



# Oil & Gas Income Stocks

A Weekly Analysis

September 12, 2008

## Canadian Oil Sands Trust (COSWF)

Distribution Yield of 9.4% if \$80 Oil

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 9/30/09 (US\$mm)</i>	2,500
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	-6
<i>Price (US\$/un)</i>	39.68	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	9/11/08	<i>Adjusted Reserves/Production NTM</i>	21.6
<i>Units (mm)</i>	481	<i>EV/Ebitda</i>	8.1
<i>Market Capitalization (US\$mm)</i>	19,100	<i>PV/Ebitda</i>	11.4
<i>Debt (US\$mm)</i>	1,200	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	20,200	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	53.79
<i>Present Value (PV) (US\$mm)</i>	28,600	<i>Present Value Proven Reserves(US\$/boe)</i>	33.49
<i>Net Present Value (US\$/unit)</i>	57	<i>Present Value Proven Reserves(US\$/mcf)</i>	5.58
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/un)</i>	4.15
<i>McDep Ratio - EV/PV</i>	0.71	<i>Price/Earnings Next Twelve Months</i>	10
<i>Distribution Yield (%/year)</i>	11.7	<i>Distribution Next Twelve Months (US\$/sh)</i>	4.65
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$14 a million btu.			
For historical analysis of COS since 2002 see <a href="http://www.mcdep.com/4cos.htm">www.mcdep.com/4cos.htm</a>			

### Summary and Recommendation

We are committed to the belief that **Canadian Oil Sands Trust (COSWF)** is an attractive long-term investment despite suspending our buy recommendations for near-term financial market price risk (see *Meter Reader Flash*, September 5, 2008). Meanwhile, estimated Net Present Value of US\$57 a unit remains reasonable should long-term oil price fluctuate around US\$100 a barrel. On oil futures settlement prices as of September 11, we estimate that the current quarterly distribution of C\$1.25 a unit would be maintained for the next four quarters indicating a distribution yield of 11.7% a year (see table Operating and Financial Estimates). Operations for the past three months at 347,000 barrels daily or 99% of capacity support our estimate for next year. If the price of oil declined to \$80 for the next year, coincidentally near the economic breakeven price for new projects like Syncrude, management might take the quarterly distribution back to C\$1.00 a unit. The Distribution Yield would drop from 11.7% to 9.4% a year, hardly enough of an impact to warrant a stock price decline to under US\$40 a unit, in our opinion.

### Weekly Income Stock Valuation

Lower stock prices mean more attractive value measured by a median McDep Ratio of 0.75 for thirteen income stocks (see table, page 3). The median unlevered market cash flow multiple (EV/Ebitda) at 8.8 times has changed less as both the numerator and the denominator fluctuate with market conditions (see table, page 3). Median estimated distribution yield is a high 10.1% (see table, page 4).

