

Dividends, Debt, Fees and Value

Summary and Recommendation

Energy stocks could benefit from reduction of dividend taxation as seems to be under contemplation by U.S. political leaders. The stocks that might have the most to gain may be those with low debt, low fees and low McDep Ratios including buy recommended **Canadian Oil Sands Trust (COS_u.TO)**, **Marathon (MRO)**, **PetroChina (PTR)**, **ChevronTexaco (CVX)**, **ConocoPhillips (COP)**, **Royal Dutch (RD)** and **San Juan Basin Royalty Trust (SJT)**. Depending on how the possible changes unfold, investors overweighted in tax-exempt municipal bonds whose credit quality seems to be declining, for example, might be especially interested in shifting resources to strong, dividend paying energy stocks if those dividends were to be taxed less. Noting the tendency for promoters to overpromise income, we caution investors against seeking income in high McDep Ratio and high debt stocks that pay out more than 100% of equity cash flow as is the case for sell recommended **El Paso Energy Partners (EPN)**, **Kinder Morgan (KMP, KMR)** and **Enbridge (EEP, EEQ)**. Those stocks also have general partners that charge unacceptably high fees in our opinion. We rank 57 stocks that pay high dividends in a special table drawn from our regular ranking of 85 stocks (see table on page 2 and Tables L-1, L-2, M-1, M-2, S-1, S-2).

Surprise Consequences Possible if Double Taxation Reduced

The McDep Energy Portfolio would benefit nicely from reduced taxation of dividends. The recommended stocks generate above average income that is mostly taxable when held in taxable accounts. Probably half of issued stock is held in taxable accounts. The other half would be in retirement or pension accounts where taxation is deferred or in charitable accounts where taxation is avoided.

Profits generated by corporations are taxed and then the dividends paid from those profits are taxed again. The taxing authorities could reduce the repetitive drag by reducing the tax on dividend payers or by reducing the tax on dividend payees. The desired payoff would be higher stock prices and thereby more confidence on the part of managers and investors in making long-term commitments to growth.

Practically speaking, complete elimination of double taxation is too good to be true. State and local municipalities might resist losing some of the relative appeal of tax-exempt securities. As a result a likely political compromise may be to simply raise the limit on dividends exempt from personal income taxation. That could still be quite positive for many investors.

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Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

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McDep Energy Income Companies

