

## Meter Reader

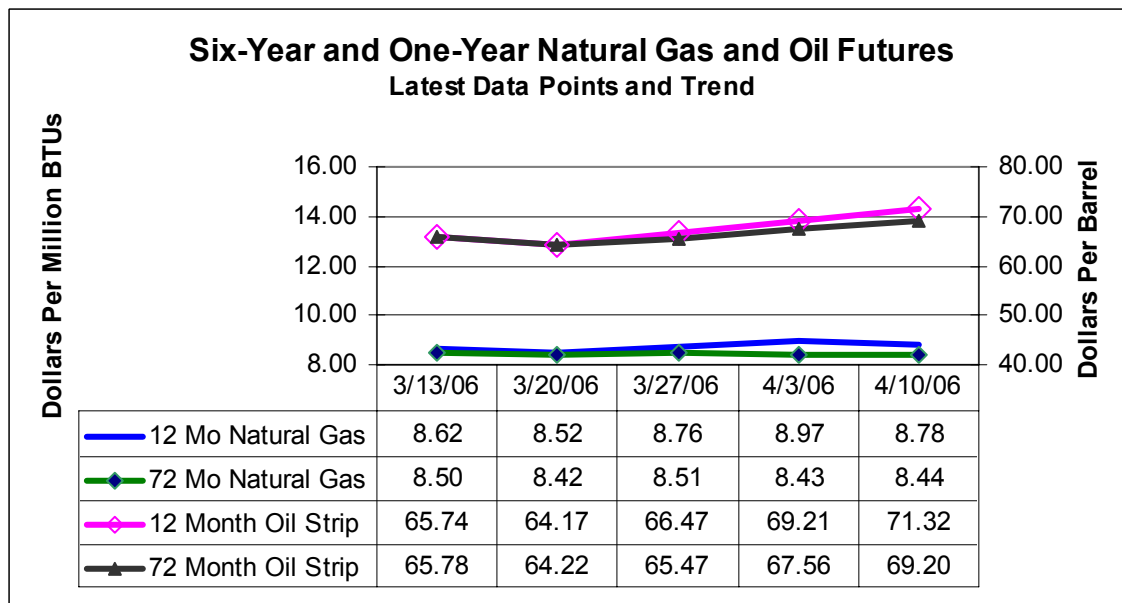
*A Weekly Analysis of Energy Stocks Using the McDep Ratio*

April 11, 2006

# Black Gold Rush

## Summary and Recommendation

The accessibility of crude oil in commodity form widened for investors on April 10 with the trading of a new security, symbol USO, launched on the American Stock Exchange. The financial innovation in the form of an exchange traded fund (ETF) allows investors to buy crude oil as simply as buying a stock. The ETF invests in futures contracts to maintain a value that tracks the short-term price of the underlying commodity. Our vision of an oil price in 2010 of \$150 a barrel illustrates the potential for an investment in USO at the closing price of \$68.02. Coincidentally, new record prices for one-year and six-year oil futures above \$71 and \$69 respectively also point to higher price for USO. Should USO attract more attention to the short-term price of oil, it may also attract more attention to stocks of buy-recommended oil and gas producers at a median McDep Ratio of 0.89 that implies a long-term oil price near \$45 a barrel. The potential for lower McDep Ratio buy recommendations to outperform higher McDep Ratio recommendations influences illustrative weightings for an energy portfolio.

