

## Meter Reader

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

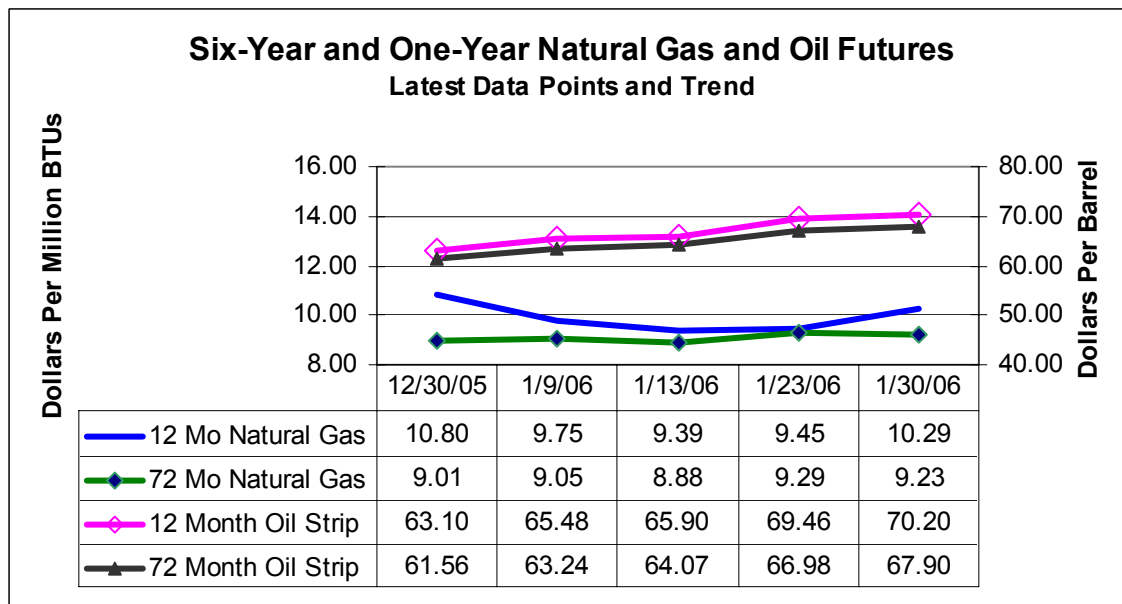
January 31, 2006

# Quarterly Disclosures Influence Value

## Summary and Recommendation

In our valuation framework, the most significant disclosures around quarterly earnings time are those which trigger changes in our estimates of present value, the denominator of the McDep Ratio. For an early warning indicator of company-specific change in estimated present value we use a statistical correlation of cash flow multiple and adjusted reserve life. Latest operating results along with guidance, if any, toward future results give us a basis for estimating cash flow. Oil and gas reserves usually disclosed only after year-end give us a basis for estimating adjusted reserve life. Among eleven companies reporting quarterly results in January we raised present value for four buy recommendations, **Lukoil (LUKOY)**, **Suncor (SU)**, **Marathon (MRO)** and **Gazprom (OGZPF)**. Our statistical correlation points to a McDep Ratio potentially lower (stronger) than the low measure we already see for buy-recommended **ConocoPhillips (COP)**.

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) 30-Jan 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
BP plc	BP	B	72.27	3,501	253,000	77.00	0.11	0.95
Total S.A.	TOT	B	138.37	1,176	163,000	160.00	0.12	0.88
Exxon Mobil Corporation	XOM	B	63.11	6,211	392,000	74.00	0.04	0.86
Royal Dutch Shell plc	RDS-A	B	67.47	3,352	226,000	84.00	0.10	0.82
ConocoPhillips	COP	B	65.25	1,693	111,000	95.00	0.22	0.76
Chevron Corporation	CVX	B	60.75	2,236	136,000	85.00	0.11	0.75
<i>Total or Median</i>					<i>1,281,000</i>		<i>0.11</i>	<i>0.84</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	96.70	139	13,480	33.00	0.74	1.50
Imperial Oil Limited (30%)	IMO	B	104.63	102	10,690	84.00	0.10	1.22
Petro-Canada	PCZ	B	48.33	523	25,280	42.00	0.19	1.12
Suncor Energy	SU	B	79.29	461	36,560	75.00	0.10	1.05
Marathon Oil Corporation	MRO	B	76.55	368	28,160	75.00	0.25	1.02
Norsk Hydro ASA	NHY	B	121.84	251	30,570	130.00	0.17	0.95
PetroChina Company Ltd (10%)	PTR	B	99.93	176	17,570	120.00	0.01	0.83
Lukoil Oil Company	LUKOY	B	77.20	830	64,000	100.00	0.01	0.77
Gazprom (50%)	OGZPF	B	85.70	1,133	97,100	140.00	0.02	0.62
<i>Total or Median</i>					<i>323,000</i>		<i>0.10</i>	<i>1.02</i>
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
CNOOC Limited (29%)	CEO	B	86.31	119	10,290	84.00	0.00	1.03
XTO Energy Inc.	XTO	B	49.45	370	18,300	48.00	0.20	1.02
Encana Corporation	ECA	B	49.23	876	43,100	51.00	0.20	0.97
Devon Energy Corporation	DVN	B	67.70	454	30,700	86.00	0.15	0.82
Occidental Petroleum Corp.	OXY	B	94.47	432	40,800	120.00	0.12	0.81
Anadarko Petroleum Corp.	APC	B	109.03	238	25,900	140.00	0.12	0.80
Burlington Resources	BR	B	91.48	378	34,600	115.00	-	0.80
<i>Total or Median</i>					<i>204,000</i>		<i>0.12</i>	<i>0.82</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	77.78	23	1,750	65.00	0.11	1.17
Energy Partners Ltd.	EPL	B	28.33	41	1,160	38.00	0.19	0.79
Encore Acquisition Company	EAC	B	36.01	50	1,790	50.00	0.21	0.78
Cimarex Energy Company	XEC	B	45.18	85	3,840	64.00	0.11	0.74
<i>Total or Median</i>					<i>8,500</i>		<i>0.15</i>	<i>0.79</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.97	164	8,020	15.00	0.55	2.03
Kinder Morgan Management, LLC	KMR	S3	45.53	58	2,620	15.00	0.55	1.92
Enerplus Resources Fund	ERF		52.90	110	5,820	42.00	0.14	1.22
Pengrowth Energy Trust	PGH		24.93	159	3,960	20.00	0.16	1.21
San Juan Basin Royalty Trust	SJT		45.10	47	2,100	40.00	-	1.13
Penn West Energy Trust	PWTFF	B	37.02	179	6,640	33.00	0.13	1.11
Canadian Oil Sands Trust (US\$)	COSWF	B	128.63	93	11,980	136.00	0.12	0.95
<i>Total or Median</i>					<i>41,100</i>		<i>0.14</i>	<i>1.21</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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#### Oil and Gas Producers

