

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

December 23, 2003

Thank You, Mr. Market

Summary and Recommendation

The median buy recommendation in place for all of 2003 appreciated 33% in price compared to 22% for the S&P 500 (see table). On a debt-adjusted basis, the median buy recommendation appreciated 44% compared to the median sell recommendation at 21%. Stocks offset the 20% decline of the dollar. That may be the message of recent performance. Everything is going up as investors seem driven to speculate out of necessity to preserve value as the dollar goes down. Merrily, we believe our buy recommendations are sound investments with fundamental justification.

Energy Recommendations in Place for All of Past Year

| | | | Price (\$/sh) 22-Dec 2003 | Price (\$/sh) 26-Dec 2002 | Debt/ Present Value 2002 | Price Change Levered (%) | Price Change Debt Adjusted |
|-------------------------------------|---------------|---|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|
| Buy Recommendations | | | | | | | |
| PetroChina Company Ltd (10%) | PTR | B | 50.46 | 20.05 | 0.17 | 152 | 210 |
| CNOOC Limited (19%) | CEO | B | 43.99 | 26.40 | - | 67 | 111 |
| San Juan Basin Royalty Trust | SJT | B | 21.67 | 13.86 | - | 56 | 94 |
| Marathon Oil Corporation | MRO | B | 32.23 | 21.59 | 0.37 | 49 | 52 |
| XTO Energy Inc. | XTO | B | 28.06 | 19.16 | 0.25 | 46 | 58 |
| Canadian Oil Sands Trust (US\$) | COSWF | B | 32.61 | 24.12 | 0.13 | 35 | 51 |
| ConocoPhillips | COP | B | 63.45 | 48.58 | 0.36 | 31 | 32 |
| Burlington Resources | BR | B | 55.70 | 42.77 | 0.27 | 30 | 37 |
| ChevronTexaco Corporation | CVX | B | 83.35 | 66.91 | 0.17 | 25 | 34 |
| Encana Corporation | ECA | B | 38.27 | 31.17 | 0.26 | 23 | 28 |
| Energy Partners Ltd.(30%) | EPL | B | 13.85 | 11.42 | 0.38 | 21 | 22 |
| Royal Dutch/Shell | RD | B | 50.94 | 44.12 | 0.15 | 15 | 22 |
| | <i>Median</i> | | | | <i>0.21</i> | <i>33</i> | <i>44</i> |
| S&P 500 | | | 1,093 | 890 | 0.40 | 23 | 23 |
| Euro | | | 1.24 | 1.04 | | 20 | |
| Sell Recommendations | | | | | | | |
| Gulferra Energy Partners | GTM | S | 41.70 | 28.15 | 0.64 | 48 | 29 |
| Kinder Morgan, Inc. | KMI | S | 57.71 | 42.08 | 0.87 | 37 | 8 |
| Kinder Morgan Energy Partners, L.P. | KMP | S | 46.91 | 35.15 | 0.47 | 33 | 29 |
| Kinder Morgan Management, LLC | KMR | S | 41.10 | 31.79 | 0.47 | 29 | 26 |
| Enbridge Energy Management, L.L.C | EEQ | S | 47.83 | 37.25 | 0.64 | 28 | 17 |
| Enbridge Energy Partners, L.P. | EEP | S | 49.90 | 42.56 | 0.64 | 17 | 10 |
| | <i>Median</i> | | | | <i>0.64</i> | <i>31</i> | <i>21</i> |

Historical 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

December 23, 2003

Cast a Wide Net, Differentiate by Value and Neutralize Leverage

Our best stocks last year came from two groups that hardly any other U.S. research sources cover. The Chinese stocks, PTR and CEO, appreciated handsomely and we would be the first to agree that their performance exceeded our immediate expectations. The royalty trusts, represented here by SJT, also did better than operating companies typically. At least in the past year it was rewarding to cast a wide net in looking for investment ideas.

