

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 21, 2002

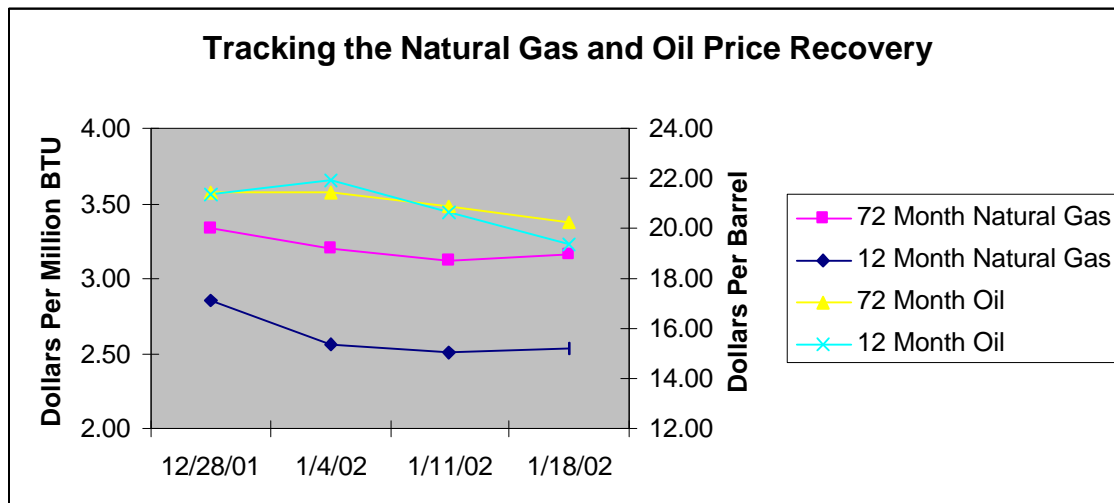
From the Folks Who Brought Us Enron

Summary and Recommendation

The same bankers and analysts who promoted Enron are now promoting Kinder Morgan. To that fact we add our conviction that stripping retirement investors of their assets with a 50% general partner take is simply wrong. Thus, despite our reluctance to emphasize a negative recommendation we repeat our Strong Sell for **Kinder Morgan, Inc. (KMI)**, **Kinder Morgan Energy Partners, L.P. (KMP)** and **Kinder Morgan Management, LLC (KMR)**. On the positive side the willingness for investors to be deceived on Kinder Morgan makes almost any sound energy stock a better investment, in our opinion. In particular we call attention to good news on North Sea oil drilling for recommended **PanCanadian Energy (PCX)**. We also remain confident about recommended natural gas producer **San Juan Basin Royalty Trust (SJT)** despite a second month of no distribution declared. Natural gas has much long-term upside to offset widely perceived downside risk. For ideas to build and preserve a diversified energy portfolio see our valuation ranking of 71 stocks (Tables L-1, L-2, M-1, M-2, S-1 and S-2).

Long-Term Natural Gas Turns Up On A Weekly Basis

We have a new tool, six-year natural gas quotes. One of the positive consequences of the tragedy of Enron is that energy trading may be more in the open on a public exchange. The New York Mercantile Exchange has risen to the occasion with more quotes. As of January 18, 2002, natural gas was changing hands at prices that averaged \$3.17 per mmbtu for the next six years while oil quotes averaged \$20.22 per barrel (see Chart).



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Six-Year Natural Gas Turns Up For The Week

It is a fact that long-term natural gas price moved up last week. We will be watching carefully to see if the uptrend is sustained. Further out we believe that natural gas can regain the premium it held to oil for a while last year. We also believe that oil will have periods of higher prices that present investment opportunities.

One-Year Natural Gas Depressed

Near term we can see that natural gas is already depressed both relative to oil and to long-term natural gas. Whether it will become more depressed is an open question. Our view is that bouts of lower near term prices are possible mainly because seasonal inventories are high, but the duration of those bouts is likely to be limited.

