

Rating: Buy  
S&P 500: 1197

## Canadian Oil Sands Trust Distribution Doubled and Unit Split Proposed

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 9/30/06 (US\$mm)</i>	1,300
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-10
<i>Price (US\$/un)</i>	97.22	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/25/05	<i>Adjusted Reserves/Production NTM</i>	20.0
<i>Units (mm)</i>	93	<i>EV/Ebitda</i>	8.2
<i>Market Capitalization (US\$mm)</i>	9,020	<i>PV/Ebitda</i>	11.0
<i>Debt (US\$mm)</i>	1,630	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	10,650	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	37.67
<i>Present Value (PV) (US\$mm)</i>	14,200	<i>Present Value Proven Reserves(US\$/boe)</i>	13.27
<i>Net Present Value (US\$/unit)</i>	136	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.21
<i>Debt/Present Value</i>	0.11	<i>Earnings Next Twelve Months (US\$/un)</i>	10.60
<i>McDep Ratio - EV/PV</i>	0.75	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	3.5	<i>Indicated Annual Dividend (US\$/un)</i>	3.40

Note: Estimated cash flow and earnings tied to one-year futures prices for oil.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

### Summary and Recommendation

A long-awaited increase in the quarterly distribution to C\$1.00 a unit from C\$0.50 a unit at buy-recommended **Canadian Oil Sands Trusts (COSWF)** hints at future income potential that does not seem recognized in stock price. Further expressing their enthusiasm, management proposes a resolution to split the units to be voted next April. Projected Next Twelve Months cash flow includes only a taste of the benefits of eventual full operations at expanded capacity. In its first disclosure of a volume estimate for 2006, management looks for a year-end rate of 310 thousand barrels daily, about 89% of new capacity and up 30% from the average for the latest quarter. The stock offers 40% appreciation potential to estimated net present value of \$136 a share presuming a long-term oil price of \$50 a barrel.

### Cash Flow by Quarter Depends on Latest Results and Futures Prices

Cash flow for the next year is projected from a base through the latest reported quarter (see table Next Twelve Months Operating and Financial Estimates). Company disclosures provide the clues for future volumes and costs as well as geographic and quality differences in price. Futures prices from the New York Mercantile Exchange determine industry benchmarks for the next year.

The trust reported record results for the third quarter of 2005 with no negative surprises that we noticed. Among notable items in management's 35 page release we see that Syncrude Sweet Blend commanded a premium of C\$4.40 a barrel to the industry standard Light Sweet Crude Oil. That is up from C\$3 in the second quarter and essentially nil for all of 2004.

In a few weeks when we move our Next Twelve Months period forward to the end of 2005, we'll have a more convenient basis to compare with management's first outlook for 2005. Meanwhile favorable continuing prospects and a long, long reserve life comfortably justify current purchase of the units in our opinion.