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

	Symbol/ Rating		Price (\$/sh) 30-Jan 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>Mega Cap</b>								
BP plc	BP	B	72.27	9.5	6.0	5.6	9	3.0
Exxon Mobil Corporation	XOM	B	63.11	11.2	6.2	5.3	9	2.0
Total S.A.	TOT	B	138.37	9.2	5.9	5.2	9	2.6
Royal Dutch Shell plc	RDS-A	B	67.47	7.5	5.3	4.4	8	3.3
Chevron Corporation	CVX	B	60.75	9.7	5.4	4.0	7	3.0
ConocoPhillips	COP	B	65.25	10.9	5.3	4.0	6	1.9
	<i>Median</i>			9.6	5.6	4.8	8	2.8
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	96.70		8.2	12.3	19	3.6
Imperial Oil Limited (30%)	IMO	B	104.63	11.5	6.6	8.1	14	0.8
Suncor Energy	SU	B	79.29	17.7	7.3	7.7	15	0.3
Gazprom (50%)	OGZPF	B	85.70	20.0	10.2	6.3	10	0.5
Petro-Canada	PCZ	B	48.33	6.0	5.1	5.7	10	0.7
Norsk Hydro ASA	NHY	B	121.84	7.9	5.2	4.9	10	2.4
PetroChina Company Ltd (10%)	PTR	B	99.93	13.8	5.8	4.8	10	3.8
Marathon Oil Corporation	MRO	B	76.55	6.5	4.6	4.7	7	1.7
Lukoil Oil Company	LUKOY	B	77.20	19.7	5.5	4.3	6	1.3
	<i>Median</i>			12.7	5.8	5.7	10	1.3
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
XTO Energy Inc.	XTO	B	49.45	10.8	6.4	6.5	11	0.4
Encana Corporation	ECA	B	49.23	7.1	5.5	5.3	11	0.6
CNOOC Limited (29%)	CEO	B	86.31	9.2	5.0	5.1	9	2.7
Anadarko Petroleum Corp.	APC	B	109.03	12.5	6.2	5.0	10	0.7
Occidental Petroleum Corp.	OXY	B	94.47	11.3	5.6	4.6	8	1.5
Devon Energy Corporation	DVN	B	67.70	7.8	4.8	3.9	7	0.4
Burlington Resources	BR	B	91.48	-	-	-	-	-
	<i>Median</i>			9.2	5.5	5.0	9	0.6
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	77.78	10.1	5.0	5.8	11	0.8
Encore Acquisition Company	EAC	B	36.01	14.3	6.3	4.9	10	-
Cimarex Energy Company	XEC	B	45.18	7.4	4.6	3.4	7	-
Energy Partners Ltd.	EPL	B	28.33	5.7	4.2	3.3	10	-
	<i>Median</i>			8.8	4.8	4.2	10	-
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.97		7.9	16.0	24	6.5
Kinder Morgan Management, LLC	KMR	S3	45.53		7.9	15.2	22	7.0
Canadian Oil Sands Trust (USS)	COSWF	B	128.63	20.0	10.8	10.3	13	2.7
San Juan Basin Royalty Trust	SJT		45.10	12.2	9.0	10.1	11	9.0
Enerplus Resources Fund	ERF		52.90	8.6	5.3	6.4	10	8.3
Pengrowth Energy Trust	PGH		24.93	7.6	5.2	6.2	9	10.5
Penn West Energy Trust	PWTFF	B	37.02	8.0	5.2	5.8	9	8.8
	<i>Median</i>			8.6	7.9	10.1	11	8.3