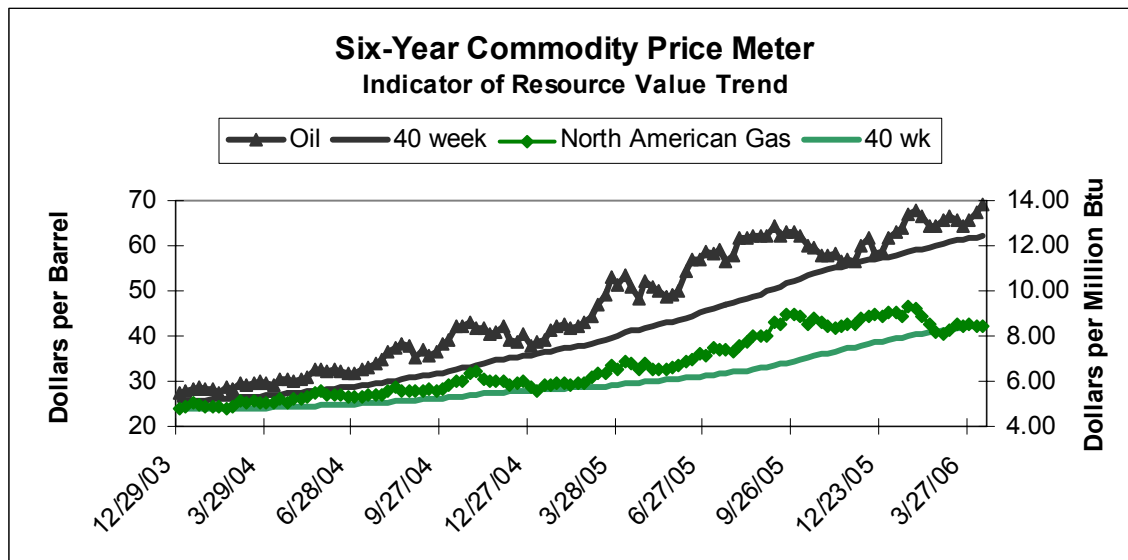


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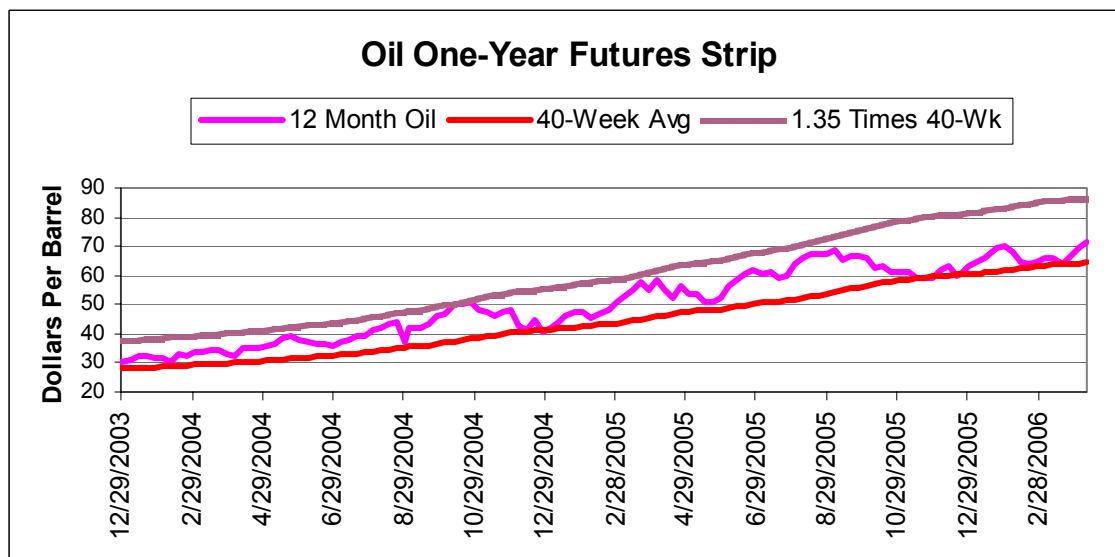
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### Oil Trades below Moving Ceiling

As long as one-year futures trade under a third more than the 40-week average the trend remains orderly. The top end of the band is currently \$87 a barrel.



### Portfolio Weighting Highlights Appreciation Potential

Low McDep Ratio stocks tend to outperform high McDep Ratio stocks. The principle drives stock selection in a new illustration (see table Portfolio Composite of Buy Recommendations).

