

Rating: Buy
 S&P 500: 1172

Anadarko Petroleum (APC)
Burlington Resources (BR)
Devon Energy (DVN)
Occidental Petroleum (OXY)
XTO Energy (XTO)

Edge of Panic

Summary and Recommendation

U.S. Large Cap Independent Producers, among other buy recommendations, have solid prospects undiminished by seemingly unrelated stock market action in our opinion. The stock market and energy stocks in particular may be tracing a pattern of decline similar to the early days of October 1987. Along with rising interest rates, a leading futures broker appears to have failed today following the arrest yesterday of the chief executive officer charged with fraud. Yet the declines of 1987 were quickly reversed and energy stocks were strong performers in 1988 and 1989 as we recall. Meanwhile energy futures do not seem to be showing the same weakness as energy stocks and a sharp divergence has emerged. McDep Ratios and unlevered cash flow multiples are low (see tables Rank by McDep Ratio and Rank by EV/Ebitda).

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

	<i>Symbol/</i>	<i>Rating</i>	<i>Price</i> <i>(\$/sh)</i> <i>13-Oct</i> <i>2005</i>	<i>Shares</i> <i>(mm)</i>	<i>Market</i> <i>Cap</i> <i>(\$mm)</i>	<i>Net</i> <i>Present</i> <i>Value</i> <i>(\$/sh)</i>	<i>Debt/</i> <i>Present</i> <i>Value</i>	<i>McDep</i> <i>Ratio</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	39.63	367	14,540	48.00	0.17	0.86
Burlington Resources	BR	B	67.53	385	26,000	86.00	0.09	0.80
Devon Energy Corporation	DVN	B	59.71	471	28,100	86.00	0.15	0.74
Occidental Petroleum Corp.	OXY	B	74.10	406	30,100	120.00	0.11	0.66
Anadarko Petroleum Corp.	APC	B	85.08	238	20,200	140.00	0.11	0.65

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Oil and Gas Producers

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

	<i>Symbol/</i>	<i>Rating</i>	<i>Price</i> <i>(\$/sh)</i>	<i>Adjstd</i> <i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>	<i>P/E</i>	<i>Divd or</i> <i>Distrib</i>
			<i>13-Oct</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>NTM</i>	<i>NTM</i>
			<i>2005</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	39.63	11.3	5.7	4.8	8	0.5
Occidental Petroleum Corp.	OXY	B	74.10	11.3	5.9	3.9	6	1.7
Burlington Resources	BR	B	67.53	9.9	4.7	3.8	8	0.6
Anadarko Petroleum Corp.	APC	B	85.08	12.5	5.7	3.7	7	0.8
Devon Energy Corporation	DVN	B	59.71	7.3	4.0	2.9	5	0.5

Kurt H. Wulff, CFA

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