

## Meter Reader

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

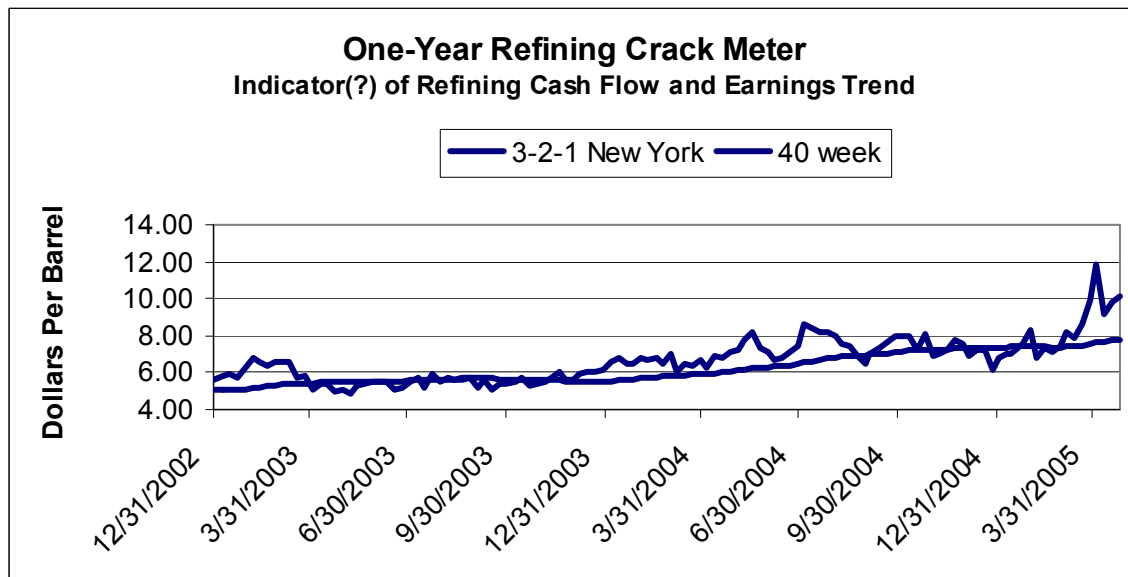
April 26, 2005

# Refining Deal

## Summary and Recommendation

A giant deal to create the U.S.'s largest oil refiner combined with rising futures prices suggests more profits ahead for buy-recommended integrated oil companies including **ChevronTexaco (CVX)**, **ConocoPhillips (COP)** and **Royal Dutch (RD)** among others. Valero (VLO) and Premcor (PCO) time their deal just as oil and product futures point to a widening profit margin for refiners (see chart One-Year Refining Crack Meter). Meanwhile, the retreat in six-year oil was short-lived as quotes bounce back to some \$52 a barrel (see chart Latest Five Weekly Data Points and Trend). One-year futures continue in a channel that points higher, but not too high too soon (see chart Oil One-Year Futures Strip). McDep Ratios at a median 0.90 imply that stocks are valued as though oil were \$36 a barrel or less (see table Rank by McDep Ratio). Considering the industry prospects, other valuation measures all seem low at a median unlevered cash flow multiple of 4.7 times, median P/E at 9.3 and median dividend yield at 2.3% per year (see table Rank by EV/Ebitda).

