



Income and Small Cap Weekly

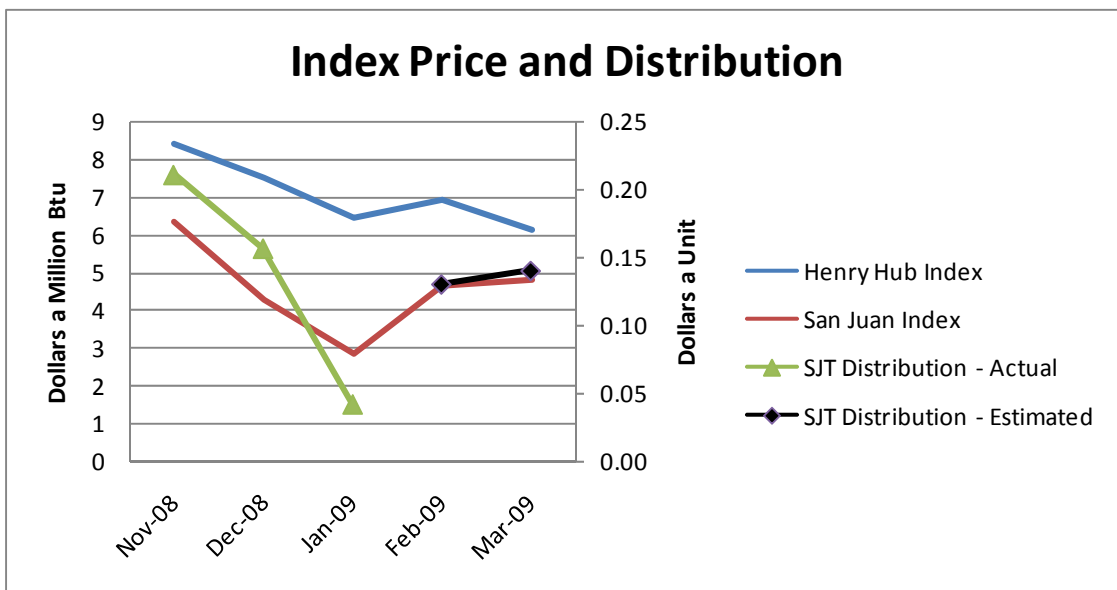
Analysis of Oil & Gas Stocks
January 30, 2009

Quirky Lows for SJT and HGT

Summary and Recommendation

Though nearly all income and small cap stocks are trading at low valuations, buy-recommended **Hugoton Royalty Trust (HGT)** and hold-rated **San Juan Basin Royalty Trust (SJT)** set new lows this past week that may be related to a natural gas pricing quirk. The index price for natural gas in the month of November dropped sharply before recovering again in December and January. Index prices known at the first of the month are the most variable factor influencing distributions declared two and a half months later (see chart below where we plot index price two months after real time). As a result, monthly distributions for SJT, and by extension HGT, were especially low when declared on January 20. While investors who read our research should not be surprised, the market regularly seems to react more than anticipate in this case. At their lows, HGT and SJT seem out of line with 15 other income and small cap stocks trading at a median 21% above their lows.

