



Meter Reader

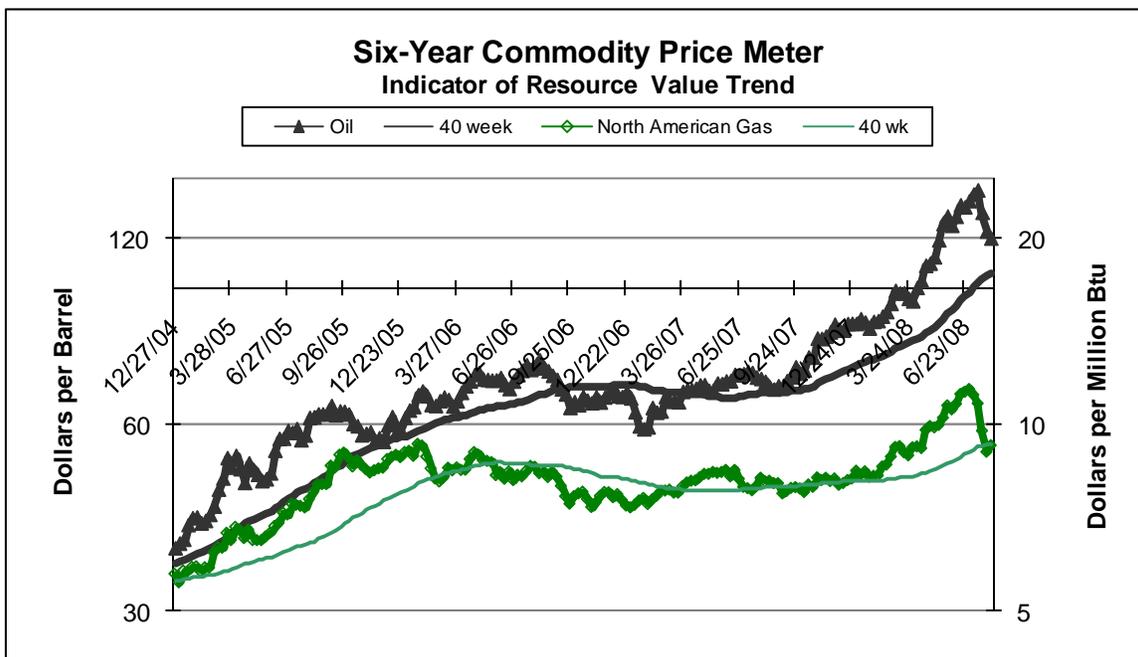
A Weekly Analysis of Energy Stocks Using the McDep Ratio
August 5, 2008

Takeover Climate

Summary and Recommendation

A decline in oil and gas stock prices that we believe is overdone relative to the price of oil may trigger more strategic acquisitions by well-capitalized buyers. When oil price pulled back in 1981 after a long rise, the megadeals began in earnest and continued for several years. Buyers could be among the largest in our coverage as well as non-U.S. entities not in our coverage. Targets could be any of the low McDep Ratio stocks, particularly those that are widely held. Large cap targets, also down the most from their highs, include buy recommendations **XTO Energy (XTO)**, **EOG Resources (EOG)**, **Canadian Natural Resources (CNQ)**, **Anadarko (APC)**, **Encana (ECA)** and **Suncor (SU)**. Meanwhile, considering that the median stock in Meter Reader is down 25% from its high, most of the damage has been done if we are on the way to a typical serious decline of a third. Investors who want to be out of stocks at prices below the 200-day average should now be mostly out as practically all Meter Reader stocks are in a declining price trend. Crude oil remains in a rising trend with the six-year quote of 120 above the 40-week average of 105 and off 16% from its high. At a median McDep Ratio of about 0.7, stock prices appear to be consistent with long-term oil price of about \$70 a barrel, close to the widest discount to oil futures for the past five years. We believe our buy recommendations are quality stocks and we expect them to be rewarding for patient investors.

