



Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

October 7, 2008

Buy Hugoton Royalty Trust amid Financial Panic of 2008

Summary and Recommendation

Watching the decline in stock prices reaching panic proportions, we feel compelled to restore another buy recommendation. We pick **Hugoton Royalty Trust (HGT)** because it boosts natural gas exposure for the group of buy recommendations that now number seven with the inclusion of HGT. Among all covered stocks, bargains abound with McDep Ratios ranging from 0.22 to 0.73. McDep Ratios have not been so low since 1982 when we first formalized the concept. Seasonally we might expect a rebound in stock prices after Halloween and into next year. Cyclically, 2009 might still be a down year and the lasting rebound would begin in 2010. The low number of buy recommendations compared to companies in our coverage allows the option to increase the number of buy recommendations opportunistically over the next year or more. Similarly, an investor with cash may commit some now and save some.

Insider Selling in HGT

Mr. Bob R. Simpson, the driving force at the helm of buy-recommended XTO Energy (XTO), the creator of HGT and the operator of HGT's properties, has been selling HGT units recently after making timely purchases at the beginning of 2008. Mr. Simpson made a timely sale last month at \$29 a unit for 127,000 units while retaining 618,000 units. Mr. Simpson's undisclosed motivation was likely innocuous considering he still holds most of his previous position. He does know the natural gas business well and was likely aware that natural gas price was heading to a seasonal low. In addition, producers have started to shut in production that is uneconomic at low prices, and cutbacks in drilling may be underway. He may be contemplating cutting back on drilling by HGT although that is not necessarily a stock market negative because the funds now held back for drilling would instead be distributed to unit holders.

As a result, we are not aware of any unusual factor in any of our covered stocks or in oil and gas commodity price that would account for recent steep declines. We attribute most of the declining market values to the global financial panic, an opportunity for investors whose finances are sound.

