

## Raise Oil Present Value

### Summary and Recommendation

On the basis of a long-term oil price expectation of \$80 a barrel, up 21% from \$66, we raise estimated Net Present Value (NPV) for oil oriented U.S. stocks **Permian Basin Royalty Trust (PBT)** to \$18 a unit from \$16.5 and **Encore Energy Partners (ENP)** to \$20 a unit from \$18. We increased NPV for Canadian Income Trusts a few days ago (see *Meter Reader*, December 18, 2007). McDep Ratios ranging from 0.67 to 0.98 imply attractive investment value for stocks that may make cash distributions ranging from 7.2% to 15.6% over the next twelve months (see tables [Rank by McDep Ratio](#), [Rank by EV/Ebitda](#) and [Rank by Distribution Yield](#)). There may be year-end buying opportunities in four stocks that appear to be under timing-related selling pressure. **Linn Energy LLC (LINE)**, buy-recommended **Penn West Energy Trust (PWE)**, **Enerplus Resources Fund (ERF)** and **Dorchester Minerals (DMLP)** are trading at the lowest ratios of stock price to trailing average (see table [Rank by Price to 200-Day Average](#)). Monthly distributions through December, declared on December 20, for PBT are advancing with oil price (see table [Revenue Royalty Trusts](#)). Monthly distributions for natural gas buy recommendations **San Juan Basin Royalty Trust (SJT)** and **Hugoton Royalty Trust (HGT)** exceeded expectations considering low industry commodity prices two months earlier (see table [Profits Royalty Trusts](#)). In a hopeful sign for future natural gas price, spot cargos of liquefied natural gas apparently are selling at \$15 a million btu in Asia, twice the U.S. Gulf Coast benchmark.

Kurt H. Wulff, CFA

### Natural Gas and Oil Income Stocks - Rank by McDep Ratio

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 20-Dec 2007</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>							
Mesa RoyaltyTrust	MTR	68.51	1.9	130	70.00	-	0.98
Sabine Royalty Trust	SBR	45.41	14.6	660	48.00	-	0.95
Permian Basin RT	PBT	15.98	46.6	750	18.00	-	0.89
Cross Timbers Royalty Trust	CRT	41.17	6.0	250	47.00	-	0.88
San Juan Basin Royalty Trust	SJT	B 33.47	46.6	1,560	40.00	-	0.84
Hugoton RoyaltyTrust	HGT	B 22.87	40.0	920	34.00	-	0.67
	<i>Total or Median</i>			4,300			0.88
<b>Canadian Income Trusts (US\$)</b>							
Pengrowth Energy Trust	PGH	17.54	247.0	4,330	19.00	0.24	0.94
Canadian Oil Sands Trust	COSWF	B 35.46	479.0	16,990	45.00	0.06	0.80
Enerplus Resources Fund	ERF	38.88	129.4	5,030	52.00	0.13	0.78
Penn West Energy Trust	PWE	B 26.01	242.6	6,310	37.00	0.20	0.76
	<i>Total or Median</i>			32,700		0.17	0.79
<b>U.S. Master Limited Partnerships (MLPs)</b>							
Kinder Morgan Energy Partners, L.P.	KMP	S 52.03	179.3	9,330	17.00	0.54	1.95
Encore Energy Partners, L.P. (39%)	ENP	17.52	9.0	160	20.00	0.14	0.90
Linn Energy, LLC	LINE	22.88	114.0	2,610	27.00	0.30	0.89
Dorchester Minerals, L.P.	DMLP	19.29	28.2	550	27.00	-	0.71
	<i>Total or Median</i>			12,700		0.22	0.89

