Natural Gas Pipelines **United States**

Enron Corp (ENE)

BUY: Enormous Opportunity in Power Marketing

Price: **$40 7/8**

52-Week Range: **43-33**

Price Target: **$50**

October 11, 1996

We recommend purchase of Enron based on our estimate of 15% long-term EPS growth and its modest valuation. Power marketing, (aided by Portland General), and international development should drive EPS growth. The stock is currently selling below a market multiple, but we think it would be more appropriate to put a premium on the company's outstanding record and prospects.

Year end Dec.	Earnings Per Share	Prior	Price/Earnings Ratio	Cash Flow	Price/ Cash Flow	Dividend	Yield	Book Value
1995A:	$2.07		19.7	$5.15	7.9X	$0.81	2.0%	12.01
1996E:	$2.35		17.4	$5.25	7.8X	$0.86	2.1%	
1997E:	$2.70		15.1	$5.70	7.2X	$0.90	2.2%	

Shares Outstanding (Mils): 250 Market Cap. (Bils): $10.2

- We recommend purchase of Enron with a 12-month price target of $50
- We think ECT is already the leading power marketer; long term it could become the largest and most profitable as enormous power markets open to competition
- Portland General should provide assets and skills that allow ECT to offer a full range of wholesale and retail power services
- International development projects provide a second, core growth opportunity
- We estimate EPS growth in 1996 of 14% and expect 1997 growth to at least match 1996
- Enron has eight straight years with 15%+ growth, yet sells at a 10% discount to S&P 500

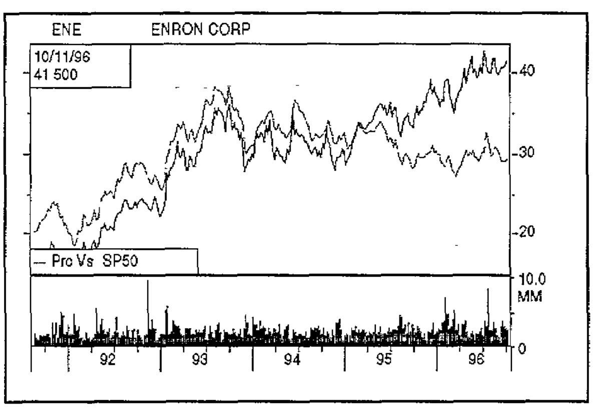

CHART COURTESY OF FACTSET

Capitalization
(03/96, $ Mils)

Long-Term Debt	3,127	42%
Equity & Pfd	4,305	58%
Total Capital	$7,432	100%

DJIA: 5970
S&P 500: 701

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BUY on Earnings Growth, Possible P/E Expansion

We rate Enron a BUY and recommend purchase on the basis of the company's outstanding record of earnings growth, the quality of its operations, its current prospects and an attractive valuation. We think Enron's record and prospects clearly deserve a premium multiple relative to the S&P 500. The stock is selling at a 10% discount to the broad market (15.1x vs. 16.6x our 1997 estimates), despite earnings that we forecast will grow at 14-15% in 1996 and 1997, compared to 4-6% for the S&P 500. We are using a 12-month price target of $50, which is 22% above current prices and would put the stock at roughly a 10% premium to the S&P 500. Given Enron's increasing exposure to the growing worldwide energy markets, its eight-year record of at least 15% EPS growth (one of only nine companies in the S&P 500 able to make that claim), and 17% return on equity, we think it would be fair to value the stock at an even higher premium to the market multiple. At a minimum, we think Enron's stock should at least track its earnings growth.

Enron's long-term growth objectives call for 15% average annual growth in EPS from 1995-2000, with no less than 10% annual growth in any year. This implies that in some years EPS should grow more than 15%. We think success in power marketing leading to reported gains near or above Enron's 15% long-term growth target, especially with fewer one-time items in 1996 or 1997, should generate renewed enthusiasm for Enron's stock and improve its relative valuation.

We Estimate Growth of 14% in 1996, 15% in 1997

With a strong start to 1996, (9 months 96 EPS of $1.79 vs. $1.55, up 15%) due in large part to results at ECT, we estimate Enron's earnings will increase by 14% this year, to $2.35 per share compared to $2.07 in 1995. In 1997, we estimate earnings will rise to $2.70, and expect Enron to return to its 15% long-term growth trend as it reports continuing progress in power marketing and international project development. We expect earnings growth in 1996 and 1997 to be driven by gains at Enron Capital & Trade (ECT) and Enron Development (EDC), each with annual growth of approximately 20%.

Positioned to Capitalize on Important Energy Trends

We think Enron can deliver 20% growth in ECT and EDC because it has positioned itself to continue capitalizing on two important energy trends:

1) the deregulating/restructuring of the U.S. electric industry, which has created the potential for sustainable rapid growth in power marketing; and

2) the continuing worldwide growth of large-scale, predominantly gas-related, power and pipeline projects, which should support growth in international development projects.

Although the U.S. power market is still in the early stages of deregulation, Enron has already established itself as the market leader in size and profitability. ECT's power marketing has been growing rapidly and should improve its penetration of the wholesale power market with the addition of Portland General by 2H97. We have assumed the Portland deal closes at the end of 2Q97, which adds about $0.05 to our full year estimate. ECT's gas marketing and risk management should benefit from current gas market fundamentals, which should provide a favorable operating environment through the end of 1996, and possibly well into 1997.

In International, several of Enron's projects have either been completed or are in construction. Despite the difficulty in predicting the timing of income recognition we expect EDC to grow as a portion of its $19 billion portfolio gradually moves through development and into operation, producing several (albeit hard to time) income generating events along the way. Importantly, financing has now been completed for Turkey, Puerto Rico, India and Bolivia-to-Brazil, which should lead to an increasing number of projects moving through the development cycle in 1997-99. The demand for electric power to support growth in emerging-market economies should contribute to annual growth of nearly 3% in electric generating capacity and worldwide gas consumption. We think this represents a significant investment opportunity for EDC.

We believe the trends in U.S. power marketing and international project development can support annual income growth of approximately 20% at both Enron Capital & Trade and Enron Development. We think 20% growth in two of Enron's core businesses combined with continuing growth in Pipelines and E&P will support 15% long-term growth in Enron's earnings per share.

In the past, Enron has capitalized on similar types of trends and significant opportunities (ECT's gas marketing, EDC's Teesside power project and EOG's drilling programs) by implementing well-conceived strategies and by building on its strengths. We think these past achievements bode well for Enron's potential to capitalize on its current opportunities.

ENRON—Creating Energy Solutions Worldwide

Enron's ventures around the world have repeatedly demonstrated that it is the most globally oriented of the diversified natural gas companies we follow. It is also the most successful—having posted 15% or better EPS growth for eight consecutive years as it expanded from its position in U.S. natural gas pipelines into gas and (recently) electric marketing, exploration & production, and the development of pipeline and power projects, all on a worldwide basis. There is no doubt that Enron has achieved its vision of becoming the "World's First Natural Gas Major." It has $15 billion in assets, revenues of $9 billion and about 40% of its 1995 net income of $520 million was generated from activities outside the U.S.

Enron's core activities are as follows:

- Pipelines—Enron operates 37,000 miles of natural gas transmission pipelines in the U.S. and South America, making it the largest pipeline operator outside of Russia. It handles over 15% of all natural gas consumed in the U.S. This is a slowly expanding business that provides an infrastructure and strong cash flow to invest in Enron's other businesses, and is an important source of incremental earnings growth.

