

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

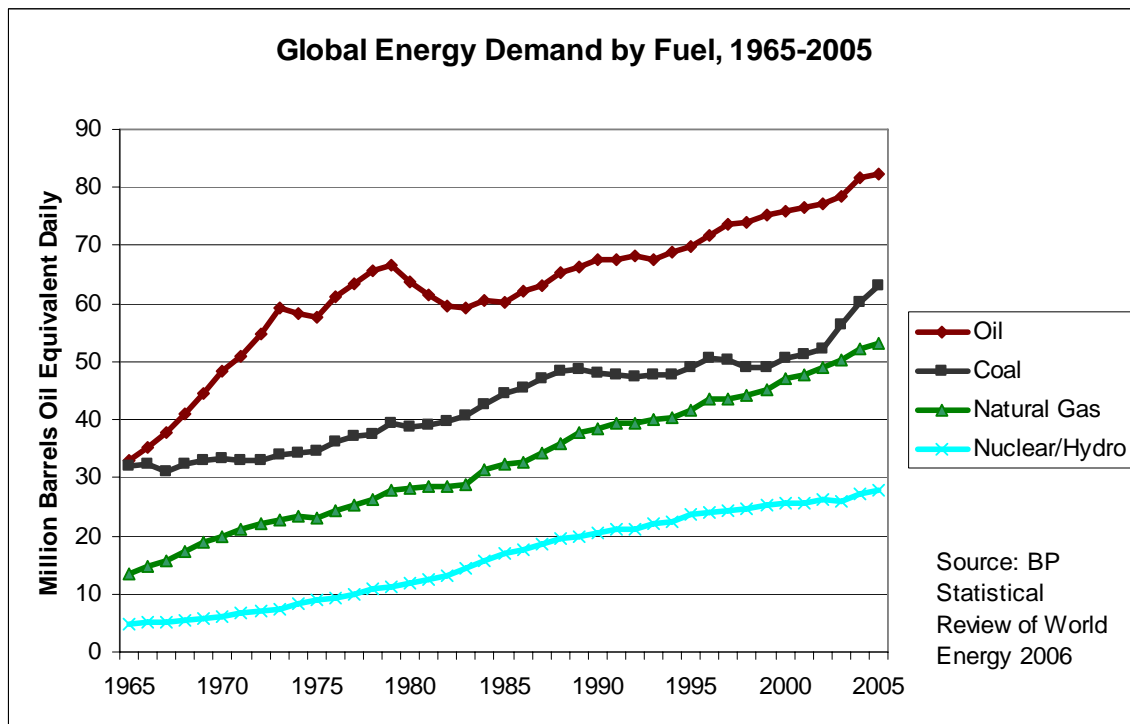
June 20, 2006

Coal, China and Currency

Summary and Recommendation

Explosive growth in coal burning in Asia from 2003 to 2005 has displaced a whopping ten million barrels equivalent daily of oil and gas. Instead of jawboning China to revalue its currency upward, perhaps world leaders should encourage China to spend more on cleaner oil and natural gas thereby creating some good inflation that would help to realign the currency. Analyzing the latest statistics in the *BP Statistical Review of World Energy 2006* released last week, we were startled by the sudden acceleration of coal use in the past three years (see chart Global Energy Demand by Fuel, 1965-2005). Not even the polluters will want to tolerate the environmental disaster that has been created. Meanwhile natural gas and oil at higher price are ultimately the most widely available alternative, we believe. All that coal burned in China bolsters the long-term potential of natural gas and oil producer buy recommendations including **ConocoPhillips (COP)**, **Lukoil (LUKOY)** and **Anadarko (APC)**.

