

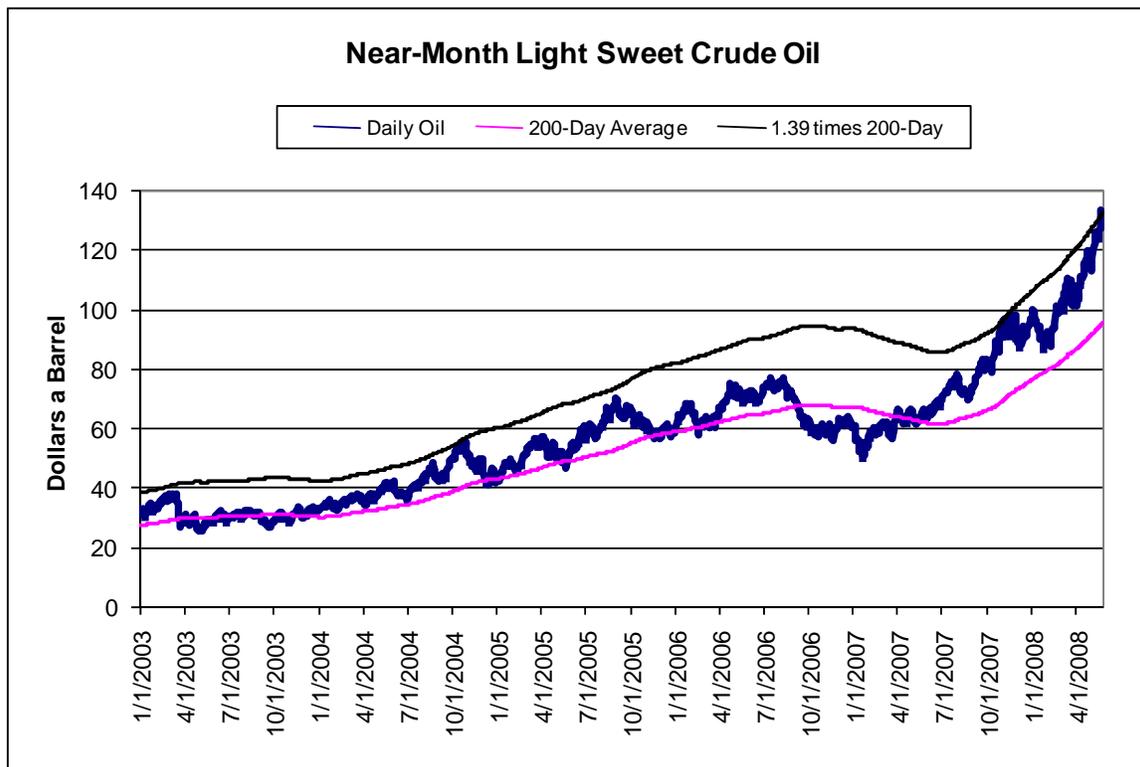


Bullish Encore

Summary and Recommendation

History may be repeating as buy-recommended **Encore Acquisition Company (EAC)** announced on May 21 that it may make a strategic change to catalyze a higher stock price to better reflect the value of its “high quality portfolio of stable long-lived, oil-weighted properties”. The news contributed to an increase of 15% in Encore stock to \$66 a share last week taking it to a McDep Ratio of 0.91. On our vision of \$150 oil in 2010, Encore’s Net Present Value (NPV) would be \$162 a share (see *Meter Reader*, October 16, 2007). Encore’s sense of greater worth is expressed by the Chief Executive Officer whose father, Encore’s chairman, announced 28 years ago to the month that Southland Royalty Company would be splitting into three pieces. Southland stock increased about 160% in the six months leading up to the distribution of units of **San Juan Basin Royalty Trust (SJT)**, a buy recommendation today, and **Permian Basin Royalty Trust (PBT)**, also in our weekly income stock coverage. Cautious investors can hedge the bullish potential we outline with timely rebalancing to recommended weightings (see table, page four, McDep Energy Portfolio). Meanwhile near-month oil price breached the 1.39 times moving average mark for one day before returning to the upper limit that is advancing about \$0.30 a barrel a day (see chart (Near-Month Light Sweet Crude Oil)).