The McDep Ratio worked for another year. Not only does the McDep Ratio differentiate by value, it measures unlevered value before the application of debt. Thus, when measuring whether the McDep Ratio anticipates differences in performance potential, we should look at unlevered performance. On that basis we say the McDep Ratio worked because low McDep Ratio buy recommendations outperformed high McDep Ratio sell recommendations.

We also advocate that portfolio positions be judged, or managed, on an unlevered basis. In simple terms, that means an investor should own more of a low debt stock and less of a high debt stock. That neutralizes the distorting effect of financial leverage on stock performance.

Conversely if a high debt stock and a low debt stock have the same price performance on a levered basis as the popular media express it, the low debt stock really did better on an unlevered basis. In a portfolio that would also be true if investors owned more of low debt stocks.

In the table on the previous page we adjust stock price performance for the financial leverage of the typical stock at a ratio of debt ratio of 0.40. For the median buy recommendation with a ratio of debt of 0.21, the debt adjusted return is higher. For the median sell recommendation with a ratio of debt of 0.64, the debt-adjusted return is lower.

In a way the performance of buy and sell recommendations may be well received all around. Owners of sell recommendations are pleased that their stocks went up and seem oblivious to the high risk. Owners of buy recommendations did at least as well while assuming less risk. Moreover, the continuing high McDep Ratios of sell recommendations may be indicative of more potential for lower McDep Ratio stocks. Everybody is happy!

Kurt H. Wulff, CFA

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A Weekly Analysis of Energy Stocks Using the McDep Ratio

