



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

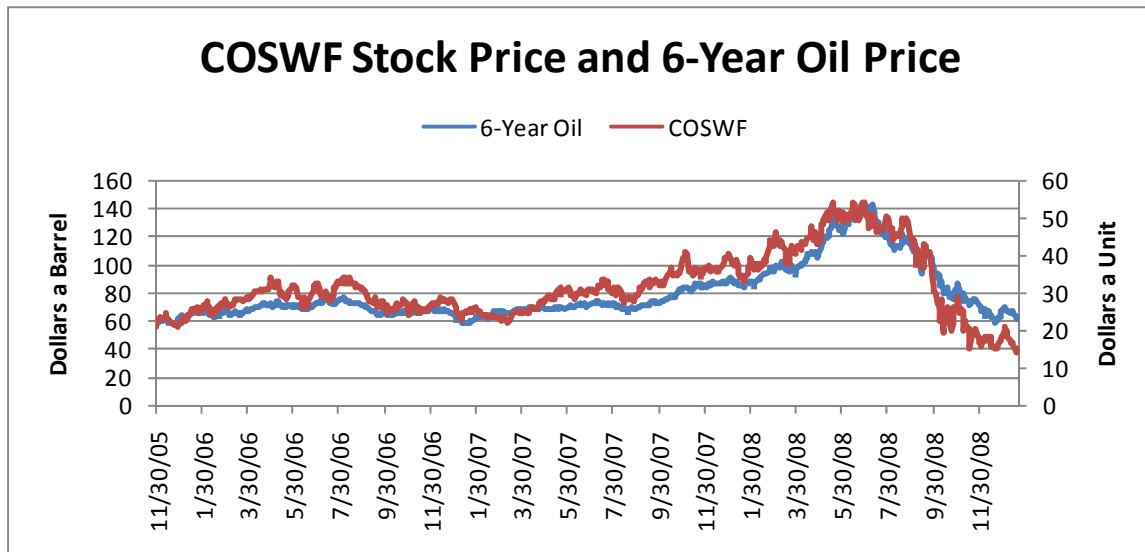
January 23, 2009

D-Day for Canadian Oil Sands Trust

Summary and Recommendation

Stock price for buy recommended **Canadian Oil Sands Trust (COSWF)** seems unduly depressed ahead of the next quarterly distribution declaration expected on Wednesday, January 28, 5:00 PM EST. A declaration of C\$0.25 a unit would be down from C\$0.75 declared in November and C\$1.25 declared last July. A McDep Ratio of 0.36 is the lowest of 17 income and small cap stocks and exceeded on the downside only by two Russian stocks in our large cap coverage. The stock is trading at its 52 week low while the median multiple of Enterprise Value to the low is 1.14 times for 17 stocks. On other measures of EV to 52 week high, EV to 200 day average and EV to 50 day average the ratios for COSWF are 0.36, 0.40 and 0.78 compared to the 17 stock medians at 0.48, 0.64 and 0.97 respectively. Perhaps a chart tells the whole story as COSWF stock price has declined more than average oil price for delivery over the next six years (see chart below). Estimated distribution yield for 2009 at 5.9% for COSWF is below the 8.9% for thirteen income stocks (see Table 3). In the end it may be the short-term orientation of most investors that gives COSWF little credit for the volume growth potential and long life of its resource base. As a result, long-term investors have the opportunity to buy at an attractive price a high quality asset most likely to survive temporary deterioration in economic conditions and to deliver high returns when more normal conditions are restored.

