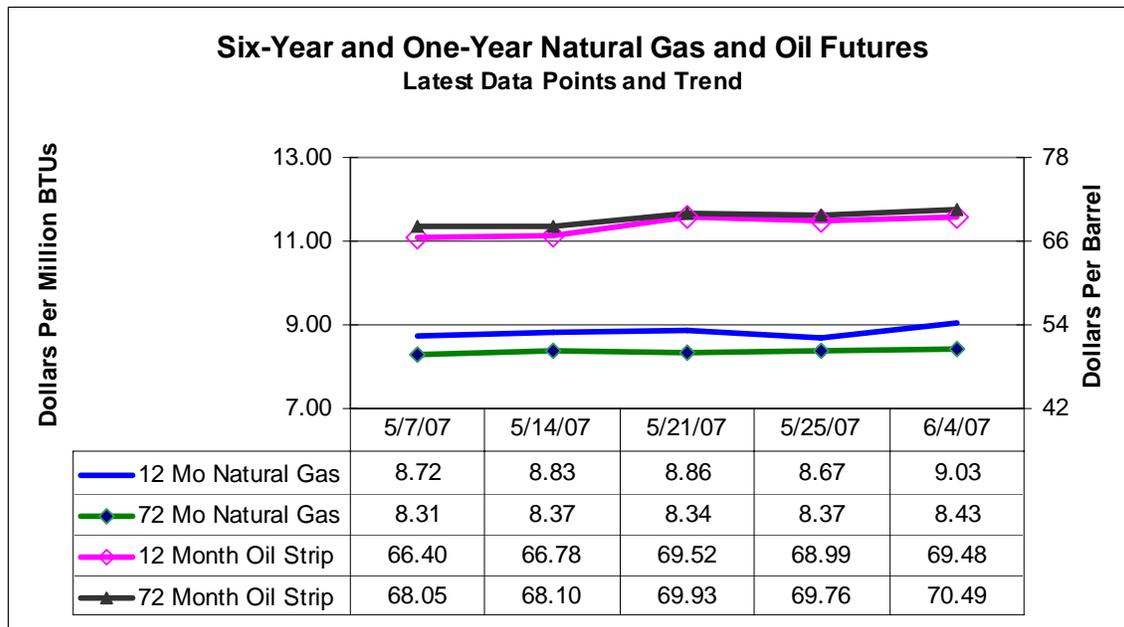


Enhance Performance with McDep Ratio

Summary and Recommendation

The McDep Energy Portfolio differentiates among buy recommendations in an attempt to be more represented in lowest McDep Ratio stocks believed to have higher potential (see table page 4 Composite of Buy Recommendations). Generally, we suggest higher unlevered weighting for lower McDep Ratio stocks. The changes we made last week shift weightings from stocks that moved up in McDep Ratio ranking in recent months to those that moved down including buy recommendations **XTO Energy (XTO)**, **BP plc (BP)**, **Energy Partners (EPL)**, and **Hugoton Royalty Trust (HGT)**. The changes in ranking could be caused by stock price or by estimated present value. Some changes may go against intuition such as an increased emphasis on BP and EPL, two companies whose performance has been disappointing for a few years. Yet, energy is a capital intensive business where “returns are driven by quality of assets” in the words of XTO’s Simpson. If resources are solid, the poor performance usually gets corrected or the assets find new owners.

