

## McDep Energy Income Producers

A Weekly Analysis of Royalty Trusts and Master Limited Partnerships

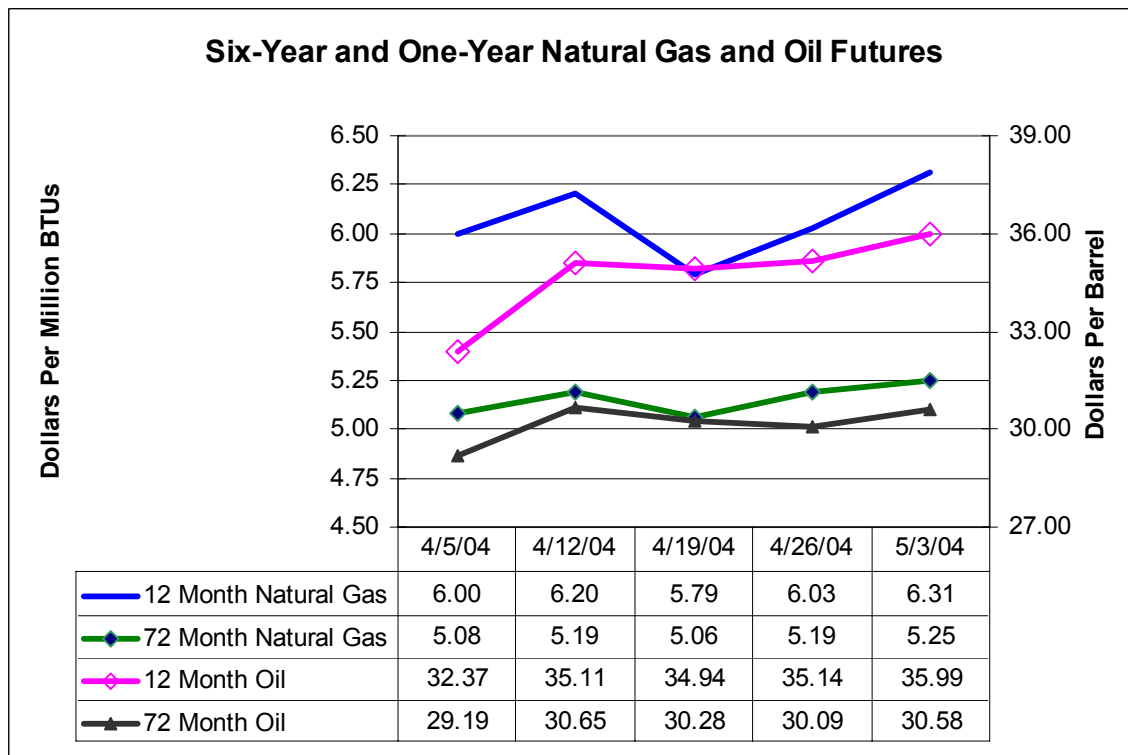
May 4, 2004

# Another Pipeline Disaster for Kinder Morgan

### Summary and Recommendation

Oil spilled from an old pipeline owned by sell-recommended **Kinder Morgan Energy Partners (KMP, KMR)** apparently killed wildlife in a wetlands habitat between San Francisco and Sacramento, California. A second serious incident in less than eight months buttresses our contention that excessive cash the general partner pays to itself contributes to poor maintenance, inadequate inspection and dangerous operating practices. A similar failure of a decrepit line in Arizona last year caused gasoline shortages and unnecessary expense for millions. High valuation, high financial risk, high GP compensation and high environmental risk make the units unsuitable for dependable income. Rising six-year natural gas and oil futures point to more promising alternatives among income producers with lower McDep Ratios.

Kurt H. Wulff, CFA



Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

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### Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating	Price (\$/sh) 3-May 2004	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
<b>Master Limited Partnerships and Canadian Royalty Trusts</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S2	41.26	140.1	5,780	14.00	0.48	2.01
Kinder Morgan Management, LLC	KMR	S2	37.53	48.6	1,820	14.00	0.48	1.87
Provident Energy Trust	PVX		8.39	85.0	710	6.20	0.35	1.23
NAV Energy Trust	NVG.UN		8.19	19.0	160	7.00	0.18	1.14
Dorchester Minerals, L.P.	DMLP		17.30	27.0	470	17.00	-	1.02
Pengrowth Energy Trust	PGH		13.25	122.0	1,620	14.00	0.14	0.95
Enerplus Resources Fund	ERF		25.15	90.4	2,270	28.00	0.12	0.91
Canadian Oil Sands Trust (US\$)	COSWF	B1	32.05	86.9	2,790	62.00	0.20	0.61
			<i>Total or Median</i>		<i>12,800</i>		<i>0.18</i>	<i>1.14</i>
<b>U.S. Royalty Trusts</b>								
Sabine Royalty Trust	SBR		30.85	14.6	450	27.00	-	1.14
Permian Basin RT (41%)	PBT		8.50	19.1	160	7.70	-	1.10
Hugoton RoyaltyTrust (46%)	HGT		22.25	18.4	410	22.00	-	1.01
Cross Timbers Royalty Trust	CRT		28.37	6.0	170	30.00	-	0.94
San Juan Basin Royalty Trust	SJT	B1	20.55	46.6	960	22.00	-	0.93
			<i>Total or Median</i>		<i>2,200</i>		<i>-</i>	<i>1.01</i>

Buy/Sell rating after symbol: B1 - Buy full unlevered position, S2 - short quarter unlevered position

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

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

	Symbol/ Rating	Price (\$/sh) 3-May 2004	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	PV/ Ebitda NTM	
<b>Master Limited Partnerships and Canadian Royalty Trusts</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S2	41.26	3.0	17.9	21	6.6	8.9
Kinder Morgan Management, LLC	KMR	S2	37.53	2.8	16.7	19	7.2	8.9
Dorchester Minerals, L.P.	DMLP		17.30	8.5	9.2	17	10.8	9.1
Canadian Oil Sands Trust (US\$)	COSWF	B1	32.05	3.9	6.9	10	4.6	11.2
Provident Energy Trust	PVX		8.39	4.8	6.8	17	12.7	5.6
Enerplus Resources Fund	ERF		25.15	4.3	6.2	12	12.4	6.8
Pengrowth Energy Trust	PGH		13.25	4.1	5.5	9	14.1	5.8
NAV Energy Trust	NVG.UN		8.19	2.8	4.6	13	16.3	4.0
			<i>Median</i>	<i>4.1</i>	<i>6.9</i>	<i>17</i>	<i>10.8</i>	<i>8.9</i>
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT		28.37	8.0	10.9	11	8.9	11.6
Sabine Royalty Trust	SBR		30.85	10.3	10.8	11	9.3	9.4
Permian Basin RT (41%)	PBT		8.50	6.2	8.5	9	8.8	7.7
Hugoton RoyaltyTrust (46%)	HGT		22.25	6.1	7.9	9	10.7	7.9
San Juan Basin Royalty Trust	SJT	B1	20.55	6.1	7.5	9	11.0	8.0
			<i>Median</i>	<i>6.2</i>	<i>8.5</i>	<i>9</i>	<i>9.3</i>	<i>8.0</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2005; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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