



Trading Opportunities

Summary and Recommendation

Favorable stock price action presents opportunities to adjust investment positions when markets are active. As an illustrative guide we suggest unlevered weightings of buy recommendations in the McDep Energy Portfolio – **San Juan Basin Royalty Trust (SJT)**, 6.3%; **Canadian Oil Sands Trust (COSWF)**, 5.0%; **Hugoton Royalty Trust (HGT)**, 3.1%; and **Penn West Energy Trust (PWE)**, 2.5% (see page 5, *Meter Reader*, February 26, 2008). Depending on McDep Ratios, other income stocks in our coverage might supplement buy recommendations. While some investors like to trade, other investors may prefer to establish long-term positions and leave them intact. In either context, recommended oil and gas income stocks pay high distributions while offering pure representations in the continuing positive commodity price trend for oil and the potential for natural gas price to double relative to oil.

Kurt H. Wulff, CFA

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		28-Feb 2008	(mm)				
U.S. Royalty Trusts								
Permian Basin RT	PBT		19.22	46.6	900	18.00	-	1.07
Sabine Royalty Trust	SBR		49.90	14.6	730	48.00	-	1.04
Cross Timbers Royalty Trust	CRT		47.47	6.0	290	47.00	-	1.01
Mesa Royalty Trust	MTR		70.01	1.9	130	70.00	-	1.00
San Juan Basin Royalty Trust	SJT	B	38.88	46.6	1,810	40.00	-	0.97
Hugoton Royalty Trust	HGT	B	28.42	40.0	1,140	34.00	-	0.84
<i>Total or Median</i>					5,000			1.00
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		18.98	247.0	4,690	19.00	0.25	1.00
Canadian Oil Sands Trust	COSWF	B	44.06	479.0	21,100	45.00	0.05	0.98
Enerplus Resources Fund	ERF		43.15	129.4	5,580	52.00	0.13	0.85
Penn West Energy Trust	PWE	B	29.35	372.6	10,940	37.00	0.23	0.84
<i>Total or Median</i>					42,300		0.18	0.92
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.50	179.4	10,320	17.00	0.56	2.05
Encore Energy Partners, L.P. (32%)	ENP		19.99	10.2	210	20.00	0.24	1.00
Linn Energy, LLC	LINE		23.44	114.0	2,670	27.00	0.30	0.91
Dorchester Minerals, L.P.	DMLP		21.65	28.2	610	27.00	-	0.80
<i>Total or Median</i>					13,800		0.27	0.95
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									
			Price (\$/sh)	Adjstd Resrvs/	PV/	EV/		Divd or Distrib	
	Symbol/		28-Feb	Prod	Ebitda	Ebitda	P/E	NTM	
		Rating	2008	NTM	NTM	NTM	NTM	(%)	
U.S. Royalty Trusts									
	San Juan Basin Royalty Trust	SJT	B	38.88	10.6	10.8	10.5	12.7	7.9
	Cross Timbers Royalty Trust	CRT		47.47	13.0	10.2	10.3	10.9	9.1
	Sabine Royalty Trust	SBR		49.90	9.2	9.2	9.6	9.6	10.5
	Mesa RoyaltyTrust	MTR		70.01	21.1	9.3	9.3	10.6	9.4
	Permian Basin RT	PBT		19.22	8.2	8.3	8.9	9.9	10.1
	Hugoton RoyaltyTrust	HGT	B	28.42	13.5	9.6	8.1	11.0	9.1
	<i>Median</i>				11.8	9.5	9.4	10.8	9.3
Canadian Income Trusts (US\$)									
	Canadian Oil Sands Trust	COSWF	B	44.06	23.2	9.8	9.6	11.7	7.4
	Pengrowth Energy Trust	PGH		18.98	7.4	6.1	6.1	13.2	14.0
	Enerplus Resources Fund	ERF		43.15	9.7	7.0	5.9	8.9	11.5
	Penn West Energy Trust	PWE	B	29.35	7.3	6.6	5.6	14.4	13.7
	<i>Median</i>				8.6	6.8	6.0	12.4	12.6
U.S. Master Limited Partnerships (MLPs)									
	Kinder Morgan Energy Partners, L.P.	KMP	S	57.50	7.9	7.8	16.1	29.8	6.4
	Linn Energy, LLC	LINE		23.44	20.8	11.5	10.4	19.4	10.8
	Encore Energy Partners, L.P.	ENP		19.99	12.4	8.3	8.3	(30.4)	7.8
	Dorchester Minerals, L.P.	DMLP		21.65	9.2	10.2	8.1	11.6	12.3
	<i>Median</i>				10.8	9.2	9.3	15.5	9.3
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										
				Natural Gas/ Ebitda	Dist/ Equity Ebitda	NTM Distribution (\$mm)	Dist. (\$/un)	Dist. Yield (%)		
	Symbol	Revenue Royalty (%)		(%)	Ebitda	Ebitda	NTM Distribution (\$mm)	Dist. Yield (%)		
U.S. Royalty Trusts										
	San Juan Basin Royalty Trust	SJT		-	98	0.83	0.83	142	3.05	7.9
	Hugoton RoyaltyTrust	HGT		-	87	0.73	0.73	103	2.58	9.1
	Cross Timbers Royalty Trust	CRT		84	66	0.94	0.94	26	4.34	9.1
	Mesa RoyaltyTrust	MTR		-	66	0.88	0.88	12	6.60	9.4
	Permian Basin RT	PBT		35	34	0.90	0.90	91	1.94	10.1
	Sabine Royalty Trust	SBR		100	53	1.00	1.00	76	5.22	10.5
	<i>Total or Median</i>				66	0.89	0.89	500		9.3
Canadian Income Trusts (US\$)										
	Canadian Oil Sands Trust	COSWF		-	(7)	0.67	0.71	1,561	3.26	7.4
	Enerplus Resources Fund	ERF		-	39	0.58	0.67	644	4.98	11.5
	Penn West Energy Trust	PWE		-	33	0.55	0.72	1,501	4.03	13.7
	Pengrowth Energy Trust	PGH		-	37	0.64	0.86	658	2.67	14.0
	<i>Total or Median</i>				35	0.61	0.72	4,400		12.6
U.S. Master Limited Partnerships (MLPs)										
	Kinder Morgan Energy Partners, L.P.	KMP		-	-	0.75	1.70	660	3.68	6.4
	Encore Energy Partners, L.P.	ENP		-	24	0.49	0.64	16	1.55	7.8
	Linn Energy, LLC	LINE		-	67	0.75	1.07	287	2.52	10.8
	Dorchester Minerals, L.P.	DMLP		64	70	1.00	1.00	75	2.66	12.3
	<i>Total or Median</i>				45	0.75	1.04	1,000		9.3
NTM = Next Twelve Months Ended December 31, 2008										
Ebitda = Earnings before interest, tax, depreciation and amortization										

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Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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