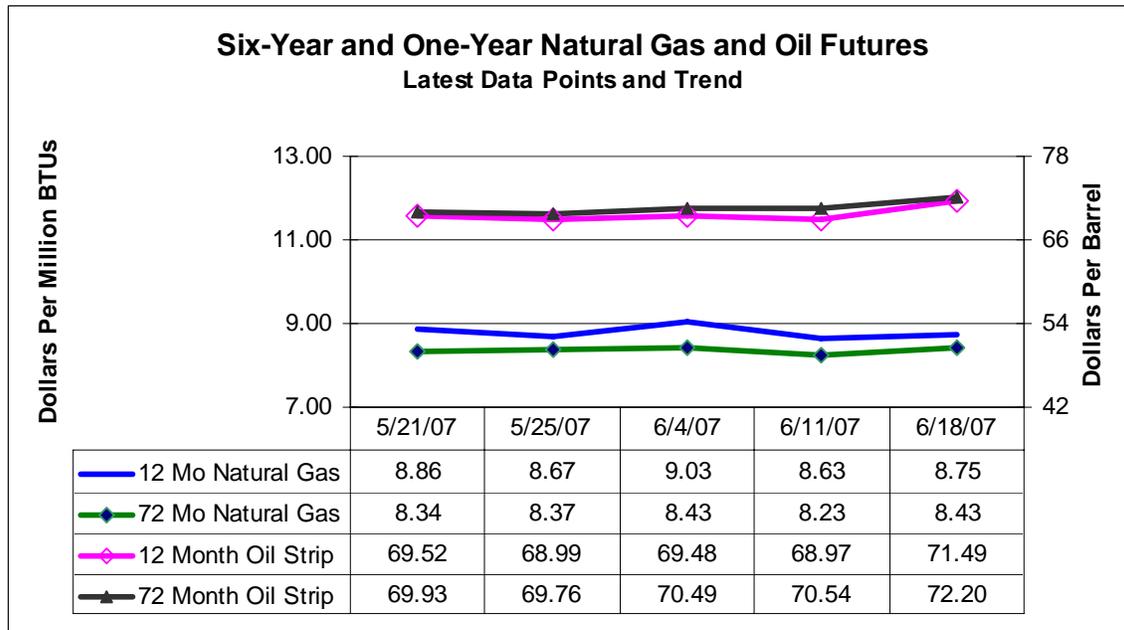


Oil Rich Country

Summary and Recommendation

One of eight Canadian stocks, buy-recommended **Canadian Oil Sands Trust (COSWF)**, has a McDep Ratio below the median of 34 stocks in *Meter Reader* coverage. The remaining seven have higher than median ratios that attest to the greater confidence oil and gas investors have in Canada than in the U.S., Europe or Russia. The abundant resource potential of oil sands supports that confidence as we heard repeated at the Canadian Association of Petroleum Producers conference in Calgary on June 19. Also helping is the continuing upward trend in oil price as it reaches \$72 a barrel, not for the next month, but for the next six years (see chart below). As for one of the fundamental factors behind oil's price rise, Mr. Jim Buckee, retiring Chief Executive of Talisman Energy (TLM), showed a hand-drawn graphic to a small group at the end of the day illustrating a recent accelerated decline in production of the world's largest oil field, Ghawar, despite a parabolic increase in oil field equipment and service spending by Saudi Arabia. Though rising volume and rising price for oil denominate Canada's opportunity, buy-recommended **Encana (ECA)** is also the second largest natural gas producer in North America.

