



In Energy We Trust

Summary and Recommendation

In volatile markets with nasty financial surprises investors may need frequent reassurance of the basic reasons for owning quality energy stocks – growth in value with deflation resistance and inflation protection. Deflation of credit bubbles has become a greater concern lately with the unfolding failures of financial derivatives in consumer lending and insurance in municipal borrowing. The issuers behind our recommended energy stocks are not directly hurt by the debt crisis because they are among the strongest entities financially in our economy. To counter the potential indirect impact on everyone, our government authorities are expanding the money supply with monetary and fiscal rescue packages. We think the response will work in an election year. In the higher inflation that may follow, commodities like oil and gas hold their real value almost by definition.

We think we can get growth in value, or return on investment, of 7% a year when we buy a recommended stock at a McDep Ratio of 1.0. The expected return is higher if we can buy at the lower stock prices implied by the composite McDep Ratio of 0.74 for the illustrative Energy Portfolio (see table, page 4). Whether we consider that a McDep Ratio of 0.74 relates to an oil price of \$59 a barrel or that a McDep Ratio of 1.0 relates to \$80 a barrel, both are lower than the six-year futures price of \$90 (see chart, page 6). Moreover, we think the oil price trend is up and natural gas price can double relative to oil.

Political actions are among the strongest props for higher energy prices. Oil prices may have already adjusted for the higher cost of new supply because Alberta increased its oil tax to 40% from 25%. Natural gas may be in shorter supply and prices higher in the future than otherwise with the postponement of an Alaskan pipeline for another generation as the state increases its petroleum tax from 22.5% to a punitive 50%. Three of the four leading contenders for the next president of the U.S. would tax carbon dioxide emissions that would have the effect of boosting natural gas demand and price relative to coal.

Kurt H. Wulff, CFA

N.B. The regular chart of six-year and one-year oil and natural gas futures appears on the last page of this weekly analysis.

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

February 12, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		11-Feb	Shares	Cap	Value	Present	McDep
	Rating		2008	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
Mega Cap								
Petrobras	PBR		115.10	2,200	253,220	122.00	0.09	0.95
Exxon Mobil Corporation	XOM	B	83.22	5,454	454,000	102.00	0.05	0.82
BP plc	BP	B	64.80	3,163	205,000	84.00	0.18	0.81
Total S.A.	TOT	B	70.55	2,273	160,000	100.00	0.13	0.74
Chevron Corporation	CVX	B	80.43	2,206	177,000	117.00	0.08	0.71
Royal Dutch Shell plc	RDS-A	B	67.72	3,125	212,000	104.00	0.11	0.69
ConocoPhillips	COP	B	76.97	1,612	124,000	124.00	0.18	0.69
Gazprom (50%)	OGZPY	B	46.75	2,945	137,700	72.00	0.06	0.67
<i>Total or Median</i>					1,723,000		0.10	0.73
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	51.63	275	14,170	48.00	0.07	1.07
Suncor Energy	SU	B	96.46	473	45,630	122.00	0.08	0.81
Marathon Oil Corporation	MRO	H	49.20	713	35,080	68.00	0.18	0.77
PetroChina Company Ltd (14%)	PTR	B	140.74	256	36,060	190.00	0.05	0.75
StatoilHydro ASA (29%)	STO	B	26.23	928	24,340	41.00	0.12	0.68
Petro-Canada	PCZ	B	44.20	489	21,610	72.00	0.15	0.67
Lukoil Oil Company	LUKOY	B	68.00	826	56,000	134.00	0.02	0.52
<i>Total or Median</i>					233,000		0.08	0.75
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	144.50	149	21,570	125.00	-	1.16
Encana Corporation	ECA	B	69.55	756	52,600	75.00	0.18	0.94
XTO Energy Inc.	XTO	B	56.53	489	27,630	63.00	0.17	0.92
EOG Resources	EOG	B	98.43	249	24,500	115.00	0.06	0.86
Occidental Petroleum Corp.	OXY	B	68.54	833	57,100	86.00	0.06	0.81
Anadarko Petroleum Corp.	APC	B	58.74	470	27,600	82.00	0.31	0.80
Devon Energy Corporation	DVN	B	93.69	449	42,100	139.00	0.13	0.72
Canadian Natural Resources	CNQ	B	62.61	539	33,700	99.00	0.19	0.70
<i>Total or Median</i>					287,000		0.15	0.84
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	39.07	45	1,760	50.00	0.21	0.83
Encore Acquisition Company	EAC	B	33.76	54	1,830	60.00	0.29	0.69
Cimarex Energy Company	XEC	B	45.14	84	3,790	76.00	0.09	0.63
Energy Partners Ltd.	EPL	B	12.05	32	380	38.00	0.34	0.55
<i>Total or Median</i>					7,800		0.25	0.66
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.27	179	10,450	17.00	0.56	2.07
Kinder Morgan Management, LLC	KMR	S	54.69	64	3,500	17.00	0.56	1.98
San Juan Basin Royalty Trust	SJT	B	38.22	47	1,780	40.00	-	0.95
Pengrowth Energy Trust	PGH		17.70	247	4,370	19.00	0.24	0.95
Canadian Oil Sands Trust	COSWF	B	37.34	479	17,890	45.00	0.05	0.84
Penn West Energy Trust	PWE	B	27.14	280	7,600	37.00	0.28	0.81
Enerplus Resources Fund	ERF		39.72	129	5,140	52.00	0.13	0.79
Hugoton Royalty Trust	HGT	B	26.46	40	1,060	34.00	-	0.78
<i>Total or Median</i>					51,800		0.19	0.89
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.

