

## Meter Reader

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

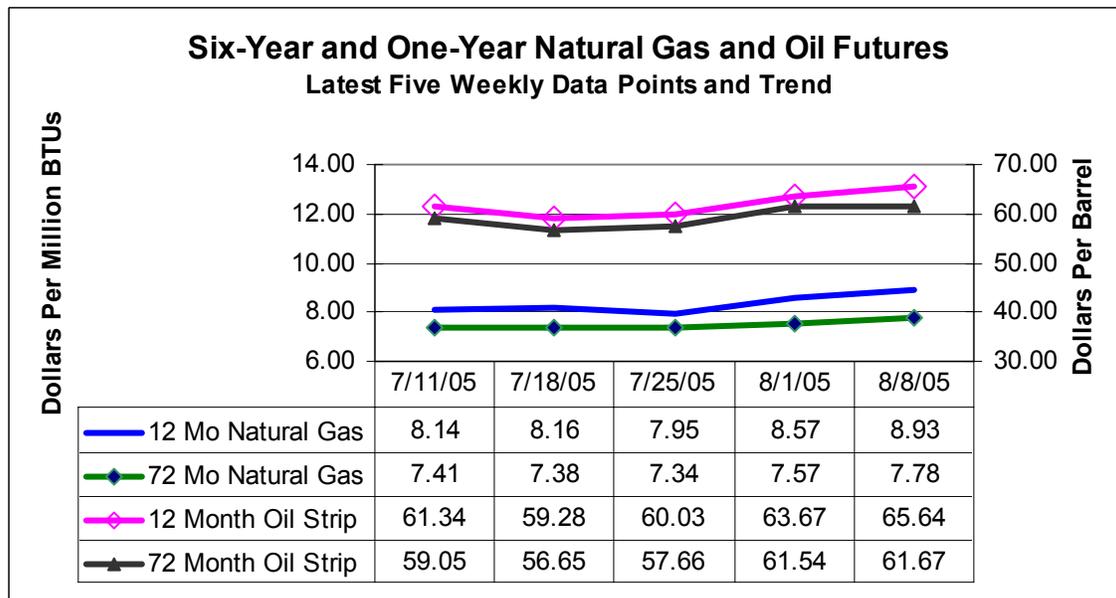
August 9, 2005

# Comparables

## Summary and Recommendation

Investors in a stock we do not cover might look for a “comparable” among our buy-recommended oil and natural gas producers to value the non-covered stock. Since few stocks are perfectly comparable we show the current relationships between annual cash flow and present value separately for North American natural gas and for global oil. Meanwhile one-year and six-year average futures prices for natural gas and oil continue their march to new heights. McDep Ratios generally below 1.0 place market cap and debt below resource value at a constant real oil price of \$50 a barrel, well under the current six-year average price above \$61 a barrel. Constructing an energy portfolio from our buy recommendations we suggest favoring lower McDep Ratios for new commitments and spreading choices among five groups. Skew representation to natural gas and include non-U.S. domicile.

Kurt H. Wulff, CFA

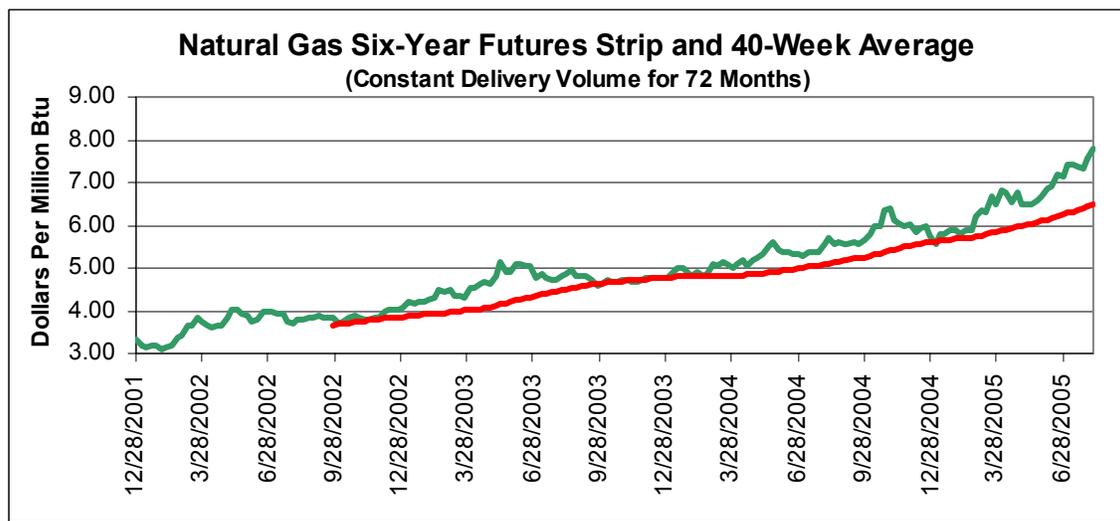


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### North American Natural Gas Cash Flow and Present Value

