

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

May 20, 2002

Energy Stock Selection

Summary and Recommendation

Buy-recommended stocks share low McDep Ratios, mostly low or reasonable debt and honest management (as best we know). Sell-recommended stocks share high valuation, high debt, excessive compensation, tricky accounting and questionable practices.

Crude oil and products – **ChevronTexaco (CVX)**, **ConocoPhillips (COC/P)**, **Marathon Oil (MRO)**

Natural gas – **Burlington Resources (BR)**, **EnCana (ECA)**

Natural gas royalty trust – **San Juan Basin Royalty Trust (SJT)**

Small cap natural gas – **XTO Energy (XTO)**, **Forest Oil (FST)**, **Purcell Energy (PEL.TO)**, **Energy Partners (EPL)**

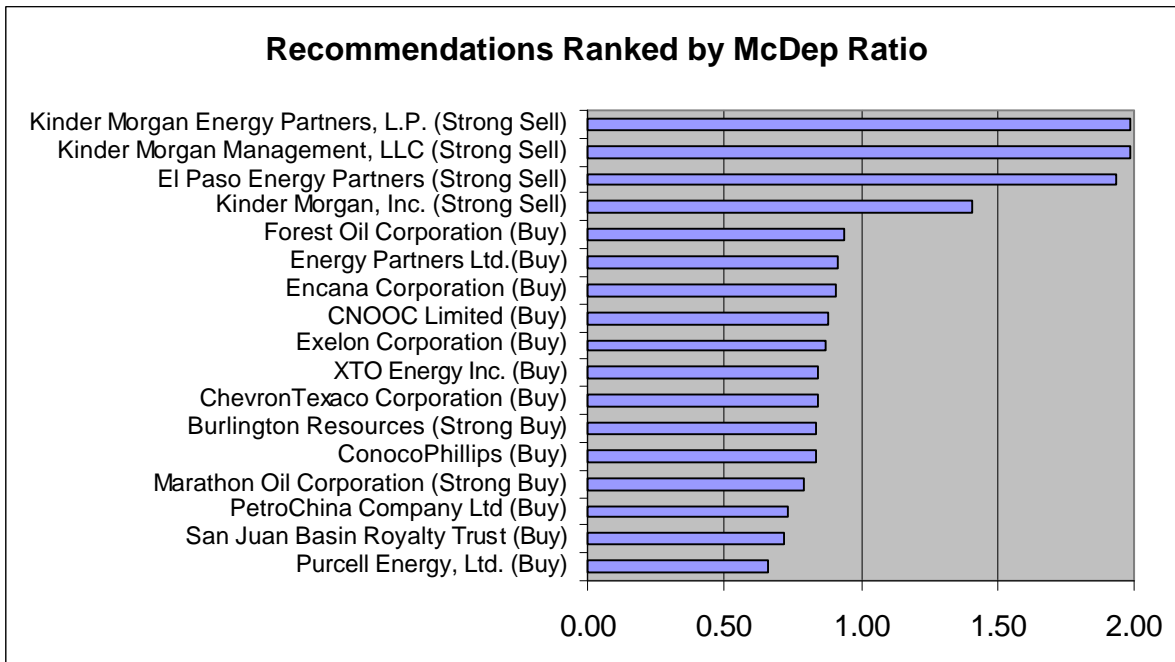
Overseas – **PetroChina (PTR)**, **CNOOC Limited (CEO)**

Energy infrastructure – **Exelon (EXC)** (debt is a bit high)

Sell – **Kinder Morgan (KMI, KMP, KMR)**, **El Paso Energy Partners (EPN)**

Of course there are other energy stocks that may be attractive buy candidates and vulnerable sell candidates. Our valuation ranking of 74 stocks is intended to help investors make money and avoid losses in a diversified energy portfolio (see Tables L-1, L-2, M-1, M-2, S-1 and S-2).

