

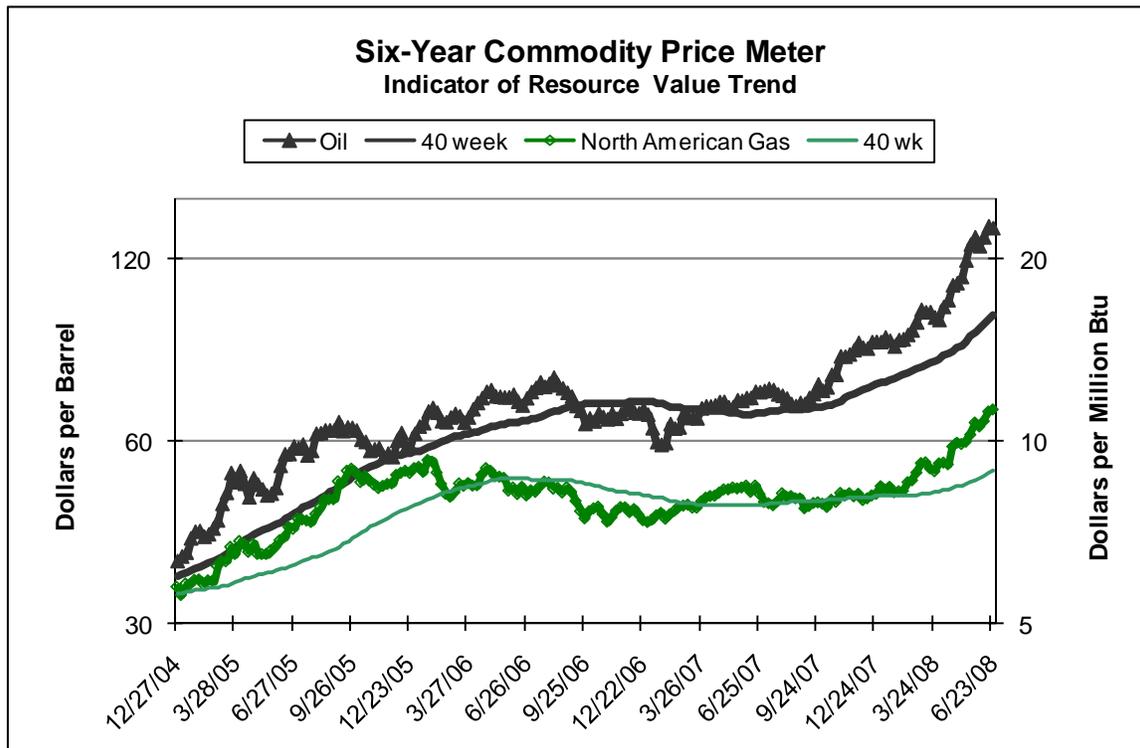


## Small Cap Surge

### Summary and Recommendation

Small cap independent oil and gas producers well-positioned to gain in an environment of low confidence in political leadership include buy recommendations **Encore Acquisition (EAC)**, **Berry Petroleum (BRY)** and **Cimarex Energy (XEC)**. As energy prices moved to politically unwelcome, but more realistic levels considering long-term supply and demand, our government counteracted with a hastily-conceived subsidy to turn scarce food into energy. Fortunately, economics is trumping politics with the market creating the best energy policy --- higher price for refined oil products and natural gas, the most abundant clean fuels. With no political action between now and the election in the fall, stock prices may have the chance to catch up with oil price. At McDep Ratios from 0.75 to 1.01 the three stocks are priced for oil at \$75 to \$100 a barrel when futures prices for the next six years currently average \$135 (see chart Six-Year Commodity Price Meter below and Six-Year and One-Year Natural Gas and Oil Futures on page 6). Encore is studying strategic alternatives that could include the sale of the company. Berry is completing a natural gas acquisition that extends its geographic spread from California and the Rockies to Texas. Finally, Cimarex concentrates on horizontal drilling to tap deposits in Texas and New Mexico as well as in the newly developing Woodford Shale in Oklahoma.

