



Commodity Prices and Their Effect on Drilling



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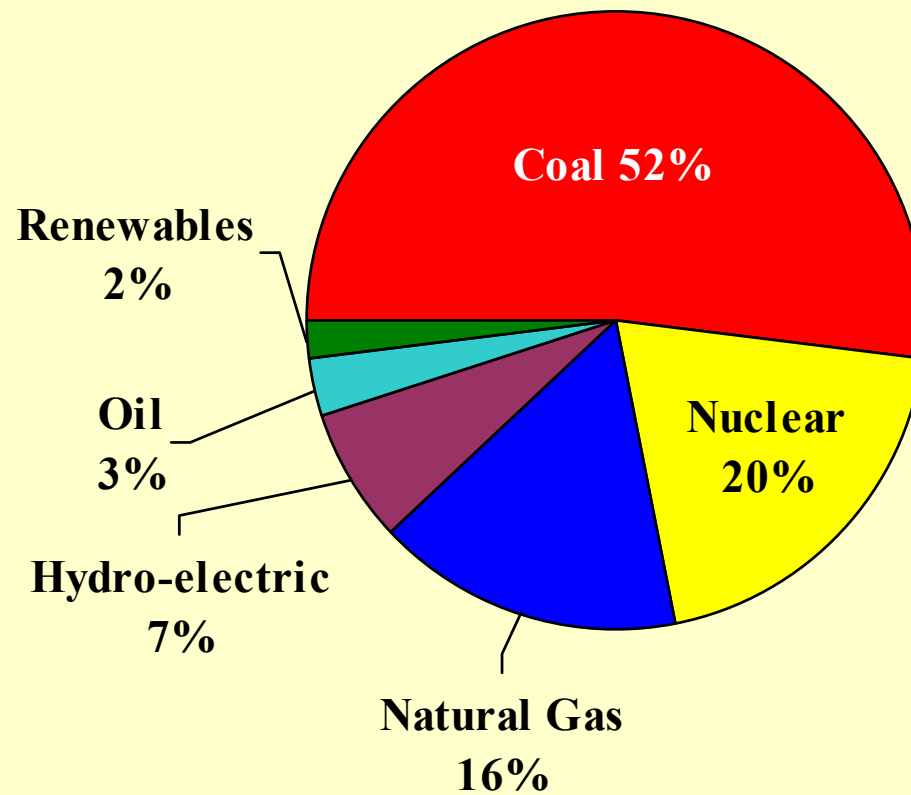
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All relevant disclosures and certifications appear on page 16 of this report.

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Power Generation Fuel Sources

