

## Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

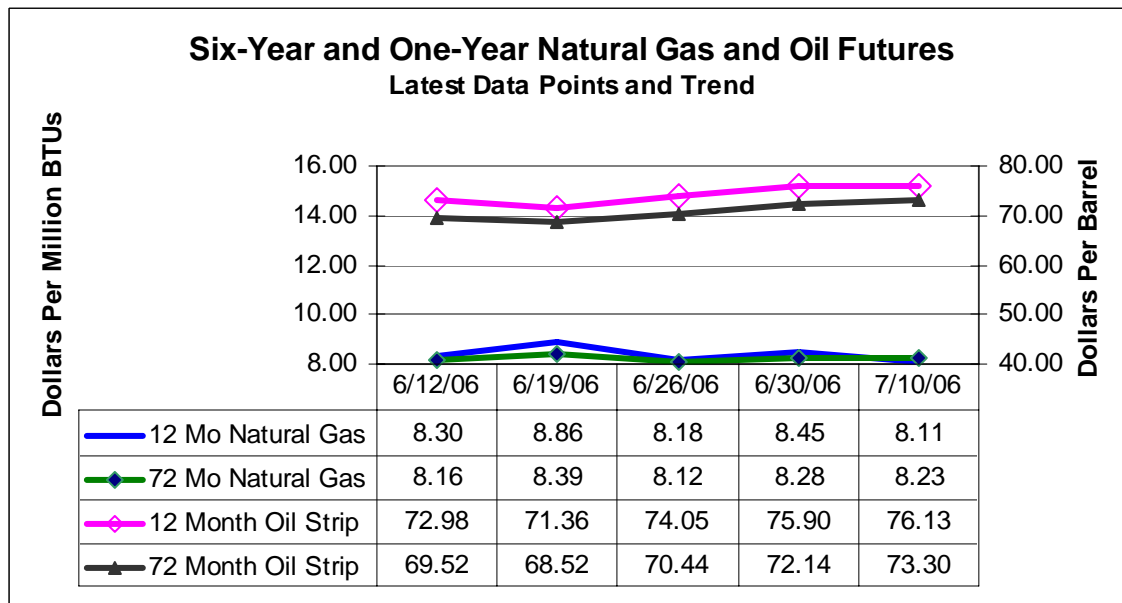
July 11, 2006

# St. Petersburg Summit

### Summary and Recommendation

Energy is at the top of the agenda for the meeting of heads of state hosted by President Putin scheduled for July 15-17. We hope the conclave showcases Russia as a reliable supplier of the cleanest fuels. There is little doubt that Russia is rich in resources with the largest combined reserves of natural gas and oil of any country. The main uncertainty may be how the economic rewards of those resources will be shared by producers, consumers and investors both within the country and the global community. There is always much to criticize as well as to encourage in the management of governments and companies. Fortunately, in his six years as president, Mr. Putin has masterminded a turnaround worthy of respect from his fellow world leaders. We are optimistic that Russia will enjoy future success that earns recognition through sustainable increases in the stock prices of its two leading companies, our buy recommendations, **Gazprom (OGZPY)** and **Lukoil (LUKOY)**.

