

## Meter Reader

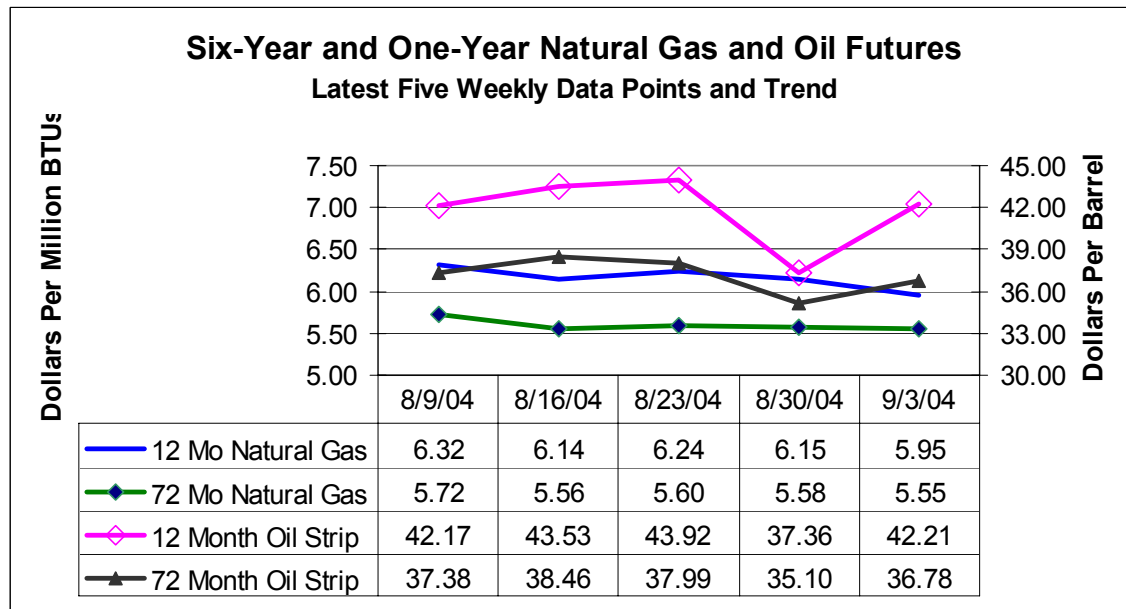
*A Weekly Analysis of Energy Stocks Using the McDep Ratio*

September 7, 2004

# Stock Ideas for Action

## Summary and Recommendation

Since our research has been selected by Independent Consultants as part of the Global Research Settlement the presentation of our analysis has shifted to Stock Ideas (see Index on last page for recent issues). The research selected includes larger, more well-known stocks as well as a few of our lesser-known ideas. Three recent updates of buy recommendations are **ConocoPhillips (COP)**, **Encana (ECA)** and **Encore Acquisition (EAC)**. Meanwhile as we read the meter of latest crude oil and natural gas trends and valuation ratios we introduce a substitute refining margin indicator that points positively.



## Modify Refining Margin Indicator

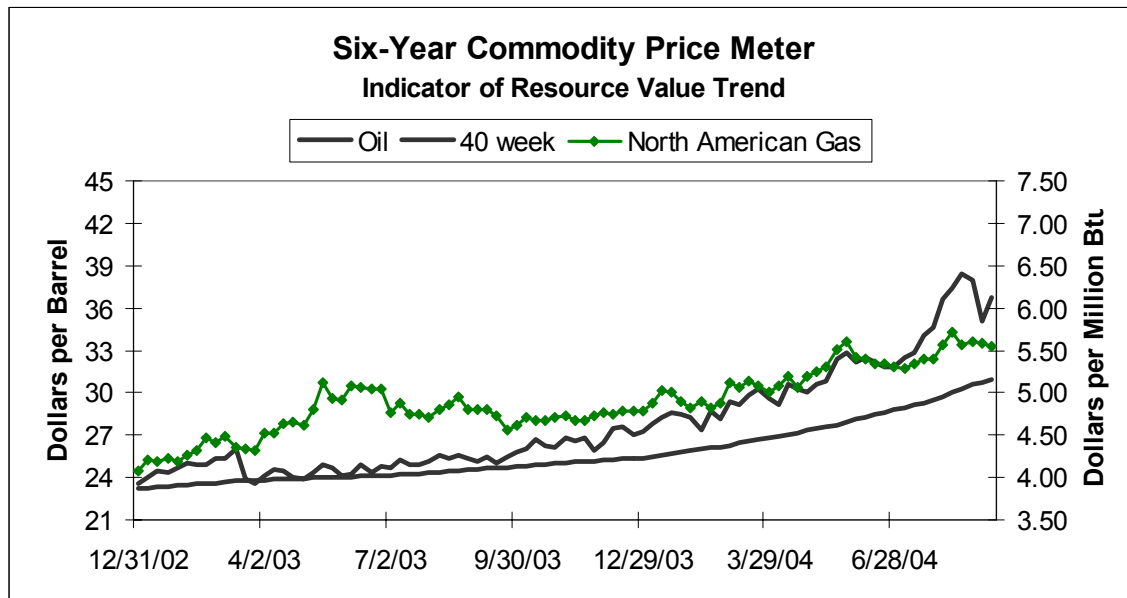
Knowing how unpredictable refinery margins can be we thought we had an authoritative guide in futures prices for heating oil and gasoline compared to crude oil. As it turns out, not even the futures traders are willing to bet much on future gasoline prices. Initially when New York Mercantile Exchange quotes for gasoline ended after March 2005 we could still develop a reasonably one year indicator with estimates for a few months. Today quotes beyond March 2005 are still not available publicly and it stretches credibility for us to make estimates for the purpose of the one-year indicator.

