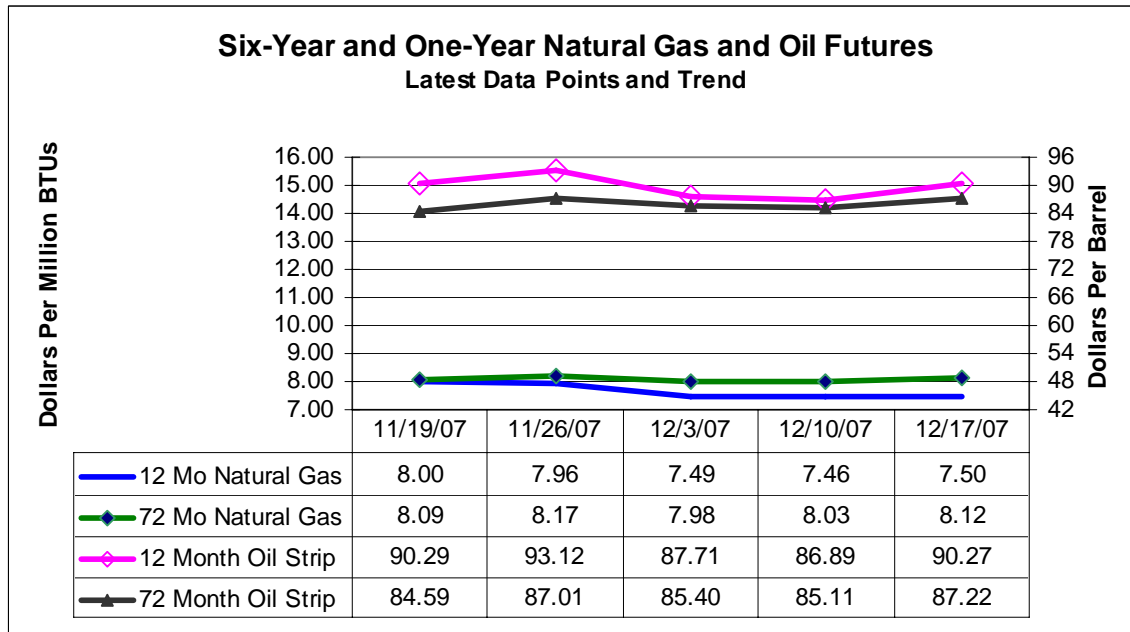


Raise Oil Present Value 15%

Summary and Recommendation

On the basis of a long-term oil price expectation of \$80 a barrel, up from \$66, we raise estimated present value (PV) of world oil production and natural gas production outside North America by 15%. Six-year futures for oil are currently \$87 and the next twelve months futures average \$90 (see table Natural Gas and Oil Futures). Recent tax increases in Alaska and Alberta hold back oil PV from increasing as much as the 21% increase in price. PV remains unchanged for natural gas in the U.S. and Canada tied to a long-term price of \$11 a million btu and downstream refining/marketing globally tied to a refinery crack of \$11 a barrel. Typical McDep Ratios decline to 0.8 from about 0.9 depending on the mix of properties and debt. Mega Caps like buy-recommended **ConocoPhillips (COP)** and producer/refiners like buy-recommended **Statoil (STO)** look more attractive statistically than previously. **Devon Energy (DVN)** continues to look strong among independent producers. Raised a full 15% in PV as a pure oil producer, **Canadian Oil Sands Trust (COSWF)** becomes more attractive statistically among income stocks.

Kurt H. Wulff, CFA



Please see disclosures on the final page.