December 23, 2003

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

| | Symbol/ Rating | Price (\$/sh) 22-Dec 2003 | Shares (mm) | Market Cap (\$mm) | Net Present Value (\$/sh) | Debt/ Present Value | McDep Ratio |
|--|-------------------|------------------------------------|----------------|-------------------------|------------------------------------|---------------------------|----------------|
| Mega Cap | | | | | | | |
| Exxon Mobil Corporation | XOM | 39.47 | 6,652 | 263,000 | 35.00 | 0.10 | 1.12 |
| Total S.A. | TOT | 89.86 | 1,261 | 113,300 | 85.00 | 0.19 | 1.05 |
| BP plc | BP | 48.40 | 3,682 | 178,000 | 50.00 | 0.15 | 0.97 |
| Royal Dutch/Shell | RD B | 50.94 | 3,473 | 177,000 | 55.00 | 0.18 | 0.94 |
| ChevronTexaco Corporation | CVX B | 83.35 | 1,064 | 88,700 | 95.00 | 0.20 | 0.90 |
| <i>Total or Median</i> | | | | 820,000 | | 0.18 | 0.97 |
| Producer/Refiners - Large Cap and Mid Cap | | | | | | | |
| Murphy Oil Corporation | MUR | 66.03 | 93 | 6,130 | 50.00 | 0.24 | 1.24 |
| Imperial Oil Limited (30%) | IMO | 43.49 | 111 | 4,830 | 36.00 | 0.14 | 1.18 |
| Petro-Canada | PCZ | 47.39 | 265 | 12,560 | 45.00 | 0.14 | 1.05 |
| ENI S.p.A. | E | 93.71 | 755 | 70,800 | 90.00 | 0.18 | 1.03 |
| PetroChina Company Ltd (10%) | PTR B | 50.46 | 176 | 8,870 | 50.00 | 0.11 | 1.01 |
| OAo Lukoil | LUKOY | 90.75 | 210 | 19,000 | 90.00 | 0.11 | 1.01 |
| Petroleo Brasileiro S. A. | PBR | 29.05 | 1,096 | 31,800 | 30.00 | 0.35 | 0.98 |
| Suncor Energy | SU | 24.21 | 475 | 11,500 | 25.00 | 0.15 | 0.97 |
| Valero Energy Corporation | VLO | 46.21 | 120 | 5,540 | 50.00 | 0.45 | 0.96 |
| Norsk Hydro ASA (49%) | NHY | 60.80 | 126 | 7,660 | 65.00 | 0.24 | 0.95 |
| ConocoPhillips | COP B | 63.45 | 680 | 43,200 | 70.00 | 0.38 | 0.94 |
| Marathon Oil Corporation | MRO B | 32.23 | 310 | 9,990 | 40.00 | 0.31 | 0.87 |
| <i>Total or Median</i> | | | | 232,000 | | 0.21 | 0.99 |
| Independent Natural Gas and Oil | | | | | | | |
| Pogo Producing Company | PPP | 48.27 | 64 | 3,090 | 42.00 | 0.12 | 1.13 |
| CNOOC Limited (19%) | CEO B | 43.99 | 78 | 3,430 | 40.00 | - | 1.10 |
| XTO Energy Inc. | XTO B | 28.06 | 186 | 5,230 | 26.00 | 0.24 | 1.06 |
| Apache Corporation | APA | 80.30 | 162 | 13,000 | 75.00 | 0.23 | 1.05 |
| Occidental Petroleum Corp. | OXY | 41.45 | 391 | 16,200 | 40.00 | 0.31 | 1.03 |
| Canadian Natural Resources Limited | CNQ | 49.41 | 137 | 6,770 | 55.00 | 0.40 | 0.94 |
| Unocal Corporation | UCL | 36.25 | 273 | 9,900 | 40.00 | 0.33 | 0.94 |
| Pioneer Natural Resources Company | PXD | 31.52 | 119 | 3,750 | 35.00 | 0.31 | 0.93 |
| Anadarko Petroleum Corp. | APC B | 50.66 | 251 | 12,700 | 60.00 | 0.31 | 0.89 |
| Burlington Resources | BR B | 55.70 | 201 | 11,200 | 65.00 | 0.25 | 0.89 |
| Encana Corporation | ECA B | 38.27 | 470 | 18,000 | 45.00 | 0.22 | 0.88 |
| Devon Energy | DVN | 56.25 | 241 | 13,600 | 70.00 | 0.36 | 0.88 |
| <i>Total or Median</i> | | | | 117,000 | | 0.28 | 0.94 |
| Service | | | | | | | |
| Baker Hughes Inc. | BHI | 32.18 | 336 | 10,800 | 25.00 | 0.08 | 1.26 |
| Halliburton Company | HAL | 26.99 | 435 | 11,700 | 22.00 | 0.33 | 1.15 |
| Schlumberger Ltd. | SLB | 54.65 | 585 | 32,000 | 50.00 | 0.19 | 1.08 |
| <i>Total or Median</i> | | | | 55,000 | | 0.19 | 1.15 |

