

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

April 2, 2001

EOQ Quirk

Summary and Recommendation

Five stocks appropriate as new money commitments for the energy positions in a diversified equity portfolio are Mega Cap **Royal Dutch Petroleum (RD)**, Large Cap **Phillips Petroleum (P)**, Mid Cap **USX-Marathon Group (MRO)**, Small Cap **Energy Partners, Ltd. (EPL)** and natural gas producer **Burlington Resources (BR)**. Those are the same stocks we mentioned last week. We could just as well pick similar companies from the same groups that also offer attractive value (see table - Rank by McDep Ratio). The exception is EPL, a stock that seems to be in a class by itself by McDep Ratio. EPL stock was especially weak in price on the last day of the calendar quarter, a condition that may have been an end of quarter (EOQ) quirk.

Energy Partners, Ltd. Volume Grows 9% Quarter to Quarter

Presenting to investors in New Orleans, management of EPL estimated first quarter volume of 16.5 thousand barrels equivalent daily (mbd), up 9% from 15.1 mbd in the fourth quarter of last year. That is ahead of a 7% per quarter pace needed to average our estimated 18 mbd for 2001. As a result operations appear to be on track to justify a higher stock price.

Why has the stock price declined uncharacteristically? There is some risk that we are missing information that would justify the low stock price, but we think that is unlikely. EPL stock has declined since its initial public offering five months ago. There are no public investors who have a profit in the stock. Sellers seemed especially anxious to divest some stock on the last day of the quarter. The justification may have been partly cosmetic, for example, to keep a stock showing a loss off the end-of-quarter list of holdings. In any event we are not aware of any fundamental reason the stock should not do better.

Dynamic Valuation of Small Caps

We continue the weekly recalculation of present value and cash flow that we have been doing for some small cap stocks for more than a year (see Appendix). Present value was essentially unchanged while projected 2001 cash flow declined about 2% week to week. Historical information from Annual Reports just filed for the three royalty trusts will be incorporated in next week's models.

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Rank by McDep Ratio		Price (\$/sh)	Market	Net	Debt/	McDep		
	Symbol	30-Mar 2001	Cap (\$mm)	Present Value (\$/sh)	Present Value	Ratio		
		Shares (mm)						
Mega Cap								
	Exxon Mobil Corporation	XOM	81.00	3,520	285,000	72.10	0.16	1.10
	BP Amoco p.l.c.	BP	49.62	3,720	185,000	48.90	0.17	1.01
	TOTAL Fina Elf S.A.	TOT	67.95	1,400	95,000	72.00	0.16	0.95
	Royal Dutch/Shell	RD	55.44	3,580	199,000	60.80	0.09	0.92
	<i>Total or Median</i>				764,000		0.16	0.98
Large Cap								
	Enron Corp.	ENE	58.10	795	46,200	44.40	0.43	1.17
	Chevron (incl. Texaco)	CHV	87.80	1,060	93,100	103.40	0.15	0.87
	Burlington Resources, Inc	BR	44.75	216	9,700	60.50	0.17	0.79
	Anadarko Petroleum Corp.	APC	62.78	249	15,600	90.90	0.17	0.74
	ENI S.p.A.	E	64.70	800	51,800	91.90	0.10	0.73
	Conoco Inc.	COC.B	28.25	623	17,600	48.00	0.21	0.67
	Phillips (incl. Tosco)	P	55.05	379	20,900	102.10	0.27	0.66
	<i>Total or Median</i>				255,000		0.17	0.74
Mid Cap								
	Barrett Resources Corporation	BRR	60.05	34	2,000	53.80	0.21	1.09
	PanCanadian Pete Ltd. (15%)	PCP.TO	43.50	38	1,700	49.10	0.07	0.89
	Occidental Petroleum	OXY	24.75	370	9,200	35.60	0.46	0.84
	Unocal Corporation	UCL	34.57	256	8,900	51.90	0.27	0.76
	PetroChina Company Ltd (10%)	PTR	18.00	176	3,200	28.40	0.24	0.72
	Norsk Hydro ASA	NHY	41.21	262	10,800	65.90	0.15	0.68
	Valero Energy Corp.	VLO	35.50	64	2,300	65.00	0.25	0.66
	Devon Energy Corporation	DVN	58.20	135	7,900	99.30	0.14	0.64
	Petro-Canada	PCZ	22.45	272	6,100	38.70	0.08	0.61
	USX-Marathon Group	MRO	26.95	310	8,400	58.10	0.21	0.58
	<i>Total or Median</i>				56,800		0.21	0.70
Small Cap								
	Dorchester Hugoton, Ltd.	DHULZ	13.63	10.7	146	13.30	-	1.02
	Cross Timbers Royalty	CRT	17.95	6.0	108	19.50	-	0.92
	San Juan Basin Royalty	SJT	15.35	46.6	720	17.60	-	0.87
	Hugoton RoyaltyTrust	HGT	15.50	40.0	620	18.60	-	0.83
	Encore Acquisition Corporation	EAC	12.70	30.0	380	16.70	0.12	0.79
	Energy Partners Ltd.	EPL	9.45	27.1	260	19.50	-	0.48
	<i>Total or Median</i>				2,230		-	0.85

