

## **Get Real with Gas**

### **Summary and Recommendation**

Short-term interest rates below inflation.... a half trillion dollar U.S. federal budget deficit to finance military and social programs.... a half trillion dollar trade deficit to finance profligate consumption.... and inflation expectations are low? Get real! Add natural gas to your portfolio to earn a real return and protect against the vulnerability of the dollar to accelerating inflation. We rank 33 producers of North American natural gas by concentration. Our large cap recommendations in that group are **Anadarko (APC)**, **Burlington Resources (BR)**, **Encana (ECA)** and **XTO Energy (XTO)**.

### **Stocks with Real Natural Gas Assets**

Investors who own our recommended stocks are already well positioned to earn a real return with inflation protection and deflation resistance. Yet, it can be helpful to step back now and then to look at a wider selection of investment possibilities. Screening our coverage of about 100 stocks we find 33 that are concentrated 50% or more on North American natural gas. The stocks are ranked separately in ascending order of concentration (see Table).

Concentration narrows the list, but says nothing about valuation. We put our reputation and our own money into the stocks marked "B" for Buy. Of course, there are potentially attractive investments in addition to those we recommend.

Here is the brief significance of the additional statistical measures we list in the special ranking. Reserve life is an indicator of cash flow multiple. The cash flow multiple we assess is presented as PV/Ebitda. The longer the reserve life, the higher the cash flow multiple, generally. There is something intuitively simple about the next column, EV/mcfe, market value per unit of reserves. The problem is that not every mcf of natural gas has the same value. Thus we break down summary valuation into two steps --- cash flow times cash flow multiple equals present value. The latter number then becomes the denominator of the McDep Ratio. Ideally, one would buy the stock with the lowest McDep Ratio and then make the most money, risk adjusted, if all the McDep Ratios were to become equal.

Stocks at a McDep Ratio of 1.0 offer an unlevered return in underlying resources near 7% per year on today's commodity price expectations of about \$4.80 per million btu for six-year natural gas, if all of our analysis is reasonable (for detailed rate of return calculations see *Natural Gas Royalty Trusts*, September 4, 2003). Assuming no increase from the

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## *Meter Reader*

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

September 11, 2003

average inflation-adjusted price of oil for the past 35 years and a rising premium for natural gas to 1.25 times oil, we think the six-year price of natural gas should be about \$7 in 2006 dollars (see *Meter Reader*, June 12, 2003). In that case the expected return would jump to perhaps 15% per year. If inflation heats up, oil and natural gas returns presumably would adjust further.

