

## **Mega Cap Attraction**

### **Summary and Recommendation**

The fundamental appeal of Mega Cap Energy stocks is enhanced by free money, a lower dollar and lower dividend taxes. Producer/refiners and independent natural gas and oil producers may offer more potential than mega caps. We thought recommended **Royal Dutch Petroleum (RD)** was attractive last year when the dividend yield moved above the real yield on Ten-Year Treasury Inflation Protected Securities (TIPS). Now the dividend yield exceeds even the higher nominal yield of the Ten-Year Treasury Note (TN) and the tax on that dividend has been reduced by a half or more. Nor is the dividend inflated by hidden leverage covered up with misleading accounting as appears to be the case for some popular energy income partnerships. Cash flow multiple while low for mega caps at a median 7.5 years is even lower for producer/refiners at a median 4.7 years and independent producers at a median 5.4 years. In the last free money episode, three decades ago, the medium and small energy stocks outperformed the giants and the giants outperformed the stock market.

### **A Stunning Real Estate Example Close to Home**

We were startled recently to learn that a choice home with land for new lots in our neighborhood is offered for sale at an apparent asking price seven times market value of about a decade ago. Discount that by a half and it still seems a high number. Our first reaction was to be grateful we owned our humble abode. The second reaction was the implication for the value of money. In terms of this particular example, money would only be worth as little as a seventh of what it was a decade ago. A typical investor's savings could be wiped out in the next decade at that rate if they weren't invested successfully. Our third reaction was to remember that real estate reached astronomical levels in Japan a little more than a decade ago shortly after the Japanese stock market began its long decline.

There may be some truth in each of our reactions. First, real assets probably are worth more than we thought. Second, money probably has lost more value already than we thought. Third, there is always risk that it can all fall apart. We are left with our continuing goal to earn a real return with inflation protection and deflation resistance.

TIPS meet minimum goals on a near risk-free basis. Our preference for TIPS relative to conventional Treasury securities has grown stronger as rates decline. That is because at lower rates more of the deflation protection of TN is simply return of principal that is assured by TIPS as well.

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](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

## ***Meter Reader***

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

June 19, 2003

Yet the declining real return on TIPS also makes Mega Cap Energy stocks more appealing in our opinion. To make the case we look at the expected return from recommended Royal Dutch Petroleum. The conclusion also applies to a similar degree to recommended **Chevron Texaco (CVX)** as well as to their three peers.

### **The Case for Mega Cap Energy Stocks Strengthens**

Last year RD's dividend yield appeared to be 4.0% per year compared to 2.5% per year for Ten-Year TIPS (see table). Expecting that RD's dividend would grow at least at the rate of inflation, we concluded that the dividend was a real yield that compared favorably with the real yield on TIPS.

#### **Royal Dutch Dividend Yield and U.S. Treasury Yields**

	18-Jun-03	22-Jul-02
TIPS Yield, 10-yr (%/yr)	1.7	2.8
Treasury Note Yield, 10-yr (%/yr)	3.4	4.5
RD Yield (%/yr)	4.2	4.0
RD Price (dollars/share)	49	42
RD Dividend (dollars/share)	2.01	1.66
Euro/dollar	1.17	1.00
RD Dividend (euro/share)	1.72	1.66

Since then RD has increased its dividend in euro terms and the euro has appreciated relative to the dollar. As a result, despite a higher stock price, the yield on RD's stock today appears slightly higher at 4.2%. Now the RD yield exceeds not only the TIPS real yield of 1.7%, but also the Treasury Note nominal yield of 3.4%. The interest payment that determines the nominal yield is fixed and not adjusted for inflation.

On top of that, the U.S. tax rate on dividend income is now a maximum 15% compared to some 35% or so previously. The tax on Treasury securities remains at the higher level. To taxable investors, the pre-tax yield comparison of 4.2% vs. 3.4% widens to the after-tax yield comparison of 3.6% vs. 2.2%.

