

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

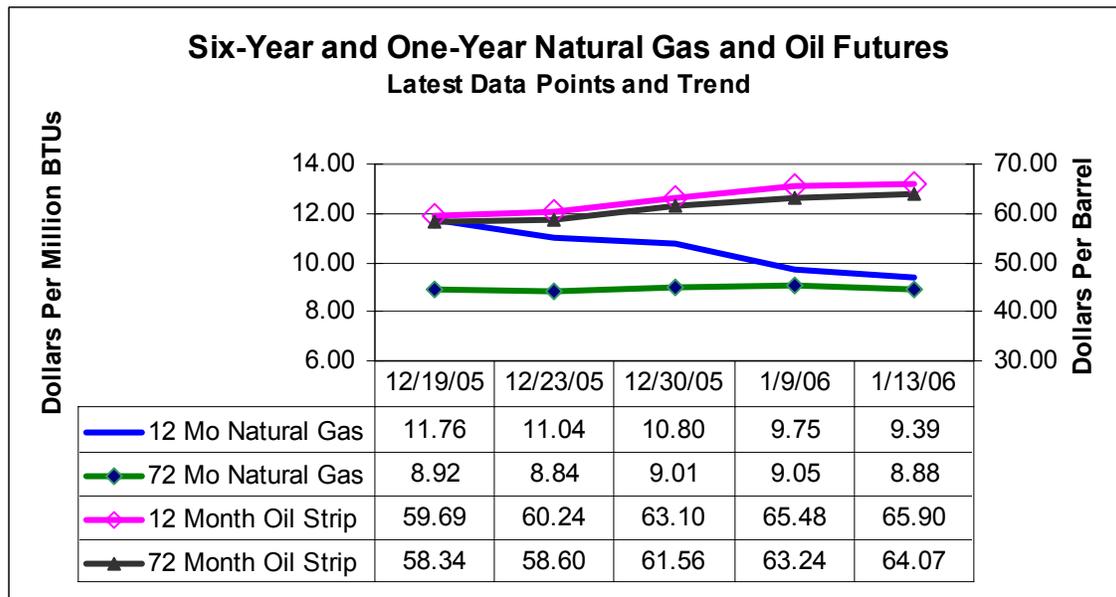
January 17, 2006

Buy More?

Summary and Recommendation

Buy-recommended **Gazprom (OGZPF)** is our highest potential stock, but realization of full promise will take time and things could go wrong. In a nutshell, the world's largest, publicly traded owner of natural gas reserves sold its premium product last year at about \$2 a million btu. The going rate at the equivalence of one-fifth the price of oil would be more than \$12 for the next six years. Though Gazprom's McDep Ratio is no longer the lowest there is ready potential to increase estimated net present value. The new lowest McDep Ratio stock is buy-recommended **Lukoil (LUKOY)** for which we raise our estimate of NPV after a jump in quarterly results just disclosed. Buy-recommended oil and gas stocks that have appreciated less in early 2006 include **Encana (ECA)**, **XTO Energy (XTO)** and **Encore Acquisition (EAC)**.