Kurt H. Wulff, CFA

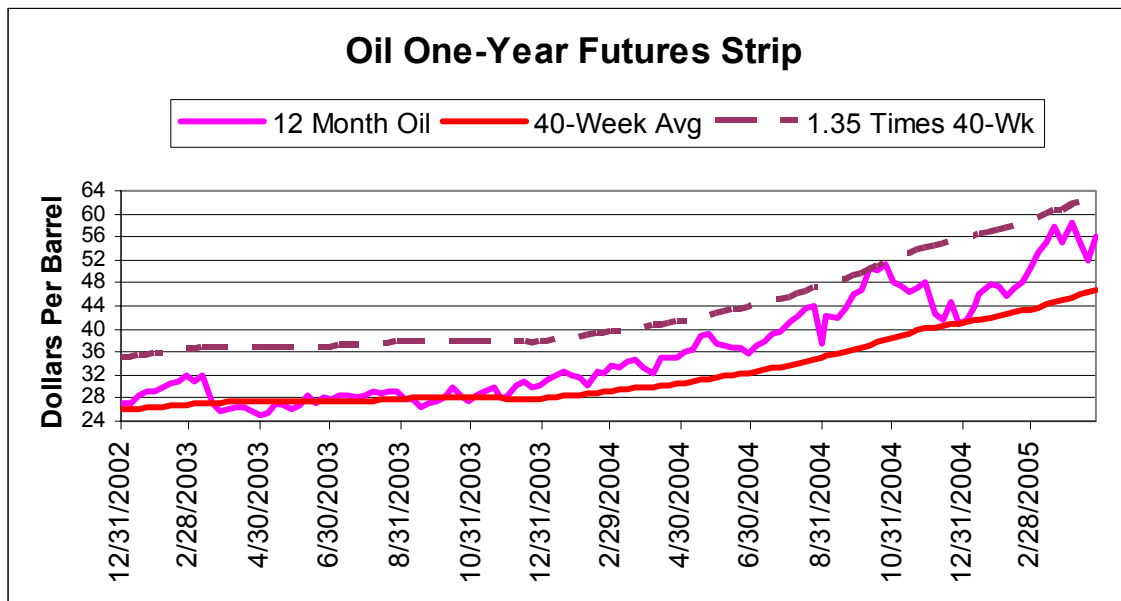
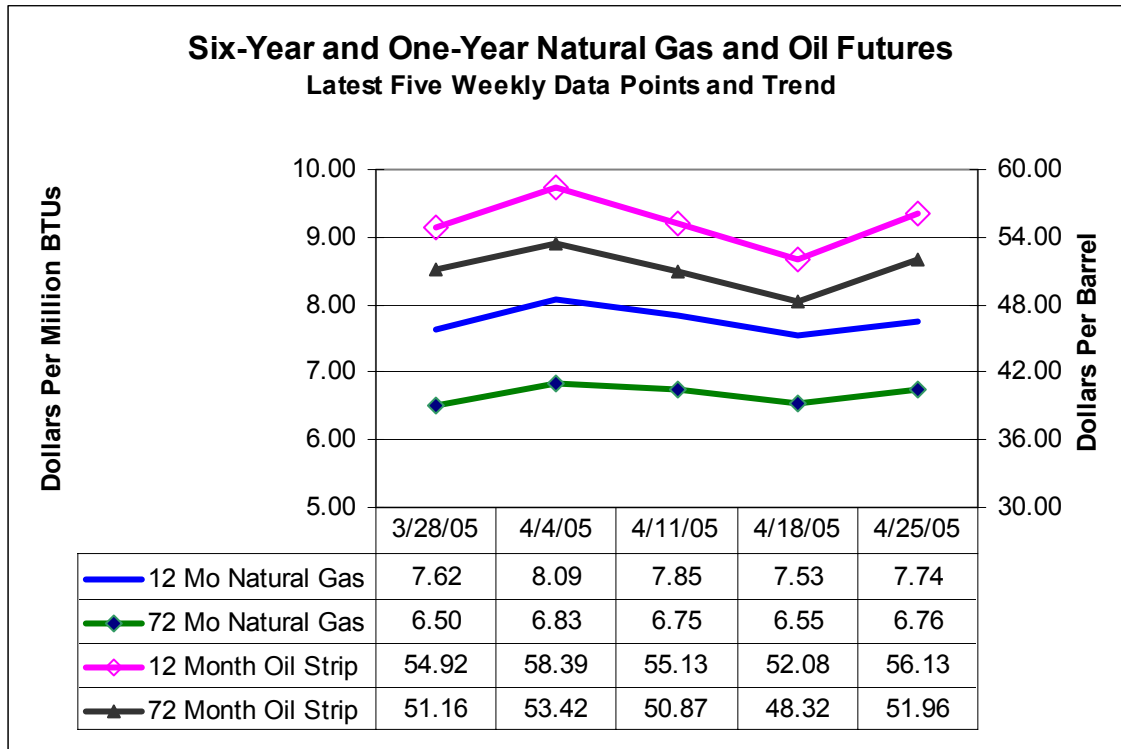