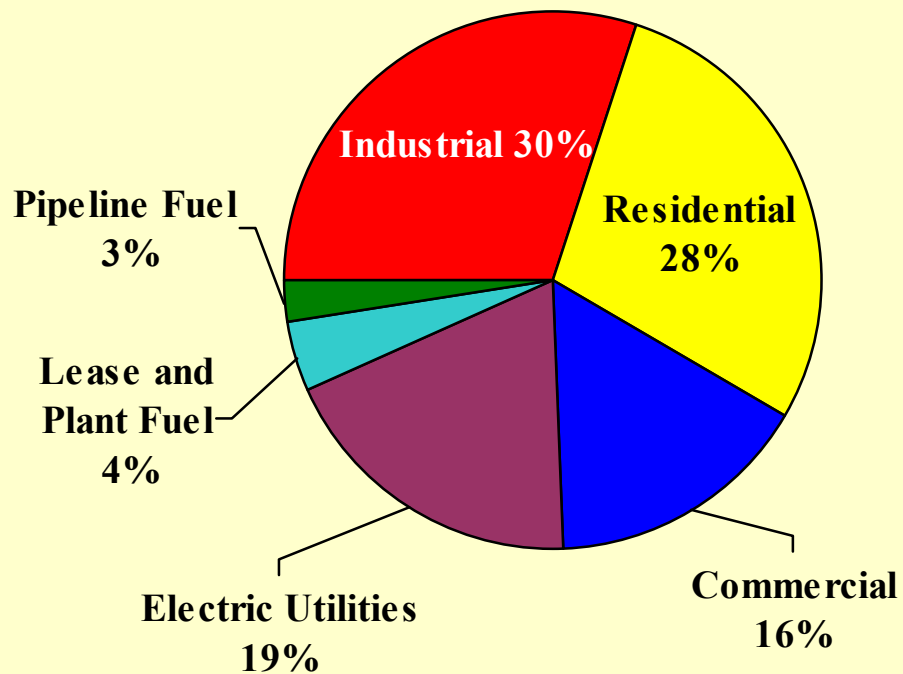
Fuel Source as a % of Total



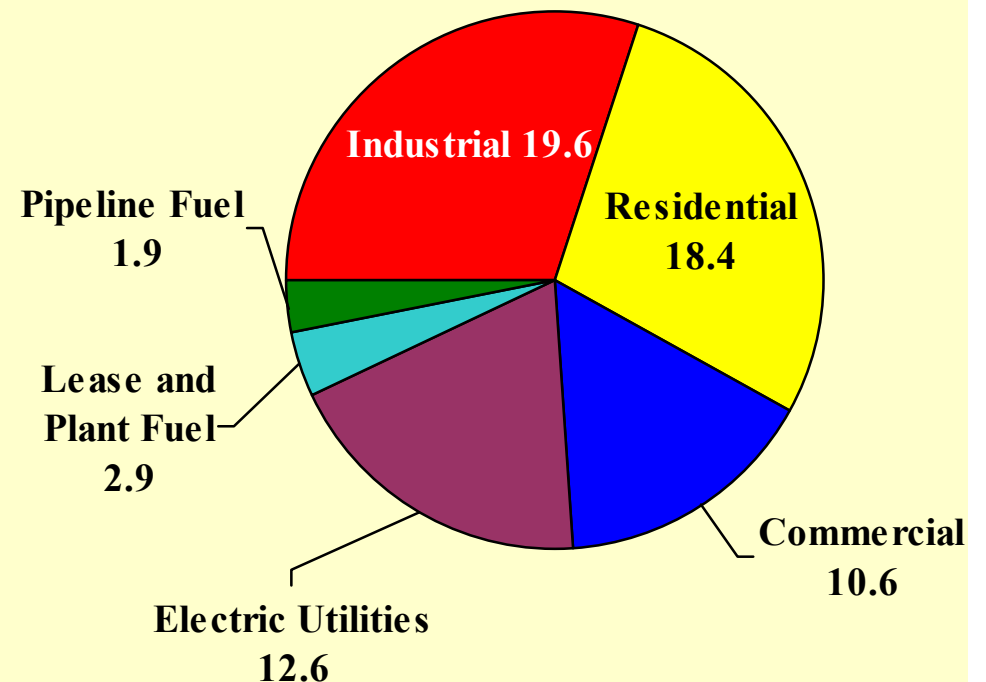
Source: EIA/DOE

Natural Gas Demand by Sector

Demand as a % of Total



Billion Cubic Feet per Day



*10.2 Bcf/d of industrial demand can be classified as non-utility power generation; if this portion was classified as electric utility demand, industrial demand and electric utility demand would be 25% and 30% respectively

Source: EIA/DOE

Current Natural Gas Market

→ Howard Weil current natural gas price forecasts:

Natural Gas	
2004E	\$5.20
1Q04A	\$5.69
2Q04E	\$4.85
3Q04E	\$5.00
4Q04E	\$5.25
2005E	\$4.50

→ We believe the price of natural gas will remain volatile

- Supply will remain a concern
- Weather will significantly impact the price of natural gas
- Demand destruction will be a factor with prices >\$4.75
 - Fuel switching (4.5 Bcf/d potential)
 - Chemical Industry demand could be lost (2.7 Bcf/d potential)
- Higher-than-normal storage levels will have a lesser impact on pricing while lower-than-normal storage levels will have a greater impact

→ Price volatility could range from \$4.00/Mcf to \$6.00/Mcf and long-term price stabilization should occur between \$4.00/Mcf and \$5.00/Mcf

Current Natural Gas Market

- **We currently have 1.171 Tcf of gas in storage**
 - 11% below the 5-year average
- **2003 Injection season had very mild weather**
 - From April through November 7th, NOAA reported 1,217 cooling degree days versus the 5-yr average of 1,493
 - **18% below the 5-yr average**
 - Reported storage injected was 2,496 Bcf or 34% above the 5-year average
 - 5-yr average is 1,863 Bcf injected
- 2003-2004 withdrawal season will primarily depend on the weather

Winter Demand						
	1998-99	1999-00	2000-01	2001-02	2002-03	5 yr Avg
Reported Heating Degree Days	3,501	3,262	4,001	3,254	3,688	3,541
Begin Withdrawal Season (Bcf)	3,213	3,105	2,748	3,254	3,172	3,098
End Withdrawal Season (Bcf)	1,403	1,156	738	1,491	623	1,082
Winter Demand (Bcf)	1,810	1,949	2,010	1,763	2,549	2,016

