

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

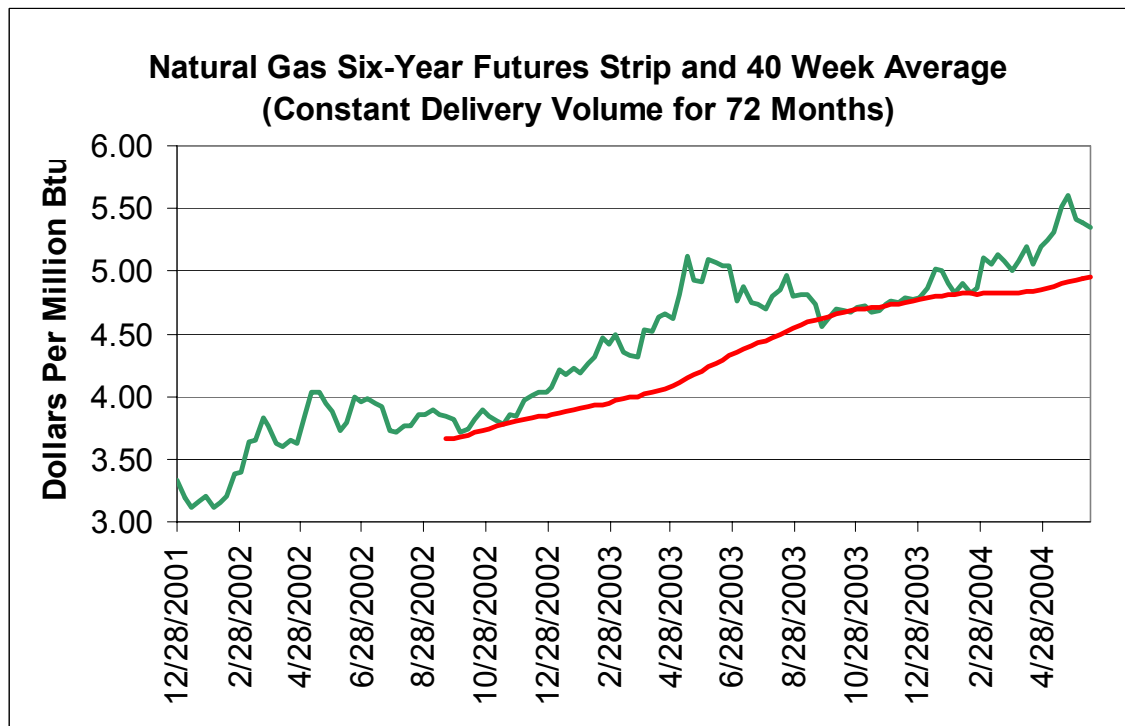
June 15, 2004

Buy Canadian Oil and Gas

Summary and Recommendation

Buy-recommended (B1) **Encana (ECA)** and buy-rated (B3) **Petro-Canada (PCZ)**, **Suncor (SU)** and **Imperial Oil (IMO)** offer high potential return, low McDep Ratio investment in the resources of the country that supplies the most imported oil and gas to the U.S. Other Canadian stocks in our coverage with low McDep Ratios include **Canadian Natural Resources (CNQ)** and **Purcell Energy (PEL.TO)**. The Western Canadian Sedimentary Basin accounted for 41% of production for Buy-recommended (B1) **Burlington Resources (BR)**, the third largest natural gas producer in the basin. We are at the Canadian Association of Petroleum Producers' Oil and Gas Investment Symposium that is underway as we write this.