### **Medium and Small Stocks May Have More Potential than Mega Caps**

There are times when investors can get effective portfolio representation in energy simply by owning a Mega Cap. That appeared to be true in recent years as the industry became concentrated in Mega Cap hands and commodity prices were depressed. Reflecting those realities McDep Ratios became somewhat biased to Mega Caps. We can see the preference by comparing groups on the ratio of Enterprise Value to Cash Flow (EV/Ebitda). For the three main producers groups – Mega Cap, Producer/Refiner and

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](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

## Meter Reader

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

June 19, 2003

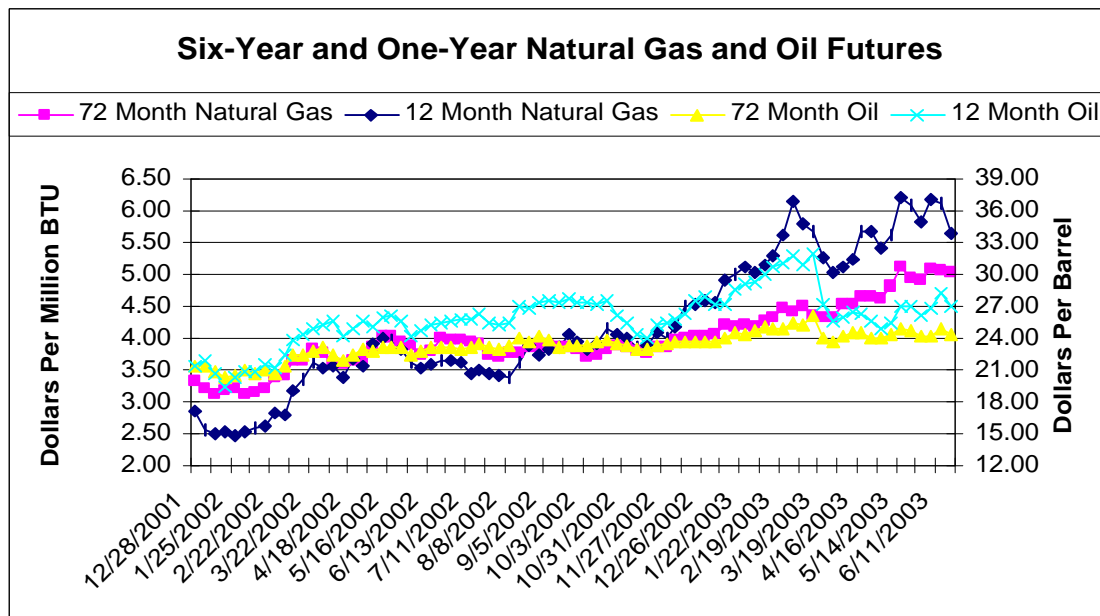
Independent – McDep Ratio medians are 0.91, 0.88 and 0.89 respectively (see Table 1-1). Median cash flow ratios, EV/Ebitda, are 7.5, 4.7, and 5.4 years respectively (see Table 1-2). Ebitda estimates for the three groups are consistent with one-year commodity prices most recently quoted.

The most obvious quantitative factor that could justify differences in cash flow multiples is reserve life. For each of the three groups, median adjusted reserve life is 10.2, 11.0, and 10.3 years respectively (see Table 1-3). Because of the similarities, reserve life would not justify more than a half-year difference in cash flow multiple. Other quantitative factors are listed and there are further qualitative factors we consider.

As we sense inflation protection is likely to become a greater concern in the next few years, we think investors are going to be more interested in the assets of medium and smaller companies. We expect to raise our estimates of present value for producer/refiners and independents to better match cash flow and thus produce McDep Ratios that capture more of the apparent undervaluation of those groups relative to Mega Caps.

The McDep Energy Portfolio of recommendations already includes stocks that could benefit from the potential adjustment in McDep Ratios. We think investors should own Mega Caps as anchors in a portfolio that includes disproportionate representation in other energy stocks. The combination ought to be able to outperform in an increasingly inflationary environment likely to follow free money and a low dollar. In addition, low dividend tax and low capital gains tax further enhance energy equity investment.