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Table 1								
Oil and Gas Income and Small Cap Stocks								
Net Present Value and McDep Ratio								
			Price (\$/sh)		Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		22-Jan 2009	Shares (mm)				
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		8.09	249.0	2,010	16.00	0.31	0.66
Penn West Energy Trust	PWE	H	11.71	389.9	4,570	27.00	0.26	0.58
Enerplus Resources Fund	ERF		20.92	164.9	3,450	44.00	0.10	0.53
Canadian Oil Sands Trust	COSWF	B	13.52	482.0	6,520	42.00	0.04	0.35
<i>Total or Median</i>					<i>16,600</i>		<i>0.18</i>	<i>0.55</i>
Small Cap Independent Producers								
Encore Acquisition Company	EAC	H	24.57	53.5	1,310	48.00	0.36	0.69
Berry Petroleum Company	BRY	H	6.31	45.5	290	40.00	0.43	0.52
Birchcliff Energy Ltd. (US\$)	BIR.TO		4.01	117.0	470	10.00	0.14	0.48
Cimarex Energy Company	XEC	B	24.28	84.5	2,050	70.00	0.09	0.41
<i>Total or Median</i>					<i>4,120</i>		<i>0.25</i>	<i>0.50</i>
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR		41.69	14.6	610	47.00	-	0.89
Permian Basin RT	PBT		13.81	46.6	640	19.00	-	0.73
Cross Timbers Royalty Trust	CRT		30.48	6.0	180	42.00	-	0.73
San Juan Basin Royalty Trust	SJT	H	23.43	46.6	1,090	34.00	-	0.69
Mesa Royalty Trust	MTR		37.50	1.9	70	67.00	-	0.56
Hugoton Royalty Trust	HGT	B	14.62	40.0	590	28.00	-	0.52
<i>Total or Median</i>					<i>3,180</i>			<i>0.71</i>
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		15.76	114.0	1,800	14.00	0.52	1.06
Encore Energy Partners, L.P. (32%)	ENP		13.84	10.6	150	19.00	0.23	0.79
Dorchester Minerals, L.P.	DMLP		17.35	28.2	490	24.00	-	0.72
<i>Total or Median</i>					<i>2,440</i>		<i>0.23</i>	<i>0.79</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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Table 2								
Oil and Gas Income and Small Cap Stocks								
Value Multiples - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Ebitda Margin (%)
	Symbol/ Rating		22-Jan 2009	NTM	NTM	NTM	NTM	
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	13.52	23.3	26.0	9.1		42
Pengrowth Energy Trust	PGH		8.09	9.5	12.0	7.9		70
Enerplus Resources Fund	ERF		20.92	10.6	12.1	6.3		74
Penn West Energy Trust	PWE	H	11.71	7.7	10.3	6.0		75
	<i>Median</i>			<i>10.0</i>	<i>12.0</i>	<i>7.1</i>		<i>72</i>
Small Cap Independent Producers								
Birchcliff Energy Ltd. (US\$)	BIR.TO		4.01	6.9	20.3	9.8		73
Encore Acquisition Company	EAC		24.57	13.4	13.3	9.1		53
Berry Petroleum Company	BRY		6.31	9.6	11.7	6.1	6.5	60
Cimarex Energy Company	XEC		24.28	7.4	11.1	4.5		57
	<i>Median</i>			<i>8.5</i>	<i>12.5</i>	<i>7.6</i>		<i>58</i>
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	H	23.43	10.6	20.0	13.8	17.5	68
Sabine Royalty Trust	SBR		41.69	9.2	14.8	13.1	13.1	96
Cross Timbers Royalty Trust	CRT		30.48	14.5	16.8	12.2	12.8	74
Permian Basin RT	PBT		13.81	8.8	15.9	11.5	13.4	75
Hugoton RoyaltyTrust	HGT	B	14.62	13.1	15.2	7.9	11.4	64
Mesa RoyaltyTrust	MTR		37.50	21.1	15.0	8.4	9.6	82
	<i>Median</i>			<i>11.9</i>	<i>15.5</i>	<i>11.9</i>	<i>13.0</i>	<i>75</i>
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		15.76	13.6	11.0	11.7		70
Dorchester Minerals, L.P.	DMLP		17.35	8.5	15.8	11.4	20.8	87
Encore Energy Partners, L.P.	ENP		13.84	12.7	13.3	10.5		70
	<i>Median</i>			<i>12.7</i>	<i>13.3</i>	<i>11.4</i>	<i>20.8</i>	<i>70</i>
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								



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Table 3								
Oil and Gas Income and Small Cap Stocks								
Next Twelve Months Distribution Yield								
			Natural					
	Revenue	Gas		Dist/				Dist.
Symbol	Royalty	%	Dist/	Equity	NTM Distribution			Yield
	(%)	NPV	Ebitda	Ebitda	(\$mm)	(\$/un)		(%)
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	-	0.47	0.49	384	0.80	5.9
Enerplus Resources Fund	ERF	-	56	0.59	0.66	395	2.39	11.4
Penn West Energy Trust	PWE	-	28	0.54	0.73	746	1.91	16.3
Pengrowth Energy Trust	PGH	-	34	0.84	1.22	405	1.63	20.1
<i>Total or Median</i>			31	0.57	0.69	1,900		13.9
Small Cap Independent Producers								
Birchcliff Energy Ltd. (US\$)	BIR.TO	-	75	-	-	-	-	-
Encore Acquisition Company	EAC	-	18	-	-	-	-	-
Cimarex Energy Company	XEC	-	65	0.03	0.04	20	0.24	1.0
Berry Petroleum Company	BRY	-	42	0.05	0.09	14	0.30	4.8
<i>Total or Median</i>			53					
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	100	0.79	0.79	62	1.34	5.7
Permian Basin RT	PBT	32	33	0.86	0.86	48	1.03	7.4
Sabine Royalty Trust	SBR	100	54	1.00	1.00	46	3.18	7.6
Cross Timbers Royalty Trust	CRT	84	76	0.95	0.95	14	2.38	7.8
Hugoton RoyaltyTrust	HGT	-	91	0.69	0.69	51	1.28	8.7
Mesa RoyaltyTrust	MTR	-	75	0.87	0.87	7	3.90	10.4
<i>Total or Median</i>			76	0.87	0.87	230		7.7
U.S. Master Limited Partnerships (MLPs)								
Dorchester Minerals, L.P.	DMLP	64	68	1.02	1.02	44	1.54	8.9
Encore Energy Partners, L.P.	ENP		30	0.93	1.21	18	1.73	12.5
Linn Energy, LLC	LINE		48	0.95	1.99	287	2.52	16.0
<i>Total or Median</i>			48	0.95	1.21	350		12.5
NTM = Next Twelve Months Ended December 31, 2009								
Ebitda = Earnings before interest, tax, depreciation and amortization								



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