

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

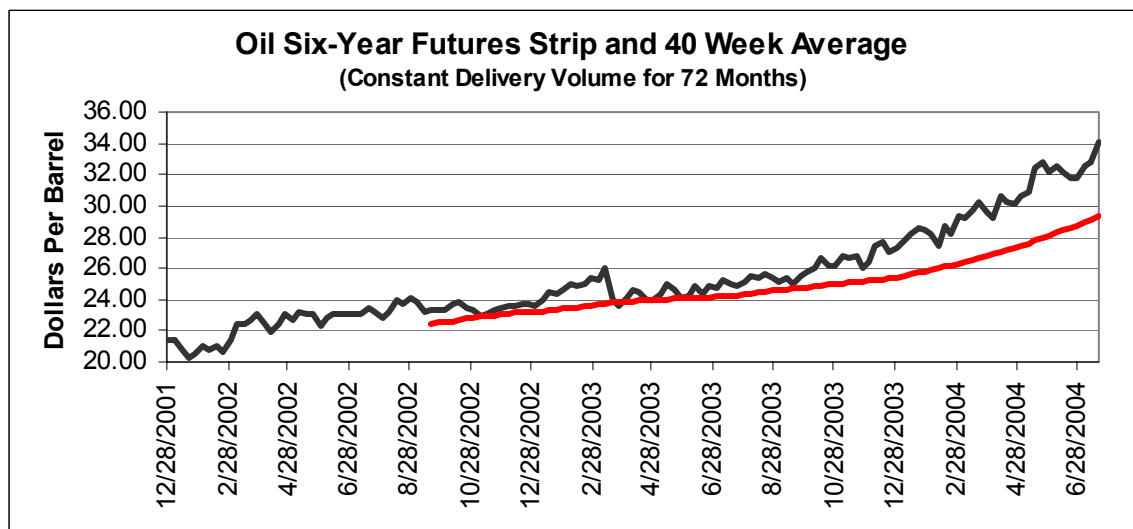
July 20, 2004

Another Week, Another Record

Summary and Recommendation

Bounding through \$34 a barrel to set a new closing high for the week ending July 19, six-year oil futures paint a rosy outlook for recommended stocks like **Lukoil (LUKOY)** (see Tables 1-1 and 2-1). Continuing strong one-year refining futures that set a record two weeks ago justify a constructive outlook for recommended Mega Caps and Producer/Refiners like **ChevronTexaco (CVX)** and **ConocoPhillips (COP)**. One of the ironies of the marketplace is to see increasing acceptance of an oil price level that would have seemed out of range in consensus forecasts not too long ago.

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) 19-Jul 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B3	45.90	6,582	302,000	43.00	0.09	1.06
BP plc	BP	B3	55.33	3,681	204,000	60.00	0.13	0.93
Shell Transport and Trading Co. plc	SC	B3	45.12	1,587	72,000	51.30	0.18	0.90
Total S.A.	TOT	B3	98.78	1,246	123,100	113.00	0.16	0.89
Royal Dutch Petroleum	RD	B1	52.28	2,033	106,000	60.00	0.18	0.89
ChevronTexaco Corporation	CVX	B1	95.17	1,066	101,500	125.00	0.14	0.80
	<i>Total or Median</i>				<i>909,000</i>		<i>0.15</i>	<i>0.90</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	60.30	125	7,540	20.00	0.73	1.54
Valero Energy Corporation	VLO		77.70	121	9,380	55.00	0.43	1.23
Murphy Oil Corporation	MUR		79.45	93	7,370	62.00	0.20	1.22
Marathon Oil Corporation	MRO	B3	37.42	352	13,170	41.00	0.29	0.94
Imperial Oil Limited (30%)	IMO	B3	48.15	109	5,230	52.00	0.10	0.93
ConocoPhillips	COP	B1	79.12	688	54,400	110.00	0.27	0.80
Suncor Energy	SU	B3	26.77	465	12,450	38.00	0.14	0.75
ENI S.p.A.	E		103.88	755	78,500	150.00	0.12	0.73
Petroleo Brasileiro S. A.	PBR		28.72	1,096	31,500	50.00	0.28	0.69
Petro-Canada	PCZ	B3	44.68	266	11,880	68.00	0.11	0.69
Norsk Hydro ASA	NHY	B1	64.72	256	16,550	120.00	0.12	0.60
PetroChina Company Ltd (10%)	PTR	B2	49.56	176	8,710	88.00	0.07	0.59
Lukoil Oil Company	LUKOY	B2	113.25	210	24,000	208.00	0.05	0.57
	<i>Total or Median</i>				<i>281,000</i>		<i>0.14</i>	<i>0.75</i>
Independent Natural Gas and Oil								
XTO Energy Inc.	XTO	B1	30.33	260	7,890	38.00	0.22	0.84
Canadian Natural Resources Limited	CNQ		32.80	271	8,900	44.00	0.30	0.82
CNOOC Limited (19%)	CEO	B2	44.50	78	3,480	55.00	-	0.81
Unocal Corporation	UCL	B3	38.77	276	10,700	54.00	0.26	0.79
Encana Corporation	ECA	B1	45.41	472	21,400	63.00	0.20	0.78
Apache Corporation	APA		46.80	324	15,200	64.00	0.15	0.77
Occidental Petroleum Corp.	OXY	B3	50.00	397	19,900	75.00	0.19	0.73
Pioneer Natural Resources Company	PXD		36.87	119	4,390	57.00	0.22	0.72
Devon Energy	DVN	B3	69.66	247	17,200	110.00	0.24	0.72
Anadarko Petroleum Corp.	APC	B1	60.60	254	15,400	94.00	0.21	0.72
Burlington Resources	BR	B1	38.11	396	15,100	58.00	0.15	0.71
Pogo Producing Company	PPP		46.00	64	2,940	70.00	0.07	0.68
	<i>Total or Median</i>				<i>143,000</i>		<i>0.20</i>	<i>0.75</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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July 20, 2004

