

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

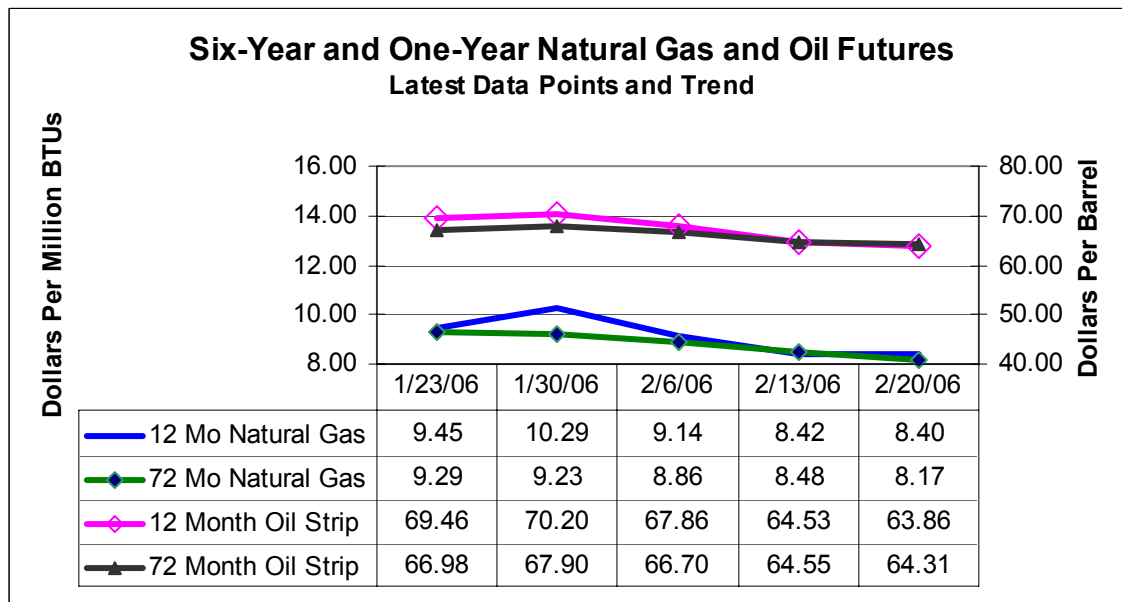
February 21, 2006

Alternative Energy

Summary and Recommendation

Because... “gas-fired power produces up to 55% less carbon dioxide than traditional coal-fired power... natural gas is the ideal lower carbon solution” www.bpalternativeenergy.com. “While solar and wind are expected to continue growing rapidly, their energy sources will always be intermittent - the sun does not always shine and the wind does not always blow. That's why the world will continue to rely on fossil fuels as its main source of energy for decades to come. Natural gas is the cleanest fossil fuel available.” It seems timely to emphasize those sound observations just as natural gas has lost short-term favor in the commodity and stock markets. The leading independent natural gas producer, buy-recommended **Encana (ECA)**, is trading at a stock price 28% below the high reached more than five months ago. Other buy-recommended stocks concentrated on natural gas that seem to be lagging in stock price include **XTO Energy (XTO)**, **Devon Energy (DVN)**, and **Cimarex (XEC)**. Income investors might prefer **San Juan Basin Royalty Trust (SJT)**.