Kurt H. Wulff, CFA



## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

June 24, 2008



Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		23-Jun	Shares	Cap	Value	Present	McDep
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	Ratio
<b>Mega Cap</b>								
Petrobras	PBR		66.32	4,387	290,950	75.00	0.10	0.90
Chevron Corporation	CVX	B	99.06	2,206	219,000	135.00	0.08	0.76
Exxon Mobil Corporation	XOM	B	87.70	5,362	470,000	118.00	0.05	0.76
BP plc	BP	B	68.07	3,146	214,000	104.00	0.16	0.71
ConocoPhillips	COP	B	95.54	1,582	151,000	150.00	0.17	0.70
Total S.A.	TOT	B	82.29	2,254	186,000	125.00	0.10	0.69
Gazprom (50%)	OGZPY	B	58.10	2,940	170,800	88.00	0.09	0.69
Royal Dutch Shell plc	RDS-A	B	78.23	3,106	243,000	120.00	0.10	0.69
<i>Total or Median</i>					1,945,000		0.10	0.70
<b>Producer/Refiners - Large Cap</b>								
Imperial Oil Limited (30%)	IMO	B	55.84	272	15,180	65.00	0.05	0.87
Suncor Energy	SU	B	63.95	946	60,500	75.00	0.08	0.86
Marathon Oil Corporation	MRO	H	52.52	717	37,660	75.00	0.18	0.76
StatoilHydro ASA (29%)	STO	B	36.62	928	33,980	52.00	0.12	0.74
Petro-Canada	PCZ	B	56.94	488	27,790	90.00	0.10	0.67
PetroChina Company Ltd (14%)	PTR	B	133.85	256	34,290	220.00	0.04	0.62
Lukoil Oil Company	LUKOY	B	99.20	826	82,000	170.00	0.01	0.59
<i>Total or Median</i>					291,000		0.08	0.74
<b>Independent Natural Gas and Oil - Large Cap</b>								
EOG Resources	EOG	B	135.54	250	33,900	140.00	0.05	0.97
Encana Corporation	ECA	B	91.66	753	69,000	100.00	0.18	0.93
CNOOC Limited (34%)	CEO	H	166.33	152	25,330	180.00	-	0.92
Chesapeake Energy Corporation	CHK		67.79	493	33,420	80.00	0.28	0.89
XTO Energy Inc.	XTO	B	73.40	549	40,280	88.00	0.19	0.87
Canadian Natural Resources	CNQ	B	102.36	540	55,300	124.00	0.17	0.86
Anadarko Petroleum Corp.	APC	B	78.03	470	36,700	100.00	0.27	0.84
Devon Energy Corporation	DVN	B	122.51	449	55,000	170.00	0.10	0.75
Occidental Petroleum Corp.	OXY	B	87.61	828	72,500	120.00	0.05	0.74
<i>Total or Median</i>					421,000		0.17	0.87
<b>Independent Natural Gas and Oil - Small Cap</b>								
Birchcliff Energy Ltd. (US\$)	BIR.TO		14.27	112	1,600	14.00	0.09	1.02
Encore Acquisition Company	EAC	B	76.46	54	4,120	75.00	0.25	1.01
Berry Petroleum Company	BRY	B	61.75	45	2,800	65.00	0.32	0.97
Cimarex Energy Company	XEC	B	72.89	85	6,210	100.00	0.07	0.75
Energy Partners Ltd.	EPL		14.76	32	470	30.00	0.35	0.67
<i>Total or Median</i>					15,200		0.25	0.97
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.53	189	11,070	17.00	0.57	2.06
Kinder Morgan Management, LLC	KMR	S	54.76	65	3,560	17.00	0.57	1.96
San Juan Basin Royalty Trust	SJT	B	47.10	47	2,200	48.00	-	0.98
Penn West Energy Trust	PWE	B	34.99	377	13,190	40.00	0.25	0.91
Canadian Oil Sands Trust	COSWF	B	50.69	479	24,280	57.00	0.04	0.89
Pengrowth Energy Trust	PGH		20.49	247	5,060	24.00	0.25	0.89
Hugoton Royalty Trust	HGT	B	36.58	40	1,460	42.00	-	0.87
Enerplus Resources Fund	ERF		47.19	153	7,220	63.00	0.14	0.78
<i>Total or Median</i>					68,000		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.

