

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

February 6, 2003

Low Fee, Low Debt Stands Out

Summary and Recommendation

Two standout income stocks each had a big week fundamentally. Buy recommended **Canadian Oil Sands Trust (COS_u.TO)** expands its ownership in the Syncrude project to 32% from 22% on an advantageous basis. In the other case, **Dorchester Minerals, L.P. (DMLP)** has started trading as a new U.S. master limited partnerships succeeding Dorchester Hugoton. COS and DMLP are rare among income stocks as management appears restrained in charging less for its services in contrast to High Greed Partnerships such as sell recommended **Kinder Morgan (KMI, KMP, KMR)**, **El Paso Energy Partners (EPN)** and **Enbridge (EEP, EEQ)**. COS will finance only a third of the acquisition with debt in order to maintain a strong financial position while DMLP intends to operate without debt as its predecessor did so successfully. We cite a landmark new study by Martin Leibowitz, the institutional investor that cautions on valuation of high debt entities. Not only are the High Greed Partnerships bloated with debt, but we explain that their earnings are phony as well. The willingness for investors to pay so much for sell recommended stocks makes our buy recommendations look all the better to us (see buy/sell ratings in Tables L-1, L-2, M-1, M-2, S-1, S-2). Among those recommendations we see a sharp improvement in refining margin futures that should help the stocks of **Royal Dutch (RD)**, **ChevronTexaco (CVX)**, **ConocoPhillips (COP)** and **Marathon (MRO)** perform better.

Canadian Oil Sands Trust Increases Ownership in Syncrude

COS is paying **Encana (ECA)** C\$1.07 billion for a 10% interest in the Alberta project to extract oil from sand and convert it to a valuable, clean product. While we are also recommending Encana we would rather be the buyer of an interest in Syncrude than the seller. Yet it can also make sense for Encana to concentrate its financial resources on projects that it operates and in which it has the controlling interest.

The price is about a 14% discount to recent proportionate Enterprise Value for COS whose sole asset is a 22% interest in the plant. The price is less than 60% of Present Value that we estimate. The valuation of the long life project is especially sensitive to rate of return just like the price of a 30-year bond fluctuates more with a small change in interest rate. Often, investors and corporate managers overstate the return they seek as a means of limiting risk. That is understandable, but it has the consequences of biasing decisions to short life projects. As a result, long life projects can be systematically undervalued as we think is the case here. Long-term investors can capture that undervaluation for their own benefit.

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The acquisition will be financed in part by a private placement of about 8.6 million units at C\$34.75, or C\$300 million, with Capital Group, the California investment managers. Another 10.7 million units will be offered in Canada at C\$35 per unit. The remainder will be financed with debt thereby maintaining a conservative ratio of debt below 0.2 times present value. The steep discount in offering price indicates less market liquidity than one might expect for the size of the trust. Yet a 45% increase in ownership in the project exceeds a 36% increase in units outstanding.

There are no plans to list the shares in the U.S. For the trust to keep its ability to bypass double taxation of dividends, it must be about 50% Canadian owned as we understand it. A U.S. listing might lead to too much U.S. ownership. The lack of marketability in the U.S. probably contributes to the undervaluation we perceive.

Investors who hold the units for a long time will realize the value in distributions currently at 5.3%. The distribution may double after about three years when a 50% expansion of capacity is on line and continue to grow slowly thereafter, essentially indefinitely. U.S. investors are subject to a 15% withholding tax that may be recoverable in taxable accounts. Some of the distribution appears to be sheltered from tax because it is considered a return of capital.

Dorchester Minerals, L.P. Plans Growth at Moderate Fees, No Debt

During the 1980s, unitholders of Dorchester Hugoton realized gains as the partnership's natural gas production belatedly was freed from price controls. During the 1990s unitholders continued to receive an attractive income stream though capital gain was muted compared to the previous decade. Now the character of the partnership has changed again with a new general partner and a combination with royalty properties that were previously privately held. The new partnership may grow by offering liquidity and tax-free exchange, we think, to other owners of privately held production.