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)
<b>Mega Cap</b>							
Exxon Mobil Corporation	XOM	B	10	20	37	33	481,000
Royal Dutch Shell plc	RDS-A	B UK	4	19	33	45	313,000
BP plc	BP	B UK	10	12	42	36	302,000
Total S.A.	TOT	B France	-	28	37	35	214,000
Chevron Corporation	CVX	B	9	9	51	30	214,000
ConocoPhillips	COP	B	23	7	43	28	207,000
		<i>Total or Median</i>	9	15	40	34	1,731,000
<b>Producer/Refiners - Large Cap and Mid Cap</b>							
Gazprom	OGZPF	B Russia		100			325,000
PetroChina Company Ltd.	PTR	B China	-	9	71	20	213,000
Lukoil Oil Company	LUKOY	B Russia	-	-	75	25	83,600
Norsk Hydro ASA	NHY	B Norway	-	29	38	33	39,200
Suncor Energy	SU	B Canada	4	-	89	7	38,300
Marathon Oil Corporation	MRO	B	13	7	40	41	36,600
Imperial Oil Limited	IMO	B Canada	13	-	62	25	31,900
Petro-Canada	PCZ	B Canada	23	4	53	20	27,200
		<i>Median</i>	4	5	62	25	795,000
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>							
Occidental Petroleum Corp.	OXY	B	14	1	75	11	59,000
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
CNOOC Limited	CEO	B China	-	12	88	-	34,600
XTO Energy Inc.	XTO	B	83	-	17	-	22,100
Burlington Resources	BR	B					
		<i>Median</i>	62	-	38	-	255,000
<b>Independent Natural Gas and Oil - Small Cap</b>							
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
<b>Income</b>							
Canadian Oil Sands Trust (US\$)	COSWF	B Canada	-	-	100	-	14,300
Penn West Energy Trust	PWTFF	B Canada	37	-	63	-	6,800
Enerplus Resources Fund	ERF	Canada	58	-	42	-	5,360
Pengrowth Energy Trust	PGH	Canada	42	-	58	-	3,800
San Juan Basin Royalty Trust	SJT		100	-	-	-	1,860
		<i>Median</i>	42	-	58	-	32,100

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#### Index of Recent Research

##### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
31-Jan	OGZPF	Gazprom	Raise Net Present Value to \$140 a Share
31-Jan	APC	Anadarko Petroleum Corporation	Long Life, Low Stock Price
31-Jan	XOM	Exxon Mobil Corporation	World's Most Profitable Company
30-Jan	CVX	Chevron Corporation	High Earnings, Low Stock Price
30-Jan	EAC	Encore Acquisition Company	Long Life, Low Stock Price
27-Jan	MRO	Marathon Oil Corporation	Raise Net Present Value to \$75 a Share
27-Jan	SU	Suncor Energy Inc.	Raise Net Present Value to \$75 a Share
27-Jan	PCZ	Petro-Canada	Favorable Relative Recognition
27-Jan	BR	Burlington Resources, Inc.	Riding with ConocoPhillips
26-Jan	COSWF	Canadian Oil Sands Trust	Volume Affirmed
26-Jan	COP	ConocoPhillips	High Earnings, Low Stock Price
19-Jan	ECA	EnCana Corporation	Natural Gas and Oil Sands
19-Jan	KMx	Kinder Morgan	Fading Returns, Rising Risk
17-Jan	LUKOY	Lukoil Oil Company	Raise Net Present Value to \$100 a Share
12-Jan	BP	BP p.l.c.	What Windfall Profits?
11-Jan	RDSA	Royal Dutch Shell plc	Likely Acquirer
11-Jan	COSWF	Canadian Oil Sands Trust	Volume Expansion Imminent
9-Jan	* NHY	Norsk Hydro ASA	Long Life Natural Gas
9-Jan	* IMO	Imperial Oil Limited	High Return, Deliberate Pace
5-Jan	* XTO	XTO Energy Inc.	Independent Natural Gas Producer
5-Jan	* OXY	Occidental Petroleum Corporation	Independent Oil Producer
14-Nov	* PTR	PetroChina Company Limited	Diversify Political Risk
11-Nov	* EPL	Energy Partners, Ltd.	Denali Partners
11-Nov	* SJT	San Juan Basin Royalty Trust	Record Distributions Ahead
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

##### Meter Reader - A Weekly Analysis

31-Jan		Quarterly Disclosures Influence Value
24-Jan	*	Long-Term Oil Investment Strategy
17-Jan	*	Buy More?
10-Jan	*	China and India Race for Resources

##### Natural Gas and Oil Royalty Trusts - A Weekly Analysis

27-Jan		Raise NPV for Penn West
20-Jan		Myth of Management
13-Jan	*	The Long and Short of It
6-Jan	*	Stop Thief!

##### Industry Ideas

26-Dec	*	Interview by Sandra Ward in Barron's	Bullish and Fully Fueled
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