

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 3, 2006

Kiev Krisis

Summary and Recommendation

In its program to bring selling price of natural gas to global standards, buy-recommended **Gazprom (OGZPF)** has asked its customers in the Ukraine to pay about 60% of next twelve months futures, up from about 13%. News reports quote the current price that Ukraine pays as \$50 a thousand cubic meters (about \$1.40 a million btu) while the seller asks \$230 (\$6.40). One-year futures on the New York Mercantile Exchange approximate \$390 (\$10.80). Kiev has little economic grounds on which to protest, but it can make strong political arguments. Ukraine can point to artificially low price in Russia that contravenes the principles of free trade. In any event natural gas selling prices are rising for what may be the world's most valuable energy company ultimately.

Kurt H. Wulff, CFA

Oil and Gas Commodity and Stock Price

Monday, January 02, 2006

		<i>Futures Price</i>		<i>McDep Ratio</i>
	<i>Units</i>	<i>Six-Year</i>	<i>One-Year</i>	<i>Denominator</i>
Crude Oil	\$/barrel	61.56	63.10	50
Natural Gas	\$/million btu	9.01	10.80	10
Oil Refining	\$/barrel		12.54	10
				<i>Median</i>
	<i>Stocks</i>			<i>McDep Ratio</i>
	Mega Cap			0.76
	Producer/Refiner			0.94
	Independent - Large			0.77
	Independent - Small			0.71
	Income			1.14

Source: McDep Associates, Bloomberg, New York Mercantile Exchange,
Yahoo and company disclosures

