

Not All Slime and Sleaze

Summary and Recommendation

“Emperor of Greed” and “Bad Guys of the Boardroom”, recent titles from *Fortune* and *Wall Street Journal*, to pick two examples, point out in hindsight odious behavior of the type about which we are trying to warn investors in our Strong Sell recommendations. Yet while there is too much slime and sleaze in tech, telecom, finance and energy infrastructure, there are positive developments for our energy producer Buy recommendation, **EnCana Corporation (ECA)**. The largest independent announced its expanded estimate of oil-in-place for its Buzzard oil discovery in the North Sea to between 800 million and 1.1 billion barrels. Including the best discovery offshore Scotland in a decade the company seems to have more than enough quality expansion projects to make a major oil company proud. In fact, major oil company Buy recommendation **ChevronTexaco (CVX)**'s just-announced deep Gulf of Mexico discovery includes Encana as a 25% partner. Mini-major Strong Buy recommendation **Marathon (MRO)** drilling offshore Nova Scotia has Encana as a 26% partner. Those are among other positive recommendations in our valuation ranking of 77 stocks (see Tables L-1, L-2, M-1, M-2, S-1 and S-2).

Encana Has An Abundance of Growth Projects

Successor to the ownership of the railroad land grant property and provincial military lands, Encana has premium assets in Alberta even before it looks elsewhere. Ironically as Encana's predecessors expanded outside of their traditional area, they made impressive discoveries in supposedly picked over places where the industry leaders have long been active. Remarkably the company has some of the best growth potential in the industry offshore Old Scotland, offshore New Scotland, in the U.S. Rockies, as well as in British Columbia. The first two along with coal bed methane helped justify our enthusiasm for PanCanadian Petroleum that then became PanCanadian Energy that finally became EnCana. The merger with Alberta Energy brought the Jonah Field in Wyoming to the combined company.

The British Columbia project that we have in mind was just highlighted two weeks ago when we were with Encana in Calgary. Randy Eresman, President of EnCana's Onshore North American division, drew for us a wavy band three to five miles wide and 175 miles long that described a prehistoric underground formation analogous to the Great Barrier Reef off Australia. The reef appears filled with natural gas of which Encana expects to recover 2.5 trillion cubic feet, little of which has been booked as proven to date. The company has been accumulating land on the trend for four years and announced its coup only after the land acquisition had been largely completed. Technological innovations in

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Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

June 24, 2002

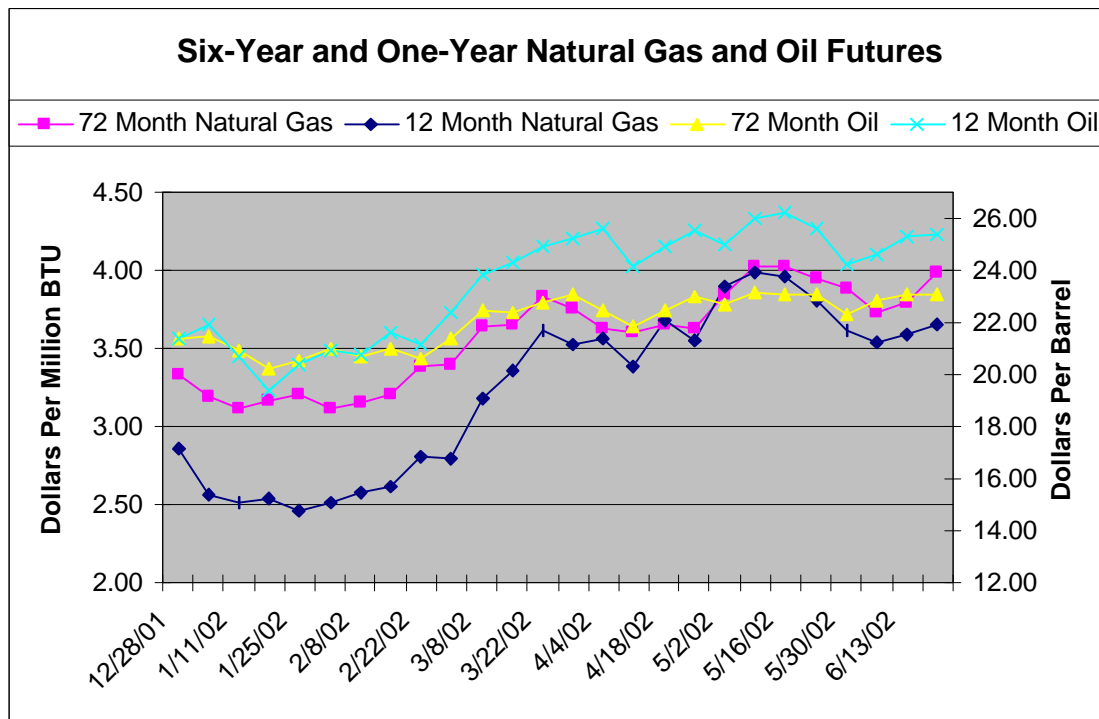
drilling with wells that have a horizontal section and do not introduce water to the formation were necessary for the economic recovery of the sweet gas.

