



Summer Crack

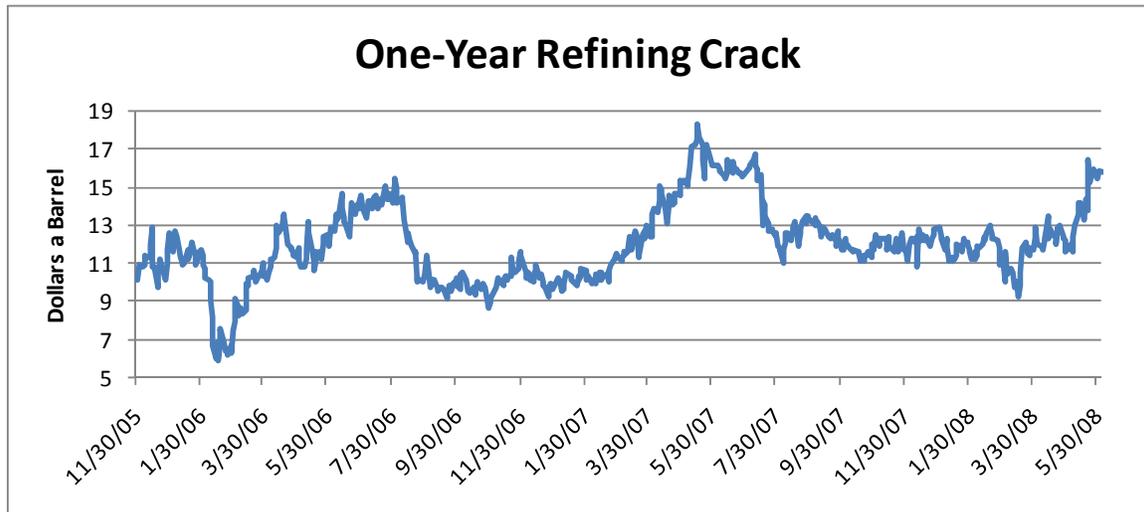
Summary and Recommendation

McDep Ratios remain low for stocks most represented in downstream operations including buy recommendations **Lukoil (LUKOY)** and **Royal Dutch Shell (RDS)** (see table Oil Refiners). The traditional rally in the “crack spread” ahead of the usually profitable summer driving season occurred again in 2008 (see chart One-Year Refining Crack). We measure refining margin by the difference in futures price of three barrels of light sweet crude oil compared to two barrels of gasoline and one barrel of heating oil (the 3-2-1 crack spread). Investors who rebalance to lower McDep Ratio stocks and/or adhere to pre-determined position weightings such as those illustrated in the McDep Energy Portfolio may profit from shifting market valuation of independent producers without refining and integrated companies with refining (see tables, Rank by McDep Ratio and Portfolio).

Kurt H. Wulff, CFA

Oil Refiners

	<i>Downstream Present Value (US\$m)</i>	<i>(%)</i>	<i>McDep Ratio</i>
Marathon Oil Corporation	18,000	27	0.75
Royal Dutch Shell plc	110,000	27	0.73
Lukoil Oil Company	29,000	23	0.75
Exxon Mobil Corporation	130,000	20	0.76
ConocoPhillips	54,000	19	0.68
Chevron Corporation	52,000	16	0.76
Total S.A.	46,000	15	0.72
Imperial Oil Limited	8,000	13	0.92
BP plc	50,000	13	0.73
Petro-Canada	6,000	12	0.68
PetroChina Company Ltd	50,000	12	0.67
Suncor Energy	3,600	5	0.92



