



Meter Reader

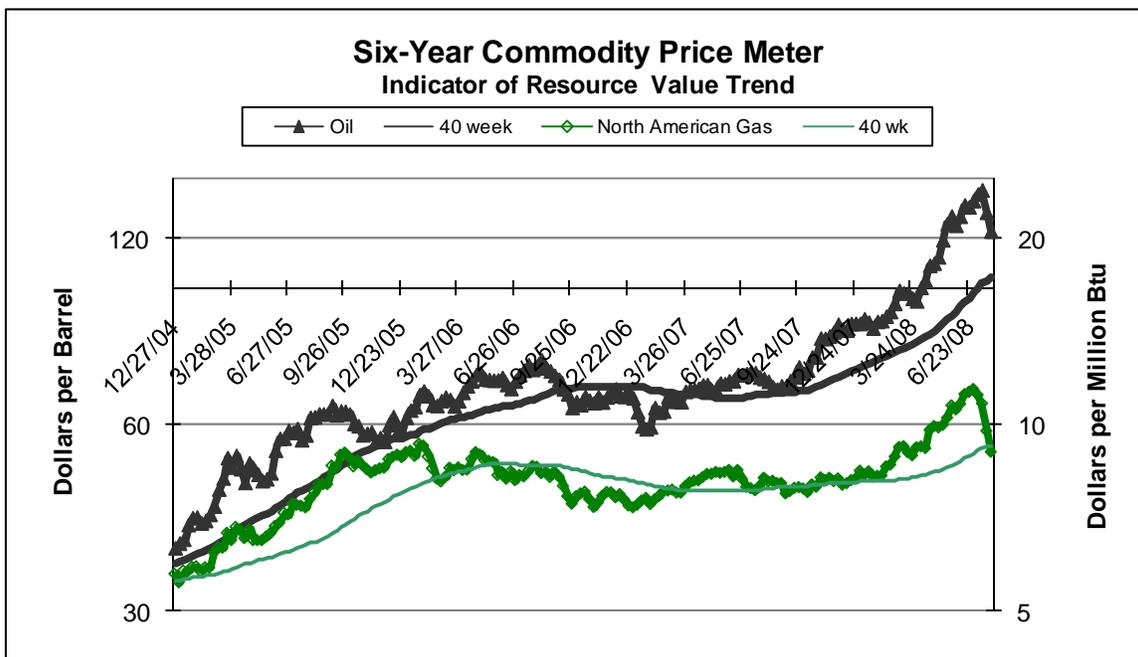
A Weekly Analysis of Energy Stocks Using the McDep Ratio
July 29, 2008

Oil and Stocks Diverge

Summary and Recommendation

The stocks of most oil and gas producing companies are now out of favor defined by current quote below the 200-day average (see table [Rank by 200-Day Average](#) on page 4). As a result, investors attracted by low McDep Ratios may need to be patient about realizing gains. In contrast, the price of crude oil trends upward with the current quote for delivery over six years at \$123 compared to the 40-week average of \$104 (see chart [Six-Year Commodity Price Meter](#) below and [Six-Year and One-Year Natural Gas and Oil Futures](#) on page 6). Thus, it seems that stocks are affected by the current bear market for equities while the commodity reflects supply constraint in an era of global growth. A persistent low price for natural gas relative to oil is a bright spot for the North American economy that could justify expanding the market for the clean fuel into the transportation sector. Declining stock prices have taken their toll outside the U.S., too, where Russia is pressuring **BP plc (BP)** and China is squeezing **Petro-China (PTR)** with price controls. We don't like those actions any more than we like past unexpected tax increases in Canada and Alaska and future threatened punitive taxes in the U.S. In the end negative government action drives up price to levels that make it profitable to add new supply. We believe that with patience we can make money on our buy recommendations despite or because the stocks may be out of favor currently.