In the valuation sense we are usually skeptical about giving much credit for future projects. As a result on our McDep Ratio, Encana ranks in the middle of ten stocks in our Large Cap Natural Gas and Oil group. If the company's prospects materialize in more rapid growth as management projects and as seems credible, the stock should perform well in a group that we believe has attractive appreciation potential. Actually we think the company has a good shot at becoming the most highly valued stock in the group. With that in the back of our mind we will be careful about recommending taking profits too early.

Six-Year Natural Gas Price Advances More Than One-Sigma

A close relationship between stock price and six-year futures that we have observed for royalty trusts ought to apply at least to the natural gas portion of producing companies as well. The 72 Month Natural Gas price advanced five percent last week, which happens only about once every six weeks.

Kurt H. Wulff, CFA



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Table L-1
Mega Cap and Large Cap Energy Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 20-Jun 2002</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>	
Mega Cap								
Exxon Mobil Corporation	XOM	39.74	6,858	273,000	36.00	0.09	1.09	
BP plc	BP	47.88	3,734	179,000	50.00	0.15	0.96	
Royal Dutch/Shell	RD	3	52.17	3,502	183,000	60.00	0.12	0.89
TotalFinaElf S.A.	TOT	73.90	1,352	99,900	90.00	0.14	0.85	
ChevronTexaco Corporation	CVX	2	87.33	1,062	92,700	110.00	0.16	0.83
	<i>Total or Median</i>			828,000		0.14	0.89	
Energy Infrastructure								
Southern Company	SO	26.97	701	18,900	23.90	0.47	1.07	
Duke Energy Corporation	DUK	31.00	792	24,600	30.40	0.48	1.01	
American Electric Power Co. Inc.	AEP	3	40.55	322	13,100	42.20	0.63	0.99
Williams Companies	WMB	7.35	521	3,800	10.20	0.78	0.94	
Dominion Resources	D	64.61	269	17,400	76.20	0.45	0.92	
Enel S.p.a. (32%)	EN	28.03	388	10,900	32.70	0.39	0.91	
El Paso Corporation	EP	20.05	546	10,900	27.30	0.61	0.90	
Exelon Corporation	EXC	2	53.03	323	17,100	69.30	0.46	0.87
	<i>Total or Median</i>			98,000		0.48	0.92	
Natural Gas and Oil								
Occidental Petroleum Corp.	OXY	30.16	372	11,200	30.00	0.48	1.00	
OAOLukoil	LUKOY	66.75	299	20,000	70.00	0.08	0.96	
Devon Energy	DVN	48.00	165	7,900	55.00	0.48	0.93	
ENI S.p.A.	E	77.01	776	59,800	85.00	0.18	0.92	
Anadarko Petroleum Corp.	APC	49.08	266	13,100	56.00	0.26	0.91	
Encana Corporation	ECA	2	30.58	484	14,800	35.00	0.25	0.91
Unocal Corporation	UCL	36.64	245	9,000	45.00	0.33	0.88	
ConocoPhillips	P	2	57.02	680	38,800	80.00	0.32	0.81
Marathon Oil Corporation	MRO	1	26.55	310	8,200	40.00	0.36	0.79
Burlington Resources	BR	1	39.05	202	7,900	57.00	0.32	0.79
	<i>Total or Median</i>			180,000		0.32	0.91	
Service								
Baker Hughes Inc.	BHI	35.15	338	11,900	24.50	0.13	1.38	
Schlumberger Ltd.	SLB	49.66	581	28,900	44.00	0.12	1.12	
Halliburton Company	HAL	16.55	430	7,100	25.00	0.14	0.71	

