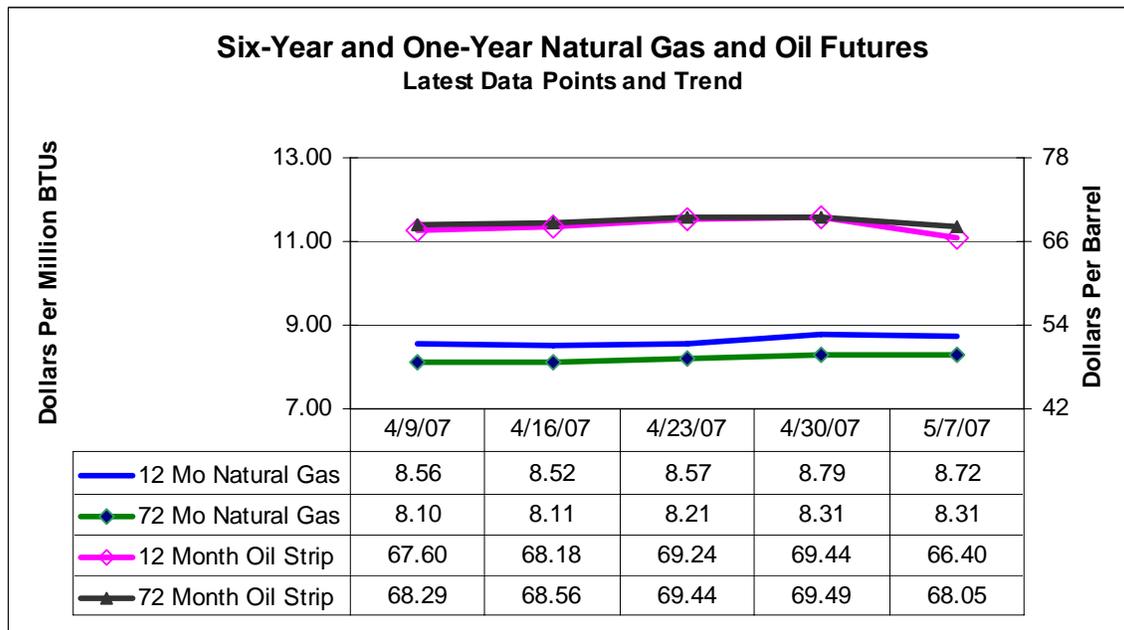


Russian Value

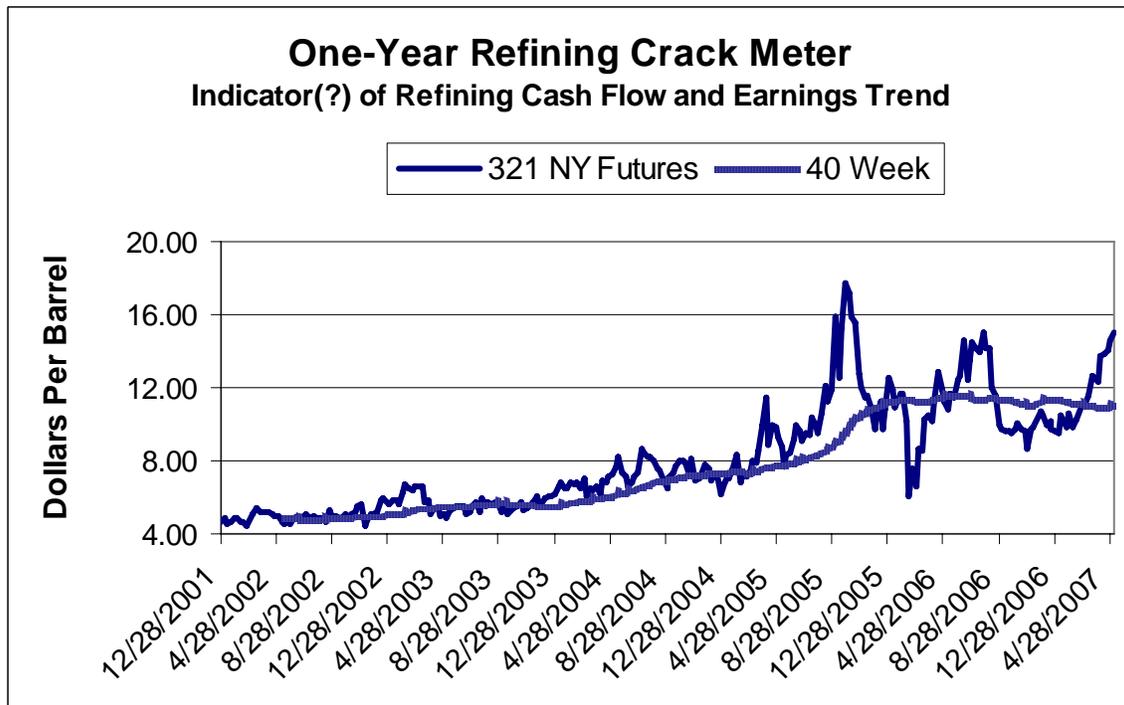
