

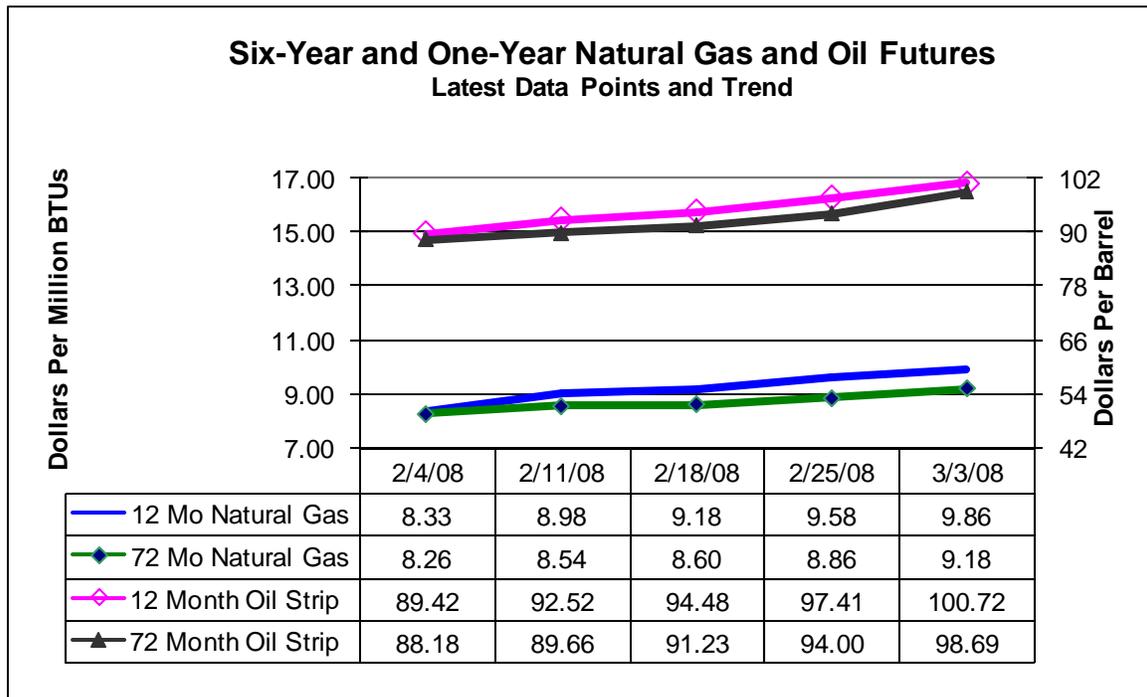


## Natural Gas Breakout

### Summary and Recommendation

In the shadow of oil, the star commodity price performer, natural gas price is breaking out and boosting the illustrative McDep Energy Portfolio concentrated 42% on the forgotten clean fuel. Six-year natural gas is above \$9 a million btu for the first time in more than two years in our weekly tally, but still well below the oil equivalent (see chart below, Six-Year and One-Year Natural Gas and Oil Futures). Natural gas price now appears to be in a firm upward trend measured by the current quote compared to its 40-week average (see chart page 6, Six-Year Commodity Price Meter). Strong unlevered market performance by buy-recommended **EOG Resources (EOG)** has justified its double weighting that we now reduce to a one-and-a-half position unlevered weighting (see table page four, McDep Energy Portfolio). At the same time we restore an overweighting of buy-recommended **Anadarko Petroleum (APC)** with a one-and-a-half unlevered position after that company completes its strategic reorientation including a decreased emphasis on deal-renegeing Algeria and an increased emphasis on the U.S. Rockies.

