

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

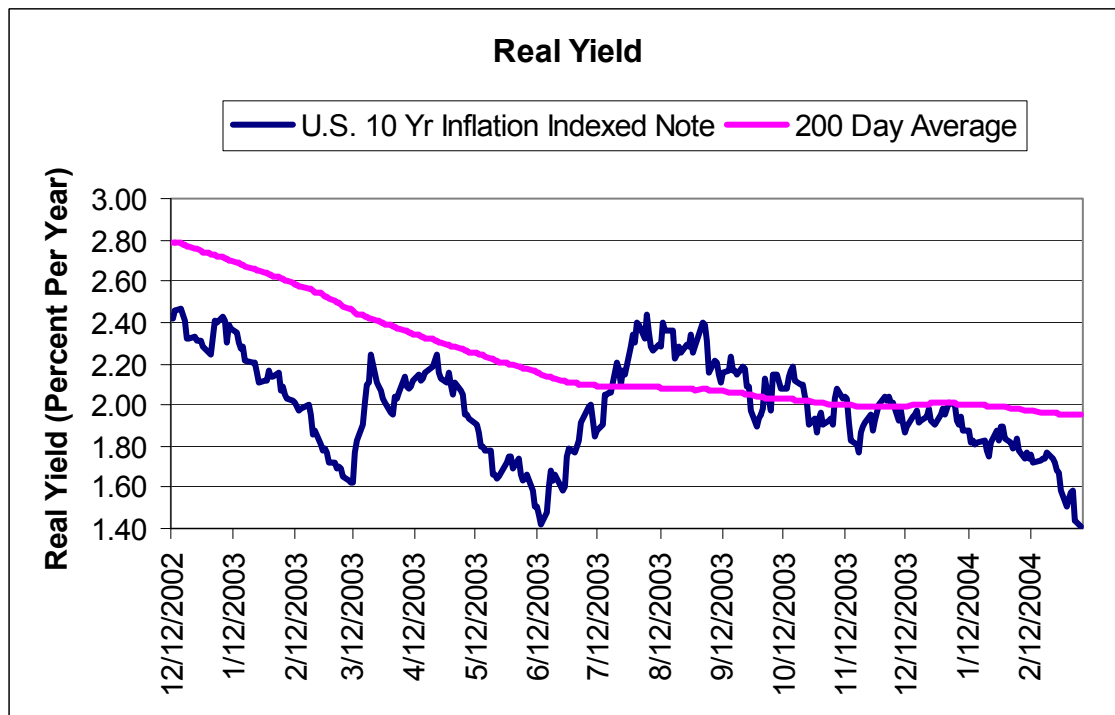
March 9, 2004

New High for TIPS

Summary and Recommendation

The real yield on the Ten-Year Treasury Inflation Protection Security set a new low on March 8 at 1.41% per year (see Chart). Strong demand for such a conservative investment implies tough prospects for real dollar growth elsewhere. As a result, free money may be with us longer as our policy makers attempt to keep the economy advancing. U.S. demand for imports in turn stimulates growth in developing countries that are rapidly increasing their energy consumption. Energy producers can thrive on slow growth with more inflation here and on more rapid growth overseas. In our companion weekly analysis, *Energy Income Producers*, we describe a special opportunity in **Canadian Oil Sands Trust (COSWF, COS.UN)**.

