

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

May 8, 2003

Public Relations Puffery

Summary and Recommendation

The chairman of a publicly traded energy partnership states, “[W]e are committed to the principles of open disclosure.” Really? Then why did the partnership industry lobby, successfully, with the Securities and Exchange Commission for exemption from the ethical standards of Sarbanes-Oxley reform legislation last month? We are optimistic that since then the SEC may be reversing its permissiveness to “high greed” entities as it begins an investigation into accounting practices at the largest energy partnership, sell-recommended **Kinder Morgan (KMI, KMP, KMR)**. On the positive side of energy investment opportunity we are happy to mark another week for a new high in six-year natural gas futures that point to continuing promise for recommended natural gas producers **Encana (ECA)**, **Burlington Resources (BR)**, **XTO Energy (XTO)** and **San Juan Basin Royalty Trust (SJT)**. Two new valuation tables rank producers by estimated percentage of next twelve months cash flow from North American natural gas production (see Tables 1-3 and 3-3). We are also optimistic about oil producers and believe there is attractive value in producer/refiners despite an uncertain outlook for downstream margins.

SEC Investigation Could Catalyze Partnership Reform

For our product line of sell and buy recommendations, the investigation of Kinder Morgan is the big story of the week. We wrote about it informally (see *McDep Stock Idea by email*, SEC Investigation of Kinder Morgan May Be Catalyst for Revaluation, May 6, 2003). Whether it really is a big story depends in part on how determined the SEC is to represent investors rather than issuers. The partnerships are very well connected politically and get unwavering support from the financial intermediaries who recommended Enron to the end. The conflicts of interest are exceptionally strong.

Natural Gas Showing Contra-Seasonal Strength

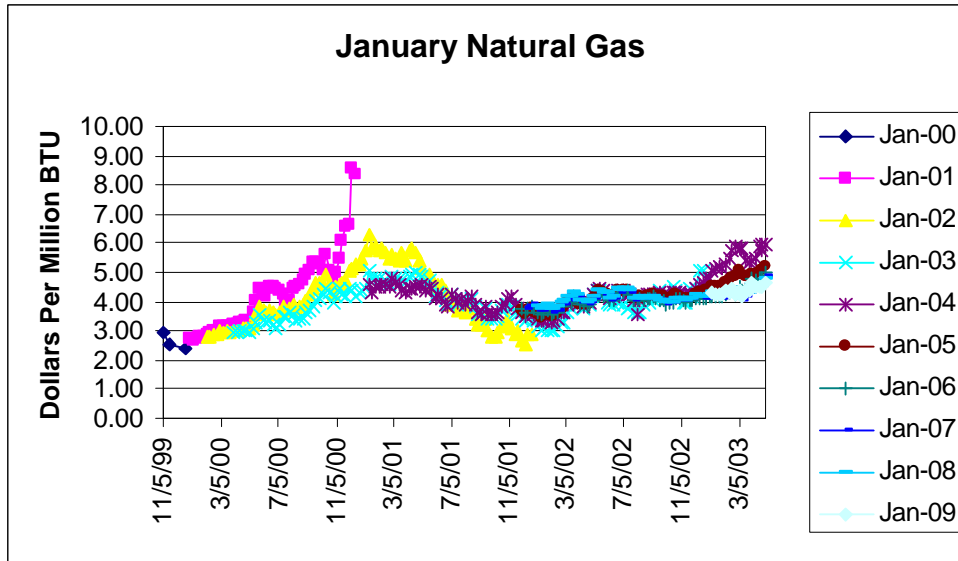
Futures traders who live and breathe natural gas commodity prices are expressing increasing confidence. We have been gratified with the trend in six-year futures that we calculate weekly by taking the average of quotes for the next 72 months. Those quotes have been publicly available only since the increasing transparency of the market after Enron collapsed at the end of 2001. To get an older time series we plot weekly prices for January gas since late 1999 (see Chart). January 2004 futures are lifting off and January 2005 is pulling out of the pack.