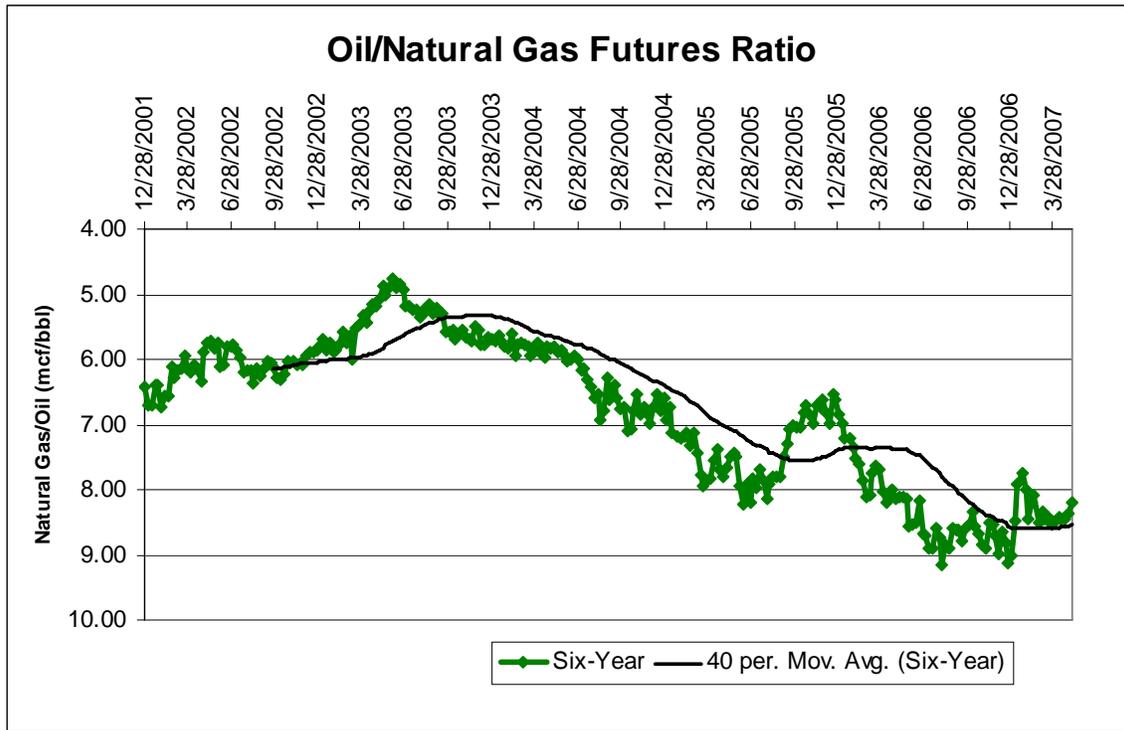
Summary and Recommendation