Kurt H. Wulff, CFA



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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) 16-May 2002</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	40.27	6,858	276,000	36.00	0.09	1.11	
BP plc	BP	51.90	3,734	194,000	50.00	0.15	1.03	
Royal Dutch/Shell	RD	3	56.05	3,502	196,000	60.00	0.12	0.94
TotalFinaElf S.A.	TOT	77.58	1,352	104,900	90.00	0.14	0.88	
ChevronTexaco Corporation	CVX	2	89.00	1,062	94,500	110.00	0.16	0.84
	<i>Total or Median</i>			<i>865,000</i>		<i>0.14</i>	<i>0.94</i>	
Energy Infrastructure								
Duke Energy Corporation	DUK	34.70	792	27,500	30.40	0.48	1.07	
Southern Company	SO	27.02	701	18,900	23.90	0.47	1.07	
American Electric Power Co. Inc.	AEP	3	43.80	322	14,100	42.20	0.63	1.01
Dominion Resources	D	61.64	269	16,600	76.20	0.45	0.90	
Exelon Corporation	EXC	2	53.04	323	17,100	69.30	0.46	0.87
El Paso Corporation	EP	34.51	546	18,800	47.10	0.48	0.86	
Williams Companies	WMB	15.71	521	8,200	24.80	0.59	0.85	
	<i>Total or Median</i>			<i>94,000</i>		<i>0.47</i>	<i>0.88</i>	
Natural Gas and Oil								
OAo Lukoil	LUKOY	71.50	299	21,400	70.00	0.08	1.02	
ENI S.p.A.	E	76.50	789	60,300	75.00	0.19	1.02	
Occidental Petroleum Corp.	OXY	30.00	372	11,200	30.00	0.48	1.00	
Anadarko Petroleum Corp.	APC	53.16	266	14,100	56.00	0.26	0.96	
Devon Energy	DVN	49.91	165	8,200	55.00	0.48	0.95	
Encana Corporation	ECA	2	30.48	484	14,800	35.00	0.25	0.91
Unocal Corporation	UCL	38.22	245	9,400	45.00	0.33	0.90	
Burlington Resources	BR	1	43.56	202	8,800	57.00	0.32	0.84
ConocoPhillips	P	2	60.94	680	41,400	80.00	0.32	0.84
Marathon Oil Corporation	MRO	1	28.58	310	8,900	42.00	0.35	0.79
	<i>Total or Median</i>			<i>177,000</i>		<i>0.32</i>	<i>0.91</i>	
Service								
Baker Hughes Inc.	BHI	36.86	338	12,500	24.50	0.13	1.44	
Schlumberger Ltd.	SLB	55.55	581	32,300	44.00	0.12	1.23	
Halliburton Company	HAL	16.76	430	7,200	25.00	0.14	0.72	

Buy/Sell rating after symbol: 1-Strong Buy, 2-Buy, 3-Neutral, 4-Sell, 5-Strong Sell

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>Symbol/ Rating</i>	<i>Price (\$/sh) 16-May 2002</i>	<i>EV/ Sales NTM</i>	<i>EV/ Ebitda NTM</i>	<i>P/E NTM</i>	<i>Dividend or Distribution NTM (%)</i>	<i>PV/ Ebitda NTM</i>	
Mega Cap								
Exxon Mobil Corporation	XOM	40.27	1.7	11.2	24	2.3	10.1	
BP plc	BP	51.90	1.5	9.5	20	2.7	9.2	
TotalFinaElf S.A.	TOT	77.58	1.3	8.3	17	2.7	9.4	
ChevronTexaco Corporation	CVX	2	89.00	1.3	7.7	15	3.1	9.1
Royal Dutch/Shell	RD	3	56.05	1.4	7.6	15	2.5	8.1
	<i>Median</i>		<i>1.4</i>	<i>8.3</i>	<i>17</i>	<i>2.7</i>	<i>9.2</i>	
Energy Infrastructure								
Duke Energy Corporation	DUK	34.70	0.9	9.7	14	3.2	9.0	
Southern Company	SO	27.02	3.3	9.6	16	5.0	9.0	
American Electric Power Co. Inc.	AEP	3	43.80	0.6	9.1	13	5.5	9.0
Dominion Resources	D	61.64	3.4	8.1	13	4.2	9.0	
Exelon Corporation	EXC	2	53.04	2.4	7.8	12	3.3	9.0
El Paso Corporation	EP	34.51	0.8	7.7	11	2.6	9.0	
Williams Companies	WMB	15.71	2.5	7.7	7	5.1	9.0	
	<i>Median</i>		<i>2.4</i>	<i>8.1</i>	<i>13</i>	<i>4.2</i>	<i>9.0</i>	
Natural Gas and Oil								
Occidental Petroleum Corp.	OXY	30.00	1.6	8.1	14	3.3	8.1	
ConocoPhillips	P	2	60.94	0.9	8.0	19	2.4	9.5
Anadarko Petroleum Corp.	APC	53.16	3.1	7.8	17	0.6	8.1	
Devon Energy	DVN	49.91	3.1	7.0	50	0.4	7.4	
ENI S.p.A.	E	76.50	1.8	7.0	14	2.4	6.9	
Marathon Oil Corporation	MRO	1	28.58	0.5	6.0	12	3.2	7.6
Encana Corporation	ECA	2	30.48	3.8	5.9	12	0.8	6.5
Burlington Resources	BR	1	43.56	4.3	5.9	13	1.3	7.0
Unocal Corporation	UCL	38.22	2.5	5.6	14	2.1	6.2	
OAOLukoil	LUKOY	71.50	1.8	5.0	10	1.5	4.9	
	<i>Median</i>		<i>2.2</i>	<i>6.5</i>	<i>14</i>	<i>1.8</i>	<i>7.2</i>	
Service								
Baker Hughes Inc.	BHI	36.86	2.3	11.5	26	1.2	9.0	
Schlumberger Ltd.	SLB	55.55	2.8	9.9	28	1.4	9.0	
Halliburton Company	HAL	16.76	0.7	5.8	13	3.0	8.2	