Kurt H. Wulff, CFA





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Oil and Gas Producers - Rank by McDep Ratio								
			Price			Net		
			(US\$/sh)			Market	Present	Debt/
	Symbol/		28-Jul	Shares	Cap	Value	Value	Present
	Rating		2008	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio
Mega Cap								
Petrobras	PBR		53.61	4,387	235,190	75.00	0.10	0.74
Exxon Mobil Corporation	XOM	B	80.68	5,362	433,000	118.00	0.05	0.70
BP plc	BP	B	61.80	3,146	194,000	104.00	0.16	0.66
Total S.A.	TOT	B	76.50	2,254	172,000	125.00	0.10	0.65
Royal Dutch Shell plc	RDS-A	B	72.62	3,106	226,000	120.00	0.10	0.65
Chevron Corporation	CVX	B	82.49	2,206	182,000	135.00	0.08	0.64
ConocoPhillips	COP	B	82.25	1,555	128,000	150.00	0.17	0.62
Gazprom (50%)	OGZPY	B	46.50	2,865	133,200	88.00	0.09	0.57
<i>Total or Median</i>					1,703,000		0.10	0.65
Producer/Refiners - Large Cap								
Imperial Oil Limited (30%)	IMO	B	49.30	272	13,400	65.00	0.05	0.77
Suncor Energy	SU	B	53.35	953	50,840	75.00	0.09	0.74
StatoilHydro ASA (29%)	STO	B	31.48	928	29,210	52.00	0.12	0.65
Marathon Oil Corporation	MRO	H	42.36	717	30,370	75.00	0.18	0.65
PetroChina Company Ltd (14%)	PTR	B	130.40	256	33,410	220.00	0.04	0.61
Petro-Canada	PCZ	B	46.49	484	22,500	90.00	0.12	0.57
Lukoil Oil Company	LUKOY	B	79.00	826	65,000	170.00	0.01	0.47
<i>Total or Median</i>					245,000		0.09	0.65
Independent Natural Gas and Oil - Large Cap								
CNOOC Limited (34%)	CEO	H	144.85	152	22,060	180.00	-	0.80
Encana Corporation	ECA	B	73.34	751	55,100	100.00	0.19	0.78
EOG Resources	EOG	B	101.88	250	25,500	140.00	0.05	0.74
Anadarko Petroleum Corp.	APC	B	59.10	470	27,800	100.00	0.27	0.70
Chesapeake Energy Corporation	CHK		48.93	556	27,210	80.00	0.22	0.70
Canadian Natural Resources	CNQ	B	76.90	540	41,500	124.00	0.17	0.68
Occidental Petroleum Corp.	OXY	B	76.08	826	62,800	120.00	0.05	0.65
XTO Energy Inc.	XTO	B	48.11	545	26,230	88.00	0.22	0.65
Devon Energy Corporation	DVN	B	94.44	449	42,400	170.00	0.10	0.60
<i>Total or Median</i>					331,000		0.17	0.70
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.73	112	1,430	14.00	0.09	0.92
Encore Acquisition Company	EAC	B	61.27	54	3,300	75.00	0.25	0.86
Berry Petroleum Company	BRY	B	43.18	46	1,970	65.00	0.37	0.79
Energy Partners Ltd.	EPL		12.26	32	390	30.00	0.35	0.61
Cimarex Energy Company	XEC	B	55.67	85	4,740	100.00	0.07	0.59
<i>Total or Median</i>					11,800		0.25	0.79
Income								
Kinder Morgan Energy Partners, L.P	KMP	S	57.50	184	10,590	17.00	0.60	1.95
Kinder Morgan Management, LLC	KMR	S	54.93	75	4,120	17.00	0.60	1.89
Canadian Oil Sands Trust	COSWF	B	47.83	479	22,910	57.00	0.04	0.85
Penn West Energy Trust	PWE	B	30.46	377	11,480	40.00	0.25	0.82
San Juan Basin Royalty Trust	SJT	B	38.96	47	1,820	48.00	-	0.81
Pengrowth Energy Trust	PGH		17.54	247	4,330	24.00	0.25	0.80
Hugoton Royalty Trust	HGT	B	31.29	40	1,250	42.00	-	0.74
Enerplus Resources Fund	ERF		40.24	153	6,160	63.00	0.14	0.69
<i>Total or Median</i>					62,700		0.19	0.82
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.								



