



Oil & Gas Income Stocks

A Weekly Analysis

December 20, 2008

Near-Term Income below Long-Term Potential

Summary and Recommendation

Depressed oil and gas prices and high rates of reinvestment contribute to low income expectations for 2009 for buy recommendations **Canadian Oil Sands Trust (COSWF)** and **Hugoton Royalty Trust (HGT)**. For COSWF, we adopt management's conservative budget of a quarterly distribution of C\$0.25 a unit though we believe twice that level would be more representative of continuing potential at current industry conditions. For HGT, a higher rate of reinvestment has been contributing to a better volume trend (see chart, page 4) while seasonal and timing factors depressed the latest monthly distribution (see chart, page 5). Management of hold-rated **Penn West Energy Trust (PWT)** will likely adjust 2009 distributions to a lower rate as peer trusts have already done (see chart, page 3). For hold-rated **San Juan Basin Royalty Trust (SJT)**, higher fourth quarter 2008 volume belatedly included volume not previously reported for second quarter 2008, reminding investors not to overemphasize near-term fluctuations. Latest estimated distribution yields for 13 income stocks surround a median of 10.5% for 2009. While stock prices are as of the close on December 19, settlement prices for futures are from December 15 for next twelve months deliveries of Light, Sweet Crude Oil at \$53.22 a barrel and Louisiana Natural Gas at \$6.09 a million btu.

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		19-Dec 2008	Shares (mm)					
U.S. Royalty Trusts									
Sabine Royalty Trust	SBR		38.66	14.6	560	47.00	-	0.82	
San Juan Basin Royalty Trust	SJT	H	25.00	46.6	1,170	34.00	-	0.74	
Permian Basin RT	PBT		14.11	46.6	660	19.00	-	0.74	
Cross Timbers Royalty Trust	CRT		26.87	6.0	160	42.00	-	0.64	
Mesa RoyaltyTrust	MTR		36.71	1.9	70	67.00	-	0.54	
Hugoton RoyaltyTrust	HGT	B	15.19	40.0	610	30.00	-	0.51	
<i>Total or Median</i>								<i>0.69</i>	
Canadian Income Trusts (US\$)									
Pengrowth Energy Trust	PGH		7.78	249.0	1,940	16.00	0.32	0.65	
Penn West Energy Trust	PWE	H	11.18	389.9	4,360	27.00	0.27	0.58	
Enerplus Resources Fund	ERF		18.67	164.9	3,080	44.00	0.10	0.48	
Canadian Oil Sands Trust	COSWF	B	15.39	482.0	7,420	42.00	0.05	0.40	
<i>Total or Median</i>						<i>16,800</i>		<i>0.19</i>	<i>0.53</i>
U.S. Master Limited Partnerships (MLPs)									
Linn Energy, LLC	LINE		12.58	114.0	1,430	14.00	0.52	0.95	
Encore Energy Partners, L.P. (32%)	ENP		12.84	10.6	140	19.00	0.23	0.75	
Dorchester Minerals, L.P.	DMLP		16.69	28.2	470	24.00	-	0.69	
<i>Total or Median</i>						<i>2,000</i>		<i>0.23</i>	<i>0.75</i>
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/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib NTM (%)
	Symbol/ Rating		19-Dec 2008	NTM	NTM	NTM	NTM	
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	H	25.00	10.8	15.1	11.1	13.7	7.3
Sabine Royalty Trust	SBR		38.66	9.2	13.3	11.0	11.0	9.1
Permian Basin RT	PBT		14.11	8.8	14.0	10.4	11.9	8.4
Cross Timbers Royalty Trust	CRT		26.87	14.5	15.1	9.6	10.2	9.8
Mesa Royalty Trust	MTR		36.71	21.1	13.4	7.3	8.4	11.9
Hugoton Royalty Trust	HGT	B	15.19	13.1	13.8	7.0	10.1	9.9
	<i>Median</i>			12.0	13.9	10.0	10.6	9.5
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	15.39	23.3	23.3	9.2	21.0	5.5
Pengrowth Energy Trust	PGH		7.78	9.5	10.9	7.1		22.1
Penn West Energy Trust	PWE	H	11.18	7.7	9.4	5.4	324.1	18.1
Enerplus Resources Fund	ERF		18.67	10.6	10.8	5.2	12.5	13.6
	<i>Median</i>			10.0	10.8	6.2	21.0	15.8
U.S. Master Limited Partnerships (MLPs)								
Dorchester Minerals, L.P.	DMLP		16.69	8.5	13.6	9.5	15.6	10.5
Linn Energy, LLC	LINE		12.58	13.6	9.8	9.3		20.0
Encore Energy Partners, L.P.	ENP		12.84	12.7	11.3	8.5		13.5
	<i>Median</i>			12.7	11.3	9.3	15.6	13.5
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								

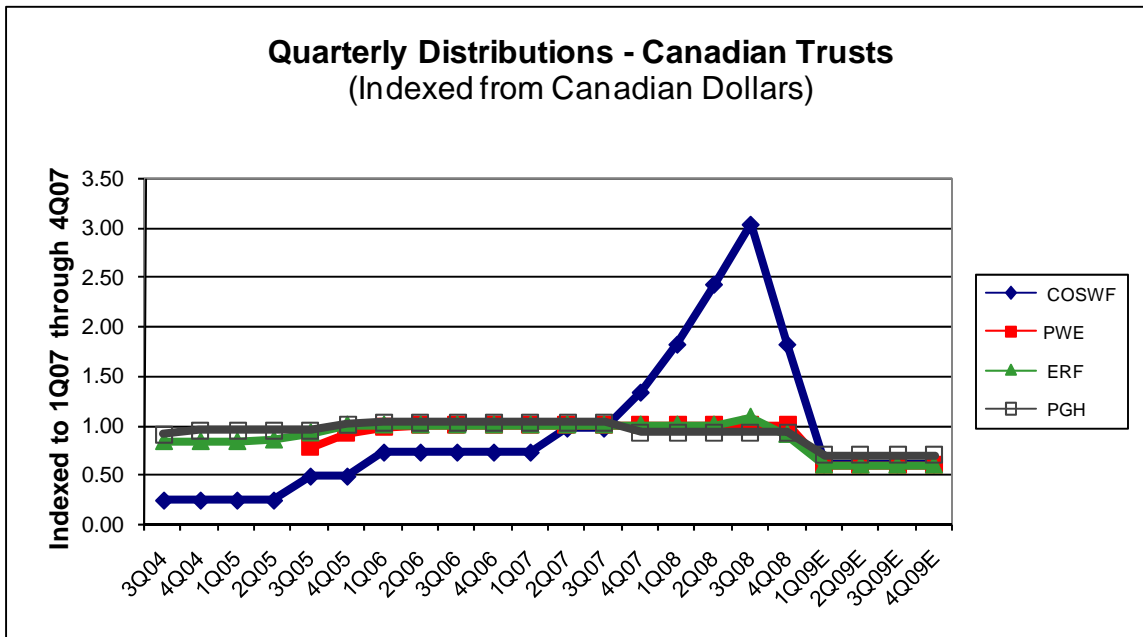
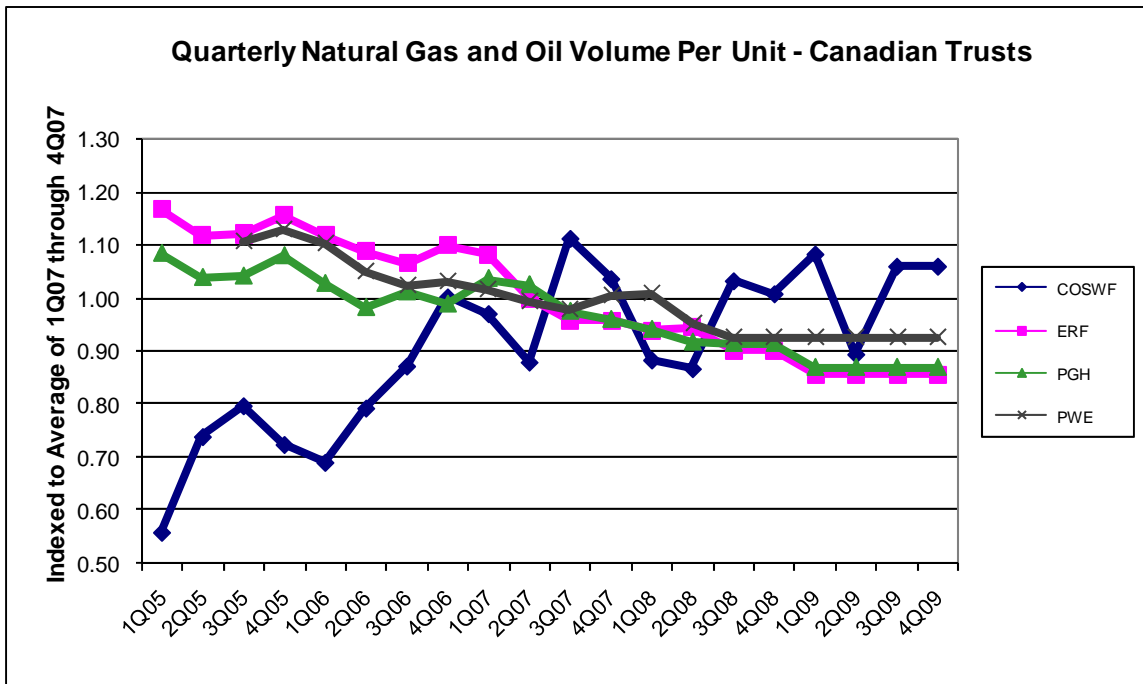
Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield									
			Natural Revenue Gas/ Ebitda	Dist/ Ebitda	Equity Ebitda	NTM Distribution (\$mm)	Dist. Yield (\$/un)		
	Symbol		Royalty (%)	(%)	Ebitda	Ebitda			
U.S. Royalty Trusts									
San Juan Basin Royalty Trust	SJT		-	99	0.81	0.81	85	1.83	7.3
Permian Basin RT	PBT		32	42	0.87	0.87	55	1.19	8.4
Sabine Royalty Trust	SBR		100	65	1.00	1.00	51	3.53	9.1
Cross Timbers Royalty Trust	CRT		84	72	0.95	0.95	16	2.64	9.8
Hugoton Royalty Trust	HGT		-	88	0.69	0.69	60	1.51	9.9
Mesa Royalty Trust	MTR		-	72	0.87	0.87	8	4.37	11.9
	<i>Total or Median</i>			72	0.87	0.87	300		9.5
Canadian Income Trusts (US\$)									
Canadian Oil Sands Trust	COSWF		-	(9)	0.45	0.47	407	0.84	5.5
Enerplus Resources Fund	ERF		-	45	0.56	0.62	418	2.53	13.6
Penn West Energy Trust	PWE		-	33	0.51	0.70	790	2.03	18.1
Pengrowth Energy Trust	PGH		-	39	0.79	1.17	429	1.72	22.1
	<i>Total or Median</i>			36	0.53	0.66	2,000		15.8
U.S. Master Limited Partnerships (MLPs)									
Dorchester Minerals, L.P.	DMLP		64	76	1.00	1.00	50	1.76	10.5
Encore Energy Partners, L.P.	ENP			23	0.79	1.03	18	1.73	13.5
Linn Energy, LLC	LINE			49	0.84	1.76	287	2.52	20.0
	<i>Total or Median</i>			49	0.84	1.03	400		13.5



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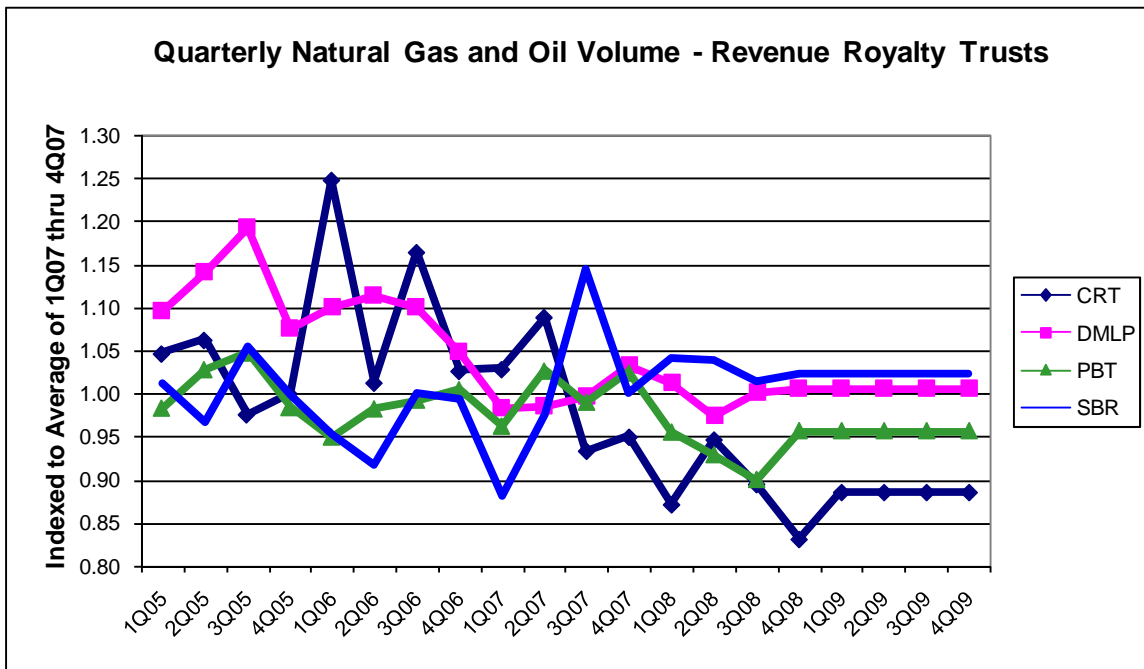
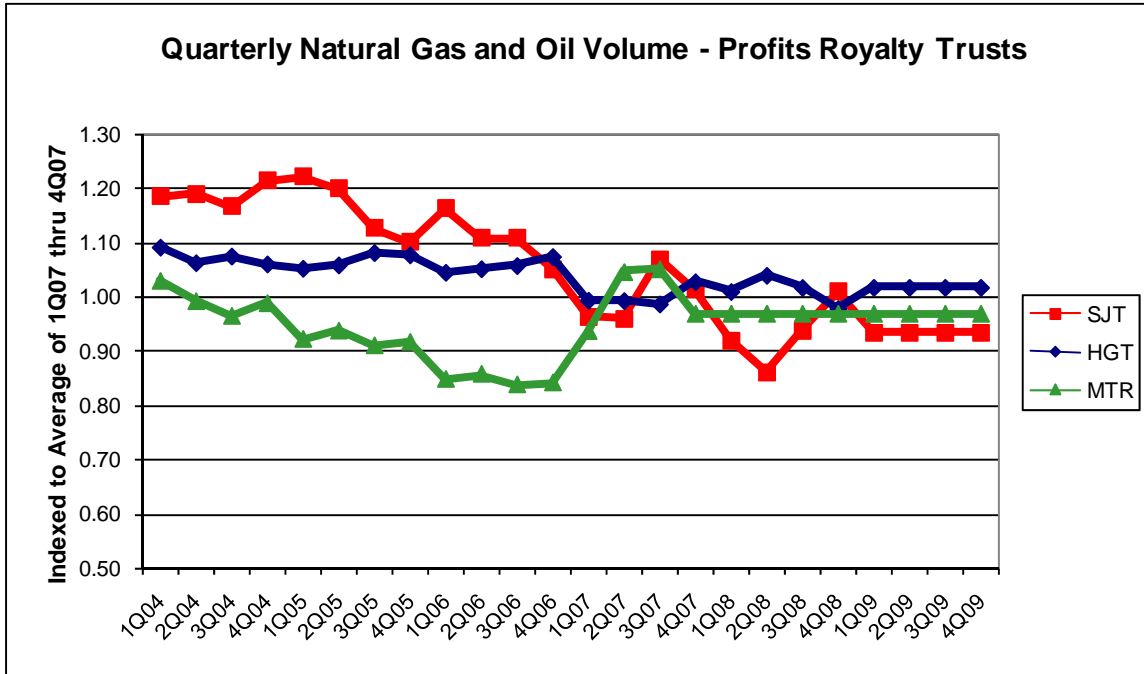




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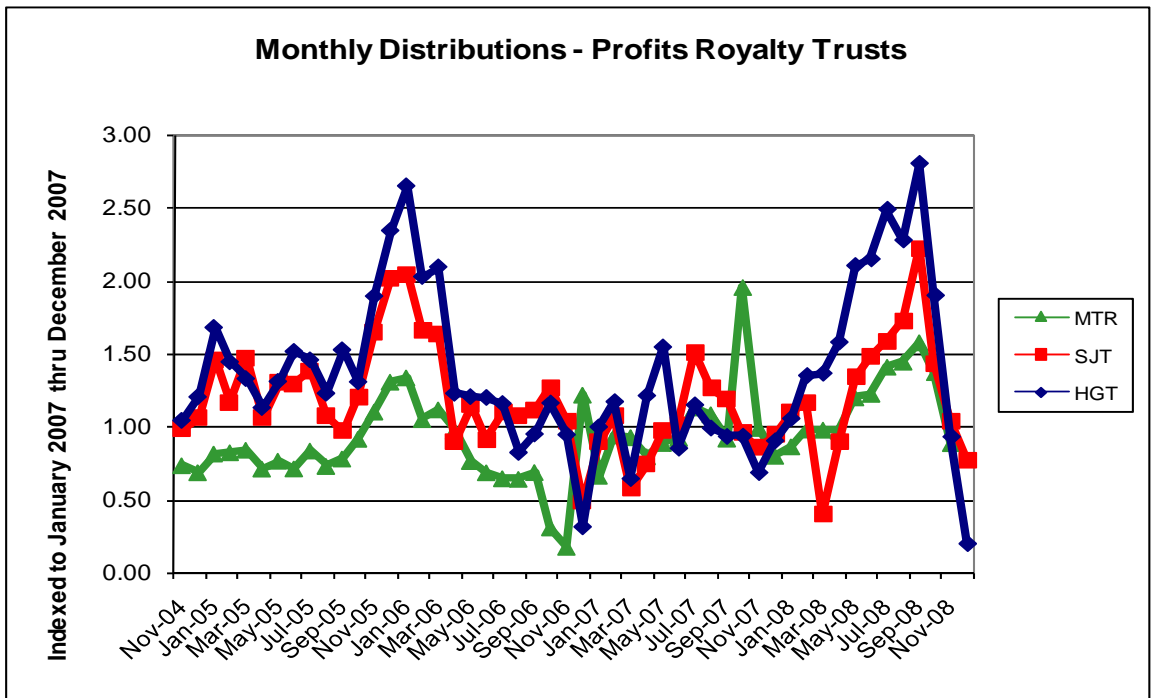
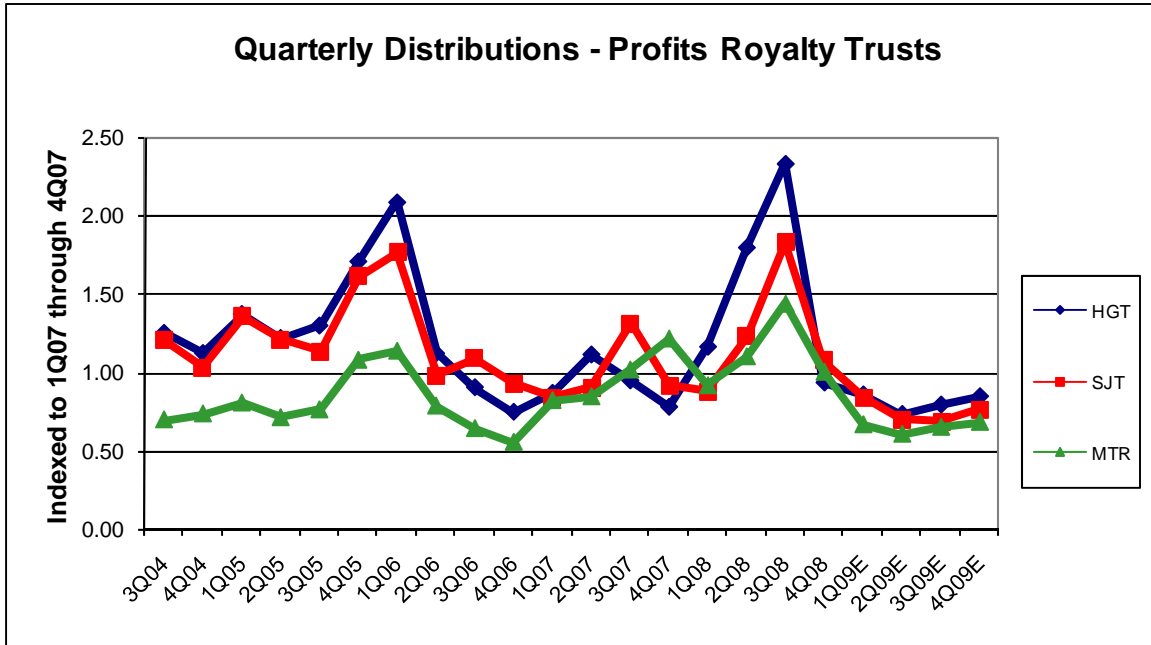




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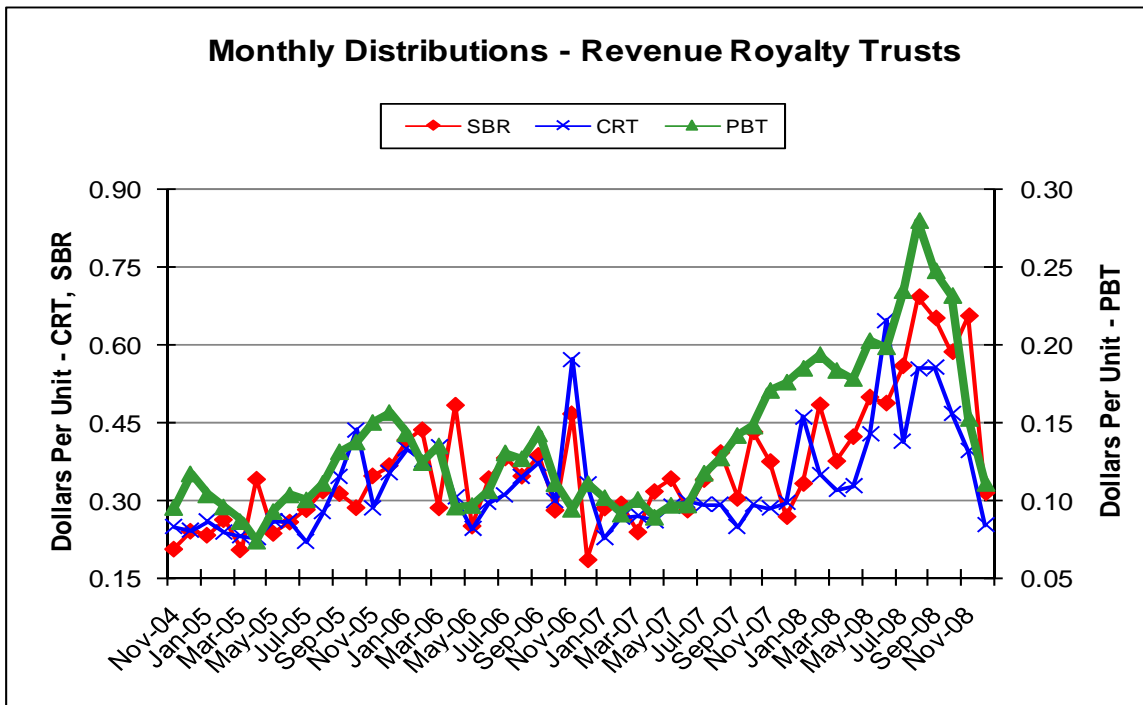
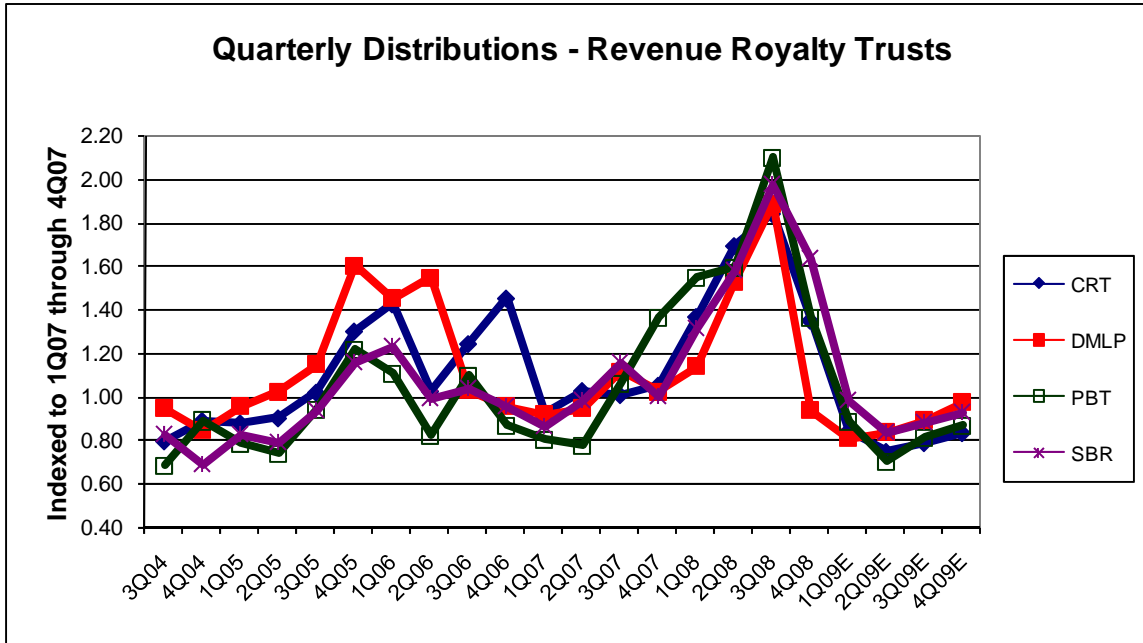




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