

A Million Hits

Summary and Recommendation

Passing its third anniversary last month, mcdep.com currently attracts “hits” at the rate of about a million for three months, or more than 10,000 a day. Originally started as a way to share analysis of our royalty trust investments, the website has become an archive for research previously sent to clients, a business development tool, a means to keep in touch with friends and perhaps a contribution to an understanding of energy investments for those who would not normally see our work. We appreciate hearing from visitors to the website, but decline to respond to requests for free advice because our business is providing investment research in return for compensation. Nonetheless we answer some recent queries that raise relevant issues of broader interest like the dropping dollar.

Kurt H. Wulff, CFA

1. How is the dropping value of the dollar going to affect U.S. oil and gas companies? Canadian? Others?

In the simplest terms, if the value of the dollar goes down, the price of oil should go up in dollars. Also, the price of natural gas is strongly influenced by the price of oil. Thus, the revenues of U.S. oil and gas producers should go up. Profit margins may widen because fixed dollar cash costs would be less burdensome.

For Canadian producers there would be no profit margin improvement because fixed cash costs would tend to be denominated in Canadian dollars. Similarly producers in other countries might not see profit margin improvement.

In more complicated terms, demand for oil and gas might be affected negatively in the U.S. because of higher price. Yet, the purpose of allowing the dollar to decline is to stimulate economic activity that in turn would increase demand for energy and restore any negative volume impact of higher price.

The more we try to answer the question, the more complicated it becomes. In the end, owning oil and gas stocks gives us some peace of mind to offset worries about the value of our currency.

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

October 9, 2003

2. Please enlarge on Slide 9 from your presentation last week.

Twin Deficits are Back to Spawn Inflation

- Trade deficit on the order of a half trillion dollars may signal weaker dollar and higher priced imports
- Dollar exchange rate decline limited by inflation in other currencies
- Federal budget deficit also on the order of a half trillion dollars
 - Military spending
 - Social spending

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Endless commentary has been published by smart analysts on the trade deficit and the budget deficit. On the trade deficit the optimists say that Japan, China and the Asian countries with which we have most of that deficit, are happy to reinvest their positive trade balance in U.S. Treasury securities. Others say that those who sold us their goods cheap are not going to want to see the money earned from those sales lose more value. In that case foreign central banks would take their money out of dollars and in the process drive the dollar down. The resulting higher dollar price for imports would contribute to general price inflation.

As worrisome as a decline in the exchange value of the dollar may be, the differences have evened out over time. Looked at over the past 100 years the dollar has been a relatively stable currency. At times the currency of Japan, Germany, France, and Italy lost all value. Instead price inflation threatens. Our trade partners are not eager to see our currency decline. To protect their own exporters, our trade partners are likely to inflate their currencies by one means or another. At that point the decline in the dollar will have contributed to an inflation of all currencies.

The budget deficit has only recently reappeared. Military spending is a necessary evil, social spending is “good” and lower taxes are “good”, but the combination may have negative consequences. We remember when Lyndon Johnson promised to be able to provide both “guns and butter” as he pursued the war in Viet Nam and the Great Society simultaneously. The flames of inflation burned brightly for a long time thereafter.

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3. What if the dollar declines fast?

Market forces would likely drive up long term interest rates on dollar denominated debt. The Federal Reserve at some point would be compelled to raise short-term interest rates. Economic activity would slow. Highly leveraged companies would fail. A recession might ensue. A steep decline in the dollar would be the market's way of imposing discipline to bring the twin deficits more in line with a sustainable level.

We would refer to such an incident as debt deflation as a result of a financial accident. That would be a time when we would appreciate the deflation resistance we think we have in low-debt energy stocks.

The potential recession would dampen energy prices from what they would have been. Yet we could have "stagflation" where the forces of inflation and recession coexist.

4. Why worry about tax efficiency when we don't know what the future tax policy will be?

We believe that the tax changes that favor equity more than debt make good economic sense. The taxes on equity are still higher than on debt when you consider that at the corporate level interest costs are deductible and dividends are not. Tax policy that historically favored debt over equity may have contributed to the over leveraging and downfall of the whole power industry. A little fraud contributed also.

There is the broader question of tax progressiveness. Do the rich pay more than or less than their share? That is a separate question in our opinion from favoring debt over equity. Thus, while some might attack lower dividend taxation as favoring the rich, we think there are more objective fundamental reasons to justify keeping the changes that have been enacted.