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July 29, 2008

Oil and Gas Producers - Rank by EV/Ebitda							
			Price (US\$/sh)	Adjustd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	Divd or Distrib
	Symbol/ Rating		28-Jul 2008	NTM	NTM	NTM	P/E NTM (%)
Mega Cap							
Petrobras	PBR		53.61	10.4	8.8	6.5	11
Gazprom (50%)	OGZPY	B	46.50	24.6	10.5	6.0	9
Exxon Mobil Corporation	XOM	B	80.68	12.2	6.7	4.7	8
Total S.A.	TOT	B	76.50	9.0	6.5	4.2	7
ConocoPhillips	COP	B	82.25	10.9	6.6	4.1	6
BP plc	BP	B	61.80	9.9	6.3	4.1	6
Chevron Corporation	CVX	B	82.49	9.4	6.1	3.9	7
Royal Dutch Shell plc	RDS-A	B	72.62	7.5	5.7	3.7	6
	<i>Median</i>			10.2	6.5	4.2	7
Producer/Refiners - Large Cap							
Suncor Energy	SU	B	53.35	22.6	9.0	6.7	11
Imperial Oil Limited (30%)	IMO	B	49.30	13.9	8.6	6.6	11
PetroChina Company Ltd (14%)	PTR	B	130.40	14.4	6.8	4.1	8
StatoilHydro ASA (29%)	STO	B	31.48	7.7	6.1	4.0	7
Marathon Oil Corporation	MRO	H	42.36	8.3	5.9	3.8	6
Petro-Canada	PCZ	B	46.49	7.2	5.6	3.2	6
Lukoil Oil Company	LUKOY	B	79.00	18.4	6.5	3.1	5
	<i>Median</i>			13.9	6.5	4.0	7
Independent Natural Gas and Oil - Large Cap							
Chesapeake Energy Corporation	CHK		48.93	11.5	9.6	6.7	13
XTO Energy Inc.	XTO	B	48.11	11.7	8.8	5.7	12
EOG Resources	EOG	B	101.88	10.0	7.4	5.5	12
Canadian Natural Resources	CNQ	B	76.90	8.7	8.0	5.4	10
Encana Corporation	ECA	B	73.34	8.6	6.9	5.4	14
CNOOC Limited (34%)	CEO	H	144.85	9.2	6.0	4.8	9
Devon Energy Corporation	DVN	B	94.44	9.4	7.3	4.4	8
Anadarko Petroleum Corp.	APC	B	59.10	9.5	6.3	4.4	8
Occidental Petroleum Corp.	OXY	B	76.08	11.9	6.7	4.4	8
	<i>Median</i>			9.5	7.3	5.4	10
Independent Natural Gas and Oil - Small Cap							
Birchcliff Energy Ltd. (US\$)	BIR.TO		12.73	7.0	9.5	8.7	32
Encore Acquisition Company	EAC	B	61.27	13.9	7.1	6.2	11
Berry Petroleum Company	BRY	B	43.18	9.7	7.0	5.6	12
Cimarex Energy Company	XEC	B	55.67	7.5	5.7	3.4	7
Energy Partners Ltd.	EPL		12.26	7.3	4.1	2.6	-
	<i>Median</i>			7.5	7.0	5.6	11
Income							
Kinder Morgan Energy Partners, L.P.	KMP	S	57.50		7.8	15.3	23
Kinder Morgan Management, LLC	KMR	S	54.93		7.8	14.8	22
San Juan Basin Royalty Trust	SJT	B	38.96	10.4	10.5	8.6	10
Canadian Oil Sands Trust	COSWF	B	47.83	22.0	8.4	7.1	8
Hugoton Royalty Trust	HGT	B	31.29	13.1	9.4	7.0	10
Pengrowth Energy Trust	PGH		17.54	8.9	6.5	5.2	(92)
Enerplus Resources Fund	ERF		40.24	9.6	7.0	4.8	9
Penn West Energy Trust	PWE	B	30.46	7.2	5.7	4.7	10
	<i>Median</i>			10.0	7.8	7.1	10
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							