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

| | Symbol/ Rating | Price (\$/sh) 22-Dec 2003 | EV/ Sales NTM | EV/ Ebitda NTM | P/E NTM | Dividend or Distribution NTM (%) | PV/ Ebitda NTM | |
|--|-------------------|------------------------------------|---------------------|----------------------|-------------|---|----------------------|------------|
| Mega Cap | | | | | | | | |
| Total S.A. | TOT | 89.86 | 1.2 | 8.6 | 18 | 3.9 | 8.2 | |
| Exxon Mobil Corporation | XOM | 39.47 | 1.2 | 8.3 | 16 | 2.5 | 7.5 | |
| BP plc | BP | 48.40 | 0.9 | 8.0 | 18 | 3.2 | 8.2 | |
| Royal Dutch/Shell | RD | B | 50.94 | 1.1 | 7.4 | 18 | 4.0 | 7.9 |
| ChevronTexaco Corporation | CVX | B | 83.35 | 0.9 | 6.4 | 12 | 3.5 | 7.1 |
| | <i>Median</i> | | | <i>1.1</i> | <i>8.0</i> | <i>18</i> | <i>3.5</i> | <i>7.9</i> |
| Producer/Refiners - Large Cap and Mid Cap | | | | | | | | |
| Murphy Oil Corporation | MUR | 66.03 | 1.8 | 9.3 | 27 | 1.2 | 7.5 | |
| Imperial Oil Limited (30%) | IMO | 43.49 | 1.3 | 9.2 | 20 | 1.5 | 7.8 | |
| Suncor Energy | SU | 24.21 | 2.8 | 8.4 | 17 | 0.6 | 8.6 | |
| Valero Energy Corporation | VLO | 46.21 | 0.3 | 7.5 | 13 | 1.0 | 7.9 | |
| ConocoPhillips | COP | B | 63.45 | 0.7 | 6.7 | 11 | 2.7 | 7.1 |
| OAOLukoil | LUKOY | 90.75 | 1.1 | 6.7 | 14 | 2.8 | 6.6 | |
| ENI S.p.A. | E | 93.71 | 1.6 | 6.1 | 13 | 4.7 | 5.9 | |
| Marathon Oil Corporation | MRO | B | 32.23 | 0.4 | 5.8 | 13 | 3.1 | 6.7 |
| Petro-Canada | PCZ | 47.39 | 1.7 | 5.4 | 18 | 0.6 | 5.1 | |
| PetroChina Company Ltd (10%) | PTR | B | 50.46 | 3.0 | 5.3 | 11 | 4.0 | 5.3 |
| Norsk Hydro ASA (49%) | NHY | 60.80 | 0.9 | 5.0 | 15 | 2.4 | 5.3 | |
| Petroleo Brasileiro S. A. | PBR | 29.05 | 1.7 | 4.6 | 6 | 3.5 | 4.7 | |
| | <i>Median</i> | | | <i>1.5</i> | <i>6.4</i> | <i>13</i> | <i>2.5</i> | <i>6.7</i> |
| Independent Natural Gas and Oil | | | | | | | | |
| CNOOC Limited (19%) | CEO | B | 43.99 | 5.6 | 7.3 | 15 | 3.6 | 6.6 |
| XTO Energy Inc. | XTO | B | 28.06 | 5.0 | 6.9 | 13 | 0.1 | 6.5 |
| Burlington Resources | BR | B | 55.70 | 4.1 | 6.0 | 15 | 1.1 | 6.8 |
| Unocal Corporation | UCL | 36.25 | 2.6 | 5.8 | 15 | 2.2 | 6.2 | |
| Pioneer Natural Resources Company | PXD | 31.52 | 4.4 | 5.8 | 17 | - | 6.2 | |
| Occidental Petroleum Corp. | OXY | 41.45 | 2.6 | 5.8 | 10 | 2.5 | 5.6 | |
| Apache Corporation | APA | 80.30 | 3.9 | 5.7 | 13 | 0.6 | 5.4 | |
| Encana Corporation | ECA | B | 38.27 | 2.6 | 5.6 | 16 | 0.8 | 6.4 |
| Anadarko Petroleum Corp. | APC | B | 50.66 | 3.9 | 5.6 | 11 | 1.1 | 6.3 |
| Canadian Natural Resources Limited | CNQ | 49.41 | 3.6 | 5.2 | 14 | 0.9 | 5.5 | |
| Devon Energy | DVN | 56.25 | 3.1 | 4.8 | 9 | - | 5.5 | |
| Pogo Producing Company | PPP | 48.27 | 3.3 | 4.8 | 13 | 0.4 | 4.2 | |
| | <i>Median</i> | | | <i>3.7</i> | <i>5.8</i> | <i>14</i> | <i>0.9</i> | <i>6.2</i> |
| Service | | | | | | | | |
| Halliburton Company | HAL | 26.99 | 1.0 | 11.8 | 24 | 1.9 | 10.3 | |
| Baker Hughes Inc. | BHI | 32.18 | 2.2 | 11.7 | 30 | 1.4 | 9.3 | |
| Schlumberger Ltd. | SLB | 54.65 | 2.8 | 9.9 | 33 | 1.4 | 9.2 | |
| | <i>Median</i> | | | <i>2.2</i> | <i>11.7</i> | <i>30</i> | <i>1.4</i> | <i>9.3</i> |