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Table M-1
Mid Cap Energy Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>		<i>Price (\$/sh) 16-May 2002</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>
Energy Infrastructure								
Kinder Morgan Energy Partners, L.P.	KMP	5	35.74	136	4,900	12.40	0.48	1.99
Kinder Morgan Management, LLC	KMR	5	35.80	30	1,100	12.40	0.48	1.98
Kinder Morgan, Inc.	KMI	5	44.73	125	5,600	16.00	0.78	1.40
Enterprise Products Part.	EPD		22.90	174	4,000	15.80	0.23	1.34
Calpine Corporation	CPN	3	8.70	375	3,300	5.00	0.87	1.09
AES Corporation	AES		6.55	543	3,600	8.80	0.83	0.96
Consol Energy Inc.	CNX		23.53	79	1,900	35.90	0.51	0.83
Valero Energy Corporation	VLO		40.99	104	4,300	60.00	0.46	0.83
Mirant Corporation	MIR		8.15	353	2,900	18.60	0.65	0.80
Sempra Energy	SRE		24.38	203	5,000	41.70	0.50	0.79
CMS Energy Corporation	CMS		15.25	128	2,000	43.80	0.62	0.75
Constellation Energy Group	CEG		28.98	152	4,400	56.50	0.35	0.68
Dynegy Inc.	DYN		7.65	419	3,200	28.50	0.36	0.53
			<i>Total or Median</i>		<i>43,000</i>		<i>0.51</i>	<i>0.89</i>
Natural Gas and Oil								
Murphy Oil Corporation	MUR		93.36	46	4,300	82.00	0.18	1.11
Ocean Energy, Inc.	OEI		22.09	178	3,900	20.00	0.30	1.07
Imperial Oil Limited (30%)	IMO		31.69	119	3,800	30.00	0.11	1.05
Norsk Hydro ASA (49%)	NHY		52.02	126	6,600	54.00	0.18	0.97
Petro-Canada	PCZ		28.58	262	7,500	31.00	0.11	0.93
XTO Energy Inc.	XTO	2	20.90	124	2,600	26.00	0.21	0.85
PetroChina Company Ltd (10%)	PTR	2	20.31	176	3,600	30.00	0.17	0.73
			<i>Total or Median</i>		<i>28,700</i>		<i>0.18</i>	<i>1.01</i>

Buy/Sell rating after symbol: 1 - Strong Buy, 2 - Buy, 3 - Neutral, 5 - Strong Sell

