

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

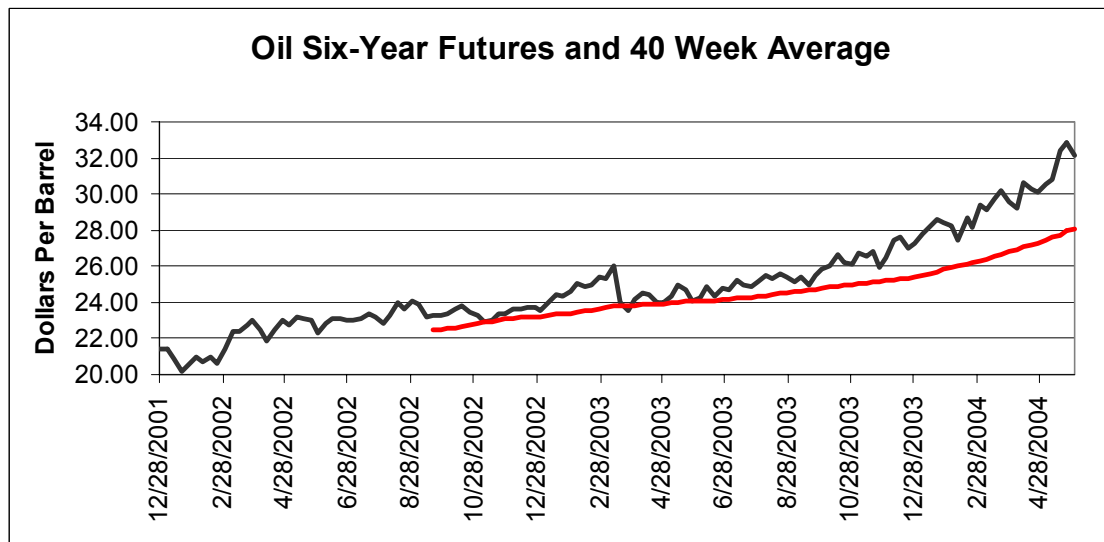
June 1, 2004

The Saudi Arabian Revolution

Summary and Recommendation

Escalating violence in Saudi Arabia, the largest owner of oil reserves, raises the odds on a permanent shift to higher oil price. Precipitated by the Iranian revolution in 1979, crude oil price and stock price of the median integrated oil company approximately tripled in two years. That would imply \$93 a barrel or \$2.20 a gallon for crude oil compared to \$31 a barrel or \$0.74 a gallon last year. Though a recession ensued initially, the 18-year bull market began soon thereafter. Buy recommendations include U.S. oil and gas producers like **Anadarko (APC)** and **Encore Acquisition (EAC)** as well as non-U.S. stocks like **Norsk Hydro (NHY)** and **Lukoil (LUKOY)**.

