

## **Meter Reader**

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

December 30, 2002

# **Buy a Large Cap Natural Gas Producer**

## **Summary and Recommendation**

The most readily available means to put large amounts of capital to work in our theme of \$40 oil in 2003 is to buy shares in recommended Large Cap producers **Encana (ECA)** and **Burlington Resources (BR)** and/or in attractively valued peer companies **Anadarko (APC)**, **Devon Energy (DVN)** and **Unocal (UCL)**. Pure producers were the strongest energy play we recall in the 1970s when investors sought real assets as an alternative to financial assets. One difference this time is that we actually have large cap independents whereas in the 1970s the main alternative to the largest integrated companies was the “domestic” integrated group. We like to think that our research at that time and since then helped encourage the growth of pure producers. During the years ahead investors have the opportunity to reap a payoff from the restructuring of energy production that has unfolded.

## **Majors Oils Not Enough for Optimal Portfolio Exposure to Energy**

Those investors who are getting most of their energy exposure through integrated companies may be disappointed that their holdings did not show more response to the improvement in commodity price in 2002. We are too, because we recommend some of those major oils that we believe will deliver better investment performance eventually. We also recommend ECA and BR as well as some smaller natural gas plays. For those investors who for one reason or another do not have enough direct energy producer exposure we highlight three more stocks (see table below with summary valuation measures. For definition of some terms, see Tables L-1 and L-2.)

|                      |       | <i>Price</i>     |               |               | <i>Net</i>     |                |              | <i>EV/</i>   | <i>EV/</i>    |            | <i>Div'd</i> | <i>PV/</i>    |
|----------------------|-------|------------------|---------------|---------------|----------------|----------------|--------------|--------------|---------------|------------|--------------|---------------|
| <i>Symbol/</i>       |       | <i>(US\$/sh)</i> | <i>Shares</i> | <i>Market</i> | <i>Present</i> | <i>Debt/</i>   |              | <i>Sales</i> | <i>Ebitda</i> | <i>P/E</i> | <i>NTM</i>   | <i>Ebitda</i> |
| <i>Rating</i>        |       | <i>26-Dec</i>    | <i>(mm)</i>   | <i>Cap</i>    | <i>Value</i>   | <i>Present</i> | <i>McDep</i> | <i>NTM</i>   | <i>NTM</i>    | <i>NTM</i> | <i>(%)</i>   | <i>NTM</i>    |
|                      |       | <i>2002</i>      |               | <i>(\$mm)</i> | <i>(\$/sh)</i> | <i>Value</i>   | <i>Ratio</i> |              |               |            |              |               |
| Unocal Corporation   | UCL   | 31.65            | 245           | 7,800         | 40             | 0.37           | 0.87         | 2.4          | 5.3           | 12.3       | 2.5          | 6.1           |
| Encana Corporation   | ECA B | 31.17            | 470           | 14,600        | 38             | 0.26           | 0.87         | 2.5          | 5.8           | 12.6       | 0.8          | 6.7           |
| Anadarko Petroleum C | APC   | 48.80            | 258           | 12,600        | 60             | 0.25           | 0.86         | 4.0          | 5.8           | 11.5       | 0.8          | 6.8           |
| Devon Energy         | DVN   | 46.74            | 158           | 7,400         | 65             | 0.42           | 0.84         | 3.0          | 4.9           | 8.1        | 0.4          | 5.8           |
| Burlington Resources | BR B  | 42.77            | 202           | 8,600         | 60             | 0.27           | 0.79         | 3.9          | 5.6           | 13.1       | 1.3          | 7.1           |

The five pure plays in oil and gas production offer more than \$50 billion in market capitalization. That is large enough for any institutional investor to consider. Moreover the companies have enough overall quality to fit into conservatively managed portfolios.

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### **Five Independent Energy Producers with Appreciation Potential**

Burlington Resources appears to have somewhat more appreciation potential as signaled by a lower McDep Ratio. Yet that has been the case before and we know that until recently BR has tended to underperform. We remain hopeful and are encouraged by the progress of the past year or two (see *Independent Stock Idea*: BR, February 14, 2002).

Encana appears at the less-undervalued end of a tight range. We think Encana may reach a premium relative valuation as Anadarko has in the past. Our enthusiasm reflects the company's impressive record of new resource development (see *Independent Stock Idea*: ECA, November 27, 2002).

We were staunch advocates of the formation of Anadarko and recommended it and its predecessor. As the company achieved success in its new form we thought we could find alternatives with lower McDep Ratios. Our latest analysis incorporating most recent results and current futures prices points to potential large investment gains.

Devon has also been a past favorite and still has as chairman, Larry Nichols, who has one of the best long-term records in the industry. We have been holding back in the last year because we felt we could achieve comparable risk-adjusted energy resource exposure in lower debt alternatives. Now because our estimated resource values are higher, debt is less of a concern. Yet because debt is still higher than that of peers, it takes less ownership of Devon stock to achieve target portfolio exposure to energy resources.

