



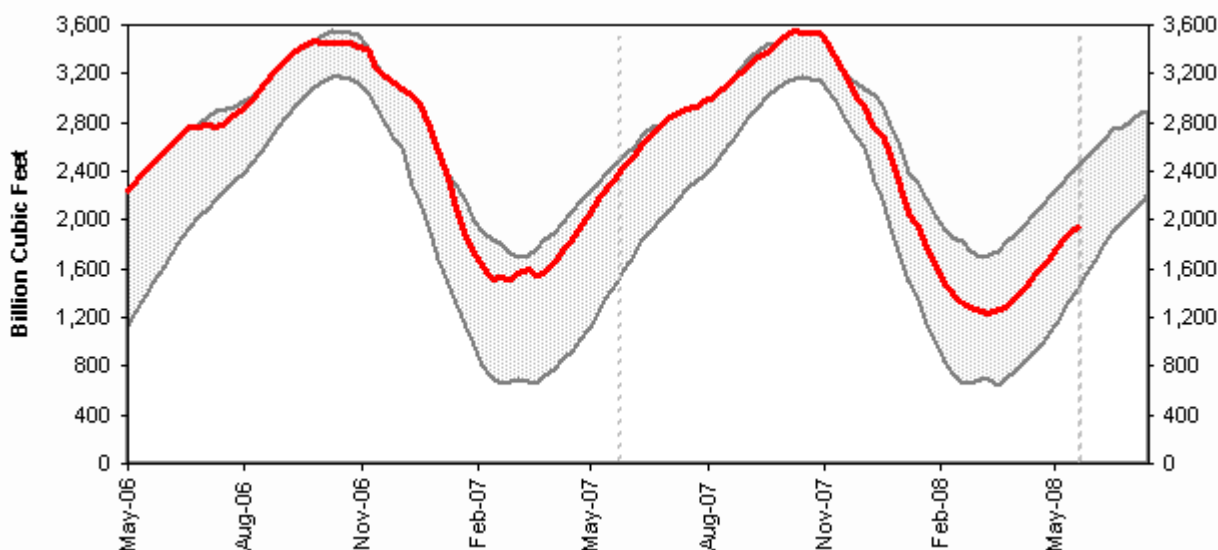
Natural Gas Gaining Altitude

Summary and Recommendation

We feel confident about buy-recommendations of energy producers while McDep Ratios remain below 1.2 (see table [Rank by McDep Ratio](#)). The value measures presume a long-term oil price of \$100 a barrel, below our vision of \$150 a barrel in 2010. Oil price continues in a strong upward trend with recent quotes hugging an upper bound relative to the 200-day or 40-week average. As politically-motivated whining becomes shriller there is risk of more ill-advised government action that ultimately drives consumer price higher. Natural gas price can gain more altitude to begin to close a steep discount to oil. Low natural gas inventories in the U.S. trace the most bullish pattern of the past three years for the short-term price outlook (see chart [Working Gas](#)). Meanwhile monthly distributions for U.S. royalty trusts declared around June 20 sketch the rebirth of a rising trend (see tables).

