



Oil & Gas Income Stocks

A Weekly Analysis

October 17, 2008

Low Long-Term Risk

Summary and Recommendation

The odds appear high that within 18 months to two years from now stock prices in general, and by extension oil and gas income stocks, will be higher than today. The recent decline for the broad averages approached a half in inflation adjusted terms. Only in the extreme 1932 bear market did the decline go further, and then the additional decline was reversed by 1935. The recent decline became comparable to the next two most severe bear markets of 1974 and 2002. Since the typical bear market lasts about two years, we may need more time before the likely rebound is sustained. For the possibility of early appreciation we have two Buy recommendations **Canadian Oil Sands Trust (COSWF)** and **Hugoton Royalty Trust (HGT)**. For the possibility of a delay in sustained appreciation we have Hold recommendations on two stocks we had rated Buy until September 5, **San Juan Basin Royalty Trust (SJT)** and **Penn West Energy Trust (PWE)**. **Dorchester Minerals (DMLP)** and three smaller market cap stocks have high quality complementary appeal subject to necessarily less stock market liquidity.

Kurt H. Wulff, CFA

Natural Gas and Oil Income Stocks - Rank by McDep Ratio								
			Price (\$/sh)		Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating	16-Oct 2008	Shares (mm)					
U.S. Royalty Trusts								
Permian Basin RT	PBT		19.70	46.6	920	23.00	-	0.86
Sabine Royalty Trust	SBR		43.50	14.6	630	60.00	-	0.72
San Juan Basin Royalty Trust	SJT	H	32.94	46.6	1,540	48.00	-	0.69
Cross Timbers Royalty Trust	CRT		36.50	6.0	220	57.00	-	0.64
Mesa Royalty Trust	MTR		52.30	1.9	100	93.00	-	0.56
Hugoton Royalty Trust	HGT	B	20.25	40.0	810	42.00	-	0.48
<i>Total or Median</i>					4,200			0.66
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		10.11	248.0	2,510	24.00	0.24	0.56
Penn West Energy Trust	PWE	H	15.80	380.0	6,000	40.00	0.24	0.54
Enerplus Resources Fund	ERF		23.87	164.5	3,930	63.00	0.12	0.45
Canadian Oil Sands Trust	COSWF	B	20.78	481.0	10,000	57.00	0.04	0.39
<i>Total or Median</i>					22,400		0.18	0.50
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		12.37	114.0	1,410	30.00	0.49	0.70
Dorchester Minerals, L.P.	DMLP		20.58	28.2	580	33.00	-	0.62
Encore Energy Partners, L.P. (32%)	ENP		15.00	10.0	150	29.00	0.17	0.60
<i>Total or Median</i>					2,100		0.17	0.62
B = Buy, H = Hold								
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.								



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Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib NTM (%)
	Symbol/ Rating		16-Oct 2008	NTM	NTM	NTM	NTM	
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	H	32.94	10.6	16.3	11.2	13.8	7.3
Permian Basin RT	PBT		19.70	8.6	12.4	10.6	11.1	9.0
Cross Timbers Royalty Trust	CRT		36.50	13.9	13.5	8.6	9.0	11.1
Sabine Royalty Trust	SBR		43.50	8.9	11.5	8.3	8.3	12.0
Mesa Royalty Trust	MTR		52.30	21.1	14.3	8.0	9.2	10.9
Hugoton Royalty Trust	HGT	B	20.25	13.1	14.8	7.1	10.0	10.0
	<i>Median</i>			<i>11.8</i>	<i>13.9</i>	<i>8.5</i>	<i>9.6</i>	<i>10.5</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	20.78	21.6	17.5	6.8	8.6	14.8
Pengrowth Energy Trust	PGH		10.11	9.1	9.6	5.4		22.7
Penn West Energy Trust	PWE	H	15.80	7.5	9.7	5.2	8.0	21.9
Enerplus Resources Fund	ERF		23.87	9.6	10.9	4.9	31.2	20.1
	<i>Median</i>			<i>9.3</i>	<i>10.3</i>	<i>5.3</i>	<i>8.6</i>	<i>21.0</i>
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		12.37	17.1	14.9	10.4	(89.1)	20.4
Dorchester Minerals, L.P.	DMLP		20.58	8.5	14.9	9.3	13.7	10.8
Encore Energy Partners, L.P.	ENP		15.00	11.9	10.9	6.5		10.5
	<i>Median</i>			<i>11.9</i>	<i>14.9</i>	<i>9.3</i>	<i>(37.7)</i>	<i>10.8</i>
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								

