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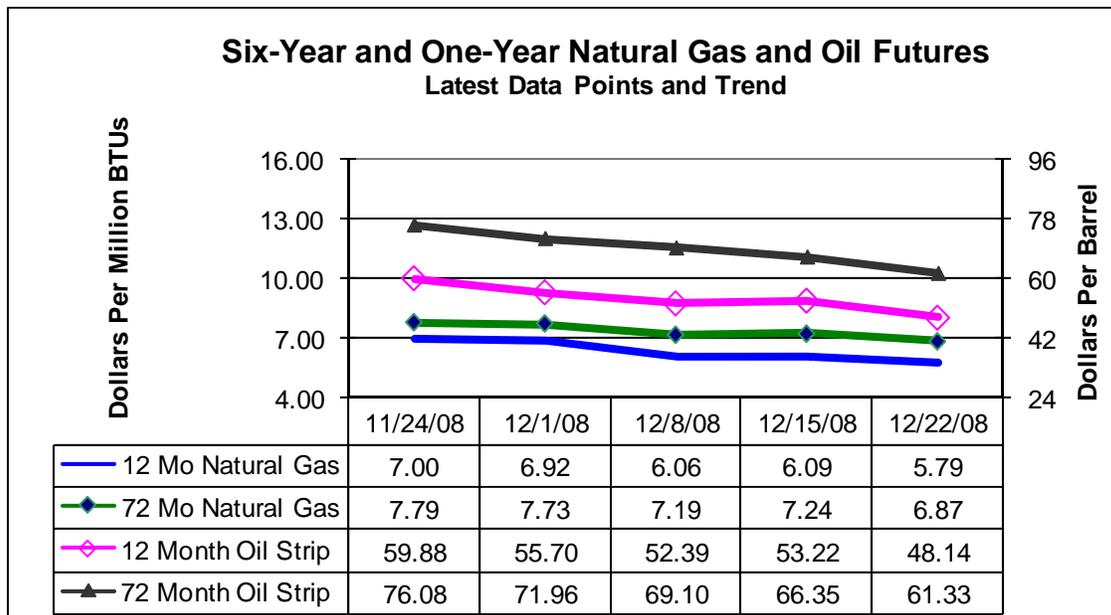
A Weekly Analysis of Energy Stocks Using the McDep Ratio
December 23, 2008

Small Cap, Large Price Change

Summary and Recommendation

Small cap oil and gas producers, more sensitive to selling pressure in December, may have more appreciation potential in January. Buy-recommended **Cimarex Energy (XEC)** is concentrated on natural gas, has almost no debt and has an experienced leader, Mick Merelli, who has made money for investors over two decades. Hold-rated **Encore Acquisition (EAC)** has long-life oil reserves, moderately high debt and an experienced leader, Jon Brumley, who has made money for investors over four decades. Hold-rated **Berry Petroleum (BRY)**, pumping oil for 100 years, has built-in growth in undeveloped reserves along with high debt. Canadian producer, **Birchcliff Energy (BIR.TO)**, supports a large land position in Alberta's Montney Doig natural gas play with cash flow from proven production offset by modest debt. Meanwhile, stock prices for the four issues are down a median 60% from their highs, but up a median 15% from their lows. Though oil and gas prices trend lower they are merely following stock prices, as we see it. We are optimistic that stock prices have seen their lows seasonally at the same time we are prepared to wait longer for the sustained upturn.