	Symbol/ Rating		Price (\$/sh) 5-Dec 2002	Dividend or Distribution Yield NTM (%)	Div or Dist/ Equity Ebitda	Debt/ Present Value	Fee Penalty	EV/ Ebitda	McDep Ratio
El Paso Energy Partners	EPN	S	28.00	9.6	430%	0.64	0.71	21.9	2.44
Kinder Morgan Energy Partners, L.P.	KMP	S	34.60	7.1	147%	0.47	0.40	14.9	1.77
Enbridge Energy Partners, L.P.	EEO	S	40.40	8.9	217%	0.64	0.21	14.6	1.62
Kinder Morgan Management, LLC	KMR	S	29.95	8.1	147%	0.47	0.40	13.5	1.60
Enterprise Products Part.	EPD		17.70	7.1	144%	0.43	tbd	16.4	1.49
Enbridge Energy Management, L.L.C	EEQ	S	34.29	10.5	217%	0.64	0.21	13.3	1.48
Plains All Amer. Pipeline	PAA		23.30	8.8	124%	0.39	tbd	12.1	1.35
Northern Border Partners	NBP		35.95	8.9	141%	0.62	0.08	11.6	1.29
TEPPCO Partners, L.P.	TPP		27.00	8.9	122%	0.56	0.25	11.1	1.23
Consol Energy Inc.	CNX		14.74	3.8	109%	0.88		11.9	1.23
Dorchester Hugoton, Ltd.	DHULZ		13.60	8.9	85%	(0.17)		9.7	1.20
Provident Energy Trust	PVX		6.37	22.2	147%	0.28	tbd	6.2	1.20
Penn Virginia Res. Part, L.P.	PVR		20.50	9.8	130%	-	tbd	13.1	1.19
Constellation Energy Group	CEG		25.51	3.8	44%	0.69		9.9	1.09
Southern Company	SO		26.33	5.1	50%	0.47		9.5	1.06
CMS Energy Corporation	CMS		9.08	7.9	74%	0.90		9.0	1.00
American Electric Power Co. Inc.	AEP	N	27.17	8.8	79%	0.74		9.0	1.00
Cross Timbers Royalty Trust	CRT		19.15	9.5	93%	-		9.8	0.98
Sempra Energy	SRE		22.61	4.4	37%	0.64		8.8	0.98
AmeriGas Partners, L.P.	APU		22.12	9.9	84%	0.47	tbd	8.7	0.97
Exxon Mobil Corporation	XOM		34.52	2.7	25%	0.09		9.3	0.96
Halliburton Company	HAL		19.96	2.5	20%	0.25		8.4	0.93
Penn Virginia Corporation	PVA		34.70	2.6	14%	0.09		5.3	0.92
Occidental Petroleum Corp.	OXY		27.73	3.6	19%	0.38		5.5	0.92
Alliance Res. Part, L.P.	ARLP		23.87	8.4	42%	0.36	tbd	5.3	0.88
Enerplus Resources Fund	ERF		16.86	13.0	80%	0.19	tbd	6.4	0.87
ENI S.p.A.	E		70.49	4.8	29%	0.18		6.3	0.86
Enel S.p.a. (32%)	EN		24.45	6.6	45%	0.39		7.6	0.85
Exelon Corporation	EXC	N	49.85	3.5	22%	0.45		7.5	0.84
Pengrowth Energy Trust	PGH		8.81	17.1	90%	0.16	tbd	5.5	0.83
San Juan Basin Royalty Trust	SJT	B	13.22	10.5	74%	-		7.0	0.83
BP plc	BP		39.32	3.7	26%	0.15		7.5	0.82
Duke Energy Corporation	DUK		19.23	5.7	33%	0.48		7.3	0.81
Dominion Resources	D		49.58	5.2	30%	0.45		7.3	0.81
Norsk Hydro ASA (49%)	NHY		40.82	2.5	9%	0.18		3.8	0.80
Hugoton RoyaltyTrust (46%)	HGT		12.16	10.5	72%	-		6.8	0.79
Unocal Corporation	UCL		30.55	2.6	11%	0.33		4.8	0.78
El Paso Corporation	EP	N	6.82	12.8	33%	0.66		5.9	0.77
TotalFinaElf S.A.	TOT		65.74	3.9	26%	0.14		7.0	0.77
Royal Dutch/Shell	RD	B	42.50	4.0	27%	0.15		7.1	0.75
CNOOC Limited (19%)	CEO	B	24.67	2.6	11%	-		4.3	0.75
ConocoPhillips	COP	B	49.79	3.2	18%	0.32		6.8	0.74
ChevronTexaco Corporation	CVX	B	67.52	4.1	25%	0.17		6.5	0.73
PetroChina Company Ltd (10%)	PTR	B	19.36	6.6	21%	0.17		3.6	0.70
Marathon Oil Corporation	MRO	B	20.27	4.5	17%	0.37		5.2	0.69
Canadian Oil Sands Trust (US\$)	COS_u.T	B	22.42	5.7	36%	0.13		6.9	0.62
Petroleo Brasileiro S. A.	PBR	N	12.76	10.6	23%	0.27		2.9	0.58

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Reducing double taxation of dividends could be a relative negative for master limited partnerships that, like Ponzi schemes, rely on issuing new units to fund current distributions. The partnerships are promoted in part for their deferral of taxation. Investors have been known to overvalue presumed tax advantages. If those perceived advantages are diminished there could be less interest in the securities particularly considering the unusual tax preparation burden the partnerships entail.

We realize that our favored royalty trusts have tax advantages also, but we do not make a big deal of it. Our buy recommendations of SJT and COS_u.TO are more than justified by low McDep Ratio, low debt, low fees and long life. It may even be the case that new tax legislation extends some of the coal seam gas tax credits beyond their imminent expiration at year-end for SJT.

Fees Affect Value

Note the column headed "Fee Penalty" on the table on the previous page. For some partnerships we have reduced value for public unitholders by a fraction that relates to the expected share of value to accrue to the general partner. Where the notation "tbd" arises we have not currently reduced value for fees, but probably will do so in the future.

Fording Counters Takeover with Income Trust

Canadian metallurgical coal producer, **Fording Inc. (FDG)**, attracted a takeover bid soon after it was added to our research coverage at a McDep Ratio of 0.64 (see *Meter Reader*, September 16, 2002). Management countered with a proposed Fording Income Trust that would own 62% of a larger entity that would include additional nearby mines and the ocean terminal through which the coal moves to export markets. Meanwhile the stock has advanced some 40% and the McDep Ratio is now around 0.90.