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Oil and gas investment research by Kurt Wulff is accessible at <http://www.mcdep.com>. Mr. Wulff may acquire, hold, or sell a position in securities mentioned.

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Rank by EV/Ebitda	Symbol	Price	EV/	EV/	P/E	Indicated	PV/
		(\$/sh)	Sales	Ebitda		Annual	
		30-Mar	2001E	2001E	2001E	Dividend	Ebitda
		2001				(%)	
Mega Cap							
Exxon Mobil Corporation	XOM	81.00	1.4	7.7	16	2.2	7.0
BP Amoco p.l.c.	BP	49.62	1.2	7.1	11	2.8	7.0
TOTAL Fina Elf S.A.	TOT	67.95	1.0	6.7	16	1.6	7.0
Royal Dutch/Shell	RD	55.44	1.4	6.4	14	2.5	7.0
	<i>Median</i>		<i>1.3</i>	<i>6.9</i>	<i>15</i>	<i>2.3</i>	<i>7.0</i>
Large Cap							
Enron Corp.	ENE	58.10	0.4	14.1	35	0.9	12.0
Chevron (incl. Texaco)	CHV	87.80	1.0	5.2	10	3.0	6.0
Burlington Resources, Inc	BR	44.75	3.3	4.7	8	1.2	6.0
Anadarko Petroleum Corp.	APC	62.78	2.1	4.4	9	0.3	6.0
Conoco Inc.	COC.B	28.25	0.6	4.0	8	2.7	6.0
Phillips (incl. Tosco)	P	55.05	0.7	4.0	7	2.5	6.0
ENI S.p.A.	E	64.70	1.1	3.7	6	2.5	5.0
	<i>Median</i>		<i>1.0</i>	<i>4.4</i>	<i>8</i>	<i>2.5</i>	<i>6.0</i>
Mid Cap							
Barrett Resources Corporation	BRR	60.05	4.7	6.5	13	-	6.0
PanCanadian Pete Ltd. (15%)	PCP.TO	43.50	1.8	5.4	12	0.6	6.0
Occidental Petroleum	OXY	24.75	1.2	5.0	7	4.0	6.0
Unocal Corporation	UCL	34.57	1.6	4.5	12	2.3	6.0
PetroChina Company Ltd (10%)	PTR	18.00	1.8	4.3	6	7.9	6.0
Valero Energy Corp.	VLO	35.50	0.2	4.0	5	0.9	6.0
Devon Energy Corporation	DVN	58.20	2.9	3.9	8	0.3	6.0
Petro-Canada	PCZ	22.45	0.9	3.7	8	1.2	6.0
Norsk Hydro ASA	NHY	41.21	0.8	2.7	7	2.5	4.0
USX-Marathon Group	MRO	26.95	0.4	2.3	5	3.4	4.0
	<i>Median</i>		<i>1.4</i>	<i>4.1</i>	<i>8</i>	<i>1.8</i>	<i>6.0</i>
Small Cap							
Cross Timbers Royalty	CRT	17.95	4.4	6.8	7	13.8	7.3
San Juan Basin Royalty	SJT	15.35	4.6	5.5	7	14.2	6.3
Dorchester Hugoton, Ltd.	DHULZ	13.63	4.3	5.4	6	7.9	5.3
Hugoton RoyaltyTrust	HGT	15.50	3.9	5.2	7	14.9	6.2
Encore Acquisition Corporation	EAC	12.70	3.5	4.7		-	6.0
Energy Partners Ltd.	EPL	9.45	1.4	2.1	7	-	4.4
	<i>Median</i>		<i>4.1</i>	<i>5.3</i>	<i>7</i>	<i>10.9</i>	<i>6.1</i>

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