Kurt H. Wulff, CFA



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Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 4-Jun 2007	Shares (mm)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	84.22	5,714	481,000	92.00	0.05	0.92
Total S.A.	TOT	B	76.03	2,281	173,000	89.00	0.13	0.87
Royal Dutch Shell plc	RDS-A	B	76.52	3,153	241,000	94.00	0.13	0.84
BP plc	BP	B	68.36	3,231	221,000	87.00	0.16	0.82
Chevron Corporation	CVX	B	83.13	2,206	183,000	105.00	0.09	0.81
ConocoPhillips	COP	B	79.41	1,669	133,000	112.00	0.18	0.76
Gazprom (50%)	OGZPY	B	38.35	2,849	109,300	62.00	0.06	0.64
<i>Total or Median</i>					<i>1,541,000</i>		<i>0.13</i>	<i>0.82</i>
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	47.28	287	13,590	42.00	0.07	1.12
Norsk Hydro ASA	NHY	H	12.46	1,241	15,460	11.00	0.13	1.12
Marathon Oil Corporation	MRO	H	128.37	347	44,540	124.00	0.13	1.03
Petro-Canada	PCZ	B	52.30	502	26,250	55.00	0.18	0.96
Suncor Energy	SU	B	89.28	461	41,170	105.00	0.07	0.86
Statoil ASA	STO	B	28.36	3,200	90,750	35.00	0.11	0.83
PetroChina Company Ltd (10%)	PTR	B	131.10	181	23,730	166.00	0.05	0.80
Lukoil Oil Company	LUKOY	B	78.00	830	65,000	121.00	0.02	0.65
<i>Total or Median</i>					<i>320,000</i>		<i>0.09</i>	<i>0.91</i>
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	B	98.89	140	13,830	108.00	-	0.92
Encana Corporation	ECA	B	63.81	780	49,800	72.00	0.14	0.90
XTO Energy Inc.	XTO	B	61.61	372	22,920	70.00	0.13	0.90
Anadarko Petroleum Corp.	APC	B	51.95	465	24,200	74.00	0.38	0.82
EOG Resources	EOG	B	78.91	247	19,500	102.00	0.05	0.78
Occidental Petroleum Corp.	OXY	B	58.38	847	49,400	77.00	0.07	0.78
Devon Energy Corporation	DVN	B	79.79	450	35,900	129.00	0.15	0.67
<i>Total or Median</i>					<i>216,000</i>		<i>0.13</i>	<i>0.82</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	38.06	45	1,700	44.00	0.24	0.90
Encore Acquisition Company	EAC	B	28.86	53	1,530	54.00	0.34	0.69
Energy Partners Ltd.	EPL	B	17.67	31	550	38.00	0.35	0.65
Cimarex Energy Company	XEC	B	42.86	84	3,620	76.00	0.09	0.60
<i>Total or Median</i>					<i>7,400</i>		<i>0.29</i>	<i>0.67</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.27	172	9,490	15.00	0.54	2.23
Kinder Morgan Management, LLC	KMR	S	51.97	62	3,210	15.00	0.54	2.13
Pengrowth Energy Trust	PGH		19.27	244	4,700	17.00	0.29	1.09
Penn West Energy Trust	PWE	B	35.76	240	8,570	36.00	0.17	0.99
Enerplus Resources Fund	ERF		50.40	123	6,220	52.00	0.13	0.97
San Juan Basin Royalty Trust	SJT	B	33.00	47	1,540	40.00	-	0.83
Hugoton Royalty Trust	HGT	B	27.97	40	1,120	34.00	-	0.82
Canadian Oil Sands Trust	COSWF	B	30.97	479	14,830	39.00	0.08	0.81
<i>Total or Median</i>					<i>49,700</i>		<i>0.15</i>	<i>0.98</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) 4-Jun 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	84.22	11.5	7.1	6.5	11	1.7
Gazprom (50%)	OGZPY	B	38.35	24.0	9.4	6.0	9	0.2
Total S.A.	TOT	B	76.03	9.4	6.7	5.9	10	1.5
BP plc	BP	B	68.36	9.6	7.0	5.8	9	3.6
Chevron Corporation	CVX	B	83.13	10.0	6.5	5.3	9	2.8
Royal Dutch Shell plc	RDS-A	B	76.52	7.9	6.1	5.1	9	3.8
ConocoPhillips	COP	B	79.41	11.2	6.6	5.0	9	2.1
	<i>Median</i>			10.0	6.7	5.8	9	2.1
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	47.28	13.3	8.4	9.3	16	0.6
Suncor Energy	SU	B	89.28	23.6	10.0	8.6	15	0.3
Norsk Hydro ASA	NHY	H	12.46	-	6.7	7.5	13	1.3
PetroChina Company Ltd (10%)	PTR	B	131.10	15.1	8.3	6.6	14	3.6
Marathon Oil Corporation	MRO	H	128.37	7.8	6.0	6.2	11	1.5
Petro-Canada	PCZ	B	52.30	6.9	5.5	5.3	11	0.9
Statoil ASA	STO	B	28.36	7.7	6.3	5.2	12	5.4
Lukoil Oil Company	LUKOY	B	78.00	18.3	7.8	5.1	9	1.6
	<i>Median</i>			10.6	7.3	6.4	12	1.4
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	61.61	12.2	8.3	7.4	14	0.8
Anadarko Petroleum Corp.	APC	B	51.95	11.2	8.2	6.7	12	1.4
Encana Corporation	ECA	B	63.81	9.5	7.1	6.4	13	1.3
CNOOC Limited (34%)	CEO	B	98.89	10.6	6.4	5.8	11	3.4
EOG Resources	EOG	B	78.91	9.6	7.3	5.7	13	0.5
Occidental Petroleum Corp.	OXY	B	58.38	11.9	7.2	5.6	11	1.5
Devon Energy Corporation	DVN	B	79.79	9.4	7.7	5.2	9	0.7
	<i>Median</i>			10.6	7.3	5.8	12	1.3
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	38.06	10.3	8.8	7.9	14	0.8
Encore Acquisition Company	EAC	B	28.86	14.8	9.0	6.2	16	-
Cimarex Energy Company	XEC	B	42.86	8.1	6.5	3.9	9	0.4
Energy Partners Ltd.	EPL	B	17.67	5.4	5.0	3.3	-	-
	<i>Median</i>			9.2	7.7	5.1	14	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.27		7.9	17.6	54	6.0
Kinder Morgan Management, LLC	KMR	S	51.97		7.9	16.8	50	6.4
Canadian Oil Sands Trust	COSWF	B	30.97	21.1	11.8	9.5	13	6.4
San Juan Basin Royalty Trust	SJT	B	33.00	10.2	10.5	8.6	11	9.5
Pengrowth Energy Trust	PGH		19.27	7.5	7.2	7.9	25	14.7
Hugoton Royalty Trust	HGT	B	27.97	14.0	9.3	7.6	11	9.3
Enerplus Resources Fund	ERF		50.40	9.0	7.5	7.3	13	9.4
Penn West Energy Trust	PWE	B	35.76	7.6	7.3	7.2	15	10.8
	<i>Median</i>			9.6	7.9	8.3	14	9.4