B = Buy, S = Sell

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

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

	Symbol/ Rating	Price (\$/sh) 20-Dec 2007	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>U.S. Royalty Trusts</b>							
San Juan Basin Royalty Trust	SJT B	33.47	10.2	13.5	11.3	13.8	7.2
Mesa RoyaltyTrust	MTR	68.51	21.1	10.4	10.2	11.6	8.6
Cross Timbers Royalty Trust	CRT	41.17	13.1	11.5	10.1	10.7	9.3
Sabine Royalty Trust	SBR	45.41	9.2	10.4	9.9	9.9	10.1
Permian Basin RT	PBT	15.98	8.2	9.4	8.3	9.4	10.6
Hugoton RoyaltyTrust	HGT B	22.87	13.4	11.5	7.7	10.8	9.2
	<i>Median</i>		<i>11.7</i>	<i>11.0</i>	<i>10.0</i>	<i>10.8</i>	<i>9.3</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF B	35.46	23.2	10.8	8.7	10.5	9.0
Pengrowth Energy Trust	PGH	17.54	7.4	7.2	6.8	21.1	15.3
Enerplus Resources Fund	ERF	38.88	9.7	8.4	6.5	11.4	12.9
Penn West Energy Trust	PWE B	26.01	7.8	7.2	5.5	9.9	15.6
	<i>Median</i>		<i>8.7</i>	<i>7.8</i>	<i>6.7</i>	<i>10.9</i>	<i>14.1</i>
<b>U.S. Master Limited Partnerships (MLPs)</b>							
Kinder Morgan Energy Partners, L.P.	KMP S	52.03	7.6	7.9	15.4	32.9	6.8
Linn Energy, LLC	LINE	22.88	20.8	15.1	13.5	56.7	10.0
Dorchester Minerals, L.P.	DMLP	19.29	9.2	12.1	8.7	13.2	11.5
Encore Energy Partners, L.P.	ENP	17.52	12.2	8.5	7.6	61.5	8.0
	<i>Median</i>		<i>10.7</i>	<i>10.3</i>	<i>11.1</i>	<i>44.8</i>	<i>9.0</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) (%)
<b>U.S. Royalty Trusts</b>							
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	113	2.42
Mesa RoyaltyTrust	MTR	-	65	0.88	0.88	11	5.89
Hugoton RoyaltyTrust	HGT	-	86	0.71	0.71	84	2.11
Cross Timbers Royalty Trust	CRT	84	65	0.94	0.94	23	3.83
Sabine Royalty Trust	SBR	100	51	1.00	1.00	67	4.60
Permian Basin RT	PBT	35	33	0.88	0.88	79	1.70
	<i>Total or Median</i>		<i>65</i>	<i>0.88</i>	<i>0.88</i>	<i>400</i>	<i>9.3</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF	-	(6)	0.72	0.77	1,524	3.18
Enerplus Resources Fund	ERF	-	37	0.70	0.81	648	5.01
Pengrowth Energy Trust	PGH	-	35	0.77	1.02	663	2.68
Penn West Energy Trust	PWE	-	28	0.63	0.79	984	4.06
	<i>Total or Median</i>		<i>32</i>	<i>0.71</i>	<i>0.80</i>	<i>3,800</i>	<i>14.1</i>
<b>U.S. Master Limited Partnerships (MLPs)</b>							
Kinder Morgan Energy Partners, L.P.	KMP	-	-	0.75	1.64	631	3.52
Encore Energy Partners, L.P.	ENP	-	14	0.51	0.59	13	1.40
Linn Energy, LLC	LINE	-	65	0.89	1.27	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>1.14</i>	<i>1,000</i>	<i>9.0</i>

NTM = Next Twelve Months Ended December 31, 2008

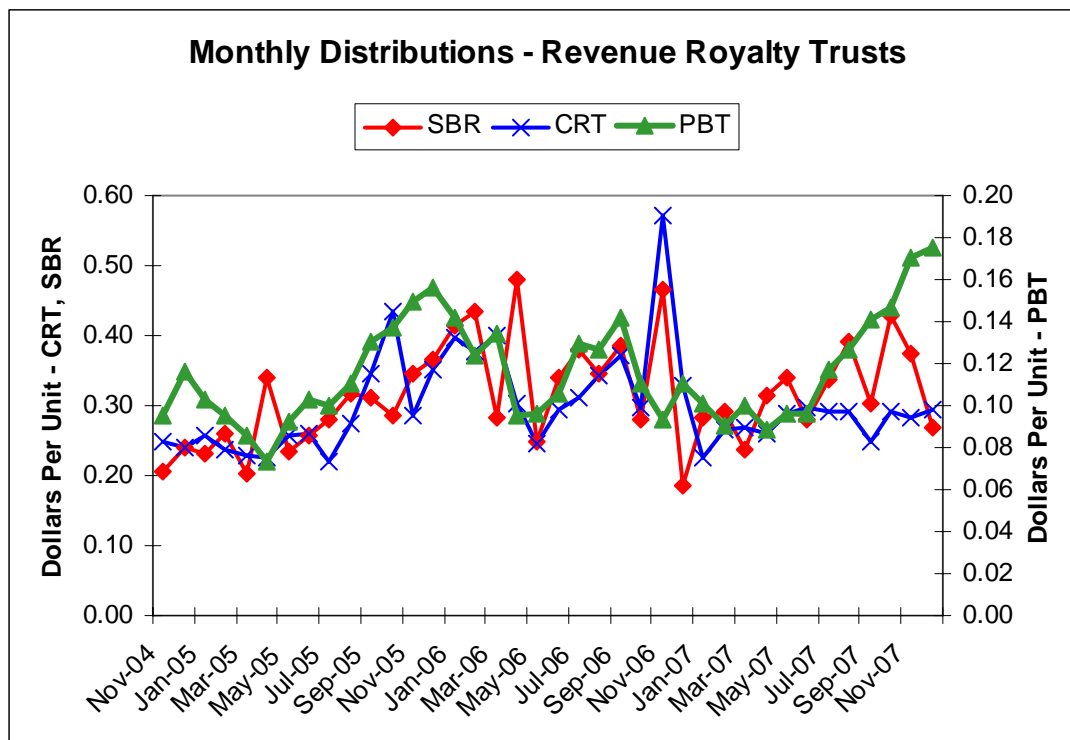
Ebitda = Earnings before interest, tax, depreciation and amortization

