

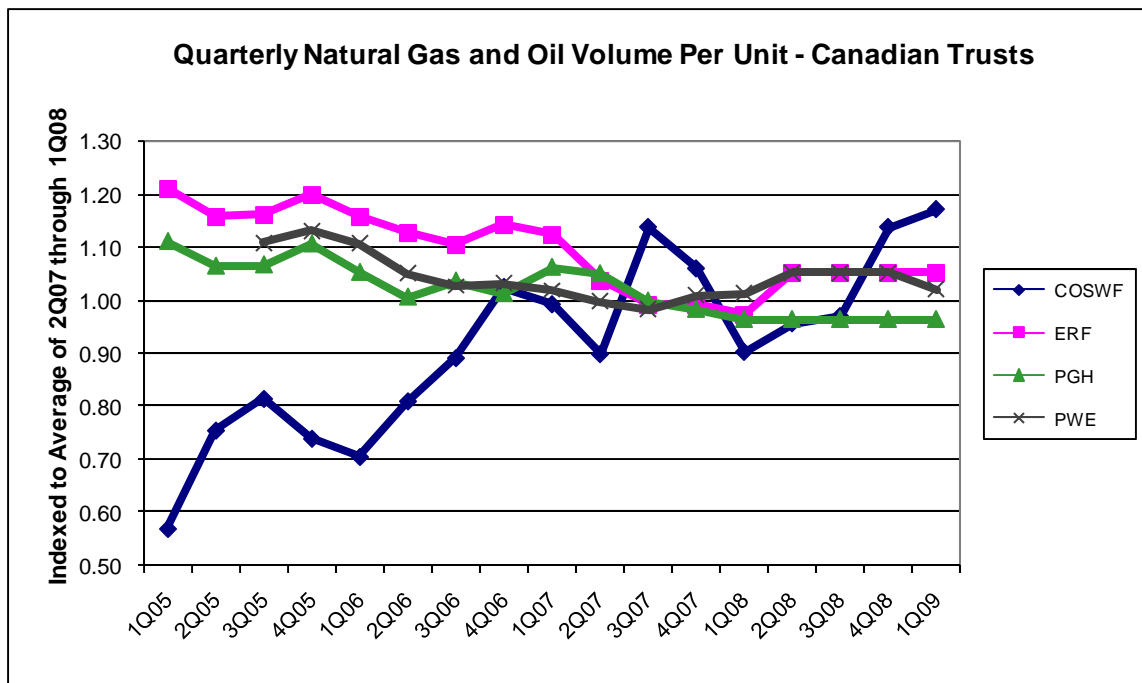


Volume Decline Modest

Summary and Recommendation

Oil and gas producing volume for the past three years has declined a median 2% annually for eleven income stocks compared to about 10% implied by conservative reserve estimates and 4% roughly indicated by distribution yield premium (see charts [Quarterly Natural Gas and Oil Volume](#)). Among buy recommendations, volume is growing at **Canadian Oil Sands Trust (COSWF)** toward a fifty percent higher level that could be maintained for fifty years. At the other extreme, the recent decline for **San Juan Basin Royalty Trust (SJT)** is steeper than is likely for a longer period of time. Volume trend has been improving with reinvestment of a third of cash flow at **Hugoton Royalty Trust (HGT)**. While **Penn West Energy Trust (PWE)** has more than doubled in size, volume per unit traces the gentle decline of better-quality, mature resources. Meanwhile, the pricing of income stocks allows for normal volume decline. For example, a median distribution yield of 11% a year could allow for volume decline of 4% and deliver a net return of 7% a year. We take account of volume trends as best we can in our estimate of present value that allows us to compare stocks by statistical appeal (see table [Rank by McDep Ratio](#)).