- From the beginning of withdrawal season to the end of withdrawal season, the 5-year average for winter demand is 2,016 Bcf
- **Through 17 weeks of withdrawal season (81% of withdrawal season)**
NOAA reported 6.3% more heating degree days versus the 5-year average
 - NOAA reported 3,159 heating degree days versus the 5-yr average of 2,972
 - Reported withdrawals were 2,001 Bcf versus the 5-yr average of 1,711 Bcf ⁵

Natural Gas Production Decline

North American Gas Production (MMcf/d)

	<u>1Q04E</u>	<u>2Q04E</u>	<u>3Q04E</u>	<u>4Q04E</u>	<u>YE 2004E</u>
Independents	11,652	11,903	12,011	12,256	11,955
<i>Sequential Growth</i>	0.5%	2.2%	0.9%	2.0%	4.9%
Majors	15,133	14,949	14,747	14,688	14,879
<i>Sequential Growth</i>	(1.1%)	(1.2%)	(1.3%)	(0.4%)	(7.7%)
Total	26,785	26,852	26,758	26,944	26,835
<i>Sequential Growth</i>	(0.4%)	0.2%	(0.3%)	0.7%	(2.5%)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004E</u>
Independents	11,399	11,052	11,392	11,960
<i>Sequential Growth</i>	3.8%	(3.0%)	3.1%	5.0%
Majors	18,921	17,843	16,121	14,879
<i>Sequential Growth</i>	(1.2%)	(5.7%)	(9.7%)	(7.7%)
Total	30,320	28,895	27,512	26,839
<i>Sequential Growth</i>	0.7%	(4.7%)	(4.8%)	(2.4%)

Risk Factors

- Oil product prices are exerting pressure on natural gas prices
 - As oil prices fall, fuel switching will impact natural gas demand
- Gas prices rising too high will reduce demand too quickly
- Weather affects demand for natural gas which will impact price
- Economic Recovery
 - Improving economy will increase demand and a stagnant economy will cause demand to be flat

Oil Market Outlook

Howard Weil current oil price forecasts:

Oil	
2004E	\$26.00
1Q04E	\$34.00
2Q04E	\$23.00
3Q04E	\$23.00
4Q04E	\$24.00
2005E	\$25.00
2006+	\$23.00

Quarterly Projections for World Oil Supply and Demand

	2003					2004				
	1Q	2Q	3Q	4Q	2003	1QE	2QE	3QE	4QE	2004E
World Demand	79.3	76.3	78.0	80.6	78.4	80.4	77.7	79.6	81.9	79.9
World Supply	78.7	77.9	79.3	81.5	79.4	80.7	79.6	79.7	80.8	80.2
Non-OPEC	48.8	48.1	48.9	49.8	48.9	50.1	50.0	50.1	51.1	50.4
OPEC "10"	24.5	26.1	25.6	25.9	25.5	24.5 *	23.5 *	23.5 *	23.5 *	23.8 *
Iraq	2.2	0.4	1.6	1.8	1.5	2.0	2.0	2.0	2.0	2.0
OPEC NGLs	3.2	3.3	3.8	4.0	3.6	4.1	4.1	4.1	4.2	4.1
Implied Stock Change *	-0.6	1.6	1.3	0.9	1.0	0.3	1.9	0.1	-1.1	0.3
Normal Stock Change **	-0.66	0.96	0.34	-0.76		-0.66	0.96	0.34	-0.76	