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-Apr 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
BP plc	BP	B	72.32	3,465	251,000	77.00	0.15	0.95
Total S.A.	TOT	B	134.94	1,173	158,000	160.00	0.12	0.86
Exxon Mobil Corporation	XOM	B	61.94	6,211	385,000	74.00	0.04	0.84
Royal Dutch Shell plc	RDS-A	B	65.28	3,293	215,000	80.00	0.11	0.84
ConocoPhillips	COP	B	66.70	1,693	113,000	95.00	0.22	0.77
Chevron Corporation	CVX	B	59.72	2,236	134,000	85.00	0.11	0.74
<i>Total or Median</i>					1,256,000		0.12	0.84
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	90.34	139	12,590	33.00	0.74	1.45
Imperial Oil Limited (30%)	IMO	B	111.06	101	11,190	90.00	0.09	1.21
Petro-Canada	PCZ	B	49.93	523	26,110	42.00	0.19	1.15
Norsk Hydro ASA	NHY	B	146.19	251	36,620	130.00	0.16	1.10
Suncor Energy	SU	B	82.66	461	38,110	75.00	0.10	1.09
Marathon Oil Corporation	MRO	B	79.14	367	29,080	75.00	0.20	1.04
PetroChina Company Ltd (10%)	PTR	B	110.85	178	19,710	120.00	0.05	0.93
Lukoil Oil Company	LUKOY	B	87.20	830	72,000	100.00	0.01	0.87
Gazprom (50%)	OGZPF	B	100.00	1,133	113,300	140.00	0.02	0.72
<i>Total or Median</i>					359,000		0.10	1.09
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
CNOOC Limited (29%)	CEO	B	80.60	119	9,610	84.00	-	0.96
Encana Corporation	ECA	B	47.46	873	41,400	51.00	0.18	0.94
XTO Energy Inc.	XTO	B	44.99	372	16,740	52.00	0.16	0.89
Occidental Petroleum Corp.	OXY	B	96.50	432	41,700	120.00	0.12	0.83
EOG Resources	EOG	B	72.07	245	17,700	90.00	0.04	0.81
Anadarko Petroleum Corp.	APC	B	106.17	234	24,800	160.00	0.10	0.70
Devon Energy Corporation	DVN	B	61.10	451	27,600	94.00	0.12	0.69
<i>Total or Median</i>					180,000		0.12	0.83
<b>Independent Natural Gas and Oil - Small Cap</b>								
Berry Petroleum Company	BRY	B	72.15	23	1,620	65.00	0.11	1.10
Energy Partners Ltd.	EPL	B	23.55	41	960	29.00	0.21	0.85
Cimarex Energy Company	XEC	B	44.47	85	3,780	64.00	0.08	0.72
Encore Acquisition Company	EAC	B	31.16	50	1,550	50.00	0.24	0.72
<i>Total or Median</i>					7,900		0.16	0.79
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	48.35	165	7,960	15.00	0.55	2.01
Kinder Morgan Management, LLC	KMR	S3	43.85	58	2,520	15.00	0.55	1.87
Pengrowth Energy Trust	PGH		23.15	160	3,700	18.00	0.16	1.24
Enerplus Resources Fund	ERF		51.66	114	5,900	42.00	0.15	1.20
Canadian Oil Sands Trust (US\$)	COSWF	B	154.55	93	14,430	136.00	0.12	1.12
Penn West Energy Trust (US\$)	PWTFF	B	36.49	165	6,020	33.00	0.12	1.09
San Juan Basin Royalty Trust	SJT	B	41.63	47	1,940	40.00	-	1.04
<i>Total or Median</i>					42,500		0.15	1.20

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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### A Weekly Analysis of Energy Stocks Using the McDep Ratio

