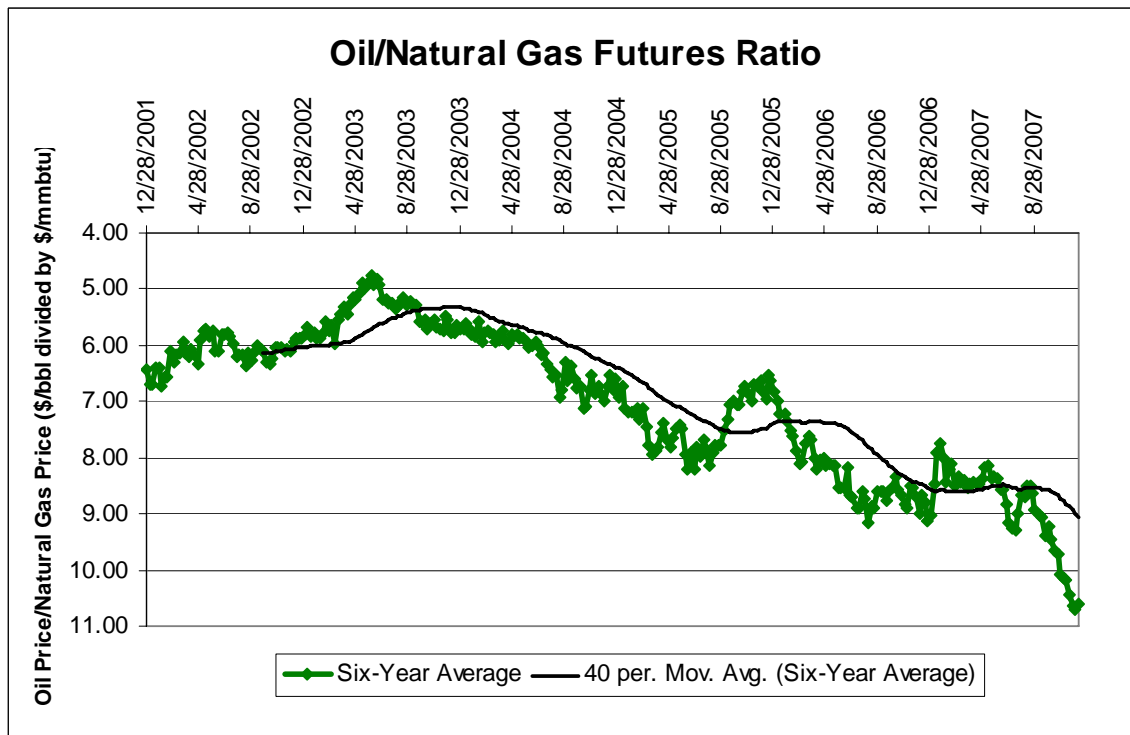


## How Low Can It Go?

### Summary and Recommendation

The case for long-term investment in natural gas seems to be more compelling every month as the ratio of six-year oil futures to natural gas futures plunges to new lows approaching 11:1 (see chart [Oil/Natural Gas Futures Ratio](#)). Even at low natural gas price, U. S. natural gas income stocks promise high distributions of a median 9% over the next twelve months (see table, page 3, [Rank by Distribution Yield](#) including column displaying natural gas concentration). Except for one, all the oil and gas income stocks offer reasonable or attractive value with McDep Ratio near 1.0 and lower (see table, page 2, [Rank by McDep Ratio](#)).

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**Natural Gas and Oil Income Stocks - Rank by McDep Ratio**