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) 14-Jun 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B3	43.85	6,582	289,000	43.00	0.09	1.02
BP plc	BP	B3	52.03	3,681	192,000	60.00	0.13	0.88
Shell Transport and Trading Co. plc	SC	B3	43.56	1,587	69,000	51.30	0.18	0.88
Royal Dutch Petroleum	RD	B1	49.96	2,033	102,000	60.00	0.18	0.86
Total S.A.	TOT	B3	94.35	1,246	117,500	113.00	0.16	0.86
ChevronTexaco Corporation	CVX	B1	90.00	1,066	95,900	125.00	0.14	0.76
					<i>865,000</i>		<i>0.15</i>	<i>0.87</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	59.30	125	7,410	20.00	0.73	1.53
Valero Energy Corporation	VLO		65.33	121	7,880	55.00	0.43	1.11
Murphy Oil Corporation	MUR		68.24	93	6,330	62.00	0.20	1.08
Marathon Oil Corporation	MRO	B3	34.12	345	11,780	41.00	0.30	0.88
Imperial Oil Limited (30%)	IMO	B3	43.87	109	4,760	52.00	0.10	0.86
ConocoPhillips	COP	B1	73.85	691	51,000	110.00	0.27	0.76
ENI S.p.A.	E		103.31	755	78,000	150.00	0.12	0.73
Suncor Energy	SU	B3	24.28	465	11,290	38.00	0.14	0.69
Petro-Canada	PCZ	B3	41.80	266	11,120	68.00	0.11	0.66
Norsk Hydro ASA	NHY	B1	62.15	256	15,890	120.00	0.12	0.58
PetroChina Company Ltd (10%)	PTR	B2	46.04	176	8,090	88.00	0.07	0.55
Lukoil Oil Company	LUKOY	B2	105.75	211	22,000	208.00	0.05	0.53
Petroleo Brasileiro S. A.	PBR		25.55	1,096	28,000	65.00	0.20	0.51
					<i>264,000</i>		<i>0.14</i>	<i>0.73</i>
Independent Natural Gas and Oil								
CNOOC Limited (19%)	CEO	B2	41.95	78	3,280	55.00	-	0.76
XTO Energy Inc.	XTO	B1	26.18	256	6,690	38.00	0.22	0.76
Unocal Corporation	UCL	B3	35.10	276	9,700	54.00	0.26	0.74
Canadian Natural Resources Limited	CNQ		27.05	274	7,410	44.00	0.29	0.73
Encana Corporation	ECA	B1	40.44	472	19,100	63.00	0.20	0.71
Apache Corporation	APA		40.70	324	13,200	64.00	0.15	0.69
Pogo Producing Company	PPP		45.85	64	2,930	70.00	0.07	0.68
Anadarko Petroleum Corp.	APC	B1	55.91	254	14,200	94.00	0.21	0.68
Occidental Petroleum Corp.	OXY	B3	45.06	397	17,900	75.00	0.19	0.68
Pioneer Natural Resources Company	PXD		31.90	119	3,800	57.00	0.22	0.66
Devon Energy	DVN	B3	60.23	247	14,900	110.00	0.24	0.66
Burlington Resources	BR	B1	34.10	396	13,500	58.00	0.15	0.65
					<i>127,000</i>		<i>0.20</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 15, 2004