5. Is natural gas as clean as you say it is? Isn't there pollution at the well site?

Good housekeeping varies among companies just as it does among people. Well sites undoubtedly could be more neatly maintained in many cases.

6. How about the old pipelines? I see pipelines as a real danger. Why can't they be blown up like they are in Iraq? I am further concerned about the danger from pipelines rusting. Also, when I hike in parks I see them no longer covered by dirt. If this is happening elsewhere, just pure negligence by somebody driving heavy equipment could damage them.

We think there is a danger to pipelines as a result of irresponsible management. El Paso had a fatal accident when an old pipeline blew up in New Mexico. In the end the

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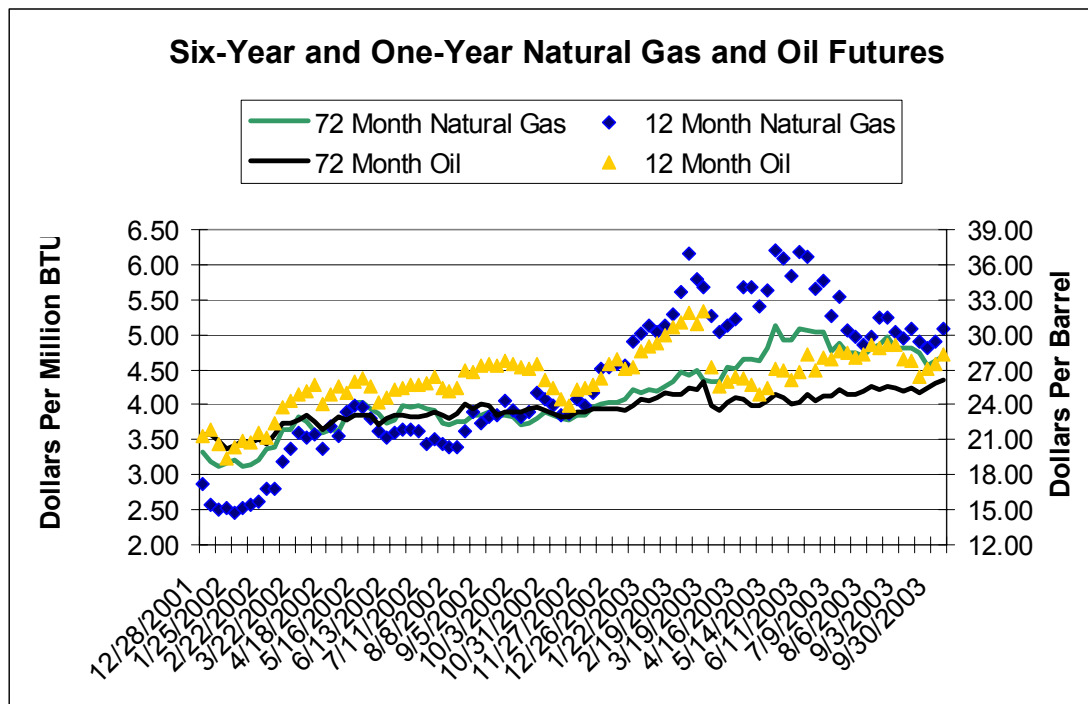
accident contributed to bringing down the whole company though the connection may have been just coincidental. Because the pipeline blew up, California thought it did not get as much natural gas as it thought it should have. A Federal judge agreed and El Paso paid California a billion dollars. Amid other moves that did not pan out well, management was ousted.

More recently Kinder Morgan had a pipeline spew gasoline over houses under construction in Arizona. The same pipeline had previously been damaged in a construction accident. The latest failure in the 48-year old line triggered gasoline lines for millions of people.

One wonders why an industry that can find oil and gas four miles deep cannot inspect a pipeline six feet under. In the case of Kinder Morgan and other pipeline partnerships we think excessive, partly disguised compensation to the general partner may contribute to the compromising of our health and safety. Because the GP is stripping the pipeline of cash, not enough is spent on inspection it appears. Moreover, the regulatory authorities all seem to look the other way. Yes, not everything about pipelines is clean.

7. I'm recently retired and sold my house and am looking for a "bullet proof" investment for a 9 - 12% return.

I-bonds, Treasury Inflation Protected Securities (TIPS) and McDep energy ideas.