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

	Symbol/ Rating	Price (\$/sh) 19-Jul 2004	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	PV/ Ebitda NTM	
Mega Cap								
Exxon Mobil Corporation	XOM	B3	45.90	1.2	7.0	12	2.2	6.6
Total S.A.	TOT	B3	98.78	1.1	5.7	10	2.9	6.3
BP plc	BP	B3	55.33	0.8	5.5	10	2.9	5.9
Shell Transport and Trading Co. plc	SC	B3	45.12	0.9	5.2	9	4.1	5.8
Royal Dutch Petroleum	RD	B1	52.28	0.9	5.1	9	4.2	5.8
ChevronTexaco Corporation	CVX	B1	95.17	0.9	4.9	8	3.1	6.2
	<i>Median</i>			0.9	5.3	9	3.0	6.1
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	60.30	3.0	12.4	15	3.7	8.0
Suncor Energy	SU	B3	26.77	2.6	8.2	16	0.7	11.0
Murphy Oil Corporation	MUR		79.45	1.5	7.4	15	1.0	6.1
Imperial Oil Limited (30%)	IMO	B3	48.15	1.2	5.9	10	1.4	6.3
Valero Energy Corporation	VLO		77.70	0.4	5.9	8	0.6	4.8
Marathon Oil Corporation	MRO	B3	37.42	0.4	5.4	10	2.7	5.7
ConocoPhillips	COP	B1	79.12	0.7	4.7	7	2.2	6.0
ENI S.p.A.	E		103.88	1.5	4.3	8	4.4	5.9
Petroleo Brasileiro S. A.	PBR		28.72	1.6	4.1	5	2.6	5.9
PetroChina Company Ltd (10%)	PTR	B2	49.56	2.1	3.8	7	4.3	6.5
Norsk Hydro ASA	NHY	B1	64.72	1.0	3.5	7	2.5	5.9
Petro-Canada	PCZ	B3	44.68	1.3	3.3	6	1.0	4.8
Lukoil Oil Company	LUKOY	B2	113.25	0.9	2.5	4	2.3	4.5
	<i>Median</i>			1.3	4.7	8	2.3	5.9
Independent Natural Gas and Oil								
XTO Energy Inc.	XTO	B1	30.33	4.6	5.9	12	0.1	7.0
CNOOC Limited (19%)	CEO	B2	44.50	4.4	5.7	11	3.6	7.0
Pioneer Natural Resources Company	PXD		36.87	3.7	5.3	17	-	7.4
Anadarko Petroleum Corp.	APC	B1	60.60	3.5	5.0	9	0.9	6.9
Occidental Petroleum Corp.	OXY	B3	50.00	2.4	4.9	8	2.2	6.7
Unocal Corporation	UCL	B3	38.77	2.0	4.8	9	2.1	6.0
Burlington Resources	BR	B1	38.11	3.4	4.6	9	1.6	6.5
Apache Corporation	APA		46.80	3.3	4.6	8	0.5	6.0
Encana Corporation	ECA	B1	45.41	2.2	4.4	9	0.9	5.6
Canadian Natural Resources Limited	CNQ		32.80	2.8	4.3	7	0.9	5.2
Devon Energy	DVN	B3	69.66	3.1	3.8	6	0.6	5.2
Pogo Producing Company	PPP		46.00	2.3	3.2	7	0.4	4.7
	<i>Median</i>			3.2	4.7	9	0.9	6.3