Our record with Unocal includes standing up at the annual meeting to present a shareholder resolution urging the changes that have now been largely achieved. Yet investors may not have yet seen performance as strong as that of three of the peer stocks. In contrast to the four peer stocks, Unocal's energy resource mix is less than 50% in North American natural gas. Instead the company has attractive Far East natural gas exposure whose value depends more directly on long-term changes in oil price.

Kurt H. Wulff, CFA

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

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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/<br>Rating | Price<br>(\$/sh)<br>26-Dec<br>2002 | Shares<br>(mm) | Market<br>Cap<br>(\$mm) | Net<br>Present<br>Value<br>(\$/sh) | Debt/<br>Present<br>Value | McDep<br>Ratio |      |
|----------------------------------|-------------------|------------------------------------|----------------|-------------------------|------------------------------------|---------------------------|----------------|------|
| <b>Mega Cap</b>                  |                   |                                    |                |                         |                                    |                           |                |      |
| Exxon Mobil Corporation          | XOM               | 35.32                              | 6,787          | 240,000                 | 37.00                              | 0.09                      | 0.96           |      |
| TotalFinaElf S.A.                | TOT               | 69.69                              | 1,336          | 93,100                  | 90.00                              | 0.15                      | 0.81           |      |
| BP plc                           | BP                | 40.23                              | 3,735          | 150,000                 | 52.00                              | 0.14                      | 0.81           |      |
| Royal Dutch/Shell                | RD                | B                                  | 44.12          | 3,481                   | 154,000                            | 60.00                     | 0.15           | 0.77 |
| ChevronTexaco Corporation        | CVX               | B                                  | 66.91          | 1,062                   | 71,100                             | 101.00                    | 0.17           | 0.72 |
| <i>Total or Median</i>           |                   |                                    |                | 708,000                 |                                    | 0.15                      | 0.81           |      |
| <b>Energy Infrastructure</b>     |                   |                                    |                |                         |                                    |                           |                |      |
| Southern Company                 | SO                |                                    | 28.96          | 701                     | 20,300                             | 23.90                     | 0.47           | 1.11 |
| American Electric Power Co. Inc. | AEP               | N                                  | 27.96          | 326                     | 9,100                              | 27.40                     | 0.74           | 1.00 |
| Enel S.p.a. (32%)                | EN                |                                    | 25.70          | 388                     | 10,000                             | 32.70                     | 0.39           | 0.87 |
| Exelon Corporation               | EXC               | N                                  | 52.73          | 323                     | 17,000                             | 70.80                     | 0.45           | 0.86 |
| Dominion Resources               | D                 |                                    | 55.08          | 269                     | 14,800                             | 76.20                     | 0.45           | 0.85 |
| Duke Energy Corporation          | DUK               |                                    | 19.74          | 792                     | 15,600                             | 30.40                     | 0.48           | 0.82 |
| El Paso Corporation              | EP                | N                                  | 7.08           | 590                     | 4,200                              | 20.00                     | 0.66           | 0.78 |
| <i>Total or Median</i>           |                   |                                    |                | 71,000                  |                                    | 0.47                      | 0.85           |      |
| <b>Natural Gas and Oil</b>       |                   |                                    |                |                         |                                    |                           |                |      |
| ENI S.p.A.                       | E                 |                                    | 78.02          | 776                     | 60,500                             | 90.00                     | 0.17           | 0.89 |
| OAOLukoil                        | LUKOY             |                                    | 61.30          | 299                     | 18,300                             | 70.00                     | 0.08           | 0.89 |
| Occidental Petroleum Corp.       | OXY               |                                    | 28.68          | 380                     | 10,900                             | 35.00                     | 0.36           | 0.88 |
| Unocal Corporation               | UCL               |                                    | 31.65          | 245                     | 7,800                              | 40.00                     | 0.37           | 0.87 |
| Encana Corporation               | ECA               | B                                  | 31.17          | 470                     | 14,600                             | 38.00                     | 0.26           | 0.87 |
| Anadarko Petroleum Corp.         | APC               |                                    | 48.80          | 258                     | 12,600                             | 60.00                     | 0.25           | 0.86 |
| Devon Energy                     | DVN               |                                    | 46.74          | 158                     | 7,400                              | 65.00                     | 0.42           | 0.84 |
| Burlington Resources             | BR                | B                                  | 42.77          | 202                     | 8,600                              | 60.00                     | 0.27           | 0.79 |
| ConocoPhillips                   | COP               | B                                  | 48.58          | 680                     | 33,100                             | 75.00                     | 0.36           | 0.78 |
| Marathon Oil Corporation         | MRO               | B                                  | 21.59          | 310                     | 6,700                              | 40.00                     | 0.37           | 0.71 |
| Petroleo Brasileiro S. A.        | PBR               | N                                  | 15.05          | 1,086                   | 16,300                             | 30.00                     | 0.27           | 0.64 |
| <i>Total or Median</i>           |                   |                                    |                | 136,000                 |                                    | 0.32                      | 0.85           |      |
| <b>Service</b>                   |                   |                                    |                |                         |                                    |                           |                |      |
| Baker Hughes Inc.                | BHI               |                                    | 33.01          | 339                     | 11,200                             | 25.00                     | 0.09           | 1.29 |
| Schlumberger Ltd.                | SLB               |                                    | 42.75          | 581                     | 24,800                             | 44.00                     | 0.22           | 0.98 |
| Halliburton Company              | HAL               |                                    | 18.95          | 434                     | 8,200                              | 22.00                     | 0.25           | 0.89 |

