Fiscal Follies

Summary and Recommendation

Higher taxes on oil and gas producers alter the investment attractiveness in one country compared to another while generally driving up price and reducing economic efficiency. In an example of exquisite mistiming, the U.K. has raised taxes to North Sea producers in the midst of a mild panic about natural gas supply. President Hugo Chavez of Venezuela retroactively taxes oil producers to the brink of expropriation. The U.K.'s and Venezuela's loss is Canada's and the U.S.'s gain as Canada has reduced taxes on oil and gas while the U.S. appears to be holding the line against increases. Meanwhile one-year natural gas futures price at a new high propels distribution to a median estimated annual rate approaching 12 % for the next year for U.S trusts. The median indicated rate exceeding 9% may understate the distribution yield for the next year for Canadian trusts.

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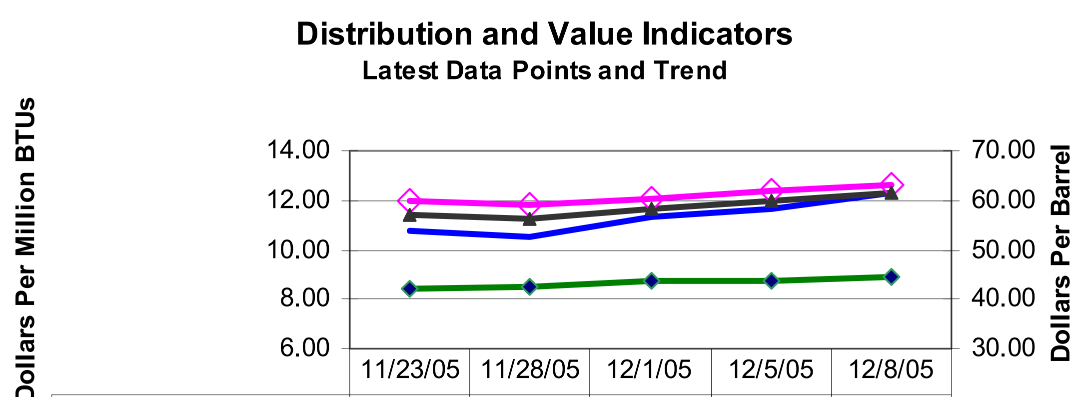

	11/23/05	11/28/05	12/1/05	12/5/05	12/8/05
12 Mo Natural Gas	10.77	10.53	11.34	11.65	12.32
72 Mo Natural Gas	8.45	8.50	8.76	8.78	8.90
12 Month Oil Strip	60.00	58.90	60.40	62.04	63.05
72 Month Oil Strip	57.21	56.31	58.24	59.95	61.46

Natural Gas and Oil Royalty Trusts

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

	Symbol/	Rating	Price ($/sh) 8-Dec 2005	Shares (mm)	Market Cap ($mm)	Net Present Value ($/un)	Debt/ Present Value	McDep Ratio
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR		48.35	14.6	710	42.00	-	1.15
San Juan Basin Royalty Trust	SJT	H	45.77	46.6	2,130	40.00	-	1.14
Hugoton RoyaltyTrust (46%)	HGT		38.43	18.4	710	34.00	-	1.13
Permian Basin RT (57%)	PBT		16.72	26.6	440	15.00	-	1.11
Cross Timbers Royalty Trust	CRT		50.00	6.0	300	45.00	-	1.11
Dorchester Minerals, L.P.	DMLP		26.50	28.2	750	26.00	-	1.02
Mesa RoyaltyTrust	MTR		69.95	1.9	130	75.00	-	0.93
Total or Median					*5,200*			*1.11*
Canadian Income Trusts								
Pengrowth Energy Trust	PGH		23.75	159.0	3,780	20.00	0.16	1.16
Enerplus Resources Fund	ERF		49.05	110.0	5,400	42.00	0.14	1.15
Penn West Energy Trust	PWTFF	B	32.37	178.9	5,790	28.00	0.15	1.13
Canadian Oil Sands Trust (US$)	COSWF	B	115.45	93.1	10,750	136.00	0.12	0.87
Total or Median					*25,700*		*0.14*	*1.14*

B = Buy, H = Hold

McDep Ratio = **M**arket **c**ap and **De**bt to **p**resent value of oil and gas and other businesses

Natural Gas and Oil Royalty Trusts

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

	Symbol/	Rating	Price ($/sh) 8-Dec 2005	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT		50.00	18.8	9.3	10.3	10.4	9.6
Sabine Royalty Trust	SBR		48.35	11.6	8.0	9.3	9.3	10.8
San Juan Basin Royalty Trust	SJT	H	45.77	12.1	6.9	7.9	8.4	11.9
Mesa RoyaltyTrust	MTR		69.95	20.0	8.4	7.8	8.4	12.0
Permian Basin RT (57%)	PBT		16.72	14.8	7.0	7.7	8.3	12.1
Dorchester Minerals, L.P.	DMLP		26.50	11.6	7.3	7.4	10.3	13.0
Hugoton RoyaltyTrust (46%)	HGT		38.43	13.5	6.1	6.9	8.8	11.3
Median				*13.5*	*7.3*	*7.8*	*8.8*	*11.9*
Canadian Income Trusts								
Canadian Oil Sands Trust (US$)	COSWF	B	115.45	20.0	11.5	10.0	11.8	3.0
Pengrowth Energy Trust	PGH		23.75	7.6	4.9	5.7	7.8	10.9
Enerplus Resources Fund	ERF		49.05	8.6	4.9	5.6	8.1	8.9
Penn West Energy Trust	PWTFF	B	32.37	8.0	4.3	4.8	6.8	9.9
Median				*8.3*	*4.9*	*5.6*	*8.0*	*9.4*

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2006; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Natural Gas and Oil Royalty Trusts
Rank by NTM Distribution Yield

	Symbol	*Revenue Royalty (%)*	*Natural Gas/ Ebitda (%)*	*Dist/ Ebitda*	*Dist/ Equity Ebitda*	*NTM Distribution ($mm)*	*NTM Distribution ($/un)*	*Dist. Yield (%)*
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	85	78	0.99	0.99	29	4.79	9.6
Sabine Royalty Trust	SBR	100	70	1.00	1.00	76	5.22	10.8
Hugoton RoyaltyTrust (46%)	HGT	-	94	0.78	0.78	80	4.34	11.3
San Juan Basin Royalty Trust	SJT	-	99	0.94	0.94	254	5.46	11.9
Mesa RoyaltyTrust	MTR	-	83	0.94	0.94	16	8.36	12.0
Permian Basin RT (57%)	PBT	30	51	0.94	0.94	54	2.02	12.1
Dorchester Minerals, L.P.	DMLP	54	82	0.97	0.97	97	3.45	13.0
Total or Median			*82*	*0.94*	*0.94*	*600*		*11.9*
Canadian Income Trusts								
Canadian Oil Sands Trust (US$)	COSWF	-	(8)	0.26	0.29	322	3.46	3.0
Enerplus Resources Fund	ERF	-	56	0.44	0.51	479	4.36	8.9
Penn West Energy Trust	PWTFF	-	55	0.42	0.49	575	3.21	9.9
Pengrowth Energy Trust	PGH	-	49	0.53	0.63	412	2.59	10.9
Total or Median			*52*	*0.43*	*0.50*	*1,800*		*9.4*
Kinder Morgan Energy Partners	KMP			0.75	1.67			6.4

NTM = Next Twelve Months Ended December 31, 2006
Ebitda = Earnings before interest, tax, depreciation and amortization