



Meter Reader

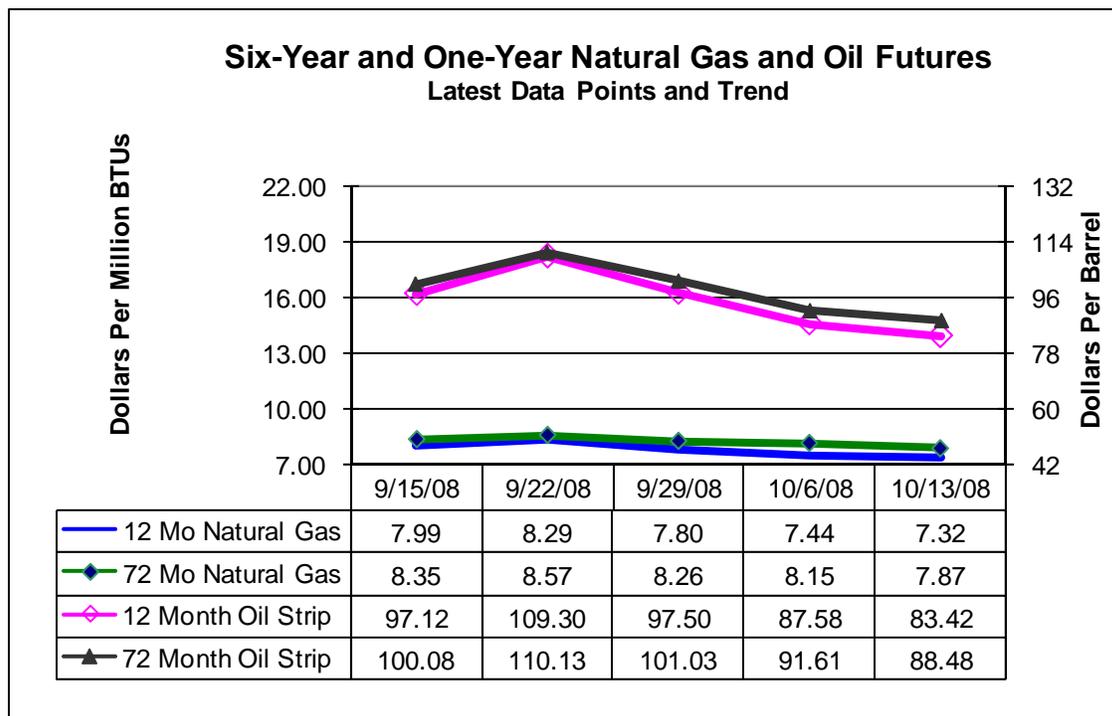
A Weekly Analysis of Energy Stocks Using the McDep Ratio
October 14, 2008

Restore Four Buy Recommendations

Summary and Recommendation

Seeing an historic reversal that may signal a stock price bottom for now, we restore four more buy recommendations. We pick Canadian company **Encana (ECA)**, French company **Total (TOT)**, U.S. company **XTO Energy (XTO)** and Russian company **Gazprom (OGZPY)**. A portfolio of our eleven buy recommended oil and gas producers held in positions of equal Enterprise Value would be represented 36% in U.S. Independent, 18% in Canada, 18% in Brazil/Russia/China, 18% in Europe and 9% in U.S. Integrated (see table [McDep Energy Portfolio](#)). By operating segment, the representation would be 34% North American Natural Gas, 14% Rest of World Natural Gas, 47% Oil Production and 5% Downstream. As we restore buy recommendations we are also restoring a portfolio weighting that is balanced geographically and skewed to natural gas functionally. Cash flow estimates reflect latest futures prices (see table [Rank by EV/Ebitda](#)). Considering unprecedented recent volatility of expectations we also include the latest distribution table for income stocks including those normally covered only in our separately published income weekly (see table page 6, [Natural Gas and Oil Income Stocks](#)).

