



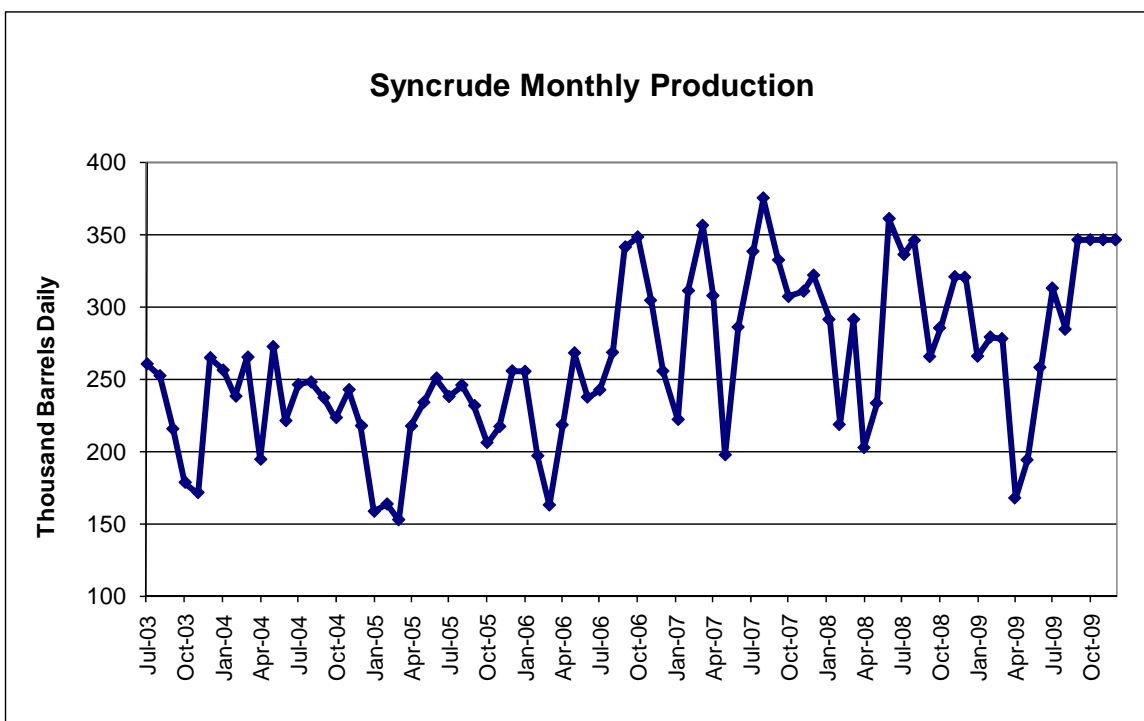
# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks  
September 17, 2009

## McDep Value in Canadian Oil Sands Trust

Buy-recommended **Canadian Oil Sands Trust (COSWF)** stands out at a low McDep Ratio of 0.67 despite a steady uptrend in stock price from the bottom on January 23. Opportunities for optimists, or concerns for pessimists, might include operating reliability, distribution rate and environmental issues. We remain hopeful that the trust can meet management guidance with operations near capacity of 350,000 barrels daily (bd) to the end of the year despite a surprise upset in August that reduced monthly volume to 284,000 bd (see chart [Syncrude Monthly Production](#)). We see ample capacity to double the distribution rate on October 28 to C\$0.50 a unit compared to estimated Ebitda minus Interest of C\$0.79 a unit for the quarter ended December 31 (see table [Next Twelve Months Operating and Financial Estimates](#)). On the ecological front, we think that Greenpeace and other activists can find better targets that need more prodding than oil sands. The buffalo are grazing on restored mining lands, the air is clean and the water in the Athabasca River relatively pure by our experience. Finally, translated to U.S. dollars, we project a distribution of US\$2.15 for the next twelve months indicating a distribution yield of 8.0% (see Table 1).

