

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

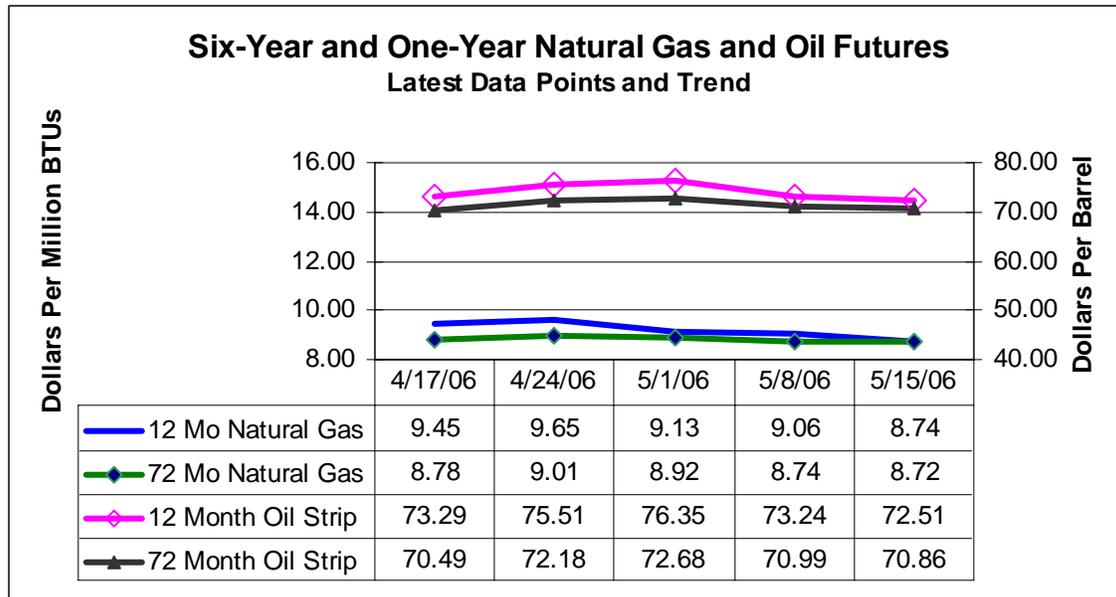
May 16, 2006

Natural Gas for Transportation

Summary and Recommendation

The environmental advantage of natural gas as a transportation fuel over gasoline and diesel is enticing at the currently depressed price of natural gas relative to oil. Natural gas for delivery over the next six years at less than \$9 a million btu translates to the equivalent of about \$2.10 a gallon for gasoline made up of less than \$1.30 at the wellhead and about \$0.80 for the current cost of distribution to retail users. Americans see the growing use of buses fueled by natural gas that demonstrates the cleanliness and proves the technology. Auto manufacturers searching for a competitive edge might take note. Meanwhile oil price continues in a long-term uptrend while natural gas trades at the low ratio of oil price divided by 8 as it did a year ago. Buy recommendations have more immediate appeal with stock prices a median 12% below 52-week highs. Some of the best performing non-U.S. and oil stocks are off the most while mega caps are showing their lower risk characteristics by receding less. Buy recommendations with low McDep Ratio and positive momentum defined as stock price above 200 day average are **Anadarko (APC)**, **Chevron (CVX)** and **Lukoil (LUKOY)**.

