

## Meter Reader

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

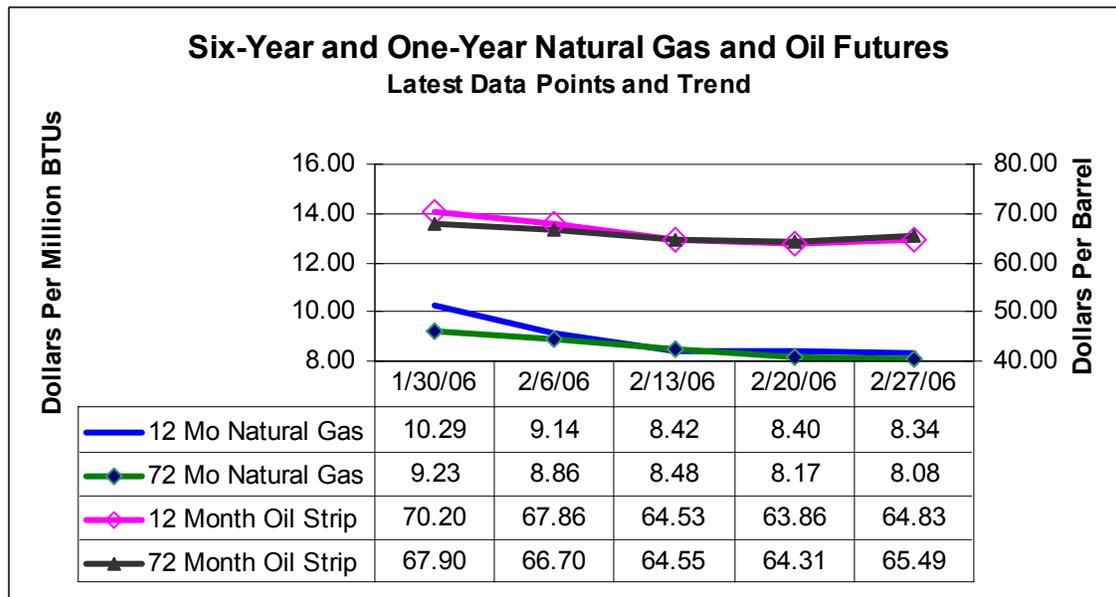
February 28, 2006

# McDep Ratio Differentiates in 2005

## Summary and Recommendation

In an undeniably good time for energy stocks last year the ten Meter Reader stocks with lowest McDep Ratios at the beginning of the year gained an average 66% in price compared to 27% for the ten with the highest starting McDep Ratios. Twenty-five buy recommendations had average price gains of 49% compared to 8% for three sell recommendations. Price gains are normalized for financial leverage and do not include dividends or distributions. Though the McDep technique seems to continue working, it is subject to statistical variation. Not all the big winners had the lowest starting McDep Ratios (see table on page 6). Nonetheless there appears to be justification to skew holdings to lower McDep Ratio stocks such as buy-recommended **Anadarko (APC)**, **Gazprom (OGZPF)** and **Chevron (CVX)**. Meanwhile, the oil price trend continues to be strong while natural gas appears undervalued relative to oil.