Kurt H. Wulff, CFA



# Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

March 4, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		3-Mar	Shares	Cap	Value	Present	McDep
		Rating	2008	(mm)	(US\$m)	(US\$/sh)	Value	Ratio
<b>Mega Cap</b>								
Petrobras	PBR		117.54	2,200	258,590	122.00	0.09	0.97
Exxon Mobil Corporation	XOM	B	87.75	5,454	479,000	102.00	0.05	0.87
BP plc	BP	B	64.63	3,163	204,000	84.00	0.18	0.81
Total S.A.	TOT	B	75.56	2,266	171,000	100.00	0.12	0.79
Chevron Corporation	CVX	B	87.20	2,206	192,000	117.00	0.08	0.77
Gazprom (50%)	OGZPY	B	51.55	2,940	151,600	72.00	0.10	0.74
ConocoPhillips	COP	B	83.44	1,612	135,000	124.00	0.18	0.73
Royal Dutch Shell plc	RDS-A	B	70.42	3,125	220,000	104.00	0.11	0.71
<i>Total or Median</i>					1,811,000		0.10	0.78
<b>Producer/Refiners - Large Cap</b>								
Imperial Oil Limited (30%)	IMO	B	55.80	275	15,320	48.00	0.07	1.15
Suncor Energy	SU	B	105.21	473	49,760	122.00	0.08	0.87
Marathon Oil Corporation	MRO	H	53.81	713	38,370	68.00	0.19	0.83
StatoilHydro ASA (29%)	STO	B	30.69	926	28,420	41.00	0.15	0.79
PetroChina Company Ltd (14%)	PTR	B	144.44	256	37,010	190.00	0.05	0.77
Petro-Canada	PCZ	B	47.79	489	23,370	72.00	0.15	0.71
Lukoil Oil Company	LUKOY	B	73.10	826	60,000	134.00	0.02	0.56
<i>Total or Median</i>					252,000		0.08	0.79
<b>Independent Natural Gas and Oil - Large Cap</b>								
CNOOC Limited (34%)	CEO	H	162.50	149	24,250	125.00	-	1.30
EOG Resources	EOG	B	122.17	249	30,400	115.00	0.06	1.06
Encana Corporation	ECA	B	76.04	755	57,400	75.00	0.22	1.01
XTO Energy Inc.	XTO	B	63.13	491	30,970	68.00	0.16	0.94
Occidental Petroleum Corp.	OXY	B	78.24	833	65,200	86.00	0.06	0.91
Anadarko Petroleum Corp.	APC	B	64.20	470	30,200	82.00	0.31	0.85
Canadian Natural Resources	CNQ	B	75.38	540	40,700	99.00	0.21	0.81
Devon Energy Corporation	DVN	B	103.97	449	46,700	139.00	0.13	0.78
<i>Total or Median</i>					326,000		0.15	0.93
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	41.16	45	1,860	50.00	0.24	0.86
Cimarex Energy Company	XEC	B	52.55	84	4,420	76.00	0.10	0.72
Encore Acquisition Company	EAC	B	36.31	54	1,980	60.00	0.29	0.72
Energy Partners Ltd.	EPL		11.27	32	360	25.00	0.43	0.69
<i>Total or Median</i>					8,600		0.26	0.72
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.57	179	10,330	17.00	0.56	2.05
Kinder Morgan Management, LLC	KMR	S	54.92	64	3,510	17.00	0.56	1.98
Pengrowth Energy Trust	PGH		18.45	247	4,560	19.00	0.25	0.98
Canadian Oil Sands Trust	COSWF	B	43.79	479	20,980	45.00	0.05	0.97
San Juan Basin Royalty Trust	SJT	B	38.03	47	1,770	40.00	-	0.95
Hugoton Royalty Trust	HGT	B	29.50	40	1,180	34.00	-	0.87
Enerplus Resources Fund	ERF		43.24	129	5,600	52.00	0.13	0.85
Penn West Energy Trust	PWE	B	28.07	373	10,460	37.00	0.24	0.82
<i>Total or Median</i>					58,400		0.19	0.96
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