Kurt H. Wulff, CFA



Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 17, 2006

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

	Symbol/ Rating		Price (\$/sh) 13-Jan 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	69.72	3,501	244,000	77.00	0.11	0.92
Total S.A.	TOT	B	134.65	1,176	158,000	160.00	0.12	0.86
Exxon Mobil Corporation	XOM	B	60.97	6,303	384,000	74.00	0.04	0.83
Royal Dutch Shell plc	RDS-A	B	65.19	3,352	219,000	84.00	0.10	0.80
Chevron Corporation	CVX	B	60.36	2,256	136,000	85.00	0.13	0.75
ConocoPhillips	COP	B	60.76	1,693	103,000	95.00	0.22	0.72
<i>Total or Median</i>					1,244,000		0.12	0.82
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	96.77	135	13,100	33.00	0.71	1.56
Imperial Oil Limited (30%)	IMO	B	103.80	102	10,600	84.00	0.10	1.21
Marathon Oil Corporation	MRO	B	71.32	368	26,230	65.00	0.27	1.07
Petro-Canada	PCZ	B	42.60	525	22,380	42.00	0.19	1.01
Suncor Energy	SU	B	67.47	461	31,110	68.00	0.11	0.99
Norsk Hydro ASA	NHY	B	108.76	251	27,290	130.00	0.17	0.87
Gazprom (50%)	OGZPF	B	91.50	1,013	92,700	120.00	0.03	0.77
PetroChina Company Ltd (10%)	PTR	B	90.43	176	15,900	120.00	0.01	0.76
Lukoil Oil Company	LUKOY	B	71.20	830	59,000	100.00	0.01	0.71
<i>Total or Median</i>					298,000		0.11	0.99
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	45.60	370	16,870	48.00	0.20	0.96
CNOOC Limited (29%)	CEO	B	78.03	119	9,310	84.00	0.00	0.93
Encana Corporation	ECA	B	45.91	876	40,200	51.00	0.20	0.92
Devon Energy Corporation	DVN	B	65.64	454	29,800	86.00	0.15	0.80
Occidental Petroleum Corp.	OXY	B	89.84	432	38,800	120.00	0.12	0.78
Burlington Resources	BR	B	88.34	381	33,700	115.00	-	0.77
Anadarko Petroleum Corp.	APC	B	102.45	238	24,400	140.00	0.12	0.76
<i>Total or Median</i>					193,000		0.12	0.80
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	71.71	23	1,610	65.00	0.11	1.09
Cimarex Energy Company	XEC	B	46.09	85	3,920	64.00	0.11	0.75
Encore Acquisition Company	EAC	B	32.43	50	1,610	50.00	0.21	0.72
Energy Partners Ltd.	EPL	B	24.93	41	1,020	38.00	0.19	0.72
<i>Total or Median</i>					8,200		0.15	0.74
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	50.13	160	8,020	15.00	0.55	2.05
Kinder Morgan Management, LLC	KMR	S3	46.11	57	2,610	15.00	0.55	1.93
Penn West Energy Trust	PWTFF	B	36.01	179	6,460	28.00	0.15	1.24
Pengrowth Energy Trust	PGH		24.00	159	3,820	20.00	0.16	1.17
Enerplus Resources Fund	ERF		49.32	110	5,430	42.00	0.14	1.15
San Juan Basin Royalty Trust	SJT		42.38	47	1,980	40.00	-	1.06
Canadian Oil Sands Trust (US\$)	COSWF	B	126.80	93	11,800	136.00	0.11	0.94
<i>Total or Median</i>					40,100		0.15	1.17