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/<br>Rating | Price<br>(\$/sh)<br>26-Dec<br>2002 | EV/<br>Sales<br>NTM | EV/<br>Ebitda<br>NTM | P/E<br>NTM | Dividend or<br>Distribution<br>NTM<br>(%) | PV/<br>Ebitda<br>NTM |
|----------------------------------|-------------------|------------------------------------|---------------------|----------------------|------------|---|----------------------|
| <b>Mega Cap</b>                  |                   |                                    |                     |                      |            |   |                      |
| Exxon Mobil Corporation          | XOM               | 35.32                              | 1.2                 | 8.5                  | 17         | 2.6                                       | 8.9                  |
| TotalFinaElf S.A.                | TOT               | 69.69                              | 1.2                 | 7.1                  | 13         | 3.7                                       | 8.8                  |
| BP plc                           | BP                | 40.23                              | 0.9                 | 6.9                  | 15         | 3.6                                       | 8.6                  |
| Royal Dutch/Shell                | RD B              | 44.12                              | 1.0                 | 6.6                  | 14         | 3.8                                       | 8.6                  |
| ChevronTexaco Corporation        | CVX B             | 66.91                              | 0.9                 | 5.9                  | 12         | 4.2                                       | 8.2                  |
|                                  | <i>Median</i>     |                                    | <i>1.0</i>          | <i>6.9</i>           | <i>14</i>  | <i>3.7</i>                                | <i>8.6</i>           |
| <b>Energy Infrastructure</b>     |                   |                                    |                     |                      |            |   |                      |
| Southern Company                 | SO                | 28.96                              | 3.5                 | 10.0                 | 17         | 4.6                                       | 9.0                  |
| American Electric Power Co. Inc. | AEP N             | 27.96                              | 0.6                 | 9.0                  | 9          | 8.6                                       | 9.0                  |
| Enel S.p.a. (32%)                | EN                | 25.70                              | 2.1                 | 7.8                  | 31         | 6.3                                       | 9.0                  |
| Exelon Corporation               | EXC N             | 52.73                              | 2.3                 | 7.7                  | 12         | 3.3                                       | 9.0                  |
| Dominion Resources               | D                 | 55.08                              | 3.2                 | 7.6                  | 11         | 4.7                                       | 9.0                  |
| Duke Energy Corporation          | DUK               | 19.74                              | 0.7                 | 7.4                  | 8          | 5.6                                       | 9.0                  |
| El Paso Corporation              | EP N              | 7.08                               | 2.2                 | 6.0                  | 4          | 12.3                                      | 7.7                  |
|                                  | <i>Median</i>     |                                    | <i>2.2</i>          | <i>7.7</i>           | <i>11</i>  | <i>5.6</i>                                | <i>9.0</i>           |
| <b>Natural Gas and Oil</b>       |                   |                                    |                     |                      |            |   |                      |
| ConocoPhillips                   | COP B             | 48.58                              | 0.7                 | 6.7                  | 12         | 3.3                                       | 8.6                  |
| ENI S.p.A.                       | E                 | 78.02                              | 1.6                 | 5.9                  | 12         | 4.3                                       | 6.7                  |
| Anadarko Petroleum Corp.         | APC               | 48.80                              | 4.0                 | 5.8                  | 11         | 0.8                                       | 6.8                  |
| Encana Corporation               | ECA B             | 31.17                              | 2.5                 | 5.8                  | 13         | 0.8                                       | 6.7                  |
| Burlington Resources             | BR B              | 42.77                              | 3.9                 | 5.6                  | 13         | 1.3                                       | 7.1                  |
| Unocal Corporation               | UCL               | 31.65                              | 2.4                 | 5.3                  | 12         | 2.5                                       | 6.1                  |
| Occidental Petroleum Corp.       | OXY               | 28.68                              | 2.3                 | 4.9                  | 7          | 3.6                                       | 5.5                  |
| Devon Energy                     | DVN               | 46.74                              | 3.0                 | 4.9                  | 8          | 0.4                                       | 5.8                  |
| Marathon Oil Corporation         | MRO B             | 21.59                              | 0.4                 | 4.6                  | 7          | 4.3                                       | 6.5                  |
| OAo Lukoil                       | LUKOY             | 61.30                              | 1.6                 | 3.7                  | 7          | 1.8                                       | 4.1                  |
| Petroleo Brasileiro S. A.        | PBR N             | 15.05                              | 1.3                 | 3.1                  | 4          | 9.0                                       | 4.9                  |
|                                  | <i>Median</i>     |                                    | <i>2.3</i>          | <i>5.3</i>           | <i>11</i>  | <i>2.5</i>                                | <i>6.5</i>           |
| <b>Service</b>                   |                   |                                    |                     |                      |            |   |                      |
| Baker Hughes Inc.                | BHI               | 33.01                              | 2.3                 | 13.9                 | 39         | 1.4                                       | 10.8                 |
| Schlumberger Ltd.                | SLB               | 42.75                              | 2.3                 | 8.7                  | 31         | 1.8                                       | 8.9                  |
| Halliburton Company              | HAL               | 18.95                              | 1.0                 | 8.1                  | 17         | 2.6                                       | 9.0                  |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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**Mid Cap Energy Companies**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