Kurt H. Wulff, CFA



Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

# Meter Reader

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

June 19, 2003

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

	Symbol/ Rating	Price (\$/sh) 18-Jun 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>							
Exxon Mobil Corporation	XOM	37.34	6,714	251,000	35.00	0.09	1.06
Total S.A.	TOT	79.77	1,292	103,100	85.00	0.17	0.95
Royal Dutch/Shell	RD B	48.86	3,473	170,000	55.00	0.18	0.91
BP plc	BP	44.12	3,721	164,000	50.00	0.15	0.90
ChevronTexaco Corporation	CVX B	74.19	1,064	78,900	95.00	0.20	0.82
<i>Total or Median</i>				<i>767,000</i>		<i>0.17</i>	<i>0.91</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>							
Murphy Oil Corporation	MUR	52.45	93	4,860	41.00	0.24	1.21
Petro-Canada	PCZ	39.27	264	10,350	38.00	0.21	1.03
Imperial Oil Limited (30%)	IMO	34.65	113	3,930	36.00	0.12	0.97
ENI S.p.A.	E	82.87	750	62,200	90.00	0.14	0.93
Suncor Energy	SU	19.30	448	8,650	22.00	0.23	0.91
OAo Lukoil	LUKOY	79.10	206	16,000	90.00	0.12	0.89
Valero Energy Corporation	VLO	37.59	114	4,290	50.00	0.50	0.88
PetroChina Company Ltd (10%)	PTR B	27.69	176	4,870	33.00	0.16	0.87
ConocoPhillips	COP B	54.73	682	37,300	70.00	0.38	0.86
Norsk Hydro ASA (49%)	NHY	46.70	126	5,900	60.00	0.28	0.84
Marathon Oil Corporation	MRO B	26.52	310	8,220	40.00	0.31	0.77
Petroleo Brasileiro S. A.	PBR N	20.29	1,096	22,200	30.00	0.25	0.76
<i>Total or Median</i>				<i>184,000</i>		<i>0.23</i>	<i>0.88</i>
<b>Independent Natural Gas and Oil</b>							
Pogo Producing Company	PPP	42.95	65	2,770	38.00	0.22	1.10
Occidental Petroleum Corp.	OXY	33.75	383	12,900	35.00	0.38	0.98
Encana Corporation	ECA B	37.60	470	17,700	40.00	0.21	0.95
Apache Corporation	APA	63.45	159	10,100	70.00	0.20	0.93
Burlington Resources	BR B	52.00	202	10,500	60.00	0.27	0.90
Devon Energy	DVN	53.37	163	8,700	65.00	0.42	0.90
XTO Energy Inc.	XTO B	20.15	185	3,730	24.00	0.24	0.88
CNOOC Limited (19%)	CEO B	29.19	78	2,280	35.00	-	0.84
Unocal Corporation	UCL	29.79	255	7,600	40.00	0.35	0.83
Anadarko Petroleum Corp.	APC B	45.17	258	11,700	60.00	0.30	0.83
Pioneer Natural Resources Company	PXD	25.81	119	3,070	35.00	0.33	0.82
Canadian Natural Resources Limited	CNQ	40.85	139	5,680	55.00	0.29	0.82
<i>Total or Median</i>				<i>97,000</i>		<i>0.28</i>	<i>0.89</i>
<b>Service</b>							
Baker Hughes Inc.	BHI	33.79	339	11,500	25.00	0.09	1.32
Halliburton Company	HAL	24.65	434	10,700	22.00	0.25	1.09
Schlumberger Ltd.	SLB	47.24	581	27,400	44.00	0.22	1.06