Buy/Sell rating after symbol: 1-Strong Buy, 2-Buy, 3-Neutral, 4-Sell, 5-Strong Sell

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

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Table L-2
Mega Cap and Large Cap Energy Companies
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 20-Jun 2002	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Mega Cap								
Exxon Mobil Corporation	XOM	39.74	1.7	11.1	24	2.3	10.1	
BP plc	BP	47.88	1.4	8.8	18	2.9	9.2	
TotalFinaElf S.A.	TOT	73.90	1.3	7.9	16	2.8	9.4	
ChevronTexaco Corporation	CVX	2	87.33	1.3	7.5	15	3.2	9.1
Royal Dutch/Shell	RD	3	52.17	1.3	7.2	14	2.7	8.1
	<i>Median</i>			<i>1.3</i>	<i>7.9</i>	<i>16</i>	<i>2.8</i>	<i>9.2</i>
Energy Infrastructure								
Southern Company	SO	26.97	3.3	9.6	16	5.0	9.0	
Duke Energy Corporation	DUK	31.00	0.9	9.1	12	3.5	9.0	
American Electric Power Co. Inc.	AEP	3	40.55	0.6	8.9	12	5.9	9.0
Williams Companies	WMB		7.35	2.1	8.4	6	10.9	9.0
Dominion Resources	D	64.61	3.4	8.3	13	4.0	9.0	
Enel S.p.a. (32%)	EN	28.03	2.3	8.2	34	5.8	9.0	
El Paso Corporation	EP	20.05	0.7	8.1	11	4.5	9.0	
Exelon Corporation	EXC	2	53.03	2.4	7.8	12	3.3	9.0
	<i>Median</i>			<i>2.2</i>	<i>8.3</i>	<i>12</i>	<i>4.7</i>	<i>9.0</i>
Natural Gas and Oil								
Occidental Petroleum Corp.	OXY	30.16	1.6	8.1	14	3.3	8.1	
ConocoPhillips	P	2	57.02	0.9	7.7	18	2.5	9.5
Anadarko Petroleum Corp.	APC	49.08	2.9	7.3	16	0.6	8.1	
Devon Energy	DVN	48.00	3.1	6.9	48	0.4	7.4	
ENI S.p.A.	E	77.01	1.6	6.7	15	4.4	7.3	
Encana Corporation	ECA	2	30.58	3.8	5.9	13	0.8	6.5
Marathon Oil Corporation	MRO	1	26.55	0.4	5.7	11	3.5	7.3
Burlington Resources	BR	1	39.05	4.0	5.5	12	1.4	7.0
Unocal Corporation	UCL	36.64	2.4	5.4	13	2.2	6.2	
OAOLukoil	LUKOY	66.75	1.7	4.7	10	1.6	4.9	
	<i>Median</i>			<i>2.1</i>	<i>6.3</i>	<i>14</i>	<i>1.9</i>	<i>7.3</i>
Service								
Baker Hughes Inc.	BHI	35.15	2.2	11.0	25	1.3	9.0	
Schlumberger Ltd.	SLB	49.66	2.6	8.9	25	1.5	9.0	
Halliburton Company	HAL	16.55	0.7	5.8	13	3.0	8.2	

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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June 24, 2002