Gazprom (OGZPY) and **Lukoil (LUKOY)** are the only stocks among our large cap buy recommendations that are not trading above their 200-day stock price average. Moreover those two stocks also have the lowest McDep Ratio in the Mega Cap and Producer/Refiner groups respectively. Investors may need to be patient as the Russian government considers a natural gas excise tax while relaxing price controls on natural gas. The U.S. set the example before the Iranian Revolution with a politically expedient excise tax while relaxing price controls on oil. The tax soon went away as commodity price continued to rise and economic pressure built to encourage investment in new supply. Meanwhile the stock price of Gazprom, the world's largest producer, may benefit as the global long-term price of natural gas, which has also been stagnant for awhile, has started a new trend of advance compared to oil (see chart Oil/Natural Gas Futures Ratio). The stock price of Lukoil, which earns more than 40% of its cash from refining and marketing where taxation is lighter, may benefit as global futures prices for the crack spread are favorable (see chart One-Year Refining Crack Meter).

Kurt H. Wulff, CFA



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Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 7-May 2007	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	80.83	5,714	462,000	82.40	0.05	0.98
Total S.A.	TOT	B	75.58	2,281	172,000	80.00	0.14	0.95
BP plc	BP	B	68.62	3,231	222,000	80.00	0.17	0.88
Chevron Corporation	CVX	B	79.58	2,206	176,000	92.00	0.10	0.88
Royal Dutch Shell plc	RDS-A	B	72.00	3,153	227,000	84.00	0.15	0.88
ConocoPhillips	COP	B	70.34	1,669	117,000	100.00	0.19	0.76
Gazprom (50%)	OGZPY	B	39.85	2,849	113,500	56.00	0.07	0.73
<i>Total or Median</i>					<i>1,490,000</i>		<i>0.14</i>	<i>0.88</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S	106.72	133	14,230	33.00	0.76	1.54
Imperial Oil Limited (30%)	IMO	B	39.96	287	11,480	37.00	0.08	1.07
Norsk Hydro (pro forma)	NHY	B	36.89	1,229	45,340	38.00	0.20	0.98
Petro-Canada	PCZ	B	46.69	502	23,440	49.00	0.19	0.96
Marathon Oil Corporation	MRO	B	104.40	347	36,230	110.00	0.14	0.96
Suncor Energy	SU	B	82.53	461	38,050	95.00	0.08	0.88
PetroChina Company Ltd (10%)	PTR	B	127.64	181	23,100	150.00	0.06	0.86
Lukoil Oil Company	LUKOY	B	78.50	830	65,000	110.00	0.02	0.72
<i>Total or Median</i>					<i>257,000</i>		<i>0.11</i>	<i>0.96</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	55.49	372	20,640	60.00	0.14	0.94
CNOOC Limited (34%)	CEO	B	89.38	140	12,500	98.00	-	0.91
Encana Corporation	ECA	B	56.58	780	44,100	65.00	0.15	0.89
EOG Resources	EOG	B	77.13	247	19,000	92.00	0.05	0.85
Anadarko Petroleum Corp.	APC	B	46.10	465	21,400	70.00	0.39	0.79
Occidental Petroleum Corp.	OXY	B	51.50	847	43,600	69.00	0.09	0.77
Devon Energy Corporation	DVN	B	75.85	450	34,100	115.00	0.16	0.71
<i>Total or Median</i>					<i>195,000</i>		<i>0.14</i>	<i>0.85</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	34.23	45	1,530	44.00	0.24	0.83
Encore Acquisition Company	EAC	B	27.25	53	1,450	48.00	0.41	0.75
Energy Partners Ltd.	EPL	B	16.49	31	520	33.00	0.39	0.70
