

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

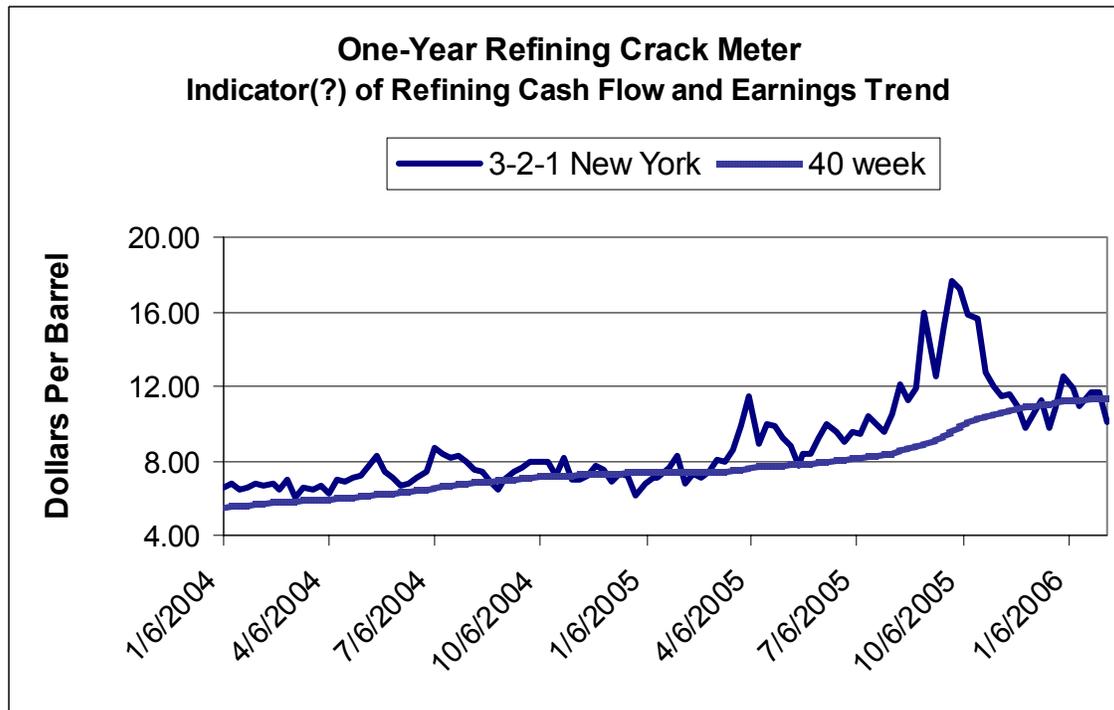
February 7, 2006

Refining Crack Stabilizes

Summary and Recommendation

One-year refining crack, the difference between the wholesale price of heating oil and gasoline products and crude oil, is oscillating around the 40-week moving average above \$11 a barrel. Our long-term assumption for calculating present value is \$10 a barrel. There is an economic need for more refining capacity and the cost of new facilities would require at least \$10 a barrel in gross margin for products refined. There is also a need for higher environmental standards that would in turn require more highly refined products. The median buy recommendation has about 15% exposure to downstream operations including oil refining. Lowest McDep Ratio stocks with downstream exposure 20% or more of value include **Chevron (CVX)**, **ConocoPhillips (COP)**, **Lukoil (LUKOY)**, **Royal Dutch Shell (RDS)** and **PetroChina (PTR)**.