	<i>Ebitda</i> <i>NTM</i> (\$mm)	<i>Adjstd</i> <i>Resrvs/</i> <i>Prod</i> <i>NTM</i>	<i>PV/</i> <i>Ebitda</i> <i>NTM</i>	<i>Present</i> <i>Value</i> (\$mm)
ConocoPhillips	2,890	12.9	7.3	21,000
Exxon Mobil Corporation	5,600	12.7	8.4	47,000
BP plc	4,190	12.5	7.9	33,000
Anadarko Petroleum Corp.	2,920	12.4	7.7	22,500
San Juan Basin Royalty Trust	193	12.0	9.7	1,860
XTO Energy Inc.	2,340	11.8	7.5	17,600
Berry Petroleum Company	40	11.4	7.5	300
Burlington Resources	3,670	10.2	6.8	25,000
Encore Acquisition Company	123	9.9	6.5	800
Occidental Petroleum Corp.	1,230	9.4	6.6	8,100
Suncor Energy	240	8.9	6.7	1,600
Chevron Corporation	2,840	8.6	6.3	18,000
Petro-Canada	947	8.6	6.5	6,200
Unocal Corporation	1,173	8.0	5.9	6,900
Devon Energy Corporation	5,990	7.4	4.9	29,500
Encana Corporation	7,430	7.1	6.2	46,000
Cimarex Energy Company	870	6.7	4.8	4,200
Marathon Oil Corporation	1,030	5.7	4.5	4,600
Royal Dutch Shell plc	2,550	4.8	4.3	11,000
Imperial Oil Limited	941	4.2	4.3	4,000
Energy Partners Ltd.	300	4.1	3.5	1,050

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#### **Global Oil Cash Flow and Present Value**

	<i>Ebitda</i>	<i>Adjstd</i>	<i>PV/</i>	<i>Present</i>
	<i>NTM</i>	<i>Resrvs/</i>	<i>Ebitda</i>	<i>Value</i>
	<i>(\$mm)</i>	<i>Prod</i>	<i>NTM</i>	<i>(\$mm)</i>
		<i>NTM</i>		
Suncor Energy	2,600	21.8	11.9	30,900
Canadian Oil Sands Trust (US\$)	1,400	20.0	10.2	14,300
Encore Acquisition Company	283	17.1	7.7	2,170
Imperial Oil Limited (30%)	2,692	12.8	7.4	19,800
Anadarko Petroleum Corp.	2,680	12.5	5.6	15,000
PetroChina Company Ltd (10%)	22,800	12.3	6.9	158,000
Occidental Petroleum Corp.	6,819	11.8	5.8	39,800
Berry Petroleum Company	293	11.2	5.5	1,620
XTO Energy Inc.	750	10.5	5.1	3,800
ConocoPhillips	14,650	10.5	5.2	76,800
Cimarex Energy Company	339	10.0	5.1	1,740
Exxon Mobil Corporation	33,860	9.8	5.7	192,000
Burlington Resources	1,970	9.5	5.0	9,800
Chevron Corporation	21,210	9.1	5.1	108,000
Total S.A.	16,770	8.7	4.9	82,000
BP plc	29,840	8.4	4.9	146,000
CNOOC Limited (29%)	6,000	7.8	5.1	30,500
Unocal Corporation	2,996	7.8	4.3	13,000
Encana Corporation	1,640	7.6	5.2	8,500
Devon Energy Corporation	4,320	7.2	4.2	18,000
Petro-Canada	3,248	6.7	4.4	14,300
Marathon Oil Corporation	2,630	6.5	4.1	10,800
Energy Partners Ltd.	220	6.1	3.7	810
Royal Dutch/Shell	27,550	5.5	3.5	97,000
Norsk Hydro ASA	4,130	5.3	3.5	14,300