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) 28-May 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B3	43.25	6,582	285,000	43.00	0.09	1.01
BP plc	BP	B3	53.00	3,681	195,000	60.00	0.13	0.90
Shell Transport and Trading Co. plc	SC	B3	43.78	1,587	70,000	51.30	0.18	0.88
Royal Dutch Petroleum	RD	B1	50.09	2,033	102,000	60.00	0.18	0.86
Total S.A.	TOT	B3	94.08	1,246	117,200	113.00	0.16	0.86
ChevronTexaco Corporation	CVX	B1	90.40	1,066	96,400	125.00	0.14	0.76
<i>Total or Median</i>					866,000		0.15	0.87
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	60.00	124	7,440	14.00	0.80	1.64
Valero Energy Corporation	VLO		66.11	121	7,980	55.00	0.43	1.12
Murphy Oil Corporation	MUR		65.26	93	6,060	62.00	0.20	1.04
Marathon Oil Corporation	MRO	B3	33.34	345	11,510	41.00	0.30	0.87
Imperial Oil Limited (30%)	IMO	B3	43.93	109	4,770	52.00	0.10	0.86
ConocoPhillips	COP	B1	73.33	680	49,900	110.00	0.28	0.76
ENI S.p.A.	E		101.53	755	76,700	150.00	0.12	0.72
Suncor Energy	SU	B3	23.65	465	11,000	38.00	0.14	0.67
Petro-Canada	PCZ	B3	43.30	266	11,520	68.00	0.10	0.67
Norsk Hydro ASA	NHY	B1	61.90	256	15,830	120.00	0.12	0.58
PetroChina Company Ltd (10%)	PTR	B2	47.50	176	8,350	88.00	0.07	0.57
Lukoil Oil Company	LUKOY	B2	110.00	211	23,000	208.00	0.05	0.55
Petroleo Brasileiro S. A.	PBR		26.10	1,096	28,600	65.00	0.20	0.52
<i>Total or Median</i>					263,000		0.14	0.72
Independent Natural Gas and Oil								
CNOOC Limited (19%)	CEO	B2	42.96	78	3,360	55.00	-	0.78
Unocal Corporation	UCL	B3	35.63	276	9,800	54.00	0.26	0.75
XTO Energy Inc.	XTO	B1	25.25	236	5,960	38.00	0.16	0.72
Canadian Natural Resources Limited	CNQ		51.97	137	7,120	88.00	0.29	0.71
Encana Corporation	ECA	B1	39.35	472	18,600	63.00	0.20	0.70
Apache Corporation	APA		40.36	324	13,100	64.00	0.15	0.69
Pogo Producing Company	PPP		45.48	64	2,910	70.00	0.07	0.68
Anadarko Petroleum Corp.	APC	B1	54.52	252	13,700	94.00	0.21	0.67
Occidental Petroleum Corp.	OXY	B3	44.20	397	17,600	75.00	0.19	0.67
Devon Energy	DVN	B3	59.36	247	14,700	110.00	0.24	0.65
Burlington Resources	BR	B1	66.94	198	13,300	115.00	0.15	0.65
Pioneer Natural Resources Company	PXD		30.95	119	3,680	57.00	0.22	0.64
<i>Total or Median</i>					124,000		0.19	0.68

B1 = Buy full unlevered position, B2 = Buy half unlevered position, B3 = Alternative buy

S2 = Short half unlevered position

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

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June 1, 2004

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

	Symbol/ Rating	Price (\$/sh) 28-May 2004	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	PV/ Ebitda NTM	
Mega Cap								
Exxon Mobil Corporation	XOM	B3	43.25	1.1	6.5	12	2.3	6.5
Total S.A.	TOT	B3	94.08	1.0	5.5	9	3.0	6.3
BP plc	BP	B3	53.00	0.8	5.3	10	3.1	5.9
Shell Transport and Trading Co. plc	SC	B3	43.78	0.9	5.0	15	4.1	5.7
Royal Dutch Petroleum	RD	B1	50.09	0.9	4.9	14	4.2	5.7
ChevronTexaco Corporation	CVX	B1	90.40	0.9	4.7	7	3.2	6.1
	<i>Median</i>			<i>0.9</i>	<i>5.1</i>	<i>11</i>	<i>3.1</i>	<i>6.0</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	60.00	2.9	12.9	18	2.7	7.8
Suncor Energy	SU	B3	23.65	2.4	7.1	13	0.7	10.6
Murphy Oil Corporation	MUR		65.26	1.3	6.2	12	1.2	5.9
Valero Energy Corporation	VLO		66.11	0.3	5.4	7	0.7	4.8
Imperial Oil Limited (30%)	IMO	B3	43.93	1.2	5.3	9	1.4	6.2
ConocoPhillips	COP	B1	73.33	0.7	4.9	7	2.3	6.5
Marathon Oil Corporation	MRO	B3	33.34	0.4	4.9	9	3.0	5.6
ENI S.p.A.	E		101.53	1.5	4.3	8	4.5	6.0
PetroChina Company Ltd (10%)	PTR	B2	47.50	2.1	4.0	7	4.5	6.9
Norsk Hydro ASA	NHY	B1	61.90	0.9	3.4	7	2.6	5.9
Petro-Canada	PCZ	B3	43.30	1.3	3.2	6	1.0	4.7
Petroleo Brasileiro S. A.	PBR		26.10	1.3	2.8	3	3.9	5.4
Lukoil Oil Company	LUKOY	B2	110.00	0.9	2.6	4	2.3	4.7
	<i>Median</i>			<i>1.3</i>	<i>4.9</i>	<i>7</i>	<i>2.3</i>	<i>5.9</i>
Independent Natural Gas and Oil								
CNOOC Limited (19%)	CEO	B2	42.96	4.4	5.7	11	3.7	7.3
XTO Energy Inc.	XTO	B1	25.25	4.1	5.4	9	0.2	7.6
Anadarko Petroleum Corp.	APC	B1	54.52	3.4	4.8	8	1.0	7.2
Pioneer Natural Resources Company	PXD		30.95	3.1	4.6	13	-	7.1
Occidental Petroleum Corp.	OXY	B3	44.20	2.2	4.4	7	2.5	6.6
Unocal Corporation	UCL	B3	35.63	1.8	4.4	8	2.2	5.9
Apache Corporation	APA		40.36	2.8	3.9	7	0.6	5.7
Burlington Resources	BR	B1	66.94	2.9	3.9	7	0.9	6.0
Encana Corporation	ECA	B1	39.35	2.0	3.8	7	1.0	5.4
Canadian Natural Resources Limited	CNQ		51.97	2.6	3.7	6	0.9	5.2
Devon Energy	DVN	B3	59.36	2.6	3.2	5	0.7	4.9
Pogo Producing Company	PPP		45.48	2.2	3.1	6	0.4	4.6
	<i>Median</i>			<i>2.7</i>	<i>4.1</i>	<i>7</i>	<i>0.9</i>	<i>5.9</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2005; P/E = Stock Price to Earnings; PV = 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