Kurt H. Wulff, CFA





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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		29-Jan 2009	Shares (mm)				
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		8.57	249.0	2,130	16.00	0.32	0.68
Penn West Energy Trust	PWE	H	12.31	389.9	4,800	27.00	0.27	0.60
Enerplus Resources Fund	ERF		21.85	164.9	3,600	44.00	0.10	0.54
Canadian Oil Sands Trust	COSWF	B	15.01	482.0	7,240	42.00	0.05	0.39
<i>Total or Median</i>					17,800		0.18	0.57
Small Cap Independent Producers								
Encore Acquisition Company	EAC	H	28.19	53.5	1,510	48.00	0.36	0.74
Berry Petroleum Company	BRY	H	7.50	45.5	340	40.00	0.43	0.54
Birchcliff Energy Ltd. (US\$)	BIR.TO		3.90	117.0	460	10.00	0.14	0.48
Cimarex Energy Company	XEC	B	25.50	84.5	2,150	70.00	0.09	0.42
<i>Total or Median</i>					4,460		0.25	0.51
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR		42.71	14.6	620	47.00	-	0.91
Cross Timbers Royalty Trust	CRT		32.00	6.0	190	42.00	-	0.76
Permian Basin RT	PBT		13.80	46.6	640	19.00	-	0.73
San Juan Basin Royalty Trust	SJT	H	21.00	46.6	980	34.00	-	0.62
Mesa Royalty Trust	MTR		34.99	1.9	70	67.00	-	0.52
Hugoton Royalty Trust	HGT	B	13.05	40.0	520	28.00	-	0.47
<i>Total or Median</i>					3,020			0.67
U.S. Master Limited Partnerships (MLPs)								
Linn Energy, LLC	LINE		16.28	114.0	1,860	14.00	0.52	1.08
Encore Energy Partners, L.P. (32%)	ENP		14.52	10.6	150	19.00	0.23	0.82
Dorchester Minerals, L.P.	DMLP		18.25	28.2	520	24.00	-	0.76
<i>Total or Median</i>					2,530		0.23	0.82
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	EV/ Ebitda	Ebitda Margin		
	Symbol/ Rating		29-Jan 2009	NTM	NTM	NTM	NTM (%)		
Canadian Income Trusts (US\$)									
	Canadian Oil Sands Trust	COSWF	B	15.01	23.3	24.7	9.7	43	
	Pengrowth Energy Trust	PGH		8.57	9.5	11.9	8.1	70	
	Enerplus Resources Fund	ERF		21.85	10.6	12.0	6.5	74	
	Penn West Energy Trust	PWE	H	12.31	7.7	10.2	6.1	75	
	<i>Median</i>				10.0	11.9	7.3	72	
Small Cap Independent Producers									
	Birchcliff Energy Ltd. (US\$)	BIR.TO		3.90	6.9	20.3	9.7	73	
	Encore Acquisition Company	EAC		28.19	13.4	13.0	9.5	53	
	Berry Petroleum Company	BRY		7.50	9.6	11.5	6.2	7.2	60
	Cimarex Energy Company	XEC		25.50	7.4	11.2	4.7	57	
	<i>Median</i>				8.5	12.2	7.9	58	
U.S. Royalty Trusts									
	Sabine Royalty Trust	SBR		42.71	9.2	14.8	13.5	13.5	96
	Cross Timbers Royalty Trust	CRT		32.00	14.5	16.8	12.8	13.5	74
	San Juan Basin Royalty Trust	SJT	H	21.00	10.6	20.7	12.8	16.3	67
	Permian Basin RT	PBT		13.80	8.8	15.7	11.4	13.2	75
	Mesa RoyaltyTrust	MTR		34.99	21.1	15.1	7.9	9.0	82
	Hugoton RoyaltyTrust	HGT	B	13.05	13.1	15.6	7.3	10.5	63
	<i>Median</i>				11.9	15.6	12.1	13.3	75
U.S. Master Limited Partnerships (MLPs)									
	Dorchester Minerals, L.P.	DMLP		18.25	8.5	16.0	12.2	22.4	87
	Linn Energy, LLC	LINE		16.28	13.6	11.0	11.8		70
	Encore Energy Partners, L.P.	ENP		14.52	12.7	13.3	10.8		70
	<i>Median</i>				12.7	13.3	11.8	22.4	70
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								
			<i>Natural</i>					
	<i>Revenue</i>	<i>Gas</i>		<i>Dist/</i>	<i>Equity</i>	<i>NTM Distribution</i>		<i>Dist.</i>
<i>Symbol</i>	<i>Royalty</i>	<i>%</i>	<i>NPV</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>(\$mm)</i>	<i>(\$/un)</i>	<i>Yield</i>
	<i>(%)</i>							<i>(%)</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	-	0.28	0.29	238	0.49	3.3
Enerplus Resources Fund	ERF	-	56	0.45	0.49	298	1.81	8.3
Penn West Energy Trust	PWE	-	28	0.62	0.84	873	2.24	18.2
Pengrowth Energy Trust	PGH	-	34	0.84	1.23	412	1.66	19.3
<i>Total or Median</i>			<i>31</i>	<i>0.53</i>	<i>0.67</i>	<i>1,800</i>		<i>13.2</i>
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	0.9
Berry Petroleum Company	BRY	-	42	0.05	0.09	14	0.30	4.0
<i>Total or Median</i>			<i>53</i>					
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	100	0.79	0.79	60	1.29	6.1
Cross Timbers Royalty Trust	CRT	84	76	0.95	0.95	14	2.36	7.4
Sabine Royalty Trust	SBR	100	54	1.00	1.00	46	3.17	7.4
Permian Basin RT	PBT	32	33	0.86	0.86	49	1.04	7.6
Hugoton RoyaltyTrust	HGT	-	91	0.69	0.69	50	1.24	9.5
Mesa RoyaltyTrust	MTR	-	75	0.87	0.87	7	3.87	11.1
<i>Total or Median</i>			<i>76</i>	<i>0.87</i>	<i>0.87</i>	<i>230</i>		<i>7.5</i>
U.S. Master Limited Partnerships (MLPs)								
Dorchester Minerals, L.P.	DMLP	64	68	1.02	1.02	43	1.53	8.4
Encore Energy Partners, L.P.	ENP		30	1.08	1.40	21	2.00	13.8
Linn Energy, LLC	LINE		48	0.94	1.97	287	2.52	15.5
<i>Total or Median</i>			<i>48</i>	<i>1.02</i>	<i>1.40</i>	<i>350</i>		<i>13.8</i>
NTM = Next Twelve Months Ended December 31, 2009								
Ebitda = Earnings before interest, tax, depreciation and amortization								



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