

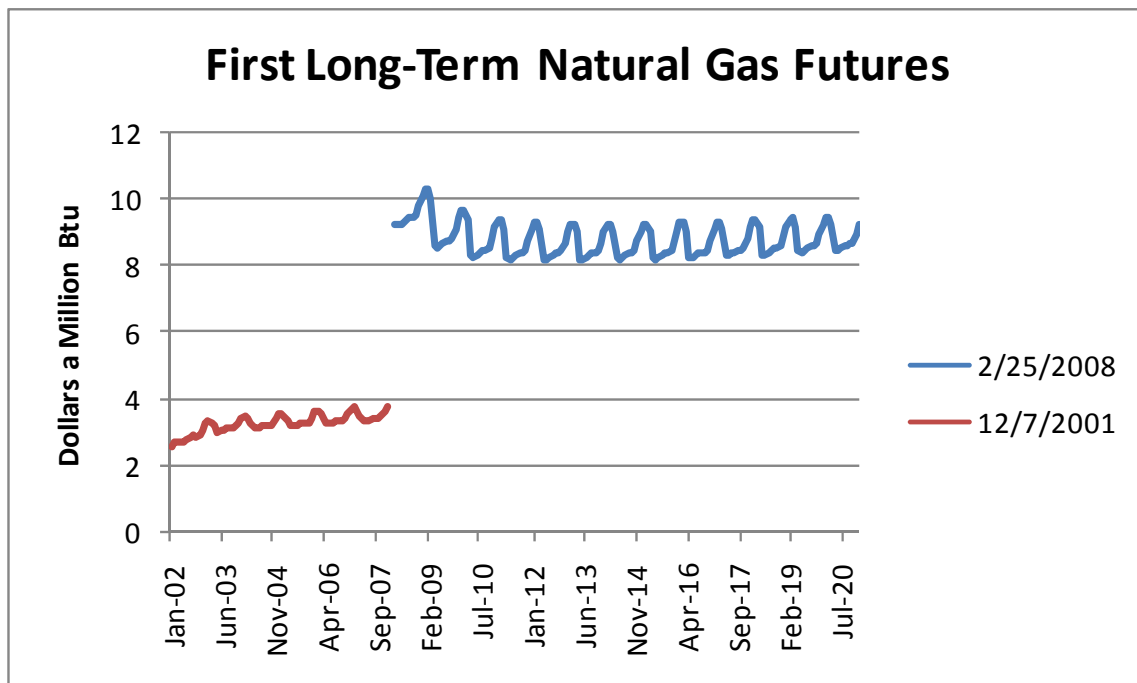


## 12-Year Natural Gas Futures Debut

### Summary and Recommendation

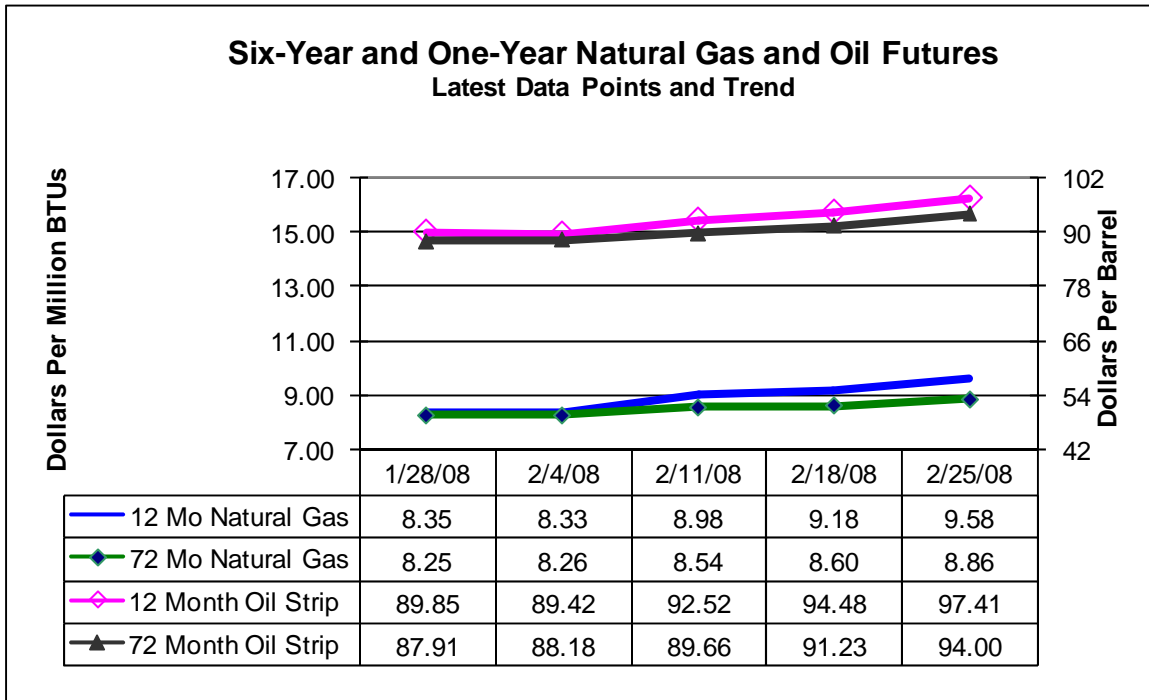
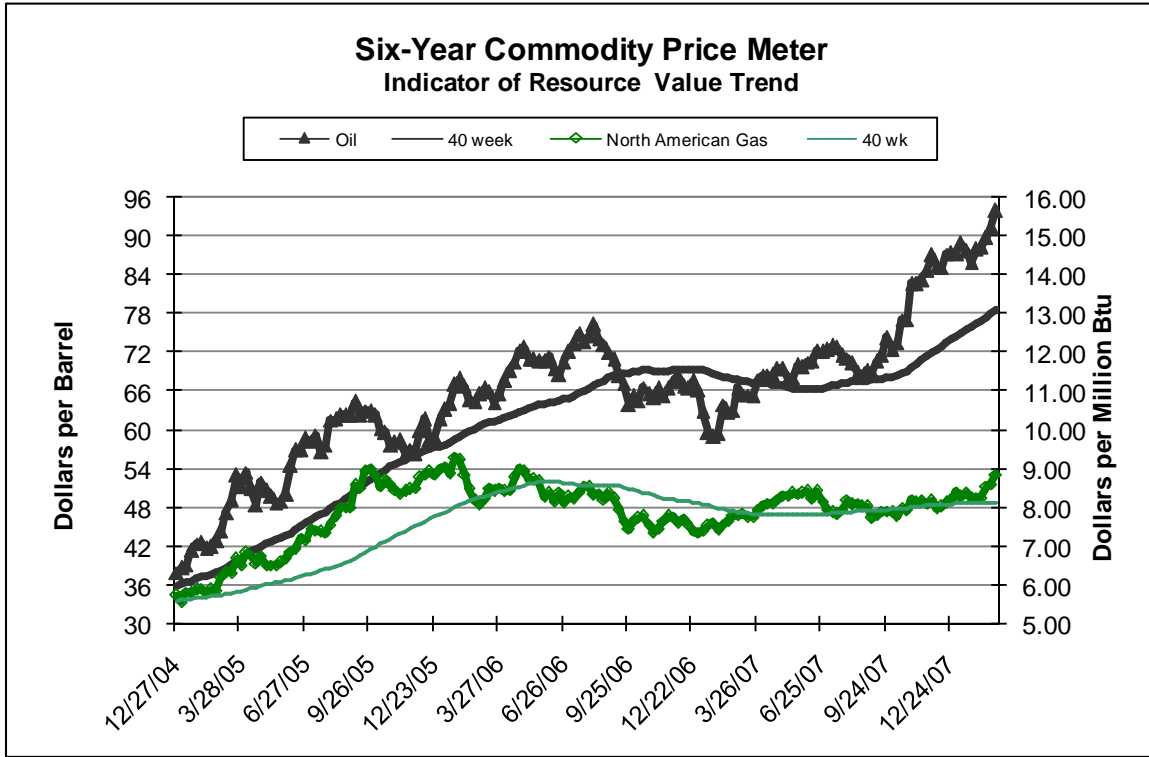
At a time of increased investor interest in natural gas producer buy recommendations, the New York Mercantile Exchange (Nymex) posts the first twelve-year commodity price quotes for natural gas for each month through 2020. The newly available quotes contrast with the lower level when six-year quotes were first posted six years ago (see chart [First Long-Term Natural Gas Futures](#)). From those prices we can now start to calculate and track the 12-year average of monthly futures just as we have been doing for the 6-year average for the full six years from the first quote. Meanwhile the trend in six-year quotes has been as useful as knowing the level. The latest sign is the upturn in natural gas from a long base (see chart [Commodity Price Meter](#) and table [Latest Data Points](#)). Buy recommendations are priced attractively (see tables on pages three to five).