Kurt H. Wulff, CFA



Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

May 27, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		23-May	Shares	Cap	Value	Present	McDep
	Rating		2008	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
Mega Cap								
Petrobras	PBR		72.38	4,387	317,530	75.00	0.10	0.97
Exxon Mobil Corporation	XOM	B	90.70	5,362	486,000	118.00	0.05	0.78
Chevron Corporation	CVX	B	100.73	2,206	222,000	135.00	0.08	0.77
BP plc	BP	B	75.07	3,146	236,000	104.00	0.16	0.77
Royal Dutch Shell plc	RDS-A	B	86.16	3,106	268,000	120.00	0.10	0.75
Total S.A.	TOT	B	89.37	2,254	201,000	125.00	0.10	0.74
Gazprom (50%)	OGZPY	B	61.63	2,940	181,200	88.00	0.09	0.73
ConocoPhillips	COP	B	91.40	1,582	145,000	150.00	0.16	0.67
<i>Total or Median</i>					2,057,000		0.10	0.76
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	142.22	473	67,270	150.00	0.08	0.95
Imperial Oil Limited (30%)	IMO	B	59.84	272	16,260	65.00	0.05	0.92
StatoilHydro ASA (29%)	STO	B	41.70	927	38,660	52.00	0.12	0.83
Marathon Oil Corporation	MRO	H	51.79	717	37,130	75.00	0.18	0.75
Lukoil Oil Company	LUKOY	B	106.45	828	88,000	150.00	0.02	0.71
Petro-Canada	PCZ	B	59.98	488	29,270	90.00	0.10	0.70
PetroChina Company Ltd (14%)	PTR	B	138.38	256	35,450	220.00	0.04	0.64
<i>Total or Median</i>					312,000		0.08	0.75
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	185.35	152	28,220	180.00	-	1.03
EOG Resources	EOG	B	134.97	250	33,700	140.00	0.05	0.97
Encana Corporation	ECA	B	93.31	753	70,300	100.00	0.18	0.95
Canadian Natural Resources	CNQ	B	101.76	540	55,000	124.00	0.17	0.85
Anadarko Petroleum Corp.	APC	B	76.02	470	35,700	100.00	0.27	0.82
Occidental Petroleum Corp.	OXY	B	93.34	828	77,300	120.00	0.05	0.79
XTO Energy Inc.	XTO	B	64.08	504	32,300	88.00	0.15	0.77
Chesapeake Energy Corporation	CHK		52.55	476	25,010	80.00	0.25	0.74
Devon Energy Corporation	DVN	B	118.65	449	53,300	170.00	0.10	0.73
<i>Total or Median</i>					411,000		0.15	0.82
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.79	112	1,430	14.00	0.09	0.92
Encore Acquisition Company	EAC	B	66.36	54	3,580	75.00	0.25	0.91
Berry Petroleum Company	BRY	B	52.70	45	2,390	65.00	0.20	0.85
Cimarex Energy Company	XEC	B	69.21	85	5,900	100.00	0.07	0.71
Energy Partners Ltd.	EPL		14.77	32	470	30.00	0.35	0.67
<i>Total or Median</i>					13,800		0.20	0.85
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.95	188	11,100	17.00	0.57	2.07
Kinder Morgan Management, LLC	KMR	S	55.47	65	3,610	17.00	0.57	1.98
Canadian Oil Sands Trust	COSWF	B	51.82	479	24,820	57.00	0.04	0.91
Pengrowth Energy Trust	PGH		21.01	247	5,190	24.00	0.25	0.91
San Juan Basin Royalty Trust	SJT	B	43.25	47	2,020	48.00	-	0.90
Penn West Energy Trust	PWE	B	34.22	364	12,460	45.00	0.24	0.82
Enerplus Resources Fund	ERF		48.32	153	7,390	63.00	0.15	0.80
Hugoton Royalty Trust	HGT	B	33.00	40	1,320	42.00	-	0.79
<i>Total or Median</i>					67,900		0.19	0.90
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								
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$14 a million btu.								

Please see disclosures on the final page.

