

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

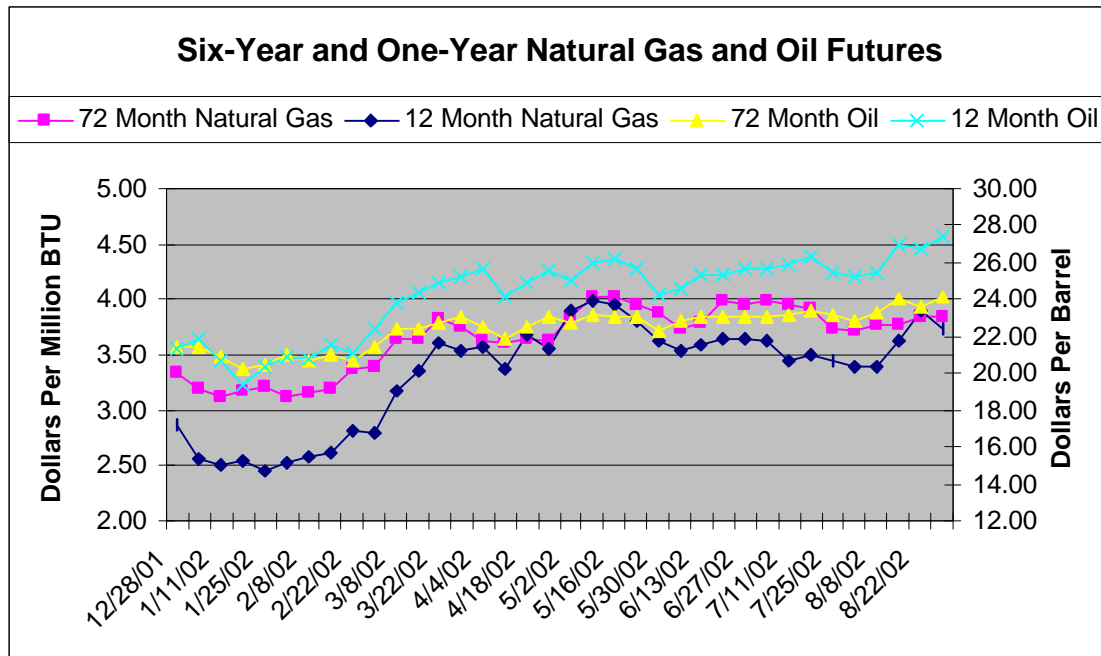
September 2, 2002

How Does Energy Pricing Look?

Summary and Recommendation

Natural gas is cheap, oil is reasonable and infrastructure margins are low in our opinion. Six-year oil, the most fundamental measure of energy pricing, is \$24.15 a barrel and close to the inflation-adjusted long term average. Commodity traders already act as though the higher one-year price at \$27.35 a barrel (a 2002 high) is temporary. We believe a true “war premium” would be higher. Six-year natural gas could be higher relative to oil because the current relationship is at mere heating parity without recognizing the cleaner burning characteristics of the environmentally preferable fuel (see Chart). One-year natural gas has only recently returned to the six-year level. Fully disclosed futures for refined products allow only a one-year margin calculation that is holding at a low level near the 39-week average. The typical integrated oil company would probably benefit as much in refined product margin as it lost in crude oil profit if one-year oil futures declined to the six-year level. Thus we have confidence in the investment potential of our Buy recommendations including **XTO Energy (XTO)**, **Petrobras (PBR)** and **Conoco/Phillips (COC/P)** to name three (see Table L-1, L-2, M-1, M-2, S-1, and S-2).

Kurt H. Wulff, CFA



Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Mr. Wulff is not paid by covered companies. He and his spouse do not sell short nor act contrary to a buy or sell rating except for tax loss purposes.