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

December 23, 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) 22-Dec 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 | 20.16 | 832 | 16,800 | 16.00 | 0.69 | 1.08 |
| Southern Company | SO | 30.16 | 696 | 21,000 | 28.00 | 0.43 | 1.04 |
| Exelon Corporation | EXC | 64.49 | 325 | 21,000 | 65.00 | 0.51 | 1.00 |
| Enel S.p.a. (32%) | EN | 33.75 | 388 | 13,100 | 37.00 | 0.40 | 0.95 |
| American Electric Power Co. Inc. | AEP | 29.93 | 348 | 10,400 | 35.00 | 0.60 | 0.94 |
| Dominion Resources | D | 63.07 | 294 | 18,500 | 76.00 | 0.44 | 0.90 |
| | <i>Total or Median</i> | | | <i>100,800</i> | | <i>0.47</i> | <i>0.97</i> |
| Mid Cap Pipeline and Power | | | | | | | |
| Kinder Morgan Energy Partners, L.P. | KMP S | 46.91 | 140 | 6,570 | 14.00 | 0.46 | 2.27 |
| Kinder Morgan Management, LLC | KMR S | 41.10 | 48 | 1,960 | 14.00 | 0.46 | 2.04 |
| Kinder Morgan, Inc. | KMI S | 57.71 | 124 | 7,180 | 14.00 | 0.80 | 1.63 |
| Williams Companies | WMB | 9.90 | 518 | 5,130 | 1.00 | 0.97 | 1.28 |
| Constellation Energy Group | CEG | 38.49 | 164 | 6,310 | 25.00 | 0.61 | 1.21 |
| AES Corporation | AES | 8.78 | 558 | 4,900 | 1.00 | 0.98 | 1.15 |
| Dynegy Inc. | DYN | 4.14 | 418 | 1,730 | 1.00 | 0.97 | 1.10 |
| Calpine Corporation | CPN | 4.78 | 381 | 1,820 | 1.00 | 0.98 | 1.09 |
| CMS Energy Corporation | CMS | 8.33 | 139 | 1,160 | 5.00 | 0.93 | 1.05 |
| Sempra Energy | SRE | 29.75 | 206 | 6,130 | 30.00 | 0.59 | 1.00 |
| El Paso Corporation | EP | 8.02 | 589 | 4,700 | 10.00 | 0.79 | 0.96 |
| | <i>Total or Median</i> | | | <i>47,590</i> | | <i>0.80</i> | <i>1.15</i> |
| Small Cap Pipeline | | | | | | | |
| Enterprise Products Part (44%) | EPD | 24.03 | 96 | 2,300 | 8.50 | 0.49 | 1.94 |
| Gulfterra Energy Partners | GTM S | 41.70 | 66 | 2,740 | 17.30 | 0.48 | 1.73 |
| Enbridge Energy Partners, L.P. | EEP S | 49.90 | 39 | 1,950 | 19.00 | 0.57 | 1.70 |
| Enbridge Energy Management, L.L.C | EEQ S | 47.83 | 10 | 470 | 19.00 | 0.57 | 1.64 |
| Plains All Amer. Pipeline, L.P. | PAA | 32.04 | 50 | 1,600 | 15.00 | 0.44 | 1.63 |
| TEPPCO Partners, L.P. | TPP | 40.21 | 58 | 2,330 | 18.00 | 0.52 | 1.59 |
| Magellan Midstream Partners, L.P. | MMP | 49.60 | 27 | 1,350 | 29.00 | 0.38 | 1.44 |
| Northern Border Partners | NBP | 38.72 | 47 | 1,800 | 20.00 | 0.62 | 1.36 |
| AmeriGas Partners, L.P. | APU | 27.75 | 52 | 1,450 | 20.00 | 0.46 | 1.21 |
| Western Gas Resources | WGR | 47.23 | 37 | 1,750 | 40.00 | 0.20 | 1.15 |
| | <i>Total or Median</i> | | | <i>17,740</i> | | <i>0.48</i> | <i>1.61</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