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#### Oil and Gas Producers Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating		Price (\$/sh) 25-Apr 2005	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
Exxon Mobil Corporation	XOM	B	59.96	6,461	387,000	60.00	0.06	1.00
Shell Transport and Trading Co. plc	SC	B	55.27	1,587	88,000	55.90	0.16	0.99
Total S.A.	TOT	B	115.50	1,218	141,000	120.00	0.16	0.97
BP plc	BP	B	61.60	3,601	222,000	64.00	0.12	0.97
Royal Dutch Petroleum	RD	B	60.37	2,016	122,000	66.00	0.16	0.93
ChevronTexaco Corporation	CVX	B	54.37	2,123	115,000	76.00	0.10	0.74
<i>Total or Median</i>					1,075,000		0.14	0.97
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	77.77	125	9,720	20.00	0.74	1.76
Imperial Oil Limited (30%)	IMO	B	75.15	105	7,920	64.00	0.11	1.16
Marathon Oil Corporation	MRO	B	48.49	347	16,850	42.00	0.30	1.11
ConocoPhillips	COP	B	108.70	706	76,700	128.00	0.23	0.88
Norsk Hydro ASA	NHY	B	84.77	252	21,390	101.00	0.16	0.86
Petro-Canada	PCZ	B	58.18	264	15,370	70.00	0.17	0.86
Suncor Energy	SU	B	38.13	460	17,540	54.00	0.10	0.73
Lukoil Oil Company	LUKOY	B	140.50	209	29,000	208.00	0.03	0.69
PetroChina Company Ltd (10%)	PTR	B	62.13	176	10,920	94.00	0.05	0.68
<i>Total or Median</i>					205,000		0.16	0.86
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
XTO Energy Inc.	XTO	B	32.07	349	11,210	33.80	0.17	0.96
Encana Corporation	ECA	B	67.63	471	31,800	77.00	0.16	0.90
Unocal Corporation	UCL	B	56.50	271	15,300	65.00	0.21	0.90
Occidental Petroleum Corp.	OXY	B	73.39	406	29,800	87.00	0.14	0.87
CNOOC Limited (19%)	CEO	B	54.88	78	4,290	67.00	-	0.82
Devon Energy Corporation	DVN	B	47.15	500	23,600	63.00	0.16	0.79
Burlington Resources	BR	B	50.90	391	19,900	67.00	0.12	0.79
Anadarko Petroleum Corp.	APC	B	75.46	246	18,600	113.00	0.14	0.71
<i>Total or Median</i>					155,000		0.15	0.84
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	49.87	22	1,120	50.00	0.12	1.00
Energy Partners Ltd.	EPL	B	24.74	39	970	30.00	0.20	0.86
Cimarex Energy Company	XEC	B	37.90	81	3,050	50.00	0.15	0.79
Encore Acquisition Company	EAC	B	40.00	33	1,300	57.00	0.19	0.76
<i>Total or Median</i>					6,400		0.17	0.82
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.88	150	7,330	15.00	0.52	2.09
Kinder Morgan Management, LLC	KMR	S3	44.98	56	2,530	15.00	0.52	1.96
Pengrowth Energy Trust	PGH		20.84	136	2,830	16.00	0.24	1.23
San Juan Basin Royalty Trust	SJT		38.16	47	1,780	32.00	-	1.19
Enerplus Resources Fund	ERF		37.04	104	3,850	32.00	0.16	1.13
Canadian Oil Sands Trust (US\$)	COSWF	B	71.03	92	6,560	94.00	0.15	0.79
<i>Total or Median</i>					24,900		0.20	1.21

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) 25-Apr 2005	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>Mega Cap</b>								
Exxon Mobil Corporation	XOM	B	59.96	11.1	6.6	6.5	12	1.8
BP plc	BP	B	61.60	9.4	5.7	5.5	10	3.3
Total S.A.	TOT	B	115.50	8.9	5.6	5.5	11	2.7
Shell Transport and Trading Co. plc	SC	B	55.27	7.6	5.0	4.9	10	3.6
Royal Dutch Petroleum	RD	B	60.37	7.6	5.0	4.6	9	3.8
ChevronTexaco Corporation	CVX	B	54.37	9.7	5.9	4.4	8	2.9
	<i>Median</i>			9.2	5.7	5.2	10	3.1
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	77.77		7.5	13.1	17	3.6
Suncor Energy	SU	B	38.13	18.2	10.3	7.6	18	0.5
Imperial Oil Limited (30%)	IMO	B	75.15	10.6	6.2	7.2	13	0.9
Marathon Oil Corporation	MRO	B	48.49	7.9	4.2	4.7	8	2.3
ConocoPhillips	COP	B	108.70	11.6	5.1	4.5	7	2.3
Petro-Canada	PCZ	B	58.18	7.6	5.1	4.4	8	0.8
Norsk Hydro ASA	NHY	B	84.77	8.5	4.9	4.2	9	3.7
PetroChina Company Ltd (10%)	PTR	B	62.13	13.5	5.7	3.9	7	5.1
Lukoil Oil Company	LUKOY	B	140.50	12.2	4.0	2.7	5	2.5
	<i>Median</i>			11.1	5.1	4.5	8	2.3
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
XTO Energy Inc.	XTO	B	32.07	11.6	5.9	5.6	11	0.6
Occidental Petroleum Corp.	OXY	B	73.39	11.6	5.5	4.7	8	1.7
Burlington Resources	BR	B	50.90	9.8	5.9	4.7	10	0.7
Encana Corporation	ECA	B	67.63	7.2	5.1	4.5	9	0.6
Unocal Corporation	UCL	B	56.50	8.5	4.9	4.4	9	1.4
Anadarko Petroleum Corp.	APC	B	75.46	11.9	5.7	4.1	8	1.0
Devon Energy Corporation	DVN	B	47.15	7.9	5.0	3.9	9	0.6
CNOOC Limited (19%)	CEO	B	54.88	9.1	4.4	3.6	6	3.7
	<i>Median</i>			9.4	5.3	4.5	9	0.8
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRYP	B	49.87	10.9	5.5	5.5	14	1.0
Encore Acquisition Company	EAC	B	40.00	15.6	6.6	5.0	11	-
Cimarex Energy Company	XEC	B	37.90	7.6	4.6	3.7	8	-
Energy Partners Ltd.	EPL	B	24.74	5.3	3.9	3.3	9	-
	<i>Median</i>			9.2	5.1	4.3	10	-
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.88		7.6	15.9	21	6.0
Kinder Morgan Management, LLC	KMR	S3	44.98		7.6	14.9	19	6.5
San Juan Basin Royalty Trust	SJT		38.16	12.1	8.8	10.5	12	8.6
Enerplus Resources Fund	ERF		37.04	8.3	5.6	6.4	12	9.2
Canadian Oil Sands Trust (US\$)	COSWF	B	71.03	20.0	7.8	6.2	7	2.3
Pengrowth Energy Trust	PGH		20.84	7.9	4.9	6.0	9	10.7
	<i>Median</i>			10.2	7.6	8.4	12	7.6