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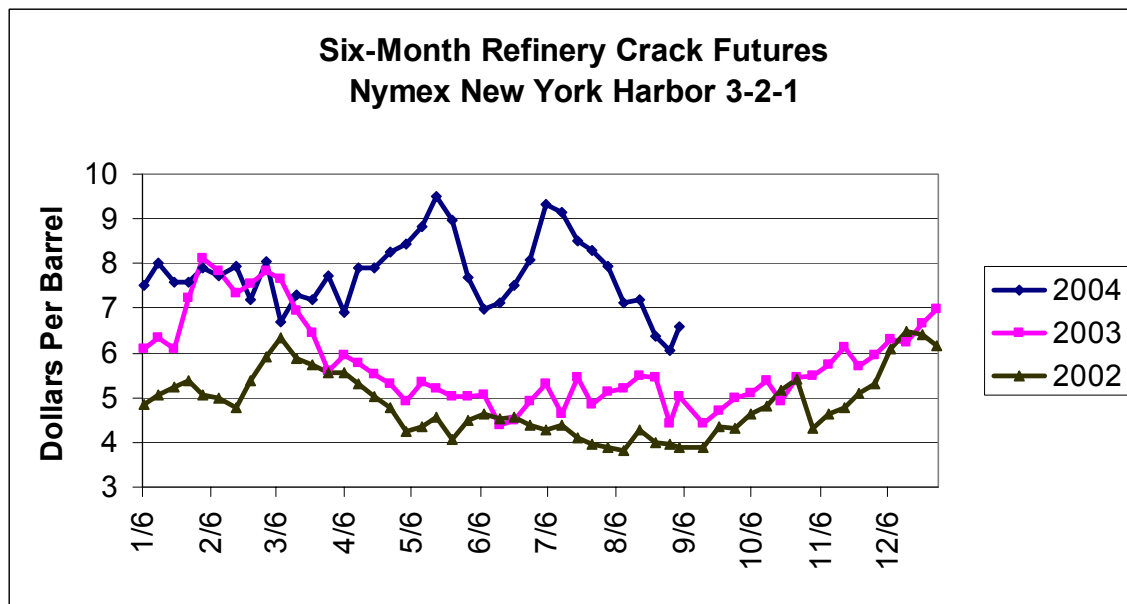
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As an alternative we have reconstructed a six-month refining crack indicator. The disadvantage is that because it is inevitably seasonal, the 40-week moving average comparison may not accurately measure momentum. Instead we have tried another popular industry technique to present the seasonal plot of successive years. We see that while expected margins have fallen in late summer, they remain at a favorable level above each of the past two years (see chart Six-Month Refinery Crack Futures).



