

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

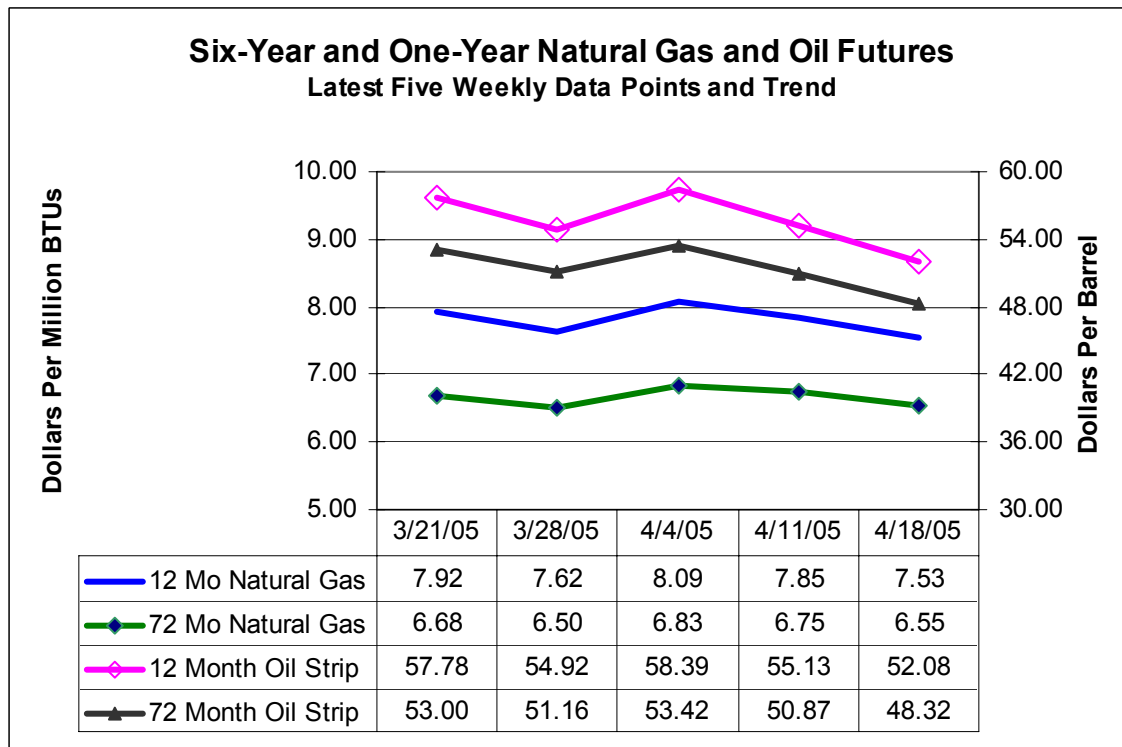
April 19, 2005

Trend Intact

Summary and Recommendation

The retreat in six-year oil to about \$48 a barrel from a high of \$53 appears to fit a normal pattern in a continuing uptrend. The current quote is above the 40-week average of \$41 and above the \$40 embedded in present value estimates (see charts Latest Five Weekly Data Points and Trend and Oil Six-Year Futures Strip and 40-Week Average). One-year futures continue in a channel that points higher, but not too high too soon (see chart Oil One-Year Futures Strip). McDep Ratios imply more opportunity at a median 0.85 compared to 0.93 a week earlier (see table Rank by McDep Ratio). Considering the industry prospects, other valuation measures all seem low at a median unlevered cash flow multiple of 4.8 times, median P/E at 9.7 and median dividend yield at 2.5% per year (see table Rank by EV/Ebitda).