A Weekly Analysis of Energy Stocks Using the McDep Ratio

March 4, 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		3-Mar 2008	NTM	NTM	NTM	NTM	NTM (%)
<b>Mega Cap</b>								
Petrobras	PBR		117.54	9.8	8.8	8.5	16	1.4
Gazprom (50%)	OGZPY	B	51.55	24.6	10.5	7.8	12	0.8
Exxon Mobil Corporation	XOM	B	87.75	12.0	6.6	5.7	10	1.6
BP plc	BP	B	64.63	9.6	6.2	5.0	8	5.0
Total S.A.	TOT	B	75.56	8.8	6.0	4.7	8	3.6
Chevron Corporation	CVX	B	87.20	10.1	6.1	4.6	8	2.7
ConocoPhillips	COP	B	83.44	10.6	5.8	4.3	7	2.3
Royal Dutch Shell plc	RDS-A	B	70.42	8.1	5.7	4.0	7	4.5
	<i>Median</i>			10.0	6.1	4.9	8	2.5
<b>Producer/Refiners - Large Cap</b>								
Suncor Energy	SU	B	105.21	23.8	10.0	8.7	16	0.4
Imperial Oil Limited (30%)	IMO	B	55.80	14.1	7.0	8.1	13	0.7
PetroChina Company Ltd (14%)	PTR	B	144.44	15.0	7.0	5.4	10	3.5
Marathon Oil Corporation	MRO	H	53.81	8.8	6.0	5.0	8	1.8
StatoilHydro ASA (29%)	STO	B	30.69	7.7	6.1	4.8	10	5.1
Petro-Canada	PCZ	B	47.79	6.9	5.3	3.8	8	1.1
Lukoil Oil Company	LUKOY	B	73.10	18.4	6.4	3.6	6	2.1
	<i>Median</i>			14.1	6.4	5.0	10	1.8
<b>Independent Natural Gas and Oil - Large Cap</b>								
EOG Resources	EOG	B	122.17	10.5	7.1	7.5	17	0.4
XTO Energy Inc.	XTO	B	63.13	12.6	7.9	7.4	17	0.8
Encana Corporation	ECA	B	76.04	8.7	6.7	6.8	14	2.1
CNOOC Limited (34%)	CEO	H	162.50	9.8	5.2	6.8	12	2.1
Canadian Natural Resources	CNQ	B	75.38	8.4	8.1	6.6	12	0.5
Anadarko Petroleum Corp.	APC	B	64.20	9.9	6.7	5.7	14	1.1
Occidental Petroleum Corp.	OXY	B	78.24	11.6	6.0	5.5	10	1.3
Devon Energy Corporation	DVN	B	103.97	9.5	6.9	5.4	11	0.5
	<i>Median</i>			9.9	6.8	6.7	13	0.9
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	41.16	10.3	6.7	5.8	11	0.7
Encore Acquisition Company	EAC	B	36.31	14.1	7.3	5.2	11	-
Cimarex Energy Company	XEC	B	52.55	7.6	5.2	3.8	8	0.3
Energy Partners Ltd.	EPL		11.27	7.4	5.2	3.6	-	-
	<i>Median</i>			9.0	6.0	4.5	11	0.2
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.57		7.8	16.1	30	6.4
Kinder Morgan Management, LLC	KMR	S	54.92		7.8	15.6	28	6.7
San Juan Basin Royalty Trust	SJT	B	38.03	10.4	10.8	10.3	12	8.1
Canadian Oil Sands Trust	COSWF	B	43.79	23.2	9.5	9.3	11	7.7
Hugoton Royalty Trust	HGT	B	29.50	13.5	9.6	8.3	11	8.9
Pengrowth Energy Trust	PGH		18.45	7.4	6.0	5.9	13	14.9
Enerplus Resources Fund	ERF		43.24	9.7	6.9	5.9	9	11.9
Penn West Energy Trust	PWE	B	28.07	7.3	6.5	5.3	15	14.8
	<i>Median</i>			10.1	7.8	8.8	13	8.5
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

March 4, 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	3-Mar 2008	(%)	(%)	HQ	Gas	Gas	Prod'n	stream	McDep
					(%)	(%)	(%)	(%)	(%)	Ratio
<b>Mega Cap</b>										
Exxon Mobil Corporation	XOM	87.75	3.5	3.2		0.2	0.4	1.8	0.7	0.87
BP plc	BP	64.63	2.9	3.2	3.2	0.3	0.3	2.1	0.5	0.81
Total S.A.	TOT	75.56	3.2	3.2	3.2		1.0	1.6	0.6	0.79
Chevron Corporation	CVX	87.20	3.4	3.2		0.1	0.2	2.2	0.7	0.77
Gazprom	OGZPY	51.55	9.7	9.6	9.6		7.5	2.0		0.74
ConocoPhillips	COP	83.44	5.6	6.4		1.0	0.5	3.5	1.4	0.73
Royal Dutch Shell plc	RDS-A	70.42	3.2	3.2	3.2	0.1	0.4	1.7	1.0	0.71
<i>Total or Median</i>			32	32						0.77
<b>Producer/Refiners - Large Cap</b>										
Imperial Oil Limited	IMO	55.80	1.4	1.3	1.3	0.1		1.0	0.2	1.15
Suncor Energy	SU	105.21	1.4	1.3	1.3	0.0		1.2	0.1	0.87
StatoilHydro ASA	STO	30.69	1.5	1.6	1.6		0.5	1.1	-	0.79
PetroChina Company Ltd (14	PTR	144.44	1.8	1.6	1.6	-	0.1	1.4	0.1	0.77
Petro-Canada	PCZ	47.79	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.71
Lukoil Oil Company	LUKOY	73.10	7.2	6.4	6.4			4.7	1.7	0.56
<i>Total or Median</i>			14	13						0.78
<b>Independent Natural Gas and Oil - Large Cap</b>										
EOG Resources	EOG	122.17	5.3	4.8		3.4	0.3	1.1		1.06
Encana Corporation	ECA	76.04	3.5	3.8	3.8	2.7		0.9	0.3	1.01
XTO Energy Inc.	XTO	63.13	4.6	4.8		3.7		1.1		0.94
Occidental Petroleum Corp.	OXY	78.24	3.5	3.2		0.4	0.0	2.5	0.3	0.91
Anadarko Petroleum Corp.	APC	64.20	3.6	4.8		2.5		2.2	0.1	0.85
Canadian Natural Resources	CNQ	75.38	1.4	1.6	1.6	0.4		1.2		0.81
Devon Energy Corporation	DVN	103.97	6.3	6.4		3.4		3.0		0.78
<i>Total or Median</i>			28	29						0.91
<b>Independent Natural Gas and Oil - Small Cap</b>										
Berry Petroleum Company	BRY	41.16	1.4	1.6		0.4		1.2		0.86
Cimarex Energy Company	XEC	52.55	3.2	3.2		2.1		1.1		0.72
Encore Acquisition Company	EAC	36.31	2.3	3.2		0.5		2.7		0.72
<i>Total or Median</i>			7	8						0.72
<b>Income</b>										
Canadian Oil Sands Trust	COSWF	43.79	5.7	5.1	5.1	(0.5)		5.6		0.97
San Juan Basin Royalty Trust	SJT	38.03	7.5	6.4		6.4				0.95
Hugoton Royalty Trust	HGT	29.50	3.7	3.2		3.2				0.87
Penn West Energy Trust	PWE	28.07	2.1	2.6	2.6	0.7		1.9		0.82
<i>Total or Median</i>			19	17						0.91
<b>Portfolio Composite</b>										
			100	100	46	31	11	50	8	0.81
	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%.										