Kurt H. Wulff, CFA





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Oil and Gas Producers - Rank by McDep Ratio									
			Price			Net			
			(US\$/sh)		Market	Present	Debt/		
	Symbol/		4-Aug	Shares	Cap	Value	Present	McDep	
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	Ratio	
Mega Cap									
Petrobras	PBR		51.69	4,387	226,760	75.00	0.10	0.72	
Exxon Mobil Corporation	XOM	B	76.60	5,261	403,000	118.00	0.05	0.67	
BP plc	BP	B	60.20	3,137	189,000	104.00	0.17	0.65	
Chevron Corporation	CVX	B	82.80	2,206	183,000	135.00	0.08	0.65	
Total S.A.	TOT	B	74.05	2,253	167,000	125.00	0.10	0.63	
Royal Dutch Shell plc	RDS-A	B	69.14	3,095	214,000	120.00	0.11	0.62	
ConocoPhillips	COP	B	79.45	1,555	124,000	150.00	0.17	0.61	
Gazprom (50%)	OGZPY	B	44.85	2,865	128,500	88.00	0.09	0.56	
<i>Total or Median</i>						1,635,000		0.10	0.64
Producer/Refiners - Large Cap									
Imperial Oil Limited (30%)	IMO	B	47.71	269	12,810	65.00	0.05	0.75	
Marathon Oil Corporation	MRO	H	45.21	714	32,280	70.00	0.20	0.72	
Suncor Energy	SU	B	50.73	953	48,350	75.00	0.09	0.70	
StatoilHydro ASA (29%)	STO	B	29.96	928	27,800	52.00	0.12	0.63	
PetroChina Company Ltd (14%)	PTR	B	130.94	256	33,550	220.00	0.04	0.61	
Petro-Canada	PCZ	B	44.77	484	21,670	90.00	0.11	0.55	
Lukoil Oil Company	LUKOY	B	82.40	826	68,000	170.00	0.01	0.49	
<i>Total or Median</i>						244,000		0.09	0.63
Independent Natural Gas and Oil - Large Cap									
CNOOC Limited (34%)	CEO	H	141.39	152	21,530	180.00	-	0.79	
Encana Corporation	ECA	B	67.52	751	50,700	100.00	0.19	0.74	
EOG Resources	EOG	B	93.28	251	23,400	140.00	0.07	0.69	
Anadarko Petroleum Corp.	APC	B	55.12	470	25,900	100.00	0.27	0.67	
Chesapeake Energy Corporation	CHK		45.25	556	25,160	80.00	0.22	0.66	
Canadian Natural Resources	CNQ	B	73.04	540	39,400	124.00	0.17	0.66	
Occidental Petroleum Corp.	OXY	B	74.23	826	61,300	120.00	0.05	0.64	
XTO Energy Inc.	XTO	B	43.54	571	24,860	88.00	0.19	0.59	
Devon Energy Corporation	DVN	B	88.04	449	39,500	170.00	0.10	0.57	
<i>Total or Median</i>						312,000		0.17	0.66
Independent Natural Gas and Oil - Small Cap									
Birchcliff Energy Ltd. (US\$)	BIR.TO		11.92	112	1,330	14.00	0.08	0.86	
Encore Acquisition Company	EAC	B	54.09	54	2,920	75.00	0.25	0.79	
Berry Petroleum Company	BRY	B	39.80	46	1,810	65.00	0.37	0.76	
Energy Partners Ltd.	EPL		11.02	32	350	30.00	0.35	0.59	
Cimarex Energy Company	XEC	B	49.75	85	4,240	100.00	0.07	0.53	
<i>Total or Median</i>						10,700		0.25	0.76
Income									
Kinder Morgan Energy Partners, L.P	KMP	S	55.49	184	10,220	17.00	0.60	1.91	
Kinder Morgan Management, LLC	KMR	S	53.12	75	3,980	17.00	0.60	1.85	
Canadian Oil Sands Trust	COSWF	B	49.61	480	23,810	57.00	0.04	0.88	
Penn West Energy Trust	PWE	B	28.50	377	10,740	40.00	0.25	0.78	
Pengrowth Energy Trust	PGH		16.70	247	4,120	24.00	0.24	0.77	
San Juan Basin Royalty Trust	SJT	B	36.63	47	1,710	48.00	-	0.76	
Hugoton Royalty Trust	HGT	B	30.16	40	1,210	42.00	-	0.72	
Enerplus Resources Fund	ERF		39.85	153	6,100	63.00	0.14	0.68	
<i>Total or Median</i>						61,900		0.19	0.78
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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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		4-Aug 2008					
