

Shell Canada Bid Raised

Summary and Recommendation

Buy-recommended **Royal Dutch Shell (RDS)**'s new offer of C\$45 a share for the minority interest in **Shell Canada (SHC.TO)** on January 23, up from C\$40 on October 23, indirectly supports our estimates of present value for income buy-recommendations **Canadian Oil Sands Trust (COSWF)** and **Penn West Energy Trust (PWE)**. Oil sands are the appeal in SHC including a mine/upgrader analogous to that of COSWF and cold-flow, *in situ* resources analogous to those in PWE. Separately, the *Canadian Association of Income Trust Investors* has been launched to overturn the proposal by the Canadian Minister of Finance to assess a tax on trusts (see www.caiti.info). We are hopeful the effort will be as successful as the opposition to defeat a similar proposal a year earlier. Reinforced by the new Shell offer, COSWF and PWE offer attractive value without counting on a continuation of favorable tax treatment. Finally, latest projections of next twelve months distribution yield are a median 7.9% for U.S. trusts and a median 11.1% for Canadian trusts in our coverage.

Kurt H. Wulff, CFA

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 25-Jan 2007</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							
Cross Timbers Royalty Trust	CRT	46.16	6.0	280	46.00	-	1.00
Permian Basin RT	PBT	15.65	46.6	730	16.50	-	0.95
Sabine Royalty Trust	SBR	40.30	14.6	590	45.00	-	0.90
Dorchester Minerals, L.P.	DMLP	22.60	28.2	640	27.00	-	0.84
Mesa RoyaltyTrust	MTR	58.10	1.9	110	70.00	-	0.83
San Juan Basin Royalty Trust	SJT	B 32.66	46.6	1,520	40.00	-	0.82
Hugoton RoyaltyTrust	HGT	B 24.57	40.0	980	34.00	-	0.72
	<i>Total or Median</i>			4,900			0.84
Canadian Income Trusts (US\$)							
Pengrowth Energy Trust	PGH	17.26	241.0	4,160	20.00	0.26	0.90
Enerplus Resources Fund	ERF	41.38	123.1	5,090	47.00	0.11	0.89
Penn West Energy Trust	PWE	B 29.19	239.0	6,980	39.00	0.13	0.78
Canadian Oil Sands Trust	COSWF	B 25.02	479.0	11,990	35.00	0.09	0.74
	<i>Total or Median</i>			28,200		0.12	0.84

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. 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) 25-Jan 2007	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	46.16		13.8	13.8	14.2	7.1	
Sabine Royalty Trust	SBR	40.30		13.3	11.9	11.9	8.4	
Permian Basin RT	PBT	15.65		11.9	11.3	12.7	7.9	
Mesa RoyaltyTrust	MTR	58.10		12.8	10.6	13.4	7.5	
Dorchester Minerals, L.P.	DMLP	22.60		12.7	10.6	17.6	8.6	
San Juan Basin Royalty Trust	SJT	B	32.66	11.1	9.1	11.3	8.9	
Hugoton RoyaltyTrust	HGT	B	24.57	11.4	8.3	14.0	7.2	
	<i>Median</i>			12.7	10.6	13.4	7.9	
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	25.02	23.0	15.6	11.6	17.6	7.1
Enerplus Resources Fund	ERF		41.38	9.5	8.8	7.8	20.1	10.3
Penn West Energy Trust	PWE	B	29.19	8.1	9.7	7.6	15.1	11.8
Pengrowth Energy Trust	PGH		17.26	7.1	7.8	7.0	12.6	14.7
	<i>Median</i>			8.8	9.2	7.7	16.4	11.1

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 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)	Dist. Yield (%)
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	81	70	0.98	0.98	20	3.26	7.1
Hugoton RoyaltyTrust	HGT	-	91	0.59	0.59	70	1.76	7.2
Mesa RoyaltyTrust	MTR	-	77	0.80	0.80	8	4.34	7.5
Permian Basin RT	PBT	29	37	0.88	0.88	57	1.23	7.9
Sabine Royalty Trust	SBR	100	57	1.00	1.00	49	3.38	8.4
Dorchester Minerals, L.P.	DMLP	56	75	0.91	0.91	55	1.95	8.6
San Juan Basin Royalty Trust	SJT	-	98	0.81	0.81	135	2.90	8.9
	<i>Total or Median</i>		75	0.88	0.88	400		7.9
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(11)	0.72	0.79	850	1.77	7.1
Enerplus Resources Fund	ERF	-	45	0.71	0.79	524	4.26	10.3
Penn West Energy Trust	PWE	-	41	0.75	0.86	824	3.45	11.8
Pengrowth Energy Trust	PGH	-	44	0.73	0.98	611	2.54	14.7
	<i>Total or Median</i>		42	0.72	0.83	2,800		11.1
Kinder Morgan Energy Partners	KMP			0.80	1.73			6.6

NTM = Next Twelve Months Ended December 31, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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