* Assumes OPEC "10" compliance @100%

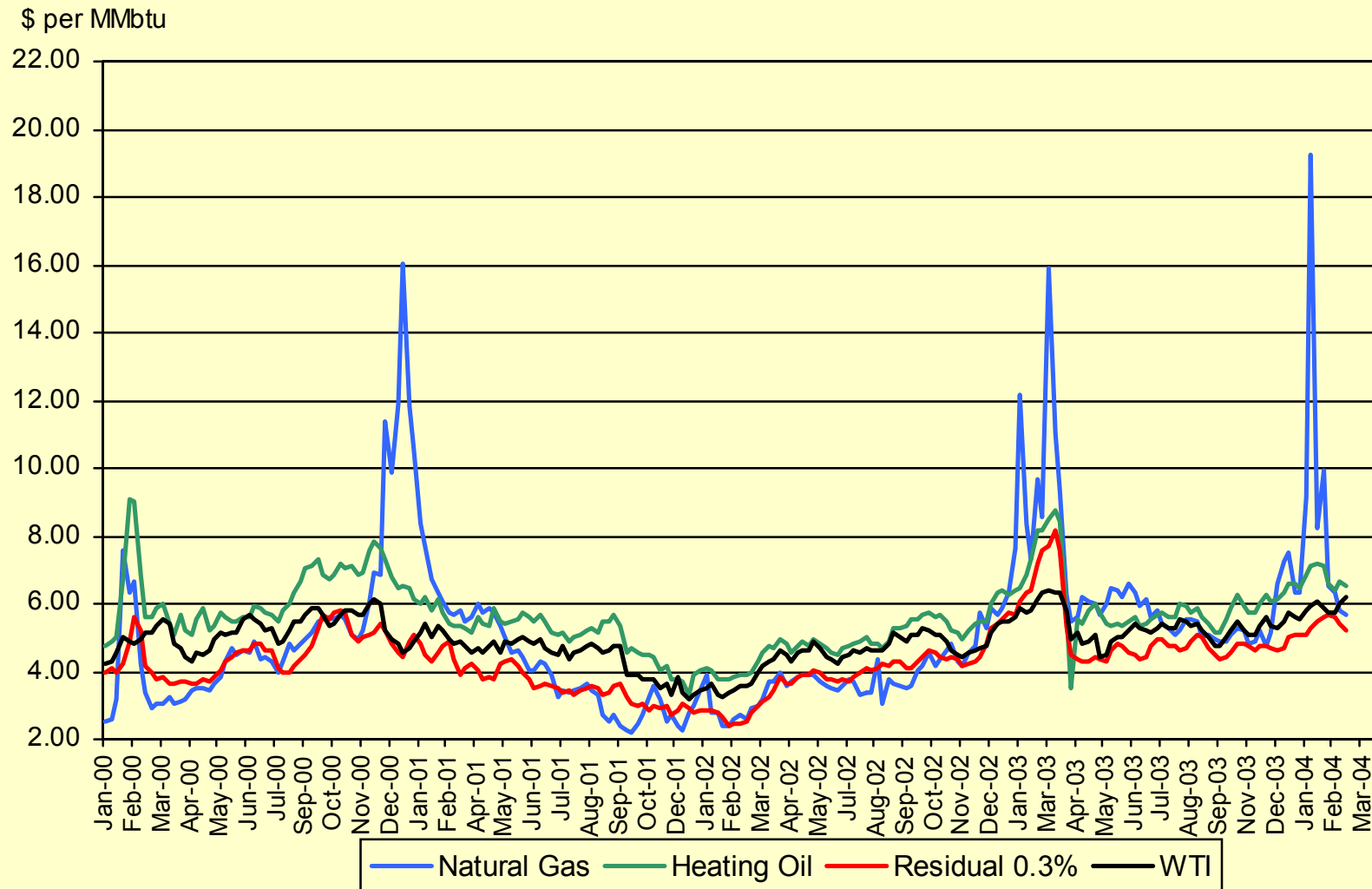
** 10-year average

Source: International Energy Agency, Energy Intelligence Group and Howard Weil Estimates

March 2004

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Comparative Fuel Prices - Natural Gas Weekly Source



