

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

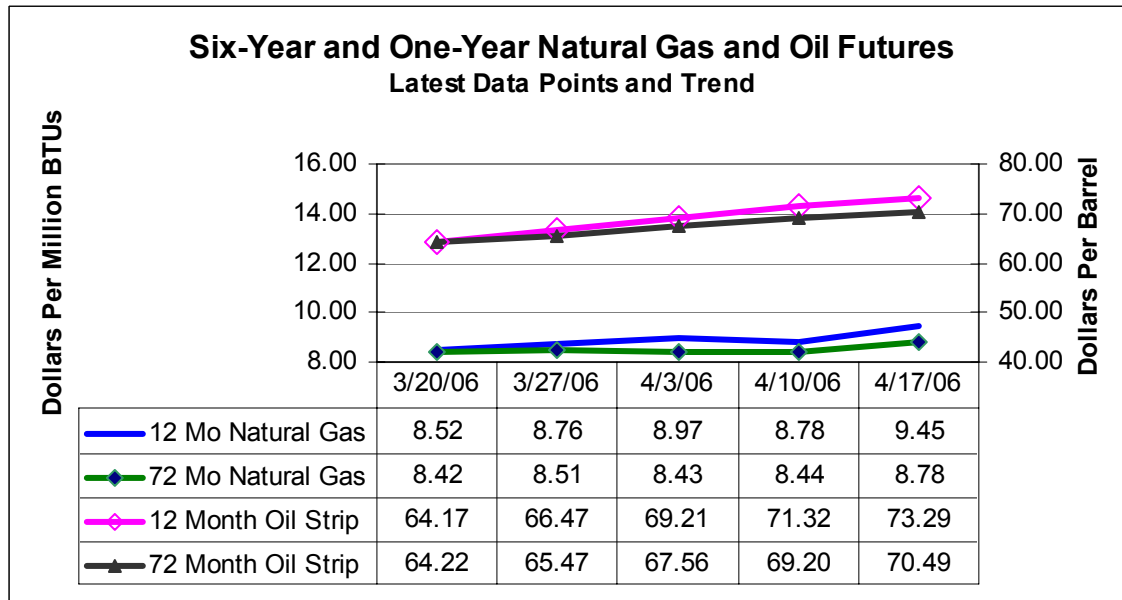
April 18, 2006

Calgary Consolidation

Summary and Recommendation

“It’s no secret in Calgary that there is a lot of consolidation discussion” said Jeff Errico, chief executive of Petrofund (PTF) on the conference call on April 17 discussing buy-recommended **Penn West Energy Trust (PWTF)**’s acquisition of a pioneer in the Canadian oil and gas income trust industry. Presuming the deal closes by mid year, it will launch trading of Penn West on the New York Stock Exchange on about July 1, some six months ahead of previous expectations. Including the transaction in our new estimates for Penn West, we see an attractive income stock paying 9.4% a year with appreciation upside that includes the Pembina enhanced recovery project. Consolidation may be in the future for more Calgary stocks including buy-recommendations **Imperial Oil (IMO)**, **Petro-Canada (PCZ)**, **Suncor (SU)**, **Encana (ECA)** and **Canadian Oil Sands Trust (COSWF)**. Encana may be the most likely target at the lowest McDep Ratio and down 19% from its 52-week high in stock price. Finally, six-year and one-year oil march upward to more new high prices, and six-year natural gas exceeds the 40-week average.

