



## Surprising Signs of Strength in Energy Price

### Summary and Recommendation

Bullish commodity price news abounds to encourage investors in quality oil and gas income stocks. A surge in the price of coal past \$100 a ton in international trade is more surprising to us than \$100 oil. Apparently in short supply in Europe and China, coal has risen three-fold in spot price to a competitive interface with natural gas at around \$10 a million btu. We had usually taken for granted, incorrectly, that coal would always be cheaper than natural gas without considering its inferior environmental quality. Another startling price indication comes from reports that fertilizer manufacturers are reopening moth-balled ammonia plants in North America. Thanks to government policies to turn food into automotive fuel, the demand for ammonia for fertilizer is apparently so strong that it has overtaken the rising price of natural gas feedstock. The price of coal and the price of ammonia tell us that the uptrend in natural gas and oil price has broad support in the current global economy.

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Natural Gas and Oil Income Stocks - Rank by McDep Ratio								
			Price (\$/sh)		Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
Symbol/ Rating		14-Feb 2008	Shares (mm)					
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT		47.17	6.0	280	47.00	-	1.00
Sabine Royalty Trust	SBR		47.83	14.6	700	48.00	-	1.00
Permian Basin RT	PBT		17.79	46.6	830	18.00	-	0.99
Mesa RoyaltyTrust	MTR		68.70	1.9	130	70.00	-	0.98
San Juan Basin Royalty Trust	SJT	B	38.24	46.6	1,780	40.00	-	0.96
Hugoton RoyaltyTrust	HGT	B	26.81	40.0	1,070	34.00	-	0.79
<i>Total or Median</i>					4,800			0.98
<b>Canadian Income Trusts (US\$)</b>								
Pengrowth Energy Trust	PGH		18.04	247.0	4,460	19.00	0.25	0.96
Canadian Oil Sands Trust	COSWF	B	37.22	479.0	17,830	45.00	0.05	0.84
Penn West Energy Trust	PWE	B	28.11	280.0	7,870	37.00	0.29	0.83
Enerplus Resources Fund	ERF		40.30	129.4	5,210	52.00	0.13	0.80
<i>Total or Median</i>					35,400		0.19	0.83
<b>U.S. Master Limited Partnerships (MLPs)</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.04	179.4	10,410	17.00	0.56	2.07
Encore Energy Partners, L.P. (32%)	ENP		19.70	10.2	200	20.00	0.24	0.99
Linn Energy, LLC	LINE		19.37	114.0	2,210	27.00	0.30	0.80
Dorchester Minerals, L.P.	DMLP		20.98	28.2	590	27.00	-	0.78
<i>Total or Median</i>					13,400		0.27	0.90
B = Buy, S = Sell								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								

# Oil and Gas Income Stocks

A Weekly Analysis

February 15, 2008



Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib NTM
	Symbol/ Rating		14-Feb 2008	NTM	NTM	NTM	NTM	(%)
<b>U.S. Royalty Trusts</b>								
San Juan Basin Royalty Trust	SJT	B	38.24	10.3	11.0	10.6	12.8	7.8
Cross Timbers Royalty Trust	CRT		47.17	13.1	10.5	10.5	11.2	8.9
Sabine Royalty Trust	SBR		47.83	9.2	9.5	9.5	9.5	10.5
Mesa RoyaltyTrust	MTR		68.70	21.1	9.6	9.5	10.8	9.3
Permian Basin RT	PBT		17.79	8.2	8.6	8.5	9.5	10.5
Hugoton RoyaltyTrust	HGT	B	26.81	13.6	10.4	8.2	11.3	8.8
	<i>Median</i>			11.7	10.0	9.5	11.0	9.1
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	B	37.22	23.2	10.4	8.7	10.7	8.9
Pengrowth Energy Trust	PGH		18.04	7.4	6.5	6.2	15.2	14.9
Enerplus Resources Fund	ERF		40.30	9.7	7.4	6.0	9.4	12.5
Penn West Energy Trust	PWE	B	28.11	7.4	5.7	4.8	12.4	14.5
	<i>Median</i>			8.6	7.0	6.1	11.6	13.5
<b>U.S. Master Limited Partnerships (MLPs)</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.04	7.9	7.8	16.2	30.0	6.3
Linn Energy, LLC	LINE		19.37	20.8	12.5	10.0	20.6	13.0
Encore Energy Partners, L.P.	ENP		19.70	12.4	8.8	8.7	(22.8)	7.9
Dorchester Minerals, L.P.	DMLP		20.98	9.2	10.7	8.3	12.1	12.0
	<i>Median</i>			10.8	9.8	9.4	16.3	9.9
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								

Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield									
			Natural Revenue Gas/ Ebitda	Dist/ Equity Ebitda	Dist/ Equity Ebitda	NTM Distribution (\$mm)	NTM Distribution (\$/un)	Dist. Yield	
	Symbol		Royalty (%)	(%)	Ebitda	Ebitda		(%)	
<b>U.S. Royalty Trusts</b>									
San Juan Basin Royalty Trust	SJT		-	98	0.82	0.82	139	2.99	7.8
Hugoton RoyaltyTrust	HGT		-	87	0.72	0.72	95	2.36	8.8
Cross Timbers Royalty Trust	CRT		84	66	0.94	0.94	25	4.21	8.9
Mesa RoyaltyTrust	MTR		-	66	0.88	0.88	12	6.37	9.3
Permian Basin RT	PBT		35	34	0.89	0.89	87	1.86	10.5
Sabine Royalty Trust	SBR		100	53	1.00	1.00	73	5.03	10.5
	<i>Total or Median</i>			66	0.88	0.88	400		9.1
<b>Canadian Income Trusts (US\$)</b>									
Canadian Oil Sands Trust	COSWF		-	(7)	0.72	0.76	1,578	3.29	8.9
Enerplus Resources Fund	ERF		-	38	0.63	0.72	651	5.03	12.5
Penn West Energy Trust	PWE		-	30	0.45	0.63	1,141	4.07	14.5
Pengrowth Energy Trust	PGH		-	37	0.69	0.92	666	2.70	14.9
	<i>Total or Median</i>			33	0.66	0.74	4,000		13.5
<b>U.S. Master Limited Partnerships (MLPs)</b>									
Kinder Morgan Energy Partners, L.P.	KMP		-	-	0.75	1.70	660	3.68	6.3
Encore Energy Partners, L.P.	ENP		-	24	0.52	0.68	16	1.55	7.9
Dorchester Minerals, L.P.	DMLP		64	70	1.00	1.00	71	2.51	12.0
Linn Energy, LLC	LINE		-	66	0.81	1.16	287	2.52	13.0
	<i>Total or Median</i>			45	0.78	1.08	1,000		9.9
NTM = Next Twelve Months Ended December 31, 2008									
Ebitda = Earnings before interest, tax, depreciation and amortization									

# *Oil and Gas Income Stocks*

*A Weekly Analysis*

February 15, 2008



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