Meter Reader

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May 27, 2008



Oil and Gas Producers - Rank by EV/Ebitda								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/ Rating		23-May 2008	Prod NTM	Ebitda NTM	Ebitda NTM	P/E NTM	NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	61.63	24.6	12.0	8.7	14	0.7
Petrobras	PBR		72.38	10.4	8.5	8.3	14	1.2
Exxon Mobil Corporation	XOM	B	90.70	12.2	6.6	5.1	9	1.8
BP plc	BP	B	75.07	9.9	6.1	4.7	7	4.3
Total S.A.	TOT	B	89.37	9.0	6.3	4.7	8	3.6
Chevron Corporation	CVX	B	100.73	9.4	6.0	4.6	8	2.6
Royal Dutch Shell plc	RDS-A	B	86.16	7.5	5.6	4.2	7	3.7
ConocoPhillips	COP	B	91.40	10.7	5.9	4.0	6	2.1
	<i>Median</i>			10.2	6.2	4.7	8	2.3
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	142.22	22.2	8.3	7.9	13	0.3
Imperial Oil Limited (30%)	IMO	B	59.84	13.9	8.4	7.7	13	0.6
StatoilHydro ASA (29%)	STO	B	41.70	7.7	5.9	4.9	10	4.0
Lukoil Oil Company	LUKOY	B	106.45	18.7	6.0	4.3	7	1.5
Marathon Oil Corporation	MRO	H	51.79	8.3	5.7	4.2	7	1.9
PetroChina Company Ltd (14%)	PTR	B	138.38	14.4	6.5	4.2	8	3.7
Petro-Canada	PCZ	B	59.98	6.5	4.6	3.3	6	0.9
	<i>Median</i>			13.9	6.0	4.3	8	1.5
Independent Natural Gas and Oil - Large Cap								
Canadian Natural Resources	CNQ	B	101.76	8.7	7.4	6.3	12	0.4
EOG Resources	EOG	B	134.97	10.0	6.5	6.3	13	0.4
CNOOC Limited (34%)	CEO	H	185.35	9.2	5.7	5.9	10	2.1
Encana Corporation	ECA	B	93.31	8.7	6.1	5.8	11	1.7
XTO Energy Inc.	XTO	B	64.08	12.2	7.4	5.7	12	0.7
Chesapeake Energy Corporation	CHK		52.55	11.0	7.3	5.4	9	0.5
Occidental Petroleum Corp.	OXY	B	93.34	11.6	6.4	5.1	9	1.4
Anadarko Petroleum Corp.	APC	B	76.02	9.5	5.7	4.7	9	0.9
Devon Energy Corporation	DVN	B	118.65	9.4	6.5	4.7	9	0.5
	<i>Median</i>			9.5	6.5	5.7	10	0.7
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.79	7.0	8.5	7.8	25	-
Encore Acquisition Company	EAC	B	66.36	13.9	6.7	6.1	11	-
Berry Petroleum Company	BRY	B	52.70	10.3	6.5	5.5	9	0.6
Cimarex Energy Company	XEC	B	69.21	7.5	5.1	3.6	7	0.2
Energy Partners Ltd.	EPL		14.77	7.3	3.6	2.4	-	-
	<i>Median</i>			7.5	6.5	5.5	10	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.95		7.4	15.2	23	6.2
Kinder Morgan Management, LLC	KMR	S	55.47		7.4	14.6	21	6.6
San Juan Basin Royalty Trust	SJT	B	43.25	10.7	9.3	8.4	10	9.9
Canadian Oil Sands Trust	COSWF	B	51.82	23.2	9.0	8.3	9	7.8
Hugoton Royalty Trust	HGT	B	33.00	13.1	8.4	6.6	9	10.8
Pengrowth Energy Trust	PGH		21.01	8.9	5.9	5.3	83	13.0
Enerplus Resources Fund	ERF		48.32	9.6	6.2	4.9	8	10.5
Penn West Energy Trust	PWE	B	34.22	7.3	5.5	4.5	11	12.0
	<i>Median</i>			10.2	7.4	7.4	10	10.2
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								