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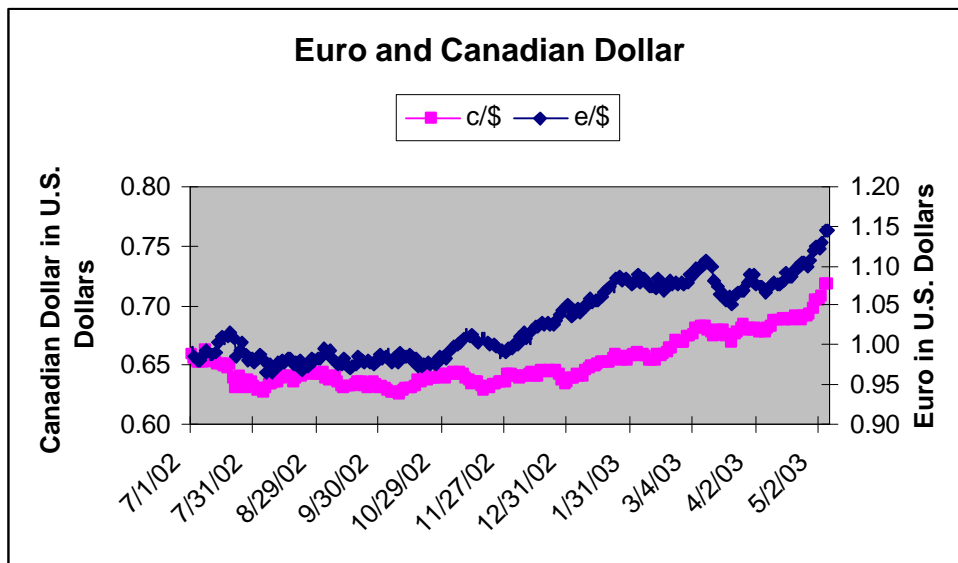
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How much better can natural gas get? Two years ago we wrote in *Meter Reader* that natural gas “could be priced routinely at \$10 a million BTU in 2005.” No one can be sure. We remember seeing \$10 gas regularly for incremental deep unregulated supply around 1981. We remember that natural gas price went up many-fold during the 1970s.

Dollar Risk Increasing



Another big story of the week must be the jump in non-dollar currency values or conversely, the drop in the value of the dollar (see Chart). Throughout most of the 20th

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century American investors did not need to worry much about currency, as the dollar was strong most of the time. That may have changed in the 21st century, as we have apparently become a large net debtor in world financial terms as opposed to a large net creditor. That is as much as we might be qualified to say about currency. We pay attention to the Canadian dollar and the euro because we cover stocks of companies that report in those currencies.

While we may not know where currencies are headed we expect energy to be priced in real terms because it is an international commodity. Unexpected further weakening in the dollar would likely be offset eventually in higher energy prices. Thus, energy investments may be increasingly valuable as a hedge on the currency value of the dollar.

Commodity Representation in Stocks

Continued strong performance of natural gas accentuated perhaps by dollar weakness prompts us to present natural gas exposure by stock in a new format. Of course our four recommended natural gas producer stocks have high concentrations. Among large cap and mid cap producers recommended XTO Energy has the most concentration with North American natural gas expected to account for 87% of cash flow (Ebitda) for the next twelve months (see Table 1-3). Recommended Burlington Resources is next at 79%. Recommended Encana is fourth at 69%. Among small cap stocks, recommended San Juan Basin Royalty Trust at 99% is essentially all natural gas (see Table 3-3).

Investors who own other recommended stocks are also getting some North American natural gas. Among large cap and mega cap issues, **Marathon (MRO)** has 39% exposure, **ConocoPhillips (COP)**, 25%; **ChevronTexaco (CVX)**, 20% and **Royal Dutch (RD)**, 10%. Natural gas production jumped sharply in the latest quarter for recommended **Energy Partners (EPL)** taking the newly reclassified small cap stock to 63%.

Kurt H. Wulff, CFA

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May 8, 2003

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 7-May 2003</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>
Mega Cap							
Exxon Mobil Corporation	XOM	35.41	6,755	239,000	35.00	0.09	1.01
BP plc	BP	39.89	3,725	149,000	45.00	0.16	0.91
TotalFinaElf S.A.	TOT	71.75	1,317	94,500	85.00	0.16	0.87
Royal Dutch/Shell	RD B	43.63	3,473	152,000	55.00	0.18	0.83
ChevronTexaco Corporation	CVX B	66.65	1,064	70,900	95.00	0.20	0.76
<i>Total or Median</i>				<i>705,000</i>		<i>0.16</i>	<i>0.87</i>
Producer/Refiners - Large Cap and Mid Cap							
Murphy Oil Corporation	MUR	43.70	93	4,050	41.00	0.24	1.05
Petro-Canada	PCZ	34.76	264	9,160	38.00	0.20	0.93
Imperial Oil Limited (30%)	IMO	31.38	114	3,570	36.00	0.12	0.89
Valero Energy Corporation	VLO	36.28	114	4,140	50.00	0.50	0.86
ENI S.p.A.	E	75.75	750	56,800	90.00	0.14	0.86
ConocoPhillips	COP B	51.90	682	35,400	70.00	0.38	0.84
Suncor Energy	SU	17.17	448	7,690	22.00	0.22	0.83
OAo Lukoil	LUKOY	69.50	206	14,000	90.00	0.12	0.80
Norsk Hydro ASA (49%)	NHY	42.85	126	5,420	60.00	0.26	0.79
PetroChina Company Ltd (10%)	PTR B	23.13	176	4,070	33.00	0.15	0.75
Petroleo Brasileiro S. A.	PBR N	19.02	1,086	20,700	30.00	0.25	0.73
Marathon Oil Corporation	MRO B	23.85	310	7,390	40.00	0.31	0.72
<i>Total or Median</i>				<i>168,000</i>		<i>0.22</i>	<i>0.83</i>
Independent Natural Gas and Oil							
Pogo Producing Company	PPP	41.11	65	2,650	38.00	0.22	1.06
Occidental Petroleum Corp.	OXY	30.83	383	11,800	35.00	0.36	0.92
Encana Corporation	ECA B	34.10	470	16,000	40.00	0.24	0.89
XTO Energy Inc.	XTO B	20.07	169	3,390	24.00	0.25	0.88
Burlington Resources	BR B	48.25	202	9,700	60.00	0.27	0.85
Apache Corporation	APA	57.40	159	9,100	70.00	0.20	0.85
Devon Energy	DVN	46.50	163	7,600	65.00	0.42	0.84
Anadarko Petroleum Corp.	APC	45.42	258	11,700	60.00	0.29	0.83
Unocal Corporation	UCL	28.29	255	7,200	40.00	0.35	0.81
Pioneer Natural Resources Company	PXD	23.60	118	2,790	35.00	0.31	0.78
Canadian Natural Resources Limited	CNQ	35.84	139	4,980	55.00	0.29	0.75
CNOOC Limited (19%)	CEO B	25.90	78	2,020	35.00	-	0.74
<i>Total or Median</i>				<i>74,000</i>		<i>0.28</i>	<i>0.83</i>
Service							
Baker Hughes Inc.	BHI	29.16	339	9,900	25.00	0.09	1.15
Halliburton Company	HAL	23.36	434	10,100	22.00	0.25	1.04
Schlumberger Ltd.	SLB	45.08	581	26,200	44.00	0.22	1.02

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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May 8, 2003

Table 1-2
Energy Producers
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 7-May 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
Mega Cap							
Exxon Mobil Corporation	XOM	35.41	1.2	8.8	18	2.6	8.7
BP plc	BP	39.89	0.9	7.4	25	3.6	8.2
TotalFinaElf S.A.	TOT	71.75	1.1	7.1	18	4.5	8.2
Royal Dutch/Shell	RD B	43.63	0.9	6.9	16	4.3	8.3
ChevronTexaco Corporation	CVX B	66.65	0.8	6.6	13	4.2	8.7
	<i>Median</i>		<i>0.9</i>	<i>7.1</i>	<i>18</i>	<i>4.2</i>	<i>8.3</i>
Producer/Refiners - Large Cap and Mid Cap							
ConocoPhillips	COP B	51.90	0.6	7.3	13	3.1	8.7
Suncor Energy	SU	17.17	2.8	6.7	12	0.7	8.0
Murphy Oil Corporation	MUR	43.70	1.2	6.3	16	1.8	5.9
Imperial Oil Limited (30%)	IMO	31.38	1.1	6.1	11	1.7	6.9
Marathon Oil Corporation	MRO B	23.85	0.4	4.8	12	3.9	6.7
Valero Energy Corporation	VLO	36.28	0.3	4.7	5	1.1	5.5
Petro-Canada	PCZ	34.76	1.4	4.3	9	0.8	4.6
Petroleo Brasileiro S. A.	PBR N	19.02	1.4	4.1	7	7.1	5.7
ENI S.p.A.	E	75.75	1.6	4.1	9	5.7	4.8
OAOLukoil	LUKOY	69.50	1.0	3.2	5	2.8	4.0
PetroChina Company Ltd (10%)	PTR B	23.13	1.7	3.1	6	7.7	4.1
Norsk Hydro ASA (49%)	NHY	42.85	0.7	3.0	5	3.4	3.8
	<i>Median</i>		<i>1.2</i>	<i>4.5</i>	<i>9</i>	<i>2.9</i>	<i>5.6</i>
Independent Natural Gas and Oil							
Pioneer Natural Resources Company	PXD	23.60	4.5	7.1	21	-	9.2
Occidental Petroleum Corp.	OXY	30.83	2.4	5.7	10	3.4	6.2
XTO Energy Inc.	XTO B	20.07	4.0	5.6	9	0.2	6.4
Apache Corporation	APA	57.40	3.8	5.3	11	0.7	6.2
Burlington Resources	BR B	48.25	3.7	5.2	11	1.1	6.1
Unocal Corporation	UCL	28.29	2.0	5.1	13	2.8	6.3
Pogo Producing Company	PPP	41.11	3.3	5.1	13	0.3	4.7
Anadarko Petroleum Corp.	APC	45.42	3.6	4.8	8	0.9	5.8
CNOOC Limited (19%)	CEO B	25.90	3.5	4.5	9	2.4	6.1
Encana Corporation	ECA B	34.10	2.0	4.3	10	0.8	4.9
Devon Energy	DVN	46.50	2.7	4.1	6	-	4.9
Canadian Natural Resources Limited	CNQ	35.84	2.0	3.2	6	1.2	4.3
	<i>Median</i>		<i>3.4</i>	<i>5.1</i>	<i>10</i>	<i>0.8</i>	<i>6.1</i>
Service							
Baker Hughes Inc.	BHI	29.16	2.1	12.4	35	1.6	10.8
Halliburton Company	HAL	23.36	1.1	9.4	21	2.1	9.0
Schlumberger Ltd.	SLB	45.08	2.4	9.1	33	1.7	8.9

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2004; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Table 1-3
Independent Natural Gas and Oil Producers - Small Cap
Determinants of Present Value

	Symbol/ Rating	NG & O Prod/ Ebitda (%)	N. Am. Gas/ Ebitda (%)	Adjusted Reserves/ Production NTM	PV/ Ebitda NTM	EV/ Mcf	McDep Ratio 7-May 2003	
Mega Cap								
TotalFinaElf S.A.	TOT		2	9.7	8.2	-	0.87	
Royal Dutch/Shell	RD	B	10	9.6	8.3	-	0.83	
Exxon Mobil Corporation	XOM		18	11.0	8.7	-	1.01	
BP plc	BP		20	9.6	8.2	-	0.91	
ChevronTexaco Corporation	CVX	B	20	10.2	8.7	-	0.76	
Producer/Refiners - Large Cap and Mid Cap								
ENI S.p.A.	E		-	10.1	4.8	-	0.86	
OAo Lukoil	LUKOY		-	20.0	4.0	-	0.80	
Norsk Hydro ASA (49%)	NHY		-	9.1	3.8	-	0.79	
Petroleo Brasileiro S. A.	PBR	N	-	10.5	5.7	-	0.73	
PetroChina Company Ltd (10%)	PTR	B	-	16.3	4.1	-	0.75	
Valero Energy Corporation	VLO		-	-	5.5	-	0.86	
Suncor Energy	SU		10	19.0	8.0	-	0.83	
Imperial Oil Limited (30%)	IMO		19	10.6	6.9	-	0.89	
Petro-Canada	PCZ		24	5.7	4.6	-	0.93	
ConocoPhillips	COP	B	25	11.0	8.7	-	0.84	
Murphy Oil Corporation	MUR		35	8.4	5.9	-	1.05	
Marathon Oil Corporation	MRO	B	39	8.1	6.7	-	0.72	
Independent Natural Gas and Oil								
CNOOC Limited (19%)	CEO	B	100	-	9.1	6.1	-	0.74
Occidental Petroleum Corp.	OXY		100	20	10.6	6.2	2.40	0.92
Unocal Corporation	UCL		100	39	8.4	6.3	1.87	0.81
Pogo Producing Company	PPP		100	39	5.8	4.7	5.17	1.06
Pioneer Natural Resources Company	PXD		100	54	12.3	9.2	1.94	0.78
Apache Corporation	APA		100	55	10.0	6.2	3.67	0.85
Canadian Natural Resources Limited	CNQ		100	56	7.3	4.3	1.94	0.75
Anadarko Petroleum Corp.	APC		100	59	10.0	5.8	2.34	0.83
Encana Corporation	ECA	B	100	69	8.6	4.9	3.31	0.89
Devon Energy	DVN		100	74	7.7	4.9	1.66	0.84
Burlington Resources	BR	B	100	79	10.8	6.1	2.68	0.85
XTO Energy Inc.	XTO	B	100	87	12.0	6.4	3.13	0.88
Service								
Baker Hughes Inc.	BHI		-	-	10.8	-	1.15	
Halliburton Company	HAL		-	-	9.0	-	1.04	
Schlumberger Ltd.	SLB		-	-	8.9	-	1.02	

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Table 2-1
Energy Pipeline and Power Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 7-May 2003</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>
Large Cap Power							
Southern Company	SO	28.66	696	20,000	28.00	0.43	1.01
Duke Energy Corporation	DUK	16.75	832	13,900	16.00	0.69	1.01
Exelon Corporation	EXC N	54.88	325	17,800	65.00	0.51	0.92
Enel S.p.a. (32%)	EN	31.79	388	12,300	37.00	0.40	0.91
American Electric Power Co. Inc.	AEP N	25.50	348	8,900	35.00	0.60	0.89
Dominion Resources	D	59.08	294	17,300	76.00	0.44	0.87
Mid Cap Pipeline and Power							
Kinder Morgan Energy Partners, L.P.	KMP S	36.55	141	5,160	14.00	0.47	1.85
Kinder Morgan Management, LLC	KMR S	32.41	40	1,280	14.00	0.47	1.69
Kinder Morgan, Inc.	KMI S	46.42	123	5,690	14.00	0.80	1.47
Williams Companies	WMB	6.93	518	3,590	1.00	0.97	1.19
Dynegy Inc.	DYN	4.33	418	1,810	1.00	0.97	1.10
AES Corporation	AES	6.25	558	3,490	1.00	0.98	1.10
Calpine Corporation	CPN N	4.55	381	1,730	1.00	0.98	1.08
Mirant Corporation	MIR	3.01	402	1,210	1.00	0.96	1.08
Constellation Energy Group	CEG	29.70	164	4,870	25.00	0.61	1.07
CMS Energy Corporation	CMS	6.01	139	840	5.00	0.93	1.02
El Paso Corporation	EP N	7.28	589	4,300	10.00	0.79	0.94
Sempra Energy	SRE	24.44	206	5,030	30.00	0.59	0.92
Small Cap Pipeline							
El Paso Energy Partners	EPN S	34.35	57	1,960	10.60	0.60	1.91
Enterprise Products Part (16%)	EPD	21.91	29	620	6.70	0.63	1.82
Enbridge Energy Partners, L.P.	EEP S	44.79	35	1,570	14.90	0.64	1.73
Plains All Amer. Pipeline	PAA	27.26	50	1,360	11.60	0.49	1.68
Enbridge Energy Management, L.L.C	EEQ S	40.13	35	1,400	14.90	0.64	1.61
TEPPCO Partners, L.P.	TPP	32.40	50	1,620	17.70	0.56	1.36
Northern Border Partners	NBP	39.51	44	1,740	20.40	0.62	1.35
Williams Energy Partners	WEG	41.53	28	1,150	29.00	0.38	1.27
AmeriGas Partners, L.P.	APU	25.29	49	1,250	18.30	0.51	1.18
Western Gas Resources	WGR	37.86	34	1,280	37.60	0.29	1.01
Coal							
Penn Virginia Res. Part, L.P.	PVR	25.20	15	390	18.00	-	1.42
Consol Energy Inc.	CNX	18.01	79	1,420	5.00	0.88	1.30
Peabody Energy	BTU	28.67	55	1,580	18.00	0.75	1.15
Alliance Res. Part, L.P.	ARLP	24.57	16	390	20.00	0.45	1.12
Arch Coal	ACI	19.50	48	930	18.00	0.61	1.03
Massey Energy	MEE	11.97	75	900	18.00	0.37	0.79
<i>Total or Median</i>				<i>5,600</i>	<i>0.53</i>	<i>1.14</i>	