Kurt H. Wulff, CFA





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McDep Energy Portfolio - Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer.	Rest of World					
	B = Buy H = Hold	22-Dec 2008	Cap		Natural Gas	Natural Gas	Oil Prod'n	Down- stream	McDep Ratio		
U.S. Integrated											
Exxon Mobil Corporation	XOM	B	74.91	1.08	417,000	6	23	46	25	0.84	
Chevron Corporation	CVX	H	69.39	1.18	181,000	5	12	67	16	0.74	
Marathon Oil Corporation	MRO	H	24.89	1.66	29,400	7	7	60	26	0.64	
ConocoPhillips	COP	B	49.53	1.61	122,000	14	9	57	20	0.57	
<i>Total or Median *</i>	<i>38%</i>	<i>11%</i>	<i>17%</i>		<i>749,000</i>	<i>7</i>	<i>11</i>	<i>58</i>	<i>23</i>	<i>0.69</i>	
Europe											
BG Group	BRGXF		13.33	1.09	49,000		29	46	25	0.72	
BP plc	BP	H	44.90	1.49	209,000	8	14	62	15	0.70	
Total S.A.	TOT	B	53.94	1.15	139,000		25	52	23	0.63	
Royal Dutch Shell plc	RDS-A	H	52.31	1.27	204,000	3	23	44	31	0.63	
StatoilHydro ASA (29%)	STO	B	15.52	1.39	20,000		44	56		0.53	
<i>Total or Median *</i>	<i>31%</i>	<i>14%</i>	<i>17%</i>		<i>621,000</i>		<i>25</i>	<i>52</i>		<i>0.63</i>	
Brazil/China/Russia											
CNOOC Limited (34%)	CEO	H	88.11	1.00	13,400		12	88		0.65	
PetroChina Company Ltd (14%)	PTR	B	87.14	1.12	25,000		14	69	17	0.61	
Petrobras	PBR		21.87	1.38	132,000		13	77	10	0.52	
Gazprom (50%)	OGZPY	B	14.60	1.45	65,000		81	19		0.30	
Lukoil Oil Company	LUKOY	H	33.45	1.07	30,300			61	39	0.26	
<i>Total or Median *</i>	<i>13%</i>	<i>14%</i>	<i>17%</i>		<i>266,000</i>			<i>69</i>		<i>0.52</i>	
U.S. Independent											
San Juan Basin Royalty Trust	SJT	H	24.60	1.00	1,150	100				0.73	
Anadarko Petroleum Corp.	APC	H	35.85	1.98	33,200	54		42	4	0.72	
XTO Energy Inc.	XTO	B	34.52	1.62	30,800	77		23		0.69	
Encore Acquisition Company	EAC	H	21.79	2.23	2,600	18		83		0.65	
Occidental Petroleum Corp.	OXY	H	54.38	1.11	49,400	12	1	79	8	0.64	
EOG Resources	EOG	H	61.16	1.14	17,500	71	7	22		0.62	
Energy Partners Ltd.	EPL		1.69	12.72	640	38		62		0.62	
Devon Energy Corporation	DVN	B	63.08	1.21	34,100	64		36		0.59	
Chesapeake Energy Corp.	CHK		15.62	2.62	24,100	91		9		0.57	
Berry Petroleum Company	BRY	H	7.22	5.18	1,710	42		58		0.53	
Hugoton Royalty Trust	HGT	B	14.78	1.00	590	100				0.49	
Cimarex Energy Company	XEC	B	25.23	1.27	2,720	65		35		0.42	
<i>Total or Median *</i>	<i>10%</i>	<i>33%</i>	<i>33%</i>		<i>199,000</i>	<i>64</i>				<i>0.62</i>	
Canada											
Imperial Oil Limited (30%)	IMO	H	31.44	1.08	9,000	5		80	16	0.67	
Encana Corporation	ECA	B	42.61	1.43	45,800	68		29	4	0.65	
Pengrowth Energy Trust	PGH		7.53	1.99	3,720	34		66		0.64	
Penn West Energy Trust	PWE	H	10.96	1.91	8,100	28		72		0.57	
Canadian Natural Resources	CNQ	H	35.10	1.58	30,000	26		74		0.53	
Enrplus Resources Fund	ERF		18.05	1.26	3,760	56		44		0.47	
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.73	1.43	630	75		25		0.46	
Suncor Energy	SU	H	18.23	1.35	23,400	3		92	5	0.40	
Petro-Canada	PCZ	H	21.00	1.43	14,500	11	3	70	16	0.39	
Canadian Oil Sands Trust	COSWF	B	14.88	1.13	8,100			100		0.38	
<i>Total or Median *</i>	<i>7%</i>	<i>28%</i>	<i>17%</i>		<i>147,000</i>			<i>71</i>		<i>0.50</i>	