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June 24, 2008



Oil and Gas Producers - Rank by EV/Ebitda								
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib NTM (%)
	Symbol/ Rating		23-Jun 2008	NTM	NTM	NTM	NTM	
<b>Mega Cap</b>								
Gazprom (50%)	OGZPY	B	58.10	24.6	12.0	8.3	13	0.8
Petrobras	PBR		66.32	10.4	8.2	7.4	12	1.3
Exxon Mobil Corporation	XOM	B	87.70	12.2	6.3	4.8	8	1.8
Chevron Corporation	CVX	B	99.06	9.4	5.7	4.3	7	2.6
Total S.A.	TOT	B	82.29	9.0	6.1	4.2	7	3.9
BP plc	BP	B	68.07	9.9	5.8	4.1	6	4.8
ConocoPhillips	COP	B	95.54	10.7	5.7	4.0	6	2.0
Royal Dutch Shell plc	RDS-A	B	78.23	7.5	5.4	3.7	6	4.1
	<i>Median</i>			10.2	6.0	4.3	7	2.3
<b>Producer/Refiners - Large Cap</b>								
Imperial Oil Limited (30%)	IMO	B	55.84	13.9	7.9	6.9	11	0.6
Suncor Energy	SU	B	63.95	21.2	7.6	6.5	10	0.6
StatoilHydro ASA (29%)	STO	B	36.62	7.7	5.7	4.2	8	4.5
Marathon Oil Corporation	MRO	H	52.52	8.3	5.4	4.1	7	1.8
PetroChina Company Ltd (14%)	PTR	B	133.85	14.4	6.4	4.0	7	3.9
Lukoil Oil Company	LUKOY	B	99.20	18.4	6.2	3.7	6	1.6
Petro-Canada	PCZ	B	56.94	6.5	4.4	3.0	5	0.9
	<i>Median</i>			13.9	6.2	4.1	7	1.6
<b>Independent Natural Gas and Oil - Large Cap</b>								
Chesapeake Energy Corporation	CHK		67.79	11.5	7.1	6.3	10	0.4
XTO Energy Inc.	XTO	B	73.40	12.2	6.9	6.0	14	0.7
Canadian Natural Resources	CNQ	B	102.36	8.7	6.8	5.8	11	0.4
EOG Resources	EOG	B	135.54	10.0	6.0	5.8	11	0.4
Encana Corporation	ECA	B	91.66	8.7	5.6	5.2	10	1.7
CNOOC Limited (34%)	CEO	H	166.33	9.2	5.6	5.1	9	2.3
Occidental Petroleum Corp.	OXY	B	87.61	11.6	6.1	4.5	8	1.5
Anadarko Petroleum Corp.	APC	B	78.03	9.5	5.3	4.5	8	0.9
Devon Energy Corporation	DVN	B	122.51	9.4	6.0	4.5	8	0.5
	<i>Median</i>			9.5	6.0	5.2	10	0.7
<b>Independent Natural Gas and Oil - Small Cap</b>								
Birchcliff Energy Ltd. (US\$)	BIR.TO		14.27	7.0	7.8	8.0	23	-
Encore Acquisition Company	EAC	B	76.46	13.9	6.3	6.4	11	-
Berry Petroleum Company	BRY	B	61.75	10.2	6.3	6.1	10	0.5
Cimarex Energy Company	XEC	B	72.89	7.5	4.7	3.5	7	0.2
Energy Partners Ltd.	EPL		14.76	7.3	3.3	2.2		-
	<i>Median</i>			7.5	6.3	6.1	10	-
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.53		7.4	15.2	23	6.3
Kinder Morgan Management, LLC	KMR	S	54.76		7.4	14.5	21	6.7
San Juan Basin Royalty Trust	SJT	B	47.10	10.4	7.9	7.8	9	10.5
Canadian Oil Sands Trust	COSWF	B	50.69	22.0	7.9	7.1	8	12.4
Hugoton Royalty Trust	HGT	B	36.58	13.2	7.5	6.5	9	10.7
Pengrowth Energy Trust	PGH		20.49	8.9	5.6	5.0	33	12.9
Enerplus Resources Fund	ERF		47.19	9.6	5.9	4.6	7	10.4
Penn West Energy Trust	PWE	B	34.99	7.2	4.9	4.5	10	12.8
	<i>Median</i>			10.0	7.4	6.8	10	10.6
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 24, 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-	
		23-Jun			HQ	Gas	Gas	Prod'n	stream	McDep
	Symbol	2008	(%)	(%)	(%)	(%)	(%)	(%)	(%)	Ratio
<b>Mega Cap</b>										