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

	Symbol/ Rating		Price (\$/sh) 14-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	43.85	1.2	6.9	12	2.3	6.8
Total S.A.	TOT	B3	94.35	1.0	5.5	9	3.0	6.3
BP plc	BP	B3	52.03	0.8	5.2	10	3.1	5.9
Shell Transport and Trading Co. plc	SC	B3	43.56	0.9	5.0	15	4.1	5.7
Royal Dutch Petroleum	RD	B1	49.96	0.9	4.9	14	4.2	5.7
ChevronTexaco Corporation	CVX	B1	90.00	0.9	4.9	8	3.2	6.4
		<i>Median</i>		<i>0.9</i>	<i>5.1</i>	<i>11</i>	<i>3.2</i>	<i>6.1</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	59.30	2.9	12.3	15	3.8	8.0
Suncor Energy	SU	B3	24.28	2.5	7.8	15	0.7	11.4
Murphy Oil Corporation	MUR		68.24	1.4	6.7	14	1.2	6.2
Valero Energy Corporation	VLO		65.33	0.3	5.7	8	0.7	5.1
Imperial Oil Limited (30%)	IMO	B3	43.87	1.2	5.6	10	1.5	6.5
Marathon Oil Corporation	MRO	B3	34.12	0.4	4.9	9	2.9	5.6
ENI S.p.A.	E		103.31	1.6	4.6	8	4.4	6.4
ConocoPhillips	COP	B1	73.85	0.6	4.5	6	2.3	5.9
PetroChina Company Ltd (10%)	PTR	B2	46.04	2.2	4.0	8	4.7	7.3
Norsk Hydro ASA	NHY	B1	62.15	0.9	3.5	8	2.6	6.1
Petro-Canada	PCZ	B3	41.80	1.2	3.2	6	1.1	4.9
Petroleo Brasileiro S. A.	PBR		25.55	1.3	2.9	3	4.0	5.6
Lukoil Oil Company	LUKOY	B2	105.75	0.9	2.7	4	2.4	5.1
		<i>Median</i>		<i>1.2</i>	<i>4.6</i>	<i>8</i>	<i>2.4</i>	<i>6.1</i>
Independent Natural Gas and Oil								
CNOOC Limited (19%)	CEO	B2	41.95	4.4	5.7	11	3.8	7.5
XTO Energy Inc.	XTO	B1	26.18	4.0	5.2	10	0.2	6.8
Occidental Petroleum Corp.	OXY	B3	45.06	2.3	4.7	8	2.4	6.9
Pioneer Natural Resources Company	PXD		31.90	3.2	4.7	14	-	7.1
Unocal Corporation	UCL	B3	35.10	1.9	4.5	8	2.3	6.1
Anadarko Petroleum Corp.	APC	B1	55.91	3.2	4.5	8	1.0	6.6
Apache Corporation	APA		40.70	3.0	4.1	7	0.6	6.0
Burlington Resources	BR	B1	34.10	2.9	3.9	7	1.8	6.1
Canadian Natural Resources Limited	CNQ		27.05	2.7	3.8	7	1.7	5.2
Encana Corporation	ECA	B1	40.44	2.0	3.8	7	1.0	5.3
Devon Energy	DVN	B3	60.23	2.8	3.4	5	0.7	5.2
Pogo Producing Company	PPP		45.85	2.3	3.2	7	0.4	4.8
		<i>Median</i>		<i>2.9</i>	<i>4.3</i>	<i>8</i>	<i>1.0</i>	<i>6.1</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) 14-Jun 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
Short Life								
Spinnaker Exploration Company	SKE	35.62	34.2	1,220	28.00	0.11	1.24	
Western Gas Resources	WGR	58.40	37.0	2,160	50.00	0.17	1.14	
Southwestern Energy Company	SWN	26.00	36.0	940	29.00	0.22	0.92	
The Houston Explorator Company	THX	47.69	31.0	1,480	55.00	0.20	0.89	
Denbury Resources Inc.	DNR	18.90	55.7	1,050	25.00	0.21	0.81	
Newfield Exploration Company	NFX	52.00	56.6	2,940	73.00	0.17	0.76	
Cimarex Energy Company	XEC	B2	27.85	42.6	1,190	38.00	0.00	0.73
St. Mary Land and Exploration Company	SM	34.05	29.0	990	50.00	0.10	0.71	
Stone Energy Company	SGY	46.00	26.6	1,220	72.00	0.20	0.71	
Westport Resources Corporation	WRC	36.13	68.0	2,460	57.00	0.17	0.70	
Chesapeake Energy Corporation	CHK	13.54	220	2,980	24.00	0.29	0.69	
Range Resources Corporation	RRC	13.00	57.0	740	24.00	0.26	0.66	
Energy Partners Ltd.	EPL	B3	13.34	37.7	503	22.00	0.14	0.66
PetroKazakhstan Inc.	PKZ	26.71	81.0	2,160	42.00	0.03	0.65	
Forest Oil Corporation	FST	24.84	53.5	1,330	53.00	0.25	0.60	
		<i>Total or Median</i>		23,400		0.17	0.71	
Long Life								
Ultra Petroleum Corp.	UPL	33.52	78.0	2,620	25.00	0.06	1.32	
Unit Corporation	UNT	28.09	44.1	1,240	25.00	0.01	1.12	
Quicksilver Resources Inc.	KWK	53.08	25.2	1,340	50.00	0.19	1.05	
Penn Virginia Corporation	PVA	33.65	18.2	610	36.00	0.14	0.94	
Swift Energy Company	SFY	20.67	27.4	570	32.00	0.29	0.75	
Whiting Petroleum Corporation	WLL	24.30	18.8	460	40.00	0.21	0.69	
Evergreen Resources, Inc.	EVG	38.40	44.0	1,690	59.00	0.10	0.69	
Magnum Hunter Resources, Inc.	MHR	10.25	68.0	700	20.00	0.32	0.67	
Berry Petroleum Company	BRY	B2	27.40	22.3	611	43.00	0.07	0.66
Encore Acquisition Company	EAC	B2	27.06	30.6	827	47.00	0.18	0.65
Vintage Petroleum, Inc.	VPI	15.65	63.0	990	33.00	0.28	0.62	
		<i>Total or Median</i>		11,700		0.18	0.69	
Micro Cap								
Abraxas Petroleum Corporation	ABP	1.57	35.8	56	1.50	0.77	1.01	
Purcell Energy, Ltd. (US\$)	PEL.TO	2.11	48.0	101	2.80	0.27	0.82	