PanCanadian Energy Extends North Sea Buzzard Discovery

One of our natural gas recommendations has good oil news. PCX announced that recent drilling has increased its estimate of potential recoverable reserves in a large discovery offshore Scotland from 250 million barrels to 400 million barrels. Future definition of the northern third of the structure may add more reserves, perhaps another 150 million barrels recoverable. If so, 550 million barrels implies perhaps 250 net to PCX before royalty. The value of undeveloped reserves is probably at least \$3 per barrel, implying that the present value of the discovery to PCX is \$750 million, or about \$3 per share. The strategic value is probably greater as development will be quite profitable and the exposure to more reserves and higher oil price is likely to be rewarding.

Perhaps a billion barrels of recoverable reserves at Buzzard is still possible. Without much insight beyond the company's latest press release it looks like we now have a firmer estimate of reserves greater than the original estimate of 200 to 300 million barrels, with perhaps a little less firm indication that the total will reach a billion.

The North Sea discovery is one of three areas for PCX to add unusual value. The other two are offshore Nova Scotia and coal gas in Alberta. Both those sources have the potential to contribute positive news in the coming months.

San Juan Basin Royalty Trust Development Outlays Prevent Cash Distribution

Investors in recommended San Juan Basin Royalty Trust should keep in mind that we provide unusually thorough statistical coverage of the stock in our separate publication, Meter Reader Tables available on www.mcdep.com. The coverage now includes a calculation of future monthly distributions that we make after taking account of recent operating and financial trends. We make no pretense of our ability to know the future. The projections are what any thoughtful person might make considering the historical results disclosed monthly.

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With that background no one ought to be much surprised that the most recent declaration was for no distribution for the second month in a row. Yet our mechanical projection indicated a distribution of \$0.03. More than half the difference is explained by the highest monthly development expenditures since December 2000. Not having any guidance we had projected those outlays at the 12-month average. Even with those temporarily high expenditures the declaration would have been about \$0.04 per unit had not it been necessary to make up for a shortfall from last month.

Our calculations indicate expected declarations of \$0.03 and \$0.05 for the next two months (see Table SJT-3 in MR Tables). Our projections for the Next Twelve Months ended March 31, 2003 add to \$0.83 per unit (see Table SJT-2).

Note that with the January 2002 declaration now history we shift our Next Twelve Month period to the end of the first quarter next year. That change has the effect of raising the estimated distribution as low current payout is replaced in the running total by more normal payout expected next winter. We also display that result as a distribution yield of 8.7% for the Next Twelve Months (see Table S-2 in this edition of Meter Reader).

Keep in mind the mechanical nature of our projections. We take our price forecast, the most important variable from the futures market. Though the futures market makes the best forecast with the information available, it can change instantly just like the stock market and interest rates.

Finally, there is a silver lining in our detailed analysis. For investors willing to go through a little effort there is a great saving. There is no general partner stripping half the cash flow from SJT in return for smoothing out the distribution and telling unitholders all is rosy.

Kinder Morgan Promoted by the Folks Who Brought Us Enron

All Enron, all the time. We are only beginning to hear the details of how this tragedy unfolded. Because Enron and Kinder Morgan have a common history, many of the same analysts who got to know Ken Lay got to know Rich Kinder. We are among them though we couldn't recommend Enron when it had a high McDep Ratio. Some of the most prominent promoters of Enron are now promoting Kinder Morgan. We are recommending Strong Sell.

Up to this point nearly everyone who has invested in Kinder Morgan has made money. It is hard for investors to sell when a stock has been good to them. It is human nature to be lax on questioning a success and to hope for more of the same. The bankers and analysts who have made money with Kinder Morgan so far are looking forward to more of the same.

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Wall Street seems to be promoting Kinder Morgan as the buyer of choice of energy infrastructure. By persuading retirement investors to overpay, in our opinion, for Kinder Morgan stock, Wall Street empowers Kinder Morgan to make winning bids for pipelines, storage tanks and energy terminals.

