



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

December 4, 2009

Canadian Oil Sands Trust November Production below Capacity

Summary and Recommendation

Buy-recommended **Canadian Oil Sands Trust (COSWF)** posted November Syncrude production of 287,000 barrels daily (bd) compared to 350,000 bd capacity. The shortfall was caused by “an unplanned outage of the Vacuum Distillation Unit”. As a result, we can chalk up 2009 as a year of inaccurate projections on our part of operating levels and distribution amounts for our favorite pure play oil producer. Nonetheless, COSWF stock price is in an uptrend above its 200-day average along with six-year oil above its 40-week average. The extra undervaluation implied by our estimated Net Present Value of US\$42 a share depends on achieving operations at capacity. Unaffected by November operations, our estimated distribution yield for 2010 is 6.2% (see Table 1).

Kurt H. Wulff, CFA



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	Symbol/Rating	Price (US\$/sh) 3-Dec 2009	EV/ Market Cap	Enterprise Value (\$mm)	Present Value by Segment (%)		Dist. NTM (\$/un)	Dist. Yield (%)	McDep Ratio
					NAmer. Natural Gas	Oil Prod'n			
					B = Buy H = Hold				
Canadian Income Trusts (US\$)									
Penn West Energy Trust	PWE	17.44	1.56	11,400	22	78	1.71	9.8	0.95
Peyto Energy Trust	PEYUF	11.38	1.30	1,700	72	28	1.37	12.0	0.90
Pengrowth Energy Trust	PGH	9.56	1.54	4,300	35	65	0.80	8.3	0.86
Enerplus Resources Fund	ERF	22.74	1.22	4,700	42	58	2.05	9.0	0.79
Canadian Oil Sands Trust	COSWF B	28.19	1.10	15,100		100	1.74	6.2	0.69
<i>Total or Median</i>				37,200					0.86
Small Cap Independent Producers									
Cimarex Energy Company	XEC B	47.57	1.20	4,700	67	33	0.24	0.5	0.96
Encore Acquisition Company	EAC	45.94	1.68	4,030	22	78	-	-	0.95
Berry Petroleum Company	BRY	26.70	1.93	2,310	31	69	0.30	1.1	0.86
Birchcliff Energy Ltd. (US\$)	BIREF	6.96	1.22	1,120	64	36	-	-	0.81
<i>Total or Median</i>				12,200					0.91
Top Line Cash Payers									
Cross Timbers Royalty Trust	CRT	34.00	1.00	200	64	36	2.39	7.0	1.21
Freehold Royalty Trust (US\$)	FRHLF	14.25	1.21	860	25	75	1.63	11.4	0.86
Dorchester Minerals, L.P.	DMLP B	20.60	1.00	610	68	32	1.56	7.6	0.76
Permian Basin RT	PBT	13.45	1.00	630	27	73	1.02	7.6	0.75
Sabine Royalty Trust	SBR	41.09	1.00	600	38	63	2.82	6.9	0.75
<i>Total or Median</i>				2,900					0.76
Bottom Line Cash Payers									
Linn Energy, LLC	LINE	24.88	1.57	4,440	36	64	2.52	10.1	1.34
Encore Energy Partners, L.P. (52%)	ENP	18.29	1.31	560	24	76	2.15	11.8	1.06
San Juan Basin Royalty Trust	SJT B	17.38	1.00	810	100	-	1.22	7.0	0.83
Mesa Royalty Trust	MTR	37.00	1.00	69	75	25	2.28	6.2	0.77
Hugoton Royalty Trust	HGT B	16.23	1.00	650	89	11	1.01	6.2	0.71
<i>Total or Median</i>				6,500					0.83
Composite (excl COSWF)									
<i>Enterprise Value Weighting</i>				43,700	39	61			0.92
<i>Equal Weighting</i>					50	50			0.90
<i>Equal Weighted Buys</i>					54	46			0.84
* 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		3-Dec 2009	Shares (mm)	(\$mm)	(\$/un)		
Canadian Income Trusts (US\$)								
	PWE		17.44	420.0	7,320	19.00	0.34	0.95
	PEYUF		11.38	114.9	1,310	13.00	0.21	0.90
	PGH		9.56	290.0	2,770	12.00	0.30	0.86
	ERF		22.74	169.0	3,840	30.00	0.14	0.79
	COSWF	B	28.19	484.0	13,650	42.00	0.06	0.69
	<i>Total or Median</i>				28,900		0.21	0.86
Small Cap Independent Producers								
	XEC	B	47.57	82.2	3,910	50.00	0.16	0.96
	EAC		45.94	52.3	2,400	50.00	0.38	0.95
	BRY		26.70	44.9	1,200	35.00	0.41	0.86
	BIREF		6.96	132.0	920	9.00	0.15	0.81
	<i>Total or Median</i>				8,430		0.27	0.91
Top Line Cash Payers								
	CRT		34.00	6.0	200	28.00	-	1.21
	FRHLF		14.25	49.6	710	17.00	0.15	0.86
	DMLP	B	20.60	29.8	610	27.00	-	0.76
	PBT		13.45	46.6	630	18.00	-	0.75
	SBR		41.09	14.6	600	55.00	-	0.75
	<i>Total or Median</i>				2,750			0.76
Bottom Line Cash Payers								
	LINE		24.88	114.0	2,840	15.00	0.48	1.34
	ENP		18.29	23.2	430	17.00	0.25	1.06
	SJT	B	17.38	46.6	810	21.00	-	0.83
	MTR		37.00	1.9	69	48.00	-	0.77
	HGT	B	16.23	40.0	650	23.00	-	0.71
	<i>Total or Median</i>				4,800			0.83
B = Buy, Hold ratings discontinued October 23, 2009								
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		3-Dec 2009	Royalty (%)	Ebitda	NTM	NTM	NTM
Canadian Income Trusts (US\$)								
	PEYUF		11.38		1.48	18.2	14.1	12.7
	COSWF	B	28.19		0.53	23.1	12.9	8.9
	PWE		17.44		0.79	8.3	8.7	8.3
	ERF		22.74		0.66	9.8	9.6	7.6
	PGH		9.56		0.55	8.3	8.2	7.1
	<i>Median</i>					9.8	9.6	8.3
Small Cap Independent Producers								
	BIREF		6.96		-	10.6	16.5	13.3
	EAC		45.94		-	11.7	8.0	7.6
	BRY		26.70		-	12.4	7.7	6.6
	XEC	B	47.57		-	7.6	5.6	5.4
	<i>Median</i>					11.2	7.9	7.1
Top Line Cash Payers								
	SBR		41.09	100	1.00	11.7	19.5	14.6
	CRT		34.00	84	0.94	12.7	11.1	13.4
	DMLP	B	20.60	64	0.89	7.8	15.5	11.8
	PBT		13.45	32	0.87	11.6	15.4	11.5
	FRHLF		14.25	71	0.92	6.8	9.6	8.3
	<i>Median</i>					11.6	15.4	11.8
Bottom Line Cash Payers								
	LINE		24.88		2.37	18.3	14.1	18.9
	MTR		37.00		0.87	9.2	18.4	14.2
	SJT	B	17.38		0.79	9.3	13.6	11.3
	HGT	B	16.23		0.67	13.4	15.2	10.7
	ENP		18.29		1.10	13.2	8.7	9.2
	<i>Median</i>					13.2	14.1	11.3
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								
Top Line Cash Payers defined as those having Revenue Royalty (see fifth column from right).								



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