Kurt H. Wulff, CFA

Working Gas in Underground Storage Compared with 5-Year Range

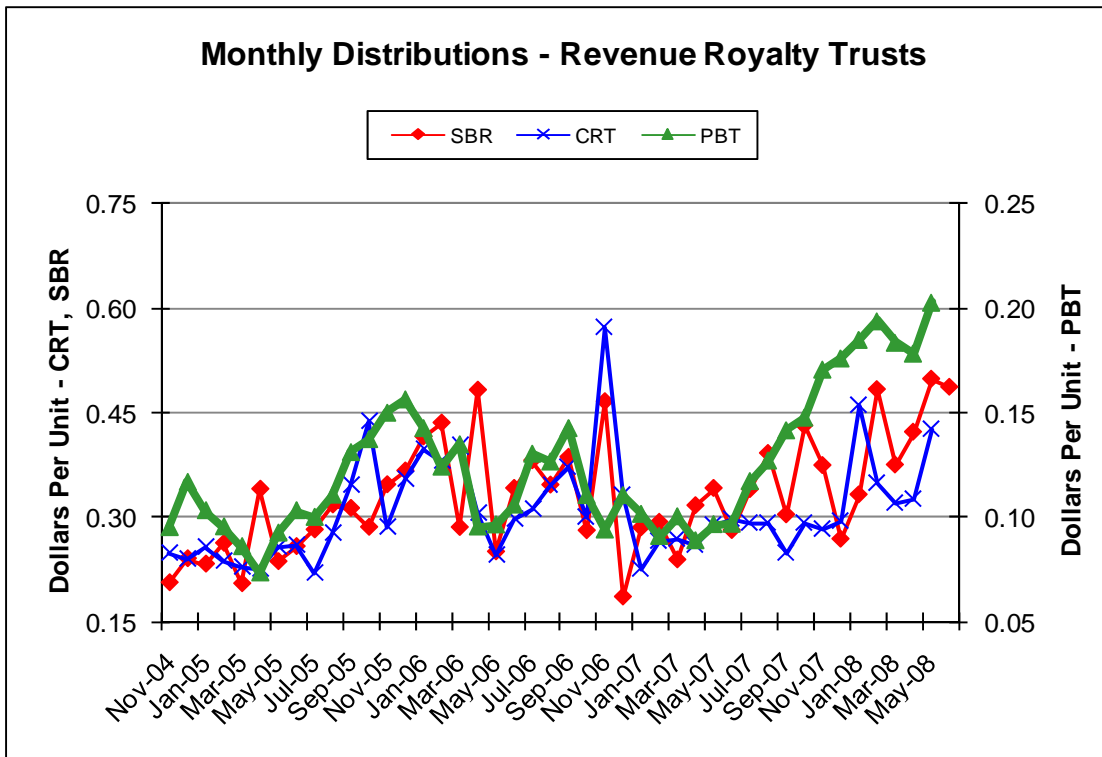
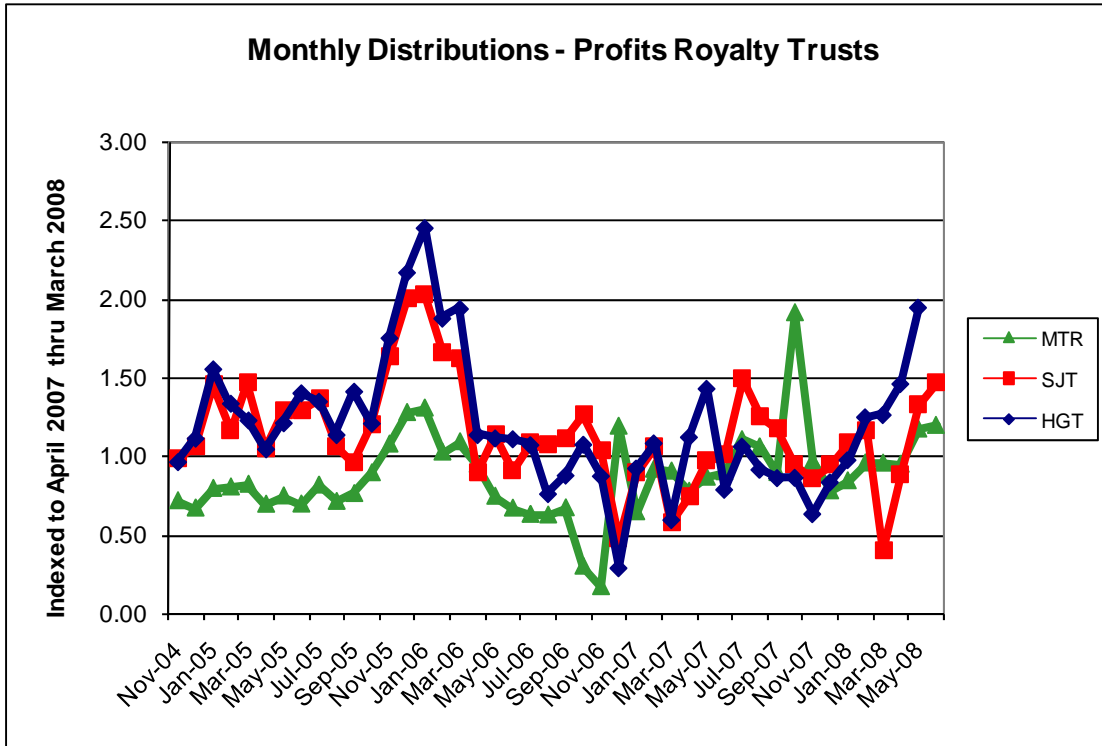


 **Energy Information Administration**
Official Energy Statistics from the U.S. Government

Oil and Gas Income Stocks

A Weekly Analysis

June 20, 2008



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Natural Gas and Oil Income Stocks - Rank by McDep Ratio								
			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		20-Jun 2008	(mm)				
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR		64.25	14.6	940	60.00	-	1.07
Permian Basin RT	PBT		23.46	46.6	1,090	23.00	-	1.02
San Juan Basin Royalty Trust	SJT	B	44.96	46.6	2,100	48.00	-	0.94
Cross Timbers Royalty Trust	CRT		52.50	6.0	320	57.00	-	0.92
Mesa RoyaltyTrust	MTR		79.85	1.9	150	93.00	-	0.86
Hugoton RoyaltyTrust	HGT	B	35.91	40.0	1,440	42.00	-	0.85
<i>Total or Median</i>					6,000			0.93
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	50.96	479.0	24,410	57.00	0.04	0.90
Penn West Energy Trust	PWE	B	34.02	376.8	12,820	40.00	0.25	0.89
Pengrowth Energy Trust	PGH		20.37	247.0	5,030	24.00	0.25	0.89
Enerplus Resources Fund	ERF		46.56	153.0	7,120	63.00	0.14	0.78
<i>Total or Median</i>					49,400		0.19	0.89
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.09	189.1	10,990	17.00	0.57	2.05
Encore Energy Partners, L.P. (32%)	ENP		25.60	10.2	260	26.00	0.18	0.99
Dorchester Minerals, L.P.	DMLP		28.80	28.2	810	33.00	-	0.87
Linn Energy, LLC	LINE		24.95	114.0	2,840	35.00	0.38	0.82
<i>Total or Median</i>					14,900		0.28	0.93
B = Buy, S = Sell								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Present Value presumes long-term prices of \$100 a barrel for oil and \$14 a million btu for natural gas.								

