

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

June 8, 2004

Research Blitz

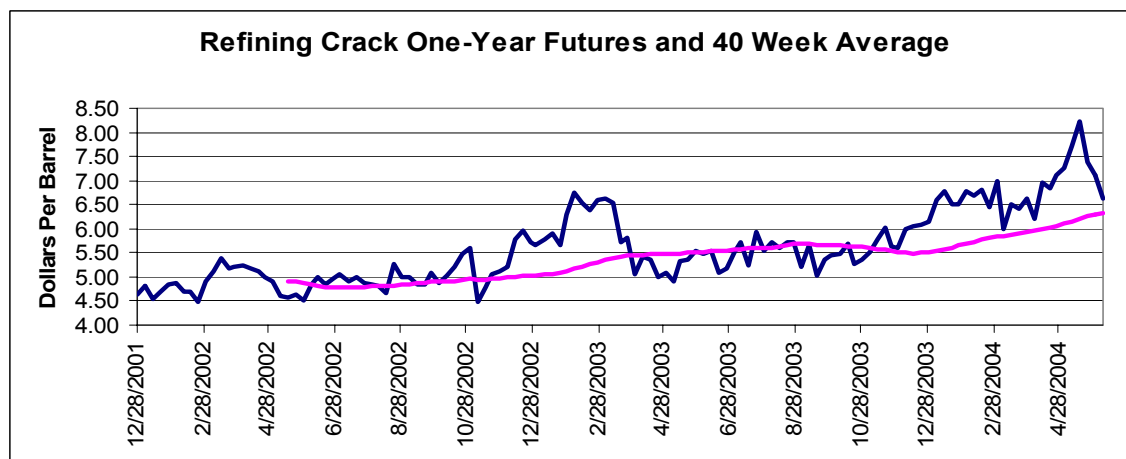
Summary and Recommendation

Twenty-three single-stock analyses published in the past six weeks position our research for possible use in the Global Settlement of Conflicts of Interest between Research and Investment Banking. With eight more to go, up to 31 buy or sell rated stocks could possibly be selected by an Independent Consultant to be offered to customers and prospects of the Investment Bank that is a party to the Settlement. Buy-rated stocks (B1, B2, and B3) have expected total return potential of more than 5% per year above inflation for the next several years before taking account of financial leverage. The expected return would be greater than that for stocks priced below present value which would also be indicated by a McDep Ratio below 1.0. The total return on sell-rated stocks is expected to be negative for the next several years.

Single Stock Analyses Repeat Industry Theme and Valuation Explanation

A data table, the summary and recommendation, a quarterly model and brief commentary are unique for each analysis. Other comments on the industry outlook and our approach to valuation do not change much from stock to stock. Though that means quite a bit of repetition, it is an important part of the justification for an opinion.