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

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 17, 2006

Oil and Gas Producers

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

	Symbol/ Rating		Price (\$/sh) 13-Jan 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
BP plc	BP	B	69.72	9.5	6.2	5.7	10	3.1
Exxon Mobil Corporation	XOM	B	60.97	11.7	6.7	5.6	10	1.9
Total S.A.	TOT	B	134.65	9.2	6.1	5.2	9	2.7
Royal Dutch Shell plc	RDS-A	B	65.19	7.5	5.5	4.4	8	3.4
Chevron Corporation	CVX	B	60.36	9.6	5.7	4.2	7	3.0
ConocoPhillips	COP	B	60.76	11.0	5.4	3.9	6	2.0
	<i>Median</i>			9.6	5.9	4.8	8	2.8
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	96.77		8.5	13.2	20	3.1
Suncor Energy	SU	B	67.47	17.6	8.8	8.8	19	0.3
Imperial Oil Limited (30%)	IMO	B	103.80	11.5	7.0	8.5	14	0.8
Gazprom (50%)	OGZPF	B	91.50	20.0	11.0	8.5	15	0.5
Marathon Oil Corporation	MRO	B	71.32	7.4	5.1	5.4	8	1.9
Petro-Canada	PCZ	B	42.60	5.7	5.0	5.1	9	0.6
PetroChina Company Ltd (10%)	PTR	B	90.43	13.8	6.0	4.6	9	4.2
Norsk Hydro ASA	NHY	B	108.76	7.9	5.2	4.5	9	2.8
Lukoil Oil Company	LUKOY	B	71.20	19.7	5.9	4.2	6	1.4
	<i>Median</i>			12.7	6.0	5.4	9	1.4
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	45.60	10.8	6.5	6.3	11	0.4
Encana Corporation	ECA	B	45.91	7.1	5.6	5.1	10	0.7
Anadarko Petroleum Corp.	APC	B	102.45	12.5	6.4	4.9	10	0.7
CNOOC Limited (29%)	CEO	B	78.03	9.2	5.2	4.8	8	3.0
Occidental Petroleum Corp.	OXY	B	89.84	11.3	6.0	4.6	8	1.6
Devon Energy Corporation	DVN	B	65.64	7.8	5.0	4.0	7	0.5
Burlington Resources	BR	B	88.34	-	-	-	-	-
	<i>Median</i>			9.2	5.6	4.8	8	0.7
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	71.71	10.1	5.4	5.9	11	0.9
Encore Acquisition Company	EAC	B	32.43	14.3	6.4	4.7	10	-
Cimarex Energy Company	XEC	B	46.09	7.4	4.8	3.6	7	-
Energy Partners Ltd.	EPL	B	24.93	5.7	4.3	3.1	9	-
	<i>Median</i>			8.8	5.1	4.1	9	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	50.13		7.9	16.2	23	6.3
Kinder Morgan Management, LLC	KMR	S3	46.11		7.9	15.3	21	6.9
Canadian Oil Sands Trust (US\$)	COSWF	B	126.80	20.0	10.8	10.2	12	2.7
San Juan Basin Royalty Trust	SJT		42.38	12.2	9.3	9.9	11	9.3
Pengrowth Energy Trust	PGH		24.00	7.6	5.5	6.5	10	10.7
Enerplus Resources Fund	ERF		49.32	8.6	5.6	6.4	10	8.8
Penn West Energy Trust	PWTFF	B	36.01	8.0	4.9	6.1	9	8.9
	<i>Median</i>			8.6	7.9	9.9	11	8.8

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

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating. 3

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 17, 2006

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	-	-	75	25	83,600
Norsk Hydro ASA	NHY	B	Norway	-	29	38	33	39,500
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	714,000
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	Canada	83	-	17	-	55,600
Occidental Petroleum Corp.	OXY	B		14	1	75	11	59,000
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	-	255,000
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

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 17, 2006

Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
17-Jan	LUKOY	Lukoil Oil Company	Raise Net Present Value to \$100 a Share
12-Jan	BP	BP p.l.c.	What Windfall Profits?
11-Jan	RDSA	Royal Dutch Shell plc	Likely Acquirer
11-Jan	COSWF	Canadian Oil Sands Trust	Volume Expansion Imminent
9-Jan	NHY	Norsk Hydro ASA	Long Life Natural Gas
9-Jan	IMO	Imperial Oil Limited	High Return, Deliberate Pace
5-Jan	XTO	XTO Energy Inc.	Independent Natural Gas Producer
5-Jan	OXY	Occidental Petroleum Corporation	Independent Oil Producer
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	* PWTF	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
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	* 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

Meter Reader - A Weekly Analysis

17-Jan		Buy More?
10-Jan	*	China and India Race for Resources
3-Jan	*	Kiev Crisis
27-Dec	*	The New Mega Cap

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

13-Jan		The Long and Short of It
6-Jan	*	Stop Thief!
30-Dec	*	2006 Return Guaranteed (Almost)
23-Dec	*	Record Distributions

Industry Ideas

26-Dec	*	Interview by Sandra Ward in Barron's	Bullish and Fully Fueled
--------	---	--------------------------------------	--------------------------

* Archived on www.mcdep.com

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating. 5