

## Oily Gassy

### Summary and Recommendation

All offering attractive value, five U.S. Royalty Trusts concentrated more than 60% on natural gas offer a way to boost portfolio exposure to the cleanest fuel (see column *Natural Gas/Ebitda* in table Rank by NTM Distribution Yield on page 2). We refresh projections weekly for all the stocks and publish separate analyses at least quarterly for buy-recommended **San Juan Basin Royalty Trust (SJT)**, the stock with the largest market capitalization among the five. The timing to add natural gas appears favorable cyclically because the price is low relative to oil and seasonally because peak winter consumption lies ahead. Our oiliest buy recommendation, **Canadian Oil Sands Trust (COSWF)**, moves in the same direction strategically as it attempts to complete the acquisition of a company that owns undeveloped Arctic natural gas reserves. Meanwhile, latest projections indicate annual income of a median 8.6% for the U.S. stocks and 8.4% for the Canadian stocks.

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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) 10-Aug 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>							
Cross Timbers Royalty Trust	CRT	50.40	6.0	300	46.00	-	1.09
Sabine Royalty Trust	SBR	46.70	14.6	680	45.00	-	1.04
Permian Basin RT	PBT	16.96	46.6	790	16.50	-	1.03
Dorchester Minerals, L.P.	DMLP	27.16	28.2	770	27.00	-	1.01
San Juan Basin Royalty Trust	SJT B	39.85	46.6	1,860	40.00	-	1.00
Hugoton RoyaltyTrust	HGT	29.87	40.0	1,200	34.00	-	0.88
Mesa RoyaltyTrust	MTR	64.94	1.9	120	75.00	-	0.87
<i>Total or Median</i>				5,700			1.01
<b>Canadian Income Trusts (US\$)</b>							
Enerplus Resources Fund	ERF	57.35	123.1	7,060	47.00	0.11	1.20
Pengrowth Energy Trust	PGH	22.98	161.0	3,700	20.00	0.15	1.13
Penn West Energy Trust	PWE B	41.03	243.8	10,000	39.00	0.12	1.05
Canadian Oil Sands Trust	COSWF B	32.37	465.8	15,080	35.00	0.10	0.93
<i>Total or Median</i>				35,800		0.11	1.09

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) 10-Aug 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	50.40	13.7	11.8	12.9	13.3	7.5
Dorchester Minerals, L.P.	DMLP	27.16	8.2	11.0	11.1	17.6	8.4
San Juan Basin Royalty Trust	SJT B	39.85	13.7	11.0	11.0	12.2	8.2
Sabine Royalty Trust	SBR	46.70	10.2	10.4	10.8	10.8	9.2
Mesa RoyaltyTrust	MTR	64.94	20.1	11.1	9.6	10.5	9.6
Permian Basin RT	PBT	16.96	7.8	9.2	9.5	10.3	9.7
Hugoton RoyaltyTrust	HGT	29.87	13.8	9.2	8.0	11.6	8.6
	<i>Median</i>		<i>13.7</i>	<i>11.0</i>	<i>10.8</i>	<i>11.6</i>	<i>8.6</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF B	32.37	26.5	11.1	10.3	13.0	5.8
Enerplus Resources Fund	ERF	57.35	9.4	6.8	8.1	14.8	7.9
Pengrowth Energy Trust	PGH	22.98	7.5	6.2	6.9	11.3	11.7
Penn West Energy Trust	PWE B	41.03	7.9	6.6	6.9	9.3	8.9
	<i>Median</i>		<i>8.6</i>	<i>6.7</i>	<i>7.5</i>	<i>12.1</i>	<i>8.4</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>							
Cross Timbers Royalty Trust	CRT	81	66	0.97	0.97	23	3.78
San Juan Basin Royalty Trust	SJT	-	98	0.90	0.90	152	3.27
Dorchester Minerals, L.P.	DMLP	56	72	0.93	0.93	64	2.28
Hugoton RoyaltyTrust	HGT	-	90	0.69	0.69	103	2.57
Sabine Royalty Trust	SBR	100	51	1.00	1.00	63	4.31
Mesa RoyaltyTrust	MTR	-	73	0.91	0.91	12	6.20
Permian Basin RT	PBT	29	35	0.92	0.92	76	1.64
	<i>Total or Median</i>		<i>72</i>	<i>0.92</i>	<i>0.92</i>	<i>500</i>	<i>8.6</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF	-	(8)	0.54	0.59	874	1.88
Enerplus Resources Fund	ERF	-	46	0.58	0.65	554	4.50
Penn West Energy Trust	PWE	-	40	0.54	0.62	889	3.64
Pengrowth Energy Trust	PGH	-	38	0.70	0.82	431	2.68
	<i>Total or Median</i>		<i>39</i>	<i>0.56</i>	<i>0.63</i>	<i>2,700</i>	<i>8.4</i>
Kinder Morgan Energy Partners	KMP			0.75	1.70		7.2

NTM = Next Twelve Months Ended June 30, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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