Chevron Corporation	CVX	99.06	3.3	3.2		0.2	0.2	2.3	0.5	0.76
Exxon Mobil Corporation	XOM	87.70	3.5	3.2		0.2	0.5	1.8	0.6	0.76
BP plc	BP	68.07	2.9	3.2	3.2	0.3	0.3	2.2	0.4	0.71
ConocoPhillips	COP	95.54	5.6	6.4		0.9	0.4	3.8	1.2	0.70
Total S.A.	TOT	82.29	3.2	3.2	3.2		0.5	2.2	0.5	0.69
Gazprom	OGZPY	58.10	9.7	9.6	9.6		7.6	2.0		0.69
Royal Dutch Shell plc	RDS-A	78.23	3.1	3.2	3.2	0.1	0.5	1.7	0.8	0.69
<i>Total or Median</i>			<i>31</i>	<i>32</i>						<i>0.70</i>
<b>Producer/Refiners - Large Cap</b>										
Imperial Oil Limited	IMO	55.84	1.4	1.3	1.3	0.1		1.0	0.2	0.87
Suncor Energy	SU	63.95	1.3	1.3	1.3	0.0		1.2	0.1	0.86
StatoilHydro ASA	STO	36.62	1.5	1.6	1.6		0.5	1.1	-	0.74
Petro-Canada	PCZ	56.94	1.3	1.3	1.3	0.1	0.0	0.9	0.2	0.67
PetroChina Company Ltd (14	PTR	133.85	1.7	1.6	1.6	-	0.1	1.3	0.2	0.62
Lukoil Oil Company	LUKOY	99.20	7.2	6.4	6.4			4.6	1.8	0.59
<i>Total or Median</i>			<i>14</i>	<i>13</i>						<i>0.70</i>
<b>Independent Natural Gas and Oil - Large Cap</b>										
EOG Resources	EOG	135.54	5.2	4.8		3.4	0.3	1.2		0.97
Encana Corporation	ECA	91.66	3.6	3.8	3.8	2.8		0.8	0.2	0.93
XTO Energy Inc.	XTO	73.40	4.3	4.8		3.5		1.3		0.87
Canadian Natural Resources	CNQ	102.36	1.5	1.6	1.6	0.4		1.2		0.86
Anadarko Petroleum Corp.	APC	78.03	3.8	4.8		2.5		2.2	0.1	0.84
Devon Energy Corporation	DVN	122.51	6.3	6.4		3.4		3.0		0.75
Occidental Petroleum Corp.	OXY	87.61	3.5	3.2		0.4	0.0	2.6	0.2	0.74
<i>Total or Median</i>			<i>28</i>	<i>29</i>						<i>0.86</i>
<b>Independent Natural Gas and Oil - Small Cap</b>										
Encore Acquisition Company	EAC	76.46	2.8	3.2		0.5		2.7		1.01
Berry Petroleum Company	BRY	61.75	1.2	1.6		0.7		0.9		0.97
Cimarex Energy Company	XEC	72.89	3.4	3.2		2.0		1.2		0.75
<i>Total or Median</i>			<i>7</i>	<i>8</i>						<i>0.97</i>
<b>Income</b>										
San Juan Basin Royalty Trust	SJT	47.10	7.4	6.4		6.4				0.98
Penn West Energy Trust	PWE	34.99	2.1	2.6	2.6	0.8		1.8		0.91
Canadian Oil Sands Trust	COSWF	50.69	5.6	5.1	5.1	(0.5)		5.6		0.89
Hugoton Royalty Trust	HGT	36.58	3.7	3.2		3.2				0.87
<i>Total or Median</i>			<i>19</i>	<i>17</i>						<i>0.90</i>
<b>Portfolio Composite</b>										
			<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>
17-Jun	XTO	XTO Energy Inc.	Beating a Tax Deadline
16-Jun	BRY	Berry Petroleum	Timely Natural Gas Deal
13-Jun	PWE	Penn West Energy Trust	Raise Distribution, Adjust NPV (Income Weekly)
6-Jun	COSWF	Canadian Oil Sands Trust	Raise Distribution Estimate 50% (Income Weekly)
4-Jun	LUKOY	Lukoil Oil Company	Raise Net Present Value to \$170 a Share
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	* PCZ	Petro-Canada	Low McDep Ratio
29-Apr	* RDSA	Royal Dutch Shell plc	Non U.S. Energy MegaCap
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
18-Feb	* OGZPY	Gazprom	60-Day Bargain, 200-Day Momentum