Kurt H. Wulff, CFA

#### **North American Natural Gas Producers Ranked in Ascending Order of Concentration**

	<i>Symbol/ Rating</i>	<i>N. Am. Gas/ Ebitda (%)</i>	<i>Adjusted Reserves/ Production NTM</i>	<i>PV/ Ebitda NTM</i>	<i>9/10/03 EV/ Meffe</i>	<i>McDep Ratio</i>	
Pioneer Natural Resources Company	PXD	50	12.3	8.6	1.36	0.81	
Apache Corporation	APA	50	10.0	6.5	1.97	0.96	
Canadian Natural Resources Limited	CNQ	50	7.3	4.5	0.98	0.81	
Enerplus Resources Fund	ERF	53	11.1	6.0	1.33	1.24	
Anadarko Petroleum Corp.	APC	B	56	10.0	6.8	1.54	0.81
Provident Energy Trust	PVX	59	5.9	4.3	2.48	1.28	
Unit Corporation	UNT	60	10.7	7.7	2.70	1.12	
Energy Partners Ltd.	EPL	B	61	6.2	5.6	2.39	0.95
Stone Energy Company	SGY	66	6.4	4.6	2.20	0.87	
St. Mary Land and Exploration Company	SM	66	6.2	5.9	1.96	0.80	
Encana Corporation	ECA	B	68	8.7	5.3	1.33	0.95
Southwestern Energy Company	SWN	68	9.1	6.1	2.11	1.03	
Wesport Resources Corporation	WRC	69	8.3	6.1	1.86	0.85	
Magnum Hunter Resources, Inc.	MHR	69	11.0	6.8	1.42	0.83	
Devon Energy	DVN	70	7.7	5.3	1.91	0.87	
Abraxas Petroleum Corporation	ABP	74	11.7	13.3	2.38	1.01	
Forest Oil Corporation	FST	75	9.6	7.5	1.45	0.77	
Burlington Resources	BR	B	75	10.9	6.6	1.44	0.85
Penn Virginia Corporation	PVA	77	10.6	5.7	1.28	0.96	
Cross Timbers Royalty Trust	CRT	78	11.3	9.3	2.91	1.06	
Cimarex Energy Company	XEC	78	6.2	5.4	2.17	0.87	
Purcell Energy, Ltd. (US\$)	PEL.TO	79	6.6	6.9	1.30	0.78	
Newfield Exploration Company	NFX	79	3.8	3.9	3.50	0.98	
XTO Energy Inc.	XTO	B	82	11.3	9.9	1.77	0.89
Spinnaker Exploration Company	SKE	84	3.8	3.8	3.81	0.89	
Dorchester Minerals, L.P.	DMLP	85	8.2	7.7	4.47	1.36	
Quicksilver Resources Inc.	KWK	85	14.7	7.3	1.33	0.99	
Chesapeake Energy Corporation	CHK	92	9.2	6.6	1.90	0.84	
Hugoton Royalty Trust (46%)	HGT	93	11.9	7.3	2.35	1.21	
Ultra Petroleum Corp.	UPL	94	14.9	10.9	2.59	1.90	
The Houston Exploraton Company	THX	94	5.3	4.4	2.43	0.80	
San Juan Basin Royalty Trust	SJT	B	99	12.1	7.7	2.03	0.98
Evergreen Resources, Inc.	EVG	100	20.0	11.0	1.50	0.92	
<i>Median</i>		75	9.6	6.6	1.96	0.92	

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## Meter Reader

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

September 11, 2003

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

	Symbol/ Rating	Price (\$/sh) 10-Sep 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
<b>Mega Cap</b>								
Exxon Mobil Corporation	XOM	38.00	6,687	254,000	35.00	0.10	1.08	
Total S.A.	TOT	78.15	1,276	99,700	85.00	0.19	0.93	
BP plc	BP	42.56	3,694	157,000	50.00	0.15	0.87	
Royal Dutch/Shell	RD	B	45.41	3,473	158,000	55.00	0.18	0.86
ChevronTexaco Corporation	CVX	B	72.99	1,064	77,700	95.00	0.22	0.82
<i>Total or Median</i>				<i>746,000</i>		<i>0.18</i>	<i>0.87</i>	
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Murphy Oil Corporation	MUR	56.49	92	5,220	41.00	0.26	1.28	
Imperial Oil Limited (30%)	IMO	38.65	113	4,380	36.00	0.12	1.06	
Petro-Canada	PCZ	40.79	265	10,810	45.00	0.19	0.92	
Norsk Hydro ASA (49%)	NHY	52.00	126	6,570	60.00	0.27	0.90	
Valero Energy Corporation	VLO	38.26	114	4,360	50.00	0.50	0.88	
ConocoPhillips	COP	B	56.71	681	38,600	70.00	0.38	0.88
ENI S.p.A.	E	77.41	750	58,100	90.00	0.14	0.88	
OAo Lukoil	LUKOY	74.90	206	15,000	90.00	0.12	0.85	
Petroleo Brasileiro S. A.	PBR	23.69	1,096	26,000	30.00	0.25	0.84	
Suncor Energy	SU	19.45	476	9,260	25.00	0.14	0.81	
Marathon Oil Corporation	MRO	B	28.64	310	8,880	40.00	0.31	0.80
PetroChina Company Ltd (10%)	PTR	B	32.69	176	5,750	50.00	0.11	0.69
<i>Total or Median</i>				<i>188,000</i>		<i>0.19</i>	<i>0.88</i>	
<b>Independent Natural Gas and Oil</b>								
Pogo Producing Company	PPP	45.41	65	2,930	38.00	0.22	1.15	
Occidental Petroleum Corp.	OXY	35.00	383	13,400	35.00	0.38	1.00	
Apache Corporation	APA	66.80	159	10,600	70.00	0.20	0.96	
Encana Corporation	ECA	B	37.27	472	17,600	40.00	0.20	0.95
XTO Energy Inc.	XTO	B	20.45	185	3,790	24.00	0.24	0.89
Devon Energy	DVN	51.02	163	8,300	65.00	0.42	0.87	
CNOOC Limited (19%)	CEO	B	34.97	78	2,730	40.00	-	0.87
Unocal Corporation	UCL	31.77	255	8,100	40.00	0.35	0.87	
Burlington Resources	BR	B	48.08	202	9,700	60.00	0.27	0.85
Pioneer Natural Resources Company	PXD	25.12	119	2,990	35.00	0.33	0.81	
Canadian Natural Resources Limited	CNQ	40.21	139	5,590	55.00	0.29	0.81	
Anadarko Petroleum Corp.	APC	B	43.00	252	10,800	60.00	0.32	0.81
<i>Total or Median</i>				<i>97,000</i>		<i>0.28</i>	<i>0.87</i>	
<b>Service</b>								
Baker Hughes Inc.	BHI	31.42	339	10,700	25.00	0.09	1.24	
Halliburton Company	HAL	24.33	434	10,500	22.00	0.25	1.08	
Schlumberger Ltd.	SLB	48.13	581	28,000	44.00	0.22	1.07	