Kurt H. Wulff, CFA





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Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
	Q3	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/08	6/30/09	9/30/09	12/31/09	2009E	3/31/10	6/30/10	9/30/10	9/30/10
<b>Volume</b>									
Syncrude (mmb)	29.1	18.7	28.9	31.8	104.1	29.7	30.0	30.4	121.9
Syncrude (mbd)	316	206	314	346	285	330	330	330	334
Days	92	91	92	92	365	90	91	92	365
Trust share (%)	36.9	36.7	36.7	36.7	36.9	36.7	36.7	36.7	36.7
Trust Oil (mmb)	10.73	6.88	10.61	11.70	38.4	10.91	11.03	11.15	44.8
Trust Oil (mbd)	116.7	75.6	115.3	127.1	105.3	121.2	121.2	121.2	122.7
<b>Price</b>									
WTI Cushing (US\$/bbl)	117.99	59.52	68.10	69.36	59.99	70.91	72.62	74.02	71.73
Currency (US\$/C\$)	0.96	0.86	0.94	0.94	0.89	0.94	0.94	0.94	0.94
WTI Cushing (C\$/bbl)	122.77	69.38	72.69	74.03	67.38	75.69	77.51	79.00	76.56
Differential	4.78	(1.46)	(4.00)	(4.00)	(1.67)	(4.00)	(4.00)	(4.00)	(4.03)
Trust Oil Price (C\$/bbl)	127.55	67.92	68.69	70.03	65.72	71.69	73.51	75.00	72.53
Henry Hub Nat Gas (US\$/mmbt)	10.25	3.50	3.39	4.20	4.00	5.30	5.38	5.66	5.14
Henry Hub Nat Gas (C\$/mmbt)	10.66	4.08	3.62	4.49	4.49	5.66	5.75	6.04	5.48
AECO Natural Gas (C\$/GJ)	7.86	3.09	2.67	3.42	3.54	4.61	4.36	4.45	4.21
<b>Revenue (C\$m)</b>									
Oil	1,369	467	729	819	2,526	782	811	837	3,249
Transportation & Marketing	9				-				-
Other	(19)	(2)			(4)				-
Total	1,379	469	729	819	2,529	782	811	837	3,249
<b>Expense (C\$m)</b>									
Production	276	316	280	280	1,184	280	280	280	1,120
Purchased Energy	69	29	39	55	174	47	45	46	193
Crown Royalties	231	23	56	69	152	43	71	73	257
Insurance	2	2	2	2	8	2	2	2	8
Administration	3	6	6	6	24	5	5	5	21
Total	581	376	383	412	1,542	377	403	406	1,599
<b>Ebitda</b>	798	93	346	407	988	405	408	430	1,650
Deprec., Deplet., & Amort.	121	81	125	125	437	125	125	132	507
Currency Hedging	(1)				-				
Non-Production	21	39	33	33	138	22	22	33	110
Exchange on U.S. Debt	32	(77)			(48)				-
Future Income Tax	6	(23)			(113)				-
<b>Ebit</b>	619	73	188	249	574	258	261	265	1,033
Interest	16	25	24	24	93	22	22	24	93
<b>Net Income (C\$m)</b>	603	48	164	225	481	236	239	241	941
Per Unit (C\$)	1.25	0.10	0.34	0.46	0.99	0.49	0.49	0.50	1.94
<b>Units (millions)</b>	482	484	484	484	484	484	484	484	484
Ebitda minus Interest	782	68	322	383	895	383	386	406	1,558
Per Unit (C\$)	1.62	0.14	0.67	0.79	1.85	0.79	0.80	0.84	3.22
<b>Ratios</b>									
Production (C\$/bbl)	25.68	45.94	26.40	23.94	30.80	25.66	25.38	25.10	25.00
Purchased Energy (C\$/bbl)	6.47	4.24	3.66	4.70	4.53	4.29	4.05	4.14	4.30
Prod&Purch En (C\$/bbl)	32.15	50.18	30.06	28.64	35.33	29.95	29.43	29.25	29.30
Crown Royalties & Taxes	17%	5%	8%	8%	6%	6%	9%	9%	8%
Ebitda Margin	58%	20%	47%	50%	39%	52%	50%	51%	51%
Deprec., D.& A (C\$/bbl)	11.27	11.78	11.80	10.70	11.38	11.47	11.34	11.80	11.32
<b>Distribution (C\$/unit)</b>	1.25	0.15	0.25	0.50	1.05	0.60	0.60	0.60	2.30

Please see disclosures on the final page.

