



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 16, 2010

Enerplus Resources Fund (ERF) Attractive for 9% Distribution Yield

<i>Symbol</i>	ERF	<i>Ebitda Next Twelve Months ending 3/31/11 (US\$m)</i>	730
<i>Rating</i>	Low McDep	<i>North American Natural Gas/Ebitda (%)</i>	33
<i>Price (US\$/sh)</i>	23.93	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/15/10	<i>Adjusted Reserves/Production NTM</i>	9.7
<i>Shares (mm)</i>	177	<i>EV/Ebitda</i>	7.1
<i>Market Capitalization (US\$m)</i>	4,240	<i>PV/Ebitda</i>	8.5
<i>Debt (US\$m)</i>	930	<i>Probable Reserves (%)</i>	25
<i>Enterprise Value (EV) (US\$m)</i>	5,160	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	29.20
<i>Present Value (PV) (US\$m)</i>	6,240	<i>Present Value Proven and Probable Reserves(US\$/boe)</i>	22.60
<i>Net Present Value (US\$/share)</i>	30	<i>Oil and Gas Ebitda Margin (%)</i>	62
<i>Debt/Present Value</i>	0.15	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.38
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	62
<i>Dividend Yield (%/year)</i>	9.0	<i>Indicated Annual Dividend (US\$/sh)</i>	2.15
Note: Estimated cash flow and earnings tied to one-year futures prices for oil, natural gas and refinery crack.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu.			

Summary and Recommendation

We believe that the units of **Enerplus Resources Fund (ERF)** are attractive for income investors on the basis of a high distribution, sound management and low McDep Ratio. The Canadian Income Trust currently distributes C\$0.18 a month for an indicated annual distribution yield of 9.0%. Under current oil price expectations, management apparently intends to maintain the same rate when the trust becomes a corporation next year. Chief executive Gordon Kerr has kept past payouts within conservative income parameters and has been quick to adjust distributions and debt to changing global conditions. In a classic sense, our increased interest in the stock is triggered by the lowest McDep Ratio, shared with one other stock, among the 22 in our expanding small cap and income coverage. For immediate growth, Mr. Kerr has positioned Enerplus as an early driller in the oil shale frontier of North Dakota, Saskatchewan and Manitoba. More recently, Enerplus is a 30% partner with a private company shale gas pioneer that allows it to jump start its own operated effort in the Marcellus formation in Appalachia. Longer term, the trust, soon-to-be company, owns valuable resource rights in the Kirby oil sands area of Alberta where future operations, possibly with an overseas partner, beckon. Finally, the stock trades in an uptrend with current quote above its 200-day average, reinforced by long-term oil price also in an uptrend by the same measure.

Kurt H. Wulff, CFA



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Enerplus Resources Fund					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	240	8.3	10.8	2,600	42%
Oil	490	11.6	7.4	3,630	58%
	730	9.7	8.5	6,230	100%
Debt (US\$mm)					930
Net Present Value (US\$mm)					5,300
Shares (mm)					177
Net Present Value - Standard Estimate (US\$/sh)					30
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					29

Enerplus Resources Fund				
Natural Gas and Oil Reserves				
	<i>Natural Gas</i>	<i>Oil</i>	<i>Total</i>	
	<i>(bcf)</i>	<i>(mmb)</i>	<i>(bcf)</i>	<i>(mmb)</i>
<i>Reserves (bcf or mmb)</i>				
Proven and Probable (P1+P2)	1038	172	2070	345
Proven (P1)	754	132	1546	258
Probable (P2)	284	40	524	87
<i>Production, Next Twelve Months</i>	108	13.1	187	31
<i>Reserve Life Index (years)</i>				
R/P (P1+P2)	9.6	13.1	11.1	11.1
R/P (P1)	7.0	10.0	8.3	8.3
R/P (P2)	2.6	3.0	2.8	2.8
R/P (P1+.5P2)	8.3	11.6	9.7	9.7