A thoughtful investor familiar with our work asked, "Is this some type of High Greed transformation? From what we have seen so far, the transaction looks like a beneficial one to Fording shareholders who also have a cash option. We have not uncovered any indication that U.S. style energy general partner compensation has infested the deal. All the details have not yet been disclosed.

Arch Coal Forms High Greed Partnership

Contemplating investor concerns about Fording reminds us of another investor's questions when units of Natural Resource Partners (NRP), sponsored by **Arch Coal (ACI)**, were being sold in an initial public offering in October. An investor considering the deal asked us to substantiate our claim that NRP was a high greed partnership. We responded that the high-greed feature might be uncovered typically by electronically searching the offering document for "incentive", "target", or "distribution". That usually

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leads to a schedule that tells how the GP share of distribution increases as LP distribution increases.

At the low level there is no harm done except that the existence of the "high greed" arrangement sends a negative signal, in our opinion. Despite that, a nimble investor might be able to make some money as the GP moves up in the "splits" as the practitioners call it.

We suggest that there is a better way. There is nothing wrong with reasonable compensation in partnerships. Rather than send the negative signal of the high-greed arrangement we would advocate picking a single percentage and sticking with it. We could recommend something like that if it looked reasonable overall.

In our opinion, the actions of sponsor, Arch Coal (ACI), give a bad impression. Since the company has too much debt in our framework it looks as if management overreached in the capital markets already. Now it appears management is overreaching again with a deceptive partnership by our reckoning.

Viewing the "incentive distribution rights" in the NRP prospectus, we saw a new feature for the first time. Most of the incentive does not go to the general partner, the supposed manager of the entity! As we understood it, the high compensation was supposed to motivate the general partner to make profitable choices. Instead the incentive rights are separated and retained for now by the original promoters of the partnership. That looks especially unseemly to us as it undercuts any argument, no matter how feeble, that the excessive payment structure is an "incentive". We bite our tongue to keep from saying what it really looks like.

Kurt H. Wulff, CFA

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December 9, 2002

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) 5-Dec 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	34.52	6,787	234,000	36.00	0.09	0.96	
BP plc	BP	39.32	3,738	147,000	50.00	0.15	0.82	
TotalFinaElf S.A.	TOT	65.74	1,346	88,500	90.00	0.14	0.77	
Royal Dutch/Shell	RD	B	42.50	3,481	148,000	60.00	0.15	0.75
ChevronTexaco Corporation	CVX	B	67.52	1,063	71,700	101.00	0.17	0.73
	<i>Total or Median</i>			<i>689,000</i>		<i>0.15</i>	<i>0.77</i>	
Energy Infrastructure								
Southern Company	SO	26.33	701	18,500	23.90	0.47	1.06	
American Electric Power Co. Inc.	AEP	N	27.17	326	8,900	27.40	0.74	1.00
Enel S.p.a. (32%)	EN	24.45	388	9,500	32.70	0.39	0.85	
Exelon Corporation	EXC	N	49.85	323	16,100	70.80	0.45	0.84
Duke Energy Corporation	DUK	19.23	792	15,200	30.40	0.48	0.81	
Dominion Resources	D	49.58	269	13,300	76.20	0.45	0.81	
El Paso Corporation	EP	N	6.82	590	4,000	20.00	0.66	0.77
	<i>Total or Median</i>			<i>67,000</i>		<i>0.47</i>	<i>0.82</i>	
Natural Gas and Oil								
Devon Energy	DVN	47.25	165	7,800	55.00	0.48	0.93	
Occidental Petroleum Corp.	OXY	27.73	376	10,400	32.00	0.38	0.92	
OAo Lukoil	LUKOY	62.85	299	18,800	70.00	0.08	0.91	
Anadarko Petroleum Corp.	APC	48.68	266	12,900	56.00	0.26	0.90	
ENI S.p.A.	E	70.49	776	54,700	85.00	0.18	0.86	
Encana Corporation	ECA	B	28.09	470	13,200	35.00	0.28	0.86
Burlington Resources	BR	B	40.93	202	8,300	57.00	0.28	0.80
Unocal Corporation	UCL	30.55	245	7,500	45.00	0.33	0.78	
ConocoPhillips	COP	B	49.79	680	33,900	80.00	0.32	0.74
Marathon Oil Corporation	MRO	B	20.27	310	6,300	40.00	0.37	0.69
Petroleo Brasileiro S. A.	PBR	N	12.76	1,086	13,900	30.00	0.27	0.58
	<i>Total or Median</i>			<i>180,000</i>		<i>0.28</i>	<i>0.83</i>	
Service								
Baker Hughes Inc.	BHI	32.40	339	11,000	25.00	0.09	1.27	
Schlumberger Ltd.	SLB	45.65	581	26,500	44.00	0.22	1.03	
Halliburton Company	HAL	19.96	434	8,700	22.00	0.25	0.93	

