

McDep Energy Income Producers

A Weekly Analysis of Royalty Trusts and Master Limited Partnerships

January 6, 2004

Boost Value to Resolve Divergence

Summary and Recommendation

McDep Ratios look more encouraging for new and continued investment in energy income producers because we increase our estimate of the value of future natural gas and oil production by about 20%. We override 6-year futures as our standard for estimating present value believing that market now lags in capturing the fundamental long-term price move underway. We have also added a 25% premium for net revenue royalties in those trusts that have them. **Canadian Oil Sands Trust (COSWF)** continues to appear most undervalued and we are more comfortable recommending **San Juan Basin Royalty Trust (SJT)** at the lower McDep Ratio the new estimate implies. One might debate whether our present value analysis adequately anticipates the future, but the 9.9% cash distribution projected for the next 12 months for SJT, for example, is quite understandable.

Kurt H. Wulff, CFA

Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 5-Jan 2004</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
Master Limited Partnerships and Canadian Royalty Trusts							
Kinder Morgan Energy Partners, L.P.	KMP S	48.60	140.1	6,810	14.00	0.46	2.33
Kinder Morgan Management, LLC	KMR S	42.90	47.8	2,050	14.00	0.46	2.11
Enerplus Resources Fund	ERF	30.93	88.5	2,740	25.00	0.15	1.20
Pengrowth Energy Trust	PGH	16.59	120.0	1,990	14.00	0.12	1.16
Provident Energy Trust	PVX	8.89	70.6	630	7.50	0.25	1.14
Dorchester Minerals, L.P.	DMLP	19.30	27.0	520	17.00	-	1.14
Canadian Oil Sands Trust (US\$)	COSWF B	35.09	86.7	3,040	50.00	0.20	0.76
<i>Total or Median</i>				<i>17,800</i>		<i>0.20</i>	<i>1.16</i>
U.S. Royalty Trusts							
Cross Timbers Royalty Trust	CRT	28.59	6.0	172	25.00	-	1.15
Sabine Royalty Trust	SBR	29.34	14.6	430	26.00	-	1.13
Permian Basin RT (41%)	PBT	8.32	19.1	160	7.50	-	1.11
Hugoton Royalty Trust (46%)	HGT	22.06	18.4	410	20.00	-	1.10
San Juan Basin Royalty Trust	SJT B	22.10	46.6	1,030	22.00	-	1.00
<i>Total or Median</i>				<i>2,200</i>		<i>-</i>	<i>1.11</i>

Buy/Sell rating after symbol: B - Buy, S - Sell

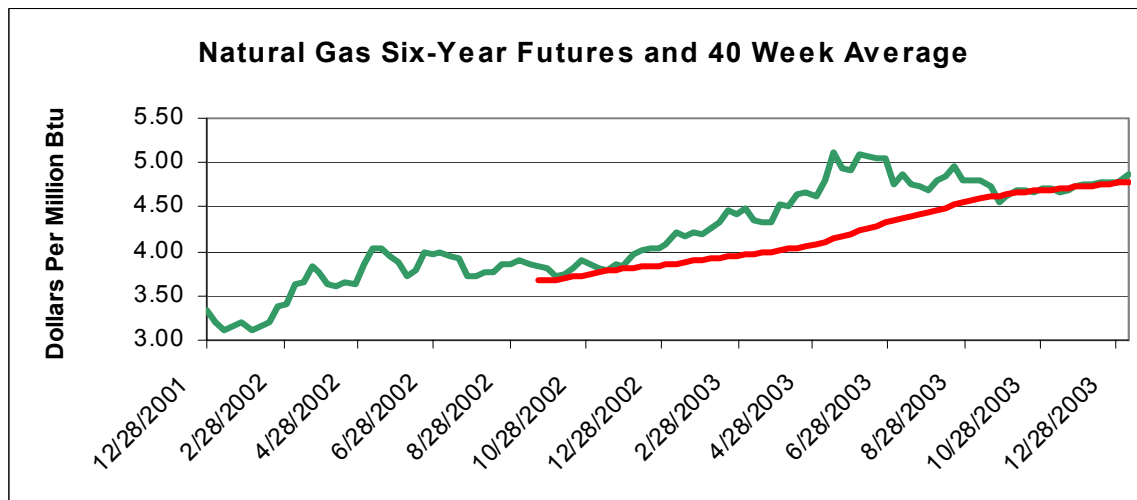
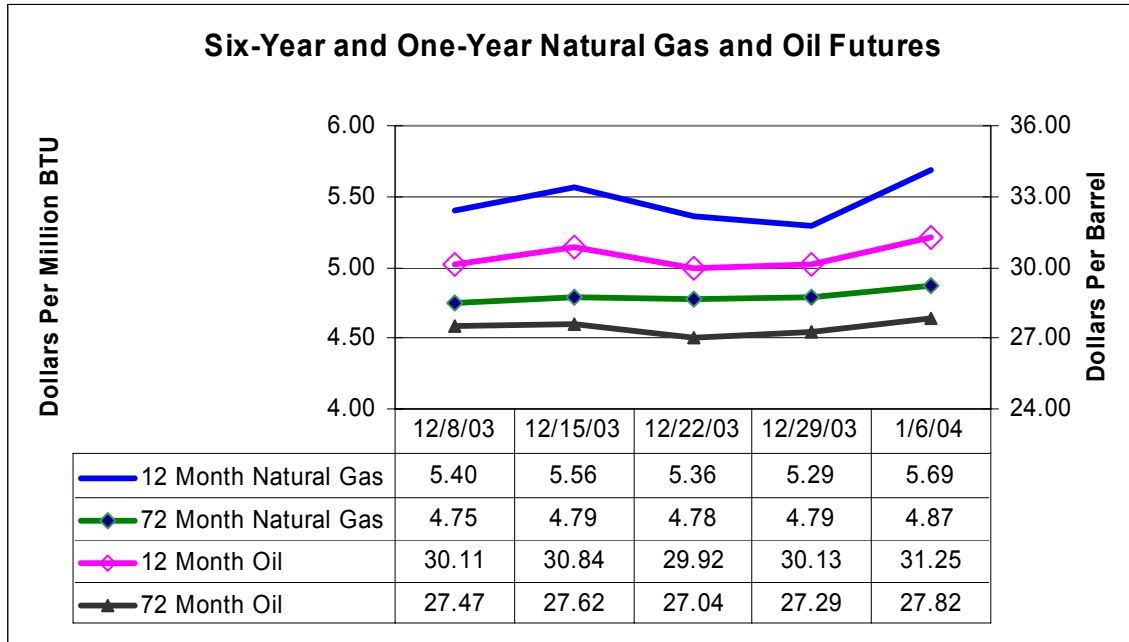
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