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 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) 19-Jul 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Short Life							
Spinnaker Exploration Company	SKE	40.30	34.2	1,380	28.00	0.11	1.39
Western Gas Resources	WGR	34.54	74.0	2,560	25.00	0.17	1.32
Southwestern Energy Company	SWN	30.36	36.0	1,090	29.00	0.22	1.04
The Houston Explorator Company	THX	53.39	31.0	1,660	55.00	0.20	0.98
Penn West Petroleum Ltd. (US\$)	PWT.TO	51.32	54.7	2,810	57.00	0.21	0.92
Denbury Resources Inc.	DNR	22.05	55.7	1,230	25.00	0.21	0.91
Cimarex Energy Company	XEC B2	31.66	42.6	1,350	38.00	0.00	0.83
Newfield Exploration Company	NFX	57.40	56.6	3,250	73.00	0.17	0.82
Chesapeake Energy Corporation	CHK	15.95	220	3,510	24.00	0.29	0.76
Range Resources Corporation	RRC	16.24	57.0	930	24.00	0.26	0.76
Energy Partners Ltd.	EPL B3	15.30	37.7	577	22.00	0.14	0.74
St. Mary Land and Exploration Company	SM	35.23	29.0	1,020	50.00	0.10	0.73
Stone Energy Company	SGY	47.53	26.6	1,260	72.00	0.20	0.73
PetroKazakhstan Inc.	PKZ	29.68	80.7	2,400	42.00	0.01	0.71
Forest Oil Corporation	FST	28.30	53.5	1,510	53.00	0.25	0.65
				<i>Total or Median</i>			
				26,500		0.20	0.82
Long Life							
Ultra Petroleum Corp.	UPL	43.71	78.0	3,410	25.00	0.06	1.70
Unit Corporation	UNT	33.03	44.1	1,460	25.00	0.01	1.32
Quicksilver Resources Inc.	KWK	33.78	50.4	1,700	25.00	0.19	1.28
Penn Virginia Corporation	PVA	39.40	18.2	720	36.00	0.14	1.08
Swift Energy Company	SFY	25.16	27.4	690	32.00	0.29	0.85
Berry Petroleum Company	BRY B2	31.17	22.3	695	43.00	0.07	0.74
Whiting Petroleum Corporation	WLL	25.95	18.8	490	40.00	0.21	0.72
Encore Acquisition Company	EAC B2	29.86	30.6	913	47.00	0.18	0.70
Magnum Hunter Resources, Inc.	MHR	10.93	68.0	740	20.00	0.32	0.69
Vintage Petroleum, Inc.	VPI	17.05	63.0	1,070	33.00	0.28	0.65
				<i>Total or Median</i>			
				11,900		0.19	0.80
Micro Cap							
Abraxas Petroleum Corporation	ABP	1.33	35.8	48	1.50	0.77	0.98
Purcell Energy, Ltd. (US\$)	PEL.TO	2.10	62.0	130	2.80	0.27	0.82

B2 = Buy half unlevered position, B3 = Alternative buy

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			Price (\$/sh)	EV/ Sales	EV/ Ebitda	P/E	Divd or Distrib NTM (%)	PV/ Ebitda NTM
Symbol/ Rating		19-Jul 2004	NTM	NTM	NTM			
Short Life								
Western Gas Resources	WGR		34.54	1.1	11.8	25	-	9.0
Southwestern Energy Company	SWN		30.36	3.9	6.7	13	-	6.4
Spinnaker Exploration Company	SKE		40.30	5.3	6.0	16	-	4.3
Denbury Resources Inc.	DNR		22.05	3.6	5.4	10	-	5.9
Range Resources Corporation	RRC		16.24	4.2	5.5	11	0.2	7.2
Penn West Petroleum Ltd. (US\$)	PWT.TO		51.32	3.9	5.3	12	0.7	5.7
Chesapeake Energy Corporation	CHK		15.95	3.4	4.7	9	0.8	6.2
Cimarex Energy Company	XEC	B2	31.66	3.2	4.1	9	-	4.9
Stone Energy Company	SGY		47.53	2.9	4.0	8	-	5.5
The Houston Exploraton Company	THX		53.39	3.3	4.1	9	-	4.2
Forest Oil Corporation	FST		28.30	2.9	3.9	17	-	6.1
St. Mary Land and Exploration Company	SM		35.23	2.7	3.9	9	0.3	5.4
Newfield Exploration Company	NFX		57.40	3.1	3.9	8	-	4.7
PetroKazakhstan Inc.	PKZ		29.68	1.7	3.0	5	-	4.2
Energy Partners Ltd.	EPL	B3	15.30	2.5	3.4	11	-	4.7
	<i>Median</i>			3.2	4.1	10	-	5.5
Long Life								
Ultra Petroleum Corp.	UPL		43.71	14.4	18.6	30	-	10.9
Quicksilver Resources Inc.	KWK		33.78	9.5	14.2	29	-	11.1
Unit Corporation	UNT		33.03	4.1	9.6	24	-	7.3
Penn Virginia Corporation	PVA		39.40	4.3	7.4	16	1.1	6.8
Swift Energy Company	SFY		25.16	4.1	6.0	13	-	7.1
Berry Petroleum Company	BRY	B2	31.17	3.4	5.4	10	1.4	7.2
Encore Acquisition Company	EAC	B2	29.86	3.9	5.4	11	-	7.6
Whiting Petroleum Corporation	WLL		25.95	3.3	5.1	10	-	7.1
Magnum Hunter Resources, Inc.	MHR		10.93	3.1	4.6	8	-	6.7
Vintage Petroleum, Inc.	VPI		17.05	2.3	3.7	7	1.1	5.7
	<i>Median</i>			4.0	5.7	12	-	7.2
Micro Cap								
Abraxas Petroleum Corporation	ABP		1.33	6.3	9.5		-	9.7
Purcell Energy, Ltd. (US\$)	PEL.TO		2.10	4.4	6.1	14	-	7.4

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2005; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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