#### Meter Reader

24-Jun		Weekly	Small Cap Surge
17-Jun		Weekly	Shale Gas
10-Jun		Weekly	NASDAQ 5000, Oil 500
3-Jun	*	Weekly	Summer Crack

#### Oil and Gas Income Stocks

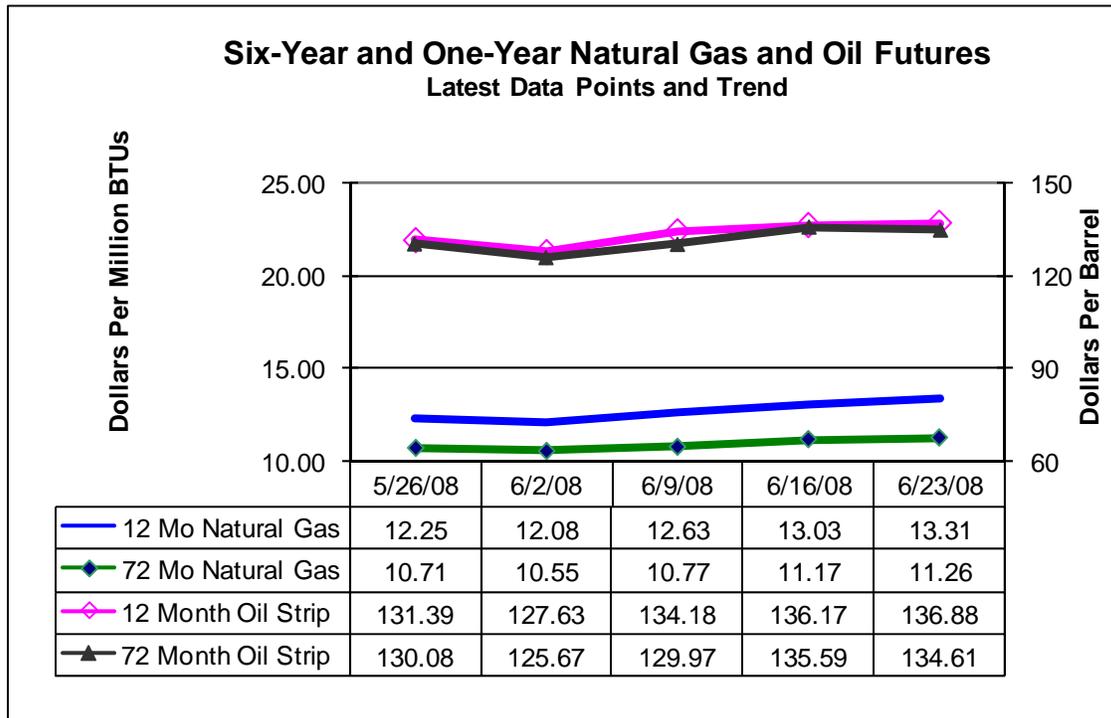
20-Jun		Weekly	Natural Gas Gaining Altitude
13-Jun		Penn West Energy Trust	Raise Distribution, Adjust NPV
6-Jun		Canadian Oil Sands Trust	Raise Distribution Estimate 50%
30-May	*	Weekly	Portfolio Builders

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

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