Source: Bloomberg, McDep LLC

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

June 3, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		2-Jun	Shares	Cap	Value	Present	McDep
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	Ratio
Mega Cap								
Petrobras	PBR		71.35	4,387	313,010	75.00	0.10	0.96
Chevron Corporation	CVX	B	99.37	2,206	219,000	135.00	0.08	0.76
Exxon Mobil Corporation	XOM	B	87.81	5,362	471,000	118.00	0.05	0.76
BP plc	BP	B	71.02	3,146	223,000	104.00	0.16	0.73
Royal Dutch Shell plc	RDS-A	B	83.70	3,106	260,000	120.00	0.10	0.73
Total S.A.	TOT	B	86.51	2,254	195,000	125.00	0.10	0.72
Gazprom (50%)	OGZPY	B	59.90	2,940	176,100	88.00	0.09	0.71
ConocoPhillips	COP	B	92.95	1,582	147,000	150.00	0.17	0.68
<i>Total or Median</i>					2,004,000		0.10	0.73
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	68.56	946	64,860	75.00	0.08	0.92
Imperial Oil Limited (30%)	IMO	B	59.39	272	16,140	65.00	0.05	0.92
StatoilHydro ASA (29%)	STO	B	38.48	928	35,710	52.00	0.12	0.77
Lukoil Oil Company	LUKOY	B	111.25	828	92,000	150.00	0.02	0.75
Marathon Oil Corporation	MRO	H	51.61	717	37,000	75.00	0.18	0.75
Petro-Canada	PCZ	B	58.24	488	28,420	90.00	0.10	0.68
PetroChina Company Ltd (14%)	PTR	B	144.10	256	36,920	220.00	0.04	0.67
<i>Total or Median</i>					311,000		0.08	0.75
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	177.81	152	27,080	180.00	-	0.99
Encana Corporation	ECA	B	90.65	753	68,300	100.00	0.18	0.92
EOG Resources	EOG	B	127.34	250	31,800	140.00	0.05	0.91
Canadian Natural Resources	CNQ	B	97.85	540	52,800	124.00	0.17	0.83
Anadarko Petroleum Corp.	APC	B	75.78	470	35,600	100.00	0.27	0.82
Occidental Petroleum Corp.	OXY	B	92.50	828	76,600	120.00	0.05	0.78
Chesapeake Energy Corporation	CHK		55.61	493	27,420	80.00	0.28	0.78
XTO Energy Inc.	XTO	B	64.00	504	32,260	88.00	0.15	0.77
Devon Energy Corporation	DVN	B	118.35	449	53,100	170.00	0.10	0.73
<i>Total or Median</i>					405,000		0.15	0.82
Independent Natural Gas and Oil - Small Cap								
Encore Acquisition Company	EAC	B	69.69	54	3,760	75.00	0.25	0.95
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.99	112	1,460	14.00	0.09	0.94
Berry Petroleum Company	BRY	B	54.84	45	2,480	65.00	0.20	0.87
Cimarex Energy Company	XEC	B	69.01	85	5,880	100.00	0.07	0.71
Energy Partners Ltd.	EPL		15.54	32	490	30.00	0.35	0.68
<i>Total or Median</i>					14,100		0.20	0.87
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.80	189	11,120	17.00	0.57	2.06
Kinder Morgan Management, LLC	KMR	S	55.85	65	3,630	17.00	0.57	1.99
Canadian Oil Sands Trust	COSWF	B	51.08	479	24,470	57.00	0.04	0.90
Pengrowth Energy Trust	PGH		20.50	247	5,060	24.00	0.25	0.89
San Juan Basin Royalty Trust	SJT	B	42.50	47	1,980	48.00	-	0.89
Hugoton Royalty Trust	HGT	B	33.80	40	1,350	42.00	-	0.80
Penn West Energy Trust	PWE	B	32.87	367	12,050	45.00	0.24	0.79
Enerplus Resources Fund	ERF		47.11	153	7,210	63.00	0.15	0.78
<i>Total or Median</i>					66,900		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								
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$14 a million btu.								