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) 10-Jul 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
BP plc	BP	B	70.90	3,420	243,000	80.00	0.15	0.90
Total S.A.	TOT	B	66.18	2,336	155,000	80.00	0.13	0.85
Royal Dutch Shell plc	RDS-A	B	68.00	3,268	222,000	84.00	0.10	0.83
Exxon Mobil Corporation	XOM	B	63.04	6,126	386,000	78.00	0.04	0.82
ConocoPhillips	COP	B	67.34	1,693	114,000	96.00	0.22	0.77
Gazprom (50%)	OGZPY	B	41.75	2,845	118,800	56.00	0.06	0.76
Chevron Corporation	CVX	B	64.27	2,224	143,000	88.00	0.11	0.76
<i>Total or Median</i>					<i>1,382,000</i>		<i>0.11</i>	<i>0.82</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	99.99	135	13,500	33.00	0.75	1.50
Marathon Oil Corporation	MRO	B	85.86	367	31,510	86.00	0.18	1.00
Imperial Oil Limited (30%)	IMO	B	36.20	299	10,830	37.00	0.08	0.98
Petro-Canada	PCZ	B	46.73	520	24,300	49.00	0.18	0.96
Norsk Hydro ASA	NHY	B	27.19	1,251	34,000	31.00	0.14	0.89
Suncor Energy	SU	B	78.40	461	36,150	95.00	0.07	0.84
PetroChina Company Ltd (10%)	PTR	B	109.41	178	19,450	140.00	0.05	0.79
Lukoil Oil Company	LUKOY	B	86.00	830	71,000	110.00	0.01	0.78
<i>Total or Median</i>					<i>241,000</i>		<i>0.11</i>	<i>0.93</i>
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
Encana Corporation	ECA	B	51.30	865	44,400	55.00	0.13	0.94
XTO Energy Inc.	XTO	B	43.66	370	16,150	52.00	0.15	0.86
CNOOC Limited (29%)	CEO	B	82.20	119	9,800	98.00	-	0.84
Anadarko Petroleum Corp.	APC	B	45.39	464	21,100	77.00	0.46	0.78
Occidental Petroleum Corp.	OXY	B	102.92	431	44,400	138.00	0.11	0.77
EOG Resources	EOG	B	69.56	246	17,100	92.00	0.03	0.76
Devon Energy Corporation	DVN	B	60.71	449	27,300	102.00	0.11	0.64
<i>Total or Median</i>					<i>180,000</i>		<i>0.11</i>	<i>0.78</i>
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	32.06	45	1,440	39.00	0.17	0.85
Energy Partners Ltd.	EPL	B	18.21	75	1,370	31.00	0.44	0.77
Cimarex Energy Company	XEC	B	41.19	85	3,500	68.00	0.08	0.64
Encore Acquisition Company	EAC	B	27.27	54	1,470	54.00	0.18	0.60
<i>Total or Median</i>					<i>7,800</i>		<i>0.18</i>	<i>0.71</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	46.01	166	7,640	15.00	0.56	1.92
Kinder Morgan Management, LLC	KMR	S3	42.86	58	2,490	15.00	0.56	1.83
Pengrowth Energy Trust	PGH		24.31	161	3,910	20.00	0.15	1.18
Enerplus Resources Fund	ERF		54.54	123	6,710	47.00	0.11	1.14
Penn West Energy Trust (US\$)	PWE	B	38.26	244	9,340	39.00	0.12	0.98
San Juan Basin Royalty Trust	SJT	B	38.39	47	1,790	40.00	-	0.96
Canadian Oil Sands Trust (US\$)	COSWF	B	28.68	464	13,310	35.00	0.10	0.84
<i>Total or Median</i>					<i>45,200</i>		<i>0.12</i>	<i>1.14</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) 10-Jul 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>Mega Cap</b>								
Gazprom (50%)	OGZPY	B	41.75	20.0	9.0	6.8	12	0.5
BP plc	BP	B	70.90	9.3	6.2	5.6	9	3.2
Exxon Mobil Corporation	XOM	B	63.04	11.4	6.3	5.1	9	2.0
Total S.A.	TOT	B	66.18	9.4	5.8	4.9	8	3.1
Royal Dutch Shell plc	RDS-A	B	68.00	7.3	5.4	4.4	8	3.8
ConocoPhillips	COP	B	67.34	12.1	5.7	4.4	7	2.1
Chevron Corporation	CVX	B	64.27	11.0	5.3	4.0	7	3.2
		<i>Median</i>		11.0	5.8	4.9	8	3.1
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	99.99		8.6	13.0	20	3.5
Imperial Oil Limited (30%)	IMO	B	36.20	9.4	7.7	7.6	13	2.4
Suncor Energy	SU	B	78.40	18.2	8.2	6.9	12	0.3
Petro-Canada	PCZ	B	46.73	6.9	5.6	5.4	10	0.8
Lukoil Oil Company	LUKOY	B	86.00	18.9	6.4	5.0	8	1.4
PetroChina Company Ltd (10%)	PTR	B	109.41	14.8	6.1	4.9	9	3.9
Norsk Hydro ASA	NHY	B	27.19	7.8	5.3	4.7	11	2.6
Marathon Oil Corporation	MRO	B	85.86	8.3	4.6	4.6	8	1.5
		<i>Median</i>		9.4	6.3	5.2	10	2.0
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
XTO Energy Inc.	XTO	B	43.66	12.1	7.5	6.5	12	0.5
Encana Corporation	ECA	B	51.30	8.6	6.2	5.8	13	0.8
Anadarko Petroleum Corp.	APC	B	45.39	11.2	7.0	5.5	7	1.6
EOG Resources	EOG	B	69.56	9.6	6.8	5.2	12	0.3
Occidental Petroleum Corp.	OXY	B	102.92	10.4	5.8	4.5	8	1.4
Devon Energy Corporation	DVN	B	60.71	8.6	6.3	4.0	7	0.7
CNOOC Limited (29%)	CEO	B	82.20	10.0	4.4	3.7	6	3.1
		<i>Median</i>		10.0	6.3	5.2	8	0.8
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	32.06	10.5	6.6	5.6	18	1.0
Encore Acquisition Company	EAC	B	27.27	14.4	7.5	4.5	10	-
Energy Partners Ltd.	EPL	B	18.21	6.2	5.0	3.9	17	-
Cimarex Energy Company	XEC	B	41.19	7.2	5.9	3.8	8	0.4
		<i>Median</i>		8.9	6.3	4.2	13	0.2
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	46.01		8.3	15.9	27	7.0
Kinder Morgan Management, LLC	KMR	S3	42.86		8.3	15.1	26	7.6
San Juan Basin Royalty Trust	SJT	B	38.39	13.8	12.1	11.6	14	7.2
Canadian Oil Sands Trust (US\$)	COSWF	B	28.68	25.1	10.4	8.7	11	6.6
Enerplus Resources Fund	ERF		54.54	9.4	7.2	8.2	16	8.3
Pengrowth Energy Trust	PGH		24.31	7.5	6.5	7.7	13	11.1
Penn West Energy Trust (US\$)	PWE	B	38.26	7.9	6.9	6.8	9	9.6
		<i>Median</i>		9.4	8.3	8.7	14	7.6