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio
May 27, 2008



McDep Energy Portfolio										
Composite of Buy Recommendations										
		<i>Price</i>	<i>Portfolio Weight</i>		<i>Non-</i>	<i>North</i>	<i>Rest</i>			
		<i>(US\$/sh)</i>	<i>Equity</i>	<i>EV</i>	<i>U.S.</i>	<i>Amer.</i>	<i>of World</i>			
	<i>23-May</i>				<i>HQ</i>	<i>Natural</i>	<i>Natural</i>	<i>Oil</i>	<i>Down-</i>	
	<i>2008</i>		<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>Gas</i>	<i>Gas</i>	<i>Prod'n</i>	<i>stream</i>	<i>McDep</i>
	<i>Symbol</i>							<i>(%)</i>	<i>(%)</i>	<i>Ratio</i>
Mega Cap										
Exxon Mobil Corporation	XOM	90.70	3.4	3.2		0.2	0.5	1.8	0.6	0.78
Chevron Corporation	CVX	100.73	3.3	3.2		0.2	0.2	2.3	0.5	0.77
BP plc	BP	75.07	2.9	3.2	3.2	0.3	0.3	2.2	0.4	0.77
Royal Dutch Shell plc	RDS-A	86.16	3.2	3.2	3.2	0.1	0.5	1.7	0.8	0.75
Total S.A.	TOT	89.37	3.2	3.2	3.2		0.5	2.2	0.5	0.74
Gazprom	OGZPY	61.63	9.7	9.6	9.6		7.6	2.0		0.73
ConocoPhillips	COP	91.40	5.6	6.4		0.9	0.5	3.8	1.2	0.67
<i>Total or Median</i>			<i>31</i>	<i>32</i>						<i>0.75</i>
Producer/Refiners - Large Cap										
Suncor Energy	SU	142.22	1.3	1.3	1.3	0.0		1.2	0.1	0.95
Imperial Oil Limited	IMO	59.84	1.4	1.3	1.3	0.1		1.0	0.2	0.92
StatoilHydro ASA	STO	41.70	1.6	1.6	1.6		0.5	1.1	-	0.83
Lukoil Oil Company	LUKOY	106.45	7.2	6.4	6.4			4.9	1.5	0.71
Petro-Canada	PCZ	59.98	1.3	1.3	1.3	0.1	0.0	0.9	0.2	0.70
PetroChina Company Ltd (14	PTR	138.38	1.7	1.6	1.6	-	0.1	1.3	0.2	0.64
<i>Total or Median</i>			<i>14</i>	<i>13</i>						<i>0.77</i>
Independent Natural Gas and Oil - Large Cap										
EOG Resources	EOG	134.97	5.2	4.8		3.4	0.3	1.2		0.97
Encana Corporation	ECA	93.31	3.6	3.8	3.8	2.8		0.8	0.2	0.95
Canadian Natural Resources	CNQ	101.76	1.5	1.6	1.6	0.4		1.2		0.85
Anadarko Petroleum Corp.	APC	76.02	3.7	4.8		2.5		2.1	0.1	0.82
Occidental Petroleum Corp.	OXY	93.34	3.5	3.2		0.4	0.0	2.6	0.2	0.79
XTO Energy Inc.	XTO	64.08	4.5	4.8		3.6		1.2		0.77
Devon Energy Corporation	DVN	118.65	6.3	6.4		3.4		3.0		0.73
<i>Total or Median</i>			<i>28</i>	<i>29</i>						<i>0.82</i>
Independent Natural Gas and Oil - Small Cap										
Encore Acquisition Company	EAC	66.36	2.7	3.2		0.5		2.7		0.91
Berry Petroleum Company	BRY	52.70	1.4	1.6		0.4		1.2		0.85
Cimarex Energy Company	XEC	69.21	3.3	3.2		2.0		1.2		0.71
<i>Total or Median</i>			<i>7</i>	<i>8</i>						<i>0.85</i>
Income										
Canadian Oil Sands Trust	COSWF	51.82	5.6	5.1	5.1	(0.5)		5.6		0.91
San Juan Basin Royalty Trust	SJT	43.25	7.3	6.4		6.4				0.90
Penn West Energy Trust	PWE	34.22	2.1	2.6	2.6	0.6		2.0		0.82
Hugoton Royalty Trust	HGT	33.00	3.7	3.2		3.2				0.79
<i>Total or Median</i>			<i>19</i>	<i>17</i>						<i>0.86</i>
Portfolio Composite										
			<i>100</i>	<i>100</i>	<i>46</i>	<i>31</i>	<i>11</i>	<i>51</i>	<i>7</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 9.6% to four-tenths at 1.3%.										

