

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

April 23, 2001

Royalty Trusts Get Respect

Summary and Recommendation

Our best selection today for new investment in energy is **USX - Marathon Group** at a McDep Ratio of 0.74. That stock is the first in our program to initiate a buy/sell rating on about one stock a week. Meanwhile two favorite natural gas producers, **Cross Timbers Royalty Trust** and **San Juan Basin Royalty Trust**, approach McDep Ratios of 1.0. At that level, the stocks can continue to justify the new respect they have gained, but are less likely to be the best performers immediately. A third natural gas producer we have been covering in weekly detail for more than a year, **Hugoton Royalty Trust** at a McDep Ratio of 0.86, appears more undervalued. In monthly results just disclosed, the three trusts exceeded our cautious expectations by 38%, 38% and 26% for CRT, SJT and HGT respectively.

Energy Investment Strategy with McDep

As Meter Reader's coverage broadens from a few high quality natural gas producers initially to representatives of practically the whole energy field, we'll have enough research to recommend a complete energy investment strategy.

The McDep Ratio gives us valuation perspective. The idea is to buy a low McDep Ratio stock and watch it move up.

Commodity Price Has Upside

New York Mercantile Exchange quotes for oil over the next five years and for natural gas over the next three years declined about 1% during the past week. That translated to lower calculated present value despite an increase in the market inflation rate that we apply to commodity price after five years. As stock prices generally rose, McDep Ratios also went up, signaling less undervaluation.

Despite a decline last week, oil and gas futures look low to us. In particular we note that electricity quotes in the West are remarkably high and stubbornly persistent. A ten-fold gain in power price reminds us that oil and gas went up ten fold permanently in the 1970s. Could it be that California power is a leading indicator of oil and gas price levels few contemplate today?

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent oil and gas investment research by Kurt Wulff is accessible at <http://www.mcdep.com>. Owning shares in about 16 oil and gas stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating. Mr. Wulff is not paid by covered companies. 1

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April Disclosures for Royalty Trusts Exceed Conservative Estimate

The latest disclosures imply that our projected Dynamic Distribution Yields of 11.4% to 12.6% are more than likely to be achieved if futures price materializes as quoted in today's market. Knowing that monthly results can show wide swings, we limit our published estimates to a quarterly breakdown. Comparing April numbers to one third of our estimate for the quarter ended in June, we see positive variances for each of the three royalty trusts. CRT discloses only its distribution while SJT and HGT also tell us volume, price and costs. SJT's volume was less than our recently raised rate, while HGT's volume was in line. Price exceeded our low expectations conditioned by regular shortfalls last year relative to the wellhead benchmark. Cash withheld for development was less than our high estimate.

Kurt H. Wulff, CFA

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Rank by McDep Ratio	Symbol/ Rating	Price	Shares	Market Cap (\$mm)	Net	Debt/ Present Value	McDep Ratio	
		(\$/sh)			Present			
		20-Apr 2001	(mm)		Value (\$/sh)			
Mega Cap								
	Exxon Mobil Corporation	XOM	85.17	3,520	300,000	72.10	0.16	1.15
	BP Amoco p.l.c.	BP	52.35	3,720	195,000	48.90	0.17	1.06
	TOTAL Fina Elf S.A.	TOT	71.66	1,400	100,000	72.00	0.16	1.00
	Royal Dutch/Shell	RD	57.34	3,580	205,000	60.80	0.09	0.95
	<i>Total or Median</i>				800,000		0.16	1.03
Large Cap								
	Enron Corp.	ENE	59.99	795	47,700	38.80	0.47	1.29
	Chevron (incl. Texaco)	CHV	93.25	1,060	98,800	103.40	0.15	0.92
	Burlington Resources, Inc	BR	47.15	216	10,200	60.50	0.17	0.82
	ENI S.p.A.	E	66.35	800	53,100	91.90	0.10	0.75
	Anadarko Petroleum Corp.	APC	63.15	249	15,700	90.90	0.17	0.74
	Phillips (incl. Tosco)	P	57.27	379	21,700	102.10	0.27	0.68
	Conoco Inc.	COC.B	28.25	623	17,600	48.00	0.21	0.67
	<i>Total or Median</i>				265,000		0.17	0.75
Mid Cap								
	Barrett Resources Corporation	BRR	60.00	34	2,000	53.80	0.21	1.09
	PanCanadian Pete Ltd. (15%)	PCP.TO	47.90	38	1,800	49.10	0.07	0.98
	Occidental Petroleum	OXY	27.42	370	10,200	35.60	0.46	0.88
	Unocal Corporation	UCL	36.67	256	9,400	51.90	0.27	0.79
	Valero Energy Corp.	VLO	44.99	64	2,900	65.00	0.25	0.77
	PetroChina Company Ltd (10%)	PTR	19.00	176	3,300	28.40	0.24	0.75
	USX-Marathon Group	MRO 1	29.70	360	10,700	47.00	0.30	0.74
	Petro-Canada	PCZ	26.15	272	7,100	38.70	0.08	0.70
	Norsk Hydro ASA	NHY	42.36	262	11,100	65.90	0.15	0.69
	Devon Energy Corporation	DVN	55.24	135	7,500	89.70	0.15	0.67
	<i>Total or Median</i>				62,200		0.22	0.76
Small Cap								
	Dorchester Hugoton, Ltd.*	DHULZ	13.96	10.7	150	13.50	-	1.03
	Cross Timbers Royalty Tr*	CRT	18.82	6.0	113	18.90	-	1.00
	San Juan Basin Royalty Tr*	SJT	16.70	46.6	780	17.70	-	0.94
	Encore Acquisition Corporation	EAC	14.05	30.0	420	16.70	0.12	0.86
	Hugoton RoyaltyTrust*	HGT	16.20	40.0	650	18.80	-	0.86
	Energy Partners Ltd.*	EPL	10.97	27.1	300	19.50	-	0.56
	<i>Total or Median</i>				2,410		-	0.90