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

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

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

## Meter Reader

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

June 19, 2003

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

	Symbol/ Rating	Price (\$/sh) 18-Jun 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
<b>Mega Cap</b>							
Exxon Mobil Corporation	XOM	37.34	1.1	9.6	20	2.7	9.0
Total S.A.	TOT	79.77	1.1	8.0	16	4.4	8.5
BP plc	BP	44.12	0.8	7.5	17	3.4	8.3
Royal Dutch/Shell	RD B	48.86	1.0	7.3	16	4.2	8.0
ChevronTexaco Corporation	CVX B	74.19	0.9	6.7	13	3.8	8.1
	<i>Median</i>		<i>1.0</i>	<i>7.5</i>	<i>16</i>	<i>3.8</i>	<i>8.3</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>							
ConocoPhillips	COP B	54.73	0.6	7.2	13	2.9	8.3
Murphy Oil Corporation	MUR	52.45	1.3	7.1	19	1.5	5.9
Imperial Oil Limited (30%)	IMO	34.65	1.1	7.1	13	1.6	7.3
Suncor Energy	SU	19.30	3.0	7.0	13	0.6	7.8
Marathon Oil Corporation	MRO B	26.52	0.4	4.8	11	3.5	6.3
Valero Energy Corporation	VLO	37.59	0.3	4.8	5	1.1	5.5
ENI S.p.A.	E	82.87	1.8	4.5	10	5.2	4.9
Petro-Canada	PCZ	39.27	1.4	4.4	9	0.7	4.3
Norsk Hydro ASA (49%)	NHY	46.70	0.7	4.2	11	3.2	5.0
OAOLukoil	LUKOY	79.10	1.1	4.0	7	2.4	4.5
Petroleo Brasileiro S. A.	PBR N	20.29	1.3	3.7	5	4.2	4.9
PetroChina Company Ltd (10%)	PTR B	27.69	1.8	3.3	6	5.2	3.8
	<i>Median</i>		<i>1.2</i>	<i>4.7</i>	<i>10</i>	<i>2.7</i>	<i>5.2</i>
<b>Independent Natural Gas and Oil</b>							
XTO Energy Inc.	XTO B	20.15	5.2	7.6	16	0.2	8.7
Pioneer Natural Resources Company	PXD	25.81	4.9	6.7	20	-	8.2
Occidental Petroleum Corp.	OXY	33.75	2.5	6.6	11	3.1	6.8
Apache Corporation	APA	63.45	4.1	5.6	12	0.6	6.1
Pogo Producing Company	PPP	42.95	3.6	5.5	15	0.3	5.0
CNOOC Limited (19%)	CEO B	29.19	3.7	5.5	13	3.6	6.6
Anadarko Petroleum Corp.	APC B	45.17	3.9	5.4	9	0.9	6.5
Burlington Resources	BR B	52.00	3.7	5.3	11	1.1	5.8
Unocal Corporation	UCL	29.79	2.0	5.2	13	2.7	6.2
Devon Energy	DVN	53.37	2.9	4.4	7	-	4.9
Encana Corporation	ECA B	37.60	2.1	4.3	10	0.8	4.5
Canadian Natural Resources Limited	CNQ	40.85	2.2	3.5	7	1.0	4.3
	<i>Median</i>		<i>3.6</i>	<i>5.4</i>	<i>12</i>	<i>0.8</i>	<i>6.1</i>
<b>Service</b>							
Baker Hughes Inc.	BHI	33.79	2.4	14.3	40	1.4	10.8
Halliburton Company	HAL	24.65	1.2	9.8	22	2.0	9.0
Schlumberger Ltd.	SLB	47.24	2.5	9.4	35	1.6	8.9

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2004; 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](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

