

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio
April 22, 2008

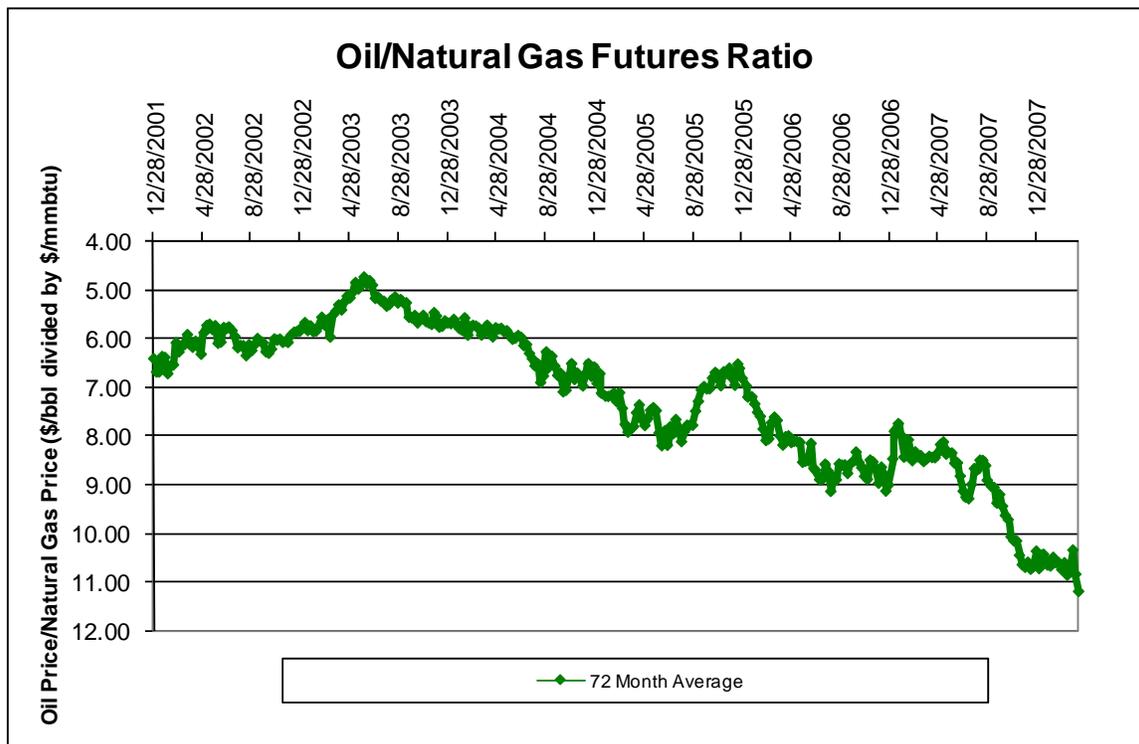


Sold Out

Summary and Recommendation

As natural gas seems to be reaching its current supply limits globally, the outlook appears encouraging for further gains in stock price for buy-recommended natural gas producers including the world's largest, **Gazprom (OGZPY)**. China apparently outbid Europe and the U.S. for the last uncommitted volumes from Qatar, the world's leading producer of liquefied natural gas (LNG). Qatari Energy Minister Abdullah bin Hamad al-Attiyah says "We are not in the charity business. Whoever will give me the best price, I will follow him." Quoted by *Bloomberg*, the minister adds with finality, "We are sold out." Because it can be transported anywhere, LNG is the chain that links global markets for natural gas to an oil-equivalent price. Anecdotally, the price of incremental natural gas supply in Asia may be approaching \$20 a million btu. Near-month futures quotes are about \$12.40 at the National Balancing Point in the U.K. and about \$10.60 at the Louisiana Henry Hub in the U.S. Since futures have been publicly quoted for six years ahead, natural gas is at an all-time low relative to oil (see chart [Oil/Natural Gas Futures Ratio](#)). The stage is set for a quick doubling of long-term natural gas price that would have positive profit implications for producers anywhere in the world.

