

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

July 9, 2001

Present Value Rebounds

Summary and Recommendation

Spurred by higher futures prices for natural gas and oil, present value rebounded last week justifying more investor enthusiasm for energy investments. The rebound occurred despite a continuation of one of the sources of pressure on natural gas price, strong inventory rebuilding. With "bad news" no longer having an adverse impact, the markets appear to be looking ahead to improved supply/demand conditions. We illustrate the interaction of present value and stock price on a weekly basis for **San Juan Basin Royalty Trust (SJT)**, a natural gas producer selling below present value again. Although we like SJT strategically, our Strong Buy natural gas producer is **Burlington Resources Inc. (BR)**. Our other Strong Buy is **USX-Marathon Group (MRO)**, a beneficiary of higher crude oil price despite a recent steep decline in product margins. Our Buy Recommendations that could complete a diversified energy portfolio are **American Electric Power (AEP)**, **Exelon Corporation (EXC)**, **PetroChina (PTR)** and **Energy Partners Limited (EPL)**. Moreover we are on course to initiate a buy/sell designation on about two additional stocks a month.

Present Value Leads Stock Price

The original unique purpose of Meter Reader was to recalculate, or read the meter on, weekly present value and quarterly cash flow for some pure natural gas producers, most notably San Juan Basin Royalty Trust. The record shows that present value led stock price to a peak in May (see chart). Present value and stock price dropped sharply from that peak until rebounding in the past few days.

Apparently stock price is the more volatile of the two measures. That could be the case because we do not get regular public market readings on futures beyond four years for natural gas. We tie the long-term natural gas price to the less volatile long-term oil price through 2006 and thereafter to the relatively stable inflation rate imbedded in U.S. Treasury obligations. While we make calculations consistent with the futures market, we believe that natural gas will eventually be worth much more than what the consensus expects.

SJT remains one of our favorite stocks, but we do not yet have a buy/sell designation on it. We began the process of assigning specific ratings when SJT stock had already advanced sharply to reach a temporary peak from which it has since subsided. As a result we emphasized stocks that seemed timelier in the McDep Ratio framework

Kurt H. Wulff, CFA

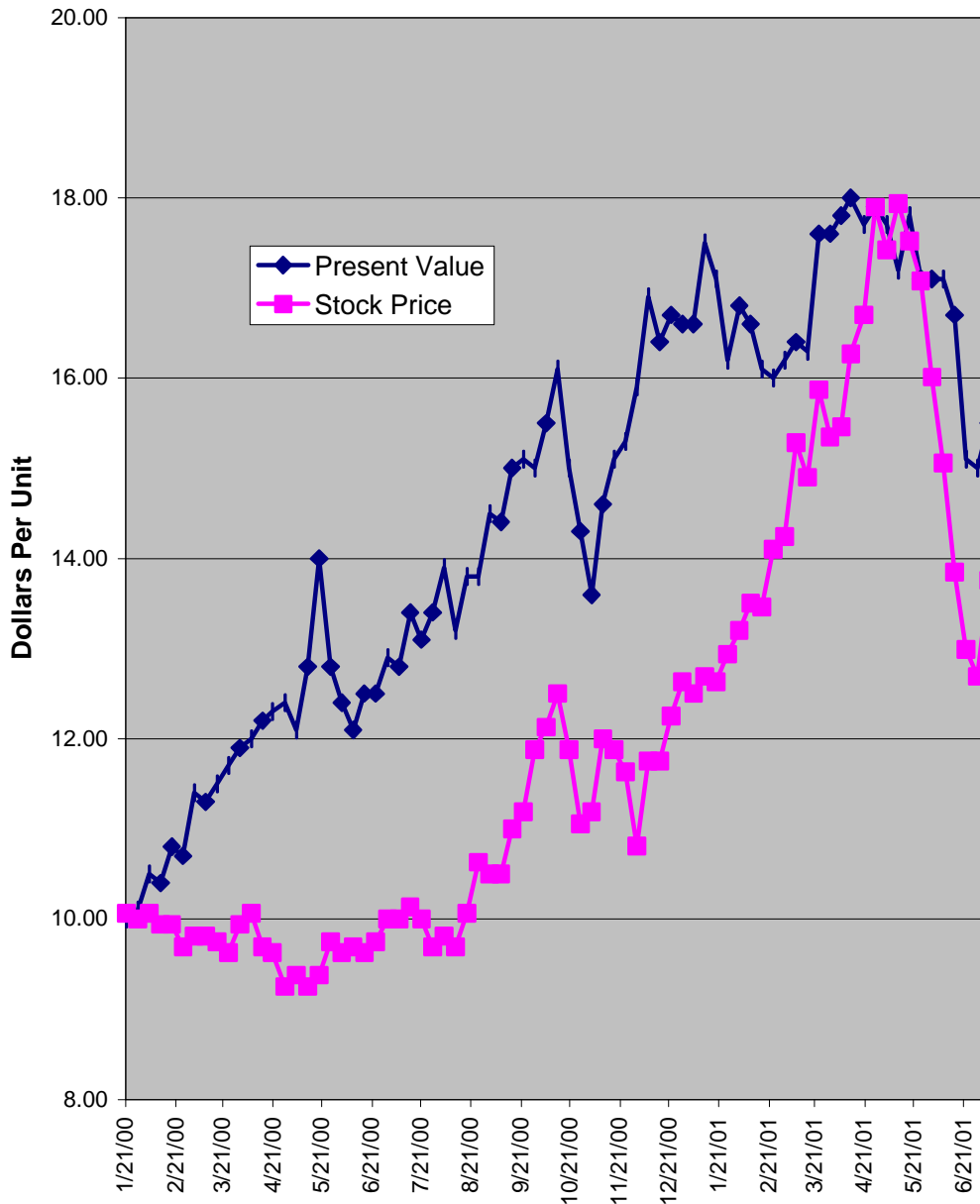
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San Juan Basin Royalty Trust Present Value and Stock Price