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

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Table 2-2
Energy Pipeline and Power Companies
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 7-May 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
Large Cap Power							
Southern Company	SO	28.66	3.3	9.2	16	4.8	9.1
Duke Energy Corporation	DUK	16.75	2.3	9.2	12	6.6	9.0
Exelon Corporation	EXC N	54.88	2.6	8.3	11	3.4	9.0
Enel S.p.a. (32%)	EN	31.79	2.2	8.1	25	4.4	8.9
Dominion Resources	D	59.08	3.4	7.9	12	4.4	9.0
American Electric Power Co. Inc.	AEP N	25.50	0.7	7.5	10	5.5	8.5
Mid Cap Pipeline and Power							
Kinder Morgan Energy Partners, L.P.	KMP S	36.55	3.3	16.0	19	6.8	8.7
Kinder Morgan Management, LLC	KMR S	32.41	3.0	14.7	17	7.7	8.7
Calpine Corporation	CPN N	4.55	2.3	13.2	5	-	12.2
Kinder Morgan, Inc.	KMI S	46.42	3.6	13.1	14	1.3	8.9
Dynegy Inc.	DYN	4.33	3.0	12.4	35	-	11.3
AES Corporation	AES	6.25	3.7	11.1	18	-	10.1
Williams Companies	WMB	6.93	3.5	9.8		0.6	8.3
Mirant Corporation	MIR	3.01	1.3	9.6	5	-	8.9
CMS Energy Corporation	CMS	6.01	1.1	8.9	7	-	8.7
Constellation Energy Group	CEG	29.70	2.4	8.7	14	3.5	8.1
Sempra Energy	SRE	24.44	2.1	8.1	9	4.1	8.7
El Paso Corporation	EP N	7.28	2.4	6.6	5	2.2	6.9
	<i>Median</i>		2.4	9.8	12	0.6	8.7
Small Cap Pipeline							
El Paso Energy Partners	EPN S	34.35	9.4	17.2	42	7.9	9.0
Enterprise Products Part (16%)	EPD	21.91	1.8	16.4		1.0	9.0
Enbridge Energy Partners, L.P.	EEP S	44.79	2.0	15.6	34	8.0	9.0
Plains All Amer. Pipeline	PAA	27.26	0.2	15.2	22	7.9	9.0
Enbridge Energy Management, L.L.C	EEQ S	40.13	1.9	14.5	30	9.0	9.0
TEPPCO Partners, L.P.	TPP	32.40	1.0	12.3	17	7.4	9.0
Northern Border Partners	NBP	39.51	7.0	12.2	15	8.1	9.0
Williams Energy Partners	WEG	41.53	4.0	10.8	13	7.2	8.5
AmeriGas Partners, L.P.	APU	25.29	1.7	10.7	25	8.7	9.0
Western Gas Resources	WGR	37.86	0.7	7.4	16	-	7.4
	<i>Median</i>		1.9	13.4	22	7.9	9.0
Coal							
Consol Energy Inc.	CNX	18.01	2.1	12.7	41	3.1	9.7
Penn Virginia Res. Part, L.P.	PVR	25.20	9.4	12.1	14	7.9	8.6
Peabody Energy	BTU	28.67	1.6	10.3	24	1.4	9.0
Arch Coal	ACI	19.50	1.5	9.3		1.2	9.0
Alliance Res. Part, L.P.	ARLP	24.57	1.2	7.9	21	8.1	7.0
Massey Energy	MEE	11.97	1.2	7.1		1.3	8.9
	<i>Median</i>		1.6	9.8	22	2.3	8.9

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2004; 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

May 8, 2003

Table 3-1
Independent Natural Gas and Oil Producers - Small Cap
Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating	Price (\$/sh) 7-May 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
Short Life								
Dorchester Minerals, L.P.	DMLP	15.90	27.0	430	13.00	-	1.22	
Newfield Exploration Company	NFX	36.46	51.7	1,890	40.00	0.31	0.94	
Spinnaker Exploration Company	SKE	22.25	33.8	750	25.00	-	0.89	
Energy Partners Ltd.	EPL	B	10.15	36.4	369	12.00	0.22	0.88
Southwestern Energy Company	SWN	13.99	36.0	500	17.00	0.30	0.88	
Stone Energy Company	SGY	36.79	26.5	980	46.00	0.27	0.85	
Cimarex Energy Company	XEC	19.37	41.0	790	24.00	0.03	0.81	
Wesport Resources Corporation	WRC	21.96	68.0	1,490	30.00	0.29	0.81	
St. Mary Land and Exploration Company	SM	27.17	29.0	790	35.00	0.11	0.80	
Denbury Resources Inc.	DNR	10.76	55.0	590	15.00	0.29	0.80	
Chesapeake Energy Corporation	CHK	8.76	220	1,930	14.00	0.38	0.77	
Forest Oil Corporation	FST	N	22.00	48.2	1,060	35.00	0.33	0.75
The Houston Exploration Company	THX	29.10	31.0	900	45.00	0.16	0.70	
<i>Total or Median</i>				<i>12,500</i>		<i>0.27</i>	<i>0.81</i>	
Long Life								
Ultra Petroleum Corp.	UPL	10.38	78.0	810	7.00	0.15	1.41	
Unit Corporation	UNT	20.25	43.6	880	18.00	0.04	1.12	
Quicksilver Resources Inc.	KWK	24.05	20.4	490	25.00	0.35	0.98	
Penn Virginia Corporation	PVA	40.15	9.0	360	45.00	0.06	0.90	
Evergreen Resources, Inc.	EVG	49.63	22.0	1,090	60.00	0.10	0.84	
Encore Acquisition Corp. (25%)	EAC	17.74	7.0	124	24.00	0.19	0.79	
Swift Energy Company	SFY	9.10	27.2	250	16.00	0.43	0.76	
Magnum Hunter Resources, Inc.	MHR	6.01	69.0	420	11.00	0.45	0.75	
Vintage Petroleum, Inc.	VPI	9.99	63.0	630	20.00	0.40	0.70	
<i>Total or Median</i>				<i>5,100</i>		<i>0.19</i>	<i>0.84</i>	
Canadian Royalty Trusts								
Provident Energy Trust	PVX	8.02	63.5	510	6.00	0.23	1.26	
Enerplus Resources Fund	ERF	20.93	75.0	1,570	20.00	0.16	1.04	
Pengrowth Energy Trust	PGH	10.38	110.0	1,140	11.00	0.16	0.95	
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	23.70	79.5	1,880	45.00	0.16	0.60
<i>Total or Median</i>				<i>5,100</i>		<i>0.16</i>	<i>1.00</i>	
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT	21.85	6.0	131	22.60	-	0.97	
Hugoton Royalty Trust (46%)	HGT	14.96	18.4	280	17.70	-	0.84	
San Juan Basin Royalty Trust	SJT	B	15.40	46.6	720	18.90	-	0.82
Micro Cap								
Abraxas Petroleum Corporation	ABP	0.68	30.0	20	1.00	0.85	0.95	
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.83	26.6	49	2.80	0.28	0.75

