

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

December 20, 2005

Natural Gas Person of the Year: Vladimir Putin

Summary and Recommendation

President of Russia, the country that has more natural gas than Saudi Arabia has oil, Mr. Putin acts as a visionary capitalist who apparently understands the value of the planet's cleanest energy resource. During 2005, the Russian government reclaimed majority ownership of buy-recommended **Gazprom (OGZPF)**, the producer of 90% of the country's natural gas output. Next, the Russian president aims at enhancing the value of Gazprom by encouraging customers to pay global prices for the commodity. At the same time, the Russian parliament has passed a law that Mr. Putin is expected to sign momentarily, to remove a ceiling on international ownership of Gazprom stock. For setting the stage and leading the way for Gazprom to become a trillion dollar energy resource stock concentrated on natural gas we designate President Vladimir V. Putin Natural Gas Person of the Year. Mr. Putin looks like the People's Partner for Potential Profit.

Clean Fuel for Consumers, Profits for Producers and Refiners, Russia Included

The relationships as we see them are reflected in latest prices for futures and stocks (see table [Oil and Gas Commodity and Stock Price](#)). Three of five futures prices are in an uptrend as measured by current price above the 40-week average. In our vision of the energy future the uptrend would carry oil to \$150 by 2010.

Oil and Gas Commodity and Stock Price Monday, December 19, 2005

	<u>Units</u>	<u>Futures Price</u>		<u>McDep Ratio</u>
		<u>Six-Year</u>	<u>One-Year</u>	<u>Denominator</u>
Crude Oil	\$/barrel	58.34	59.69	50
Natural Gas	\$/million btu	8.92	11.76	10
Oil Refining	\$/barrel		9.74	10
	<u>Stocks</u>			<u>Median</u>
	Mega Cap			0.79
	Producer/Refiner			0.94
	Independent - Large			0.81
	Independent - Small			0.70
	Income			1.14

Source: McDep Associates, Bloomberg, New York Mercantile Exchange,
Yahoo and company disclosures

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The six-year natural gas trend is strongest at 16% above the 40-week average and some 25% below the equivalent of oil. The six-year oil trend is also strong. The short-term measures of one-year oil and one-year refining crack appear trendless as they are both currently below the 40-week average after crossing up and down in recent weeks.

Select Stocks on Valuation and Strategic Considerations

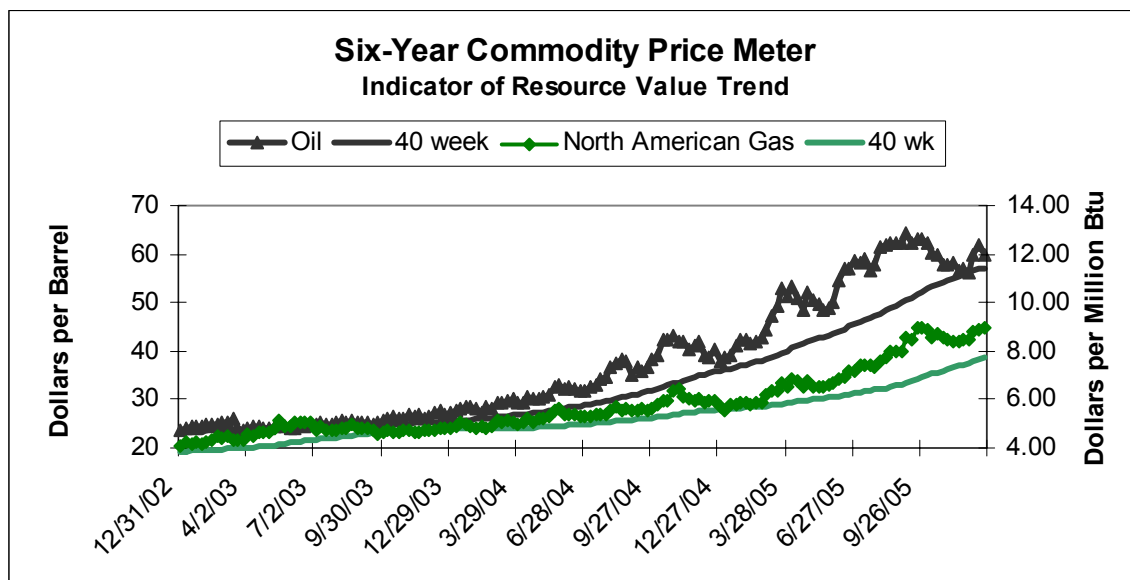
Stocks are ranked in descending order of McDep Ratio to suggest “buy low and sell high” (see table Rank by McDep Ratio). We recommend representation in each of the five groups from Mega Cap to Income with emphasis on low McDep Ratio stocks.