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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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 6-Jul 2001</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	86.80	3,510	305,000	74.30	0.09	1.15
BP PLC	BP	48.75	3,720	181,000	48.90	0.17	1.00
TOTAL Fina Elf S.A.	TOT	68.48	1,400	96,000	72.00	0.16	0.96
Royal Dutch/Shell	RD	56.62	3,580	203,000	60.80	0.09	0.94
Chevron (incl. Texaco)	CHV	91.00	1,060	96,500	103.40	0.15	0.90
	<i>Total or Median</i>			<i>882,000</i>		<i>0.15</i>	<i>0.96</i>
Power							
Enron Corp.	ENE	49.06	814	39,900	16.90	0.68	1.61
Dynegy Inc.	DYN	46.37	338	15,700	20.60	0.56	1.55
Mirant Corporation	MIR	36.77	353	13,000	11.70	0.75	1.55
Calpine Corporation	CPN	42.62	313	13,300	21.40	0.48	1.52
AES Corporation	AES	42.45	538	22,800	15.80	0.73	1.46
Duke Energy Corporation	DUK	40.62	752	30,500	20.90	0.62	1.36
El Paso Corporation	EPG	53.21	521	27,700	30.00	0.57	1.33
Williams Companies	WMB	33.71	485	16,300	16.60	0.69	1.31
American Electric Power Co. Inc.	AEP 2	47.09	324	15,300	25.90	0.73	1.22
Southern Company	SO	23.17	683	15,800	16.90	0.54	1.17
Exelon Corporation	EXC 2	65.90	324	21,400	55.30	0.51	1.10
	<i>Total or Median</i>			<i>232,000</i>		<i>0.62</i>	<i>1.36</i>
Natural Gas and Oil							
Anadarko Petroleum Corp.	APC	55.53	263	14,600	66.30	0.24	0.88
Occidental Petroleum	OXY	27.14	370	10,000	35.60	0.46	0.87
Burlington Resources, Inc	BR 1	41.04	215	8,800	50.50	0.21	0.85
Phillips (incl. Tosco)	P	57.43	383	22,000	75.90	0.31	0.83
ENI S.p.A.	E	61.22	800	49,000	91.90	0.10	0.70
Conoco Inc.	COC.B	29.40	623	18,300	48.00	0.21	0.69
	<i>Total or Median</i>			<i>123,000</i>		<i>0.22</i>	<i>0.84</i>
Service							
Schlumberger Ltd.	SLB	53.27	581	30,900	37.70	0.14	1.35
Halliburton Company	HAL	33.17	430	14,300	27.20	0.13	1.19

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

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.