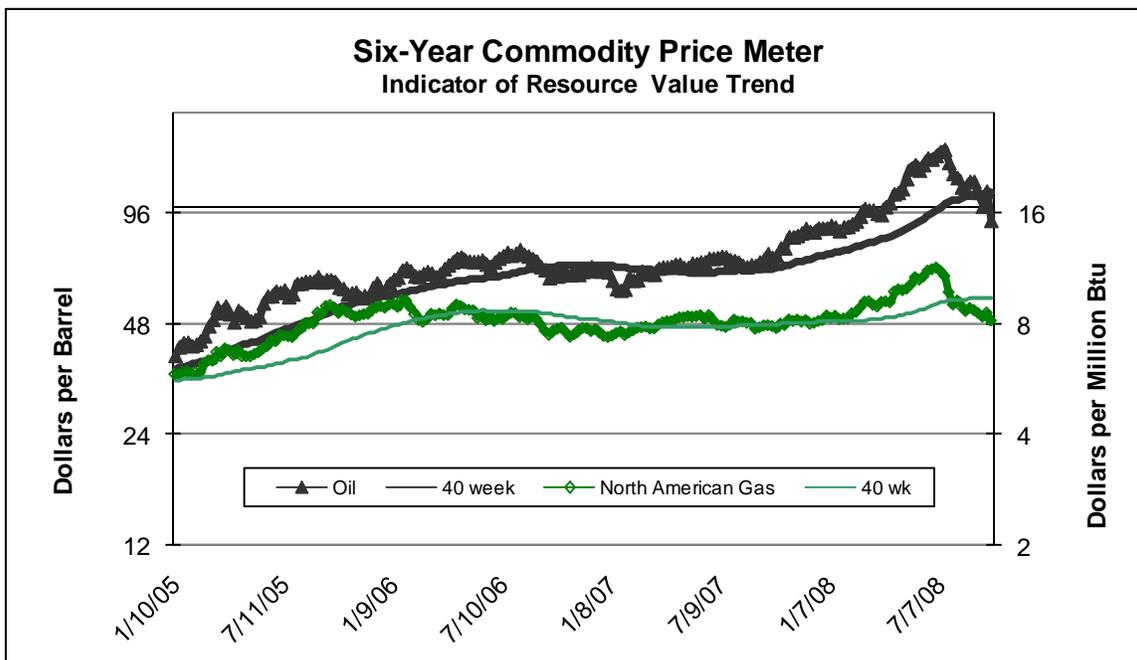
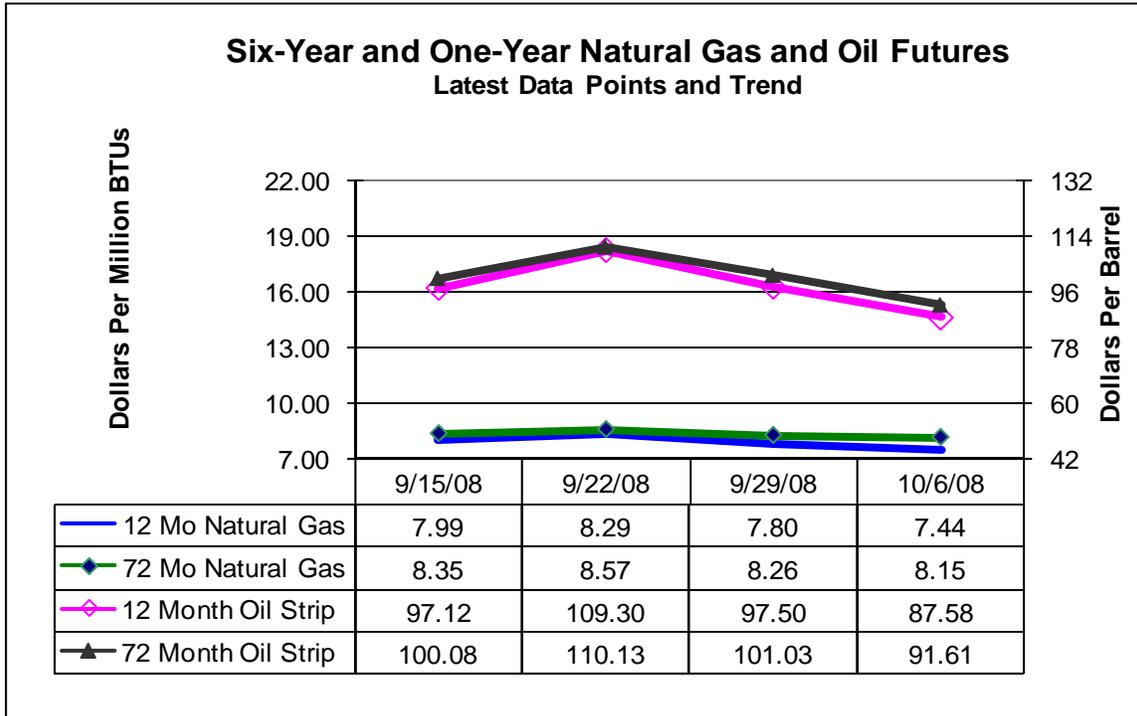
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McDep Energy Portfolio										
Geographic Domicile and Business Segments										
						Present Value by Segment (%)				
		Price	EV/	Enterprise	North	Rest				
		(US\$/sh)	Market	Value	Amer.	of World				
	Symbol/Rating	6-Oct	Cap	(\$mm)	Natural	Natural	Oil	Down-	McDep	
		2008			Gas	Gas	Prod'n	stream	Ratio	
U.S. Integrated										
Exxon Mobil Corporation	XOM	76.85	1.08	438,000	7	17	57	20	0.67	
Chevron Corporation	CVX	77.39	1.16	199,000	5	8	75	12	0.61	
Marathon Oil Corporation	MRO	33.60	1.54	37,000	8	6	66	20	0.59	
ConocoPhillips	COP B	65.43	1.47	149,000	15	7	59	19	0.53	
<i>Total or Median *</i>	<i>37%</i>	<i>11%</i>	<i>14%</i>	<i>823,000</i>					<i>0.60</i>	
Europe										
BG Group	BRGXF	14.43	1.14	55,900		23	58	20	0.55	
BP plc	BP	45.63	1.48	212,000	9	10	70	11	0.54	
Royal Dutch Shell plc	RDS-A	53.08	1.29	212,000	3	16	55	26	0.51	
Total S.A.	TOT	53.22	1.22	146,000		17	68	15	0.47	
StatoilHydro ASA (29%)	STO B	20.25	1.33	24,900		38	62		0.46	
<i>Total or Median *</i>	<i>29%</i>	<i>14%</i>	<i>14%</i>	<i>651,000</i>					<i>0.51</i>	
Brazil/China/Russia										
CNOOC Limited (34%)	CEO	95.45	1.00	14,500		9	91		0.53	
Petrobras	PBR	34.14	1.23	185,000		7	85	8	0.51	
PetroChina Company Ltd (14%)	PTR B	90.16	1.11	25,800		9	80	12	0.44	
Gazprom (50%)	OGZPY	20.25	1.40	81,000		82	18		0.30	
Lukoil Oil Company	LUKOY	34.00	1.14	32,600			66	34	0.22	
<i>Total or Median *</i>	<i>15%</i>	<i>14%</i>	<i>14%</i>	<i>339,000</i>					<i>0.44</i>	
U.S. Independent										
San Juan Basin Royalty Trust	SJT	35.19	1.00	1,640	100				0.73	
Berry Petroleum Company	BRY	27.82	2.38	3,030	38		62		0.64	
EOG Resources	EOG	75.04	1.13	21,300	69	5	26		0.57	