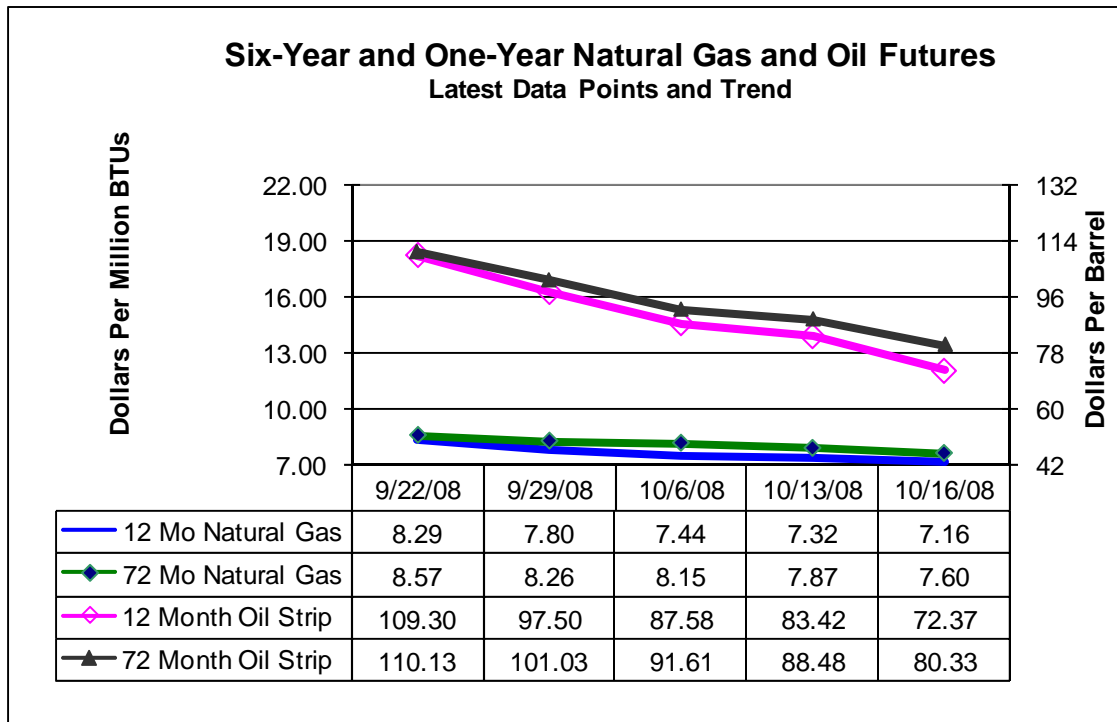
Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield								
			Natural Gas/ Revenue	Dist/ Ebitda	Dist/ Equity	NTM Distribution (\$mm)	Dist. Yield (\$/un)	
	Symbol	Royalty (%)	Ebitda (%)	Ebitda	Ebitda			
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	99	0.81	0.81	112	2.39	7.3
Permian Basin RT	PBT	32	37	0.95	0.95	82	1.77	9.0
Hugoton Royalty Trust	HGT	-	88	0.71	0.71	81	2.03	10.0
Mesa Royalty Trust	MTR	-	68	0.88	0.88	11	5.70	10.9
Cross Timbers Royalty Trust	CRT	84	74	0.95	0.95	24	4.03	11.1
Sabine Royalty Trust	SBR	100	62	1.00	1.00	76	5.22	12.0
	<i>Total or Median</i>		<i>71</i>	<i>0.91</i>	<i>0.91</i>	<i>400</i>		<i>10.5</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(8)	0.91	0.94	1,476	3.07	14.8
Enerplus Resources Fund	ERF	-	47	0.73	0.83	789	4.79	20.1
Penn West Energy Trust	PWE	-	33	0.64	0.84	1,318	3.47	21.9
Pengrowth Energy Trust	PGH	-	36	0.69	0.92	569	2.29	22.7
	<i>Total or Median</i>		<i>35</i>	<i>0.71</i>	<i>0.88</i>	<i>4,200</i>		<i>21.0</i>
U.S. Master Limited Partnerships (MLPs)								
Encore Energy Partners, L.P.	ENP		22	0.49	0.60	16	1.58	10.5
Dorchester Minerals, L.P.	DMLP	64	72	1.00	1.00	63	2.22	10.8
Linn Energy, LLC	LINE		49	0.64	1.25	287	2.52	20.4
	<i>Total or Median</i>		<i>49</i>	<i>0.64</i>	<i>1.00</i>	<i>400</i>		<i>10.8</i>
NTM = Next Twelve Months Ended September 30, 2009								
Ebitda = Earnings before interest, tax, depreciation and amortization								



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