			<i>Price</i> <i>(\$/sh)</i>	<i>EV/</i>	<i>EV/</i>	<i>Dividend or</i>	<i>PV/</i>
	<i>Symbol</i>		<i>6-Jul</i>	<i>Sales</i>	<i>Ebitda</i>	<i>Distribution</i>	<i>Ebitda</i>
			<i>2001</i>	<i>2001E</i>	<i>NTM</i>	<i>P/E</i>	<i>NTM</i>
						<i>NTM</i>	<i>NTM</i>
						<i>(%)</i>	
Mega Cap							
E Exxon Mobil Corporation	XOM		86.80	1.5	8.1	16	7.0
BP PLC	BP		48.75	1.2	7.0	11	7.0
TOTAL Fina Elf S.A.	TOT		68.48	1.0	6.7	16	7.0
Royal Dutch/Shell	RD		56.62	1.4	6.6	14	7.0
Chevron (incl. Texaco)	CHV		91.00	1.0	5.4	10	6.0
	<i>Median</i>			<i>1.2</i>	<i>6.7</i>	<i>14</i>	<i>7.0</i>
Power							
Enron Corp.	ENE		49.06	0.4	16.1	28	10.0
Dynegy Inc.	DYN		46.37	0.4	14.0	22	9.0
Calpine Corporation	CPN		42.62	3.9	13.6	21	9.0
Mirant Corporation	MIR		36.77	0.7	12.4	18	8.0
AES Corporation	AES		42.45	4.2	11.7	21	8.0
Duke Energy Corporation	DUK		40.62	0.9	10.9	16	8.0
Williams Companies	WMB		33.71	3.4	10.5	15	8.0
El Paso Corporation	EPG		53.21	0.7	9.3	16	7.0
American Electric Power Co. Inc.	AEP	2	47.09	0.7	8.5	13	7.0
Southern Company	SO		23.17	2.7	8.2	14	7.0
Exelon Corporation	EXC	2	65.90	2.6	7.7	14	7.0
	<i>Median</i>			<i>0.9</i>	<i>10.9</i>	<i>16</i>	<i>8.0</i>
Natural Gas and Oil							
Burlington Resources, Inc	BR	1	41.04	4.5	7.6	35	9.0
Phillips (incl. Tosco)	P		57.43	0.8	5.8	9	7.0
Anadarko Petroleum Corp.	APC		55.53	2.3	5.3	9	6.0
Occidental Petroleum	OXY		27.14	1.3	5.2	8	6.0
Conoco Inc.	COC.B		29.40	0.6	4.2	8	6.0
ENI S.p.A.	E		61.22	1.1	3.5	6	5.0
	<i>Median</i>			<i>1.2</i>	<i>5.2</i>	<i>9</i>	<i>6.0</i>
Service							
Halliburton Company	HAL		33.17	1.2	9.6	22	8.0
Schlumberger Ltd.	SLB		53.27	2.7	9.5	26	7.0