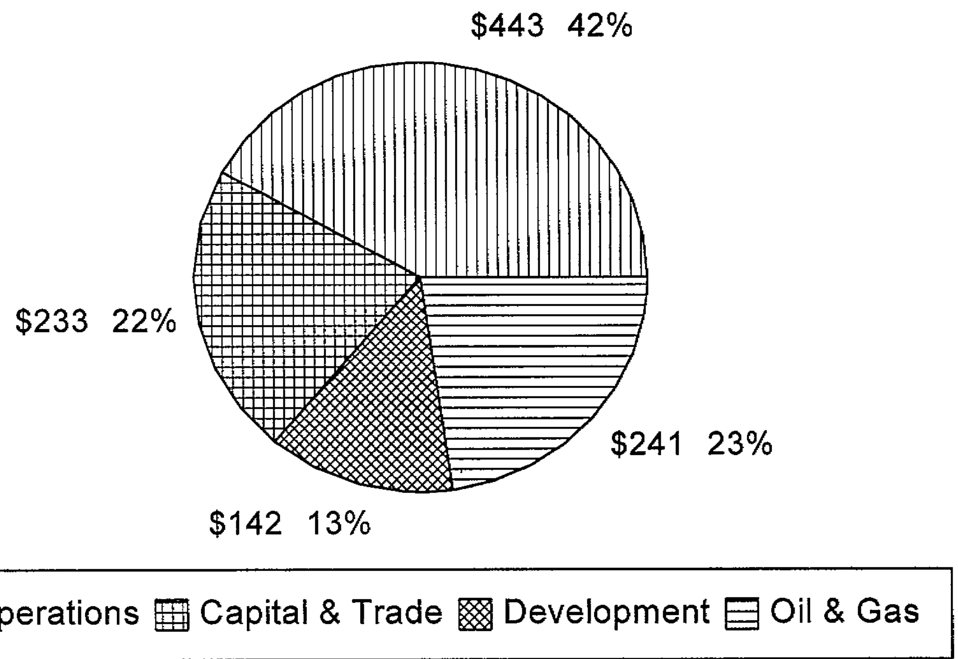
- Marketing—Enron's nonregulated energy marketing operation is the most profitable and among the three largest in North America. It has become successful by developing extensive physical, trading and financial capabilities to offer customers a broad range of products to buy and sell gas and electricity (power). It provides reliable access to energy markets and a way to reduce price risk. Enron has become the third largest wholesale marketer of electricity in the rapidly deregulating (and opportunity rich) U.S. market and is one of the largest independent generators of electricity in the U.S. Portland General should provide a platform to expand power marketing activities.

- International Development—This group develops, builds and operates large scale pipeline and power projects to serve increasing worldwide energy demand. It has completed several projects and has assembled a $19 billion portfolio of projects in advanced stages of development that should generate income throughout their planning, construction and operating phases. Ideally, these opportunities draw on all of Enron's capabilities to put together efficient, low cost projects, and also help to establish Enron's presence in high growth markets.

- Exploration and Production—Enron owns 59% of Enron Oil & Gas, which has developed reserves of 2.7 Tcfe. EOG is a leading independent E&P company, in terms of profitability, worldwide production growth, cost structure and development expertise. It has leveraged its successful North American results into low-risk international development projects with exploration upside, that should support significant reserve, production and income growth over the next five years.

We think each of Enron's four divisions rates at the top of its respective businesses. In the increasingly competitive energy markets, Enron's ability to offer superior services and efficiency in each of its divisions on a stand-alone or an integrated basis should contribute to the company's ongoing success.

Enron Income Distribution-1995 ($MM)



Source: Company reports and SBC Warburg Inc. estimates

Risks

- Electric deregulation and power marketing are still in the early stages of development. There are uncertainties regarding the pace of deregulation, the approval of Enron's proposed acquisition of Portland General, competitive responses of other gas marketers and utilities, margin sustainability, stranded cost recovery, and the role of state utility commissions. All of these factors and more will influence Enron's chances of success in power marketing.

- International projects are subject to delays and political events, including actions taken by the U.S. or foreign governments. EDC has demonstrated the ability to manage this risk, while its broad geographic spread and large number of projects help to reduce the risk associated with any one project.

- Direct exposure to natural gas prices through Enron's ownership in EOG is minimal, but gas prices indirectly affect the level of activity and margins in marketing. Enron's stock performance, possibly more so than its financial performance, may still be influenced by gas prices.

- Management downplays its exposure to a 260 MMcf/d take-or-pay contract in the UK. The case is being litigated on various grounds and Enron is trying to reach a settlement. As Enron's European marketing and power operations expand, we expect that eventually a use can be found for the gas without compromising other project economics too seriously and with any impact spread over several years. Concerns over this contract linger, but its resolution could become a catalyst for better stock performance.

- Expectations for success at Enron and its two primary sources of anticipated earnings growth, ECT and EDC, are high. Any shortfall to earnings expectations would be disappointing, but we could also envision stronger growth at ECT, allowing for some slippage in timing and earnings at EDC.

- Enron's extensive use of recurring one-time items fuels an ongoing debate over quality of earnings. We think the company's use of selective asset sales and other items at its discretion to manage its earnings to produce a sustainable rate of growth rather than one that fluctuates widely, is a strength as long as it does not detract from long-term growth. In adopting a more broadly defined earnings growth target, there may be less pressure to manage earnings in the future.

Portland General: Upside Potential and Strategic Assets

Enron has proposed the acquisition of Portland General, an electric utility and power marketer in the Pacific Northwest, as part of its strategy to capitalize on the convergence of natural gas and electricity as primary, and increasingly interchangeable, sources of energy. Simply put, we think the proposed acquisition gives Enron considerable upside potential in a transaction that is immediately additive to earnings. We think Portland complements ECT's existing strengths, addresses any deficiencies as quickly as possible, and thereby raises ECT's earnings potential. ECT gains a larger platform of existing electric operations to leverage and accelerate the expansion of its already successful power marketing business. It gains access to Portland's generating and transmission assets in the Northwest and operating and customer skills that can be marketed across the country to gain new business. It also gains physical access to the electric futures delivery point at the California/Oregon border (COB). ECT has already demonstrated the value of having physical and financial capabilities in the gas business with Louisiana Resources providing access to the Henry Hub, where gas futures settle. If the development of electric trading is somewhat analogous to ECT's experience in gas, then access to the COB interchange should be quite valuable. Furthermore, ECT picks up low cost generation and transmission within reach of the prized and rapidly deregulating California market. Portland has transmission resources in the Northwest that connect to important markets across the West, providing extensive flexibility for power trading and marketing. Enron/Portland would be the largest power marketer in the West.

Enron management has been visionary in anticipating and preparing for opportunities resulting from deregulation, first in natural gas and now, it appears, in electricity. Management has had high expectations for power marketing since introducing most observers to the concept three years ago. Nonetheless, Enron seems genuinely surprised at how quickly the deregulation is spreading and at ECT's degree of success. Management predicts the pending acquisition of Portland could be a major milestone for Enron, and given its credibility, we take this appraisal quite seriously.

Portland General Could Raise Growth Rate

If Enron's Pipeline, International and E&P divisions perform on plan, we think the proposed acquisition of Portland General could add enough momentum to power marketing to help Enron exceed our 15% long-term EPS growth target in 1997 or beyond by a potentially wide margin. For Enron's stock to perform well, we do not think an acceleration of growth is necessary, but such a possibility does creates the potential for positive earnings surprises over the next few years.

To accelerate Enron's growth we think ECT would have to increase its market share steadily from today's 1% of the wholesale power market to an estimated 15% by the year 2000, with margins as a percent of revenues, similar to the 3-4% level being earned in its much more mature natural gas marketing efforts. This type of market share would be consistent with ECT's accomplishments in wholesale gas marketing. It is important to note that ECT has a 1% share of the wholesale power market (selling power to utilities for resale to ultimate consumers) but at this point only 3% of the wholesale power market is deregulated so, in effect, it has a 33% share of the deregulated power market. Over the next 3-5 years, virtually the entire wholesale power market should be deregulated, and that is the market ECT is after. We think ECT's operating income could increase at a compound annual growth rate of better than 20%, from $233 million in 1995, to $650 million in 2000.

We estimate Portland needs to contribute only an additional $20-30 million in EBIT to Enron in 1998 to meet our forecast of 15% earnings growth on a larger share base. As a minimum goal this seems well within reach. Portland has operating income of nearly $400 million and ECT is already quite profitable in power marketing. We do not expect Portland's pending rate case to materially change this outlook.

Why Portland General?

Portland General is an electric utility in Oregon serving 44% of the state's population, and is also one of the largest power marketers in the western United States. The company has been called progressive, which is a relative term in an industry that most observers would characterize as quite conservative and slow to change. Portland is attractive because it has changed its organization and culture to deal with competitive markets. It has an important strategic location and has gained experience in dealing with wholesale power purchases and sales as both a utility and a power marketer. It has experience in physically operating electric systems and lends needed credibility to ECT's efforts to do the same. Portland's past nuclear problems probably helped keep its valuation low enough to enable Enron to offer a healthy 25% premium for the company and still be within its financial comfort zone.

Realistically, almost any utility Enron Capital & Trade approached about joining forces would be better off, but after studying the market Enron believes Portland is one of the few companies that would make ECT appreciably stronger.

