



Meter Reader

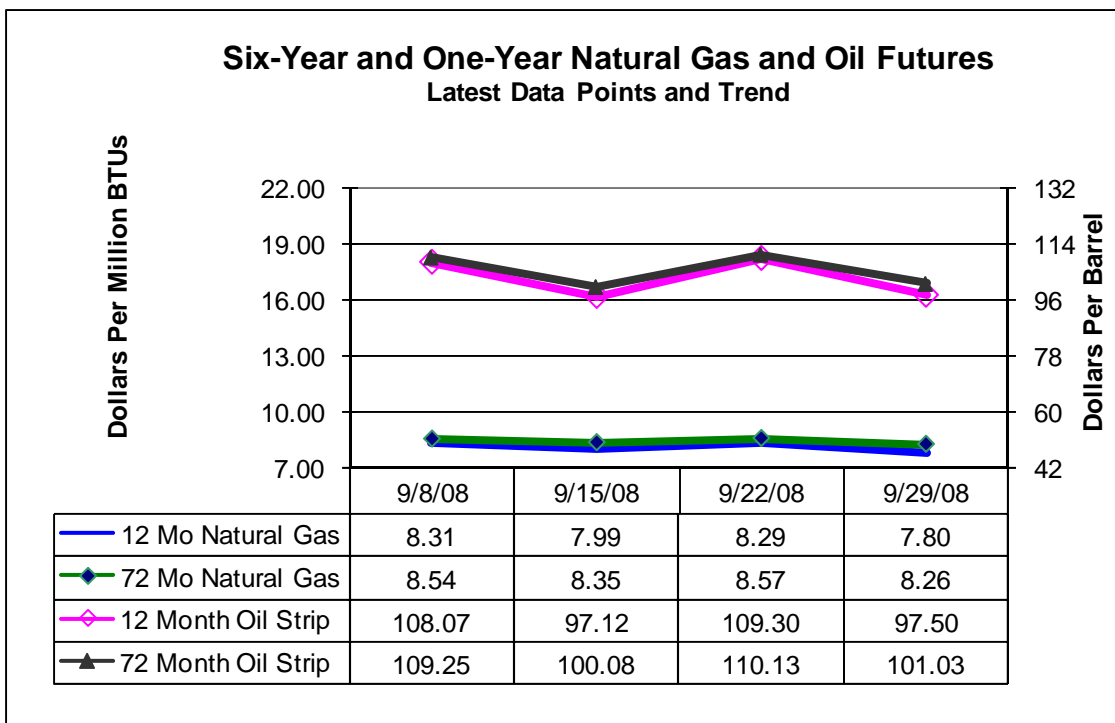
A Weekly Analysis of Energy Stocks Using the McDep Ratio
September 30, 2008

Buy Cimarex after Record Decline for Stock Prices

Summary and Recommendation

Remembering 1982, 1987, and 2002 we believe the appropriate action for risk-tolerant, long-term investors is to buy rather than sell after a steep stock market decline as has just occurred on September 29, 2008. In keeping with that sentiment we restore our buy recommendation of small-cap natural gas producer, **Cimarex Energy (XEC)**. The low-debt driller joins five other current buy recommendations and boosts natural gas exposure for the combination. At the same time we acknowledge the prevalent fear that the widespread financial failures are likely to have a slowing effect on economic activity and on oil and gas demand. Countering that deflationary effect is the eventual inflationary consequence of government support of weak financial players. Though it could be challenged under unfolding circumstances, we remain comfortable with a long-term oil price of \$100 a barrel for estimating Present Value (PV). In any event, McDep Ratios that compare Market Cap and Debt to PV range from 0.46 to 0.57 for buy recommendations.