Buy/Sell rating after symbol: B - Buy, 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

September 11, 2003

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

	Symbol/ Rating	Price (\$/sh) 10-Sep 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	38.00	1.2	7.8	15	2.6	7.3	
BP plc	BP	42.56	0.8	6.9	15	3.7	7.9	
Total S.A.	TOT	78.15	1.1	6.8	13	4.5	7.3	
ChevronTexaco Corporation	CVX	B	72.99	0.9	6.6	13	4.0	8.1
Royal Dutch/Shell	RD	B	45.41	1.0	6.3	12	4.4	7.3
	<i>Median</i>			<i>1.0</i>	<i>6.8</i>	<i>13</i>	<i>4.0</i>	<i>7.3</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Murphy Oil Corporation	MUR	56.49	1.7	10.3	37	1.4	8.1	
Imperial Oil Limited (30%)	IMO	38.65	1.2	7.8	15	1.5	7.4	
Suncor Energy	SU	19.45	2.4	6.6	12	0.6	8.1	
ConocoPhillips	COP	B	56.71	0.7	6.0	9	2.8	6.8
Marathon Oil Corporation	MRO	B	28.64	0.4	5.5	13	3.5	6.8
Valero Energy Corporation	VLO	38.26	0.3	4.8	5	1.0	5.5	
Petro-Canada	PCZ	40.79	1.4	4.5	11	0.7	4.9	
ENI S.p.A.	E	77.41	1.7	4.1	9	5.5	4.7	
Petroleo Brasileiro S. A.	PBR	23.69	1.5	3.9	5	3.6	4.6	
PetroChina Company Ltd (10%)	PTR	B	32.69	2.2	3.8	8	6.2	5.5
OAo Lukoil	LUKOY	74.90	1.0	3.6	6	2.6	4.2	
Norsk Hydro ASA (49%)	NHY	52.00	0.8	3.6	10	2.9	4.0	
	<i>Median</i>			<i>1.3</i>	<i>4.7</i>	<i>9</i>	<i>2.7</i>	<i>5.5</i>
<b>Independent Natural Gas and Oil</b>								
XTO Energy Inc.	XTO	B	20.45	5.8	8.8	21	0.2	9.9
Pioneer Natural Resources Company	PXD	25.12	5.1	7.0	23	-	8.6	
Occidental Petroleum Corp.	OXY	35.00	2.5	6.7	12	3.0	6.7	
Apache Corporation	APA	66.80	4.5	6.2	14	0.6	6.5	
CNOOC Limited (19%)	CEO	B	34.97	4.7	6.0	12	4.5	6.9
Pogo Producing Company	PPP	45.41	3.9	6.0	17	0.3	5.2	
Burlington Resources	BR	B	48.08	3.8	5.7	13	1.2	6.6
Unocal Corporation	UCL	31.77	2.1	5.5	15	2.5	6.4	
Anadarko Petroleum Corp.	APC	B	43.00	3.7	5.5	10	0.9	6.8
Encana Corporation	ECA	B	37.27	2.4	5.1	13	0.8	5.3
Devon Energy	DVN	51.02	3.0	4.7	7	-	5.3	
Canadian Natural Resources Limited	CNQ	40.21	2.3	3.7	7	1.0	4.5	
	<i>Median</i>			<i>3.7</i>	<i>5.8</i>	<i>13</i>	<i>0.9</i>	<i>6.6</i>
<b>Service</b>								
Baker Hughes Inc.	BHI	31.42	2.2	13.3	37	1.5	10.8	
Halliburton Company	HAL	24.33	1.1	9.7	22	2.1	9.0	
Schlumberger Ltd.	SLB	48.13	2.6	9.6	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 September 30, 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