|  | Symbol/<br>Rating | Price<br>(\$/sh)<br>13-Dec<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               | 47.82                              | 14.6           | 700                     | 45.00                              | -                         | 1.06           |
| Mesa RoyaltyTrust                              | MTR               | 70.26                              | 1.9            | 130                     | 70.00                              | -                         | 1.00           |
| Permian Basin RT                               | PBT               | 15.62                              | 46.6           | 730                     | 16.50                              | -                         | 0.95           |
| Cross Timbers Royalty Trust                    | CRT               | 42.31                              | 6.0            | 250                     | 46.00                              | -                         | 0.92           |
| San Juan Basin Royalty Trust                   | SJT               | B 34.86                            | 46.6           | 1,630                   | 40.00                              | -                         | 0.87           |
| Hugoton RoyaltyTrust                           | HGT               | B 23.21                            | 40.0           | 930                     | 34.00                              | -                         | 0.68           |
| <i>Total or Median</i>                         |                   |                                    |                | 4,400                   |                                    |                           | 0.93           |
| <b>Canadian Income Trusts (US\$)</b>           |                   |                                    |                |                         |                                    |                           |                |
| Pengrowth Energy Trust                         | PGH               | 18.02                              | 247.0          | 4,450                   | 17.00                              | 0.27                      | 1.04           |
| Canadian Oil Sands Trust                       | COSWF             | B 35.83                            | 479.0          | 17,160                  | 39.00                              | 0.07                      | 0.92           |
| Penn West Energy Trust                         | PWE               | B 26.36                            | 242.6          | 6,390                   | 34.00                              | 0.22                      | 0.82           |
| Enerplus Resources Fund                        | ERF               | 38.18                              | 129.4          | 4,940                   | 52.00                              | 0.13                      | 0.77           |
| <i>Total or Median</i>                         |                   |                                    |                | 32,900                  |                                    | 0.17                      | 0.87           |
| <b>U.S. Master Limited Partnerships (MLPs)</b> |                   |                                    |                |                         |                                    |                           |                |
| Kinder Morgan Energy Partners, L.P.            | KMP               | S 52.56                            | 179.3          | 9,430                   | 17.00                              | 0.54                      | 1.96           |
| Encore Energy Partners, L.P. (39%)             | ENP               | 19.21                              | 9.0            | 170                     | 18.00                              | 0.16                      | 1.06           |
| Linn Energy, LLC                               | LINE              | 24.11                              | 114.0          | 2,750                   | 25.00                              | 0.32                      | 0.98           |
| Dorchester Minerals, L.P.                      | DMLP              | 20.62                              | 28.2           | 580                     | 27.00                              | -                         | 0.76           |
| <i>Total or Median</i>                         |                   |                                    |                | 12,900                  |                                    | 0.24                      | 1.02           |

B = Buy, S = Sell

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

**Natural Gas and Oil Income Stocks - Rank by EV/Ebitda**

|  | Symbol/<br>Rating | Price<br>(\$/sh)<br>13-Dec<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 34.86                            | 10.2                             | 13.4                 | 11.7                 | 14.3       | 7.0                              |
| Cross Timbers Royalty Trust                    | CRT               | 42.31                              | 13.1                             | 11.5                 | 10.5                 | 11.2       | 8.9                              |
| Mesa RoyaltyTrust                              | MTR               | 70.26                              | 21.1                             | 10.4                 | 10.4                 | 11.9       | 8.4                              |
| Sabine Royalty Trust                           | SBR               | 47.82                              | 9.2                              | 9.7                  | 10.3                 | 10.3       | 9.7                              |
| Permian Basin RT                               | PBT               | 15.62                              | 8.2                              | 8.4                  | 8.0                  | 9.0        | 11.1                             |
| Hugoton RoyaltyTrust                           | HGT               | B 23.21                            | 13.8                             | 11.6                 | 7.9                  | 11.0       | 9.1                              |
| <i>Median</i>                                  |                   |                                    | 11.7                             | 10.9                 | 10.4                 | 11.1       | 9.0                              |
| <b>Canadian Income Trusts (US\$)</b>           |                   |                                    |                                  |                      |                      |            |                                  |
| Canadian Oil Sands Trust                       | COSWF             | B 35.83                            | 20.9                             | 8.1                  | 7.5                  | 8.7        | 9.6                              |
| Pengrowth Energy Trust                         | PGH               | 18.02                              | 7.4                              | 6.6                  | 6.9                  | 21.4       | 15.0                             |
| Enerplus Resources Fund                        | ERF               | 38.18                              | 9.7                              | 8.3                  | 6.4                  | 11.1       | 13.2                             |
| Penn West Energy Trust                         | PWE               | B 26.36                            | 7.8                              | 6.7                  | 5.5                  | 9.9        | 15.5                             |
| <i>Median</i>                                  |                   |                                    | 8.7                              | 7.4                  | 6.7                  | 10.5       | 14.1                             |
| <b>U.S. Master Limited Partnerships (MLPs)</b> |                   |                                    |                                  |                      |                      |            |                                  |
| Kinder Morgan Energy Partners, L.P.            | KMP               | S 52.56                            | 7.6                              | 7.9                  | 15.5                 | 33.2       | 6.7                              |
| Linn Energy, LLC                               | LINE              | 24.11                              | 20.8                             | 14.2                 | 13.8                 | 56.1       | 9.5                              |
| Dorchester Minerals, L.P.                      | DMLP              | 20.62                              | 9.2                              | 12.1                 | 9.3                  | 14.2       | 10.8                             |
| Encore Energy Partners, L.P.                   | ENP               | 19.21                              | 12.2                             | 7.6                  | 8.1                  | 60.7       | 7.3                              |
| <i>Median</i>                                  |                   |                                    | 10.7                             | 10.0                 | 11.5                 | 44.7       | 8.4                              |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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

