

## Panic Perspective

### Summary and Recommendation

New commitments to natural gas royalty trusts during similar maniacal stock market conditions four years ago were rewarded with gains by October and more by the following June. Buy-recommended **San Juan Basin Royalty Trust (SJT)** along with **Hugoton Royalty Trust (HGT)**, **Cross Timbers Royalty Trust (CRT)** and **Dorchester Minerals (DMLP)** in our coverage at the time appreciated an average 8% in four months from June 13, 2002 to October 24, 2002 and 68% in the twelve months to June 11, 2003. Though past performance may not be repeated, the possibilities might be kept in mind when the day-to-day news may seem contradictory. On the defensive side we are asked what would be the distributions if natural gas for the next twelve months would be \$6.00 a million btu instead of the current one-year quote of \$8.40? Projected next twelve months distribution yield for U.S. royalty trusts would be a median 7.6% instead of 9.6% and no change for the discretionary distributions of Canadian trusts at 9.5%.

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### Natural Gas and Oil Royalty Trusts Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 15-Jun 2006</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/un)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
<b>U.S. Royalty Trusts</b>							
Sabine Royalty Trust	SBR	42.30	14.6	620	45.00	-	0.94
San Juan Basin Royalty Trust	SJT	B 37.32	46.6	1,740	40.00	-	0.93
Permian Basin RT	PBT	15.36	46.6	720	16.50	-	0.93
Cross Timbers Royalty Trust	CRT	42.67	6.0	260	46.00	-	0.93
Dorchester Minerals, L.P.	DMLP	24.00	28.2	680	27.00	-	0.89
Mesa RoyaltyTrust	MTR	63.95	1.9	120	75.00	-	0.85
Hugoton RoyaltyTrust	HGT	28.89	40.0	1,160	34.00	-	0.85
	<i>Total or Median</i>			5,300			0.93
<b>Canadian Income Trusts (US\$)</b>							
Pengrowth Energy Trust	PGH	23.06	161.0	3,710	20.00	0.15	1.13
Enerplus Resources Fund	ERF	52.11	123.1	6,410	47.00	0.11	1.10
Penn West Energy Trust	PWTFF	B 36.25	243.3	8,820	39.00	0.12	0.94
Canadian Oil Sands Trust	COSWF	B 28.57	464.1	13,260	35.00	0.10	0.83
	<i>Total or Median</i>			32,200		0.12	1.02

B = Buy

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](http://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 trade a subject stock within a week before or after a change in rating.

## Natural Gas and Oil Royalty Trusts Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 15-Jun 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>U.S. Royalty Trusts</b>							
Cross Timbers Royalty Trust	CRT	42.67	13.0	11.1	10.3	10.7	9.4
Mesa RoyaltyTrust	MTR	63.95	20.1	11.1	9.5	10.4	9.6
San Juan Basin Royalty Trust	SJT	B	37.32	13.5	10.1	9.4	10.6
Sabine Royalty Trust	SBR		42.30	9.3	9.7	9.1	10.9
Dorchester Minerals, L.P.	DMLP		24.00	8.2	10.2	9.1	13.9
Permian Basin RT	PBT		15.36	7.8	9.6	8.9	9.8
Hugoton RoyaltyTrust	HGT		28.89	13.8	9.2	7.8	10.7
	<i>Median</i>			<i>13.0</i>	<i>10.1</i>	<i>9.1</i>	<i>10.6</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF	B	28.57	25.1	11.7	9.8	12.9
Enerplus Resources Fund	ERF		52.11	9.4	7.1	7.7	14.8
Pengrowth Energy Trust	PGH		23.06	7.5	6.6	7.4	12.6
Penn West Energy Trust	PWTFF	B	36.25	7.9	6.8	6.4	8.7
	<i>Median</i>			<i>8.6</i>	<i>6.9</i>	<i>7.6</i>	<i>12.8</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2007; 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)	Dist. Yield (\$/un) (%)
<b>U.S. Royalty Trusts</b>							
Hugoton RoyaltyTrust	HGT	-	91	0.73	0.73	108	2.70
Cross Timbers Royalty Trust	CRT	81	70	0.97	0.97	24	4.00
San Juan Basin Royalty Trust	SJT	-	98	0.89	0.89	163	3.50
Mesa RoyaltyTrust	MTR	-	74	0.91	0.91	11	6.16
Dorchester Minerals, L.P.	DMLP	56	75	0.93	0.93	69	2.45
Permian Basin RT	PBT	29	37	0.91	0.91	73	1.57
Sabine Royalty Trust	SBR	100	53	1.00	1.00	67	4.63
	<i>Total or Median</i>		<i>74</i>	<i>0.91</i>	<i>0.91</i>	<i>500</i>	<i>9.6</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF	-	(8)	0.58	0.64	887	1.91
Enerplus Resources Fund	ERF	-	48	0.62	0.69	565	4.59
Penn West Energy Trust	PWTFF	-	42	0.57	0.65	904	3.71
Pengrowth Energy Trust	PGH	-	39	0.76	0.90	440	2.73
	<i>Total or Median</i>		<i>41</i>	<i>0.60</i>	<i>0.67</i>	<i>2,800</i>	<i>9.5</i>
Kinder Morgan Energy Partners	KMP			0.80	1.79		7.2

NTM = Next Twelve Months Ended June 30, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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