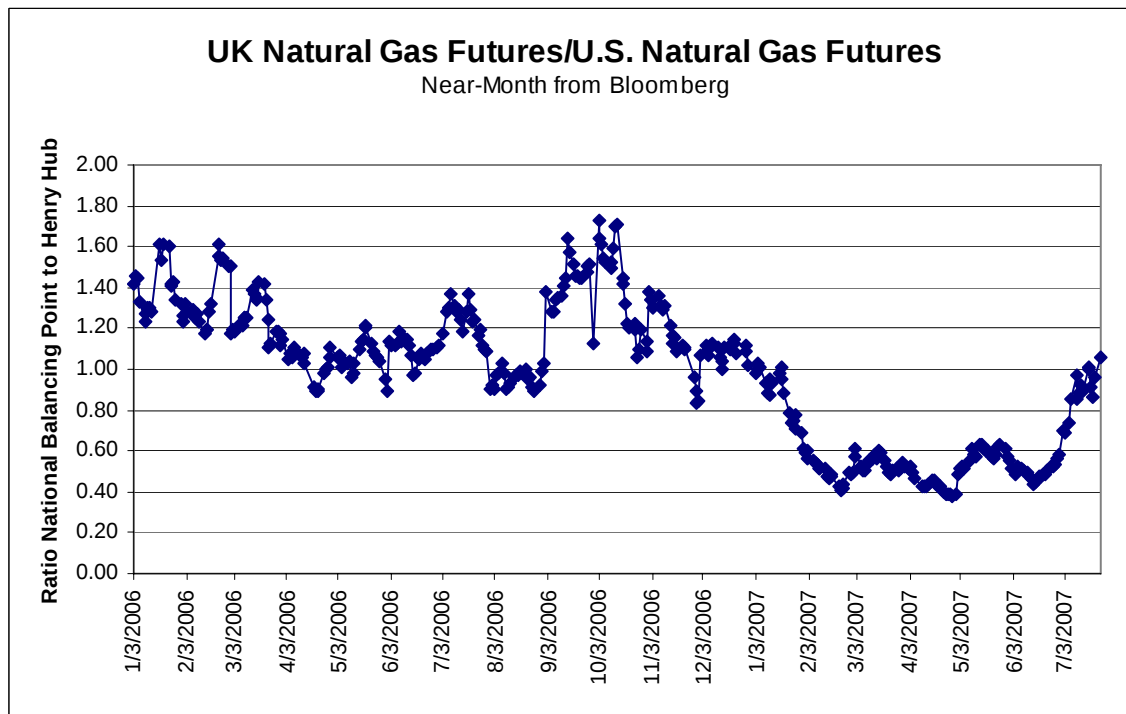


Europe Wants Natural Gas Again

Summary and Recommendation

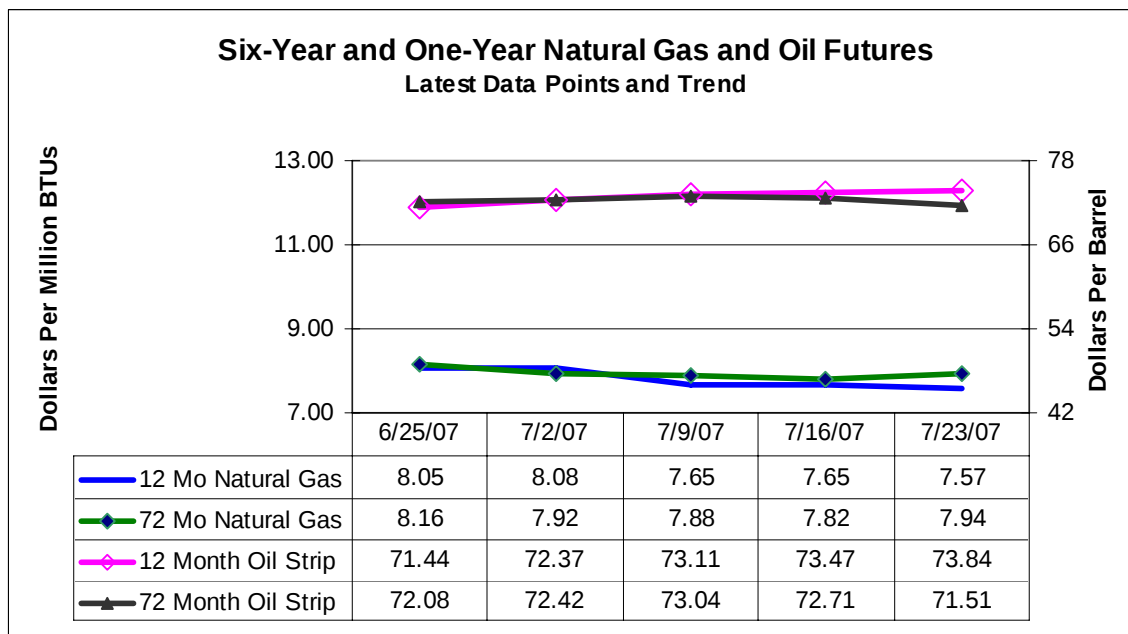
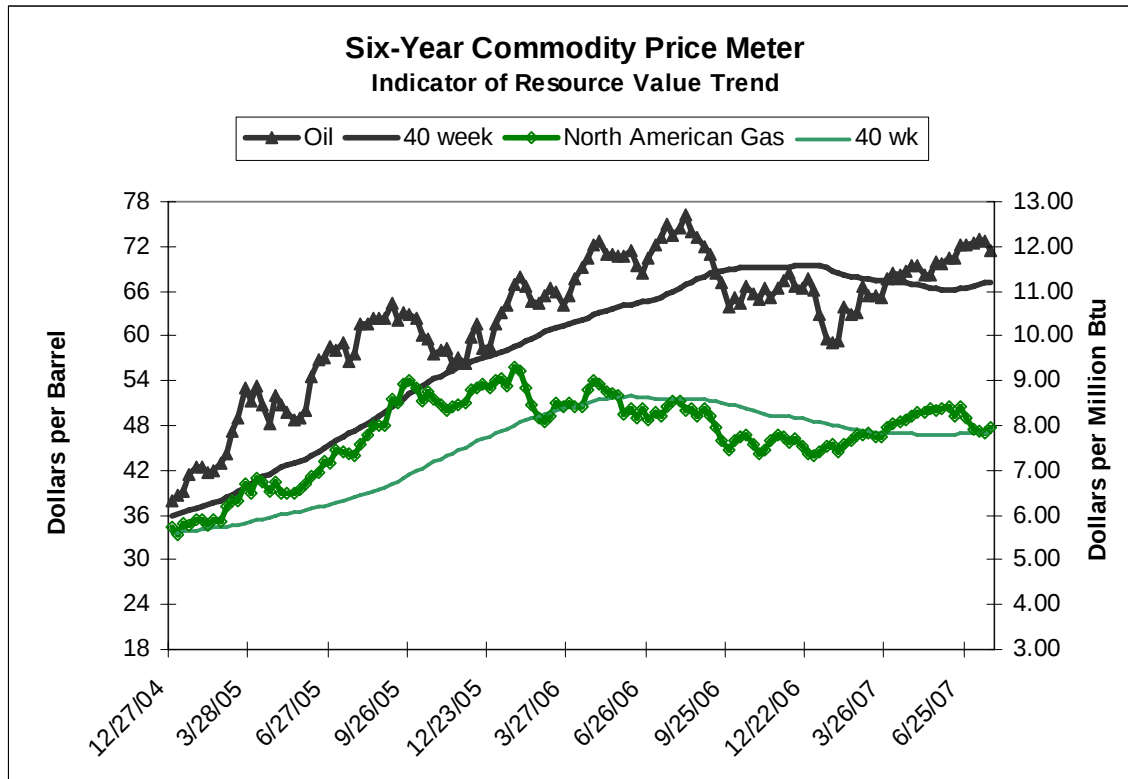
More European demand for liquefied natural gas cargos is positive for buy-recommendations from **Cimarex (XEC)** to **Gazprom (OGZPY)** among natural gas producers. Natural gas tankers have been unloading in the U.S. in record numbers in 2007 while the price was higher here than in Europe. That has changed in the past few weeks with U.K. near-month futures near parity with U.S. near-month futures (see Chart UK/US Natural Gas Futures). The latest quote for the National Balancing Point in August of 30.9 pence a therm translates at \$2.06 a pound to \$6.35 a million btu and exceeds the New York Mercantile Exchange (Henry Hub) futures at \$6.03. Japan also needs more natural gas because a recent earthquake shut down a sixth of the country's nuclear power according to *Platt's Oilgram*. The global factors may be helping six-year natural gas price hold above the 40-week average despite daily market volatility (see chart Six-Year Commodity Price Meter). Contrary to short-term prices, six-year natural gas is advancing relative to six-year oil lately (see chart Six-Year and One-Year Natural Gas Futures).