September 11, 2003

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

	Symbol/ Rating	Price (\$/sh) 10-Sep 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Large Cap Power</b>							
Duke Energy Corporation	DUK	17.63	832	14,700	16.00	0.69	1.03
Southern Company	SO	29.29	696	20,400	28.00	0.43	1.03
Exelon Corporation	EXC	60.14	325	19,500	65.00	0.51	0.96
American Electric Power Co. Inc.	AEP	29.14	348	10,100	35.00	0.60	0.93
Enel S.p.a. (32%)	EN	30.30	388	11,800	37.00	0.40	0.89
Dominion Resources	D	60.71	294	17,800	76.00	0.44	0.89
<i>Total or Median</i>				<i>94,300</i>		<i>0.47</i>	<i>0.95</i>
<b>Mid Cap Pipeline and Power</b>							
Kinder Morgan Energy Partners, L.P.	KMP S	41.96	138	5,770	14.00	0.47	2.06
Kinder Morgan Management, LLC	KMR S	38.01	46	1,750	14.00	0.47	1.91
Kinder Morgan, Inc.	KMI S	51.97	123	6,390	14.00	0.80	1.53
Williams Companies	WMB	8.88	518	4,600	1.00	0.97	1.25
Constellation Energy Group	CEG	36.80	164	6,040	25.00	0.61	1.18
AES Corporation	AES	6.89	558	3,840	1.00	0.98	1.11
Calpine Corporation	CPN	5.56	381	2,120	1.00	0.98	1.11
Dynegy Inc.	DYN	3.58	418	1,500	1.00	0.97	1.08
CMS Energy Corporation	CMS	7.30	139	1,010	5.00	0.93	1.03
Sempra Energy	SRE	29.80	206	6,140	30.00	0.59	1.00
El Paso Corporation	EP	7.65	589	4,500	10.00	0.79	0.95
<i>Total or Median</i>				<i>43,660</i>		<i>0.80</i>	<i>1.11</i>
<b>Small Cap Pipeline</b>							
Enterprise Products Part (44%)	EPD	22.32	96	2,140	8.50	0.49	1.84
Enbridge Energy Partners, L.P.	EEP S	48.56	39	1,900	19.00	0.57	1.68
Gulfterra Energy Partners	GTM S	39.95	55	2,200	15.70	0.56	1.67
Plains All Amer. Pipeline, L.P.	PAA	30.92	50	1,550	15.00	0.44	1.60
Enbridge Energy Management, L.L.C	EEQ S	43.55	9	410	19.00	0.57	1.56
TEPPCO Partners, L.P.	TPP	35.02	58	2,030	18.00	0.52	1.45
Northern Border Partners	NBP	43.60	47	2,030	20.00	0.62	1.45
Magellan Midstream Partners, L.P.	MMP	44.68	27	1,220	29.00	0.38	1.34
AmeriGas Partners, L.P.	APU	24.70	52	1,290	20.00	0.46	1.13
Western Gas Resources	WGR	38.16	37	1,410	40.00	0.27	0.97
<i>Total or Median</i>				<i>64,340</i>		<i>0.54</i>	<i>1.45</i>
<b>Coal</b>							
Penn Virginia Res. Part, L.P.	PVR	29.17	15	450	18.00	-	1.63
Consol Energy Inc.	CNX	19.73	79	1,560	5.00	0.88	1.35
Alliance Res. Part, L.P.	ARLP	28.49	16	450	20.00	0.45	1.23
Peabody Energy	BTU	31.51	55	1,730	18.00	0.75	1.19
Arch Coal	ACI	22.86	48	1,090	18.00	0.61	1.11
Massey Energy	MEE	13.05	75	980	18.00	0.37	0.83
<i>Total or Median</i>				<i>6,300</i>		<i>0.53</i>	<i>1.21</i>