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) 27-Feb 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
BP plc	BP	B	67.00	3,465	232,000	77.00	0.15	0.89
Total S.A.	TOT	B	126.93	1,173	149,000	160.00	0.12	0.82
Exxon Mobil Corporation	XOM	B	59.92	6,211	372,000	74.00	0.04	0.82
Royal Dutch Shell plc	RDS-A	B	60.91	3,293	201,000	80.00	0.11	0.79
ConocoPhillips	COP	B	61.89	1,693	105,000	95.00	0.22	0.73
Chevron Corporation	CVX	B	57.10	2,236	128,000	85.00	0.11	0.71
<i>Total or Median</i>					<i>1,187,000</i>		<i>0.12</i>	<i>0.80</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	93.00	139	12,960	33.00	0.74	1.47
Imperial Oil Limited (30%)	IMO	B	97.65	101	9,840	90.00	0.09	1.08
Petro-Canada	PCZ	B	45.29	523	23,690	42.00	0.19	1.06
Suncor Energy	SU	B	75.00	461	34,580	75.00	0.10	1.00
Marathon Oil Corporation	MRO	B	71.48	367	26,260	75.00	0.25	0.96
Norsk Hydro ASA	NHY	B	118.45	251	29,670	130.00	0.16	0.92
Lukoil Oil Company	LUKOY	B	85.40	830	71,000	100.00	0.01	0.86
PetroChina Company Ltd (10%)	PTR	B	98.55	176	17,330	120.00	0.01	0.82
Gazprom (50%)	OGZPF	B	87.20	1,133	98,800	140.00	0.02	0.63
<i>Total or Median</i>					<i>324,000</i>		<i>0.10</i>	<i>0.96</i>
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
CNOOC Limited (29%)	CEO	B	83.81	119	10,000	84.00	0.00	1.00
XTO Energy Inc.	XTO	B	41.65	372	15,490	52.00	0.16	0.83
Encana Corporation	ECA	B	40.60	873	35,400	51.00	0.18	0.83
Burlington Resources	BR	B	90.62	378	34,300	115.00	-	0.79
Occidental Petroleum Corp.	OXY	B	90.81	432	39,200	120.00	0.12	0.79
Devon Energy Corporation	DVN	B	59.88	451	27,000	94.00	0.12	0.68
Anadarko Petroleum Corp.	APC	B	99.86	234	23,400	160.00	0.10	0.66
<i>Total or Median</i>					<i>185,000</i>		<i>0.12</i>	<i>0.79</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	67.37	23	1,520	65.00	0.11	1.04
Energy Partners Ltd.	EPL	B	24.15	41	990	32.00	0.20	0.80
Encore Acquisition Company	EAC	B	31.29	50	1,550	50.00	0.24	0.72
Cimarex Energy Company	XEC	B	43.09	85	3,660	64.00	0.08	0.70
<i>Total or Median</i>					<i>7,700</i>		<i>0.15</i>	<i>0.76</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.92	165	7,890	15.00	0.55	2.00
Kinder Morgan Management, LLC	KMR	S3	44.09	58	2,540	15.00	0.55	1.88
Enerplus Resources Fund	ERF		51.10	114	5,840	42.00	0.15	1.19
Pengrowth Energy Trust	PGH		23.84	159	3,790	20.00	0.16	1.16
Penn West Energy Trust	PWTFF	B	34.51	183	6,300	33.00	0.13	1.04
San Juan Basin Royalty Trust	SJT		39.80	47	1,860	40.00	-	1.00
Canadian Oil Sands Trust (USS)	COSWF	B	135.12	93	12,620	136.00	0.12	0.99
<i>Total or Median</i>					<i>40,800</i>		<i>0.15</i>	<i>1.16</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) 27-Feb 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>Mega Cap</b>								
BP plc	BP	B	67.00	9.6	6.6	5.9	10	3.4
Exxon Mobil Corporation	XOM	B	59.92	11.2	6.4	5.2	9	2.1
Total S.A.	TOT	B	126.93	9.3	6.2	5.1	9	3.0
Royal Dutch Shell plc	RDS-A	B	60.91	7.4	5.5	4.4	8	3.6
ConocoPhillips	COP	B	61.89	10.9	5.8	4.2	6	2.3
Chevron Corporation	CVX	B	57.10	9.7	5.6	3.9	7	3.2
	<i>Median</i>			9.7	6.0	4.7	8	3.1
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	93.00		8.2	12.1	19	3.8
Suncor Energy	SU	B	75.00	17.7	8.0	8.0	16	0.3
Imperial Oil Limited (30%)	IMO	B	97.65	10.4	6.4	6.9	11	0.9
Gazprom (50%)	OGZPF	B	87.20	20.0	9.7	6.1	10	0.5
Petro-Canada	PCZ	B	45.29	6.0	5.5	5.8	10	0.8
Lukoil Oil Company	LUKOY	B	85.40	19.7	6.0	5.1	8	1.2
Marathon Oil Corporation	MRO	B	71.48	7.8	4.8	4.6	7	1.8
Norsk Hydro ASA	NHY	B	118.45	7.8	4.8	4.5	13	2.7
PetroChina Company Ltd (10%)	PTR	B	98.55	11.6	5.4	4.4	9	3.8
	<i>Median</i>			11.0	6.0	5.8	10	1.2
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
XTO Energy Inc.	XTO	B	41.65	12.4	7.6	6.3	11	0.5
CNOOC Limited (29%)	CEO	B	83.81	9.0	5.3	5.2	9	2.8
Occidental Petroleum Corp.	OXY	B	90.81	11.3	6.3	4.9	9	1.6
Encana Corporation	ECA	B	40.60	8.7	5.6	4.7	9	0.7
Anadarko Petroleum Corp.	APC	B	99.86	12.7	7.0	4.6	8	0.7
Devon Energy Corporation	DVN	B	59.88	8.6	5.7	3.9	7	0.5
Burlington Resources	BR	B	90.62	-	-	-	-	-
	<i>Median</i>			9.0	5.7	4.7	9	0.7
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	67.37	10.6	5.8	6.0	16	0.9
Encore Acquisition Company	EAC	B	31.29	14.8	7.9	5.6	12	-
Cimarex Energy Company	XEC	B	43.09	7.2	5.2	3.6	8	0.4
Energy Partners Ltd.	EPL	B	24.15	5.2	4.3	3.5	22	-
	<i>Median</i>			8.9	5.5	4.6	14	0.2
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.92		7.9	15.8	24	6.7
Kinder Morgan Management, LLC	KMR	S3	44.09		7.9	14.9	22	7.3
San Juan Basin Royalty Trust	SJT		39.80	12.2	10.2	10.2	11	8.8
Canadian Oil Sands Trust (US\$)	COSWF	B	135.12	20.0	10.3	10.2	13	2.6
Enerplus Resources Fund	ERF		51.10	9.4	6.0	7.2	13	8.6
Pengrowth Energy Trust	PGH		23.84	7.6	5.8	6.8	10	10.9
Penn West Energy Trust	PWTFF	B	34.51	8.0	6.1	6.3	10	10.3
	<i>Median</i>			9.4	7.9	10.2	13	8.6