April 11, 2006

#### Oil and Gas Producers

##### Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 10-Apr 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>Mega Cap</b>							
BP plc	BP B	72.32	9.6	6.3	5.9	10	3.1
Exxon Mobil Corporation	XOM B	61.94	11.7	6.1	5.2	9	2.1
Total S.A.	TOT B	134.94	9.3	5.9	5.1	9	2.9
Royal Dutch Shell plc	RDS-A B	65.28	7.3	5.2	4.4	8	3.4
ConocoPhillips	COP B	66.70	12.1	5.6	4.3	6	2.2
Chevron Corporation	CVX B	59.72	10.7	5.3	3.9	7	3.0
	<i>Median</i>		10.2	5.7	4.7	8	3.0
<b>Producer/Refiners - Large Cap and Mid Cap</b>							
Kinder Morgan, Inc.	KMI S2	90.34		8.2	11.9	18	3.9
Suncor Energy	SU B	82.66	17.7	7.3	7.9	16	0.3
Imperial Oil Limited (30%)	IMO B	111.06	9.3	6.0	7.2	12	0.8
Gazprom (50%)	OGZPF B	100.00	20.0	9.6	6.9	11	0.4
Petro-Canada	PCZ B	49.93	6.0	5.1	5.9	10	0.7
PetroChina Company Ltd (10%)	PTR B	110.85	11.6	5.7	5.3	10	3.8
Norsk Hydro ASA	NHY B	146.19	7.8	4.6	5.1	15	2.3
Marathon Oil Corporation	MRO B	79.14	7.8	4.6	4.8	8	1.7
Lukoil Oil Company	LUKOY B	87.20	19.7	5.4	4.7	7	1.2
	<i>Median</i>		10.4	5.7	5.9	11	1.2
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>							
XTO Energy Inc.	XTO B	44.99	12.4	7.6	6.7	12	0.4
EOG Resources	EOG B	72.07	9.6	6.8	5.5	12	0.3
Encana Corporation	ECA B	47.46	8.7	5.7	5.4	11	0.6
Occidental Petroleum Corp.	OXY B	96.50	10.2	5.8	4.8	8	1.5
Anadarko Petroleum Corp.	APC B	106.17	12.7	6.8	4.7	8	0.7
CNOOC Limited (29%)	CEO B	80.60	10.1	4.4	4.2	7	3.2
Devon Energy Corporation	DVN B	61.10	8.6	5.6	3.9	7	0.7
	<i>Median</i>		10.1	5.8	4.8	8	0.7
<b>Independent Natural Gas and Oil - Small Cap</b>							
Berry Petroleum Company	BRY B	72.15	10.6	5.2	5.7	16	0.9
Encore Acquisition Company	EAC B	31.16	14.8	7.4	5.3	11	-
Cimarex Energy Company	XEC B	44.47	7.2	5.2	3.7	8	0.4
Energy Partners Ltd.	EPL B	23.55	5.7	4.2	3.6	23	-
	<i>Median</i>		8.9	5.2	4.5	13	0.2
<b>Income</b>							
Kinder Morgan Energy Partners, L.P.	KMP S3	48.35		7.9	15.9	24	6.6
Kinder Morgan Management, LLC	KMR S3	43.85		7.9	14.8	22	7.3
San Juan Basin Royalty Trust	SJT B	41.63	13.1	11.0	11.5	13	7.7
Canadian Oil Sands Trust (US\$)	COSWF B	154.55	20.0	9.0	10.1	13	2.3
Enerplus Resources Fund	ERF	51.66	9.4	5.8	6.9	12	8.5
Pengrowth Energy Trust	PGH	23.15	7.2	5.3	6.5	10	11.3
Penn West Energy Trust (US\$)	PWTFF B	36.49	7.7	6.0	6.5	9	9.7
	<i>Median</i>		9.4	7.9	10.1	13	7.7