**Natural Gas and Oil Income Stocks - 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                               | 114                                | 2.44                                | 7.0                            |
| Mesa RoyaltyTrust                              | MTR                    | -                                  | 65   | 0.88                    | 0.88                               | 11                                 | 5.89                                | 8.4                            |
| Cross Timbers Royalty Trust                    | CRT                    | 84                                 | 64   | 0.94                    | 0.94                               | 23                                 | 3.76                                | 8.9                            |
| Hugoton RoyaltyTrust                           | HGT                    | -                                  | 86   | 0.71                    | 0.71                               | 84                                 | 2.10                                | 9.1                            |
| Sabine Royalty Trust                           | SBR                    | 100                                | 51   | 1.00                    | 1.00                               | 68                                 | 4.64                                | 9.7                            |
| Permian Basin RT                               | PBT                    | 35                                 | 33   | 0.89                    | 0.89                               | 81                                 | 1.74                                | 11.1                           |
|  | <i>Total or Median</i> |                                    | <i>64</i>                                  | <i>0.88</i>             | <i>0.88</i>                        | <i>400</i>                         |                                     | <i>9.0</i>                     |
| <b>Canadian Income Trusts (US\$)</b>           |                        |                                    |  |                         |                                    |                                    |                                     |                                |
| Canadian Oil Sands Trust                       | COSWF                  | -                                  | (6)  | 0.67                    | 0.71                               | 1,653                              | 3.45                                | 9.6                            |
| Enerplus Resources Fund                        | ERF                    | -                                  | 36   | 0.70                    | 0.81                               | 652                                | 5.04                                | 13.2                           |
| Pengrowth Energy Trust                         | PGH                    | -                                  | 35   | 0.77                    | 1.05                               | 667                                | 2.70                                | 15.0                           |
| Penn West Energy Trust                         | PWE                    | -                                  | 28   | 0.63                    | 0.80                               | 990                                | 4.08                                | 15.5                           |
|  | <i>Total or Median</i> |                                    | <i>31</i>                                  | <i>0.68</i>             | <i>0.80</i>                        | <i>4,000</i>                       |                                     | <i>14.1</i>                    |
| <b>U.S. Master Limited Partnerships (MLPs)</b> |                        |                                    |  |                         |                                    |                                    |                                     |                                |
| Kinder Morgan Energy Partners, L.P.            | KMP                    |                                    | -  | 0.75                    | 1.64                               | 631                                | 3.52                                | 6.7                            |
| Encore Energy Partners, L.P.                   | ENP                    |                                    | 14   | 0.50                    | 0.59                               | 13                                 | 1.40                                | 7.3                            |
| Linn Energy, LLC                               | LINE                   |                                    | 64   | 0.88                    | 1.29                               | 260                                | 2.28                                | 9.5                            |
| Dorchester Minerals, L.P.                      | DMLP                   | 64                                 | 68   | 1.00                    | 1.00                               | 63                                 | 2.23                                | 10.8                           |
|  | <i>Total or Median</i> |                                    | <i>39</i>                                  | <i>0.82</i>             | <i>1.15</i>                        | <i>1,000</i>                       |                                     | <i>8.4</i>                     |

NTM = Next Twelve Months Ended December 31, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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