

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

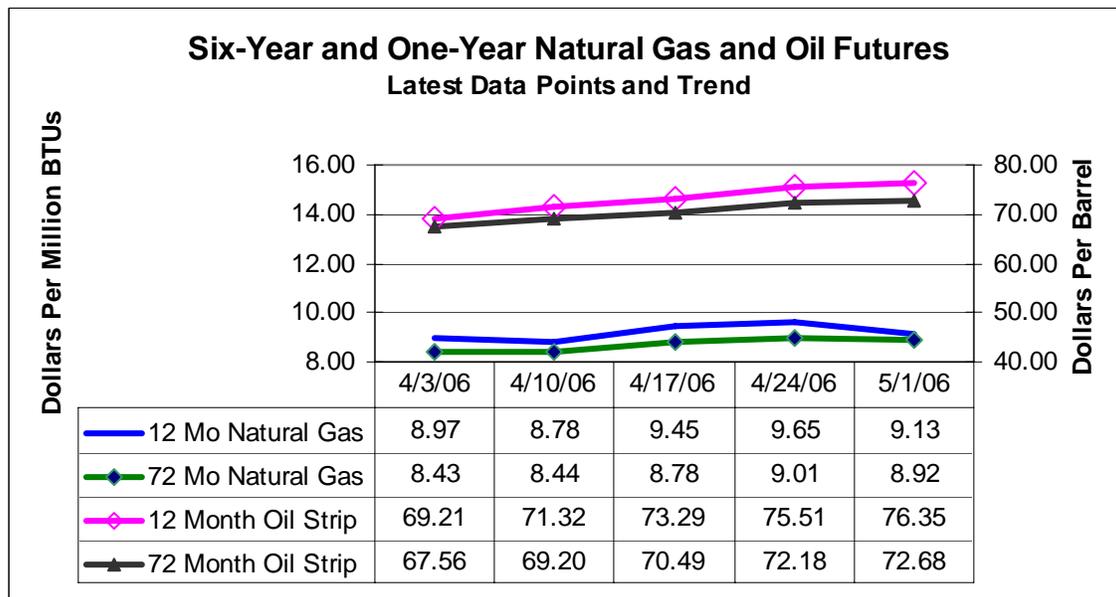
May 2, 2006

Gazprom the Great

Summary and Recommendation

We reclassify buy-recommended **Gazprom (OGZPY)** from large cap to mega cap, defined as sustained market cap above a hundred billion dollars for publicly-held shares. Counting the Russian government's 50% ownership, Gazprom has overtaken Microsoft as the world's third largest company following buy-recommended **Exxon Mobil (XOM)** and General Electric according to Bloomberg. As an indicator of potential additional buying pressure for the shares, Gazprom's weight in the Morgan Stanley Capital International Emerging Market Index is scheduled to increase from 0.4% to 4.8% in two steps, on June 1 and about September 1. McDep Ratio now at 0.83 is no longer the lowest, but still at the low end of the range for buy recommendations. Moreover, there is more than normal potential for present value to increase as the company's selling price for natural gas moves to the world level and its reserves expand with new development. Meanwhile, the world oil price continues in a long-term upward trend.

