

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

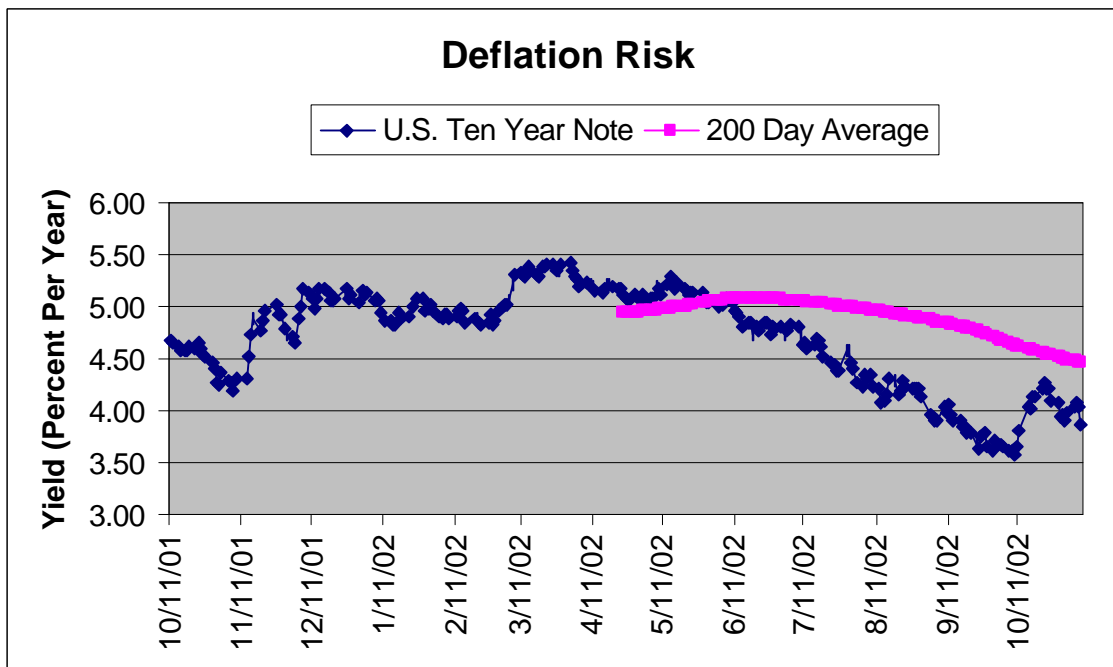
November 11, 2002

Balanced Risks

Summary and Recommendation

As it reduced its short-term interest rate to 1.25% per year, the Federal Reserve suggested that the opposing risks of deflation and inflation were balanced. McDep energy recommendations have been selected to offer growth with deflation resistance and inflation protection. Low or no debt energy stocks are cushioned against the main risk of deflation, financial failure. Moreover energy is consumed in large quantities even in times of deflationary economic activity. Should we have the inflation that few expect, energy investments would be among the most desirable. Meanwhile energy facilities normally generate large amounts of cash that provide growth in the form of a real return on investment. Recommended natural gas stocks enjoying a rising one-year commodity price and current stock price trend include **Burlington Resources (BR)**, **XTO Energy (XTO)**, **San Juan Basin Royalty Trust (SJT)** and **Energy Partners (EPL)**. A recent pullback in oil price seems to have been anticipated by stock prices of oil sensitive recommendations. We expect negative stock price momentum to continue for sell recommendations **Kinder Morgan, Inc. (KMI)** and **El Paso Energy Partners (EPN)**. Recommended issues are flagged among 85 stocks ranked by McDep Ratio and cash flow multiple (see Tables L-1, L-2, M-1, M-2, S-1, S-2).

