

## Meter Reader

*A Weekly Analysis of Energy Stocks Using the McDep Ratio*

August 10, 2004

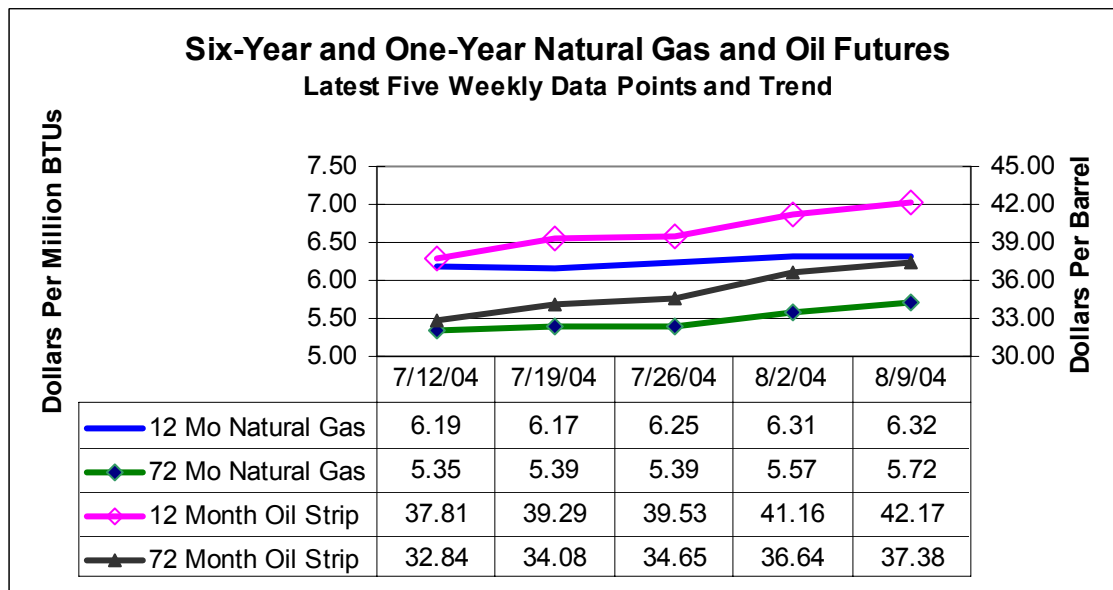
# Stocks Cheaper than Futures

## Summary and Recommendation

Oil and gas futures markets make a strong case for a permanent oil and gas price change underway that would benefit recommended stocks like **Canadian Oil Sands Trust (COSWF)**, **Burlington Resources (BR)**, **Lukoil (LUKOY)** and **ChevronTexaco (CVX)**. The lowest oil price the futures market promises for now is \$35 in 2010 (see chart [Light, Sweet Oil Futures to Six Years](#)). A relative bargain again, natural gas is promised by the futures market at an 8% discount to the heating equivalent of oil. While long-term futures may still be low, our estimates of present value seem more than justified by the commodity consensus. As a result, stocks priced at a McDep Ratio less than 1.0 appear to be better value than six-year futures.

Present value estimates were intended to reflect a constant real oil price of about \$35 when we made the estimates in March. In our single stock analyses published in the past two weeks we have been discussing more detailed calculations that so far find that the current estimates appear justified by \$35, or less. Six-year futures at an average price of \$37.38 may be equivalent to a constant real price of \$35 except that nearer-term prices are higher and longer-term prices are lower. A McDep Ratio of 0.8, for example, may imply a constant real oil price of \$25-\$30.