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

September 2, 2002

Table L-1
Mega Cap and Large Cap Energy Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating	Price (\$/sh) 29-Aug 2002	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap							
Exxon Mobil Corporation	XOM	35.39	6,858	243,000	36.00	0.09	0.98
BP plc	BP	46.90	3,738	175,000	50.00	0.15	0.95
TotalFinaElf S.A.	TOT	70.15	1,352	94,900	90.00	0.14	0.81
Royal Dutch/Shell	RD B	44.83	3,498	157,000	60.00	0.15	0.79
ChevronTexaco Corporation	CVX B	76.07	1,062	80,800	110.00	0.16	0.74
<i>Total or Median</i>				751,000		0.15	0.81
Energy Infrastructure							
Southern Company	SO	28.40	701	19,900	23.90	0.47	1.10
Duke Energy Corporation	DUK	27.25	792	21,600	30.40	0.48	0.95
El Paso Corporation	EP S	16.85	590	9,900	20.00	0.66	0.94
American Electric Power Co. Inc.	AEP N	34.93	322	11,200	42.20	0.63	0.93
Dominion Resources	D	62.20	269	16,700	76.20	0.45	0.90
Enel S.p.a. (32%)	EN	24.85	388	9,600	32.70	0.39	0.85
Exelon Corporation	EXC N	50.01	323	16,200	70.80	0.45	0.84
<i>Total or Median</i>				85,000		0.47	0.92
Natural Gas and Oil							
Occidental Petroleum Corp.	OXY	29.19	372	10,900	30.00	0.48	0.99
OAOLukoil	LUKOY	64.25	299	19,200	70.00	0.08	0.92
Devon Energy	DVN	46.05	165	7,600	55.00	0.48	0.91
ENI S.p.A.	E	74.52	776	57,800	85.00	0.18	0.90
Encana Corporation	ECA B	29.40	470	13,800	35.00	0.28	0.88
Anadarko Petroleum Corp.	APC	43.72	266	11,600	56.00	0.26	0.84
Unocal Corporation	UCL	32.82	245	8,000	45.00	0.33	0.82
ConocoPhillips	P B	51.55	680	35,100	80.00	0.32	0.76
Burlington Resources	BR B	37.78	202	7,600	57.00	0.28	0.76
Marathon Oil Corporation	MRO B	24.50	310	7,600	40.00	0.36	0.75
Petroleo Brasileiro S. A.	PBR B	15.52	1,086	16,900	30.00	0.27	0.65
<i>Total or Median</i>				185,000		0.28	0.83
Service							
Baker Hughes Inc.	BHI	27.17	339	9,200	25.00	0.09	1.08
Schlumberger Ltd.	SLB	42.90	581	24,900	44.00	0.22	0.98
Halliburton Company	HAL	14.75	432	6,400	20.00	0.21	0.80

Buy/Sell rating after symbol: B - Buy, N - Neutral, S - Sell

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Mr. Wulff is not paid by covered companies. He and his spouse do not sell short nor act contrary to a buy or sell rating except for tax loss purposes. 2

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

September 2, 2002

Table L-2
Mega Cap and Large Cap Energy Companies
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 29-Aug 2002	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Mega Cap								
Exxon Mobil Corporation	XOM	35.39	1.5	10.0	21	2.6	10.1	
BP plc	BP	46.90	1.2	8.7	19	3.1	9.1	
TotalFinaElf S.A.	TOT	70.15	1.2	7.6	15	2.7	9.4	
Royal Dutch/Shell	RD	B	44.83	1.1	7.1	15	3.8	9.1
ChevronTexaco Corporation	CVX	B	76.07	1.2	6.9	13	3.7	9.2
	<i>Median</i>		<i>1.2</i>	<i>7.6</i>	<i>15</i>	<i>3.1</i>	<i>9.2</i>	
Energy Infrastructure								
Southern Company	SO	28.40	3.4	9.9	16	4.7	9.0	
Duke Energy Corporation	DUK	27.25	0.8	8.5	11	4.0	9.0	
American Electric Power Co. Inc.	AEP	N	34.93	0.6	8.4	10	6.9	9.0
Dominion Resources	D	62.20	3.4	8.1	13	4.1	9.0	
Enel S.p.a. (32%)	EN	24.85	2.1	7.7	30	6.5	9.0	
Exelon Corporation	EXC	N	50.01	2.3	7.6	11	3.5	9.0
El Paso Corporation	EP	S	16.85	2.7	7.5	10	5.2	7.9
	<i>Median</i>		<i>2.3</i>	<i>8.1</i>	<i>11</i>	<i>4.7</i>	<i>9.0</i>	
Natural Gas and Oil								
Occidental Petroleum Corp.	OXY	29.19	1.5	8.0	14	3.4	8.1	
ConocoPhillips	P	B	51.55	0.8	7.1	15	2.8	9.3
Devon Energy	DVN	46.05	3.0	6.8	46	0.4	7.4	
Anadarko Petroleum Corp.	APC	43.72	2.7	6.7	14	0.7	8.1	
ENI S.p.A.	E	74.52	1.6	6.5	14	4.5	7.3	
Burlington Resources	BR	B	37.78	4.6	6.1	15	1.5	8.0
Encana Corporation	ECA	B	29.40	2.5	5.6	12	0.9	6.3
Marathon Oil Corporation	MRO	B	24.50	0.4	5.5	10	3.8	7.3
Unocal Corporation	UCL	32.82	2.3	5.0	12	2.4	6.2	
OAOLukoil	LUKOY	64.25	1.6	4.5	9	1.7	4.9	
Petroleo Brasileiro S. A.	PBR	B	15.52	1.4	3.6	4	8.7	5.6
	<i>Median</i>		<i>1.6</i>	<i>6.1</i>	<i>14</i>	<i>2.4</i>	<i>7.3</i>	
Service								
Baker Hughes Inc.	BHI	27.17	1.9	11.6	32	1.7	10.8	
Schlumberger Ltd.	SLB	42.90	2.3	8.7	32	1.7	8.9	
Halliburton Company	HAL	14.75	0.7	7.8	20	3.4	9.8	