Deflation Risk Increasing With Declining Yield on U.S. Note



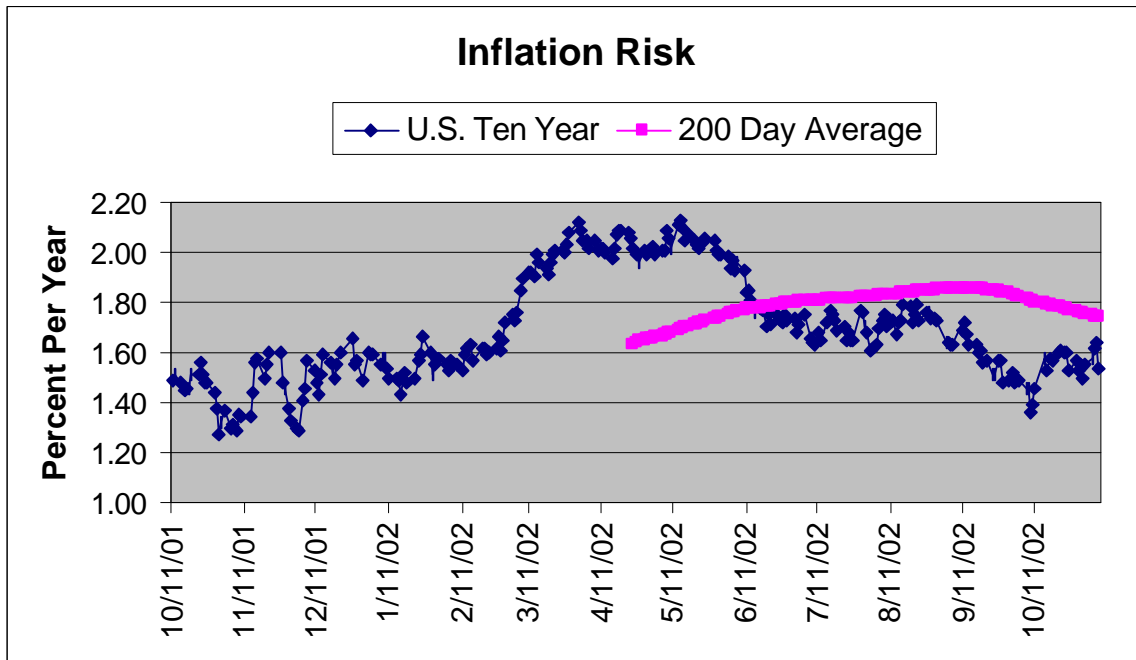
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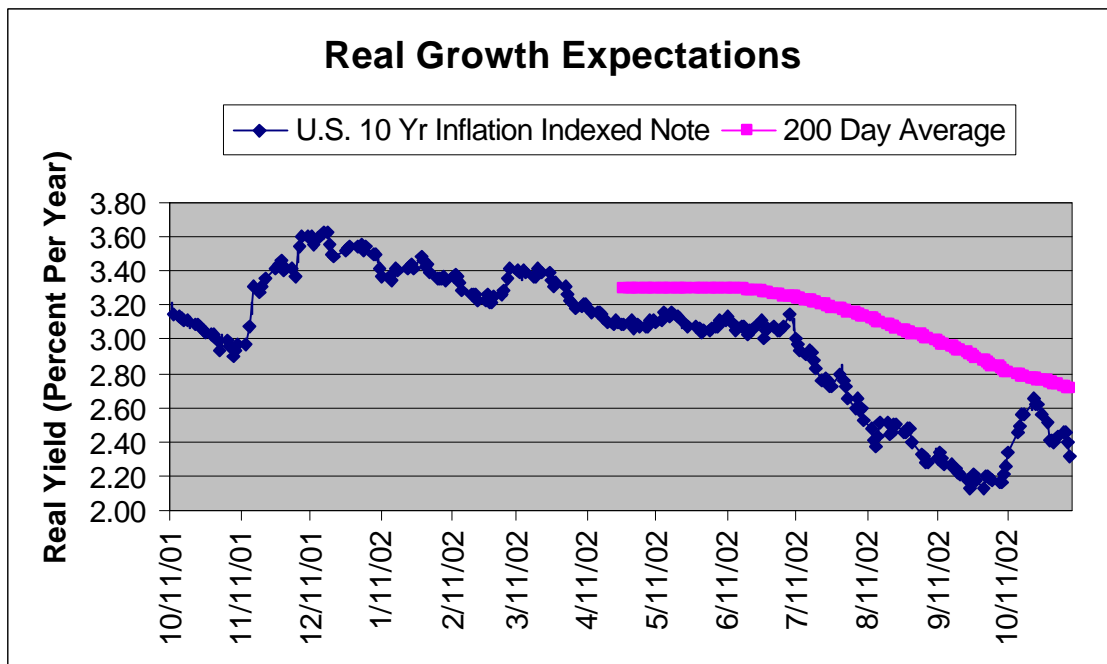
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Inflation Risk Decreasing With Declining Differential Yield on U.S. Notes