Kurt H. Wulff, CFA

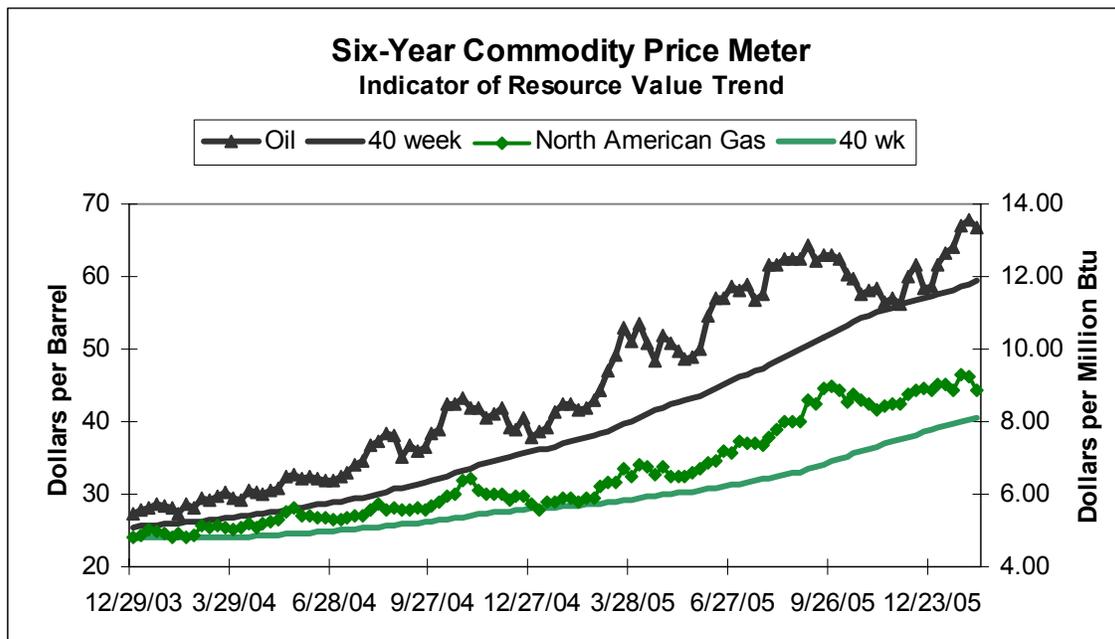
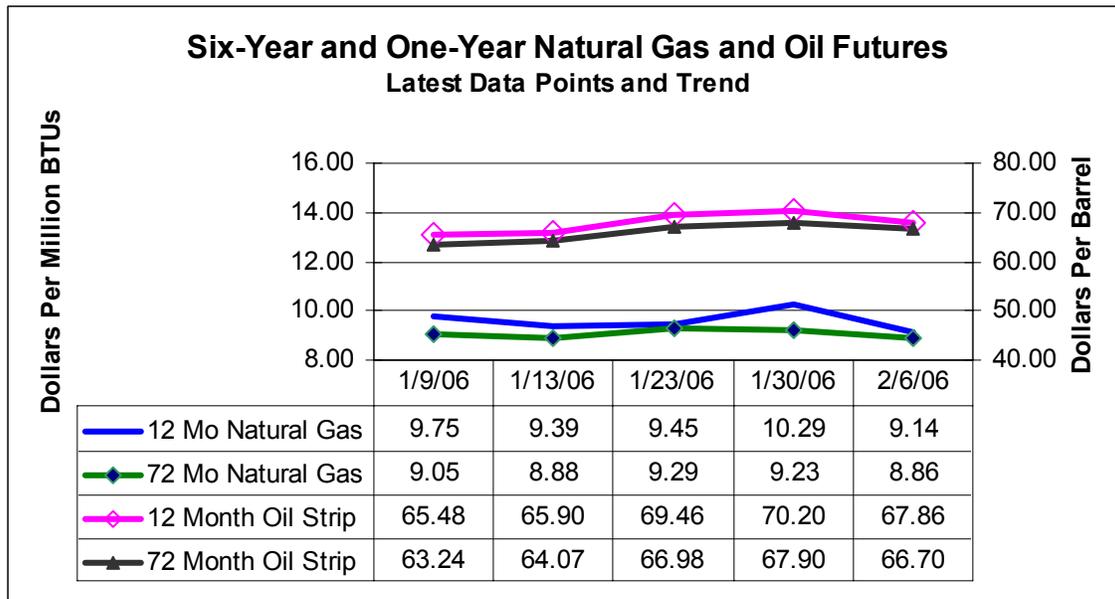