Table M-1
Mid Cap Energy Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>		<i>Price (\$/sh) 20-Jun 2002</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
Energy Infrastructure								
Kinder Morgan Energy Partners, L.P.	KMP	5	33.15	136	4,500	12.40	0.48	1.88
Kinder Morgan Management, LLC	KMR	5	32.90	30	1,000	12.40	0.48	1.87
Kinder Morgan, Inc.	KMI	5	40.72	125	5,100	16.00	0.78	1.35
Enterprise Products Part.	EPD		20.74	174	3,600	15.80	0.23	1.24
Calpine Corporation	CPN	3	7.78	375	2,900	5.00	0.87	1.07
AES Corporation	AES		4.85	543	2,600	8.80	0.83	0.92
Consol Energy Inc.	CNX		22.61	79	1,800	35.90	0.51	0.82
Valero Energy Corporation	VLO		39.00	104	4,100	60.00	0.46	0.81
Mirant Corporation	MIR		8.26	353	2,900	18.60	0.65	0.80
Sempra Energy	SRE		23.70	203	4,800	41.70	0.50	0.78
Dynegy Inc.	DYN		7.50	419	3,100	14.90	0.51	0.76
CMS Energy Corporation	CMS		12.76	128	1,600	43.80	0.62	0.73
Constellation Energy Group	CEG		28.16	152	4,300	56.50	0.35	0.67
	<i>Total or Median</i>				<i>38,000</i>		<i>0.51</i>	<i>0.87</i>
Natural Gas and Oil								
Murphy Oil Corporation	MUR		88.19	46	4,000	82.00	0.18	1.06
Ocean Energy, Inc.	OEI		21.14	178	3,800	20.00	0.30	1.04
Suncor Energy	SU		17.25	454	7,800	17.00	0.25	1.01
Imperial Oil Limited (30%)	IMO		29.44	114	3,300	30.00	0.14	0.98
Norsk Hydro ASA (49%)	NHY		49.10	126	6,200	54.00	0.18	0.93
Petro-Canada	PCZ		27.54	262	7,200	31.00	0.11	0.90
XTO Energy Inc.	XTO	2	19.57	124	2,400	26.00	0.21	0.81
PetroChina Company Ltd (10%)	PTR	2	21.02	176	3,700	30.00	0.17	0.75
	<i>Total or Median</i>				<i>32,300</i>		<i>0.18</i>	<i>1.00</i>

Buy/Sell rating after symbol: 1 - Strong Buy, 2 - Buy, 3 - Neutral, 5 - Strong Sell

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A Weekly Analysis of Energy Stocks Using the McDep Ratio

June 24, 2002

Table M-2
Mid Cap Energy Companies
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