Growth Expectations Decreasing With Declining Real Yield on U.S. Notes



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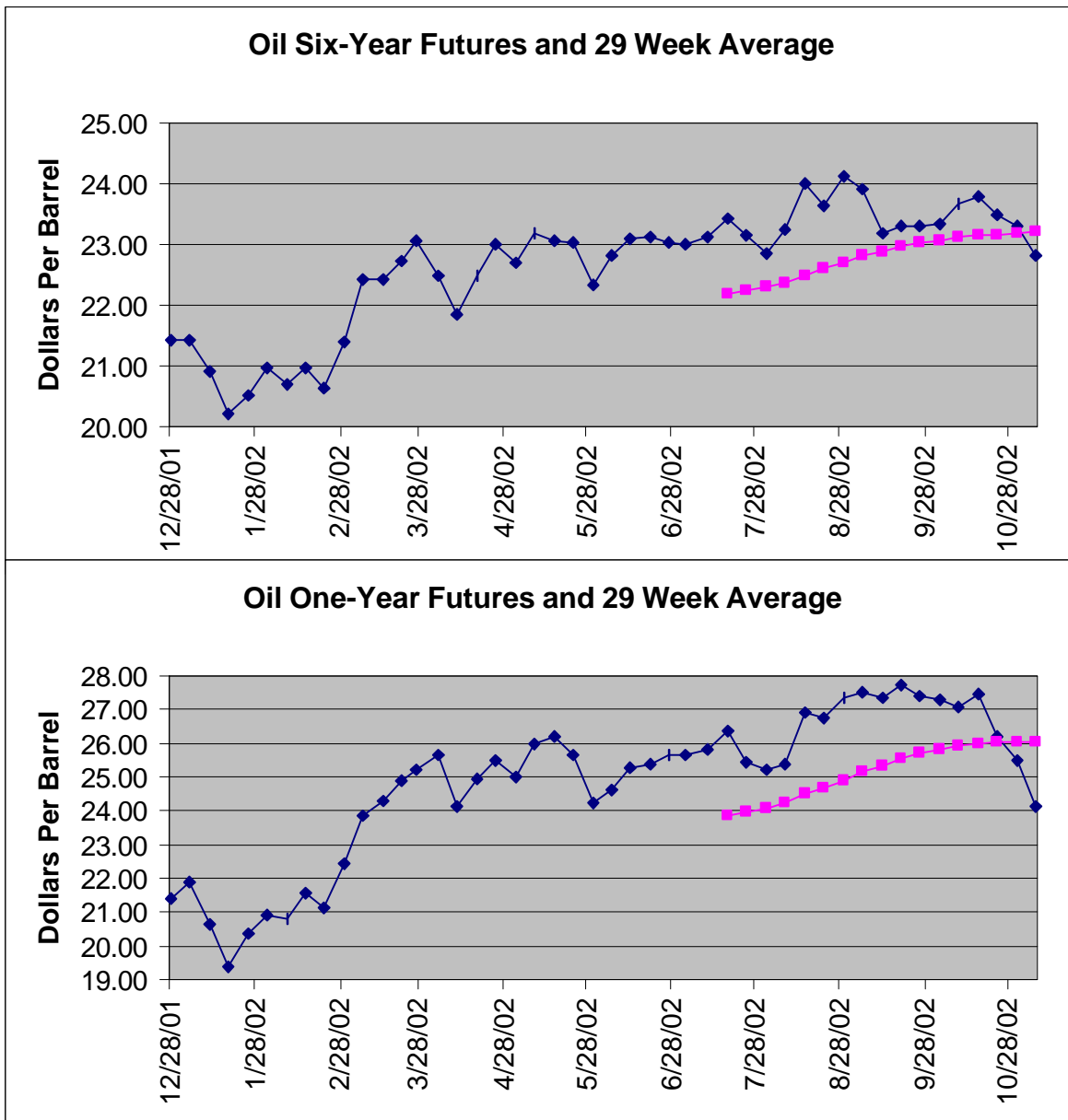
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The three charts above capture the most fundamental of valuation trends. Our subheadings imply conclusions that are consistent with current reading compared to the 200-day average and nothing more. During the past month the strong trends of several months have reversed on a short-term basis. Breaks through the 200-day average have not yet occurred. Nor do we know where the market leads. We are comfortable with the expectation that an energy portfolio made up of recommended, or similar, stocks could be well positioned on a risk and reward basis.