There can be an awkward period for new combinations until a record can be established regarding the combined performance of the previously separate entities. For DMLP the latest pro forma results are for the period ended June 30, 2002. From that dated base we have projected results for the Next Twelve Months ended December 31, 2003. It looks like the partnership may distribute almost 10% of its value in cash to unitholders (see Table S-2).

A relatively high McDep Ratio keeps us from recommending the stock for new purchase. Yet we like the quality characteristics of conservative financing and moderate fees, for a partnership. Investors may reckon that if the market accords high McDep Ratios to high debt, high fee partnerships shouldn't DMLP be worth just as much? Quality stands out. We wish the new partnership well.

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The Kiss of Debt

There is an article in the November/December 2002 edition of *Financial Analysts Journal* that, to our mind, is one of the most insightful of many years. Mr. Martin Leibowitz, Chief Investment Officer of the giant pension fund, TIAA-CREF, writes about The Levered P/E Ratio. The author proves that when valuing a stock for its dividend and growth, the P/E ratio for a high debt issue is not comparable to that for a low debt issue. He develops an example that starts with a debt-free company that is worth a P/E of 30. Mr. Leibowitz then demonstrates that for a company with 30% debt, the comparable P/E would be about 25. For a company with 50% debt, comparable P/E would be 20. The comparison deteriorates rapidly for debt over 50%.

There is an implication for the broader market as well as for individual stocks. The author points out that the debt ratio for the S&P 400 jumped from about 30% in the 1980s to near 50% in the 1990s. Thus the increase in leverage implies that the P/E for the stock market should be lower than historically, other factors being equal.

Mr. Leibowitz, in effect, is writing a sophisticated, mathematical, theoretical, academic, powerful justification of what we have learned over two decades using the McDep Ratio. We had been emphasizing the levered price to net present value ratio in selecting among energy stocks. When megadeals were completed with debt financing, we could see that the levered ratio made high debt stocks look too attractive. Like the author, we reverted to unlevered measurements of Enterprise Value as the term has evolved. Unlevered metrics now seem to be more widely applied in research on energy producers.

Energy producer investors have learned the lesson of unlevered valuation with the painful failures of high debt entities, mostly a decade, or more, ago. Power company investors learned that lesson bitterly over the past year or more as fine old dividend paying stocks collapsed. We have a stark reminder today as we write this as **El Paso (EP)** slashes its dividend after the stock is down some 90%. High greed partnership investors have yet to learn the lesson of unlevered valuation.

High Greed Partnership Earnings May be Phony

Each of our three sell recommended partnerships issued a glowing press release telling of record results last year. Each also made major acquisitions financed primarily with debt. Because of the high debt, levered measures overstate value, as discussed above. In the case of P/E it is even worse because, there really is no E as we see it.

What the balance sheets of the partnerships do not show is that the general partner has a large equity interest in future earnings. That interest may be half. To reflect that interest, the book value of the limited partners' interest should be written down and the general partner's interest should be written up. Taking those changes through the income

