



# Oil & Gas Income Stocks

A Weekly Analysis

November 21, 2008

## Alberta Acts to Reduce Royalties (Taxes)

### Summary and Recommendation

Positive signs are emerging from Alberta where a compromise on a reduction in royalty (mostly a tax) has been reached with buy-recommended **Canadian Oil Sands Trust (COSWF)** and fellow owners of the Syncrude oil sands mine and upgrader (see *Stock Idea*, COSWF, November 20, 2008). In addition, the Province is postponing royalty increases on certain new wells that should be beneficial to the three remaining Canadian income stocks in our coverage including Hold-rated **Penn West Energy Trust (PWE)**. The collapse in economic activity that the precipitous decline in the stock market portends should prompt Alberta and other governments to do more to stimulate economic recovery. Meanwhile, we believe stocks have declined more than enough to support a change in trend. Income investors get paid while they wait as the latest median distribution yield is 11.8% for the next twelve months by our calculations. Estimates use closing quotes for stock prices and settlement prices on November 20 for next twelve months deliveries of Light, Sweet Crude Oil at \$54 a barrel and Louisiana Natural Gas at \$6.70 a million btu.

Kurt H. Wulff, CFA

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)	(%)
<b>U.S. Royalty Trusts</b>								
San Juan Basin Royalty Trust	SJT	-	99	0.82	0.82	101	2.16	8.1
Hugoton Royalty Trust	HGT	-	87	0.70	0.70	70	1.75	9.5
Permian Basin RT	PBT	32	40	0.90	0.90	74	1.58	10.1
Cross Timbers Royalty Trust	CRT	84	73	0.95	0.95	20	3.27	10.2
Sabine Royalty Trust	SBR	100	64	1.00	1.00	64	4.38	11.3
Mesa Royalty Trust	MTR	-	71	0.88	0.88	10	5.15	11.8
	<i>Total or Median</i>		72	0.89	0.89	300		10.1
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	-	(9)	0.76	0.79	874	1.81	12.2
Enerplus Resources Fund	ERF	-	48	0.69	0.76	580	3.52	19.2
Penn West Energy Trust	PWE	-	34	0.74	0.99	1,227	3.15	25.9
Pengrowth Energy Trust	PGH	-	41	0.84	1.21	519	2.08	27.2
	<i>Total or Median</i>		37	0.75	0.89	3,200		22.5
<b>U.S. Master Limited Partnerships (MLPs)</b>								
Dorchester Minerals, L.P.	DMLP	64	75	1.00	1.00	53	1.88	11.7
Encore Energy Partners, L.P.	ENP		23	0.75	0.98	18	1.73	18.8
Linn Energy, LLC	LINE		50	0.79	1.65	287	2.52	21.2
	<i>Total or Median</i>		50	0.79	1.00	400		18.8
NTM = Next Twelve Months Ended September 30, 2009								
Ebitda = Earnings before interest, tax, depreciation and amortization								



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Natural Gas and Oil Income Stocks - Rank by McDep Ratio								
			Price (\$/sh)			Net Present Value	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		20-Nov 2008	Shares (mm)	Market Cap (\$mm)			
<b>U.S. Royalty Trusts</b>								
Permian Basin RT	PBT		15.73	46.6	730	19.00	-	0.83
Sabine Royalty Trust	SBR		38.60	14.6	560	47.00	-	0.82
San Juan Basin Royalty Trust	SJT	H	26.60	46.6	1,240	34.00	-	0.78
Cross Timbers Royalty Trust	CRT		32.25	6.0	190	42.00	-	0.77
Mesa RoyaltyTrust	MTR		43.80	1.9	80	67.00	-	0.66
Hugoton RoyaltyTrust	HGT	B	18.32	40.0	730	30.00	-	0.61
<i>Total or Median</i>						3,500		0.78
<b>Canadian Income Trusts (US\$)</b>								
Pengrowth Energy Trust	PGH		7.66	249.0	1,910	16.00	0.30	0.64
Penn West Energy Trust	PWE	H	12.17	389.9	4,750	27.00	0.26	0.59
Enerplus Resources Fund	ERF		18.35	164.9	3,030	44.00	0.09	0.47
Canadian Oil Sands Trust	COSWF	B	14.85	482.0	7,160	42.00	0.04	0.38
<i>Total or Median</i>						16,900		0.17
<b>U.S. Master Limited Partnerships (MLPs)</b>								
Linn Energy, LLC	LINE		11.89	114.0	1,360	14.00	0.52	0.93
Dorchester Minerals, L.P.	DMLP		16.01	28.2	450	24.00	-	0.67
Encore Energy Partners, L.P. (32%)	ENP		9.19	10.6	100	19.00	0.23	0.60
<i>Total or Median</i>						1,900		0.23
B = Buy, H = Hold								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Present Value presumes long-term prices of \$75 a barrel for oil and \$10 a million btu for natural gas.								

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		20-Nov 2008	NTM	NTM	NTM	NTM	(%)
<b>U.S. Royalty Trusts</b>								
San Juan Basin Royalty Trust	SJT	H	26.60	10.7	12.9	10.1	12.3	8.1
Cross Timbers Royalty Trust	CRT		32.25	14.1	12.2	9.4	9.9	10.2
Permian Basin RT	PBT		15.73	8.8	10.8	9.0	9.9	10.1
Sabine Royalty Trust	SBR		38.60	9.2	10.7	8.8	8.8	11.3
Mesa RoyaltyTrust	MTR		43.80	21.1	11.4	7.5	8.5	11.8
Hugoton RoyaltyTrust	HGT	B	18.32	13.1	12.0	7.3	10.5	9.5
<i>Median</i>					11.9	11.7	8.9	9.9
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	B	14.85	21.6	18.4	7.0	10.7	12.2
Pengrowth Energy Trust	PGH		7.66	9.1	9.3	5.9		27.2
Penn West Energy Trust	PWE	H	12.17	7.7	8.5	5.0	18.0	25.9
Enerplus Resources Fund	ERF		18.35	10.0	9.5	4.5	14.1	19.2
<i>Median</i>					9.6	9.4	5.5	14.1
<b>U.S. Master Limited Partnerships (MLPs)</b>								
Dorchester Minerals, L.P.	DMLP		16.01	8.5	12.8	8.5	13.6	11.7
Linn Energy, LLC	LINE		11.89	13.6	9.2	8.5		21.2
Encore Energy Partners, L.P.	ENP		9.19	12.7	10.8	6.5		18.8
<i>Median</i>					12.7	10.8	8.5	13.6
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2009; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



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