

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

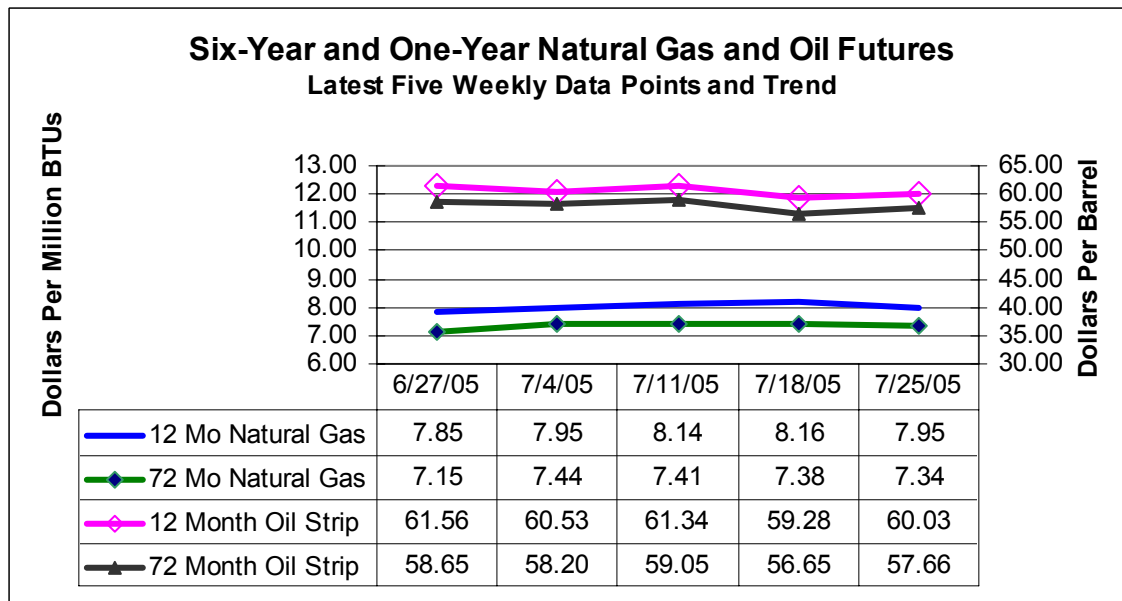
July 26, 2005

Strong Trends

Summary and Recommendation

A steady increase in value of natural gas and oil accented by dollar devaluation seems to justify continued investment in buy-recommended producers. Oil may be only half way through its price move and natural gas price appears to be only two-thirds the equivalent of oil. Timely stocks from each of five groups and with low McDep Ratios of 0.77 to 0.90 include **Canadian Oil Sands Trust (COSWF)**, **Encore Acquisition (EAC)**, **Anadarko (APC)**, **Lukoil (LUKOY)** and **Chevron (CHV)**. To lighten up the oil heavy list, investors might also own **Burlington Resources (BR)**, **Encana (ECA)** and **XTO Energy (XTO)** or natural gas royalty trusts. A McDep Ratio of 1.00 represents present value assuming a long-term oil price of \$40 a barrel. The long-term commodity price in the futures market is currently about \$57 a barrel and trending higher.

Kurt H. Wulff, CFA

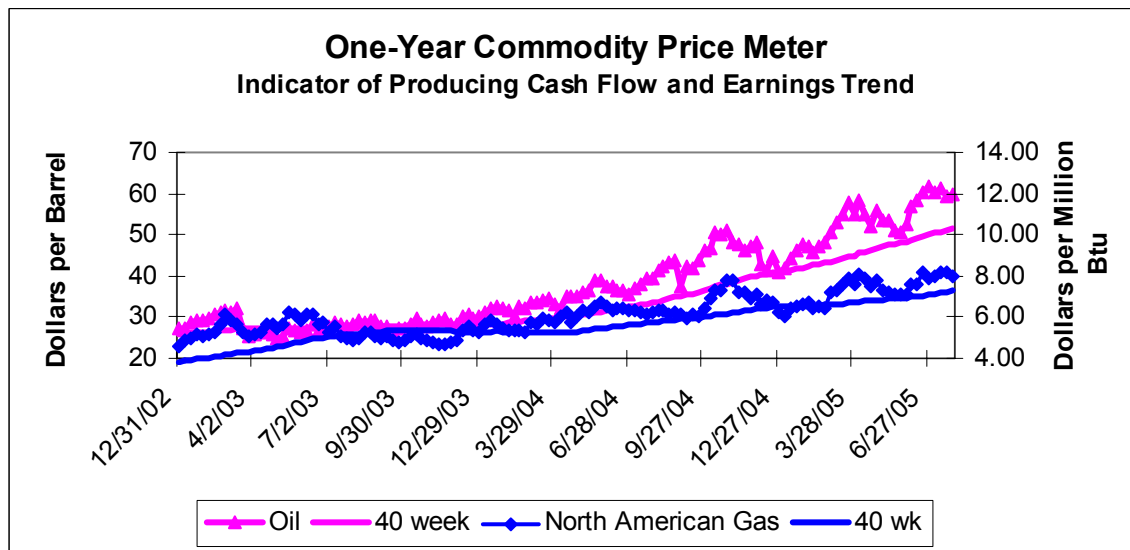
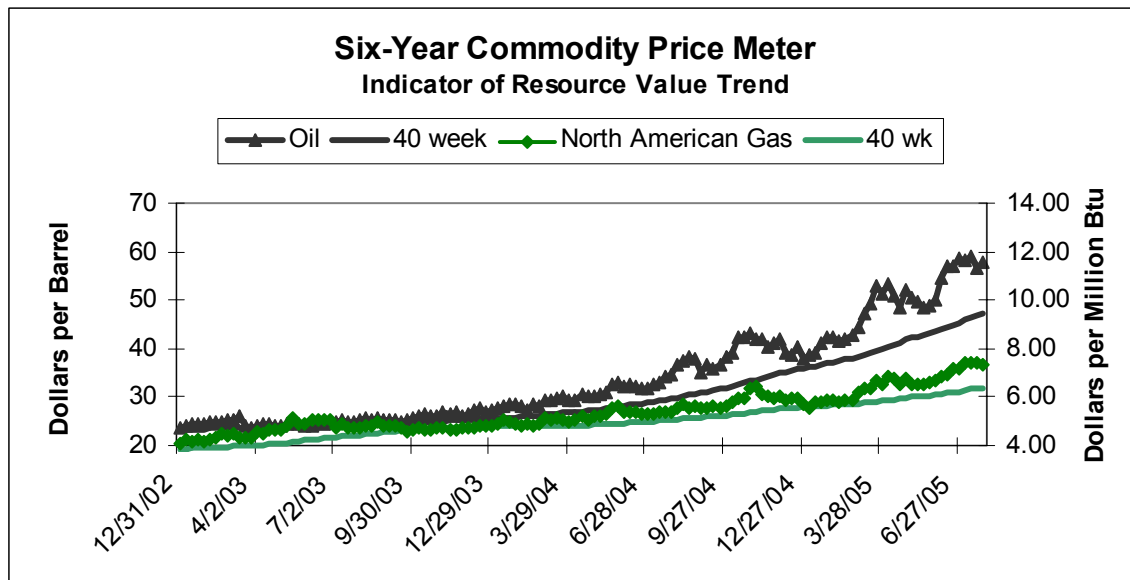


