	6.0	5.5	10	1.3
Lukoil Oil Company	LUKOY	B	83.90	18.1	6.5	5.0	8	1.5
Norsk Hydro (pro forma)	NHY	B	34.67	8.6	5.4	5.0	9	2.4
Petro-Canada	PCZ	B	41.87	7.4	5.3	4.7	8	1.1
	<i>Median</i>			<i>13.5</i>	<i>6.8</i>	<i>5.7</i>	<i>11</i>	<i>1.4</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	55.17	12.3	7.7	7.2	13	0.9
Anadarko Petroleum Corp.	APC	B	47.37	10.3	7.7	6.1	9	1.5
EOG Resources	EOG	B	74.22	9.7	7.2	5.9	14	0.5
Encana Corporation	ECA	B	53.53	9.2	6.8	5.8	12	1.5
Occidental Petroleum Corp.	OXY	B	51.45	11.9	7.1	5.4	11	1.7
CNOOC Limited (34%)	CEO	B	86.71	11.1	5.9	5.2	10	3.8
Devon Energy Corporation	DVN	B	73.36	9.1	6.9	4.7	9	0.8
	<i>Median</i>			<i>10.3</i>	<i>7.1</i>	<i>5.8</i>	<i>11</i>	<i>1.5</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	32.85	10.3	9.5	7.7	14	0.9
Encore Acquisition Company	EAC	B	26.73	15.0	8.5	5.6	24	-
Cimarex Energy Company	XEC	B	37.99	8.1	6.2	3.7	9	0.4
Energy Partners Ltd.	EPL	B	18.76	5.2	4.4	3.1	-	-
	<i>Median</i>			<i>9.2</i>	<i>7.4</i>	<i>4.7</i>	<i>14</i>	<i>0.2</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	56.00		7.9	17.8	54	5.9
Kinder Morgan Management, LLC	KMR	S	53.74		7.9	17.2	52	6.2
Canadian Oil Sands Trust	COSWF	B	25.64	22.7	12.3	9.3	13	6.2
San Juan Basin Royalty Trust	SJT	B	31.80	9.9	10.9	8.6	11	9.5
Pengrowth Energy Trust	PGH		17.36	7.4	7.5	7.6	26	15.3
Hugoton Royalty Trust	HGT	B	25.35	13.2	9.5	7.0	9	10.8
Enerplus Resources Fund	ERF		43.32	9.0	7.0	6.5	12	10.3
Penn West Energy Trust	PWE	B	30.44	7.5	7.1	6.2	12	11.8
	<i>Median</i>			<i>9.4</i>	<i>7.9</i>	<i>8.1</i>	<i>12</i>	<i>9.9</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2008; 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**

Symbol	Price (US\$/sh)	Portfolio Weight		Non- U.S. HQ (%)	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio	
		23-Apr 2007	Equity (%)							EV (%)
Mega Cap										
Exxon Mobil Corporation	XOM	79.24	3.1	2.8		0.2	0.5	1.3	0.8	0.96
Total S.A.	TOT	73.36	2.8	2.8	2.8		0.8	1.4	0.6	0.93
BP plc	BP	68.74	1.3	1.4	1.4	0.1	0.1	0.8	0.4	0.88
Chevron Corporation	CVX	77.53	5.8	5.6		0.3	0.4	3.4	1.5	0.86
Royal Dutch Shell plc	RDS-A	69.90	2.8	2.8	2.8	0.1	0.5	1.2	1.1	0.86
ConocoPhillips	COP	70.64	4.9	5.6		1.0	0.4	3.0	1.3	0.76
Gazprom	OGZPY	40.27	9.0	8.5	8.5		6.7	1.8		0.74
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	38.28	1.5	1.4	1.4	0.1		1.0	0.3	1.03
Norsk Hydro (pro forma)	NHY	34.67	2.6	2.8	2.8		0.7	1.0	1.1	0.93
Marathon Oil Corporation	MRO	100.38	1.4	1.4		0.1	0.1	0.6	0.6	0.92
Petro-Canada	PCZ	41.87	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.88
Suncor Energy	SU	80.82	1.5	1.4	1.4	0.1		1.3	0.1	0.86
PetroChina Company Ltd.	PTR	114.96	3.0	2.8	2.8		0.2	2.4	0.2	0.83
Lukoil Oil Company	LUKOY	83.90	6.4	5.6	5.6			4.2	1.4	0.77
Independent Natural Gas and Oil - Large Cap										
XTO Energy Inc.	XTO	55.17	2.8	2.8		2.0		0.8		0.93
CNOOC Limited	CEO	86.71	3.3	2.8	2.8		0.3	2.5		0.88
Encana Corporation	ECA	53.53	5.5	5.6	5.6	4.1		1.1	0.4	0.85
EOG Resources	EOG	74.22	6.2	5.6		4.2	0.4	1.0		0.82
Anadarko Petroleum Corp.	APC	47.37	1.5	2.8		1.5		1.2	0.1	0.79
Occidental Petroleum Corp	OXY	51.45	2.9	2.8		0.4	0.0	2.1	0.3	0.77
Devon Energy Corporation	DVN	73.36	5.2	5.6		3.1		2.5		0.69
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	32.85	1.2	1.4		0.3		1.1		0.80
Energy Partners Ltd.	EPL	18.76	1.0	1.4		0.8		0.7		0.71
Encore Acquisition Comp	EAC	26.73	2.1	2.8		0.8		2.1		0.66
Cimarex Energy Company	XEC	37.99	2.8	2.8		1.9		0.9		0.60
Income										
Penn West Energy Trust	PWE	30.44	4.1	4.2	4.2	1.4		2.8		0.87
San Juan Basin Royalty Tr	SJT	31.80	6.6	5.6		5.6				0.79
Canadian Oil Sands Trust	COSWF	25.64	5.9	5.6	5.6			5.6		0.75
Hugoton Royalty Trust	HGT	25.35	1.6	1.4		1.4				0.74
Portfolio Composite			100	100	49	30	11	49	10	0.80
Canada					20					
Russia					14					
Europe					10					
China					6					