Kurt H. Wulff, CFA



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Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									Next Twelve Months
	Q3	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q3/09
	9/30/07	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	9/30/09	9/30/09
<b>Volume</b>									
Syncrude (mmb)	32.1	24.1	29.4	28.7	<b>106.5</b>	31.5	31.9	32.2	<b>124.2</b>
Syncrude (mbd)	349	265	319	311	<b>291</b>	350	350	350	<b>340</b>
Days	92	91	92	92	<b>366</b>	90	91	92	<b>365</b>
Trust share (%)	35.8	36.9	36.7	36.7	<b>36.8</b>	36.7	36.7	36.7	<b>36.7</b>
Trust Oil (mmb)	11.49	8.89	10.79	10.53	<b>39.2</b>	11.57	11.70	11.83	<b>45.6</b>
Trust Oil (mbd)	124.9	97.7	117.3	114.4	<b>107.2</b>	128.6	128.6	128.6	<b>125.0</b>
<b>Price</b>									
WTI Cushing (US\$/bbl)	75.48	123.97	116.96	101.02	<b>109.97</b>	101.94	100.89	101.59	<b>101.36</b>
Currency (US\$/C\$)	0.96	0.99	0.93	0.93	<b>0.96</b>	0.93	0.93	0.93	<b>0.93</b>
WTI Cushing (C\$/bbl)	78.95	125.23	125.78	108.63	<b>114.51</b>	109.62	108.50	109.25	<b>109.00</b>
Differential	2.28	6.09	1.00	1.00	<b>2.61</b>	1.00	1.00	1.00	<b>1.01</b>
Trust Oil Price (C\$/bbl)	81.23	131.32	126.78	109.63	<b>117.12</b>	110.62	109.50	110.25	<b>110.01</b>
Henry Hub Nat Gas (US\$/mmBtu)	6.16	10.93	10.25	7.57	<b>9.19</b>	8.16	7.73	8.10	<b>7.89</b>
Henry Hub Nat Gas (C\$/mmBtu)	6.44	11.04	11.02	8.14	<b>9.57</b>	8.77	8.31	8.71	<b>8.48</b>
AECO Natural Gas (C\$/GJ)	4.99	9.38	9.36	6.92	<b>8.24</b>	7.55	7.15	7.50	<b>7.28</b>
<b>Revenue (\$mm)</b>									
Oil	933	1,168	1,368	1,154	<b>4,596</b>	1,280	1,281	1,304	<b>5,020</b>
Transportation & Marketing	8	8			<b>18</b>				<b>-</b>
Other	(17)	(16)			<b>(28)</b>				<b>-</b>
Total	942	1,176	1,368	1,154	<b>4,605</b>	1,280	1,281	1,304	<b>5,020</b>
<b>Expense</b>									
Production	195	296	296	296	<b>1,140</b>	296	296	296	<b>1,183</b>
Purchased Energy	44	77	94	68	<b>310</b>	81	78	83	<b>309</b>
Crown Royalties	165	178	223	176	<b>708</b>	203	204	209	<b>791</b>
Insurance	2	1	1	1	<b>5</b>	2	2	2	<b>7</b>
Administration	4	9	9	9	<b>31</b>	5	5	5	<b>24</b>
Taxes and Other	-	-	3	3	<b>6</b>	3	3	3	<b>12</b>
Total	410	561	626	553	<b>2,200</b>	590	587	597	<b>2,327</b>
<b>Ebitda</b>	532	615	742	602	<b>2,405</b>	691	694	708	<b>2,693</b>
Deprec., Deplet., & Amort.	101	102	102	102	<b>408</b>	102	102	102	<b>408</b>
Currency Hedging	(2)	(1)			<b>(2)</b>				<b>-</b>
Non-Production	16	16	16	16	<b>65</b>	22	22	22	<b>82</b>
Exchange on U.S. Debt	(42)	(5)			<b>21</b>				<b>-</b>
Future Income Tax	69	(10)			<b>(24)</b>				<b>-</b>
<b>Ebit</b>	390	513	624	484	<b>1,937</b>	567	570	584	<b>2,203</b>
Interest	21	16	16	16	<b>65</b>	13	13	13	<b>55</b>
<b>Net Income (\$mm)</b>	369	497	608	468	<b>1,872</b>	554	557	571	<b>2,148</b>
Per Unit (\$)	0.75	1.04	1.26	0.97	<b>3.90</b>	1.15	1.16	1.19	<b>4.47</b>
<b>Units (millions)</b>	479	481	481	481	<b>480</b>	481	481	481	<b>481</b>
<b>Funds from Operations (\$mm)</b>	484	583	710	570	<b>2,277</b>	656	659	673	<b>2,556</b>
Per Unit (\$)	1.01	1.21	1.48	1.18	<b>4.74</b>	1.36	1.37	1.40	<b>5.31</b>
Maintenance Cap Ex (C\$/unit)	0.09	0.11	0.11	0.11	<b>0.45</b>	0.11	0.11	0.11	<b>0.45</b>
Free Cash Flow (C\$/unit)	0.92	1.10	1.37	1.07	<b>4.29</b>	1.25	1.26	1.29	<b>4.87</b>
<b>Ratios</b>									
Production (\$/bbl)	16.99	33.24	27.40	28.09	<b>29.06</b>	25.55	25.27	24.99	<b>25.92</b>
Purchased Energy (\$/bbl)	3.81	8.69	8.70	6.43	<b>7.90</b>	7.02	6.65	6.97	<b>6.78</b>
Prod&Purch En (\$/bbl)	20.80	41.94	36.10	34.52	<b>36.95</b>	32.57	31.92	31.97	<b>32.70</b>
Crown Royalties & Taxes	18%	15%	16%	15%	<b>15%</b>	16%	16%	16%	<b>16%</b>
Other Expense (\$/bbl)	-	-	0.28	0.28	<b>0.15</b>	0.26	0.26	0.25	<b>0.26</b>
Ebitda Margin	56%	52%	54%	52%	<b>52%</b>	54%	54%	54%	<b>54%</b>
Deprec., D.& A (\$/bbl)	8.79	11.47	9.45	9.69	<b>10.40</b>	8.81	8.72	8.62	<b>8.94</b>
<b>Distribution</b>	0.40	1.00	1.25	1.25	<b>4.25</b>	1.25	1.25	1.25	<b>5.00</b>