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	Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	Present Value by Segment (%)			Dist. Yield (%)	Dist. Yield (%)	McDep Ratio
					NAmer. Natural Gas	Oil Prod'n	NTM (\$/un)			
	B = Buy H = Hold	16-Sep 2009	Cap							
<b>Canadian Income Trusts (US\$)</b>										
Penn West Energy Trust	PWE	H	14.35	1.70	10,000	27	73	1.67	11.6	0.84
Peyto Energy Trust	PEYUF		9.86	1.41	1,470	67	33	1.34	13.5	0.81
Pengrowth Energy Trust	PGH		9.10	1.77	4,200	34	66	1.11	12.2	0.77
Enerplus Resources Fund	ERF		22.94	1.23	4,700	43	57	2.00	8.7	0.68
Canadian Oil Sands Trust	COSWF	B	27.20	1.11	14,600		100	2.13	7.8	0.67
<i>Total or Median</i>					35,000					0.77
<b>Small Cap Independent Producers</b>										
Cimarex Energy Company	XEC	B	43.10	1.24	4,370	62	38	0.24	0.6	0.95
Encore Acquisition Company	EAC	B	39.16	1.82	3,780	23	77	-	-	0.94
Birchcliff Energy Ltd. (US\$)	BIREF		7.74	1.20	1,150	62	38	-	-	0.88
Berry Petroleum Company	BRY	H	27.78	1.92	2,380	31	69	0.30	1.1	0.88
<i>Total or Median</i>					11,680					0.91
<b>Top Line Cash Payers</b>										
Cross Timbers Royalty Trust	CRT		29.08	1.00	170	64	36	1.87	6.4	1.04
Dorchester Minerals, L.P.	DMLP	B	25.77	1.00	770	63	38	1.39	5.4	0.95
Freehold Royalty Trust (US\$)	FRHLF		15.90	1.19	940	25	73	1.11	7.0	0.94
Permian Basin RT	PBT		13.77	1.00	640	27	73	0.88	6.4	0.77
Sabine Royalty Trust	SBR		40.34	1.00	590	38	63	2.90	7.2	0.73
<i>Total or Median</i>					3,110					0.94
<b>Bottom Line Cash Payers</b>										
Linn Energy, LLC	LINE		23.39	1.53	4,090	38	62	2.52	10.8	1.31
Encore Energy Partners, L.P. (52%)	ENP		16.26	1.34	510	24	76	2.15	13.2	0.97
San Juan Basin Royalty Trust	SJT	B	19.25	1.00	900	100	-	1.12	5.8	0.92
Hugoton Royalty Trust	HGT	B	18.46	1.00	740	89	11	0.97	5.2	0.80
Mesa Royalty Trust	MTR		34.81	1.00	65	75	25	1.99	5.7	0.62
<i>Total or Median</i>					6,310					0.92
<b>Composite (excl COSWF)</b>										
<i>Enterprise Value Weighting</i>					41,500	40	60			0.86
<i>Equal Weighting</i>						50	50			0.88
<i>Equal Weighted Buys</i>						53	47			0.91
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.										
* Percentages in Price column refer to equal weighted buys.										