Buy/Sell rating after symbol: B - Buy, N - Neutral, S - 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) 5-Dec 2002	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
Mega Cap							
Exxon Mobil Corporation	XOM	34.52	1.2	9.3	20	2.7	9.6
BP plc	BP	39.32	1.0	7.5	16	3.7	9.1
Royal Dutch/Shell	RD B	42.50	0.9	7.1	16	4.0	9.5
TotalFinaElf S.A.	TOT	65.74	1.1	7.0	14	3.9	9.0
ChevronTexaco Corporation	CVX B	67.52	0.9	6.5	15	4.1	9.0
	<i>Median</i>		<i>1.0</i>	<i>7.1</i>	<i>16</i>	<i>3.9</i>	<i>9.1</i>
Energy Infrastructure							
Southern Company	SO	26.33	3.3	9.5	15	5.1	9.0
American Electric Power Co. Inc.	AEP N	27.17	0.6	9.0	9	8.8	9.0
Enel S.p.a. (32%)	EN	24.45	2.1	7.6	30	6.6	9.0
Exelon Corporation	EXC N	49.85	2.3	7.5	11	3.5	9.0
Duke Energy Corporation	DUK	19.23	0.7	7.3	8	5.7	9.0
Dominion Resources	D	49.58	3.0	7.3	10	5.2	9.0
El Paso Corporation	EP N	6.82	2.2	5.9	4	12.8	7.7
	<i>Median</i>		<i>2.2</i>	<i>7.5</i>	<i>10</i>	<i>5.7</i>	<i>9.0</i>
Natural Gas and Oil							
Devon Energy	DVN	47.25	3.1	6.8	48	0.4	7.4
ConocoPhillips	COP B	49.79	0.8	6.8	14	3.2	9.1
Burlington Resources	BR B	40.93	4.5	6.7	22	1.3	8.4
ENI S.p.A.	E	70.49	1.5	6.3	14	4.8	7.3
Anadarko Petroleum Corp.	APC	48.68	2.6	6.0	11	0.8	6.7
Occidental Petroleum Corp.	OXY	27.73	1.4	5.5	10	3.6	6.0
Marathon Oil Corporation	MRO B	20.27	0.4	5.2	10	4.5	7.6
Encana Corporation	ECA B	28.09	2.4	5.2	10	0.9	6.1
Unocal Corporation	UCL	30.55	2.2	4.8	11	2.6	6.2
OAo Lukoil	LUKOY	62.85	1.6	4.4	9	1.7	4.9
Petroleo Brasileiro S. A.	PBR N	12.76	1.2	2.9	3	10.6	5.0
	<i>Median</i>		<i>1.6</i>	<i>5.5</i>	<i>11</i>	<i>2.6</i>	<i>6.7</i>
Service							
Baker Hughes Inc.	BHI	32.40	2.3	13.7	39	1.4	10.8
Schlumberger Ltd.	SLB	45.65	2.5	9.2	34	1.6	8.9
Halliburton Company	HAL	19.96	1.0	8.4	18	2.5	9.0