Kurt H. Wulff, CFA



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July 24, 2007



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Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 23-Jul 2007	Shares (mm)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B	93.44	5,714	534,000	92.00	0.05	1.01
Total S.A.	TOT	B	83.69	2,281	191,000	89.00	0.13	0.95
Royal Dutch Shell plc	RDS-A	B	83.32	3,153	263,000	94.00	0.13	0.90
Chevron Corporation	CVX	B	92.57	2,206	204,000	105.00	0.09	0.89
BP plc	BP	B	74.42	3,231	241,000	87.00	0.16	0.88
ConocoPhillips	COP	B	85.55	1,669	143,000	112.00	0.18	0.81
Gazprom (50%)	OGZPY	B	45.85	2,855	130,900	62.00	0.07	0.76
<i>Total or Median</i>					1,707,000		0.13	0.89
Producer/Refiners - Large Cap								
Norsk Hydro ASA (post Oct 1)	NHY	H	14.41	1,241	17,880	11.00	0.13	1.27
Imperial Oil Limited (30%)	IMO	B	49.01	287	14,090	42.00	0.07	1.16
Petro-Canada	PCZ	B	57.05	502	28,640	55.00	0.18	1.03
Marathon Oil Corporation	MRO	H	61.23	694	42,490	62.00	0.13	0.99
PetroChina Company Ltd (10%)	PTR	B	157.18	181	28,450	166.00	0.05	0.95
Statoil ASA (29%)	STO	B	32.05	928	29,740	35.00	0.11	0.92
Suncor Energy	SU	B	93.81	461	43,260	105.00	0.08	0.90
Lukoil Oil Company	LUKOY	B	85.30	831	71,000	121.00	0.02	0.71
<i>Total or Median</i>					276,000		0.09	0.97
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	B	124.99	140	17,480	108.00	-	1.16
Encana Corporation	ECA	B	62.82	780	49,000	72.00	0.14	0.89
XTO Energy Inc.	XTO	B	59.06	372	21,970	70.00	0.13	0.86
Anadarko Petroleum Corp.	APC	B	53.04	465	24,700	74.00	0.38	0.83
Occidental Petroleum Corp.	OXY	B	61.37	847	52,000	77.00	0.07	0.81
EOG Resources	EOG	B	72.09	247	17,800	102.00	0.05	0.72
Devon Energy Corporation	DVN	B	80.31	450	36,100	129.00	0.15	0.68
<i>Total or Median</i>					219,000		0.13	0.83
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	39.39	45	1,760	44.00	0.24	0.92
Encore Acquisition Company	EAC	B	28.09	53	1,490	54.00	0.34	0.68
Energy Partners Ltd.	EPL	B	17.00	31	530	38.00	0.35	0.64
Cimarex Energy Company	XEC	B	40.38	84	3,410	76.00	0.09	0.57
<i>Total or Median</i>					7,200		0.29	0.66
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.35	179	9,890	17.00	0.53	2.07
Kinder Morgan Management, LLC	KMR	S	52.28	62	3,230	17.00	0.53	1.98
Pengrowth Energy Trust	PGH		19.53	244	4,770	17.00	0.29	1.11
Penn West Energy Trust	PWE	B	33.21	240	7,960	36.00	0.17	0.94
Enerplus Resources Fund	ERF		46.54	123	5,740	52.00	0.13	0.91
Canadian Oil Sands Trust	COSWF	B	32.96	479	15,790	39.00	0.08	0.86
San Juan Basin Royalty Trust	SJT	B	33.74	47	1,570	40.00	-	0.84
Hugoton Royalty Trust	HGT	B	25.52	40	1,020	34.00	-	0.75
<i>Total or Median</i>					50,000		0.15	0.92

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

			Price (US\$/sh)	Adjustd Resrvs/	PV/	EV/		Divd or Distrib
	Symbol/		23-Jul	Prod	Ebitda	Ebitda	P/E	NTM
	Rating		2007	NTM	NTM	NTM	NTM	(%)
Mega Cap								
Gazprom (50%)	OGZPY	B	45.85	24.6	9.4	7.1	11	0.9
Exxon Mobil Corporation	XOM	B	93.44	11.5	6.9	7.0	12	1.5
Total S.A.	TOT	B	83.69	9.4	6.5	6.1	11	1.4
BP plc	BP	B	74.42	9.6	6.8	6.0	10	3.3
Chevron Corporation	CVX	B	92.57	10.0	6.4	5.7	10	2.5
Royal Dutch Shell plc	RDS-A	B	83.32	7.9	6.0	5.4	10	3.5
ConocoPhillips	COP	B	85.55	11.2	6.6	5.3	9	1.9
	Median			10.0	6.6	6.0	10	1.9
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	49.01	13.3	8.3	9.6	16	0.6
Suncor Energy	SU	B	93.81	23.6	9.4	8.5	15	0.3
Norsk Hydro ASA (post Oct 1)	NHY	H	14.41	-	6.4	8.2	14	1.2
PetroChina Company Ltd (10%)	PTR	B	157.18	15.0	7.7	7.3	15	3.0
Marathon Oil Corporation	MRO	H	61.23	7.8	5.9	5.9	10	1.6
Petro-Canada	PCZ	B	57.05	6.9	5.5	5.6	11	0.9
Statoil ASA (29%)	STO	B	32.05	7.7	6.0	5.5	12	5.0
Lukoil Oil Company	LUKOY	B	85.30	17.8	7.5	5.3	9	1.7
	Median			10.6	7.0	6.6	13	1.4
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	59.06	12.2	9.2	8.0	13	0.8
Encana Corporation	ECA	B	62.82	9.5	8.1	7.2	14	1.3
Anadarko Petroleum Corp.	APC	B	53.04	11.2	8.7	7.2	14	1.4
CNOOC Limited (34%)	CEO	B	124.99	10.6	6.0	6.9	12	2.7
EOG Resources	EOG	B	72.09	9.6	8.2	5.9	14	0.5
Devon Energy Corporation	DVN	B	80.31	9.4	8.5	5.7	11	0.7
Occidental Petroleum Corp.	OXY	B	61.37	11.9	7.0	5.7	11	1.6
	Median			10.6	8.2	6.9	13	1.3
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	39.39	10.3	8.7	8.0	14	0.8
Encore Acquisition Company	EAC	B	28.09	14.8	8.8	6.0	14	-
Cimarex Energy Company	XEC	B	40.38	8.1	7.2	4.1	10	0.4
Energy Partners Ltd.	EPL	B	17.00	5.4	5.6	3.6	-	-
	Median			9.2	8.0	5.1	14	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.35		8.0	16.5	38	6.1
Kinder Morgan Management, LLC	KMR	S	52.28		8.0	15.8	36	6.5
San Juan Basin Royalty Trust	SJT	B	33.74	10.2	13.0	11.0	13	7.5
Canadian Oil Sands Trust	COSWF	B	32.96	21.1	10.5	9.0	12	6.1
Hugoton Royalty Trust	HGT	B	25.52	13.9	11.6	8.7	13	7.9
Pengrowth Energy Trust	PGH		19.53	7.5	7.8	8.6	35	14.7
Enerplus Resources Fund	ERF		46.54	9.0	8.0	7.3	14	10.4
Penn West Energy Trust	PWE	B	33.21	7.6	7.6	7.1	16	11.8
	Median			9.6	8.0	8.9	15	7.7