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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) 10-Sep 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
<b>Large Cap Power</b>							
Southern Company	SO	29.29	3.3	9.4	16	4.7	9.1
Duke Energy Corporation	DUK	17.63	2.3	9.3	12	6.2	9.0
Exelon Corporation	EXC	60.14	2.7	8.7	12	3.1	9.0
Dominion Resources	D	60.71	3.4	8.0	13	4.2	9.0
Enel S.p.a. (32%)	EN	30.30	2.1	8.0	24	4.6	8.9
American Electric Power Co. Inc.	AEP	29.14	0.8	7.9	11	4.8	8.5
	<i>Median</i>		2.5	8.3	13	4.6	9.0
<b>Mid Cap Pipeline and Power</b>							
Kinder Morgan Energy Partners, L.P.	KMP S	41.96	2.9	17.9	22	6.2	8.7
Kinder Morgan Management, LLC	KMR S	38.01	2.7	16.6	20	6.8	8.7
Calpine Corporation	CPN	5.56	2.4	13.5	7	-	12.2
Dynegy Inc.	DYN	3.58	2.9	12.2	29	-	11.3
Kinder Morgan, Inc.	KMI S	51.97	2.5	12.1	16	1.2	7.9
AES Corporation	AES	6.89	3.7	11.3	20	-	10.1
Williams Companies	WMB	8.88	3.7	10.3		0.5	8.3
Constellation Energy Group	CEG	36.80	2.7	9.6	17	2.8	8.1
CMS Energy Corporation	CMS	7.30	1.1	9.0	9	-	8.7
Sempra Energy	SRE	29.80	2.2	8.7	11	3.4	8.7
El Paso Corporation	EP	7.65	2.4	6.6	5	2.1	6.9
	<i>Median</i>		2.7	11.3	16	1.2	8.7
<b>Small Cap Pipeline</b>							
Enterprise Products Part (44%)	EPD	22.32	1.2	16.5		6.5	9.0
Gulfterra Energy Partners	GTM S	39.95	5.6	15.0	25	6.8	9.0
Northern Border Partners	NBP	43.60	6.9	13.6	18	7.3	9.4
Enbridge Energy Partners, L.P.	EEP S	48.56	1.2	13.5	20	7.6	8.0
TEPPCO Partners, L.P.	TPP	35.02	1.0	13.1	20	7.1	9.0
Plains All Amer. Pipeline, L.P.	PAA	30.92	0.2	12.8	17	7.1	8.0
Enbridge Energy Management, L.L.C	EEQ S	43.55	1.1	12.5	18	8.5	8.0
Magellan Midstream Partners, L.P.	MMP	44.68	3.9	10.8	13	6.7	8.1
AmeriGas Partners, L.P.	APU	24.70	1.5	8.9	15	8.9	8.0
Western Gas Resources	WGR	38.16	0.6	6.3	10	-	6.6
	<i>Median</i>		1.2	13.0	18	7.1	8.1
<b>Coal</b>							
Penn Virginia Res. Part, L.P.	PVR	29.17	10.8	14.0	16	6.9	8.6
Consol Energy Inc.	CNX	19.73	2.1	13.1	45	2.8	9.7
Peabody Energy	BTU	31.51	1.7	10.6	26	1.3	9.0
Arch Coal	ACI	22.86	1.6	10.0		1.0	9.0
Alliance Res. Part, L.P.	ARLP	28.49	1.3	8.6	24	7.0	7.0
Massey Energy	MEE	13.05	1.3	7.4		1.2	8.9
	<i>Median</i>		1.7	10.3	25	2.1	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