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

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Energy Infrastructure								
Kinder Morgan Energy Partners, L.P.	KMP	S	34.60	135	4,700	14.00	0.47	1.77
Kinder Morgan Management, LLC	KMR	S	29.95	40	1,200	14.00	0.47	1.60
Kinder Morgan, Inc.	KMI	S	40.82	123	5,000	8.10	0.87	1.51
Enterprise Products Part.	EPD		17.70	175	3,100	9.50	0.43	1.49
Constellation Energy Group	CEG		25.51	164	4,200	20.00	0.69	1.09
Calpine Corporation	CPN	N	3.52	375	1,300	1.00	0.97	1.07
AES Corporation	AES		2.86	543	1,600	1.00	0.98	1.04
Williams Companies	WMB		2.32	521	1,200	1.00	0.97	1.04
CMS Energy Corporation	CMS		9.08	137	1,300	8.70	0.90	1.00
Dynegy Inc.	DYN		1.06	418	400	1.00	0.94	1.00
Sempra Energy	SRE		22.61	207	4,700	24.30	0.64	0.98
Valero Energy Corporation	VLO		35.55	115	4,100	40.00	0.60	0.96
Mirant Corporation	MIR		1.90	413	800	4.00	0.86	0.93
<i>Total or Median</i>					<i>33,600</i>		<i>0.86</i>	<i>1.04</i>
Natural Gas and Oil								
Murphy Oil Corporation	MUR		85.50	46	3,900	82.00	0.18	1.04
Ocean Energy, Inc.	OEI		19.51	178	3,500	20.00	0.30	0.98
Petro-Canada	PCZ		29.93	262	7,800	31.00	0.11	0.97
XTO Energy Inc.	XTO	B	24.79	124	3,100	26.00	0.25	0.96
Suncor Energy	SU		15.10	454	6,900	17.00	0.25	0.92
Imperial Oil Limited (30%)	IMO		28.37	114	3,200	33.00	0.13	0.88
Norsk Hydro ASA (49%)	NHY		40.82	126	5,100	54.00	0.18	0.80
CNOOC Limited (19%)	CEO	B	24.67	78	1,930	33.00	-	0.75
PetroChina Company Ltd (10%)	PTR	B	19.36	176	3,400	30.00	0.17	0.70
<i>Total or Median</i>					<i>38,800</i>		<i>0.18</i>	<i>0.92</i>
Coal Producers (Small Cap)								
Consol Energy Inc.	CNX		14.74	79	1,200	5.00	0.88	1.23
Penn Virginia Res. Part, L.P.	PVR		20.50	15	300	17.00	-	1.19
Peabody Energy	BTU		25.89	55	1,400	18.00	0.75	1.11
Arch Coal	ACI		20.09	48	1,000	18.00	0.61	1.05
Fording Inc (US\$)	FDG		20.84	52	1,100	23.00	0.04	0.91
Alliance Res. Part, L.P.	ARLP		23.87	16	400	29.00	0.36	0.88
Massey Energy	MEE		8.71	75	700	18.00	0.37	0.67
					<i>6,100</i>		<i>0.37</i>	<i>1.05</i>