Refining Crack Cools, Trend Remains Up



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) 7-Jun 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B3	44.00	6,582	290,000	43.00	0.09	1.02
BP plc	BP	B3	53.97	3,681	199,000	60.00	0.13	0.91
Shell Transport and Trading Co. plc	SC	B3	44.58	1,587	71,000	51.30	0.18	0.89
Total S.A.	TOT	B3	97.60	1,246	121,600	113.00	0.16	0.89
Royal Dutch Petroleum	RD	B1	51.18	2,033	104,000	60.00	0.18	0.88
ChevronTexaco Corporation	CVX	B1	92.16	1,066	98,200	125.00	0.14	0.77
	<i>Total or Median</i>				<i>884,000</i>		<i>0.15</i>	<i>0.89</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	59.53	125	7,440	20.00	0.73	1.53
Valero Energy Corporation	VLO		66.94	121	8,080	55.00	0.43	1.12
Murphy Oil Corporation	MUR		67.51	93	6,260	62.00	0.20	1.07
Marathon Oil Corporation	MRO	B3	34.25	345	11,820	41.00	0.30	0.88
Imperial Oil Limited (30%)	IMO	B3	45.07	109	4,890	52.00	0.10	0.88
ConocoPhillips	COP	B1	75.80	691	52,400	110.00	0.27	0.77
ENI S.p.A.	E		105.51	755	79,700	150.00	0.12	0.74
Suncor Energy	SU	B3	24.26	465	11,280	38.00	0.14	0.69
Petro-Canada	PCZ	B3	43.82	266	11,660	68.00	0.11	0.68
Norsk Hydro ASA	NHY	B1	65.00	256	16,620	120.00	0.12	0.60
PetroChina Company Ltd (10%)	PTR	B2	47.98	176	8,430	88.00	0.07	0.58
Lukoil Oil Company	LUKOY	B2	109.50	211	23,000	208.00	0.05	0.55
Petroleo Brasileiro S. A.	PBR		26.86	1,096	29,400	65.00	0.20	0.53
	<i>Total or Median</i>				<i>271,000</i>		<i>0.14</i>	<i>0.74</i>
Independent Natural Gas and Oil								
CNOOC Limited (19%)	CEO	B2	42.99	78	3,360	55.00	-	0.78
Unocal Corporation	UCL	B3	35.50	276	9,800	54.00	0.26	0.75
XTO Energy Inc.	XTO	B1	25.65	236	6,050	38.00	0.16	0.73
Canadian Natural Resources Limited	CNQ		26.67	274	7,310	44.00	0.29	0.72
Encana Corporation	ECA	B1	40.78	472	19,200	63.00	0.20	0.72
Apache Corporation	APA		41.42	324	13,400	64.00	0.15	0.70
Pogo Producing Company	PPP		46.43	64	2,970	70.00	0.07	0.69
Anadarko Petroleum Corp.	APC	B1	56.45	254	14,300	94.00	0.21	0.68
Occidental Petroleum Corp.	OXY	B3	45.05	397	17,900	75.00	0.19	0.68
Devon Energy	DVN	B3	60.76	247	15,000	110.00	0.24	0.66
Burlington Resources	BR	B1	34.51	396	13,700	58.00	0.15	0.66
Pioneer Natural Resources Company	PXD		31.02	119	3,690	57.00	0.22	0.64
	<i>Total or Median</i>				<i>127,000</i>		<i>0.19</i>	<i>0.69</i>