Kurt H. Wulff, CFA



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Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		21-Apr	Shares	Cap	Value	Present	McDep
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	Ratio
Mega Cap								
Petrobras	PBR		128.82	2,194	282,570	122.00	0.12	1.05
Exxon Mobil Corporation	XOM	B	94.26	5,454	514,000	102.00	0.05	0.93
BP plc	BP	B	68.42	3,163	216,000	84.00	0.18	0.85
Total S.A.	TOT	B	82.45	2,266	187,000	100.00	0.13	0.85
Chevron Corporation	CVX	B	92.70	2,206	205,000	117.00	0.09	0.81
Gazprom (50%)	OGZPY	B	54.30	2,940	159,600	72.00	0.10	0.78
Royal Dutch Shell plc	RDS-A	B	76.92	3,125	240,000	104.00	0.11	0.77
ConocoPhillips	COP	B	84.34	1,612	136,000	124.00	0.19	0.74
<i>Total or Median</i>					1,940,000		0.11	0.83
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	60.72	275	16,670	48.00	0.07	1.25
Suncor Energy	SU	B	118.28	473	55,950	122.00	0.08	0.97
StatoilHydro ASA (29%)	STO	B	34.74	927	32,210	41.00	0.16	0.87
Marathon Oil Corporation	MRO	H	49.21	713	35,090	68.00	0.19	0.78
Petro-Canada	PCZ	B	51.77	489	25,320	72.00	0.15	0.76
PetroChina Company Ltd (14%)	PTR	B	135.03	256	34,590	190.00	0.05	0.72
Lukoil Oil Company	LUKOY	B	91.70	828	76,000	134.00	0.02	0.69
<i>Total or Median</i>					276,000		0.08	0.78
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	179.51	152	27,340	125.00	-	1.44
EOG Resources	EOG	B	137.41	249	34,200	115.00	0.06	1.18
Encana Corporation	ECA	B	86.23	755	65,100	75.00	0.22	1.12
XTO Energy Inc.	XTO	B	67.88	491	33,300	68.00	0.17	1.00
Occidental Petroleum Corp.	OXY	B	84.81	833	70,700	86.00	0.06	0.99
Canadian Natural Resources	CNQ	B	87.42	540	47,200	99.00	0.20	0.91
Anadarko Petroleum Corp.	APC	B	69.75	470	32,800	82.00	0.31	0.90
Chesapeake Energy Corporation	CHK		51.68	476	24,600	62.00	0.30	0.88
Devon Energy Corporation	DVN	B	118.90	449	53,400	139.00	0.13	0.87
<i>Total or Median</i>					389,000		0.17	0.99
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	52.91	45	2,390	50.00	0.24	1.04
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.15	88	1,070	12.00	0.13	1.01
Cimarex Energy Company	XEC	B	64.32	84	5,420	76.00	0.10	0.86
Encore Acquisition Company	EAC	B	47.22	54	2,570	60.00	0.29	0.85
Energy Partners Ltd.	EPL		11.74	32	370	25.00	0.43	0.70
<i>Total or Median</i>					11,800		0.24	0.86
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.91	188	11,090	17.00	0.57	2.07
Kinder Morgan Management, LLC	KMR	S	54.15	65	3,520	17.00	0.57	1.94
Pengrowth Energy Trust	PGH		20.20	247	4,990	19.00	0.27	1.05
Canadian Oil Sands Trust	COSWF	B	44.82	479	21,470	45.00	0.05	1.00
San Juan Basin Royalty Trust	SJT	B	39.40	47	1,840	40.00	-	0.99
Enerplus Resources Fund	ERF		46.24	153	7,070	52.00	0.16	0.91
Hugoton Royalty Trust	HGT	B	29.97	40	1,200	34.00	-	0.88
Penn West Energy Trust	PWE	B	31.15	373	11,610	37.00	0.23	0.88
<i>Total or Median</i>					62,800		0.20	0.99