Oil and Gas Producers - Rank by McDep Ratio

	Symbol/ Rating		Price (US\$/sh) 17-Dec 2007	Shares (mm)	Market Cap (US\$m)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	73.32	3,177	233,000	84.00	0.17	0.89
Exxon Mobil Corporation	XOM	B	89.90	5,536	498,000	102.00	0.05	0.89
Petrobras	PBR		99.53	2,200	218,970	122.00	0.09	0.83
Total S.A.	TOT	B	78.36	2,273	178,000	100.00	0.13	0.81
Royal Dutch Shell plc	RDS-A	B	80.17	3,143	252,000	104.00	0.10	0.79
Chevron Corporation	CVX	B	89.99	2,206	199,000	117.00	0.08	0.79
Gazprom (50%)	OGZPY	B	55.40	2,945	163,200	72.00	0.06	0.78
ConocoPhillips	COP	B	81.75	1,644	134,000	124.00	0.18	0.72
<i>Total or Median</i>					<i>1,876,000</i>		<i>0.09</i>	<i>0.80</i>
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	52.60	278	14,640	48.00	0.07	1.09
Norsk Hydro ASA	NHYDY	H	13.35	1,223	16,330	13.00	0.04	1.03
PetroChina Company Ltd (10%)	PTR	H	173.26	178	30,820	190.00	0.05	0.92
Marathon Oil Corporation	MRO	H	57.10	719	41,050	68.00	0.18	0.87
Suncor Energy	SU	B	102.40	472	48,330	122.00	0.08	0.85
Petro-Canada	PCZ	B	50.82	493	25,050	72.00	0.14	0.75
StatoilHydro ASA (29%)	STO	B	28.84	928	26,760	41.00	0.12	0.74
Lukoil Oil Company	LUKOY	B	86.90	826	72,000	134.00	0.02	0.66
<i>Total or Median</i>					<i>275,000</i>		<i>0.07</i>	<i>0.86</i>
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	152.00	149	22,690	125.00	-	1.22
Encana Corporation	ECA	B	67.12	756	50,700	75.00	0.18	0.91
XTO Energy Inc.	XTO	B	51.06	489	24,960	63.00	0.17	0.84
EOG Resources	EOG	B	87.40	247	21,600	106.00	0.06	0.84
Anadarko Petroleum Corp.	APC	B	61.47	468	28,800	82.00	0.31	0.83
Occidental Petroleum Corp.	OXY	B	68.88	837	57,700	86.00	0.05	0.81
Canadian Natural Resources	CNQ	B	67.84	539	36,600	99.00	0.19	0.75
Devon Energy Corporation	DVN	B	86.87	450	39,100	139.00	0.14	0.68
<i>Total or Median</i>					<i>282,000</i>		<i>0.16</i>	<i>0.83</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	41.75	45	1,880	50.00	0.21	0.87
Encore Acquisition Company	EAC	B	30.61	54	1,660	60.00	0.29	0.65
Cimarex Energy Company	XEC	B	40.93	84	3,440	76.00	0.09	0.58
Energy Partners Ltd.	EPL	B	11.76	32	370	38.00	0.34	0.54
<i>Total or Median</i>					<i>7,400</i>		<i>0.25</i>	<i>0.62</i>
Income								
Kinder Morgan Management, LLC	KMR	S	52.19	63	3,290	17.00	0.54	1.95
Kinder Morgan Energy Partners, L.P.	KMP	S	52.17	179	9,360	17.00	0.54	1.95
Pengrowth Energy Trust	PGH		17.39	247	4,300	19.00	0.24	0.94
San Juan Basin Royalty Trust	SJT	B	34.22	47	1,590	40.00	-	0.85
Canadian Oil Sands Trust	COSWF	B	36.46	479	17,460	45.00	0.06	0.82
Enerplus Resources Fund	ERF		39.40	129	5,100	52.00	0.13	0.79
Penn West Energy Trust	PWE	B	26.51	243	6,430	37.00	0.20	0.77
Hugoton Royalty Trust	HGT	B	22.51	40	900	34.00	-	0.66
<i>Total or Median</i>					<i>48,400</i>		<i>0.17</i>	<i>0.84</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

Please see disclosures on the final page.