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) 17-Apr 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	B	72.95	3,465	253,000	77.00	0.15	0.96
Total S.A.	TOT	B	135.65	1,173	159,000	160.00	0.12	0.87
Royal Dutch Shell plc	RDS-A	B	66.55	3,293	219,000	80.00	0.11	0.85
Exxon Mobil Corporation	XOM	B	62.05	6,211	385,000	74.00	0.04	0.85
ConocoPhillips	COP	B	68.33	1,693	116,000	95.00	0.22	0.78
Chevron Corporation	CVX	B	59.32	2,236	133,000	85.00	0.11	0.73
<i>Total or Median</i>					<i>1,265,000</i>		<i>0.12</i>	<i>0.85</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	88.79	139	12,380	33.00	0.74	1.44
Imperial Oil Limited (30%)	IMO	B	109.35	101	11,020	90.00	0.09	1.19
Petro-Canada	PCZ	B	49.12	523	25,690	42.00	0.19	1.14
Suncor Energy	SU	B	85.65	461	39,490	75.00	0.10	1.13
Norsk Hydro ASA	NHY	B	148.10	251	37,100	130.00	0.16	1.12
Marathon Oil Corporation	MRO	B	82.37	367	30,270	75.00	0.20	1.08
PetroChina Company Ltd (10%)	PTR	B	112.50	178	20,000	120.00	0.05	0.94
Lukoil Oil Company	LUKOY	B	87.00	830	72,000	110.00	0.01	0.79
Gazprom (50%)	OGZPF	B	99.20	1,133	112,400	140.00	0.02	0.72
<i>Total or Median</i>					<i>360,000</i>		<i>0.10</i>	<i>1.12</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
CNOOC Limited (29%)	CEO	B	84.30	119	10,050	84.00	-	1.00
Encana Corporation	ECA	B	48.51	873	42,300	51.00	0.18	0.96
XTO Energy Inc.	XTO	B	46.30	372	17,220	52.00	0.16	0.91
Occidental Petroleum Corp.	OXY	B	101.25	432	43,700	120.00	0.12	0.86
EOG Resources	EOG	B	73.68	245	18,100	90.00	0.04	0.83
Anadarko Petroleum Corp.	APC	B	108.22	234	25,300	160.00	0.10	0.71
Devon Energy Corporation	DVN	B	61.83	451	27,900	94.00	0.12	0.70
<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	74.27	23	1,670	65.00	0.11	1.13
Energy Partners Ltd.	EPL	B	27.09	41	1,110	29.00	0.21	0.95
Cimarex Energy Company	XEC	B	45.13	85	3,840	64.00	0.08	0.73
Encore Acquisition Company	EAC	B	31.49	50	1,560	50.00	0.24	0.72
<i>Total or Median</i>					<i>8,200</i>		<i>0.16</i>	<i>0.84</i>
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.99	165	7,900	15.00	0.55	2.00
Kinder Morgan Management, LLC	KMR	S3	43.44	58	2,500	15.00	0.55	1.86
Pengrowth Energy Trust	PGH		23.52	160	3,760	18.00	0.16	1.26
Enerplus Resources Fund	ERF		52.43	114	5,990	42.00	0.15	1.21
Penn West Energy Trust (US\$)	PWTFF	B	37.81	230	8,680	33.00	0.15	1.12
Canadian Oil Sands Trust (US\$)	COSWF	B	150.89	93	14,090	136.00	0.12	1.10
San Juan Basin Royalty Trust	SJT	B	42.90	47	2,000	40.00	-	1.07
<i>Total or Median</i>					<i>44,900</i>		<i>0.15</i>	<i>1.21</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) 17-Apr 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
BP plc	BP	B	72.95	9.6	6.2	5.9	10	3.1
Exxon Mobil Corporation	XOM	B	62.05	11.7	6.1	5.1	9	2.1
Total S.A.	TOT	B	135.65	9.3	5.8	5.0	8	2.9
Royal Dutch Shell plc	RDS-A	B	66.55	7.3	5.2	4.4	8	3.4
ConocoPhillips	COP	B	68.33	12.1	5.4	4.2	6	2.1
Chevron Corporation	CVX	B	59.32	10.7	5.2	3.8	6	3.0
	<i>Median</i>			10.2	5.6	4.7	8	3.0
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	88.79		8.2	11.8	18	3.9
Suncor Energy	SU	B	85.65	17.7	7.0	7.9	16	0.2
Imperial Oil Limited (30%)	IMO	B	109.35	9.3	5.8	6.9	11	0.8
Gazprom (50%)	OGZPF	B	99.20	20.0	9.5	6.8	11	0.4
Petro-Canada	PCZ	B	49.12	6.0	5.0	5.6	10	0.7
PetroChina Company Ltd (10%)	PTR	B	112.50	11.6	5.7	5.3	10	3.7
Norsk Hydro ASA	NHY	B	148.10	7.8	4.6	5.1	15	2.3
Marathon Oil Corporation	MRO	B	82.37	7.8	4.6	4.9	8	1.6
Lukoil Oil Company	LUKOY	B	87.00	20.2	5.7	4.5	7	1.2
	<i>Median</i>			10.4	5.7	5.6	11	1.2
Independent Natural Gas and Oil - Large Cap and Mid Cap								
XTO Energy Inc.	XTO	B	46.30	12.4	7.1	6.5	12	0.4
EOG Resources	EOG	B	73.68	9.6	6.5	5.4	12	0.3
Encana Corporation	ECA	B	48.51	8.7	5.4	5.1	10	0.6
Occidental Petroleum Corp.	OXY	B	101.25	10.2	5.6	4.8	8	1.4
Anadarko Petroleum Corp.	APC	B	108.22	12.7	6.5	4.6	8	0.7
CNOOC Limited (29%)	CEO	B	84.30	10.1	4.3	4.3	8	3.1
Devon Energy Corporation	DVN	B	61.83	8.6	5.3	3.7	7	0.7
	<i>Median</i>			10.1	5.6	4.8	8	0.7
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	74.27	10.6	4.9	5.5	15	0.8
Encore Acquisition Company	EAC	B	31.49	14.8	7.0	5.0	10	-
Energy Partners Ltd.	EPL	B	27.09	5.7	3.9	3.7	20	-
Cimarex Energy Company	XEC	B	45.13	7.2	4.8	3.5	7	0.4
	<i>Median</i>			8.9	4.9	4.4	13	0.2
Income								
Kinder Morgan Energy Partners, L.P.	KMP	S3	47.99		7.9	15.8	24	6.7
Kinder Morgan Management, LLC	KMR	S3	43.44		7.9	14.8	21	7.4
San Juan Basin Royalty Trust	SJT	B	42.90	13.5	10.3	11.0	12	8.1
Canadian Oil Sands Trust (US\$)	COSWF	B	150.89	20.0	8.8	9.6	12	5.8
Enerplus Resources Fund	ERF		52.43	9.4	5.5	6.7	11	8.4
Penn West Energy Trust (US\$)	PWTFF	B	37.81	7.9	5.7	6.4	9	9.4
Pengrowth Energy Trust	PGH		23.52	7.2	5.0	6.2	9	11.1
	<i>Median</i>			9.4	7.9	9.6	12	8.1