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Enerplus Resources Fund									
Next Twelve Months Operating and Financial Estimates									
									Next Twelve Months
	Q1 3/31/09	Q4 12/31/09	Year 2009	Q1E 3/31/10	Q2E 6/30/10	Q3E 9/30/10	Q4E 12/31/10	Year 2010E	3/31/11
Volume									
Natural Gas (mmcf)	339	306	327	297	297	297	297	297	297
Oil (mbd)	38	36	37.1	36	36	36	36	36.0	36.0
Total (mb)	8.55	7.99	33.42	7.70	7.78	7.87	7.87	31.21	31.21
Total (mbd)	95.0	86.8	91.6	85.5	85.5	85.5	85.5	85.5	85.5
Price									
Henry Hub (\$/mmbtu)	4.90	4.16	3.99	5.32	3.98	4.32	4.86	4.62	4.59
Currency (US\$/C\$)	0.80	0.95	0.88	0.96	1.00	1.00	1.00	0.99	1.00
Henry Hub (C\$/mmbtu)	6.09	4.40	4.53	5.53	3.99	4.33	4.87	4.67	4.60
Differential (\$/mmbtu)	0.96	0.34	0.62	0.42	0.31	0.33	0.37	0.35	0.35
Company (\$/mcf)	5.13	4.06	3.91	5.11	3.69	4.00	4.50	4.32	4.25
WTI Cushing (\$/bbl)	42.96	76.09	61.70	78.67	84.54	87.09	88.49	84.70	87.20
WTI Cushing (C\$/bbl)	53.43	80.34	70.10	81.82	84.75	87.30	88.71	85.68	87.42
Differential	11.21	13.74	13.46	13.99	16.27	16.76	17.03	16.04	16.78
Company (\$/bbl)	42.22	66.60	56.64	67.82	68.48	70.54	71.68	69.64	70.64
Total (\$/bbl)	35.41	41.79	36.91	46.30	41.64	43.59	45.81	44.33	44.50
Revenue (C\$m)									
Natural Gas	157	114	466	137	100	109	123	468	461
Oil	146	220	768	220	224	234	237	915	928
Royalty	(55)	(52)	(207)	(55)	(50)	(53)	(56)	(215)	(216)
Total	248	282	1,027	301	274	289	304	1,168	1,173
Expense									
Operating	90	82	354	83	82	82	83	329	329
Other	19	28	88	28	28	28	28	112	112
Total	109	110	442	111	110	110	111	441	441
Ebitda	139	172	585	190	164	179	194	727	731
Deprec., Deplet., & Amort.	163	165	650	150	151	153	153	607	607
Other Non Cash	(62)	(6)	(119)					-	-
Ebit	37	13	53	41	12	26	41	120	124
Interest	12	17	56	14	14	14	14	56	56
Ebt	25	(4)	(3)	27	(2)	12	27	64	68
Income Tax	(26)	(8)	(93)					-	-
Net Income (\$mm)	51	4	90	27	(2)	12	27	64	68
Per Share (\$)	0.31	0.02	0.54	0.15	(0.01)	0.07	0.15	0.36	0.39
Shares (millions)	166	177	168	177	177	177	177	177	177
Distributions (\$mm)	101	96	378	96	96	96	96	382	382
Per Share (\$)	0.61	0.54	2.23	0.54	0.54	0.54	0.54	2.16	2.16
Ebitda Margin	56%	61%	57%	63%	60%	62%	64%	62%	62%



