

Good for Global Growth

Summary and Recommendation

Higher oil price is good for global economic growth and our recommended stocks are attractive investments, in our opinion. Higher costs to consumers are offset equally by higher income to producers. Moreover higher price stimulates investment that stimulates growth. Many countries have the opportunity to furnish the required capital goods and services. Recommended stocks that are direct beneficiaries of higher oil price include **Berry Petroleum (BRY), Anadarko Petroleum (APC), Norsk Hydro (NHY) and Royal Dutch Petroleum (RD)**.

Price Works Best for Supply/Demand Solutions

We emphasize the positive side of oil prices because we think the predominant commentary is too negative. Examples that may mislead include “Oil Price is a Tax”, “It’s the Speculator’s Fault”, “A Security Premium Keeps the Price Up”, and “Fundamentals Don’t Justify Current Price”.

There is a downside in being too pessimistic. Anti-oil bias contributed to price controls in the 1970s that prolonged and exaggerated an adjustment that could have been smoother and more productive for the global economy.

Now we believe we are in another period of adjustment. The long term price has been too low for more than the past decade causing supply to wither and demand to boom.

Given a chance price will do the job. We may be running out of cheap energy, but not of innovative ideas. Price is the objective standard against which all ideas get tested.

Meanwhile the markets are adjusting in a more sophisticated fashion than in the past. Six-year oil and gas futures are on a steady trend upward that we believe has more to run. The prices already reached in six-year futures imply an attractive outlook for recommended stocks.

Read the meter on commodity price trends. Then read the meter on current valuation and recommended action. Finally look to the index to point to more timely detail on Stock Ideas.

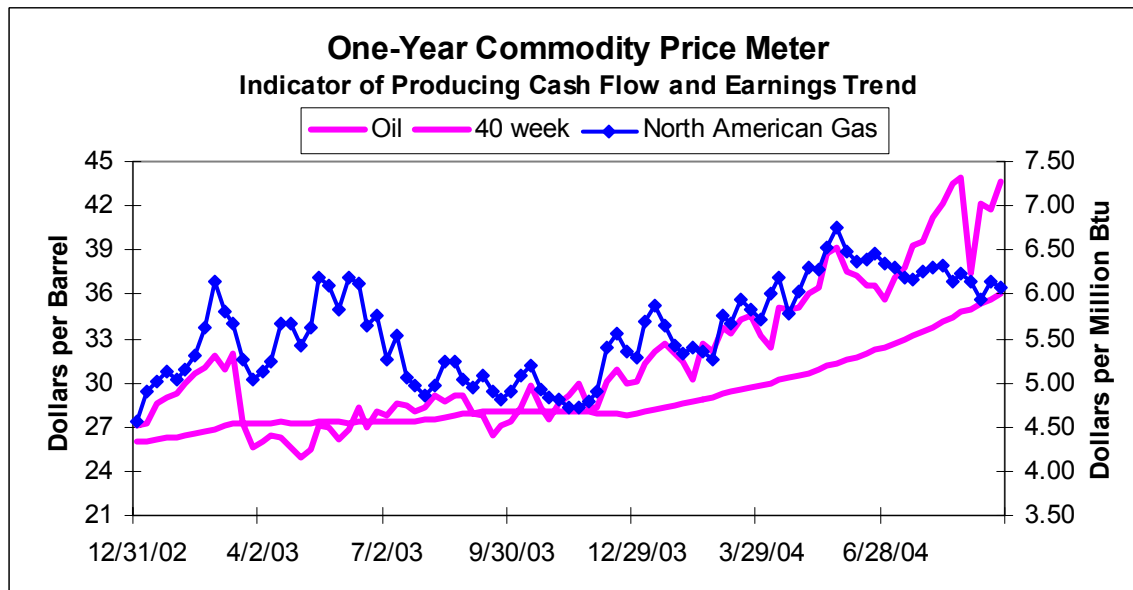
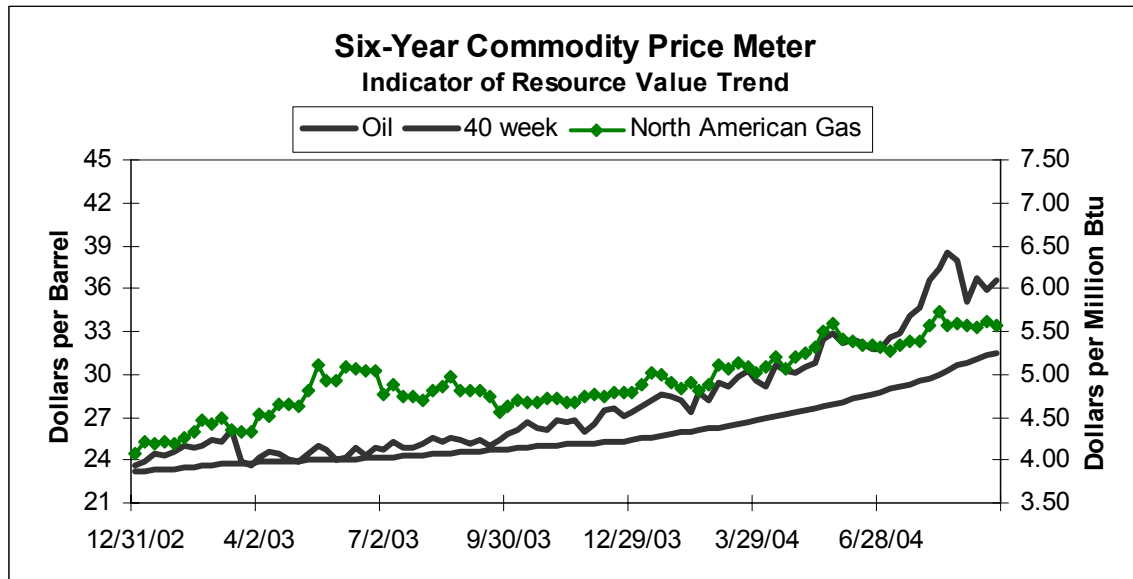
Kurt H. Wulff, CFA