Oil and Gas Producers - Rank by EV/Ebitda

	Symbol/ Rating	Price (US\$/sh) 17-Dec 2007	Adjustd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap							
Petrobras	PBR	99.53	9.8	9.7	8.1	15	1.7
Gazprom (50%)	OGZPY B	55.40	24.6	10.2	8.0	14	0.8
Exxon Mobil Corporation	XOM B	89.90	12.1	7.0	6.2	11	1.6
BP plc	BP B	73.32	10.0	6.9	6.2	10	3.5
Total S.A.	TOT B	78.36	9.6	6.6	5.4	9	3.5
Chevron Corporation	CVX B	89.99	10.2	6.5	5.1	9	2.6
ConocoPhillips	COP B	81.75	10.7	6.7	4.8	8	2.0
Royal Dutch Shell plc	RDS-A B	80.17	8.1	6.0	4.8	8	3.6
	<i>Median</i>		<i>10.1</i>	<i>6.8</i>	<i>5.8</i>	<i>10</i>	<i>2.3</i>
Producer/Refiners - Large Cap							
Suncor Energy	SU B	102.40	26.6	11.6	9.8	18	0.4
Imperial Oil Limited (30%)	IMO B	52.60	13.6	7.7	8.4	14	0.7
PetroChina Company Ltd (10%)	PTR H	173.26	15.0	7.6	6.9	13	2.8
Norsk Hydro ASA	NHYDY H	13.35	-	6.6	6.7	11	1.4
Marathon Oil Corporation	MRO H	57.10	8.7	6.1	5.3	9	1.7
StatoilHydro ASA (29%)	STO B	28.84	7.7	6.3	4.6	10	5.8
Lukoil Oil Company	LUKOY B	86.90	18.4	6.9	4.6	8	1.8
Petro-Canada	PCZ B	50.82	6.4	5.6	4.1	8	1.0
	<i>Median</i>		<i>11.1</i>	<i>6.8</i>	<i>6.0</i>	<i>10</i>	<i>1.5</i>
Independent Natural Gas and Oil - Large Cap							
XTO Energy Inc.	XTO B	51.06	11.1	9.3	7.8	14	0.9
CNOOC Limited (34%)	CEO H	152.00	10.6	6.3	7.7	14	2.3
Encana Corporation	ECA B	67.12	8.9	7.6	6.9	13	1.2
EOG Resources	EOG B	87.40	9.0	8.0	6.7	17	0.4
Canadian Natural Resources	CNQ B	67.84	8.2	8.9	6.7	13	0.5
Anadarko Petroleum Corp.	APC B	61.47	11.4	7.7	6.3	16	1.2
Occidental Petroleum Corp.	OXY B	68.88	11.7	6.9	5.6	11	1.5
Devon Energy Corporation	DVN B	86.87	8.9	8.0	5.4	11	0.6
	<i>Median</i>		<i>9.8</i>	<i>7.8</i>	<i>6.7</i>	<i>14</i>	<i>1.1</i>
Independent Natural Gas and Oil - Small Cap							
Berry Petroleum Company	BRY B	41.75	9.9	7.5	6.6	12	0.7
Encore Acquisition Company	EAC B	30.61	14.5	7.8	5.1	13	-
Cimarex Energy Company	XEC B	40.93	7.9	6.7	3.9	9	0.4
Energy Partners Ltd.	EPL B	11.76	6.0	5.9	3.2	-	-
	<i>Median</i>		<i>8.9</i>	<i>7.1</i>	<i>4.5</i>	<i>12</i>	<i>0.2</i>
Income							
Kinder Morgan Management, LLC	KMR S	52.19		7.9	15.5	33	6.7
Kinder Morgan Energy Partners, L.P.	KMP S	52.17		7.9	15.5	33	6.7
San Juan Basin Royalty Trust	SJT B	34.22	10.2	13.4	11.4	14	7.1
Canadian Oil Sands Trust	COSWF B	36.46	22.5	10.1	8.3	10	9.3
Hugoton Royalty Trust	HGT B	22.51	13.8	11.6	7.6	11	9.3
Pengrowth Energy Trust	PGH	17.39	7.4	7.1	6.7	20	15.3
Enerplus Resources Fund	ERF	39.40	9.7	8.3	6.5	11	12.6
Penn West Energy Trust	PWE B	26.51	7.8	7.1	5.5	10	15.1
	<i>Median</i>		<i>9.9</i>	<i>8.1</i>	<i>7.9</i>	<i>13</i>	<i>9.3</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Please see disclosures on the final page.