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Mr. Wulff is not paid by covered companies. He and his spouse do not sell short nor act contrary to a buy or sell rating except for tax loss purposes.

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

September 2, 2002

Table M-1
Mid Cap Energy Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 29-Aug 2002</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
Energy Infrastructure							
Enterprise Products Part.	EPD	21.69	175	3,800	9.50	0.43	1.73
Kinder Morgan Energy Partners, L.P.	KMP S	32.61	136	4,400	14.00	0.49	1.68
Kinder Morgan Management, LLC	KMR S	31.75	30	1,000	14.00	0.49	1.64
Kinder Morgan, Inc.	KMI S	40.87	123	5,000	8.10	0.87	1.53
Constellation Energy Group	CEG	28.25	164	4,600	20.00	0.69	1.13
Calpine Corporation	CPN N	5.13	375	1,900	1.00	0.97	1.12
Dynegy Inc.	DYN	2.07	419	900	1.00	0.94	1.06
Williams Companies	WMB	3.15	521	1,600	1.00	0.97	1.06
AES Corporation	AES	3.19	543	1,700	1.00	0.98	1.05
CMS Energy Corporation	CMS	10.40	137	1,400	8.70	0.90	1.02
Mirant Corporation	MIR	3.80	413	1,600	4.00	0.86	0.99
Sempra Energy	SRE	23.08	207	4,800	24.30	0.64	0.98
Valero Energy Corporation	VLO	32.50	106	3,400	40.00	0.62	0.93
Consol Energy Inc.	CNX	14.20	79	1,100	20.00	0.65	0.90
<i>Total or Median</i>				<i>37,200</i>		<i>0.77</i>	<i>1.06</i>
Natural Gas and Oil							
Suncor Energy	SU	17.99	454	8,200	17.00	0.25	1.04
Ocean Energy, Inc.	OEI	20.76	178	3,700	20.00	0.30	1.03
Murphy Oil Corporation	MUR	83.25	46	3,800	82.00	0.18	1.01
Petro-Canada	PCZ	29.50	262	7,700	31.00	0.11	0.96
Imperial Oil Limited (30%)	IMO	28.24	114	3,200	30.00	0.14	0.95
Norsk Hydro ASA (49%)	NHY	41.85	126	5,300	54.00	0.18	0.82
XTO Energy Inc.	XTO B	19.70	124	2,400	26.00	0.23	0.81
PetroChina Company Ltd (10%)	PTR B	20.43	176	3,600	30.00	0.17	0.73
<i>Total or Median</i>				<i>37,900</i>		<i>0.18</i>	<i>0.95</i>

Buy/Sell rating after symbol: B - Buy, N - Neutral, S - Sell

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Mr. Wulff is not paid by covered companies. He and his spouse do not sell short nor act contrary to a buy or sell rating except for tax loss purposes. 4

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

September 2, 2002

Table M-2
Mid Cap Energy Companies
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