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Table M-2
Mid Cap Energy Companies
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/ Rating		16-May 2002	NTM	NTM	NTM	NTM (%)	NTM
Energy Infrastructure								
Kinder Morgan Energy Partners, L.P.	KMP	5	35.74	4.6	17.8	25	6.6	9.0
Kinder Morgan Management, LLC	KMR	5	35.80	4.6	17.8	25	6.6	9.0
Calpine Corporation	CPN	3	8.70	2.1	12.5	8	-	11.4
Enterprise Products Part.	EPD		22.90	1.6	12.1	13	5.5	9.0
Kinder Morgan, Inc.	KMI	5	44.73	3.9	11.8	16	0.4	8.4
AES Corporation	AES		6.55	3.0	8.6	5	-	9.0
Consol Energy Inc.	CNX		23.53	2.0	7.5	8	4.8	9.0
Mirant Corporation	MIR		8.15	0.4	7.2	4	-	9.0
Sempra Energy	SRE		24.38	1.1	7.1	9	4.1	9.0
CMS Energy Corporation	CMS		15.25	0.7	6.8	8	9.6	9.0
Constellation Energy Group	CEG		28.98	1.8	6.2	9	1.7	9.0
Valero Energy Corporation	VLO		40.99	0.3	5.6	8	1.0	6.8
Dynegy Inc.	DYN		7.65	0.3	4.8	4	3.9	9.0
	<i>Median</i>			<i>1.8</i>	<i>7.5</i>	<i>8</i>	<i>3.9</i>	<i>9.0</i>
Natural Gas and Oil								
Imperial Oil Limited (30%)	IMO		31.69	1.2	11.6	30	1.7	11.1
Murphy Oil Corporation	MUR		93.36	1.0	8.9	44	1.6	8.0
Ocean Energy, Inc.	OEI		22.09	5.0	8.4	38	0.7	7.8
Petro-Canada	PCZ		28.58	1.7	6.9	18	0.9	7.4
XTO Energy Inc.	XTO	2	20.90	3.5	6.6	13	0.2	7.8
Norsk Hydro ASA (49%)	NHY		52.02	0.9	4.6	14	2.0	4.8
PetroChina Company Ltd (10%)	PTR	2	20.31	1.6	3.7	7	6.3	5.1
	<i>Median</i>			<i>1.5</i>	<i>7.6</i>	<i>24</i>	<i>1.2</i>	<i>7.8</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Energy Infrastructure									
	EPN	5	36.62	39.9	1,460	11.10	0.59	1.94	
	EEP		45.13	31.0	1,400	16.60	0.58	1.72	
	TEPPCO Partners, L.P.		31.82	46.5	1,480	12.90	0.61	1.58	
	Plains All Amer. Pipeline		PAA	25.90	41.6	1,080	14.90	0.39	1.46
	Northern Border Partners		NBP	39.30	42.0	1,650	20.10	0.57	1.41
	Penn Virginia Res. Part, L.P.(48%)		PVR	22.00	7.7	170	17.90	0.12	1.20
	Penn Virginia Corporation		PVA	37.26	9.0	340	35.00	0.10	1.06
	AmeriGas Partners, L.P.		APU	22.98	49.0	1,130	23.50	0.47	0.99
	<i>Total or Median</i>					8,700		0.52	1.43
Natural Gas and Oil									
	Dorchester Hugoton, Ltd.		DHULZ	14.05	10.7	151	11.60	(0.17)	1.25
	Provident Energy Trust (US\$)		PVX	6.89	36.0	250	5.00	0.46	1.21
	Quicksilver Resources Inc.		KWK	25.52	19.4	500	20.00	0.43	1.16
	Spinnaker Exploration Company		SKE	40.24	28.5	1,150	35.00	0.03	1.15
	Newfield Exploration Company		NFX	38.16	48.6	1,860	33.00	0.25	1.12
	Stone Energy Company		SGY	42.64	26.4	1,130	42.00	0.29	1.01
	Forest Oil Corporation	2	FST	32.01	46.8	1,500	35.00	0.30	0.94
	Unit Corporation		UNT	19.55	36.2	710	21.00	0.03	0.93
	Southwestern Energy Company		SWN	14.44	25.6	370	17.00	0.44	0.92
	CNOOC Limited (19%)	2	CEO	26.41	78.0	2,060	30.00	-	0.88
	Pogo Producing Company		PPP	25.76	60.5	1,560	32.00	0.27	0.86
	Encore Acquisition Corp. (25%)		EAC	16.06	7.5	121	20.00	0.18	0.84
	Magnum Hunter Resources, Inc.		MHR	7.50	71.5	540	11.00	0.46	0.83
	Swift Energy Company		SFY	15.39	24.8	380	22.00	0.32	0.80
	<i>Total or Median</i>					12,300		0.28	0.94
Natural Gas Royalty Trusts									
	Cross Timbers Royalty Trust		CRT	17.14	6.0	103	20.50	-	0.84
	San Juan Basin Royalty Trust	2	SJT	11.80	46.6	550	16.50	-	0.72
	Hugoton RoyaltyTrust (46%)		HGT	11.37	18.4	210	16.40	-	0.69
Micro Cap									
	Torch Energy Royalty Trust		TRU	5.77	8.6	50	5.50	-	1.06
	Energy Partners Ltd.(30%)	2	EPL	8.67	8.2	71	10.00	0.38	0.92
	Abraxas Petroleum Corporation		ABP	0.91	27.0	25	2.00	0.84	0.91
	Purcell Energy, Ltd. (US\$)	2	PEL.TO	1.81	29.0	53	3.00	0.14	0.66