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Oil and Gas Producers Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating		Price (\$/sh) 6-Feb 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	69.97	3,501	245,000	77.00	0.11	0.92
Total S.A.	TOT	B	133.65	1,176	157,000	160.00	0.12	0.86
Exxon Mobil Corporation	XOM	B	61.97	6,211	385,000	74.00	0.04	0.84
Royal Dutch Shell plc	RDS-A	B	64.95	3,293	214,000	80.00	0.11	0.83
ConocoPhillips	COP	B	62.76	1,693	106,000	95.00	0.22	0.74
Chevron Corporation	CVX	B	58.84	2,236	132,000	85.00	0.11	0.73
<i>Total or Median</i>					1,239,000		0.11	0.84
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	93.81	139	13,080	33.00	0.74	1.48
Imperial Oil Limited (30%)	IMO	B	107.80	101	10,870	90.00	0.09	1.18
Petro-Canada	PCZ	B	51.08	523	26,710	42.00	0.19	1.17
Suncor Energy	SU	B	80.75	461	37,230	75.00	0.10	1.07
Marathon Oil Corporation	MRO	B	73.17	368	26,920	75.00	0.25	0.98
Norsk Hydro ASA	NHY	B	121.22	251	30,410	130.00	0.17	0.94
PetroChina Company Ltd (10%)	PTR	B	100.76	176	17,710	120.00	0.01	0.84
Lukoil Oil Company	LUKOY	B	76.50	830	64,000	100.00	0.01	0.77
Gazprom (50%)	OGZPF	B	85.10	1,133	96,400	140.00	0.02	0.62
<i>Total or Median</i>					323,000		0.10	0.98
Independent Natural Gas and Oil - Large Cap and Mid Cap								
CNOOC Limited (29%)	CEO	B	88.03	119	10,500	84.00	0.00	1.05
XTO Energy Inc.	XTO	B	46.96	370	17,380	48.00	0.20	0.98
Encana Corporation	ECA	B	47.65	876	41,700	51.00	0.20	0.95
Occidental Petroleum Corp.	OXY	B	93.99	432	40,600	120.00	0.12	0.81
Burlington Resources	BR	B	90.00	378	34,100	115.00	-	0.78
Devon Energy Corporation	DVN	B	65.66	451	29,600	94.00	0.12	0.73
Anadarko Petroleum Corp.	APC	B	105.59	234	24,700	160.00	0.10	0.69
<i>Total or Median</i>					199,000		0.12	0.81
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	75.49	23	1,700	65.00	0.11	1.14
Encore Acquisition Company	EAC	B	35.35	50	1,750	50.00	0.21	0.77
Energy Partners Ltd.	EPL	B	27.22	41	1,110	38.00	0.19	0.77
Cimarex Energy Company	XEC	B	45.07	85	3,830	64.00	0.10	0.73
<i>Total or Median</i>					8,400		0.15	0.77
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.06	164	7,870	15.00	0.55	2.00
Kinder Morgan Management, LLC	KMR	S3	44.27	58	2,550	15.00	0.55	1.89
Enerplus Resources Fund	ERF		55.16	110	6,070	42.00	0.14	1.27
Pengrowth Energy Trust	PGH		24.64	159	3,920	20.00	0.16	1.20
Penn West Energy Trust	PWTFF	B	38.80	179	6,960	33.00	0.13	1.15
San Juan Basin Royalty Trust	SJT		44.50	47	2,070	40.00	-	1.11
Canadian Oil Sands Trust (US\$)	COSWF	B	143.20	93	13,340	136.00	0.12	1.05
<i>Total or Median</i>					42,800		0.14	1.20

