

Meter Reader Flash

A Special Analysis of Energy Stocks Using the McDep Ratio

October 6, 2005

Industry Outlook Stable

Summary and Recommendation

Sharp stock price declines in the past three days contrast with little recent change in the oil and gas industry outlook. Shut-in refineries that can't take crude oil today contribute to near-term crude oil price that is lower than one-year futures prices that are above \$62 a barrel. Natural gas price remains strong with one-year futures above \$12 a million btu. One-year refining margin remains above \$15 a barrel. All three measures are well above the long-term assumptions embedded in a McDep Ratio of 1.0 -- \$50 a barrel for crude oil, \$10 a mmbtu for natural gas and \$10 a barrel for refining margin. Meanwhile McDep Ratios have declined to a median 0.82 from 0.88 just three days ago. Stock price declines are as much as 20% in the same time. Though we cannot control stock prices, we like the prospects for buy-recommended stocks (see table [Rank by McDep Ratio](#)).

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Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at 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.

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

	Symbol/ Rating		Price (\$/sh) 6-Oct 2005	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Total S.A.	TOT	B	128.14	1,182	152,000	160.00	0.12	0.82
BP plc	BP	B	65.97	3,545	234,000	82.00	0.10	0.82
Exxon Mobil Corporation	XOM	B	58.75	6,370	374,000	74.00	0.04	0.80
Royal Dutch Shell plc	RDS-A	B	63.10	3,372	213,000	84.00	0.09	0.77
Chevron Corporation	CVX	B	60.90	2,256	137,000	90.00	0.12	0.71
<i>Total or Median</i>					<i>1,110,000</i>		<i>0.10</i>	<i>0.80</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	90.06	123	11,090	20.00	0.76	1.85
Imperial Oil Limited (30%)	IMO	B	99.95	104	10,350	84.00	0.09	1.17
Marathon Oil Corporation	MRO	B	60.05	367	22,040	65.00	0.27	0.94
Petro-Canada	PCZ	B	37.80	526	19,880	42.00	0.19	0.92
Lukoil Oil Company	LUKOY	B	54.15	830	45,000	65.00	0.03	0.84
Norsk Hydro ASA	NHY	B	103.49	251	25,980	130.00	0.12	0.82
Suncor Energy	SU	B	50.39	461	23,230	68.00	0.10	0.77
Gazprom (50%)	OGZPF	B	57.10	1,022	58,300	90.00	0.03	0.65
ConocoPhillips	COP	B	61.90	1,419	87,800	100.00	0.15	0.68
PetroChina Company Ltd (10%)	PTR	B	77.53	176	13,630	120.00	0.01	0.65
<i>Total or Median</i>					<i>317,000</i>		<i>0.11</i>	<i>0.83</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	50.26	892	44,800	51.00	0.16	0.99
XTO Energy Inc.	XTO	B	40.98	367	15,040	48.00	0.17	0.88
Burlington Resources	BR	B	70.81	385	27,300	86.00	0.09	0.84
CNOOC Limited (29%)	CEO	B	65.00	119	7,750	84.00	0.01	0.78
Devon Energy Corporation	DVN	B	61.38	471	28,900	86.00	0.15	0.76
Occidental Petroleum Corp.	OXY	B	77.43	406	31,400	120.00	0.11	0.69
Anadarko Petroleum Corp.	APC	B	86.19	238	20,500	140.00	0.11	0.66
<i>Total or Median</i>					<i>493,000</i>		<i>0.11</i>	<i>0.80</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	59.00	23	1,330	65.00	0.10	0.92
Energy Partners Ltd.	EPL	B	26.75	41	1,080	38.00	0.17	0.75
Encore Acquisition Company	EAC	B	32.55	49	1,610	50.00	0.17	0.71
Cimarex Energy Company	XEC	B	40.60	85	3,450	64.00	0.12	0.68
<i>Total or Median</i>					<i>7,500</i>		<i>0.15</i>	<i>0.73</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	51.50	157	8,090	15.00	0.55	2.09
Kinder Morgan Management, LLC	KMR	S3	49.16	56	2,730	15.00	0.55	2.02
Pengrowth Energy Trust	PGH		23.02	157	3,610	20.00	0.17	1.13
San Juan Basin Royalty Trust	SJT		42.65	47	1,990	40.00	-	1.07
Enerplus Resources Fund	ERF		42.97	105	4,510	42.00	0.13	1.02
Penn West Energy Trust	PWTFF	B	27.48	174	4,770	28.00	0.16	0.98
Canadian Oil Sands Trust (US\$)	COSWF	B	91.58	93	8,510	136.00	0.12	0.71
<i>Total or Median</i>					<i>34,200</i>		<i>0.16</i>	<i>1.07</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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