Kurt H. Wulff, CFA

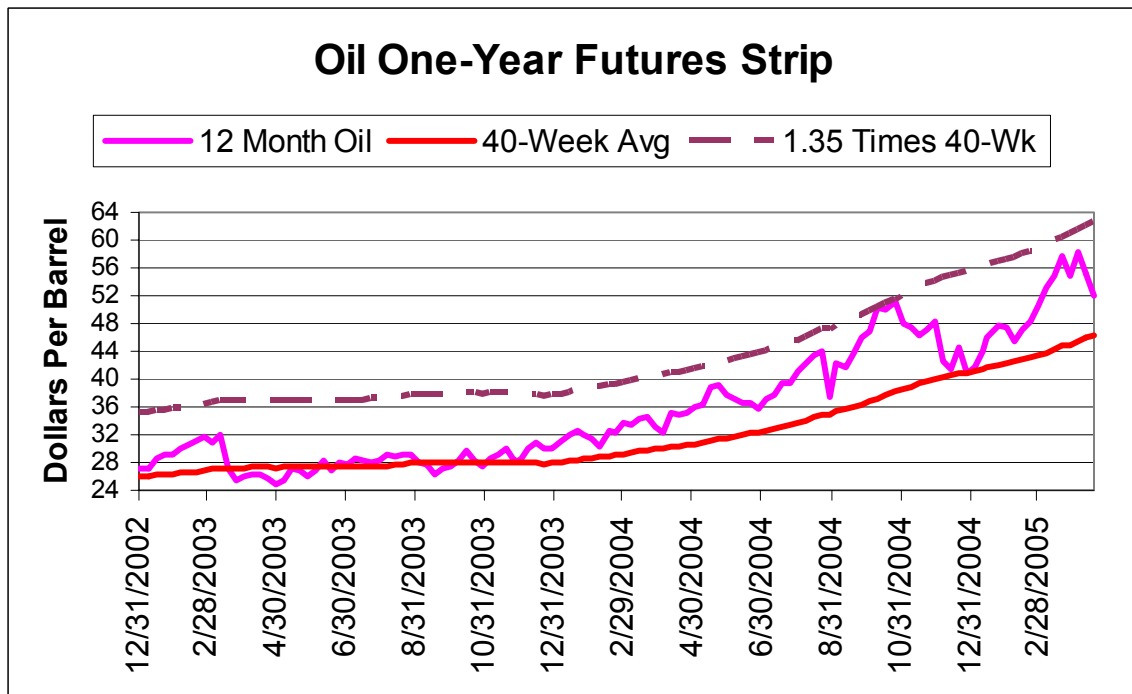
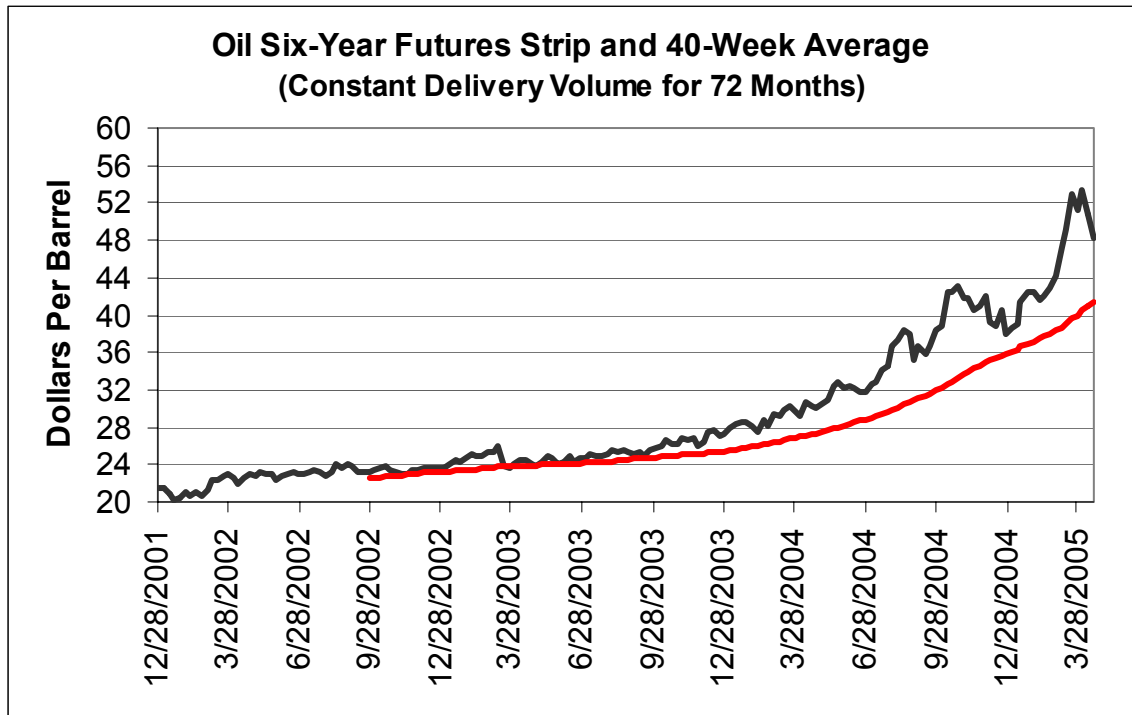