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Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

September 21, 2004

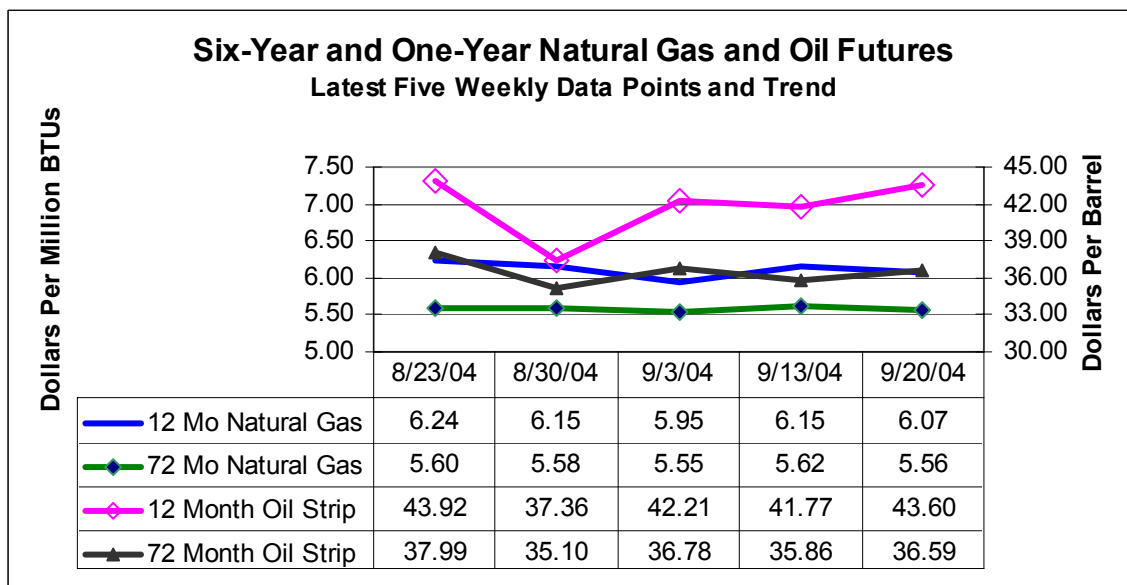
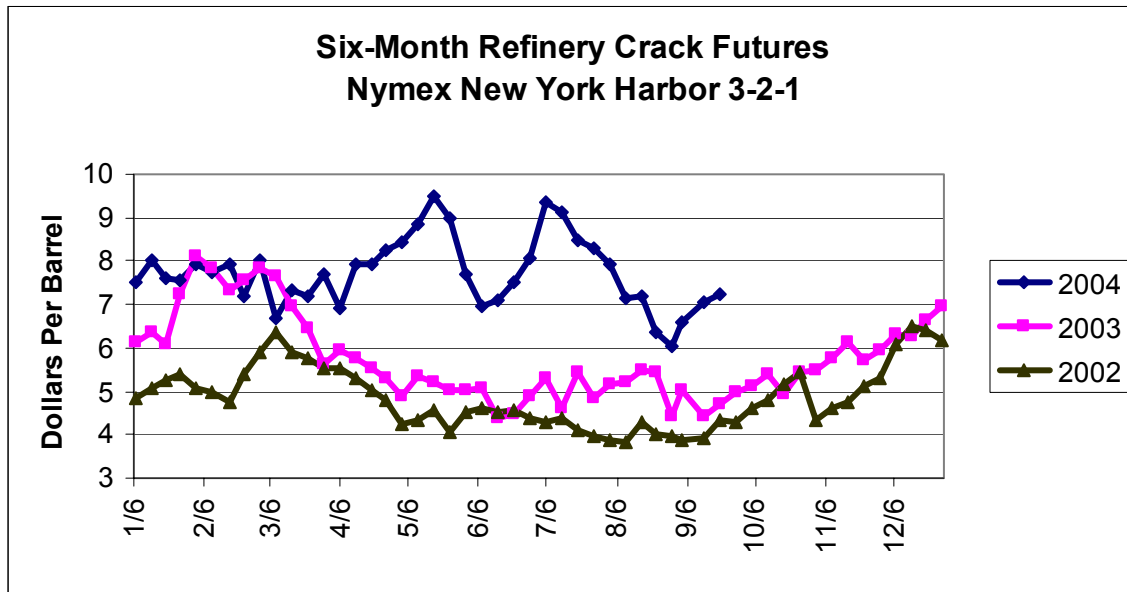