Composite											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>1,982,000</i>	<i>12</i>	<i>17</i>	<i>54</i>	<i>17</i>	<i>0.62</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>32</i>	<i>10</i>	<i>60</i>	<i>9</i>	<i>0.58</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>33</i>	<i>16</i>	<i>44</i>	<i>7</i>	<i>0.56</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 and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)	Shares	Market Cap	Present Value	Debt/ Present Value	McDep
	B = Buy	22-Dec		(mm)	(US\$mm)	(US\$/sh)		
	H = Hold	2008						
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	74.91	5,160	387,000	90.00	0.06	0.84
Chevron Corporation	CVX	H	69.39	2,206	153,000	98.00	0.11	0.74
Marathon Oil Corporation	MRO	H	24.89	711	17,700	48.00	0.26	0.64
ConocoPhillips	COP	B	49.53	1,528	76,000	109.00	0.22	0.57
<i>Total or Median</i>					634,000		0.17	0.69
Europe								
BG Group plc	BRGXF		13.33	3,382	45,080	19.00	0.06	0.72
BP plc	BP	H	44.90	3,124	140,000	74.00	0.23	0.70
Total S.A.	TOT	B	53.94	2,244	121,000	90.00	0.08	0.63
Royal Dutch Shell plc	RDS-A	H	52.31	3,080	161,000	92.00	0.13	0.63
StatoilHydro ASA (29%)	STO	B	15.52	924	14,340	35.00	0.15	0.53
<i>Total or Median</i>					481,000		0.13	0.63
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	88.11	152	13,420	135.00	-	0.65
PetroChina Company Ltd (14%)	PTR	B	87.14	256	22,330	150.00	0.06	0.61
Petrobras	PBR		21.87	4,387	95,940	50.00	0.14	0.52
Gazprom (50%)	OGZPY	B	14.60	3,080	45,000	64.00	0.09	0.30
Lukoil Oil Company	LUKOY	H	33.45	848	28,000	135.00	0.02	0.26
<i>Total or Median</i>					205,000		0.06	0.52
U.S. Independent								
San Juan Basin Royalty Trust	SJT	H	24.60	47	1,150	34.00	-	0.73
Anadarko Petroleum Corp.	APC	H	35.85	468	16,800	64.00	0.35	0.72
XTO Energy Inc.	XTO	B	34.52	552	19,060	60.00	0.26	0.69
Encore Acquisition Company	EAC	H	21.79	54	1,170	48.00	0.36	0.65
Occidental Petroleum Corp.	OXY	H	54.38	818	44,500	89.00	0.06	0.64
EOG Resources	EOG	H	61.16	251	15,400	104.00	0.08	0.62
Energy Partners Ltd.	EPL		1.69	32	50	14.00	0.57	0.62
Devon Energy Corporation	DVN	B	63.08	446	28,100	116.00	0.10	0.59
Chesapeake Energy Corp.	CHK		15.62	588	9,180	46.00	0.36	0.57
Berry Petroleum Company	BRY	H	7.22	46	330	40.00	0.43	0.53
Hugoton Royalty Trust	HGT	B	14.78	40	590	30.00	-	0.49
Cimarex Energy Company	XEC	B	25.23	85	2,130	70.00	0.09	0.42
<i>Total or Median</i>					138,500		0.18	0.62
Canada								
Imperial Oil Limited (30%)	IMO	H	31.44	265	8,340	48.00	0.05	0.67
Encana Corporation	ECA	B	42.61	751	32,000	75.00	0.20	0.65
Pengrowth Energy Trust	PGH		7.53	249	1,870	16.00	0.32	0.64
Penn West Energy Trust	PWE	H	10.96	390	4,270	27.00	0.27	0.57
Canadian Natural Resources	CNQ	H	35.10	541	19,000	85.00	0.19	0.53
Enerplus Resources Fund	ERF		18.05	165	2,980	44.00	0.10	0.47
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.73	117	440	10.00	0.14	0.46
Suncor Energy	SU	H	18.23	953	17,370	55.00	0.10	0.40
Petro-Canada	PCZ	H	21.00	484	10,160	67.00	0.12	0.39
Canadian Oil Sands Trust	COSWF	B	14.88	482	7,170	42.00	0.04	0.38
<i>Total or Median</i>					104,000		0.13	0.50
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\$75 a barrel and natural gas, \$10 a million btu.								