Mega Cap								
Petrobras	PBR		51.69	10.4	9.0	6.5	11	1.7
Gazprom (50%)	OGZPY	B	44.85	24.6	10.5	5.9	8	1.0
Exxon Mobil Corporation	XOM	B	76.60	12.2	7.0	4.6	8	2.1
BP plc	BP	B	60.20	10.0	6.6	4.3	6	5.6
Chevron Corporation	CVX	B	82.80	9.5	6.6	4.2	7	3.1
Total S.A.	TOT	B	74.05	9.1	6.6	4.1	7	4.4
ConocoPhillips	COP	B	79.45	10.9	6.7	4.1	6	2.4
Royal Dutch Shell plc	RDS-A	B	69.14	7.6	6.1	3.8	6	4.6
	<i>Median</i>			10.2	6.7	4.3	7	2.8
Producer/Refiners - Large Cap								
Suncor Energy	SU	B	50.73	22.6	9.3	6.5	11	0.4
Imperial Oil Limited (30%)	IMO	B	47.71	14.2	8.5	6.4	11	0.7
Marathon Oil Corporation	MRO	H	45.21	8.8	6.5	4.7	9	2.1
PetroChina Company Ltd (14%)	PTR	B	130.94	14.4	6.9	4.2	8	4.0
StatoilHydro ASA (29%)	STO	B	29.96	7.9	6.4	4.0	8	5.5
Lukoil Oil Company	LUKOY	B	82.40	18.4	6.6	3.3	5	2.0
Petro-Canada	PCZ	B	44.77	7.2	5.7	3.2	6	1.7
	<i>Median</i>			14.2	6.6	4.2	8	2.0
Independent Natural Gas and Oil - Large Cap								
Chesapeake Energy Corporation	CHK		45.25	11.5	9.9	6.6	12	0.6
XTO Energy Inc.	XTO	B	43.54	11.7	9.2	5.4	11	1.1
EOG Resources	EOG	B	93.28	9.8	7.9	5.4	12	0.6
Canadian Natural Resources	CNQ	B	73.04	8.7	8.2	5.4	10	0.5
Encana Corporation	ECA	B	67.52	8.6	7.1	5.2	14	2.4
CNOOC Limited (34%)	CEO	H	141.39	9.2	6.1	4.8	9	2.7
Occidental Petroleum Corp.	OXY	B	74.23	11.9	6.9	4.4	8	1.7
Anadarko Petroleum Corp.	APC	B	55.12	9.5	6.5	4.4	8	1.3
Devon Energy Corporation	DVN	B	88.04	9.4	7.6	4.3	8	0.6
	<i>Median</i>			9.5	7.6	5.2	10	1.1
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		11.92	7.0	9.7	8.4	32	-
Encore Acquisition Company	EAC	B	54.09	13.9	7.3	5.8	10	-
Berry Petroleum Company	BRY	B	39.80	9.7	7.2	5.5	11	0.8
Cimarex Energy Company	XEC	B	49.75	7.5	5.9	3.1	6	0.3
Energy Partners Ltd.	EPL		11.02	7.3	4.3	2.5		-
	<i>Median</i>			7.5	7.2	5.5	11	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S	55.49		7.8	14.9	22	7.1
Kinder Morgan Management, LLC	KMR	S	53.12		7.8	14.5	21	7.5
San Juan Basin Royalty Trust	SJT	B	36.63	10.4	10.8	8.3	10	9.9
Canadian Oil Sands Trust	COSWF	B	49.61	22.3	9.4	8.2	9	11.4
Hugoton Royalty Trust	HGT	B	30.16	13.1	9.6	6.9	10	10.1
Pengrowth Energy Trust	PGH		16.70	8.9	6.8	5.2	(52)	15.6
Enerplus Resources Fund	ERF		39.85	9.6	7.3	5.0	10	12.2
Penn West Energy Trust	PWE	B	28.50	7.2	5.9	4.6	10	14.3
	<i>Median</i>			10.0	7.8	7.6	10	10.7
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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McDep Energy Portfolio										
Composite of Buy Recommendations										
						North	Rest			
		Price			Non-	Amer.	of World			
		(US\$/sh)	Portfolio Weight		U.S.	Natural	Natural	Oil	Down-	McDep
		4-Aug	Equity	EV	HQ	Gas	Gas	Prod'n	stream	Ratio
	Symbol	2008	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
Mega Cap										
Exxon Mobil Corporation	XOM	76.60	3.6	3.2		0.2	0.5	1.8	0.6	0.67
BP plc	BP	60.20	2.8	3.2	3.2	0.3	0.3	2.2	0.4	0.65
Chevron Corporation	CVX	82.80	3.4	3.2		0.2	0.2	2.4	0.4	0.65
Total S.A.	TOT	74.05	3.3	3.2	3.2		0.5	2.2	0.5	0.63
Royal Dutch Shell plc	RDS-A	69.14	3.2	3.2	3.2	0.1	0.5	1.8	0.8	0.62
ConocoPhillips	COP	79.45	5.6	6.4		1.0	0.5	3.8	1.2	0.61