Kurt H. Wulff, CFA

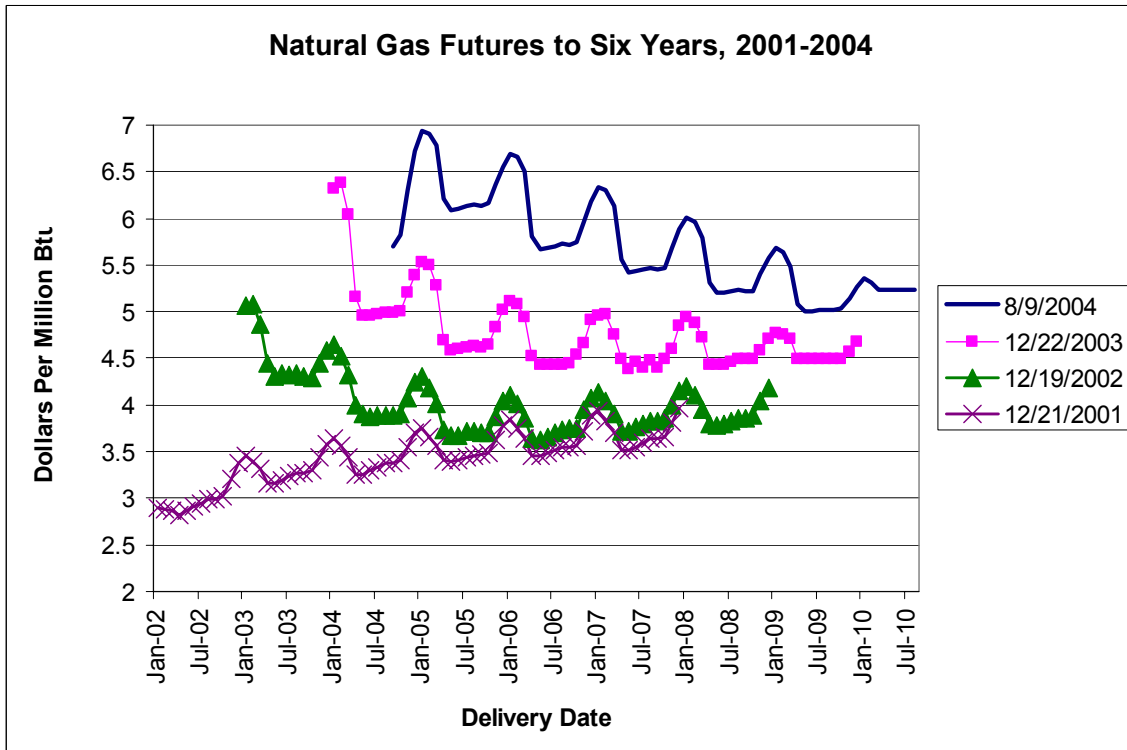
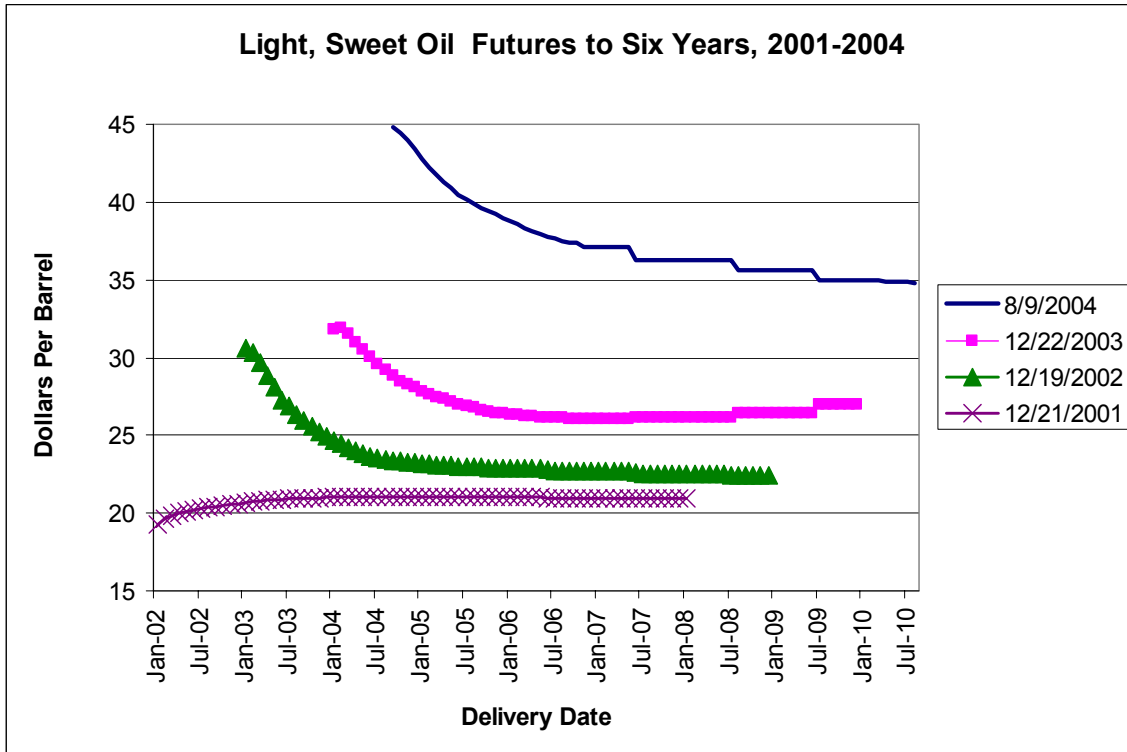


Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

# Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

August 10, 2004

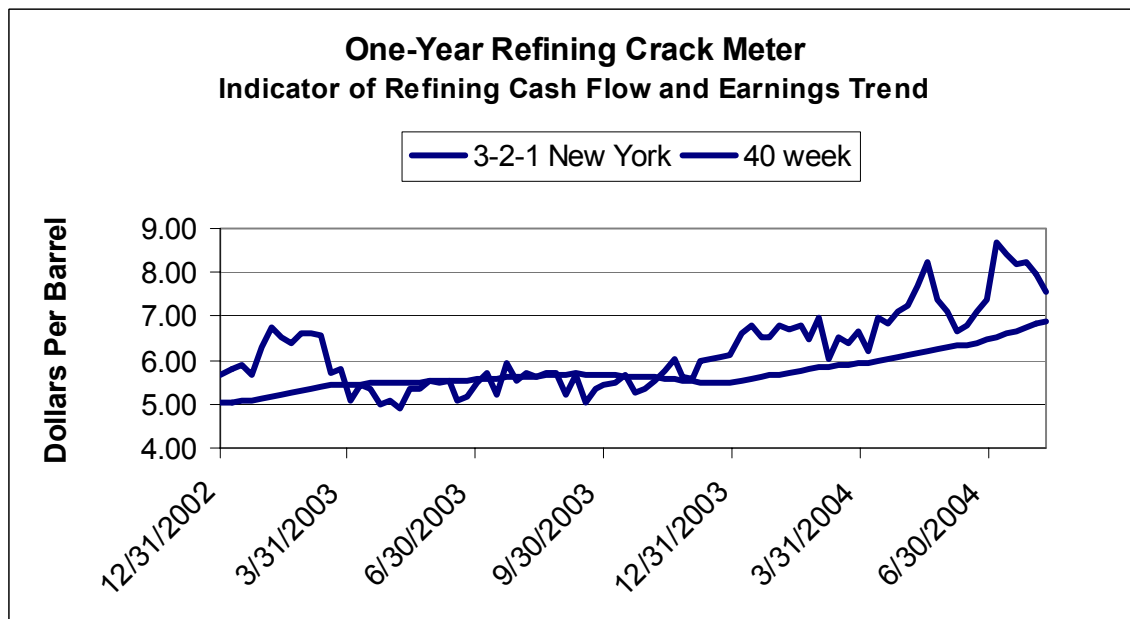
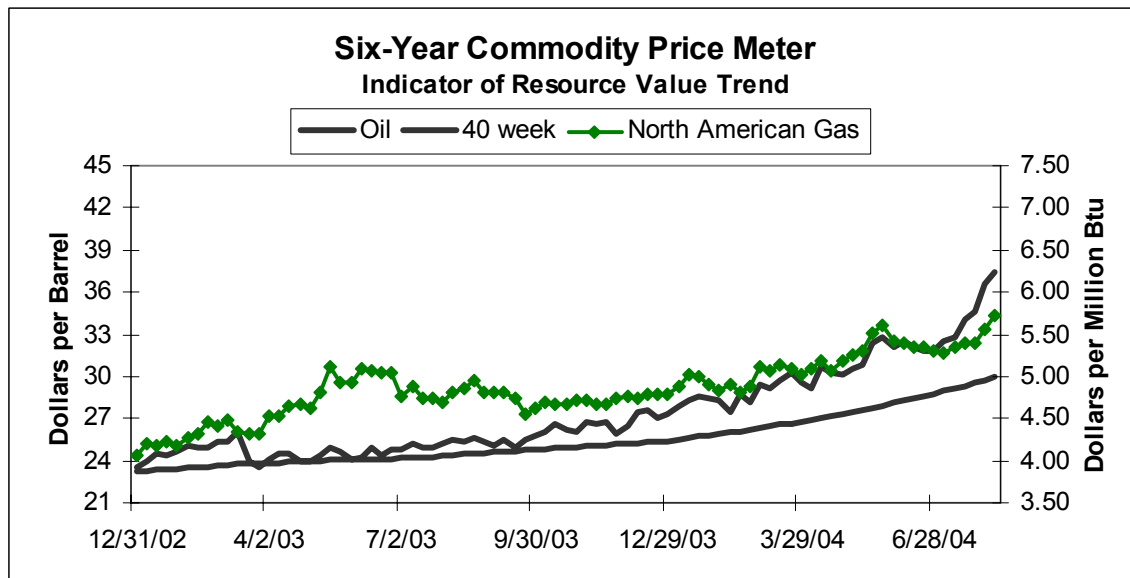


Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

## Meter Reader

*A Weekly Analysis of Energy Stocks Using the McDep Ratio*

August 10, 2004



Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

## Meter Reader

### A Weekly Analysis of Energy Stocks Using the McDep Ratio

August 10, 2004

**Table 1-1**  
**Energy Producers**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

	Symbol/ Rating		Price (\$/sh) 9-Aug 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Mega Cap</b>								
Exxon Mobil Corporation	XOM	B3	45.56	6,547	298,000	43.00	0.08	1.05
BP plc	BP	B3	55.54	3,681	204,000	60.00	0.13	0.94
Shell Transport and Trading Co. plc	SC	B3	43.52	1,587	69,000	51.20	0.17	0.88
Total S.A.	TOT	B3	96.12	1,237	118,900	113.00	0.16	0.87
Royal Dutch Petroleum	RD	B1	49.40	2,031	100,000	60.00	0.17	0.85
ChevronTexaco Corporation	CVX	B1	94.63	1,065	100,800	125.00	0.14	0.79
					<i>Total or Median</i>	<i>891,000</i>	<i>0.15</i>	<i>0.87</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	59.53	125	7,440	20.00	0.73	1.53
Valero Energy Corporation	VLO		69.70	121	8,410	55.00	0.43	1.15
Murphy Oil Corporation	MUR		72.70	93	6,750	62.00	0.20	1.14
Imperial Oil Limited (30%)	IMO	B3	47.30	109	5,140	52.00	0.10	0.92
Marathon Oil Corporation	MRO	B3	35.91	346	12,430	41.00	0.30	0.91
Suncor Energy	SU	B3	28.30	465	13,160	38.00	0.14	0.78
ConocoPhillips	COP	B1	75.09	687	51,600	110.00	0.27	0.77
Norsk Hydro ASA	NHY	B1	62.42	256	15,950	90.00	0.16	0.74
ENI S.p.A.	E		101.40	755	76,600	150.00	0.12	0.72
Petro-Canada	PCZ	B3	45.84	266	12,190	68.00	0.11	0.71
Petroleo Brasileiro S. A.	PBR		28.67	1,096	31,400	50.00	0.28	0.69
PetroChina Company Ltd (10%)	PTR	B2	48.80	176	8,580	88.00	0.07	0.58
Lukoil Oil Company	LUKOY	B2	109.00	210	23,000	208.00	0.05	0.55
					<i>Total or Median</i>	<i>273,000</i>	<i>0.16</i>	<i>0.77</i>
<b>Independent Natural Gas and Oil</b>								
CNOOC Limited (19%)	CEO	B2	46.75	78	3,650	55.00	-	0.85
Canadian Natural Resources Limited	CNQ		31.96	271	8,670	44.00	0.29	0.81
XTO Energy Inc.	XTO	B1	27.29	271	7,400	38.00	0.21	0.78
Encana Corporation	ECA	B1	42.02	471	19,800	63.00	0.25	0.75
Unocal Corporation	UCL	B3	35.80	276	9,900	54.00	0.26	0.75
Apache Corporation	APA		43.77	324	14,200	64.00	0.15	0.73
Occidental Petroleum Corp.	OXY	B3	49.31	397	19,600	75.00	0.19	0.72
Devon Energy	DVN	B3	67.10	249	16,700	110.00	0.24	0.70
Anadarko Petroleum Corp.	APC	B1	57.40	254	14,600	94.00	0.21	0.69
Burlington Resources	BR	B1	36.73	397	14,600	58.00	0.14	0.68
Pioneer Natural Resources Company	PXD		33.19	119	3,950	57.00	0.22	0.67
Pogo Producing Company	PPP		42.70	64	2,730	70.00	0.07	0.64
					<i>Total or Median</i>	<i>136,000</i>	<i>0.21</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