Kurt H. Wulff, CFA





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McDep Energy Portfolio										
Geographic Domicile and Business Segments										
						Present Value by Segment (%)				
			Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream	McDep Ratio
	Symbol/Rating		29-Sep 2008	Cap						
U.S. Integrated										
Exxon Mobil Corporation	XOM		75.07	1.09	429,000	7	17	57	20	0.66
Marathon Oil Corporation	MRO		37.92	1.48	40,100	8	6	66	20	0.64
Chevron Corporation	CVX		80.23	1.16	205,000	5	8	75	12	0.63
ConocoPhillips	COP	B	69.74	1.44	156,000	15	7	59	19	0.56
<i>Total or Median *</i>			34%		830,000					0.63
Europe										
BG Group	BRGXF		18.29	1.12	69,200		23	58	20	0.68
BP plc	BP		49.30	1.44	223,000	9	10	70	11	0.57
Royal Dutch Shell plc	RDS-A		57.25	1.27	225,000	3	16	55	26	0.54
Total S.A.	TOT		58.37	1.21	160,000		17	68	15	0.52
StatoilHydro ASA (29%)	STO	B	21.89	1.33	26,900		38	62		0.49
<i>Total or Median *</i>			29%		704,000					0.54
Brazil/China/Russia										
CNOOC Limited (34%)	CEO		106.23	1.00	16,200		9	91		0.59
Petrobras	PBR		39.62	1.20	209,000			85	8	0.57
PetroChina Company Ltd (14%)	PTR	B	96.69	1.11	27,500		9	80	12	0.46
Gazprom (50%)	OGZPY		29.26	1.29	108,000		81	19		0.39
Lukoil Oil Company	LUKOY		56.20	1.09	51,200			66	34	0.35
<i>Total or Median *</i>			17%		412,000					0.46
U.S. Independent										
San Juan Basin Royalty Trust	SJT		36.49	1.00	1,700	100				0.76
Berry Petroleum Company	BRY		36.21	2.06	3,410	38		62		0.72
Encore Acquisition Company	EAC		38.36	1.75	3,510	17		83		0.65
EOG Resources	EOG		85.00	1.12	23,800	69	5	26		0.63
Anadarko Petroleum Corp.	APC		44.94	1.82	38,600	51		46	3	0.60
XTO Energy Inc.	XTO		44.41	1.46	37,700	74		26		0.60
Hugoton Royalty Trust	HGT		24.90	1.00	1,000	100				0.60
Occidental Petroleum Corp.	OXY		66.66	1.11	60,800	12	1	81	6	0.58
Chesapeake Energy Corporation	CHK		32.84	1.87	33,700	84		16		0.57
Devon Energy Corporation	DVN	B	89.20	1.21	48,700	55		45		0.57
Energy Partners Ltd.	EPL		8.30	3.27	880	38		62		0.56
Cimarex Energy Company	XEC	B	43.90	1.16	4,350	63		37		0.48
<i>Total or Median *</i>			11%		258,000					0.60
Canada										
Pengrowth Energy Trust	PGH		14.51	1.60	5,770	33		67		0.71
Encana Corporation	ECA		62.85	1.37	64,500	69		25	6	0.70
Penn West Energy Trust	PWE		22.87	1.62	14,100	31		69		0.68
Imperial Oil Limited (30%)	IMO		41.75	1.08	12,100	6		81	13	0.66
Canadian Oil Sands Trust	COSWF	B	37.04	1.07	19,000			100		0.66
Birchcliff Energy Ltd. (US\$)	BIR.TO		8.55	1.18	1,180	69		31		0.65
Canadian Natural Resources	CNQ		63.57	1.44	49,600	27		73		0.60
Enerplus Resources Fund	ERF		35.43	1.27	7,390	48		52		0.62
Suncor Energy	SU		39.94	1.17	44,700	3		93	4	0.57
Petro-Canada	PCZ		32.45	1.35	21,300	11	3	73	13	0.43
<i>Total or Median *</i>			10%		240,000					0.65
Composite										
<i>Present Value Weighting</i>			100%		2,444,000	11	14	61	13	0.57
<i>Equal Weighting</i>						29	7	57	7	0.59
<i>Equal Weighted Buys</i>						22	9	64	5	0.54

* Percentages in Price column refer to current market Enterprise Value weightings.



