

Meter Reader

A Weekly Analysis of Energy Stocks Using the McDep Ratio

April 9, 2001

Jay Walk to Independent Research

Summary and Recommendation

Beginning about April 17, we will post separate analyses that initiate recommendations on individual energy stocks. Ratings for each recommended stock will be posted on mcdep.com and on JAYWALKinc.com, a new third party website. Meter Reader will continue to rank a broader list of energy stocks by the McDep Ratio to give valuation perspective. Meanwhile the five stocks featured the past two weeks remain appropriate as new investments in diversified portfolios. More specifically on the small cap stocks covered in more detail in Meter Reader, present value increased about 1% during the past week as commodity futures prices rose. Projected distributions rose for each month, but we shifted our basis for comparison from calendar 2001 to the Next Twelve Months ended March 31, 2002. As a result Dynamic Distribution Yields for three royalty trusts range from 12 to 13% per year on a forward basis that no longer includes the especially rewarding first quarter of 2001.

Meter Reader Energy Recommendations on JAYWALK

Kurt Wulff, doing business as McDep Associates, expects to be an Independent Research Provider on the Jaywalk website that will be introduced publicly at the New York Society of Security Analysts (see NYSSA announcement of meeting on page 3). Jaywalk will post the title and buy/sell rating of a stock covered in a new analysis for all to see and then offer the full analysis for a fee. At the same time we will also post the buy/sell rating on mcdep.com. Investors will be able to obtain the full analysis from us by email at the same price, but we do not yet have a twenty four hours a day, seven days a week (24/7) capability to respond as Jaywalk is expected to have. "Meter Reader Tables" will continue to be available on a timely basis weekly without charge. Full analyses may be available without charge on mcdep.com after a time delay.

Adopt Industry Standard Ratings

Spurred by Jaywalk's requirements, we will rate stocks covered by self standing analyses according to the well accepted five level system, that is, 1 for Strong Buy; 2, Buy; 3, Hold; 4, Sell; and 5, Strong Sell. With no stocks rated today, the ratings will build as more analyses are published. Once rated, a stock will always carry a current rating as long as it remains in coverage.

Meanwhile, investors familiar with the McDep Ratio realize that increasing qualitative conviction is needed to justify ownership of stocks with higher ratios. While there are exceptions, our experience for two decades has been that low McDep Ratio stocks tend to outperform high McDep Ratio stocks.

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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Although the ratings are not explicit on risk, financial risk and size risk should be understood. We encourage investors to pay attention to debt ratios to measure financial risk. We publish debt ratios right next to McDep Ratios. Larger companies should be lower risk than smaller companies on the basis of size alone. We classify stocks by market cap and highlight market cap on the same table with McDep Ratio.

History of Meter Reader Encouraging

When Meter Reader was first launched in cyberspace with closing prices as of February 4, 2000, it covered four stocks (see <http://www.mcdep.com/Weekly0204a.PDF>). The idea was to read the meter each week on natural gas commodity prices, money rates and operating progress and see the implied change in present value and future distributions. Then we used those results to rank the stocks by the McDep Ratio to get an idea of which stock to emphasize currently. Since then the stocks have appreciated a median 50 % and have paid median distributions of 19% for annualized gains of a median 63%. Moreover none of the four have any debt. The equivalent return on stocks with normal leverage might have been a median 90% per year. Long-term investors in energy realize that the unusually favorable results of the past year are not likely to be repeated often.

Two weeks ago we expanded Meter Reader coverage to 24 energy stocks and the list continues to grow. We believe energy stocks are attractive investments for a diversified equity portfolio. Our goal is to identify those that offer relatively more unlevered total return potential.

Hugoton Royalty Trust (HGT) May Benefit from More Drilling

Cross Timbers Oil Company, the operator of properties in HGT, plans increased development activity on the trust's properties according to the 10-K annual report recently filed with the Securities and Exchange Commission. A statement that the operator plans up to 37 workovers in the Hugoton area in 2001 piqued our interest. More activity implies more production and higher cash distributions after initial costs are recovered.