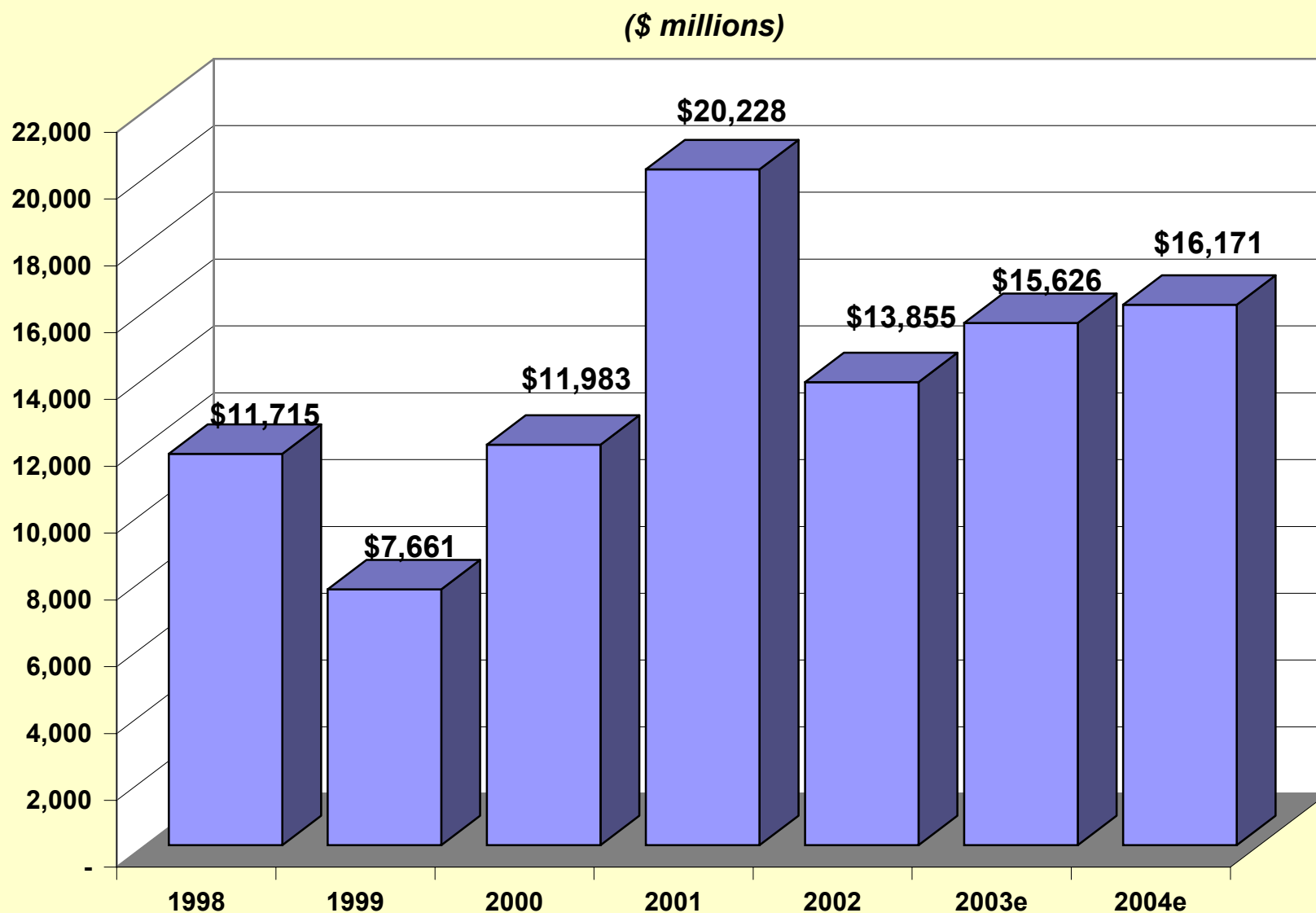
Forecasted Free Cash Flow

(\$'s in Millions)						
	2003E Free Cash Flow @ \$5.38 Gas			2004E Free Cash Flow @ \$5.20 Gas		
	Cash Flow*	Capex	FCF	Cash Flow**	Capex	FCF
SMALL CAP						
<i>Cabot Oil & Gas Corp.</i>	\$259	\$172	\$87	\$300	\$207	\$93
<i>Callon Petroleum Co.</i>	25	41	(16)	70	43	27
<i>Energy Partners</i>	150	112	38	152	125	27
<i>Evergreen Resources Inc.</i>	144	138	6	201	220	(19)
<i>Houston Exploration Co.</i>	377	265	112	417	295	122
<i>Nuevo Energy Co.</i>	153	67	86	148	68	81
<i>Remington Oil & Gas Corp.</i>	149	115	34	153	104	49
<i>St. Mary Land & Exploration Co.</i>	207	158	49	221	173	48
<i>Swift Energy Co.</i>	99	141	(41)	98	131	(33)
<i>Westport Resources</i>	457	277	180	515	370	145
Subtotal:	\$2,020	\$1,484	\$536	\$2,275	\$1,735	\$540
MID CAP						
<i>Chesapeake Energy, Corp.</i>	\$904	\$700	\$204	\$1,022	\$770	\$253
<i>Forest Oil Corp.</i>	393	305	88	449	315	134
<i>Newfield Exploration Co.</i>	721	486	235	698	545	153
<i>Noble Energy, Inc.</i>	689	512	178	613	454	160
<i>Pioneer Natural Resources</i>	760	545	215	999	575	424
<i>Pogo Producing Company</i>	733	512	221	545	407	138
<i>Stone Energy Corp.</i>	366	275	91	319	280	39
<i>Tom Brown, Inc.</i>	275	250	25	360	300	60
<i>Western Gas Resources, Inc.</i>	208	165	43	232	210	22
<i>XTO Energy, Inc.***</i>	792	450	342	963	520	443
Subtotal:	\$5,841	\$4,199	\$1,642	\$6,201	\$4,376	\$1,825
LARGE CAP						
<i>Apache Corp.</i>	\$2,694	\$1,485	\$1,209	\$2,372	\$1,850	\$522
<i>Anadarko Petroleum Corp.</i>	2,856	2,169	687	2,604	2,393	211
<i>Burlington Resources Inc.</i>	2,587	1,503	1,084	2,739	1,476	1,263
<i>Devon Energy Corp.</i>	3,768	2,400	1,369	4,166	2,400	1,767
<i>El Paso Corp.</i>	1,382	1,400	(18)	808	850	(42)
<i>EOG Resources Inc.</i>	1,259	986	273	1,149	1,092	57
Subtotal:	\$14,545	\$9,942	\$4,603	\$13,838	\$10,061	\$3,778
Total:	\$22,407	\$15,626	\$6,781	\$22,314	\$16,171	\$6,143