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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Oil and Gas Producers - Rank by EV/Ebitda								
			Price	Adjustd				Divd or
			(US\$/sh)	Resrvs/	PV/	EV/		Distrib
	Symbol/		21-Apr	Prod	Ebitda	Ebitda	P/E	NTM
	Rating		2008	NTM	NTM	NTM	NTM	(%)
Mega Cap								
Petrobras	PBR		128.82	9.5	7.8	8.2	14	1.3
Gazprom (50%)	OGZPY	B	54.30	24.6	9.9	7.7	12	0.8
Exxon Mobil Corporation	XOM	B	94.26	12.0	6.1	5.6	10	1.5
BP plc	BP	B	68.42	9.9	5.6	4.8	8	4.7
Total S.A.	TOT	B	82.45	8.9	5.5	4.6	8	3.6
Chevron Corporation	CVX	B	92.70	9.6	5.6	4.5	7	2.5
Royal Dutch Shell plc	RDS-A	B	76.92	7.5	5.2	4.0	7	4.2
ConocoPhillips	COP	B	84.34	10.6	5.3	4.0	6	2.2
	<i>Median</i>			9.8	5.6	4.7	8	2.4
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	118.28	25.1	8.9	8.7	15	0.3
Imperial Oil Limited (30%)	IMO	B	60.72	12.9	6.4	8.0	13	0.6
PetroChina Company Ltd (14%)	PTR	B	135.03	15.3	7.0	5.1	10	3.8
StatoilHydro ASA (29%)	STO	B	34.74	7.7	5.5	4.8	10	4.9
Marathon Oil Corporation	MRO	H	49.21	8.8	5.5	4.3	7	2.0
Lukoil Oil Company	LUKOY	B	91.70	18.7	5.8	4.0	6	1.8
Petro-Canada	PCZ	B	51.77	6.8	4.8	3.6	7	1.0
	<i>Median</i>			12.9	5.8	4.8	10	1.8
Independent Natural Gas and Oil - Large Cap								
EOG Resources	EOG	B	137.41	10.5	6.1	7.2	15	0.3
XTO Energy Inc.	XTO	B	67.88	12.5	6.7	6.7	18	0.7
CNOOC Limited (34%)	CEO	H	179.51	9.1	4.6	6.6	12	2.1
Encana Corporation	ECA	B	86.23	8.8	5.8	6.4	12	1.9
Canadian Natural Resources	CNQ	B	87.42	8.4	6.9	6.3	11	0.5
Chesapeake Energy Corporation	CHK		51.68	11.0	6.6	5.8	10	0.5
Occidental Petroleum Corp.	OXY	B	84.81	11.7	5.3	5.3	10	1.2
Anadarko Petroleum Corp.	APC	B	69.75	9.9	5.8	5.2	11	1.0
Devon Energy Corporation	DVN	B	118.90	9.5	5.9	5.1	10	0.5
	<i>Median</i>			9.9	5.9	6.3	11	0.7
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.15	7.4	7.9	8.0	48	-
Berry Petroleum Company	BRY	B	52.91	10.3	5.8	6.1	11	0.6
Encore Acquisition Company	EAC	B	47.22	14.2	6.3	5.4	10	-
Cimarex Energy Company	XEC	B	64.32	7.6	4.4	3.8	8	0.2
Energy Partners Ltd.	EPL		11.74	7.4	4.2	2.9	-	-
	<i>Median</i>			7.6	5.8	5.4	11	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.91		7.4	15.2	23	6.2
Kinder Morgan Management, LLC	KMR	S	54.15		7.4	14.3	21	6.8
Canadian Oil Sands Trust	COSWF	B	44.82	23.1	8.1	8.1	9	7.8
San Juan Basin Royalty Trust	SJT	B	39.40	10.6	8.2	8.0	10	10.4
Hugoton Royalty Trust	HGT	B	29.97	13.2	7.4	6.6	9	10.8
Pengrowth Energy Trust	PGH		20.20	8.7	5.7	6.0	11	13.2
Enerplus Resources Fund	ERF		46.24	9.6	6.4	5.8	8	10.8
Penn West Energy Trust	PWE	B	31.15	7.3	5.6	4.9	11	13.0
	<i>Median</i>			10.1	7.4	7.3	10	10.6
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2009; 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										
						North	Rest			
		Price	Portfolio Weight		Non-	Amer.	of World			
		(US\$/sh)	Equity	EV	U.S.	Natural	Natural	Oil	Down-	
		21-Apr			HQ	Gas	Gas	Prod'n	stream	McDep
	Symbol	2008	(%)	(%)	(%)	(%)	(%)	(%)	(%)	Ratio