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) 1-May 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	74.40	3,420	254,000	77.00	0.16	0.97
Total S.A.	TOT	B	138.85	1,173	163,000	160.00	0.13	0.88
Royal Dutch Shell plc	RDS-A	B	68.70	3,293	226,000	80.00	0.11	0.87
Exxon Mobil Corporation	XOM	B	63.42	6,126	389,000	74.00	0.04	0.86
Gazprom (50%)	OGZPF	B	46.00	2,833	130,300	56.00	0.02	0.83
ConocoPhillips	COP	B	67.80	1,693	115,000	95.00	0.22	0.78
Chevron Corporation	CVX	B	61.17	2,224	136,000	85.00	0.11	0.75
<i>Total or Median</i>					<i>1,413,000</i>		<i>0.11</i>	<i>0.86</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	88.00	135	11,880	33.00	0.75	1.41
Imperial Oil Limited (30%)	IMO	B	107.12	101	10,800	90.00	0.10	1.17
Norsk Hydro ASA	NHY	B	155.10	250	38,790	130.00	0.16	1.16
Suncor Energy	SU	B	87.52	461	40,360	75.00	0.10	1.15
Petro-Canada	PCZ	B	49.49	520	25,730	42.00	0.20	1.14
Marathon Oil Corporation	MRO	B	81.13	367	29,800	75.00	0.20	1.07
PetroChina Company Ltd (10%)	PTR	B	112.85	178	20,060	120.00	0.05	0.94
Lukoil Oil Company	LUKOY	B	90.00	830	75,000	110.00	0.01	0.82
<i>Total or Median</i>					<i>252,000</i>		<i>0.13</i>	<i>1.15</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	50.65	865	43,800	51.00	0.14	0.99
CNOOC Limited (29%)	CEO	B	82.30	119	9,820	84.00	-	0.98
Occidental Petroleum Corp.	OXY	B	104.29	431	44,900	120.00	0.12	0.89
XTO Energy Inc.	XTO	B	43.18	370	15,980	52.00	0.16	0.86
EOG Resources	EOG	B	71.81	245	17,600	90.00	0.04	0.81
Anadarko Petroleum Corp.	APC	B	107.92	232	25,000	160.00	0.11	0.71
Devon Energy Corporation	DVN	B	60.78	451	27,400	94.00	0.12	0.69
<i>Total or Median</i>					<i>185,000</i>		<i>0.12</i>	<i>0.86</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	73.49	23	1,650	65.00	0.11	1.11
Energy Partners Ltd.	EPL	B	26.48	41	1,080	29.00	0.21	0.93
Encore Acquisition Company	EAC	B	31.08	50	1,540	50.00	0.24	0.71
Cimarex Energy Company	XEC	B	43.61	85	3,710	64.00	0.08	0.71
<i>Total or Median</i>					<i>8,000</i>		<i>0.16</i>	<i>0.82</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	46.04	165	7,610	15.00	0.56	1.92
Kinder Morgan Management, LLC	KMR	S3	42.82	58	2,480	15.00	0.56	1.82
Pengrowth Energy Trust	PGH		24.74	160	3,960	18.00	0.17	1.31
Enerplus Resources Fund	ERF		54.10	114	6,180	42.00	0.15	1.25
Canadian Oil Sands Trust (US\$)	COSWF	B	32.89	464	15,250	27.20	0.12	1.18
Penn West Energy Trust (US\$)	PWTFF	B	39.62	230	9,090	33.00	0.15	1.17
San Juan Basin Royalty Trust	SJT	B	40.11	47	1,870	40.00	-	1.00