			Price (\$/sh)	EV/ Sales	EV/ Ebitda	P/E	Dividend or Distribution	PV/ Ebitda
	Symbol/ Rating		20-Jun 2002	NTM	NTM	NTM	NTM (%)	NTM
Energy Infrastructure								
	KMP	5	33.15	4.3	16.8	23	7.1	9.0
	KMR	5	32.90	4.3	16.8	23	7.2	9.0
	CPN	3	7.78	2.1	12.2	7	-	11.4
	KMI	5	40.72	3.7	11.4	14	0.5	8.4
	EPD		20.74	1.5	11.2	12	6.0	9.0
	AES		4.85	2.9	8.3	4	-	9.0
	CNX		22.61	2.0	7.4	8	5.0	9.0
	MIR		8.26	0.4	7.2	4	-	9.0
	SRE		23.70	1.1	7.1	9	4.2	9.0
	DYN		7.50	0.3	6.8	7	4.0	9.0
	CMS		12.76	0.7	6.6	6	11.4	9.0
	CEG		28.16	1.8	6.1	9	1.7	9.0
	VLO		39.00	0.2	5.5	7	1.0	6.8
	<i>Median</i>			<i>1.8</i>	<i>7.4</i>	<i>8</i>	<i>4.0</i>	<i>9.0</i>
Natural Gas and Oil								
	SU		17.25	3.6	10.9	24	1.3	10.8
	IMO		29.44	1.4	10.1	23	1.8	10.3
	MUR		88.19	1.0	8.5	42	1.7	8.0
	OEI		21.14	4.8	8.1	36	0.8	7.8
	PCZ		27.54	1.7	6.6	17	0.9	7.4
	XTO	2	19.57	3.3	6.3	12	0.2	7.8
	NHY		49.10	0.9	4.4	13	2.1	4.8
	PTR	2	21.02	1.7	3.8	7	6.0	5.1
	<i>Median</i>			<i>2.5</i>	<i>8.3</i>	<i>24</i>	<i>1.1</i>	<i>7.9</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Table S-1
Small Cap Energy Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>		<i>Price</i>		<i>Market</i>	<i>Net</i>	<i>Debt/</i>	
	<i>Rating</i>		<i>(\$/sh)</i>	<i>Shares</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>McDep</i>
			<i>20-Jun</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	<i>Ratio</i>
			<i>2002</i>			<i>(\$/sh)</i>		
Energy Infrastructure								
El Paso Energy Partners	EPN	5	32.98	39.9	1,320	11.10	0.59	1.81
Enbridge Energy Partners,	EEP		45.01	31.0	1,400	16.60	0.58	1.72
TEPPCO Partners, L.P.	TPP		31.30	46.5	1,450	12.90	0.61	1.56
Plains All Amer. Pipeline	PAA		25.99	41.6	1,080	14.90	0.39	1.46
Northern Border Partners	NBP		36.86	42.0	1,550	20.10	0.57	1.36
Penn Virginia Res. Part, L.P.(48%)	PVR		20.75	7.7	160	17.90	0.12	1.14
AmeriGas Partners, L.P.	APU		23.11	49.0	1,130	23.50	0.47	0.99
Penn Virginia Corporation	PVA		34.05	9.0	310	35.00	0.10	0.98
	<i>Total or Median</i>				8,400		0.52	1.41
Natural Gas and Oil								
Provident Energy Trust	PVX		7.12	36.0	260	5.00	0.46	1.23
Dorchester Hugoton, Ltd.	DHULZ		13.50	10.7	145	11.60	(0.17)	1.19
Quicksilver Resources Inc.	KWK		24.95	19.4	480	19.00	0.44	1.17
Spinnaker Exploration Company	SKE		37.12	28.5	1,060	35.00	0.03	1.06
Newfield Exploration Company	NFX		35.04	48.6	1,700	33.00	0.25	1.05
Stone Energy Company	SGY		38.37	26.4	1,020	42.00	0.29	0.94
Southwestern Energy Company	SWN		13.55	25.6	350	17.00	0.44	0.89
CNOOC Limited (19%)	CEO	2	26.27	78.0	2,050	30.00	-	0.88
Forest Oil Corporation	FST	3	27.98	46.8	1,310	35.00	0.30	0.86
Encore Acquisition Corp. (25%)	EAC		16.50	7.5	124	20.00	0.18	0.86
Pogo Producing Company	PPP		25.76	60.5	1,560	32.00	0.27	0.86
Magnum Hunter Resources, Inc.	MHR		7.58	71.5	540	11.00	0.46	0.83
Unit Corporation	UNT		17.12	36.2	620	21.00	0.03	0.82
Swift Energy Company	SFY		14.84	24.8	370	22.00	0.32	0.78
Canadian Oil Sands Trust (US\$)	COS_u.TO	2	27.56	56.9	1,570	40.00	0.12	0.73
	<i>Total or Median</i>				13,200		0.27	0.88
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		16.03	6.0	96	20.00	-	0.80
Hugoton Royalty Trust (46%)	HGT		10.74	18.4	200	15.80	-	0.68
San Juan Basin Royalty Trust	SJT	2	11.00	46.6	510	16.20	-	0.68
Micro Cap								
Abraxas Petroleum Corporation	ABP		0.58	27.0	16	2.00	0.84	0.89
Energy Partners Ltd.(30%)	EPL	2	7.28	8.2	60	10.00	0.38	0.83
Torch Energy Royalty Trust	TRU		4.00	8.6	34	5.50	-	0.72
Purcell Energy, Ltd. (US\$)	PEL.TO	2	1.85	27.3	51	3.00	0.18	0.69