Kurt H. Wulff, CFA

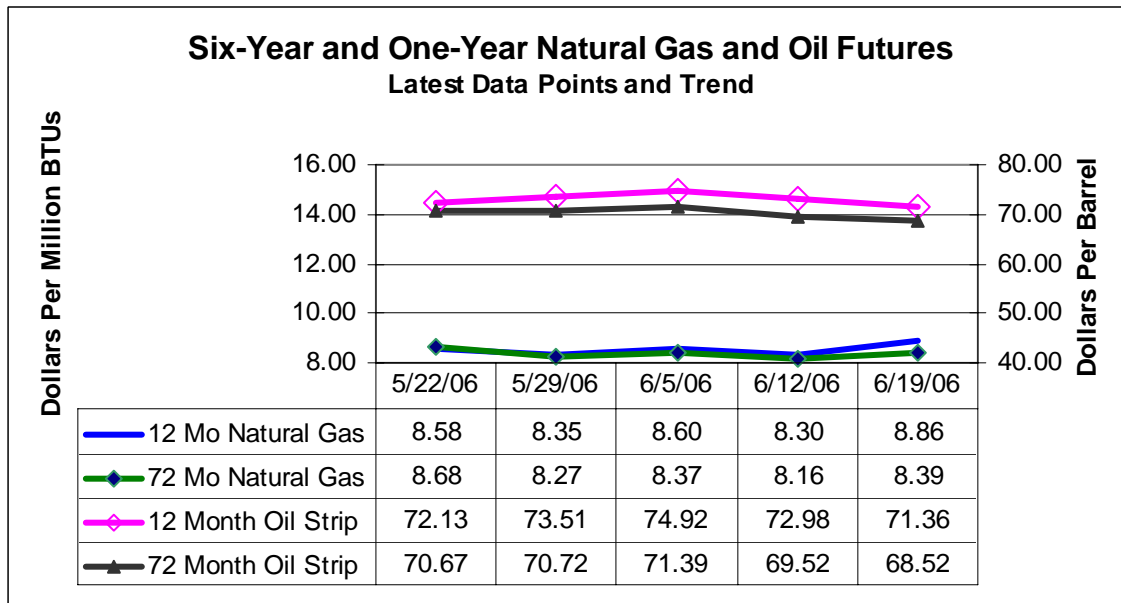
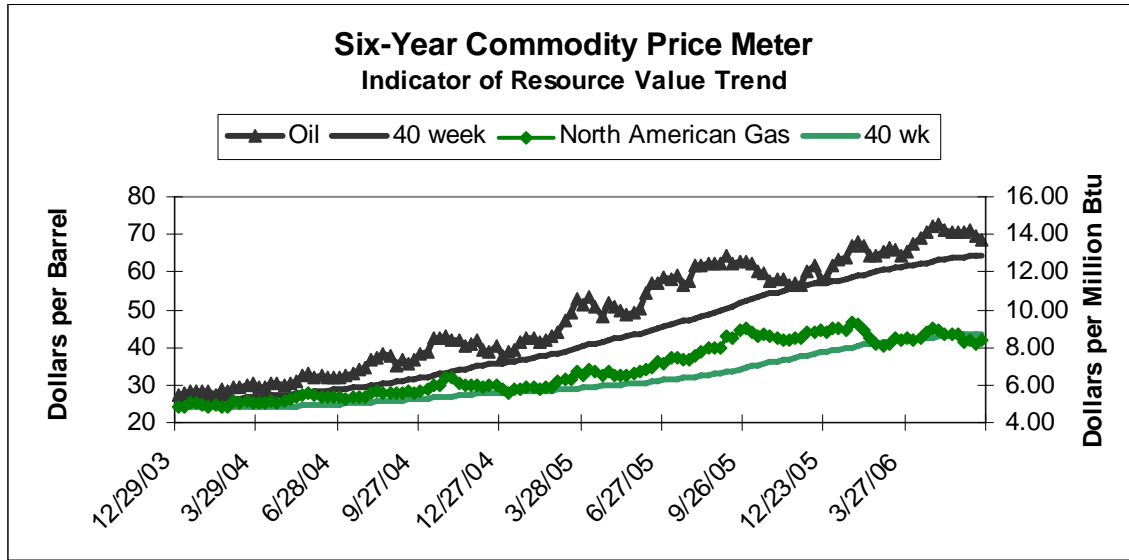