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A Weekly Analysis of Energy Stocks Using the McDep Ratio

September 30, 2008

Oil and Gas Producers - Rank by McDep Ratio							
			Price			Net	
			(US\$/sh)		Market	Present	Debt/
	Symbol/		29-Sep	Shares	Cap	Value	Present
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value
							McDep
							Ratio
Mega Cap							
Exxon Mobil Corporation	XOM		75.07	5,261	395,000	118.00	0.05
Chevron Corporation	CVX		80.23	2,206	177,000	135.00	0.09
Petrobras	PBR		39.62	4,387	173,810	75.00	0.10
BP plc	BP		49.30	3,137	155,000	104.00	0.17
ConocoPhillips	COP	B	69.74	1,555	108,000	150.00	0.17
Royal Dutch Shell plc	RDS-A		57.25	3,095	177,000	120.00	0.11
Total S.A.	TOT		58.37	2,253	132,000	125.00	0.09
Gazprom (50%)	OGZPY		29.26	2,865	83,800	88.00	0.09
	<i>Total or Median</i>				1,402,000		0.09
Producer/Refiners - Large Cap							
BG Group plc	BRGXF		18.29	3,384	61,890	28.00	0.07
Imperial Oil Limited (30%)	IMO		41.75	269	11,210	65.00	0.05
Marathon Oil Corporation	MRO		37.92	714	27,070	70.00	0.21
Suncor Energy	SU		39.94	953	38,060	75.00	0.09
StatoilHydro ASA (29%)	STO	B	21.89	928	20,310	52.00	0.12
PetroChina Company Ltd (14%)	PTR	B	96.69	257	24,880	220.00	0.04
Petro-Canada	PCZ		32.45	484	15,710	90.00	0.11
Lukoil Oil Company	LUKOY		56.20	839	47,000	170.00	0.03
	<i>Total or Median</i>				246,000		0.08
Independent Natural Gas and Oil - Large Cap							
Encana Corporation	ECA		62.85	751	47,200	100.00	0.19
Canadian Natural Resources	CNQ		63.57	541	34,400	124.00	0.18
EOG Resources	EOG		85.00	251	21,300	140.00	0.07
Anadarko Petroleum Corp.	APC		44.94	471	21,200	100.00	0.27
XTO Energy Inc.	XTO		44.41	580	25,760	88.00	0.19
CNOOC Limited (34%)	CEO		106.23	152	16,180	180.00	-
Occidental Petroleum Corp.	OXY		66.66	826	55,000	120.00	0.06
Chesapeake Energy Corporation	CHK		32.84	550	18,060	80.00	0.26
Devon Energy Corporation	DVN	B	89.20	450	40,100	170.00	0.10
	<i>Total or Median</i>				279,000		0.18
Independent Natural Gas and Oil - Small Cap							
Berry Petroleum Company	BRY		36.21	46	1,650	65.00	0.37
Encore Acquisition Company	EAC		38.36	52	2,010	75.00	0.28
Birchcliff Energy Ltd. (US\$)	BIR.TO		8.55	117	1,000	14.00	0.10
Energy Partners Ltd.	EPL		8.30	32	270	30.00	0.39
Cimarex Energy Company	XEC	B	43.90	86	3,760	100.00	0.06
	<i>Total or Median</i>				8,700		0.28
Income							
San Juan Basin Royalty Trust	SJT		36.49	47	1,700	48.00	-
Pengrowth Energy Trust	PGH		14.51	248	3,600	24.00	0.27
Penn West Energy Trust	PWE		22.87	380	8,690	40.00	0.26
Canadian Oil Sands Trust	COSWF	B	37.04	481	17,810	57.00	0.04
Enerplus Resources Fund	ERF		35.43	165	5,830	63.00	0.13
Hugoton Royalty Trust	HGT		24.90	40	1,000	42.00	-
	<i>Total or Median</i>				38,600		0.09
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		29-Sep 2008	Prod NTM	Ebitda NTM	Ebitda NTM	P/E NTM	NTM (%)
Mega Cap								
Petrobras	PBR		39.62	10.4	10.4	6.0	12	2.2
Exxon Mobil Corporation	XOM		75.07	12.2	8.1	5.3	9	2.1
Chevron Corporation	CVX		80.23	9.5	7.9	5.0	8	3.2
Gazprom (50%)	OGZPY		29.26	24.6	11.5	4.5	6	1.4