|                                     | Symbol/<br>Rating |   | Price<br>(\$/sh)<br>26-Dec<br>2002 | Shares<br>(mm) | Market<br>Cap<br>(\$mm) | Net<br>Present<br>Value<br>(\$/sh) | Debt/<br>Present<br>Value | McDep<br>Ratio |
|-------------------------------------|-------------------|---|------------------------------------|----------------|-------------------------|------------------------------------|---------------------------|----------------|
| <b>Energy Infrastructure</b>        |                   |   |                                    |                |                         |                                    |                           |                |
| Kinder Morgan Energy Partners, L.P. | KMP               | S | 35.15                              | 135            | 4,800                   | 14.00                              | 0.47                      | 1.79           |
| Kinder Morgan Management, LLC       | KMR               | S | 31.79                              | 40             | 1,300                   | 14.00                              | 0.47                      | 1.67           |
| Kinder Morgan, Inc.                 | KMI               | S | 42.08                              | 123            | 5,200                   | 8.10                               | 0.87                      | 1.52           |
| Constellation Energy Group          | CEG               |   | 28.66                              | 164            | 4,700                   | 20.00                              | 0.69                      | 1.14           |
| Calpine Corporation                 | CPN               | N | 3.22                               | 375            | 1,200                   | 1.00                               | 0.97                      | 1.06           |
| AES Corporation                     | AES               |   | 3.03                               | 543            | 1,700                   | 1.00                               | 0.98                      | 1.05           |
| Williams Companies                  | WMB               |   | 2.24                               | 521            | 1,200                   | 1.00                               | 0.97                      | 1.03           |
| CMS Energy Corporation              | CMS               |   | 9.00                               | 137            | 1,200                   | 8.70                               | 0.90                      | 1.00           |
| Dynegy Inc.                         | DYN               |   | 1.02                               | 418            | 400                     | 1.00                               | 0.94                      | 1.00           |
| Sempra Energy                       | SRE               |   | 23.22                              | 207            | 4,800                   | 24.30                              | 0.64                      | 0.98           |
| Valero Energy Corporation           | VLO               |   | 36.90                              | 115            | 4,300                   | 40.00                              | 0.60                      | 0.97           |
| Mirant Corporation                  | MIR               |   | 1.81                               | 413            | 800                     | 4.00                               | 0.86                      | 0.92           |
| <i>Total or Median</i>              |                   |   |                                    |                | <i>31,600</i>           |                                    | <i>0.87</i>               | <i>1.04</i>    |
| <b>Natural Gas and Oil</b>          |                   |   |                                    |                |                         |                                    |                           |                |
| Petro-Canada                        | PCZ               |   | 32.22                              | 262            | 8,400                   | 31.00                              | 0.11                      | 1.03           |
| Murphy Oil Corporation              | MUR               |   | 85.06                              | 46             | 3,900                   | 82.00                              | 0.18                      | 1.03           |
| Ocean Energy, Inc.                  | OEI               |   | 20.13                              | 178            | 3,600                   | 20.00                              | 0.30                      | 1.00           |
| XTO Energy Inc.                     | XTO               | B | 25.55                              | 125            | 3,200                   | 26.00                              | 0.25                      | 0.99           |
| Suncor Energy                       | SU                |   | 16.06                              | 454            | 7,300                   | 17.00                              | 0.25                      | 0.96           |
| Imperial Oil Limited (30%)          | IMO               |   | 28.60                              | 114            | 3,300                   | 33.00                              | 0.13                      | 0.88           |
| Norsk Hydro ASA (49%)               | NHY               |   | 44.50                              | 126            | 5,600                   | 54.00                              | 0.18                      | 0.86           |
| CNOOC Limited (19%)                 | CEO               | B | 26.40                              | 78             | 2,060                   | 33.00                              | -                         | 0.80           |
| PetroChina Company Ltd (10%)        | PTR               | B | 20.05                              | 176            | 3,500                   | 30.00                              | 0.17                      | 0.72           |
| <i>Total or Median</i>              |                   |   |                                    |                | <i>40,900</i>           |                                    | <i>0.18</i>               | <i>0.96</i>    |
| <b>Coal Producers (Small Cap)</b>   |                   |   |                                    |                |                         |                                    |                           |                |
| Consol Energy Inc.                  | CNX               |   | 17.20                              | 79             | 1,400                   | 5.00                               | 0.88                      | 1.29           |
| Penn Virginia Res. Part, L.P.       | PVR               |   | 20.86                              | 15             | 300                     | 18.00                              | -                         | 1.16           |
| Peabody Energy                      | BTU               |   | 29.00                              | 55             | 1,600                   | 18.00                              | 0.75                      | 1.15           |
| Arch Coal                           | ACI               |   | 21.70                              | 48             | 1,000                   | 18.00                              | 0.61                      | 1.08           |
| Fording Inc (US\$)                  | FDG               |   | 21.07                              | 52             | 1,100                   | 23.00                              | 0.04                      | 0.92           |
| Alliance Res. Part, L.P.            | ARLP              |   | 24.00                              | 16             | 400                     | 29.00                              | 0.36                      | 0.88           |
| Massey Energy                       | MEE               |   | 10.08                              | 75             | 800                     | 18.00                              | 0.37                      | 0.73           |
|                                     |                   |   |                                    |                | <i>6,600</i>            |                                    | <i>0.37</i>               | <i>1.08</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