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Oil and Gas Producers Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating		Price (\$/sh) 19-Jun 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	65.33	3,420	223,000	80.00	0.15	0.84
Total S.A.	TOT	B	59.75	2,336	140,000	80.00	0.13	0.78
Royal Dutch Shell plc	RDS-A	B	62.06	3,268	203,000	84.00	0.10	0.76
Exxon Mobil Corporation	XOM	B	57.39	6,126	352,000	78.00	0.04	0.75
ConocoPhillips	COP	B	59.20	1,693	100,000	96.00	0.22	0.70
Chevron Corporation	CVX	B	57.51	2,224	128,000	88.00	0.11	0.69
Gazprom (50%)	OGZPY	B	38.10	2,833	107,900	56.00	0.02	0.69
<i>Total or Median</i>					<i>1,254,000</i>		<i>0.11</i>	<i>0.75</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	99.14	135	13,380	33.00	0.75	1.49
Imperial Oil Limited (30%)	IMO	B	33.29	299	9,960	37.00	0.08	0.91
Petro-Canada	PCZ	B	41.49	520	21,570	49.00	0.18	0.87
Marathon Oil Corporation	MRO	B	71.82	367	26,360	86.00	0.18	0.87
Norsk Hydro ASA	NHY	B	24.46	1,251	30,590	31.00	0.14	0.82
Suncor Energy	SU	B	68.76	461	31,710	95.00	0.07	0.74
PetroChina Company Ltd (10%)	PTR	B	95.71	178	17,020	140.00	0.05	0.70
Lukoil Oil Company	LUKOY	B	69.50	830	58,000	110.00	0.02	0.64
<i>Total or Median</i>					<i>209,000</i>		<i>0.11</i>	<i>0.84</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	46.83	865	40,500	55.00	0.13	0.87
XTO Energy Inc.	XTO	B	38.39	370	14,200	52.00	0.15	0.78
CNOOC Limited (29%)	CEO	B	73.32	119	8,740	98.00	-	0.75
Occidental Petroleum Corp.	OXY	B	92.89	431	40,100	138.00	0.11	0.71
EOG Resources	EOG	B	59.05	246	14,500	92.00	0.03	0.65
Anadarko Petroleum Corp.	APC	B	46.61	464	21,600	86.00	0.10	0.59
Devon Energy Corporation	DVN	B	52.27	449	23,500	102.00	0.11	0.57
<i>Total or Median</i>					<i>163,000</i>		<i>0.11</i>	<i>0.71</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	27.63	45	1,240	39.00	0.17	0.76
Energy Partners Ltd.	EPL	B	17.92	40	720	32.00	0.19	0.64
Cimarex Energy Company	XEC	B	37.00	85	3,150	68.00	0.08	0.58
Encore Acquisition Company	EAC	B	23.15	54	1,250	54.00	0.25	0.57
<i>Total or Median</i>					<i>6,400</i>		<i>0.18</i>	<i>0.61</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	45.72	166	7,590	15.00	0.56	1.91
Kinder Morgan Management, LLC	KMR	S3	42.56	58	2,470	15.00	0.56	1.82
Pengrowth Energy Trust	PGH		22.85	161	3,680	20.00	0.15	1.12
Enerplus Resources Fund	ERF		51.04	123	6,280	47.00	0.11	1.08
Penn West Energy Trust (US\$)	PWTFF	B	35.20	243	8,560	39.00	0.12	0.91
San Juan Basin Royalty Trust	SJT	B	35.85	47	1,670	40.00	-	0.90
Canadian Oil Sands Trust (US\$)	COSWF	B	26.75	464	12,410	35.00	0.10	0.79
<i>Total or Median</i>					<i>42,700</i>		<i>0.12</i>	<i>1.08</i>

B = Buy, S2 = Short half unlevered position, S3 = Short quarter unlevered position, H = Hold

Present Value = Shares times Net Present Value divided by (1-Debt/Present Value).

