

## Meter Reader

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

July 5, 2005

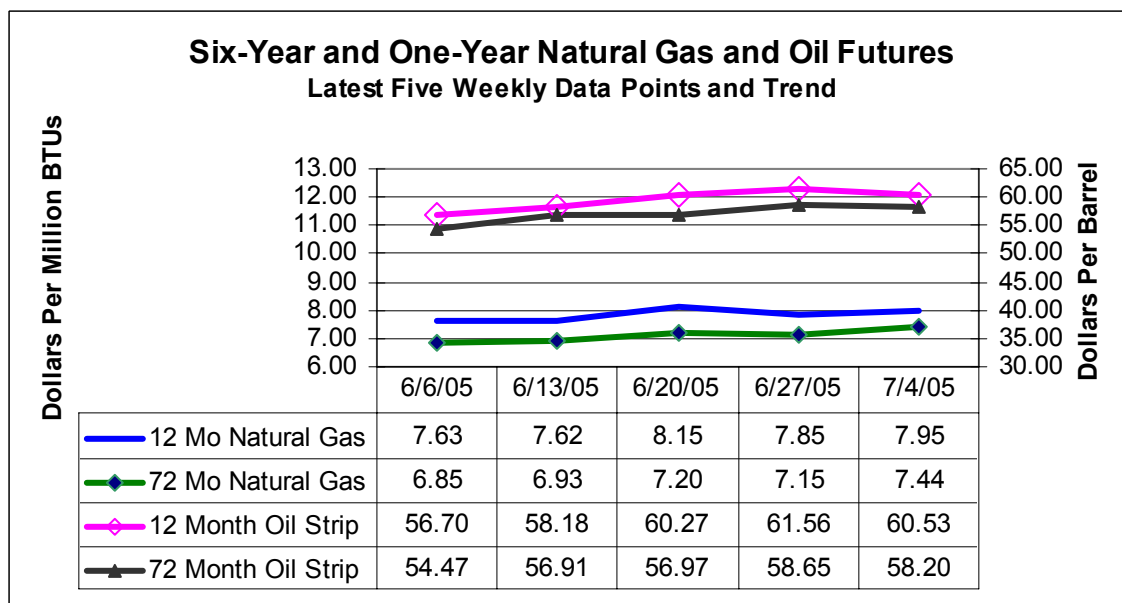
# Oil Cheap, Natural Gas Cheaper

## Summary and Recommendation

Continued growth in oil consumption despite high taxes in consuming countries demonstrates that the real value of the commodity is higher than current quotes. Light, Sweet Crude Oil at \$60 a barrel is just \$1.43 a gallon and the refining margin is less than \$10 a barrel, \$0.24 a gallon, for the next twelve months in the futures market. Contrast that with the retail price of \$5 a gallon or more in high-tax consuming countries. Natural gas is more undervalued than oil except for next winter in the UK where the first quarter 2006 price is now quoted at the oil equivalent of more than \$75 a barrel. With six-year natural gas trading at a new high we rank 14 stocks by global concentration on the premium fuel.

## New High for Six-Year Natural Gas

The 72-Month Natural Gas Strip that we calculate from New York Mercantile Exchange futures reached a new high of \$7.44 in our weekly tally (see chart Six-Year and One-Year Natural Gas Futures). Since that price is just 64% of the oil equivalent at 5:1 there remains ample opportunity for the upward price trend to continue (see chart Natural Gas Six-Year Futures Strip and 40-Week Average).