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Rated Oil and Gas Producers Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating		Price (\$/sh) 20-Sep 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B3	48.21	6,547	316,000	43.00	0.08	1.11
BP plc	BP	B3	56.71	3,651	207,000	60.00	0.13	0.95
Shell Transport and Trading Co. plc	SC	B3	45.49	1,587	72,000	51.20	0.17	0.91
Total S.A.	TOT	B3	100.48	1,237	124,300	113.00	0.16	0.91
Royal Dutch Petroleum	RD	B1	52.12	2,031	106,000	60.00	0.17	0.89
ChevronTexaco Corporation	CVX	B1	52.03	2,130	110,800	62.50	0.14	0.86
<i>Total or Median</i>					936,000		0.15	0.91
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	62.02	125	7,750	20.00	0.73	1.56
Marathon Oil Corporation	MRO	B3	38.89	346	13,460	41.00	0.30	0.96
Imperial Oil Limited (30%)	IMO	B3	48.82	108	5,260	52.00	0.10	0.95
Suncor Energy	SU	B3	29.37	460	13,510	38.00	0.13	0.80
ConocoPhillips	COP	B1	79.46	699	55,500	110.00	0.25	0.79
Norsk Hydro ASA	NHY	B1	67.65	256	17,280	90.00	0.16	0.79
Petro-Canada	PCZ	B3	50.99	266	13,570	68.00	0.14	0.79
PetroChina Company Ltd (10%)	PTR	B2	52.42	176	9,220	82.00	0.06	0.66
Lukoil Oil Company	LUKOY	B2	119.50	209	25,000	208.00	0.05	0.60
<i>Total or Median</i>					161,000		0.14	0.79
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B1	30.05	277	8,310	38.00	0.21	0.83
Unocal Corporation	UCL	B3	40.54	278	11,300	54.00	0.25	0.81
CNOOC Limited (19%)	CEO	B2	47.62	78	3,720	59.00	-	0.81
Occidental Petroleum Corp.	OXY	B3	55.06	399	22,000	75.00	0.18	0.78
Encana Corporation	ECA	B1	44.08	471	20,700	63.00	0.25	0.77
Anadarko Petroleum Corp.	APC	B1	62.44	254	15,900	94.00	0.21	0.74
Devon Energy Corporation	DVN	B3	71.09	249	17,700	110.00	0.24	0.73
Burlington Resources	BR	B1	39.03	397	15,500	58.00	0.14	0.72
<i>Total or Median</i>					115,000		0.21	0.78
Independent Natural Gas and Oil - Small Cap								
Cimarex Energy Company	XEC	B2	33.73	43	1,440	38.00	0.00	0.89
Berry Petroleum Company	BRY	B2	34.00	22	760	43.00	0.06	0.80
Energy Partners Ltd.	EPL	B3	15.97	38	610	22.00	0.14	0.76
Encore Acquisition Company	EAC	B2	30.72	33	1,000	47.00	0.20	0.72
<i>Total or Median</i>					3,800		0.10	0.78
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	45.55	145	6,600	15.00	0.49	2.03
Kinder Morgan Management, LLC	KMR	S3	39.70	54	2,150	15.00	0.49	1.84
San Juan Basin Royalty Trust	SJT	H	28.60	47	1,330	22.00	-	1.30
Canadian Oil Sands Trust (US\$)	COSWF	B1	39.17	93	3,650	62.00	0.19	0.70
<i>Total or Median</i>					13,700		0.34	1.57