Buy/Sell rating after symbol: 1 - Strong Buy (only MRO rated as of 4/20/01)

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.

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Rank by EV/Ebitda	Symbol	Price	EV/		Dividend or		PV/ Ebitda NTM	
		(\$/sh) 20-Apr 2001	Sales 2001E	Ebitda NTM	P/E NTM	Distribution NTM (%)		
Mega Cap								
	Exxon Mobil Corporation	XOM	85.17	1.5	8.1	17	2.1	7.0
	BP Amoco p.l.c.	BP	52.35	1.3	7.4	12	2.7	7.0
	TOTAL Fina Elf S.A.	TOT	71.66	1.1	7.0	17	1.6	7.0
	Royal Dutch/Shell	RD	57.34	1.4	6.6	14	2.4	7.0
	<i>Median</i>			<i>1.3</i>	<i>7.2</i>	<i>16</i>	<i>2.3</i>	<i>7.0</i>
Large Cap								
	Enron Corp.	ENE	59.99	0.4	19.4	34	0.8	15.0
	Chevron (incl. Texaco)	CHV	93.25	1.1	5.5	11	2.8	6.0
	Burlington Resources, Inc	BR	47.15	3.4	4.9	9	1.2	6.0
	Anadarko Petroleum Corp.	APC	63.15	2.1	4.5	9	0.3	6.0
	Phillips (incl. Tosco)	P	57.27	0.7	4.1	7	2.4	6.0
	Conoco Inc.	COC.B	28.25	0.6	4.0	8	2.7	6.0
	ENI S.p.A.	E	66.35	1.2	3.7	7	2.4	5.0
	<i>Median</i>			<i>1.1</i>	<i>4.5</i>	<i>9</i>	<i>2.4</i>	<i>6.0</i>
Mid Cap								
	Barrett Resources Corporation	BRR	60.00	4.7	6.5	13	-	6.0
	PanCanadian Pete Ltd. (15%)	PCP.TO	47.90	2.0	5.9	14	0.5	6.0
	Occidental Petroleum	OXY	27.42	1.3	5.3	8	3.6	6.0
	Unocal Corporation	UCL	36.67	1.7	4.7	13	2.2	6.0
	Valero Energy Corp.	VLO	44.99	0.3	4.6	6	0.7	6.0
	PetroChina Company Ltd (10%)	PTR	19.00	1.8	4.5	6	7.5	6.0
	USX-Marathon Group	MRO	29.70	0.4	4.4	6	3.1	6.0
	Petro-Canada	PCZ	26.15	1.1	4.2	10	1.0	6.0
	Devon Energy Corporation	DVN	55.24	2.8	3.7	8	0.4	5.5
	Norsk Hydro ASA	NHY	42.36	0.8	2.8	7	2.5	4.0
	<i>Median</i>			<i>1.5</i>	<i>4.5</i>	<i>8</i>	<i>1.6</i>	<i>6.0</i>
Small Cap								
	Cross Timbers Royalty Tr*	CRT	18.82	5.1	7.7	8	12.4	7.7
	San Juan Basin Royalty Tr*	SJT	16.70	5.4	6.5	9	11.4	6.9
	Dorchester Hugoton, Ltd.*	DHULZ	13.96	4.8	5.9	6	7.7	5.7
	Hugoton RoyaltyTrust*	HGT	16.20	4.5	5.9	8	12.6	6.9
	Encore Acquisition Corporation	EAC	14.05	3.8	5.2		-	6.0
	Energy Partners Ltd.*	EPL	10.97	1.6	2.3	7	-	4.1
	<i>Median</i>			<i>4.6</i>	<i>5.9</i>	<i>8</i>	<i>9.6</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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