



Oil & Gas Income Stocks

A Weekly Analysis

October 24, 2008

Median Distribution Yield 10.5%

Summary and Recommendation

In a marketplace where stock prices and commodity prices are shifting sharply, oil and gas income stocks, by our calculations, offer a median distribution yield of 10.5% for the next twelve months, more than enough to justify long-term investment. Estimates are made using intraday quotes on October 24, not only for stock prices, but also for next twelve months deliveries of Light, Sweet Crude Oil at \$66.80 a barrel and Louisiana Natural Gas at \$6.80 a million btu. Distributions for Canadian trusts are translated to U.S. dollars, another source of surprising fluctuation this past month. Distributions that produce a yield over 20% may be sustainable for now, but tend to be associated with oil and gas properties that may need more investment to slow natural volume decline. Meanwhile the near-term action in oil price seems to be overwhelmingly driven by the same dynamics driving the pricing of all assets. Forced selling begets more forced selling and eventually slows economic activity as well. For well-capitalized investors the risk of a decline in the value of existing investments contrasts with the increasing potential reward in new investment.

Kurt H. Wulff, CFA

Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield								
		Revenue	Natural Gas/ Ebitda	Dist/ Ebitda	Dist/ Equity	NTM Distribution		Dist. Yield
	Symbol	Royalty (%)	(%)	Ebitda	Ebitda	(\$mm)	(\$/un)	(%)
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	99	0.81	0.81	107	2.29	6.5
Permian Basin RT	PBT	32	37	0.95	0.95	78	1.68	8.4
Cross Timbers Royalty Trust	CRT	84	73	0.95	0.95	23	3.84	8.9
Hugoton Royalty Trust	HGT	-	87	0.71	0.71	83	2.08	9.6
Sabine Royalty Trust	SBR	100	62	1.00	1.00	73	4.97	10.4
Mesa Royalty Trust	MTR	-	68	0.88	0.88	10	5.47	10.6
<i>Total or Median</i>			71	0.91	0.91	400		9.3
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(8)	0.92	0.95	1,349	2.80	13.5
Enerplus Resources Fund	ERF	-	46	0.67	0.75	744	4.52	20.8
Penn West Energy Trust	PWE	-	32	0.58	0.75	1,243	3.27	21.2
Pengrowth Energy Trust	PGH	-	37	0.70	0.92	537	2.16	21.3
<i>Total or Median</i>			34	0.68	0.83	3,900		21.0
U.S. Master Limited Partnerships (MLPs)								
Dorchester Minerals, L.P.	DMLP	64	73	1.00	1.00	59	2.08	10.5
Encore Energy Partners, L.P.	ENP		22	0.49	0.60	15	1.46	10.5
Linn Energy, LLC	LINE		50	0.69	1.34	287	2.52	16.3
<i>Total or Median</i>			50	0.69	1.00	400		10.5
NTM = Next Twelve Months Ended September 30, 2009								
Ebitda = Earnings before interest, tax, depreciation and amortization								



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Natural Gas and Oil Income Stocks - Rank by McDep Ratio								
			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		24-Oct 2008	(mm)				
U.S. Royalty Trusts								
Permian Basin RT	PBT		19.94	46.6	930	23.00	-	0.87
Sabine Royalty Trust	SBR		47.95	14.6	700	60.00	-	0.80
Cross Timbers Royalty Trust	CRT		43.00	6.0	260	57.00	-	0.75
San Juan Basin Royalty Trust	SJT	H	35.06	46.6	1,630	48.00	-	0.73
Mesa RoyaltyTrust	MTR		51.84	1.9	100	93.00	-	0.56
Hugoton RoyaltyTrust	HGT	B	21.63	40.0	870	42.00	-	0.51
<i>Total or Median</i>					4,500			0.74
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		10.17	248.0	2,520	24.00	0.23	0.56
Penn West Energy Trust	PWE	H	15.46	380.0	5,870	40.00	0.23	0.53
Enerplus Resources Fund	ERF		21.76	164.5	3,580	63.00	0.11	0.42
Canadian Oil Sands Trust	COSWF	B	20.77	481.0	9,990	57.00	0.04	0.39
<i>Total or Median</i>					22,000		0.17	0.47
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		15.47	114.0	1,760	30.00	0.49	0.75
Dorchester Minerals, L.P.	DMLP		19.70	28.2	560	33.00	-	0.60
Encore Energy Partners, L.P. (32%)	ENP		13.90	10.0	140	29.00	0.17	0.57
<i>Total or Median</i>					2,500		0.17	0.60
B = Buy, H = Hold								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Present Value presumes long-term prices of \$100 a barrel for oil and \$14 a million btu for natural gas.								

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/ Rating		24-Oct 2008					
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	H	35.06	10.5	17.0	12.4	15.3	6.5
Permian Basin RT	PBT		19.94	8.6	13.0	11.3	11.9	8.4
Cross Timbers Royalty Trust	CRT		43.00	13.9	14.1	10.7	11.2	8.9
Sabine Royalty Trust	SBR		47.95	8.9	12.1	9.6	9.6	10.4
Mesa RoyaltyTrust	MTR		51.84	21.1	14.9	8.3	9.5	10.6
Hugoton RoyaltyTrust	HGT	B	21.63	13.1	14.3	7.4	10.4	9.6
<i>Median</i>				11.8	14.2	10.1	10.8	9.3
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	20.77	21.6	19.3	7.5	9.6	13.5
Pengrowth Energy Trust	PGH		10.17	9.1	10.2	5.7		21.3
Penn West Energy Trust	PWE	H	15.46	7.5	9.1	4.8	6.9	21.2
Enerplus Resources Fund	ERF		21.76	9.6	10.5	4.4	16.2	20.8
<i>Median</i>				9.3	10.3	5.2	9.6	21.0
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		15.47	17.1	16.0	12.0		16.3
Dorchester Minerals, L.P.	DMLP		19.70	8.5	15.9	9.5	14.4	10.5
Encore Energy Partners, L.P.	ENP		13.90	11.9	11.8	6.7		10.5
<i>Median</i>				11.9	15.9	9.5	14.4	10.5
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2009; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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