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A Weekly Analysis of Energy Stocks Using the McDep Ratio

October 9, 2003

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

	Symbol/ Rating	Price (\$/sh) 8-Oct 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap							
Exxon Mobil Corporation	XOM	38.04	6,687	254,000	35.00	0.10	1.08
Total S.A.	TOT	78.28	1,276	99,900	85.00	0.19	0.94
BP plc	BP	43.66	3,694	161,000	50.00	0.15	0.89
Royal Dutch/Shell	RD B	45.28	3,473	157,000	55.00	0.18	0.85
ChevronTexaco Corporation	CVX B	73.36	1,064	78,100	95.00	0.22	0.82
<i>Total or Median</i>				<i>750,000</i>		<i>0.18</i>	<i>0.89</i>
Producer/Refiners - Large Cap and Mid Cap							
Murphy Oil Corporation	MUR	61.56	92	5,690	41.00	0.26	1.37
Imperial Oil Limited (30%)	IMO	39.23	113	4,450	36.00	0.12	1.08
OAo Lukoil	LUKOY	94.25	206	19,000	90.00	0.12	1.04
Norsk Hydro ASA (49%)	NHY	53.49	126	6,760	60.00	0.27	0.92
Petro-Canada	PCZ	40.45	265	10,720	45.00	0.19	0.92
ENI S.p.A.	E	79.40	750	59,600	90.00	0.14	0.90
Valero Energy Corporation	VLO	39.20	114	4,470	50.00	0.50	0.89
Petroleo Brasileiro S. A.	PBR	25.31	1,096	27,700	30.00	0.25	0.88
ConocoPhillips	COP B	56.24	681	38,300	70.00	0.38	0.88
Marathon Oil Corporation	MRO B	29.50	310	9,150	40.00	0.31	0.82
Suncor Energy	SU	19.11	474	9,060	25.00	0.14	0.80
PetroChina Company Ltd (10%)	PTR B	35.91	176	6,310	50.00	0.11	0.75
<i>Total or Median</i>				<i>196,000</i>		<i>0.19</i>	<i>0.89</i>
Independent Natural Gas and Oil							
Pogo Producing Company	PPP	47.98	65	3,100	38.00	0.22	1.21
Apache Corporation	APA	71.78	159	11,400	70.00	0.20	1.02
Occidental Petroleum Corp.	OXY	36.00	383	13,800	35.00	0.38	1.02
XTO Energy Inc.	XTO B	22.61	184	4,160	24.00	0.25	0.96
Encana Corporation	ECA B	37.19	472	17,500	40.00	0.20	0.94
CNOOC Limited (19%)	CEO B	36.75	78	2,870	40.00	-	0.92
Burlington Resources	BR B	49.97	202	10,100	60.00	0.27	0.88
Unocal Corporation	UCL	31.58	255	8,100	40.00	0.35	0.87
Devon Energy	DVN	48.75	163	7,900	65.00	0.42	0.85
Canadian Natural Resources Limited	CNQ	42.52	139	5,910	55.00	0.29	0.84
Pioneer Natural Resources Company	PXD	26.43	119	3,150	35.00	0.33	0.84
Anadarko Petroleum Corp.	APC B	42.36	252	10,700	60.00	0.32	0.80
<i>Total or Median</i>				<i>99,000</i>		<i>0.28</i>	<i>0.90</i>
Service							
Baker Hughes Inc.	BHI	31.05	339	10,500	25.00	0.09	1.22
Halliburton Company	HAL	25.26	434	11,000	22.00	0.25	1.12
Schlumberger Ltd.	SLB	50.50	581	29,300	44.00	0.22	1.11

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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A Weekly Analysis of Energy Stocks Using the McDep Ratio