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

Symbol	<u>Portfolio Weight</u>		Non- U.S. Home (%)	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio	
	Equity (%)	EV (%)							
<b>Mega Cap</b>									
BP plc	BP	2.8	2.9	2.9	0.2	0.3	1.4	0.9	0.90
Total S.A.	TOT	2.9	2.9	2.9		0.8	1.2	0.9	0.85
Royal Dutch Shell plc	RDS-A	3.0	2.9	2.9	0.1	0.5	1.1	1.1	0.83
Exxon Mobil Corporation	XOM	3.2	2.9		0.2	0.6	1.2	0.8	0.82
ConocoPhillips	COP	4.8	5.8		0.9	0.6	2.7	1.6	0.77
Gazprom	OGZPY	9.3	8.7	8.7		8.7			0.76
Chevron Corporation	CVX	5.8	5.8		0.4	0.6	3.3	1.5	0.76
<b>Producer/Refiners - Large Cap and Mid Cap</b>									
Marathon Oil Corporation	MRO	1.4	1.4		0.2	0.1	0.5	0.6	1.00
Imperial Oil Limited	IMO	1.6	1.4	1.4	0.1		1.0	0.3	0.98
Petro-Canada	PCZ	1.4	1.4	1.4	0.3	0.1	0.9	0.2	0.96
Norsk Hydro ASA	NHY	1.4	1.4	1.4		0.4	0.6	0.5	0.89
Suncor Energy	SU	1.5	1.4	1.4	0.0		1.3	0.1	0.84
PetroChina Company Ltd.	PTR	3.2	2.9	2.9		0.2	2.4	0.2	0.79
Lukoil Oil Company	LUKOY	6.6	5.8	5.8			4.3	1.5	0.78
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>									
Encana Corporation	ECA	2.9	2.9	2.9	2.3		0.6		0.94
XTO Energy Inc.	XTO	2.8	2.9		2.4		0.5		0.86
CNOOC Limited	CEO	3.4	2.9	2.9		0.3	2.6		0.84
Anadarko Petroleum Corp.	APC	1.4	2.9		1.7		1.2		0.78
Occidental Petroleum Corp.	OXY	2.9	2.9		0.4	0.0	2.2	0.3	0.77
EOG Resources	EOG	6.4	5.8		4.5	0.4	0.8		0.76
Devon Energy Corporation	DVN	5.5	5.8		3.5		2.3		0.64
<b>Independent Natural Gas and Oil - Small Cap</b>									
Berry Petroleum Company	BRY	1.3	1.4		0.2		1.2		0.85
Energy Partners Ltd.	EPL	0.7	1.4		0.3		1.2		0.77
Cimarex Energy Company	XEC	2.9	2.9		2.0		0.9		0.64
Encore Acquisition Company	EAC	2.3	2.9		0.7		2.2		0.60
<b>Income</b>									
Penn West Energy Trust (US\$)	PWE	5.9	5.8	5.8	1.8		4.0		0.98
San Juan Basin Royalty Trust	SJT	6.7	5.8		5.8				0.96
Canadian Oil Sands Trust (US\$)	COSWF	6.0	5.8	5.8			5.8		0.84
<b>Portfolio Composite</b>		<b>100</b>	<b>100</b>	<b>49</b>	<b>28</b>	<b>14</b>	<b>48</b>	<b>11</b>	<b>0.80</b>

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#### Index of Recent Research

##### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
10-Jul	OGZPY	Gazprom	Number One in Global Energy
30-Jun	LUKOY	Lukoil Oil Company	Russia Stronger than Ever
26-Jun	APC	Anadarko Petroleum Corporation	Hackett Job
23-Jun	SJT	San Juan Basin Royalty Trust	Irrefutable Logic
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
16-May	* OXY	Occidental Petroleum Corporation	Ecuador Expropriates
10-May	* PWTFF	Penn West Energy Trust	Sleeping Seal
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	* 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

##### Meter Reader - A Weekly Analysis

11-Jul		St. Petersburg Summit
3-Jul	*	The Cleanest, Most Economic Alternative Fuel
27-Jun	*	Deal Delirium
20-Jun	*	Coal, China and Currency

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

7-Jul		Rising Replacement Cost
30-Jun	*	1970s Perspective in a Nutshell
23-Jun	*	PWE Rings the Bell
16-Jun	*	Panic Perspective

##### Industry Ideas

27-Jun	Presentation Slides	Oil and Gas Investment to 2010
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