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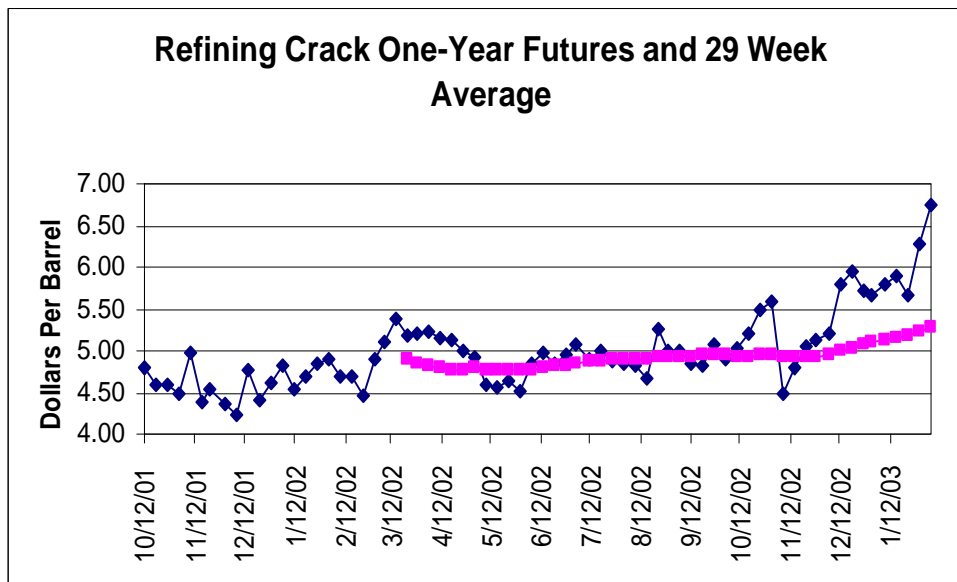
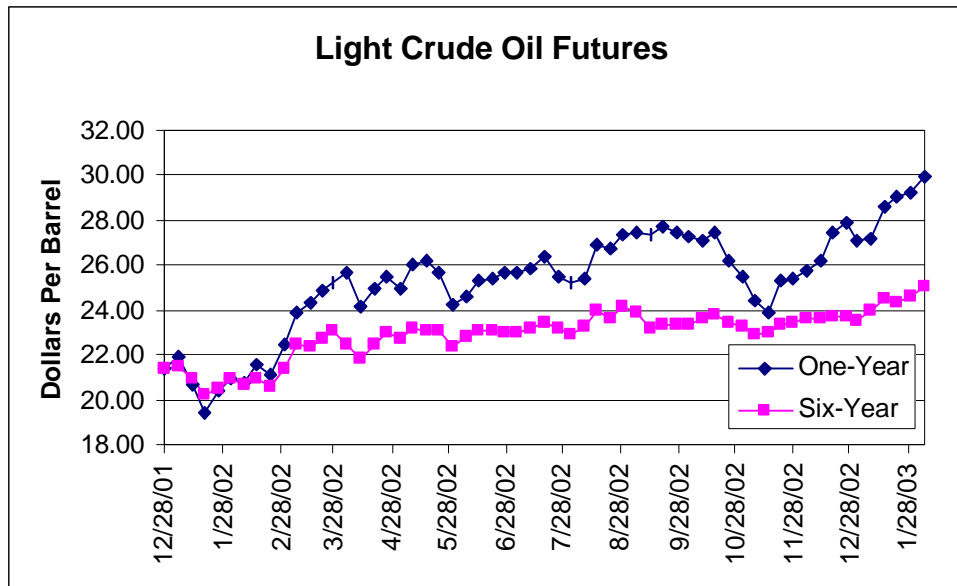
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statement would likely turn last year's profits into losses. It is past time, in our opinion, for the auditors to protest, rather than blindly bless, another year's deception when annual reports are filed.

Fundamentals Up, Stock Price Down for Major Oil Stocks

Profits are looking up for recommended Royal Dutch (RD), ChevronTexaco (CVX), ConocoPhillips (COP) and Marathon (MRO). Not only do the trend in crude oil futures continue in a positive pattern, but also the trend in refining margin futures (see charts).