We do not view the acquisition of Portland as the purchase of an electric utility, which is a business that generally sells at a lower valuation than the integrated pipelines. Rather, we look at the purchase of Portland as an opportunity for ECT to accelerate the growth of its power marketing effort by using Portland's assets, location and skills to launch new services and expand more quickly than it could on its own. As the companies worked together over the last two years, on several power transactions, it became clear that they shared many views on the opportunities and skills necessary for success in deregulating electric markets. ECT and Portland reportedly considered a joint venture, but ultimately decided that the rapid pace of change in the industry required response times best achieved by just one management team with a clear agenda.

Portland General is already a large buyer of wholesale electricity. In 1H96 it purchased an unusually high 86% of its power because buying abundant and inexpensive hydropower was a more economical choice to serve its electric demand than running its coal and gas plants. Portland has generating capacity of 2100 MW (coal, gas, hydro), which can supply only about 60% of its needs. It has first hand experience in the long-term economics of wholesale power transactions as its decision to be short electric generating capacity was based on the availability of low cost alternatives. Portland has also established itself as one of the largest nonregulated power marketers in the western states. Portland is the largest provider of electricity in Oregon which, due to the high tech boom in the state, has one of the fastest growing economies in the U.S. Portland's 650,000 retail customers should also provide a testing ground for new services. Although we do not view this transaction as the takeover of a "utility," Oregon is probably not a bad place to own one. Portland General has 2,600 employees compared to Enron's 7,000.

The Transaction

Enron is offering a tax free share-for-share stock swap for Portland's 51 million shares, and assuming $1.1 billion in Portland debt. The new shares of Enron stock would be valued at $1.8-2.4 billion, depending on its price within a $36-47 collar. When the deal was announced on July 22, it was valued at $2.1 billion, with Portland's valuations in line with recent electric transactions based on multiples of EBITDA, EBIT, and earnings.

Because of the necessary regulatory approvals by federal and state authorities, we expect the deal to take 6-12 months to close. We expect the process to be more time consuming than contentious as competitors and especially electric utilities most at risk to competition may try to fight the approval, but appear to have little ammunition. The pro-competitive nature of the deal should prevail with regulators as the acquisition appears aimed at increasing competition and lowering costs to consumers and does not appear to violate any measures of market concentration. Our earnings model assumes that it closes at the end of 2Q97.

Rating agencies have taken a favorable view of the transaction as Portland's cash flow should improve Enron's coverage ratios.

Big Markets

Until 1995, ECT's growth was almost exclusively a function of its success in the estimated $32 billion wholesale gas market. Beginning in 1994 and especially over the last several months, ECT has made significant progress in marketing wholesale electricity. Its volumes have grown from 1.6 million MWH in 2Q95 to 18.7 million MWH in 3Q96, with gross margins running at an estimated $10-15 million per quarter. Portland should position ECT to increase its penetration of the estimated $90 billion (revenue) wholesale electric market and should also better position ECT to compete in the estimated $270 billion, combined wholesale and retail gas and electric markets as these continue opening to competition. We think this <u>exponential increase in the size of ECT's target markets dramatically raises ECT's growth potential</u>. If ECT can gain a 12-15% market share over time, Enron should be able to meet or exceed its 15% long-term earnings growth target. This level of market penetration will not be easy, but is not unreasonable given ECT's 17% market share in gas and 33% share in nonregulated wholesale power marketing to date.

If ECT didn't have its record of success in gas marketing, its prospects of success in power might be more speculative than realistic. However, when the quality of its past efforts in targeting markets is taken into account, then the potential profitability from these expanding markets becomes more impressive. We think success in power marketing could allow ECT's income to compound at better than a 20% annual rate to a level of $650 million in the year 2000.

ECT's Activities

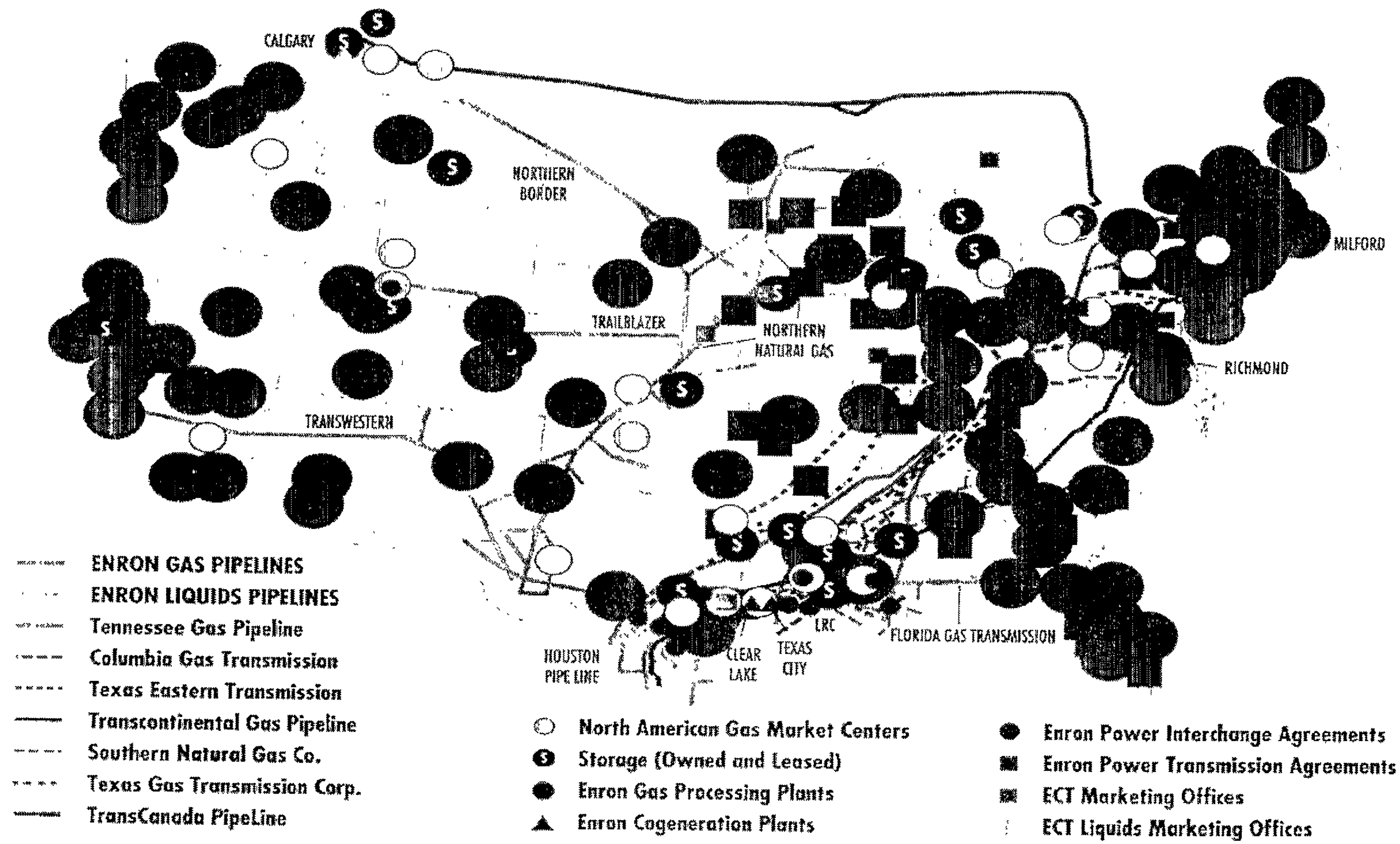
We expect ECT to offer products and services to the electric and power markets that will be similar to those offered to the gas market. These products and services are aimed at providing predictable pricing, reliable delivery and low cost capital. In general they help customers deal with, and take advantage of, volatile commodity prices and the changing relationships between producers, consumers and transporters, brought about by deregulation and increased competition. ECT aims at providing the most innovative and cost-effective means for its expanding base of customers to secure access to power supplies and end-use markets. At its simplest this may mean selling and delivering gas to a customer. At a more complex level it could involve delivering low cost electric power instead of natural gas to a gas-fired utility, and then selling that gas supply into higher value markets.

- Cash and Physical Marketing—ECT buys and sells gas and electricity to other marketers and end-users. This service is backed by its extensive gas production, storage, power, liquids and transportation assets to ensure reliability of supplies. ECT maintains a balanced book and does not take speculative commodity positions. Its physical volumes averaged 9.8 Bcfe per day in 2Q96. As suggested by our electric for gas example given above, we expect the ability to arbitrage inefficiencies in pricing gas and electricity to be a significant new opportunity.