Next Twelve Months Cash Flow, Ebitda, changes continuously with futures prices for natural gas and oil (see table Rank by EV/Ebitda). We regularly check the correlation of present value with cash flow multiple by business and expected life of production.

Investors can diversify political risk by owning stocks of companies headquartered in other countries (see table Home Country and Business Segments). Russian stocks offer potential resource value beyond that reflected in the McDep Ratio. Finally, we recommend balance among business segments. Investors should be sure to be represented in the stocks of companies with strong natural gas concentration.

Timely analyses are available on all recommended stocks (see table Index of Recent Research).

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) 19-Dec 2005	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	65.28	3,501	229,000	77.00	0.11	0.86
Total S.A.	TOT	B	127.79	1,176	150,000	160.00	0.12	0.82
Exxon Mobil Corporation	XOM	B	57.70	6,303	364,000	74.00	0.04	0.79
Royal Dutch Shell plc	RDS-A	B	61.55	3,352	206,000	84.00	0.10	0.76
Chevron Corporation	CVX	B	56.75	2,256	128,000	85.00	0.13	0.71
<i>Total or Median</i>					1,077,000		0.11	0.79
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	92.44	135	12,520	33.00	0.71	1.52
Imperial Oil Limited (30%)	IMO	B	99.00	102	10,110	84.00	0.10	1.16
Petro-Canada	PCZ	B	40.05	525	21,040	42.00	0.19	0.96
Marathon Oil Corporation	MRO	B	61.40	368	22,580	65.00	0.27	0.96
Lukoil Oil Company	LUKOY	B	61.10	830	51,000	65.00	0.03	0.94
Suncor Energy	SU	B	62.75	461	28,930	68.00	0.11	0.93
Norsk Hydro ASA	NHY	B	101.75	251	25,530	130.00	0.11	0.81
PetroChina Company Ltd (10%)	PTR	B	80.70	176	14,190	120.00	0.01	0.68
Gazprom (50%)	OGZPF	B	78.50	1,013	79,500	120.00	0.03	0.67
ConocoPhillips	COP	B	58.60	1,418	83,100	100.00	0.15	0.65
<i>Total or Median</i>					349,000		0.11	0.94
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Burlington Resources	BR	B	86.34	381	32,900	86.00	0.09	1.00
XTO Energy Inc.	XTO	B	45.58	370	16,860	48.00	0.20	0.96
Encana Corporation	ECA	B	46.73	876	40,900	51.00	0.20	0.93
CNOOC Limited (29%)	CEO	B	68.18	119	8,130	84.00	0.00	0.81
Devon Energy Corporation	DVN	B	64.60	454	29,300	86.00	0.15	0.79
Anadarko Petroleum Corp.	APC	B	95.97	238	22,800	140.00	0.12	0.72
Occidental Petroleum Corp.	OXY	B	81.60	404	33,000	120.00	0.11	0.72
<i>Total or Median</i>					184,000		0.12	0.81
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	59.57	23	1,340	65.00	0.11	0.93
Encore Acquisition Company	EAC	B	32.71	50	1,620	50.00	0.21	0.73
Cimarex Energy Company	XEC	B	40.70	85	3,460	64.00	0.11	0.68
Energy Partners Ltd.	EPL	B	22.19	41	910	38.00	0.19	0.66
<i>Total or Median</i>					7,300		0.15	0.70
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.95	160	7,830	15.00	0.55	2.01
Kinder Morgan Management, LLC	KMR	S3	47.00	57	2,660	15.00	0.55	1.96
Pengrowth Energy Trust	PGH		23.37	159	3,720	20.00	0.16	1.14
Enerplus Resources Fund	ERF		48.60	110	5,350	42.00	0.14	1.14
Penn West Energy Trust	PWTFF	B	31.99	179	5,720	28.00	0.15	1.12
San Juan Basin Royalty Trust	SJT		44.10	47	2,060	40.00	-	1.10
Canadian Oil Sands Trust (US\$)	COSWF	B	111.48	93	10,380	136.00	0.11	0.84
<i>Total or Median</i>					37,700		0.15	1.14