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Table 2								
Oil and Gas Income and Small Cap Stocks								
Net Present Value and McDep Ratio								
			Price (\$/sh)		Market Cap	Net Present Value	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		16-Sep 2009	Shares (mm)	(\$mm)	(\$/un)		
<b>Canadian Income Trusts (US\$)</b>								
	PWE	H	14.35	410.0	5,880	19.00	0.35	0.84
	PEYUF		9.86	105.9	1,040	13.00	0.24	0.81
	PGH		9.10	260.0	2,370	14.00	0.34	0.77
	ERF		22.94	166.3	3,810	36.00	0.13	0.68
	COSWF	B	27.20	484.0	13,160	42.00	0.07	0.67
	<i>Total or Median</i>				26,300		0.24	0.77
<b>Small Cap Independent Producers</b>								
	XEC	B	43.10	82.0	3,530	46.00	0.18	0.95
	EAC	B	39.16	53.0	2,080	44.00	0.42	0.94
	BIREF		7.74	124.0	960	9.00	0.15	0.88
	BRY	H	27.78	44.8	1,240	35.00	0.42	0.88
	<i>Total or Median</i>				7,810		0.30	0.91
<b>Top Line Cash Payers</b>								
	CRT		29.08	6.0	170	28.00	-	1.04
	DMLP	B	25.77	29.8	770	27.00	-	0.95
	FRHLF		15.90	49.5	790	17.00	0.15	0.94
	PBT		13.77	46.6	640	18.00	-	0.77
	SBR		40.34	14.6	590	55.00	-	0.73
	<i>Total or Median</i>				2,960			0.94
<b>Bottom Line Cash Payers</b>								
	LINE		23.39	114.0	2,670	15.00	0.45	1.31
	ENP		16.26	23.4	380	17.00	0.25	0.97
	SJT	B	19.25	46.6	900	21.00	-	0.92
	HGT	B	18.46	40.0	740	23.00	-	0.80
	MTR		34.81	1.9	70	56.00	-	0.62
	<i>Total or Median</i>				4,760			0.92
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 \$8 a million btu for natural gas.								



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Table 3									
Oil and Gas Income and Small Cap Stocks									
Value Multiples - Rank by EV/Ebitda									
			Price (\$/sh)	Revenue	Dist/ Equity	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	
	Symbol/ Rating		16-Sep 2009	Royalty (%)	Ebitda	NTM	NTM	NTM	
<b>Canadian Income Trusts (US\$)</b>									
	Canadian Oil Sands Trust	COSWF	B	27.20		0.70	21.8	13.7	9.2
	Peyto Energy Trust	PEYUF		9.86		1.15	17.2	11.2	9.1
	Penn West Energy Trust	PWE	H	14.35		0.85	8.2	9.7	8.2
	Enerplus Resources Fund	ERF		22.94		0.64	9.4	11.4	7.8
	Pengrowth Energy Trust	PGH		9.10		0.75	7.9	9.4	7.2
	<i>Median</i>						9.4	11.2	8.2
<b>Small Cap Independent Producers</b>									
	Birchcliff Energy Ltd. (US\$)	BIREF		7.74		-	10.1	14.2	12.5
	Encore Acquisition Company	EAC	B	39.16		-	11.5	9.4	8.8
	Berry Petroleum Company	BRY	H	27.78		-	12.1	9.1	8.0
	Cimarex Energy Company	XEC	B	43.10		-	7.8	6.3	5.9
	<i>Median</i>						10.8	9.2	8.4
<b>Top Line Cash Payers</b>									
	Dorchester Minerals, L.P.	DMLP	B	25.77	64	0.87	8.2	16.9	16.1
	Cross Timbers Royalty Trust	CRT		29.08	84	0.93	13.3	14.0	14.5
	Sabine Royalty Trust	SBR		40.34	100	1.00	10.2	19.0	13.9
	Permian Basin RT	PBT		13.77	32	0.88	11.7	18.1	13.9
	Freehold Royalty Trust (US\$)	FRHLF		15.90	71	0.66	6.4	10.0	9.5
	<i>Median</i>						10.2	16.9	13.9
<b>Bottom Line Cash Payers</b>									
	Linn Energy, LLC	LINE		23.39		2.60	18.2	15.4	20.2
	Mesa RoyaltyTrust	MTR		34.81		0.85	16.4	23.8	14.8
	San Juan Basin Royalty Trust	SJT	B	19.25		0.77	9.0	14.4	13.2
	Hugoton RoyaltyTrust	HGT	B	18.46		0.69	13.4	16.3	13.1
	Encore Energy Partners, L.P.	ENP		16.26		1.37	13.9	10.8	10.5
	<i>Median</i>						13.9	15.4	13.2
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses									



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