Kurt H. Wulff, CFA



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Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 18-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	86.36	5,714	494,000	92.00	0.05	0.94
Total S.A.	TOT	B	79.03	2,281	180,000	89.00	0.13	0.90
Royal Dutch Shell plc	RDS-A	B	79.36	3,153	250,000	94.00	0.13	0.87
BP plc	BP	B	69.27	3,231	224,000	87.00	0.16	0.83
Chevron Corporation	CVX	B	83.39	2,206	184,000	105.00	0.09	0.81
ConocoPhillips	COP	B	80.69	1,669	135,000	112.00	0.18	0.77
Gazprom (50%)	OGZPY	B	41.32	2,849	117,700	62.00	0.06	0.69
<i>Total or Median</i>					1,585,000		0.13	0.83
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	47.59	287	13,680	42.00	0.07	1.12
Norsk Hydro ASA (post Oct 1)	NHY	H	11.99	1,241	14,880	11.00	0.13	1.08
Marathon Oil Corporation	MRO	H	131.37	347	45,590	124.00	0.13	1.05
Petro-Canada	PCZ	B	52.74	502	26,480	55.00	0.17	0.97
Suncor Energy	SU	B	92.24	461	42,530	105.00	0.07	0.89
PetroChina Company Ltd (10%)	PTR	B	142.20	181	25,740	166.00	0.05	0.86
Statoil ASA (29%)	STO	B	29.24	928	27,130	35.00	0.11	0.85
Lukoil Oil Company	LUKOY	B	78.10	830	65,000	121.00	0.02	0.65
<i>Total or Median</i>					261,000		0.09	0.93
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	B	112.70	140	15,760	108.00	-	1.04
Encana Corporation	ECA	B	65.96	780	51,400	72.00	0.14	0.93
XTO Energy Inc.	XTO	B	63.15	372	23,490	70.00	0.13	0.92
Anadarko Petroleum Corp.	APC	B	54.90	465	25,500	74.00	0.38	0.84
EOG Resources	EOG	B	80.26	247	19,800	102.00	0.05	0.80
Occidental Petroleum Corp.	OXY	B	59.38	847	50,300	77.00	0.07	0.79
Devon Energy Corporation	DVN	B	83.53	450	37,600	129.00	0.15	0.70
<i>Total or Median</i>					224,000		0.13	0.84
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	40.26	45	1,800	44.00	0.24	0.94
Encore Acquisition Company	EAC	B	29.96	53	1,590	54.00	0.34	0.71
Energy Partners Ltd.	EPL	B	18.43	31	580	38.00	0.35	0.67
Cimarex Energy Company	XEC	B	42.36	84	3,580	76.00	0.09	0.60
<i>Total or Median</i>					7,600		0.29	0.69
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	54.20	172	9,300	15.00	0.54	2.20
Kinder Morgan Management, LLC	KMR	S	51.79	62	3,200	15.00	0.54	2.13
Pengrowth Energy Trust	PGH		19.11	244	4,660	17.00	0.29	1.09
Penn West Energy Trust	PWE	B	34.62	240	8,300	36.00	0.17	0.97
Enerplus Resources Fund	ERF		47.28	123	5,830	52.00	0.13	0.92
San Juan Basin Royalty Trust	SJT	B	33.40	47	1,560	40.00	-	0.84
Hugoton Royalty Trust	HGT	B	27.07	40	1,080	34.00	-	0.79
Canadian Oil Sands Trust	COSWF	B	29.62	479	14,190	39.00	0.08	0.78
<i>Total or Median</i>					48,100		0.15	0.94

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) 18-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	86.36	11.5	7.0	6.6	12	1.6
Gazprom (50%)	OGZPY	B	41.32	24.0	9.4	6.4	10	0.2
Total S.A.	TOT	B	79.03	9.4	6.6	6.0	11	1.5
BP plc	BP	B	69.27	9.6	6.9	5.7	9	3.6
Royal Dutch Shell plc	RDS-A	B	79.36	7.9	6.1	5.2	9	3.6
Chevron Corporation	CVX	B	83.39	10.0	6.5	5.2	9	2.8
ConocoPhillips	COP	B	80.69	11.2	6.6	5.1	9	2.0
		<i>Median</i>		10.0	6.6	5.7	9	2.0
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	47.59	13.3	8.3	9.3	16	0.6
Suncor Energy	SU	B	92.24	23.6	9.9	8.8	15	0.3
Norsk Hydro ASA (post Oct 1)	NHY	H	11.99	-	6.7	7.3	12	1.4
PetroChina Company Ltd (10%)	PTR	B	142.20	15.1	8.1	7.0	14	3.3
Marathon Oil Corporation	MRO	H	131.37	7.8	5.9	6.2	11	1.5
Petro-Canada	PCZ	B	52.74	6.9	5.5	5.3	10	0.9
Statoil ASA (29%)	STO	B	29.24	7.7	6.2	5.3	12	5.2
Lukoil Oil Company	LUKOY	B	78.10	18.3	7.7	5.0	9	1.6
		<i>Median</i>		10.6	7.2	6.6	12	1.4
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	63.15	12.2	8.3	7.6	14	0.8
Anadarko Petroleum Corp.	APC	B	54.90	11.2	8.2	6.9	13	1.3
Encana Corporation	ECA	B	65.96	9.5	7.2	6.7	13	1.2
CNOOC Limited (34%)	CEO	B	112.70	10.6	6.2	6.5	12	3.0
EOG Resources	EOG	B	80.26	9.6	7.4	5.9	14	0.4
Occidental Petroleum Corp.	OXY	B	59.38	11.9	7.1	5.6	11	1.5
Devon Energy Corporation	DVN	B	83.53	9.4	7.8	5.5	10	0.7
		<i>Median</i>		10.6	7.4	6.5	13	1.2
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	40.26	10.3	8.7	8.1	14	0.7
Encore Acquisition Company	EAC	B	29.96	14.8	8.8	6.2	15	-
Cimarex Energy Company	XEC	B	42.36	8.1	6.6	4.0	9	0.4
Energy Partners Ltd.	EPL	B	18.43	5.4	5.0	3.4	-	-
		<i>Median</i>		9.2	7.6	5.1	14	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	54.20		7.9	17.3	53	6.1
Kinder Morgan Management, LLC	KMR	S	51.79		7.9	16.8	50	6.4
San Juan Basin Royalty Trust	SJT	B	33.40	10.2	10.8	9.1	11	9.0
Canadian Oil Sands Trust	COSWF	B	29.62	21.1	11.2	8.7	11	6.6
Pengrowth Energy Trust	PGH		19.11	7.5	7.2	7.8	24	14.7
Hugoton Royalty Trust	HGT	B	27.07	14.0	9.5	7.6	11	9.4
Penn West Energy Trust	PWE	B	34.62	7.6	7.2	7.0	14	11.0
Enerplus Resources Fund	ERF		47.28	9.0	7.5	6.9	12	10.0
		<i>Median</i>		9.6	7.9	8.2	13	9.2