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

June 3, 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		2-Jun 2008	NTM	NTM	NTM	NTM	NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	59.90	24.6	12.0	8.5	14	0.7
Petrobras	PBR		71.35	10.4	8.5	8.1	14	1.2
Exxon Mobil Corporation	XOM	B	87.81	12.2	6.5	4.9	8	1.8
Total S.A.	TOT	B	86.51	9.0	6.3	4.5	8	3.7
Chevron Corporation	CVX	B	99.37	9.4	5.9	4.5	8	2.6
BP plc	BP	B	71.02	9.9	6.0	4.4	7	4.6
Royal Dutch Shell plc	RDS-A	B	83.70	7.5	5.5	4.0	7	3.8
ConocoPhillips	COP	B	92.95	10.7	5.9	4.0	6	2.0
	<i>Median</i>			10.2	6.1	4.5	8	2.3
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	59.39	13.9	8.1	7.5	13	0.6
Suncor Energy	SU	B	68.56	21.2	7.8	7.2	12	0.6
StatoilHydro ASA (29%)	STO	B	38.48	7.7	5.9	4.5	9	4.4
Lukoil Oil Company	LUKOY	B	111.25	18.7	5.9	4.4	7	1.4
PetroChina Company Ltd (14%)	PTR	B	144.10	14.4	6.5	4.4	8	3.6
Marathon Oil Corporation	MRO	H	51.61	8.3	5.6	4.2	7	1.9
Petro-Canada	PCZ	B	58.24	6.5	4.6	3.1	6	0.9
	<i>Median</i>			13.9	5.9	4.4	8	1.4
Independent Natural Gas and Oil - Large Cap								
Chesapeake Energy Corporation	CHK		55.61	11.5	7.6	5.9	9	0.5
Canadian Natural Resources	CNQ	B	97.85	8.7	7.2	5.9	11	0.4
EOG Resources	EOG	B	127.34	10.0	6.3	5.8	12	0.4
CNOOC Limited (34%)	CEO	H	177.81	9.2	5.7	5.7	10	2.2
XTO Energy Inc.	XTO	B	64.00	12.2	7.3	5.6	12	0.8
Encana Corporation	ECA	B	90.65	8.7	6.0	5.5	10	1.8
Occidental Petroleum Corp.	OXY	B	92.50	11.6	6.3	4.9	9	1.4
Anadarko Petroleum Corp.	APC	B	75.78	9.5	5.6	4.6	9	1.0
Devon Energy Corporation	DVN	B	118.35	9.4	6.3	4.6	8	0.5
	<i>Median</i>			9.5	6.3	5.6	10	0.8
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.99	7.0	8.3	7.8	24	-
Encore Acquisition Company	EAC	B	69.69	13.9	6.6	6.3	11	-
Berry Petroleum Company	BRY	B	54.84	10.3	6.4	5.6	10	0.5
Cimarex Energy Company	XEC	B	69.01	7.5	5.0	3.5	7	0.2
Energy Partners Ltd.	EPL		15.54	7.3	3.5	2.4	-	-
	<i>Median</i>			7.5	6.4	5.6	10	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.80		7.4	15.2	23	6.3
Kinder Morgan Management, LLC	KMR	S	55.85		7.4	14.7	22	6.6
Canadian Oil Sands Trust	COSWF	B	51.08	22.1	8.3	7.5	8	7.9
San Juan Basin Royalty Trust	SJT	B	42.50	10.4	8.4	7.5	9	11.0
Hugoton Royalty Trust	HGT	B	33.80	13.1	7.9	6.4	9	10.9
Pengrowth Energy Trust	PGH		20.50	8.9	5.7	5.1	56	13.3
Enerplus Resources Fund	ERF		47.11	9.6	6.0	4.7	8	10.8
Penn West Energy Trust	PWE	B	32.87	7.3	5.4	4.3	10	12.6
	<i>Median</i>			10.0	7.4	6.9	9	10.9
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 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

June 3, 2008



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-	
	Symbol	2-Jun	(%)	(%)	HQ	Gas	Gas	Prod'n	stream	McDep
		2008			(%)	(%)	(%)	(%)	(%)	Ratio
Mega Cap										
Chevron Corporation	CVX	99.37	3.3	3.2		0.2	0.2	2.3	0.5	0.76
Exxon Mobil Corporation	XOM	87.81	3.4	3.2		0.2	0.5	1.8	0.6	0.76
BP plc	BP	71.02	2.9	3.2	3.2	0.3	0.3	2.2	0.4	0.73
Royal Dutch Shell plc	RDS-A	83.70	3.2	3.2	3.2	0.1	0.5	1.7	0.8	0.73
Total S.A.	TOT	86.51	3.2	3.2	3.2		0.5	2.2	0.5	0.72
Gazprom	OGZPY	59.90	9.7	9.6	9.6		7.6	2.0		0.71
ConocoPhillips	COP	92.95	5.6	6.4		0.9	0.4	3.8	1.2	0.68
<i>Total or Median</i>			<i>31</i>	<i>32</i>						<i>0.73</i>
Producer/Refiners - Large Cap										
Suncor Energy	SU	68.56	1.3	1.3	1.3	0.0		1.2	0.1	0.92
Imperial Oil Limited	IMO	59.39	1.4	1.3	1.3	0.1		1.0	0.2	0.92
StatoilHydro ASA	STO	38.48	1.5	1.6	1.6		0.5	1.1	-	0.77
Lukoil Oil Company	LUKOY	111.25	7.2	6.4	6.4			4.9	1.5	0.75
Petro-Canada	PCZ	58.24	1.3	1.3	1.3	0.1	0.0	0.9	0.2	0.68
PetroChina Company Ltd (14	PTR	144.10	1.7	1.6	1.6	-	0.1	1.3	0.2	0.67
<i>Total or Median</i>			<i>14</i>	<i>13</i>						<i>0.76</i>
Independent Natural Gas and Oil - Large Cap										
Encana Corporation	ECA	90.65	3.5	3.8	3.8	2.8		0.8	0.2	0.92
EOG Resources	EOG	127.34	5.2	4.8		3.4	0.3	1.2		0.91
Canadian Natural Resources	CNQ	97.85	1.5	1.6	1.6	0.4		1.2		0.83
Anadarko Petroleum Corp.	APC	75.78	3.7	4.8		2.5		2.2	0.1	0.82
Occidental Petroleum Corp.	OXY	92.50	3.5	3.2		0.4	0.0	2.6	0.2	0.78
XTO Energy Inc.	XTO	64.00	4.5	4.8		3.6		1.2		0.77
Devon Energy Corporation	DVN	118.35	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	69.69	2.7	3.2		0.5		2.7		0.95
Berry Petroleum Company	BRY	54.84	1.4	1.6		0.4		1.2		0.87
Cimarex Energy Company	XEC	69.01	3.3	3.2		2.0		1.2		0.71
<i>Total or Median</i>			<i>7</i>	<i>8</i>						<i>0.87</i>
Income										
Canadian Oil Sands Trust	COSWF	51.08	5.6	5.1	5.1	(0.5)		5.6		0.90
San Juan Basin Royalty Trust	SJT	42.50	7.4	6.4		6.4				0.89
Hugoton Royalty Trust	HGT	33.80	3.7	3.2		3.2				0.80
Penn West Energy Trust	PWE	32.87	2.1	2.6	2.6	0.7		1.8		0.79
<i>Total or Median</i>			<i>19</i>	<i>17</i>						<i>0.84</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>0.78</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%.										