Cimarex Energy Company	XEC	B	40.67	84	3,420	68.00	0.09	0.63
<i>Total or Median</i>					<i>6,900</i>		<i>0.31</i>	<i>0.72</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.69	172	9,560	15.00	0.54	2.24
Kinder Morgan Management, LLC	KMR	S	54.01	62	3,330	15.00	0.54	2.19
Pengrowth Energy Trust	PGH		17.55	241	4,230	17.00	0.26	1.02
Enerplus Resources Fund	ERF		45.37	123	5,580	47.00	0.12	0.97
Penn West Energy Trust	PWE	B	32.11	240	7,700	36.00	0.16	0.91
Canadian Oil Sands Trust	COSWF	B	28.96	479	13,870	35.00	0.08	0.84
San Juan Basin Royalty Trust	SJT	B	32.45	47	1,510	40.00	-	0.81
Hugoton Royalty Trust	HGT	B	26.68	40	1,070	34.00	-	0.79
<i>Total or Median</i>					<i>46,900</i>		<i>0.14</i>	<i>0.94</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) 7-May 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Exxon Mobil Corporation	XOM	B	80.83	11.5	6.6	6.4	11	1.7
Gazprom (50%)	OGZPY	B	39.85	24.0	8.5	6.2	10	0.2
Total S.A.	TOT	B	75.58	9.4	6.3	6.0	11	3.4
BP plc	BP	B	68.62	9.6	6.8	6.0	10	3.6
Chevron Corporation	CVX	B	79.58	10.0	6.0	5.3	9	2.9
Royal Dutch Shell plc	RDS-A	B	72.00	7.9	5.7	5.0	9	4.0
ConocoPhillips	COP	B	70.34	11.0	6.2	4.7	8	2.3
	<i>Median</i>			<i>10.0</i>	<i>6.3</i>	<i>6.0</i>	<i>10</i>	<i>2.9</i>
Producer/Refiners - Large Cap								
Kinder Morgan, Inc.	KMI	S	106.72		8.9	13.6	21	3.3
Suncor Energy	SU	B	82.53	23.6	9.9	8.7	15	0.4
Imperial Oil Limited (30%)	IMO	B	39.96	13.6	8.0	8.6	15	0.7
PetroChina Company Ltd (10%)	PTR	B	127.64	15.1	7.7	6.6	14	3.6
Marathon Oil Corporation	MRO	B	104.40	8.1	5.7	5.4	9	1.8
Lukoil Oil Company	LUKOY	B	78.50	18.3	7.4	5.3	9	1.6
Norsk Hydro (pro forma)	NHY	B	36.89	8.6	5.4	5.3	10	2.3
Petro-Canada	PCZ	B	46.69	6.9	5.3	5.1	10	1.0
	<i>Median</i>			<i>13.6</i>	<i>7.5</i>	<i>6.0</i>	<i>12</i>	<i>1.7</i>
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	55.49	12.2	7.5	7.0	13	0.9
Anadarko Petroleum Corp.	APC	B	46.10	11.2	8.3	6.6	12	1.6
Encana Corporation	ECA	B	56.58	9.5	6.8	6.1	12	1.4
EOG Resources	EOG	B	77.13	9.6	6.9	5.8	13	0.5
Occidental Petroleum Corp.	OXY	B	51.50	11.9	7.0	5.4	10	1.7
CNOOC Limited (34%)	CEO	B	89.38	11.0	5.9	5.3	10	3.7
Devon Energy Corporation	DVN	B	75.85	9.4	7.4	5.3	10	0.7
	<i>Median</i>			<i>11.0</i>	<i>7.0</i>	<i>5.8</i>	<i>12</i>	<i>1.4</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	34.23	10.3	9.4	7.8	13	0.9
Encore Acquisition Company	EAC	B	27.25	14.5	9.0	6.8	16	-
Cimarex Energy Company	XEC	B	40.67	8.1	6.3	4.0	9	0.4
Energy Partners Ltd.	EPL	B	16.49	5.4	4.9	3.4	-	-
	<i>Median</i>			<i>9.2</i>	<i>7.6</i>	<i>5.4</i>	<i>13</i>	<i>0.2</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.69		7.9	17.7	54	6.0
Kinder Morgan Management, LLC	KMR	S	54.01		7.9	17.3	52	6.1
Canadian Oil Sands Trust	COSWF	B	28.96	22.7	12.3	10.4	14	6.0
San Juan Basin Royalty Trust	SJT	B	32.45	9.9	10.8	8.8	11	9.4
Pengrowth Energy Trust	PGH		17.55	7.4	7.7	7.9	30	15.5
Hugoton Royalty Trust	HGT	B	26.68	13.4	9.6	7.6	10	10.1
Enerplus Resources Fund	ERF		45.37	9.0	7.2	6.9	14	10.1
Penn West Energy Trust	PWE	B	32.11	7.6	7.6	6.9	15	11.5
	<i>Median</i>			<i>9.4</i>	<i>7.9</i>	<i>8.3</i>	<i>14</i>	<i>9.7</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