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

May 8, 2003

Table 3-2
Independent Natural Gas and Oil Producers - Small Cap
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	<i>Symbol/</i>	<i>Price</i>	<i>EV/</i>	<i>EV/</i>	<i>Dividend or</i>	<i>PV/</i>
	<i>Rating</i>	<i>(\$/sh)</i>	<i>Sales</i>	<i>Ebitda</i>	<i>Distribution</i>	<i>Ebitda</i>
		<i>7-May</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
		<i>2003</i>			<i>NTM</i>	<i>NTM</i>
					<i>(%)</i>	
Short Life						
Dorchester Minerals, L.P.	DMLP	15.90	7.2	9.0	12	7.3
Forest Oil Corporation	FST	22.00	3.3	5.4	17	7.2
Southwestern Energy Company	SWN	13.99	2.5	5.1	9	5.8
Chesapeake Energy Corporation	CHK	8.76	3.4	4.9	10	6.4
Wesport Resources Corporation	WRC	21.96	3.4	4.8	14	5.9
St. Mary Land and Exploration Company	SM	27.17	3.0	4.5	13	5.7
Cimarex Energy Company	XEC	19.37	2.9	4.3	12	5.3
Energy Partners Ltd.	EPL	10.15	2.5	4.2	-	4.8
Denbury Resources Inc.	DNR	10.76	2.8	3.8	8	4.8
Stone Energy Company	SGY	36.79	2.8	3.8	8	4.4
Newfield Exploration Company	NFX	36.46	2.6	3.4	6	3.6
Spinnaker Exploration Company	SKE	22.25	2.9	3.2	11	3.6
The Houston Exploraton Company	THX	29.10	2.4	2.9	7	4.1
	<i>Median</i>		<i>2.9</i>	<i>4.3</i>	<i>10</i>	<i>5.3</i>
Long Life						
Ultra Petroleum Corp.	UPL	10.38	9.8	16.1	31	11.4
Evergreen Resources, Inc.	EVG	49.63	6.3	9.0	15	10.7
Unit Corporation	UNT	20.25	3.7	8.5	21	7.6
Quicksilver Resources Inc.	KWK	24.05	4.5	6.6	12	6.8
Encore Acquisition Corp. (25%)	EAC	17.74	3.5	5.3	13	6.8
Swift Energy Company	SFY	9.10	3.5	5.3	15	7.0
Penn Virginia Corporation	PVA	40.15	2.7	5.1	13	5.7
Magnum Hunter Resources, Inc.	MHR	6.01	2.9	4.9	10	6.5
Vintage Petroleum, Inc.	VPI	9.99	2.3	4.3	42	6.2
Canadian Royalty Trusts						
Enerplus Resources Fund	ERF	20.93	5.1	6.7	11	6.5
Canadian Oil Sands Trust (US\$)	COS_u.TO	23.70	3.4	6.3	6	10.5
Pengrowth Energy Trust	PGH	10.38	3.8	5.7	12	6.0
Provident Energy Trust	PVX	8.02	3.8	5.4	12	4.3
Natural Gas Royalty Trusts						
Cross Timbers Royalty Trust	CRT	21.85	6.2	8.5	9	8.8
San Juan Basin Royalty Trust	SJT	15.40	5.0	6.1	7	7.5
Hugoton RoyaltyTrust (46%)	HGT	14.96	4.4	5.8	7	6.9
Micro Cap						
Abraxas Petroleum Corporation	ABP	0.68	6.2	11.4	-	12.0
Purcell Energy, Ltd. (US\$)	PEL.TO	1.83	3.3	4.5	9	6.0