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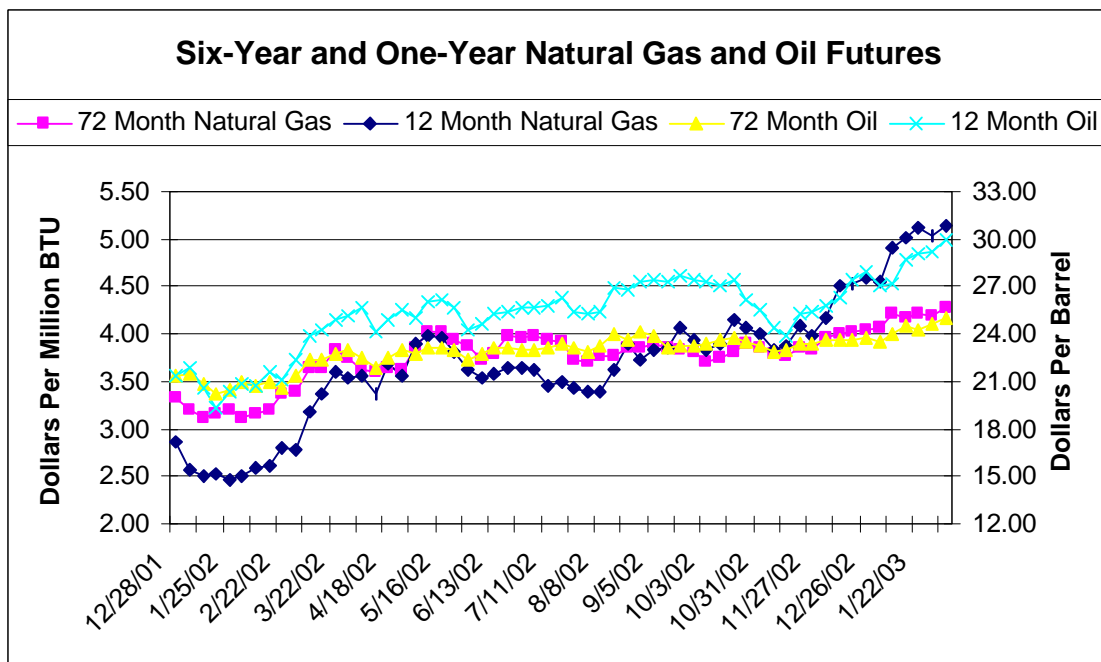
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We downplay the widely voiced anticipation that with a successful war in Iraq, oil price will drop sharply. Sure spot price may drop, but at the other extreme six-year futures are not all that high at around \$25 per barrel. Moreover, how much vulnerability can there be in stock price for major oil issues if the stocks are already off sharply while crude oil price has trended upward?

Equally important to current profits are refining/marketing margins. Expectations for one-year refining margins are continuing a steep advance that started late last year. It is probably the refining/marketing business that accounts for the lagging performance of integrated companies compared to independent producers. That drag may be about to diminish.