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2007; 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	Non- U.S. Domicile	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	Total Present Value (US\$mm)
<b>Mega Cap</b>							
Exxon Mobil Corporation	XOM	B	10	20	37	33	481,000
BP plc	BP	B UK	9	12	43	36	315,000
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	1,726,000
<b>Producer/Refiners - Large Cap and Mid Cap</b>							
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	-	30	37	34	38,600
Suncor Energy	SU	B Canada	4	-	89	7	38,200
Marathon Oil Corporation	MRO	B	13	7	40	41	36,600
Imperial Oil Limited	IMO	B Canada	12	-	64	24	33,300
Petro-Canada	PCZ	B Canada	23	4	53	20	27,200
		<i>Median</i>	4	5	64	24	796,000
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>							
Occidental Petroleum Corp.	OXY	B	14	2	74	11	59,000
Encana Corporation	ECA	B Canada	81	-	19	-	54,000
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	-	23,000
Burlington Resources	BR	B					
		<i>Median</i>	62	-	38	-	260,000
<b>Independent Natural Gas and Oil - Small Cap</b>							
Cimarex Energy Company	XEC	B	73	-	27	-	5,900
Encore Acquisition Company	EAC	B	24	-	76	-	3,280
Berry Petroleum Company	BRY	B	15	-	85	-	1,940
Energy Partners Ltd.	EPL	B	55	-	45	-	1,630
		<i>Median</i>	40	-	60	-	12,750
<b>Income</b>							
Canadian Oil Sands Trust (US\$)	COSWF	B Canada	-	-	100	-	14,400
Penn West Energy Trust	PWTFF	B Canada	36	-	64	-	6,900
Enerplus Resources Fund	ERF	Canada	55	-	45	-	5,620
Pengrowth Energy Trust	PGH	Canada	42	-	58	-	3,790
San Juan Basin Royalty Trust	SJT		100	-	-	-	1,860
		<i>Median</i>	42	-	58	-	32,600

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#### Index of Recent Research

##### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
27-Feb	XTO	XTO Energy Inc.	Raise NPV to \$52 a Share
24-Feb	EPL	Energy Partners, Ltd.	Lower NPV to \$32 a Share
23-Feb	BRY	Berry Petroleum	Growth Record
21-Feb	EAC	Encore Acquisition Company	Steady Progress
16-Feb	TOT	Total S.A.	Challenges of Growth
16-Feb	ECA	EnCana Corporation	Buying Opportunity
16-Feb	XEC	Cimarex Energy Company	Eyed by Icahn
14-Feb	NHY	Norsk Hydro ASA	Natural Gas Price Advance
9-Feb	XTO	XTO Energy Inc.	Natural Gas Growth
9-Feb	PTR	PetroChina Company Limited	Commodity Price Catch Up Potential
8-Feb	OXY	Occidental Petroleum Corporation	Longer Life Independent
8-Feb	BP	BP p.l.c.	Temporary Setbacks
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
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	* KMX	Kinder Morgan	Fading Returns, Rising Risk
17-Jan	* LUKOY	Lukoil Oil Company	Raise Net Present Value to \$100 a Share
10-Nov	* PWTFF	Penn West Energy Trust	Quality Income Stock
1-Nov	* CEO	CNOOC Ltd	Low Price for Natural Gas