Gazprom	OGZPY	44.85	9.6	9.6	9.6		7.7	1.8		0.56
<i>Total or Median</i>			31	32						0.63
Producer/Refiners - Large Cap										
Imperial Oil Limited	IMO	47.71	1.4	1.3	1.3	0.1		1.0	0.2	0.75
Suncor Energy	SU	50.73	1.4	1.3	1.3	0.0		1.2	0.1	0.70
StatoilHydro ASA	STO	29.96	1.6	1.6	1.6		0.6	1.0	-	0.63
PetroChina Company Ltd (14	PTR	130.94	1.8	1.6	1.6	-	0.1	1.3	0.2	0.61
Petro-Canada	PCZ	44.77	1.2	1.3	1.3	0.1	0.0	0.9	0.2	0.55
Lukoil Oil Company	LUKOY	82.40	7.5	6.4	6.4			4.6	1.8	0.49
<i>Total or Median</i>			15	13						0.62
Independent Natural Gas and Oil - Large Cap										
Encana Corporation	ECA	67.52	3.4	3.8	3.8	2.6		1.0	0.2	0.74
EOG Resources	EOG	93.28	5.2	4.8		3.3	0.3	1.2		0.69
Anadarko Petroleum Corp.	APC	55.12	3.5	4.8		2.5		2.2	0.1	0.67
Canadian Natural Resources	CNQ	73.04	1.4	1.6	1.6	0.4		1.2		0.66
Occidental Petroleum Corp.	OXY	74.23	3.6	3.2		0.4	0.0	2.6	0.2	0.64
XTO Energy Inc.	XTO	43.54	3.9	4.8		3.5		1.3		0.59
Devon Energy Corporation	DVN	88.04	6.3	6.4		3.4		3.0		0.57
<i>Total or Median</i>			27	29						0.66
Independent Natural Gas and Oil - Small Cap										
Encore Acquisition Company	EAC	54.09	2.6	3.2		0.5		2.7		0.79
Berry Petroleum Company	BRY	39.80	1.0	1.6		0.6		1.0		0.76
Cimarex Energy Company	XEC	49.75	3.4	3.2		2.0		1.2		0.53
<i>Total or Median</i>			7	8						0.76
Income										
Canadian Oil Sands Trust	COSWF	49.61	5.9	5.1	5.1	(0.5)		5.6		0.88
Penn West Energy Trust	PWE	28.50	2.1	2.6	2.6	0.8		1.8		0.78
San Juan Basin Royalty Trust	SJT	36.63	7.7	6.4		6.4				0.76
Hugoton Royalty Trust	HGT	30.16	3.9	3.2		3.2				0.72
<i>Total or Median</i>			20	17						0.77
Portfolio Composite										
			100	100	46	31	11	51	7	0.64
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>
4-Aug	PTR	PetroChina Company Limited	Price Controls and Punitive Taxes
4-Aug	CEO	CNOOC Ltd	Punitive Taxes and Price Controls
1-Aug	CVX	Chevron Corporation	Income Model
1-Aug	TOT	Total S.A.	Oil Sands Strategy
1-Aug	STO	StatoilHydro ASA	High-Quality Offshore Producer
31-Jul	IMO	Imperial Oil Limited	Resources Concentrated on Fewer Shares
31-Jul	MRO	Marathon Oil Corporation	May Form Two Independent Companies
31-Jul	XOM	Exxon Mobil Corporation	Income Model
31-Jul	RDSA	Royal Dutch Shell plc	Rebuilding North American Natural Gas
30-Jul	EOG	EOG Resources Inc.	Stellar Record Marred by Hedging
29-Jul	COSWF	Canadian Oil Sands Trust	Distribution Increased 25%
29-Jul	BP	BP p.l.c.	Control Dispute in Russia
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)
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
9-May	* CNQ	Canadian Natural Resources	Raise Net Present Value to \$124 a Share
7-May	* DVN	Devon Energy Corporation	Resources Three Times Reserves
6-May	* XEC	Cimarex Energy Company	Raise Net Present Value to \$85 a Share
6-May	* APC	Anadarko Petroleum Corporation	Positives Outweigh Negatives
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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5-Aug		Weekly	Takeover Climate
29-Jul		Weekly	Oil and Stocks Diverge
22-Jul		Weekly	McDep Ratio Says Buy
15-Jul	*	Weekly	Forty Percent Premium for Natural Gas Explorer