- Risk Management—ECT markets options and swaps to manage customers' exposure to prices, volatility, location differentials, capacity requirements, and to provide long-term price certainty (which in some instances facilitates the financing of power plants). Natural gas is the most volatile commodity traded and this creates substantial demand for risk management services to help buyers better manage energy costs and producers to better predict cash flows. To manage risk, ECT uses its nonregulated intrastate pipelines and storage to provide extensive receipt and delivery options, and its access to the Henry Hub, which facilitates better use of the futures market.

- Finance—ECT provides capital to producers and occasionally other energy market participants. In addition to gaining greater access to supplies, finance helps ECT offer a full range of marketing services. On debt financing, ECT can accept reserves as collateral and take payment in the form of production. On equity financing, ECT may gain access to supplies and can participate as a direct investor. ECT is able to offer finance and repayment terms that other institutions can't easily match due to its ability to accept production payments and use hedging capabilities to turn production into a predictable financial investment.

Enron's Gas & Electricity Infrastructure



Source: Enron Corporation

Investments Create a Competitive Advantage for ECT

One of ECT's advantages in power marketing should be its ability to combine access to natural gas supplies with underutilized electric generating capacity around the country. In deregulating gas and power markets, ECT's ability to manage increasingly complex transactions is due partly to its investments in systems, personnel and hard assets capable of handling sophisticated trading and marketing activity. ECT estimates it has invested $250 million in trading related systems over the past five years and it expects the majority of these investments to be useful in power marketing. The great majority of ECT's power marketing staff, which has grown to an estimated 175 employees, has been internally sourced rather than hired from utilities. The size of these investments and ECT's access to financially sophisticated marketing personnel suggests to us that its efforts will not be easily duplicated. We expect other existing and potential power marketers to make very large investments in this business, but judging by their comments, few seem prepared to make an ECT-like commitment in the next 6-12 months and any delay probably works in ECT's favor.

We think ECT achieved a significant advantage over its competitors in power marketing by being the first to anticipate the potential opportunity being created by electric deregulation and through its willingness to commit significant resources at an early stage of the market's development. It has been able to leverage its investments in gas marketing to build the systems, salesforce and knowledge base necessary to launch a profitable and fast-growing business in trading electricity. As it has done in gas marketing, ECT appears positioned to remain at the forefront, if not at the leading edge of industry-wide power marketing efforts. It was apparently the first to understand the implications of electric deregulation and has moved quickly to exploit this new opportunity, while most of its competitors have taken a more conservative approach.

Evidence of ECT's advantage can be seen in its results so far. Although hard data on power marketing is scarce, it appears that ECT has been far more profitable and quicker out of the gate than its competitors. We estimate its 1H96 margin from power marketing was about $30 million, with an estimated 33% market share of nonregulated wholesale transactions. We are not aware of any other gas marketers disclosing meaningful income from their power marketing activities and after ECT, the market is reportedly very fragmented.

Early Success Can Lead to Long-Term Success

In the gas trade, ECT's early entry and development of strong market share was decisive in establishing its long-term success. ECT's current market share of the nonregulated wholesale electric transactions puts it far ahead of where it was at a similar phase of gas deregulation, and we think it could position the company for comparable or better results in the power market. After less than two years of operation, the only electric wholesalers larger than ECT are two government agencies which have been in existence for 30 years. For perspective ECT's 3Q96 power marketing volumes of 18.7 million MWH represent a eight-fold increase over 1995 volumes and are equivalent to the daily trading of the 200,000 MW, or the power produced by 200 large generating plants. With the addition of Portland General expected to create physical and financial capabilities akin to those it has in gas, we think ECT is strengthening an already formidable competitive advantage.

In gas, ECT's investments in strategically located assets, such as Houston Pipe Line, Louisiana Resources and numerous storage sites throughout the Gulf Coast region and closer to the market areas, have been crucial to its success. It is now attempting to develop these capabilities in electricity on the belief that a certain combination of assets that combine physical and financial trading capabilities will be equally important. Conversely, not having them could be a significant disadvantage and barrier to success. It is difficult to predict what other assets Enron will acquire or where it will see specific needs, but we certainly expect it to bid for more generating assets and very selectively, other utilities, to establish similar strengths in other regions of the country, such as the Gulf Coast and Northeast, as the electric industry consolidates and eventually separates generating from transmission assets.

Low-Cost Power With Physical Access to California

ECT should enhance its power marketing capabilities through Portland General's approximate 25% ownership of the Pacific Intertie, an important transmission line in the Pacific Northwest that affords access to the California-Oregon Border (COB) interchange, and, thereby, access to the California market. The state of California is quickly moving towards deregulating its power markets and ECT wants to establish a strong presence in this market because of its size (estimated at $20 billion) and the potential to apply experience gained here to other markets. Portland General is a low-cost power producer, while California's two largest utilities are high cost. In an open competitive market this should be a profitable position regardless of stranded cost issues yet to be settled. Early success in California could be quite profitable. Under open access to transmission ECT might not have preferential rights to the Pacific Intertie, but Portland's regulated generating assets should. These rights, combined with Portland's operating experience on the line and ECT's ability to create transaction volume, should provide an advantage in accessing the Intertie.

With Portland General, ECT will combine financial and physical trading capabilities at the COB interchange, where the more active of the two NYMEX electric futures settle. ECT has shown that its development of natural gas trading, marketing and risk management in conjunction with the Henry Hub can be a valuable mixture in terms of profitability and providing a platform for exceptional growth. ECT's dominant rankings in customer surveys on financial and physical trading capabilities are also evidence that this two-pronged approach has merit. Trading of futures contracts facilitates risk management and improves liquidity, which in turn allows ECT to be a more aggressive and higher volume marketer.

One of ECT's strengths has been its ability to develop innovative products that combine physical and financial instruments, at an attractive margin, to meet changing market demands. As these products have evolved they have also helped determine the course of industry-wide gas marketing activities. By continuously addressing the changing operational and financial needs of the gas market, ECT has found ways to generate demand for its assorted products and services that maximize the value and utilization of its investments in physical and financial assets. We expect the same pattern to develop as ECT gains access to generating and transmission assets.

Portland's Retail and Operating Skills Have Value Too

The accelerating pace of deregulation at the retail level has increased the need for ECT to have skills in retail sales, service, and billing systems, and Portland General should provide these skills much more quickly than ECT could develop them internally. "Consumer choice" is being considered by a growing number of state utility commissions so there is some urgency in having a full complement of these skills to ensure the opportunity to serve all classes of consumers, from industrial and utilities to commercial and retail. Furthermore, it is also possible that wholesale customers' buying patterns will change as unbundling continues and that ultimately access to the end-users will become the primary focus. That is certainly where there are the most revenues. ECT is already involved in consumer choice pilot programs, and with Portland it gains a 650,000 customer testing ground for developing products and establishing national brand identity. We understand Enron is also developing an advertising campaign towards that end

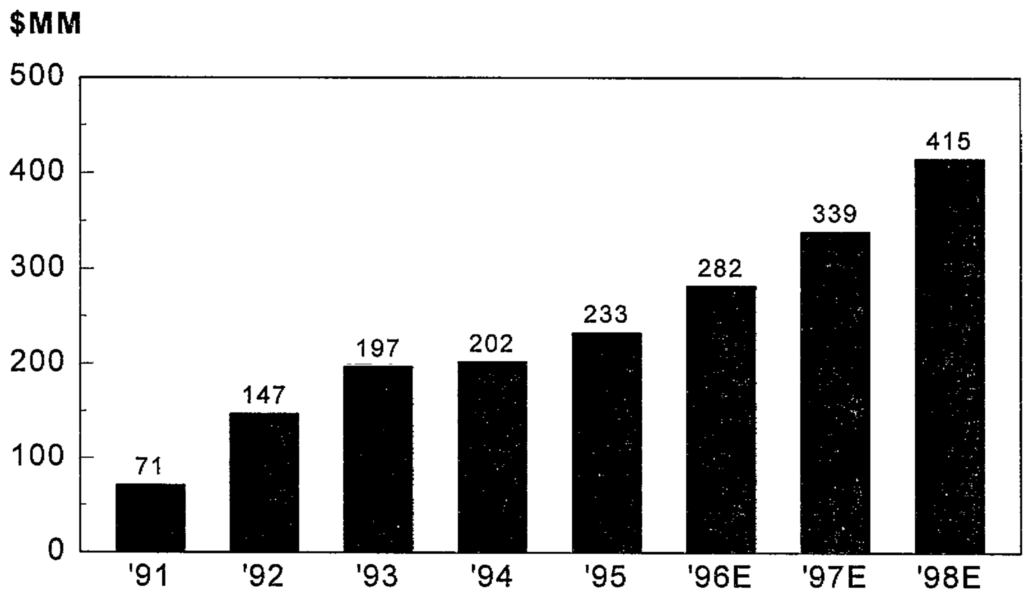
Additionally, ECT, which we presume is very competitive on price for electric deals, can not always convince large customers and municipalities that it can reliably provide the operational and power management services they demand. With Portland, ECT can get by the reliability issue quickly and then focus on price, which should be its strength. Portland's operational experience in generation and transmission should be valuable in offering the broadest range of services to potential customers as they shop for power suppliers, attempt to outsource their energy management and consider restructuring their contracts in gas and electricity as the economics or opportunities of competition dictate. A customer choosing a new power supplier should feel more comfortable working with ECT when it also gets Portland General's experience in operating electric systems.