Six-Year and One-Year Oil Break 29-Week Average



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Positive momentum for oil price has ended temporarily. The timing coincides with the passing of U.S. elections although there may be little connection between the events. Investors who want to see a current price above the average for a period like 200 days, which we approximate with 29 weeks, may not be buyers of oil sensitive stocks now. Contrarian investors who were waiting for a period of weaker pricing may now become more interested.

We view the current six-year futures price near \$23 a barrel as a modest level. Long term it is likely to be higher in our opinion. Lower levels would probably be short-lived if they occurred.

The more widely observed one-year oil price has now come down to near the six-year level. Near term oil price could swing wildly in the event of military or terrorist action in the Middle East. One might characterize the difference between one-year futures and six-year futures as war insurance. A few months ago the “war premium” on that basis was \$4 a barrel. Now the difference is only \$1 a barrel.

At the same time one-year refining margin futures have also dropped back below the 29-week average around which they have fluctuated for the past year. Six-year natural gas is slightly below the 29-week average again after being above and below for the past several weeks. Among major energy commodities only one-year natural gas has positive price momentum defined as current price above the 29-week average.

Major oil stocks have not gone up with the commodity this year. Thus, the change in commodity price trend is more than reflected in current stock price, in our opinion. We believe this is a good time to buy any of our positive energy recommendations.

Kurt H. Wulff, CFA

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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) 7-Nov 2002	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap							
Exxon Mobil Corporation	XOM	34.48	6,858	237,000	36.00	0.09	0.96
TotalFinaElf S.A.	TOT	67.80	1,346	91,300	90.00	0.14	0.79
BP plc	BP	37.40	3,738	140,000	50.00	0.15	0.79
Royal Dutch/Shell	RD B	42.92	3,498	150,000	60.00	0.15	0.76
ChevronTexaco Corporation	CVX B	67.50	1,063	71,700	106.00	0.17	0.70
<i>Total or Median</i>				690,000		0.15	0.79
Energy Infrastructure							
Southern Company	SO	28.48	701	20,000	23.90	0.47	1.10
American Electric Power Co. Inc.	AEP N	26.56	326	8,700	27.40	0.74	0.99
Enel S.p.a. (32%)	EN	24.80	388	9,600	32.70	0.39	0.85
Exelon Corporation	EXC N	51.40	323	16,600	70.80	0.45	0.85
Duke Energy Corporation	DUK	20.81	792	16,500	30.40	0.48	0.84
El Paso Corporation	EP N	9.20	590	5,400	20.00	0.66	0.81
Dominion Resources	D	47.98	269	12,900	76.20	0.45	0.80
<i>Total or Median</i>				70,000		0.47	0.84
Natural Gas and Oil							
Occidental Petroleum Corp.	OXY	28.03	376	10,500	32.00	0.38	0.92
Devon Energy	DVN	46.70	165	7,700	55.00	0.48	0.92
OAO Lukoil	LUKOY	63.93	299	19,100	70.00	0.08	0.92
Anadarko Petroleum Corp.	APC	47.32	266	12,600	56.00	0.26	0.89
Encana Corporation	ECA B	27.61	470	13,000	35.00	0.28	0.85
ENI S.p.A.	E	67.80	776	52,600	85.00	0.18	0.83
Burlington Resources	BR B	41.27	202	8,300	57.00	0.28	0.80
ConocoPhillips	COP B	49.20	680	33,500	80.00	0.32	0.74
Unocal Corporation	UCL	27.47	245	6,700	45.00	0.33	0.74
Marathon Oil Corporation	MRO B	20.65	310	6,400	40.00	0.37	0.69
Petroleo Brasileiro S. A.	PBR N	12.81	1,086	13,900	30.00	0.27	0.58
<i>Total or Median</i>				174,000		0.28	0.82
Service							
Baker Hughes Inc.	BHI	30.51	339	10,300	25.00	0.09	1.20
Schlumberger Ltd.	SLB	42.21	581	24,500	44.00	0.22	0.97
Halliburton Company	HAL	16.55	432	7,200	20.00	0.21	0.87

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

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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) 7-Nov 2002	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Mega Cap								
Exxon Mobil Corporation	XOM	34.48	1.5	9.7	21	2.7	10.1	
BP plc	BP	37.40	1.0	7.2	15	3.9	9.1	
TotalFinaElf S.A.	TOT	67.80	1.1	7.1	14	3.8	9.0	
Royal Dutch/Shell	RD	B	42.92	1.0	6.8	14	4.0	8.9
ChevronTexaco Corporation	CVX	B	67.50	0.9	6.3	14	4.1	9.0
	<i>Median</i>		<i>1.0</i>	<i>7.1</i>	<i>14</i>	<i>3.9</i>	<i>9.0</i>	
Energy Infrastructure								
Southern Company	SO	28.48	3.4	9.9	17	4.7	9.0	
American Electric Power Co. Inc.	AEP	N	26.56	0.6	8.9	9	9.0	9.0
Enel S.p.a. (32%)	EN	24.80	2.1	7.7	30	6.5	9.0	
Exelon Corporation	EXC	N	51.40	2.3	7.6	11	3.4	9.0
Duke Energy Corporation	DUK	20.81	0.7	7.5	8	5.3	9.0	
Dominion Resources	D	47.98	3.0	7.2	10	5.4	9.0	
El Paso Corporation	EP	N	9.20	2.3	6.3	5	9.5	7.7
	<i>Median</i>		<i>2.3</i>	<i>7.6</i>	<i>10</i>	<i>5.4</i>	<i>9.0</i>	
Natural Gas and Oil								
Devon Energy	DVN	46.70	3.0	6.8	47	0.4	7.4	
ConocoPhillips	COP	B	49.20	0.8	6.7	14	3.3	9.1
ENI S.p.A.	E	67.80	1.5	6.1	13	5.0	7.3	
Anadarko Petroleum Corp.	APC	47.32	2.6	5.9	11	0.8	6.7	
Occidental Petroleum Corp.	OXY	28.03	1.4	5.6	10	3.6	6.0	
Burlington Resources	BR	B	41.27	4.3	5.5	11	1.3	6.9
Encana Corporation	ECA	B	27.61	2.4	5.1	10	0.9	6.1
Marathon Oil Corporation	MRO	B	20.65	0.4	4.8	8	4.5	7.0
Unocal Corporation	UCL	27.47	2.1	4.5	10	2.9	6.2	
OAOLukoil	LUKOY	63.93	1.6	4.5	9	1.7	4.9	
Petroleo Brasileiro S. A.	PBR	N	12.81	1.2	2.9	3	10.5	5.0
	<i>Median</i>		<i>1.6</i>	<i>5.5</i>	<i>10</i>	<i>2.9</i>	<i>6.7</i>	
Service								
Baker Hughes Inc.	BHI	30.51	2.1	12.9	36	1.5	10.8	
Schlumberger Ltd.	SLB	42.21	2.3	8.6	31	1.8	8.9	
Halliburton Company	HAL	16.55	0.7	8.5	23	3.0	9.8	