Oil and Gas Income Stocks

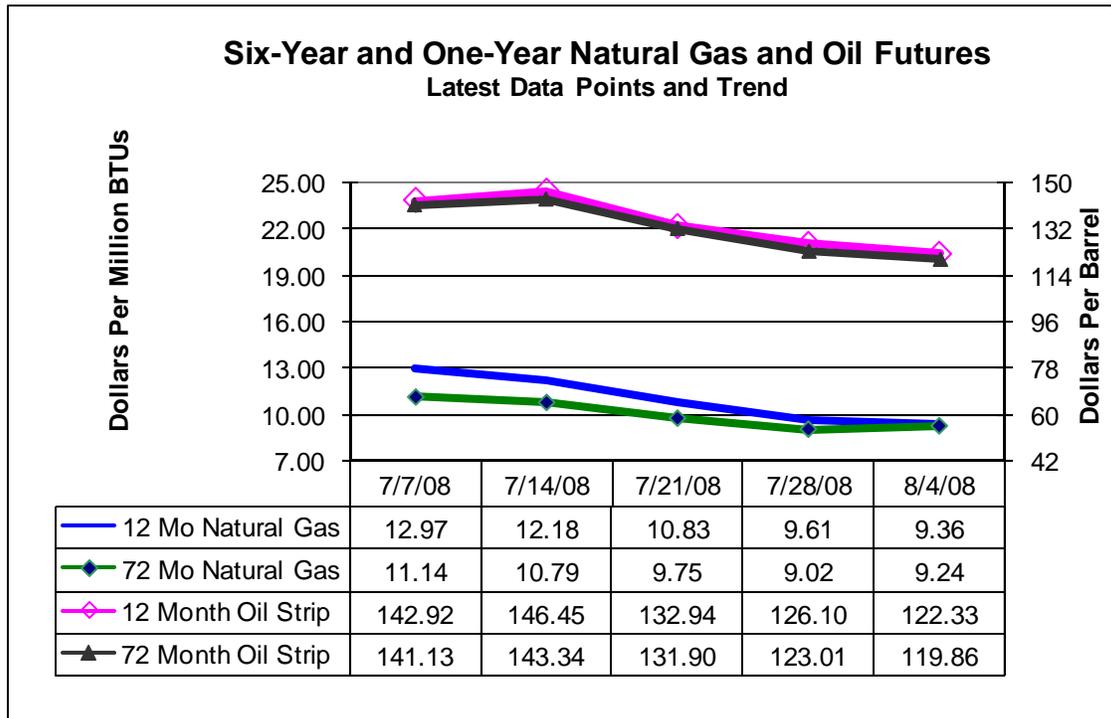
1-Aug		Weekly	Oil Income
25-Jul		Weekly	Income Stability
18-Jul		Encore Energy Partners, L.P.	Upgrade Estimates for ENP
11-Jul	*	Weekly	Oil Price Trend Up

* 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.