

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

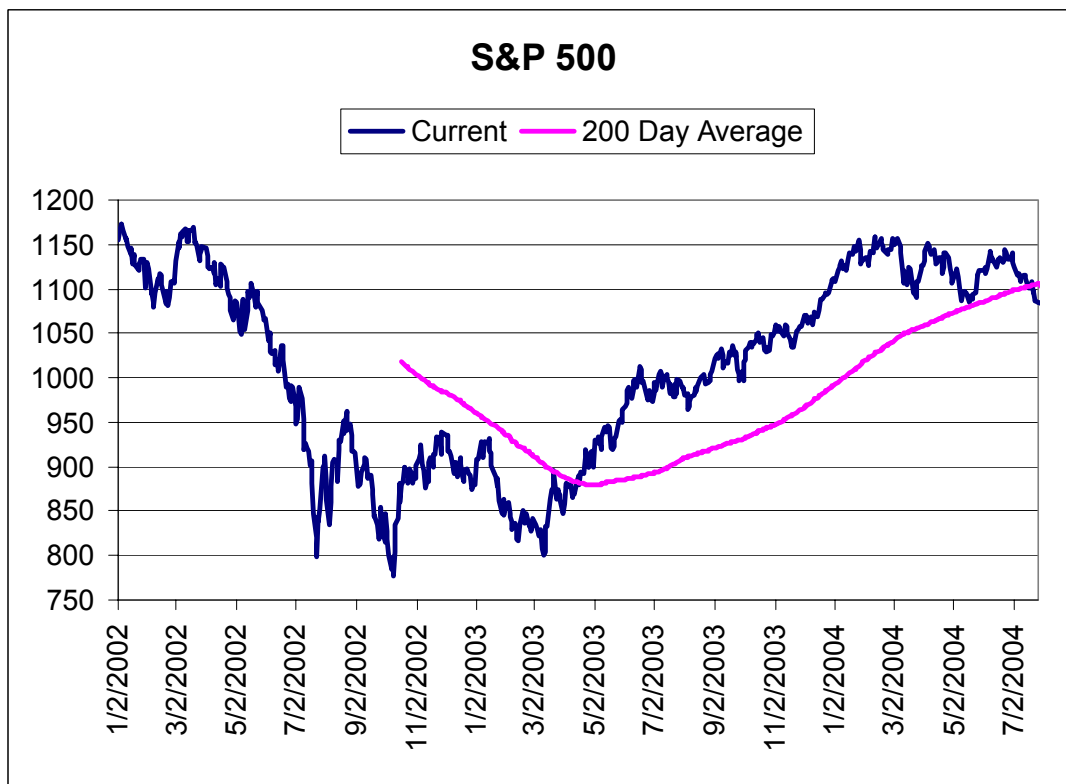
July 27, 2004

Market Momentum Challenged

Summary and Recommendation

The stock market as measured by the S&P 500 broke through its 200-day average on the downside for the first time since a decisive breakthrough on the upside in the spring of 2002. That contrasts with new highs in six-year oil and continuing positive momentum for six-year natural gas. Energy stocks could do well in a lackluster stock market. On another note, we are pleased that McDep Associates is one of the Independent Research Providers selected by Independent Consultants. As a result our single stock analyses on designated issues are now available to the investor clients of some Wall Street Investment Banks.