BP plc	BP		49.30	10.0	7.9	4.5	7	6.8
ConocoPhillips	COP	B	69.74	10.9	8.0	4.4	7	2.7
Total S.A.	TOT		58.37	9.1	7.8	4.0	7	5.5
Royal Dutch Shell plc	RDS-A		57.25	7.6	7.1	3.8	6	5.6
	<i>Median</i>			10.2	8.0	4.5	7	3.0
Producer/Refiners - Large Cap								
BG Group plc	BRGXF		18.29	7.5	10.1	6.9	13	1.0
Imperial Oil Limited (30%)	IMO		41.75	14.2	10.3	6.8	11	0.8
Suncor Energy	SU		39.94	21.7	11.1	6.4	10	0.5
Marathon Oil Corporation	MRO		37.92	8.8	7.8	5.0	10	2.5
PetroChina Company Ltd (14%)	PTR	B	96.69	14.3	8.7	4.0	8	4.3
StatoilHydro ASA (29%)	STO	B	21.89	7.9	7.8	3.8	7	6.7
Petro-Canada	PCZ		32.45	7.2	7.0	3.0	5	2.4
Lukoil Oil Company	LUKOY		56.20	18.6	7.5	2.6	4	2.7
	<i>Median</i>			11.5	8.3	4.5	9	2.4
Independent Natural Gas and Oil - Large Cap								
Canadian Natural Resources	CNQ		63.57	9.0	11.4	6.9	16	0.6
Chesapeake Energy Corporation	CHK		32.84	11.1	12.6	7.1	12	0.9
XTO Energy Inc.	XTO		44.41	11.4	11.4	6.8	15	1.1
EOG Resources	EOG		85.00	9.8	9.8	6.2	15	0.6
Encana Corporation	ECA		62.85	8.6	8.7	6.1	23	2.5
Devon Energy Corporation	DVN	B	89.20	9.3	9.9	5.7	13	0.7
Anadarko Petroleum Corp.	APC		44.94	9.7	9.0	5.4	14	1.6
Occidental Petroleum Corp.	OXY		66.66	11.8	8.6	5.0	9	1.9
CNOOC Limited (34%)	CEO		106.23	9.3	7.2	4.3	8	4.5
	<i>Median</i>			9.7	9.8	6.1	14	1.1
Independent Natural Gas and Oil - Small Cap								
Birchcliff Energy Ltd. (US\$)	BIR.TO		8.55	7.1	14.2	9.2	(243)	-
Berry Petroleum Company	BRY		36.21	9.7	9.2	6.6	17	0.8
Encore Acquisition Company	EAC		38.36	13.9	9.3	6.0	12	-
Energy Partners Ltd.	EPL		8.30	7.2	6.5	3.6	-	-
Cimarex Energy Company	XEC	B	43.90	7.4	7.4	3.5	8	0.5
	<i>Median</i>			7.4	9.2	6.0	10	-
Income								
San Juan Basin Royalty Trust	SJT		36.49	10.6	14.7	11.2	14	7.3
Hugoton Royalty Trust	HGT		24.90	13.1	13.3	7.9	11	9.1
Canadian Oil Sands Trust	COSWF	B	37.04	21.6	12.2	8.1	10	11.8
Pengrowth Energy Trust	PGH		14.51	9.1	8.0	5.7	(125)	17.8
Enerplus Resources Fund	ERF		35.43	9.6	9.3	5.7	27	15.3
Penn West Energy Trust	PWE		22.87	7.5	8.1	5.5	12	17.1
	<i>Median</i>			10.1	10.7	6.8	11	13.5
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2009; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
2-Sep	* LUKOY	Lukoil Oil Company	Domestic Demand Up, Exports Down
27-Aug	* PTR	PetroChina Company Limited	Sacrifice Acknowledged
27-Aug	* CEO	CNOOC Ltd	Strong Operating and Financial Results
22-Aug	* HGT	Hugoton Royalty Trust	Long-Term Natural Gas Income (Income Weekly)
15-Aug	* SJT	San Juan Basin Royalty Trust	Long-Term Natural Gas Income (Income Weekly)
8-Aug	* PWE	Penn West Energy Trust	Distribution Yield 13% (Income Weekly)
7-Aug	* CNQ	Canadian Natural Resources	Horizon Slippage
6-Aug	* EAC	Encore Acquisition Company	Sale Called Off
6-Aug	* DVN	Devon Energy Corporation	John W. Nichols, 1914-2008
5-Aug	* XEC	Cimarex Energy Company	Ten Percent a Year Volume Growth
5-Aug	* APC	Anadarko Petroleum Corporation	Takeover Climate
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
1-Jul	* OGZPY	Gazprom	Cheap Natural Gas (Meter Reader)
22-May	* PBR	Petrobras	Raise Net Present Value to \$75 a Share