# Meter Reader

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

June 19, 2003

**Table 1-3**  
**Energy Producers**  
**Determinants of Present Value**

	<i>Symbol/ Rating</i>	<i>NG &amp; O Prod/ Ebitda (%)</i>	<i>N. Am. Gas/ Ebitda (%)</i>	<i>Adjusted Reserves/ Prod NTM</i>	<i>PV/ Ebitda NTM</i>	<i>EV/ Mcfe</i>	<i>McDep Ratio 18-Jun 2003</i>
<b>Mega Cap</b>							
Total S.A.	TOT	72	1	9.3	8.5	1.25	0.95
Royal Dutch/Shell	RD B	64	6	9.6	8.0	0.95	0.91
ChevronTexaco Corporation	CVX B	82	16	10.2	8.1	0.97	0.82
BP plc	BP	82	17	10.5	8.3	1.47	0.90
Exxon Mobil Corporation	XOM	74	13	11.0	9.0	1.58	1.06
	<i>Median</i>	<i>74</i>	<i>13</i>	<i>10.2</i>	<i>8.3</i>	<i>1.25</i>	<i>0.91</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>							
Valero Energy Corporation	VLO	-	-		5.5		0.88
Petro-Canada	PCZ	88	26	5.7	4.3	1.47	1.03
Marathon Oil Corporation	MRO B	76	29	8.3	6.3	0.89	0.77
Murphy Oil Corporation	MUR	91	34	8.4	5.9	2.46	1.21
Norsk Hydro ASA (49%)	NHY	73	-	8.8	5.0	0.76	0.84
ENI S.p.A.	E	64	-	10.1	4.9	0.88	0.93
ConocoPhillips	COP B	70	17	11.0	8.3	0.71	0.86
Petroleo Brasileiro S. A.	PBR N	88	-	11.3	4.9	0.42	0.76
Imperial Oil Limited (30%)	IMO	74	20	11.4	7.3	1.01	0.97
PetroChina Company Ltd (10%)	PTR B	78	-	16.4	3.8	0.47	0.87
Suncor Energy	SU	92	11	19.0	7.8	0.81	0.91
OAo Lukoil	LUKOY	21	-	20.0	4.5	0.01	0.89
	<i>Median</i>	<i>75</i>	<i>6</i>	<i>11.0</i>	<i>5.2</i>	<i>0.81</i>	<i>0.89</i>
<b>Independent Natural Gas and Oil</b>							
Pogo Producing Company	PPP	100	41	5.8	5.0	2.91	1.10
Canadian Natural Resources Limited	CNQ	100	54	7.3	4.3	0.81	0.82
Devon Energy	DVN	100	73	7.7	4.9	1.76	0.90
Unocal Corporation	UCL	100	38	8.4	6.2	1.32	0.83
Encana Corporation	ECA B	97	69	8.8	4.5	1.29	0.95
Apache Corporation	APA	100	54	10.0	6.1	1.76	0.93
Anadarko Petroleum Corp.	APC B	100	58	10.5	6.5	1.31	0.83
Occidental Petroleum Corp.	OXY	92	14	10.7	6.8	1.40	0.98
CNOOC Limited (19%)	CEO B	100	-	10.8	6.6	1.21	0.84
Burlington Resources	BR B	100	78	10.8	5.8	1.39	0.90
XTO Energy Inc.	XTO B	100	85	11.3	8.7	1.54	0.88
Pioneer Natural Resources Company	PXD	100	53	12.3	8.2	1.14	0.82
	<i>Median</i>	<i>100</i>	<i>54</i>	<i>10.3</i>	<i>6.1</i>	<i>1.35</i>	<i>0.89</i>
<b>Service</b>							
Baker Hughes Inc.	BHI	-	-		10.8		1.32
Halliburton Company	HAL	-	-		9.0		1.09
Schlumberger Ltd.	SLB	-	-		8.9		1.06

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](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