October 9, 2003

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

	Symbol/ Rating	Price (\$/sh) 8-Oct 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Mega Cap								
Exxon Mobil Corporation	XOM	38.04	1.2	7.9	15	2.6	7.3	
BP plc	BP	43.66	0.9	6.9	15	3.9	7.7	
Total S.A.	TOT	78.28	1.1	6.8	13	4.5	7.3	
ChevronTexaco Corporation	CVX	B	73.36	0.9	6.7	13	4.0	8.2
Royal Dutch/Shell	RD	B	45.28	1.0	6.3	12	4.4	7.4
	<i>Median</i>			<i>1.0</i>	<i>6.8</i>	<i>13</i>	<i>4.0</i>	<i>7.4</i>
Producer/Refiners - Large Cap and Mid Cap								
Murphy Oil Corporation	MUR	61.56	1.8	11.1	40	1.3	8.1	
Imperial Oil Limited (30%)	IMO	39.23	1.2	8.0	15	1.4	7.4	
Suncor Energy	SU	19.11	2.7	7.4	15	0.8	9.3	
ConocoPhillips	COP	B	56.24	0.7	5.9	9	3.1	6.8
Marathon Oil Corporation	MRO	B	29.50	0.4	5.6	13	3.4	6.8
Valero Energy Corporation	VLO	39.20	0.3	4.9	5	1.0	5.5	
Petro-Canada	PCZ	40.45	1.4	4.5	11	0.7	4.9	
OAOLukoil	LUKOY	94.25	1.3	4.4	8	2.0	4.2	
ENI S.p.A.	E	79.40	1.7	4.2	9	5.4	4.7	
PetroChina Company Ltd (10%)	PTR	B	35.91	2.3	4.2	9	5.7	5.5
Petroleo Brasileiro S. A.	PBR	25.31	1.5	4.1	6	3.3	4.6	
Norsk Hydro ASA (49%)	NHY	53.49	0.8	3.7	10	2.8	4.0	
	<i>Median</i>			<i>1.3</i>	<i>4.7</i>	<i>10</i>	<i>2.4</i>	<i>5.5</i>
Independent Natural Gas and Oil								
XTO Energy Inc.	XTO	B	22.61	5.6	9.0	22	0.2	9.4
Pioneer Natural Resources Company	PXD	26.43	5.3	7.2	24	-	8.6	
Occidental Petroleum Corp.	OXY	36.00	2.6	6.8	12	2.9	6.7	
Apache Corporation	APA	71.78	4.7	6.6	15	0.5	6.5	
CNOOC Limited (19%)	CEO	B	36.75	4.9	6.3	13	4.3	6.9
Pogo Producing Company	PPP	47.98	4.0	6.3	18	0.3	5.2	
Burlington Resources	BR	B	49.97	3.9	5.8	14	1.2	6.6
Unocal Corporation	UCL	31.58	2.1	5.5	15	2.5	6.4	
Anadarko Petroleum Corp.	APC	B	42.36	3.7	5.5	10	0.9	6.8
Encana Corporation	ECA	B	37.19	2.4	5.0	13	0.8	5.3
Devon Energy	DVN	48.75	3.0	4.5	7	-	5.3	
Canadian Natural Resources Limited	CNQ	42.52	2.4	3.8	8	1.0	4.5	
	<i>Median</i>			<i>3.8</i>	<i>6.1</i>	<i>13</i>	<i>0.9</i>	<i>6.6</i>
Service								
Baker Hughes Inc.	BHI	31.05	2.2	13.1	37	1.5	10.8	
Halliburton Company	HAL	25.26	1.2	10.0	23	2.0	9.0	
Schlumberger Ltd.	SLB	50.50	2.7	9.9	37	1.5	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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A Weekly Analysis of Energy Stocks Using the McDep Ratio

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Table 1-3
Energy Producers
Determinants of Present Value