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) 19-Dec 2005	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
BP plc	BP	B	65.28	9.4	6.3	5.5	9	3.3
Exxon Mobil Corporation	XOM	B	57.70	11.7	6.8	5.4	9	2.0
Total S.A.	TOT	B	127.79	9.2	6.4	5.2	9	2.8
Royal Dutch Shell plc	RDS-A	B	61.55	7.5	5.6	4.3	8	3.6
Chevron Corporation	CVX	B	56.75	9.6	5.8	4.1	7	3.2
	<i>Median</i>			9.4	6.3	5.2	9	3.2
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	92.44		8.5	12.8	19	3.2
Suncor Energy	SU	B	62.75	17.6	9.5	8.8	19	0.3
Imperial Oil Limited (30%)	IMO	B	99.00	11.5	7.1	8.2	14	0.8
Gazprom (50%)	OGZPF	B	78.50	20.0	11.0	7.3	13	0.5
Petro-Canada	PCZ	B	40.05	5.7	5.1	5.0	9	0.7
Marathon Oil Corporation	MRO	B	61.40	7.4	5.1	4.9	7	2.1
Lukoil Oil Company	LUKOY	B	61.10	19.8	4.9	4.6	8	1.6
PetroChina Company Ltd (10%)	PTR	B	80.70	13.8	6.4	4.3	9	4.7
Norsk Hydro ASA	NHY	B	101.75	8.0	5.3	4.2	9	2.9
ConocoPhillips	COP	B	58.60	11.2	5.7	3.7	5	2.1
	<i>Median</i>			11.5	6.1	4.9	9	1.9
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	45.58	10.8	5.8	5.6	9	0.4
Burlington Resources	BR	B	86.34	10.0	4.7	4.7	9	0.5
Encana Corporation	ECA	B	46.73	7.1	4.9	4.6	8	0.6
Occidental Petroleum Corp.	OXY	B	81.60	11.0	6.4	4.6	8	1.8
CNOOC Limited (29%)	CEO	B	68.18	9.2	5.4	4.4	8	3.4
Anadarko Petroleum Corp.	APC	B	95.97	12.5	6.0	4.4	8	0.8
Devon Energy Corporation	DVN	B	64.60	7.8	4.5	3.5	6	0.5
	<i>Median</i>			10.0	5.4	4.6	8	0.6
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	59.57	10.1	5.9	5.4	10	1.0
Encore Acquisition Company	EAC	B	32.71	14.3	6.3	4.6	9	-
Cimarex Energy Company	XEC	B	40.70	7.4	4.2	2.8	5	-
Energy Partners Ltd.	EPL	B	22.19	5.7	3.9	2.6	7	-
	<i>Median</i>			8.8	5.0	3.7	8	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.95		7.9	16.0	22	6.5
Kinder Morgan Management, LLC	KMR	S3	47.00		7.9	15.5	22	6.7
Canadian Oil Sands Trust (USS)	COSWF	B	111.48	20.0	12.4	10.4	13	3.1
San Juan Basin Royalty Trust	SJT		44.10	12.1	7.2	8.0	9	11.7
Pengrowth Energy Trust	PGH		23.37	7.6	5.2	5.9	8	11.0
Enerplus Resources Fund	ERF		48.60	8.6	5.2	5.9	9	8.9
Penn West Energy Trust	PWTFF	B	31.99	8.0	4.6	5.1	7	9.9
	<i>Median</i>			8.6	7.2	8.0	9	8.9

