

## Buy Systematically

### Summary and Recommendation

Stock price for buy-recommended **Penn West Energy Trust (PWE)** at under \$28 is down the most among income stocks from its 60-day average (see table Rank by Price to 200-Day Average). Though not the very lowest, PWE's McDep Ratio is well within buy range at 0.81 (see table Rank by McDep Ratio). Adjusted reserves to production ratio of 7.7 times may be modest, but it counts only a fraction of resources in oil sands or enhanced oil recovery by greenhouse gas removal (see table Rank by EV/Ebitda). PWE's second highest distribution yield of 14 % a year is covered amply by next twelve months cash flow (Ebitda) both before and after allowing for debt (see table Rank by NTM Distribution Yield). We liked the stock at higher prices and logically must like it at lower prices because nothing has changed materially except for indiscriminate selling of stocks triggered by the collapse of excessive credit. A long-term systematic investor maintaining a predetermined portfolio allocation would be selling government bonds, for example, and buying oil and gas income stocks after recent price changes.

*The next edition of the Royalty Trust Weekly is scheduled for September 7.*

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### Natural Gas and Oil Royalty Trusts Rank by Price to 200-Day Average

|                                      | <i>Symbol</i> |                        | <i>Price<br/>(\$/sh)</i> | <i>60-Day</i>  | <i>200-Day</i> | <i>Price/<br/>60-Day</i> | <i>Price/<br/>200-Day</i> |
|--------------------------------------|---------------|------------------------|--------------------------|----------------|----------------|--------------------------|---------------------------|
|                                      | <i>Rating</i> | <i>16-Aug<br/>2007</i> | <i>Average</i>           | <i>Average</i> | <i>Average</i> | <i>Average</i>           | <i>Average</i>            |
| <b>U.S. Royalty Trusts</b>           |               |                        |                          |                |                |                          |                           |
| San Juan Basin Royalty Trust         | SJT           | B                      | 32.50                    | 32.60          | 33.20          | 1.00                     | 0.98                      |
| Mesa RoyaltyTrust                    | MTR           |                        | 53.40                    | 58.80          | 55.80          | 0.91                     | 0.96                      |
| Sabine Royalty Trust                 | SBR           |                        | 40.53                    | 42.40          | 43.10          | 0.96                     | 0.94                      |
| Hugoton RoyaltyTrust                 | HGT           | B                      | 23.57                    | 25.70          | 25.60          | 0.92                     | 0.92                      |
| Permian Basin RT                     | PBT           |                        | 13.19                    | 13.70          | 14.80          | 0.96                     | 0.89                      |
| Dorchester Minerals, L.P.            | DMLP          |                        | 19.52                    | 22.30          | 22.50          | 0.88                     | 0.87                      |
| Cross Timbers Royalty Trust          | CRT           |                        | 38.40                    | 42.70          | 45.00          | 0.90                     | 0.85                      |
|                                      |               |                        |                          |                |                | <i>0.92</i>              | <i>0.92</i>               |
|                                      |               |                        |                          |                |                |                          |                           |
| <b>Canadian Income Trusts (US\$)</b> |               |                        |                          |                |                |                          |                           |
| Canadian Oil Sands Trust             | COSWF         | B                      | 27.53                    | 30.40          | 27.00          | 0.91                     | 1.02                      |
| Pengrowth Energy Trust               | PGH           |                        | 16.76                    | 18.90          | 17.60          | 0.89                     | 0.95                      |
| Enerplus Resources Fund              | ERF           |                        | 40.44                    | 46.50          | 44.50          | 0.87                     | 0.91                      |
| Penn West Energy Trust               | PWE           | B                      | 27.67                    | 33.20          | 31.30          | 0.83                     | 0.88                      |
|                                      |               |                        |                          |                |                | <i>0.88</i>              | <i>0.93</i>               |

