

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

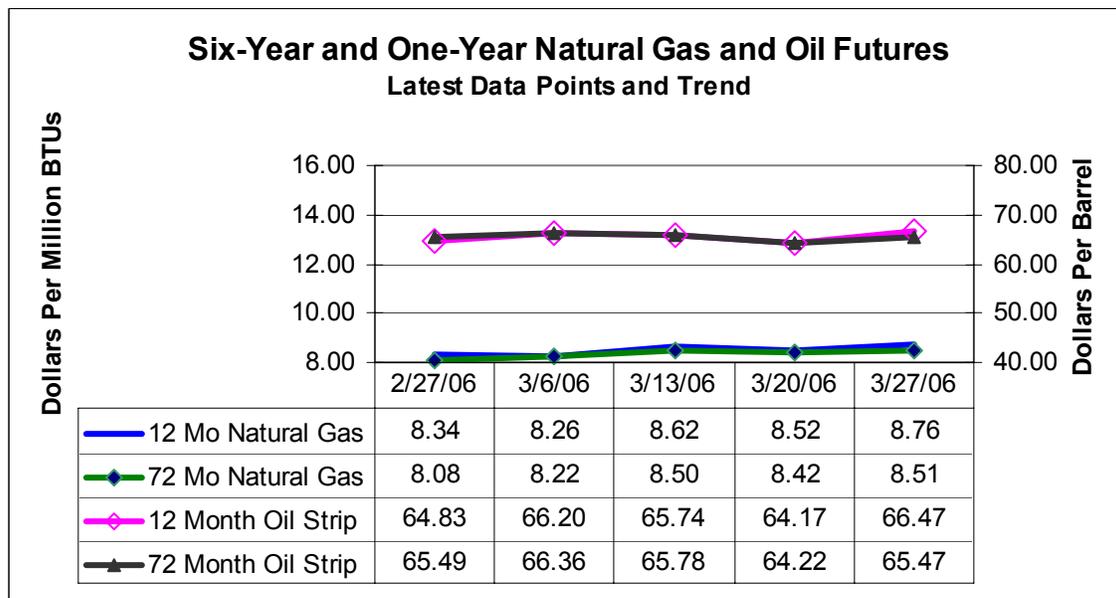
March 28, 2006

Good Bye Burlington Resources!

Summary and Recommendation

Following the shareholder meeting this week our coverage of buy-recommended **Burlington Resources (BR)** will end. We trace our analysis of the same San Juan Basin natural gas properties from ownership by the pipeline company, El Paso, through the acquisition of El Paso by the railroad, Burlington Northern, the spin off of BR and now the acquisition of BR by buy-recommended **ConocoPhillips (COP)**. Investors can keep San Juan Basin exposure in the COP shares obtained in the exchange and keep natural gas exposure by reinvesting the cash from the deal in buy-recommended BR peers **Anadarko Petroleum (APC)**, **Devon Energy (DVN)**, **EOG Resources (EOG)**, **Encana (ECA)** and **XTO Energy (XTO)**. Disproportionate concentration on natural gas makes sense to us as the continuing uptrend in oil price points to an uptrend in natural gas. In addition we look for natural gas to trade again at crude oil price divided by 5, the point at which refined oil and natural gas compete for heating and power generation, compared to current quotes at oil price divided by 8.