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

## Meter Reader

### A Weekly Analysis of Energy Stocks Using the McDep Ratio

August 10, 2004

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

	Symbol/ Rating	Price (\$/sh) 9-Aug 2004	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	PV/ Ebitda NTM
<b>Mega Cap</b>							
Exxon Mobil Corporation	XOM B3	45.56	1.1	6.8	12	2.4	6.5
Total S.A.	TOT B3	96.12	1.0	6.0	11	2.9	6.9
BP plc	BP B3	55.54	0.8	5.3	10	2.9	5.6
Shell Transport and Trading Co. plc	SC B3	43.52	0.8	5.0	9	4.2	5.7
Royal Dutch Petroleum	RD B1	49.40	0.8	4.9	9	4.3	5.7
ChevronTexaco Corporation	CVX B1	94.63	0.8	4.5	7	3.4	5.7
	<i>Median</i>		<i>0.8</i>	<i>5.1</i>	<i>10</i>	<i>3.2</i>	<i>5.7</i>
<b>Producer/Refiners - Large Cap and Mid Cap</b>							
Kinder Morgan, Inc.	KMI S2	59.53	3.0	12.3	15	3.8	8.0
Suncor Energy	SU B3	28.30	2.7	7.9	15	0.6	10.1
Murphy Oil Corporation	MUR	72.70	1.3	6.6	13	1.1	5.8
Valero Energy Corporation	VLO	69.70	0.4	6.1	8	0.7	5.3
Imperial Oil Limited (30%)	IMO B3	47.30	1.2	5.6	9	1.4	6.0
Marathon Oil Corporation	MRO B3	35.91	0.4	5.3	10	2.8	5.8
ConocoPhillips	COP B1	75.09	0.6	4.4	6	2.3	5.8
Norsk Hydro ASA	NHY B1	62.42	0.9	4.2	10	2.5	5.6
ENI S.p.A.	E	101.40	1.5	4.1	7	4.5	5.7
Petroleo Brasileiro S. A.	PBR	28.67	1.5	3.8	4	2.6	5.5
PetroChina Company Ltd (10%)	PTR B2	48.80	2.0	3.8	7	4.4	6.5
Petro-Canada	PCZ B3	45.84	1.3	3.2	6	1.0	4.5
Lukoil Oil Company	LUKOY B2	109.00	0.9	2.2	4	2.3	4.1
	<i>Median</i>		<i>1.3</i>	<i>4.4</i>	<i>8</i>	<i>2.3</i>	<i>5.8</i>
<b>Independent Natural Gas and Oil</b>							
XTO Energy Inc.	XTO B1	27.29	4.5	5.6	11	0.1	7.2
CNOOC Limited (19%)	CEO B2	46.75	4.3	5.5	11	3.4	6.5
Pioneer Natural Resources Company	PXD	33.19	3.3	4.8	14	-	7.2
Burlington Resources	BR B1	36.73	3.3	4.6	9	0.9	6.6
Occidental Petroleum Corp.	OXY B3	49.31	2.3	4.5	7	2.2	6.3
Encana Corporation	ECA B1	42.02	2.4	4.4	9	1.0	5.8
Anadarko Petroleum Corp.	APC B1	57.40	3.2	4.3	8	1.0	6.3
Unocal Corporation	UCL B3	35.80	1.8	4.2	7	2.2	5.6
Apache Corporation	APA	43.77	3.0	4.1	7	0.5	5.7
Canadian Natural Resources Limited	CNQ	31.96	2.7	4.0	6	0.9	4.9
Devon Energy	DVN B3	67.10	3.0	3.7	7	0.6	5.3
Pogo Producing Company	PPP	42.70	2.1	2.8	6	0.5	4.4
	<i>Median</i>		<i>3.0</i>	<i>4.4</i>	<i>8</i>	<i>0.9</i>	<i>6.0</i>