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

May 8, 2003

Table 3-3
Independent Natural Gas and Oil Producers - Small Cap
Determinants of Present Value

	<i>Symbol/</i>		<i>NG & O</i>	<i>N. Am.</i>	<i>Adjusted</i>	<i>PV/</i>		
	<i>Rating</i>		<i>Prod/</i>	<i>Gas/</i>	<i>Reserves/</i>	<i>Ebitda</i>	<i>EV/</i>	<i>McDep</i>
			<i>Ebitda</i>	<i>Ebitda</i>	<i>Production</i>	<i>NTM</i>	<i>Mcfe</i>	<i>Ratio</i>
			<i>(%)</i>	<i>(%)</i>	<i>NTM</i>			
Short Life								
Denbury Resources Inc.	DNR		100	49	8.3	4.8	1.43	0.80
Energy Partners Ltd.	EPL	B	100	63	6.0	4.8	2.06	0.88
Stone Energy Company	SGY		100	67	6.4	4.4	1.67	0.85
St. Mary Land and Exploration Compan	SM		100	69	6.2	5.7	1.97	0.80
Wesport Resources Corporation	WRC		100	71	8.3	5.9	1.77	0.81
Forest Oil Corporation	FST		100	78	9.6	7.2	1.27	0.75
Newfield Exploration Company	NFX		100	79	3.8	3.6	2.41	0.94
Cimarex Energy Company	XEC		100	80	6.2	5.3	2.02	0.81
Southwestern Energy Company	SWN		87	81	9.1	5.8	1.50	0.88
Spinnaker Exploration Company	SKE		100	85	3.8	3.6	2.87	0.89
Dorchester Minerals, L.P.	DMLP		100	86	8.2	7.3	4.00	1.22
Chesapeake Energy Corporation	CHK		100	92	9.2	6.4	1.74	0.77
The Houston Exploraton Company	THX		100	95	5.3	4.1	2.13	0.70
	<i>Median</i>			79	6.4	5.3	2.0	0.8
Long Life								
Encore Acquisition Corp. (25%)	EAC		100	19	12.7	6.8	1.12	0.79
Vintage Petroleum, Inc.	VPI		100	36	15.0	6.2	0.57	0.70
Swift Energy Company	SFY		100	38	12.0	7.0	0.83	0.76
Unit Corporation	UNT		68	67	10.7	7.6	1.76	1.12
Magnum Hunter Resources, Inc.	MHR		100	72	11.0	6.5	0.99	0.75
Penn Virginia Corporation	PVA		80	73	10.6	5.7	0.92	0.90
Quicksilver Resources Inc.	KWK		100	87	14.7	6.8	0.96	0.98
Ultra Petroleum Corp.	UPL		100	94	16.3	11.4	1.93	1.41
Evergreen Resources, Inc.	EVG		100	100	20.0	10.7	1.43	0.84
Canadian Royalty Trusts								
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	100	-	20.0	10.5	0.74	0.60
Pengrowth Energy Trust	PGH		100	38	8.9	6.0	1.00	0.95
Enerplus Resources Fund	ERF		100	55	11.1	6.5	1.05	1.04
Provident Energy Trust	PVX		100	62	5.9	4.3	3.05	1.26
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		100	79	11.3	8.8	2.63	0.97
Hugoton RoyaltyTrust (46%)	HGT		100	95	12.7	6.9	1.72	0.84
San Juan Basin Royalty Trust	SJT	B	100	99	12.1	7.5	1.74	0.82
Micro Cap								
Purcell Energy, Ltd. (US\$)	PEL.TO	N	100	69	9.1	9.1	0.59	0.75
Abraxas Petroleum Corporation	ABP		100	76	11.7	11.7	1.87	0.95

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2004; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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