

Political Opportunity

Summary and Recommendation

Buy-recommended **Canadian Oil Sands Trust (COSWF)** and **Penn West Energy Trust (PWE)** are 10% and 15% more attractive as Canada Tax Bomb creates a Political Opportunity in stock price (see *Flash*, November 1, 2006). Ill-considered punitive measures against oil producers don't serve the public interest as Republican President Nixon learned with price controls in 1973, Democratic President Carter learned with windfall profits taxes in 1979 and Premier Trudeau learned with Canada's National Energy Program. Instead we see the Finance Minister's action as a clever bluff that has the effect of postponing new trust formation and buying time to create a tax structure that preserves Canada's new competitiveness in global capital markets. Meanwhile COSWF and PWE stocks are priced as much or more below fundamental value today as buy-recommended Canadian corporations **Encana (ECA)**, **Suncor (SU)**, and **Petro-Canada (PCZ)** (see table Rank by McDep Ratio). Expressing disappointment and regret at the seemingly bad news from Ottawa, COSWF Chief Executive Marcel Coutu declared on a conference call he would pursue high distributions as usual to 2011 while at the same time plan to "optimize" the long-term value of COSWF assets to unit holders.

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

	Symbol/ Rating		Price (US\$/sh) 1-Nov 2006	Shares (mm)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
Imperial Oil Limited (30%)	IMO	H	33.31	292	9,730	37.00	0.07	0.91
Petro-Canada	PCZ	B	41.67	506	21,090	49.00	0.18	0.88
Suncor Energy	SU	B	74.24	461	34,230	95.00	0.06	0.79
Encana Corporation	ECA	B	46.05	824	37,900	65.00	0.12	0.74
Income								
Enerplus Resources Fund	ERF		46.25	123	5,690	47.00	0.11	0.99
Pengrowth Energy Trust	PGH		17.01	220	3,750	20.00	0.22	0.88
Penn West Energy Trust	PWE	B	31.90	246	7,850	39.00	0.13	0.84
Canadian Oil Sands Trust	COSWF	B	24.22	468	11,330	35.00	0.08	0.72

B = Buy, S2 = Short half unlevered position, S3 = Short quarter unlevered position, H = Hold

Present Value = Shares times Net Present Value divided by (1-Debt/Present Value).

Debt = Present Value times Debt/Present Value

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

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