

# McDep Energy Income Producers

A Weekly Analysis of Royalty Trusts and Master Limited Partnerships

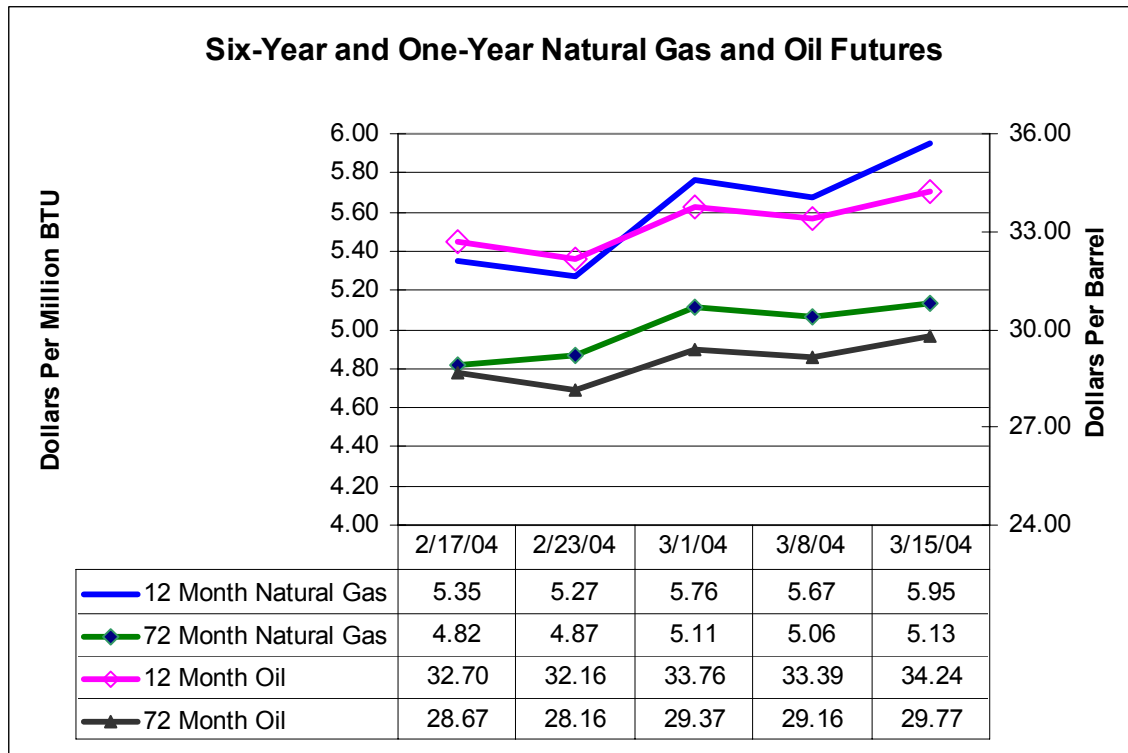
March 16, 2004

## Three Cheers for Valero

### Summary and Recommendation

An energy income producer did a good thing to treat limited partners more fairly in a move that we hope is a new trend. **Valero Energy Corporation (VLO)**, general partner of **Valero, L.P. (VLI)**, reduced its maximum general partner (GP) take from 50% to 25% of distributions. There is no immediate impact on VLO or VLI as incremental GP take had not yet reached 50%, or even 25%. There may be a favorable long term impact in a wider market for VLI units. Indirectly that may come at the expense of sell-recommended **Kinder Morgan (KMI, KMP, and KMR)** where the GP does collect near 50% of distributions. High McDep Ratios for KMx make a strong relative case for almost any sound energy investment including our buy-recommended income stocks being helped by new highs in six-year natural gas and oil futures.

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 act contrary to a buy or sell rating.

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

	Symbol/ Rating		Price (\$/sh) 15-Mar 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	S	45.03	140.1	6,310	14.00	0.48	2.15
Kinder Morgan Management, LLC	KMR	S	41.55	48.6	2,020	14.00	0.48	2.02
Enerplus Resources Fund	ERF		30.08	88.5	2,660	25.00	0.14	1.17
Pengrowth Energy Trust	PGH		13.75	122.0	1,680	12.00	0.16	1.12
Provident Energy Trust	PVX		8.11	70.6	570	7.50	0.25	1.06
Dorchester Minerals, L.P.	DMLP		17.35	27.0	470	17.00	-	1.02
Canadian Oil Sands Trust (US\$)	COSWF	B	31.91	86.9	2,770	50.00	0.22	0.72
	<i>Total or Median</i>				16,500		0.22	1.12
<b>U.S. Royalty Trusts</b>								
Sabine Royalty Trust	SBR		31.62	14.6	460	26.00	-	1.22
Permian Basin RT (41%)	PBT		8.72	19.1	170	7.50	-	1.17
Cross Timbers Royalty Trust	CRT		26.12	6.0	157	25.00	-	1.05
Hugoton RoyaltyTrust (46%)	HGT		20.20	18.4	370	20.00	-	1.01
San Juan Basin Royalty Trust	SJT	B	19.91	46.6	930	22.00	-	0.91
	<i>Total or Median</i>				2,100		-	1.05

Buy/Sell rating after symbol: B - Buy, S - Sell

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

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

	Symbol/ Rating		Price (\$/sh) 15-Mar 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	S	45.03	3.2	19.2	23	6.0	8.9
Kinder Morgan Management, LLC	KMR	S	41.55	3.0	18.0	21	6.5	8.9
Dorchester Minerals, L.P.	DMLP		17.35	8.7	9.6	21	10.4	9.4
Canadian Oil Sands Trust (US\$)	COSWF	B	31.91	4.1	7.5	12	4.7	10.5
Enerplus Resources Fund	ERF		30.08	5.0	6.7	10	10.4	5.7
Pengrowth Energy Trust	PGH		13.75	4.5	6.3	12	13.7	5.6
Provident Energy Trust	PVX		8.11	3.5	5.0	15	13.3	4.7
	<i>Median</i>			4.1	7.5	15	10.4	8.9
<b>U.S. Royalty Trusts</b>								
Sabine Royalty Trust	SBR		31.62	10.0	10.3	10	9.7	8.5
Cross Timbers Royalty Trust	CRT		26.12	7.3	10.1	10	9.8	9.6
Permian Basin RT (41%)	PBT		8.72	6.7	9.3	10	8.6	8.0
Hugoton RoyaltyTrust (46%)	HGT		20.20	6.0	7.9	9	10.6	7.8
San Juan Basin Royalty Trust	SJT	B	19.91	6.3	7.7	9	10.6	8.5
	<i>Median</i>			6.7	9.3	10	9.8	8.5

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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