**McDep Energy Portfolio
Composite of Buy Recommendations**

Symbol	Price (US\$/sh) 17-Dec 2007	Portfolio Weight		Non- U.S. HQ (%)	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio	
		Equity (%)	EV (%)							
Mega Cap										
BP plc	BP	73.32	3.0	3.2	3.2	0.3	0.3	2.1	0.5	0.89
Exxon Mobil Corporation	XOM	89.90	3.6	3.2		0.2	0.4	1.9	0.6	0.89
Total S.A.	TOT	78.36	3.1	3.2	3.2		1.0	1.7	0.6	0.81
Royal Dutch Shell plc	RDS-A	80.17	3.3	3.2	3.2	0.1	0.4	1.7	1.0	0.79
Chevron Corporation	CVX	89.99	3.4	3.2		0.1	0.2	2.2	0.7	0.79
Gazprom	OGZPY	55.40	10.3	9.6	9.6		6.3	3.2		0.78
ConocoPhillips	COP	81.75	5.6	6.4		0.9	0.4	3.6	1.4	0.72
<i>Total or Median</i>			32	32						0.79
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	52.60	1.4	1.3	1.3	0.1		1.0	0.2	1.09
Suncor Energy	SU	102.40	1.4	1.3	1.3	0.0		1.2	0.1	0.85
Petro-Canada	PCZ	50.82	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.75
StatoilHydro ASA	STO	28.84	1.6	1.6	1.6		0.6	1.0	-	0.74
Lukoil Oil Company	LUKOY	86.90	7.2	6.4	6.4			4.7	1.7	0.66
<i>Total or Median</i>			13	12						0.75
Independent Natural Gas and Oil - Large Cap										
Encana Corporation	ECA	67.12	3.6	3.8	3.8	2.5		1.0	0.3	0.91
XTO Energy Inc.	XTO	51.06	4.5	4.8		3.6		1.2		0.84
EOG Resources	EOG	87.40	7.0	6.4		4.8	0.2	1.4		0.84
Anadarko Petroleum Corp.	APC	61.47	2.4	3.2		1.7		1.4	0.1	0.83
Occidental Petroleum Corp.	OXY	68.88	3.5	3.2		0.4	0.0	2.5	0.3	0.81
Canadian Natural Resources	CNQ	67.84	1.4	1.6	1.6	0.4		1.2		0.75
Devon Energy Corporation	DVN	86.87	6.0	6.4		3.3		3.0		0.68
<i>Total or Median</i>			28	29						0.83
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	41.75	1.4	1.6		0.4		1.2		0.87
Encore Acquisition Company	EAC	30.61	2.1	3.2		0.6		2.6		0.65
Cimarex Energy Company	XEC	40.93	3.2	3.2		2.2		1.0		0.58
Energy Partners Ltd.	EPL	11.76	0.7	1.6		0.8		0.8		0.54
<i>Total or Median</i>			7	10						0.62
Income										
San Juan Basin Royalty Trust	SJT	34.22	7.5	6.4		6.4				0.85
Canadian Oil Sands Trust	COSWF	36.46	5.6	5.1	5.1	(0.5)		5.6		0.82
Penn West Energy Trust	PWE	26.51	2.2	2.6	2.6	0.8		1.8		0.77
Hugoton Royalty Trust	HGT	22.51	3.8	3.2		3.2				0.66
<i>Total or Median</i>			19	17						0.80
Portfolio Composite			100	100	44	32	10	50	8	0.77
Canada					17					
Russia					16					
Europe					11					

Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 9.6% to four-tenths at 1.3%.