	Symbol/ Rating	Price (\$/sh) 28-May 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
Short Life								
Spinnaker Exploration Company	SKE	33.33	34.2	1,140	28.00	0.11	1.17	
Western Gas Resources	WGR	55.30	37.0	2,050	50.00	0.17	1.09	
Southwestern Energy Company	SWN	25.56	36.0	920	29.00	0.22	0.91	
The Houston Exploraton Company	THX	47.26	31.0	1,470	55.00	0.20	0.89	
Denbury Resources Inc.	DNR	18.40	55.7	1,030	25.00	0.21	0.79	
Cimarex Energy Company	XEC	B2	28.19	42.7	1,200	38.00	0.00	0.74
Newfield Exploration Company	NFX	49.75	56.6	2,820	73.00	0.17	0.74	
Stone Energy Company	SGY	44.90	26.6	1,190	72.00	0.20	0.70	
St. Mary Land and Exploration Company	SM	32.51	29.0	940	50.00	0.10	0.69	
Chesapeake Energy Corporation	CHK	13.20	220	2,900	24.00	0.29	0.68	
Westport Resources Corporation	WRC	34.60	68.0	2,350	57.00	0.17	0.67	
Energy Partners Ltd.	EPL	B3	13.27	37.7	500	22.00	0.14	0.66
PetroKazakhstan Inc.	PKZ	26.67	81.0	2,160	42.00	0.03	0.65	
Range Resources Corporation	RRC	11.87	57.0	680	24.00	0.26	0.63	
Forest Oil Corporation	FST	24.90	53.5	1,330	53.00	0.25	0.60	
		<i>Total or Median</i>		22,700		0.17	0.70	
Long Life								
Ultra Petroleum Corp.	UPL	30.65	78.0	2,390	25.00	0.06	1.21	
Unit Corporation	UNT	28.49	44.1	1,260	25.00	0.01	1.14	
Quicksilver Resources Inc.	KWK	48.82	25.2	1,230	50.00	0.19	0.98	
Penn Virginia Corporation	PVA	62.30	9.1	570	72.00	0.14	0.88	
Swift Energy Company	SFY	20.20	27.4	550	32.00	0.29	0.74	
Evergreen Resources, Inc.	EVG	37.85	44.0	1,670	59.00	0.10	0.68	
Whiting Petroleum Corporation	WLL	23.45	18.8	440	40.00	0.21	0.67	
Encore Acquisition Corp.	EAC	B2	28.10	30.6	859	47.00	0.18	0.67
Magnum Hunter Resources, Inc.	MHR	10.07	68.0	690	20.00	0.32	0.66	
Berry Petroleum Company	BRY	B2	27.25	22.3	608	43.00	0.07	0.66
Vintage Petroleum, Inc.	VPI	15.59	63.0	980	33.00	0.28	0.62	
		<i>Total or Median</i>		11,200		0.18	0.68	
Micro Cap								
Abraxas Petroleum Corporation	ABP	1.85	35.8	66	1.50	0.77	1.05	
Purcell Energy, Ltd. (US\$)	PEL.TO	2.05	48.0	99	2.80	0.27	0.81	