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

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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) 7-Nov 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								
Kinder Morgan Energy Partners, L.P.	KMP	S	32.48	135	4,400	14.00	0.47	1.69
Kinder Morgan Management, LLC	KMR	S	29.47	40	1,200	14.00	0.47	1.58
Enterprise Products Part.	EPD		17.65	175	3,100	9.50	0.43	1.49
Kinder Morgan, Inc.	KMI	S	38.20	123	4,700	8.10	0.87	1.47
Constellation Energy Group	CEG		25.95	164	4,300	20.00	0.69	1.09
Calpine Corporation	CPN	N	3.19	375	1,200	1.00	0.97	1.06
Williams Companies	WMB		3.06	521	1,600	1.00	0.97	1.06
AES Corporation	AES		1.92	543	1,000	1.00	0.98	1.02
CMS Energy Corporation	CMS		8.10	137	1,100	8.70	0.90	0.99
Dynegy Inc.	DYN		0.82	418	300	1.00	0.94	0.99
Sempra Energy	SRE		22.01	207	4,600	24.30	0.64	0.97
Valero Energy Corporation	VLO		36.07	115	4,200	40.00	0.60	0.96
Mirant Corporation	MIR		2.15	413	900	4.00	0.86	0.93
	<i>Total or Median</i>				<i>32,600</i>		<i>0.86</i>	<i>1.06</i>
Natural Gas and Oil								
Murphy Oil Corporation	MUR		82.95	46	3,800	82.00	0.18	1.01
Ocean Energy, Inc.	OEI		18.78	178	3,300	20.00	0.30	0.96
Imperial Oil Limited (30%)	IMO		27.15	114	3,100	30.00	0.14	0.92
XTO Energy Inc.	XTO	B	22.85	124	2,800	26.00	0.25	0.91
Petro-Canada	PCZ		27.71	262	7,300	31.00	0.11	0.91
Suncor Energy	SU		14.69	454	6,700	17.00	0.25	0.90
Norsk Hydro ASA (49%)	NHY		39.77	126	5,000	54.00	0.18	0.78
CNOOC Limited (19%)	CEO	B	25.06	78	1,960	33.00	-	0.76
PetroChina Company Ltd (10%)	PTR	B	18.65	176	3,300	30.00	0.17	0.69
	<i>Total or Median</i>				<i>37,300</i>		<i>0.18</i>	<i>0.91</i>
Coal Producers (Small Cap)								
Consol Energy Inc.	CNX		12.75	79	1,000	5.00	0.88	1.18
Penn Virginia Res. Part, L.P.	PVR		19.35	15	300	17.00	-	1.15
Peabody Energy	BTU		26.63	55	1,500	18.00	0.75	1.12
Arch Coal	ACI		18.00	48	900	18.00	0.61	1.00
Fording Coal (US\$)	FDG		20.97	52	1,100	23.00	0.04	0.92
Alliance Res. Part, L.P.	ARLP		23.71	16	400	29.00	0.36	0.88
Massey Energy	MEE		7.85	75	600	18.00	0.37	0.65
					<i>5,800</i>		<i>0.37</i>	<i>1.00</i>