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

	Symbol/ Rating		Price (\$/sh) 8-Aug 2005	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
BP plc	BP	B	69.20	3,545	245,000	82.00	0.10	0.86
Total S.A.	TOT	B	128.45	1,182	152,000	160.00	0.12	0.83
Exxon Mobil Corporation	XOM	B	58.85	6,370	375,000	74.00	0.04	0.80
Royal Dutch Shell plc	RDS-A	B	63.86	3,372	215,000	84.00	0.11	0.79
Chevron Corporation	CVX	B	61.26	2,086	128,000	90.00	0.08	0.71
<i>Total or Median</i>					<i>1,115,000</i>		<i>0.10</i>	<i>0.80</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	92.12	123	11,340	20.00	0.76	1.88
Imperial Oil Limited (30%)	IMO	B	94.95	104	9,830	84.00	0.09	1.12
Marathon Oil Corporation	MRO	B	61.41	367	22,540	65.00	0.27	0.96
Petro-Canada	PCZ	B	78.21	263	20,570	84.00	0.18	0.94
Suncor Energy	SU	B	55.96	461	25,800	68.00	0.10	0.84
Norsk Hydro ASA	NHY	B	100.04	251	25,110	130.00	0.13	0.80
PetroChina Company Ltd (10%)	PTR	B	91.59	176	16,100	120.00	0.04	0.77
ConocoPhillips	COP	B	64.97	1,419	92,200	100.00	0.15	0.70
Lukoil Oil Company	LUKOY	B	44.09	830	37,000	65.00	0.02	0.68
<i>Total or Median</i>					<i>260,000</i>		<i>0.13</i>	<i>0.84</i>
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
Encana Corporation	ECA	B	43.40	892	38,700	51.00	0.16	0.88
CNOOC Limited (29%)	CEO	B	71.30	119	8,500	84.00	0.01	0.85
Unocal Corporation	UCL	B	65.66	275	18,100	85.00	0.15	0.81
XTO Energy Inc.	XTO	B	36.80	370	13,600	48.00	0.17	0.81
Burlington Resources	BR	B	66.16	385	25,500	86.00	0.09	0.79
Devon Energy Corporation	DVN	B	59.24	471	27,900	86.00	0.15	0.73
Occidental Petroleum Corp.	OXY	B	82.31	406	33,400	120.00	0.11	0.72
Anadarko Petroleum Corp.	APC	B	87.79	238	20,900	140.00	0.11	0.67
<i>Total or Median</i>					<i>187,000</i>		<i>0.13</i>	<i>0.80</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	58.88	22	1,320	65.00	0.10	0.91
Energy Partners Ltd.	EPL	B	26.99	41	1,090	38.00	0.17	0.76
Encore Acquisition Company	EAC	B	32.21	49	1,590	50.00	0.17	0.70
Cimarex Energy Company	XEC	B	42.14	81	3,410	64.00	0.12	0.70
<i>Total or Median</i>					<i>7,400</i>		<i>0.15</i>	<i>0.73</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	52.29	156	8,170	15.00	0.55	2.11
Kinder Morgan Management, LLC	KMR	S3	48.80	56	2,710	15.00	0.55	2.00
San Juan Basin Royalty Trust	SJT		48.10	47	2,240	40.00	-	1.20
Pengrowth Energy Trust	PGH		24.06	153	3,680	20.00	0.16	1.17
Enerplus Resources Fund	ERF		41.62	105	4,360	42.00	0.13	0.99
Canadian Oil Sands Trust (US\$)	COSWF	B	94.76	93	8,770	136.00	0.12	0.73
<i>Total or Median</i>					<i>29,900</i>		<i>0.15</i>	<i>1.19</i>

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) 8-Aug 2005	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	B	58.85	11.5	7.0	5.7	10	2.0
Total S.A.	TOT	B	128.45	9.2	6.4	5.3	9	2.6
BP plc	BP	B	69.20	9.4	6.0	5.1	9	3.1
Royal Dutch Shell plc	RDS-A	B	63.86	7.2	5.4	4.3	7	3.6
Chevron Corporation	CVX	B	61.26	9.6	5.9	4.2	7	2.9
		<i>Median</i>		9.4	6.0	5.1	9	2.9
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	92.12		8.2	15.3	22	3.3
Suncor Energy	SU	B	55.96	20.7	10.1	8.5	18	0.4
Imperial Oil Limited (30%)	IMO	B	94.95	10.5	6.7	7.4	13	0.8
PetroChina Company Ltd (10%)	PTR	B	91.59	13.7	6.8	5.3	10	3.5
Petro-Canada	PCZ	B	78.21	7.2	5.3	5.0	9	0.8
Marathon Oil Corporation	MRO	B	61.41	7.1	4.8	4.6	7	1.8
ConocoPhillips	COP	B	64.97	11.2	5.9	4.2	6	1.9
Norsk Hydro ASA	NHY	B	100.04	8.2	4.9	3.9	8	3.1
Lukoil Oil Company	LUKOY	B	44.09	19.8	5.1	3.5	6	2.2
		<i>Median</i>		10.9	5.9	5.0	9	1.9
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
XTO Energy Inc.	XTO	B	36.80	11.5	6.9	5.6	10	0.5
Encana Corporation	ECA	B	43.40	7.2	6.0	5.3	10	1.4
Burlington Resources	BR	B	66.16	9.9	6.2	4.9	10	0.6
CNOOC Limited (29%)	CEO	B	71.30	9.6	5.5	4.7	8	2.9
Anadarko Petroleum Corp.	APC	B	87.79	12.5	6.7	4.5	9	0.8
Occidental Petroleum Corp.	OXY	B	82.31	11.3	6.0	4.3	7	1.5
Unocal Corporation	UCL	B	65.66	7.9	5.1	4.1	7	1.2
Devon Energy Corporation	DVN	B	59.24	7.3	4.6	3.4	7	0.5
		<i>Median</i>		9.7	6.0	4.6	9	1.0
<b>Independent Natural Gas and Oil - Small Cap</b>								
Encore Acquisition Company	EAC	B	32.21	14.7	7.3	5.1	12	-
Berry Petroleum Company	BRY	B	58.88	11.2	5.5	5.1	13	0.8
Cimarex Energy Company	XEC	B	42.14	7.5	4.9	3.4	8	-
Energy Partners Ltd.	EPL	B	26.99	4.8	3.6	2.7	6	-
		<i>Median</i>		9.4	5.2	4.2	10	-
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	52.29		8.3	17.4	28	6.0
Kinder Morgan Management, LLC	KMR	S3	48.80		8.3	16.5	26	6.4
San Juan Basin Royalty Trust	SJT		48.10	12.0	9.7	11.6	13	7.9
Canadian Oil Sands Trust (US\$)	COSWF	B	94.76	20.0	10.2	7.5	8	1.7
Pengrowth Energy Trust	PGH		24.06	7.4	5.6	6.5	9	9.4
Enerplus Resources Fund	ERF		41.62	9.4	6.1	6.1	9	8.3
		<i>Median</i>		10.7	8.3	9.5	11	7.2