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Energy Infrastructure								
	EPN	5	36.62	12.4	17.4	31	7.1	9.0
	EEP		45.13	6.9	15.5	87	7.8	9.0
	TEPCO Partners, L.P.		31.82	1.1	14.2	20	7.2	9.0
	Plains All Amer. Pipeline		25.90	0.2	13.1	19	7.9	9.0
	Northern Border Partners		39.30	8.0	12.7	17	8.1	9.0
	Penn Virginia Res. Part, L.P.(48%)		22.00	8.1	10.8	12	9.1	9.0
	AmeriGas Partners, L.P.		22.98	1.5	8.9	13	9.6	9.0
	Penn Virginia Corporation		37.26	3.3	5.1	13	2.4	4.8
	<i>Median</i>			<i>5.1</i>	<i>12.9</i>	<i>18</i>	<i>7.8</i>	<i>9.0</i>
Natural Gas and Oil								
	Dorchester Hugoton, Ltd.		14.05	6.8	10.2	14	8.5	8.2
	Quicksilver Resources Inc.		25.52	5.1	9.2	23	-	8.0
	Forest Oil Corporation	2	32.01	4.3	7.3	26	-	7.8
	Provident Energy Trust (US\$)		6.89	3.6	7.3	90	16.1	6.1
	Magnum Hunter Resources, Inc.		7.50	3.3	6.8	21	-	8.3
	Swift Energy Company		15.39	4.4	6.5	32	-	8.1
	Pogo Producing Company		25.76	3.7	6.2	36	0.5	7.3
	Encore Acquisition Corp. (25%)		16.06	4.1	6.2	14	-	7.4
	Unit Corporation		19.55	3.3	6.2	14	-	6.6
	Southwestern Energy Company		14.44	2.4	5.8	14	-	6.3
	CNOOC Limited (19%)	2	26.41	4.4	5.8	11	0.9	6.5
	Spinnaker Exploration Company		40.24	4.8	5.6	17	-	4.8
	Newfield Exploration Company		38.16	3.7	5.2	21	-	4.7
	Stone Energy Company		42.64	3.9	5.1	13	-	5.0
	<i>Median</i>			<i>4.0</i>	<i>6.2</i>	<i>19</i>	<i>-</i>	<i>7.0</i>
Natural Gas Royalty Trusts								
	Cross Timbers Royalty Trust		17.14	6.2	8.9	10	10.5	10.6
	San Juan Basin Royalty Trust	2	11.80	5.6	7.2	10	10.0	10.1
	Hugoton RoyaltyTrust (46%)		11.37	4.5	6.5	9	11.2	9.4
Micro Cap								
	Abraxas Petroleum Corporation		0.91	4.4	6.3		-	6.9
	Energy Partners Ltd.(30%)	2	8.67	2.7	5.2		-	5.7
	Torch Energy Royalty Trust		5.77	4.1	4.9	6	18.0	4.6
	Purcell Energy, Ltd. (US\$)	2	1.81	3.1	4.3	12	-	6.4

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