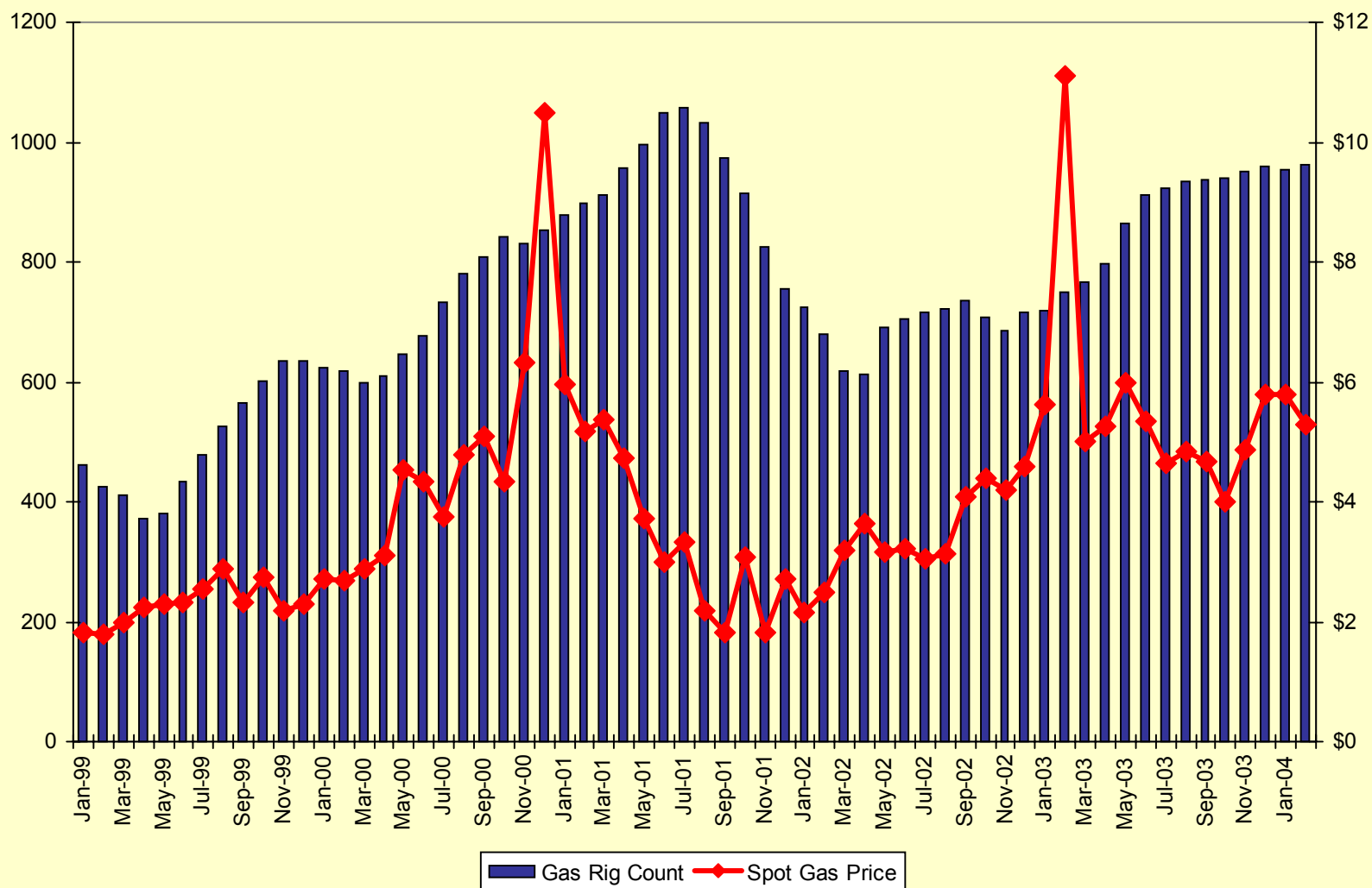
CAPEX Spending Excluding Reserve Acquisitions