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

	Symbol/ Rating		Price (\$/sh) 30-Dec 2005	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	64.22	3,501	225,000	77.00	0.11	0.85
Total S.A.	TOT	B	126.40	1,176	149,000	160.00	0.12	0.82
Exxon Mobil Corporation	XOM	B	56.17	6,303	354,000	74.00	0.04	0.77
Royal Dutch Shell plc	RDS-A	B	61.49	3,352	206,000	84.00	0.10	0.76
Chevron Corporation	CVX	B	56.77	2,256	128,000	85.00	0.13	0.71
ConocoPhillips	COP	B	58.18	1,693	99,000	95.00	0.22	0.70
<i>Total or Median</i>					<i>1,161,000</i>		<i>0.11</i>	<i>0.76</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	91.95	135	12,450	33.00	0.71	1.51
Imperial Oil Limited (30%)	IMO	B	99.60	102	10,170	84.00	0.10	1.17
Petro-Canada	PCZ	B	40.09	525	21,060	42.00	0.19	0.96
Marathon Oil Corporation	MRO	B	60.97	368	22,420	65.00	0.27	0.95
Suncor Energy	SU	B	63.13	461	29,110	68.00	0.11	0.94
Lukoil Oil Company	LUKOY	B	58.55	830	49,000	65.00	0.03	0.90
Norsk Hydro ASA	NHY	B	103.18	251	25,890	130.00	0.11	0.82
PetroChina Company Ltd (10%)	PTR	B	81.96	176	14,410	120.00	0.01	0.69
Gazprom (50%)	OGZPF	B	72.10	1,013	73,000	120.00	0.03	0.61
<i>Total or Median</i>					<i>258,000</i>		<i>0.11</i>	<i>0.94</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	43.94	370	16,260	48.00	0.20	0.93
Encana Corporation	ECA	B	45.16	876	39,600	51.00	0.20	0.91
CNOOC Limited (29%)	CEO	B	67.97	119	8,110	84.00	0.00	0.81
Devon Energy Corporation	DVN	B	62.54	454	28,400	86.00	0.15	0.77
Burlington Resources	BR	B	86.20	381	32,800	115.00	-	0.75
Anadarko Petroleum Corp.	APC	B	94.75	238	22,600	140.00	0.12	0.72
Occidental Petroleum Corp.	OXY	B	79.88	404	32,300	120.00	0.11	0.70
<i>Total or Median</i>					<i>180,000</i>		<i>0.12</i>	<i>0.77</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	57.20	23	1,290	65.00	0.11	0.90
Encore Acquisition Company	EAC	B	32.04	50	1,590	50.00	0.21	0.72
Cimarex Energy Company	XEC	B	43.01	85	3,660	64.00	0.11	0.71
Energy Partners Ltd.	EPL	B	21.79	41	890	38.00	0.19	0.65
<i>Total or Median</i>					<i>7,400</i>		<i>0.15</i>	<i>0.71</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.82	160	7,650	15.00	0.55	1.98
Kinder Morgan Management, LLC	KMR	S3	45.46	57	2,570	15.00	0.55	1.91
Pengrowth Energy Trust	PGH		23.53	159	3,740	20.00	0.16	1.15
Penn West Energy Trust	PWTFF	B	32.69	179	5,860	28.00	0.15	1.14
Enerplus Resources Fund	ERF		47.98	110	5,280	42.00	0.14	1.12
San Juan Basin Royalty Trust	SJT		43.58	47	2,030	40.00	-	1.09
Canadian Oil Sands Trust (US\$)	COSWF	B	108.42	93	10,090	136.00	0.11	0.82
<i>Total or Median</i>					<i>37,200</i>		<i>0.15</i>	<i>1.14</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) 30-Dec 2005	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
BP plc	BP	B	64.22	9.4	6.4	5.4	9	3.3
Exxon Mobil Corporation	XOM	B	56.17	11.7	6.9	5.3	9	2.1
Total S.A.	TOT	B	126.40	9.2	6.4	5.2	9	2.8
Royal Dutch Shell plc	RDS-A	B	61.49	7.5	5.6	4.3	8	3.5
Chevron Corporation	CVX	B	56.77	9.6	5.9	4.2	7	3.2
ConocoPhillips	COP	B	58.18	11.0	5.5	3.9	5	2.1
	<i>Median</i>			9.5	6.1	4.7	8	3.0
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	91.95		8.5	12.8	19	3.3
Suncor Energy	SU	B	63.13	17.6	9.5	8.9	19	0.3
Imperial Oil Limited (30%)	IMO	B	99.60	11.5	7.2	8.4	14	0.8
Gazprom (50%)	OGZPF	B	72.10	20.0	11.0	6.8	12	0.6
Petro-Canada	PCZ	B	40.09	5.7	5.2	5.0	9	0.7
Marathon Oil Corporation	MRO	B	60.97	7.4	5.1	4.9	7	2.2
PetroChina Company Ltd (10%)	PTR	B	81.96	13.8	6.4	4.4	9	4.6
Norsk Hydro ASA	NHY	B	103.18	8.0	5.3	4.3	9	2.9
Lukoil Oil Company	LUKOY	B	58.55	19.8	4.7	4.3	7	1.7
	<i>Median</i>			12.7	6.4	5.0	9	1.7
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	43.94	10.8	6.1	5.7	9	0.5
Encana Corporation	ECA	B	45.16	7.1	5.2	4.7	9	0.7
Occidental Petroleum Corp.	OXY	B	79.88	11.0	6.4	4.5	8	1.8
Anadarko Petroleum Corp.	APC	B	94.75	12.5	6.2	4.5	8	0.8
CNOOC Limited (29%)	CEO	B	67.97	9.2	5.4	4.4	8	3.4
Devon Energy Corporation	DVN	B	62.54	7.8	4.7	3.6	6	0.5
Burlington Resources	BR	B	86.20	-	-	-	-	-
	<i>Median</i>			9.2	5.4	4.5	8	0.7
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	57.20	10.1	5.9	5.3	10	1.1
Encore Acquisition Company	EAC	B	32.04	14.3	6.5	4.7	10	-
Cimarex Energy Company	XEC	B	43.01	7.4	4.4	3.1	6	-
Energy Partners Ltd.	EPL	B	21.79	5.7	4.1	2.7	7	-
	<i>Median</i>			8.8	5.2	3.9	8	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.82		7.9	15.7	22	6.6
Kinder Morgan Management, LLC	KMR	S3	45.46		7.9	15.1	21	7.0
Canadian Oil Sands Trust (US\$)	COSWF	B	108.42	20.0	11.6	9.5	11	3.2
San Juan Basin Royalty Trust	SJT		43.58	12.2	8.0	8.7	9	10.6
Pengrowth Energy Trust	PGH		23.53	7.6	5.4	6.2	9	10.9
Enerplus Resources Fund	ERF		47.98	8.6	5.4	6.1	9	9.0
Penn West Energy Trust	PWTFF	B	32.69	8.0	4.8	5.4	8	9.8
	<i>Median</i>			8.6	7.9	8.7	9	9.0

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2006; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Oil and Gas Producers Home Country and Business Segments