Cross Timbers Royalty Trust (CRT) Volume Gains May Be Delayed

CRT's 10-K contains the following statement: "Most of the trust's San Juan Basin conventional, or non-coal seam, production is from the Mesa Verde formation, which has been approved for increased density drilling. Cross Timbers Oil believes that operators will further develop the Mesa Verde formation underlying the net profits interests, and such future development could significantly impact underlying gas sales volumes. However, minimal drilling is expected in 2001 because of environmental concerns delaying the approval of drilling permits."

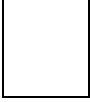
Kurt H. Wulff, CFA

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New York Society of Security Analysts

JAYWALK inc.com: Independent Research Market

DATE/TIME April 17, 2001
11:30 am lunch, 12:30 pm presentation

LOCATION [One World Trade Center](#), Suite 4447 (44th floor), New York City

FEE There is no charge to attend this program, compliments of JAYWALKinc.com

CHAIR Stephen P. Percoco, CFA, Lark Research, Inc.

SPEAKER Christian J. Ward, CEO

JAYWALKinc.com is one of a new breed of websites that serve the independent research market. The company has recently launched an online marketplace which gives investors access to a library of independent research reports. Search tools allow investors to identify and access research reports on specific companies and industries. Investors can also keep track of reports posted by individual research providers and receive automatic notification of report availability by e-mail. Payment for research reports can be arranged in soft dollars through brokerage firms.

For independent research firms, JAYWALK offers broad exposure to the institutional investor market. Research providers set prices on each report and can give their clients direct access to their own reports at no charge. A dedicated salesforce will introduce independent research providers to investors and assist in marketing research. Online profiles provide investors with immediate access to background information on independent research providers and company coverage lists.

Mr. Ward will demonstrate the specific features of the JAYWALK website as well as describe the service in detail for institutional investors and independent research providers.

This program is presented by NYSSA's Committee for Improved Corporate Reporting.

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Rank by McDep Ratio		Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
	Symbol	6-Apr 2001	(mm)					
Mega Cap								
	Exxon Mobil Corporation	XOM	82.10	3,520	289,000	72.10	0.16	1.12
	BP Amoco p.l.c.	BP	49.98	3,720	186,000	48.90	0.17	1.02
	TOTAL Fina Elf S.A.	TOT	70.45	1,400	99,000	72.00	0.16	0.98
	Royal Dutch/Shell	RD	56.00	3,580	201,000	60.80	0.09	0.93
	<i>Total or Median</i>				775,000		0.16	1.00
Large Cap								
	Enron Corp.	ENE	53.50	795	42,500	38.80	0.47	1.20
	Chevron (incl. Texaco)	CHV	89.22	1,060	94,600	103.40	0.15	0.88
	Burlington Resources, Inc	BR	43.09	216	9,300	60.50	0.17	0.76
	ENI S.p.A.	E	66.95	800	53,600	91.90	0.10	0.76
	Anadarko Petroleum Corp.	APC	61.70	249	15,400	90.90	0.17	0.73
	Conoco Inc.	COC.B	28.30	623	17,600	48.00	0.21	0.67
	Phillips (incl. Tosco)	P	55.07	379	20,900	102.10	0.27	0.66
	<i>Total or Median</i>				254,000		0.17	0.76
Mid Cap								
	Barrett Resources Corporation	BRR	60.14	34	2,000	53.80	0.21	1.09
	PanCanadian Pete Ltd. (15%)	PCP.TO	43.75	38	1,700	49.10	0.07	0.90
	Occidental Petroleum	OXY	25.43	370	9,400	35.60	0.46	0.85
	Unocal Corporation	UCL	34.50	256	8,800	51.90	0.27	0.76
	PetroChina Company Ltd (10%)	PTR	17.45	176	3,100	28.40	0.24	0.71
	Valero Energy Corp.	VLO	37.64	64	2,400	65.00	0.25	0.68
	Norsk Hydro ASA	NHY	41.40	262	10,800	65.90	0.15	0.68
	Devon Energy Corporation	DVN	57.20	135	7,700	99.30	0.14	0.63
	Petro-Canada	PCZ	22.80	272	6,200	38.70	0.08	0.62
	USX-Marathon Group	MRO	27.79	310	8,600	58.10	0.21	0.59
	<i>Total or Median</i>				57,000		0.21	0.70
Small Cap								
	Dorchester Hugoton, Ltd.*	DHULZ	12.94	10.7	139	13.50	-	0.96
	Cross Timbers Royalty Tr*	CRT	17.50	6.0	105	19.10	-	0.92
	San Juan Basin Royalty Tr*	SJT	15.46	46.6	720	17.80	-	0.87
	Hugoton RoyaltyTrust*	HGT	15.05	40.0	600	18.90	-	0.80
	Encore Acquisition Corporation	EAC	11.25	30.0	340	16.70	0.12	0.72
	Energy Partners Ltd.*	EPL	9.69	27.1	260	19.60	-	0.50
	<i>Total or Median</i>				2,160		-	0.83