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) 17-Feb 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	68.51	3,465	237,000	77.00	0.15	0.91
Total S.A.	TOT	B	129.31	1,173	152,000	160.00	0.12	0.83
Exxon Mobil Corporation	XOM	B	60.55	6,211	376,000	74.00	0.04	0.83
Royal Dutch Shell plc	RDS-A	B	62.74	3,293	207,000	80.00	0.11	0.81
ConocoPhillips	COP	B	61.09	1,693	103,000	95.00	0.22	0.72
Chevron Corporation	CVX	B	57.17	2,236	128,000	85.00	0.11	0.71
<i>Total or Median</i>					1,203,000		0.12	0.82
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	91.80	139	12,800	33.00	0.74	1.47
Petro-Canada	PCZ	B	46.98	523	24,570	42.00	0.19	1.10
Imperial Oil Limited (30%)	IMO	B	98.22	101	9,900	90.00	0.09	1.08
Suncor Energy	SU	B	74.29	461	34,260	75.00	0.10	0.99
Marathon Oil Corporation	MRO	B	71.13	368	26,170	75.00	0.25	0.96
Norsk Hydro ASA	NHY	B	116.77	251	29,250	130.00	0.15	0.91
PetroChina Company Ltd (10%)	PTR	B	96.41	176	16,950	120.00	0.01	0.81
Lukoil Oil Company	LUKOY	B	79.20	830	66,000	100.00	0.01	0.79
Gazprom (50%)	OGZPF	B	88.20	1,133	99,900	140.00	0.02	0.64
<i>Total or Median</i>					320,000		0.10	0.96
Independent Natural Gas and Oil - Large Cap and Mid Cap								
CNOOC Limited (29%)	CEO	B	82.40	119	9,830	84.00	0.00	0.98
XTO Energy Inc.	XTO	B	42.60	372	15,850	48.00	0.17	0.91
Encana Corporation	ECA	B	42.99	873	37,500	51.00	0.18	0.87
Occidental Petroleum Corp.	OXY	B	90.04	432	38,900	120.00	0.12	0.78
Burlington Resources	BR	B	89.56	378	33,900	115.00	-	0.78
Devon Energy Corporation	DVN	B	60.71	451	27,400	94.00	0.12	0.69
Anadarko Petroleum Corp.	APC	B	101.07	234	23,700	160.00	0.10	0.67
<i>Total or Median</i>					187,000		0.12	0.78
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	71.60	23	1,610	65.00	0.11	1.09
Encore Acquisition Company	EAC	B	32.25	50	1,600	50.00	0.24	0.73
Cimarex Energy Company	XEC	B	44.32	85	3,770	64.00	0.08	0.72
Energy Partners Ltd.	EPL	B	24.28	41	990	38.00	0.19	0.71
<i>Total or Median</i>					8,000		0.15	0.72
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.04	164	7,870	15.00	0.55	2.00
Kinder Morgan Management, LLC	KMR	S3	44.19	58	2,540	15.00	0.55	1.88
Enerplus Resources Fund	ERF		49.99	110	5,500	42.00	0.14	1.16
Pengrowth Energy Trust	PGH		23.80	159	3,780	20.00	0.16	1.16
Penn West Energy Trust	PWTFF	B	35.69	179	6,390	33.00	0.13	1.07
San Juan Basin Royalty Trust	SJT		41.25	47	1,920	40.00	-	1.03
Canadian Oil Sands Trust (US\$)	COSWF	B	127.31	93	11,860	136.00	0.12	0.94
<i>Total or Median</i>					39,900		0.14	1.16

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) 17-Feb 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
BP plc	BP	B	68.51	9.6	6.6	6.0	10	3.3
Exxon Mobil Corporation	XOM	B	60.55	11.2	6.4	5.3	9	2.1
Total S.A.	TOT	B	129.31	9.3	6.3	5.2	9	3.0
Royal Dutch Shell plc	RDS-A	B	62.74	7.4	5.7	4.6	8	3.5
ConocoPhillips	COP	B	61.09	10.9	5.8	4.2	6	2.4
Chevron Corporation	CVX	B	57.17	9.7	5.6	4.0	7	3.1
	<i>Median</i>			9.7	6.1	4.9	9	3.1
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	91.80		8.2	12.0	18	3.8
Suncor Energy	SU	B	74.29	17.7	8.1	8.0	16	0.3
Imperial Oil Limited (30%)	IMO	B	98.22	10.7	6.9	7.5	13	0.8
Gazprom (50%)	OGZPF	B	88.20	20.0	10.2	6.5	11	0.5
Petro-Canada	PCZ	B	46.98	6.0	5.6	6.1	11	0.7
Lukoil Oil Company	LUKOY	B	79.20	19.7	6.0	4.8	7	1.3
Marathon Oil Corporation	MRO	B	71.13	7.8	4.8	4.6	7	1.9
Norsk Hydro ASA	NHY	B	116.77	7.8	4.9	4.5	13	2.8
PetroChina Company Ltd (10%)	PTR	B	96.41	11.6	5.3	4.3	8	3.9
	<i>Median</i>			11.1	6.0	6.1	11	1.3
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	42.60	10.7	7.5	6.8	13	0.5
Encana Corporation	ECA	B	42.99	8.7	6.0	5.2	11	0.7
CNOOC Limited (29%)	CEO	B	82.40	9.2	5.2	5.1	9	2.8
Occidental Petroleum Corp.	OXY	B	90.04	11.3	6.3	4.9	9	1.6
Anadarko Petroleum Corp.	APC	B	101.07	12.7	7.3	4.9	9	0.7
Devon Energy Corporation	DVN	B	60.71	8.6	6.0	4.1	8	0.5
Burlington Resources	BR	B	89.56	-	-	-	-	-
	<i>Median</i>			9.2	6.0	4.9	9	0.7
Independent Natural Gas and Oil - Small Cap								
Encore Acquisition Company	EAC	B	32.25	14.8	8.3	6.1	14	-
Berry Petroleum Company	BRY	B	71.60	10.1	5.8	6.3	12	0.9
Cimarex Energy Company	XEC	B	44.32	7.3	5.5	3.9	9	0.4
Energy Partners Ltd.	EPL	B	24.28	5.7	5.0	3.5	13	-
	<i>Median</i>			8.7	5.6	5.0	12	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.04		7.9	15.8	23	6.7
Kinder Morgan Management, LLC	KMR	S3	44.19		7.9	14.9	22	7.2
Canadian Oil Sands Trust (US\$)	COSWF	B	127.31	20.0	12.1	11.5	16	2.7
San Juan Basin Royalty Trust	SJT		41.25	12.1	10.2	10.5	12	8.5
Enerplus Resources Fund	ERF		49.99	8.6	6.2	7.2	12	8.7
Pengrowth Energy Trust	PGH		23.80	7.6	6.2	7.2	11	10.9
Penn West Energy Trust	PWTFF	B	35.69	8.0	6.2	6.7	11	9.9
	<i>Median</i>			8.6	7.9	10.5	12	8.5