Kinder Morgan, in turn, is driven by confiscatory compensation. Here is an example. Assume Kinder Morgan borrows a million dollars to buy an oil tank that generates \$120,000 a year in storage fees after expenses. At today's low interest rates the loan costs only \$40,000 a year. Out of the remaining \$80,000 the limited partners get cash distributions of \$40,000 and the general partner keeps \$40,000. After 17 years, the tank rusts out and no longer has any value. The annual cash generated for interest and distributions would equate to a 10% per year discounted cash flow rate of return. The limited partners would get cumulative distributions of \$680,000 and the general partner the same. The limited partners are the effective borrowers and thereby obligated to repay the loan of \$1,000,000. Effectively the limited partners would have to give back all their distributions and more to repay the loan. The general partner essentially has stripped the limited partners of the value of their ownership in the oil tank.

The bulls on Kinder Morgan would have us believe that 1) the asset would never wear out, 2) the loan would never have to be repaid and 3) the rate of return with smart management is much higher. That requires that we also believe there is little competition to invest in oil tanks and other energy infrastructure.

Petro-Lewis Experience Illustrates Risks

Remember Petro-Lewis? As we recall investors would pay something like a 10% sales commission up front on a drilling partnership commitment. Petro-Lewis would take another 20%. Wall Street got the sales commission and it might have earned more fees helping Petro-Lewis overpay for oil and gas properties. When oil and gas turned down, asset value declined and the weakness of the whole effort was exposed. Investors lost most of their principal.

But Kinder Morgan isn't Petro-Lewis. Right, Kinder Morgan takes even more from investors than Petro-Lewis. Kinder Morgan's nominal take has reached 50%, not 30%.

But those Petro-Lewis partnerships failed because production is a risky business. Kinder Morgan is in infrastructure, a safer business. Perhaps, but Kinder Morgan uses a lot of debt that increases risk. Moreover infrastructure has high operating leverage. It may be that a little more revenue means a lot more profit. The reverse is also true; a little less revenue means a lot less profit. The combination of high financial leverage and high operating leverage compounds risk.

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Is The Whole Greater Than the Sum of the Parts?

Bear in mind that the three Kinder Morgan entities represent claims on essentially the same assets. Each security is designed to appeal to different investors. The limited partnership is commonly marketed as an income security. Some suggest a target price for limited partnership units of KMP by projecting a distribution and capitalizing it at a "yield". The same source may then compute a target price for the general partner, KMI, by projecting earnings and capitalizing at a price/earnings multiple.

It is a wonderful bit of alchemy. Supposing we tested it by reversing the calculation. KMP earnings capitalized at the same price/earnings multiple would imply a lower price. KMI's nominal distribution, which capitalized at the same yield, would imply a much lower price.

Kinder Morgan maximizes the distribution on one security and some analysts oblige by applying a measure that gets the highest valuation for that security. On the other security earnings are maximized with the help of 50% asset stripping and some analysts apply a measure that gets the highest price for that security. When we apply our valuation standard, present value, to both securities, we conclude that both are grossly overvalued.

Where is the Securities and Exchange Commission?

We think it requires audacity to take 50% of investor's principal for little in return. Maybe the fact that the confiscatory compensation was set up by Enron helps explain how we got where we are. Enron formed Enron Liquids Pipeline, which became Kinder Morgan. Why doesn't anyone protest Kinder Morgan's 50% take?

Where Are the Auditors?

We question that the accounting statements present "fairly" the financial position of Kinder Morgan. We have previously explained how accounting standards do not handle contingent interests well. As a result users of KMP's accounting disclosures are prone to overstate the asset position for the limited partners.

Where is the New York Stock Exchange?

How can our symbol of capitalism allow retirement investors to be deceived?