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

|                                     |                |     | Price<br>(\$/sh) | EV/<br>Sales | EV/<br>Ebitda | Dividend or<br>Distribution | PV/<br>Ebitda |
|-------------------------------------|----------------|-----|------------------|--------------|---------------|-----------------------------|---------------|
| Symbol/<br>Rating                   | 26-Dec<br>2002 | NTM | NTM              | P/E<br>NTM   | NTM (%)       | NTM                         |               |
| <b>Energy Infrastructure</b>        |                |     |                  |              |               |                             |               |
| Kinder Morgan Energy Partners, L.P. | KMP            | S   | 35.15            | 3.3          | 15.1          | 17                          | 8.4           |
| Kinder Morgan Management, LLC       | KMR            | S   | 31.79            | 3.1          | 14.1          | 16                          | 8.4           |
| Kinder Morgan, Inc.                 | KMI            | S   | 42.08            | 3.6          | 13.5          | 16                          | 8.8           |
| Calpine Corporation                 | CPN            | N   | 3.22             | 1.8          | 10.9          |                             | 10.2          |
| Constellation Energy Group          | CEG            |     | 28.66            | 2.9          | 10.4          | 11                          | 9.2           |
| AES Corporation                     | AES            |     | 3.03             | 2.8          | 9.4           |                             | 9.0           |
| Williams Companies                  | WMB            |     | 2.24             | 1.9          | 9.3           |                             | 9.0           |
| CMS Energy Corporation              | CMS            |     | 9.00             | 1.3          | 9.0           | 5                           | 9.0           |
| Dynegy Inc.                         | DYN            |     | 1.02             | 0.2          | 9.0           |                             | 9.0           |
| Sempra Energy                       | SRE            |     | 23.22            | 2.5          | 8.9           | 9                           | 9.0           |
| Mirant Corporation                  | MIR            |     | 1.81             | 0.4          | 8.3           | 1                           | 9.0           |
| Valero Energy Corporation           | VLO            |     | 36.90            | 0.4          | 7.6           | 9                           | 7.8           |
|                                     | <i>Median</i>  |     |                  | 2.2          | 9.4           | 10                          | 9.0           |
| <b>Natural Gas and Oil</b>          |                |     |                  |              |               |                             |               |
| Suncor Energy                       | SU             |     | 16.06            | 3.4          | 10.4          | 23                          | 10.8          |
| Murphy Oil Corporation              | MUR            |     | 85.06            | 1.0          | 8.2           | 40                          | 8.0           |
| Ocean Energy, Inc.                  | OEI            |     | 20.13            | 4.7          | 7.8           | 34                          | 7.8           |
| Petro-Canada                        | PCZ            |     | 32.22            | 1.9          | 7.6           | 20                          | 7.4           |
| Imperial Oil Limited (30%)          | IMO            |     | 28.60            | 1.1          | 7.2           | 14                          | 8.1           |
| XTO Energy Inc.                     | XTO            | B   | 25.55            | 4.6          | 6.3           | 12                          | 6.4           |
| CNOOC Limited (19%)                 | CEO            | B   | 26.40            | 3.5          | 4.6           | 9                           | 5.7           |
| Norsk Hydro ASA (49%)               | NHY            |     | 44.50            | 0.8          | 4.1           | 12                          | 4.8           |
| PetroChina Company Ltd (10%)        | PTR            | B   | 20.05            | 1.6          | 3.7           | 7                           | 5.1           |
|                                     | <i>Median</i>  |     |                  | 1.9          | 7.2           | 14                          | 7.4           |
| <b>Coal Producers (Small Cap)</b>   |                |     |                  |              |               |                             |               |
| Consol Energy Inc.                  | CNX            |     | 17.20            | 2.0          | 12.5          | 39                          | 9.7           |
| Penn Virginia Res. Part, L.P.       | PVR            |     | 20.86            | 8.0          | 10.5          | 12                          | 9.0           |
| Peabody Energy                      | BTU            |     | 29.00            | 1.6          | 10.3          | 24                          | 9.0           |
| Arch Coal                           | ACI            |     | 21.70            | 1.6          | 9.7           | 122                         | 9.0           |
| Fording Inc (US\$)                  | FDG            |     | 21.07            | 1.9          | 8.3           | 19                          | 9.0           |
| Massey Energy                       | MEE            |     | 10.08            | 1.1          | 6.5           | 252                         | 8.9           |
| Alliance Res. Part, L.P.            | ARLP           |     | 24.00            | 1.3          | 5.3           | 7                           | 6.0           |
|                                     |                |     |                  | 1.6          | 9.7           | 24                          | 9.0           |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2003; P/E = Stock Price to Earnings; PV = 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