##### Meter Reader - A Weekly Analysis

28-Feb		McDep Ratio Differentiates in 2005
21-Feb	*	Alternative Energy
14-Feb	*	Crude Awakening
7-Feb	*	Refining Crack Stabilizes

##### Natural Gas and Oil Royalty Trusts - A Weekly Analysis

24-Feb		COS Trust Proposes 5:1 Split
17-Feb	*	Fundamental, Momentum and Contrary
10-Feb	*	World Energy Perspective
3-Feb	*	Owner Vigilance Rewarded

##### Industry Ideas

15-Feb		Presentation Slides	Russian Natural Gas, Canadian Tar Sands
26-Dec	*	Interview by Sandra Ward in Barron's	Bullish and Fully Fueled

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#### Oil and Gas Producers 2005 Stock Price Change

			Price (\$/sh) 3-Jan 2005	Price (\$/sh) 30-Dec 2005	2005 Price Change		McDep Ratio 3-Jan 2005
	Symbol	Rating			Levered (%)	Normalizd (%)	
<b>Mega Cap</b>							
BP plc	BP	B3	57.12	64.22	12	13	0.78
ChevronTexaco Corporation	CVX	B1	50.90	56.77	12	12	0.64
Royal Dutch Petroleum	RD	B1	56.46	61.49	9	10	0.74
Shell Transport and Trading Co.	SC	B3	50.26				
Total S.A.	TOT	B3	107.20	126.40	18	19	0.71
Exxon Mobil Corporation	XOM	B3	50.09	56.17	12	14	0.69
<b>Producer/Refiners - Large Cap and Mid Cap</b>							
ConocoPhillips	COP	B1	84.11	116.36	38	36	0.91
Imperial Oil Limited (30%)	IMO	B3	58.01	99.60	72	78	0.68
Kinder Morgan, Inc.	KMI	S2	70.58	91.95	30	10	1.30
Lukoil Oil Company	LUKOY	B2	122.50	234.20	91	109	1.22
Marathon Oil Corporation	MRO	B3	36.58	60.97	67	61	0.61
Norsk Hydro ASA	NHY	B1	77.31	103.18	33	34	0.66
Petro-Canada	PCZ	B3	49.90	80.18	61	59	1.15
PetroChina Company Ltd (10%)	PTR	B2	53.12	81.96	54	65	0.45
Suncor Energy	SU	B3	33.87	63.13	86	94	0.50
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>							
Anadarko Petroleum Corp.	APC	B1	62.11	94.75	53	57	0.45
Burlington Resources	BR	B1	40.87	86.20	111	134	0.36
CNOOC Limited (19%)	CEO	B2	53.10	67.97	28	34	0.63
Devon Energy Corporation	DVN	B3	37.20	62.54	68	72	0.47
Encana Corporation	ECA	B1	54.30	90.32	66	66	1.05
Occidental Petroleum Corp.	OXY	B3	56.55	79.88	41	44	0.54
Unocal Corporation	UCL	B3	41.77				0.83
XTO Energy Inc.	XTO	B1	33.00	58.57	77	79	0.69
<b>Independent Natural Gas and Oil - Small Cap</b>							
Berry Petroleum Company	BRY	B2	45.43	57.20	26	28	0.73
Encore Acquisition Company	EAC	B2	33.59	48.06	43	39	0.75
Energy Partners Ltd.	EPL	B3	19.00	21.79	15	14	0.68
Cimarex Energy Company	XEC	B2	36.11	43.01	19	21	0.60
<b>Income</b>							
Canadian Oil Sands Trust (US\$)	COSWF	B1	55.99	108.36	94	100	0.48
Enerplus Resources Fund	ERF		35.53	47.98	35	36	0.87
Kinder Morgan Energy Partners, L.	KMP	S3	43.57	47.82	10	5	1.86
Kinder Morgan Management, LLC	KMR	S3	40.14	45.46	13	7	1.76
Pengrowth Energy Trust	PGH		20.05	23.53	17	18	1.00
San Juan Basin Royalty Trust	SJT	H	28.42	43.58	53	64	1.05

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