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Oil and Gas Producers - Value Multiples and Distribution Yield								
			Price	Adjustd				Divd or
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/		Distrib
	B = Buy	22-Dec	Prod	Ebitda	Ebitda	P/E	NTM	
	H = Hold	2008	NTM	NTM	NTM	NTM	NTM	(%)
U.S. Integrated								
Exxon Mobil Corporation	XOM	B	74.91	12.9	9.4	7.9	16	2.1
Chevron Corporation	CVX	H	69.39	9.6	9.5	7.0	15	3.7
ConocoPhillips	COP	B	49.53	11.0	10.1	5.8	12	3.8
Marathon Oil Corporation	MRO	H	24.89	8.5	8.5	5.5	11	3.9
	<i>Total or Median</i>			<i>10.3</i>	<i>9.5</i>	<i>6.4</i>	<i>13</i>	<i>3.8</i>
Europe								
BG Group plc	BRGXF		13.33	7.6	10.4	7.5	15	1.2
BP plc	BP	H	44.90	9.9	9.3	6.5	11	7.5
Total S.A.	TOT	B	53.94	9.4	8.9	5.6	12	5.7
Royal Dutch Shell plc	RDS-A	H	52.31	7.9	8.2	5.2	11	6.1
StatoilHydro ASA (29%)	STO	B	15.52	8.0	9.2	4.8	15	7.7
	<i>Total or Median</i>			<i>8.0</i>	<i>9.2</i>	<i>5.6</i>	<i>12</i>	<i>6.1</i>
Brazil/China/Russia								
CNOOC Limited (34%)	CEO	H	88.11	8.8	10.7	7.0	15	5.4
Petrobras	PBR		21.87	10.2	13.3	6.9	15	3.9
PetroChina Company Ltd (14%)	PTR	B	87.14	14.3	10.1	6.2	20	4.8
Gazprom (50%)	OGZPY	B	14.60	24.6	8.2	2.5	3	2.6
Lukoil Oil Company	LUKOY	H	33.45	18.2	7.2	1.9	3	4.0
	<i>Total or Median</i>			<i>14.3</i>	<i>10.1</i>	<i>6.2</i>	<i>15</i>	<i>4.0</i>
U.S. Independent								
San Juan Basin Royalty Trust	SJT	H	24.60	10.8	15.9	11.5	14	7.0
Energy Partners Ltd.	EPL		1.69	9.8	14.1	8.7		-
Encore Acquisition Company	EAC	H	21.79	13.4	13.3	8.6		-
XTO Energy Inc.	XTO	B	34.52	11.4	11.8	8.1	19	1.4
Occidental Petroleum Corp.	OXY	H	54.38	11.8	11.6	7.4	21	2.4
Anadarko Petroleum Corp.	APC	H	35.85	10.1	10.2	7.3		2.0
Hugoton Royalty Trust	HGT	B	14.78	13.1	14.7	7.2	10	9.6
Chesapeake Energy Corp.	CHK		15.62	11.1	12.4	7.1	13	1.9
Devon Energy Corporation	DVN	B	63.08	9.4	10.7	6.3	26	1.0
Berry Petroleum Company	BRY	H	7.22	9.6	11.6	6.2	7	4.2
EOG Resources	EOG	H	61.16	9.1	9.9	6.1	22	0.9
Cimarex Energy Company	XEC	B	25.23	7.4	10.2	4.3	105	1.0
	<i>Total or Median</i>			<i>10.4</i>	<i>11.7</i>	<i>7.3</i>	<i>19</i>	<i>1.7</i>
Canada								
Canadian Oil Sands Trust	COSWF	B	14.88	23.3	29.4	11.2	40	5.5
Imperial Oil Limited (30%)	IMO	H	31.44	14.5	14.0	9.4	17	1.0
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.73	6.9	19.6	9.1		-
Pengrowth Energy Trust	PGH		7.53	9.5	11.8	7.6		22.2
Canadian Natural Resources	CNQ	H	35.10	8.8	13.9	7.3	16	0.9
Suncor Energy	SU	H	18.23	22.5	16.5	6.6	12	0.9