		<i>Price</i>	<i>Portfolio Weight</i>		<i>Non-</i>	<i>North</i>	<i>Rest</i>			
		<i>(US\$/sh)</i>	<i>Equity</i>	<i>EV</i>	<i>U.S.</i>	<i>Amer.</i>	<i>of World</i>	<i>Oil</i>	<i>Down-</i>	<i>McDep</i>
<i>Symbol</i>		<i>7-May</i>	<i>(%)</i>	<i>(%)</i>	<i>HQ</i>	<i>Natural</i>	<i>Natural</i>	<i>Prod'n</i>	<i>stream</i>	<i>Ratio</i>
		<i>2007</i>			<i>(%)</i>	<i>Gas</i>	<i>Gas</i>	<i>(%)</i>	<i>(%)</i>	
Mega Cap										
Exxon Mobil Corporation	XOM	80.83	3.2	2.8		0.2	0.4	1.4	0.7	0.98
Total S.A.	TOT	75.58	2.8	2.8	2.8		0.8	1.4	0.6	0.95
BP plc	BP	68.62	1.3	1.4	1.4	0.1	0.1	0.8	0.3	0.88
Chevron Corporation	CVX	79.58	5.9	5.6		0.3	0.4	3.4	1.5	0.88
Royal Dutch Shell plc	RDS-A	72.00	2.8	2.8	2.8	0.1	0.4	1.3	1.0	0.88
ConocoPhillips	COP	70.34	4.9	5.6		1.0	0.4	3.0	1.3	0.76
Gazprom	OGZPY	39.85	9.0	8.5	8.5		6.7	1.8		0.73
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	39.96	1.5	1.4	1.4	0.1		1.1	0.2	1.07
Norsk Hydro (pro forma)	NHY	36.89	2.6	2.8	2.8		0.7	1.0	1.1	0.98
Petro-Canada	PCZ	46.69	1.3	1.4	1.4	0.2	0.0	0.9	0.2	0.96
Marathon Oil Corporation	MRO	104.40	1.4	1.4		0.1	0.1	0.6	0.6	0.96
Suncor Energy	SU	82.53	1.5	1.4	1.4	0.1		1.3	0.1	0.88
PetroChina Company Ltd.	PTR	127.64	3.1	2.8	2.8		0.2	2.4	0.2	0.86
Lukoil Oil Company	LUKOY	78.50	6.5	5.6	5.6			4.2	1.4	0.72
Independent Natural Gas and Oil - Large Cap										
XTO Energy Inc.	XTO	55.49	2.8	2.8		2.0		0.8		0.94
CNOOC Limited	CEO	89.38	3.3	2.8	2.8		0.3	2.5		0.91
Encana Corporation	ECA	56.58	5.5	5.6	5.6	4.1		1.3	0.2	0.89
EOG Resources	EOG	77.13	6.2	5.6		4.2	0.4	1.0		0.85
Anadarko Petroleum Corp.	APC	46.10	1.7	2.8		1.5		1.3	0.1	0.79
Occidental Petroleum Corp.	OXY	51.50	2.9	2.8		0.4	0.0	2.1	0.3	0.77
Devon Energy Corporation	DVN	75.85	5.1	5.6		3.0		2.6		0.71
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	34.23	1.2	1.4		0.3		1.1		0.83
Encore Acquisition Compar	EAC	27.25	1.5	2.8		0.6		2.2		0.75
Energy Partners Ltd.	EPL	16.49	0.7	1.4		0.8		0.7		0.70
Cimarex Energy Company	XEC	40.67	2.8	2.8		1.9		0.9		0.63
Income										
Penn West Energy Trust	PWE	32.11	4.1	4.2	4.2	1.4		2.9		0.91
Canadian Oil Sands Trust	COSWF	28.96	6.0	5.6	5.6			5.6		0.84
San Juan Basin Royalty Tru	SJT	32.45	6.6	5.6		5.6				0.81
Hugoton Royalty Trust	HGT	26.68	1.7	1.4		1.4				0.79
Portfolio Composite										
			<i>100</i>	<i>100</i>	<i>49</i>	<i>30</i>	<i>11</i>	<i>50</i>	<i>10</i>	<i>0.82</i>
	Canada				<i>20</i>					
	Russia				<i>14</i>					
	Europe				<i>10</i>					
	China				<i>6</i>					