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 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	
		4-Jun	EV							
		2007	(%)							
Mega Cap										
Exxon Mobil Corporation	XOM	84.22	1.6	1.4		0.1	0.2	0.8	0.4	0.92
Total S.A.	TOT	76.03	2.9	2.9	2.9		0.7	1.5	0.6	0.87
Royal Dutch Shell plc	RDS-A	76.52	2.8	2.9	2.9	0.1	0.4	1.4	1.0	0.84
BP plc	BP	68.36	2.7	2.9	2.9	0.2	0.3	1.7	0.7	0.82
Chevron Corporation	CVX	83.13	6.0	5.7		0.3	0.4	3.6	1.5	0.81
ConocoPhillips	COP	79.41	5.1	5.7		0.9	0.4	3.0	1.4	0.76
Gazprom	OGZPY	38.35	9.1	8.6	8.6		6.6	2.0		0.64
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	47.28	1.6	1.4	1.4	0.1		1.1	0.2	1.12
Petro-Canada	PCZ	52.30	1.4	1.4	1.4	0.2	0.0	1.0	0.2	0.96
Suncor Energy	SU	89.28	1.5	1.4	1.4	0.1		1.3	0.1	0.86
Statoil ASA	STO	28.36	1.5	1.4	1.4		0.5	0.9	-	0.83
PetroChina Company Ltd.	PTR	131.10	3.1	2.9	2.9		0.2	2.5	0.2	0.80
Lukoil Oil Company	LUKOY	78.00	6.5	5.7	5.7			4.1	1.6	0.65
Independent Natural Gas and Oil - Large Cap										
CNOOC Limited	CEO	98.89	3.3	2.9	2.9		0.3	2.6		0.92
Encana Corporation	ECA	63.81	4.2	4.3	4.3	3.2		0.9	0.1	0.90
XTO Energy Inc.	XTO	61.61	4.3	4.3		3.3		1.0		0.90
Anadarko Petroleum Corp.	APC	51.95	1.8	2.9		1.5		1.3	0.1	0.82
EOG Resources	EOG	78.91	6.3	5.7		4.3	0.4	1.0		0.78
Occidental Petroleum Corp	OXY	58.38	3.0	2.9		0.4	0.0	2.2	0.3	0.78
Devon Energy Corporation	DVN	79.79	5.2	5.7		3.2		2.5		0.67
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	38.06	1.2	1.4		0.4		1.0		0.90
Encore Acquisition Comp	EAC	28.86	1.7	2.9		0.5		2.4		0.69
Energy Partners Ltd.	EPL	17.67	1.5	2.9		1.4		1.5		0.65
Cimarex Energy Company	XEC	42.86	2.8	2.9		2.0		0.9		0.60
Income										
Penn West Energy Trust	PWE	35.76	2.8	2.9	2.9	0.9		1.9		0.99
San Juan Basin Royalty Tr	SJT	33.00	6.7	5.7		5.7				0.83
Hugoton Royalty Trust	HGT	27.97	3.3	2.9		2.9				0.82
Canadian Oil Sands Trust	COSWF	30.97	6.1	5.7	5.7			5.7		0.81
Portfolio Composite			100	100	47	32	10	50	8	0.78
Canada					17					
Russia					14					
Europe					10					
China					6					

Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 8.6% to half at 1.4%.

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
1-Jun	SJT	San Juan Basin Royalty Trust	Stable Present Value
1-Jun	HGT	Hugoton Royalty Trust	Stable Present Value
31-May	NHY	Norsk Hydro ASA	Hold New NHY, Buy Statoil
18-May	MRO	Marathon Oil Corporation	Downgrade to Hold from Buy on Price
9-May	XEC	Cimarex Energy Company	Lowest McDep Ratio
8-May	* OGZPY	Gazprom	Russian Value
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	* COSWF	Canadian Oil Sands Trust	Distribution Raised 33%
25-Apr	* XTO	XTO Energy Inc.	Buy for Natural Gas
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

Meter Reader - A Weekly Analysis

5-Jun		Enhance Performance with McDep Ratio
29-May		Raise Present Value for \$66 Long-Term Oil
22-May	*	Refining Rewards and Risks
15-May	*	Peak Oil Test Looming

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

1-Jun		Stable Present Value
25-May		Futures Forecast Increasing Income
18-May	*	Encore's MLP Filed
11-May	*	Income from Clean Fuel for Global Growth

* Archived on www.mcdep.com

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