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Oil and Gas Producers Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating		Price (\$/sh) 25-Jul 2005	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	66.88	3,574	239,000	64.00	0.13	1.04
Exxon Mobil Corporation	XOM	B	59.94	6,421	385,000	60.00	0.06	1.00
Total S.A.	TOT	B	125.55	1,192	150,000	126.00	0.15	1.00
Royal Dutch Shell plc	RD	B	61.06	3,363	205,000	66.00	0.14	0.94
Chevron Corporation	CVX	B	58.37	2,311	135,000	70.00	0.13	0.86
<i>Total or Median</i>					<i>1,114,000</i>		<i>0.13</i>	<i>1.00</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	89.12	123	10,970	20.00	0.76	1.84
Imperial Oil Limited (30%)	IMO	B	83.84	104	8,680	64.00	0.11	1.27
Marathon Oil Corporation	MRO	B	57.99	367	21,280	45.00	0.33	1.19
Petro-Canada	PCZ	B	70.15	263	18,480	70.00	0.20	1.00
Suncor Energy	SU	B	49.70	461	22,920	54.00	0.11	0.93
PetroChina Company Ltd (10%)	PTR	B	86.06	176	15,130	94.00	0.05	0.92
ConocoPhillips	COP	B	62.23	1,420	88,400	70.00	0.21	0.91
Norsk Hydro ASA	NHY	B	97.40	251	24,440	110.00	0.13	0.90
Lukoil Oil Company	LUKOY	B	39.92	830	33,000	52.00	0.02	0.77
<i>Total or Median</i>					<i>243,000</i>		<i>0.13</i>	<i>0.93</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	42.53	909	38,700	38.50	0.19	1.09
XTO Energy Inc.	XTO	B	36.32	370	13,430	36.00	0.22	1.01
Unocal Corporation	UCL	B	64.90	273	17,700	65.00	0.19	1.00
Burlington Resources	BR	B	62.91	389	24,500	67.00	0.12	0.95
CNOOC Limited (29%)	CEO	B	63.15	119	7,530	67.00	0.01	0.94
Devon Energy Corporation	DVN	B	55.27	496	27,400	63.00	0.16	0.90
Occidental Petroleum Corp.	OXY	B	82.68	406	33,600	94.00	0.13	0.90
Anadarko Petroleum Corp.	APC	B	88.53	239	21,200	113.00	0.14	0.81
<i>Total or Median</i>					<i>184,000</i>		<i>0.15</i>	<i>0.95</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	55.98	22	1,260	50.00	0.12	1.11
Energy Partners Ltd.	EPL	B	26.22	40	1,060	30.00	0.20	0.90
Cimarex Energy Company	XEC	B	42.00	81	3,400	50.00	0.17	0.87
Encore Acquisition Company	EAC	B	31.59	49	1,560	38.00	0.18	0.86
<i>Total or Median</i>					<i>7,300</i>		<i>0.17</i>	<i>0.88</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	52.79	156	8,240	15.00	0.55	2.12
Kinder Morgan Management, LLC	KMR	S3	47.75	56	2,650	15.00	0.55	1.97
San Juan Basin Royalty Trust	SJT		45.43	47	2,120	32.00	-	1.42
Pengrowth Energy Trust	PGH		23.31	153	3,570	16.00	0.19	1.37
Enerplus Resources Fund	ERF		38.76	105	4,060	32.00	0.16	1.18
Canadian Oil Sands Trust (US\$)	COSWF	B	83.20	93	7,700	94.00	0.16	0.90
<i>Total or Median</i>					<i>28,300</i>		<i>0.18</i>	<i>1.40</i>

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) 25-Jul 2005	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
Exxon Mobil Corporation	XOM	B	59.94	11.2	6.2	6.2	11	1.8
Total S.A.	TOT	B	125.55	9.0	5.4	5.3	9	2.6
BP plc	BP	B	66.88	9.4	5.1	5.3	9	3.1
Royal Dutch Shell plc	RD	B	61.06	7.3	4.7	4.4	8	3.6
Chevron Corporation	CVX	B	58.37	9.6	5.0	4.3	7	3.1
	<i>Median</i>			9.4	5.1	5.3	9	3.1
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	89.12		8.2	15.1	21	3.4
Suncor Energy	SU	B	49.70	20.1	8.7	8.1	17	0.4
Imperial Oil Limited (30%)	IMO	B	83.84	10.5	5.8	7.3	13	0.9
Marathon Oil Corporation	MRO	B	57.99	7.2	4.5	5.4	9	1.9
PetroChina Company Ltd (10%)	PTR	B	86.06	13.7	5.7	5.3	10	3.7
Petro-Canada	PCZ	B	70.15	6.7	4.7	4.7	9	0.7
ConocoPhillips	COP	B	62.23	11.6	5.0	4.6	7	2.0
Norsk Hydro ASA	NHY	B	97.40	8.2	4.7	4.3	9	3.1
Lukoil Oil Company	LUKOY	B	39.92	19.8	4.5	3.5	6	2.4
	<i>Median</i>			11.0	5.0	5.3	9	2.0
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	36.32	11.5	6.1	6.1	11	0.6
Encana Corporation	ECA	B	42.53	7.2	5.0	5.5	11	1.4
Burlington Resources	BR	B	62.91	9.9	5.3	5.0	10	0.5
Occidental Petroleum Corp.	OXY	B	82.68	11.5	5.4	4.8	8	1.5
Anadarko Petroleum Corp.	APC	B	88.53	12.3	5.7	4.6	9	0.8
CNOOC Limited (29%)	CEO	B	63.15	9.6	4.9	4.6	8	3.2
Unocal Corporation	UCL	B	64.90	8.5	4.5	4.5	9	1.2
Devon Energy Corporation	DVN	B	55.27	7.8	4.6	4.1	9	0.5
	<i>Median</i>			9.7	5.1	4.7	9	1.0
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	55.98	11.2	5.0	5.6	14	0.9
Encore Acquisition Company	EAC	B	31.59	15.4	6.4	5.5	13	-
Cimarex Energy Company	XEC	B	42.00	7.5	4.3	3.8	9	-
Energy Partners Ltd.	EPL	B	26.22	4.8	3.2	2.8	6	-
	<i>Median</i>			9.4	4.7	4.7	11	-
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	52.79		8.3	17.6	29	5.9
Kinder Morgan Management, LLC	KMR	S3	47.75		8.3	16.4	26	6.5
San Juan Basin Royalty Trust	SJT		45.43	12.1	8.6	12.2	13	7.5
Canadian Oil Sands Trust (USS)	COSWF	B	83.20	20.0	8.5	7.7	8	2.0
Pengrowth Energy Trust	PGH		23.31	7.4	5.2	7.1	11	9.7
Enerplus Resources Fund	ERF		38.76	9.4	5.4	6.3	11	8.9
	<i>Median</i>			10.8	8.3	9.9	12	7.0