December 23, 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) 22-Dec 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 | | | | | | | | |
| Spinnaker Exploration Company | SKE | 31.94 | 33.9 | 1,080 | 25.00 | 0.09 | 1.25 | |
| Southwestern Energy Company | SWN | 22.55 | 36.0 | 810 | 17.00 | 0.33 | 1.22 | |
| Energy Partners Ltd. | EPL | B | 13.85 | 38.6 | 534 | 12.00 | 0.22 | 1.12 |
| Newfield Exploration Company | NFX | 44.28 | 51.7 | 2,290 | 40.00 | 0.31 | 1.07 | |
| Westport Resources Corporation | WRC | 29.40 | 68.0 | 2,000 | 30.00 | 0.28 | 0.99 | |
| Cimarex Energy Company | XEC | B | 26.49 | 42.0 | 1,110 | 27.00 | 0.00 | 0.98 |
| Chesapeake Energy Corporation | CHK | 13.01 | 220 | 2,860 | 14.00 | 0.41 | 0.96 | |
| Denbury Resources Inc. | DNR | 13.50 | 55.7 | 750 | 15.00 | 0.31 | 0.93 | |
| Stone Energy Company | SGY | 41.53 | 26.5 | 1,100 | 46.00 | 0.27 | 0.93 | |
| Forest Oil Corporation | FST | 29.00 | 48.2 | 1,400 | 35.00 | 0.33 | 0.88 | |
| Range Resources Corporation | RRC | 9.63 | 57.0 | 550 | 12.00 | 0.37 | 0.87 | |
| The Houston Exploraton Company | THX | 36.70 | 31.0 | 1,140 | 45.00 | 0.16 | 0.85 | |
| St. Mary Land and Exploration Company | SM | 28.40 | 29.0 | 820 | 35.00 | 0.14 | 0.84 | |
| <i>Total or Median</i> | | | | <i>16,400</i> | | <i>0.28</i> | <i>0.96</i> | |
| Long Life | | | | | | | | |
| Ultra Petroleum Corp. | UPL | 23.60 | 78.0 | 1,840 | 13.00 | 0.10 | 1.74 | |
| Unit Corporation | UNT | 24.13 | 43.7 | 1,050 | 18.00 | 0.02 | 1.33 | |
| Quicksilver Resources Inc. | KWK | 32.48 | 20.4 | 660 | 25.00 | 0.35 | 1.19 | |
| Penn Virginia Corporation | PVA | 55.85 | 9.1 | 510 | 45.00 | 0.21 | 1.19 | |
| Evergreen Resources, Inc. | EVG | 32.53 | 44.0 | 1,430 | 30.00 | 0.16 | 1.07 | |
| Swift Energy Company | SFY | 17.02 | 27.4 | 470 | 16.00 | 0.45 | 1.03 | |
| Berry Petroleum Company | BRY | 20.40 | 22.1 | 451 | 20.00 | 0.13 | 1.02 | |
| Encore Acquisition Corp. | EAC | B | 24.19 | 30.3 | 734 | 24.00 | 0.17 | 1.01 |
| Magnum Hunter Resources, Inc. | MHR | 9.53 | 69.0 | 660 | 11.00 | 0.45 | 0.93 | |
| Vintage Petroleum, Inc. | VPI | 12.74 | 63.0 | 800 | 20.00 | 0.39 | 0.78 | |
| <i>Total or Median</i> | | | | <i>8,600</i> | | <i>0.19</i> | <i>1.05</i> | |
| Micro Cap | | | | | | | | |
| Abraxas Petroleum Corporation | ABP | 1.24 | 35.8 | 44 | 1.00 | 0.84 | 1.04 | |
| Purcell Energy, Ltd. (US\$) | PEL.TO | 1.96 | 48.0 | 94 | 2.80 | 0.28 | 0.78 | |