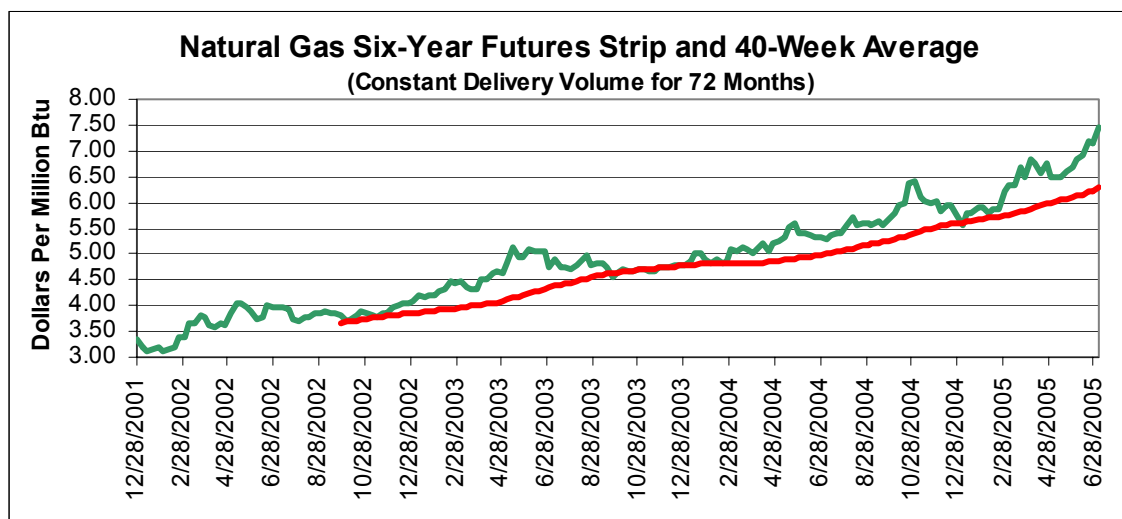


Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is 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

July 5, 2005



As attractive as oil producers appear to be, we think investors should consciously allocate a portion of their McDep Energy Portfolio to natural gas. Stocks with more representation in natural gas include those listed below.

### Rank by Present Value Concentration on Global Natural Gas

	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Global Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	Total (US\$m)	McDep Ratio
San Juan Basin Royalty Trust	100	-	100	-	-	1,490	1.33
XTO Energy Inc.	82	-	82	18	-	16,400	0.98
Encana Corporation	81	-	81	19	-	43,400	1.06
Burlington Resources	68	4	72	28	-	29,500	0.87
Cimarex Energy Company	71	-	71	29	-	4,900	0.84
Devon Energy Corporation	63	-	63	37	-	37,100	0.86
Anadarko Petroleum Corp.	57	-	57	43	-	31,400	0.78
Energy Partners Ltd.	57	-	57	43	-	1,500	0.92
Unocal Corporation	25	28	53	47	-	21,800	1.01
Marathon Oil Corporation	18	12	30	35	35	21,000	1.22
Encore Acquisition Company	28	-	28	72	-	2,300	0.81
Exxon Mobil Corporation	9	18	27	38	35	409,000	0.97
Petro-Canada	22	4	25	53	22	22,800	0.97
Norsk Hydro ASA	-	25	25	38	37	31,700	0.86

Kurt H. Wulff, CFA

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://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