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Oil and Gas Producers Rank by McDep Ratio: Market Cap and Debt to Present Value

| | Symbol/ Rating | | Price (\$/sh) 15-Apr 2005 | Shares (mm) | Market Cap (\$mm) | Net Present Value (\$/sh) | Debt/ Present Value | McDep Ratio |
|--|-------------------|----|------------------------------------|----------------|-------------------------|------------------------------------|---------------------------|----------------|
| Mega Cap | | | | | | | | |
| Shell Transport and Trading Co. plc | SC | B | 53.51 | 1,587 | 85,000 | 55.90 | 0.16 | 0.96 |
| Total S.A. | TOT | B | 112.25 | 1,218 | 137,000 | 120.00 | 0.16 | 0.95 |
| Exxon Mobil Corporation | XOM | B | 56.19 | 6,461 | 363,000 | 60.00 | 0.06 | 0.94 |
| BP plc | BP | B | 59.40 | 3,601 | 214,000 | 64.00 | 0.12 | 0.94 |
| Royal Dutch Petroleum | RD | B | 58.96 | 2,016 | 119,000 | 66.00 | 0.16 | 0.91 |
| ChevronTexaco Corporation | CVX | B | 52.21 | 2,123 | 111,000 | 76.00 | 0.10 | 0.72 |
| <i>Total or Median</i> | | | | | 1,029,000 | | 0.14 | 0.94 |
| Producer/Refiners - Large Cap and Mid Cap | | | | | | | | |
| Kinder Morgan, Inc. | KMI | S2 | 72.61 | 125 | 9,080 | 20.00 | 0.74 | 1.69 |
| Imperial Oil Limited (30%) | IMO | B | 72.68 | 105 | 7,660 | 64.00 | 0.11 | 1.12 |
| Marathon Oil Corporation | MRO | B | 44.00 | 347 | 15,290 | 42.00 | 0.30 | 1.03 |
| ConocoPhillips | COP | B | 100.07 | 706 | 70,600 | 128.00 | 0.23 | 0.83 |
| Norsk Hydro ASA | NHY | B | 80.53 | 252 | 20,320 | 101.00 | 0.16 | 0.83 |
| Petro-Canada | PCZ | B | 53.80 | 264 | 14,210 | 70.00 | 0.17 | 0.81 |
| Suncor Energy | SU | B | 35.75 | 460 | 16,450 | 54.00 | 0.10 | 0.69 |
| Lukoil Oil Company | LUKOY | B | 138.75 | 209 | 29,000 | 208.00 | 0.03 | 0.68 |
| PetroChina Company Ltd (10%) | PTR | B | 60.33 | 176 | 10,610 | 94.00 | 0.05 | 0.66 |