Buy/Sell rating after symbol: B - Buy, N - Neutral, S - Sell

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			Price (\$/sh)	EV/ Sales	EV/ Ebitda	Dividend or Distribution	PV/ Ebitda	
	Symbol/ Rating	5-Dec 2002	5-Dec 2002	Sales NTM	Ebitda NTM	P/E NTM	NTM (%)	NTM
Energy Infrastructure								
Enterprise Products Part.	EPD		17.70	1.6	16.4	38	7.1	11.0
Kinder Morgan Energy Partners, L.P.	KMP	S	34.60	3.3	14.9	17	7.1	8.4
Kinder Morgan Management, LLC	KMR	S	29.95	3.0	13.5	15	8.1	8.4
Kinder Morgan, Inc.	KMI	S	40.82	3.6	13.3	15	0.5	8.8
Calpine Corporation	CPN	N	3.52	1.9	11.0			10.2
Constellation Energy Group	CEG		25.51	2.8	9.9	10	3.8	9.2
AES Corporation	AES		2.86	2.8	9.4			9.0
Williams Companies	WMB		2.32	1.9	9.3		-	9.0
CMS Energy Corporation	CMS		9.08	1.3	9.0	5	7.9	9.0
Dynegy Inc.	DYN		1.06	0.2	9.0		-	9.0
Sempra Energy	SRE		22.61	2.5	8.8	8	4.4	9.0
Mirant Corporation	MIR		1.90	0.4	8.3	1	-	9.0
Valero Energy Corporation	VLO		35.55	0.4	7.5	9	1.1	7.8
	<i>Median</i>			<i>1.9</i>	<i>9.4</i>	<i>10</i>	<i>3.8</i>	<i>9.0</i>
Natural Gas and Oil								
Suncor Energy	SU		15.10	3.3	9.9	21	1.4	10.8
Murphy Oil Corporation	MUR		85.50	1.0	8.3	40	1.8	8.0
Ocean Energy, Inc.	OEI		19.51	4.6	7.7	33	0.8	7.8
Imperial Oil Limited (30%)	IMO		28.37	1.1	7.1	14	1.9	8.1
Petro-Canada	PCZ		29.93	1.8	7.1	18	0.8	7.4
XTO Energy Inc.	XTO	B	24.79	4.6	6.4	12	0.2	6.6
CNOOC Limited (19%)	CEO	B	24.67	3.3	4.3	9	2.6	5.7
Norsk Hydro ASA (49%)	NHY		40.82	0.7	3.8	11	2.5	4.8
PetroChina Company Ltd (10%)	PTR	B	19.36	1.6	3.6	7	6.6	5.1
	<i>Median</i>			<i>1.8</i>	<i>7.1</i>	<i>14</i>	<i>1.8</i>	<i>7.4</i>
Coal Producers (Small Cap)								
Penn Virginia Res. Part, L.P.	PVR		20.50	9.5	13.1	15	9.8	11.0
Consol Energy Inc.	CNX		14.74	1.9	11.9	34	3.8	9.7
Peabody Energy	BTU		25.89	1.6	10.0	22	1.5	9.0
Arch Coal	ACI		20.09	1.5	9.5	113	1.1	9.0
Fording Inc (US\$)	FDG		20.84	1.9	8.1	19	1.8	9.0
Massey Energy	MEE		8.71	1.0	6.0	218	1.8	8.9
Alliance Res. Part, L.P.	ARLP		23.87	1.3	5.3	7	8.4	6.0
				<i>1.6</i>	<i>9.5</i>	<i>22</i>	<i>1.8</i>	<i>9.0</i>

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

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Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

December 9, 2002

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

	Symbol/ Rating		Price (\$/sh) 5-Dec 2002	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Energy Infrastructure								
El Paso Energy Partners	EPN	S	28.00	57.0	1,600	5.60	0.64	2.44
Enbridge Energy Partners, L.P.	EEP	S	40.40	35.0	1,410	14.90	0.64	1.62
Enbridge Energy Management, L.L.C	EEQ	S	34.29	9.0	310	14.90	0.64	1.48
Plains All Amer. Pipeline	PAA		23.30	41.6	970	14.90	0.39	1.35
Northern Border Partners	NBP		35.95	44.0	1,580	20.40	0.62	1.29
TEPPCO Partners, L.P.	TPP		27.00	50.0	1,350	17.70	0.56	1.23
Western Gas Resources	WGR		36.29	33.8	1,230	37.60	0.28	0.98
AmeriGas Partners, L.P.	APU		22.12	49.0	1,080	23.50	0.47	0.97
	<i>Total or Median</i>				<i>9,500</i>		<i>0.59</i>	<i>1.32</i>
Natural Gas and Oil								
Dorchester Hugoton, Ltd.	DHULZ		13.60	10.7	146	11.60	(0.17)	1.20
Provident Energy Trust	PVX		6.37	63.5	400	5.00	0.28	1.20
Quicksilver Resources Inc.	KWK		22.82	19.4	440	19.00	0.44	1.11
Newfield Exploration Company	NFX		37.20	48.9	1,820	35.00	0.24	1.05
Pogo Producing Company	PPP		36.86	64.5	2,380	35.00	0.23	1.04
Unit Corporation	UNT		18.41	40.0	740	18.00	0.03	1.02
Penn Virginia Corporation	PVA		34.70	9.0	310	38.00	0.09	0.92
Encore Acquisition Corp. (25%)	EAC		18.40	7.0	129	21.00	0.20	0.90
Enerplus Resources Fund	ERF		16.86	69.6	1,170	20.00	0.19	0.87
Stone Energy Company	SGY		33.49	26.5	890	42.00	0.28	0.85
Spinnaker Exploration Company	SKE		21.35	34.0	730	25.00	-	0.85
Forest Oil Corporation	FST	N	27.53	46.8	1,290	35.00	0.30	0.85
Swift Energy Company	SFY		9.13	27.1	250	13.00	0.48	0.84
Pengrowth Energy Trust	PGH		8.81	84.6	750	11.00	0.16	0.83
Southwestern Energy Company	SWN		11.10	25.6	280	17.00	0.44	0.81
Magnum Hunter Resources, Inc.	MHR		6.06	69.0	420	11.00	0.45	0.75
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	22.42	57.3	1,280	40.00	0.13	0.62
	<i>Total or Median</i>				<i>13,400</i>		<i>0.23</i>	<i>0.87</i>
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		19.15	6.0	115	19.50	-	0.98
San Juan Basin Royalty Trust	SJT	B	13.22	46.6	620	15.90	-	0.83
Hugoton RoyaltyTrust (46%)	HGT		12.16	18.4	220	15.50	-	0.79
Micro Cap								
Energy Partners Ltd.(30%)	EPL	B	9.65	8.3	80	10.00	0.38	0.98
Abraxas Petroleum Corporation	ABP		0.69	30.0	21	1.00	0.91	0.97
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.52	27.3	41	2.50	0.26	0.70

