



Oil & Gas Income Stocks

A Weekly Analysis

August 1, 2008

Oil Income

Summary and Recommendation

Just as income stocks are resisting market decline relatively more, oil the commodity is also doing better than stocks in general when measured by current price to 200-day average. Both features are combined in buy-recommended **Canadian Oil Sands Trust (COSWF)**, which announced on July 29 a 25% distribution increase for the current quarter over the previous quarter. **Encore Energy Partners (ENP)** and **Permian Basin Royalty Trust (PBT)** also have estimated distribution yields around 12% a year that are responsive to oil price. The three conventional production Canadian Income Trusts are more concentrated on oil as well. Those trusts including buy-recommended **Penn West Energy Trust (PWE)** have hedged away some of the gains in oil price and are applying the rest to reinvestment. The blessings of today's oil price make it more likely that the conventional trusts will be able to sustain the current rate of distribution in their corporate form when taxation of Canadian trusts increases in 2011. Trusts with high concentration on oil are those with low concentration on natural gas (see column, "Natural Gas/Ebitda" in table Rank by NTM Distribution Yield).

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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		31-Jul 2008	Shares (mm)				
U.S. Royalty Trusts								
	SBR		63.54	14.6	930	60.00	-	1.06
	PBT		22.33	46.6	1,040	23.00	-	0.97
	CRT		50.52	6.0	300	57.00	-	0.89
	MTR		75.00	1.9	140	93.00	-	0.81
	SJT	B	38.17	46.6	1,780	48.00	-	0.80
	HGT	B	31.57	40.0	1,260	42.00	-	0.75
	<i>Total or Median</i>				5,500			0.85
Canadian Income Trusts (US\$)								
	COSWF	B	50.20	479.9	24,090	57.00	0.04	0.89
	PWE	B	29.99	376.8	11,300	40.00	0.25	0.81
	PGH		17.31	247.0	4,280	24.00	0.25	0.79
	ERF		41.16	153.0	6,300	63.00	0.14	0.70
	<i>Total or Median</i>				46,000		0.19	0.80
U.S. Master Limited Partnerships (MLPs)								
	KMP	S	57.24	184.2	10,550	17.00	0.60	1.95
	DMLP		30.82	28.2	870	33.00	-	0.93
	ENP		23.87	10.2	240	29.00	0.17	0.85
	LINE		21.81	114.0	2,490	35.00	0.38	0.76
	<i>Total or Median</i>				14,200		0.27	0.89
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.								



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Natural Gas and Oil Income Stocks - Rank by EV/Ebitda							
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	Divd or Distrib
	Symbol/ Rating		31-Jul 2008	Prod NTM	Ebitda NTM	Ebitda NTM	P/E NTM
							NTM (%)
U.S. Royalty Trusts							
Sabine Royalty Trust	SBR		63.54	9.1	8.7	9.3	9.3
Cross Timbers Royalty Trust	CRT		50.52	13.9	9.6	8.5	9.0
San Juan Basin Royalty Trust	SJT	B	38.17	10.4	10.5	8.4	10.3
Mesa RoyaltyTrust	MTR		75.00	21.1	9.7	7.9	9.0
Permian Basin RT	PBT		22.33	8.4	7.6	7.4	7.8
Hugoton RoyaltyTrust	HGT	B	31.57	13.1	9.4	7.0	10.1
	<i>Median</i>			11.8	9.5	8.1	9.1
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B	50.20	22.3	9.1	8.1	9.3
Pengrowth Energy Trust	PGH		17.31	8.9	6.5	5.2	15.2
Enerplus Resources Fund	ERF		41.16	9.6	7.0	4.9	9.2
Penn West Energy Trust	PWE	B	29.99	7.2	5.7	4.6	10.2
	<i>Median</i>			9.2	6.8	5.0	9.3
U.S. Master Limited Partnerships (MLPs)							
Kinder Morgan Energy Partners, L.P.	KMP	S	57.24	8.0	7.8	15.3	23.2
Dorchester Minerals, L.P.	DMLP		30.82	8.5	10.2	9.5	12.9
Linn Energy, LLC	LINE		21.81	17.4	10.8	8.2	11.6
Encore Energy Partners, L.P.	ENP		23.87	11.9	7.3	6.3	12.3
	<i>Median</i>			10.2	9.0	8.9	18.0

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

Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield							
			Natural Gas/ Ebitda	Dist/ Ebitda	Dist/ Equity Ebitda	NTM Distribution (\$mm)	Dist. Yield
	Symbol	Revenue Royalty (%)	Ebitda (%)	Ebitda	Ebitda	(\$/un)	(%)
U.S. Royalty Trusts							
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	173	3.72
Hugoton RoyaltyTrust	HGT	-	86	0.70	0.70	125	3.12
Sabine Royalty Trust	SBR	100	54	1.00	1.00	100	6.86
Cross Timbers Royalty Trust	CRT	84	69	0.94	0.94	34	5.62
Mesa RoyaltyTrust	MTR	-	64	0.88	0.88	16	8.38
Permian Basin RT	PBT	32	32	0.94	0.94	133	2.86
	<i>Total or Median</i>		66	0.91	0.91	600	11.0
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	-	(6)	0.89	0.93	2,787	5.81
Enerplus Resources Fund	ERF	-	44	0.47	0.55	754	4.93
Penn West Energy Trust	PWE	-	30	0.44	0.59	1,552	4.12
Pengrowth Energy Trust	PGH	-	33	0.54	0.72	652	2.64
	<i>Total or Median</i>		32	0.51	0.65	5,700	12.9
U.S. Master Limited Partnerships (MLPs)							
Kinder Morgan Energy Partners, L.P.	KMP	-	-	0.73	1.82	730	3.96
Dorchester Minerals, L.P.	DMLP	64	69	1.00	1.00	91	3.23
Linn Energy, LLC	LINE	-	52	0.48	0.78	287	2.52
Encore Energy Partners, L.P.	ENP	-	18	0.62	0.75	30	2.94
	<i>Total or Median</i>		35	0.68	0.89	1,100	11.0

NTM = Next Twelve Months Ended June 30, 2009
Ebitda = Earnings before interest, tax, depreciation and amortization



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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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