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	Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	Present Value by Segment (%)			Dist. NTM (\$/un)	Dist. Yield (%)	McDep Ratio
					NAmer. Natural Gas	Oil Prod'n				
	B = Buy CB (see below)	15-Apr 2010	Cap							
Canadian Income Trusts (US\$)										
Penn West Energy Trust	PWE	20.50	1.48	12,800	22	78	1.79	8.8	1.05	
Pengrowth Energy Trust	PGH	11.50	1.44	4,800	37	63	0.84	7.3	1.03	
Peyto Energy Trust	PEYUF	13.50	1.27	1,960	80	20	1.44	10.6	0.92	
Enerplus Resources Fund	ERF	23.93	1.22	5,200	42	58	2.15	9.0	0.83	
Canadian Oil Sands Trust	COSWF B	30.92	1.09	16,400		100	1.40	4.5	0.83	
<i>Total or Median</i>				41,200					0.92	
Small Cap Independent Producers										
Range Resources	RRC	51.04	1.25	10,020	70	30	0.12	0.2	1.32	
Petro-Hawk	HK	22.94	1.38	9,650	96	4	-	-	1.29	
Whiting Petroleum Corporation	WLL	85.47	1.31	6,540	15	85	-	-	1.06	
Cimarex Energy Company	XEC B	64.53	1.13	6,030	62	38	0.32	0.5	0.99	
Ultra Petroleum	UPL	47.74	1.14	8,370	94	6	-	-	0.98	
Berry Petroleum Company	BRY	31.39	1.82	2,570	31	69	0.30	1.0	0.94	
Birchcliff Energy Ltd. (US\$)	BIREF	8.97	1.20	1,440	77	23	-	-	0.84	
<i>Total or Median</i>				43,200					1.03	
Top Line Cash Payers										
Sabine Royalty Trust	SBR	50.40	1.00	740	39	61	3.58	7.1	1.12	
Permian Basin RT	PBT	18.63	1.00	870	27	73	1.32	7.1	1.03	
Freehold Royalty Trust (US\$)	FRHLF	17.45	1.11	1,110	29	71	1.67	9.6	1.02	
Cross Timbers Royalty Trust	CRT	34.00	1.00	200	78	22	2.72	8.0	1.00	
Dorchester Minerals, L.P.	DMLP B	23.22	1.02	710	67	33	1.90	8.2	0.86	
<i>Total or Median</i>				3,600					1.02	
Bottom Line Cash Payers										
Linn Energy, LLC	LINE	26.10	1.50	4,460	44	56	2.52	9.7	1.30	
Encore Energy Partners, L.P. (52%)	ENP	20.88	1.28	630	23	77	2.15	10.3	1.17	
San Juan Basin Royalty Trust	SJT B	23.13	1.00	1,080	100	-	1.47	6.4	1.01	
Mesa Royalty Trust	MTR	43.60	1.00	81	75	25	3.62	8.3	0.91	
Hugoton Royalty Trust	HGT B	17.73	1.00	710	90	10	1.29	7.3	0.84	
<i>Total or Median</i>				7,000					1.01	
Composite (excl COSWF)										
<i>Enterprise Value Weighting</i>				80,000	56	44			1.07	
<i>Equal Weighting</i>					57	43			1.03	
<i>Equal Weighted Buys</i>					70	30			0.93	

CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.
 McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses.
 Present Value presumes long-term prices of \$75 a barrel for oil and \$8 a million btu for natural gas.
 Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2011. Enterprise Value = Market Cap and Debt.



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Table 2

McDep Income and Small Cap Energy Portfolio Net Present Value and McDep Ratio

			<i>Price</i>			<i>Net</i>		
			<i>(\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>Symbol/</i>		<i>15-Apr</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
	<i>Rating</i>		<i>2010</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/un)</i>	<i>Value</i>	<i>Ratio</i>
Canadian Income Trusts (US\$)								
Penn West Energy Trust	PWE		20.50	420.7	8,620	19.00	0.34	1.05
Pengrowth Energy Trust	PGH		11.50	290.0	3,340	11.00	0.32	1.03
Peyto Energy Trust	PEYUF		13.50	114.9	1,550	15.00	0.19	0.92
Enerplus Resources Fund	ERF		23.93	177.0	4,240	30.00	0.15	0.83
Canadian Oil Sands Trust	COSWF	B	30.92	484.0	14,970	38.00	0.07	0.83
<i>Total or Median</i>					32,700		0.19	0.92
Small Cap Independent Producers								
Range Resources	RRC		51.04	160.0	8,030	35.00	0.26	1.32
Petro-Hawk	HK		22.94	302.0	7,000	16.00	0.35	1.29
Whiting Petroleum Corporation	WLL		85.47	59.0	5,000	78.00	0.25	1.06
Cimarex Energy Company	XEC	B	64.53	82.6	5,330	65.00	0.12	0.99
Ultra Petroleum	UPL		47.74	151.0	7,370	50.00	0.12	0.98
Berry Petroleum Company	BRY		31.39	45.0	1,410	35.00	0.42	0.94
Birchcliff Energy Ltd. (US\$)	BIREF		8.97	134.0	1,200	11.00	0.14	0.84
<i>Total or Median</i>					35,340		0.25	0.99
Top Line Cash Payers								
Sabine Royalty Trust	SBR		50.40	14.6	740	45.00	-	1.12
Permian Basin RT	PBT		18.63	46.6	870	18.00	-	1.03
Freehold Royalty Trust (US\$)	FRHLF		17.45	57.2	1,000	17.00	0.10	1.02
Cross Timbers Royalty Trust	CRT		34.00	6.0	200	34.00	-	1.00
Dorchester Minerals, L.P.	DMLP	B	23.22	29.8	690	27.00	0.02	0.86
<i>Total or Median</i>					3,500			1.02
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		26.10	114.0	2,980	17.00	0.43	1.30
Encore Energy Partners, L.P. (52%)	ENP		20.88	23.4	490	17.00	0.26	1.17
San Juan Basin Royalty Trust	SJT	B	23.13	46.6	1,080	23.00	-	1.01
Mesa Royalty Trust	MTR		43.60	1.9	81	48.00	-	0.91
Hugoton Royalty Trust	HGT	B	17.73	40.0	710	21.00	-	0.84
<i>Total or Median</i>					5,340			1.01