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

	Symbol/ Rating		Price (\$/sh) 18-Jan 2002	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
Exxon Mobil Corporation	XOM		38.40	6,924	266,000	36.00	0.09	1.06
BP plc	BP		44.18	3,738	165,000	47.00	0.16	0.95
TotalFinaElf S.A.	TOT		68.30	1,382	94,000	80.00	0.15	0.88
Royal Dutch/Shell	RD	3	46.77	3,520	165,000	55.00	0.04	0.86
ChevronTexaco Corporation	CVX		86.80	1,062	92,200	110.00	0.14	0.82
		<i>Total or Median</i>			782,000		0.14	0.88
Energy Infrastructure								
Kinder Morgan Management, LLC	KMR	5	37.65	30	1,100	11.60	0.48	2.16
Kinder Morgan Energy Partners, L.P.	KMP	5	37.54	135	5,100	11.60	0.48	2.16
Kinder Morgan, Inc.	KMI	5	54.79	121	6,600	10.90	0.87	1.53
AES Corporation	AES		15.50	543	8,400	8.80	0.83	1.13
Dynegy Inc.	DYN		23.31	338	7,900	20.30	0.58	1.06
Calpine Corporation	CPN	3	13.70	377	5,200	12.50	0.66	1.04
Duke Energy Corporation	DUK		36.23	773	28,000	35.80	0.43	1.01
American Electric Power Co. Inc.	AEP	2	43.00	322	13,900	43.40	0.63	1.00
Southern Company	SO		25.28	683	17,300	27.40	0.42	0.96
El Paso Corporation	EPG		39.30	532	20,900	44.80	0.49	0.94
Mirant Corporation	MIR		12.36	353	4,400	18.60	0.65	0.88
Williams Companies	WMB		24.32	515	12,500	32.30	0.47	0.87
Dominion Resources	D		58.25	247	14,400	79.40	0.45	0.85
Exelon Corporation	EXC	2	46.81	323	15,100	84.00	0.40	0.74
		<i>Total or Median</i>			155,000		0.53	0.98
Natural Gas and Oil								
Occidental Petroleum Corp.	OXY		24.61	372	9,200	28.50	0.50	0.93
ENI S.p.A.	E		64.25	789	50,700	71.40	0.19	0.92
Unocal Corporation	UCL		33.29	257	8,600	38.90	0.35	0.91
Anadarko Petroleum Corp.	APC		47.34	250	11,800	56.30	0.27	0.88
ConocoPhillips	P		58.02	680	39,500	71.20	0.34	0.88
OAo Lukoil	LUKOY		59.25	299	17,700	69.10	0.09	0.87
Devon Energy (incl MND,AXN)	DVN		36.45	165	6,000	54.60	0.48	0.83
Marathon Oil Corporation	MRO	1	27.47	310	8,500	42.00	0.27	0.75
Burlington Resources (incl HTR)	BR	1	32.77	205	6,700	53.00	0.30	0.73
		<i>Total or Median</i>			150,000		0.28	0.87
Service								
Baker Hughes Inc.	BHI		31.64	338	10,700	24.50	0.13	1.25
Schlumberger Ltd.	SLB		49.62	581	28,800	44.00	0.12	1.11
Halliburton Company	HAL		10.06	429	4,300	24.90	0.12	0.47