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A Weekly Analysis of Energy Stocks Using the McDep Ratio

February 12, 2008



Oil and Gas Producers - Rank by EV/Ebitda								
			Price	Adjustd				Divd or
			(US\$/sh)	Resrvs/	PV/	EV/		Distrib
	Symbol/		11-Feb	Prod	Ebitda	Ebitda	P/E	NTM
	Rating		2008	NTM	NTM	NTM	NTM	(%)
Mega Cap								
Petrobras	PBR		115.10	9.8	9.6	9.1	17	1.5
Gazprom (50%)	OGZPY	B	46.75	24.6	10.3	6.9	12	0.9
Exxon Mobil Corporation	XOM	B	83.22	12.0	7.0	5.7	10	1.7
BP plc	BP	B	64.80	9.6	6.7	5.4	9	5.0
Total S.A.	TOT	B	70.55	9.6	6.5	4.9	8	3.9
Chevron Corporation	CVX	B	80.43	10.1	6.5	4.6	8	2.9
ConocoPhillips	COP	B	76.97	10.6	6.3	4.3	7	2.1
Royal Dutch Shell plc	RDS-A	B	67.72	8.1	6.0	4.1	8	4.7
	<i>Median</i>			10.0	6.6	5.2	9	2.5
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	96.46	23.8	11.1	9.0	16	0.4
Imperial Oil Limited (30%)	IMO	B	51.63	14.1	7.6	8.2	14	0.7
PetroChina Company Ltd (14%)	PTR	B	140.74	15.0	7.6	5.7	11	3.5
Marathon Oil Corporation	MRO	H	49.20	8.9	6.3	4.9	8	2.0
StatoilHydro ASA (29%)	STO	B	26.23	7.7	6.2	4.2	9	6.3
Petro-Canada	PCZ	B	44.20	6.9	5.8	3.9	8	1.2
Lukoil Oil Company	LUKOY	B	68.00	18.4	6.9	3.6	6	2.3
	<i>Median</i>			14.1	6.9	4.9	9	2.0
Independent Natural Gas and Oil - Large Cap								
XTO Energy Inc.	XTO	B	56.53	11.1	8.7	8.0	16	0.8
EOG Resources	EOG	B	98.43	10.5	8.0	6.9	17	0.5
Encana Corporation	ECA	B	69.55	8.9	7.2	6.8	13	1.2
CNOOC Limited (34%)	CEO	H	144.50	9.8	5.8	6.7	12	2.4
Canadian Natural Resources	CNQ	B	62.61	8.2	8.7	6.1	11	0.5
Anadarko Petroleum Corp.	APC	B	58.74	9.9	7.5	6.0	18	1.2
Devon Energy Corporation	DVN	B	93.69	9.5	7.9	5.6	12	0.6
Occidental Petroleum Corp.	OXY	B	68.54	11.6	6.6	5.3	10	1.5
	<i>Median</i>			9.9	7.7	6.4	12	1.0
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	39.07	10.6	7.3	6.0	10	0.8
Encore Acquisition Company	EAC	B	33.76	14.4	7.6	5.2	13	-
Cimarex Energy Company	XEC	B	45.14	7.9	6.4	4.0	9	0.4
Energy Partners Ltd.	EPL	B	12.05	6.0	5.5	3.0	-	-
	<i>Median</i>			9.3	6.8	4.6	10	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.27		7.8	16.2	30	6.3
Kinder Morgan Management, LLC	KMR	S	54.69		7.8	15.5	28	6.7
San Juan Basin Royalty Trust	SJT	B	38.22	10.3	11.6	11.0	13	7.5
Canadian Oil Sands Trust	COSWF	B	37.34	23.2	10.8	9.0	11	8.9
Hugoton Royalty Trust	HGT	B	26.46	13.6	10.9	8.5	12	8.4
Pengrowth Energy Trust	PGH		17.70	7.4	6.8	6.5	17	14.9
Enerplus Resources Fund	ERF		39.72	9.7	7.9	6.2	10	12.4
Penn West Energy Trust	PWE	B	27.14	7.4	6.0	4.8	12	14.6
	<i>Median</i>			10.0	7.9	8.8	13	8.6
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								