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May 27, 2008



Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
22-May	PBR	Petrobras	Raise Net Present Value to \$75 a Share
13-May	PWE	Penn West Energy Trust	Raise Net Present Value to \$45 a Share
13-May	STO	StatoilHydro ASA	Raise Net Present Value to \$52 a Share
13-May	ECA	EnCana Corporation	Splits Natural Gas and Oil Sands (Meter Reader)
9-May	CNQ	Canadian Natural Resources	Raise Net Present Value to \$124 a Share
7-May	DVN	Devon Energy Corporation	Resources Three Times Reserves
7-May	TOT	Total S.A.	Euro Oil Leader
6-May	XEC	Cimarex Energy Company	Raise Net Present Value to \$85 a Share
6-May	APC	Anadarko Petroleum Corporation	Positives Outweigh Negatives
2-May	CVX	Chevron Corporation	Refining Penalty
2-May	EOG	EOG Resources Inc.	Stock Outperforms
1-May	IMO	Imperial Oil Limited	ExxonMobil's Undeveloped Opportunities
1-May	MRO	Marathon Oil Corporation	Hangover from Last Year's Refining Boom
1-May	XOM	Exxon Mobil Corporation	World's Safest Investment
29-Apr	BP	BP p.l.c.	Getting Back on Track
29-Apr	BRY	Berry Petroleum	Earnings Fit with Oil Price
29-Apr	PCZ	Petro-Canada	Low McDep Ratio
29-Apr	RDSA	Royal Dutch Shell plc	Non U.S. Energy MegaCap
28-Apr	* COSWF	Canadian Oil Sands Trust	Ten-Bagger Distribution
28-Apr	* PTR	PetroChina Company Limited	Winter Sacrifice
28-Apr	* CEO	CNOOC Ltd	Raise Net Present Value to \$140 a Share
25-Apr	* SJT	San Juan Basin Royalty Trust	Better News Ahead (Income Weekly)
24-Apr	* COP	ConocoPhillips	Timely Investment Choice
24-Apr	* OXY	Occidental Petroleum Corporation	Raise Net Present Value to \$100 a Share
24-Apr	* SU	Suncor Energy	Booming Oil
23-Apr	* XTO	XTO Energy Inc.	Positioned for Natural Gas Gain
22-Apr	* ECA	EnCana Corporation	Largest North American Natural Gas Producer
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
18-Feb	* OGZPY	Gazprom	60-Day Bargain, 200-Day Momentum

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27-May		Weekly	
20-May		Weekly	Scenario 1978-1980-1982
13-May	*	Weekly	Raise Present Value for \$100 Oil
6-May	*	Weekly	Déjà vu 1980

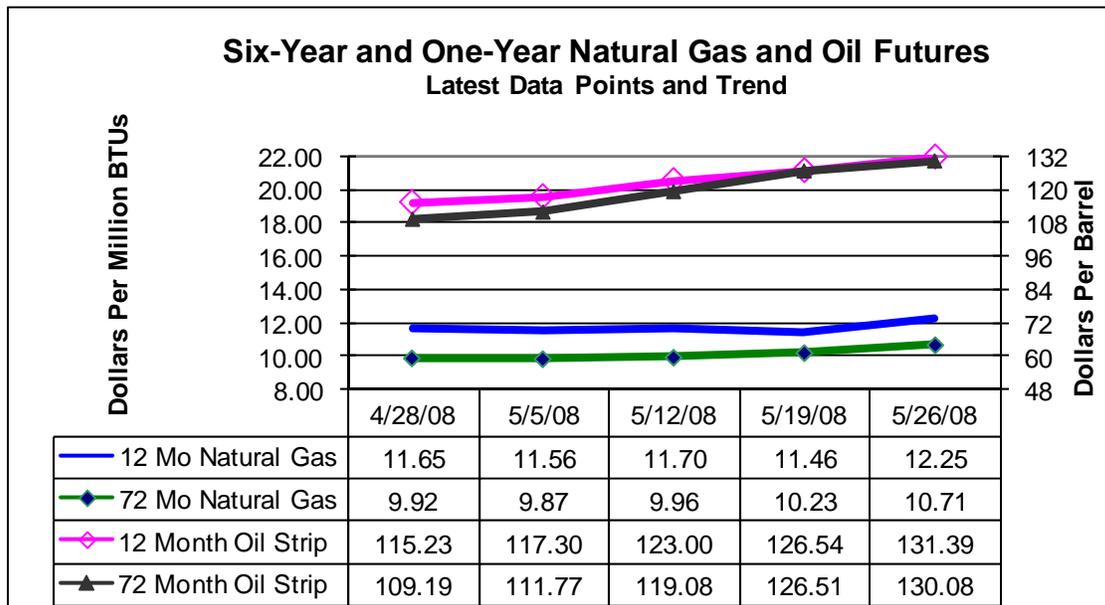
Oil and Gas Income Stocks

23-May		Weekly	Stocks Lag Oil Price
16-May		Weekly	Volume Decline Modest
9-May	*	Weekly	Raise Present Value 25%
2-May	*	Weekly	Trust Distributions Rising

* Archived on www.mcdep.com

Meter Reader

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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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