Kurt H. Wulff, CFA





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McDep Energy Portfolio										
Geographic Domicile and Business Segments										
					Present Value by Segment (%)					
					North Amer.		Rest of World			
					Enterprise Value	Natural Gas	Natural Gas	Oil Prod'n	Down-stream	McDep Ratio
		Price (US\$/sh)	EV/13-Oct 2008	Market Cap	(\$mm)					
Symbol/Rating										
U.S. Integrated										
Exxon Mobil Corporation	XOM		73.08	1.09	418,000	7	17	57	20	0.64
Marathon Oil Corporation	MRO		31.53	1.58	35,500	8	6	66	20	0.56
Chevron Corporation	CVX		69.89	1.18	182,000	5	8	75	12	0.56
ConocoPhillips	COP	B	56.24	1.55	135,000	15	7	59	19	0.48
<i>Total or Median *</i>		<i>36%</i>	<i>11%</i>	<i>9%</i>	<i>771,000</i>					<i>0.56</i>
Europe										
BG Group	BRGXF		15.57	1.13	59,800		23	58	20	0.59
BP plc	BP		46.50	1.47	215,000	9	10	70	11	0.54
Royal Dutch Shell plc	RDS-A		52.31	1.29	209,000	3	16	55	26	0.50
Total S.A.	TOT	B	51.69	1.23	143,000		17	68	15	0.46
StatoilHydro ASA (29%)	STO	B	19.28	1.35	24,100		38	62		0.44
<i>Total or Median *</i>		<i>30%</i>	<i>14%</i>	<i>18%</i>	<i>651,000</i>					<i>0.50</i>
Brazil/China/Russia										
CNOOC Limited (34%)	CEO		92.52	1.00	14,100		9	91		0.51
Petrobras	PBR		34.00	1.24	184,000		7	85	8	0.51
PetroChina Company Ltd (14%)	PTR	B	90.43	1.11	25,900		9	80	12	0.44
Gazprom (50%)	OGZPY	B	19.00	1.43	78,000		82	18		0.28
Lukoil Oil Company	LUKOY		42.00	1.11	39,300			66	34	0.27
<i>Total or Median *</i>		<i>16%</i>	<i>14%</i>	<i>18%</i>	<i>341,000</i>					<i>0.44</i>
U.S. Independent										
San Juan Basin Royalty Trust	SJT		33.70	1.00	1,570	100				0.70
Berry Petroleum Company	BRY		22.59	2.70	2,790	38		62		0.59
EOG Resources	EOG		71.75	1.14	20,500	69	5	26		0.54
Encore Acquisition Company	EAC		25.59	2.12	2,840	17		83		0.52
Anadarko Petroleum Corp.	APC		33.99	2.09	33,400	51		46	3	0.52
Hugoton Royalty Trust	HGT	B	21.48	1.00	860	100				0.51
Energy Partners Ltd.	EPL		5.84	4.22	800	38		62		0.51
XTO Energy Inc.	XTO	B	33.18	1.62	31,200	74		26		0.50
Devon Energy Corporation	DVN	B	72.88	1.26	41,400	55		45		0.49
Occidental Petroleum Corp.	OXY		51.27	1.14	48,100	12	1	81	6	0.46
Chesapeake Energy Corporation	CHK		20.20	2.41	26,800	84		16		0.45
Cimarex Energy Company	XEC	B	40.00	1.17	4,010	63		37		0.44
<i>Total or Median *</i>		<i>10%</i>	<i>33%</i>	<i>36%</i>	<i>214,000</i>					<i>0.51</i>
Canada										
Pengrowth Energy Trust	PGH		10.64	1.75	4,620	34		66		0.58
Penn West Energy Trust	PWE		17.59	1.74	11,600	31		69		0.58
Encana Corporation	ECA	B	43.73	1.53	50,100	69		25	6	0.54
Canadian Oil Sands Trust	COSWF	B	28.00	1.08	14,600			100		0.51
Imperial Oil Limited (30%)	IMO		30.94	1.10	9,200	6		81	13	0.50
Enerplus Resources Fund	ERF		26.67	1.32	5,810	48		52		0.49
Canadian Natural Resources	CNQ		48.13	1.53	39,900	27		73		0.49
Birchcliff Energy Ltd. (US\$)	BIR.TO		5.05	1.28	760	69		31		0.42
Suncor Energy	SU		26.67	1.24	31,500	3		93	4	0.41