Kurt H. Wulff, CFA



# Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio  
February 26, 2008



## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

February 26, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		25-Feb	Shares	Cap	Value	Present	
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	
							McDep	
							Ratio	
<b>Mega Cap</b>								
Petrobras	PBR		119.90	2,200	263,780	122.00	0.09	0.98
Exxon Mobil Corporation	XOM	B	89.13	5,454	486,000	102.00	0.05	0.88
BP plc	BP	B	66.79	3,163	211,000	84.00	0.18	0.83
Total S.A.	TOT	B	75.97	2,266	172,000	100.00	0.12	0.79
Chevron Corporation	CVX	B	87.18	2,206	192,000	117.00	0.08	0.77
Gazprom (50%)	OGZPY	B	52.60	2,940	154,600	72.00	0.10	0.76
Royal Dutch Shell plc	RDS-A	B	72.90	3,125	228,000	104.00	0.11	0.73
ConocoPhillips	COP	B	82.26	1,612	133,000	124.00	0.18	0.72
<i>Total or Median</i>					<i>1,840,000</i>		<i>0.10</i>	<i>0.78</i>
<b>Producer/Refiners - Large Cap</b>								
Imperial Oil Limited (30%)	IMO	B	55.15	275	15,140	48.00	0.07	1.14
Suncor Energy	SU	B	99.88	473	47,240	122.00	0.08	0.83
Marathon Oil Corporation	MRO	H	52.43	713	37,380	68.00	0.18	0.81
PetroChina Company Ltd (14%)	PTR	B	150.65	256	38,600	190.00	0.05	0.80
StatoilHydro ASA (29%)	STO	B	29.90	928	27,750	41.00	0.12	0.76
Petro-Canada	PCZ	B	48.84	489	23,880	72.00	0.15	0.73
Lukoil Oil Company	LUKOY	B	76.25	826	63,000	134.00	0.02	0.58
<i>Total or Median</i>					<i>253,000</i>		<i>0.08</i>	<i>0.80</i>
<b>Independent Natural Gas and Oil - Large Cap</b>								
CNOOC Limited (34%)	CEO	H	168.00	149	25,080	125.00	-	1.34
Encana Corporation	ECA	B	73.46	755	55,500	75.00	0.22	0.98
EOG Resources	EOG	B	104.13	249	25,900	115.00	0.06	0.91
XTO Energy Inc.	XTO	B	59.52	491	29,190	68.00	0.16	0.90
Occidental Petroleum Corp.	OXY	B	76.03	833	63,300	86.00	0.06	0.89
Anadarko Petroleum Corp.	APC	B	64.21	470	30,200	82.00	0.31	0.85
Canadian Natural Resources	CNQ	B	72.07	539	38,800	99.00	0.19	0.78
Devon Energy Corporation	DVN	B	101.08	449	45,400	139.00	0.13	0.76
<i>Total or Median</i>					<i>313,000</i>		<i>0.15</i>	<i>0.89</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	40.56	45	1,830	50.00	0.24	0.85
Encore Acquisition Company	EAC	B	36.54	54	1,990	60.00	0.29	0.72
Cimarex Energy Company	XEC	B	51.21	84	4,310	76.00	0.10	0.71
Energy Partners Ltd.	EPL	B	12.25	32	390	38.00	0.34	0.55
<i>Total or Median</i>					<i>8,500</i>		<i>0.26</i>	<i>0.71</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	59.00	179	10,580	17.00	0.56	2.09
Kinder Morgan Management, LLC	KMR	S	55.44	64	3,550	17.00	0.56	2.00
Pengrowth Energy Trust	PGH		18.75	247	4,630	19.00	0.25	0.99
San Juan Basin Royalty Trust	SJT	B	38.54	47	1,800	40.00	-	0.97
Canadian Oil Sands Trust	COSWF	B	40.40	479	19,350	45.00	0.05	0.90
Enerplus Resources Fund	ERF		42.53	129	5,500	52.00	0.13	0.84
Penn West Energy Trust	PWE	B	29.21	373	10,880	37.00	0.23	0.84
Hugoton Royalty Trust	HGT	B	28.02	40	1,120	34.00	-	0.82
<i>Total or Median</i>					<i>57,400</i>		<i>0.18</i>	<i>0.93</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								