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) 18-Jan 2002	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Mega Cap								
Exxon Mobil Corporation	XOM	38.40	1.4	11.7	27	2.4	11.1	
BP plc	BP	44.18	1.2	10.3	19	3.0	10.8	
TotalFinaElf S.A.	TOT	68.30	1.3	9.6	20	2.7	10.9	
Royal Dutch/Shell	RD	3	46.77	1.1	9.4	24	3.0	10.9
ChevronTexaco Corporation	CVX	86.80	1.3	9.0	21	3.2	11.0	
	<i>Median</i>		<i>1.3</i>	<i>9.6</i>	<i>21</i>	<i>3.0</i>	<i>10.9</i>	
Energy Infrastructure								
Kinder Morgan Management, LLC	KMR	5	37.65	5.1	19.4	26	6.1	9.0
Kinder Morgan Energy Partners, L.P.	KMP	5	37.54	5.2	19.4	26	6.1	9.0
Kinder Morgan, Inc.	KMI	5	54.79	7.2	14.1	29	0.4	9.2
AES Corporation	AES		15.50	3.6	10.2	12	-	9.0
Dynegy Inc.	DYN		23.31	0.5	9.6	11	1.3	9.0
Calpine Corporation	CPN	3	13.70	1.9	9.3	8	-	9.0
Duke Energy Corporation	DUK		36.23	0.8	9.1	13	3.0	9.0
American Electric Power Co. Inc.	AEP	2	43.00	0.5	9.0	12	5.6	9.0
Southern Company	SO		25.28	2.8	8.6	16	5.3	9.0
El Paso Corporation	EPG		39.30	0.8	8.4	12	2.2	9.0
Mirant Corporation	MIR		12.36	0.5	8.0	6	-	9.0
Williams Companies	WMB		24.32	2.4	7.8	10	3.3	9.0
Dominion Resources	D		58.25	3.4	7.7	13	4.4	9.0
Exelon Corporation	EXC	2	46.81	2.2	6.6	10	3.6	9.0
	<i>Median</i>			<i>2.3</i>	<i>9.0</i>	<i>12</i>	<i>3.2</i>	<i>9.0</i>
Natural Gas and Oil								
Occidental Petroleum Corp.	OXY		24.61	1.5	9.3	22	4.1	10.0
Anadarko Petroleum Corp.	APC		47.34	2.7	8.4	29	0.6	9.5
Unocal Corporation	UCL		17.11	2.6	7.7	61	2.4	8.5
ConocoPhillips	P		58.02	0.8	7.5	19	2.5	8.5
ENI S.p.A.	E		64.25	1.6	7.4	17	2.8	8.0
Burlington Resources (incl HTR)	BR	1	32.77	3.9	6.0	26	1.7	8.1
Devon Energy (incl MND,AXN)	DVN		36.45	3.1	5.8	17	0.5	7.0
OAOLukoil	LUKOY		59.25	1.5	5.2	12	1.8	6.0
Marathon Oil Corporation	MRO	1	27.47	0.4	4.9	10	3.3	6.5
	<i>Median</i>			<i>1.6</i>	<i>7.4</i>	<i>19</i>	<i>2.4</i>	<i>8.1</i>
Service								
Baker Hughes Inc.	BHI		31.64	2.0	10.0	22	1.5	9.0
Schlumberger Ltd.	SLB		49.62	2.6	8.9	25	1.5	9.0
Halliburton Company	HAL		10.06	0.4	3.8	7	5.0	9.0

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2002; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Energy Infrastructure								
Enterprise Products Part.	EPD	49.82	87	4,300	31.70	0.23	1.44	
CMS Energy Corporation	CMS	24.12	128	3,100	43.80	0.62	0.83	
Valero Energy Corp.(with UDS)	VLO	40.27	110	4,500	60.00	0.47	0.83	
Consol Energy Inc.	CNX	22.07	79	1,700	35.90	0.51	0.81	
Sempra Energy	SRE	25.27	203	5,100	41.70	0.50	0.80	
Constellation Energy Group	CEG	27.15	152	4,100	56.50	0.35	0.66	
<i>Total or Median</i>				<i>18,700</i>		<i>0.50</i>	<i>0.83</i>	
Natural Gas and Oil								
Murphy Oil Corporation	MUR	78.33	46	3,600	82.00	0.18	0.96	
Imperial Oil Limited (30%)	IMO	26.21	119	3,100	30.00	0.11	0.89	
Ocean Energy, Inc.	OEI	16.37	178	2,900	20.00	0.30	0.87	
Norsk Hydro ASA (49%)	NHY	41.40	127	5,300	54.00	0.18	0.81	
PanCanadian Energy	PCX	2	24.04	256	6,160	33.00	0.14	0.77
Petro-Canada	PCZ		23.30	267	6,200	33.00	0.08	0.73
PetroChina Company Ltd (10%)	PTR	2	18.13	176	3,200	28.00	0.16	0.70
<i>Total or Median</i>				<i>30,500</i>		<i>0.16</i>	<i>0.81</i>	