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) 20-Sep 2004	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Exxon Mobil Corporation	XOM	B3	48.21	11.1	6.4	7.1	13	2.2
BP plc	BP	B3	56.71	9.7	6.8	6.4	13	3.0
Total S.A.	TOT	B3	100.48	9.1	7.0	6.3	11	2.9
Shell Transport and Trading Co. plc	SC	B3	45.49	8.2	5.6	5.1	10	4.0
Royal Dutch Petroleum	RD	B1	52.12	8.2	5.6	5.0	10	4.1
ChevronTexaco Corporation	CVX	B1	52.03	11.0	5.7	4.8	8	3.1
	<i>Median</i>			9.4	6.0	5.7	11	3.0
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	62.02		8.5	13.2	17	3.6
Suncor Energy	SU	B3	29.37	18.3	8.5	6.9	16	0.6
Imperial Oil Limited (30%)	IMO	B3	48.82	10.9	6.4	6.0	11	1.4
Marathon Oil Corporation	MRO	B3	38.89	7.4	5.3	5.1	9	2.6
ConocoPhillips	COP	B1	79.46	11.2	5.9	4.7	7	2.2
Norsk Hydro ASA	NHY	B1	67.65	9.4	5.6	4.4	11	2.4
Petro-Canada	PCZ	B3	50.99	7.7	5.5	4.3	8	0.9
PetroChina Company Ltd (10%)	PTR	B2	52.42	13.5	6.4	4.2	9	4.5
Lukoil Oil Company	LUKOY	B2	119.50	20.0	5.3	3.1	5	2.7
	<i>Median</i>			11.0	5.9	4.7	9	2.4
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B1	30.05	11.7	7.3	6.1	12	0.1
CNOOC Limited (19%)	CEO	B2	47.62	10.4	6.2	5.0	10	3.8
Unocal Corporation	UCL	B3	40.54	9.0	6.0	4.9	10	2.0
Burlington Resources	BR	B1	39.03	10.2	6.8	4.9	10	0.9
Occidental Petroleum Corp.	OXY	B3	55.06	11.1	6.2	4.8	8	2.0
Anadarko Petroleum Corp.	APC	B1	62.44	11.4	6.3	4.6	9	0.9
Encana Corporation	ECA	B1	44.08	6.7	5.9	4.6	9	0.9
Devon Energy Corporation	DVN	B3	71.09	6.6	5.4	3.9	8	0.6
	<i>Median</i>			10.3	6.2	4.8	10	0.9
Independent Natural Gas and Oil - Small Cap								
Encore Acquisition Company	EAC	B2	30.72	12.0	7.7	5.5	11	-
Berry Petroleum Company	BRY	B2	34.00	12.8	6.4	5.1	11	1.3
Cimarex Energy Company	XEC	B2	33.73	5.2	4.2	3.7	9	-
Energy Partners Ltd.	EPL	B3	15.97	5.0	4.2	3.2	11	-
	<i>Median</i>			8.6	5.3	4.4	11	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	45.55	12.0	7.9	16.0	22	6.2
Kinder Morgan Management, LLC	KMR	S3	39.70	12.0	7.9	14.4	19	7.2
San Juan Basin Royalty Trust	SJT	H	28.60	12.5	7.4	9.6	11	9.1
Canadian Oil Sands Trust (US\$)	COSWF	B1	39.17	20.0	8.6	6.0	7	3.9
	<i>Median</i>			12.2	7.9	12.0	15	6.7

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 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>
20-Sep	BP	BP p.l.c.	Betting on Putin
20-Sep	LUKOY	Lukoil Oil Company	ConocoPhillips Partner
8-Sep	CEO	CNOOC Ltd ADS	Offshore China Independent Oil Producer
8-Sep	PTR	PetroChina Company Limited	Emerging Mega Cap
8-Sep	XTO	XTO Energy Inc.	Breakthrough Acquisitions
7-Sep	APC	Anadarko Petroleum Corporation	Commodity Alternative
7-Sep	XEC	Cimarex Energy Company	High Present Value per Barrel
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

* Archived on www.mcdep.com

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