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) 15-May 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	73.45	3,420	251,000	77.00	0.16	0.96
Total S.A.	TOT	B	136.96	1,168	160,000	160.00	0.13	0.87
Royal Dutch Shell plc	RDS-A	B	66.93	3,268	219,000	80.00	0.10	0.85
Exxon Mobil Corporation	XOM	B	62.00	6,126	380,000	74.00	0.04	0.85
Gazprom (50%)	OGZPY	B	44.71	2,833	126,700	56.00	0.02	0.80
Chevron Corporation	CVX	B	60.48	2,224	135,000	85.00	0.11	0.74
ConocoPhillips	COP	B	63.52	1,693	108,000	95.00	0.22	0.74
<i>Total or Median</i>					<i>1,380,000</i>		<i>0.11</i>	<i>0.85</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	86.83	135	11,720	33.00	0.75	1.40
Imperial Oil Limited (30%)	IMO	B	103.59	100	10,330	90.00	0.09	1.14
Norsk Hydro ASA	NHY	B	144.05	250	36,030	130.00	0.16	1.09
Suncor Energy	SU	B	79.52	461	36,670	75.00	0.09	1.05
Petro-Canada	PCZ	B	43.02	520	22,370	42.00	0.20	1.02
Marathon Oil Corporation	MRO	B	75.25	367	27,640	75.00	0.20	1.00
PetroChina Company Ltd (10%)	PTR	B	113.99	178	20,270	120.00	0.05	0.95
Lukoil Oil Company	LUKOY	B	84.80	830	70,000	110.00	0.01	0.77
<i>Total or Median</i>					<i>235,000</i>		<i>0.13</i>	<i>1.04</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	48.52	865	42,000	51.00	0.14	0.96
CNOOC Limited (29%)	CEO	B	78.65	119	9,380	84.00	-	0.94
Occidental Petroleum Corp.	OXY	B	99.14	431	42,700	120.00	0.12	0.85
XTO Energy Inc.	XTO	B	40.92	370	15,140	52.00	0.16	0.82
EOG Resources	EOG	B	66.04	246	16,300	90.00	0.04	0.74
Anadarko Petroleum Corp.	APC	B	100.70	232	23,400	160.00	0.11	0.67
Devon Energy Corporation	DVN	B	58.15	449	26,100	94.00	0.12	0.67
<i>Total or Median</i>					<i>175,000</i>		<i>0.12</i>	<i>0.82</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	67.50	23	1,520	65.00	0.20	1.03
Energy Partners Ltd.	EPL	B	23.34	40	940	29.00	0.21	0.84
Encore Acquisition Company	EAC	B	27.90	54	1,500	45.00	0.28	0.73
Cimarex Energy Company	XEC	B	40.91	85	3,480	64.00	0.09	0.67
<i>Total or Median</i>					<i>7,400</i>		<i>0.20</i>	<i>0.79</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	44.51	165	7,360	15.00	0.56	1.87
Kinder Morgan Management, LLC	KMR	S3	40.87	58	2,370	15.00	0.56	1.76
Pengrowth Energy Trust	PGH		23.90	161	3,850	18.00	0.17	1.27
Enerplus Resources Fund	ERF		51.11	123	6,290	42.00	0.12	1.19
Penn West Energy Trust (US\$)	PWTFF	B	38.69	230	8,920	33.00	0.15	1.15
Canadian Oil Sands Trust (US\$)	COSWF	B	29.41	464	13,640	27.20	0.12	1.07
San Juan Basin Royalty Trust	SJT	B	36.47	47	1,700	40.00	-	0.91
<i>Total or Median</i>					<i>44,100</i>		<i>0.15</i>	<i>1.19</i>

