



Kinder Morgan General Partner Owner Reneges

Summary and Recommendation

The apparent collapse of Carlyle Capital, a unit of one of the three largest institutional owners of the general partner of sell-recommended **Kinder Morgan Energy Partners (KMP)**, illustrates the one-sided nature of the KMP deal. It seems that the politically-connected Carlyle Group, whose partners have reaped billions of dollars of personal reward when financial leverage worked for them, will walk away from billions of dollars of obligations when leverage turned against them. The equity investors who trusted in the Carlyle Group connection to Carlyle Capital have lost all their capital, we understand. Similarly the general partners of KMP, including a unit of Carlyle Group, reap almost half the cash flow from limited partners' borrowings and investments without any significant capital contribution or legal obligation to stand behind the debt of KMP. Thus, an investment in KMP is no more secure, in our opinion, than an investment in Carlyle Capital proved to be. In contrast our income buy recommendations are financially sound, offer a more secure return and provide oil and gas price appreciation potential not available in KMP.

Kurt H. Wulff, CFA

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		13-Mar 2008	(mm)				
U.S. Royalty Trusts								
Permian Basin RT	PBT		21.67	46.6	1,010	18.00	-	1.20
Sabine Royalty Trust	SBR		52.00	14.6	760	48.00	-	1.08
Cross Timbers Royalty Trust	CRT		50.26	6.0	300	47.00	-	1.07
Mesa Royalty Trust	MTR		69.75	1.9	130	70.00	-	1.00
San Juan Basin Royalty Trust	SJT	B	39.44	46.6	1,840	40.00	-	0.99
Hugoton Royalty Trust	HGT	B	28.78	40.0	1,150	34.00	-	0.85
<i>Total or Median</i>					5,200			1.03
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		19.27	247.0	4,760	19.00	0.25	1.01
Canadian Oil Sands Trust	COSWF	B	43.55	479.0	20,860	45.00	0.05	0.97
Enerplus Resources Fund	ERF		43.70	129.4	5,650	52.00	0.13	0.86
Penn West Energy Trust	PWE	B	28.64	372.6	10,670	37.00	0.24	0.83
<i>Total or Median</i>					41,900		0.19	0.92
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.73	179.4	10,360	17.00	0.56	2.06
Encore Energy Partners, L.P. (32%)	ENP		20.44	10.2	210	20.00	0.24	1.02
Linn Energy, LLC	LINE		20.74	101.1	2,100	27.00	0.36	0.85
Dorchester Minerals, L.P.	DMLP		20.95	28.2	590	27.00	-	0.78
<i>Total or Median</i>					13,300		0.30	0.93
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

March 14, 2008



Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/	PV/	EV/		Divd or Distrib
	Symbol/		13-Mar	Prod	Ebitda	Ebitda	P/E	NTM
		Rating	2008	NTM	NTM	NTM	NTM	(%)
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT		50.26	13.0	9.7	10.4	11.1	9.0
San Juan Basin Royalty Trust	SJT	B	39.44	10.4	10.4	10.3	12.4	8.1
Sabine Royalty Trust	SBR		52.00	9.4	8.9	9.6	9.6	10.4
Permian Basin RT	PBT		21.67	8.2	7.9	9.6	10.6	9.4
Mesa RoyaltyTrust	MTR		69.75	21.1	8.9	8.9	10.2	9.8
Hugoton RoyaltyTrust	HGT	B	28.78	13.1	9.2	7.8	10.4	9.6
	<i>Median</i>			11.7	9.1	9.6	10.5	9.5
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	43.55	24.0	9.6	9.3	11.3	7.6
Pengrowth Energy Trust	PGH		19.27	7.4	5.8	5.8	11.8	14.1
Enerplus Resources Fund	ERF		43.70	9.7	6.6	5.6	8.2	11.6
Penn West Energy Trust	PWE	B	28.64	7.3	6.3	5.2	13.3	14.3
	<i>Median</i>			8.6	6.4	5.7	11.5	12.9
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.73	8.5	7.8	16.1	29.9	6.4
Encore Energy Partners, L.P.	ENP		20.44	12.4	7.7	7.8	(49.3)	7.6
Linn Energy, LLC	LINE		20.74	19.0	9.0	7.7	(3.0)	12.2
Dorchester Minerals, L.P.	DMLP		20.95	8.5	9.7	7.6	10.4	13.2
	<i>Median</i>			10.5	8.4	7.7	3.7	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 Gas/ Ebitda	Dist/ Ebitda	Dist/ Equity Ebitda	NTM Distribution (\$mm)	NTM Distribution (\$/un)	Dist. Yield (%)
	Symbol	Revenue Royalty (%)	(%)	(%)	(%)	(%)	(%)	(%)
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	98	0.83	0.83	148	3.18	8.1
Cross Timbers Royalty Trust	CRT	84	66	0.94	0.94	27	4.54	9.0
Permian Basin RT	PBT	35	34	0.90	0.90	95	2.04	9.4
Hugoton RoyaltyTrust	HGT	-	87	0.74	0.74	110	2.76	9.6
Mesa RoyaltyTrust	MTR	-	66	0.88	0.88	13	6.86	9.8
Sabine Royalty Trust	SBR	100	55	1.00	1.00	79	5.42	10.4
	<i>Total or Median</i>		66	0.89	0.89	500		9.5
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(7)	0.67	0.71	1,592	3.32	7.6
Enerplus Resources Fund	ERF	-	39	0.55	0.64	657	5.08	11.6
Pengrowth Energy Trust	PGH	-	37	0.62	0.83	672	2.72	14.1
Penn West Energy Trust	PWE	-	34	0.53	0.70	1,531	4.11	14.3
	<i>Total or Median</i>		35	0.59	0.71	4,500		12.9
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	-	-	0.75	1.70	660	3.68	6.4
Encore Energy Partners, L.P.	ENP	-	24	0.45	0.59	16	1.55	7.6
Linn Energy, LLC	LINE	-	65	0.53	0.84	255	2.52	12.2
Dorchester Minerals, L.P.	DMLP	64	70	1.00	1.00	78	2.77	13.2
	<i>Total or Median</i>		44	0.64	0.92	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

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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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