Encore Acquisition Company	EAC	29.71	1.97	3,050	17		83		0.56	
Anadarko Petroleum Corp.	APC	38.88	1.95	35,700	51		46	3	0.55	
XTO Energy Inc.	XTO	38.73	1.53	34,400	74		26		0.55	
Hugoton Royalty Trust	HGT B	22.79	1.00	910	100				0.54	
Occidental Petroleum Corp.	OXY	59.48	1.12	54,900	12	1	81	6	0.52	
Devon Energy Corporation	DVN B	78.18	1.24	43,800	55		45		0.51	
Energy Partners Ltd.	EPL	5.98	4.22	800	38		62		0.51	
Chesapeake Energy Corporation	CHK	26.52	2.07	30,300	84		16		0.51	
Cimarex Energy Company	XEC B	41.41	1.17	4,130	63		37		0.45	
<i>Total or Median *</i>	<i>10%</i>	<i>33%</i>	<i>43%</i>	<i>234,000</i>					<i>0.54</i>	
Canada										
Pengrowth Energy Trust	PGH	11.37	1.73	4,880	33		67		0.61	
Encana Corporation	ECA	51.02	1.45	55,600	69		25	6	0.60	
Penn West Energy Trust	PWE	18.09	1.74	12,000	31		69		0.59	
Imperial Oil Limited (30%)	IMO	34.45	1.09	10,100	6		81	13	0.55	
Canadian Oil Sands Trust	COSWF B	29.97	1.08	15,600			100		0.54	
Enerplus Resources Fund	ERF	30.15	1.30	6,440	48		52		0.54	
Canadian Natural Resources	CNQ	53.24	1.50	43,200	27		73		0.53	
Birchcliff Energy Ltd. (US\$)	BIR.TO	6.14	1.24	890	69		31		0.49	
Suncor Energy	SU	29.23	1.23	34,200	3		93	4	0.44	
Petro-Canada	PCZ	27.52	1.40	18,600	11	3	72	13	0.38	
<i>Total or Median *</i>	<i>9%</i>	<i>28%</i>	<i>14%</i>	<i>202,000</i>					<i>0.54</i>	
Composite										
<i>Enterprise Value Weighting</i>	<i>100%</i>			<i>2,249,000</i>	<i>12</i>	<i>13</i>	<i>62</i>	<i>13</i>	<i>0.52</i>	
<i>Equal Weighting</i>		<i>100%</i>			<i>29</i>	<i>7</i>	<i>57</i>	<i>7</i>	<i>0.52</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>		<i>33</i>	<i>8</i>	<i>55</i>	<i>4</i>	<i>0.50</i>	
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.										
* Percentages in Price column refer to equal weighted buys.										