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) 5-Feb 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap							
Exxon Mobil Corporation	XOM	34.13	6,787	232,000	37.00	0.09	0.93
TotalFinaElf S.A.	TOT	67.33	1,336	89,900	90.00	0.15	0.79
BP plc	BP	38.71	3,735	145,000	52.00	0.14	0.78
Royal Dutch/Shell	RD B	41.50	3,481	144,000	60.00	0.15	0.74
ChevronTexaco Corporation	CVX B	65.07	1,062	69,100	101.00	0.17	0.71
	<i>Total or Median</i>			680,000		0.15	0.78
Energy Infrastructure							
Southern Company	SO	28.04	701	19,700	23.90	0.47	1.09
Duke Energy Corporation	DUK	16.79	822	13,800	15.00	0.73	1.03
American Electric Power Co. Inc.	AEP N	22.66	326	7,400	27.40	0.74	0.96
Enel S.p.a. (32%)	EN	27.98	388	10,900	32.70	0.39	0.91
Dominion Resources	D	54.65	269	14,700	76.20	0.45	0.85
Exelon Corporation	EXC N	50.18	323	16,200	70.80	0.45	0.84
El Paso Corporation	EP N	6.20	590	3,700	20.00	0.66	0.77
	<i>Total or Median</i>			67,000		0.56	0.88
Natural Gas and Oil							
Occidental Petroleum Corp.	OXY	29.20	380	11,100	35.00	0.36	0.89
Encana Corporation	ECA B	31.20	470	14,700	38.00	0.27	0.87
ENI S.p.A.	E	73.68	776	57,200	90.00	0.17	0.85
Devon Energy	DVN	46.69	158	7,400	65.00	0.42	0.84
Anadarko Petroleum Corp.	APC	45.19	258	11,700	60.00	0.25	0.82
OAo Lukoil	LUKOY	55.50	299	16,600	70.00	0.08	0.81
Unocal Corporation	UCL	27.70	245	6,800	40.00	0.37	0.81
Burlington Resources	BR B	44.30	202	8,900	60.00	0.26	0.80
ConocoPhillips	COP B	49.41	680	33,600	75.00	0.36	0.78
Marathon Oil Corporation	MRO B	22.01	310	6,800	40.00	0.37	0.72
Petroleo Brasileiro S. A.	PBR N	14.34	1,086	15,600	30.00	0.27	0.62
	<i>Total or Median</i>			179,000		0.27	0.81
Service							
Baker Hughes Inc.	BHI	31.77	339	10,800	25.00	0.09	1.25
Halliburton Company	HAL	18.96	434	8,200	22.00	0.25	0.89
Schlumberger Ltd.	SLB	38.11	581	22,100	44.00	0.22	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/ Rating	Price (\$/sh) 5-Feb 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Mega Cap								
Exxon Mobil Corporation	XOM	34.13	1.2	8.2	17	2.7	8.9	
TotalFinaElf S.A.	TOT	67.33	1.1	6.9	13	3.8	8.8	
BP plc	BP	38.71	0.9	6.7	14	3.7	8.6	
Royal Dutch/Shell	RD	B	41.50	0.9	6.3	13	4.1	8.6
ChevronTexaco Corporation	CVX	B	65.07	0.9	5.8	12	4.3	8.2
	<i>Median</i>		<i>0.9</i>	<i>6.7</i>	<i>13</i>	<i>3.8</i>	<i>8.6</i>	
Energy Infrastructure								
Duke Energy Corporation	DUK		16.79	2.5	9.9	12	6.6	9.6
Southern Company	SO		28.04	3.4	9.8	16	4.8	9.0
American Electric Power Co. Inc.	AEP	N	22.66	0.5	8.6	8	10.6	9.0
Enel S.p.a. (32%)	EN		27.98	2.3	8.2	34	5.8	9.0
Dominion Resources	D		54.65	3.2	7.6	11	4.7	9.0
Exelon Corporation	EXC	N	50.18	2.3	7.6	11	3.5	9.0
El Paso Corporation	EP	N	6.20	2.2	5.9	3	14.0	7.7
	<i>Median</i>		<i>2.3</i>	<i>8.2</i>	<i>11</i>	<i>5.8</i>	<i>9.0</i>	
Natural Gas and Oil								
ConocoPhillips	COP	B	49.41	0.7	5.8	9	3.2	7.4
ENI S.p.A.	E		73.68	1.5	5.7	11	5.0	6.7
Encana Corporation	ECA	B	31.20	2.2	5.2	10	0.8	6.0
Anadarko Petroleum Corp.	APC		45.19	3.4	4.9	9	0.9	6.0
Burlington Resources	BR	B	44.30	3.5	4.7	9	1.2	5.8
Occidental Petroleum Corp.	OXY		29.20	2.2	4.6	6	3.6	5.1
Unocal Corporation	UCL		27.70	2.1	4.3	8	2.9	5.4
Marathon Oil Corporation	MRO	B	22.01	0.4	4.3	6	4.2	6.0
Devon Energy	DVN		46.69	2.7	4.3	6	0.4	5.1
OAO Lukoil	LUKOY		55.50	1.4	3.3	6	1.9	4.1
Petroleo Brasileiro S. A.	PBR	N	14.34	1.2	3.1	3	9.4	4.9
	<i>Median</i>		<i>2.1</i>	<i>4.6</i>	<i>8</i>	<i>2.9</i>	<i>5.8</i>	
Service								
Baker Hughes Inc.	BHI		31.77	2.2	13.5	38	1.4	10.8
Halliburton Company	HAL		18.96	1.0	8.1	17	2.6	9.0
Schlumberger Ltd.	SLB		38.11	2.1	8.0	28	2.0	8.9