			Price (\$/sh)	EV/ Sales	EV/ Ebitda	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
	Symbol/ Rating		29-Aug 2002	NTM	NTM	NTM		
Energy Infrastructure								
	Enterprise Products Part.	EPD	21.69	1.9	19.1	47	5.8	11.0
	Kinder Morgan Energy Partners, L.P.	KMP	S	32.61	3.2	15.1	17	7.5
	Kinder Morgan Management, LLC	KMR	S	31.75	3.1	14.8	17	7.7
	Kinder Morgan, Inc.	KMI	S	40.87	3.6	13.7	17	0.5
	Valero Energy Corporation	VLO		32.50	0.4	11.6	43	1.2
	Calpine Corporation	CPN	N	5.13	1.9	11.4		10.2
	Constellation Energy Group	CEG		28.25	2.9	10.3	11	3.4
	Consol Energy Inc.	CNX		14.20	1.9	9.8	11	3.9
	Dynegy Inc.	DYN		2.07	0.2	9.6	-	9.0
	Williams Companies	WMB		3.15	1.9	9.5	-	9.0
	AES Corporation	AES		3.19	2.8	9.5		9.0
	CMS Energy Corporation	CMS		10.40	1.3	9.2	6	6.9
	Mirant Corporation	MIR		3.80	0.5	8.9	3	-
	Sempra Energy	SRE		23.08	2.5	8.8	9	4.3
	<i>Median</i>				<i>1.9</i>	<i>10.1</i>	<i>14</i>	<i>3.7</i>
Natural Gas and Oil								
	Suncor Energy	SU		17.99	3.8	11.3	25	1.2
	Imperial Oil Limited (30%)	IMO		28.24	1.3	9.8	22	1.9
	Murphy Oil Corporation	MUR		83.25	1.0	8.1	39	1.8
	Ocean Energy, Inc.	OEI		20.76	4.8	8.0	35	0.8
	Petro-Canada	PCZ		29.50	1.8	7.0	18	0.9
	XTO Energy Inc.	XTO	B	19.70	3.5	6.7	14	0.2
	Norsk Hydro ASA (49%)	NHY		41.85	0.8	3.9	11	2.5
	PetroChina Company Ltd (10%)	PTR	B	20.43	1.6	3.7	7	6.2
	<i>Median</i>				<i>1.7</i>	<i>7.5</i>	<i>20</i>	<i>1.5</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Mr. Wulff is not paid by covered companies. He and his spouse do not sell short nor act contrary to a buy or sell rating except for tax loss purposes. 5

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

September 2, 2002

Table S-1
Small Cap Energy Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating		Price (\$/sh) 29-Aug 2002	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Energy Infrastructure								
El Paso Energy Partners	EPN	S	34.94	42.8	1,500	10.20	0.64	1.89
Enbridge Energy Partners,	EEP		44.23	31.0	1,370	16.60	0.58	1.70
TEPPCO Partners, L.P.	TPP		31.30	46.5	1,450	12.90	0.61	1.56
Plains All Amer. Pipeline	PAA		24.25	41.6	1,010	14.90	0.39	1.39
Penn Virginia Res. Part, L.P.	PVR		20.53	15.3	310	15.00	-	1.37
Northern Border Partners	NBP		36.55	42.0	1,540	20.10	0.57	1.36
AmeriGas Partners, L.P.	APU		23.32	49.0	1,140	23.50	0.47	0.99
Penn Virginia Corporation	PVA		35.00	9.0	320	38.00	0.09	0.93
	<i>Total or Median</i>				8,600		0.52	1.38
Natural Gas and Oil								
Provident Energy Trust	PVX		6.90	36.0	250	5.00	0.46	1.21
Dorchester Hugoton, Ltd.	DHULZ		13.00	10.7	140	11.60	(0.17)	1.14
Pogo Producing Company	PPP		32.70	60.5	1,980	32.00	0.27	1.02
Quicksilver Resources Inc.	KWK		19.37	19.4	380	19.00	0.44	1.01
Newfield Exploration Company	NFX		33.16	48.6	1,610	33.00	0.25	1.00
CNOOC Limited (19%)	CEO	B	27.53	78.0	2,150	30.00	-	0.92
Enerplus Resources Fund	ERF		17.45	69.6	1,220	20.00	0.19	0.90
Spinnaker Exploration Company	SKE		30.89	28.5	880	35.00	0.03	0.89
Encore Acquisition Corp. (25%)	EAC		16.94	7.5	127	20.00	0.18	0.87
Stone Energy Company	SGY		34.06	26.4	900	42.00	0.29	0.87
Forest Oil Corporation	FST	N	26.23	46.8	1,230	35.00	0.30	0.83
Southwestern Energy Company	SWN		11.55	25.6	300	17.00	0.44	0.82
Unit Corporation	UNT		16.51	36.2	600	21.00	0.03	0.79
Magnum Hunter Resources, Inc.	MHR		5.49	71.5	390	11.00	0.46	0.73
Swift Energy Company	SFY		13.06	24.8	320	22.00	0.32	0.72
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	25.33	56.9	1,440	40.00	0.12	0.68
	<i>Total or Median</i>				13,900		0.26	0.88
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		17.51	6.0	105	19.90	-	0.88
San Juan Basin Royalty Trust	SJT	B	11.54	46.6	540	16.00	-	0.72
Hugoton RoyaltyTrust (46%)	HGT		11.22	18.4	210	16.10	-	0.70
Micro Cap								
Abraxas Petroleum Corporation	ABP		0.59	27.0	16	2.00	0.84	0.89
Energy Partners Ltd.(30%)	EPL	B	8.09	8.2	67	10.00	0.38	0.88
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.41	27.3	38	3.00	0.22	0.58