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

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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		14-Jun 2004	NTM	NTM	NTM		
Short Life							
Western Gas Resources	WGR	58.40	0.9	10.0	21	-	8.8
Southwestern Energy Company	SWN	26.00	3.3	5.7	10	-	6.2
Spinnaker Exploration Company	SKE	35.62	4.6	5.2	13	-	4.2
Denbury Resources Inc.	DNR	18.90	3.2	4.8	9	-	5.9
Range Resources Corporation	RRC	13.00	3.6	4.6	8	0.3	7.0
Chesapeake Energy Corporation	CHK	13.54	3.0	4.2	7	0.9	6.1
Westport Resources Corporation	WRC	36.13	3.1	4.1	9	-	5.9
Stone Energy Company	SGY	46.00	2.8	3.8	7	-	5.4
St. Mary Land and Exploration Company	SM	34.05	2.6	3.8	9	0.3	5.3
The Houston Exploraton Company	THX	47.69	2.9	3.7	8	-	4.1
Forest Oil Corporation	FST	24.84	2.6	3.6	14	-	6.0
Cimarex Energy Company	XEC	B2 27.85	2.8	3.5	8	-	4.8
Newfield Exploration Company	NFX	52.00	2.8	3.5	7	-	4.6
Energy Partners Ltd.	EPL	B3 13.34	2.2	3.0	10	-	4.6
PetroKazakhstan Inc.	PKZ	26.71	1.7	2.9	4	-	4.4
	<i>Median</i>		2.8	3.8	9	-	5.4
Long Life							
Ultra Petroleum Corp.	UPL	33.52	11.2	14.4	23	-	10.9
Quicksilver Resources Inc.	KWK	53.08	7.5	11.2	21	-	10.7
Unit Corporation	UNT	28.09	3.5	8.0	19	-	7.1
Evergreen Resources, Inc.	EVG	38.40	5.3	7.5	12	-	10.9
Penn Virginia Corporation	PVA	33.65	3.7	6.3	13	1.3	6.7
Swift Energy Company	SFY	20.67	3.7	5.4	11	-	7.2
Encore Acquisition Company	EAC	B2 27.06	3.7	5.1	11	-	7.8
Berry Petroleum Company	BRY	B2 27.40	3.1	5.1	10	1.6	7.7
Whiting Petroleum Corporation	WLL	24.30	3.2	4.9	9	-	7.1
Magnum Hunter Resources, Inc.	MHR	10.25	2.9	4.4	7	-	6.5
Vintage Petroleum, Inc.	VPI	15.65	2.2	3.6	6	1.2	5.9
	<i>Median</i>		3.7	5.4	11	-	7.2
Micro Cap							
Abraxas Petroleum Corporation	ABP	1.57	6.4	9.4		-	9.3
Purcell Energy, Ltd. (USS)	PEL.TO	2.11	3.3	4.3	7	-	5.2

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