Petro-Canada	PCZ		24.05	1.44	16,700	11	3	72	13	0.34
<i>Total or Median *</i>		<i>9%</i>	<i>28%</i>	<i>18%</i>	<i>185,000</i>					<i>0.50</i>
Composite										
<i>Enterprise Value Weighting</i>		<i>100%</i>			<i>2,162,000</i>	<i>12</i>	<i>13</i>	<i>62</i>	<i>14</i>	<i>0.50</i>
<i>Equal Weighting</i>			<i>100%</i>			<i>29</i>	<i>7</i>	<i>57</i>	<i>7</i>	<i>0.50</i>
<i>Equal Weighted Buys</i>				<i>100%</i>		<i>34</i>	<i>14</i>	<i>47</i>	<i>5</i>	<i>0.46</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 - Net Present Value								
			Price			Net		
			(US\$/sh)		Market	Present	Debt/	
	Symbol/		13-Oct	Shares	Cap	Value	Present	
	Rating		2008	(mm)	(US\$m)	(US\$/sh)	Value	
							McDep	
							Ratio	
U.S. Integrated								
Exxon Mobil Corporation	XOM		73.08	5,261	385,000	118.00	0.05	0.64
Marathon Oil Corporation	MRO		31.53	714	22,510	70.00	0.21	0.56
Chevron Corporation	CVX		69.89	2,206	154,000	135.00	0.09	0.56
ConocoPhillips	COP	B	56.24	1,555	88,000	150.00	0.17	0.48
<i>Total or Median</i>					650,000		0.13	0.56
Europe								
BG Group plc	BRGXF		15.57	3,384	52,690	28.00	0.07	0.59
BP plc	BP		46.50	3,137	146,000	104.00	0.17	0.54
Royal Dutch Shell plc	RDS-A		52.31	3,095	162,000	120.00	0.11	0.50
Total S.A.	TOT	B	51.69	2,253	117,000	125.00	0.09	0.46
StatoilHydro ASA (29%)	STO	B	19.28	928	17,890	52.00	0.11	0.44
<i>Total or Median</i>					496,000		0.11	0.50
Brazil/China/Russia								
CNOOC Limited (34%)	CEO		92.52	152	14,090	180.00	-	0.51
Petrobras	PBR		34.00	4,387	149,160	75.00	0.10	0.51
PetroChina Company Ltd (14%)	PTR	B	90.43	257	23,270	220.00	0.04	0.44
Gazprom (50%)	OGZPY	B	19.00	2,865	54,400	88.00	0.09	0.28
Lukoil Oil Company	LUKOY		42.00	839	35,000	170.00	0.03	0.27
<i>Total or Median</i>					276,000		0.04	0.44
U.S. Independent								
San Juan Basin Royalty Trust	SJT		33.70	47	1,570	48.00	-	0.70
Berry Petroleum Company	BRY		22.59	46	1,030	65.00	0.37	0.59
EOG Resources	EOG		71.75	251	18,000	140.00	0.07	0.54
Encore Acquisition Company	EAC		25.59	52	1,340	75.00	0.28	0.52
Anadarko Petroleum Corp.	APC		33.99	471	16,000	100.00	0.27	0.52
Hugoton Royalty Trust	HGT	B	21.48	40	860	42.00	-	0.51
Energy Partners Ltd.	EPL		5.84	32	190	30.00	0.39	0.51
XTO Energy Inc.	XTO	B	33.18	580	19,240	88.00	0.19	0.50
Devon Energy Corporation	DVN	B	72.88	450	32,800	170.00	0.10	0.49
Occidental Petroleum Corp.	OXY		51.27	826	42,300	120.00	0.06	0.46
Chesapeake Energy Corporation	CHK		20.20	550	11,110	80.00	0.26	0.45
Cimarex Energy Company	XEC	B	40.00	86	3,420	100.00	0.06	0.44
<i>Total or Median</i>					147,900		0.15	0.51
Canada								
Pengrowth Energy Trust	PGH		10.64	248	2,640	24.00	0.25	0.58
Penn West Energy Trust	PWE		17.59	380	6,680	40.00	0.25	0.58
Encana Corporation	ECA	B	43.73	751	32,800	100.00	0.19	0.54
Canadian Oil Sands Trust	COSWF	B	28.00	481	13,470	57.00	0.04	0.51
Imperial Oil Limited (30%)	IMO		30.94	269	8,310	65.00	0.05	0.50