B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.

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

Present Value presumes long-term prices of \$75 a barrel for oil and \$8 a million btu for natural gas.



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			<i>Price (\$/sh)</i>	<i>Revenue</i>	<i>Dist/ Equity</i>	<i>Adjstd Resrvs/ Prod</i>	<i>PV/ Ebitda</i>	<i>EV/ Ebitda</i>
	<i>Symbol/ Rating</i>		<i>15-Apr 2010</i>	<i>Royalty (%)</i>	<i>Ebitda</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
Canadian Income Trusts (US\$)								
Peyto Energy Trust	PEYUF		13.50		1.23	25.0	12.9	11.8
Canadian Oil Sands Trust	COSWF	B	30.92		0.40	31.4	10.8	8.9
Pengrowth Energy Trust	PGH		11.50		0.63	9.7	8.3	8.5
Penn West Energy Trust	PWE		20.50		0.75	9.9	8.0	8.4
Enerplus Resources Fund	ERF		23.93		0.61	9.7	8.5	7.1
	<i>Median</i>					9.9	8.5	8.5
Small Cap Independent Producers								
Range Resources	RRC		51.04		-	13.5	11.9	15.6
Birchcliff Energy Ltd. (US\$)	BIREF		8.97		-	12.0	16.0	13.5
Ultra Petroleum	UPL		47.74		-	14.7	13.6	13.3
Petro-Hawk	HK		22.94		-	7.8	9.8	12.6
Berry Petroleum Company	BRY		31.39		-	12.9	8.1	7.6
Whiting Petroleum Corporation	WLL		85.47		-	10.9	6.8	7.2
Cimarex Energy Company	XEC	B	64.53		-	7.0	6.0	5.9
	<i>Median</i>					12.0	9.8	12.6
Top Line Cash Payers								
Sabine Royalty Trust	SBR		50.40	100	1.00	9.4	12.6	14.1
Permian Basin RT	PBT		18.63	32	0.90	21.2	12.3	12.7
Cross Timbers Royalty Trust	CRT		34.00	84	0.96	13.4	12.1	12.1
Dorchester Minerals, L.P.	DMLP	B	23.22	64	0.98	7.9	13.9	12.0
Freehold Royalty Trust (US\$)	FRHLF		17.45	71	0.81	8.3	8.3	8.5
	<i>Median</i>					9.4	12.3	12.1
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		26.10		1.67	18.7	11.3	14.7
San Juan Basin Royalty Trust	SJT	B	23.13		0.79	13.7	12.3	12.4
Mesa Royalty Trust	MTR		43.60		0.91	8.5	12.0	10.9
Hugoton Royalty Trust	HGT	B	17.73		0.75	12.3	12.2	10.3
Encore Energy Partners, L.P.	ENP		20.88		1.06	12.6	8.4	9.8
	<i>Median</i>					12.6	12.0	10.9
B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2011; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								
Top Line Cash Payers defined as those having Revenue Royalty (see fifth column from right).								



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