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) 27-Mar 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	69.53	3,465	241,000	77.00	0.15	0.92
Exxon Mobil Corporation	XOM	B	61.29	6,211	381,000	74.00	0.04	0.84
Total S.A.	TOT	B	129.73	1,173	152,000	160.00	0.12	0.83
Royal Dutch Shell plc	RDS-A	B	61.70	3,293	203,000	80.00	0.11	0.80
ConocoPhillips	COP	B	63.10	1,693	107,000	95.00	0.22	0.74
Chevron Corporation	CVX	B	58.21	2,236	130,000	85.00	0.11	0.72
<i>Total or Median</i>					<i>1,214,000</i>		<i>0.12</i>	<i>0.82</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	91.49	139	12,750	33.00	0.74	1.46
Imperial Oil Limited (30%)	IMO	B	102.73	101	10,360	90.00	0.09	1.13
Petro-Canada	PCZ	B	46.93	523	24,540	42.00	0.19	1.10
Marathon Oil Corporation	MRO	B	78.15	367	28,710	75.00	0.20	1.03
Norsk Hydro ASA	NHY	B	133.90	251	33,540	130.00	0.16	1.03
Suncor Energy	SU	B	74.95	461	34,560	75.00	0.09	1.00
PetroChina Company Ltd (10%)	PTR	B	104.05	178	18,500	120.00	0.05	0.87
Lukoil Oil Company	LUKOY	B	82.00	830	68,000	100.00	0.01	0.82
Gazprom (50%)	OGZPF	B	91.90	1,133	104,100	140.00	0.02	0.66
<i>Total or Median</i>					<i>335,000</i>		<i>0.09</i>	<i>1.03</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	47.58	873	41,500	51.00	0.18	0.94
CNOOC Limited (29%)	CEO	B	78.67	119	9,380	84.00	-	0.94
XTO Energy Inc.	XTO	B	43.17	372	16,060	52.00	0.16	0.86
Occidental Petroleum Corp.	OXY	B	94.07	432	40,600	120.00	0.12	0.81
EOG Resources	EOG	B	71.91	245	17,600	90.00	0.04	0.81
Burlington Resources	BR	B	91.78	378	34,700	115.00	-	0.80
Devon Energy Corporation	DVN	B	60.61	451	27,300	94.00	0.12	0.69
Anadarko Petroleum Corp.	APC	B	100.40	234	23,500	160.00	0.10	0.67
<i>Total or Median</i>					<i>211,000</i>		<i>0.11</i>	<i>0.81</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	69.80	23	1,570	65.00	0.11	1.07
Energy Partners Ltd.	EPL	B	24.04	41	980	32.00	0.20	0.80
Encore Acquisition Company	EAC	B	31.59	50	1,570	50.00	0.24	0.72
Cimarex Energy Company	XEC	B	41.76	85	3,550	64.00	0.08	0.68
<i>Total or Median</i>					<i>7,700</i>		<i>0.15</i>	<i>0.76</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.03	165	7,910	15.00	0.55	2.00
Kinder Morgan Management, LLC	KMR	S3	44.02	58	2,530	15.00	0.55	1.88
Pengrowth Energy Trust	PGH		23.42	160	3,750	18.00	0.16	1.25
Enerplus Resources Fund	ERF		49.48	114	5,650	42.00	0.14	1.15
Penn West Energy Trust	PWTFF	B	37.33	165	6,160	33.00	0.12	1.12
San Juan Basin Royalty Trust	SJT	B	41.58	47	1,940	40.00	-	1.04
Canadian Oil Sands Trust (US\$)	COSWF	B	140.35	93	13,110	136.00	0.11	1.03
<i>Total or Median</i>					<i>41,100</i>		<i>0.14</i>	<i>1.15</i>

B = Buy, S2 = Short half unlevered position, S3 = Short quarter unlevered position, H = Hold
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) 27-Mar 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
BP plc	BP	B	69.53	9.6	6.5	6.0	10	3.2
Exxon Mobil Corporation	XOM	B	61.29	11.7	6.3	5.3	9	2.1
Total S.A.	TOT	B	129.73	9.3	6.1	5.1	9	3.0
Royal Dutch Shell plc	RDS-A	B	61.70	7.3	5.4	4.3	8	3.6
ConocoPhillips	COP	B	63.10	12.1	5.8	4.3	6	2.3
Chevron Corporation	CVX	B	58.21	10.7	5.5	4.0	7	3.1
	<i>Median</i>			10.2	6.0	4.7	8	3.0
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	91.49		8.2	12.0	18	3.8
Suncor Energy	SU	B	74.95	17.7	7.8	7.8	15	0.3
Imperial Oil Limited (30%)	IMO	B	102.73	9.3	6.4	7.2	12	0.8
Gazprom (50%)	OGZPF	B	91.90	20.0	9.6	6.3	10	0.5
Petro-Canada	PCZ	B	46.93	6.0	5.4	5.9	10	0.7
PetroChina Company Ltd (10%)	PTR	B	104.05	11.6	6.0	5.2	10	4.0
Marathon Oil Corporation	MRO	B	78.15	7.8	4.7	4.9	8	1.7
Norsk Hydro ASA	NHY	B	133.90	7.8	4.7	4.8	14	2.5
Lukoil Oil Company	LUKOY	B	82.00	19.7	5.8	4.8	7	1.2
	<i>Median</i>			10.4	6.0	5.9	10	1.2
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	43.17	12.4	7.6	6.5	12	0.5
EOG Resources	EOG	B	71.91	9.6	6.8	5.5	12	0.3
Encana Corporation	ECA	B	47.58	8.7	5.7	5.4	11	0.6
Occidental Petroleum Corp.	OXY	B	94.07	10.2	6.1	5.0	9	1.5
Anadarko Petroleum Corp.	APC	B	100.40	12.7	7.0	4.6	8	0.7
CNOOC Limited (29%)	CEO	B	78.67	10.1	4.7	4.4	8	3.3
Devon Energy Corporation	DVN	B	60.61	8.6	5.7	3.9	7	0.7
Burlington Resources	BR	B	91.78	-	-	-	-	-
	<i>Median</i>			9.8	5.9	4.8	9	0.7
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	69.80	10.6	5.6	6.0	16	0.9
Encore Acquisition Company	EAC	B	31.59	14.8	7.8	5.6	12	-
Cimarex Energy Company	XEC	B	41.76	7.2	5.2	3.6	8	0.4
Energy Partners Ltd.	EPL	B	24.04	5.2	4.3	3.5	22	-
	<i>Median</i>			8.9	5.4	4.6	14	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.03		7.9	15.8	24	6.7
Kinder Morgan Management, LLC	KMR	S3	44.02		7.9	14.9	22	7.3
San Juan Basin Royalty Trust	SJT	B	41.58	13.6	10.8	11.3	13	7.8
Canadian Oil Sands Trust (USS)	COSWF	B	140.35	20.0	9.8	10.1	13	2.4
Penn West Energy Trust	PWTFF	B	37.33	7.7	6.3	7.0	11	9.4
Enerplus Resources Fund	ERF		49.48	9.4	6.0	6.9	12	8.7
Pengrowth Energy Trust	PGH		23.42	7.2	5.5	6.9	10	11.0
	<i>Median</i>			9.4	7.9	10.1	13	7.8