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Oil and Gas Producers - Rank by Price to 200-Day Average								
			Price (\$/sh)			Price/ 60-Day Average	Price/ 200-Day Average	McDep Ratio
	Symbol	Rating	28-Jul 2008	60-Day Average	200-Day Average	60-Day Average	200-Day Average	McDep Ratio
Mega Cap								
ConocoPhillips	COP	B	82.25	90.29	83.82	0.91	0.98	0.62
Total S.A.	TOT	B	76.50	82.57	79.53	0.93	0.96	0.65
Petrobras	PBR		53.61	65.86	57.12	0.81	0.94	0.74
Royal Dutch Shell plc	RDS-A	B	72.62	79.96	77.97	0.91	0.93	0.65
Exxon Mobil Corporation	XOM	B	80.68	87.51	88.43	0.92	0.91	0.70
Chevron Corporation	CVX	B	82.49	96.29	90.55	0.86	0.91	0.64
BP plc	BP	B	61.80	68.89	69.10	0.90	0.89	0.66
Gazprom (50%)	OGZPY	B	46.50	56.69	53.43	0.82	0.87	0.57
	<i>Median</i>					0.90	0.92	0.65
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	53.35	61.98	54.51	0.86	0.98	0.74
StatoilHydro ASA (29%)	STO	B	31.48	36.81	32.62	0.86	0.96	0.65
Lukoil Oil Company	LUKOY	B	79.00	100.26	87.70	0.79	0.90	0.47
Imperial Oil Limited (30%)	IMO	B	49.30	55.38	53.69	0.89	0.92	0.77
Petro-Canada	PCZ	B	46.49	54.63	51.31	0.85	0.91	0.57
PetroChina Company Ltd (10%)	PTR	B	130.40	136.07	159.45	0.96	0.82	0.61
Marathon Oil Corporation	MRO	H	42.36	50.16	52.48	0.84	0.81	0.65
	<i>Median</i>					0.86	0.91	0.65
Independent Natural Gas and Oil - Large Cap								
Chesapeake Energy	CHK		48.93	58.33	46.75	0.84	1.05	0.70
Occidental Petroleum Corp.	OXY	B	76.08	87.13	77.18	0.87	0.99	0.65
Encana Corporation	ECA	B	73.34	87.45	75.87	0.84	0.97	0.78
Canadian Natural Resources	CNQ	B	76.90	95.74	79.40	0.80	0.97	0.68
EOG Resources	EOG	B	101.88	126.53	107.58	0.81	0.95	0.74
Devon Energy Corporation	DVN	B	94.44	114.07	100.39	0.83	0.94	0.60
Anadarko Petroleum Corp.	APC	B	59.10	72.99	64.75	0.81	0.91	0.70
CNOOC Limited (34%)	CEO	H	144.85	172.42	168.52	0.84	0.86	0.80
XTO Energy Inc.	XTO	B	48.11	63.77	58.11	0.75	0.83	0.65
	<i>Median</i>					0.83	0.95	0.70
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (C\$)	BIR.TO		12.26	12.85	8.91	0.95	1.38	0.92
Encore Acquisition Company	EAC	B	61.27	65.53	44.74	0.94	1.37	0.86
Cimarex Energy Company	XEC	B	55.67	66.76	52.39	0.83	1.06	0.59
Energy Partners Ltd.	EPL		12.26	14.34	12.80	0.85	0.96	0.61
Berry Petroleum Company	BRY	B	43.18	54.34	46.77	0.79	0.92	0.79
	<i>Median</i>					0.85	1.06	0.79
Income								
Canadian Oil Sands Trust	COSWF	B	47.83	50.30	41.98	0.95	1.14	0.85
Hugoton Royalty Trust	HGT	B	31.29	33.16	27.95	0.94	1.12	0.74
Penn West Energy Trust	PWE	B	30.46	32.44	29.56	0.94	1.03	0.82
Kinder Morgan Energy Partners, L	KMP	S	57.50	58.23	55.82	0.99	1.03	1.95
San Juan Basin Royalty Trust	SJT	B	38.96	42.16	38.17	0.92	1.02	0.81
Pengrowth Energy Trust	PGH		17.54	19.74	18.82	0.89	0.93	0.80
Enerplus Resources Fund	ERF		40.24	45.75	43.28	0.88	0.93	0.69
	<i>Median</i>					0.94	1.03	0.81