## Meter Reader

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

June 19, 2003

**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) 18-Jun 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>
<b>Large Cap Power</b>							
Duke Energy Corporation	DUK	20.49	832	17,100	16.00	0.69	1.09
Southern Company	SO	31.53	696	22,000	28.00	0.43	1.07
Exelon Corporation	EXC N	60.22	325	19,600	65.00	0.51	0.96
American Electric Power Co. Inc.	AEP N	30.79	348	10,700	35.00	0.60	0.95
Enel S.p.a. (32%)	EN	33.10	388	12,800	37.00	0.40	0.94
Dominion Resources	D	65.08	294	19,100	76.00	0.44	0.92
<b>Mid Cap Pipeline and Power</b>							
Kinder Morgan Energy Partners, L.P.	KMP S	39.85	135	5,400	14.00	0.48	1.97
Kinder Morgan Management, LLC	KMR S	37.10	46	1,710	14.00	0.48	1.86
Kinder Morgan, Inc.	KMI S	55.30	123	6,800	14.00	0.80	1.58
Williams Companies	WMB	8.51	518	4,410	1.00	0.97	1.23
Constellation Energy Group	CEG	34.38	164	5,640	25.00	0.61	1.15
Calpine Corporation	CPN N	6.74	381	2,570	1.00	0.98	1.14
AES Corporation	AES	7.15	558	3,990	1.00	0.98	1.12
Dynegy Inc.	DYN	4.19	418	1,750	1.00	0.97	1.10
Mirant Corporation	MIR	2.91	402	1,170	1.00	0.96	1.07
CMS Energy Corporation	CMS	8.33	139	1,160	5.00	0.93	1.05
Sempra Energy	SRE	29.06	206	5,990	30.00	0.59	0.99
El Paso Corporation	EP N	8.94	589	5,300	10.00	0.79	0.98
<b>Small Cap Pipeline</b>							
Enterprise Products Part (16%)	EPD	22.60	29	640	6.70	0.63	1.86
Plains All Amer. Pipeline	PAA	30.81	50	1,540	11.60	0.49	1.84
Enbridge Energy Partners, L.P.	EEP S	46.65	35	1,630	14.90	0.64	1.77
Enbridge Energy Management, L.L.C.	EEQ S	44.26	35	1,550	14.90	0.64	1.72
Gulfterra Energy Partners	GTM S	37.49	55	2,060	15.70	0.56	1.60
TEPPCO Partners, L.P.	TPP	36.11	50	1,810	17.70	0.56	1.46
Northern Border Partners	NBP	41.28	44	1,820	20.40	0.62	1.39
Williams Energy Partners	WEG	45.74	28	1,270	29.00	0.38	1.36
AmeriGas Partners, L.P.	APU	27.12	49	1,340	18.30	0.51	1.23
Western Gas Resources	WGR	39.92	34	1,340	37.60	0.29	1.04
<b>Coal</b>							
Penn Virginia Res. Part, L.P.	PVR	28.85	15	440	18.00	-	1.60
Consol Energy Inc.	CNX	23.65	79	1,870	5.00	0.88	1.44
Peabody Energy	BTU	33.81	55	1,860	18.00	0.75	1.22
Alliance Res. Part, L.P.	ARLP	27.00	16	430	20.00	0.45	1.19
Arch Coal	ACI	23.69	48	1,130	18.00	0.61	1.12
Massey Energy	MEE	13.92	75	1,040	18.00	0.37	0.86
<i>Total or Median</i>				<i>6,800</i>	<i>0.53</i>	<i>1.21</i>	

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

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

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

## Meter Reader

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

June 19, 2003

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

	Symbol/ Rating	Price (\$/sh) 18-Jun 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
<b>Large Cap Power</b>							
Duke Energy Corporation	DUK	20.49	2.5	9.8	14	5.4	9.0
Southern Company	SO	31.53	3.5	9.8	18	4.3	9.1
Exelon Corporation	EXC N	60.22	2.7	8.7	12	3.1	9.0
Enel S.p.a. (32%)	EN	33.10	2.2	8.3	26	4.2	8.9
Dominion Resources	D	65.08	3.6	8.3	14	4.0	9.0
American Electric Power Co. Inc.	AEP N	30.79	0.8	8.1	12	4.5	8.5
<b>Mid Cap Pipeline and Power</b>							
Kinder Morgan Energy Partners, L.P.	KMP S	39.85	2.5	17.3	20	6.4	8.8
Kinder Morgan Management, LLC	KMR S	37.10	2.4	16.3	19	6.9	8.8
Calpine Corporation	CPN N	6.74	2.4	13.8	8	-	12.2
Kinder Morgan, Inc.	KMI S	55.30	2.6	12.5	17	1.1	7.9
Dynegy Inc.	DYN	4.19	3.0	12.4	34	-	11.3
AES Corporation	AES	7.15	3.7	11.3	21	-	10.1
Williams Companies	WMB	8.51	3.7	10.2		0.5	8.3
Mirant Corporation	MIR	2.91	1.3	9.5	5	-	8.9
Constellation Energy Group	CEG	34.38	2.6	9.3	16	3.0	8.1
CMS Energy Corporation	CMS	8.33	1.1	9.2	10	-	8.7
Sempra Energy	SRE	29.06	2.2	8.6	11	3.4	8.7
El Paso Corporation	EP N	8.94	2.4	6.8	6	1.8	6.9
	<i>Median</i>		2.4	10.2	14	0.5	8.7
<b>Small Cap Pipeline</b>							
Enterprise Products Part (16%)	EPD	22.60	1.8	16.7		0.9	9.0
Plains All Amer. Pipeline	PAA	30.81	0.2	16.6	25	7.0	9.0
Enbridge Energy Partners, L.P.	EEP S	46.65	2.1	16.0	35	7.7	9.0
Enbridge Energy Management, L.L.C	EEQ S	44.26	2.0	15.5	33	8.1	9.0
Gulfterra Energy Partners	GTM S	37.49	5.3	14.4	23	7.2	9.0
TEPPCO Partners, L.P.	TPP	36.11	1.1	13.1	19	6.6	9.0
Northern Border Partners	NBP	41.28	7.1	12.5	15	7.8	9.0
Williams Energy Partners	WEG	45.74	4.2	11.6	14	6.6	8.5
AmeriGas Partners, L.P.	APU	27.12	1.8	11.1	26	8.1	9.0
Western Gas Resources	WGR	39.92	0.7	7.7	17	-	7.4
	<i>Median</i>		1.9	13.8	23	7.1	9.0
<b>Coal</b>							
Consol Energy Inc.	CNX	23.65	2.3	14.0	54	2.4	9.7
Penn Virginia Res. Part, L.P.	PVR	28.85	10.6	13.7	16	6.9	8.6
Peabody Energy	BTU	33.81	1.7	10.9	28	1.2	9.0
Arch Coal	ACI	23.69	1.7	10.1		1.0	9.0
Alliance Res. Part, L.P.	ARLP	27.00	1.3	8.3	23	7.4	7.0
Massey Energy	MEE	13.92	1.3	7.6		1.1	8.9
	<i>Median</i>		1.7	10.5	26	1.8	8.9

