



Oil & Gas Income Stocks

A Weekly Analysis

October 31, 2008

Reset for Recovery

Summary and Recommendation

Buy-recommended **Canadian Oil Sands Trust (COSWF)** reduced its distribution and the stock gained more than 20% for the week. Similarly we reset Net Present Value (NPV) for long-term oil price of \$75 a barrel, down from \$100. We reset NPV for long-term natural gas price for \$10 a million btu, down from \$14 (see *Meter Reader*, October 25, 2008). Meanwhile, median distribution yield is 10.2% for the next twelve months by our latest calculations. Estimates are made using closing quotes on October 31, not only for stock prices, but also for next twelve months deliveries of Light, Sweet Crude Oil at \$71.30 a barrel and Louisiana Natural Gas at \$7.20 a million btu. The timing remains favorable for long-term investment in oil and gas income stocks, in our opinion.

Kurt H. Wulff, CFA

Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield								
			Natural					
		Revenue	Gas/		Dist/			Dist.
	Symbol	Royalty	Ebitda	Dist/	Equity	NTM Distribution	NTM Distribution	Yield
		(%)	(%)	Ebitda	Ebitda	(\$mm)	(\$/un)	(%)
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	99	0.82	0.82	111	2.38	6.4
Cross Timbers Royalty Trust	CRT	84	70	0.95	0.95	21	3.57	7.8
Permian Basin RT	PBT	32	37	0.95	0.95	81	1.75	8.3
Hugoton Royalty Trust	HGT	-	86	0.71	0.71	83	2.07	8.3
Sabine Royalty Trust	SBR	100	61	1.00	1.00	75	5.12	10.6
Mesa Royalty Trust	MTR	-	68	0.88	0.88	11	5.64	10.6
<i>Total or Median</i>			69	0.91	0.91	400		8.3
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(8)	0.73	0.76	1,185	2.46	9.2
Enerplus Resources Fund	ERF	-	48	0.59	0.70	615	3.74	14.0
Penn West Energy Trust	PWE	-	33	0.63	0.92	1,270	3.34	18.7
Pengrowth Energy Trust	PGH	-	37	0.69	1.01	549	2.21	19.7
<i>Total or Median</i>			35	0.66	0.84	3,600		16.4
U.S. Master Limited Partnerships (MLPs)								
Dorchester Minerals, L.P.	DMLP	64	73	1.00	1.00	61	2.17	9.7
Encore Energy Partners, L.P.	ENP		20	0.64	0.83	19	1.80	10.1
Linn Energy, LLC	LINE		49	0.66	1.99	287	2.52	15.1
<i>Total or Median</i>			49	0.66	1.00	400		10.1
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)		Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		31-Oct 2008	Shares (mm)				
U.S. Royalty Trusts								
Permian Basin RT	PBT		20.99	46.6	980	19.00	-	1.10
San Juan Basin Royalty Trust	SJT	H	37.23	46.6	1,740	34.00	-	1.09
Cross Timbers Royalty Trust	CRT		45.49	6.0	270	42.00	-	1.08
Sabine Royalty Trust	SBR		48.40	14.6	710	47.00	-	1.03
Hugoton Royalty Trust	HGT	B	25.00	40.0	1,000	30.00	-	0.83
Mesa Royalty Trust	MTR		53.04	1.9	100	67.00	-	0.79
<i>Total or Median</i>					4,800			1.06
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		11.21	248.0	2,780	16.00	0.32	0.80
Penn West Energy Trust	PWE	H	17.86	380.0	6,790	27.00	0.31	0.77
Enerplus Resources Fund	ERF		26.71	164.5	4,390	44.00	0.16	0.67
Canadian Oil Sands Trust	COSWF	B	26.71	482.0	12,880	42.00	0.04	0.65
<i>Total or Median</i>					26,800		0.23	0.72
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		16.65	114.0	1,900	14.00	0.67	1.06
Encore Energy Partners, L.P. (32%)	ENP		17.73	10.6	190	19.00	0.23	0.95
Dorchester Minerals, L.P.	DMLP		22.41	28.2	630	24.00	-	0.93
<i>Total or Median</i>					2,700		0.23	0.95
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 \$75 a barrel for oil and \$10 a million btu for natural gas.								

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/ Rating		31-Oct 2008	NTM	NTM	NTM	NTM	
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	H	37.23	10.5	11.6	12.7	15.6	6.4
Cross Timbers Royalty Trust	CRT		45.49	14.1	11.1	12.1	12.7	7.8
Permian Basin RT	PBT		20.99	8.6	10.3	11.4	12.0	8.3
Sabine Royalty Trust	SBR		48.40	8.9	9.2	9.5	9.5	10.6
Hugoton Royalty Trust	HGT	B	25.00	13.0	10.3	8.5	12.1	8.3
Mesa Royalty Trust	MTR		53.04	21.1	10.4	8.2	9.4	10.6
<i>Median</i>				11.8	10.4	10.4	12.0	8.3
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	26.71	21.6	13.0	8.5	11.5	9.2
Pengrowth Energy Trust	PGH		11.21	9.1	7.3	5.8		19.7
Penn West Energy Trust	PWE	H	17.86	7.5	7.4	5.7	8.9	18.7
Enerplus Resources Fund	ERF		26.71	9.6	8.2	5.5	33.3	14.0
<i>Median</i>				9.3	7.8	5.7	11.5	16.4
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		16.65	17.1	11.1	11.8		15.1
Dorchester Minerals, L.P.	DMLP		22.41	8.5	11.1	10.3	15.4	9.7
Encore Energy Partners, L.P.	ENP		17.73	12.7	8.7	8.3		10.1
<i>Median</i>				12.7	11.1	10.3	15.4	10.1
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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