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Oil and Gas Producers - Rank by McDep Ratio							
			Price			Net	
			(US\$/sh)		Market	Present	Debt/
	Symbol/		6-Oct	Shares	Cap	Value	Present
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value
							McDep
							Ratio
U.S. Integrated							
Exxon Mobil Corporation	XOM		76.85	5,261	404,000	118.00	0.05
Chevron Corporation	CVX		77.39	2,206	171,000	135.00	0.09
Marathon Oil Corporation	MRO		33.60	714	23,990	70.00	0.21
ConocoPhillips	COP	B	65.43	1,555	102,000	150.00	0.17
<i>Total or Median</i>					701,000		0.13
Europe							
BG Group plc	BRGXF		14.43	3,384	48,830	28.00	0.07
BP plc	BP		45.63	3,137	143,000	104.00	0.17
Royal Dutch Shell plc	RDS-A		53.08	3,095	164,000	120.00	0.11
Total S.A.	TOT		53.22	2,253	120,000	125.00	0.09
StatoilHydro ASA (29%)	STO	B	20.25	928	18,790	52.00	0.11
<i>Total or Median</i>					495,000		0.11
Brazil/China/Russia							
CNOOC Limited (34%)	CEO		95.45	152	14,530	180.00	-
Petrobras	PBR		34.14	4,387	149,770	75.00	0.10
PetroChina Company Ltd (14%)	PTR	B	90.16	257	23,200	220.00	0.04
Gazprom (50%)	OGZPY		20.25	2,865	58,000	88.00	0.09
Lukoil Oil Company	LUKOY		34.00	839	29,000	170.00	0.03
<i>Total or Median</i>					275,000		0.04
U.S. Independent							
San Juan Basin Royalty Trust	SJT		35.19	47	1,640	48.00	-
Berry Petroleum Company	BRY		27.82	46	1,270	65.00	0.37
EOG Resources	EOG		75.04	251	18,800	140.00	0.07
Encore Acquisition Company	EAC		29.71	52	1,550	75.00	0.28
Anadarko Petroleum Corp.	APC		38.88	471	18,300	100.00	0.27
XTO Energy Inc.	XTO		38.73	580	22,460	88.00	0.19
Hugoton Royalty Trust	HGT	B	22.79	40	910	42.00	-
Occidental Petroleum Corp.	OXY		59.48	826	49,100	120.00	0.06
Devon Energy Corporation	DVN	B	78.18	450	35,200	170.00	0.10
Energy Partners Ltd.	EPL		5.98	32	190	30.00	0.39
Chesapeake Energy Corporation	CHK		26.52	550	14,590	80.00	0.26
Cimarex Energy Company	XEC	B	41.41	86	3,540	100.00	0.06
<i>Total or Median</i>					167,600		0.15
Canada							
Pengrowth Energy Trust	PGH		11.37	248	2,820	24.00	0.26
Encana Corporation	ECA		51.02	751	38,300	100.00	0.19
Penn West Energy Trust	PWE		18.09	380	6,870	40.00	0.25
Imperial Oil Limited (30%)	IMO		34.45	269	9,250	65.00	0.05
Canadian Oil Sands Trust	COSWF	B	29.97	481	14,420	57.00	0.04
Enerplus Resources Fund	ERF		30.15	165	4,960	63.00	0.12
Canadian Natural Resources	CNQ		53.24	541	28,800	124.00	0.18
Birchcliff Energy Ltd. (US\$)	BIR.TO		6.14	117	720	14.00	0.10
Suncor Energy	SU		29.23	953	27,860	75.00	0.08
Petro-Canada	PCZ		27.52	484	13,320	90.00	0.11
<i>Total or Median</i>					147,000		0.12
B = Buy							
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	Divd or Distrib NTM (%)
	Symbol/ Rating	6-Oct 2008	6-Oct 2008	Prod NTM	Ebitda NTM	Ebitda NTM	P/E NTM
U.S. Integrated							
Exxon Mobil Corporation	XOM		76.85	12.2	8.5	5.7	10 2.1
Chevron Corporation	CVX		77.39	9.5	8.5	5.2	9 3.4
Marathon Oil Corporation	MRO		33.60	8.8	8.3	4.9	10 2.9