Kurt H. Wulff, CFA



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

	Symbol/ Rating	Price (\$/sh) 8-Mar 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap							
Exxon Mobil Corporation	XOM	42.56	6,612	281,000	43.00	0.08	0.99
Total S.A.	TOT	93.18	1,251	116,600	105.00	0.17	0.91
Royal Dutch/Shell	RD B	50.44	3,389	171,000	60.00	0.18	0.87
ChevronTexaco Corporation	CVX B	90.70	1,064	96,500	110.00	0.17	0.85
BP plc	BP	49.94	3,684	184,000	60.00	0.13	0.85
	<i>Total or Median</i>			<i>849,000</i>		<i>0.17</i>	<i>0.87</i>
Producer/Refiners - Large Cap and Mid Cap							
Kinder Morgan, Inc.	KMI S	62.48	124	7,750	14.00	0.80	1.68
Imperial Oil Limited (30%)	IMO	46.46	111	5,160	43.00	0.12	1.07
Valero Energy Corporation	VLO	60.81	120	7,290	55.00	0.42	1.06
Murphy Oil Corporation	MUR	65.78	93	6,100	62.00	0.20	1.05
Marathon Oil Corporation	MRO	35.50	311	11,030	37.00	0.32	0.97
ENI S.p.A.	E	100.71	755	76,100	108.00	0.17	0.94
Suncor Energy	SU	27.90	475	13,250	30.00	0.13	0.94
Petroleo Brasileiro S. A.	PBR	33.15	1,096	36,300	40.00	0.28	0.88
Petro-Canada	PCZ	45.95	265	12,180	54.00	0.12	0.87
ConocoPhillips	COP B	70.62	680	48,100	88.00	0.33	0.87
Lukoil Oil Company	LUKOY B	117.30	211	25,000	140.00	0.07	0.85
PetroChina Company Ltd (10%)	PTR B	53.42	176	9,390	65.00	0.09	0.84
Norsk Hydro ASA	NHY B	74.08	257	19,020	95.00	0.17	0.82
	<i>Total or Median</i>			<i>277,000</i>		<i>0.17</i>	<i>0.94</i>
Independent Natural Gas and Oil							
XTO Energy Inc.	XTO B	31.87	188	5,990	33.00	0.19	0.97
Occidental Petroleum Corp.	OXY	46.41	396	18,400	50.00	0.26	0.95
Pogo Producing Company	PPP	46.50	64	2,980	50.00	0.10	0.94
Apache Corporation	APA	42.40	324	13,700	47.00	0.19	0.92
CNOOC Limited (19%)	CEO B	42.45	78	3,310	48.00	-	0.88
Canadian Natural Resources Limited	CNQ	57.05	137	7,820	72.00	0.34	0.86
Burlington Resources	BR B	61.43	198	12,200	80.00	0.21	0.82
Encana Corporation	ECA B	43.19	472	20,400	56.00	0.20	0.82
Pioneer Natural Resources Company	PXD	33.85	119	4,030	45.00	0.26	0.82
Unocal Corporation	UCL	38.57	273	10,500	52.00	0.28	0.81
Anadarko Petroleum Corp.	APC B	52.50	252	13,200	76.00	0.25	0.77
Devon Energy	DVN	57.90	242	14,000	90.00	0.30	0.75
	<i>Total or Median</i>			<i>127,000</i>		<i>0.23</i>	<i>0.84</i>
Service							
Baker Hughes Inc.	BHI	37.28	336	12,500	30.00	0.07	1.22
Halliburton Company	HAL	31.61	435	13,800	28.00	0.28	1.10
Schlumberger Ltd.	SLB	65.13	585	38,100	60.00	0.17	1.07
	<i>Total or Median</i>			<i>64,000</i>		<i>0.17</i>	<i>1.10</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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Table 2-1
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-Mar 2004</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	36.32	33.9	1,230	28.00	0.08	1.27	
Southwestern Energy Company	SWN	23.17	36.0	830	21.00	0.28	1.07	
Western Gas Resources	WGR	51.00	37.0	1,890	50.00	0.17	1.02	
Energy Partners Ltd.	EPL	14.20	37.4	531	15.00	0.19	0.96	
Newfield Exploration Company	NFX	47.99	56.0	2,690	52.00	0.24	0.94	
PetroKazakhstan Inc.	PKZ	31.15	81.0	2,520	35.00	0.04	0.89	
Stone Energy Company	SGY	48.78	26.6	1,300	58.00	0.23	0.88	
Range Resources Corporation	RRC	11.52	57.0	660	15.00	0.32	0.84	
Westport Resources Corporation	WRC	32.99	68.0	2,240	42.00	0.22	0.83	
Denbury Resources Inc.	DNR	15.32	55.7	850	20.00	0.25	0.83	
Chesapeake Energy Corporation	CHK	13.00	220	2,860	18.00	0.35	0.82	
Cimarex Energy Company	XEC	B	28.60	42.7	1,220	35.00	0.00	0.82
The Houston Exploraton Company	THX		41.81	31.0	1,300	55.00	0.20	0.81
St. Mary Land and Exploration Company	SM		33.30	29.0	970	43.00	0.12	0.80
Forest Oil Corporation	FST		26.54	49.0	1,300	45.00	0.30	0.71
			<i>Total or Median</i>		<i>22,400</i>	<i>0.22</i>	<i>0.84</i>	
Long Life								
Ultra Petroleum Corp.	UPL	29.72	78.0	2,320	16.00	0.08	1.79	
Unit Corporation	UNT	26.73	43.7	1,170	22.00	0.02	1.21	
Quicksilver Resources Inc.	KWK	39.06	23.0	900	37.00	0.25	1.04	
Penn Virginia Corporation	PVA	58.00	9.1	530	56.00	0.17	1.03	
Swift Energy Company	SFY	19.59	27.4	540	22.00	0.37	0.93	
Whiting Petroleum Corporation	WLL	22.57	18.7	420	25.00	0.27	0.93	
Encore Acquisition Corp.	EAC	B	28.45	30.5	867	33.00	0.24	0.90
Berry Petroleum Company	BRY	B	24.92	22.1	551	30.00	0.09	0.85
Evergreen Resources, Inc.	EVG		33.47	44.0	1,470	42.00	0.12	0.82
Magnum Hunter Resources, Inc.	MHR		10.03	68.0	680	15.00	0.38	0.80
Vintage Petroleum, Inc.	VPI		15.36	63.0	970	27.00	0.32	0.71
			<i>Total or Median</i>		<i>10,400</i>	<i>0.24</i>	<i>0.93</i>	
Micro Cap								
Abraxas Petroleum Corporation	ABP	3.09	35.8	111	1.00	0.84	1.34	
Purcell Energy, Ltd. (US\$)	PEL.TO	1.99	48.0	95	2.80	0.27	0.79	

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