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-May	XTO	XTO Energy Inc.	Low McDep Ratio Natural Gas
27-May	EAC	Encore Acquisition Company	Bullish Encore (Meter Reader)
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
8-May	EAC	Encore Acquisition Company	\$120 a Barrel Excitement
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
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

Meter Reader

3-Jun		Weekly	Summer Crack
27-May		Weekly	Bullish Encore
20-May	*	Weekly	Scenario 1978-1980-1982
13-May	*	Weekly	Raise Present Value for \$100 Oil

Oil and Gas Income Stocks

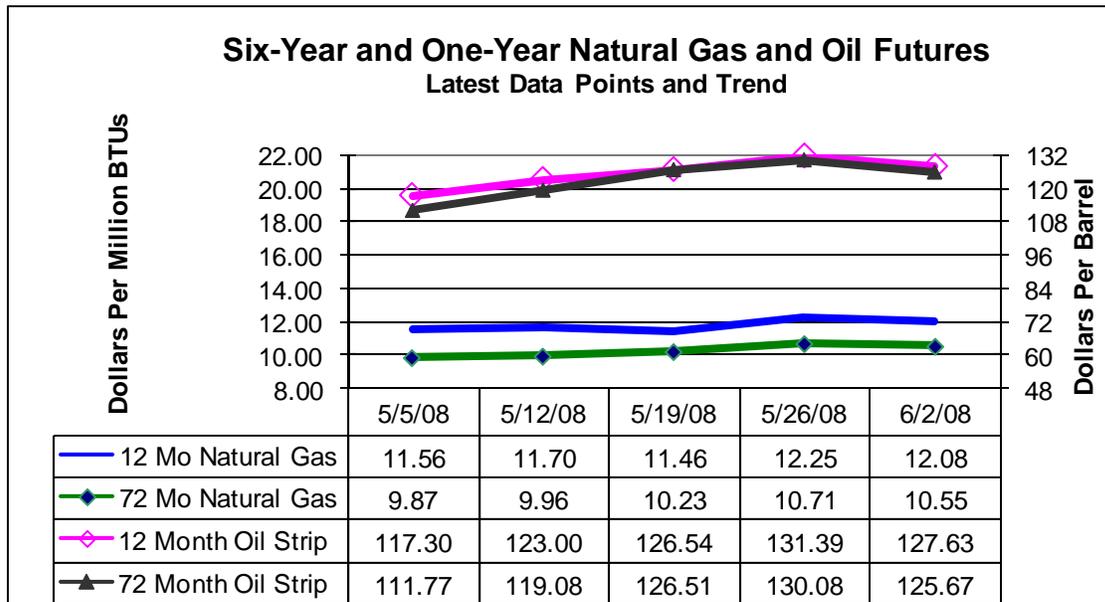
30-May		Weekly	Portfolio Builders
23-May		Weekly	Stocks Lag Oil Price
16-May	*	Weekly	Volume Decline Modest
9-May	*	Weekly	Raise Present Value 25%

* Archived on 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.