ConocoPhillips	COP	B	65.43	10.9	8.4	4.5	7 2.9
<i>Total or Median</i>				10.2	8.5	5.0	9 2.9
Europe							
BG Group plc	BRGXF		14.43	7.5	10.7	5.9	11 1.3
BP plc	BP		45.63	10.0	8.4	4.5	7 7.4
Total S.A.	TOT		53.22	9.1	8.3	3.9	7 5.6
StatoilHydro ASA (29%)	STO	B	20.25	7.9	8.4	3.9	7 6.7
Royal Dutch Shell plc	RDS-A		53.08	7.6	7.4	3.7	6 6.0
<i>Total or Median</i>				7.9	8.4	3.9	7 6.0
Brazil/China/Russia							
Petrobras	PBR		34.14	10.4	11.2	5.7	11 2.5
CNOOC Limited (34%)	CEO		95.45	9.3	7.7	4.1	7 5.0
PetroChina Company Ltd (14%)	PTR	B	90.16	14.3	9.1	4.0	8 4.7
Gazprom (50%)	OGZPY		20.25	24.6	12.0	3.6	4 2.0
Lukoil Oil Company	LUKOY		34.00	18.6	7.8	1.7	3 4.3
<i>Total or Median</i>				14.3	9.1	4.0	7 4.3
U.S. Independent							
San Juan Basin Royalty Trust	SJT		35.19	10.6	15.8	11.6	14 7.0
Hugoton Royalty Trust	HGT	B	22.79	13.1	14.0	7.6	11 9.3
Chesapeake Energy Corporation	CHK		26.52	11.1	13.2	6.7	11 1.1
XTO Energy Inc.	XTO		38.73	11.4	12.0	6.6	14 1.2
Berry Petroleum Company	BRY		27.82	9.7	9.9	6.4	18 1.1
EOG Resources	EOG		75.04	9.8	10.3	5.8	15 0.7
Encore Acquisition Company	EAC		29.71	13.9	10.2	5.7	12 -
Devon Energy Corporation	DVN	B	78.18	9.3	10.6	5.4	13 0.8
Anadarko Petroleum Corp.	APC		38.88	9.7	9.6	5.3	15 1.9
Occidental Petroleum Corp.	OXY		59.48	11.8	9.3	4.8	9 2.2
Energy Partners Ltd.	EPL		5.98	8.5	8.4	4.3	-
Cimarex Energy Company	XEC	B	41.41	7.4	7.9	3.6	8 0.6
<i>Total or Median</i>				10.2	10.2	5.8	13 1.1
Canada							
Canadian Oil Sands Trust	COSWF	B	29.97	21.6	13.6	7.4	9 12.9
Birchcliff Energy Ltd. (US\$)	BIR.TO		6.14	7.1	15.0	7.4	-
Canadian Natural Resources	CNQ		53.24	9.0	12.2	6.4	15 0.7
Imperial Oil Limited (30%)	IMO		34.45	14.2	11.1	6.2	10 1.0
Encana Corporation	ECA		51.02	8.6	9.1	5.5	22 3.1
Enerplus Resources Fund	ERF		30.15	9.6	9.9	5.4	27 17.0
Suncor Energy	SU		29.23	21.7	12.1	5.3	8 0.6
Pengrowth Energy Trust	PGH		11.37	9.1	8.6	5.2	21.6
Penn West Energy Trust	PWE		18.09	7.5	8.6	5.1	9 20.5
Petro-Canada	PCZ		27.52	7.2	7.5	2.9	5 2.6
<i>Total or Median</i>				9.1	10.5	5.4	10 2.9
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>
30-Sep	XEC	Cimarex Energy Company	Buy after Record Decline for Stock Prices (Meter Reader)
12-Sep	* COSWF	Canadian Oil Sands Trust	Distribution Yield of 9.4% if \$80 Oil (Income Weekly)
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	* APC	Anadarko Petroleum Corporation	Takeover Climate
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	* 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

Meter Reader

7-Oct		Weekly	
30-Sep		Weekly	Buy Cimarex after Record Decline for Stock Prices
23-Sep		Weekly	Storm Tested
16-Sep	*	Weekly	Deep Water Brazil

Oil and Gas Income Stocks

3-Oct		Weekly	Seasonal Swing
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

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

Please see disclosures on the final page.

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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.