Debt = Present Value times Debt/Present Value

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-Jun 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Gazprom (50%)	OGZPY	B	38.10	20.0	9.2	6.4	10	0.6
BP plc	BP	B	65.33	9.3	6.3	5.3	8	3.4
Exxon Mobil Corporation	XOM	B	57.39	11.4	6.3	4.7	8	2.2
Total S.A.	TOT	B	59.75	9.4	5.9	4.6	8	3.4
Royal Dutch Shell plc	RDS-A	B	62.06	7.3	5.4	4.2	7	4.1
ConocoPhillips	COP	B	59.20	12.1	5.8	4.1	6	2.4
Chevron Corporation	CVX	B	57.51	11.0	5.4	3.7	6	3.6
	<i>Median</i>			<i>11.0</i>	<i>5.9</i>	<i>4.6</i>	<i>8</i>	<i>3.4</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	99.14		8.6	12.9	20	3.5
Imperial Oil Limited (30%)	IMO	B	33.29	9.4	8.0	7.2	12	2.6
Suncor Energy	SU	B	68.76	18.2	8.6	6.4	11	0.3
Petro-Canada	PCZ	B	41.49	6.9	5.8	5.1	9	0.9
PetroChina Company Ltd (10%)	PTR	B	95.71	14.8	6.3	4.4	8	4.4
Norsk Hydro ASA	NHY	B	24.46	7.8	5.3	4.4	10	2.9
Marathon Oil Corporation	MRO	B	71.82	8.3	4.6	4.0	6	1.8
Lukoil Oil Company	LUKOY	B	69.50	19.0	5.9	3.7	6	1.8
	<i>Median</i>			<i>9.4</i>	<i>6.1</i>	<i>4.7</i>	<i>10</i>	<i>2.2</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	38.39	12.1	7.6	5.9	10	0.5
Encana Corporation	ECA	B	46.83	8.6	6.2	5.4	12	0.9
EOG Resources	EOG	B	59.05	9.6	6.9	4.5	10	0.4
Occidental Petroleum Corp.	OXY	B	92.89	10.4	6.0	4.3	7	1.6
Anadarko Petroleum Corp.	APC	B	46.61	12.4	7.1	4.2	7	1.5
Devon Energy Corporation	DVN	B	52.27	8.6	6.3	3.6	7	0.9
CNOOC Limited (29%)	CEO	B	73.32	10.0	4.6	3.4	6	3.5
	<i>Median</i>			<i>10.0</i>	<i>6.3</i>	<i>4.3</i>	<i>7</i>	<i>0.9</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	27.63	10.5	6.9	5.2	16	1.1
Encore Acquisition Company	EAC	B	23.15	14.4	8.4	4.8	9	-
Cimarex Energy Company	XEC	B	37.00	7.2	5.9	3.5	8	0.4
Energy Partners Ltd.	EPL	B	17.92	5.0	4.1	2.6	11	-
	<i>Median</i>			<i>8.9</i>	<i>6.4</i>	<i>4.1</i>	<i>10</i>	<i>0.2</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	45.72		8.3	15.8	27	7.1
Kinder Morgan Management, LLC	KMR	S3	42.56		8.3	15.1	25	7.6
Canadian Oil Sands Trust (US\$)	COSWF	B	26.75	25.1	11.7	9.2	12	7.1
San Juan Basin Royalty Trust	SJT	B	35.85	13.5	10.1	9.1	10	9.8
Enerplus Resources Fund	ERF		51.04	9.4	7.1	7.6	15	9.0
Pengrowth Energy Trust	PGH		22.85	7.5	6.6	7.4	12	12.0
Penn West Energy Trust (US\$)	PWTFF	B	35.20	7.9	6.8	6.2	8	10.6
	<i>Median</i>			<i>9.4</i>	<i>8.3</i>	<i>9.1</i>	<i>12</i>	<i>9.0</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 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