Kurt H. Wulff, CFA

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#### Rated Oil and Gas Producers Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating		Price (\$/sh) 3-Sep 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
Exxon Mobil Corporation	XOM	B3	47.06	6,547	308,000	43.00	0.08	1.09
BP plc	BP	B3	54.30	3,651	198,000	60.00	0.13	0.92
Shell Transport and Trading Co. plc	SC	B3	45.00	1,587	71,000	51.20	0.17	0.90
Total S.A.	TOT	B3	98.77	1,237	122,200	113.00	0.16	0.89
Royal Dutch Petroleum	RD	B1	51.52	2,031	105,000	60.00	0.17	0.88
ChevronTexaco Corporation	CVX	B1	99.77	1,065	106,300	125.00	0.14	0.83
<i>Total or Median</i>					<i>911,000</i>		<i>0.15</i>	<i>0.90</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	61.99	125	7,750	20.00	0.73	1.56
Imperial Oil Limited (30%)	IMO	B3	48.03	108	5,170	52.00	0.10	0.93
Marathon Oil Corporation	MRO	B3	36.90	346	12,770	41.00	0.30	0.93
Suncor Energy	SU	B3	28.95	460	13,320	38.00	0.13	0.79
ConocoPhillips	COP	B1	76.19	699	53,300	110.00	0.25	0.77
Norsk Hydro ASA	NHY	B1	64.70	256	16,530	90.00	0.16	0.76
Petro-Canada	PCZ	B3	47.73	266	12,710	68.00	0.14	0.74
PetroChina Company Ltd (10%)	PTR	B2	51.31	176	9,020	88.00	0.07	0.61
Lukoil Oil Company	LUKOY	B2	118.25	210	25,000	208.00	0.05	0.59
<i>Total or Median</i>					<i>156,000</i>		<i>0.14</i>	<i>0.77</i>
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
CNOOC Limited (19%)	CEO	B2	48.13	78	3,760	55.00	-	0.87
XTO Energy Inc.	XTO	B1	28.66	271	7,770	38.00	0.21	0.81
Unocal Corporation	UCL	B3	39.01	278	10,800	54.00	0.25	0.79
Occidental Petroleum Corp.	OXY	B3	53.34	399	21,300	75.00	0.19	0.76
Encana Corporation	ECA	B1	42.01	471	19,800	63.00	0.25	0.75
Anadarko Petroleum Corp.	APC	B1	60.50	254	15,400	94.00	0.21	0.72
Devon Energy Corporation	DVN	B3	67.46	249	16,800	110.00	0.24	0.71
Burlington Resources	BR	B1	37.34	397	14,800	58.00	0.14	0.69
<i>Total or Median</i>					<i>110,000</i>		<i>0.21</i>	<i>0.76</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Cimarex Energy Company	XEC	B2	31.65	43	1,350	38.00	0.00	0.83
Berry Petroleum Company	BRY	B2	31.48	22	710	43.00	0.06	0.75
Energy Partners Ltd.	EPL	B3	15.71	38	600	22.00	0.14	0.75
Encore Acquisition Company	EAC	B2	29.70	33	970	47.00	0.20	0.71
<i>Total or Median</i>					<i>3,600</i>		<i>0.10</i>	<i>0.75</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	45.13	145	6,540	15.00	0.49	2.02
Kinder Morgan Management, LLC	KMR	S3	39.58	53	2,110	15.00	0.49	1.83
San Juan Basin Royalty Trust	SJT	H	27.76	47	1,290	22.00	-	1.26
Canadian Oil Sands Trust (US\$)	COSWF	B1	39.61	92	3,640	62.00	0.19	0.71
<i>Total or Median</i>					<i>13,600</i>		<i>0.34</i>	<i>1.54</i>

B1 = Buy full unlevered position, B2 = Buy half unlevered position, B3 = Alternative buy

S2 = Short half unlevered position, S3 = Short quarter unlevered position

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

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#### Rated Oil and Gas Producers

Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 3-Sep 2004	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>Mega Cap</b>							
Exxon Mobil Corporation	XOM B3	47.06	11.1	6.7	7.3	13	2.3
BP plc	BP B3	54.30	9.7	7.2	6.6	13	3.1
Total S.A.	TOT B3	98.77	9.1	7.2	6.4	11	2.9
Shell Transport and Trading Co. plc	SC B3	45.00	8.2	6.0	5.4	11	4.1
Royal Dutch Petroleum	RD B1	51.52	8.2	6.0	5.3	10	4.2
ChevronTexaco Corporation	CVX B1	99.77	10.9	6.0	4.9	8	3.2
	<i>Median</i>		9.4	6.3	5.9	11	3.2
<b>Producer/Refiners - Large Cap and Mid Cap</b>							
Kinder Morgan, Inc.	KMI S2	61.99		8.0	12.6	15	3.6
Suncor Energy	SU B3	28.95	18.3	9.1	7.2	17	0.6
Imperial Oil Limited (30%)	IMO B3	48.03	10.9	6.7	6.2	11	1.4
Marathon Oil Corporation	MRO B3	36.90	7.3	5.7	5.3	10	2.7
ConocoPhillips	COP B1	76.19	11.2	6.3	4.9	7	2.3
Norsk Hydro ASA	NHY B1	64.70	9.4	5.7	4.4	11	2.4
PetroChina Company Ltd (10%)	PTR B2	51.31	13.5	6.9	4.2	8	4.2
Petro-Canada	PCZ B3	47.73	7.7	5.7	4.2	8	1.0
Lukoil Oil Company	LUKOY B2	118.25	20.0	4.3	2.6	4	2.2
	<i>Median</i>		11.0	6.3	4.9	10	2.3
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>							
XTO Energy Inc.	XTO B1	28.66	11.9	7.6	6.1	12	0.1
CNOOC Limited (19%)	CEO B2	48.13	10.4	6.7	5.8	11	3.3
Occidental Petroleum Corp.	OXY B3	53.34	11.1	6.4	4.9	8	2.1
Unocal Corporation	UCL B3	39.01	9.0	6.2	4.9	10	2.1
Burlington Resources	BR B1	37.34	10.2	6.9	4.8	10	0.9
Anadarko Petroleum Corp.	APC B1	60.50	11.4	6.5	4.6	9	0.9
Encana Corporation	ECA B1	42.01	6.7	6.0	4.5	9	1.0
Devon Energy Corporation	DVN B3	67.46	6.6	5.5	3.9	8	0.6
	<i>Median</i>		10.3	6.4	4.8	10	0.9
<b>Independent Natural Gas and Oil - Small Cap</b>							
Encore Acquisition Company	EAC B2	29.70	12.0	7.8	5.5	10	-
Berry Petroleum Company	BRY B2	31.48	12.8	6.8	5.1	12	1.4
Cimarex Energy Company	XEC B2	31.65	5.2	4.3	3.6	9	-
Energy Partners Ltd.	EPL B3	15.71	5.0	4.3	3.2	11	-
	<i>Median</i>		8.6	5.5	4.3	11	-
<b>Income</b>							
Kinder Morgan Energy Partners, L.P.	KMP S3	45.13	12.0	7.9	15.9	22	6.3
Kinder Morgan Management, LLC	KMR S3	39.58	12.0	7.9	14.5	19	7.2
San Juan Basin Royalty Trust	SJT H	27.76	12.5	7.3	9.1	10	9.7
Canadian Oil Sands Trust (US\$)	COSWF B1	39.61	20.0	8.9	6.3	8	3.9
	<i>Median</i>		12.2	7.9	11.8	15	6.7

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2005; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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### Index of Stock Ideas Recent Written Analyses

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
3-Sep	EAC	Encore Acquisition Company	Rising Recovery and Leadership
2-Sep	ECA	EnCana Corporation	Encomparable
2-Sep	KMI	Kinder Morgan Inc.	Momentum Challenge
2-Sep	KMP	Kinder Morgan Energy Partners, L.P.	Momentum Challenge
2-Sep	KMR	Kinder Morgan Management, LLC	Momentum Challenge
31-Aug	COP	ConocoPhillips	Lukoil Investor?
27-Aug	EPL	Energy Partners, Ltd.	Volume Acceleration
27-Aug	MRO	Marathon Oil Corporation	Tilting to Refining
26-Aug	BP	BP p.l.c.	Russia Distinction
26-Aug	TOT	Total S.A.	Shell Acquirer?
23-Aug	OXY	Occidental Petroleum Corporation	Oil Rich
23-Aug	UCL	Unocal Corporation	Asian Natural Gas and Oil
16-Aug	IMO	Imperial Oil Limited	Choice Piece of ExxonMobil
16-Aug	PCZ	Petro-Canada	Encana Partner
16-Aug	SU	Suncor Energy Inc.	A Boone and Charlie Favorite
13-Aug	BRY	Berry Petroleum Company	New Leader, New Prospects
12-Aug	DVN	Devon Energy Corporation	Capable Leader, Short Reserve Life
10-Aug	NHY	Norsk Hydro ASA	Tempered by Taxes
6-Aug	* XOM	Exxon Mobil Corporation	Low Risk with Oil Price Upside
4-Aug	* CVX	ChevronTexaco Corporation	Stock Price Lagging Oil Price
2-Aug	* SJT	San Juan Basin Royalty Trust	Change Buy to Hold on Price
29-Jul	* COSWF	Canadian Oil Sands Trust	Great North American Energy Resource
23-Jul	* BR	Burlington Resources, Inc.	Large Cap, Long Life, Low Debt Natural Gas
9-Jul	* RD	Royal Dutch Petroleum	Cloud of Opportunity
9-Jul	SC	Shell Transport & Trading Company, p.l.c.	Cloud of Opportunity
28-Jun	* LUKOY	Lukoil Oil Company	Giant Resources, Modest Value
12-Jun	* CEO	CNOOC Ltd ADS	Offshore China Independent Oil Producer
12-Jun	* PTR	PetroChina Company Limited	Emerging Mega Cap
12-Jun	* XTO	XTO Energy Inc.	Breakthrough Acquisitions
11-Jun	* APC	Anadarko Petroleum Corporation	Managing for Value
11-Jun	* XEC	Cimarex Energy Company	No Debt, No Hedges, No PUDs

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