Mega Cap										
Exxon Mobil Corporation	XOM	94.26	3.5	3.2		0.2	0.4	1.8	0.7	0.93
BP plc	BP	68.42	2.9	3.2	3.2	0.3	0.3	2.1	0.5	0.85
Total S.A.	TOT	82.45	3.1	3.2	3.2		1.0	1.7	0.6	0.85
Chevron Corporation	CVX	92.70	3.3	3.2		0.1	0.2	2.2	0.7	0.81
Gazprom	OGZPY	54.30	9.6	9.6	9.6		7.5	2.1		0.78
Royal Dutch Shell plc	RDS-A	76.92	3.2	3.2	3.2	0.1	0.5	1.7	1.0	0.77
ConocoPhillips	COP	84.34	5.5	6.4		1.0	0.5	3.6	1.4	0.74
<i>Total or Median</i>				31	32					0.81
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	60.72	1.4	1.3	1.3	0.1		1.0	0.2	1.25
Suncor Energy	SU	118.28	1.4	1.3	1.3	0.0		1.2	0.1	0.97
StatoilHydro ASA	STO	34.74	1.5	1.6	1.6		0.5	1.1	-	0.87
Petro-Canada	PCZ	51.77	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.76
PetroChina Company Ltd (14	PTR	135.03	1.7	1.6	1.6	-	0.1	1.3	0.2	0.72
Lukoil Oil Company	LUKOY	91.70	7.2	6.4	6.4			4.7	1.7	0.69
<i>Total or Median</i>				14	13					0.82
Independent Natural Gas and Oil - Large Cap										
EOG Resources	EOG	137.41	5.3	4.8		3.4	0.3	1.1		1.18
Encana Corporation	ECA	86.23	3.6	3.8	3.8	2.7		0.9	0.3	1.12
XTO Energy Inc.	XTO	67.88	4.6	4.8		3.7		1.1		1.00
Occidental Petroleum Corp.	OXY	84.81	3.5	3.2		0.4	0.0	2.5	0.3	0.99
Canadian Natural Resources	CNQ	87.42	1.4	1.6	1.6	0.4		1.2		0.91
Anadarko Petroleum Corp.	APC	69.75	3.6	4.8		2.5		2.2	0.1	0.90
Devon Energy Corporation	DVN	118.90	6.3	6.4		3.4		3.0		0.87
<i>Total or Median</i>				28	29					0.99
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company	BRY	52.91	1.4	1.6		0.4		1.2		1.04
Cimarex Energy Company	XEC	64.32	3.3	3.2		2.1		1.1		0.86
Encore Acquisition Company	EAC	47.22	2.5	3.2		0.5		2.7		0.85
<i>Total or Median</i>				7	8					0.86
Income										
Canadian Oil Sands Trust	COSWF	44.82	5.6	5.1	5.1	(0.5)		5.6		1.00
San Juan Basin Royalty Trust	SJT	39.40	7.4	6.4		6.4				0.99
Hugoton Royalty Trust	HGT	29.97	3.7	3.2		3.2				0.88
Penn West Energy Trust	PWE	31.15	2.2	2.6	2.6	0.7		1.9		0.88
<i>Total or Median</i>				19	17					0.93
Portfolio Composite										
			100	100	46	31	11	50	8	0.87
	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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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
18-Apr	HGT	Hugoton Royalty Trust	Simpson Sustainability (Income Weekly)
16-Apr	KMP	Kinder Morgan	Mounting Oil Losses
10-Apr	LUKOY	Lukoil Oil Company	Strong Cash, Possibly Lower Tax
27-Mar	CEO	CNOOC Ltd	Dividend Raised 15%
24-Mar	* PBR	Petrobras	Oil Growth at a Reasonable Price
21-Mar	* SJT	San Juan Basin Royalty Trust	SJT Timely (Income Weekly)
19-Mar	* PTR	PetroChina Company Limited	\$300 a Share in Shanghai
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
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	* OXY	Occidental Petroleum Corporation	Crude is King
23-Jan	* COP	ConocoPhillips	Cool under Fire
22-Jan	* SU	Suncor Energy	Oil Sands for Taxable Investors