<i>Total or Median</i>					<i>46,400</i>		<i>0.15</i>	<i>1.25</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) 1-May 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap							
Gazprom (50%)	OGZPF B	46.00	20.0	9.5	7.9	13	0.4
BP plc	BP B	74.40	9.3	6.0	5.8	9	3.0
Exxon Mobil Corporation	XOM B	63.42	11.4	6.0	5.2	9	2.0
Total S.A.	TOT B	138.85	9.3	5.8	5.1	9	2.9
Royal Dutch Shell plc	RDS-A B	68.70	7.3	5.2	4.5	8	3.3
ConocoPhillips	COP B	67.80	12.1	5.4	4.2	6	2.1
Chevron Corporation	CVX B	61.17	11.0	5.3	4.0	7	3.4
	<i>Median</i>		<i>11.0</i>	<i>5.8</i>	<i>5.1</i>	<i>9</i>	<i>2.9</i>
Producer/Refiners - Large Cap and Mid Cap							
Kinder Morgan, Inc.	KMI S2	88.00		8.6	12.2	15	4.0
Suncor Energy	SU B	87.52	17.7	7.1	8.1	16	0.2
Imperial Oil Limited (30%)	IMO B	107.12	9.3	5.8	6.8	11	0.8
Petro-Canada	PCZ B	49.49	6.9	5.0	5.7	11	0.7
PetroChina Company Ltd (10%)	PTR B	112.85	11.6	5.7	5.3	10	3.7
Norsk Hydro ASA	NHY B	155.10	7.8	4.3	5.0	11	2.3
Marathon Oil Corporation	MRO B	81.13	8.3	4.4	4.7	8	1.6
Lukoil Oil Company	LUKOY B	90.00	20.2	5.7	4.7	7	1.3
	<i>Median</i>		<i>9.3</i>	<i>5.7</i>	<i>5.5</i>	<i>11</i>	<i>1.5</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap							
XTO Energy Inc.	XTO B	43.18	12.1	7.3	6.2	11	0.5
Encana Corporation	ECA B	50.65	8.6	5.7	5.7	13	0.8
EOG Resources	EOG B	71.81	9.6	6.7	5.4	12	0.3
Occidental Petroleum Corp.	OXY B	104.29	10.4	5.3	4.7	8	1.4
Anadarko Petroleum Corp.	APC B	107.92	12.6	6.6	4.7	8	0.7
CNOOC Limited (29%)	CEO B	82.30	10.0	3.9	3.8	7	3.1
Devon Energy Corporation	DVN B	60.78	8.6	5.5	3.8	7	0.7
	<i>Median</i>		<i>10.0</i>	<i>5.7</i>	<i>4.7</i>	<i>8</i>	<i>0.7</i>
Independent Natural Gas and Oil - Small Cap							
Berry Petroleum Company	BRY B	73.49	10.6	5.0	5.5	15	0.8
Encore Acquisition Company	EAC B	31.08	14.9	7.1	5.1	11	-
Energy Partners Ltd.	EPL B	26.48	5.7	4.1	3.8	23	-
Cimarex Energy Company	XEC B	43.61	7.2	5.1	3.6	8	0.4
	<i>Median</i>		<i>8.9</i>	<i>5.0</i>	<i>4.4</i>	<i>13</i>	<i>0.2</i>
Income							
Kinder Morgan Energy Partners, L.P.	KMP S3	46.04		8.3	15.9	27	7.0
Kinder Morgan Management, LLC	KMR S3	42.82		8.3	15.1	25	7.6
Canadian Oil Sands Trust (US\$)	COSWF B	32.89	20.0	9.3	11.0	15	4.9
San Juan Basin Royalty Trust	SJT B	40.11	13.5	11.0	11.0	13	7.8
Enerplus Resources Fund	ERF	54.10	9.4	5.7	7.1	12	8.3
Pengrowth Energy Trust	PGH	24.74	7.2	5.2	6.8	10	10.8
Penn West Energy Trust (US\$)	PWTFF B	39.62	7.9	5.8	6.8	9	9.2
	<i>Median</i>		<i>9.4</i>	<i>8.3</i>	<i>11.0</i>	<i>13</i>	<i>7.8</i>