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

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 7-Nov 2002</i>	<i>EV/ Sales NTM</i>	<i>EV/ Ebitda NTM</i>	<i>P/E NTM</i>	<i>Dividend or Distribution NTM (%)</i>	<i>PV/ Ebitda NTM</i>
Energy Infrastructure							
Enterprise Products Part.	EPD	17.65	1.6	16.4	38	7.1	11.0
Kinder Morgan Energy Partners, L.P.	KMP S	32.48	3.2	14.3	16	7.5	8.4
Kinder Morgan Management, LLC	KMR S	29.47	2.9	13.3	15	8.3	8.4
Kinder Morgan, Inc.	KMI S	38.20	3.5	12.9	14	0.5	8.8
Calpine Corporation	CPN N	3.19	1.8	10.9			10.2
Constellation Energy Group	CEG	25.95	2.8	10.0	10	3.7	9.2
Williams Companies	WMB	3.06	1.9	9.5		-	9.0
AES Corporation	AES	1.92	2.7	9.2			9.0
CMS Energy Corporation	CMS	8.10	1.3	8.9	5	8.9	9.0
Dynegy Inc.	DYN	0.82	0.2	8.9		-	9.0
Sempra Energy	SRE	22.01	2.5	8.7	8	4.5	9.0
Mirant Corporation	MIR	2.15	0.4	8.4	1	-	9.0
Valero Energy Corporation	VLO	36.07	0.4	7.5	9	1.1	7.8
	<i>Median</i>		<i>1.9</i>	<i>9.5</i>	<i>10</i>	<i>3.7</i>	<i>9.0</i>
Natural Gas and Oil							
Suncor Energy	SU	14.69	3.2	9.7	21	1.5	10.8
Imperial Oil Limited (30%)	IMO	27.15	1.3	9.4	21	2.0	10.3
Murphy Oil Corporation	MUR	82.95	0.9	8.1	39	1.8	8.0
Ocean Energy, Inc.	OEI	18.78	4.5	7.5	32	0.9	7.8
Petro-Canada	PCZ	27.71	1.7	6.7	17	0.9	7.4
XTO Energy Inc.	XTO B	22.85	4.3	6.0	11	0.2	6.6
CNOOC Limited (19%)	CEO B	25.06	3.4	4.3	9	2.5	5.7
Norsk Hydro ASA (49%)	NHY	39.77	0.7	3.7	11	2.6	4.8
PetroChina Company Ltd (10%)	PTR B	18.65	1.5	3.5	7	6.8	5.1
	<i>Median</i>		<i>1.7</i>	<i>6.7</i>	<i>17</i>	<i>1.8</i>	<i>7.4</i>
Coal Producers (Small Cap)							
Penn Virginia Res. Part, L.P.	PVR	19.35	9.2	12.7	14	10.3	11.0
Consol Energy Inc.	CNX	12.75	1.9	11.5	29	4.4	9.7
Peabody Energy	BTU	26.63	1.6	10.0	22	1.5	9.0
Arch Coal	ACI	18.00	1.5	9.0	101	1.3	9.0
Fording Coal (US\$)	FDG	20.97	1.9	8.2	19	1.8	9.0
Massey Energy	MEE	7.85	1.0	5.8	196	2.0	8.9
Alliance Res. Part, L.P.	ARLP	23.71	1.3	5.3	7	8.4	6.0
			<i>1.6</i>	<i>9.0</i>	<i>22</i>	<i>2.0</i>	<i>9.0</i>

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

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Small Cap Energy Companies
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Energy Infrastructure								
El Paso Energy Partners	EPN	S	29.20	44.1	1,290	10.20	0.60	1.76
Enbridge Energy Partners,	EEP		39.00	31.0	1,210	16.60	0.58	1.57
Plains All Amer. Pipeline	PAA		22.65	41.6	940	14.90	0.39	1.32
Northern Border Partners	NBP		33.52	42.0	1,410	20.10	0.57	1.29
TEPPCO Partners, L.P.	TPP		26.83	50.0	1,340	17.70	0.56	1.23
AmeriGas Partners, L.P.	APU		23.74	49.0	1,160	23.50	0.47	1.00
Western Gas Resources	WGR		33.40	33.8	1,130	37.60	0.28	0.92
<i>Total or Median</i>					8,500		0.56	1.29
Natural Gas and Oil								
Dorchester Hugoton, Ltd.	DHULZ		13.37	10.7	144	11.60	(0.17)	1.18
Quicksilver Resources Inc.	KWK		22.56	19.4	440	19.00	0.44	1.10
Provident Energy Trust	PVX		6.58	36.0	240	6.00	0.33	1.07
Pogo Producing Company	PPP		36.50	64.5	2,350	35.00	0.23	1.03
Newfield Exploration Company	NFX		35.64	48.9	1,740	35.00	0.24	1.01
Enerplus Resources Fund	ERF		17.90	69.6	1,250	20.00	0.19	0.91
Unit Corporation	UNT		18.69	36.2	680	21.00	0.03	0.89
Penn Virginia Corporation	PVA		32.85	9.0	300	38.00	0.09	0.88
Encore Acquisition Corp. (25%)	EAC		16.80	7.0	118	21.00	0.20	0.84
Stone Energy Company	SGY		32.08	26.4	850	42.00	0.29	0.83
Pengrowth Energy Trust	PGH		8.65	84.6	730	11.00	0.16	0.82
Southwestern Energy Company	SWN		11.25	25.6	290	17.00	0.44	0.81
Forest Oil Corporation	FST	N	24.70	46.8	1,160	35.00	0.30	0.80
Magnum Hunter Resources, Inc.	MHR		5.49	71.5	390	11.00	0.46	0.73
Spinnaker Exploration Company	SKE		20.92	34.2	720	33.00	-	0.63
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	23.24	57.3	1,330	40.00	0.12	0.63
Swift Energy Company	SFY		8.55	24.8	210	22.00	0.32	0.58
<i>Total or Median</i>					12,900		0.23	0.84
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		17.89	6.0	107	19.60	-	0.91
San Juan Basin Royalty Trust	SJT	B	13.04	46.6	610	16.10	-	0.81
Hugoton RoyaltyTrust (46%)	HGT		11.25	18.4	210	15.40	-	0.73
Micro Cap								
Energy Partners Ltd.(30%)	EPL	B	8.43	8.2	69	10.00	0.38	0.90
Abraxas Petroleum Corporation	ABP		0.61	27.0	16	2.00	0.84	0.89
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.51	27.3	41	3.00	0.22	0.61