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 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>
8-Aug	TOT	Total S.A.	Oil Sands Oui!
3-Aug	DVN	Devon Energy Corporation	Raise Net Present Value to \$86 a Share
28-Jul	EAC	Encore Acquisition Company	HPAI Incline
27-Jul	BP	BP p.l.c.	Steady-State Growth
27-Jul	NHY	Norsk Hydro ASA	Norsk Natural Gas
26-Jul	OXY	Occidental Petroleum Corporation	Back in Libya
22-Jul	COSWF	Canadian Oil Sands Trust	Distribution Capability Blossoming
22-Jul	IMO	Imperial Oil Limited	Syncrude Boost
22-Jul	MRO	Marathon Oil Corporation	Raise Net Present Value to \$45 a Share
22-Jul	PCZ	Petro-Canada	Approaching Par
21-Jul	* KMX	Kinder Morgan	The Game Goes On
20-Jul	* XTO	XTO Energy Inc.	Simpson Sense
14-Jul	* RD	Royal Dutch Petroleum	Frontier Challenge
14-Jul	* SC	Shell Transport & Trading Company, p.l.c.	Frontier Challenge
6-Jul	* COSWF	Canadian Oil Sands Trust	Free (Cash Flow) at Last
29-Jun	* LUKOY	Lukoil Oil Company	Profits and Taxes Rising
23-Jun	* CEO	CNOOC, Unocal, Chevron	Bidding Battle
8-Jun	* CEO	CNOOC Ltd	Unocal Bid?
8-Jun	* PTR	PetroChina Company Limited	News Pending
3-Jun	* EPL	Energy Partners, Ltd.	Exploration Exposure
1-Jun	* RD	Royal Dutch Petroleum	Nice Return for Low Risk
1-Jun	* SC	Shell Transport & Trading Company, p.l.c.	Nice Return for Low Risk
1-Jun	* XOM	Exxon Mobil Corporation	Nice Return for Low Risk
31-May	* APC	Anadarko Petroleum Corporation	Clean Fuel Supplier
31-May	* BR	Burlington Resources, Inc.	Clean Fuel Supplier
31-May	* DVN	Devon Energy Corporation	Clean Fuel Supplier
31-May	* ECA	EnCana Corporation	Clean Fuel Supplier
26-May	* CVX	ChevronTexaco Corporation	Reduce Net Present Value to \$70 a Share
26-May	* UCL	Unocal Corporation	Buy Chevron at a Discount
25-May	* XEC	Cimarex Energy Company	Natural Gas Growth
23-May	* SU	Suncor Energy Inc.	Syncrude Sister
20-May	* COP	ConocoPhillips	Raise Net Present Value to \$140 a Share
5-May	* BRY	Berry Petroleum Company	Oil in the Kitty Litter
28-Apr	* SJT	San Juan Basin Royalty Trust	Ten Bagger

##### Meter Reader - A Weekly Analysis

9-Aug		Comparables
2-Aug	*	Raise Present Value for \$50 Oil
25-Jul	*	Strong Trends
19-Jul	*	An Incentive, Not a Tax
12-Jul	*	Up to Par
5-Jul	*	Oil Cheap, Natural Gas Cheaper

\* Archived on [www.mcdep.com](http://www.mcdep.com)

Also see

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

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