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
18-Apr	KMx	Kinder Morgan	Deal Delayed
16-Apr	PTR	PetroChina Company Limited	Record Quarterly Production
30-Mar	CEO	CNOOC Ltd	New Oil Price and Stock Price Momentum
29-Mar	COP	ConocoPhillips	Largest North American Natural Gas Producer
29-Mar	IMO	Imperial Oil Limited	Upgrade to Buy on Oil Price Momentum
23-Mar	* SJT	San Juan Basin Royalty Trust	Planetary Emergency
23-Mar	* HGT	Hugoton Royalty Trust	Planetary Emergency
20-Mar	* PTR	PetroChina Company Limited	Government Takes Gains
2-Mar	* COSWF	Canadian Oil Sands Trust	New Twelve Month Volume High
2-Mar	* EPL	Energy Partners, Ltd.	Another Tough Year in 2006
1-Mar	* BRY	Berry Petroleum	Light Oil Irony
28-Feb	* PWE	Penn West Energy Trust	Lower Net Present Value to \$36 a Unit
20-Feb	* NHY	Norsk Hydro ASA	Raise NPV to \$36 a Share
16-Feb	* XEC	Cimarex Energy Company	Dry Spell
16-Feb	* ECA	EnCana Corporation	Home-Grown, Clean Energy in the Stock Market
15-Feb	* EAC	Encore Acquisition	Reduce NPV to \$48 a Share
15-Feb	* TOT	Total S.A.	Thank You, Thierry Desmarest
14-Feb	* XTO	XTO Energy Inc.	The Trend Goes On
13-Feb	* OGZPY	Gazprom	Enlightened Self Interest
7-Feb	* DVN	Devon Energy Corporation	Current Favorite Large Cap Independent
7-Feb	* APC	Anadarko Petroleum Corporation	Avarice in Algiers
6-Feb	* BP	BP p.l.c.	Difficult Execution
5-Feb	* CVX	Chevron Corporation	Momentum despite Chavez
2-Feb	* MRO	Marathon Oil Corporation	Emphasis on Refining
1-Feb	* EOG	EOG Resources Inc.	Reserves Up Ten Percent in 2006
1-Feb	* XOM	Exxon Mobil Corporation	Raise Present Value to a Half Trillion Dollars
1-Feb	* RDSA	Royal Dutch Shell plc	Reserves and Earnings Ahead
26-Jan	* SU	Suncor Energy Inc.	Committed to 500,000 Barrels Daily
26-Jan	* OXY	Occidental Petroleum Corporation	Largest Oil Independent
26-Jan	* PCZ	Petro-Canada	Volume Corner Turned
12-Jan	* LUKOY	Lukoil Oil Company	Downside Oil Price Protection

Meter Reader - A Weekly Analysis

24-Apr		Stealth Oil Price Trend
17-Apr		Synchronized
10-Apr	*	Practical Carbon Economics
3-Apr	*	Ultimate Carbon Economics

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

20-Apr		Crank Up the Air Conditioning
13-Apr		Appreciation Potential on Tax Confusion
6-Apr	*	Smoothing Reserve and Volume Disclosures
30-Mar	*	Funny Thing about Price Momentum

* Archived on www.mcdep.com

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