

## Canadians Fighting Back

### Summary and Recommendation

Canadian oil and gas income trusts including buy-recommendations **Canadian Oil Sands Trust (COSWF)** and **Penn West Energy Trust (PWE)** released a definitive analysis December 20 on why the Canadian Finance Minister and Prime Minister are mistaken in their attempt to punitively tax established oil and gas trusts (see [www.canadianenergytrusts.ca](http://www.canadianenergytrusts.ca)). The government shows no sign yet of changing course though we hope that an increasing number of lawmakers are having second thoughts. Why would any politician support a tax that destroys value for voters and raises no new revenue for the government? A year ago when the issue was brought up, the government fell soon thereafter. That may happen again, or to avoid it, there may be some accommodation in the New Year. Meanwhile, the fundamental outlook is promising and if the government turns more sensible again there might be extra stock price appreciation. Latest projections of next twelve months distribution yield are a median 8.7% for U.S. trusts and a median 10.5% for Canadian trusts in our coverage.

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### Natural Gas and Oil Royalty Trusts Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 21-Dec 2006</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/un)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>	
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	51.25	6.0	310	46.00	-	1.12	
Permian Basin RT	PBT	15.94	46.6	740	16.50	-	0.97	
Sabine Royalty Trust	SBR	42.15	14.6	620	45.00	-	0.94	
San Juan Basin Royalty Trust	SJT	B	34.25	46.6	1,600	40.00	-	0.86
Dorchester Minerals, L.P.	DMLP	21.44	28.2	610	27.00	-	0.79	
Hugoton RoyaltyTrust	HGT	26.00	40.0	1,040	34.00	-	0.76	
Mesa RoyaltyTrust	MTR	50.99	1.9	100	70.00	-	0.73	
	<i>Total or Median</i>			5,000			0.86	
<b>Canadian Income Trusts (US\$)</b>								
Enerplus Resources Fund	ERF	45.24	123.1	5,570	47.00	0.11	0.97	
Pengrowth Energy Trust	PGH	17.42	241.0	4,200	20.00	0.27	0.91	
Penn West Energy Trust	PWE	B	31.11	239.0	7,440	39.00	0.13	0.82
Canadian Oil Sands Trust	COSWF	B	27.84	479.0	13,330	35.00	0.09	0.81
	<i>Total or Median</i>			30,500		0.12	0.86	

B = Buy

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

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**Natural Gas and Oil Royalty Trusts**  
**Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.**

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 21-Dec 2006</i>	<i>Adjstd Resrvs/ Prod NTM</i>	<i>PV/ Ebitda NTM</i>	<i>EV/ Ebitda NTM</i>	<i>P/E NTM</i>	<i>Divd or Distrib NTM (%)</i>
<b>U.S. Royalty Trusts</b>							
Cross Timbers Royalty Trust	CRT	51.25		12.6	14.1	14.4	7.0
Sabine Royalty Trust	SBR	42.15		12.2	11.5	11.5	8.7
Permian Basin RT	PBT	15.94		10.7	10.3	11.5	8.7
Dorchester Minerals, L.P.	DMLP	21.44		11.8	9.3	14.8	10.1
San Juan Basin Royalty Trust	SJT	B 34.25		10.7	9.1	11.2	9.0
Mesa RoyaltyTrust	MTR	50.99		12.0	8.8	10.8	9.2
Hugoton RoyaltyTrust	HGT	26.00		10.4	8.0	12.6	7.9
	<i>Median</i>			<i>11.8</i>	<i>9.3</i>	<i>11.5</i>	<i>8.7</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF	B 27.84	23.0	12.8	10.4	14.3	6.5
Enerplus Resources Fund	ERF	45.24	9.5	7.6	7.4	16.1	9.6
Penn West Energy Trust	PWE	B 31.11	8.1	8.4	6.9	11.9	11.3
Pengrowth Energy Trust	PGH	17.42	7.1	7.0	6.4	10.5	14.9
	<i>Median</i>		<i>8.8</i>	<i>8.0</i>	<i>7.2</i>	<i>13.1</i>	<i>10.5</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2007; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

**Natural Gas and Oil Royalty Trusts**  
**Rank by NTM Distribution Yield**

	<i>Symbol</i>	<i>Revenue Royalty (%)</i>	<i>Natural Gas/ Ebitda (%)</i>	<i>Dist/ Ebitda</i>	<i>Dist/ Equity Ebitda</i>	<i>NTM Distribution (\$mm)</i>	<i>Dist. Yield (\$/un)</i>	<i>Dist. Yield (%)</i>
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	81	69	0.98	0.98	21	3.57	7.0
Hugoton RoyaltyTrust	HGT	-	91	0.63	0.63	83	2.06	7.9
Permian Basin RT	PBT	29	35	0.90	0.90	65	1.39	8.7
Sabine Royalty Trust	SBR	100	55	1.00	1.00	54	3.68	8.7
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	143	3.07	9.0
Mesa RoyaltyTrust	MTR	-	75	0.81	0.81	9	4.71	9.2
Dorchester Minerals, L.P.	DMLP	56	74	0.94	0.94	61	2.16	10.1
	<i>Total or Median</i>		<i>74</i>	<i>0.90</i>	<i>0.90</i>	<i>400</i>		<i>8.7</i>
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	-	(10)	0.60	0.66	869	1.81	6.5
Enerplus Resources Fund	ERF	-	43	0.63	0.71	536	4.36	9.6
Penn West Energy Trust	PWE	-	38	0.66	0.76	843	3.53	11.3
Pengrowth Energy Trust	PGH	-	41	0.67	0.91	625	2.59	14.9
	<i>Total or Median</i>		<i>40</i>	<i>0.65</i>	<i>0.73</i>	<i>2,900</i>		<i>10.5</i>
Kinder Morgan Energy Partners	KMP			0.75	1.70			7.2

NTM = Next Twelve Months Ended December 31, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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