(\$'s in Millions)		CAPEX Excluding Reserve Acquisitions						2004 vs.
	1998	1999	2000	2001	2002	2003e	2004e	2003
SMALL CAP								
Cabot Oil & Gas Corp.	\$134.1	\$62.5	\$110.7	\$202.6	\$122.5	\$172.0	\$207.0	20%
Callon Petroleum Co.	55.0	44.7	80.3	112.6	66.3	40.6	42.5	5%
Energy Partners			63.1	101.5	59.2	111.9	125.0	12%
Evergreen Resources Inc.	35.6	42.3	100.9	105.5	113.0	138.3	220.0	59%
Houston Exploration Co.	140.4	110.6	145.4	281.0	200.6	265.0	295.0	11%
Nuevo Energy Co.	155.3	68.3	113.5	147.9	59.7	66.8	67.5	1%
Remington Oil & Gas Corp.	32.9	27.3	72.5	117.9	100.0	115.0	104.0	(10%)
St. Mary Land & Exploration Co.	53.7	46.2	71.7	141.7	99.0	157.5	173.0	10%
Swift Energy Co.	108.3	61.5	145.1	205.4	98.2	140.5	131.0	(7%)
Westport Resources	71.0	50.9	125.4	252.7	207.4	276.8	370.0	34%
	\$786.3	\$514.3	\$1,028.6	\$1,668.8	\$1,125.8	\$1,484.4	\$1,735.0	17%
MID CAP								
Chesapeake Energy, Corp.	\$247.0	\$171.7	\$199.4	\$433.8	\$434.2	\$700.0	\$769.7	10%
Forest Oil Corp.	458.5	178.3	367.8	564.7	341.8	304.7	315.0	3%
Newfield Exploration Co.	358.4	309.5	425.2	637.3	395.0	486.0	545.0	12%
Noble Energy, Inc.	468.2	125.3	413.8	667.7	585.0	511.5	453.5	(11%)
Pioneer Natural Resources	437.6	163.5	303.7	499.9	515.3	544.6	575.0	6%
Pogo Producing Company	213.5	183.5	172.1	570.4	362.0	512.0	407.4	(20%)
Stone Energy Corp.	250.2	163.3	263.7	389.8	228.9	274.9	280.2	2%
Tom Brown, Inc.	75.4	52.2	109.6	251.8	147.9	250.0	300.0	20%
Western Gas Resources, Inc.	50.0	37.8	53.0	70.7	133.3	165.3	210.0	27%
XTO Energy, Inc.*	76.8	89.0	164.3	388.2	386.5	450.0	520.0	16%
	\$2,635.7	\$1,474.0	\$2,472.5	\$4,474.4	\$3,529.8	\$4,199.0	\$4,375.8	4%
LARGE CAP								
Apache Corp.	\$541.4	\$405.3	\$808.3	\$1,343.1	\$972.5	\$1,485.0	\$1,850.0	25%
Anadarko Petroleum Corp.	2,563.1	1,195.9	1,950.1	3,403.0	2,201.0	2,169.0	2,393.0	10%
Burlington Resources Inc.	1,150.1	942.0	1,082.7	1,453.4	1,231.0	1,503.0	1,476.0	(2%)
Devon Energy Corp.	964.9	975.9	1,648.7	3,979.0	1,600.0	2,399.5	2,399.5	0%
El Paso Corp.	1,375.0	1,275.0	1,842.0	2,033.0	1,700.0	1,400.0	850.0	(39%)
EOG Resources Inc.	558.3	418.2	584.8	944.5	793.3	985.8	1,092.0	11%
	\$8,292.9	\$5,672.4	\$8,482.1	\$14,084.8	\$9,199.2	\$9,942.3	\$10,060.5	1%
Total	\$11,714.9	\$7,660.7	\$11,983.2	\$20,228.0	\$13,854.8	\$15,625.8	\$16,171.3	3.5%