Source: Bloomberg, McDep, Yahoo



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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
25-Jul	BRY	Berry Petroleum	A Bit of Haynesville Glamour
24-Jul	ECA	EnCana Corporation	Two Growth Companies in One
24-Jul	OXY	Occidental Petroleum Corporation	Largest Oil Producer in Texas
24-Jul	SU	Suncor Energy	Operations Challenge
24-Jul	PCZ	Petro-Canada	Construction Challenge
23-Jul	COP	ConocoPhillips	Income Model
22-Jul	XTO	XTO Energy Inc.	Stock Price Momentum Changes
17-Jul	KMP	Kinder Morgan	Oil Hedge Loss Twice Cash Flow
1-Jul	* OGZPY	Gazprom	Cheap Natural Gas (Meter Reader)
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
27-May	* EAC	Encore Acquisition Company	Bullish Encore (Meter Reader)
22-May	* PBR	Petrobras	Raise Net Present Value to \$75 a Share
13-May	* STO	StatoilHydro ASA	Raise Net Present Value to \$52 a Share
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	* 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)
18-Apr	* HGT	Hugoton Royalty Trust	Simpson Sustainability (Income Weekly)

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29-Jul		Weekly	Oil and Stocks Diverge
22-Jul		Weekly	McDep Ratio Says Buy
15-Jul		Weekly	Forty Percent Premium for Natural Gas Explorer
8-Jul	*	Chesapeake Energy Corporation	Haynesville Natural Gas

Oil and Gas Income Stocks

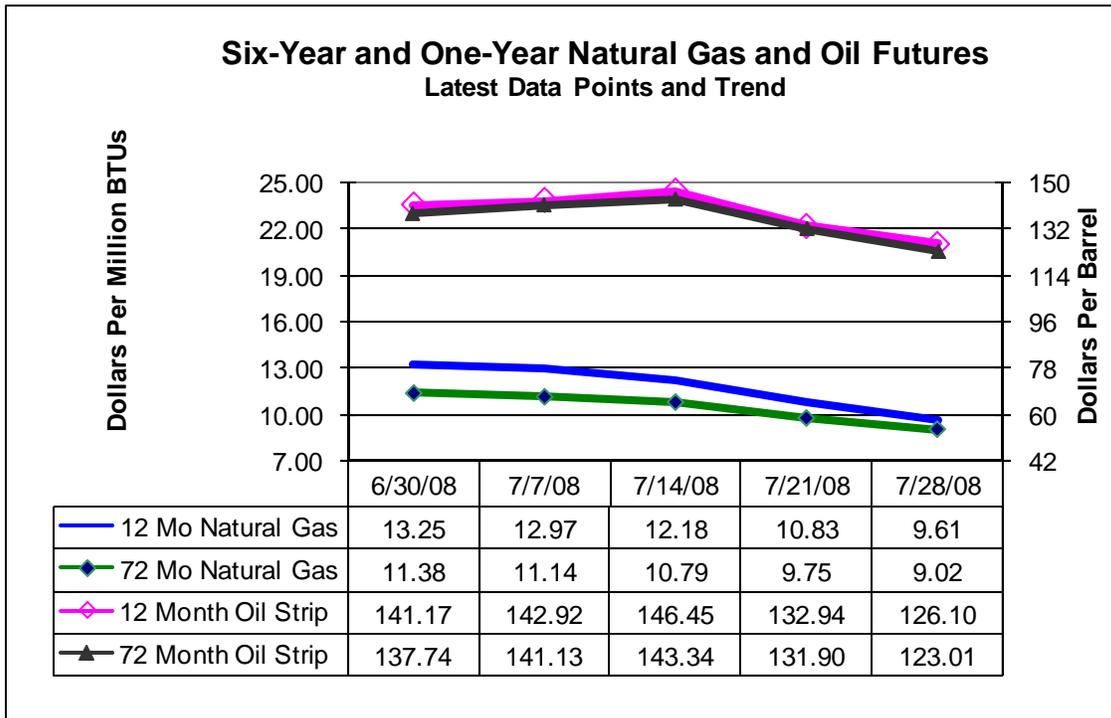
25-Jul		Weekly	Income Stability
18-Jul		Encore Energy Partners, L.P.	Upgrade Estimates for ENP
10-Jul		Weekly	Oil Price Trend Up
3-Jul	*	Weekly	Twenty Dollar Natural Gas Next Winter

* 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.