| <i>Total or Median</i> | | | | | 193,000 | | 0.16 | 0.83 |
| Independent Natural Gas and Oil - Large Cap and Mid Cap | | | | | | | | |
| XTO Energy Inc. | XTO | B | 29.36 | 349 | 10,260 | 33.80 | 0.17 | 0.89 |
| Unocal Corporation | UCL | B | 55.12 | 271 | 14,900 | 65.00 | 0.21 | 0.88 |
| Encana Corporation | ECA | B | 63.51 | 471 | 29,900 | 77.00 | 0.16 | 0.85 |
| Occidental Petroleum Corp. | OXY | B | 65.50 | 406 | 26,600 | 87.00 | 0.14 | 0.79 |
| CNOOC Limited (19%) | CEO | B | 51.53 | 78 | 4,030 | 67.00 | - | 0.77 |
| Burlington Resources | BR | B | 48.25 | 391 | 18,900 | 67.00 | 0.12 | 0.75 |
| Devon Energy Corporation | DVN | B | 43.91 | 500 | 22,000 | 63.00 | 0.16 | 0.75 |
| Anadarko Petroleum Corp. | APC | B | 71.66 | 246 | 17,600 | 113.00 | 0.14 | 0.68 |
| <i>Total or Median</i> | | | | | 144,000 | | 0.15 | 0.78 |
| Independent Natural Gas and Oil - Small Cap | | | | | | | | |
| Berry Petroleum Company | BRY | B | 46.30 | 22 | 1,040 | 50.00 | 0.12 | 0.94 |
| Energy Partners Ltd. | EPL | B | 23.03 | 39 | 910 | 30.00 | 0.20 | 0.82 |
| Cimarex Energy Company | XEC | B | 35.18 | 81 | 2,840 | 50.00 | 0.15 | 0.75 |
| Encore Acquisition Company | EAC | B | 37.77 | 33 | 1,230 | 57.00 | 0.19 | 0.73 |
| <i>Total or Median</i> | | | | | 6,000 | | 0.17 | 0.78 |
| Income | | | | | | | | |
| Kinder Morgan Energy Partners, L.P. | KMP | S3 | 45.42 | 150 | 6,810 | 15.00 | 0.52 | 1.98 |
| Kinder Morgan Management, LLC | KMR | S3 | 41.94 | 56 | 2,360 | 15.00 | 0.52 | 1.87 |
| Pengrowth Energy Trust | PGH | | 19.92 | 136 | 2,710 | 16.00 | 0.24 | 1.19 |
| San Juan Basin Royalty Trust | SJT | | 35.73 | 47 | 1,670 | 32.00 | - | 1.12 |
| Enerplus Resources Fund | ERF | | 33.85 | 104 | 3,520 | 32.00 | 0.16 | 1.05 |
| Canadian Oil Sands Trust (US\$) | COSWF | B | 64.56 | 91 | 5,890 | 94.00 | 0.15 | 0.73 |
| <i>Total or Median</i> | | | | | 23,000 | | 0.20 | 1.15 |