July 5, 2005

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

	Symbol/ Rating		Price (\$/sh) 1-Jul 2005	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
Shell Transport and Trading Co. plc	SC	B	59.04	1,587	94,000	56.00	0.14	1.05
Royal Dutch Petroleum	RD	B	66.01	2,018	133,000	66.00	0.14	1.00
BP plc	BP	B	63.23	3,574	226,000	64.00	0.13	0.99
Exxon Mobil Corporation	XOM	B	58.31	6,421	374,000	60.00	0.06	0.97
Total S.A.	TOT	B	118.23	1,192	141,000	126.00	0.15	0.95
Chevron Corporation	CVX	B	56.97	2,311	132,000	70.00	0.13	0.84
<i>Total or Median</i>					<i>1,100,000</i>		<i>0.13</i>	<i>0.98</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	83.66	124	10,370	20.00	0.74	1.82
Imperial Oil Limited (30%)	IMO	B	85.02	105	8,910	64.00	0.11	1.29
Marathon Oil Corporation	MRO	B	55.54	349	19,360	42.00	0.30	1.22
Petro-Canada	PCZ	B	67.75	263	17,850	70.00	0.19	0.97
Suncor Energy	SU	B	49.16	461	22,670	54.00	0.10	0.92
ConocoPhillips	COP	B	59.10	1,420	83,900	70.00	0.21	0.88
Norsk Hydro ASA	NHY	B	92.43	251	23,190	110.00	0.13	0.86
PetroChina Company Ltd (10%)	PTR	B	74.95	176	13,180	94.00	0.05	0.81
Lukoil Oil Company	LUKOY	B	37.50	830	31,000	52.00	0.02	0.73
<i>Total or Median</i>					<i>230,000</i>		<i>0.13</i>	<i>0.92</i>
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
Encana Corporation	ECA	B	41.21	909	37,500	38.50	0.19	1.06
Unocal Corporation	UCL	B	65.84	273	18,000	65.00	0.19	1.01
XTO Energy Inc.	XTO	B	35.23	366	12,910	36.00	0.19	0.98
CNOOC Limited (29%)	CEO	B	60.82	119	7,250	67.00	0.01	0.91
Occidental Petroleum Corp.	OXY	B	79.66	406	32,400	94.00	0.13	0.87
Burlington Resources	BR	B	56.81	389	22,100	67.00	0.12	0.87
Devon Energy Corporation	DVN	B	52.70	496	26,100	63.00	0.16	0.86
Anadarko Petroleum Corp.	APC	B	84.66	239	20,200	113.00	0.14	0.78
<i>Total or Median</i>					<i>176,000</i>		<i>0.15</i>	<i>0.89</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	55.23	22	1,240	50.00	0.12	1.09
Energy Partners Ltd.	EPL	B	27.13	40	1,090	30.00	0.20	0.92
Cimarex Energy Company	XEC	B	40.14	81	3,250	50.00	0.17	0.84
Encore Acquisition Company	EAC	B	43.37	33	1,430	57.00	0.18	0.81
<i>Total or Median</i>					<i>7,000</i>		<i>0.17</i>	<i>0.88</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	51.50	153	7,880	15.00	0.51	2.19
Kinder Morgan Management, LLC	KMR	S3	46.78	58	2,720	15.00	0.51	2.03
San Juan Basin Royalty Trust	SJT		42.80	47	1,990	32.00	-	1.33
Pengrowth Energy Trust	PGH		22.38	153	3,420	16.00	0.19	1.32
Enerplus Resources Fund	ERF		38.86	105	4,070	32.00	0.16	1.18
Canadian Oil Sands Trust (US\$)	COSWF	B	74.17	93	6,860	94.00	0.16	0.82
<i>Total or Median</i>					<i>26,900</i>		<i>0.17</i>	<i>1.33</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

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://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

July 5, 2005

#### Oil and Gas Producers

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

	Symbol/ Rating		Price (\$/sh) 1-Jul 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	58.31	11.2	6.1	5.9	10	1.9
Total S.A.	TOT	B	118.23	9.0	5.3	5.0	8	2.7
BP plc	BP	B	63.23	9.4	5.0	5.0	8	3.2
Shell Transport and Trading Co. plc	SC	B	59.04	7.3	4.6	4.8	9	3.1
Royal Dutch Petroleum	RD	B	66.01	7.3	4.6	4.6	8	3.3
Chevron Corporation	CVX	B	56.97	9.6	5.0	4.2	7	3.2
		<i>Median</i>		9.2	5.0	4.9	8	3.2
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	83.66		7.7	14.0	20	3.3
Imperial Oil Limited (30%)	IMO	B	85.02	9.9	6.4	8.2	15	0.8
Suncor Energy	SU	B	49.16	20.1	8.5	7.8	17	0.4
Marathon Oil Corporation	MRO	B	55.54	7.5	4.0	4.9	8	2.0
Petro-Canada	PCZ	B	67.75	5.4	4.8	4.6	8	0.7
PetroChina Company Ltd (10%)	PTR	B	74.95	13.7	5.7	4.6	9	4.2
ConocoPhillips	COP	B	59.10	11.6	4.9	4.3	7	2.1
Norsk Hydro ASA	NHY	B	92.43	8.2	4.6	4.0	8	3.3
Lukoil Oil Company	LUKOY	B	37.50	19.8	4.4	3.2	6	2.6
		<i>Median</i>		10.7	4.9	4.6	8	2.1
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
XTO Energy Inc.	XTO	B	35.23	11.8	6.2	6.1	12	0.6
Encana Corporation	ECA	B	41.21	7.2	5.1	5.4	11	1.5
Burlington Resources	BR	B	56.81	9.9	5.3	4.6	10	0.6
Occidental Petroleum Corp.	OXY	B	79.66	11.5	5.3	4.6	8	1.6
Unocal Corporation	UCL	B	65.84	8.5	4.5	4.5	9	1.2
Anadarko Petroleum Corp.	APC	B	84.66	12.3	5.7	4.5	8	0.9
CNOOC Limited (29%)	CEO	B	60.82	9.6	4.7	4.3	8	3.4
Devon Energy Corporation	DVN	B	52.70	7.8	4.6	4.0	9	0.6
		<i>Median</i>		9.7	5.2	4.6	9	1.0
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	55.23	11.2	4.9	5.3	14	0.9
Encore Acquisition Company	EAC	B	43.37	15.4	6.4	5.1	12	-
Cimarex Energy Company	XEC	B	40.14	7.5	4.4	3.7	8	-
Energy Partners Ltd.	EPL	B	27.13	4.8	3.2	2.9	7	-
		<i>Median</i>		9.4	4.7	4.4	10	-
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	51.50		7.4	16.2	23	5.9
Kinder Morgan Management, LLC	KMR	S3	46.78		7.4	15.0	21	6.5
San Juan Basin Royalty Trust	SJT		42.80	12.1	8.6	11.5	13	7.9
Pengrowth Energy Trust	PGH		22.38	7.4	5.1	6.8	10	9.9
Enerplus Resources Fund	ERF		38.86	9.4	5.4	6.3	11	8.7
Canadian Oil Sands Trust (US\$)	COSWF	B	74.17	20.0	7.7	6.3	7	2.2
		<i>Median</i>		10.8	7.4	9.1	12	7.2