	Symbol/ Rating	Domicile	North Amer.		Oil Prod'n (%)	Down- stream (%)	Total Present Value (US\$m)	
			U.S. Gas (%)	Rest of World Gas (%)				
Mega Cap								
Exxon Mobil Corporation	XOM	B		10	19	38	33	487,000
Royal Dutch Shell plc	RDS-A	B	UK	4	19	33	45	313,000
BP plc	BP	B	UK	10	12	42	36	302,000
Chevron Corporation	CVX	B		9	9	52	29	221,000
Total S.A.	TOT	B	France	-	28	37	35	214,000
ConocoPhillips	COP	B		23	7	43	28	207,000
	<i>Total or Median</i>			9	15	40	34	1,744,000
Producer/Refiners - Large Cap and Mid Cap								
Gazprom	OGZPF	B	Russia		100			251,000
PetroChina Company Ltd.	PTR	B	China	-	9	71	20	213,000
Lukoil Oil Company	LUKOY	B	Russia	-	-	62	38	55,700
Norsk Hydro ASA	NHY	B	Norway	-	27	37	35	36,700
Suncor Energy	SU	B	Canada	5	-	89	7	35,200
Marathon Oil Corporation	MRO	B		14	8	33	46	32,900
Imperial Oil Limited	IMO	B	Canada	13	-	62	25	31,800
Petro-Canada	PCZ	B	Canada	23	4	53	20	27,200
	<i>Median</i>			5	6	62	25	684,000
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	Canada	83	-	17	-	55,600
Occidental Petroleum Corp.	OXY	B		15	1	73	11	54,700
Devon Energy Corporation	DVN	B		64	-	36	-	46,000
Anadarko Petroleum Corp.	APC	B		60	-	40	-	37,700
Burlington Resources	BR	B						
CNOOC Limited	CEO	B	China	-	12	88	-	34,600
XTO Energy Inc.	XTO	B		83	-	17	-	22,100
	<i>Median</i>			62	-	38	-	251,000
Independent Natural Gas and Oil - Small Cap								
Cimarex Energy Company	XEC	B		71	-	29	-	6,080
Encore Acquisition Company	EAC	B		25	-	75	-	3,150
Berry Petroleum Company	BRY	B		15	-	85	-	1,950
Energy Partners Ltd.	EPL	B		54	-	46	-	1,930
	<i>Median</i>			40	-	60	-	13,110
Income								
Canadian Oil Sands Trust (US\$)	COSWF	B	Canada	-	-	100	-	14,300
Penn West Energy Trust	PWTFF	B	Canada	42	-	58	-	5,900
Enerplus Resources Fund	ERF		Canada	58	-	42	-	5,350
Pengrowth Energy Trust	PGH		Canada	42	-	58	-	3,790
San Juan Basin Royalty Trust	SJT			100	-	-	-	1,860
	<i>Median</i>			42	-	58	-	31,200

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
29-Dec	BR	Burlington Resources, Inc.	ConocoPhillips with Cash Back
29-Dec	COP	ConocoPhillips	Fresh Mega Cap
14-Dec	OGZPF	Gazprom	Natural Gas Price Accelerates
13-Dec	BR	Burlington Resources, Inc.	Buy Offer from ConocoPhillips
13-Dec	COP	ConocoPhillips	Offers to Buy Burlington Resources
1-Dec	KMx	Kinder Morgan	Canada Deal Closed
28-Nov	OGZPF	Gazprom	Raise Net Present Value to \$120 a Share
14-Nov	PTR	PetroChina Company Limited	Diversify Political Risk
11-Nov	* EPL	Energy Partners, Ltd.	Denali Partners
11-Nov	* SJT	San Juan Basin Royalty Trust	Record Distributions Ahead
10-Nov	* PWTFF	Penn West Energy Trust	Quality Income Stock
7-Nov	* TOT	Total S.A.	Global Clean Fuel Supplier
4-Nov	* BRY	Berry Petroleum	Expanding on Multiple Fronts
4-Nov	* XEC	Cimarex Energy Company	Doubling Done
3-Nov	* DVN	Devon Energy Corporation	No Hedges in 2006
1-Nov	* CEO	CNOOC Ltd	Low Price for Natural Gas
1-Nov	* OXY	Occidental Petroleum Corporation	Vintage Pending
31-Oct	* APC	Anadarko Petroleum Corporation	Long Life for Free
31-Oct	* CVX	Chevron Corporation	Lower Net Present Value to \$85 a Share
28-Oct	* MRO	Marathon Oil Corporation	Downstream Gains
28-Oct	* PCZ	Petro-Canada	Oil Sands Producer
28-Oct	* RDSA	Royal Dutch Shell plc	Downstream Gains
28-Oct	* SU	Suncor Energy Inc.	Up and Running Again
28-Oct	* XOM	Exxon Mobil Corporation	Momentum Challenge
27-Oct	* EAC	Encore Acquisition Company	Long Life Oil Value
27-Oct	* ECA	EnCana Corporation	Natural Gas Leader
26-Oct	* BP	BP p.l.c.	Lower Net Present Value to \$77 a Share
26-Oct	* COSWF	Canadian Oil Sands Trust	Distribution Doubled and Unit Split Proposed
26-Oct	* NHY	Norsk Hydro ASA	Record Results
21-Oct	* IMO	Imperial Oil Limited	The Unpromoters
21-Oct	* XTO	XTO Energy Inc.	Ready for Winter
26-Sep	* LUKOY	Lukoil Oil Company	Adapting to New Russia

Meter Reader - A Weekly Analysis

3-Jan		Kiev Crisis
27-Dec	*	The New Mega Cap
20-Dec	*	Natural Gas Person of the Year: Vladimir Putin
13-Dec	*	ConocoPhillips/Burlington Resources

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

30-Dec		2006 Return Guaranteed (Almost)
23-Dec	*	Record Distributions
16-Dec	*	Declaration Day
9-Dec	*	Fiscal Follies

Industry Ideas

26-Dec	*	Interview by Sandra Ward in Barron's	Bullish and Fully Fueled
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* Archived on www.mcdep.com

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