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

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#### Index of Recent Research

##### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
22-Apr	OXY	Occidental Petroleum Corporation	Return to Libya
22-Apr	ECA	EnCana Corporation	Natural Gas Leader
14-Apr	KMx	Kinder Morgan	Our Contrary View
8-Apr	NHY	Norsk Hydro ASA	New High for Oil and Aluminum
7-Apr	LUKOY	Lukoil Oil Company	National Treasure
31-Mar	BR	Burlington Resources, Inc.	San Juan Basin Value Expanding
29-Mar	* CEO	CNOOC Ltd	Nice Dividend
23-Mar	* CEO	CNOOC Ltd	Volume Gains Expected in 2005
21-Mar	* PTR	PetroChina Company Limited	Nice Dividend
18-Mar	* RD	Royal Dutch Petroleum	Transformation Approaching
18-Mar	* SC	Shell Transport & Trading Company, p.l.c.	Transformation Approaching
17-Mar	* BP	BP p.l.c.	More Cash Flow to Owners
7-Mar	* EPL	Energy Partners, Ltd.	Layer Cake
7-Mar	* DVN	Devon Energy Corporation	Target Diversification
7-Mar	* XEC	Cimarex Energy Company	Raise Net Present Value to \$50 a Share
7-Mar	* XOM	Exxon Mobil Corporation	Raise Net Present Value to \$60 a Share
2-Mar	* SU	Suncor Energy Inc.	Fire Tests Patience
28-Feb	* CVX	ChevronTexaco Corporation	Raise Net Present Value to \$76 a Share
25-Feb	* COP	ConocoPhillips	Raise Net Present Value to \$128 a Share
18-Feb	* EAC	Encore Acquisition Company	Raise Net Present Value to \$57 a Share
17-Feb	* APC	Anadarko Petroleum Corporation	Raise Net Present Value to \$113 a Share
17-Feb	* XTO	XTO Energy Inc.	Raise Net Present Value to \$45 a Share
14-Feb	* TOT	Total S.A.	Raise Net Present Value to \$120 a Share
10-Feb	* UCL	Unocal Corporation	Raise Net Present Value to \$65 a Share
9-Feb	* EPL	Energy Partners, Ltd.	South Timbalier Thrill
7-Feb	* BRY	Berry Petroleum Company	A Touch of Glamour
7-Feb	* DVN	Devon Energy Corporation	Raise Net Present Value to \$63 a Share
7-Feb	* IMO	Imperial Oil Limited	Raise Net Present Value to US\$64 a Share
3-Feb	* SJT	San Juan Basin Royalty Trust	Real Value with Income
1-Feb	* PCZ	Petro-Canada	Raise Net Present Value to US\$70 a Share
31-Jan	* COSWF	Canadian Oil Sands Trust	Raise Net Present Value to US\$94 a Share
31-Jan	* MRO	Marathon Oil Corporation	Raise Net Present Value to \$42 a Share
26-Jan	* XEC	Cimarex Energy Company	Magnum Hunter Acquisition Adds Value

##### Meter Reader - A Weekly Analysis

25-Apr		Refining Deal
18-Apr	*	Trend Intact
11-Apr	*	Positive Signs
5-Apr	*	Unocal Acquisition by ChevronTexaco
29-Mar	*	Value, Momentum and Growth
22-Mar	*	The Buy Stocks, Sell Commodity Futures Arbitrage

\* Archived on [www.mcdep.com](http://www.mcdep.com)

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