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

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

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

		<i>Price</i> <i>(\$/sh)</i>	<i>EV/</i>	<i>EV/</i>	<i>Dividend or</i>	<i>PV/</i>		
<i>Symbol/</i>		<i>18-Jan</i>	<i>Sales</i>	<i>Ebitda</i>	<i>Distribution</i>	<i>Ebitda</i>		
<i>Rating</i>		<i>2002</i>	<i>NTM</i>	<i>NTM</i>	<i>P/E</i>	<i>NTM</i>		
					<i>NTM</i>	<i>NTM</i>		
					<i>(%)</i>			
Energy Infrastructure								
Enterprise Products Part.	EPD	49.82	1.8	13.0	15	5.0	9.0	
CMS Energy Corporation	CMS	24.12	0.8	7.5	12	6.1	9.0	
Consol Energy Inc.	CNX	22.07	2.0	7.3	7	5.1	9.0	
Sempra Energy	SRE	25.27	1.1	7.2	10	4.0	9.0	
Constellation Energy Group	CEG	27.15	1.7	6.0	8	1.8	9.0	
Valero Energy Corp.(with UDS)	VLO	40.27	0.3	5.5	6	1.0	6.7	
	<i>Median</i>		<i>1.4</i>	<i>7.3</i>	<i>9</i>	<i>4.5</i>	<i>9.0</i>	
Natural Gas and Oil								
Imperial Oil Limited (30%)	IMO	26.21	1.0	9.8	25	2.1	11.1	
Murphy Oil Corporation	MUR	78.33	0.9	7.7	37	1.9	8.0	
Ocean Energy, Inc.	OEI	16.37	4.1	6.8	28	1.0	7.8	
PanCanadian Energy	PCX	2	24.04	1.2	6.4	15	1.1	8.3
Petro-Canada	PCZ		23.30	1.3	5.1	12	1.1	6.9
Norsk Hydro ASA (49%)	NHY		41.40	0.8	4.9	15	2.5	6.0
PetroChina Company Ltd (10%)	PTR	2	18.13	1.7	3.8	9	10.1	5.4
	<i>Median</i>		<i>1.2</i>	<i>6.4</i>	<i>15</i>	<i>1.9</i>	<i>7.8</i>	

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2002; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Energy Infrastructure								
El Paso Energy Partners	EPN	38.20	34.0	1,300	6.40	0.71	2.43	
Enbridge Energy Partners,	EEP	43.27	31.0	1,340	16.60	0.58	1.67	
Penn Virginia Res. Part, L.P.(48%)	PVR	25.21	7.5	190	15.10	-	1.67	
Plains All Amer. Pipeline	PAA	25.35	38.0	960	14.30	0.47	1.41	
TEPPCO Partners, L.P.	TPP	31.96	39	1,240	15.60	0.69	1.32	
Northern Border Partners	NBP	41.94	42.0	1,760	30.00	0.41	1.23	
AmeriGas Partners, L.P.	APU	22.54	44.0	990	19.50	0.54	1.07	
Penn Virginia Corporation	PVA	29.81	9.0	270	35.00	0.10	0.87	
<i>Total or Median</i>				8,100		0.50	1.37	
Natural Gas and Oil								
Quicksilver Resources Inc.	KWK	18.21	19.3	350	10.00	0.60	1.32	
Dorchester Hugoton, Ltd.	DHULZ	14.00	10.7	150	11.30	-	1.24	
Spinnaker Exploration Company	SKE	35.25	28.3	1,000	40.00	-	0.88	
Southwestern Energy Company	SWN	11.10	25.6	280	15.00	0.47	0.86	
Pogo Producing Company	PPP	25.76	60.5	1,560	32.00	0.29	0.86	
XTO Energy Inc.	XTO	15.22	124.0	1,890	19.00	0.28	0.86	
Newfield Exploration Company	NFX	31.45	49.3	1,550	39.00	0.21	0.85	
Encore Acquisition Corp. (25%)	EAC	12.63	7.5	95	16.00	0.22	0.84	
Stone Energy Company	SGY	32.91	26.4	870	42.00	0.11	0.81	
Swift Energy Company	SFY	17.70	24.8	440	25.00	0.29	0.79	
Magnum Hunter Resources, Inc.	MHR	7.18	36.8	260	11.00	0.35	0.77	
Forest Oil Corporation	FST	24.32	60.5	1,470	37.00	0.26	0.75	
CNOOC Limited (19%)	CEO	2	19.68	78	1,540	30.00	-	0.66
<i>Total or Median</i>				11,500		0.26	0.85	
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT	18.25	6.0	110	17.30	-	1.06	
Hugoton RoyaltyTrust	HGT	10.12	40.0	410	13.30	-	0.76	
San Juan Basin Royalty Trust	SJT	2	9.49	46.6	440	13.50	-	0.70
Micro Cap								
Abraxas Petroleum Corporation	ABP	1.29	23.6	30	0.50	0.96	1.06	
Energy Partners Ltd.(30%)	EPL	2	7.85	8.1	63	10.00	0.34	0.86
Purcell Energy, Ltd. (US\$)	PEL.TO	2	1.97	27.4	54	3.50	0.09	0.60

