

Basic Reasons

Summary and Recommendation

At a volatile time in the markets we recap the basic reasons to own each of our three income buy recommendations, **Canadian Oil Sands Trust (COSWF)**, **San Juan Basin Royalty Trust (SJT)** and **Penn West Energy Trust (PWE)**. PWE offers the highest current income at 10.6% a year cushioned against unexpected commodity price decline because it is less than current cash flow. Carbon dioxide enhanced recovery and *in situ* oil sands offer volume upside. SJT, concentrated entirely on clean natural gas, would pay an estimated 7.5% for the next twelve months in distributions that vary directly with natural gas commodity price. We are highly confident that natural gas price is low relative to oil and we believe the odds favor timely investment now. COSWF pays 4% at the latest declared distribution, but will likely soon pay more because the expansion of the Syncrude oil sands facility is complete and it no longer requires new capital funding. Most comforting, the plant can operate indefinitely without volume decline through the lows as well as the highs of energy price.

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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) 5-Oct 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>
U.S. Royalty Trusts							
Sabine Royalty Trust	SBR	45.98	14.6	670	45.00	-	1.02
Cross Timbers Royalty Trust	CRT	44.82	6.0	270	46.00	-	0.97
Permian Basin RT	PBT	15.96	46.6	740	16.50	-	0.97
Dorchester Minerals, L.P.	DMLP	24.97	28.2	710	27.00	-	0.92
San Juan Basin Royalty Trust	SJT B	35.19	46.6	1,640	40.00	-	0.88
Mesa RoyaltyTrust	MTR	52.75	1.9	100	70.00	-	0.75
Hugoton RoyaltyTrust	HGT	25.05	40.0	1,000	34.00	-	0.74
	<i>Total or Median</i>			<i>5,100</i>			<i>0.92</i>
Canadian Income Trusts (US\$)							
Enerplus Resources Fund	ERF	49.56	123.0	6,100	47.00	0.11	1.05
Pengrowth Energy Trust	PGH	18.43	161.4	2,970	20.00	0.17	0.93
Penn West Energy Trust	PWE B	34.61	246.0	8,510	39.00	0.13	0.90
Canadian Oil Sands Trust	COSWF B	26.40	466.1	12,300	35.00	0.09	0.78
	<i>Total or Median</i>			<i>29,900</i>		<i>0.12</i>	<i>0.92</i>

B = Buy

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

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 5-Oct 2006</i>	<i>Adjstd Resrvs/ Prod NTM</i>	<i>PV/ Ebitda NTM</i>	<i>EV/ Ebitda NTM</i>	<i>P/E NTM</i>	<i>Divd or Distrib NTM (%)</i>
U.S. Royalty Trusts							
Sabine Royalty Trust	SBR	45.98		13.1	13.4	13.4	7.5
Cross Timbers Royalty Trust	CRT	44.82		12.2	11.9	12.0	8.3
Permian Basin RT	PBT	15.96		10.9	10.6	11.8	8.5
San Juan Basin Royalty Trust	SJT	B 35.19		12.0	10.5	13.3	7.5
Dorchester Minerals, L.P.	DMLP	24.97		11.4	10.5	16.7	8.9
Mesa RoyaltyTrust	MTR	52.75		12.2	9.1	11.4	8.8
Hugoton RoyaltyTrust	HGT	25.05		10.9	8.1	12.8	7.8
	<i>Median</i>			<i>12.0</i>	<i>10.5</i>	<i>12.8</i>	<i>8.3</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B 26.40	24.4	12.8	9.9	13.6	7.1
Enerplus Resources Fund	ERF	49.56	9.4	7.9	8.3	18.5	9.1
Penn West Energy Trust	PWE	B 34.61	8.0	8.4	7.6	13.4	10.6
Pengrowth Energy Trust	PGH	18.43	7.9	7.1	6.6	10.4	14.6
	<i>Median</i>		<i>8.7</i>	<i>8.2</i>	<i>7.9</i>	<i>13.5</i>	<i>9.8</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 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

	<i>Symbol</i>	<i>Revenue Royalty (%)</i>	<i>Natural Gas/ Ebitda (%)</i>	<i>Dist/ Ebitda</i>	<i>Dist/ Equity Ebitda</i>	<i>NTM Distribution (\$mm)</i>	<i>NTM Distribution (\$/un)</i>	<i>Dist. Yield (%)</i>
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR	100	58	1.00	1.00	50	3.43	7.5
San Juan Basin Royalty Trust	SJT	-	98	0.79	0.79	123	2.65	7.5
Hugoton RoyaltyTrust	HGT	-	89	0.63	0.63	79	1.96	7.8
Cross Timbers Royalty Trust	CRT	81	67	0.98	0.98	22	3.72	8.3
Permian Basin RT	PBT	29	35	0.89	0.89	63	1.35	8.5
Mesa RoyaltyTrust	MTR	-	75	0.81	0.81	9	4.64	8.8
Dorchester Minerals, L.P.	DMLP	56	74	0.94	0.94	63	2.23	8.9
	<i>Total or Median</i>		<i>74</i>	<i>0.89</i>	<i>0.89</i>	<i>400</i>		<i>8.3</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(9)	0.63	0.69	876	1.88	7.1
Enerplus Resources Fund	ERF	-	43	0.68	0.76	556	4.52	9.1
Penn West Energy Trust	PWE	-	39	0.68	0.79	898	3.65	10.6
Pengrowth Energy Trust	PGH	-	37	0.79	0.96	434	2.69	14.6
	<i>Total or Median</i>		<i>38</i>	<i>0.68</i>	<i>0.77</i>	<i>2,800</i>		<i>9.8</i>
Kinder Morgan Energy Partners	KMP			0.75	1.70			7.2

NTM = Next Twelve Months Ended September 30, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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