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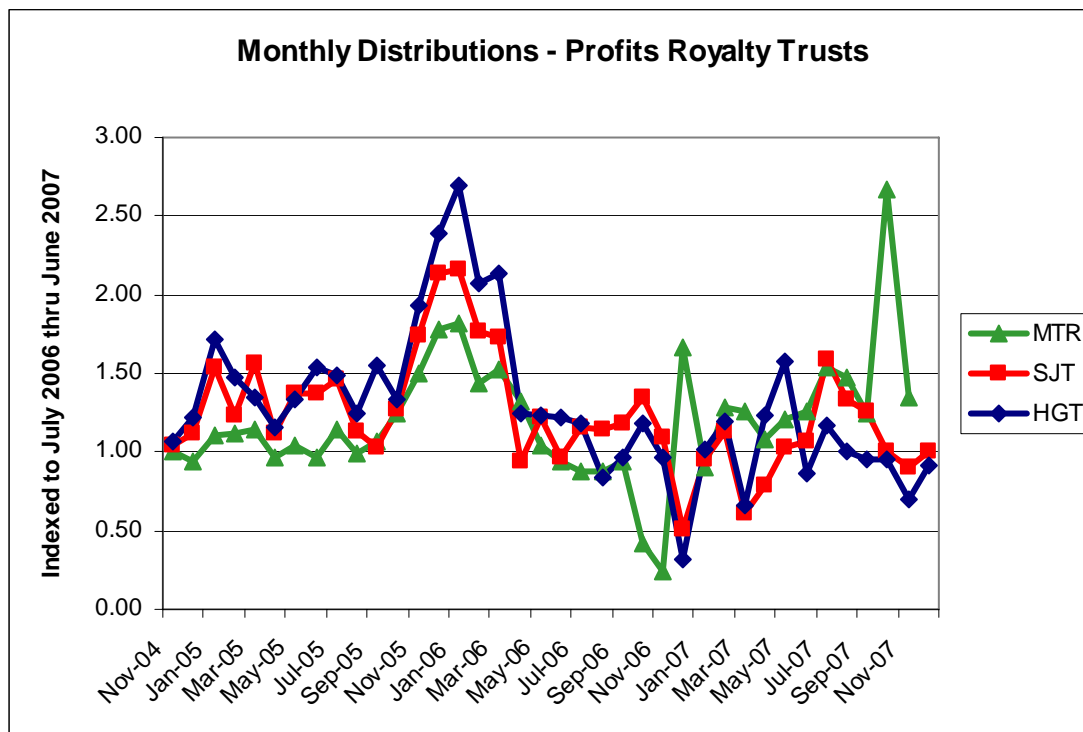
**Natural Gas and Oil Royalty Trusts  
Rank by Price to 200-Day Average**

			Price (\$/sh)			Price/ 60-Day	Price/ 200-Day	
	Symbol	Rating	20-Dec 2007	60-Day Average	200-Day Average	Average	Average	
<b>U.S. Royalty Trusts</b>								
Mesa RoyaltyTrust	MTR		68.51	67.84	61.09	1.01	1.12	
Permian Basin RT	PBT		15.98	15.36	14.40	1.04	1.11	
Sabine Royalty Trust	SBR		45.41	47.54	43.83	0.96	1.04	
San Juan Basin Royalty Trust	SJT	B	33.47	35.14	33.06	0.95	1.01	
Cross Timbers Royalty Trust	CRT		41.17	40.45	41.92	1.02	0.98	
Hugoton RoyaltyTrust	HGT	B	22.87	23.91	24.82	0.96	0.92	
	<i>Total or Median</i>						0.98	1.02
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	B	35.46	35.39	30.70	1.00	1.16	
Pengrowth Energy Trust	PGH		17.54	18.33	18.04	0.96	0.97	
Enerplus Resources Fund	ERF		38.88	43.85	44.38	0.89	0.88	
Penn West Energy Trust	PWE	B	26.01	29.51	30.81	0.88	0.84	
	<i>Total or Median</i>						0.92	0.92
<b>Energy Limited Partnerships (MLPs)</b>								
Kinder Morgan Energy Partners, L	KMP	S	52.03	51.11	52.77	1.02	0.99	
Dorchester Minerals, L.P.	DMLP		19.29	21.05	21.63	0.92	0.89	
Linn Energy, LLC	LINE		22.88	27.38	32.85	0.84	0.70	
Encore Energy Partners, L.P. (39% ENP			17.52	19.89	-	0.88		
	<i>Total or Median</i>						0.90	0.89

Source: Bloomberg



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