Source: Bloomberg

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

## Natural Gas and Oil Royalty Trusts Rank by McDep Ratio: Market Cap and Debt to Present Value

|                                      | Symbol/<br>Rating | Price<br>(\$/sh)<br>16-Aug<br>2007 | Shares<br>(mm) | Market<br>Cap<br>(\$mm) | Net<br>Present<br>Value<br>(\$/un) | Debt/<br>Present<br>Value | McDep<br>Ratio |      |
|--------------------------------------|-------------------|------------------------------------|----------------|-------------------------|------------------------------------|---------------------------|----------------|------|
| <b>U.S. Royalty Trusts</b>           |                   |                                    |                |                         |                                    |                           |                |      |
| Sabine Royalty Trust                 | SBR               | 40.53                              | 14.6           | 590                     | 45.00                              | -                         | 0.90           |      |
| Cross Timbers Royalty Trust          | CRT               | 38.40                              | 6.0            | 230                     | 46.00                              | -                         | 0.83           |      |
| San Juan Basin Royalty Trust         | SJT               | B                                  | 32.50          | 46.6                    | 1,520                              | 40.00                     | -              | 0.81 |
| Permian Basin RT                     | PBT               | 13.19                              | 46.6           | 620                     | 16.50                              | -                         | 0.80           |      |
| Mesa RoyaltyTrust                    | MTR               | 53.40                              | 1.9            | 100                     | 70.00                              | -                         | 0.77           |      |
| Dorchester Minerals, L.P.            | DMLP              | 19.52                              | 28.2           | 550                     | 27.00                              | -                         | 0.72           |      |
| Hugoton RoyaltyTrust                 | HGT               | B                                  | 23.57          | 40.0                    | 940                                | 34.00                     | -              | 0.69 |
| <i>Total or Median</i>               |                   |                                    |                | 4,600                   |                                    |                           | 0.80           |      |
| <b>Canadian Income Trusts (US\$)</b> |                   |                                    |                |                         |                                    |                           |                |      |
| Pengrowth Energy Trust               | PGH               | 16.76                              | 246.0          | 4,120                   | 17.00                              | 0.27                      | 0.99           |      |
| Penn West Energy Trust               | PWE               | B                                  | 27.67          | 241.5                   | 6,680                              | 36.00                     | 0.17           | 0.81 |
| Enerplus Resources Fund              | ERF               | 40.44                              | 128.0          | 5,180                   | 52.00                              | 0.12                      | 0.81           |      |
| Canadian Oil Sands Trust             | COSWF             | B                                  | 27.53          | 479.0                   | 13,190                             | 39.00                     | 0.07           | 0.73 |
| <i>Total or Median</i>               |                   |                                    |                | 29,200                  |                                    | 0.15                      | 0.81           |      |

B = Buy

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

## Natural Gas and Oil Royalty Trusts Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

|                                      | Symbol/<br>Rating | Price<br>(\$/sh)<br>16-Aug<br>2007 | Adjstd<br>Resrvs/<br>Prod<br>NTM | PV/<br>Ebitda<br>NTM | EV/<br>Ebitda<br>NTM | P/E<br>NTM | Divd or<br>Distrib<br>NTM<br>(%) |      |
|--------------------------------------|-------------------|------------------------------------|----------------------------------|----------------------|----------------------|------------|----------------------------------|------|
| <b>U.S. Royalty Trusts</b>           |                   |                                    |                                  |                      |                      |            |                                  |      |
| San Juan Basin Royalty Trust         | SJT               | B                                  | 32.50                            | 10.0                 | 12.2                 | 9.9        | 12.1                             | 8.3  |
| Cross Timbers Royalty Trust          | CRT               | 38.40                              | 12.1                             | 11.9                 | 9.9                  | 10.5       | 9.5                              |      |
| Sabine Royalty Trust                 | SBR               | 40.53                              | 9.7                              | 10.2                 | 9.2                  | 9.2        | 10.8                             |      |
| Dorchester Minerals, L.P.            | DMLP              | 19.52                              | 9.1                              | 12.2                 | 8.8                  | 13.8       | 11.4                             |      |
| Mesa RoyaltyTrust                    | MTR               | 53.40                              | 21.9                             | 10.9                 | 8.4                  | 9.5        | 10.5                             |      |
| Hugoton RoyaltyTrust                 | HGT               | B                                  | 23.57                            | 13.9                 | 11.1                 | 7.7        | 11.2                             | 8.9  |
| Permian Basin RT                     | PBT               | 13.19                              | 8.2                              | 9.5                  | 7.6                  | 9.6        | 10.4                             |      |
| <i>Median</i>                        |                   |                                    | 10.0                             | 11.1                 | 8.8                  | 10.5       | 10.4                             |      |
| <b>Canadian Income Trusts (US\$)</b> |                   |                                    |                                  |                      |                      |            |                                  |      |
| Canadian Oil Sands Trust             | COSWF             | B                                  | 27.53                            | 21.1                 | 10.9                 | 7.9        | 9.7                              | 9.7  |
| Pengrowth Energy Trust               | PGH               | 16.76                              | 7.1                              | 7.2                  | 7.1                  | 31.1       | 17.0                             |      |
| Enerplus Resources Fund              | ERF               | 40.44                              | 9.4                              | 8.5                  | 6.9                  | 14.2       | 11.8                             |      |
| Penn West Energy Trust               | PWE               | B                                  | 27.67                            | 7.7                  | 7.3                  | 5.9        | 11.5                             | 14.0 |
| <i>Median</i>                        |                   |                                    | 8.5                              | 7.9                  | 7.0                  | 12.9       | 12.9                             |      |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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**Natural Gas and Oil Royalty Trusts  
Rank by NTM Distribution Yield**