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Natural Gas and Oil Income Stocks - Rank by McDep Ratio							
		Price (\$/sh)		Market	Net	Debt/	
	Symbol/ Rating	11-Sep 2008	Shares (mm)	Cap (\$mm)	Value (\$/un)	Present Value	McDep Ratio
<b>U.S. Royalty Trusts</b>							
Sabine Royalty Trust	SBR	62.15	14.6	910	60.00	-	1.04
Permian Basin RT	PBT	23.03	46.6	1,070	23.00	-	1.00
Cross Timbers Royalty Trust	CRT	46.94	6.0	280	57.00	-	0.82
San Juan Basin Royalty Trust	SJT	37.50	46.6	1,750	48.00	-	0.78
Mesa RoyaltyTrust	MTR	67.21	1.9	130	93.00	-	0.72
Hugoton RoyaltyTrust	HGT	27.50	40.0	1,100	42.00	-	0.65
<i>Total or Median</i>				5,200			0.80
<b>Canadian Income Trusts (US\$)</b>							
Pengrowth Energy Trust	PGH	15.98	248.0	3,960	24.00	0.26	0.75
Penn West Energy Trust	PWE	25.12	380.0	9,550	40.00	0.26	0.72
Canadian Oil Sands Trust	COSWF	39.68	481.0	19,090	57.00	0.04	0.71
Enerplus Resources Fund	ERF	36.35	164.5	5,980	63.00	0.13	0.63
<i>Total or Median</i>				38,600		0.19	0.72
<b>U.S. Master Limited Partnerships (MLPs)</b>							
Linn Energy, LLC	LINE	18.16	114.0	2,070	30.00	0.49	0.80
Encore Energy Partners, L.P. (32%)	ENP	21.64	10.0	220	29.00	0.17	0.79
Dorchester Minerals, L.P.	DMLP	24.84	28.2	700	33.00	-	0.75
<i>Total or Median</i>				3,000		0.17	0.79
B = Buy, S = Sell							
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses							
Present Value presumes long-term prices of \$100 a barrel for oil and \$14 a million btu for natural gas.							

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda							
		Price (\$/sh)	Adjstd Resrvs/	PV/	EV/		Divd or Distrib
	Symbol/ Rating	11-Sep 2008	Prod NTM	Ebitda NTM	Ebitda NTM	P/E NTM	NTM (%)
<b>U.S. Royalty Trusts</b>							
San Juan Basin Royalty Trust	SJT	37.50	10.5	14.2	11.1	13.4	7.4
Sabine Royalty Trust	SBR	62.15	8.9	9.9	10.3	10.3	9.7
Cross Timbers Royalty Trust	CRT	46.94	13.9	11.8	9.7	10.3	9.7
Permian Basin RT	PBT	23.03	8.6	9.7	9.7	10.1	9.9
Mesa RoyaltyTrust	MTR	67.21	21.1	12.3	8.8	10.1	9.9
Hugoton RoyaltyTrust	HGT	27.50	13.1	12.8	8.4	11.8	8.5
<i>Median</i>			11.8	12.0	9.7	10.3	9.7
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF	39.68	21.6	11.4	8.1	9.6	11.4
Pengrowth Energy Trust	PGH	15.98	9.1	7.7	5.8	119.4	15.9
Enerplus Resources Fund	ERF	36.35	9.6	8.9	5.6	20.7	14.6
Penn West Energy Trust	PWE	25.12	7.5	7.7	5.6	12.0	15.3
<i>Median</i>			9.3	8.3	5.7	16.4	14.9
<b>U.S. Master Limited Partnerships (MLPs)</b>							
Linn Energy, LLC	LINE	18.16	17.1	12.0	9.6	25.4	13.9
Dorchester Minerals, L.P.	DMLP	24.84	8.5	12.6	9.5	13.1	10.5
Encore Energy Partners, L.P.	ENP	21.64	11.9	8.3	6.5	37.0	9.7
<i>Median</i>			11.9	12.0	9.5	25.4	10.5
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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Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield								
			Natural					
		Revenue	Gas/		Dist/			Dist.
	Symbol	Royalty	Ebitda	Dist/	Equity	NTM Distribution		Yield
		(%)	(%)	Ebitda	Ebitda	(\$mm)	(\$/un)	(%)
<b>U.S. Royalty Trusts</b>								
San Juan Basin Royalty Trust	SJT	-	98	0.83	0.83	130	2.79	7.4
Hugoton Royalty Trust	HGT	-	85	0.71	0.71	93	2.33	8.5
Sabine Royalty Trust	SBR	100	56	1.00	1.00	88	6.04	9.7
Cross Timbers Royalty Trust	CRT	84	69	0.94	0.94	27	4.56	9.7
Mesa Royalty Trust	MTR	-	64	0.88	0.88	12	6.65	9.9
Permian Basin RT	PBT	32	32	0.96	0.96	107	2.29	9.9
	<i>Total or Median</i>		66	0.91	0.91	500		9.7
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	-	(6)	0.87	0.90	2,167	4.50	11.4
Enerplus Resources Fund	ERF	-	41	0.65	0.75	871	5.30	14.6
Penn West Energy Trust	PWE	-	28	0.55	0.74	1,456	3.83	15.3
Pengrowth Energy Trust	PGH	-	31	0.60	0.81	629	2.54	15.9
	<i>Total or Median</i>		29	0.63	0.78	5,100		14.9
<b>U.S. Master Limited Partnerships (MLPs)</b>								
Encore Energy Partners, L.P.	ENP		18	0.50	0.60	21	2.09	9.7
Dorchester Minerals, L.P.	DMLP	64	67	1.00	1.00	74	2.62	10.5
Linn Energy, LLC	LINE		43	0.52	1.01	287	2.52	13.9
	<i>Total or Median</i>		43	0.52	1.00	400		10.5
NTM = Next Twelve Months Ended September 30, 2009								
Ebitda = Earnings before interest, tax, depreciation and amortization								

**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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