B = Buy, S2 = Short half unlevered position, S3 = Short quarter unlevered position, H = Hold
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) 15-May 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap							
Gazprom (50%)	OGZPY B	44.71	20.0	9.5	7.7	12	0.4
BP plc	BP B	73.45	9.3	6.0	5.8	9	3.1
Exxon Mobil Corporation	XOM B	62.00	11.4	6.0	5.1	9	2.1
Total S.A.	TOT B	136.96	9.4	5.7	5.0	8	3.0
Royal Dutch Shell plc	RDS-A B	66.93	7.4	5.2	4.4	8	3.8
ConocoPhillips	COP B	63.52	12.1	5.4	4.0	6	2.3
Chevron Corporation	CVX B	60.48	11.0	5.3	3.9	7	3.4
	<i>Median</i>		11.0	5.7	5.0	8	3.0
Producer/Refiners - Large Cap and Mid Cap							
Kinder Morgan, Inc.	KMI S2	86.83		8.6	12.1	15	4.0
Suncor Energy	SU B	79.52	18.5	7.3	7.7	14	0.3
Imperial Oil Limited (30%)	IMO B	103.59	9.2	6.5	7.3	12	0.8
PetroChina Company Ltd (10%)	PTR B	113.99	11.6	5.7	5.4	10	3.7
Petro-Canada	PCZ B	43.02	6.9	5.0	5.1	9	0.8
Norsk Hydro ASA	NHY B	144.05	7.8	4.3	4.7	10	2.5
Lukoil Oil Company	LUKOY B	84.80	20.2	5.8	4.5	7	1.4
Marathon Oil Corporation	MRO B	75.25	8.3	4.4	4.4	7	1.8
	<i>Median</i>		9.2	5.7	5.3	10	1.6
Independent Natural Gas and Oil - Large Cap and Mid Cap							
XTO Energy Inc.	XTO B	40.92	12.1	7.2	5.9	10	0.5
Encana Corporation	ECA B	48.52	8.6	5.7	5.5	12	0.8
EOG Resources	EOG B	66.04	9.6	6.6	4.9	11	0.4
Occidental Petroleum Corp.	OXY B	99.14	10.4	5.4	4.5	8	1.5
Anadarko Petroleum Corp.	APC B	100.70	12.6	6.6	4.4	8	0.7
Devon Energy Corporation	DVN B	58.15	8.7	5.8	3.9	7	0.8
CNOOC Limited (29%)	CEO B	78.65	10.0	3.9	3.6	6	3.3
	<i>Median</i>		10.0	5.8	4.5	8	0.8
Independent Natural Gas and Oil - Small Cap							
Berry Petroleum Company	BRY B	67.50	10.5	5.9	6.1	19	0.9
Encore Acquisition Company	EAC B	27.90	14.4	7.4	5.4	11	-
Cimarex Energy Company	XEC B	40.91	7.2	5.3	3.6	8	0.4
Energy Partners Ltd.	EPL B	23.34	5.0	3.6	3.0	13	-
	<i>Median</i>		8.9	5.6	4.5	12	0.2
Income							
Kinder Morgan Energy Partners, L.P.	KMP S3	44.51		8.3	15.5	26	7.3
Kinder Morgan Management, LLC	KMR S3	40.87		8.3	14.6	24	7.9
San Juan Basin Royalty Trust	SJT B	36.47	13.5	10.9	10.0	12	8.6
Canadian Oil Sands Trust (US\$)	COSWF B	29.41	20.0	9.0	9.7	12	5.6
Enerplus Resources Fund	ERF	51.11	9.3	6.3	7.5	14	9.0
Pengrowth Energy Trust	PGH	23.90	7.5	5.8	7.4	13	11.4
Penn West Energy Trust (US\$)	PWTFF B	38.69	7.9	5.5	6.3	8	9.6
	<i>Median</i>		9.3	8.3	9.7	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 Portfolio Composite of Buy Recommendations

		Portfolio Equity Weight Symbol	Parts of EV (%)	Non- U.S. Home (%)	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio
Mega Cap									
BP plc	BP	2.7	1.0	2.8	0.2	0.3	1.3	1.0	0.96
Total S.A.	TOT	2.7	1.0	2.8		0.8	1.1	1.0	0.87
Royal Dutch Shell plc	RDS-A	2.8	1.0	2.8	0.1	0.6	0.9	1.3	0.85
Exxon Mobil Corporation	XOM	3.0	1.0		0.2	0.8	0.9	0.9	0.85
Gazprom	OGZPY	9.4	3.0	8.5		8.5			0.80
Chevron Corporation	CVX	5.5	2.0		0.4	0.6	3.3	1.5	0.74
ConocoPhillips	COP	4.5	2.0		0.9	0.5	2.6	1.5	0.74
Producer/Refiners - Large Cap and Mid Cap									
Imperial Oil Limited	IMO	1.5	0.5	1.4	0.2		0.9	0.3	1.14
Norsk Hydro ASA	NHY	1.4	0.5	1.4		0.4	0.5	0.5	1.09
Suncor Energy	SU	1.5	0.5	1.4	0.1		1.3	0.1	1.05
Petro-Canada	PCZ	1.3	0.5	1.4	0.3	0.1	0.8	0.3	1.02
Marathon Oil Corporation	MRO	1.3	0.5		0.2	0.1	0.5	0.6	1.00
PetroChina Company Ltd.	PTR	3.0	1.0	2.8		0.3	2.3	0.3	0.95
Lukoil Oil Company	LUKOY	6.4	2.0	5.6			4.4	1.3	0.77
Independent Natural Gas and Oil - Large Cap and Mid Cap									
Encana Corporation	ECA	2.7	1.0	2.8	2.4		0.4		0.96
CNOOC Limited	CEO	3.2	1.0	2.8		0.4	2.5		0.94
Occidental Petroleum Corp.	OXY	2.8	1.0		0.4	0.0	2.1	0.3	0.85
XTO Energy Inc.	XTO	2.6	1.0		2.3		0.5		0.82
EOG Resources	EOG	6.1	2.0		4.5	0.4	0.7		0.74
Anadarko Petroleum Corp.	APC	5.4	2.0		3.4		2.2		0.67
Devon Energy Corporation	DVN	5.2	2.0		3.6		2.0		0.67
Independent Natural Gas and Oil - Small Cap									
Berry Petroleum Company	BRY	1.3	0.5		0.2		1.2		1.03
Energy Partners Ltd.	EPL	1.2	0.5		0.8		0.6		0.84
Encore Acquisition Company	EAC	2.0	1.0		0.8		2.1		0.73
Cimarex Energy Company	XEC	2.8	1.0		2.0		0.8		0.67
Income									
Penn West Energy Trust (US\$)	PWTFF	5.6	2.0	5.6	2.1		3.5		1.15
Canadian Oil Sands Trust (US\$)	COSWF	5.7	2.0	5.6			5.6		1.07
San Juan Basin Royalty Trust	SJT	6.4	2.0		5.6				0.91
Portfolio Composite		100	35.5	48	31	14	45	11	0.83

