

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

April 16, 2001

Why Only Five Times Ebitda?

Summary and Recommendation

A median for 27 energy stocks of *five* times, for the ratio of enterprise value to next twelve months earnings before interest, tax, depreciation and amortization (EV/Ebitda), seems low compared to *ten* times for 38 non-energy stocks we have analyzed in a similar fashion. We expect the EV/Ebitda gap to narrow, implying that energy stocks should enjoy several years of better performance relative to non-energy. Investors with minimal energy exposure can simply pick one stock at random from each of four size groups on our list (see tables below). Better than that, we recommend emphasizing those stocks with lower McDep Ratios. We also recommend normalizing for financial risk by owning relatively more of a stock with a low debt ratio and relatively less of a stock with a high debt ratio. More specifically we plan to post within a week our first recommended stock applying a well-accepted buy/sell rating scale.

Present Values Advance During Past Week

Present value increased a median one percent last week for the five small cap stocks covered in greatest detail (see Meter Reader Tables, posted separately). Oil quotes through 2006 advanced three percent; natural gas quotes through 2004, one percent and the ten-year inflation rate increased 0.15% per year last week. The positive impact of those factors was partially offset by an increase of 0.27% per year in the discount rate tied to the yield on the ten-year Treasury note.

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Rank by McDep Ratio		<i>Price</i> <i>(\$/sh)</i>		<i>Market</i>	<i>Net</i>	<i>Debt/</i>	
	<i>Symbol</i>	<i>12-Apr</i>	<i>Shares</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>McDep</i>
		<i>2001</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	<i>Ratio</i>
Mega Cap							
Exxon Mobil Corporation	XOM	82.00	3,520	289,000	72.10	0.16	1.12
BP Amoco p.l.c.	BP	51.69	3,720	192,000	48.90	0.17	1.05
TOTAL Finna Elf S.A.	TOT	70.95	1,400	99,000	72.00	0.16	0.99
Royal Dutch/Shell	RD	57.45	3,580	206,000	60.80	0.09	0.95
	<i>Total or Median</i>			<i>786,000</i>		<i>0.16</i>	<i>1.02</i>
Large Cap							
Enron Corp.	ENE	57.30	795	45,600	38.80	0.47	1.26
Chevron (incl. Texaco)	CHV	91.80	1,060	97,300	103.40	0.15	0.91
Burlington Resources, Inc	BR	46.18	216	10,000	60.50	0.17	0.81
Anadarko Petroleum Corp.	APC	65.35	249	16,300	90.90	0.17	0.77
ENI S.p.A.	E	66.31	800	53,100	91.90	0.10	0.75
Conoco Inc.	COC.B	28.63	623	17,800	48.00	0.21	0.68
Phillips (incl. Tosco)	P	56.60	379	21,500	102.10	0.27	0.68
	<i>Total or Median</i>			<i>262,000</i>		<i>0.17</i>	<i>0.77</i>
Mid Cap							
Barrett Resources Corporation	BRR	59.70	34	2,000	53.80	0.21	1.09
PanCanadian Pete Ltd. (15%)	PCP.TO	47.10	38	1,800	49.10	0.07	0.96
Occidental Petroleum	OXY	26.11	370	9,700	35.60	0.46	0.86
Unocal Corporation	UCL	35.31	256	9,000	51.90	0.27	0.77
PetroChina Company Ltd (10%)	PTR	18.30	176	3,200	28.40	0.24	0.73
Valero Energy Corp.	VLO	40.60	64	2,600	65.00	0.25	0.72
USX-Marathon Group	MRO	29.06	360	10,500	48.20	0.28	0.71
Norsk Hydro ASA	NHY	42.00	262	11,000	65.90	0.15	0.69
Petro-Canada	PCZ	24.47	272	6,700	38.70	0.08	0.66
Devon Energy Corporation	DVN	59.00	135	8,000	99.30	0.14	0.65
	<i>Total or Median</i>			<i>60,700</i>		<i>0.22</i>	<i>0.72</i>
Small Cap							
Dorchester Hugoton, Ltd.*	DHULZ	13.50	10.7	145	13.70	-	0.99
Cross Timbers Royalty Tr*	CRT	18.20	6.0	109	19.20	-	0.95
San Juan Basin Royalty Tr*	SJT	16.27	46.6	760	18.00	-	0.90
Hugoton RoyaltyTrust*	HGT	15.60	40.0	620	19.10	-	0.82
Encore Acquisition Corporation	EAC	13.00	30.0	390	16.70	0.12	0.81
Energy Partners Ltd.*	EPL	10.80	27.1	290	20.00	-	0.54
	<i>Total or Median</i>			<i>2,310</i>		-	<i>0.86</i>

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

* For small cap stocks marked with asterisk, estimated present value recalculated weekly.