Buy/Sell rating after symbol: 1 - Strong Buy, 2 - Buy, 3 - Neutral, 4 - Sell, 5 - Strong Sell

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Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/		Price (\$/sh)	EV/ Sales	EV/ Ebitda	P/E	Dividend or Distribution	PV/ Ebitda
	Rating	20-Jun 2002	NTM	NTM	NTM	NTM	(%)	NTM
Energy Infrastructure								
El Paso Energy Partners	EPN	5	32.98	11.6	16.3	28	7.9	9.0
Enbridge Energy Partners,	EEP		45.01	6.9	15.5	87	7.8	9.0
TEPPCO Partners, L.P.	TPP		31.30	1.1	14.0	20	7.3	9.0
Plains All Amer. Pipeline	PAA		25.99	0.2	13.1	19	7.9	9.0
Northern Border Partners	NBP		36.86	7.7	12.3	16	8.7	9.0
Penn Virginia Res. Part, L.P.(48%)	PVR		20.75	7.7	10.3	11	9.6	9.0
AmeriGas Partners, L.P.	APU		23.11	1.5	8.9	13	9.5	9.0
Penn Virginia Corporation	PVA		34.05	3.1	4.7	12	2.6	4.8
	<i>Median</i>			5.0	12.7	18	7.9	9.0
Natural Gas and Oil								
Dorchester Hugoton, Ltd.	DHULZ		13.50	6.7	10.1	14	8.6	8.5
Quicksilver Resources Inc.	KWK		24.95	5.3	9.8	27	-	8.3
Canadian Oil Sands Trust (US\$)	COS_u.TO	2	27.56	4.0	7.5	9	4.6	10.3
Provident Energy Trust	PVX		7.12	3.7	7.5	93	15.6	6.1
Magnum Hunter Resources, Inc.	MHR		7.58	3.4	6.9	22	-	8.3
Forest Oil Corporation	FST	3	27.98	4.0	6.7	23	-	7.8
Swift Energy Company	SFY		14.84	4.3	6.3	31	-	8.1
Encore Acquisition Corp. (25%)	EAC		16.50	4.2	6.3	14	-	7.4
Pogo Producing Company	PPP		25.76	3.7	6.2	36	0.5	7.3
CNOOC Limited (19%)	CEO	2	26.27	4.4	5.7	11	0.9	6.5
Southwestern Energy Company	SWN		13.55	2.3	5.6	13	-	6.3
Unit Corporation	UNT		17.12	2.9	5.5	12	-	6.6
Spinnaker Exploration Company	SKE		37.12	4.4	5.1	16	-	4.8
Newfield Exploration Company	NFX		35.04	3.5	4.9	19	-	4.7
Stone Energy Company	SGY		38.37	3.6	4.7	11	-	5.0
	<i>Median</i>			4.0	6.3	16	-	7.3
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		16.03	5.9	8.5	9	10.9	10.6
San Juan Basin Royalty Trust	SJT	2	11.00	5.4	6.9	10	10.3	10.2
Hugoton RoyaltyTrust (46%)	HGT		10.74	4.6	6.8	10	10.4	10.0
Micro Cap								
Abraxas Petroleum Corporation	ABP		0.58	4.2	6.2		-	6.9
Energy Partners Ltd.(30%)	EPL	2	7.28	2.4	4.8		-	5.7
Purcell Energy, Ltd. (US\$)	PEL.TO	2	1.85	3.3	4.5	11	-	6.5
Torch Energy Royalty Trust	TRU		4.00	3.1	3.8	4	22.4	5.2

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Mr. Wulff is not paid by covered companies. Owning shares in energy stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating.