



Oil & Gas Income Stocks

A Weekly Analysis

December 12, 2008

Favorites at Favorable Prices

Summary and Recommendation

Aside from our buy recommendations that we mention regularly, philosophical favorites with no debt and no hedging offer favorable prices for new long-term commitments, we believe, including hold-rated **San Juan Basin Royalty Trust (SJT)**, as well as **Dorchester Minerals, L.P. (DMLP)**, and **Cross Timbers Royalty Trust (CRT)** in order of decreasing market cap. Though there is always the potential for stock price weakness to recur, debt-free, or near debt-free balance sheets are reassuring. Even moderate debt is causing complications for borrowers as lenders are under pressure. Hedges are a black box to evaluate while transferring risk to highly leveraged counterparties may be a false illusion. Trusts and partnerships that do hedge may have an opportunity to unwind hedges at a profit and apply the gain to debt reduction. Meanwhile, latest estimated distribution yields surround a median of 10.4% for 2009. December 11 settlement prices for futures for next twelve months deliveries of Light, Sweet Crude Oil at \$55.40 a barrel and Louisiana Natural Gas at \$6.10 a million btu are in our estimates.

Kurt H. Wulff, CFA

Natural Gas and Oil Income Stocks - Rank by McDep Ratio							
			Price (\$/sh)			Net Present	
	Symbol/ Rating	11-Dec 2008	Shares (mm)	Market Cap (\$mm)	Value (\$/un)	Debt/ Present Value	McDep Ratio
U.S. Royalty Trusts							
Sabine Royalty Trust	SBR		41.45	14.6	600	47.00	- 0.88
San Juan Basin Royalty Trust	SJT	H	26.33	46.6	1,230	34.00	- 0.77
Permian Basin RT	PBT		14.44	46.6	670	19.00	- 0.76
Cross Timbers Royalty Trust	CRT		27.00	6.0	160	42.00	- 0.64
Mesa RoyaltyTrust	MTR		42.97	1.9	80	67.00	- 0.64
Hugoton RoyaltyTrust	HGT	B	17.16	40.0	690	30.00	- 0.57
<i>Total or Median</i>					3,400		0.70
Canadian Income Trusts (US\$)							
Pengrowth Energy Trust	PGH		7.89	249.0	1,960	16.00	0.31 0.65
Penn West Energy Trust	PWE	H	11.31	389.9	4,410	27.00	0.26 0.57
Enerplus Resources Fund	ERF		19.53	164.9	3,220	44.00	0.09 0.50
Canadian Oil Sands Trust	COSWF	B	17.42	482.0	8,390	42.00	0.04 0.44
<i>Total or Median</i>					18,000		0.18 0.53
U.S. Master Limited Partnerships (MLPs)							
Linn Energy, LLC	LINE		12.80	114.0	1,460	14.00	0.52 0.96
Encore Energy Partners, L.P. (32%)	ENP		14.75	10.6	160	19.00	0.23 0.83
Dorchester Minerals, L.P.	DMLP		15.53	28.2	440	24.00	- 0.65
<i>Total or Median</i>					2,100		0.23 0.83
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 \$75 a barrel for oil and \$10 a million btu for natural gas.							



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Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/	PV/	EV/		Divd or Distrib
	Symbol/		11-Dec	Prod	Ebitda	Ebitda	P/E	NTM
	Rating		2008	NTM	NTM	NTM	NTM	(%)
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR		41.45	9.2	13.1	11.5	11.5	8.7
San Juan Basin Royalty Trust	SJT	H	26.33	10.7	14.6	11.3	13.9	7.2
Permian Basin RT	PBT		14.44	8.8	13.5	10.3	11.7	8.6
Cross Timbers Royalty Trust	CRT		27.00	14.1	14.6	9.4	9.9	10.1
Mesa RoyaltyTrust	MTR		42.97	21.1	13.2	8.4	9.7	10.4
Hugoton RoyaltyTrust	HGT	B	17.16	13.1	13.8	7.9	11.4	8.8
	<i>Median</i>			11.9	13.7	9.8	11.4	8.7
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	17.42	23.3	21.6	9.5	17.4	6.2
Pengrowth Energy Trust	PGH		7.89	9.1	9.9	6.4		27.2
Penn West Energy Trust	PWE	H	11.31	7.7	8.9	5.1	28.1	28.7
Enerplus Resources Fund	ERF		19.53	10.0	10.0	5.0	10.5	18.6
	<i>Median</i>			9.6	9.9	5.7	17.4	22.9
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		12.80	13.6	9.5	9.1		19.7
Encore Energy Partners, L.P.	ENP		14.75	12.7	10.9	9.0		11.7
Dorchester Minerals, L.P.	DMLP		15.53	8.5	13.4	8.7	14.1	11.5
	<i>Median</i>			12.7	10.9	9.0	14.1	11.7
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 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 Revenue Gas/ Ebitda	Dist/ Ebitda	Dist/ Equity Ebitda	NTM Distribution (\$mm)	NTM Distribution (\$/un)	Dist. Yield (%)
	Symbol	Royalty (%)	(%)					
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	99	0.81	0.81	88	1.89	7.2
Permian Basin RT	PBT	32	41	0.88	0.88	58	1.24	8.6
Sabine Royalty Trust	SBR	100	64	1.00	1.00	52	3.60	8.7
Hugoton RoyaltyTrust	HGT	-	88	0.69	0.69	60	1.51	8.8
Cross Timbers Royalty Trust	CRT	84	73	0.95	0.95	16	2.74	10.1
Mesa RoyaltyTrust	MTR	-	71	0.87	0.87	8	4.45	10.4
	<i>Total or Median</i>		72	0.88	0.88	300		8.7
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(9)	0.53	0.55	517	1.07	6.2
Enerplus Resources Fund	ERF	-	45	0.74	0.82	598	3.62	18.6
Pengrowth Energy Trust	PGH	-	39	0.91	1.32	534	2.15	27.2
Penn West Energy Trust	PWE	-	32	0.79	1.07	1,265	3.24	28.7
	<i>Total or Median</i>		35	0.77	0.95	2,900		22.9
U.S. Master Limited Partnerships (MLPs)								
Dorchester Minerals, L.P.	DMLP	64	75	1.00	1.00	51	1.79	11.5
Encore Energy Partners, L.P.	ENP		22	0.76	0.99	18	1.73	11.7
Linn Energy, LLC	LINE		48	0.82	1.71	287	2.52	19.7
	<i>Total or Median</i>		48	0.82	1.00	400		11.7
NTM = Next Twelve Months Ended December 31, 2009 Ebitda = Earnings before interest, tax, depreciation and amortization								



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