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## Meter Reader

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

September 11, 2003

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 10-Sep 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>Short Life</b>								
Dorchester Minerals, L.P.	DMLP	17.74	27.0	480	13.00	-	1.36	
Southwestern Energy Company	SWN	17.67	36.0	640	17.00	0.30	1.03	
Newfield Exploration Company	NFX	38.90	51.7	2,010	40.00	0.31	0.98	
Energy Partners Ltd.	EPL	B	11.12	37.3	414	12.00	0.26	0.95
Spinnaker Exploration Company	SKE	22.38	33.8	760	25.00	-	0.89	
Denbury Resources Inc.	DNR	12.50	55.0	690	15.00	0.29	0.88	
Stone Energy Company	SGY	38.15	26.5	1,010	46.00	0.27	0.87	
Cimarex Energy Company	XEC	20.80	41.0	850	24.00	0.03	0.87	
Wesport Resources Corporation	WRC	23.72	68.0	1,610	30.00	0.29	0.85	
Chesapeake Energy Corporation	CHK	10.30	220	2,270	14.00	0.38	0.84	
The Houston Exploraton Company	THX	34.51	31.0	1,070	45.00	0.16	0.80	
St. Mary Land and Exploration Company	SM	27.00	29.0	780	35.00	0.11	0.80	
Forest Oil Corporation	FST	23.10	48.2	1,110	35.00	0.33	0.77	
<i>Total or Median</i>				<i>13,700</i>		<i>0.27</i>	<i>0.87</i>	
<b>Long Life</b>								
Ultra Petroleum Corp.	UPL	14.36	78.0	1,120	7.00	0.15	1.90	
Unit Corporation	UNT	20.33	43.6	890	18.00	0.04	1.12	
Quicksilver Resources Inc.	KWK	24.62	20.4	500	25.00	0.35	0.99	
Penn Virginia Corporation	PVA	43.11	9.0	390	45.00	0.06	0.96	
Evergreen Resources, Inc.	EVG	54.47	22.0	1,200	60.00	0.10	0.92	
Swift Energy Company	SFY	13.55	27.2	370	16.00	0.43	0.91	
Encore Acquisition Corp. (40%)	EAC	B	19.30	11.2	216	24.00	0.18	0.84
Magnum Hunter Resources, Inc.	MHR	7.70	69.0	530	11.00	0.45	0.83	
Vintage Petroleum, Inc.	VPI	11.12	63.0	700	20.00	0.40	0.74	
<i>Total or Median</i>				<i>5,900</i>		<i>0.18</i>	<i>0.92</i>	
<b>Canadian Royalty Trusts</b>								
Provident Energy Trust	PVX	8.19	63.5	520	6.00	0.24	1.28	
Enerplus Resources Fund	ERF	25.70	75.0	1,930	20.00	0.16	1.24	
Pengrowth Energy Trust	PGH	12.58	112.0	1,410	11.00	0.20	1.12	
Canadian Oil Sands Trust (US\$)	COSWF	B	28.76	86.3	2,480	45.00	0.19	0.71
<i>Total or Median</i>				<i>6,300</i>		<i>0.19</i>	<i>1.18</i>	
<b>Natural Gas Royalty Trusts</b>								
Hugoton Royalty Trust (46%)	HGT	18.99	18.4	350	15.70	-	1.21	
Cross Timbers Royalty Trust	CRT	21.47	6.0	129	20.20	-	1.06	
San Juan Basin Royalty Trust	SJT	B	17.80	46.6	830	18.10	-	0.98
<b>Micro Cap</b>								
Abraxas Petroleum Corporation	ABP	1.03	30.0	31	1.00	0.85	1.01	
Purcell Energy, Ltd. (US\$)	PEL.TO	1.88	27.9	53	2.80	0.32	0.78	