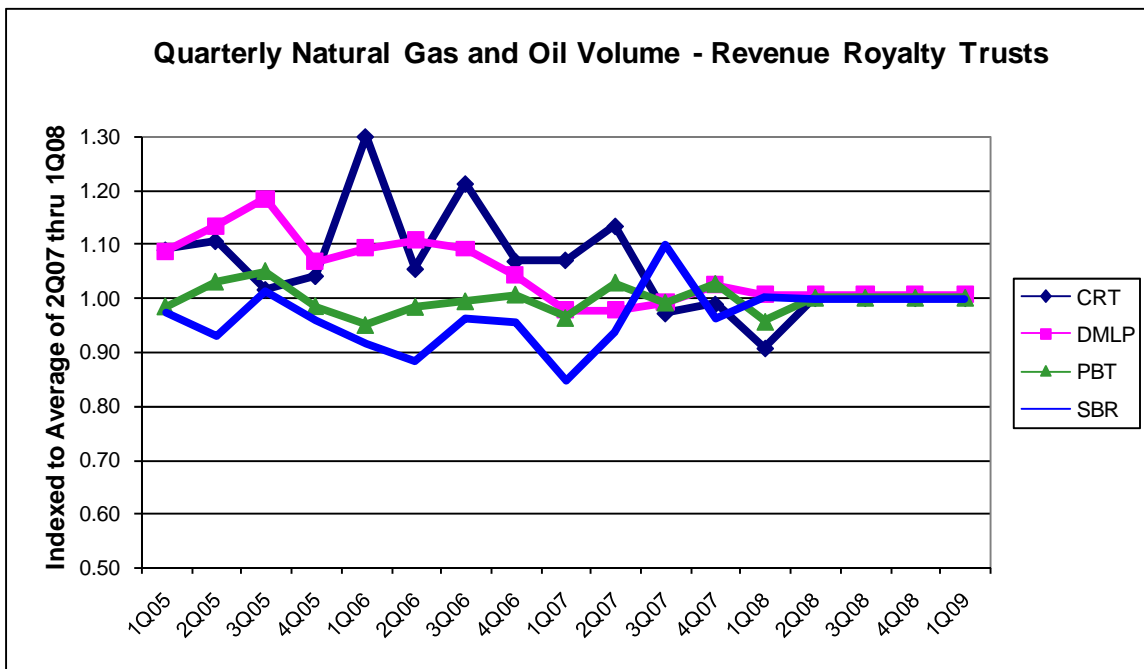
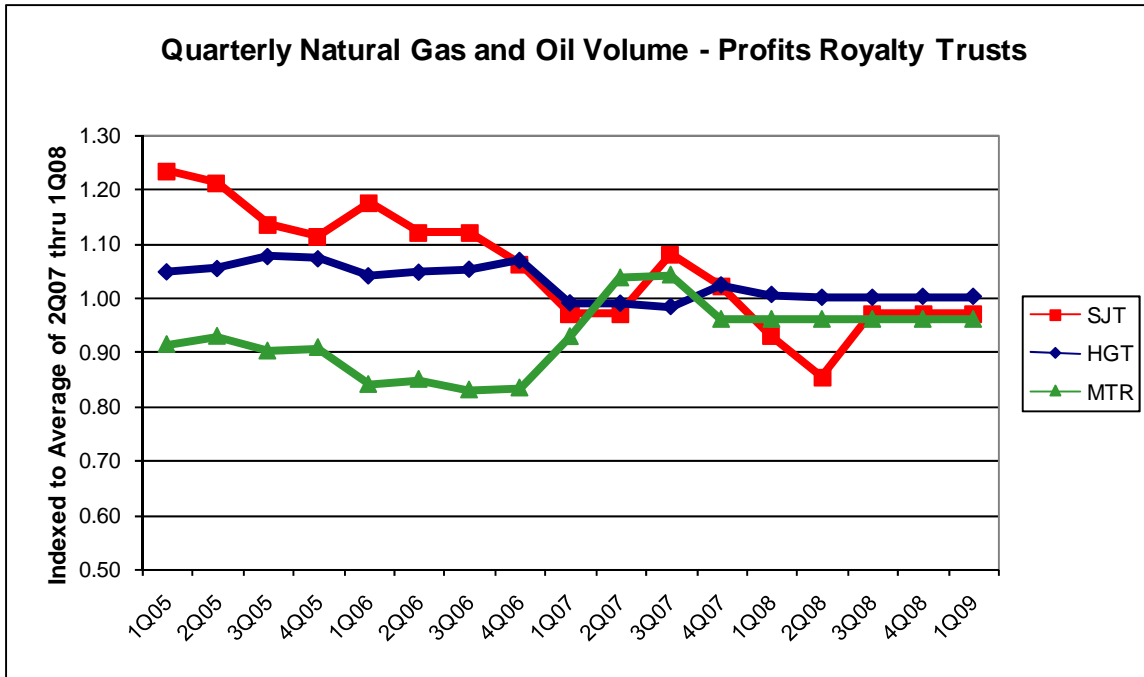
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Oil and Gas Income Stocks