Buy (B) and Sell (S) rated stocks scheduled for quarterly single stock analyses.

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

Numeral after B or S signifies half position recommended(2) or alternative idea(3).

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		Price (\$/sh)	EV/ Sales	EV/ Ebitda	P/E	Divd or Distrib NTM (%)	PV/ Ebitda NTM
Symbol/ Rating	28-May 2004	NTM	NTM	NTM	NTM		
Short Life							
Western Gas Resources	WGR	55.30	0.9	9.3	19	-	8.5
Southwestern Energy Company	SWN	25.56	3.2	5.3	9	-	5.9
Spinnaker Exploration Company	SKE	33.33	4.1	4.7	11	-	4.0
Denbury Resources Inc.	DNR	18.40	3.0	4.5	8	-	5.6
Range Resources Corporation	RRC	11.87	3.3	4.1	7	0.3	6.6
Chesapeake Energy Corporation	CHK	13.20	2.8	4.0	7	0.9	5.9
Westport Resources Corporation	WRC	34.60	2.9	3.8	8	-	5.6
Cimarex Energy Company	XEC	B2 28.19	2.8	3.6	8	-	4.9
Stone Energy Company	SGY	44.90	2.7	3.6	7	-	5.1
The Houston Exploraton Company	THX	47.26	2.7	3.5	7	-	3.9
St. Mary Land and Exploration Company	SM	32.51	2.4	3.4	8	0.3	5.0
Forest Oil Corporation	FST	24.90	2.5	3.4	11	-	5.6
Newfield Exploration Company	NFX	49.75	2.5	3.2	6	-	4.3
Energy Partners Ltd.	EPL	B3 13.27	2.1	2.8	9	-	4.3
PetroKazakhstan Inc.	PKZ	26.67	1.6	2.7	4	-	4.2
	<i>Median</i>		2.7	3.6	8	-	5.1
Long Life							
Ultra Petroleum Corp.	UPL	30.65	9.7	12.5	20	-	10.3
Quicksilver Resources Inc.	KWK	48.82	6.7	9.8	18	-	10.0
Unit Corporation	UNT	28.49	3.5	7.8	18	-	6.9
Evergreen Resources, Inc.	EVG	37.85	5.0	7.0	11	-	10.3
Encore Acquisition Corp.	EAC	B2 28.10	4.0	5.6	10	-	8.4
Penn Virginia Corporation	PVA	62.30	3.3	5.6	11	1.4	6.3
Swift Energy Company	SFY	20.20	3.5	5.1	10	-	6.9
Berry Petroleum Company	BRY	B2 27.25	3.0	4.8	9	1.6	7.3
Whiting Petroleum Corporation	WLL	23.45	3.0	4.5	8	-	6.6
Magnum Hunter Resources, Inc.	MHR	10.07	2.8	4.1	6	-	6.1
Vintage Petroleum, Inc.	VPI	15.59	2.1	3.4	6	1.2	5.6
	<i>Median</i>		3.5	5.6	10	-	6.9
Micro Cap							
Abraxas Petroleum Corporation	ABP	1.85	6.3	9.0		-	8.5
Purcell Energy, Ltd. (USS)	PEL.TO	2.05	3.1	4.0	7	-	4.9

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