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

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Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

November 11, 2002

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

	Symbol/ Rating	Price (\$/sh) 7-Nov 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	29.20	8.6	16.3	35	9.2	9.3
Enbridge Energy Partners,	EEP		39.00	6.3	14.1	75	9.0	9.0
Plains All Amer. Pipeline	PAA		22.65	0.2	11.9	17	9.1	9.0
Northern Border Partners	NBP		33.52	7.3	11.6	15	9.5	9.0
TEPPCO Partners, L.P.	TPP		26.83	0.9	11.0	14	8.9	9.0
AmeriGas Partners, L.P.	APU		23.74	1.6	9.0	13	9.3	9.0
Western Gas Resources	WGR		33.40	0.7	8.3	19	0.6	9.0
	<i>Median</i>			<i>1.6</i>	<i>11.6</i>	<i>17</i>	<i>9.1</i>	<i>9.0</i>
Natural Gas and Oil								
Dorchester Hugoton, Ltd.	DHULZ		13.37	6.4	9.6	13	9.1	8.1
Quicksilver Resources Inc.	KWK		22.56	4.9	9.2	24	-	8.3
Enerplus Resources Fund	ERF		17.90	4.7	6.7	16	12.2	7.4
Forest Oil Corporation	FST	N	24.70	3.7	6.2	20	-	7.8
Magnum Hunter Resources, Inc.	MHR		5.49	2.9	6.0	16	-	8.3
Unit Corporation	UNT		18.69	3.2	5.9	13	-	6.6
Pogo Producing Company	PPP		36.50	3.5	5.7	19	0.3	5.5
Provident Energy Trust	PVX		6.58	3.2	5.5	39	24.3	5.2
Encore Acquisition Corp. (25%)	EAC		16.80	3.8	5.4	11	-	6.5
Pengrowth Energy Trust	PGH		8.65	3.4	5.4	16	17.4	6.6
Southwestern Energy Company	SWN		11.25	2.1	5.1	11	-	6.3
Penn Virginia Corporation	PVA		32.85	3.2	5.1	21	2.7	5.8
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	23.24	3.2	5.0	5	5.4	7.9
Swift Energy Company	SFY		8.55	3.2	4.7	18	-	8.1
Newfield Exploration Company	NFX		35.64	3.1	4.4	15	-	4.4
Stone Energy Company	SGY		32.08	3.2	4.2	10	-	5.0
Spinnaker Exploration Company	SKE		20.92	3.0	3.5	13	-	5.5
	<i>Median</i>			<i>3.2</i>	<i>5.4</i>	<i>16</i>	<i>-</i>	<i>6.6</i>
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		17.89	6.5	9.2	10	10.0	10.2
San Juan Basin Royalty Trust	SJT	B	13.04	5.8	7.4	10	10.2	9.1
Hugoton RoyaltyTrust (46%)	HGT		11.25	4.7	6.9	10	10.4	9.4
Micro Cap								
Abraxas Petroleum Corporation	ABP		0.61	4.2	6.2		-	6.9
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.51	3.4	5.2	12	-	8.5
Energy Partners Ltd.(30%)	EPL	B	8.43	2.3	4.3		-	4.8

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

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