A Weekly Analysis

May 16, 2008



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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		15-May 2008	Shares (mm)				
U.S. Royalty Trusts								
Permian Basin RT	PBT		24.22	46.6	1,130	23.00	-	1.05
Sabine Royalty Trust	SBR		55.80	14.6	810	60.00	-	0.93
Cross Timbers Royalty Trust	CRT		50.30	6.0	300	57.00	-	0.88
San Juan Basin Royalty Trust	SJT	B	41.70	46.6	1,940	48.00	-	0.87
Mesa RoyaltyTrust	MTR		71.41	1.9	130	93.00	-	0.77
Hugoton RoyaltyTrust	HGT	B	31.39	40.0	1,260	42.00	-	0.75
<i>Total or Median</i>					5,600			0.88
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		20.10	247.0	4,960	24.00	0.25	0.88
Canadian Oil Sands Trust	COSWF	B	49.13	479.0	23,530	57.00	0.04	0.87
Penn West Energy Trust	PWE	B	33.01	364.0	12,020	45.00	0.24	0.80
Enerplus Resources Fund	ERF		47.80	153.0	7,310	63.00	0.14	0.79
<i>Total or Median</i>					47,800		0.19	0.83
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	60.12	188.2	11,320	17.00	0.57	2.10
Encore Energy Partners, L.P. (32%)	ENP		23.51	10.2	240	26.00	0.18	0.92
Dorchester Minerals, L.P.	DMLP		27.05	28.2	760	33.00	-	0.82
Linn Energy, LLC	LINE		22.94	114.0	2,620	35.00	0.38	0.79
<i>Total or Median</i>					14,900		0.28	0.87
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								
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/ Rating		15-May 2008					
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT		50.30	13.5	10.0	8.8	9.4	10.7
San Juan Basin Royalty Trust	SJT	B	41.70	10.8	9.7	8.4	10.2	9.9
Sabine Royalty Trust	SBR		55.80	9.1	8.9	8.3	8.3	12.1
Permian Basin RT	PBT		24.22	8.4	7.8	8.2	8.7	11.5
Mesa RoyaltyTrust	MTR		71.41	21.1	9.4	7.2	8.3	12.1
Hugoton RoyaltyTrust	HGT	B	31.39	13.3	8.9	6.7	9.4	10.6
<i>Median</i>				12.0	9.2	8.2	9.0	11.1
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	49.13	23.2	9.5	8.3	9.5	8.1
Pengrowth Energy Trust	PGH		20.10	8.9	6.2	5.5		13.4
Enerplus Resources Fund	ERF		47.80	9.6	6.5	5.2	9.2	10.5
Penn West Energy Trust	PWE	B	33.01	7.3	5.8	4.6	12.0	12.3
<i>Median</i>				9.2	6.4	5.3	9.5	11.4
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	60.12	8.0	7.4	15.4	23.1	6.1
Linn Energy, LLC	LINE		22.94	17.4	10.0	7.9		11.0
Dorchester Minerals, L.P.	DMLP		27.05	8.5	9.2	7.5	9.8	13.3
Encore Energy Partners, L.P.	ENP		23.51	12.4	6.9	6.3		9.8
<i>Median</i>				10.4	8.3	7.7	16.5	10.4
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 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								
			Natural					
		Revenue	Gas/		Dist/			Dist.
	Symbol	Royalty	Ebitda	Dist/	Equity	NTM Distribution		Yield
		(%)	(%)	Ebitda	Ebitda	(\$mm)	(\$/un)	(%)
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	98	0.83	0.83	191	4.11	9.9
Hugoton Royalty Trust	HGT	-	88	0.71	0.71	133	3.34	10.6
Cross Timbers Royalty Trust	CRT	84	67	0.94	0.94	32	5.36	10.7
Permian Basin RT	PBT	32	35	0.94	0.94	130	2.78	11.5
Sabine Royalty Trust	SBR	100	56	1.00	1.00	98	6.74	12.1
Mesa Royalty Trust	MTR	-	67	0.88	0.88	16	8.65	12.1
<i>Total or Median</i>			67	0.91	0.91	600		11.1
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(8)	0.64	0.67	1,906	3.98	8.1
Enerplus Resources Fund	ERF	-	48	0.45	0.52	767	5.02	10.5
Penn West Energy Trust	PWE	-	33	0.40	0.52	1,478	4.06	12.3
Pengrowth Energy Trust	PGH	-	38	0.52	0.70	664	2.69	13.4
<i>Total or Median</i>			36	0.48	0.59	4,800		11.4
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners	KMP		-	0.69	1.59	693	3.68	6.1
Encore Energy Partners, L.P.	ENP		18	0.50	0.61	23	2.30	9.8
Linn Energy, LLC	LINE		57	0.45	0.72	287	2.52	11.0
Dorchester Minerals, L.P.	DMLP	64	73	1.00	1.00	101	3.59	13.3
<i>Total or Median</i>			37	0.59	0.86	1,100		10.4
NTM = Next Twelve Months Ended March 31, 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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