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Index of Recent Research**Stock Ideas**

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
14-Dec	LUKOY	Lukoil Oil Company	Our Favorite Russian Oil Stock
6-Dec	OGZPY	Gazprom	Natural Gas Price Marching Up
28-Nov	CNQ	Canadian Natural Resources	New Buy Recommendation
11-Nov	* PBR	Petrobras	Energy Mega Cap
9-Nov	* PWE	Penn West Energy Trust	Light Oil Consolidator
8-Nov	* PBR	Petrobras	Bonanza Offshore Brazil
7-Nov	* XEC	Cimarex Energy Company	Timely Turn to Oil
7-Nov	* DVN	Devon Energy Corporation	Oil Strength, Natural Gas Potential
7-Nov	* EPL	Energy Partners, Ltd.	Management Scales Back
7-Nov	* TOT	Total S.A.	Global Natural Gas Competitor
6-Nov	* APC	Anadarko Petroleum Corporation	Natural Gas Resource Value
2-Nov	* CVX	Chevron Corporation	A Bias to be Oilier
1-Nov	* MRO	Marathon Oil Corporation	Oil Sands Deal Closed
1-Nov	* CNQ	Canadian Natural Resources	Heavy Oil, Natural Gas and Oil Sands
1-Nov	* XOM	Exxon Mobil Corporation	Energy Money Fund
31-Oct	* COSWF	Canadian Oil Sands Trust	Oil Price Trumps Alberta Tax Hike
31-Oct	* EAC	Encore Acquisition	Oil with Income Alternative in Encore Energy Partners
31-Oct	* BRV	Berry Petroleum	Plans Master Limited Partnership (MLP)
30-Oct	* IMO	Imperial Oil Limited	Oil Price Yes, Alberta Royalties No
30-Oct	* NHY	Norsk Hydro ASA	Real Growth in Materials
30-Oct	* CEO	CNOOC Ltd	Flourishing China Stock Market
29-Oct	* EOG	EOG Resources Inc.	Natural Gas Sleeper
29-Oct	* STO	StatoilHydro ASA	Shtokman Partner
26-Oct	* PTR	PetroChina Company Limited	Revise to Hold from Buy on Price
25-Oct	* ECA	EnCana Corporation	Political Cloud over Canada
25-Oct	* SU	Suncor Energy	Political Pall over Canada
25-Oct	* RDSA	Royal Dutch Shell plc	Healthy Business
25-Oct	* PCZ	Petro-Canada	Political Pall over Canada
24-Oct	* OXY	Occidental Petroleum Corporation	Preferred Operator in the Middle East
24-Oct	* COP	ConocoPhillips	Low Stock Price for Strong Cash Flow
23-Oct	* XTO	XTO Energy Inc.	Raise Net Present Value to \$75 A Share
23-Oct	* BP	BP p.l.c.	Lower Net Present Value to \$75 A Share
17-Oct	* KMP	Kinder Morgan	A Little Corruption, American Style
6-Sep	* SJT	San Juan Basin Royalty Trust	Mountains and Valleys
23-Jul	* HGT	Hugoton Royalty Trust	Paying Unitholders to Wait

Meter Reader

18-Dec		Weekly	Raise Oil Present Value 15%
11-Dec		Weekly	GasPutin for Investors
4-Dec	*	Weekly	Weighting for Winners
27-Nov	*	Weekly	Alaska Avarice

Oil and Gas Income Stocks (previously Natural Gas and Oil Royalty Trusts)

14-Dec		Weekly	How Low Can It Go?
7-Dec		Weekly	Price Gap Narrows for Rockies Natural Gas
30-Nov	*	Weekly	Penn West for Contrarians
23-Nov	*	Weekly	Cross Timbers Royalty Trust

* Archived on www.mcdep.com**Please see disclosures on the final page.**

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