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	
		18-Jun 2007	Equity (%)							EV (%)
Mega Cap										
Exxon Mobil Corporation	XOM	86.36	1.6	1.4		0.1	0.2	0.8	0.4	0.94
Total S.A.	TOT	79.03	2.9	2.9	2.9		0.7	1.5	0.6	0.90
Royal Dutch Shell plc	RDS-A	79.36	2.8	2.9	2.9	0.1	0.4	1.4	1.0	0.87
BP plc	BP	69.27	2.7	2.9	2.9	0.2	0.3	1.7	0.7	0.83
Chevron Corporation	CVX	83.39	6.0	5.7		0.3	0.4	3.6	1.5	0.81
ConocoPhillips	COP	80.69	5.1	5.7		0.9	0.4	3.0	1.4	0.77
Gazprom	OGZPY	41.32	9.1	8.6	8.6		6.6	2.0		0.69
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	47.59	1.6	1.4	1.4	0.1		1.1	0.2	1.12
Petro-Canada	PCZ	52.74	1.4	1.4	1.4	0.2	0.0	1.0	0.2	0.97
Suncor Energy	SU	92.24	1.5	1.4	1.4	0.1		1.3	0.1	0.89
PetroChina Company Ltd.	PTR	142.20	3.1	2.9	2.9		0.2	2.5	0.2	0.86
Statoil ASA	STO	29.24	1.5	1.4	1.4		0.5	0.9	-	0.85
Lukoil Oil Company	LUKOY	78.10	6.4	5.7	5.7			4.1	1.6	0.65
Independent Natural Gas and Oil - Large Cap										
CNOOC Limited	CEO	112.70	3.3	2.9	2.9		0.3	2.6		1.04
Encana Corporation	ECA	65.96	4.2	4.3	4.3	3.2		0.9	0.1	0.93
XTO Energy Inc.	XTO	63.15	4.3	4.3		3.3		1.0		0.92
Anadarko Petroleum Corp.	APC	54.90	1.8	2.9		1.5		1.3	0.1	0.84
EOG Resources	EOG	80.26	6.3	5.7		4.3	0.4	1.0		0.80
Occidental Petroleum Corp	OXY	59.38	3.0	2.9		0.4	0.0	2.2	0.3	0.79
Devon Energy Corporation	DVN	83.53	5.3	5.7		3.2		2.5		0.70
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	40.26	1.2	1.4		0.4		1.0		0.94
Encore Acquisition Comp	EAC	29.96	1.7	2.9		0.5		2.4		0.71
Energy Partners Ltd.	EPL	18.43	1.6	2.9		1.4		1.5		0.67
Cimarex Energy Company	XEC	42.36	2.8	2.9		2.0		0.9		0.60
Income										
Penn West Energy Trust	PWE	34.62	2.8	2.9	2.9	0.9		1.9		0.97
San Juan Basin Royalty Tr	SJT	33.40	6.7	5.7		5.7				0.84
Hugoton Royalty Trust	HGT	27.07	3.3	2.9		2.9				0.79
Canadian Oil Sands Trust	COSWF	29.62	6.0	5.7	5.7	(0.6)		6.3		0.78
Portfolio Composite										
			100	100	47	31	10	50	8	0.79
	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>
12-Jun	BP	BP p.l.c.	Kovykta Kontroversy (Meter Reader)
12-Jun	OGZPY	Gazprom	Kovykta Kontroversy (Meter Reader)
12-Jun	LUKOY	Lukoil Oil Company	Kovykta Kontroversy (Meter Reader)
1-Jun	SJT	San Juan Basin Royalty Trust	Stable Present Value (RT Weekly)
1-Jun	HGT	Hugoton Royalty Trust	Stable Present Value (RT Weekly)
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	* 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	* BRV	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
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

19-Jun		Oil Rich Country
12-Jun		Kovykta Kontroversy
5-Jun	*	Enhance Performance with McDep Ratio
29-May	*	Raise Present Value for \$66 Long-Term Oil

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

15-Jun		Dorchester Minerals Defies Decline
8-Jun		Real Value for Patient Investors
1-Jun	*	Stable Present Value
25-May	*	Futures Forecast Increasing Income

* Archived on www.mcdep.com

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