	<i>Symbol/ Rating</i>	<i>NG & O Prod/ Ebitda (%)</i>	<i>N. Am. Gas/ Ebitda (%)</i>	<i>Adjusted Reserves/ Prod NTM</i>	<i>PV/ Ebitda NTM</i>	<i>EV/ Mcf</i>	<i>McDep Ratio 8-Oct 2003</i>
Mega Cap							
Total S.A.	TOT	74	1	9.3	7.3	1.28	0.94
Royal Dutch/Shell	RD	59	5	9.7	7.4	0.71	0.85
ChevronTexaco Corporation	CVX	82	14	10.1	8.2	1.01	0.82
Exxon Mobil Corporation	XOM	68	10	11.0	7.3	1.34	1.08
BP plc	BP	69	12	11.1	7.7	1.03	0.89
	<i>Median</i>	<i>69</i>	<i>10</i>	<i>10.1</i>	<i>7.4</i>	<i>1.03</i>	<i>0.89</i>
Producer/Refiners - Large Cap and Mid Cap							
Valero Energy Corporation	VLO	-	-		5.5		0.89
Petro-Canada	PCZ	78	22	7.0	4.9	0.89	0.92
Murphy Oil Corporation	MUR	91	32	7.7	8.1	4.17	1.37
Marathon Oil Corporation	MRO	65	20	8.5	6.8	0.73	0.82
Norsk Hydro ASA (49%)	NHY	68	-	10.0	4.0	0.80	0.92
ENI S.p.A.	E	63	-	10.1	4.7	0.79	0.90
ConocoPhillips	COP	69	14	11.1	6.8	0.71	0.88
Petroleo Brasileiro S. A.	PBR	88	-	11.3	4.6	0.57	0.88
Imperial Oil Limited (30%)	IMO	73	18	11.4	7.4	1.24	1.08
PetroChina Company Ltd (10%)	PTR	78	-	16.0	5.5	0.51	0.75
Suncor Energy	SU	90	9	19.0	9.3	0.67	0.80
OAOLukoil	LUKOY	23	-	20.0	4.2	0.02	1.04
	<i>Median</i>	<i>71</i>	<i>5</i>	<i>11.1</i>	<i>5.5</i>	<i>0.73</i>	<i>0.90</i>
Independent Natural Gas and Oil							
Pogo Producing Company	PPP	100	37	5.8	5.2	3.49	1.21
Canadian Natural Resources Limited	CNQ	100	50	7.3	4.5	0.85	0.84
Devon Energy	DVN	100	70	7.7	5.3	1.59	0.85
Unocal Corporation	UCL	100	34	8.4	6.4	1.43	0.87
Encana Corporation	ECA	97	68	8.7	5.3	1.25	0.94
Anadarko Petroleum Corp.	APC	100	56	10.0	6.8	1.23	0.80
Apache Corporation	APA	100	50	10.0	6.5	2.13	1.02
Occidental Petroleum Corp.	OXY	92	12	10.7	6.7	1.52	1.02
XTO Energy Inc.	XTO	100	83	10.7	9.4	1.86	0.96
CNOOC Limited (19%)	CEO	100	-	10.7	6.9	1.68	0.92
Burlington Resources	BR	100	75	10.9	6.6	1.30	0.88
Pioneer Natural Resources Company	PXD	100	50	12.3	8.6	1.17	0.84
	<i>Median</i>	<i>100</i>	<i>50</i>	<i>10.0</i>	<i>6.6</i>	<i>1.47</i>	<i>0.90</i>

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October 9, 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) 8-Oct 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							
Duke Energy Corporation	DUK	18.64	832	15,500	16.00	0.69	1.05
Southern Company	SO	29.31	696	20,400	28.00	0.43	1.03
Exelon Corporation	EXC	64.06	325	20,800	65.00	0.51	0.99
American Electric Power Co. Inc.	AEP	29.86	348	10,400	35.00	0.60	0.94
Enel S.p.a. (32%)	EN	32.05	388	12,400	37.00	0.40	0.92
Dominion Resources	D	62.50	294	18,300	76.00	0.44	0.90
	<i>Total or Median</i>			<i>97,800</i>		<i>0.47</i>	<i>0.97</i>
Mid Cap Pipeline and Power							
Kinder Morgan Energy Partners, L.P.	KMP S	43.50	138	5,990	14.00	0.47	2.12
Kinder Morgan Management, LLC	KMR S	38.60	46	1,780	14.00	0.47	1.93
Kinder Morgan, Inc.	KMI S	55.01	123	6,770	14.00	0.80	1.58
Williams Companies	WMB	9.90	518	5,130	1.00	0.97	1.28
Constellation Energy Group	CEG	36.21	164	5,940	25.00	0.61	1.17
AES Corporation	AES	7.95	558	4,440	1.00	0.98	1.13
Calpine Corporation	CPN	5.17	381	1,970	1.00	0.98	1.10
Dynegy Inc.	DYN	3.75	418	1,570	1.00	0.97	1.09
CMS Energy Corporation	CMS	8.04	139	1,120	5.00	0.93	1.05
Sempra Energy	SRE	28.45	206	5,860	30.00	0.59	0.98
El Paso Corporation	EP	7.66	589	4,500	10.00	0.79	0.95
	<i>Total or Median</i>			<i>45,070</i>		<i>0.80</i>	<i>1.13</i>
Small Cap Pipeline							
Enterprise Products Part (44%)	EPD	22.26	96	2,140	8.50	0.49	1.84
Enbridge Energy Partners, L.P.	EEP S	50.62	39	1,980	19.00	0.57	1.72
Gulfterra Energy Partners	GTM S	41.69	55	2,290	15.70	0.56	1.72
Enbridge Energy Management, L.L.C	EEQ S	45.85	9	430	19.00	0.57	1.60
Plains All Amer. Pipeline, L.P.	PAA	30.97	50	1,550	15.00	0.44	1.60
TEPPCO Partners, L.P.	TPP	36.35	58	2,110	18.00	0.52	1.49
Northern Border Partners	NBP	42.15	47	1,960	20.00	0.62	1.42
Magellan Midstream Partners, L.P.	MMP	46.99	27	1,280	29.00	0.38	1.38
AmeriGas Partners, L.P.	APU	26.05	52	1,370	20.00	0.46	1.17
Western Gas Resources	WGR	40.36	37	1,490	40.00	0.27	1.00
	<i>Total or Median</i>			<i>66,170</i>		<i>0.54</i>	<i>1.46</i>