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio
February 12, 2008



McDep Energy Portfolio										
Composite of Buy Recommendations										
						North	Rest			
		Price			Non-	Amer.	of World			
		(US\$/sh)	Portfolio Weight		U.S.	Natural	Natural	Oil	Down-	McDep
		11-Feb	Equity	EV	HQ	Gas	Gas	Prod'n	stream	Ratio
	Symbol	2008	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
Mega Cap										
Exxon Mobil Corporation	XOM	83.22	3.5	3.1		0.2	0.4	1.9	0.6	0.82
BP plc	BP	64.80	2.9	3.1	3.1	0.3	0.3	2.1	0.5	0.81
Total S.A.	TOT	70.55	3.1	3.1	3.1		1.0	1.6	0.6	0.74
Chevron Corporation	CVX	80.43	3.3	3.1		0.1	0.2	2.2	0.7	0.71
ConocoPhillips	COP	76.97	5.5	6.3		0.9	0.5	3.5	1.4	0.69
Royal Dutch Shell plc	RDS-A	67.72	3.1	3.1	3.1	0.1	0.4	1.7	1.0	0.69
Gazprom	OGZPY	46.75	10.1	9.4	9.4		6.2	3.2		0.67
<i>Total or Median</i>				31	31					0.71
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	51.63	1.4	1.3	1.3	0.1		1.0	0.2	1.07
Suncor Energy	SU	96.46	1.3	1.3	1.3	0.0		1.1	0.1	0.81
PetroChina Company Ltd (14	PTR	140.74	1.7	1.6	1.6	-	0.1	1.4	0.1	0.75
StatoilHydro ASA	STO	26.23	1.5	1.6	1.6		0.6	1.0	-	0.68
Petro-Canada	PCZ	44.20	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.67
Lukoil Oil Company	LUKOY	68.00	7.1	6.3	6.3			4.7	1.6	0.52
<i>Total or Median</i>				14	13					0.72
Independent Natural Gas and Oil - Large Cap										
Encana Corporation	ECA	69.55	3.6	3.8	3.8	2.5		1.0	0.3	0.94
XTO Energy Inc.	XTO	56.53	4.5	4.7		3.5		1.2		0.92
EOG Resources	EOG	98.43	6.9	6.3		4.4	0.4	1.4		0.86
Occidental Petroleum Corp.	OXY	68.54	3.5	3.1		0.4	0.0	2.5	0.2	0.81
Anadarko Petroleum Corp.	APC	58.74	2.3	3.1		1.6		1.4	0.1	0.80
Devon Energy Corporation	DVN	93.69	6.1	6.3		3.3		3.0		0.72
Canadian Natural Resources	CNQ	62.61	1.4	1.6	1.6	0.4		1.1		0.70
<i>Total or Median</i>				28	29					0.81
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	39.07	1.4	1.6		0.4		1.2		0.83
Encore Acquisition Company	EAC	33.76	2.1	3.1		0.5		2.6		0.69
Cimarex Energy Company	XEC	45.14	3.2	3.1		2.1		1.0		0.63
Energy Partners Ltd.	EPL	12.05	0.7	1.6		0.8		0.8		0.55
<i>Total or Median</i>				7	9					0.66
Income										
San Juan Basin Royalty Trust	SJT	38.22	7.4	6.3		6.3				0.95
Canadian Oil Sands Trust	COSWF	37.34	5.6	5.0	5.0	(0.5)		5.5		0.84
Penn West Energy Trust	PWE	27.14	1.9	2.5	2.5	0.8		1.7		0.81