December 30, 2002

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

|                                   | Symbol/<br>Rating |   | Price<br>(\$/sh)<br>26-Dec<br>2002 | Shares<br>(mm) | Market<br>Cap<br>(\$mm) | Net<br>Present<br>Value<br>(\$/sh) | Debt/<br>Present<br>Value | McDep<br>Ratio |
|-----------------------------------|-------------------|---|------------------------------------|----------------|-------------------------|------------------------------------|---------------------------|----------------|
| <b>Energy Infrastructure</b>      |                   |   |                                    |                |                         |                                    |                           |                |
| El Paso Energy Partners           | EPN               | S | 28.15                              | 57.0           | 1,600                   | 5.60                               | 0.64                      | 2.44           |
| Enterprise Products Part (16%)    | EPD               |   | 19.40                              | 28.5           | 550                     | 6.70                               | 0.63                      | 1.68           |
| Enbridge Energy Partners, L.P.    | EEP               | S | 42.56                              | 35.0           | 1,490                   | 14.90                              | 0.64                      | 1.68           |
| Enbridge Energy Management, L.L.C | EEQ               | S | 37.25                              | 9.0            | 340                     | 14.90                              | 0.64                      | 1.56           |
| Plains All Amer. Pipeline         | PAA               |   | 24.20                              | 50.0           | 1,210                   | 11.60                              | 0.49                      | 1.55           |
| Northern Border Partners          | NBP               |   | 37.67                              | 44.0           | 1,660                   | 20.40                              | 0.62                      | 1.32           |
| TEPPCO Partners, L.P.             | TPP               |   | 28.06                              | 50.0           | 1,400                   | 17.70                              | 0.56                      | 1.26           |
| AmeriGas Partners, L.P.           | APU               |   | 23.45                              | 49.4           | 1,160                   | 18.30                              | 0.51                      | 1.14           |
| Western Gas Resources             | WGR               |   | 36.96                              | 33.8           | 1,250                   | 37.60                              | 0.28                      | 0.99           |
| <i>Total or Median</i>            |                   |   |                                    |                | <i>10,700</i>           |                                    | <i>0.62</i>               | <i>1.55</i>    |
| <b>Natural Gas and Oil</b>        |                   |   |                                    |                |                         |                                    |                           |                |
| Dorchester Hugoton, Ltd.          | DHULZ             |   | 14.79                              | 10.7           | 159                     | 11.60                              | (0.17)                    | 1.32           |
| Provident Energy Trust            | PVX               |   | 6.97                               | 63.5           | 440                     | 5.00                               | 0.28                      | 1.28           |
| Unit Corporation                  | UNT               |   | 19.55                              | 40.0           | 780                     | 18.00                              | 0.03                      | 1.08           |
| Pogo Producing Company            | PPP               |   | 37.61                              | 64.5           | 2,430                   | 35.00                              | 0.23                      | 1.06           |
| Newfield Exploration Company      | NFX               |   | 36.47                              | 48.9           | 1,780                   | 35.00                              | 0.24                      | 1.03           |
| Quicksilver Resources Inc.        | KWK               |   | 22.95                              | 20.4           | 470                     | 22.00                              | 0.38                      | 1.03           |