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

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Energy Infrastructure							
Kinder Morgan Energy Partners, L.P.	KMP S	35.31	141	5,000	14.00	0.47	1.80
Kinder Morgan Management, LLC	KMR S	31.81	40	1,300	14.00	0.47	1.67
Kinder Morgan, Inc.	KMI S	46.25	123	5,700	14.00	0.80	1.45
Constellation Energy Group	CEG	26.65	164	4,400	20.00	0.69	1.10
Calpine Corporation	CPN N	3.11	375	1,200	1.00	0.97	1.06
Dynegy Inc.	DYN	2.01	418	800	1.00	0.94	1.06
Williams Companies	WMB	3.10	521	1,600	1.00	0.97	1.06
AES Corporation	AES	3.05	543	1,700	1.00	0.98	1.05
Sempra Energy	SRE	23.83	207	4,900	24.30	0.64	0.99
Valero Energy Corporation	VLO	36.75	115	4,200	40.00	0.60	0.97
CMS Energy Corporation	CMS	4.80	137	700	8.70	0.90	0.96
Mirant Corporation	MIR	1.72	413	700	4.00	0.86	0.92
<i>Total or Median</i>				<i>32,200</i>		<i>0.83</i>	<i>1.06</i>
Natural Gas and Oil							
Petro-Canada	PCZ	33.52	262	8,800	31.00	0.11	1.07
Murphy Oil Corporation	MUR	42.63	92	3,900	41.00	0.24	1.03
Suncor Energy	SU	16.79	454	7,600	17.00	0.25	0.99
Ocean Energy, Inc.	OEI	19.11	178	3,400	20.00	0.30	0.97
XTO Energy Inc.	XTO B	24.52	125	3,100	26.00	0.25	0.96
Imperial Oil Limited (30%)	IMO	29.70	114	3,400	33.00	0.13	0.91
CNOOC Limited (19%)	CEO B	26.59	78	2,080	33.00	-	0.81
Norsk Hydro ASA (49%)	NHY	41.12	126	5,200	54.00	0.18	0.80
PetroChina Company Ltd (10%)	PTR B	21.48	176	3,800	30.00	0.17	0.76
<i>Total or Median</i>				<i>41,300</i>		<i>0.18</i>	<i>0.96</i>
Coal Producers (Small Cap)							
Penn Virginia Res. Part, L.P.	PVR	23.00	15	400	18.00	-	1.27
Consol Energy Inc.	CNX	15.58	79	1,200	5.00	0.88	1.25
Alliance Res. Part, L.P.	ARLP	24.29	16	400	20.00	0.45	1.12
Peabody Energy	BTU	25.07	55	1,400	18.00	0.75	1.10
Arch Coal	ACI	17.26	48	800	18.00	0.61	0.98
Fording Inc (US\$)	FDG	22.27	52	1,200	23.00	0.04	0.97
Massey Energy	MEE	8.01	75	600	18.00	0.37	0.65
				<i>6,000</i>		<i>0.45</i>	<i>1.10</i>