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) 6-Apr 2001	Sales 2001E	Ebitda NTM	Distribution P/E NTM	NTM (%)		
Mega Cap								
	Exxon Mobil Corporation	XOM	82.10	1.4	7.8	17	2.1	7.0
	BP Amoco p.l.c.	BP	49.98	1.2	7.1	11	2.8	7.0
	TOTAL Fina Elf S.A.	TOT	70.45	1.1	6.9	16	1.6	7.0
	Royal Dutch/Shell	RD	56.00	1.4	6.5	14	2.5	7.0
	<i>Median</i>			1.3	7.0	15	2.3	7.0
Large Cap								
	Enron Corp.	ENE	53.50	0.4	18.0	30	0.9	15.0
	Chevron (incl. Texaco)	CHV	89.22	1.0	5.3	10	2.9	6.0
	Burlington Resources, Inc	BR	43.09	3.2	4.6	8	1.3	6.0
	Anadarko Petroleum Corp.	APC	61.70	2.1	4.4	9	0.3	6.0
	Conoco Inc.	COC.B	28.30	0.6	4.0	8	2.7	6.0
	Phillips (incl. Tosco)	P	55.07	0.7	4.0	7	2.5	6.0
	ENI S.p.A.	E	66.95	1.2	3.8	7	2.4	5.0
	<i>Median</i>			1.0	4.4	8	2.4	6.0
Mid Cap								
	Barrett Resources Corporation	BRR	60.14	4.7	6.5	13	-	6.0
	PanCanadian Pete Ltd. (15%)	PCP.TO	43.75	1.8	5.4	12	0.6	6.0
	Occidental Petroleum	OXY	25.43	1.2	5.1	7	3.9	6.0
	Unocal Corporation	UCL	34.50	1.6	4.5	12	2.3	6.0
	PetroChina Company Ltd (10%)	PTR	17.45	1.7	4.2	6	8.1	6.0
	Valero Energy Corp.	VLO	37.64	0.3	4.1	5	0.9	6.0
	Devon Energy Corporation	DVN	57.20	2.9	3.8	8	0.3	6.0
	Petro-Canada	PCZ	22.80	0.9	3.7	8	1.2	6.0
	Norsk Hydro ASA	NHY	41.40	0.8	2.7	7	2.5	4.0
	USX-Marathon Group	MRO	27.79	0.4	2.4	6	3.3	4.0
	<i>Median</i>			1.4	4.2	8	1.8	6.0
Small Cap								
	Cross Timbers Royalty Tr*	CRT	17.50	4.7	7.1	7	13.5	7.7
	San Juan Basin Royalty Tr*	SJT	15.46	4.8	5.8	8	12.7	6.7
	Dorchester Hugoton, Ltd.*	DHULZ	12.94	4.3	5.3	6	8.3	5.6
	Hugoton RoyaltyTrust*	HGT	15.05	4.0	5.3	7	14.0	6.7
	Encore Acquisition Corporation	EAC	11.25	3.1	4.3		-	6.0
	Energy Partners Ltd.*	EPL	9.69	1.4	2.1	7	-	4.1
	<i>Median</i>			4.2	5.3	7	10.5	6.4

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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