



Canada Tax Developments

Summary and Recommendation

A renegotiation of oil sands taxes to 2015 for buy-recommended **Suncor (SU)** appears reassuring for negotiations between buy-recommended **Canadian Oil Sands Trust (COSWF)** and the province of Alberta. At the same time a trend to lower corporate income tax rates may diminish the negative of losing trust tax status in 2011 for Canadian stocks including COSWF and buy-recommended **Penn West Energy Trust (PWE)**. First, on January 29, Canada's oldest oil sands miner reached agreement to pay 20% more in royalties through 2015. The most significant part of the agreement may be the affirmation of the elimination of royalties on upgrading, thereby reducing the royalty burden on mining and upgrading combined by about a half. The Syncrude venture (36.7% COSWF) would get the same long-term reduction, and may agree to pay more royalties on mining in return for more certainty of the kind Suncor says it received. Second, Federal corporate tax rates already scheduled to fall to 18.5% in 2011 would be cut further to 15% in 2012 as the Finance Department proposed late last year in its Economic Statement. Considering that trusts typically have tax "pools" from past investments to shelter taxes for awhile after 2011 and with lower corporate tax rates becoming effective thereafter, it looks like the threat of reduced distributions for Federal income tax reasons is lessened.

Kurt H. Wulff, CFA

Natural Gas and Oil Income Stocks - Rank by McDep Ratio

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 1-Feb 2008</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>	
U.S. Royalty Trusts								
Permian Basin RT	PBT	17.10	46.6	800	18.00	-	0.95	
Cross Timbers Royalty Trust	CRT	43.72	6.0	260	47.00	-	0.93	
Sabine Royalty Trust	SBR	43.76	14.6	640	48.00	-	0.91	
San Juan Basin Royalty Trust	SJT	B	36.38	46.6	1,700	40.00	-	0.91
Mesa RoyaltyTrust	MTR	62.38	1.9	120	70.00	-	0.89	
Hugoton RoyaltyTrust	HGT	B	25.64	40.0	1,030	34.00	-	0.75
	<i>Total or Median</i>			<i>4,600</i>			<i>0.91</i>	
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH	17.64	247.0	4,360	19.00	0.24	0.95	
Canadian Oil Sands Trust	COSWF	B	39.25	479.0	18,800	45.00	0.05	0.88
Penn West Energy Trust	PWE	B	26.83	280.0	7,510	37.00	0.28	0.80
Enerplus Resources Fund	ERF	39.74	129.4	5,140	52.00	0.13	0.79	
	<i>Total or Median</i>			<i>35,800</i>		<i>0.19</i>	<i>0.84</i>	
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.57	179.4	10,330	17.00	0.56	2.05
Encore Energy Partners, L.P. (32%)	ENP	19.74	10.2	200	20.00	0.24	0.99	
Linn Energy, LLC	LINE	20.99	114.0	2,390	27.00	0.30	0.84	
Dorchester Minerals, L.P.	DMLP	19.90	28.2	560	27.00	-	0.74	
	<i>Total or Median</i>			<i>13,500</i>		<i>0.27</i>	<i>0.92</i>	