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) 26-Jul 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM	B3	45.33	6,582	298,000	43.00	0.09	1.05
BP plc	BP	B3	54.15	3,681	199,000	60.00	0.13	0.91
Shell Transport and Trading Co. plc	SC	B3	42.70	1,587	68,000	51.30	0.18	0.86
Royal Dutch Petroleum	RD	B1	49.85	2,033	101,000	60.00	0.18	0.86
Total S.A.	TOT	B3	94.15	1,246	117,300	113.00	0.16	0.86
ChevronTexaco Corporation	CVX	B1	93.46	1,066	99,600	125.00	0.14	0.78
					<i>Total or Median</i>		<i>0.15</i>	<i>0.86</i>
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	59.85	125	7,480	20.00	0.73	1.53
Valero Energy Corporation	VLO		72.37	121	8,730	55.00	0.43	1.18
Murphy Oil Corporation	MUR		75.45	93	7,000	62.00	0.20	1.17
Marathon Oil Corporation	MRO	B3	36.52	352	12,850	41.00	0.29	0.92
Imperial Oil Limited (30%)	IMO	B3	46.91	109	5,090	52.00	0.10	0.91
ConocoPhillips	COP	B1	76.13	688	52,300	110.00	0.27	0.77
Suncor Energy	SU	B3	27.04	465	12,570	38.00	0.14	0.75
ENI S.p.A.	E		99.02	755	74,800	150.00	0.12	0.70
Petro-Canada	PCZ	B3	45.25	266	12,040	68.00	0.11	0.70
Petroleo Brasileiro S. A.	PBR		26.86	1,096	29,400	50.00	0.28	0.67
PetroChina Company Ltd (10%)	PTR	B2	48.61	176	8,550	88.00	0.07	0.58
Norsk Hydro ASA	NHY	B1	60.94	256	15,580	120.00	0.12	0.57
Lukoil Oil Company	LUKOY	B2	109.50	210	23,000	208.00	0.05	0.55
					<i>Total or Median</i>		<i>0.14</i>	<i>0.75</i>
Independent Natural Gas and Oil								
CNOOC Limited (19%)	CEO	B2	46.30	78	3,620	55.00	-	0.84
XTO Energy Inc.	XTO	B1	27.96	271	7,580	38.00	0.21	0.79
Canadian Natural Resources Limited	CNQ		30.92	271	8,390	44.00	0.30	0.79
Unocal Corporation	UCL	B3	36.94	276	10,200	54.00	0.26	0.77
Encana Corporation	ECA	B1	43.96	472	20,700	63.00	0.20	0.76
Apache Corporation	APA		44.90	324	14,500	64.00	0.15	0.74
Occidental Petroleum Corp.	OXY	B3	48.35	397	19,200	75.00	0.19	0.71
Devon Energy	DVN	B3	67.40	247	16,600	110.00	0.24	0.70
Anadarko Petroleum Corp.	APC	B1	57.95	254	14,700	94.00	0.21	0.70
Pioneer Natural Resources Company	PXD		34.74	119	4,130	57.00	0.22	0.70
Burlington Resources	BR	B1	37.00	397	14,700	58.00	0.14	0.69
Pogo Producing Company	PPP		43.24	64	2,770	70.00	0.07	0.65
					<i>Total or Median</i>		<i>0.20</i>	<i>0.73</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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Table 1-2
Energy Producers
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating		Price (\$/sh) 26-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	45.33	1.2	6.9	12	2.2	6.6
Total S.A.	TOT	B3	94.15	1.0	5.4	9	3.0	6.3
BP plc	BP	B3	54.15	0.8	5.4	10	3.0	5.9
Shell Transport and Trading Co. plc	SC	B3	42.70	0.9	5.0	9	4.4	5.8
Royal Dutch Petroleum	RD	B1	49.85	0.9	4.9	9	4.4	5.8
ChevronTexaco Corporation	CVX	B1	93.46	0.9	4.9	8	3.1	6.2
	<i>Median</i>			0.9	5.2	9	3.1	6.1
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	59.85	3.0	12.3	15	3.8	8.0
Suncor Energy	SU	B3	27.04	2.7	8.3	16	0.7	11.0
Murphy Oil Corporation	MUR		75.45	1.4	7.1	15	1.1	6.1
Imperial Oil Limited (30%)	IMO	B3	46.91	1.2	5.8	10	1.4	6.3
Valero Energy Corporation	VLO		72.37	0.4	5.6	8	0.7	4.8
Marathon Oil Corporation	MRO	B3	36.52	0.4	5.3	10	2.7	5.7
ConocoPhillips	COP	B1	76.13	0.7	4.6	6	2.3	6.0
ENI S.p.A.	E		99.02	1.5	4.2	7	4.6	5.9
Petroleo Brasileiro S. A.	PBR		26.86	1.5	3.9	4	2.8	5.9
PetroChina Company Ltd (10%)	PTR	B2	48.61	2.0	3.8	7	4.4	6.5
Petro-Canada	PCZ	B3	45.25	1.3	3.4	6	1.0	4.8
Norsk Hydro ASA	NHY	B1	60.94	0.9	3.3	7	2.6	5.9
Lukoil Oil Company	LUKOY	B2	109.50	0.9	2.5	4	2.3	4.5
	<i>Median</i>			1.3	4.6	7	2.3	5.9
Independent Natural Gas and Oil								
CNOOC Limited (19%)	CEO	B2	46.30	4.6	5.9	12	3.4	7.0
XTO Energy Inc.	XTO	B1	27.96	4.7	5.9	12	0.1	7.4
Pioneer Natural Resources Company	PXD		34.74	3.6	5.1	16	-	7.4
Anadarko Petroleum Corp.	APC	B1	57.95	3.4	4.8	9	1.0	6.9
Occidental Petroleum Corp.	OXY	B3	48.35	2.3	4.8	8	2.3	6.7
Burlington Resources	BR	B1	37.00	3.4	4.8	10	0.9	6.9
Unocal Corporation	UCL	B3	36.94	1.9	4.6	8	2.2	6.0
Apache Corporation	APA		44.90	3.2	4.4	8	0.5	6.0
Encana Corporation	ECA	B1	43.96	2.2	4.3	8	0.9	5.6
Canadian Natural Resources Limited	CNQ		30.92	2.7	4.1	7	1.0	5.2
Devon Energy	DVN	B3	67.40	3.0	3.7	6	0.6	5.2
Pogo Producing Company	PPP		43.24	2.2	3.0	6	0.5	4.7
	<i>Median</i>			3.1	4.7	8	0.9	6.4