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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A Weekly Analysis of Energy Stocks Using the McDep Ratio

October 9, 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) 8-Oct 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>	
Short Life								
Dorchester Minerals, L.P.	DMLP	16.93	27.0	460	13.00	-	1.30	
Southwestern Energy Company	SWN	19.01	36.0	680	17.00	0.30	1.08	
Spinnaker Exploration Company	SKE	25.65	33.8	870	25.00	-	1.03	
Newfield Exploration Company	NFX	40.32	51.7	2,090	40.00	0.31	1.01	
Energy Partners Ltd.	EPL	B	11.71	37.3	436	12.00	0.26	0.98
Denbury Resources Inc.	DNR	13.29	55.0	730	15.00	0.29	0.92	
Cimarex Energy Company	XEC	21.95	41.0	900	24.00	0.03	0.92	
Chesapeake Energy Corporation	CHK	11.30	220	2,490	14.00	0.38	0.88	
Wesport Resources Corporation	WRC	24.71	68.0	1,680	30.00	0.29	0.87	
The Houston Exploraton Company	THX	36.88	31.0	1,140	45.00	0.16	0.85	
Stone Energy Company	SGY	35.85	26.5	950	46.00	0.27	0.84	
Forest Oil Corporation	FST	24.70	48.2	1,190	35.00	0.33	0.80	
St. Mary Land and Exploration Company	SM	26.45	29.0	770	35.00	0.11	0.78	
<i>Total or Median</i>				<i>14,400</i>		<i>0.27</i>	<i>0.92</i>	
Long Life								
Ultra Petroleum Corp.	UPL	17.49	78.0	1,360	7.00	0.15	2.28	
Unit Corporation	UNT	19.95	43.6	870	18.00	0.04	1.10	
Quicksilver Resources Inc.	KWK	26.10	20.4	530	25.00	0.35	1.03	
Penn Virginia Corporation	PVA	46.20	9.0	420	45.00	0.06	1.03	
Swift Energy Company	SFY	14.70	27.2	400	16.00	0.43	0.95	
Evergreen Resources, Inc.	EVG	28.30	44.0	1,250	30.00	0.10	0.95	
Encore Acquisition Corp. (40%)	EAC	B	22.05	11.2	247	24.00	0.18	0.93
Magnum Hunter Resources, Inc.	MHR	8.52	69.0	590	11.00	0.45	0.88	
Vintage Petroleum, Inc.	VPI	11.56	63.0	730	20.00	0.40	0.75	
<i>Total or Median</i>				<i>6,400</i>		<i>0.18</i>	<i>0.95</i>	
Canadian Royalty Trusts								
Enerplus Resources Fund	ERF	27.18	83.7	2,280	20.00	0.16	1.30	
Provident Energy Trust	PVX	8.19	68.8	560	6.00	0.25	1.27	
Pengrowth Energy Trust	PGH	12.79	112.0	1,430	11.00	0.20	1.13	
Canadian Oil Sands Trust (US\$)	COSWF	B	29.19	86.3	2,520	45.00	0.19	0.72
<i>Total or Median</i>				<i>6,800</i>		<i>0.19</i>	<i>1.20</i>	
Natural Gas Royalty Trusts								
Hugoton Royalty Trust (46%)	HGT	19.61	18.4	360	15.10	-	1.30	
Cross Timbers Royalty Trust	CRT	22.10	6.0	133	18.80	-	1.18	
San Juan Basin Royalty Trust	SJT	B	18.49	46.6	860	17.60	-	1.05
Micro Cap								
Abraxas Petroleum Corporation	ABP	1.03	30.0	31	1.00	0.85	1.01	
Purcell Energy, Ltd. (US\$)	PEL.TO	1.99	27.9	55	2.80	0.32	0.80	