| Pengrowth Energy Trust            | PGH               |   | 9.74                               | 84.6           | 820                     | 9.50                               | 0.18                      | 1.02           |
| Enerplus Resources Fund           | ERF               |   | 18.34                              | 75.0           | 1,380                   | 18.00                              | 0.16                      | 1.02           |
| Spinnaker Exploration Company     | SKE               |   | 22.57                              | 34.0           | 770                     | 25.00                              | -                         | 0.90           |
| Encore Acquisition Corp. (25%)    | EAC               |   | 18.49                              | 7.0            | 129                     | 21.00                              | 0.20                      | 0.90           |
| Swift Energy Company              | SFY               |   | 9.98                               | 27.1           | 270                     | 13.00                              | 0.48                      | 0.88           |
| Forest Oil Corporation            | FST               | N | 28.06                              | 48.1           | 1,350                   | 35.00                              | 0.32                      | 0.87           |
| Stone Energy Company              | SGY               |   | 33.90                              | 26.5           | 900                     | 42.00                              | 0.28                      | 0.86           |
| Penn Virginia Corporation         | PVA               |   | 36.87                              | 9.0            | 330                     | 45.00                              | 0.06                      | 0.83           |
| Southwestern Energy Company       | SWN               |   | 11.55                              | 26.1           | 300                     | 17.00                              | 0.46                      | 0.83           |
| Magnum Hunter Resources, Inc.     | MHR               |   | 6.20                               | 69.0           | 430                     | 11.00                              | 0.45                      | 0.76           |
| Canadian Oil Sands Trust (US\$)   | COS_u.TO          | B | 24.12                              | 57.3           | 1,380                   | 40.00                              | 0.13                      | 0.65           |
| <i>Total or Median</i>            |                   |   |                                    |                | <i>14,100</i>           |                                    | <i>0.23</i>               | <i>0.90</i>    |
| <b>Natural Gas Royalty Trusts</b> |                   |   |                                    |                |                         |                                    |                           |                |
| Cross Timbers Royalty Trust       | CRT               |   | 20.10                              | 6.0            | 121                     | 20.50                              | -                         | 0.98           |
| San Juan Basin Royalty Trust      | SJT               | B | 13.86                              | 46.6           | 650                     | 16.60                              | -                         | 0.83           |
| Hugoton RoyaltyTrust (46%)        | HGT               |   | 12.95                              | 18.4           | 240                     | 16.10                              | -                         | 0.80           |
| <b>Micro Cap</b>                  |                   |   |                                    |                |                         |                                    |                           |                |
| Energy Partners Ltd.(30%)         | EPL               | B | 11.42                              | 8.3            | 94                      | 10.00                              | 0.38                      | 1.09           |
| Abraxas Petroleum Corporation     | ABP               |   | 0.53                               | 30.0           | 16                      | 1.00                               | 0.91                      | 0.96           |
| Purcell Energy, Ltd. (US\$)       | PEL.TO            | N | 1.79                               | 26.6           | 48                      | 2.50                               | 0.29                      | 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