## Meter Reader

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February 26, 2008



Oil and Gas Producers - Rank by EV/Ebitda								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib
	Symbol/ Rating		25-Feb 2008	NTM	NTM	NTM	NTM	NTM (%)
<b>Mega Cap</b>								
Petrobras	PBR		119.90	9.8	8.9	8.8	16	1.4
Gazprom (50%)	OGZPY	B	52.60	24.6	10.5	7.9	12	0.8
Exxon Mobil Corporation	XOM	B	89.13	12.0	6.7	5.9	10	1.6
BP plc	BP	B	66.79	9.6	6.3	5.2	9	4.9
Total S.A.	TOT	B	75.97	8.8	6.1	4.8	8	3.6
Chevron Corporation	CVX	B	87.18	10.1	6.2	4.7	8	2.7
ConocoPhillips	COP	B	82.26	10.6	5.9	4.3	7	2.3
Royal Dutch Shell plc	RDS-A	B	72.90	8.1	5.7	4.2	8	4.4
	<i>Median</i>			10.0	6.2	5.0	9	2.5
<b>Producer/Refiners - Large Cap</b>								
Suncor Energy	SU	B	99.88	23.8	10.2	8.5	15	0.4
Imperial Oil Limited (30%)	IMO	B	55.15	14.1	7.2	8.2	14	0.6
PetroChina Company Ltd (14%)	PTR	B	150.65	15.0	7.2	5.8	11	3.3
Marathon Oil Corporation	MRO	H	52.43	8.9	6.1	4.9	8	1.8
StatoilHydro ASA (29%)	STO	B	29.90	7.7	5.8	4.4	9	5.7
Petro-Canada	PCZ	B	48.84	6.9	5.5	4.0	8	1.1
Lukoil Oil Company	LUKOY	B	76.25	18.4	6.5	3.8	6	2.0
	<i>Median</i>			14.1	6.5	4.9	9	1.8
<b>Independent Natural Gas and Oil - Large Cap</b>								
CNOOC Limited (34%)	CEO	H	168.00	9.8	5.4	7.2	13	2.1
XTO Energy Inc.	XTO	B	59.52	12.6	8.0	7.2	16	0.8
Encana Corporation	ECA	B	73.46	8.7	6.8	6.7	14	2.2
EOG Resources	EOG	B	104.13	10.5	7.2	6.6	15	0.5
Canadian Natural Resources	CNQ	B	72.07	8.2	8.0	6.3	12	0.5
Anadarko Petroleum Corp.	APC	B	64.21	9.9	6.8	5.8	15	1.1
Occidental Petroleum Corp.	OXY	B	76.03	11.6	6.1	5.5	10	1.3
Devon Energy Corporation	DVN	B	101.08	9.5	7.1	5.4	11	0.6
	<i>Median</i>			9.9	7.0	6.4	13	1.0
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	40.56	10.3	6.8	5.8	11	0.7
Encore Acquisition Company	EAC	B	36.54	14.2	7.5	5.5	11	-
Cimarex Energy Company	XEC	B	51.21	7.6	5.3	3.8	8	0.3
Energy Partners Ltd.	EPL	B	12.25	6.0	4.7	2.6	-	-
	<i>Median</i>			9.0	6.1	4.6	11	0.2
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	59.00		7.8	16.4	31	6.2
Kinder Morgan Management, LLC	KMR	S	55.44		7.8	15.7	29	6.6
San Juan Basin Royalty Trust	SJT	B	38.54	10.6	10.8	10.5	13	7.9
Canadian Oil Sands Trust	COSWF	B	40.40	23.2	9.8	8.8	11	8.1
Hugoton Royalty Trust	HGT	B	28.02	13.5	9.6	7.9	11	9.2
Pengrowth Energy Trust	PGH		18.75	7.4	6.1	6.0	13	14.2
Enerplus Resources Fund	ERF		42.53	9.7	7.0	5.9	9	11.7
Penn West Energy Trust	PWE	B	29.21	7.3	6.6	5.6	14	13.8
	<i>Median</i>			10.1	7.8	8.4	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 26, 2008