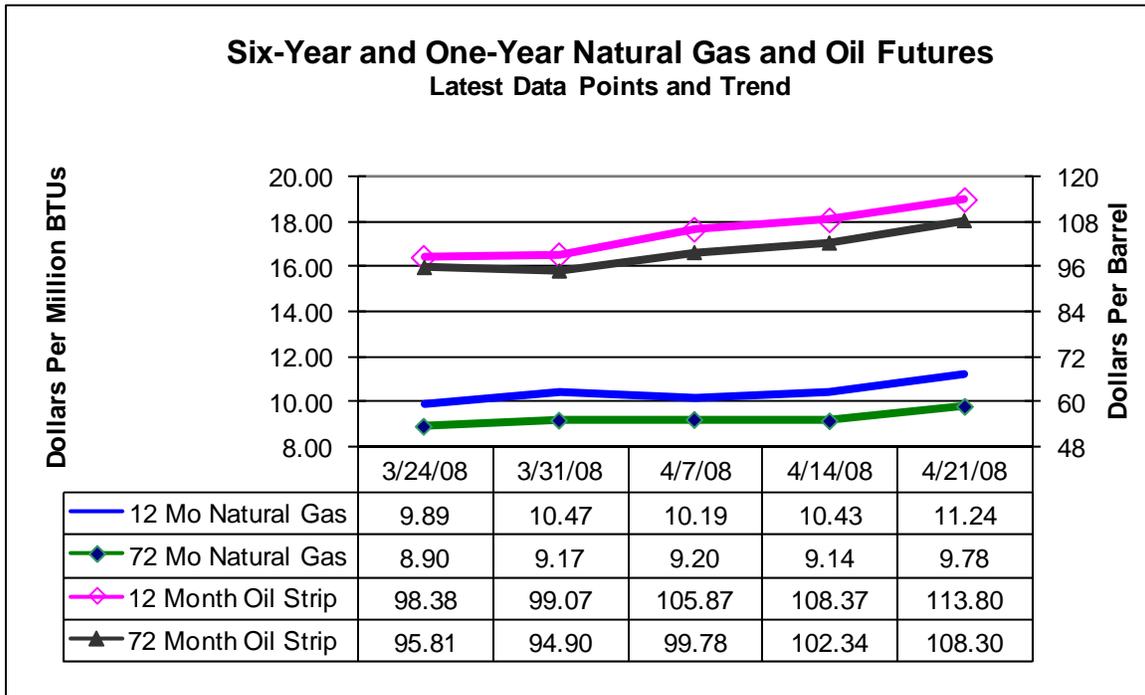
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22-Apr		Weekly	Sold Out
15-Apr		Weekly	BioFuel and Oil Price
8-Apr	*	Weekly	Birchcliff and Chesapeake
1-Apr	*	Weekly	Producer Winners, Integrated Values

Oil and Gas Income Stocks

18-Apr		Hugoton Royalty Trust	Simpson Sustainability
11-Apr		Dorchester Minerals, L.P.	High-Quality Inflation-Protected Income
4-Apr	*	Weekly	Shoot the Speculator
28-Mar	*	Weekly	Record Natural Gas for Power

* 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.