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## Meter Reader

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

December 30, 2002

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

|                                   | Symbol/<br>Rating | Price<br>(\$/sh)<br>26-Dec<br>2002 | EV/<br>Sales<br>NTM | EV/<br>Ebitda<br>NTM | P/E<br>NTM  | Dividend or<br>Distribution<br>NTM<br>(%) | PV/<br>Ebitda<br>NTM |            |
|-----------------------------------|-------------------|------------------------------------|---------------------|----------------------|-------------|---|----------------------|------------|
| <b>Energy Infrastructure</b>      |                   |                                    |                     |                      |             |   |                      |            |
| El Paso Energy Partners           | EPN               | S                                  | 28.15               | 8.1                  | 21.9        | 70  | 9.6                  | 9.0        |
| Enterprise Products Part (16%)    | EPD               |                                    | 19.40               | 1.7                  | 15.2        | 26  | 7.1                  | 9.0        |
| Enbridge Energy Partners, L.P.    | EEP               | S                                  | 42.56               | 2.0                  | 15.1        | 32  | 8.5                  | 9.0        |
| Enbridge Energy Management, L.L.C | EEQ               | S                                  | 37.25               | 1.8                  | 14.0        | 28  | 9.7                  | 9.0        |
| Plains All Amer. Pipeline         | PAA               |                                    | 24.20               | 0.2                  | 14.0        | 20  | 8.9                  | 9.0        |
| Northern Border Partners          | NBP               |                                    | 37.67               | 6.8                  | 11.9        | 14  | 8.5                  | 9.0        |
| TEPPCO Partners, L.P.             | TPP               |                                    | 28.06               | 1.0                  | 11.3        | 15  | 8.6                  | 9.0        |
| AmeriGas Partners, L.P.           | APU               |                                    | 23.45               | 1.6                  | 10.2        | 23  | 9.4                  | 9.0        |
| Western Gas Resources             | WGR               |                                    | 36.96               | 0.7                  | 8.9         | 21  | 0.5                  | 9.0        |
|                                   | <i>Median</i>     |                                    |                     | <i>1.7</i>           | <i>14.0</i> | <i>23</i>                                 | <i>8.6</i>           | <i>9.0</i> |
| <b>Natural Gas and Oil</b>        |                   |                                    |                     |                      |             |   |                      |            |
| Dorchester Hugoton, Ltd.          | DHULZ             |                                    | 14.79               | 7.2                  | 10.7        | 15  | 8.2                  | 8.1        |
| Unit Corporation                  | UNT               |                                    | 19.55               | 3.9                  | 10.6        | 33  | -                    | 9.8        |
| Quicksilver Resources Inc.        | KWK               |                                    | 22.95               | 5.3                  | 8.8         | 22  | -                    | 8.6        |
| Canadian Oil Sands Trust (US\$)   | COS_u.TO          | B                                  | 24.12               | 3.8                  | 7.3         | 8   | 5.3                  | 11.2       |
| Enerplus Resources Fund           | ERF               |                                    | 18.34               | 5.1                  | 6.9         | 13  | 12.8                 | 6.8        |
| Provident Energy Trust            | PVX               |                                    | 6.97                | 3.7                  | 6.7         | 71  | 20.2                 | 5.2        |
| Swift Energy Company              | SFY               |                                    | 9.98                | 4.0                  | 6.5         | 38  | -                    | 7.4        |
| Forest Oil Corporation            | FST               | N                                  | 28.06               | 3.9                  | 6.5         | 20  | -                    | 7.5        |
| Magnum Hunter Resources, Inc.     | MHR               |                                    | 6.20                | 3.3                  | 6.0         | 25  | -                    | 7.9        |
| Encore Acquisition Corp. (25%)    | EAC               |                                    | 18.49               | 4.0                  | 5.8         | 12  | -                    | 6.5        |
| Pogo Producing Company            | PPP               |                                    | 37.61               | 3.6                  | 5.8         | 19  | 0.3                  | 5.5        |
| Pengrowth Energy Trust            | PGH               |                                    | 9.74                | 3.7                  | 5.7         | 15  | 16.1                 | 5.6        |
| Southwestern Energy Company       | SWN               |                                    | 11.55               | 2.6                  | 5.2         | 8   | -                    | 6.3        |
| Penn Virginia Corporation         | PVA               |                                    | 36.87               | 2.6                  | 5.0         | 14  | 2.4                  | 6.0        |
| Stone Energy Company              | SGY               |                                    | 33.90               | 3.3                  | 4.6         | 13  | -                    | 5.3        |
| Newfield Exploration Company      | NFX               |                                    | 36.47               | 3.2                  | 4.5         | 15  | -                    | 4.4        |
| Spinnaker Exploration Company     | SKE               |                                    | 22.57               | 3.3                  | 3.8         | 14  | -                    | 4.3        |
|                                   | <i>Median</i>     |                                    |                     | <i>3.7</i>           | <i>6.0</i>  | <i>15</i>                                 | <i>-</i>             | <i>6.5</i> |
| <b>Natural Gas Royalty Trusts</b> |                   |                                    |                     |                      |             |   |                      |            |
| Cross Timbers Royalty Trust       | CRT               |                                    | 20.10               | 6.3                  | 8.8         | 9   | 10.7                 | 8.9        |
| San Juan Basin Royalty Trust      | SJT               | B                                  | 13.86               | 5.2                  | 6.5         | 9   | 11.5                 | 7.8        |
| Hugoton RoyaltyTrust (46%)        | HGT               |                                    | 12.95               | 4.6                  | 6.4         | 9   | 11.3                 | 7.9        |
| <b>Micro Cap</b>                  |                   |                                    |                     |                      |             |   |                      |            |
| Abraxas Petroleum Corporation     | ABP               |                                    | 0.53                | 5.5                  | 9.1         |   | -                    | 9.5        |
| Energy Partners Ltd.(30%)         | EPL               | B                                  | 11.42               | 3.3                  | 6.3         |   | -                    | 5.8        |
| Purcell Energy, Ltd. (US\$)       | PEL.TO            | N                                  | 1.79                | 4.2                  | 6.3         | 21  | -                    | 7.8        |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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