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2007; 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. Home	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio
Mega Cap								
BP plc	BP	B	UK	9	12	43	36	0.92
Exxon Mobil Corporation	XOM	B		8	27	35	30	0.84
Total S.A.	TOT	B	France	-	28	37	35	0.83
Royal Dutch Shell plc	RDS-A	B	UK	3	20	32	44	0.80
ConocoPhillips	COP	B		16	10	47	27	0.74
Chevron Corporation	CVX	B		6	10	58	26	0.72
	<i>Total or Median</i>			7	16	40	33	0.82
Producer/Refiners - Large Cap and Mid Cap								
Imperial Oil Limited	IMO	B	Canada	12	-	64	24	1.13
Petro-Canada	PCZ	B	Canada	23	4	53	20	1.10
Marathon Oil Corporation	MRO	B		11	11	36	42	1.03
Norsk Hydro ASA	NHY	B	Norway	-	30	37	34	1.03
Suncor Energy	SU	B	Canada	4	-	89	7	1.00
Kinder Morgan, Inc.	KMI	S2						1.00
PetroChina Company Ltd.	PTR	B	China	-	9	81	10	0.87
Lukoil Oil Company	LUKOY	B	Russia	-	-	75	25	0.82
Gazprom	OGZPF	B	Russia		100			0.66
	<i>Median</i>			4	6	64	24	1.00
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	Canada	81	-	19	-	0.94
CNOOC Limited	CEO	B	China	-	12	88	-	0.94
XTO Energy Inc.	XTO	B		83	-	17	-	0.86
Occidental Petroleum Corp.	OXY	B		14	2	74	11	0.81
EOG Resources	EOG	B		79	8	13	-	0.81
Devon Energy Corporation	DVN	B		64	-	36	-	0.69
Anadarko Petroleum Corp.	APC	B		60	-	40	-	0.67
	<i>Median</i>			64	-	36	-	0.81
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B		15	-	85	-	1.07
Energy Partners Ltd.	EPL	B		55	-	45	-	0.80
Encore Acquisition Company	EAC	B		24	-	76	-	0.72
Cimarex Energy Company	XEC	B		73	-	27	-	0.68
	<i>Median</i>			40	-	60	-	0.76
Income								
Pengrowth Energy Trust	PGH		Canada	46	-	54	-	1.25
Enerplus Resources Fund	ERF		Canada	55	-	45	-	1.15
Penn West Energy Trust	PWTF	B	Canada	38	-	62	-	1.12
San Juan Basin Royalty Trust	SJT	B		100	-	-	-	1.04
Canadian Oil Sands Trust (US\$)	COSWF	B	Canada	-	-	100	-	1.03
	<i>Median</i>			46	-	54	-	1.12

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
24-Mar	CEO	CNOOC Ltd	Growth Marches On
23-Mar	EOG	EOG Resources Inc.	New Natural Gas Buy Recommendation
21-Mar	PTR	PetroChina Company Limited	Growing Pains
20-Mar	SJT	San Juan Basin Royalty Trust	Upgrade to Buy
10-Mar	COP	ConocoPhillips	Longest Life Mega Cap
9-Mar	XOM	Exxon Mobil Corporation	Stronger than the Government
8-Mar	CVX	Chevron Corporation	Momentum Break
28-Feb	PWTFF	Penn West Energy Trust	Drilling and CO2 Upside
27-Feb	XTO	XTO Energy Inc.	Raise NPV to \$52 a Share
24-Feb	EPL	Energy Partners, Ltd.	Lower NPV to \$32 a Share
23-Feb	BRY	Berry Petroleum	Growth Record
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
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
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
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
19-Jan	* KMx	Kinder Morgan	Fading Returns, Rising Risk
17-Jan	* LUKOY	Lukoil Oil Company	Raise Net Present Value to \$100 a Share

Meter Reader - A Weekly Analysis

28-Mar		Good Bye Burlington Resources!
21-Mar	*	Oil Factor II
14-Mar	*	Record U.K.Natural Gas Price
7-Mar	*	Inventory Myopia

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

24-Mar		Defying Expectations
17-Mar	*	Opportunity Knocked
10-Mar	*	Inventory Investment
3-Mar	*	Canadian Action

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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