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

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

| | | | Price (\$/sh) | EV/ Sales | EV/ Ebitda | P/E | Dividend or Distribution | PV/ Ebitda |
|---------------------------------------|---------------|----------------|------------------|--------------|---------------|-----|-----------------------------|---------------|
| Symbol/ Rating | | 22-Dec 2003 | NTM | NTM | NTM | NTM | (%) | NTM |
| Short Life | | | | | | | | |
| Southwestern Energy Company | SWN | 22.55 | 3.4 | 6.2 | 12 | - | | 5.1 |
| Forest Oil Corporation | FST | 29.00 | 3.7 | 5.7 | 15 | - | | 6.4 |
| Spinnaker Exploration Company | SKE | 31.94 | 4.8 | 5.4 | 17 | - | | 4.4 |
| Energy Partners Ltd. | EPL | 13.85 | 3.0 | 4.9 | 24 | - | | 4.4 |
| Denbury Resources Inc. | DNR | 13.50 | 3.1 | 4.5 | 8 | - | | 4.9 |
| Chesapeake Energy Corporation | CHK | 13.01 | 3.5 | 4.5 | 9 | 0.9 | | 4.7 |
| Cimarex Energy Company | XEC | 26.49 | 3.3 | 4.4 | 11 | - | | 4.4 |
| Westport Resources Corporation | WRC | 29.40 | 3.2 | 4.2 | 11 | - | | 4.3 |
| Range Resources Corporation | RRC | 9.63 | 3.2 | 4.1 | 8 | 0.4 | | 4.7 |
| St. Mary Land and Exploration Company | SM | 28.40 | 2.7 | 4.1 | 12 | 0.4 | | 4.9 |
| Stone Energy Company | SGY | 41.53 | 2.9 | 3.9 | 8 | - | | 4.2 |
| Newfield Exploration Company | NFX | 44.28 | 2.9 | 3.8 | 7 | - | | 3.5 |
| The Houston Exploraton Company | THX | 36.70 | 2.8 | 3.4 | 8 | - | | 4.0 |
| | <i>Median</i> | | 3.2 | 4.4 | 11 | - | | 4.4 |
| Long Life | | | | | | | | |
| Ultra Petroleum Corp. | UPL | 23.60 | 13.1 | 17.2 | 30 | - | | 9.9 |
| Berry Petroleum Company | BRY | 20.40 | 3.9 | 8.9 | 19 | 2.2 | | 8.7 |
| Quicksilver Resources Inc. | KWK | 32.48 | 5.3 | 7.7 | 14 | - | | 6.4 |
| Unit Corporation | UNT | 24.13 | 3.3 | 7.6 | 18 | - | | 5.7 |
| Evergreen Resources, Inc. | EVG | 32.53 | 5.5 | 7.5 | 12 | - | | 7.0 |
| Penn Virginia Corporation | PVA | 55.85 | 3.6 | 6.5 | 15 | 1.6 | | 5.4 |
| Swift Energy Company | SFY | 17.02 | 4.0 | 6.1 | 17 | - | | 5.9 |
| Magnum Hunter Resources, Inc. | MHR | 9.53 | 3.4 | 5.7 | 13 | - | | 6.1 |
| Encore Acquisition Corp. | EAC | 24.19 | 3.7 | 5.2 | 10 | - | | 5.2 |
| Vintage Petroleum, Inc. | VPI | 12.74 | 2.4 | 4.2 | 11 | 1.4 | | 5.4 |
| | <i>Median</i> | | 3.8 | 7.0 | 15 | - | | 6.0 |
| Micro Cap | | | | | | | | |
| Abraxas Petroleum Corporation | ABP | 1.24 | 7.5 | 12.6 | | - | | 12.1 |
| Purcell Energy, Ltd. (US\$) | PEL.TO | 1.96 | 3.8 | 5.3 | 12 | - | | 6.8 |

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

Historical 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.