B = Buy, S = Sell

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

Oil and Gas Income Stocks

A Weekly Analysis

February 4, 2008



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

	Symbol/ Rating	Price (\$/sh) 1-Feb 2008	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	
U.S. Royalty Trusts								
	SJT	B	36.38	10.3	11.6	10.5	12.8	7.8
	CRT		43.72	13.1	10.8	10.1	10.7	9.3
	SBR		43.76	9.2	9.8	9.0	9.0	11.2
	MTR		62.38	21.1	9.9	8.8	10.1	9.9
	PBT		17.10	8.2	8.9	8.4	9.4	10.6
	HGT	B	25.64	13.6	10.9	8.2	11.6	8.6
	<i>Median</i>			<i>11.7</i>	<i>10.4</i>	<i>8.9</i>	<i>10.4</i>	<i>9.6</i>
Canadian Income Trusts (US\$)								
	COSWF	B	39.25	23.2	10.8	9.5	11.8	8.5
	PGH		17.64	7.4	6.8	6.4	16.7	14.9
	ERF		39.74	9.7	7.9	6.2	10.1	12.3
	PWE	B	26.83	7.4	6.0	4.8	12.2	14.8
	<i>Median</i>			<i>8.6</i>	<i>7.3</i>	<i>6.3</i>	<i>12.0</i>	<i>13.6</i>
U.S. Master Limited Partnerships (MLPs)								
	KMP	S	57.57	7.9	7.8	16.1	29.8	6.4
	LINE		20.99	20.8	13.4	11.3	28.6	12.0
	ENP		19.74	12.4	9.3	9.2	71.4	7.9
	DMLP		19.90	9.2	11.3	8.3	12.3	12.0
	<i>Median</i>			<i>10.8</i>	<i>10.3</i>	<i>10.2</i>	<i>29.2</i>	<i>9.9</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								
	SJT	-	98	0.82	0.82	133	2.85	7.8
	HGT	-	87	0.71	0.71	89	2.21	8.6
	CRT	84	66	0.94	0.94	24	4.08	9.3
	MTR	-	65	0.88	0.88	12	6.19	9.9
	PBT	35	34	0.89	0.89	84	1.81	10.6
	SBR	100	52	1.00	1.00	71	4.88	11.2
	<i>Total or Median</i>		<i>65</i>	<i>0.88</i>	<i>0.88</i>	<i>400</i>		<i>9.6</i>
Canadian Income Trusts (US\$)								
	COSWF	-	(7)	0.75	0.80	1,592	3.32	8.5
	ERF	-	38	0.65	0.74	635	4.91	12.3
	PWE	-	30	0.46	0.64	1,112	3.97	14.8
	PGH	-	36	0.71	0.94	649	2.63	14.9
	<i>Total or Median</i>		<i>33</i>	<i>0.68</i>	<i>0.77</i>	<i>4,000</i>		<i>13.6</i>
U.S. Master Limited Partnerships (MLPs)								
	KMP		-	0.75	1.70	660	3.68	6.4
	ENP		20	0.55	0.72	16	1.55	7.9
	LINE		66	0.87	1.25	287	2.52	12.0
	DMLP	64	69	1.00	1.00	68	2.40	12.0
	<i>Total or Median</i>		<i>43</i>	<i>0.81</i>	<i>1.12</i>	<i>1,000</i>		<i>9.9</i>

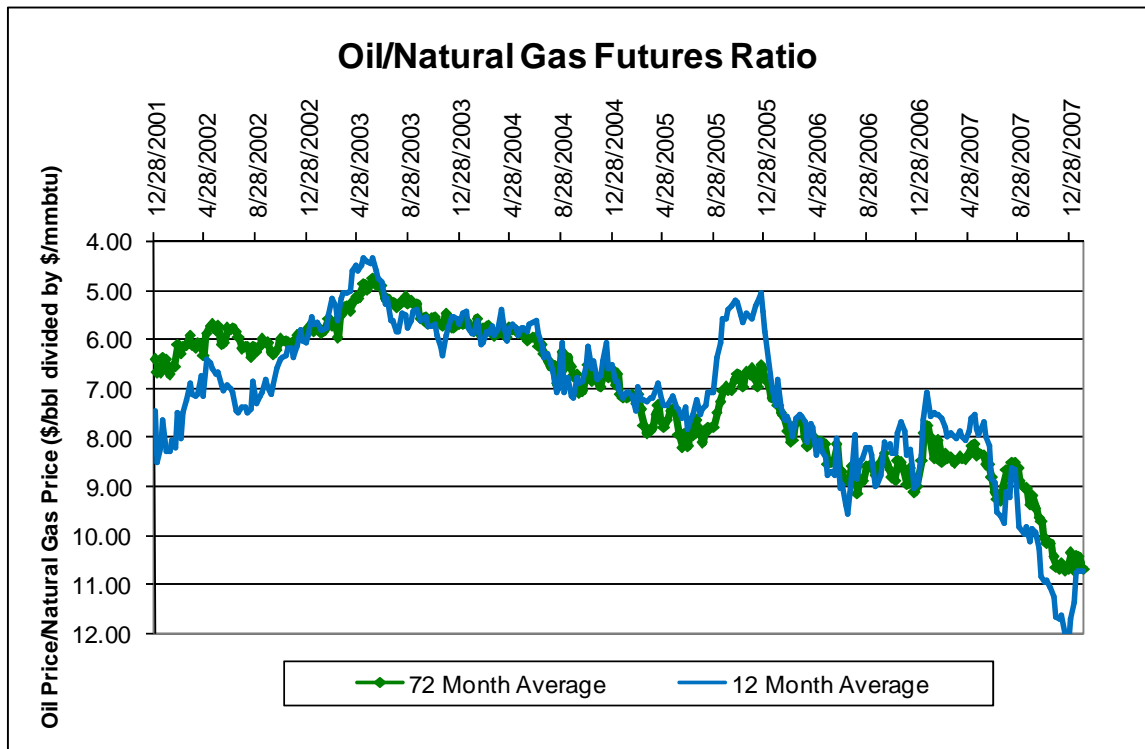
NTM = Next Twelve Months Ended December 31, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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