B = 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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Oil and Gas Producers

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

| | Symbol/ Rating | | Price (\$/sh) 15-Apr 2005 | Adjstd Resrvs/ Prod NTM | PV/ Ebitda NTM | EV/ Ebitda NTM | P/E NTM | Divd or Distrib NTM (%) |
|--|-------------------|----|------------------------------------|----------------------------------|----------------------|----------------------|------------|----------------------------------|
| Mega Cap | | | | | | | | |
| Exxon Mobil Corporation | XOM | B | 56.19 | 11.1 | 6.8 | 6.4 | 11 | 1.9 |
| BP plc | BP | B | 59.40 | 9.4 | 6.0 | 5.6 | 11 | 3.4 |
| Total S.A. | TOT | B | 112.25 | 8.9 | 5.8 | 5.5 | 11 | 2.8 |
| Shell Transport and Trading Co. plc | SC | B | 53.51 | 7.6 | 5.2 | 5.0 | 10 | 3.7 |
| Royal Dutch Petroleum | RD | B | 58.96 | 7.6 | 5.2 | 4.8 | 9 | 3.9 |
| ChevronTexaco Corporation | CVX | B | 52.21 | 9.7 | 6.2 | 4.5 | 8 | 3.1 |
| | <i>Median</i> | | | 9.2 | 5.9 | 5.3 | 10 | 3.2 |
| Producer/Refiners - Large Cap and Mid Cap | | | | | | | | |
| Kinder Morgan, Inc. | KMI | S2 | 72.61 | | 7.5 | 12.6 | 16 | 3.9 |
| Suncor Energy | SU | B | 35.75 | 18.2 | 11.2 | 7.8 | 19 | 0.5 |
| Imperial Oil Limited (30%) | IMO | B | 72.68 | 10.6 | 6.6 | 7.4 | 13 | 1.0 |
| Marathon Oil Corporation | MRO | B | 44.00 | 7.9 | 4.5 | 4.6 | 8 | 2.5 |
| ConocoPhillips | COP | B | 100.07 | 11.6 | 5.4 | 4.5 | 7 | 2.5 |
| Petro-Canada | PCZ | B | 53.80 | 7.6 | 5.4 | 4.4 | 8 | 0.9 |
| Norsk Hydro ASA | NHY | B | 80.53 | 8.5 | 5.1 | 4.3 | 10 | 3.9 |
| PetroChina Company Ltd (10%) | PTR | B | 60.33 | 13.5 | 5.9 | 3.9 | 7 | 5.3 |
| Lukoil Oil Company | LUKOY | B | 138.75 | 12.2 | 4.3 | 2.9 | 5 | 2.5 |
| | <i>Median</i> | | | 11.1 | 5.4 | 4.5 | 8 | 2.5 |
| Independent Natural Gas and Oil - Large Cap and Mid Cap | | | | | | | | |
| XTO Energy Inc. | XTO | B | 29.36 | 11.6 | 6.1 | 5.4 | 11 | 0.7 |
| Burlington Resources | BR | B | 48.25 | 9.8 | 6.1 | 4.6 | 10 | 0.7 |
| Occidental Petroleum Corp. | OXY | B | 65.50 | 11.6 | 5.8 | 4.5 | 8 | 1.9 |
| Unocal Corporation | UCL | B | 55.12 | 8.5 | 5.1 | 4.5 | 9 | 1.5 |
| Encana Corporation | ECA | B | 63.51 | 7.2 | 5.2 | 4.4 | 9 | 0.6 |
| Anadarko Petroleum Corp. | APC | B | 71.66 | 11.9 | 6.0 | 4.1 | 8 | 1.0 |
| Devon Energy Corporation | DVN | B | 43.91 | 7.9 | 5.1 | 3.8 | 9 | 0.7 |
| CNOOC Limited (19%) | CEO | B | 51.53 | 9.1 | 4.7 | 3.7 | 6 | 4.0 |
| | <i>Median</i> | | | 9.4 | 5.5 | 4.4 | 9 | 0.9 |
| Independent Natural Gas and Oil - Small Cap | | | | | | | | |
| Berry Petroleum Company | BRY | B | 46.30 | 10.9 | 6.0 | 5.6 | 14 | 1.0 |
| Encore Acquisition Company | EAC | B | 37.77 | 15.6 | 7.0 | 5.1 | 11 | - |
| Cimarex Energy Company | XEC | B | 35.18 | 7.6 | 4.8 | 3.6 | 8 | - |
| Energy Partners Ltd. | EPL | B | 23.03 | 5.3 | 4.1 | 3.3 | 9 | - |
| | <i>Median</i> | | | 9.2 | 5.4 | 4.3 | 10 | - |
| Income | | | | | | | | |
| Kinder Morgan Energy Partners, L.P. | KMP | S3 | 45.42 | | 7.6 | 15.0 | 19 | 6.4 |
| Kinder Morgan Management, LLC | KMR | S3 | 41.94 | | 7.6 | 14.2 | 18 | 7.0 |
| San Juan Basin Royalty Trust | SJT | | 35.73 | 12.1 | 8.8 | 9.9 | 11 | 9.1 |
| Canadian Oil Sands Trust (US\$) | COSWF | B | 64.56 | 20.0 | 9.7 | 7.1 | 8 | 2.5 |