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2004; 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](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.



## Meter Reader

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

June 19, 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) 18-Jun 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
<b>Short Life</b>								
Dorchester Minerals, L.P.	DMLP	18.04	27.0	490	13.00	-	1.39	
Spinnaker Exploration Company	SKE	26.01	33.8	880	25.00	-	1.04	
Energy Partners Ltd.	EPL	B	11.68	36.7	429	12.00	0.22	0.98
Newfield Exploration Company	NFX	37.58	51.7	1,940	40.00	0.31	0.96	
Southwestern Energy Company	SWN	15.85	36.0	570	17.00	0.30	0.95	
Cimarex Energy Company	XEC	22.72	41.0	930	24.00	0.03	0.95	
Stone Energy Company	SGY	41.45	26.5	1,100	46.00	0.27	0.93	
Denbury Resources Inc.	DNR	12.98	55.0	710	15.00	0.29	0.90	
Chesapeake Energy Corporation	CHK	10.18	220	2,240	14.00	0.38	0.83	
Wesport Resources Corporation	WRC	22.80	68.0	1,550	30.00	0.29	0.83	
St. Mary Land and Exploration Company	SM	27.57	29.0	800	35.00	0.11	0.81	
Forest Oil Corporation	FST	N	24.85	48.2	1,200	35.00	0.33	0.80
The Houston Explorator Company	THX	33.01	31.0	1,020	45.00	0.16	0.78	
<i>Total or Median</i>				<i>13,900</i>		<i>0.27</i>	<i>0.93</i>	
<b>Long Life</b>								
Ultra Petroleum Corp.	UPL	11.98	78.0	930	7.00	0.15	1.61	
Unit Corporation	UNT	20.76	43.6	910	18.00	0.04	1.15	
Quicksilver Resources Inc.	KWK	24.73	20.4	500	25.00	0.35	0.99	
Penn Virginia Corporation	PVA	41.72	9.0	380	45.00	0.06	0.93	
Evergreen Resources, Inc.	EVG	53.77	22.0	1,180	60.00	0.10	0.91	
Magnum Hunter Resources, Inc.	MHR	7.82	69.0	540	11.00	0.45	0.84	
Swift Energy Company	SFY	11.39	27.2	310	16.00	0.43	0.84	
Encore Acquisition Corp. (25%)	EAC	18.80	7.0	132	24.00	0.19	0.83	
Vintage Petroleum, Inc.	VPI	11.50	63.0	730	20.00	0.40	0.75	
<i>Total or Median</i>				<i>5,600</i>		<i>0.19</i>	<i>0.91</i>	
<b>Canadian Royalty Trusts</b>								
Provident Energy Trust	PVX	8.08	63.5	510	6.00	0.23	1.27	
Pengrowth Energy Trust	PGH	12.75	110.0	1,400	11.00	0.16	1.13	
Enerplus Resources Fund	ERF	22.48	75.0	1,690	20.00	0.16	1.10	
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	25.60	79.5	2,040	45.00	0.17	0.64
<i>Total or Median</i>				<i>5,600</i>		<i>0.17</i>	<i>1.12</i>	
<b>Natural Gas Royalty Trusts</b>								
Hugoton RoyaltyTrust (46%)	HGT	17.57	18.4	320	17.10	-	1.03	
Cross Timbers Royalty Trust	CRT	23.14	6.0	139	23.00	-	1.01	
San Juan Basin Royalty Trust	SJT	B	18.00	46.6	840	20.30	-	0.89
<b>Micro Cap</b>								
Abraxas Petroleum Corporation	ABP	1.07	30.0	32	1.00	0.85	1.01	
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.93	28.2	54	2.80	0.31	0.78