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
8-May	PWE	Penn West Energy Trust	Committed to Income Distributions
7-May	EAC	Encore Acquisition	Encore for Bell Creek
7-May	PTR	PetroChina Company Limited	Raise NPV on Discovery
4-May	TOT	Total S.A.	Integrated Model
4-May	EPL	Energy Partners, Ltd.	Strategic Alternatives Disappointment
3-May	RDSA	Royal Dutch Shell plc	Record Results
2-May	BRY	Berry Petroleum	Piceance and Diatomite
2-May	DVN	Devon Energy Corporation	Low McDep Ratio Natural Gas
2-May	IMO	Imperial Oil Limited	Oil Sands Deal Unmasks Value
1-May	EOG	EOG Resources Inc.	Productive Drilling Boosts Cash Flow
1-May	MRO	Marathon Oil Corporation	Stock Split Declared
1-May	APC	Anadarko Petroleum Corporation	Adjust NPV to \$70 a Share on Lower Debt
27-Apr	CVX	Chevron Corporation	Solid Results
26-Apr	CEO	CNOOC Ltd	Volume up 5%
26-Apr	XOM	Exxon Mobil Corporation	Another Record Quarter
26-Apr	XTO	XTO Energy Inc.	Buy for Natural Gas
26-Apr	COSWF	Canadian Oil Sands Trust	Distribution Raised 33%
25-Apr	ECA	EnCana Corporation	Buy for Natural Gas
25-Apr	COP	ConocoPhillips	Strong Demand, Constrained Supply
25-Apr	BP	BP p.l.c.	CEO Cycle
25-Apr	LUKOY	Lukoil Oil Company	Tax Timing
24-Apr	OXY	Occidental Petroleum Corporation	Well-Positioned in Oil
24-Apr	PCZ	Petro-Canada	Volume Up 15%
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
23-Mar	* SJT	San Juan Basin Royalty Trust	Planetary Emergency
23-Mar	* HGT	Hugoton Royalty Trust	Planetary Emergency
20-Feb	* NHY	Norsk Hydro ASA	Raise NPV to \$36 a Share
16-Feb	* XEC	Cimarex Energy Company	Dry Spell
13-Feb	* OGZPY	Gazprom	Enlightened Self Interest

Meter Reader - A Weekly Analysis

8-May		Russian Value
1-May		Deals and Debacles
24-Apr	*	Stealth Oil Price Trend
17-Apr	*	Synchronized

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

4-May		Out of Favor
27-Apr		Distribution Decisions
20-Apr	*	Crank Up the Air Conditioning
13-Apr	*	Appreciation Potential on Tax Confusion

* Archived on www.mcdep.com

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