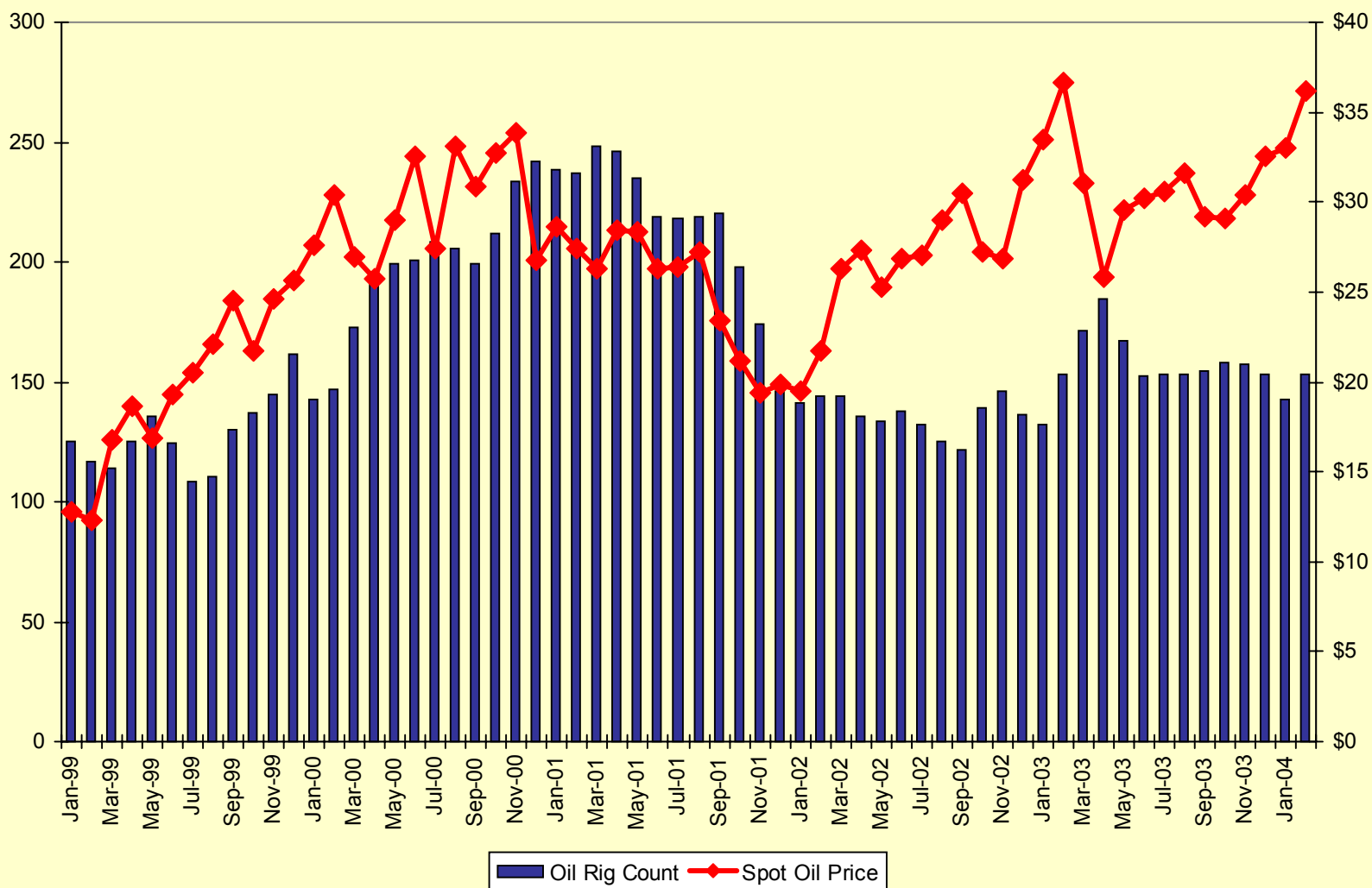
CAPEX Spending Excluding Reserve Acquisitions



U.S. Natural Gas Rig Count Vs. Spot Natural Gas Price



U.S. Oil Rig Count Vs. Spot Oil Price



Oil Field Service Costs

└Rig Rates

- Onshore rig rates are forecasted to increase 10-15% in 2004
- Offshore
 - Jackup rig rates are forecasted to increase 10-15% in 2004
 - Semis rig rates are forecasted to remain flat in 2004

└Land Cost

- Cost are forecasted to increase 15% in 2004

└Cement and Stimulation Cost

- Costs are forecasted to increase 5-10% in 2004

└Tubulars Cost

- Cost are forecasted to Increase 25-30% in 2004

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- | | |
|--------|---|
| BUY - | We expect this stock to outperform the S&P 500 by more than 10% over the next 12 months. For higher-yielding equities such as REITs and Utilities, we expect a total return in excess of 12% over the next 12 months. |
| HOLD - | We expect this stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. A Hold rating is also used for those higher-yielding securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited. |
| SELL - | We expect this stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value. |

Of the securities we rate, 40% are rated Buy, 58% are rated Hold, and 2% are rated Sell.

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