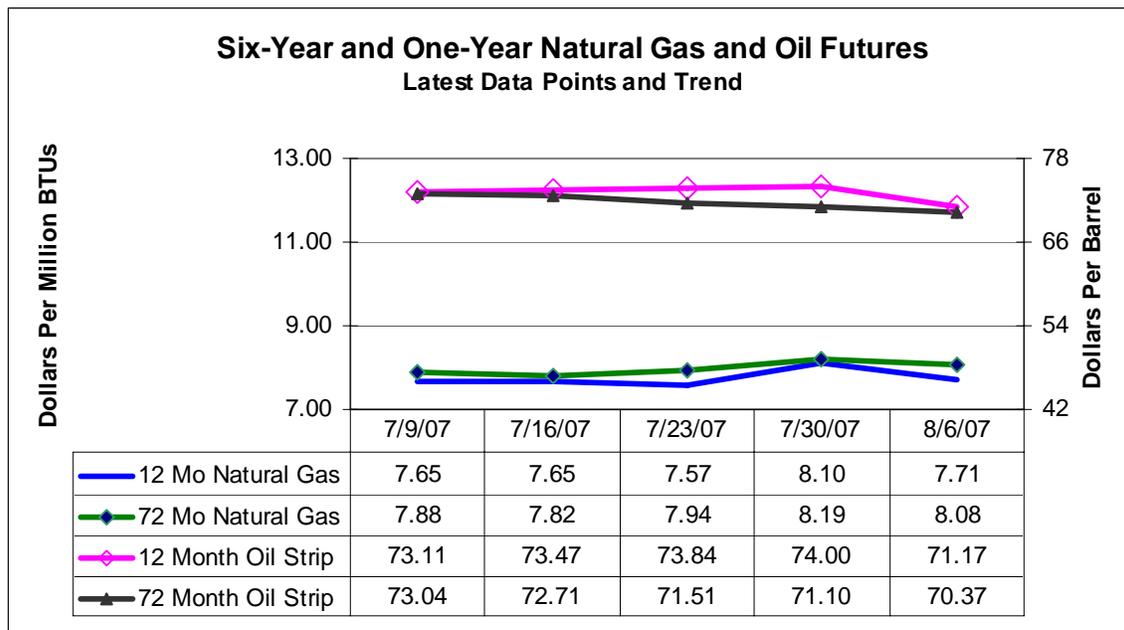


# Buy Something

## Summary and Recommendation

Because nothing has happened to change our long-term fundamental outlook from three weeks ago when the median buy recommendation was priced ten percent higher, it looks to us like a good time to make a new investment. For some timely ideas, we encourage interest in three stocks that dropped the most in price in their operating company groups. They include mega cap **Total (TOT)**, down 12%; large cap producer/refiner **Statoil (STO)**, 16%; and large cap producer **Occidental (OXY)**, 12%. The stocks are among 25 buy ideas in the illustrative McDep Energy Portfolio (see table, page 4, Composite of Buy Recommendations). Commodity price trends continue up with current quotes for six-year oil and natural gas above their 40-week averages of \$67.50 a barrel and \$7.90 a million Btu (see table below Six-Year and One-Year Natural Gas and Oil Futures).

Kurt H. Wulff, CFA



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**Oil and Gas Producers - Rank by McDep Ratio**

	Symbol/ Rating		Price (US\$/sh) 6-Aug 2007	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
Exxon Mobil Corporation	XOM	B	83.54	5,620	470,000	92.00	0.05	0.91
Total S.A.	TOT	B	75.00	2,278	171,000	89.00	0.13	0.86
Royal Dutch Shell plc	RDS-A	B	75.93	3,152	239,000	94.00	0.10	0.83
BP plc	BP	B	67.54	3,198	216,000	87.00	0.16	0.81
Chevron Corporation	CVX	B	82.02	2,206	181,000	105.00	0.09	0.80
ConocoPhillips	COP	B	78.95	1,658	131,000	112.00	0.18	0.76
Gazprom (50%)	OGZPY	B	42.70	2,855	121,900	62.00	0.07	0.71
<i>Total or Median</i>					<i>1,530,000</i>		<i>0.10</i>	<i>0.81</i>
<b>Producer/Refiners - Large Cap</b>								
Imperial Oil Limited (30%)	IMO	B	43.65	282	12,310	42.00	0.07	1.04
Norsk Hydro ASA (post Oct 1)	NHY	H	12.01	1,241	14,910	13.00	0.11	0.93
Suncor Energy	SU	B	87.65	472	41,370	105.00	0.08	0.85
PetroChina Company Ltd (10%)	PTR	B	136.91	181	24,780	166.00	0.05	0.83
Marathon Oil Corporation	MRO	H	49.24	712	35,080	62.00	0.18	0.83
Statoil ASA (29%)	STO	B	28.41	928	26,360	35.00	0.14	0.84
Petro-Canada	PCZ	B	50.91	498	25,350	65.00	0.15	0.82
Lukoil Oil Company	LUKOY	B	77.40	831	64,000	121.00	0.02	0.65
<i>Total or Median</i>					<i>244,000</i>		<i>0.10</i>	<i>0.84</i>
<b>Independent Natural Gas and Oil - Large Cap</b>								
CNOOC Limited (34%)	CEO	B	112.10	140	15,670	108.00	-	1.04
Encana Corporation	ECA	B	59.75	765	45,700	72.00	0.14	0.85
XTO Energy Inc.	XTO	B	53.73	390	20,950	70.00	0.17	0.81
Anadarko Petroleum Corp.	APC	B	50.46	467	23,600	74.00	0.38	0.80
Occidental Petroleum Corp.	OXY	B	54.29	842	45,700	77.00	0.07	0.73
EOG Resources	EOG	B	70.52	247	17,400	102.00	0.05	0.71
Devon Energy Corporation	DVN	B	77.18	450	34,700	129.00	0.15	0.66
<i>Total or Median</i>					<i>204,000</i>		<i>0.14</i>	<i>0.80</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	33.04	45	1,480	44.00	0.23	0.81
Encore Acquisition Company	EAC	B	27.82	54	1,500	54.00	0.32	0.67
Energy Partners Ltd.	EPL	B	12.91	31	400	38.00	0.35	0.57
Cimarex Energy Company	XEC	B	36.49	85	3,090	76.00	0.09	0.53
<i>Total or Median</i>					<i>6,500</i>		<i>0.28</i>	<i>0.62</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	49.00	179	8,750	17.00	0.53	1.89
Kinder Morgan Management, LLC	KMR	S	46.76	62	2,890	17.00	0.53	1.83
Pengrowth Energy Trust	PGH		17.29	244	4,220	17.00	0.29	1.01
Enerplus Resources Fund	ERF		42.69	123	5,270	52.00	0.13	0.85
Penn West Energy Trust	PWE	B	29.87	242	7,210	36.00	0.17	0.86
San Juan Basin Royalty Trust	SJT	B	31.93	47	1,490	40.00	-	0.80
Canadian Oil Sands Trust	COSWF	B	31.03	479	14,860	39.00	0.07	0.81
Hugoton Royalty Trust	HGT	B	23.70	40	950	34.00	-	0.70
<i>Total or Median</i>					<i>45,600</i>		<i>0.15</i>	<i>0.85</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) 6-Aug 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>Mega Cap</b>								
Gazprom (50%)	OGZPY	B	42.70	24.6	9.4	6.6	10	0.9
Exxon Mobil Corporation	XOM	B	83.54	11.7	6.7	6.1	11	1.7
BP plc	BP	B	67.54	9.7	7.0	5.7	9	3.8
Total S.A.	TOT	B	75.00	9.7	6.5	5.6	10	3.4
Chevron Corporation	CVX	B	82.02	10.1	6.2	4.9	9	2.8
ConocoPhillips	COP	B	78.95	10.3	6.4	4.8	8	2.1
Royal Dutch Shell plc	RDS-A	B	75.93	8.1	5.7	4.7	9	3.8
	<i>Median</i>			<i>10.1</i>	<i>6.5</i>	<i>5.6</i>	<i>9</i>	<i>2.8</i>
<b>Producer/Refiners - Large Cap</b>								
Suncor Energy	SU	B	87.65	23.8	10.6	9.0	16	0.4
Imperial Oil Limited (30%)	IMO	B	43.65	13.3	7.8	8.1	14	0.8
PetroChina Company Ltd (10%)	PTR	B	136.91	15.0	7.9	6.6	13	3.4
Norsk Hydro ASA (post Oct 1)	NHY	H	12.01	-	6.6	6.2	10	1.4
Statoil ASA (29%)	STO	B	28.41	7.7	6.1	5.1	11	5.5
Lukoil Oil Company	LUKOY	B	77.40	17.8	7.7	5.0	9	1.9
Marathon Oil Corporation	MRO	H	49.24	9.1	5.6	4.7	8	1.9
Petro-Canada	PCZ	B	50.91	6.6	5.7	4.7	9	1.0
	<i>Median</i>			<i>11.2</i>	<i>7.1</i>	<i>5.6</i>	<i>10</i>	<i>1.7</i>
<b>Independent Natural Gas and Oil - Large Cap</b>								
Anadarko Petroleum Corp.	APC	B	50.46	11.2	8.7	7.0	12	1.4
XTO Energy Inc.	XTO	B	53.73	11.3	8.5	6.9	12	0.9
CNOOC Limited (34%)	CEO	B	112.10	10.6	6.2	6.4	12	3.0
Encana Corporation	ECA	B	59.75	9.2	7.2	6.2	12	1.3
EOG Resources	EOG	B	70.52	9.3	8.5	6.0	16	0.5
Devon Energy Corporation	DVN	B	77.18	9.0	8.3	5.5	11	0.7
Occidental Petroleum Corp.	OXY	B	54.29	11.5	7.1	5.1	10	1.8
	<i>Median</i>			<i>10.6</i>	<i>8.3</i>	<i>6.2</i>	<i>12</i>	<i>1.3</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	33.04	10.2	9.0	7.3	15	0.9
Encore Acquisition Company	EAC	B	27.82	15.5	9.0	6.0	16	-
Cimarex Energy Company	XEC	B	36.49	8.1	7.4	3.9	10	0.4
Energy Partners Ltd.	EPL	B	12.91	5.4	5.8	3.3	-	-
	<i>Median</i>			<i>9.1</i>	<i>8.2</i>	<i>5.0</i>	<i>15</i>	<i>0.2</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	49.00		8.0	15.1	34	6.9
Kinder Morgan Management, LLC	KMR	S	46.76		8.0	14.6	32	7.3
San Juan Basin Royalty Trust	SJT	B	31.93	10.2	13.1	10.4	13	7.8
Canadian Oil Sands Trust	COSWF	B	31.03	21.1	10.6	8.6	11	8.5
Hugoton Royalty Trust	HGT	B	23.70	13.9	11.6	8.1	12	8.5
Pengrowth Energy Trust	PGH		17.29	7.5	7.9	8.0	33	16.4
Enerplus Resources Fund	ERF		42.69	9.0	8.2	6.9	13	11.2
Penn West Energy Trust	PWE	B	29.87	7.7	7.4	6.4	13	12.9
	<i>Median</i>			<i>9.6</i>	<i>8.1</i>	<i>8.4</i>	<i>13</i>	<i>8.5</i>

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	
		6-Aug 2007	Equity (%)							EV (%)
<b>Mega Cap</b>										
Exxon Mobil Corporation	XOM	83.54	1.6	1.4		0.1	0.2	0.8	0.4	0.91
Total S.A.	TOT	75.00	2.9	2.9	2.9		0.8	1.5	0.6	0.86
Royal Dutch Shell plc	RDS-A	75.93	3.0	2.9	2.9	0.1	0.4	1.4	1.0	0.83
BP plc	BP	67.54	2.7	2.9	2.9	0.2	0.3	1.7	0.7	0.81
Chevron Corporation	CVX	82.02	6.0	5.7		0.3	0.3	3.6	1.5	0.80
ConocoPhillips	COP	78.95	5.2	5.7		0.9	0.4	3.0	1.4	0.76
Gazprom	OGZPY	42.70	9.2	8.6	8.6		6.6	2.0		0.71
<b>Producer/Refiners - Large Cap</b>										
Imperial Oil Limited	IMO	43.65	1.6	1.4	1.4	0.1		1.1	0.2	1.04
Suncor Energy	SU	87.65	1.5	1.4	1.4	0.0		1.3	0.1	0.85
Statoil ASA	STO	28.41	1.4	1.4	1.4		0.5	0.9	-	0.84
PetroChina Company Ltd.	PTR	136.91	3.2	2.9	2.9		0.2	2.5	0.2	0.83
Petro-Canada	PCZ	50.91	1.4	1.4	1.4	0.2	0.0	1.0	0.2	0.82
Lukoil Oil Company	LUKOY	77.40	6.5	5.7	5.7			4.1	1.6	0.65
<b>Independent Natural Gas and Oil - Large Cap</b>										
CNOOC Limited	CEO	112.10	3.4	2.9	2.9		0.3	2.6		1.04
Encana Corporation	ECA	59.75	4.2	4.3	4.3	3.0		0.9	0.4	0.85
XTO Energy Inc.	XTO	53.73	4.0	4.3		3.4		0.9		0.81
Anadarko Petroleum Corp.	APC	50.46	1.8	2.9		1.5		1.3	0.1	0.80
Occidental Petroleum Corp	OXY	54.29	3.0	2.9		0.4	0.0	2.2	0.2	0.73
EOG Resources	EOG	70.52	6.2	5.7		4.5	0.2	1.0		0.71
Devon Energy Corporation	DVN	77.18	5.3	5.7		3.2		2.5		0.66
<b>Independent Natural Gas and Oil - Small Cap</b>										
Berry Petroleum Company	BRY	33.04	1.2	1.4		0.4		1.0		0.81
Encore Acquisition Comp	EAC	27.82	1.7	2.9		0.5		2.4		0.67
Energy Partners Ltd.	EPL	12.91	1.3	2.9		1.4		1.5		0.57
Cimarex Energy Company	XEC	36.49	2.8	2.9		2.0		0.9		0.53
<b>Income</b>										
Penn West Energy Trust	PWE	29.87	2.7	2.9	2.9	0.9		1.9		0.86
Canadian Oil Sands Trust	COSWF	31.03	6.1	5.7	5.7	(0.6)		6.3		0.81
San Juan Basin Royalty Tr	SJT	31.93	6.8	5.7		5.7				0.80
Hugoton Royalty Trust	HGT	23.70	3.4	2.9		2.9				0.70
<b>Portfolio Composite</b>			<b>100</b>	<b>100</b>	<b>47</b>	<b>31</b>	<b>10</b>	<b>50</b>	<b>9</b>	<b>0.75</b>
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>
3-Aug	EOG	EOG Resources Inc.	Natural Gas with North Dakota Oil
3-Aug	PWE	Penn West Energy Trust	High Return from Distributions
3-Aug	IMO	Imperial Oil Limited	High Return from Stock Repurchase
2-Aug	TOT	Total S.A.	Constructive Russo-French Interdependence
2-Aug	BRY	Berry Petroleum	Rocky Mountain Constraints
1-Aug	XEC	Cimarex Energy Company	Stable Volume
1-Aug	DVN	Devon Energy Corporation	Volume Advances
1-Aug	EAC	Encore Acquisition	Nice to be Oily
31-Jul	MRO	Marathon Oil Corporation	Oil Sands Acquirer
31-Jul	APC	Anadarko Petroleum Corporation	Transition Maturing
30-Jul	STO	Statoil ASA	Norwegian Oil and Gas Champion
27-Jul	CVX	Chevron Corporation	Oil and Downstream Vigor
26-Jul	SU	Suncor Energy	Oil Sands Growth Stock
26-Jul	XOM	Exxon Mobil Corporation	Steady Strength
26-Jul	PCZ	Petro-Canada	Raise NPV to US\$65 a Share
26-Jul	RDSA	Royal Dutch Shell plc	Downstream Benefit
25-Jul	ECA	EnCana Corporation	Downstream Blessing
25-Jul	COP	ConocoPhillips	Downstream Blessing
25-Jul	BP	BP p.l.c.	Controversy Diminishing
25-Jul	COSWF	Canadian Oil Sands Trust	Potential Distribution Double
24-Jul	XTO	XTO Energy Inc.	Volume Growth in Underpriced Natural Gas
24-Jul	OXY	Occidental Petroleum Corporation	Ready for Peak Oil Test
24-Jul	NHY	Norsk Hydro ASA	Confidence in Aluminium
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)
4-May	* EPL	Energy Partners, Ltd.	Strategic Alternatives Disappointment

**Meter Reader - A Weekly Analysis**

7-Aug		
31-Jul		Value Growth
24-Jul	*	Europe Wants Natural Gas Again
17-Jul	*	Understated U.S. Oil Benchmark

**Natural Gas and Oil Royalty Trusts - A Weekly Analysis**

6-Aug		Seymour Schulich's Book
30-Jul		Market Reprices Credit Risk
20-Jul	*	The Last Laggards
13-Jul	*	Too Much Coal

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