Hugoton Royalty Trust	HGT	26.46	3.7	3.1		3.1				0.78
<i>Total or Median</i>				19	17					0.82
Portfolio Composite										
			100	100	45	32	10	51	8	0.74
	Canada				17					
	Russia				16					
	Europe				11					
	China				2					
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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A Weekly Analysis of Energy Stocks Using the McDep Ratio

February 12, 2008



Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
7-Feb	EOG	EOG Resources Inc.	Raise Net Present Value to \$115 A Share
6-Feb	DVN	Devon Energy Corporation	Reserves Grow with Production
5-Feb	BP	BP p.l.c.	Underlying Resource Strength
5-Feb	APC	Anadarko Petroleum Corporation	Rising Natural Gas Volume
5-Feb	PTR	PetroChina Company Limited	Buy (Meter Reader)
1-Feb	CVX	Chevron Corporation	Oil Concentration Rewarded
1-Feb	XOM	Exxon Mobil Corporation	Global Energy Leader
1-Feb	IMO	Imperial Oil Limited	Long-Term Canadian Oil Money Maker
31-Jan	PCZ	Petro-Canada	Facing Oil Sands Investment Decision
31-Jan	MRO	Marathon Oil Corporation	Downstream Surprise
31-Jan	RDSA	Royal Dutch Shell plc	Downstream Offset
31-Jan	COSWF	Canadian Oil Sands Trust	Distribution Nearly Doubles in Two Quarters
30-Jan	PTR	PetroChina Company Limited	Cheap in New York, Dear in Shanghai
29-Jan	CEO	CNOOC Ltd	Volume Gains Expected in 2008
29-Jan	OXY	Occidental Petroleum Corporation	Crude is King
23-Jan	COP	ConocoPhillips	Cool under Fire
22-Jan	SU	Suncor Energy	Oil Sands for Taxable Investors
17-Jan	KMP	Kinder Morgan	Energy Infrastructure Fee Machine
11-Jan	* HGT	Hugoton Royalty Trust	Insider Buying (Income Weekly)
6-Jan	* SJT	San Juan Basin Royalty Trust	\$18 a Million Btu for LNG
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	* EPL	Energy Partners, Ltd.	Management Scales Back
7-Nov	* TOT	Total S.A.	Global Natural Gas Competitor
1-Nov	* CNQ	Canadian Natural Resources	Heavy Oil, Natural Gas and Oil Sands
31-Oct	* EAC	Encore Acquisition	Oil with Income Alternative in Encore Energy Partners
31-Oct	* BRY	Berry Petroleum	Plans Master Limited Partnership (MLP)
30-Oct	* NHY	Norsk Hydro ASA	Real Growth in Materials
29-Oct	* STO	StatoilHydro ASA	Shtokman Partner
25-Oct	* ECA	EnCana Corporation	Political Cloud over Canada
23-Oct	* XTO	XTO Energy Inc.	Raise Net Present Value to \$75 A Share