Buy/Sell rating after symbol: B - Buy, N - Neutral, S - Sell

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

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Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

December 9, 2002

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

	Symbol/ Rating	Price (\$/sh) 5-Dec 2002	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Energy Infrastructure								
El Paso Energy Partners	EPN	S	28.00	8.1	21.9	70	9.6	9.0
Enbridge Energy Partners, L.P.	EEP	S	40.40	1.9	14.6	30	8.9	9.0
Enbridge Energy Management, L.L.C	EEQ	S	34.29	1.7	13.3	26	10.5	9.0
Plains All Amer. Pipeline	PAA		23.30	0.2	12.1	17	8.8	9.0
Northern Border Partners	NBP		35.95	6.6	11.6	13	8.9	9.0
TEPPCO Partners, L.P.	TPP		27.00	0.9	11.1	14	8.9	9.0
Western Gas Resources	WGR		36.29	0.7	8.8	20	0.6	9.0
AmeriGas Partners, L.P.	APU		22.12	1.5	8.7	12	9.9	9.0
	<i>Median</i>			<i>1.6</i>	<i>11.8</i>	<i>19</i>	<i>8.9</i>	<i>9.0</i>
Natural Gas and Oil								
Unit Corporation	UNT		18.41	3.6	10.0	31	-	9.8
Dorchester Hugoton, Ltd.	DHULZ		13.60	6.5	9.7	13	8.9	8.1
Quicksilver Resources Inc.	KWK		22.82	5.0	9.2	25	-	8.3
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	22.42	3.6	6.9	8	5.7	11.2
Forest Oil Corporation	FST	N	27.53	3.9	6.7	22	-	7.8
Enerplus Resources Fund	ERF		16.86	4.5	6.4	15	13.0	7.4
Swift Energy Company	SFY		9.13	3.9	6.2	35	-	7.4
Provident Energy Trust	PVX		6.37	3.5	6.2	65	22.2	5.2
Magnum Hunter Resources, Inc.	MHR		6.06	3.3	6.0	25	-	7.9
Encore Acquisition Corp. (25%)	EAC		18.40	4.0	5.8	12	-	6.5
Pogo Producing Company	PPP		36.86	3.6	5.7	19	0.3	5.5
Pengrowth Energy Trust	PGH		8.81	3.5	5.5	16	17.1	6.6
Penn Virginia Corporation	PVA		34.70	3.3	5.3	23	2.6	5.8
Southwestern Energy Company	SWN		11.10	2.1	5.1	11	-	6.3
Newfield Exploration Company	NFX		37.20	3.2	4.6	15	-	4.4
Stone Energy Company	SGY		33.49	3.2	4.5	12	-	5.3
Spinnaker Exploration Company	SKE		21.35	3.1	3.6	14	-	4.3
	<i>Median</i>			<i>3.6</i>	<i>6.0</i>	<i>16</i>	<i>-</i>	<i>6.6</i>
Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		19.15	6.8	9.8	11	9.5	9.9
San Juan Basin Royalty Trust	SJT	B	13.22	5.6	7.0	10	10.5	8.4
Hugoton RoyaltyTrust (46%)	HGT		12.16	4.8	6.8	10	10.5	8.7
Micro Cap								
Abraxas Petroleum Corporation	ABP		0.69	5.6	9.2		-	9.5
Energy Partners Ltd.(30%)	EPL	B	9.65	3.0	5.7		-	5.8
Purcell Energy, Ltd. (US\$)	PEL.TO	N	1.52	3.4	5.2	12	-	7.4

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

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