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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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) 26-Jul 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Short Life							
Spinnaker Exploration Company	SKE	37.37	34.2	1,280	28.00	0.11	1.30
Western Gas Resources	WGR	33.05	74.0	2,450	25.00	0.17	1.27
Southwestern Energy Company	SWN	29.99	36.0	1,080	29.00	0.22	1.03
The Houston Exploraton Company	THX	52.12	31.0	1,620	55.00	0.20	0.96
Penn West Petroleum Ltd. (US\$)	PWT.TO	50.46	54.7	2,760	57.00	0.21	0.91
Denbury Resources Inc.	DNR	20.37	55.7	1,140	25.00	0.21	0.85
Cimarex Energy Company	XEC B2	31.23	42.6	1,330	38.00	0.00	0.82
Newfield Exploration Company	NFX	55.40	56.6	3,140	73.00	0.17	0.80
Chesapeake Energy Corporation	CHK	15.16	220	3,340	24.00	0.29	0.74
Range Resources Corporation	RRC	14.86	57.0	850	24.00	0.26	0.72
Energy Partners Ltd.	EPL B3	14.75	37.7	556	22.00	0.14	0.72
St. Mary Land and Exploration Company	SM	33.05	29.0	960	50.00	0.10	0.69
Stone Energy Company	SGY	44.13	26.6	1,170	72.00	0.20	0.69
PetroKazakhstan Inc.	PKZ	27.95	80.7	2,260	42.00	0.01	0.67
Forest Oil Corporation	FST	27.23	53.5	1,460	53.00	0.25	0.63
				<i>Total or Median</i>			
				25,400		0.20	0.80
Long Life							
Ultra Petroleum Corp.	UPL	41.50	78.0	3,240	25.00	0.06	1.62
Unit Corporation	UNT	30.96	44.1	1,370	25.00	0.01	1.24
Quicksilver Resources Inc.	KWK	30.60	50.4	1,540	25.00	0.19	1.18
Penn Virginia Corporation	PVA	37.32	18.2	680	36.00	0.14	1.03
Swift Energy Company	SFY	21.17	27.4	580	32.00	0.29	0.76
Whiting Petroleum Corporation	WLL	24.97	18.8	470	40.00	0.21	0.70
Berry Petroleum Company	BRY B2	28.93	22.3	645	43.00	0.07	0.69
Encore Acquisition Company	EAC B2	27.99	30.6	856	47.00	0.18	0.67
Magnum Hunter Resources, Inc.	MHR	9.95	68.0	680	20.00	0.32	0.66
Vintage Petroleum, Inc.	VPI	15.83	63.0	1,000	33.00	0.28	0.62
				<i>Total or Median</i>			
				11,100		0.19	0.73
Micro Cap							
Abraxas Petroleum Corporation	ABP	1.26	35.8	45	1.50	0.77	0.96
Purcell Energy, Ltd. (US\$)	PEL.TO	1.95	62.0	121	2.80	0.27	0.78