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

			Price (\$/sh)	EV/ Sales	EV/ Ebitda	Dividend or Distribution	PV/ Ebitda	
	Symbol/ Rating	5-Feb 2003	5-Feb 2003	Sales NTM	Ebitda NTM	P/E NTM	NTM (%)	NTM
Energy Infrastructure								
Kinder Morgan Energy Partners, L.P.	KMP S	35.31	3.2	15.6	18	7.1	8.7	
Kinder Morgan Management, LLC	KMR S	31.81	3.0	14.5	16	7.9	8.7	
Kinder Morgan, Inc.	KMI S	46.25	3.2	12.2	14	1.3	8.4	
Calpine Corporation	CPN N	3.11	1.8	10.8			10.2	
Constellation Energy Group	CEG	26.65	2.8	10.1	10	3.6	9.2	
Dynegy Inc.	DYN	2.01	0.2	9.5		-	9.0	
Williams Companies	WMB	3.10	1.9	9.5		-	9.0	
AES Corporation	AES	3.05	2.8	9.4			9.0	
Sempra Energy	SRE	23.83	2.5	8.9	9	4.2	9.0	
CMS Energy Corporation	CMS	4.80	1.3	8.6	3	15.0	9.0	
Mirant Corporation	MIR	1.72	0.4	8.2	1	-	9.0	
Valero Energy Corporation	VLO	36.75	0.4	7.6	9	1.1	7.8	
	<i>Median</i>		2.2	9.5	10	2.4	9.0	
Natural Gas and Oil								
Suncor Energy	SU	16.79	3.6	10.7	24	1.3	10.8	
Petro-Canada	PCZ	33.52	2.0	7.9	21	0.8	7.4	
Ocean Energy, Inc.	OEI	19.11	4.5	7.6	33	0.8	7.8	
Imperial Oil Limited (30%)	IMO	29.70	1.2	7.4	14	1.8	8.1	
Murphy Oil Corporation	MUR	42.63	1.1	6.9	19	1.9	6.7	
XTO Energy Inc.	XTO B	24.52	4.2	5.6	10	0.2	5.8	
CNOOC Limited (19%)	CEO B	26.59	3.6	4.6	9	2.4	5.7	
PetroChina Company Ltd (10%)	PTR B	21.48	1.7	3.9	8	5.9	5.1	
Norsk Hydro ASA (49%)	NHY	41.12	0.7	3.8	11	2.5	4.8	
	<i>Median</i>		2.0	6.9	14	1.8	6.7	
Coal Producers (Small Cap)								
Consol Energy Inc.	CNX	15.58	2.0	12.1	35	3.6	9.7	
Penn Virginia Res. Part, L.P.	PVR	23.00	8.4	10.9	13	8.7	8.6	
Peabody Energy	BTU	25.07	1.5	9.8	21	1.6	9.0	
Arch Coal	ACI	17.26	1.5	8.9	97	1.3	9.0	
Fording Inc (US\$)	FDG	22.27	2.0	8.7	20	1.7	9.0	
Alliance Res. Part, L.P.	ARLP	24.29	1.2	7.9	20	8.2	7.0	
Massey Energy	MEE	8.01	1.0	5.8	200	2.0	8.9	
			1.5	8.9	21	2.0	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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Small Cap Energy Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>		<i>Price</i>		<i>Market</i>	<i>Net</i>	<i>Debt/</i>	
	<i>Rating</i>		<i>(\$/sh)</i>	<i>Shares</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>McDep</i>
			<i>5-Feb</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	<i>Ratio</i>
			<i>2003</i>			<i>(\$/sh)</i>		
Energy Infrastructure								
El Paso Energy Partners	EPN	S	31.36	57.0	1,790	5.60	0.64	2.65
Enbridge Energy Partners, L.P.	EEP	S	43.95	35.0	1,540	14.90	0.64	1.71
Enterprise Products Part (16%)	EPD		19.01	28.5	540	6.70	0.63	1.67
Plains All Amer. Pipeline	PAA		24.75	50.0	1,240	11.60	0.49	1.58
Enbridge Energy Management, L.L.C	EEQ	S	38.00	9.0	340	14.90	0.64	1.56
Northern Border Partners	NBP		38.02	44.0	1,670	20.40	0.62	1.32
TEPCO Partners, L.P.	TPP		29.42	50.0	1,470	17.70	0.56	1.29
AmeriGas Partners, L.P.	APU		24.81	49.4	1,230	18.30	0.51	1.17
Western Gas Resources	WGR		34.04	33.8	1,150	37.60	0.28	0.93
<i>Total or Median</i>					<i>11,000</i>		<i>0.62</i>	<i>1.56</i>
Natural Gas and Oil								
Provident Energy Trust	PVX		7.25	63.5	460	5.00	0.24	1.34
Dorchester Minerals, L.P.	DMLP		14.30	27.0	386	11.60	-	1.23
Enerplus Resources Fund	ERF		19.06	75.0	1,430	18.00	0.16	1.05
Unit Corporation	UNT		18.76	40.0	750	18.00	0.03	1.04
Pogo Producing Company	PPP		35.90	64.5	2,320	35.00	0.23	1.02
Quicksilver Resources Inc.	KWK		22.65	20.4	460	22.00	0.38	1.02
Pengrowth Energy Trust	PGH		9.69	110.0	1,070	9.50	0.19	1.02
Newfield Exploration Company	NFX		33.58	48.9	1,640	35.00	0.24	0.97
Encore Acquisition Corp. (25%)	EAC		17.80	7.0	125	21.00	0.20	0.88
Swift Energy Company	SFY		9.62	27.1	260	13.00	0.48	0.86
Stone Energy Company	SGY		33.78	26.5	900	42.00	0.28	0.86
Southwestern Energy Company	SWN		12.03	26.1	310	17.00	0.46	0.84
Penn Virginia Corporation	PVA		36.16	9.0	330	45.00	0.06	0.81
Spinnaker Exploration Company	SKE		20.02	34.0	680	25.00	-	0.80
Forest Oil Corporation	FST	N	23.74	48.1	1,140	35.00	0.32	0.78
Magnum Hunter Resources, Inc.	MHR		5.62	69.0	390	11.00	0.45	0.73
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	23.26	76.8	1,790	40.00	0.16	0.65
<i>Total or Median</i>					<i>14,400</i>		<i>0.23</i>	<i>0.88</i>
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		19.92	6.0	120	21.80	-	0.92
San Juan Basin Royalty Trust	SJT	B	14.09	46.6	660	17.90	-	0.79
Hugoton RoyaltyTrust (46%)	HGT		13.30	18.4	250	17.40	-	0.77
Micro Cap								
Energy Partners Ltd.(30%)	EPL	B	11.00	8.3	91	10.00	0.38	1.06
Abraxas Petroleum Corporation	ABP		0.78	30.0	23	1.00	0.91	0.98
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.87	26.6	50	2.50	0.29	0.82