Enron's International efforts could also receive a boost from Portland as many electric and/or gas privatizations in foreign countries are combining distribution and generation facilities. Previously, ECT did not have expertise on the distribution side and was uncomfortable relying on outsiders for objective evaluations. With this expertise now available through Portland, Enron may more aggressively pursue these opportunities as well as coal and hydro projects.

Gas Marketing Helped by Favorable Gas Price Outlook

Over the last year, the outlook for gas marketing has generally improved as a result of higher prices, increased volatility and previously unheard of basis differentials. These factors could provide a positive operating environment until well into 1997 and under these conditions, ECT's gas marketing should prosper. Gas buyers should want to be protected against a possible repeat of 1Q96's run-up in prices, and producers should use risk management tools to manage the wider basis differentials that hurt them so badly in early 1996. Enron's assets in and around the Gulf Coast could again earn exceptional returns as they did during the 1Q96 scramble for gas supplies when access to high-priced markets, including the Henry Hub, was worth a premium.

Enron Capital & Trade: 1991-98E EBIT



Source: Company reports and SBC Warburg Inc. estimates

ECT's success in the gas trade has propelled its earnings from $71 million in 1991, primarily from gas marketing, to an estimated $282 million in 1996, including all facets of gas/power marketing, risk management and finance.

Our model attempts to show ECT's potential income if it reaches market share targets in wholesale electricity that appear reasonable when compared to its 17% market share in wholesale gas. Wholesale electric is estimated to be three times the size of the gas market, while wholesale and retail electric and gas combined may approach 10 times the size of the wholesale gas market. We are not yet forecasting revenues for retail, as deregulation of that market may be 2-3 years behind wholesale access.

The relationship of ECT's income to total revenues in gas has settled in the 3-4% range, and reflects a significant maturing of margins on a wide range of products. It also includes long-term contracts and financing activity. We think it is useful, and hopefully, reasonable to assume a similar margin on power marketing revenues as similar types of products evolve. Under these admittedly crude assumptions we predict ECT's income could grow by 20% annually from 1996 to 2000 from $233 million to $650 million. In practice, it will probably be quite difficult to differentiate between the contributions of gas and power in the future, as marketing of the two is integrated and many transactions include elements of both.

ECT Revenue and Margin Model

Enron Capital & Trade	1993	1994	1995	1996E	1997E	1998E	1999E	2000E
Revenues	5,449	7,166	7,064	7,485	9,680	11,980	15,280	18,700
Operating Income	196.9	202.2	232.5	281.9	338.7	414.6	520.5	653.0
Margin	3.6%	2.8%	3.3%	3.8%	3.5%	3.5%	3.4%	3.5%
Est. Size of Wholesale Gas Mkt		32000	32,000	33,000	34,000	34000	35000	36000
Estimated Market share of Revs		22.4%	17.0%	18.5%	19.0%	19.0%	20.0%	20.0%
Estimated Gas Revs		7,166	5,440	6,105	6,460	6,460	7,000	7,200
Margin		2.8%	3.4%	3.6%	3.0%	3.0%	3.0%	3.0%
Gas Income (includes LT contracts and finance)		195.3	186.5	219.8	193.8	193.8	210.0	216.0
Est. Size of Wholesale Elec Mkt Contestable		92,000	92,000	92,000	92,000	92,000	92,000	92,000
Est. Market Share		0.3%	1.0%	1.5%	3.5%	6.0%	9.0%	12.5%
Est Elec Revs		230	920	1380	3220	5520	8280	11500
Margin		3.0%	5.0%	4.5%	4.5%	4.0%	3.8%	3.8%
Elec Income		6.9	46.0	62.1	144.9	220.8	310.5	437.0

Source: Company reports and SBC Warburg Inc. estimates

International Development Projects: Increased Activity

In Enron Development, which has nearly a $19 billion portfolio of international power and pipeline projects, we think Enron has a second core business capable of achieving 20% annual growth. As a portion of these projects move through the development process and begin commercial operation, EDC's income should grow. Unfortunately, it is difficult to predict the timing and income recognition associated with various stages of these projects (approvals, financing, construction, operations and the sell down of equity) which typically may take from 1-5 years to complete. Despite this problem, which is one of the reasons Enron has adopted a more flexible corporate earnings growth target, we think progress in its international projects has set the stage for long-term growth at EDC of 20% annually.

As the following table illustrates, a 60% success rate on developing this $19 billion portfolio, assuming 50% Enron ownership and a 30%/70% equity/debt financing mix could generate over $300 million in operating income per year by 2000. On that basis we estimate EDC's backlog of projects should support annual income growth averaging 20% or better, which would add nearly $1.00 per share to Enron's earnings by the end of the period. In 1996 and 1997, growth should come from newly operational plants, construction on five new projects expected to be in progress by early 1997, and the revenues booked on the sale of equity interests.

Enron Development designs, builds and invests in large scale energy projects primarily in countries that need energy supplies to support growing economies. EDC is primarily targeting large, complex and high potential return projects (20% after-tax returns). It prefers to focus on integrated energy projects where it can demonstrate a significant advantage (and create more profit opportunities) by drawing on Enron's expertise in managing fuel supply, power generation, and construction supervision, in addition to EDC's contractual, risk management and financing skills. EDC's strong record of starting at the grass roots stage and completing projects on time and within budget has made it a preferred partner in many bids.

Progress at EDC can be measured in several ways:

- EDC has over 20 projects under development or recently completed. It is at the top of the international rankings for the development of grass roots projects.
- Pending projects represent a potential investment of over $19 billion.
- EDC's portfolio has a wide geographic mix, which spreads risks and increases the opportunity for follow-up business. Projects sites include: Puerto Rico, Dominican Republic, Colombia, Bolivia, Brazil, Italy, Poland, Turkey, India, Mozambique, Qatar, China, Vietnam, Indonesia, and the Philippines.

- EDC bids on different types and sizes of pipeline and power projects, including gas and oil fueled, pipelines, gas processing plants, liquefied natural gas facilities and projects including development of gas and oil reserves. EDC could add coal and hydropower to the list with Portland General's skills.
- Income has grown rapidly to $142 million, despite a modest decline in 1995. Growth should resume in 1996 as its large portfolio creates more income-generating events.

The downside to Enron's success is that it has increasingly become a political target for host governments or their opposition as we have seen in India. Enron has proven to be very adept at managing risk, and political risk is a fact of life in the international arena. We do not expect such events to detract from EDC's long-term growth, although some projects falling victim to politics and changing economics is implicit in our assumption that only 60% of its projects get completed.

Estimated Income Value of EDC's Potential Projects

Estimated Cost of All Projects in Advanced Stages	$19.0 billion
Risk Adjustment	60%
Risk Adjusted Capital Invested	$11.4 billion
Average Ownership	50%
Enron Investment	$5.7 billion
Average Equity Invested	30%
Enron Equity Investment	$1.7 billion
Average Return	20%
Potential Annual Earnings	$342 million

Source: Company reports and SBC Warburg Inc. estimates

The potential annual income of $342 million includes Enron's potential to realize the increasing value of its equity investment by selling down its interest to Enron Global Power and Pipelines (EPP--25--Buy) or others, as operating earnings from these projects replaces development risk.

Current Priorities and Recent Accomplishments:

- Dabhol, India, should restart construction in 1996. After lengthy delays the $2.5 billion, 2450 MW project has reemerged with attractive returns reportedly intact and with the added accomplishment of both phases now being approved. The delays and arbitration process put EDC through a difficult test but ultimately proved the thoroughness of its risk management practices. The LNG-phase of Dabhol is also important because it could act as the anchor for a large scale LNG project in Qatar. Enron has identified the LNG market as one where its integrated approach, including construction expertise and reserve development, could be valuable.