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

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Mid Cap and Small Cap Energy Companies
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	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 6-Jul 2001</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>
Power							
Consol Energy Inc.	CNX	25.34	79	2,000	19.70	0.65	1.10
Constellation Energy Group	CEG	42.95	152	6,500	37.10	0.45	1.09
CMS Energy Corporation	CMS	28.33	128	3,600	19.80	0.80	1.09
Sempra Energy	SRE	27.73	203	5,600	23.10	0.65	1.07
	<i>Total or Median</i>			<i>17,700</i>		<i>0.65</i>	<i>1.09</i>
Natural Gas and Oil							
TEPPCO Partners, L.P.	TPP	29.45	38	1,120	13.20	0.65	1.43
Triton Energy Limited	OIL	31.70	59	1,900	24.50	0.24	1.23
Unocal Corporation	UCL	34.50	256	8,800	51.90	0.27	0.76
PanCanadian Pete (15%)(US\$)	PCP.TO	30.27	38	1,160	41.80	0.07	0.74
USX-Marathon Group	MRO 1	29.49	309	9,100	44.80	0.23	0.74
Valero Energy Corp.(with UDS)	VLO	37.65	112	4,200	70.70	0.42	0.73
Devon Energy Corporation	DVN	52.13	135	7,000	80.10	0.16	0.71
Petro-Canada	PCZ	23.65	272	6,400	35.20	0.09	0.70
Norsk Hydro ASA (49%)	NHY	42.08	128	5,400	65.90	0.15	0.69
PetroChina Company Ltd (10%)	PTR 2	20.48	176	3,600	32.50	0.15	0.69
	<i>Total or Median</i>			<i>48,700</i>		<i>0.20</i>	<i>0.73</i>
Small Cap							
Dorchester Hugoton, Ltd.*	DHULZ	13.45	10.7	144	12.70	-	1.06
Cross Timbers Royalty Tr*	CRT	15.75	6.0	95	17.30	-	0.92
San Juan Basin Royalty Tr*	SJT	13.76	46.6	640	15.50	-	0.89
Encore Acquisition Corporation	EAC	13.30	30.0	400	16.40	0.15	0.84
Hugoton RoyaltyTrust*	HGT	12.95	40.0	520	16.30	-	0.79
Penn Virginia Corporation	PVA	33.35	8.8	290	44.20	0.00	0.75
Energy Partners Ltd.*	EPL 2	13.10	27.0	350	18.90	0.04	0.70
	<i>Total or Median</i>			<i>2,440</i>		<i>-</i>	<i>0.84</i>
Micro Cap							
Purcell Energy, Ltd. (US\$)	PEL.TO	2.63	26.0	68	3.70	0.07	0.74

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

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

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Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

		Price (\$/sh)	EV/ Sales	EV/ Ebitda	P/E	Dividend or Distribution	PV/ Ebitda	
	Symbol	6-Jul 2001	2001E	NTM	NTM	NTM (%)	NTM	
Power								
	Consol Energy Inc.	CNX	25.34	2.1	7.7	8	4.4	7.0
	Constellation Energy Group	CEG	42.95	2.2	7.6	13	1.1	7.0
	CMS Energy Corporation	CMS	28.33	0.9	7.6	10	5.2	7.0
	Sempra Energy	SRE	27.73	1.2	7.5	11	3.6	7.0
	<i>Median</i>			1.6	7.6	10	4.0	7.0
Natural Gas and Oil								
	TEPPCO Partners, L.P.	TPP	29.45	0.7	11.4	15	7.1	8.0
	Triton Energy Limited	OIL	31.70	4.7	7.4	17	-	6.0
	Unocal Corporation	UCL	34.50	1.6	4.5	12	2.3	6.0
	PanCanadian Pete (15%)(US\$)	PCP.TO	30.27	1.3	4.1	8	0.9	5.5
	Valero Energy Corp.(with UDS)	VLO	37.65	0.3	4.0	4	0.8	5.5
	Petro-Canada	PCZ	23.65	1.0	3.9	9	1.1	5.5
	USX-Marathon Group	MRO 1	29.49	0.4	3.7	6	3.1	5.0
	Devon Energy Corporation	DVN	52.13	2.7	3.5	7	0.4	5.0
	Norsk Hydro ASA (49%)	NHY	42.08	0.8	2.8	7	2.5	4.0
	PetroChina Company Ltd (10%)	PTR 2	20.48	1.5	2.7	5	8.3	4.0
	<i>Median</i>			1.1	3.9	8	1.7	5.5
Small Cap								
	Dorchester Hugoton, Ltd.*	DHULZ	13.45	6.9	9.1	10	8.0	8.6
	Cross Timbers Royalty Tr*	CRT	15.75	5.5	8.7	9	10.9	9.5
	San Juan Basin Royalty Tr*	SJT	13.76	6.3	7.9	11	9.4	8.9
	Hugoton RoyaltyTrust*	HGT	12.95	5.0	7.2	10	10.3	9.1
	Encore Acquisition Corporation	EAC	13.30	3.4	5.0	12	-	6.0
	Penn Virginia Corporation	PVA	33.35	3.2	4.5	10	2.7	6.0
	Energy Partners Ltd.*	EPL 2	13.10	2.1	3.3	14	-	4.7
	<i>Median</i>			5.0	7.2	10	8.0	8.6
Micro Cap								
	Purcell Energy, Ltd. (US\$)	PEL.TO	2.63	3.4	4.4	15	-	6.0

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

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