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

Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. 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

October 9, 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>Price</i>			<i>Dividend or</i>	
	<i>Symbol/</i>		<i>(\$/sh)</i>	<i>EV/</i>	<i>EV/</i>	<i>Distribution</i>	<i>PV/</i>
	<i>Rating</i>		<i>8-Oct</i>	<i>Sales</i>	<i>Ebitda</i>	<i>NTM</i>	<i>Ebitda</i>
			<i>2003</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>	<i>NTM</i>
Short Life							
Dorchester Minerals, L.P.	DMLP		16.93	8.1	10.1	13	7.7
Southwestern Energy Company	SWN		19.01	3.2	6.6	14	6.1
Forest Oil Corporation	FST		24.70	3.7	6.0	21	7.5
Chesapeake Energy Corporation	CHK		11.30	4.1	5.8	13	6.6
Energy Partners Ltd.	EPL	B	11.71	3.2	5.5	30	5.6
Wesport Resources Corporation	WRC		24.71	3.8	5.4	17	6.1
Cimarex Energy Company	XEC		21.95	3.4	5.0	14	5.4
St. Mary Land and Exploration Company	SM		26.45	3.0	4.6	13	5.9
Denbury Resources Inc.	DNR		13.29	3.2	4.5	10	4.9
Spinnaker Exploration Company	SKE		25.65	3.4	3.9	15	3.8
Newfield Exploration Company	NFX		40.32	3.0	3.9	8	3.9
Stone Energy Company	SGY		35.85	2.9	3.9	8	4.6
The Houston Exploraton Company	THX		36.88	3.1	3.7	10	4.4
	<i>Median</i>			<i>3.2</i>	<i>5.0</i>	<i>13</i>	<i>5.6</i>
Long Life							
Ultra Petroleum Corp.	UPL		17.49	15.3	24.8	49	10.9
Evergreen Resources, Inc.	EVG		28.30	7.4	10.6	19	11.2
Unit Corporation	UNT		19.95	3.7	8.5	22	7.7
Quicksilver Resources Inc.	KWK		26.10	4.9	7.5	15	7.3
Swift Energy Company	SFY		14.70	4.4	6.7	25	7.0
Magnum Hunter Resources, Inc.	MHR		8.52	3.4	6.0	17	6.8
Penn Virginia Corporation	PVA		46.20	3.2	5.8	15	5.7
Encore Acquisition Corp. (40%)	EAC	B	22.05	4.0	5.8	13	6.2
Vintage Petroleum, Inc.	VPI		11.56	2.4	4.6	41	6.1
	<i>Median</i>			<i>4.0</i>	<i>6.7</i>	<i>19</i>	<i>7.0</i>
Canadian Royalty Trusts							
Enerplus Resources Fund	ERF		27.18	7.1	9.6	15	7.4
Pengrowth Energy Trust	PGH		12.79	4.7	7.0	14	6.2
Canadian Oil Sands Trust (US\$)	COSWF	B	29.19	3.6	6.6	7	9.3
Provident Energy Trust	PVX		8.19	4.2	6.1	13	4.8
Natural Gas Royalty Trusts							
Cross Timbers Royalty Trust	CRT		22.10	7.4	10.6	11	9.0
Hugoton RoyaltyTrust (46%)	HGT		19.61	6.7	9.1	10	7.0
San Juan Basin Royalty Trust	SJT	B	18.49	6.4	7.9	9	7.5
Micro Cap							
Abraxas Petroleum Corporation	ABP		1.03	7.0	13.3	-	13.3
Purcell Energy, Ltd. (US\$)	PEL.TO		1.99	3.6	5.5	20	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

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