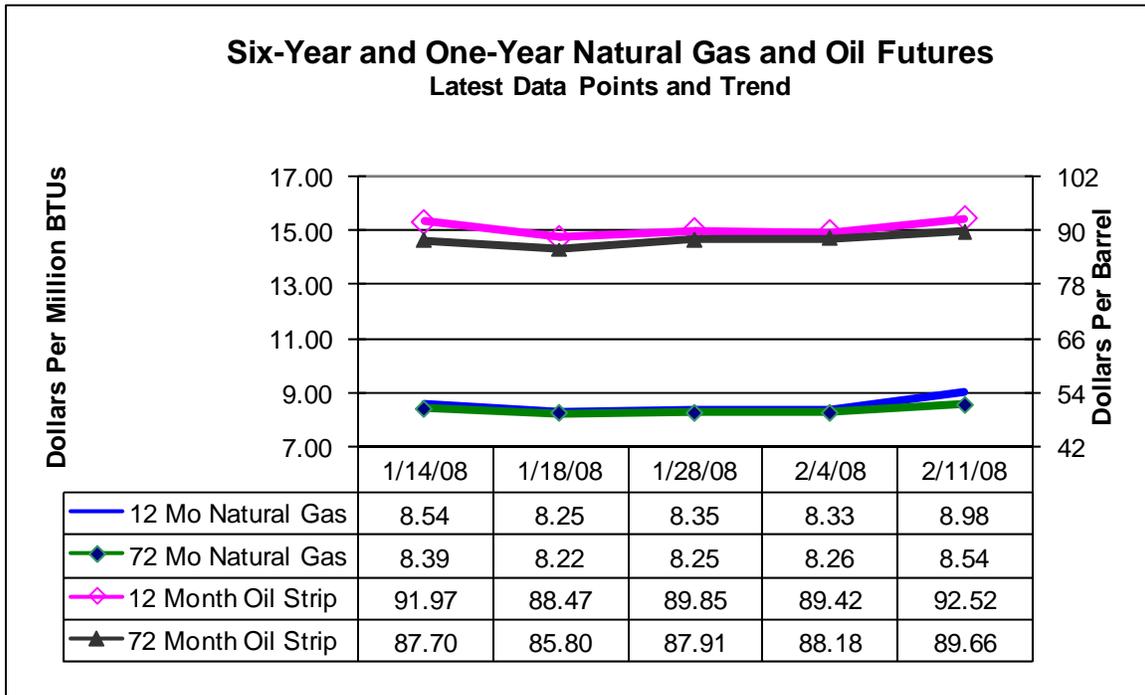
Meter Reader

12-Feb		Weekly	In Energy We Trust
5-Feb		Weekly	Buy PetroChina
29-Jan	*	Weekly	Buy Large Cap Natural Gas
22-Jan	*	Weekly	Small Caps on Sale

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

8-Feb		Weekly	Rising Natural Gas Monthly Index Price
4-Feb		Weekly	Canada Tax Developments
25-Jan	*	Weekly	False Alarm
20-Jan	*	Weekly	Thriving in Debt-Stressed Market

* Archived on www.mcdep.com



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.