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2006; 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)
Mega Cap							
Exxon Mobil Corporation	XOM	B	10	19	38	33	487,000
BP plc	BP	B UK	10	12	42	36	302,000
Royal Dutch Shell plc	RDS-A	B UK	4	19	33	45	313,000
Chevron Corporation	CVX	B	9	9	52	29	221,000
Total S.A.	TOT	B France	-	28	37	35	214,000
	<i>Total or Median</i>		9	19	38	35	1,537,000
Producer/Refiners - Large Cap and Mid Cap							
PetroChina Company Ltd.	PTR	B China	-	9	71	20	213,000
Gazprom	OGZPF	B Russia		100			251,000
ConocoPhillips	COP	B	13	7	45	35	166,800
Lukoil Oil Company	LUKOY	B Russia	-	-	62	38	55,700
Norsk Hydro ASA	NHY	B Norway	-	27	38	35	36,800
Suncor Energy	SU	B Canada	5	-	89	7	35,200
Marathon Oil Corporation	MRO	B	14	8	33	46	32,900
Imperial Oil Limited	IMO	B Canada	13	-	62	25	31,800
Petro-Canada	PCZ	B Canada	23	4	53	20	27,200
	<i>Median</i>		9	7	58	30	850,000
Independent Natural Gas and Oil - Large Cap and Mid Cap							
Occidental Petroleum Corp.	OXY	B	15	1	73	11	54,700
Encana Corporation	ECA	B Canada	83	-	17	-	55,600
Devon Energy Corporation	DVN	B	64	-	36	-	46,000
Anadarko Petroleum Corp.	APC	B	60	-	40	-	37,700
Burlington Resources	BR	B	69	5	26	-	36,000
CNOOC Limited	CEO	B China	-	12	88	-	34,600
XTO Energy Inc.	XTO	B	83	-	17	-	22,100
	<i>Median</i>		64	-	36	-	287,000
Independent Natural Gas and Oil - Small Cap							
Cimarex Energy Company	XEC	B	71	-	29	-	6,080
Encore Acquisition Company	EAC	B	25	-	75	-	3,150
Berry Petroleum Company	BRY	B	15	-	85	-	1,950
Energy Partners Ltd.	EPL	B	54	-	46	-	1,930
	<i>Median</i>		40	-	60	-	13,110
Income							
Canadian Oil Sands Trust (US\$)	COSWF	B Canada	-	-	100	-	14,300
Penn West Energy Trust	PWTFF	B Canada	42	-	58	-	5,900
Enerplus Resources Fund	ERF	Canada	58	-	42	-	5,350
Pengrowth Energy Trust	PGH	Canada	42	-	58	-	3,790
San Juan Basin Royalty Trust	SJT		100	-	-	-	1,860
	<i>Median</i>		42	-	58	-	31,200

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
14-Dec	OGZPF	Gazprom	Natural Gas Price Accelerates
13-Dec	BR	Burlington Resources, Inc.	Buy Offer from ConocoPhillips
13-Dec	COP	ConocoPhillips	Offers to Buy Burlington Resources
1-Dec	KMx	Kinder Morgan	Canada Deal Closed
28-Nov	OGZPF	Gazprom	Raise Net Present Value to \$120 a Share
14-Nov	PTR	PetroChina Company Limited	Diversify Political Risk
11-Nov	SJT	San Juan Basin Royalty Trust	Record Distributions Ahead
11-Nov	EPL	Energy Partners, Ltd.	Denali Partners
10-Nov	PWTF	Penn West Energy Trust	Quality Income Stock
7-Nov	TOT	Total S.A.	Global Clean Fuel Supplier
4-Nov	BRY	Berry Petroleum	Expanding on Multiple Fronts
4-Nov	* XEC	Cimarex Energy Company	Doubling Done
3-Nov	* DVN	Devon Energy Corporation	No Hedges in 2006
1-Nov	* CEO	CNOOC Ltd	Low Price for Natural Gas
1-Nov	* OXY	Occidental Petroleum Corporation	Vintage Pending
31-Oct	* CVX	Chevron Corporation	Lower Net Present Value to \$85 a Share
31-Oct	* APC	Anadarko Petroleum Corporation	Long Life for Free
28-Oct	* XOM	Exxon Mobil Corporation	Momentum Challenge
28-Oct	* RDSA	Royal Dutch Shell plc	Downstream Gains
28-Oct	* SU	Suncor Energy Inc.	Up and Running Again
28-Oct	* MRO	Marathon Oil Corporation	Downstream Gains
28-Oct	* PCZ	Petro-Canada	Oil Sands Producer
27-Oct	* ECA	EnCana Corporation	Natural Gas Leader
27-Oct	* EAC	Encore Acquisition Company	Long Life Oil Value
26-Oct	* BP	BP p.l.c.	Lower Net Present Value to \$77 a Share
26-Oct	* NHY	Norsk Hydro ASA	Record Results
26-Oct	* COSWF	Canadian Oil Sands Trust	Distribution Doubled and Unit Split Proposed
21-Oct	* IMO	Imperial Oil Limited	The Unpromoters
21-Oct	* XTO	XTO Energy Inc.	Ready for Winter
14-Oct	* OXY	Occidental Petroleum Corporation	Buy Despite Momentum Signal
26-Sep	* LUKOY	Lukoil Oil Company	Adapting to New Russia

Meter Reader - A Weekly Analysis

20-Dec		Natural Gas Person of the Year: Vladimir Putin
13-Dec	*	ConocoPhillips/Burlington Resources
5-Dec	*	Energy Vision and Reality
29-Nov	*	Global Natural Gas Scramble
22-Nov	*	\$10 Refining Margin

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

16-Dec		Declaration Day
9-Dec	*	Fiscal Follies
2-Dec	*	Calpine Farewell
25-Nov	*	Canadian Thanksgiving

* Archived on www.mcdep.com

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