Buy/Sell rating after symbol: B - Buy, 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

September 11, 2003

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

	Symbol/ Rating	Price (\$/sh) 10-Sep 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
<b>Short Life</b>								
Dorchester Minerals, L.P.	DMLP	17.74	8.5	10.6	14	8.5	7.7	
Southwestern Energy Company	SWN	17.67	3.0	6.3	13	-	6.1	
Forest Oil Corporation	FST	23.10	3.5	5.7	20	-	7.5	
Chesapeake Energy Corporation	CHK	10.30	3.8	5.5	12	1.2	6.6	
Energy Partners Ltd.	EPL	B	11.12	3.1	5.3	29	-	5.6
Wesport Resources Corporation	WRC	23.72	3.7	5.2	16	-	6.1	
Cimarex Energy Company	XEC	20.80	3.3	4.7	13	-	5.4	
St. Mary Land and Exploration Company	SM	27.00	3.0	4.7	13	0.4	5.9	
Denbury Resources Inc.	DNR	12.50	3.1	4.3	9	-	4.9	
Stone Energy Company	SGY	38.15	3.0	4.0	9	-	4.6	
Newfield Exploration Company	NFX	38.90	2.9	3.8	8	-	3.9	
The Houston Exploraton Company	THX	34.51	2.9	3.5	9	-	4.4	
Spinnaker Exploration Company	SKE	22.38	3.0	3.4	13	-	3.8	
	<i>Median</i>		<i>3.1</i>	<i>4.7</i>	<i>13</i>	<i>-</i>	<i>5.6</i>	
<b>Long Life</b>								
Ultra Petroleum Corp.	UPL	14.36	12.8	20.7	40	-	10.9	
Evergreen Resources, Inc.	EVG	54.47	7.1	10.1	18	-	11.0	
Unit Corporation	UNT	20.33	3.7	8.7	22	-	7.7	
Quicksilver Resources Inc.	KWK	24.62	4.8	7.2	14	-	7.3	
Swift Energy Company	SFY	13.55	4.2	6.4	23	-	7.0	
Magnum Hunter Resources, Inc.	MHR	7.70	3.3	5.7	15	-	6.8	
Penn Virginia Corporation	PVA	43.11	3.0	5.5	14	2.1	5.7	
Encore Acquisition Corp. (40%)	EAC	B	19.30	3.6	5.2	11	-	6.2
Vintage Petroleum, Inc.	VPI	11.12	2.4	4.5	40	1.4	6.1	
	<i>Median</i>		<i>3.7</i>	<i>6.4</i>	<i>18</i>	<i>-</i>	<i>7.0</i>	
<b>Canadian Royalty Trusts</b>								
Enerplus Resources Fund	ERF	25.70	5.6	7.4	12	11.8	6.0	
Pengrowth Energy Trust	PGH	12.58	4.6	6.9	14	13.5	6.2	
Canadian Oil Sands Trust (US\$)	COSWF	B	28.76	3.6	6.6	7	5.0	9.3
Provident Energy Trust	PVX	8.19	3.8	5.5	13	20.0	4.3	
<b>Natural Gas Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	21.47	7.0	9.9	10	9.9	9.3	
Hugoton RoyaltyTrust (46%)	HGT	18.99	6.5	8.8	10	9.8	7.3	
San Juan Basin Royalty Trust	SJT	B	17.80	6.2	7.6	9	11.4	7.7
<b>Micro Cap</b>								
Abraxas Petroleum Corporation	ABP	1.03	7.0	13.3		-	13.3	
Purcell Energy, Ltd. (US\$)	PEL.TO	1.88	3.6	5.4	19	-	6.9	

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