Canadian Natural Resources	CNQ		48.13	541	26,000	124.00	0.17	0.49
Enerplus Resources Fund	ERF		26.67	165	4,390	63.00	0.12	0.49
Birchcliff Energy Ltd. (US\$)	BIR.TO		5.05	117	590	14.00	0.09	0.42
Suncor Energy	SU		26.67	953	25,420	75.00	0.08	0.41
Petro-Canada	PCZ		24.05	484	11,640	90.00	0.10	0.34
<i>Total or Median</i>					132,000		0.11	0.50
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	EV/ Ebitda	Divd or Distrib
	Symbol/ Rating		13-Oct 2008	NTM	NTM	NTM	NTM (%)
U.S. Integrated							
Exxon Mobil Corporation	XOM		73.08	12.2	8.8	5.6	10 2.2
Chevron Corporation	CVX		69.89	9.5	8.8	4.9	8 3.7
Marathon Oil Corporation	MRO		31.53	8.8	8.6	4.9	10 3.0
ConocoPhillips	COP	B	56.24	10.9	8.7	4.2	7 3.3
<i>Total or Median</i>				10.2	8.7	4.9	9 3.2
Europe							
BG Group plc	BRGXF		15.57	7.5	10.9	6.4	12 1.2
BP plc	BP		46.50	10.0	8.7	4.8	7 7.2
Total S.A.	TOT	B	51.69	9.1	8.6	4.0	7 5.9
StatoilHydro ASA (29%)	STO	B	19.28	7.9	8.8	3.9	7 7.2
Royal Dutch Shell plc	RDS-A		52.31	7.6	7.6	3.8	6 6.1
<i>Total or Median</i>				7.9	8.7	4.0	7 6.1
Brazil/China/Russia							
Petrobras	PBR		34.00	10.4	11.6	5.9	12 2.5
CNOOC Limited (34%)	CEO		92.52	9.3	8.0	4.1	8 5.2
PetroChina Company Ltd (14%)	PTR	B	90.43	14.3	9.3	4.1	9 4.7
Gazprom (50%)	OGZPY	B	19.00	24.6	11.9	3.4	4 2.1
Lukoil Oil Company	LUKOY		42.00	18.6	8.0	2.1	3 3.5
<i>Total or Median</i>				14.3	9.3	4.1	8 3.5
U.S. Independent							
San Juan Basin Royalty Trust	SJT		33.70	10.6	16.0	11.2	14 7.2
Hugoton Royalty Trust	HGT	B	21.48	13.1	14.3	7.3	10 9.7
Berry Petroleum Company	BRY		22.59	9.7	10.4	6.1	18 1.3
XTO Energy Inc.	XTO	B	33.18	11.4	12.3	6.1	12 1.4
Chesapeake Energy Corporation	CHK		20.20	11.1	13.4	6.0	9 1.5
EOG Resources	EOG		71.75	9.8	10.5	5.7	15 0.8
Encore Acquisition Company	EAC		25.59	13.9	10.7	5.6	11 -
Devon Energy Corporation	DVN	B	72.88	9.3	11.0	5.3	13 0.9
Anadarko Petroleum Corp.	APC		33.99	9.7	10.0	5.2	15 2.1
Energy Partners Ltd.	EPL		5.84	8.5	8.9	4.5	-
Occidental Petroleum Corp.	OXY		51.27	11.8	9.7	4.4	8 2.5
Cimarex Energy Company	XEC	B	40.00	7.4	8.1	3.6	9 0.6
<i>Total or Median</i>				10.2	10.6	5.7	12 1.4
Canada							
Canadian Oil Sands Trust	COSWF	B	28.00	21.6	14.6	7.4	9 13.1
Birchcliff Energy Ltd. (US\$)	BIR.TO		5.05	7.1	15.5	6.5	-
Canadian Natural Resources	CNQ		48.13	9.0	12.6	6.2	14 0.7
Imperial Oil Limited (30%)	IMO		30.94	14.2	11.7	5.9	9 1.0
Suncor Energy	SU		26.67	21.7	12.7	5.2	8 0.7
Pengrowth Energy Trust	PGH		10.64	9.1	8.8	5.1	22.3
Penn West Energy Trust	PWE		17.59	7.5	8.9	5.1	9 20.4
Encana Corporation	ECA	B	43.73	8.6	9.3	5.0	20 3.7
Enerplus Resources Fund	ERF		26.67	9.6	10.2	5.0	24 18.6
Petro-Canada	PCZ		24.05	7.2	7.9	2.7	5 2.9
<i>Total or Median</i>				9.1	10.9	5.2	9 3.3
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>
7-Oct	HGT	Hugoton Royalty Trust	Buy amid Financial Panic (Meter Reader)
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
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