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) 6-Feb 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
BP plc	BP	B	69.97	9.5	6.1	5.6	9	3.1
Exxon Mobil Corporation	XOM	B	61.97	11.2	6.3	5.3	9	2.1
Total S.A.	TOT	B	133.65	9.2	6.0	5.1	9	2.7
Royal Dutch Shell plc	RDS-A	B	64.95	7.4	5.6	4.6	8	3.4
ConocoPhillips	COP	B	62.76	10.9	5.5	4.1	6	2.0
Chevron Corporation	CVX	B	58.84	9.7	5.5	4.0	7	3.1
	<i>Median</i>			9.6	5.8	4.9	9	2.9
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	93.81		8.2	12.1	19	3.7
Suncor Energy	SU	B	80.75	17.7	7.6	8.2	16	0.3
Imperial Oil Limited (30%)	IMO	B	107.80	10.7	6.5	7.7	13	0.8
Gazprom (50%)	OGZPF	B	85.10	20.0	10.2	6.3	10	0.5
Petro-Canada	PCZ	B	51.08	6.0	5.3	6.2	11	0.7
PetroChina Company Ltd (10%)	PTR	B	100.76	13.8	5.9	5.0	10	3.8
Norsk Hydro ASA	NHY	B	121.22	7.9	5.2	4.9	10	2.5
Marathon Oil Corporation	MRO	B	73.17	6.5	4.7	4.6	7	1.8
Lukoil Oil Company	LUKOY	B	76.50	19.7	5.7	4.4	7	1.3
	<i>Median</i>			12.3	5.9	6.2	10	1.3
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	46.96	10.8	7.0	6.8	12	0.4
Encana Corporation	ECA	B	47.65	7.1	6.0	5.7	12	0.6
CNOOC Limited (29%)	CEO	B	88.03	9.2	5.1	5.3	9	2.6
Occidental Petroleum Corp.	OXY	B	93.99	11.3	5.9	4.8	8	1.5
Anadarko Petroleum Corp.	APC	B	105.59	12.7	6.8	4.7	8	0.7
Devon Energy Corporation	DVN	B	65.66	8.6	5.6	4.1	8	0.5
Burlington Resources	BR	B	90.00	-	-	-	-	-
	<i>Median</i>			9.2	5.9	4.8	8	0.6
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	75.49	10.1	5.3	6.1	12	0.8
Encore Acquisition Company	EAC	B	35.35	14.3	6.8	5.2	11	-
Cimarex Energy Company	XEC	B	45.07	7.5	5.3	3.9	9	0.4
Energy Partners Ltd.	EPL	B	27.22	5.7	4.6	3.5	12	-
	<i>Median</i>			8.8	5.3	4.5	11	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.06		7.9	15.8	23	6.7
Kinder Morgan Management, LLC	KMR	S3	44.27		7.9	14.9	22	7.2
Canadian Oil Sands Trust (US\$)	COSWF	B	143.20	20.0	11.1	11.7	15	2.4
San Juan Basin Royalty Trust	SJT		44.50	12.1	9.5	10.6	12	8.5
Enerplus Resources Fund	ERF		55.16	8.6	5.7	7.2	11	8.0
Pengrowth Energy Trust	PGH		24.64	7.6	5.6	6.7	10	10.6
Penn West Energy Trust	PWTFF	B	38.80	8.0	5.7	6.5	10	9.2
	<i>Median</i>			8.6	7.9	10.6	12	8.0