Buy/Sell rating after symbol: B - Buy, N - Neutral, S - Sell

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Mr. Wulff is not paid by covered companies. He and his spouse do not sell short nor act contrary to a buy or sell rating except for tax loss purposes. 6

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

September 2, 2002

Table S-2
Small Cap Energy Companies
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating		Price (\$/sh) 29-Aug 2002	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
Energy Infrastructure								
El Paso Energy Partners	EPN	S	34.94	9.5	17.0	26	7.7	9.0
Enbridge Energy Partners,	EEP		44.23	6.8	15.3	85	7.9	9.0
TEPPCO Partners, L.P.	TPP		31.30	1.1	14.0	20	7.3	9.0
Penn Virginia Res. Part, L.P.	PVR		20.53	9.6	13.3	15	9.7	9.7
Plains All Amer. Pipeline	PAA		24.25	0.2	12.5	18	8.5	9.0
Northern Border Partners	NBP		36.55	7.7	12.2	16	8.8	9.0
AmeriGas Partners, L.P.	APU		23.32	1.5	9.0	13	9.4	9.0
Penn Virginia Corporation	PVA		35.00	3.3	5.3	23	2.6	5.8
	<i>Median</i>			<i>5.1</i>	<i>12.9</i>	<i>19</i>	<i>8.2</i>	<i>9.0</i>
Natural Gas and Oil								
Dorchester Hugoton, Ltd.	DHULZ		13.00	6.4	9.7	14	8.9	8.5
Quicksilver Resources Inc.	KWK		19.37	4.5	8.4	21	-	8.3
Pogo Producing Company	PPP		32.70	4.3	7.4	46	0.4	7.3
Provident Energy Trust	PVX		6.90	3.6	7.3	90	16.1	6.1
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	25.33	3.7	7.0	8	5.1	10.3
Enerplus Resources Fund	ERF		17.45	4.6	6.6	16	12.5	7.4
Forest Oil Corporation	FST	N	26.23	3.8	6.5	21	-	7.8
Encore Acquisition Corp. (25%)	EAC		16.94	4.3	6.4	14	-	7.4
Magnum Hunter Resources, Inc.	MHR		5.49	2.9	6.0	16	-	8.3
CNOOC Limited (19%)	CEO	B	27.53	4.6	6.0	12	0.9	6.5
Swift Energy Company	SFY		13.06	4.0	5.9	27	-	8.1
Unit Corporation	UNT		16.51	2.8	5.3	12	-	6.6
Southwestern Energy Company	SWN		11.55	2.2	5.2	11	-	6.3
Newfield Exploration Company	NFX		33.16	3.4	4.7	18	-	4.7
Stone Energy Company	SGY		34.06	3.3	4.4	10	-	5.0
Spinnaker Exploration Company	SKE		30.89	3.7	4.3	13	-	4.8
	<i>Median</i>			<i>3.8</i>	<i>6.2</i>	<i>15</i>	<i>-</i>	<i>7.3</i>
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		17.51	6.3	8.9	10	10.4	10.2
San Juan Basin Royalty Trust	SJT	B	11.54	5.7	7.4	10	10.0	10.2
Hugoton RoyaltyTrust (46%)	HGT		11.22	4.7	6.9	10	10.4	9.9
Micro Cap								
Abraxas Petroleum Corporation	ABP		0.59	4.2	6.2		-	6.9
Energy Partners Ltd.(30%)	EPL	B	8.09	2.7	5.5		-	6.3
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.41	3.3	5.0	11	-	8.5

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Mr. Wulff is not paid by covered companies. He and his spouse do not sell short nor act contrary to a buy or sell rating except for tax loss purposes. 7