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30-Sep		Weekly	
23-Sep		Weekly	Storm Tested
16-Sep		Weekly	Deep Water Brazil
9-Sep	*	Weekly	Now What?

Oil and Gas Income Stocks

26-Sep		Weekly	Income Sensitivity to Oil and Gas Price
19-Sep		Weekly	Low Debt, No Hedging
12-Sep		Canadian Oil Sands Trust	Distribution Yield of 9.4% if \$80 Oil
5-Sep	*	Weekly	Long-Term Oil Price in Uptrend

Industry Ideas

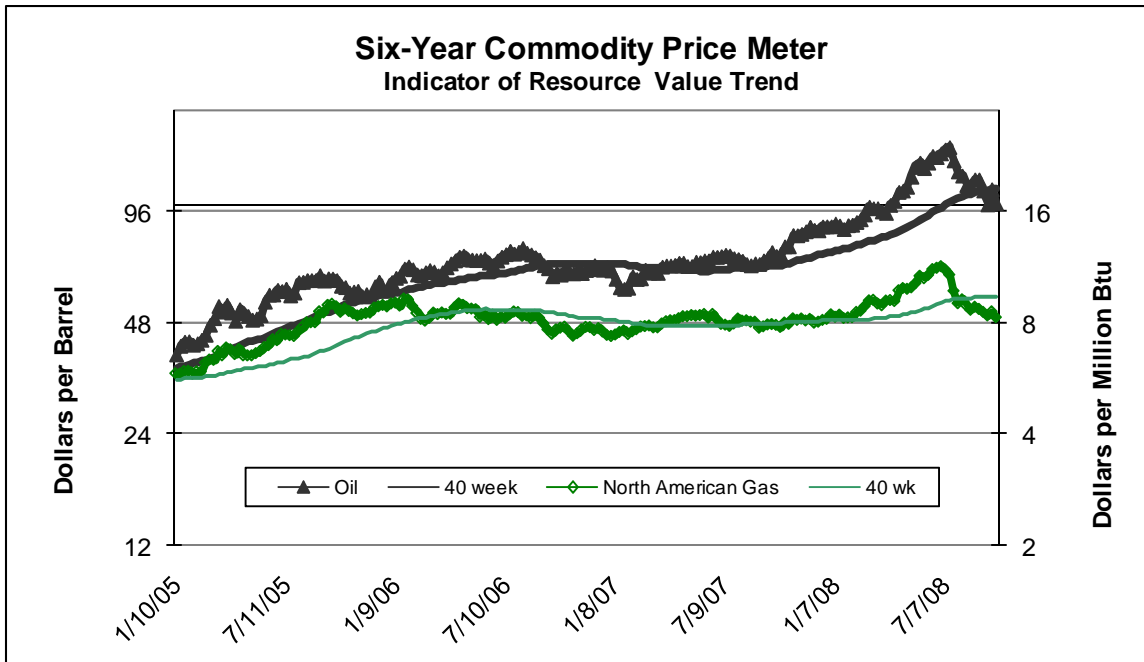
24-Sep		Presentation	Energy Investment amid Financial Turmoil
16-Sep	*	Flash	Reinstate Five Buy Recommendations
5-Sep	*	Flash	Suspend Buy Recommendations

* 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.