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

February 6, 2003

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

	Symbol/ Rating	Price (\$/sh) 5-Feb 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Energy Infrastructure								
El Paso Energy Partners	EPN	S	31.36	8.8	23.9	78	8.6	9.0
Enbridge Energy Partners, L.P.	EEP	S	43.95	2.0	15.4	33	8.2	9.0
Enterprise Products Part (16%)	EPD		19.01	1.7	15.0	26	7.3	9.0
Plains All Amer. Pipeline	PAA		24.75	0.2	14.2	20	8.7	9.0
Enbridge Energy Management, L.L.C	EEQ	S	38.00	1.8	14.0	28	9.5	9.0
Northern Border Partners	NBP		38.02	6.8	11.9	14	8.4	9.0
TEPPCO Partners, L.P.	TPP		29.42	1.0	11.6	15	8.2	9.0
AmeriGas Partners, L.P.	APU		24.81	1.7	10.6	24	8.9	9.0
Western Gas Resources	WGR		34.04	0.7	8.4	19	0.6	9.0
	<i>Median</i>			<i>1.7</i>	<i>14.0</i>	<i>24</i>	<i>8.4</i>	<i>9.0</i>
Natural Gas and Oil								
Unit Corporation	UNT		18.76	3.7	10.2	32	-	9.8
Quicksilver Resources Inc.	KWK		22.65	5.3	8.7	22	-	8.6
Dorchester Minerals, L.P.	DMLP		14.30	6.6	8.2	11	11.0	6.6
Enerplus Resources Fund	ERF		19.06	5.1	6.8	12	12.3	6.5
Swift Energy Company	SFY		9.62	4.0	6.4	36	-	7.4
Provident Energy Trust	PVX		7.25	4.0	6.0	15	19.8	4.5
Pengrowth Energy Trust	PGH		9.69	3.8	6.0	15	15.6	5.9
Forest Oil Corporation	FST	N	23.74	3.5	5.9	17	-	7.5
Magnum Hunter Resources, Inc.	MHR		5.62	3.2	5.8	23	-	7.9
Encore Acquisition Corp. (25%)	EAC		17.80	3.9	5.7	11	-	6.5
Pogo Producing Company	PPP		35.90	3.5	5.6	18	0.3	5.5
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	23.26	3.3	5.6	5	5.7	8.7
Southwestern Energy Company	SWN		12.03	2.6	5.3	8	-	6.3
Penn Virginia Corporation	PVA		36.16	2.5	4.9	14	2.5	6.0
Stone Energy Company	SGY		33.78	3.3	4.5	12	-	5.3
Newfield Exploration Company	NFX		33.58	3.0	4.3	14	-	4.4
Spinnaker Exploration Company	SKE		20.02	2.9	3.4	13	-	4.3
	<i>Median</i>			<i>3.5</i>	<i>5.8</i>	<i>14</i>	<i>-</i>	<i>6.5</i>
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		19.92	5.7	7.9	8	12.1	8.6
Hugoton RoyaltyTrust (46%)	HGT		13.30	4.3	5.8	8	13.3	7.6
San Juan Basin Royalty Trust	SJT	B	14.09	4.7	5.7	7	13.7	7.3
Micro Cap								
Abraxas Petroleum Corporation	ABP		0.78	5.6	9.3		-	9.5
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.87	4.3	6.4	22	-	7.8
Energy Partners Ltd.(30%)	EPL	B	11.00	3.2	6.2		-	5.8

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

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.