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
10-May	PWTFF	Penn West Energy Trust	Sleeping Seal
10-May	EPL	Energy Partners, Ltd.	Back on Track
10-May	BRY	Berry Petroleum	Debt for the Future
8-May	XEC	Cimarex Energy Company	Seasonality Exaggerated
8-May	EOG	EOG Resources Inc.	Seasonality Exaggerated
5-May	SU	Suncor Energy Inc.	Retaking the Oil Sands Lead
5-May	RDSA	Royal Dutch Shell plc	Tighter Markets and Cost Pressures
5-May	TOT	Total S.A.	Spinoff and Split Ahead
3-May	EAC	Encore Acquisition Company	Lower NPV to \$45 a Share
3-May	DVN	Devon Energy Corporation	Barnett Bargain
3-May	IMO	Imperial Oil Limited	Oil Sands and Arctic Natural Gas
1-May	CVX	Chevron Corporation	India Opportunity, Venezuela Risk
28-Apr	APC	Anadarko Petroleum Corporation	Large Cap Resource Target
28-Apr	MRO	Marathon Oil Corporation	Oil Sands Link
28-Apr	XOM	Exxon Mobil Corporation	Low Risk, High Return
28-Apr	NHY	Norsk Hydro ASA	Earnings Blowout
27-Apr	COP	ConocoPhillips	Strong Cash Flow and Value
27-Apr	ECA	EnCana Corporation	Natural Gas at Present Value
26-Apr	* COSWF	Canadian Oil Sands Trust	Distribution Increased 50%
26-Apr	* OXY	Occidental Petroleum Corporation	Riding the Oil Trend
26-Apr	* PCZ	Petro-Canada	Understated Oil Sands
26-Apr	* BP	BP p.l.c.	Understated Russian Resource
26-Apr	* CEO	CNOOC Ltd	Burst of Cash Flow
21-Apr	* XTO	XTO Energy Inc.	Distributing Royalty Trust Units
20-Apr	* KMX	Kinder Morgan	False Debt Promotion Unmasked
18-Apr	* OGZPF	Gazprom	Shares Trading Free at Last!
17-Apr	* LUKOY	Lukoil Oil Company	Raise Net Present Value to \$110 a Share
21-Mar	* PTR	PetroChina Company Limited	Growing Pains
20-Mar	* SJT	San Juan Basin Royalty Trust	Upgrade to Buy

Meter Reader - A Weekly Analysis

16-May		Natural Gas for Transportation
9-May	*	Oil Price Divided by Five
2-May	*	Gazprom the Great
25-Apr	*	Portfolio Points

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

12-May		Hugoton Handover
5-May	*	Trading Action
28-Apr	*	The XTO Effect
21-Apr	*	New Billion Dollar Float

Industry Ideas

15-Feb	*	Presentation Slides	Russian Natural Gas, Canadian Tar Sands
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* Archived on www.mcdep.com

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