**Please see disclosures on the final page.**

**Canadian Oil Sands Trust**  
**Next Twelve Months Operating and Financial Estimates**  
 (Canadian Dollars)

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>12/30/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>9/30/06</i>
<b>Volume</b>											
Syncrude (mmb)	21.0	<b>87.2</b>	14.2	21.2	21.9	22.2	<b>79.5</b>	22.5	22.8	27.6	<b>95.1</b>
Syncrude (mbd)	228	<b>238</b>	157	233	238	241	<b>218</b>	250	250	300	<b>260</b>
Days	92	<b>366</b>	90	91	92	92	<b>365</b>	90	91	92	<b>365</b>
Trust share (%)	34.3	<b>35.5</b>	38.0	34.1	36.1	35.5	<b>35.7</b>	35.5	35.5	35.5	<b>35.5</b>
Trust Oil (mmb)	7.20	<b>31.0</b>	5.39	7.24	7.91	7.88	<b>28.4</b>	7.99	8.07	9.80	<b>33.7</b>
Trust Oil (mbd)	78.3	<b>84.6</b>	59.9	79.5	85.9	85.7	<b>77.9</b>	88.7	88.7	106.5	<b>92.4</b>
<b>Price</b>											
WTI Cushing (US\$/bbl)	48.31	<b>41.44</b>	49.65	53.05	62.52	61.00	<b>56.56</b>	60.75	61.06	61.09	<b>60.97</b>
Currency (US\$/C\$)	0.82	<b>0.77</b>	0.82	0.80	0.85	0.85	<b>0.83</b>	0.85	0.85	0.85	<b>0.85</b>
WTI Cushing (C\$/bbl)	58.91	<b>53.73</b>	60.85	65.99	73.66	71.69	<b>68.05</b>	71.40	71.76	71.79	<b>71.66</b>
Differential	0.97	<b>(0.16)</b>	3.36	3.00	4.40		<b>3.31</b>				<b>0.01</b>
Trust Oil Price (C\$/bbl)	59.88	<b>53.57</b>	64.21	68.99	78.06	71.69	<b>71.36</b>	71.40	71.76	71.79	<b>71.67</b>
Henry Hub Nat Gas (US\$/mmt)	7.10	<b>6.15</b>	6.27	6.76	8.56	13.38	<b>8.74</b>	13.36	10.43	10.40	<b>11.89</b>
Henry Hub Nat Gas (C\$/mmbtu)	8.65	<b>7.97</b>	7.68	8.40	10.09	15.72	<b>10.52</b>	15.70	12.25	12.22	<b>13.97</b>
AECO Natural Gas (C\$/GJ)	6.40	<b>6.29</b>	6.45	6.94	8.31	12.95	<b>8.66</b>	12.93	10.09	10.06	<b>11.51</b>
<b>Revenue (\$mm)</b>											
Oil	431	<b>1,658</b>	346	499	617	565	<b>2,028</b>	570	579	703	<b>2,418</b>
Transportation & Marketing	(11)	<b>(45)</b>	(8)	(12)	(11)	(10)	<b>(41)</b>	(10)	(10)	(13)	<b>(43)</b>
Other	(0)	<b>0</b>	0	0	0	0	<b>1</b>	-	-	-	<b>0</b>
Total	421	<b>1,614</b>	338	487	606	555	<b>1,987</b>	560	569	691	<b>2,375</b>
<b>Expense</b>											
Production	118	<b>470</b>	170	113	138	138	<b>559</b>	143	129	157	<b>567</b>
Purchased Energy	35	<b>130</b>	36	41	49	77	<b>203</b>	78	37	45	<b>237</b>
Crown Royalties	6	<b>18</b>	3	5	6	6	<b>20</b>	6	6	7	<b>24</b>
Insurance	3	<b>9</b>	3	2	2	2	<b>8</b>	3	2	2	<b>8</b>
Administration	3	<b>9</b>	2	3	2	2	<b>9</b>	3	3	3	<b>10</b>
Taxes and Other	3	<b>(2)</b>	2	1	2	2	<b>7</b>	2	1	1	<b>6</b>
Total	169	<b>635</b>	216	166	198	226	<b>805</b>	234	177	214	<b>851</b>
<b>Ebitda</b>	252	<b>979</b>	122	322	408	329	<b>1,182</b>	326	392	477	<b>1,524</b>
Deprec., Deplet., & Amort.	41	<b>172</b>	31	47	48	47	<b>173</b>	48	48	59	<b>202</b>
Oil Hedging	92	<b>274</b>									
Currency Hedging	(5)	<b>(13)</b>	(5)	(5)	(6)	(7)	<b>(24)</b>	(7)	(7)	(7)	<b>(29)</b>
Non-Production	16	<b>48</b>	12	21	20	20	<b>73</b>	22	22	22	<b>86</b>
Exchange on U.S. Debt	(50)	<b>(79)</b>	5	15	(61)		<b>(41)</b>				<b>-</b>
Future Income Tax	10	<b>(27)</b>	(5)	(1)	(8)		<b>(13)</b>				<b>-</b>
<b>Ebit</b>	148	<b>604</b>	85	244	414	269	<b>1,012</b>	264	328	403	<b>1,264</b>
Interest	26	<b>95</b>	26	27	26	26	<b>105</b>	27	27	27	<b>108</b>
<b>Net Income (\$mm)</b>	122	<b>509</b>	59	218	388	243	<b>907</b>	236	301	376	<b>1,157</b>
Per Unit (\$)	1.34	<b>5.70</b>	0.64	2.38	4.13	2.63	<b>9.78</b>	2.55	3.24	4.04	<b>12.46</b>
<b>Units (millions)</b>	91.3	<b>89.4</b>	91.5	91.8	92.0	92.3	<b>92.8</b>	92.6	92.9	93.2	<b>92.8</b>
<b>Cash Flow (\$mm)</b>	123	<b>575</b>	91	279	368	290	<b>1,027</b>	284	350	435	<b>1,359</b>
Per Unit (\$)	1.33	<b>6.43</b>	1.02	3.09	3.96	3.14	<b>11.07</b>	3.07	3.76	4.67	<b>14.64</b>
<b>Ratios</b>											
Production (\$/bbl)	16.42	<b>15.19</b>	31.53	15.62	17.45	17.50	<b>19.67</b>	17.91	16.00	16.00	<b>16.80</b>
Purchased Energy (\$/bbl)	4.85	<b>4.20</b>	6.59	5.73	6.16	9.77	<b>7.14</b>	9.76	4.58	4.57	<b>7.02</b>
Prod&Purch En (\$/bbl)	21.27	<b>19.40</b>	38.12	21.35	23.61	27.27	<b>26.81</b>	27.67	20.58	20.57	<b>23.82</b>
Crown Royalties & Taxes	1%	<b>1%</b>	1%	1%	1%	1%	<b>1%</b>	1%	1%	1%	<b>1%</b>
Other Expense (\$/bbl)	0.42	<b>(0.06)</b>	0.45	0.14	0.22	0.22	<b>0.24</b>	0.25	0.12	0.10	<b>0.17</b>
Ebitda Margin	60%	<b>61%</b>	36%	66%	67%	59%	<b>59%</b>	58%	69%	69%	<b>64%</b>
Deprec., D.& A (\$/bbl)	5.72	<b>5.56</b>	5.81	6.45	6.10	6.00	<b>6.11</b>	6.00	6.00	6.00	<b>6.00</b>
<b>Distribution</b>	0.50	<b>2.00</b>	0.50	0.50	0.50	0.50	<b>2.00</b>	0.50	0.50	0.50	<b>2.00</b>