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

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

## Meter Reader

### A Weekly Analysis of Energy Stocks Using the McDep Ratio

August 10, 2004

**Table 2-1**  
**Energy Producers - Small Cap**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

	Symbol/ Rating	Price (\$/sh) 9-Aug 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>Short Life</b>							
Unit Corporation	UNT	30.84	44.1	1,360	25.00	0.01	1.23
Western Gas Resources	WGR	29.18	74.0	2,160	25.00	0.17	1.14
Southwestern Energy Company	SWN	30.72	36.0	1,110	29.00	0.22	1.05
Penn West Petroleum Ltd. (US\$)	PWT.TO	48.27	54.7	2,640	57.00	0.21	0.88
Denbury Resources Inc.	DNR	19.98	55.7	1,110	25.00	0.21	0.84
Cimarex Energy Company	XEC	B2 30.30	42.7	1,290	38.00	0.00	0.80
Purcell Energy, Ltd. (US\$)	PEL.TO	1.97	62.0	122	2.80	0.27	0.78
Range Resources Corporation	RRC	15.25	57.0	870	24.00	0.26	0.73
Energy Partners Ltd.	EPL	B3 15.02	38.4	577	22.00	0.14	0.73
Chesapeake Energy Corporation	CHK	14.24	220	3,130	24.00	0.29	0.71
PetroKazakhstan Inc.	PKZ	29.01	80.7	2,340	42.00	0.01	0.69
St. Mary Land and Exploration Company	SM	32.98	29.0	960	50.00	0.10	0.69
Forest Oil Corporation	FST	25.97	53.5	1,390	53.00	0.25	0.62
	<i>Total or Median</i>			<i>19,100</i>		<i>0.21</i>	<i>0.78</i>
<b>Long Life</b>							
Ultra Petroleum Corp.	UPL	40.85	78.0	3,190	25.00	0.06	1.59
Quicksilver Resources Inc.	KWK	26.79	50.4	1,350	25.00	0.19	1.06
Abraxas Petroleum Corporation	ABP	1.34	35.8	48	1.50	0.77	0.98
Swift Energy Company	SFY	18.95	27.4	520	32.00	0.29	0.71
Berry Petroleum Company	BRY	B2 29.01	22.4	650	43.00	0.06	0.69
Whiting Petroleum Corporation	WLL	22.70	18.8	430	40.00	0.21	0.66
Encore Acquisition Company	EAC	B2 27.40	30.6	838	47.00	0.18	0.66
Vintage Petroleum, Inc.	VPI	15.77	63.0	990	33.00	0.28	0.62
	<i>Total or Median</i>			<i>8,000</i>		<i>0.20</i>	<i>0.70</i>
<b>Master Limited Partnerships and Canadian Royalty Trusts</b>							
Kinder Morgan Energy Partners, L.P.	KMP	S2 42.36	145.0	6,142	15.00	0.49	1.93
Kinder Morgan Management, LLC	KMR	S2 36.73	52.5	1,927	15.00	0.49	1.74
Provident Energy Trust	PVX	7.96	88.0	700	6.20	0.33	1.19
Dorchester Minerals, L.P.	DMLP	19.47	27.0	526	17.00	-	1.14
NAV Energy Trust (US\$)	NVG.UN	8.04	19.0	153	7.00	0.18	1.12
Pengrowth Energy Trust	PGH	14.98	125.0	1,873	14.00	0.14	1.06
Enerplus Resources Fund	ERF	29.60	90.4	2,676	28.00	0.13	1.05
Canadian Oil Sands Trust (US\$)	COSWF	B1 36.50	86.9	3,170	62.00	0.21	0.68
	<i>Total or Median</i>			<i>17,200</i>		<i>0.20</i>	<i>1.13</i>
<b>U.S. Royalty Trusts</b>							
Sabine Royalty Trust	SBR	36.74	14.6	536	27.00	-	1.36
Permian Basin RT (41%)	PBT	10.32	19.1	197	7.70	-	1.34
San Juan Basin Royalty Trust	SJT	H 27.48	46.6	1,281	22.00	-	1.25
Hugoton Royalty Trust (46%)	HGT	25.50	18.4	469	22.00	-	1.16
Cross Timbers Royalty Trust	CRT	31.83	6.0	191	30.00	-	1.06
	<i>Total or Median</i>			<i>2,700</i>			<i>1.25</i>

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

Buy/Sell rating after symbol: B1 - Buy full unlevered position, B2 - Buy half unlevered position

