



Meter Reader Flash

Analysis of Energy Stocks Using the McDep Ratio

September 16, 2008

Intraday

Reinstate Five Buy Recommendations

Summary and Recommendation

Believing that Other People's Problems (OPP) spell Opportunity for long-term investors, we reinstate five oil and gas buy recommendations including **ConocoPhillips (COP)**, **StatoilHydro (STO)**, **PetroChina (PTR)**, **Devon Energy (DVN)** and **Canadian Oil Sands Trust (COSWF)**. Over-leveraged, weakly capitalized investors must sell in a declining market. Strongly capitalized investors can take advantage of those pressures. Strength includes the ability and temperament to withstand further declines. Yet, the bankruptcy of Lehman and the acquisition of Merrill Lynch by Bank of America are events as dramatic as any to make the risks of further turmoil obvious to all. The five recommendations are financially strong, geographically diverse and well-represented in North American Natural Gas, Rest of World Natural Gas, Oil Production and Downstream (see table [McDep Energy Portfolio](#)).

Kurt H. Wulff, CFA

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.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

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.