| Enerplus Resources Fund | ERF | | 33.85 | 8.3 | 5.9 | 6.2 | 12 | 10.1 |
| Pengrowth Energy Trust | PGH | | 19.92 | 7.9 | 5.2 | 6.1 | 10 | 11.2 |
| | <i>Median</i> | | | 10.2 | 7.6 | 8.5 | 11 | 8.0 |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2006; 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>Stock</u> | <u>Theme</u> |
|-------------|---------------|---|---|
| 14-Apr | KMx | Kinder Morgan | Our Contrary View |
| 8-Apr | NHY | Norsk Hydro ASA | New High for Oil and Aluminum |
| 7-Apr | LUKOY | Lukoil Oil Company | National Treasure |
| 31-Mar | BR | Burlington Resources, Inc. | San Juan Basin Value Expanding |
| 29-Mar | CEO | CNOOC Ltd | Nice Dividend |
| 23-Mar | CEO | CNOOC Ltd | Volume Gains Expected in 2005 |
| 21-Mar | * PTR | PetroChina Company Limited | Nice Dividend |
| 18-Mar | * RD | Royal Dutch Petroleum | Transformation Approaching |
| 18-Mar | * SC | Shell Transport & Trading Company, p.l.c. | Transformation Approaching |
| 17-Mar | * BP | BP p.l.c. | More Cash Flow to Owners |
| 7-Mar | * EPL | Energy Partners, Ltd. | Layer Cake |
| 7-Mar | * DVN | Devon Energy Corporation | Target Diversification |
| 7-Mar | * XEC | Cimarex Energy Company | Raise Net Present Value to \$50 a Share |
| 7-Mar | * XOM | Exxon Mobil Corporation | Raise Net Present Value to \$60 a Share |
| 2-Mar | * SU | Suncor Energy Inc. | Fire Tests Patience |
| 28-Feb | * CVX | ChevronTexaco Corporation | Raise Net Present Value to \$76 a Share |
| 25-Feb | * COP | ConocoPhillips | Raise Net Present Value to \$128 a Share |
| 18-Feb | * EAC | Encore Acquisition Company | Raise Net Present Value to \$57 a Share |
| 17-Feb | * APC | Anadarko Petroleum Corporation | Raise Net Present Value to \$113 a Share |
| 17-Feb | * XTO | XTO Energy Inc. | Raise Net Present Value to \$45 a Share |
| 14-Feb | * TOT | Total S.A. | Raise Net Present Value to \$120 a Share |
| 10-Feb | * UCL | Unocal Corporation | Raise Net Present Value to \$65 a Share |
| 9-Feb | * EPL | Energy Partners, Ltd. | South Timbalier Thrill |
| 7-Feb | * BRY | Berry Petroleum Company | A Touch of Glamour |
| 7-Feb | * DVN | Devon Energy Corporation | Raise Net Present Value to \$63 a Share |
| 7-Feb | * IMO | Imperial Oil Limited | Raise Net Present Value to US\$64 a Share |
| 3-Feb | * SJT | San Juan Basin Royalty Trust | Real Value with Income |
| 1-Feb | * PCZ | Petro-Canada | Raise Net Present Value to US\$70 a Share |
| 31-Jan | * COSWF | Canadian Oil Sands Trust | Raise Net Present Value to US\$94 a Share |
| 31-Jan | * MRO | Marathon Oil Corporation | Raise Net Present Value to \$42 a Share |
| 26-Jan | * XEC | Cimarex Energy Company | Magnum Hunter Acquisition Adds Value |
| 26-Jan | * OXY | Occidental Petroleum Corporation | Raise Net Present Value to \$87 a Share |
| 25-Jan | * ECA | EnCana Corporation | Raise Net Present Value to US\$77 a Share |

Meter Reader - A Weekly Analysis

| | | |
|--------|---|--|
| 18-Apr | | Trend Intact |
| 11-Apr | * | Positive Signs |
| 5-Apr | * | Unocal Acquisition by ChevronTexaco |
| 29-Mar | * | Value, Momentum and Growth |
| 22-Mar | * | The Buy Stocks, Sell Commodity Futures Arbitra |

* Archived on www.mcdep.com

Also see

U.S. Natural Gas Royalty Trusts - A Weekly Analysis, and Single-Trust Analyses

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