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 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](http://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. 4

## Meter Reader

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

July 5, 2005

#### Index of Recent Research

##### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
29-Jun	LUKOY	Lukoil Oil Company	Profits and Taxes Rising
23-Jun	CEO	CNOOC, Unocal, Chevron	Bidding Battle
23-Jun	KMx	Kinder Morgan	Unlevered Underperformer
8-Jun	CEO	CNOOC Ltd	Unocal Bid?
8-Jun	PTR	PetroChina Company Limited	News Pending
8-Jun	OXY	Occidental Petroleum Corporation	Raise Net Present Value to \$94 a Share
6-Jun	NHY	Norsk Hydro ASA	European Natural Gas Awakes
3-Jun	EPL	Energy Partners, Ltd.	Exploration Exposure
1-Jun	* RD	Royal Dutch Petroleum	Nice Return for Low Risk
1-Jun	* SC	Shell Transport & Trading Company, p.l.c.	Nice Return for Low Risk
1-Jun	* BP	BP p.l.c.	Nice Return for Low Risk
1-Jun	* XOM	Exxon Mobil Corporation	Nice Return for Low Risk
31-May	* ECA	EnCana Corporation	Clean Fuel Supplier
31-May	* DVN	Devon Energy Corporation	Clean Fuel Supplier
31-May	* BR	Burlington Resources, Inc.	Clean Fuel Supplier
31-May	* APC	Anadarko Petroleum Corporation	Clean Fuel Supplier
26-May	* UCL	Unocal Corporation	Buy Chevron at a Discount
26-May	* CVX	ChevronTexaco Corporation	Reduce Net Present Value to \$70 a Share
25-May	* XEC	Cimarex Energy Company	Natural Gas Growth
23-May	* SU	Suncor Energy Inc.	Syncrude Sister
20-May	* COP	ConocoPhillips	Raise Net Present Value to \$140 a Share
16-May	* EAC	Encore Acquisition Company	Momentum Test
11-May	* XTO	XTO Energy Inc.	Raise Net Present Value to \$36 a Share
9-May	* TOT	Total S.A.	Raise Net Present Value to \$120 a Share
6-May	* IMO	Imperial Oil Limited	Oil Sands Strategy
5-May	* BRY	Berry Petroleum Company	Oil in the Kitty Litter
29-Apr	* MRO	Marathon Oil Corporation	Between China and Canada
28-Apr	* SJT	San Juan Basin Royalty Trust	Ten Bagger
27-Apr	* PCZ	Petro-Canada	Oil Sands Strategy
26-Apr	* COSWF	Canadian Oil Sands Trust	If You Could Own Only One

##### Meter Reader - A Weekly Analysis

5-Jul		Oil Cheap, Natural Gas Cheaper
28-Jun	*	Exchange Dollars for Oil and Gas
21-Jun	*	Oil Sands Miners
14-Jun	*	Canada Re-Capp
7-Jun	*	Rest of World Natural Gas
31-May	*	Europe Bids Natural Gas Higher
24-May	*	Clean Air Tradeoff Indicator

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

Also see

**U.S. Natural Gas Royalty Trusts - A Weekly Analysis, and Single-Trust Analyses**

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://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.