S2 - Short quarter unlevered position, H - Hold (neutral)

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

## Meter Reader

### A Weekly Analysis of Energy Stocks Using the McDep Ratio

August 10, 2004

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

			Price (\$/sh)	EV/ Sales	EV/ Ebitda	P/E	Divd or Distrib NTM (%)	PV/ Ebitda NTM
Symbol/ Rating		9-Aug 2004		NTM	NTM	NTM		
<b>Short Life</b>								
Western Gas Resources	WGR		29.18	0.9	10.2	21	-	8.9
Unit Corporation	UNT		30.84	3.8	8.8	21	-	7.2
Southwestern Energy Company	SWN		30.72	3.9	6.6	12	-	6.3
Purcell Energy, Ltd. (US\$)	PEL.TO		1.97	4.1	5.6	12	-	7.1
Range Resources Corporation	RRC		15.25	4.0	5.1	9	0.3	7.0
Penn West Petroleum Ltd. (US\$)	PWT.TO		48.27	3.5	4.8	10	0.8	5.4
Denbury Resources Inc.	DNR		19.98	3.2	4.7	9	-	5.6
Chesapeake Energy Corporation	CHK		14.24	3.1	4.3	8	0.8	6.1
Forest Oil Corporation	FST		25.97	2.7	3.6	13	-	5.8
St. Mary Land and Exploration Company	SM		32.98	2.5	3.6	8	0.3	5.2
Cimarex Energy Company	XEC	B2	30.30	2.6	3.3	8	-	4.1
Energy Partners Ltd.	EPL	B3	15.02	2.1	2.9	8	-	4.0
PetroKazakhstan Inc.	PKZ		29.01	1.6	2.7	5	-	3.9
	<i>Median</i>			3.1	4.7	9	-	5.8
<b>Long Life</b>								
Ultra Petroleum Corp.	UPL		40.85	13.3	17.1	28	-	10.7
Quicksilver Resources Inc.	KWK		26.79	7.6	11.4	22	-	10.8
Abraxas Petroleum Corporation	ABP		1.34	6.2	9.1		-	9.3
Swift Energy Company	SFY		18.95	3.3	4.8	9	-	6.7
Encore Acquisition Company	EAC	B2	27.40	3.4	4.7	9	-	7.1
Berry Petroleum Company	BRY	B2	29.01	2.8	4.4	8	1.5	6.4
Whiting Petroleum Corporation	WLL		22.70	2.9	4.4	8	-	6.7
Vintage Petroleum, Inc.	VPI		15.77	2.1	3.3	5	1.1	5.3
	<i>Median</i>			3.4	4.7	9	-	6.9
<b>Master Limited Partnerships and Canadian Royalty Trusts</b>								
Kinder Morgan Energy Partners, L.P.	KMP		42.36	2.8	15.5	17	4.9	8.0
Kinder Morgan Management, LLC	KMR		36.73	2.5	14.0	15	5.6	8.0
Dorchester Minerals, L.P.	DMLP		19.47	9.3	10.2	19	9.8	8.9
Enerplus Resources Fund	ERF		29.60	4.7	6.7	12	10.7	6.4
Provident Energy Trust	PVX		7.96	4.4	5.6	15	13.6	4.7
Canadian Oil Sands Trust (US\$)	COSWF	B1	36.50	3.5	5.4	7	4.1	8.0
Pengrowth Energy Trust	PGH		14.98	4.1	5.4	9	12.6	5.1
NAV Energy Trust (US\$)	NVG.UN		8.04	2.5	4.0	9	16.8	3.6
	<i>Median</i>			3.8	6.1	14	10.2	7.2
<b>U.S. Royalty Trusts</b>								
Sabine Royalty Trust	SBR		36.74	11.5	12.0	12	8.4	8.8
Cross Timbers Royalty Trust	CRT		31.83	8.5	11.6	12	8.5	10.9
Permian Basin RT (41%)	PBT		10.32	6.9	9.3	10	7.3	6.9
San Juan Basin Royalty Trust	SJT	H	27.48	7.6	9.3	11	9.5	7.4
Hugoton RoyaltyTrust (46%)	HGT		25.50	6.8	8.8	10	9.8	7.6
	<i>Median</i>			7.6	9.3	11	8.5	7.6

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

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.