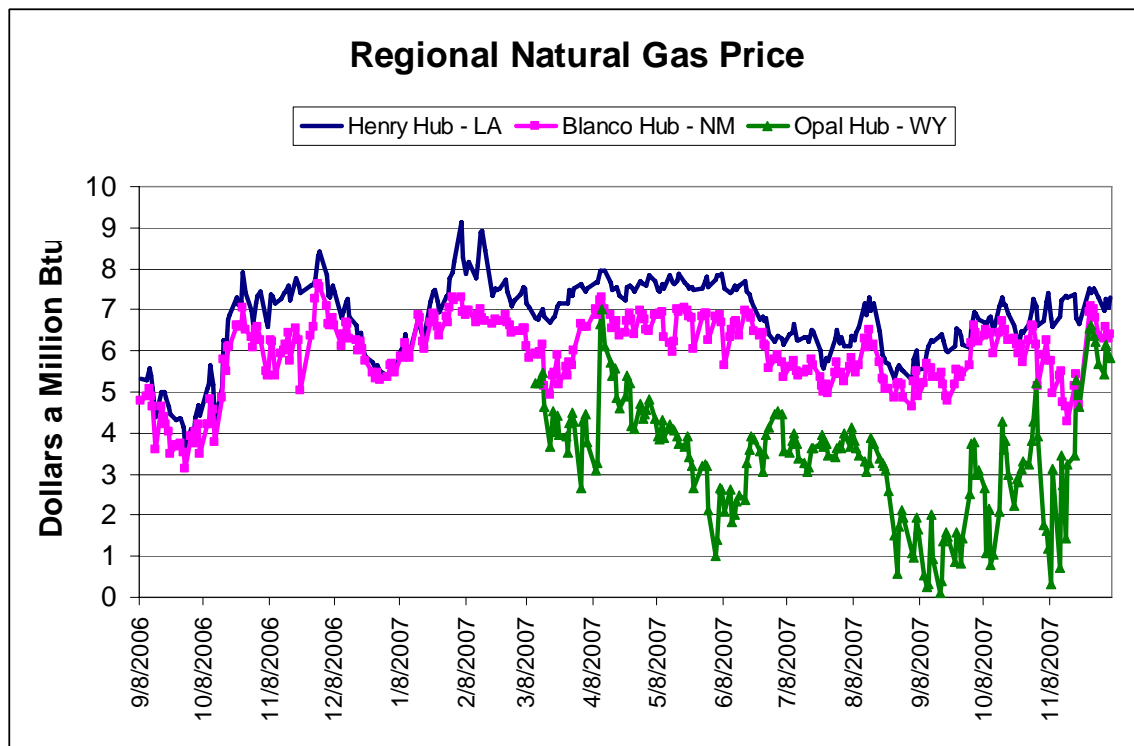


Price Gap Narrows for Rockies Natural Gas

Summary and Recommendation

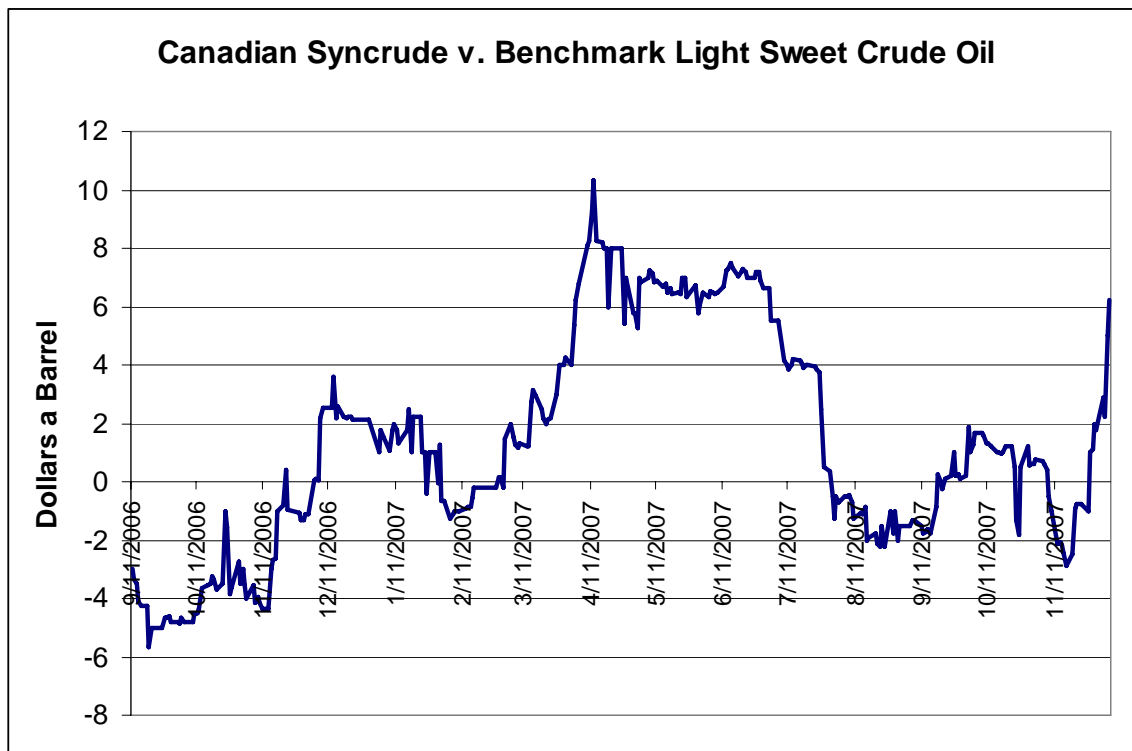
Downward pressure on the distribution of buy-recommended **Hugoton Royalty Trust (HGT)** may be lifting as winter natural gas demand and imminent new pipeline capacity bring back the Rockies spot price (see chart [Regional Natural Gas Price](#)). Almost a third of HGT's production is in Wyoming where natural gas price apparently dipped as low as \$0.12 a million btu one day in September. HGT stock seems to have underperformed at the same time and hopefully now can do better. Separately, another regional energy quote, the price for Canadian Syncrude produced by buy-recommended **Canadian Oil Sands Trust (COSWF)** among others, widened to a premium of \$6 a barrel (see chart [Canadian Syncrude v. Benchmark Light Sweet Crude Oil](#)). Unfortunately, the apparent cause of the price move is two fires, one at Shell's upgrader in Edmonton a few weeks ago and the other at Syncrude in Fort McMurray a few days ago. Regional price distortions can be surprising, but usually normalize eventually.