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 (%)	North of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	McDep Ratio
<b>Mega Cap</b>									
BP plc	BP	2.9	1.0	3.0	0.3	0.4	1.3	1.1	0.95
Total S.A.	TOT	2.9	1.0	3.0		0.8	1.1	1.0	0.86
Exxon Mobil Corporation	XOM	3.2	1.0		0.2	0.8	1.0	0.9	0.84
Royal Dutch Shell plc	RDS-A	3.0	1.0	3.0	0.1	0.6	1.0	1.3	0.84
ConocoPhillips	COP	4.8	2.0		1.0	0.6	2.8	1.6	0.77
Chevron Corporation	CVX	5.8	2.0		0.4	0.6	3.5	1.5	0.74
<b>Producer/Refiners - Large Cap and Mid Cap</b>									
Imperial Oil Limited	IMO	1.6	0.5	1.5	0.2		1.0	0.4	1.21
Petro-Canada	PCZ	1.4	0.5	1.5	0.3	0.1	0.8	0.3	1.15
Norsk Hydro ASA	NHY	1.5	0.5	1.5		0.4	0.6	0.5	1.10
Suncor Energy	SU	1.6	0.5	1.5	0.1		1.3	0.1	1.09
Marathon Oil Corporation	MRO	1.4	0.5		0.2	0.2	0.5	0.6	1.04
PetroChina Company Ltd.	PTR	3.2	1.0	3.0		0.3	2.4	0.3	0.93
Lukoil Oil Company	LUKOY	3.4	1.0	3.0			2.2	0.7	0.87
Gazprom	OGZPF	9.9	3.0	9.0		9.0			0.72
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>									
CNOOC Limited	CEO	3.4	1.0	3.0		0.4	2.6		0.96
Encana Corporation	ECA	2.8	1.0	3.0	2.4		0.6		0.94
XTO Energy Inc.	XTO	2.8	1.0		2.5		0.5		0.89
Occidental Petroleum Corp.	OXY	2.9	1.0		0.4	0.0	2.2	0.3	0.83
EOG Resources	EOG	3.2	1.0		2.4	0.2	0.4		0.81
Anadarko Petroleum Corp.	APC	5.8	2.0		3.6		2.4		0.70
Devon Energy Corporation	DVN	5.6	2.0		3.8		2.1		0.69
<b>Independent Natural Gas and Oil - Small Cap</b>									
Berry Petroleum Company	BRY	1.5	0.5		0.2		1.3		1.10
Energy Partners Ltd.	EPL	1.3	0.5		0.8		0.7		0.85
Cimarex Energy Company	XEC	3.0	1.0		2.2		0.8		0.72
Encore Acquisition Company	EAC	2.2	1.0		0.7		2.3		0.72
<b>Income</b>									
Canadian Oil Sands Trust (US\$)	COSWF	6.1	2.0	6.0			6.0		1.12
Penn West Energy Trust (US\$)	PWTFF	6.1	2.0	6.0	2.2		3.8		1.09
San Juan Basin Royalty Trust	SJT	6.8	2.0		6.0				1.04
<b>Portfolio Composite</b>		<b>100</b>	<b>33.5</b>	<b>48</b>	<b>30</b>	<b>14</b>	<b>45</b>	<b>11</b>	<b>0.85</b>

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#### Index of Recent Research

##### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
6-Apr	KMx	Kinder Morgan	Debt Exposé
28-Mar	EPL	Energy Partners, Ltd.	Denali a Dry Hole
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	* XEC	Cimarex Energy Company	Eyed by Icahn
16-Feb	* TOT	Total S.A.	Challenges of Growth
16-Feb	* ECA	EnCana Corporation	Buying Opportunity
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
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	* SU	Suncor Energy Inc.	Raise Net Present Value to \$75 a Share
27-Jan	* PCZ	Petro-Canada	Favorable Relative Recognition
27-Jan	* MRO	Marathon Oil Corporation	Raise Net Present Value to \$75 a Share
26-Jan	* COSWF	Canadian Oil Sands Trust	Volume Affirmed
17-Jan	* LUKOY	Lukoil Oil Company	Raise Net Present Value to \$100 a Share

##### Meter Reader - A Weekly Analysis

11-Apr		Black Gold Rush
4-Apr	*	Qatari Quandary
28-Mar	*	Good Bye Burlington Resources!
21-Mar	*	Oil Factor II

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

7-Apr		Volume for Income
31-Mar	*	Oil Sands and LNG
24-Mar	*	Defying Expectations
17-Mar	*	Opportunity Knocked

##### 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

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