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 8, 2004

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

	Symbol/ Rating	Price (\$/sh) 7-Jun 2004	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	PV/ Ebitda NTM	
Mega Cap								
Exxon Mobil Corporation	XOM	B3	44.00	1.2	6.9	12	2.3	6.8
Total S.A.	TOT	B3	97.60	1.1	5.6	10	2.9	6.3
BP plc	BP	B3	53.97	0.8	5.4	10	3.0	5.9
Shell Transport and Trading Co. plc	SC	B3	44.58	0.9	5.1	15	4.0	5.7
Royal Dutch Petroleum	RD	B1	51.18	0.9	5.0	15	4.1	5.7
ChevronTexaco Corporation	CVX	B1	92.16	0.9	5.0	8	3.2	6.4
	<i>Median</i>			0.9	5.2	11	3.1	6.1
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	59.53	3.0	12.3	15	3.8	8.0
Suncor Energy	SU	B3	24.26	2.5	7.8	15	0.7	11.4
Murphy Oil Corporation	MUR		67.51	1.4	6.7	14	1.2	6.2
Valero Energy Corporation	VLO		66.94	0.3	5.8	8	0.7	5.1
Imperial Oil Limited (30%)	IMO	B3	45.07	1.2	5.7	10	1.4	6.5
Marathon Oil Corporation	MRO	B3	34.25	0.4	5.0	9	2.9	5.6
ENI S.p.A.	E		105.51	1.6	4.7	9	4.3	6.4
ConocoPhillips	COP	B1	75.80	0.7	4.6	6	2.3	5.9
PetroChina Company Ltd (10%)	PTR	B2	47.98	2.2	4.1	8	4.5	7.1
Norsk Hydro ASA	NHY	B1	65.00	1.0	3.6	8	2.5	6.1
Petro-Canada	PCZ	B3	43.82	1.3	3.4	6	1.0	4.9
Petroleo Brasileiro S. A.	PBR		26.86	1.3	3.0	3	3.8	5.6
Lukoil Oil Company	LUKOY	B2	109.50	0.9	2.8	4	2.3	5.1
	<i>Median</i>			1.3	4.7	8	2.3	6.1
Independent Natural Gas and Oil								
CNOOC Limited (19%)	CEO	B2	42.99	4.6	5.9	12	3.7	7.6
XTO Energy Inc.	XTO	B1	25.65	4.4	5.8	10	0.2	8.0
Occidental Petroleum Corp.	OXY	B3	45.05	2.3	4.7	8	2.4	6.9
Pioneer Natural Resources Company	PXD		31.02	3.1	4.6	13	-	7.1
Unocal Corporation	UCL	B3	35.50	1.9	4.6	8	2.3	6.1
Anadarko Petroleum Corp.	APC	B1	56.45	3.3	4.5	7	1.0	6.6
Apache Corporation	APA		41.42	3.0	4.2	7	0.6	6.0
Burlington Resources	BR	B1	34.51	3.0	4.0	7	1.7	6.1
Canadian Natural Resources Limited	CNQ		26.67	2.7	3.8	7	1.7	5.2
Encana Corporation	ECA	B1	40.78	2.0	3.8	8	1.0	5.3
Devon Energy	DVN	B3	60.76	2.8	3.4	5	0.7	5.2
Pogo Producing Company	PPP		46.43	2.4	3.3	7	0.4	4.8
	<i>Median</i>			2.9	4.3	8	1.0	6.1

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) 7-Jun 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
Short Life								
Spinnaker Exploration Company	SKE	35.00	34.2	1,200	28.00	0.11	1.22	
Western Gas Resources	WGR	56.92	37.0	2,110	50.00	0.17	1.11	
Southwestern Energy Company	SWN	25.79	36.0	930	29.00	0.22	0.91	
The Houston Exploraton Company	THX	47.75	31.0	1,480	55.00	0.20	0.89	
Denbury Resources Inc.	DNR	18.70	55.7	1,040	25.00	0.21	0.80	
Newfield Exploration Company	NFX	51.45	56.6	2,910	73.00	0.17	0.76	
Cimarex Energy Company	XEC	B2	27.83	42.7	1,190	38.00	0.00	0.73
Stone Energy Company	SGY	46.33	26.6	1,230	72.00	0.20	0.71	
St. Mary Land and Exploration Company	SM	33.90	29.0	980	50.00	0.10	0.71	
Westport Resources Corporation	WRC	35.71	68.0	2,430	57.00	0.17	0.69	
Chesapeake Energy Corporation	CHK	13.37	220	2,940	24.00	0.29	0.68	
Energy Partners Ltd.	EPL	B3	13.53	37.7	510	22.00	0.14	0.67
PetroKazakhstan Inc.	PKZ	26.98	81.0	2,190	42.00	0.03	0.65	
Range Resources Corporation	RRC	12.08	57.0	690	24.00	0.26	0.63	
Forest Oil Corporation	FST	25.13	53.5	1,340	53.00	0.25	0.60	
		<i>Total or Median</i>		23,200		0.17	0.71	
Long Life								
Ultra Petroleum Corp.	UPL	34.13	78.0	2,660	25.00	0.06	1.34	
Unit Corporation	UNT	28.81	44.1	1,270	25.00	0.01	1.15	
Quicksilver Resources Inc.	KWK	50.95	25.2	1,280	50.00	0.19	1.02	
Penn Virginia Corporation	PVA	62.95	9.1	570	72.00	0.14	0.89	
Swift Energy Company	SFY	21.15	27.4	580	32.00	0.29	0.76	
Whiting Petroleum Corporation	WLL	24.20	18.8	450	40.00	0.21	0.69	
Evergreen Resources, Inc.	EVG	38.12	44.0	1,680	59.00	0.10	0.68	
Encore Acquisition Company	EAC	B2	28.30	30.6	865	47.00	0.18	0.67
Berry Petroleum Company	BRY	B2	27.95	22.3	623	43.00	0.07	0.67
Magnum Hunter Resources, Inc.	MHR	10.14	68.0	690	20.00	0.32	0.66	
Vintage Petroleum, Inc.	VPI	16.00	63.0	1,010	33.00	0.28	0.63	
		<i>Total or Median</i>		11,700		0.18	0.69	
Micro Cap								
Abraxas Petroleum Corporation	ABP	1.80	35.8	64	1.50	0.77	1.04	
Purcell Energy, Ltd. (US\$)	PEL.TO	2.03	48.0	98	2.80	0.27	0.80	