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	2.9	1.0	3.0	0.3	0.4	1.3	1.1	0.96
Total S.A.		TOT	2.9	1.0	3.0		0.8	1.1	1.0	0.87
Royal Dutch Shell plc		RDS-A	3.0	1.0	3.0	0.1	0.6	1.0	1.3	0.85
Exxon Mobil Corporation		XOM	3.2	1.0		0.2	0.8	1.0	0.9	0.85
ConocoPhillips		COP	4.9	2.0		1.0	0.6	2.8	1.6	0.78
Chevron Corporation		CVX	5.8	2.0		0.4	0.6	3.5	1.5	0.73
Producer/Refiners - Large Cap and Mid Cap										
Imperial Oil Limited		IMO	1.6	0.5	1.5	0.2		1.0	0.4	1.19
Petro-Canada		PCZ	1.4	0.5	1.5	0.3	0.1	0.8	0.3	1.14
Suncor Energy		SU	1.6	0.5	1.5	0.1		1.3	0.1	1.13
Norsk Hydro ASA		NHY	1.5	0.5	1.5		0.4	0.6	0.5	1.12
Marathon Oil Corporation		MRO	1.4	0.5		0.2	0.2	0.5	0.6	1.08
PetroChina Company Ltd.		PTR	3.2	1.0	3.0		0.3	2.4	0.3	0.94
Lukoil Oil Company		LUKOY	3.4	1.0	3.0			2.3	0.7	0.79
Gazprom		OGZPF	9.9	3.0	9.0		9.0			0.72
Independent Natural Gas and Oil - Large Cap and Mid Cap										
CNOOC Limited		CEO	3.4	1.0	3.0		0.4	2.6		1.00
Encana Corporation		ECA	2.8	1.0	3.0	2.4		0.6		0.96
XTO Energy Inc.		XTO	2.8	1.0		2.5		0.5		0.91
Occidental Petroleum Corp.		OXY	2.9	1.0		0.4	0.0	2.2	0.3	0.86
EOG Resources		EOG	3.2	1.0		2.4	0.2	0.4		0.83
Anadarko Petroleum Corp.		APC	5.8	2.0		3.6		2.4		0.71
Devon Energy Corporation		DVN	5.7	2.0		3.8		2.1		0.70
Independent Natural Gas and Oil - Small Cap										
Berry Petroleum Company		BRY	1.5	0.5		0.2		1.3		1.13
Energy Partners Ltd.		EPL	1.3	0.5		0.8		0.7		0.95
Cimarex Energy Company		XEC	3.0	1.0		2.2		0.8		0.73
Encore Acquisition Company		EAC	2.3	1.0		0.7		2.3		0.72
Income										
Penn West Energy Trust (US\$)		PWTFF	5.9	2.0	6.0	2.2		3.8		1.12
Canadian Oil Sands Trust (US\$)		COSWF	6.1	2.0	6.0			6.0		1.10
San Juan Basin Royalty Trust		SJT	6.8	2.0		6.0				1.07
Portfolio Composite			100	33.5	48	30	14	45	11	0.86

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Index of Recent Research

Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
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
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
27-Feb	* XTO	XTO Energy Inc.	Raise NPV to \$52 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

Meter Reader - A Weekly Analysis

18-Apr		Calgary Consolidation
11-Apr	*	Black Gold Rush
4-Apr	*	Qatari Quandary
28-Mar	*	Good Bye Burlington Resources!

Natural Gas and Oil Royalty Trusts - A Weekly Analysis

14-Apr		Distribution Pictures
7-Apr	*	Volume for Income
31-Mar	*	Oil Sands and LNG
24-Mar	*	Defying Expectations

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

* Archived on www.mcdep.com

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