## Meter Reader

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### Index of Recent Research

#### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
29-Feb	EPL	Energy Partners, Ltd.	Discontinue Rating on Smaller Capitalization
28-Feb	CNQ	Canadian Natural Resources	Horizon Approaching
27-Feb	STO	StatoilHydro ASA	Dividends in Norwegian Currency
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
11-Nov	* PBR	Petrobras	Energy Mega Cap

#### Meter Reader

4-Mar		Weekly	
26-Feb		Weekly	12-Year Natural Futures Debut
19-Feb	*	Weekly	Momentum Bargains
12-Feb	*	Weekly	In Energy We Trust

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

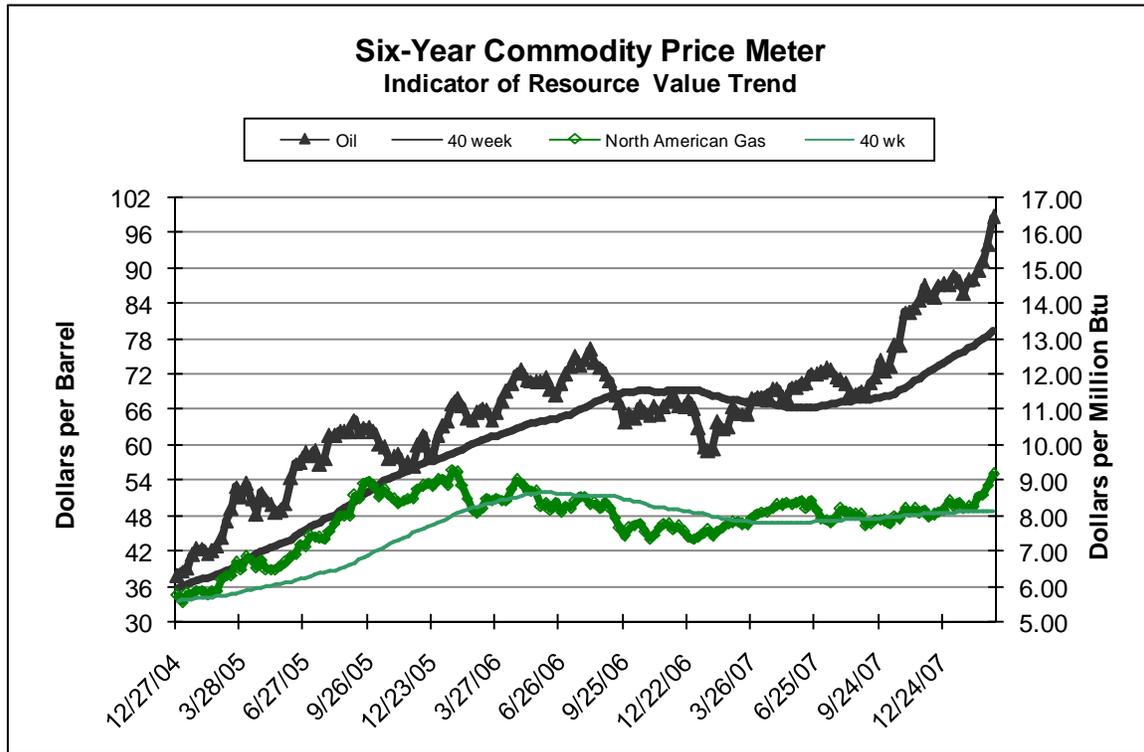
29-Feb		Weekly	Trading Opportunities
22-Feb		Penn West Energy Trust	Acquisitions Expand Cash Flow in 2008
15-Feb	*	Weekly	Surprising Signs of Strength in Energy Price
8-Feb	*	Weekly	Rising Natural Gas Monthly Index Price

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

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March 4, 2008



**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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**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**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.

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