Kurt H. Wulff, CFA



Source: Bloomberg, McDep

Please see disclosures on the final page.



Source: Bloomberg, McDep

Natural Gas and Oil Income Stocks - Rank by McDep Ratio

	Symbol/ Rating	Price (\$/sh) 6-Dec 2007	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
U.S. Royalty Trusts							
	SBR	49.35	14.6	720	45.00	-	1.10
	MTR	71.50	1.9	130	70.00	-	1.02
	PBT	15.05	46.6	700	16.50	-	0.91
	CRT	40.12	6.0	240	46.00	-	0.87
	SJT	B 34.37	46.6	1,600	40.00	-	0.86
	HGT	B 23.35	40.0	930	34.00	-	0.69
	<i>Total or Median</i>			4,300			0.89
Canadian Income Trusts (US\$)							
	PGH	18.08	247.0	4,470	17.00	0.27	1.05
	COSWF	B 37.12	479.0	17,780	39.00	0.07	0.95
	PWE	B 26.79	242.6	6,500	34.00	0.22	0.83
	ERF	38.98	129.4	5,040	52.00	0.13	0.78
	<i>Total or Median</i>			33,800		0.17	0.89
U.S. Master Limited Partnerships (MLPs)							
	KMP	S 52.10	179.3	9,340	17.00	0.54	1.95
	ENP	19.26	9.0	170	18.00	0.16	1.06
	LINE	23.68	114.0	2,700	25.00	0.32	0.96
	DMLP	20.35	28.2	580	27.00	-	0.75
	<i>Total or Median</i>			12,800		0.24	1.01

B = Buy, S = Sell

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

Please see disclosures on the final page.