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2006; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
22-Jul	PCZ	Petro-Canada	Approaching Par
22-Jul	MRO	Marathon Oil Corporation	Raise Net Present Value to \$45 a Share
22-Jul	IMO	Imperial Oil Limited	Syncrude Boost
22-Jul	COSWF	Canadian Oil Sands Trust	Distribution Capability Blossoming
21-Jul	KMx	Kinder Morgan	The Game Goes On
20-Jul	XTO	XTO Energy Inc.	Simpson Sense
14-Jul	RD	Royal Dutch Petroleum	Frontier Challenge
14-Jul	SC	Shell Transport & Trading Company, p.l.c.	Frontier Challenge
6-Jul	COSWF	Canadian Oil Sands Trust	Free (Cash Flow) at Last
29-Jun	LUKOY	Lukoil Oil Company	Profits and Taxes Rising
23-Jun	* CEO	CNOOC, Unocal, Chevron	Bidding Battle
23-Jun	* KMx	Kinder Morgan	Unlevered Underperformer
8-Jun	* CEO	CNOOC Ltd	Unocal Bid?
8-Jun	* PTR	PetroChina Company Limited	News Pending
8-Jun	* OXY	Occidental Petroleum Corporation	Raise Net Present Value to \$94 a Share
6-Jun	* NHY	Norsk Hydro ASA	European Natural Gas Awakes
3-Jun	* EPL	Energy Partners, Ltd.	Exploration Exposure
1-Jun	* RD	Royal Dutch Petroleum	Nice Return for Low Risk
1-Jun	* SC	Shell Transport & Trading Company, p.l.c.	Nice Return for Low Risk
1-Jun	* BP	BP p.l.c.	Nice Return for Low Risk
1-Jun	* XOM	Exxon Mobil Corporation	Nice Return for Low Risk
31-May	* ECA	EnCana Corporation	Clean Fuel Supplier
31-May	* DVN	Devon Energy Corporation	Clean Fuel Supplier
31-May	* BR	Burlington Resources, Inc.	Clean Fuel Supplier
31-May	* APC	Anadarko Petroleum Corporation	Clean Fuel Supplier
26-May	* UCL	Unocal Corporation	Buy Chevron at a Discount
26-May	* CVX	ChevronTexaco Corporation	Reduce Net Present Value to \$70 a Share
25-May	* XEC	Cimarex Energy Company	Natural Gas Growth
23-May	* SU	Suncor Energy Inc.	Syncrude Sister
20-May	* COP	ConocoPhillips	Raise Net Present Value to \$140 a Share
16-May	* EAC	Encore Acquisition Company	Momentum Test
9-May	* TOT	Total S.A.	Raise Net Present Value to \$120 a Share
5-May	* BRY	Berry Petroleum Company	Oil in the Kitty Litter
28-Apr	* SJT	San Juan Basin Royalty Trust	Ten Bagger

Meter Reader - A Weekly Analysis

25-Jul		Strong Trends
19-Jul	*	An Incentive, Not a Tax
12-Jul	*	Up to Par
5-Jul	*	Oil Cheap, Natural Gas Cheaper
28-Jun	*	Exchange Dollars for Oil and Gas

* Archived on www.mcdep.com

Also see

U.S. Natural Gas Royalty Trusts - A Weekly Analysis, and Single-Trust Analyses

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