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		U.S. Domicile	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	Total Present Value (US\$m)
Mega Cap								
Exxon Mobil Corporation	XOM	B		10	20	37	33	481,000
BP plc	BP	B	UK	10	12	42	36	302,000
Royal Dutch Shell plc	RDS-A	B	UK	3	19	32	46	295,000
Total S.A.	TOT	B	France	-	28	37	35	214,000
Chevron Corporation	CVX	B		9	9	51	30	214,000
ConocoPhillips	COP	B		23	7	43	28	207,000
	<i>Total or Median</i>			9	15	40	34	1,713,000
Producer/Refiners - Large Cap and Mid Cap								
Gazprom	OGZPF	B	Russia		100			325,000
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	39,300
Suncor Energy	SU	B	Canada	4	-	89	7	38,300
Marathon Oil Corporation	MRO	B		13	7	40	41	36,600
Imperial Oil Limited	IMO	B	Canada	12	-	64	24	33,400
Petro-Canada	PCZ	B	Canada	23	4	53	20	27,200
	<i>Median</i>			4	5	64	24	796,000
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Occidental Petroleum Corp.	OXY	B		14	1	75	11	59,000
Encana Corporation	ECA	B	Canada	83	-	17	-	55,600
Devon Energy Corporation	DVN	B		64	-	36	-	48,100
Anadarko Petroleum Corp.	APC	B		60	-	40	-	41,700
CNOOC Limited	CEO	B	China	-	12	88	-	34,600
XTO Energy Inc.	XTO	B		83	-	17	-	22,100
Burlington Resources	BR	B						
	<i>Median</i>			62	-	38	-	261,000
Independent Natural Gas and Oil - Small Cap								
Cimarex Energy Company	XEC	B		72	-	28	-	5,980
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	-	13,010
Income								
Canadian Oil Sands Trust (US\$)	COSWF	B	Canada	-	-	100	-	14,300
Penn West Energy Trust	PWTFF	B	Canada	37	-	63	-	6,800
Enerplus Resources Fund	ERF		Canada	58	-	42	-	5,360
Pengrowth Energy Trust	PGH		Canada	42	-	58	-	3,800
San Juan Basin Royalty Trust	SJT			100	-	-	-	1,860
	<i>Median</i>			42	-	58	-	32,100

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
7-Feb	APC	Anadarko Petroleum Corporation	Raise NPV to \$160 a Share
6-Feb	TOT	Total S.A.	LNG Leader
6-Feb	EPL	Energy Partners, Ltd.	New Orleans Explorer
6-Feb	SJT	San Juan Basin Royalty Trust	New Operator
3-Feb	XEC	Cimarex Energy Company	Born to Drill
3-Feb	RDSA	Royal Dutch Shell plc	Lower NPV to \$80 a Share
3-Feb	IMO	Imperial Oil Limited	Raise NPV to \$90 a Share
2-Feb	DVN	Devon Energy Corporation	Raise NPV to \$94 a Share
31-Jan	OGZPF	Gazprom	Raise Net Present Value to \$140 a Share
31-Jan	APC	Anadarko Petroleum Corporation	Long Life, Low Stock Price
31-Jan	XOM	Exxon Mobil Corporation	World's Most Profitable Company
30-Jan	CVX	Chevron Corporation	High Earnings, Low Stock Price
30-Jan	EAC	Encore Acquisition Company	Long Life, Low Stock Price
27-Jan	MRO	Marathon Oil Corporation	Raise Net Present Value to \$75 a Share
27-Jan	SU	Suncor Energy Inc.	Raise Net Present Value to \$75 a Share
27-Jan	PCZ	Petro-Canada	Favorable Relative Recognition
27-Jan	BR	Burlington Resources, Inc.	Riding with ConocoPhillips
26-Jan	COSWF	Canadian Oil Sands Trust	Volume Affirmed
26-Jan	COP	ConocoPhillips	High Earnings, Low Stock Price
19-Jan	ECA	EnCana Corporation	Natural Gas and Oil Sands
19-Jan	KMx	Kinder Morgan	Fading Returns, Rising Risk
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
5-Jan	* XTO	XTO Energy Inc.	Independent Natural Gas Producer
5-Jan	* OXY	Occidental Petroleum Corporation	Independent Oil Producer
14-Nov	* PTR	PetroChina Company Limited	Diversify Political Risk
10-Nov	* PWTF	Penn West Energy Trust	Quality Income Stock
4-Nov	* BRY	Berry Petroleum	Expanding on Multiple Fronts
1-Nov	* CEO	CNOOC Ltd	Low Price for Natural Gas

Meter Reader - A Weekly Analysis

7-Feb		Refining Crack Stabilizes
31-Jan	*	Quarterly Disclosures Influence Value
24-Jan	*	Long-Term Oil Investment Strategy
17-Jan	*	Buy More?

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

3-Feb		Owner Vigilance Rewarded
27-Jan	*	Raise NPV for Penn West
20-Jan	*	Myth of Management
13-Jan	*	The Long and Short of It

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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