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Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

			Price (\$/sh)	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
	Symbol/ Rating		5-Jan 2004					
Master Limited Partnerships and Canadian Royalty Trusts								
Kinder Morgan Energy Partners, L.P.	KMP	S	48.60	3.3	20.0	25	5.4	8.6
Kinder Morgan Management, LLC	KMR	S	42.90	3.0	18.1	22	6.1	8.6
Dorchester Minerals, L.P.	DMLP		19.30	9.4	10.3	24	9.7	9.1
Canadian Oil Sands Trust (US\$)	COSWF	B	35.09	4.4	8.5	14	4.3	11.1
Pengrowth Energy Trust	PGH		16.59	5.5	7.8	14	11.7	6.7
Enerplus Resources Fund	ERF		30.93	5.5	7.5	13	10.5	6.2
Provident Energy Trust	PVX		8.89	4.0	6.0	32	12.5	5.3
	<i>Median</i>			<i>4.4</i>	<i>8.5</i>	<i>22</i>	<i>9.7</i>	<i>8.6</i>
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT		28.59	8.5	11.9	12	8.3	10.3
Sabine Royalty Trust	SBR		29.34	9.8	10.2	10	9.8	9.0
Permian Basin RT (41%)	PBT		8.32	6.8	9.6	11	9.0	8.6
Hugoton RoyaltyTrust (46%)	HGT		22.06	6.8	9.0	11	9.2	8.2
San Juan Basin Royalty Trust	SJT	B	22.10	7.1	8.7	10	9.9	8.6
	<i>Median</i>			<i>7.1</i>	<i>9.6</i>	<i>11</i>	<i>9.2</i>	<i>8.6</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2004; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Determinants of Present Value

			Natural Royalty (%)	N. Am. Gas/ Ebitda (%)	Adjusted Reserves/ Production NTM	PV/ Ebitda NTM	1/5/04 EV/ Mcf	McDep Ratio
	Symbol/ Rating							
Master Limited Partnerships and Canadian Royalty Trusts								
Kinder Morgan Energy Partners, L.P.	KMP	S	-	-	-	8.6		2.33
Kinder Morgan Management, LLC	KMR	S	-	-	-	8.6		2.11
Provident Energy Trust	PVX		-	51	4.9	5.3	3.40	1.14
Dorchester Minerals, L.P.	DMLP		54	85	9.5	9.1	4.86	1.14
Pengrowth Energy Trust	PGH		-	41	10.2	6.7	1.70	1.16
Enerplus Resources Fund	ERF		-	61	10.4	6.2	1.57	1.20
Canadian Oil Sands Trust (US\$)	COSWF	B	-	(8)	20.0	11.1	1.11	0.76
	<i>Median</i>			<i>41</i>	<i>9.5</i>	<i>8.6</i>	<i>1.70</i>	<i>1.16</i>
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR		100	65	6.5	9.0	6.45	1.13
Permian Basin RT (41%)	PBT		24	46	9.0	8.6	3.20	1.11
Cross Timbers Royalty Trust	CRT		86	76	11.3	10.3	3.84	1.15
Hugoton RoyaltyTrust (46%)	HGT		-	94	11.9	8.2	2.77	1.10
San Juan Basin Royalty Trust	SJT	B	-	99	12.1	8.6	2.49	1.00
	<i>Median</i>			<i>76</i>	<i>11.3</i>	<i>8.6</i>	<i>3.20</i>	<i>1.11</i>

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