14-Oct		Weekly	Restore Four Buy Recommendations
7-Oct		Hugoton Royalty Trust	Buy Hugoton Royalty Trust amid Financial Panic
30-Sep		Cimarex Energy Company	Buy Cimarex after Record Decline for Stock Prices
23-Sep	*	Weekly	Storm Tested

Oil and Gas Income Stocks

10-Oct		Weekly	Rebound Candidates
3-Oct		Weekly	Seasonal Swing
26-Sep		Weekly	Income Sensitivity to Oil and Gas Price
19-Sep	*	Weekly	Low Debt, No Hedging

Industry Ideas

9-Oct		Presentation	Oil and Gas Strategy in Treacherous Times
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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Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield								
			<i>Natural</i>					
		<i>Revenue</i>	<i>Gas/</i>		<i>Dist/</i>			<i>Dist.</i>
	<i>Symbol</i>	<i>Royalty</i>	<i>Ebitda</i>	<i>Dist/</i>	<i>Equity</i>	<i>NTM Distribution</i>		<i>Yield</i>
		<i>(%)</i>	<i>(%)</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>(\$mm)</i>	<i>(\$/un)</i>	<i>(%)</i>
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	99	0.81	0.81	114	2.44	7.2
Hugoton Royalty Trust	HGT	-	87	0.71	0.71	84	2.09	9.7
Permian Basin RT	PBT	32	34	0.96	0.96	91	1.95	10.0
Cross Timbers Royalty Trust	CRT	84	71	0.95	0.95	25	4.18	11.4
Mesa Royalty Trust	MTR	-	66	0.88	0.88	11	5.98	11.4
Sabine Royalty Trust	SBR	100	59	1.00	1.00	80	5.47	11.6
<i>Total or Median</i>				<i>69</i>	<i>0.91</i>	<i>0.91</i>	<i>400</i>	<i>10.7</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(7)	0.90	0.93	1,760	3.66	13.1
Enerplus Resources Fund	ERF	-	44	0.70	0.80	814	4.95	18.6
Penn West Energy Trust	PWE	-	30	0.60	0.80	1,360	3.58	20.4
Pengrowth Energy Trust	PGH	-	33	0.65	0.87	588	2.37	22.3
<i>Total or Median</i>				<i>32</i>	<i>0.68</i>	<i>0.84</i>	<i>4,500</i>	<i>19.5</i>
U.S. Master Limited Partnerships (MLPs)								
Encore Energy Partners, L.P.	ENP		20	0.50	0.60	18	1.76	11.0
Dorchester Minerals, L.P.	DMLP	64	70	1.00	1.00	66	2.33	11.8
Linn Energy, LLC	LINE		46	0.60	1.16	287	2.52	19.4
<i>Total or Median</i>				<i>46</i>	<i>0.60</i>	<i>1.00</i>	<i>400</i>	<i>11.8</i>
NTM = Next Twelve Months Ended September 30, 2009								
Ebitda = Earnings before interest, tax, depreciation and amortization								

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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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.