Encana Corporation	ECA	B	42.61	8.4	8.9	5.8	17	3.8
Penn West Energy Trust	PWE	H	10.96	7.7	10.3	5.8		18.0
Enerplus Resources Fund	ERF		18.05	10.6	11.8	5.5	15	13.6
Petro-Canada	PCZ	H	21.00	6.9	9.3	3.7	9	3.1
	<i>Total or Median</i>			<i>9.1</i>	<i>12.9</i>	<i>7.0</i>	<i>16</i>	<i>3.4</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 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>
17-Dec	XOM	Exxon Mobil Corporation	Upgrade to Buy on Stock Price Change Trend
16-Dec	LUKOY	Lukoil Oil Company	Credible Russian Champion
10-Dec	COSWF	Canadian Oil Sands Trust	Budget Quarterly Distribution of C\$0.25 a Unit
20-Nov	* COSWF	Canadian Oil Sands Trust	Alberta Reduces Royalties
12-Nov	* PWE	Penn West Energy Trust	Distribution Yield 20%
6-Nov	* CNQ	Canadian Natural Resources	Hidden Value in Heavy Oil
5-Nov	* DVN	Devon Energy Corporation	Outperforming in Tough Times
5-Nov	* XTO	XTO Energy Inc.	Personal Debt-Free Pledge
5-Nov	* TOT	Total S.A.	Geographic Appeal
4-Nov	* XEC	Cimarex Energy Company	Capital Discipline
4-Nov	* APC	Anadarko Petroleum Corporation	Acquisition Value
4-Nov	* EOG	EOG Resources Inc.	The Hat Trick
3-Nov	* STO	StatoilHydro ASA	Financially Strong Dividend Payer
31-Oct	* CVX	Chevron Corporation	Oil in the Stock Market at \$59 a Barrel
30-Oct	* IMO	Imperial Oil Limited	Favorable Pricing for Heavy Oil
30-Oct	* MRO	Marathon Oil Corporation	Gasoline and Diesel Demand Rebounding
30-Oct	* RDSA	Royal Dutch Shell plc	Secure Dividend 5.7%
29-Oct	* BRY	Berry Petroleum	Adjusting Spending to Cash Flow
29-Oct	* EAC	Encore Acquisition Company	Success with ExxonMobil in West Texas
29-Oct	* SU	Suncor Energy	Coping with Volatile Oil Price
29-Oct	* PTR	PetroChina Company Limited	Chinese Major Oil Company
28-Oct	* OXY	Occidental Petroleum Corporation	Low Debt, High Margin
28-Oct	* BP	BP p.l.c.	Dividend Yield 7.2%
28-Oct	* CEO	CNOOC Ltd	Oil & Gas Growth Offshore China
24-Oct	* ECA	EnCana Corporation	High-Performance Clean Energy Producer
24-Oct	* PCZ	Petro-Canada	Pacing Fort Hills
23-Oct	* OGZPY	Gazprom	Cheap Stock, Political Risk
23-Oct	* COP	ConocoPhillips	Australian Natural Gas Deal
22-Oct	* XEC	Cimarex Energy Company	Woodford Shale Leader
17-Oct	* SJT	San Juan Basin Royalty Trust	Hold Rating (Income Weekly)
7-Oct	* HGT	Hugoton Royalty Trust	Buy amid Financial Panic (Meter Reader)
16-Sep	* BRGXF	BG Group	Deep Water Brazil (Meter Reader)
16-Sep	* PBR	Petrobras	Deep Water Brazil (Meter Reader)