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

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

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

## Meter Reader

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

June 19, 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>18-Jun</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
		<i>2003</i>			<i>(%)</i>	<i>NTM</i>
<b>Short Life</b>						
Dorchester Minerals, L.P.	DMLP	18.04	8.2	10.2	13	7.3
Forest Oil Corporation	FST	24.85	3.6	5.8	19	7.2
Southwestern Energy Company	SWN	15.85	2.7	5.5	11	5.8
Chesapeake Energy Corporation	CHK	10.18	3.6	5.3	11	6.4
Cimarex Energy Company	XEC	22.72	3.4	5.0	14	5.3
Wesport Resources Corporation	WRC	22.80	3.5	4.9	14	5.9
St. Mary Land and Exploration Company	SM	27.57	3.0	4.6	13	5.7
Denbury Resources Inc.	DNR	12.98	3.1	4.3	9	4.8
Energy Partners Ltd.	EPL	11.68	2.7	4.2	9	4.3
Stone Energy Company	SGY	41.45	3.0	4.1	9	4.4
Spinnaker Exploration Company	SKE	26.01	3.3	3.8	13	3.6
Newfield Exploration Company	NFX	37.58	2.7	3.5	7	3.6
The Houston Exploraton Company	THX	33.01	2.7	3.2	8	4.1
	<i>Median</i>		<i>3.1</i>	<i>4.6</i>	<i>12</i>	<i>5.3</i>
<b>Long Life</b>						
Ultra Petroleum Corp.	UPL	11.98	11.2	18.3	36	11.4
Evergreen Resources, Inc.	EVG	53.77	6.8	9.7	17	10.7
Unit Corporation	UNT	20.76	3.8	8.7	22	7.6
Quicksilver Resources Inc.	KWK	24.73	4.5	6.7	12	6.8
Swift Energy Company	SFY	11.39	3.9	5.9	19	7.0
Encore Acquisition Corp. (25%)	EAC	18.80	3.7	5.6	14	6.8
Magnum Hunter Resources, Inc.	MHR	7.82	3.2	5.5	13	6.5
Penn Virginia Corporation	PVA	41.72	2.7	5.3	14	5.7
Vintage Petroleum, Inc.	VPI	11.50	2.4	4.6	48	6.2
<b>Canadian Royalty Trusts</b>						
Enerplus Resources Fund	ERF	22.48	5.4	7.1	12	6.5
Pengrowth Energy Trust	PGH	12.75	4.5	6.8	15	6.0
Canadian Oil Sands Trust (US\$)	COS_u.TO	25.60	3.2	5.6	5	8.7
Provident Energy Trust	PVX	8.08	3.8	5.5	12	4.3
<b>Natural Gas Royalty Trusts</b>						
Cross Timbers Royalty Trust	CRT	23.14	6.9	9.6	10	9.6
Hugoton RoyaltyTrust (46%)	HGT	17.57	5.6	7.4	8	7.3
San Juan Basin Royalty Trust	SJT	18.00	5.9	7.3	8	8.2
<b>Micro Cap</b>						
Abraxas Petroleum Corporation	ABP	1.07	6.6	12.1	-	12.0
Purcell Energy, Ltd. (US\$)	PEL.TO	1.93	3.3	4.6	9	5.9

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2004; 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](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.