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/	Dividend or		PV/	
		(\$/sh)	Sales	Ebitda	Distribution	NTM	Ebitda	
		12-Apr	2001E	NTM	P/E	NTM	NTM	
		2001			NTM	(%)		
Mega Cap								
	Exxon Mobil Corporation	XOM	82.00	1.4	7.8	17	2.1	7.0
	BP Amoco p.l.c.	BP	51.69	1.3	7.3	12	2.7	7.0
	TOTAL Fina Elf S.A.	TOT	70.95	1.1	6.9	17	1.6	7.0
	Royal Dutch/Shell	RD	57.45	1.4	6.7	14	2.4	7.0
	<i>Median</i>			<i>1.3</i>	<i>7.1</i>	<i>15</i>	<i>2.3</i>	<i>7.0</i>
Large Cap								
	Enron Corp.	ENE	57.30	0.4	18.8	32	0.9	15.0
	Chevron (incl. Texaco)	CHV	91.80	1.0	5.4	10	2.8	6.0
	Burlington Resources, Inc	BR	46.18	3.4	4.8	9	1.2	6.0
	Anadarko Petroleum Corp.	APC	65.35	2.2	4.6	9	0.3	6.0
	Conoco Inc.	COC.B	28.63	0.6	4.1	8	2.7	6.0
	Phillips (incl. Tosco)	P	56.60	0.7	4.1	7	2.4	6.0
	ENI S.p.A.	E	66.31	1.2	3.7	7	2.4	5.0
	<i>Median</i>			<i>1.0</i>	<i>4.6</i>	<i>9</i>	<i>2.4</i>	<i>6.0</i>
Mid Cap								
	Barrett Resources Corporation	BRR	59.70	4.7	6.5	13	-	6.0
	PanCanadian Pete Ltd. (15%)	PCP.TO	47.10	2.0	5.8	13	0.6	6.0
	Occidental Petroleum	OXY	26.11	1.2	5.1	7	3.8	6.0
	Unocal Corporation	UCL	35.31	1.7	4.6	13	2.3	6.0
	PetroChina Company Ltd (10%)	PTR	18.30	1.8	4.4	6	7.8	6.0
	Valero Energy Corp.	VLO	40.60	0.3	4.3	6	0.8	6.0
	USX-Marathon Group	MRO	29.06	0.5	4.3	-	3.2	6.0
	Petro-Canada	PCZ	24.47	1.0	4.0	9	1.1	6.0
	Devon Energy Corporation	DVN	59.00	3.0	3.9	8	0.3	6.0
	Norsk Hydro ASA	NHY	42.00	0.8	2.8	7	2.5	4.0
	<i>Median</i>			<i>1.4</i>	<i>4.3</i>	<i>8</i>	<i>1.7</i>	<i>6.0</i>
Small Cap								
	Cross Timbers Royalty Tr*	CRT	18.20	4.8	7.2	8	13.2	7.6
	San Juan Basin Royalty Tr*	SJT	16.27	5.1	6.1	8	12.1	6.8
	Dorchester Hugoton, Ltd.*	DHULZ	13.50	4.5	5.5	6	8.0	5.6
	Hugoton RoyaltyTrust*	HGT	15.60	4.2	5.5	7	13.6	6.7
	Encore Acquisition Corporation	EAC	13.00	3.5	4.8		-	6.0
	Energy Partners Ltd.*	EPL	10.80	1.5	2.2	7	-	4.1
	<i>Median</i>			<i>4.3</i>	<i>5.5</i>	<i>7</i>	<i>10.1</i>	<i>6.4</i>

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

* For small cap stocks marked with asterisk after the name, estimated sales, ebitda, earnings, distributions and present value are recalculated weekly to take account of latest commodity futures prices, inflation, interest rates and operational disclosures.

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