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	U.S. Domicile	North Amer. of World		Oil Prod'n (%)	Down- stream (%)	Total Present Value (US\$m)	
			Non- Natural Gas (%)	Rest of World Natural Gas (%)				
Mega Cap								
Exxon Mobil Corporation	XOM	B		10	20	37	33	481,000
BP plc	BP	B	UK	9	12	43	36	315,000
Royal Dutch Shell plc	RDS-A	B	UK	3	19	32	46	295,000
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	1,726,000
Producer/Refiners - Large Cap and Mid Cap								
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	-	30	36	34	38,500
Suncor Energy	SU	B	Canada	4	-	89	7	38,200
Marathon Oil Corporation	MRO	B		13	7	40	41	36,600
Imperial Oil Limited	IMO	B	Canada	12	-	64	24	33,300
Petro-Canada	PCZ	B	Canada	23	4	53	20	27,100
	<i>Median</i>			4	5	64	24	795,000
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Occidental Petroleum Corp.	OXY	B		14	2	74	11	59,000
Encana Corporation	ECA	B	Canada	81	-	19	-	54,000
Devon Energy Corporation	DVN	B		64	-	36	-	48,100
Anadarko Petroleum Corp.	APC	B		60	-	40	-	41,700
CNOOC Limited	CEO	B	China	-	12	88	-	34,600
XTO Energy Inc.	XTO	B		82	-	18	-	21,600
Burlington Resources	BR	B						
	<i>Median</i>			62	-	38	-	259,000
Independent Natural Gas and Oil - Small Cap								
Cimarex Energy Company	XEC	B		73	-	27	-	5,900
Encore Acquisition Company	EAC	B		24	-	76	-	3,280
Berry Petroleum Company	BRY	B		15	-	85	-	1,950
Energy Partners Ltd.	EPL	B		54	-	46	-	1,930
	<i>Median</i>			39	-	61	-	13,060
Income								
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	-	5,350
Pengrowth Energy Trust	PGH		Canada	42	-	58	-	3,790
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>
21-Feb	EAC	Encore Acquisition Company	Steady Progress
16-Feb	TOT	Total S.A.	Challenges of Growth
16-Feb	ECA	EnCana Corporation	Buying Opportunity
16-Feb	XEC	Cimarex Energy Company	Eyed by Icahn
14-Feb	NHY	Norsk Hydro ASA	Natural Gas Price Advance
9-Feb	XTO	XTO Energy Inc.	Natural Gas Growth
9-Feb	PTR	PetroChina Company Limited	Commodity Price Catch Up Potential
8-Feb	OXY	Occidental Petroleum Corporation	Longer Life Independent
8-Feb	BP	BP p.l.c.	Temporary Setbacks
7-Feb	APC	Anadarko Petroleum Corporation	Raise NPV to \$160 a Share
6-Feb	TOT	Total S.A.	LNG Leader
6-Feb	EPL	Energy Partners, Ltd.	New Orleans Explorer
6-Feb	SJT	San Juan Basin Royalty Trust	New Operator
3-Feb	XEC	Cimarex Energy Company	Born to Drill
3-Feb	RDSA	Royal Dutch Shell plc	Lower NPV to \$80 a Share
3-Feb	IMO	Imperial Oil Limited	Raise NPV to \$90 a Share
2-Feb	DVN	Devon Energy Corporation	Raise NPV to \$94 a Share
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	* KMX	Kinder Morgan	Fading Returns, Rising Risk
17-Jan	* LUKOY	Lukoil Oil Company	Raise Net Present Value to \$100 a Share
10-Nov	* PWTF	Penn West Energy Trust	Quality Income Stock
4-Nov	* BRY	Berry Petroleum	Expanding on Multiple Fronts
1-Nov	* CEO	CNOOC Ltd	Low Price for Natural Gas

Meter Reader - A Weekly Analysis

21-Feb		Alternative Energy
14-Feb	*	Crude Awakening
7-Feb	*	Refining Crack Stabilizes
31-Jan	*	Quarterly Disclosures Influence Value

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

17-Feb		Fundamental, Momentum and Contrary
10-Feb	*	World Energy Perspective
3-Feb	*	Owner Vigilance Rewarded
27-Jan	*	Raise NPV for Penn West

Industry Ideas

15-Feb		Presentation Slides	Russian Natural Gas, Canadian Tar Sands
26-Dec	*	Interview by Sandra Ward in Barron's	Bullish and Fully Fueled

* Archived on www.mcdep.com

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