B2 = Buy half unlevered position, B3 = Alternative buy

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Symbol/ Rating		26-Jul 2004	NTM	NTM	NTM		
Short Life							
Western Gas Resources	WGR	33.05	1.0	11.4	24	-	9.0
Southwestern Energy Company	SWN	29.99	3.8	6.6	13	-	6.4
Spinnaker Exploration Company	SKE	37.37	4.9	5.6	15	-	4.3
Penn West Petroleum Ltd. (US\$)	PWT.TO	50.46	3.8	5.2	12	0.8	5.7
Range Resources Corporation	RRC	14.86	4.0	5.2	10	0.3	7.2
Denbury Resources Inc.	DNR	20.37	3.4	5.0	9	-	5.9
Chesapeake Energy Corporation	CHK	15.16	3.3	4.6	9	0.8	6.2
The Houston Exploraton Company	THX	52.12	3.2	4.0	9	-	4.2
Forest Oil Corporation	FST	27.23	2.8	3.8	17	-	6.1
Newfield Exploration Company	NFX	55.40	3.0	3.8	8	-	4.7
Stone Energy Company	SGY	44.13	2.8	3.8	7	-	5.5
St. Mary Land and Exploration Company	SM	33.05	2.6	3.7	9	0.3	5.4
Cimarex Energy Company	XEC	B2 31.23	2.8	3.6	8	-	4.4
Energy Partners Ltd.	EPL	B3 14.75	2.4	3.3	11	-	4.7
PetroKazakhstan Inc.	PKZ	27.95	1.6	2.8	5	-	4.2
	<i>Median</i>		3.0	4.0	9	-	5.5
Long Life							
Ultra Petroleum Corp.	UPL	41.50	13.7	17.7	29	-	10.9
Quicksilver Resources Inc.	KWK	30.60	8.7	13.1	26	-	11.1
Unit Corporation	UNT	30.96	3.9	9.0	22	-	7.3
Penn Virginia Corporation	PVA	37.32	4.1	7.0	15	1.2	6.8
Swift Energy Company	SFY	21.17	3.7	5.4	11	-	7.1
Encore Acquisition Company	EAC	B2 27.99	3.7	5.1	11	-	7.6
Berry Petroleum Company	BRY	B2 28.93	3.2	5.0	9	1.5	7.2
Whiting Petroleum Corporation	WLL	24.97	3.3	5.0	10	-	7.1
Magnum Hunter Resources, Inc.	MHR	9.95	2.9	4.4	7	-	6.7
Vintage Petroleum, Inc.	VPI	15.83	2.2	3.6	6	1.1	5.7
	<i>Median</i>		3.7	5.3	11	-	7.2
Micro Cap							
Abraxas Petroleum Corporation	ABP	1.26	6.3	9.3		-	9.7
Purcell Energy, Ltd. (US\$)	PEL.TO	1.95	4.2	5.8	13	-	7.4

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