		<i>Portfolio Equity Weight</i>	<i>Parts of EV</i>	<i>Non- U.S. Home</i>	<i>North Amer. Natural Gas</i>	<i>Rest of World Natural Gas</i>	<i>Oil Prod'n</i>	<i>Down- stream</i>	<i>McDep Ratio</i>
	<i>Symbol</i>	<i>(%)</i>		<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	
Mega Cap									
BP plc	BP	2.7	1.0	2.8	0.2	0.3	1.4	0.9	0.84
Total S.A.	TOT	2.7	1.0	2.8		0.8	1.2	0.9	0.78
Royal Dutch Shell plc	RDS-A	2.8	1.0	2.8	0.1	0.5	1.1	1.1	0.76
Exxon Mobil Corporation	XOM	3.1	1.0		0.2	0.6	1.2	0.8	0.75
ConocoPhillips	COP	4.5	2.0		0.9	0.5	2.7	1.5	0.70
Chevron Corporation	CVX	5.5	2.0		0.4	0.5	3.3	1.5	0.69
Gazprom	OGZPY	9.4	3.0	8.5		8.5			0.69
Producer/Refiners - Large Cap and Mid Cap									
Imperial Oil Limited	IMO	1.5	0.5	1.4	0.1		1.0	0.3	0.91
Petro-Canada	PCZ	1.3	0.5	1.4	0.3	0.0	0.9	0.2	0.87
Marathon Oil Corporation	MRO	1.3	0.5		0.2	0.1	0.5	0.6	0.87
Norsk Hydro ASA	NHY	1.3	0.5	1.4		0.4	0.5	0.5	0.82
Suncor Energy	SU	1.5	0.5	1.4	0.0		1.3	0.1	0.74
PetroChina Company Ltd.	PTR	3.0	1.0	2.8		0.2	2.4	0.2	0.70
Lukoil Oil Company	LUKOY	6.3	2.0	5.6			4.2	1.4	0.64
Independent Natural Gas and Oil - Large Cap and Mid Cap									
Encana Corporation	ECA	2.8	1.0	2.8	2.3		0.6		0.87
XTO Energy Inc.	XTO	2.6	1.0		2.3		0.5		0.78
CNOOC Limited	CEO	3.3	1.0	2.8		0.3	2.5		0.75
Occidental Petroleum Corp.	OXY	2.8	1.0		0.4	0.0	2.1	0.3	0.71
EOG Resources	EOG	6.2	2.0		4.4	0.4	0.8		0.65
Anadarko Petroleum Corp.	APC	5.4	2.0		3.2		2.5		0.59
Devon Energy Corporation	DVN	5.2	2.0		3.4		2.2		0.57
Independent Natural Gas and Oil - Small Cap									
Berry Petroleum Company	BRY	1.3	0.5		0.2		1.2		0.76
Energy Partners Ltd.	EPL	1.1	0.5		0.7		0.7		0.64
Cimarex Energy Company	XEC	2.8	1.0		1.9		0.9		0.58
Encore Acquisition Company	EAC	1.8	1.0		0.7		2.2		0.57
Income									
Penn West Energy Trust (US\$)	PWTFF	5.6	2.0	5.6	1.7		3.9		0.91
San Juan Basin Royalty Trust	SJT	6.5	2.0		5.6				0.90
Canadian Oil Sands Trust (US\$)	COSWF	5.7	2.0	5.6			5.6		0.79
Portfolio Composite		100	35.5	48	29	13	47	10	0.71

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
30-May	KMx	Kinder Morgan	Buyout Bailout
29-May	COSWF	Canadian Oil Sands Trust	Minimal Startup Delay Assessed
26-May	EPL	Energy Partners, Ltd.	Offers to Buy Stone Energy
24-May	LUKOY	Lukoil Oil Company	Oil for Russia, Natural Gas for Export
19-May	COSWF	Canadian Oil Sands Trust	Expansion Startup Caution
18-May	OGZPF	Gazprom	Shtokman Delayed
16-May	* OXY	Occidental Petroleum Corporation	Ecuador Expropriates
10-May	* PWTFP	Penn West Energy Trust	Sleeping Seal
10-May	* EPL	Energy Partners, Ltd.	Back on Track
10-May	* BRY	Berry Petroleum	Debt for the Future
8-May	* XEC	Cimarex Energy Company	Seasonality Exaggerated
8-May	* EOG	EOG Resources Inc.	Seasonality Exaggerated
5-May	* SU	Suncor Energy Inc.	Retaking the Oil Sands Lead
5-May	* RDSA	Royal Dutch Shell plc	Tighter Markets and Cost Pressures
5-May	* TOT	Total S.A.	Spinoff and Split Ahead
3-May	* EAC	Encore Acquisition Company	Lower NPV to \$45 a Share
3-May	* DVN	Devon Energy Corporation	Barnett Bargain
3-May	* IMO	Imperial Oil Limited	Oil Sands and Arctic Natural Gas
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	* 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
21-Mar	* PTR	PetroChina Company Limited	Growing Pains
20-Mar	* SJT	San Juan Basin Royalty Trust	Upgrade to Buy

Meter Reader - A Weekly Analysis

20-Jun		Coal, China and Currency
13-Jun	*	Stock Market Risk
6-Jun	*	Raise Long-Term Oil Price to \$60 a Barrel
30-May	*	Downstream Design

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

16-Sep		Panic Perspective
9-Jun	*	9% Annual Distributions
2-Jun	*	Raise Long-Term Oil Price to \$60 a Barrel
26-May	*	Roll Forward

Industry Ideas

15-Feb	*	Presentation Slides	Russian Natural Gas, Canadian Tar Sands
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