- Commercial operation began on two projects and subsequent sales were made to EPP in 1H96 of interests in the $205 million, 185 MW Dominican Republic power plant and the $215 million, 357-mile Colombia gas pipeline. Revenues should be booked as Enron sells its EPP shares to the public in 1997.

- Financial closings, which are a significant accomplishment in project development, are expected on projects in Brazil, Puerto Rico, India, Turkey, Italy and Indonesia by year end 1996 or early 1997. This should move EDC closer to recognizing new income streams from development, construction, equity sales, possibly fuel supply and eventually operation of these facilities.

- The Bolivia-Brazil Integrated pipeline and power project includes the $1.8 billion, 1,864 mile pipeline in two phases and gives Enron the opportunity to participate in two 450 MW power projects in Brazil. Construction should begin around year-end.

- Vietnam has recently shown some potential with a $160 million, 400,000 ton/year gas processing project in active development that could be operational in 1997. The liquids output of this plant could lead to liquids-fueled power plant projects. This deal materialized and has progressed quite rapidly, offering an encouraging sign that not all development projects need multi-year lead times.

- In Guam, an agreement on a $140 million, 80 MW diesel-fueled power plant was announced in September. The agreement calls for EDC to build and operate the plant with construction expected to begin in July 1997 and operation expected in December 1998.

- In Turkey, approval was given in October, to begin construction of the Trakya Electrik Project, which is a $600 million, 478 MW natural gas-fired power plant in Marmara. The project is scheduled for completion in mid-1999.

Enron Oil & Gas: Expanding Horizons and Production

Enron Oil & Gas (EOG--25--NR) should continue to grow through a mix of rising U.S. production and increasing exposure to international development projects. We expect EOG's total production to grow 9%, 13%, 18% over the 1996-98 period, respectively with EPS and cash flow gains averaging 15%. In North America, where EOG operates in several major producing basins in the U.S. and Canada, we expect drilling to increase production by 10% annually. International production, which includes Trinidad, India and beginning in 1998, Venezuela, should increase by an average of better than 15% annually as new concessions are developed.

Attention to Costs and Reinvestment Fuel Success

We think EOG's disciplined approach to reducing costs and maximizing reinvestment are the factors that have been most responsible for its strong performance from 1989 to 1995, in terms of growth in reserves (10% compound annual growth rate, ex-Big Piney), production (17% CAGR) and income (from break-even to $142 million). We think EOG's current development and exploration prospects can benefit from these disciplines and should support continued strong growth as EOG expands its North American operations onshore and further into the Gulf of Mexico, and as it develops its foreign concessions. Factors contributing to EOG's success include:

- EOG's consistent profitability, even at times of low gas prices, due to its low cost structure. Since 1990, cash costs have declined from $0.77/Mcf to $0.54/Mcf, while DD&A declined from $0.84/Mcf to $0.68/Mcf.

- EOG's inventory of low-cost, low-risk development and exploration prospects in North America, on 1 million developed acres and 2.1 million undeveloped acres, which support a drilling program of over 600 gross wells/year including 150 exploration wells.

- EOG's extensive use of 3-D seismic, on- and off-shore to upgrade prospects. EOG has repeatedly demonstrated the cost effectiveness of this approach, especially in its onshore development. Over 70% of wells now utilize 3-D, up from 5% in 1993.

- EOG's consistent reductions in drilling times and costs, resulting in lower development costs than its peers. EOG has demonstrated a cost advantage of 20-30% in numerous drilling locations, which directly improves the returns of the entire exploration, development and reinvestment cycle.

- EOG's ability to internally generate prospects generally provides much higher returns than acquisitions.

- EOG accelerates production, sells into premium markets in affiliation with Enron and makes opportunistic asset sales to maximize the present value of reserves.

- All of the above contribute to generating higher returns and greater cash generation from production, allowing for higher reinvestment and compounding of accelerated growth over time.

- EOG is increasingly using this expertise to expand internationally as host nations recognize the potential to benefit from partnering with EOG and, in some instances, Enron Development's ability to develop markets for production.

- EOG encourages a culture of decentralized management, with significant autonomy and accountability among its seven North American divisions, and a reliance on employees' long-term experience to develop and implement successful strategies in the field.

Enron's Reduced Stake May Prompt More Exploration

Enron effectively owned 52% of EOG shares at the end of 2Q96, down from 80% prior to the December 1995 stock and note offering. (This 52% excludes 7% of EOG shares linked to notes that must be converted into shares in 1998.) Over time, we expect Enron's ownership to drop to just over 50%, although we wouldn't rule out an offering that could take ownership down to as low as 20%. Liquidity in EOG's shares has increased substantially since the December offering as the public float and average daily trading volume have both more than doubled, to 66 million shares and 300,000 shares, respectively.

We think EOG may be willing to modestly increase the risks in its exploration program to achieve faster growth, in part as a result of Enron's reduced ownership. Due to its reduced stake in EOG, Enron has proportionally less exposure to the costs associated with increased exploration risk, especially as EOG begins to explore on several deepwater leases it just won in the Gulf of Mexico.

Enron's reduced ownership may also influence EOG's appetite for debt. EOG has a conservative 19% debt to total capitalization ratio and could comfortably afford to double its debt with a $300 million acquisition.

So far in 1996, EOG's production has been below plan primarily because it has taken longer than expected to increase production in the Rocky Mountains and offshore regions and partially as a result of asset sales. At this point we think most of the lag between drilling and production has been overcome and production now appears to be on a steady climb. We think that long-term growth in North America of a very respectable 10% can be sustained with current operations, but potentially faster growth rates will probably require some exploration success over the next 2-3 years. Our current estimates do not include success in deepwater exploration, with possible production in 1999 at the earliest.

EOG Is Able to Shift Its Focus to Capture Opportunities

EOG's ability to shift its focus and adapt its operating discipline to take advantage of new opportunities, is perhaps, one of its least appreciated strengths. In our opinion, EOG has done this more successfully than other large producers. We have seen EOG accomplish significant changes twice in the six years since its IPO. The first was to shift resources towards exploring for gas subject to section 29 tax credits (Tight Gas Sands), as it assembled acreage and completed a fast-paced drilling program that increased tax incentivized production from 0 to 300 MMcf/d in three years. The success of this venture, aside from production growth and successful reinvestment, was also evident in EOG's profitability throughout the period. The second dramatic change has taken place over the last two years as EOG moved aggressively into international development, achieved production within a year and reduced its reliance on North America. We attribute part of its success in winning and developing international concessions to EOG's track record for low cost and rapid project development, and part to Enron's global reach and the availability of its expertise. EOG has identified low risk development projects in Trinidad, India and Venezuela that are capable of increasing near-term production and have considerable exploration upside, where EOG can apply the same operating principles it has used successfully in the U.S. By 1999-2000, we expect EOG to supplement this growth with exploration on deepwater blocks in the Gulf of Mexico. EOG also has long lead-time projects under consideration in China, Mozambique and Uzbekistan, which could turn into core producing properties.

EOG Sees Big Potential in Opening of World Markets

EOG and Enron see a considerable opportunity being created by the shift in economic and energy policies around the world. In many instances countries privatizing their resources to develop their economies are offering more access and more advantageous terms than in the past. In Trinidad, Uzbekistan, Mozambique and Qatar, extensive reserves have been identified. The challenge is now to develop a market to support economical production and this fits well with Enron Development's activities.

At the end of 1995, EOG had international reserves of 431 Bcfe. Probable reserves on projects currently in development and in negotiation in India, Trinidad, Venezuela and China could increase international reserves to 2.5 Tcfe over the next four years. Including possible reserves from long-term projects currently in negotiation in Uzbekistan, Mozambique, Algeria and Qatar, gives EOG the astounding reserve potential of 20 Tcfe.

EOG's exposure to opportunities of this magnitude suggests that it could grow much more rapidly 3-5 years from now.