|                                      | <i>Symbol</i>          | <i>Revenue<br/>Royalty<br/>(%)</i> | <i>Natural<br/>Gas/<br/>Ebitda<br/>(%)</i> | <i>Dist/<br/>Ebitda</i> | <i>Dist/<br/>Equity<br/>Ebitda</i> | <i>NTM Distribution<br/>(\$mm)</i> | <i>NTM Distribution<br/>(\$/un)</i> | <i>Dist.<br/>Yield<br/>(%)</i> |
|--------------------------------------|------------------------|------------------------------------|--|-------------------------|------------------------------------|------------------------------------|-------------------------------------|--------------------------------|
| <b>U.S. Royalty Trusts</b>           |                        |                                    |  |                         |                                    |                                    |                                     |                                |
| San Juan Basin Royalty Trust         | SJT                    | -                                  | 98   | 0.82                    | 0.82                               | 125                                | 2.69                                | 8.3                            |
| Hugoton RoyaltyTrust                 | HGT                    | -                                  | 90   | 0.69                    | 0.69                               | 84                                 | 2.11                                | 8.9                            |
| Cross Timbers Royalty Trust          | CRT                    | 84                                 | 70   | 0.95                    | 0.95                               | 22                                 | 3.67                                | 9.5                            |
| Mesa RoyaltyTrust                    | MTR                    | -                                  | 72   | 0.88                    | 0.88                               | 10                                 | 5.61                                | 10.5                           |
| Permian Basin RT                     | PBT                    | 35                                 | 38   | 0.79                    | 0.79                               | 64                                 | 1.37                                | 10.4                           |
| Sabine Royalty Trust                 | SBR                    | 100                                | 59   | 1.00                    | 1.00                               | 64                                 | 4.39                                | 10.8                           |
| Dorchester Minerals, L.P.            | DMLP                   | 64                                 | 74   | 1.00                    | 1.00                               | 63                                 | 2.22                                | 11.4                           |
|                                      | <i>Total or Median</i> |                                    | 72   | 0.88                    | 0.88                               | 400                                |                                     | 10.4                           |
| <b>Canadian Income Trusts (US\$)</b> |                        |                                    |  |                         |                                    |                                    |                                     |                                |
| Canadian Oil Sands Trust             | COSWF                  | -                                  | (8)  | 0.69                    | 0.74                               | 1,273                              | 2.66                                | 9.7                            |
| Enerplus Resources Fund              | ERF                    | -                                  | 43   | 0.69                    | 0.79                               | 612                                | 4.78                                | 11.8                           |
| Penn West Energy Trust               | PWE                    | -                                  | 37   | 0.66                    | 0.79                               | 935                                | 3.87                                | 14.0                           |
| Pengrowth Energy Trust               | PGH                    | -                                  | 42   | 0.87                    | 1.20                               | 701                                | 2.85                                | 17.0                           |
|                                      | <i>Total or Median</i> |                                    | 40   | 0.69                    | 0.79                               | 3,500                              |                                     | 12.9                           |
| Kinder Morgan Energy Partners        | KMP                    |                                    |  | 0.76                    | 1.60                               |                                    |                                     | 7.0                            |

NTM = Next Twelve Months Ended June 30, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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