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

McDep Ratio = Market cap and Debt to 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 analysis by Kurt Wulff doing business as McDep Associates is accessible at www.mcdep.com. Owning shares in energy stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating. Mr. Wulff is not paid by covered companies.

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

January 21, 2002

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

			Price (\$/sh)	EV/ Sales	EV/ Ebitda	Dividend or Distribution	PV/ Ebitda
Symbol/ Rating		18-Jan 2002	NTM	NTM	P/E NTM	NTM (%)	NTM
Energy Infrastructure							
El Paso Energy Partners	EPN	38.20	10.7	21.9	106	6.4	9.0
Enbridge Energy Partners,	EEP	43.27	6.7	15.1	83	8.1	9.0
Penn Virginia Res. Part, L.P.(48%)	PVR	25.21	11.2	15.0	17	7.9	9.0
Plains All Amer. Pipeline	PAA	25.35	0.2	12.7	17	8.1	9.0
TEPPCO Partners, L.P.	TPP	31.96	0.7	11.9	15	7.2	9.0
Northern Border Partners	NBP	41.94	7.6	11.7	16	7.3	9.0
AmeriGas Partners, L.P.	APU	22.54	1.4	9.6	19	9.8	9.0
Penn Virginia Corporation	PVA	29.81	4.1	7.6	35	3.0	8.8
	<i>Median</i>		<i>5.4</i>	<i>12.3</i>	<i>18</i>	<i>7.6</i>	<i>9.0</i>
Natural Gas and Oil							
Quicksilver Resources Inc.	KWK	18.21	6.1	16.8		-	12.7
Dorchester Hugoton, Ltd.	DHULZ	14.00	9.5	14.5	19	20.6	11.7
Encore Acquisition Corp. (25%)	EAC	12.63	4.7	8.7	32	-	10.3
XTO Energy Inc.	XTO	15.22	5.5	8.5	25	0.3	9.9
Pogo Producing Company	PPP	25.76	4.3	7.5	74	0.5	8.7
Swift Energy Company	SFY	17.70	5.1	7.5	32	-	9.4
Spinnaker Exploration Company	SKE	35.25	6.2	7.4	34	-	8.4
Forest Oil Corporation	FST	2	24.32	4.2	7.2	0.5	9.7
Southwestern Energy Company	SWN		11.10	2.8	6.3	22	7.3
Magnum Hunter Resources, Inc.	MHR		7.18	3.5	6.0	-	7.8
CNOOC Limited (19%)	CEO	2	19.68	3.8	5.2	11	7.9
Stone Energy Company	SGY		32.91	3.6	4.9	24	6.0
Newfield Exploration Company	NFX		31.45	3.5	4.4	14	5.2
	<i>Median</i>			<i>4.3</i>	<i>7.4</i>	<i>24</i>	<i>8.7</i>
Natural Gas Royalty Trusts							
Cross Timbers Royalty Trust	CRT		18.25	7.9	14.6	16	13.7
Hugoton Royalty Trust	HGT		10.12	5.3	8.7	15	11.5
San Juan Basin Royalty Trust	SJT	2	9.49	6.3	8.4	11	12.0
Micro Cap							
Abraxas Petroleum Corporation	ABP		1.29	6.5	12.4	-	11.8
Energy Partners Ltd.(30%)	EPL	2	7.85	2.7	6.1	-	7.1
Purcell Energy, Ltd. (US\$)	PEL.TO	2	1.97	3.1	4.4	13	7.3

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

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 analysis by Kurt Wulff doing business as McDep Associates is accessible at www.mcdep.com. Owning shares in energy stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating. Mr. Wulff is not paid by covered companies.