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda

	Symbol/ Rating		Price (\$/sh) 6-Dec 2007	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	B	34.37	10.2	13.4	11.5	14.1	7.1
Sabine Royalty Trust	SBR		49.35	9.2	9.7	10.6	10.6	9.4
Mesa RoyaltyTrust	MTR		71.50	21.1	10.4	10.6	12.1	8.2
Cross Timbers Royalty Trust	CRT		40.12	13.1	11.5	10.0	10.7	9.4
Hugoton RoyaltyTrust	HGT	B	23.35	13.8	11.6	7.9	11.1	9.0
Permian Basin RT	PBT		15.05	8.2	8.4	7.7	8.7	11.5
	<i>Median</i>			<i>11.7</i>	<i>10.9</i>	<i>10.3</i>	<i>10.9</i>	<i>9.2</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	37.12	20.9	8.1	7.7	9.0	9.3
Pengrowth Energy Trust	PGH		18.08	7.4	6.6	6.9	21.5	14.9
Enerplus Resources Fund	ERF		38.98	9.7	8.3	6.5	11.3	12.9
Penn West Energy Trust	PWE	B	26.79	7.8	6.7	5.6	10.1	15.2
	<i>Median</i>			<i>8.7</i>	<i>7.4</i>	<i>6.7</i>	<i>10.7</i>	<i>13.9</i>
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	52.10	7.6	7.9	15.4	33.0	6.8
Linn Energy, LLC	LINE		23.68	20.8	14.2	13.7	55.1	9.6
Dorchester Minerals, L.P.	DMLP		20.35	9.2	12.1	9.1	14.0	10.9
Encore Energy Partners, L.P.	ENP		19.26	12.2	7.6	8.1	60.9	7.3
	<i>Median</i>			<i>10.7</i>	<i>10.0</i>	<i>11.4</i>	<i>44.0</i>	<i>8.4</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield

	Symbol	Revenue Royalty (%)	Natural Gas/ Ebitda (%)	Dist/ Ebitda	Dist/ Equity Ebitda	NTM Distribution (\$mm)	Dist. Yield (\$/un) (%)
U.S. Royalty Trusts							
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	114	2.44
Mesa RoyaltyTrust	MTR	-	65	0.88	0.88	11	5.89
Hugoton RoyaltyTrust	HGT	-	86	0.71	0.71	84	2.10
Cross Timbers Royalty Trust	CRT	84	64	0.94	0.94	23	3.76
Sabine Royalty Trust	SBR	100	51	1.00	1.00	68	4.64
Permian Basin RT	PBT	35	33	0.89	0.89	81	1.74
	<i>Total or Median</i>		<i>64</i>	<i>0.88</i>	<i>0.88</i>	<i>400</i>	<i>9.2</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	-	(6)	0.67	0.71	1,653	3.45
Enerplus Resources Fund	ERF	-	36	0.70	0.81	652	5.04
Pengrowth Energy Trust	PGH	-	35	0.77	1.05	667	2.70
Penn West Energy Trust	PWE	-	28	0.63	0.80	990	4.08
	<i>Total or Median</i>		<i>31</i>	<i>0.68</i>	<i>0.80</i>	<i>4,000</i>	<i>13.9</i>
U.S. Master Limited Partnerships (MLPs)							
Kinder Morgan Energy Partners, L.P.	KMP	-	-	0.75	1.64	631	3.52
Encore Energy Partners, L.P.	ENP	-	14	0.50	0.59	13	1.40
Linn Energy, LLC	LINE	-	64	0.88	1.29	260	2.28
Dorchester Minerals, L.P.	DMLP	64	68	1.00	1.00	63	2.23
	<i>Total or Median</i>		<i>39</i>	<i>0.82</i>	<i>1.15</i>	<i>1,000</i>	<i>8.4</i>

NTM = Next Twelve Months Ended December 31, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

Please see disclosures on the final page.

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