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/ Rating		20-Jun 2008					
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR		64.25	9.1	7.5	8.1	8.1	12.4
Cross Timbers Royalty Trust	CRT		52.50	13.4	8.5	7.8	8.3	12.1
San Juan Basin Royalty Trust	SJT	B	44.96	10.4	7.9	7.4	9.1	11.0
Mesa RoyaltyTrust	MTR		79.85	21.1	8.2	7.0	8.0	12.5
Permian Basin RT	PBT		23.46	8.4	6.7	6.8	7.1	14.0
Hugoton RoyaltyTrust	HGT	B	35.91	13.1	7.4	6.3	9.1	11.0
<i>Median</i>				11.8	7.7	7.2	8.2	12.3
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	50.96	22.0	7.9	7.1	7.9	12.4
Pengrowth Energy Trust	PGH		20.37	8.9	5.6	5.0		12.9
Enerplus Resources Fund	ERF		46.56	9.6	5.9	4.5	7.1	10.6
Penn West Energy Trust	PWE	B	34.02	7.2	4.9	4.4	9.3	13.2
<i>Median</i>				9.2	5.7	4.8	7.9	12.7
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.09	8.0	7.4	15.1	22.5	6.3
Linn Energy, LLC	LINE		24.95	17.4	8.8	7.3		10.1
Dorchester Minerals, L.P.	DMLP		28.80	8.5	8.0	7.0	8.8	14.3
Encore Energy Partners, L.P.	ENP		25.60	12.4	6.1	6.1		9.0
<i>Median</i>				10.4	7.7	7.1	15.7	9.5
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2009; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								

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Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield									
		<i>Revenue</i>	<i>Natural Gas/</i>		<i>Dist/</i>			<i>Dist.</i>	
	<i>Symbol</i>	<i>Royalty</i>	<i>Ebitda</i>	<i>Dist/</i>	<i>Equity</i>	<i>NTM Distribution</i>		<i>Yield</i>	
		(%)	(%)	<i>Ebitda</i>	<i>Ebitda</i>	(\$mm)	(\$/un)	(%)	
U.S. Royalty Trusts									
Hugoton Royalty Trust	HGT	-	89	0.70	0.70	158	3.95	11.0	
San Juan Basin Royalty Trust	SJT	-	99	0.82	0.82	231	4.96	11.0	
Cross Timbers Royalty Trust	CRT	84	69	0.94	0.94	38	6.36	12.1	
Sabine Royalty Trust	SBR	100	58	1.00	1.00	116	7.96	12.4	
Mesa Royalty Trust	MTR	-	68	0.88	0.88	19	9.96	12.5	
Permian Basin RT	PBT	32	36	0.95	0.95	153	3.29	14.0	
<i>Total or Median</i>				<i>68</i>	<i>0.91</i>	<i>0.91</i>	<i>700</i>		<i>12.3</i>
Canadian Income Trusts (US\$)									
Enerplus Resources Fund	ERF	-	49	0.39	0.46	753	4.92	10.6	
Canadian Oil Sands Trust	COSWF	-	(8)	0.84	0.87	3,019	6.30	12.4	
Pengrowth Energy Trust	PGH	-	38	0.46	0.61	651	2.64	12.9	
Penn West Energy Trust	PWE	-	35	0.41	0.55	1,691	4.49	13.2	
<i>Total or Median</i>				<i>37</i>	<i>0.44</i>	<i>0.58</i>	<i>6,100</i>		<i>12.7</i>
U.S. Master Limited Partnerships (MLPs)									
Kinder Morgan Energy Partners, L.P.	KMP	-	-	0.69	1.60	696	3.68	6.3	
Encore Energy Partners, L.P.	ENP	-	18	0.44	0.54	23	2.30	9.0	
Linn Energy, LLC	LINE	-	58	0.40	0.64	287	2.52	10.1	
Dorchester Minerals, L.P.	DMLP	64	74	1.00	1.00	116	4.12	14.3	
<i>Total or Median</i>				<i>38</i>	<i>0.57</i>	<i>0.82</i>	<i>1,100</i>		<i>9.5</i>
NTM = Next Twelve Months Ended June 30, 2009									
Ebitda = Earnings before interest, tax, depreciation and amortization									

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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