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 Portfolio Composite of Buy Recommendations

		Portfolio Equity Weight Symbol	Parts of EV (%)	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	2.7	1.0	2.8	0.2	0.3	1.3	1.0	0.97
Total S.A.		TOT	2.7	1.0	2.8		0.8	1.1	1.0	0.88
Royal Dutch Shell plc		RDS-A	2.8	1.0	2.8	0.1	0.6	0.9	1.2	0.87
Exxon Mobil Corporation		XOM	3.0	1.0		0.2	0.8	0.9	0.9	0.86
Gazprom		OGZPF	9.3	3.0	8.5		8.5			0.83
ConocoPhillips		COP	4.6	2.0		0.9	0.5	2.6	1.5	0.78
Chevron Corporation		CVX	5.4	2.0		0.4	0.6	3.3	1.5	0.75
Producer/Refiners - Large Cap and Mid Cap										
Imperial Oil Limited		IMO	1.5	0.5	1.4	0.2		0.9	0.3	1.17
Norsk Hydro ASA		NHY	1.4	0.5	1.4		0.4	0.5	0.5	1.16
Suncor Energy		SU	1.5	0.5	1.4	0.1		1.3	0.1	1.15
Petro-Canada		PCZ	1.3	0.5	1.4	0.3	0.1	0.8	0.3	1.14
Marathon Oil Corporation		MRO	1.3	0.5		0.2	0.1	0.5	0.6	1.07
PetroChina Company Ltd.		PTR	3.0	1.0	2.8		0.3	2.3	0.3	0.94
Lukoil Oil Company		LUKOY	6.3	2.0	5.6			4.4	1.3	0.82
Independent Natural Gas and Oil - Large Cap and Mid Cap										
Encana Corporation		ECA	2.7	1.0	2.8	2.4		0.4		0.99
CNOOC Limited		CEO	3.2	1.0	2.8		0.4	2.5		0.98
Occidental Petroleum Corp.		OXY	2.7	1.0		0.4	0.0	2.1	0.3	0.89
XTO Energy Inc.		XTO	2.6	1.0		2.3		0.5		0.86
EOG Resources		EOG	6.0	2.0		4.5	0.4	0.7		0.81
Anadarko Petroleum Corp.		APC	5.4	2.0		3.4		2.2		0.71
Devon Energy Corporation		DVN	5.3	2.0		3.6		2.0		0.69
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company		BRY	1.4	0.5		0.2		1.2		1.11
Energy Partners Ltd.		EPL	1.2	0.5		0.8		0.6		0.93
Encore Acquisition Company		EAC	2.1	1.0		0.7		2.1		0.71
Cimarex Energy Company		XEC	2.8	1.0		2.1		0.8		0.71
Income										
Canadian Oil Sands Trust (US\$)		COSWF	5.7	2.0	5.6			5.6		1.18
Penn West Energy Trust (US\$)		PWTFF	5.6	2.0	5.6	2.1		3.5		1.17
San Juan Basin Royalty Trust		SJT	6.4	2.0		5.6				1.00
Portfolio Composite			100	35.5	48	31	14	45	11	0.87

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
1-May	CVX	Chevron Corporation	India Opportunity, Venezuela Risk
28-Apr	APC	Anadarko Petroleum Corporation	Large Cap Resource Target
28-Apr	MRO	Marathon Oil Corporation	Oil Sands Link
28-Apr	XOM	Exxon Mobil Corporation	Low Risk, High Return
28-Apr	NHY	Norsk Hydro ASA	Earnings Blowout
27-Apr	COP	ConocoPhillips	Strong Cash Flow and Value
27-Apr	ECA	EnCana Corporation	Natural Gas at Present Value
26-Apr	COSWF	Canadian Oil Sands Trust	Distribution Increased 50%
26-Apr	OXY	Occidental Petroleum Corporation	Riding the Oil Trend
26-Apr	PCZ	Petro-Canada	Understated Oil Sands
26-Apr	BP	BP p.l.c.	Understated Russian Resource
26-Apr	CEO	CNOOC Ltd	Burst of Cash Flow
21-Apr	XTO	XTO Energy Inc.	Distributing Royalty Trust Units
20-Apr	KMx	Kinder Morgan	False Debt Promotion Unmasked
18-Apr	OGZPF	Gazprom	Shares Trading Free at Last!
17-Apr	PWTF	Penn West Energy Trust	To Buy Petrofund
17-Apr	LUKOY	Lukoil Oil Company	Raise Net Present Value to \$110 a Share
13-Apr	* EPL	Energy Partners, Ltd.	Deep Water Success on First Well
6-Apr	* KMx	Kinder Morgan	Debt Exposé
28-Mar	* EPL	Energy Partners, Ltd.	Denali a Dry Hole
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
23-Feb	* BRY	Berry Petroleum	Growth Record
21-Feb	* EAC	Encore Acquisition Company	Steady Progress
16-Feb	* XEC	Cimarex Energy Company	Eyed by Icahn
16-Feb	* TOT	Total S.A.	Challenges of Growth
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
27-Jan	* SU	Suncor Energy Inc.	Raise Net Present Value to \$75 a Share

Meter Reader - A Weekly Analysis

2-May		Gazprom the Great
25-Apr	*	Portfolio Points
18-Apr	*	Calgary Consolidation
11-Apr	*	Black Gold Rush

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

28-Apr		The XTO Effect
21-Apr	*	New Billion Dollar Float
14-Apr	*	Distribution Pictures
7-Apr	*	Volume for Income

Industry Ideas

15-Feb	*	Presentation Slides	Russian Natural Gas, Canadian Tar Sands
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* Archived on www.mcdep.com

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