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23-Dec		Weekly	
16-Dec		Weekly	Transition Phase
9-Dec		Weekly	China/Russia Oil and Gas for Growth
2-Dec	*	Weekly	European Oils for Dividends

Oil and Gas Income Stocks

19-Dec		Weekly	Near-Term Income below Long-Term Potential
12-Dec		Weekly	Favorites at Favorable Prices
5-Dec		Weekly	High Income, Low Stock Price
28-Nov	*	Weekly	Insider Buying in Encore Energy Partners

Industry Ideas

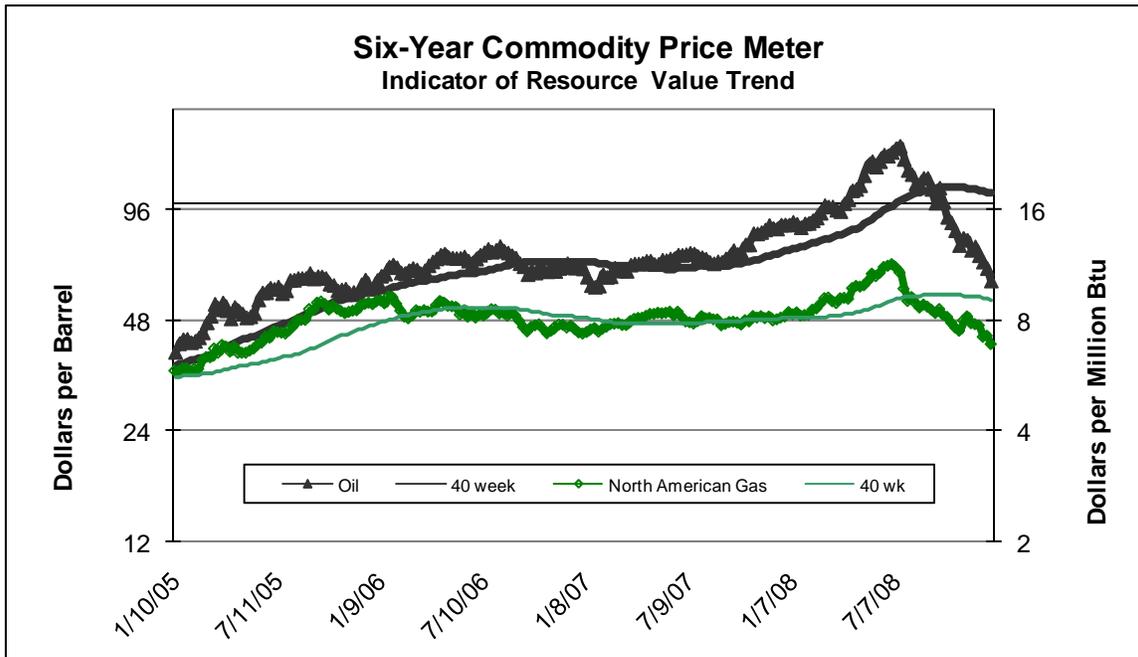
9-Oct	*	Presentation	Oil and Gas Strategy in Treacherous Times
24-Sep	*	Presentation	Energy Investment amid Financial Turmoil
16-Sep	*	Flash	Reinstate Five Buy Recommendations
5-Sep	*	Flash	Suspend Buy Recommendations

* Archived on www.mcdep.com



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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.