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

		Price (US\$/sh)	Portfolio Weight		Non- U.S.	North Amer. Natural	Rest of World Natural	Oil	Down- stream	McDep
	Symbol	23-Jul 2007	Equity (%)	EV (%)	HQ (%)	Gas (%)	Gas (%)	Prod'n (%)	(%)	Ratio
Mega Cap										
Exxon Mobil Corporation	XOM	93.44	1.6	1.4		0.1	0.2	0.8	0.4	1.01
Total S.A.	TOT	83.69	2.9	2.9	2.9		0.7	1.5	0.6	0.95
Royal Dutch Shell plc	RDS-A	83.32	2.8	2.9	2.9	0.1	0.4	1.4	1.0	0.90
Chevron Corporation	CVX	92.57	6.0	5.7		0.3	0.4	3.6	1.5	0.89
BP plc	BP	74.42	2.7	2.9	2.9	0.2	0.3	1.7	0.7	0.88
ConocoPhillips	COP	85.55	5.2	5.7		0.9	0.4	3.0	1.4	0.81
Gazprom	OGZPY	45.85	9.1	8.6	8.6		6.6	2.0		0.76
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	49.01	1.6	1.4	1.4	0.1		1.1	0.2	1.16
Petro-Canada	PCZ	57.05	1.4	1.4	1.4	0.2	0.0	1.0	0.2	1.03
PetroChina Company Ltd.	PTR	157.18	3.1	2.9	2.9		0.2	2.5	0.2	0.95
Statoil ASA	STO	32.05	1.5	1.4	1.4		0.5	0.9	-	0.92
Suncor Energy	SU	93.81	1.5	1.4	1.4	0.1		1.3	0.1	0.90
Lukoil Oil Company	LUKOY	85.30	6.5	5.7	5.7			4.1	1.6	0.71
Independent Natural Gas and Oil - Large Cap										
CNOOC Limited	CEO	124.99	3.3	2.9	2.9		0.3	2.6		1.16
Encana Corporation	ECA	62.82	4.2	4.3	4.3	3.2		0.9	0.1	0.89
XTO Energy Inc.	XTO	59.06	4.2	4.3		3.3		1.0		0.86
Anadarko Petroleum Corp.	APC	53.04	1.8	2.9		1.5		1.3	0.1	0.83
Occidental Petroleum Corp	OXY	61.37	3.0	2.9		0.4	0.0	2.2	0.3	0.81
EOG Resources	EOG	72.09	6.2	5.7		4.3	0.4	1.0		0.72
Devon Energy Corporation	DVN	80.31	5.2	5.7		3.2		2.5		0.68
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	39.39	1.2	1.4		0.4		1.0		0.92
Encore Acquisition Comp	EAC	28.09	1.7	2.9		0.5		2.4		0.68
Energy Partners Ltd.	EPL	17.00	1.5	2.9		1.4		1.5		0.64
Cimarex Energy Company	XEC	40.38	2.8	2.9		2.0		0.9		0.57
Income										
Penn West Energy Trust	PWE	33.21	2.7	2.9	2.9	0.9		1.9		0.94
Canadian Oil Sands Trust	COSWF	32.96	6.1	5.7	5.7	(0.6)		6.3		0.86
San Juan Basin Royalty Tr	SJT	33.74	6.7	5.7		5.7				0.84
Hugoton Royalty Trust	HGT	25.52	3.3	2.9		2.9				0.75
Portfolio Composite			100	100	47	31	10	50	8	0.81
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>
23-Jul	HGT	Hugoton Royalty Trust	Paying Unitholders to Wait
20-Jul	CEO	CNOOC Ltd	Fu Chengyu Meets Boone Pickens
19-Jul	KMx	Kinder Morgan	Suggestions for New General Partner Owners
16-Jul	PTR	PetroChina Company Limited	Raise NPV to \$166 a Share
29-Jun	OGZPY	Gazprom	Raise NPV to \$62 a Share
29-Jun	LUKOY	Lukoil Oil Company	Raise NPV to \$121 a Share
1-Jun	* SJT	San Juan Basin 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
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	* 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%

Meter Reader - A Weekly Analysis

24-Jul		Europe Wants Natural Gas Again
17-Jul		Understated U.S. Oil Benchmark
10-Jul	*	Natural Gas Price Extremely Low
3-Jul	*	New Oil Sands Breakeven - \$50 a Barrel

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

20-Jul		The Last Laggards
13-Jul		Too Much Coal
6-Jul	*	Permian for Patient Investors
29-Jun	*	Honest Ed Stelmach

* Archived on www.mcdep.com

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