EOG Annual Production: 1993-98E

	1993	1994	1995	1996E	1997E	1998E
Natural Gas (MMcf/d)						
US	649.0	614.3	575.8	613.0	680.0	750.0
Canada	58.0	72.0	74.5	104.5	110.0	130.0
North America	703.0	686.3	650.3	717.5	790.0	880.0
India					30.0	80.0
Venezuela						
Trinidad	2.0	63.3	113.5	125.8	125.0	125.0
Total Natural Gas	709.0	749.5	763.8	843.3	945.0	1085.0
Oil and Condensate (Mb/d)						
US	6.6	8.0	9.3	9.0	11.0	12.0
Canada	2.2	2.0	2.5	2.5	3.0	3.2
North America	8.8	10.0	11.8	11.5	14.0	15.2
India		0.1	2.4	2.7	3.5	7.0
Venezuela						3.0
Trinidad	0.1	2.6	5.1	5.7	6.0	7.0
Total Oil & Condensate	8.9	12.6	19.3	19.9	23.5	32.2
Total MMcfe/d	762.4	825.3	879.3	962.4	1086.0	1278.2
YOY % Change		8.2%	6.5%	9%	13%	18%

Source: Company reports and SBC Warburg Inc. estimates

Reserves Have Grown Consistently

Total reserves have increased by an average of 11% over the last three years. EOG has replaced 150% of annual production through drilling in each of those years and has averaged 173% overall reserve replacement in that time.

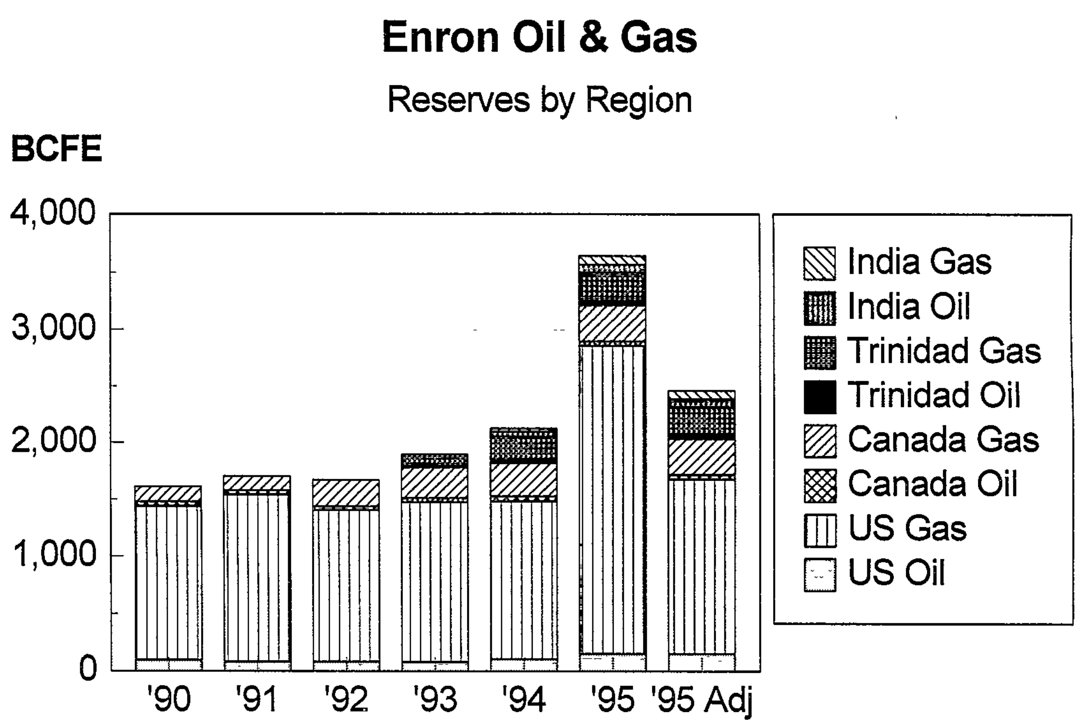
EOG reserves, as seen in the following table, are increasing internationally as a percentage of total reserves. This trend should accelerate as international drilling continues. India and Trinidad are projected to have 1.7 Bcfe combined reserve potential.

Note: we show 1995 reserve data, as reported and adjusted for the 1180 Bcf of undeveloped, low Btu, deep gas reserves at Big Piney in the Rocky Mountains. These reserves are not likely to be produced until economical power projects that can utilize this low-Btu gas, are developed in the area.

EOG Reserves by Region

Reserves by Region	1990	1991	1992	1993	1994	1995	1995Adj
Bcf equivalent							
US Gas	1343.5	1455.9	1440.4	1400.7	1378.3	2708.3	1528.3
US Oil	97.6	82.9	83.2	79.0	106.7	152.4	152.4
Canada Gas	131.5	128.9	232.5	271.0	296.6	313.9	313.9
Canada Oil	41.1	39.1	32.1	32.8	44.0	39.5	39.5
Trinidad Gas				100.5	206.2	245.5	245.5
Trinidad Oil				13.3	26.6	41.2	41.2
India Gas					29.3	75.0	75.0
India Oil					45.5	69.3	69.3
Total Reserves Bcfe	1613.8	1706.8	1788.2	1897.4	2133.2	3645.1	2465.1
Percentage by Region							
US Gas	83%	85%	81%	74%	65%	74%	62%
US Oil	6%	5%	5%	4%	5%	4%	6%
Canada Gas	8%	8%	13%	14%	14%	9%	13%
Canada Oil	3%	2%	2%	2%	2%	1%	2%
Trinidad Gas				5%	10%	7%	10%
Trinidad Oil				1%	1%	1%	2%
India Gas					1%	2%	3%
India Oil					2%	2%	3%

Source: Company reports and SBC Warburg Inc. estimates



Source: Company reports and SBC Warburg Inc. estimates

Enron Operations—Well Managed, Steady Growth

Enron Operations (EOC) operates most of Enron's assets around the world. These include the world's largest gas pipeline (transmission) system outside of Russia, Enron's liquids business (whose sale is currently being considered) and power facilities with 3800 MW generating capacity. It also provides worldwide engineering and construction (E&C) support to Enron Development and other parties. EOC is Enron's slowest growing reporting segment on a percentage basis, but in absolute dollars its incremental contribution is still quite important and its services are vital to Enron's overall expansion plans. It accounts for over 40% of operating income and contributes significant free cash flow for investment in other businesses. Operating income in 1995 increased 10%, to $443 million, primarily on the strength of rising engineering and construction profits. We estimate income from Enron Operations will grow at a 6-10% annual rate long-term through a combination of pipeline cost-cutting, expansion projects and growth in construction.

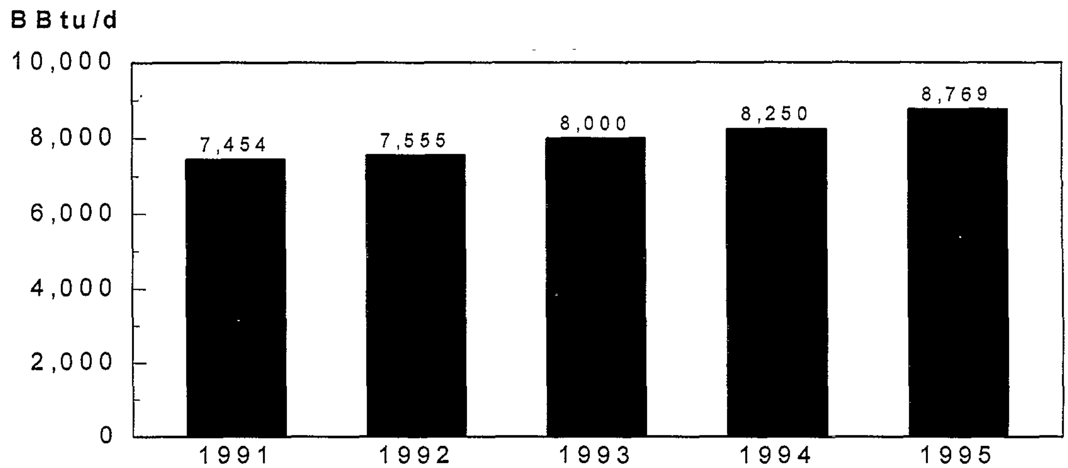
EOC's successful record in the construction of international projects lends significant support to EDC's efforts and provides Enron with far greater control (less risk) over projects than if an outside contractor were used. EOC estimates its fees run at roughly 3-4% of a project's cost. Using EDC's risk adjusted portfolio, construction profits could exceed $200 million over the next five years.

Expansion Opportunities

Enron pipelines currently have three notable expansion projects on Transwestern, Northern Natural Gas, and Northern Border. Transwestern put the 100 MMcf/d San Juan expansion into service in July and will add the 255 MMcf/d San Juan Lateral expansion in December. Transwestern has already cut costs and will increase gas flow to the east with the addition of these projects, which should offset the revenue loss from the November 1, 1996 turnback of 457 MMcf/d in California. Northern Natural Gas has plans to file a 300-400 MMcf/d expansion to meet market area growth in Minnesota over the next 4-5 years, which is estimated to cost $120-150 million. Northern Border has filed for a 700 MMcf/d expansion of service from the Canadian border into the Midwest and Chicago. This project has an advantage over other proposals to move Canadian gas and appears to be the most economical way to bring the next large increment of Canadian gas into the U.S.

Enron's interstate pipeline throughput has been growing by an average of 4% annually since 1991 which, in the slow-growth U.S. pipeline industry, is a good performance. Going forward, we expect to see continued vigilance to lower costs to deal with increasing competition. We think incremental pipeline earnings growth could be better than expected with FERC leaning towards some form of incentive rates and Enron likely to be quite innovative in finding a way to increase returns.

Interstate Pipeline Throughput



Source: Company reports and SBC Warburg Inc. estimates

Enron Corp
Income Statement

	1992	1993	1994	1995	1996E	1997E	1998E
Operating Income							
Gas Pipeline/Operations	378.3	382.2	403.1	442.6	546.1	510.0	550.8
Capital & Trade Resources	146.5	196.8	202.2	232.5	282.8	338.7	414.6
International/Power	33.1	131.4	147.7	142.1	164.6	200.8	241.0
Exploration & Prod	102.1	129.1	197.9	240.7	207.6	242.7	304.1
Portland General						210.0	350.0
Liquid Fuels	55.9						
Other	51.3	-41.9	-6.5	-27.3	26.5	30.0	20.0
Earnings Before Interest & Taxes	767.2	797.6	944.4	1040.6	1227.6	1532.2	1880.5
Minority Interest (E&P, EOTT)	-17.6	-27.6	-29.6	-44.1	-61.9	-116.3	-117.6
Interest Expense	-330.3	-300.2	-274.9	-284	-260.1	-285.0	-330.0
Preferred Stock of Sub.		-2.1	-19.9	-31.8	-32.1	-32.0	-32.0
Income Before Taxes	419.3	467.7	620	670.7	873.5	1098.8	1400.8
Taxes	-90.5	-81.3	-166.6	-150.8	-274.2	-351.6	-448.3
Tax Rate	21.6%	17.4%	26.9%	22.5%	31.4%	32.0%	32.0%
Earnings Continuing Operations	328.8	386.4	453.4	519.9	599.3	747.2	952.6
Preferred Dividends	-22.1	-10.5	-10.0	-15.2	-15.2	-15.2	-15.0
Average Shares	220.0	239.0	243.4	244.0	250.0	272.0	295.0
EPS Continuing operations	$1.39	$1.55	$1.80	$2.07	$2.35	$2.70	$3.15
Extraord Item/Tax Change	-22.6	-54					
EPS w/Items	$1.29	$1.35					
Cash Flow							
Earnings Cont. Op.	328.8	386.4	453.4	519.9	599.3	747.2	952.6
DD&A	376.0	458.2	441.4	431.6	449.5	500.0	550.0
Exploration Expense	101.3	75.7	83.9	78.7	78.3	95.0	110.0
Deferred Taxes	-14.6	51.2	92.9	216.1	181.0	200.0	220.0
Amort. of TOP settlements	101.3	89.2	90.6	25.9	18.5	15.0	5.0
Op. Cash Flow	892.7	1060.7	1162.2	1272.1	1326.6	1557.2	1837.6
CFPS	$4.00	$4.40	$4.70	$5.15	$5.25	$5.70	$6.20
EBITDA	1143.2	1255.8	1385.8	1472.2	1677.0	2032.2	2430.5
EBITDA/Share	$5.20	$5.25	$5.69	$6.03	$6.71	$7.47	$8.24

Source: Company reports and SBC Warburg Inc. estimates

Enron Oil & Gas
Income Statement

	1992	1993	1994	1995	1996E	1997E	1998E
Production							
Natural Gas (MMcf/d)							
US	534.0	649.0	614.3	575.8	613.0	680.0	750.0
Canada	30.0	58.0	72.0	74.5	104.5	110.0	130.0
Total North America	564.0	707.0	686.3	650.3	717.5	790.0	880.0
Trinidad		2.0	63.3	113.5	125.8	125.0	125.0
India						30.0	80.0
Venezuela							
Total ROW	0.0	2.0	63.3	113.5	125.8	155.0	205.0
Total Gas Production	564.0	709.0	749.5	763.8	843.3	945.0	1085.0
Oil and Condensates (Mb/d)							
US	6.3	6.6	8.0	9.3	9.0	11.0	12.0
Canada	2.2	2.2	2.0	2.5	2.5	3.0	3.2
Total North America	8.5	8.8	10.0	11.8	11.5	14.0	15.2
Trinidad		0.1	2.6	5.1	5.7	6.0	7.0
India			0.1	2.4	2.7	3.5	7.0
Venezuela							3.0
Total ROW	0.0	0.1	2.7	7.5	8.4	9.5	17.0
Total Oil & Condensate	8.5	8.9	12.6	19.3	19.9	23.5	32.2
Total MMcfe/d	615.0	762.4	825.3	879.3	962.4	1086.0	1278.2
YOY % Change	13.4%	24.0%	8.2%	6.5%	9.5%	12.8%	17.7%
Average Sales Price							
Natural Gas	$1.58	$1.92	$1.62	$1.29	$1.59	$1.65	$1.70
Oil	$17.90	$16.37	$15.62	$16.78	$19.49	$19.95	$18.58
Revenues							
Natural Gas	389.0	505.2	489.9	452.1	692.3	608.1	712.1
Oil	58.9	55.8	76.3	124.4	140.8	171.1	218.3
Gains on Asset Sales	6.0	13.3	54.0	62.8	19.5	25.0	25.0
Other	5.1	6.7	5.6	9.4	5.0	5.0	5.0
Total Revenues	459.0	581.0	625.8	648.7	710.5	809.2	960.4
Expenses							
Production	49.4	59.3	60.4	69.5	78.7	89.1	104.9
Exploration	33.3	36.9	41.8	42.0	47.4	53.6	63.1
G&A	36.6	45.3	51.4	56.6	57.8	65.4	77.0
DD&A	179.8	249.7	242.2	216.0	244.3	276.4	325.4
Other							
Dry Hole	10.8	18.4	17.2	12.9	10.1	12.0	14.0
Impairment	15.1	20.5	24.9	23.7	19.8	20.0	20.0
Taxes, other than income	28.3	35.4	28.3	32.6	45.5	50.0	52.0
Total Expenses	353.4	465.5	466.2	453.4	503.6	566.6	656.3
Operating Income	105.6	115.6	159.6	195.3	206.9	242.7	304.1
Other Income	-3.5	6.6	2.8	0.7	0.0	0.0	0.0
Interest Expense							
Interest Capitalized							
Net Interest Expense	-22.3	-9.9	-8.5	-11.9	-13.4	-14.0	-15.0
Inc Before Taxes, Acc't Change	79.8	112.3	153.9	184.0	193.5	228.7	289.1
Income Taxes Projected		-39.5	-42.4	-62.7	-58.9	-68.6	-86.7
Income Tax Credit		65.2	36.5	20.8	14.0	10.0	8.0
Net Income Tax	17.7	25.8	-5.9	-41.9	-44.9	-58.6	-78.7
Net Income	97.6	138.0	148.0	142.1	148.6	170.1	210.4
Shares	154.5	160.0	159.8	159.8	159.9	159.9	159.9
Earnings Per Share	$0.63	$0.86	$0.93	$0.89	$0.95	$1.06	$1.32
Cash Flow							
Net Income	97.7	138.0	148.0	142.1	148.0	170.1	210.4
DD&A	179.8	249.7	242.2	216.0	244.3	276.4	325.4
Dry Hole Expense	10.8	18.4	17.2	12.9	10.1	12.0	14.0
Impairment	15.1	20.5	24.9	23.7	19.8	20.0	20.0
Exploration	33.3	36.9	41.8	42.0	47.4	53.6	63.1
Deferred Taxes	-17.9	25.6	-20.0	46.0	80.0	100.0	100.0
Other	2.0	2.0	0.0	0.0	0.0	0.0	0.0
Total	320.7	491.0	454.1	482.8	549.6	632.1	732.9
Cash Flow Per Share	$2.05	$3.07	$2.85	$3.00	$3.44	$3.95	$4.58

Source: Company reports and SBC Warburg Inc. estimates

Stocks priced at the market close, October 11, 1996.

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Within the last three years SBC Warburg Inc. or a predecessor firm managed or comanaged a public offering of the securities of Enron Oil & Gas.