<b>McDep Energy Portfolio</b>										
<b>Composite of Buy Recommendations</b>										
						North	Rest			
		Price	Portfolio Weight		Non-	Amer.	of World			
		(US\$/sh)	Equity	EV	U.S.	Natural	Natural	Oil	Down-	
	Symbol	25-Feb	(%)	(%)	HQ	Gas	Gas	Prod'n	stream	McDep
		2008			(%)	(%)	(%)	(%)	(%)	Ratio
<b>Mega Cap</b>										
Exxon Mobil Corporation	XOM	89.13	3.5	3.1		0.2	0.4	1.9	0.6	0.88
BP plc	BP	66.79	2.9	3.1	3.1	0.3	0.3	2.1	0.5	0.83
Total S.A.	TOT	75.97	3.1	3.1	3.1		1.0	1.6	0.6	0.79
Chevron Corporation	CVX	87.18	3.3	3.1		0.1	0.2	2.2	0.7	0.77
Gazprom	OGZPY	52.60	9.6	9.4	9.4		7.4	2.0		0.76
Royal Dutch Shell plc	RDS-A	72.90	3.2	3.1	3.1	0.1	0.4	1.7	1.0	0.73
ConocoPhillips	COP	82.26	5.5	6.3		0.9	0.5	3.5	1.4	0.72
<i>Total or Median</i>			<i>31</i>	<i>31</i>						<i>0.77</i>
<b>Producer/Refiners - Large Cap</b>										
Imperial Oil Limited	IMO	55.15	1.4	1.3	1.3	0.1		1.0	0.2	1.14
Suncor Energy	SU	99.88	1.3	1.3	1.3	0.0		1.1	0.1	0.83
PetroChina Company Ltd (14	PTR	150.65	1.7	1.6	1.6	-	0.1	1.4	0.1	0.80
StatoilHydro ASA	STO	29.90	1.6	1.6	1.6		0.6	1.0	-	0.76
Petro-Canada	PCZ	48.84	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.73
Lukoil Oil Company	LUKOY	76.25	7.1	6.3	6.3			4.7	1.6	0.58
<i>Total or Median</i>			<i>14</i>	<i>13</i>						<i>0.78</i>
<b>Independent Natural Gas and Oil - Large Cap</b>										
Encana Corporation	ECA	73.46	3.5	3.8	3.8	2.6		0.9	0.3	0.98
EOG Resources	EOG	104.13	6.9	6.3		4.4	0.4	1.4		0.91
XTO Energy Inc.	XTO	59.52	4.5	4.7		3.7		1.1		0.90
Occidental Petroleum Corp.	OXY	76.03	3.5	3.1		0.4	0.0	2.5	0.2	0.89
Anadarko Petroleum Corp.	APC	64.21	2.4	3.1		1.6		1.4	0.1	0.85
Canadian Natural Resources	CNQ	72.07	1.4	1.6	1.6	0.4		1.1		0.78
Devon Energy Corporation	DVN	101.08	6.2	6.3		3.3		3.0		0.76
<i>Total or Median</i>			<i>28</i>	<i>29</i>						<i>0.89</i>
<b>Independent Natural Gas and Oil - Small Cap</b>										
Berry Petroleum Company	BRY	40.56	1.3	1.6		0.4		1.2		0.85
Encore Acquisition Company	EAC	36.54	2.2	3.1		0.5		2.6		0.72
Cimarex Energy Company	XEC	51.21	3.2	3.1		2.0		1.1		0.71
Energy Partners Ltd.	EPL	12.25	0.7	1.6		0.8		0.8		0.55
<i>Total or Median</i>			<i>7</i>	<i>9</i>						<i>0.71</i>
<b>Income</b>										
San Juan Basin Royalty Trust	SJT	38.54	7.4	6.3		6.3				0.97
Canadian Oil Sands Trust	COSWF	40.40	5.6	5.0	5.0	(0.5)		5.5		0.90
Penn West Energy Trust	PWE	29.21	2.1	2.5	2.5	0.7		1.9		0.84
Hugoton Royalty Trust	HGT	28.02	3.7	3.1		3.1				0.82
<i>Total or Median</i>			<i>19</i>	<i>17</i>						<i>0.87</i>
<b>Portfolio Composite</b>										
			<i>100</i>	<i>100</i>	<i>45</i>	<i>32</i>	<i>11</i>	<i>49</i>	<i>8</i>	<i>0.79</i>
Canada					<i>17</i>					
Russia					<i>16</i>					
Europe					<i>11</i>					
China					<i>2</i>					
Note: Percentages in the Portfolio Weight - EV column correspond to unlevered positions ranging from triple at 9.4% to four-tenths at 1.3%.										

## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

February 26, 2008



### Index of Recent Research

#### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
22-Feb	PWE	Penn West Energy Trust	Acquisitions Expand Cash Flow in 2008 (Income Weekly)
20-Feb	XEC	Cimarex Energy Company	Strong Performance in 2007
18-Feb	OGZPY	Gazprom	60-Day Bargain, 200-Day Momentum
15-Feb	BRY	Berry Petroleum	Postpones Master Limited Partnership
14-Feb	EAC	Encore Acquisition	Low-Priced Stock Market Oil
14-Feb	ECA	EnCana Corporation	Overcoming Alberta Tax Hunger
13-Feb	TOT	Total S.A.	Stock Market Value with Oil Price Momentum
12-Feb	XTO	XTO Energy Inc.	Raise Net Present Value to \$68 A Share
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
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
28-Nov	* CNQ	Canadian Natural Resources	New Buy Recommendation
11-Nov	* PBR	Petrobras	Energy Mega Cap
7-Nov	* EPL	Energy Partners, Ltd.	Management Scales Back
29-Oct	* STO	StatoilHydro ASA	Shtokman Partner

#### Meter Reader

26-Feb		Weekly	12-Year Natural Futures Debut
19-Feb		Weekly	Momentum Bargains
12-Feb	*	Weekly	In Energy We Trust
5-Feb	*	Weekly	Buy PetroChina

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

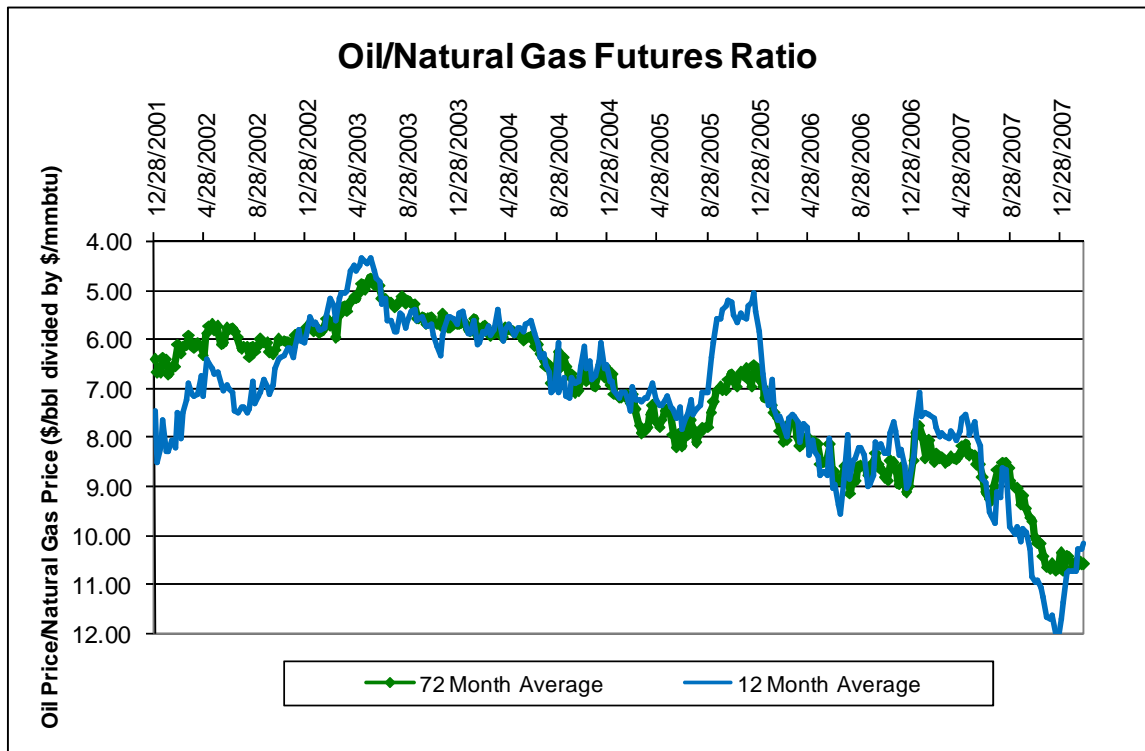
22-Feb		Penn West Energy Trust	Acquisitions Expand Cash Flow in 2008
15-Feb		Weekly	Surprising Signs of Strength in Energy Price
8-Feb	*	Weekly	Rising Natural Gas Monthly Index Price
4-Feb	*	Weekly	Canada Tax Developments

\* Archived on [www.mcdep.com](http://www.mcdep.com)

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**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.

Please see disclosures on the final page.