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) 7-Jun 2004	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	PV/ Ebitda NTM
Short Life							
Western Gas Resources	WGR	56.92	0.9	9.8	20	-	8.8
Southwestern Energy Company	SWN	25.79	3.3	5.7	10	-	6.2
Spinnaker Exploration Company	SKE	35.00	4.5	5.2	13	-	4.2
Denbury Resources Inc.	DNR	18.70	3.2	4.8	9	-	5.9
Range Resources Corporation	RRC	12.08	3.5	4.4	7	0.3	7.0
Chesapeake Energy Corporation	CHK	13.37	3.0	4.1	7	0.9	6.1
Westport Resources Corporation	WRC	35.71	3.1	4.0	9	-	5.9
Stone Energy Company	SGY	46.33	2.8	3.9	7	-	5.4
Cimarex Energy Company	XEC	B2 27.83	2.9	3.8	9	-	5.2
St. Mary Land and Exploration Company	SM	33.90	2.6	3.8	9	0.3	5.3
The Houston Exploraton Company	THX	47.75	2.9	3.7	8	-	4.1
Forest Oil Corporation	FST	25.13	2.7	3.6	14	-	6.0
Newfield Exploration Company	NFX	51.45	2.7	3.5	7	-	4.6
Energy Partners Ltd.	EPL	B3 13.53	2.2	3.1	10	-	4.6
PetroKazakhstan Inc.	PKZ	26.98	1.7	2.9	4	-	4.4
	<i>Median</i>		2.9	3.9	9	-	5.4
Long Life							
Ultra Petroleum Corp.	UPL	34.13	11.4	14.6	24	-	10.9
Quicksilver Resources Inc.	KWK	50.95	7.3	10.8	21	-	10.7
Unit Corporation	UNT	28.81	3.6	8.2	20	-	7.1
Evergreen Resources, Inc.	EVG	38.12	5.3	7.4	12	-	10.9
Penn Virginia Corporation	PVA	62.95	3.5	5.9	12	1.4	6.7
Swift Energy Company	SFY	21.15	3.7	5.5	11	-	7.2
Encore Acquisition Company	EAC	B2 28.30	3.8	5.3	11	-	7.8
Berry Petroleum Company	BRY	B2 27.95	3.2	5.2	10	1.6	7.7
Whiting Petroleum Corporation	WLL	24.20	3.2	4.9	9	-	7.1
Magnum Hunter Resources, Inc.	MHR	10.14	2.9	4.3	7	-	6.5
Vintage Petroleum, Inc.	VPI	16.00	2.2	3.7	7	1.1	5.9
	<i>Median</i>		3.6	5.5	11	-	7.2
Micro Cap							
Abraxas Petroleum Corporation	ABP	1.80	6.6	9.7		-	9.3
Purcell Energy, Ltd. (USS)	PEL.TO	2.03	3.2	4.2	7	-	5.2

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