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**Industry Conditions Support Long-Term Price Expectation**

Present value estimates that form the denominator of the McDep Ratio and change only occasionally for all companies, most recently in early August, are tied to expected constant real long-term prices. Recent futures price for oil delivered over the next six years at \$58 a barrel exceeds our long-term expectation of \$50. One-year futures for natural gas exceed our long-term expectation while six-year futures for natural gas also have appreciation potential, in our opinion.

**Oil and Gas Commodity and Stock Price**  
**Tuesday, October 25, 2005**

	<u>Units</u>	<u>Futures Price</u>		<u>McDep Ratio</u>
		<u>Six-Year</u>	<u>One-Year</u>	<u>Denominator</u>
<b>Crude Oil</b>	\$/barrel	57.67	63.13	50
<b>Natural Gas</b>	\$/million btu	8.59	12.35	10
	<u>Stocks</u>			<u>Median</u>
	<b>Income</b>			<u>McDep Ratio</u>
	<b>COSWF</b>			1.08
				0.75

Source: McDep Associates, Bloomberg, New York Mercantile Exchange, Yahoo and company disclosures

**Buy Natural Gas and Oil Income Stocks**

Energy is necessary for world economic growth and clean energy provides a better quality of life. Natural gas and oil producers are among the leading global suppliers of clean energy. McDep Ratios that compare Enterprise Value with Present Value of energy and other businesses imply that the stock market undervalues the fundamental prospects. Stocks are ranked in descending order of McDep Ratio connoting “buy low, sell high” (see table Rank by McDep Ratio).

Kurt H. Wulff, CFA

**Oil and Gas Producers**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

	<i>Symbol/ Rating</i>		<i>Price (\$/sh) 25-Oct 2005</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	53.30	159	8,480	15.00	0.55	2.14
Kinder Morgan Management, LLC	KMR	S3	49.48	57	2,800	15.00	0.55	2.03
Pengrowth Energy Trust	PGH		21.89	157	3,430	20.00	0.17	1.08
San Juan Basin Royalty Trust	SJT		43.18	47	2,010	40.00	-	1.08
Enerplus Resources Fund	ERF		43.39	105	4,550	42.00	0.13	1.03
Penn West Energy Trust	PWTFF	B	27.65	174	4,800	28.00	0.16	0.99
Canadian Oil Sands Trust (US\$)	COSWF	B	97.22	93	9,020	136.00	0.11	0.75
	<i>Total or Median</i>				<i>35,100</i>		<i>0.16</i>	<i>1.08</i>

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