

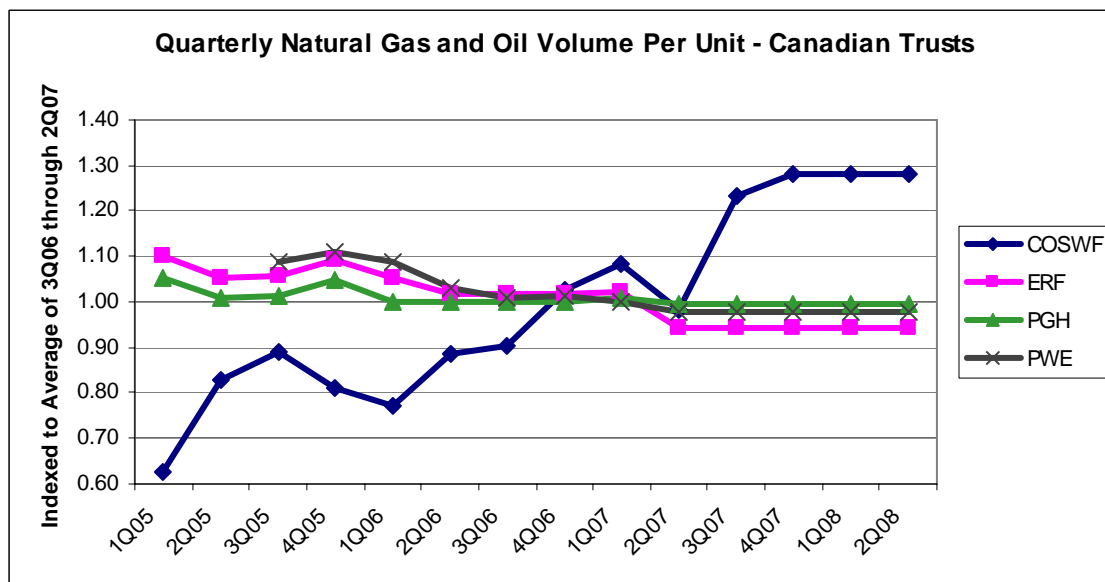
## Real Assets for a Time of Financial Turmoil

### Summary and Recommendation

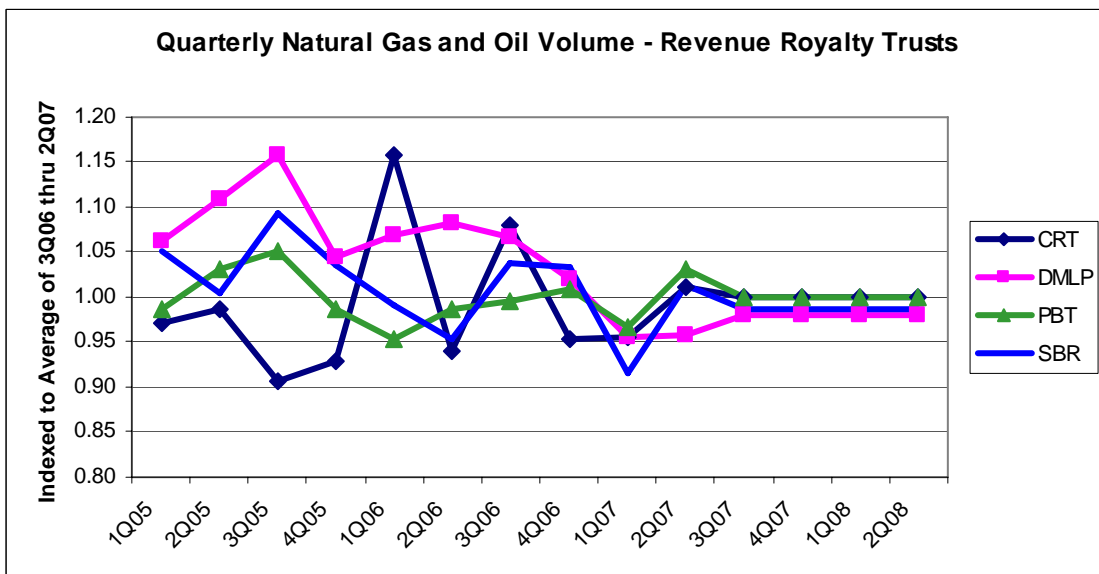
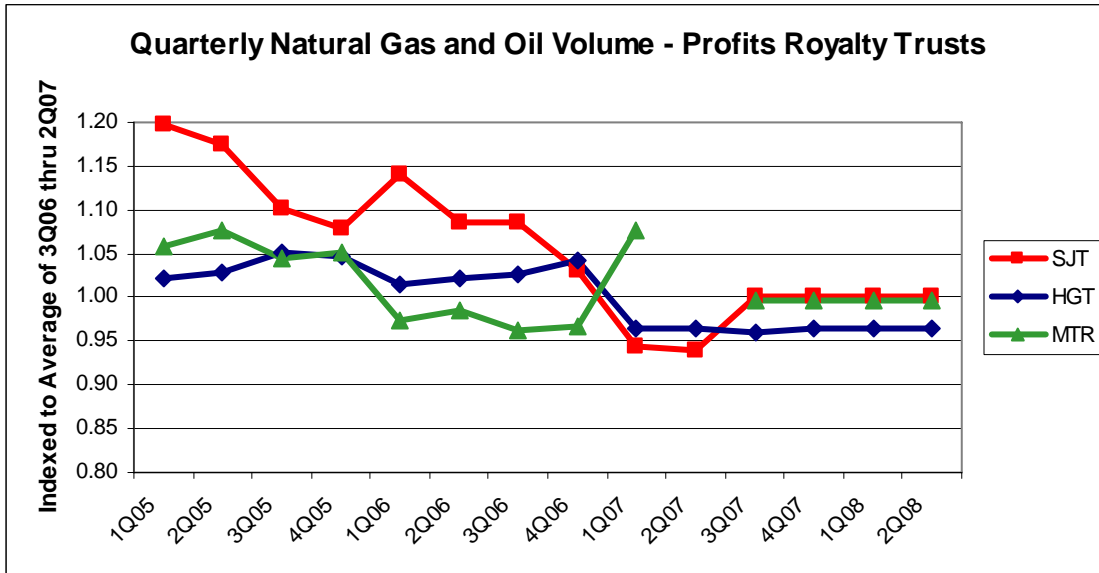
Representing real assets, oil and gas income stocks are among the soundest long-term investments in our view. In a time of wider market fluctuation, it is reassuring that financial risk is low for ten of the eleven stocks that have zero to low debt. Updating for latest quarterly results, we also see mostly stable volume trends (see charts [Quarterly Natural Gas and Oil Volume](#)). All the stocks have exposure to oil and gas price that we regard as more of an opportunity than a risk. Projected distributions rise with recent futures prices for oil and natural gas (see charts [Quarterly Distributions](#)). Distribution yields are on track for estimated cash returns for the next twelve months ranging from about 8% to 16% of current unit price.

Separately, investors whose interest may have been piqued by our review of Seymour Schulich's book last week and would like their own copy might preorder from Amazon Canada ([www.amazon.ca](http://www.amazon.ca)). Apparently the official release date is August 15.

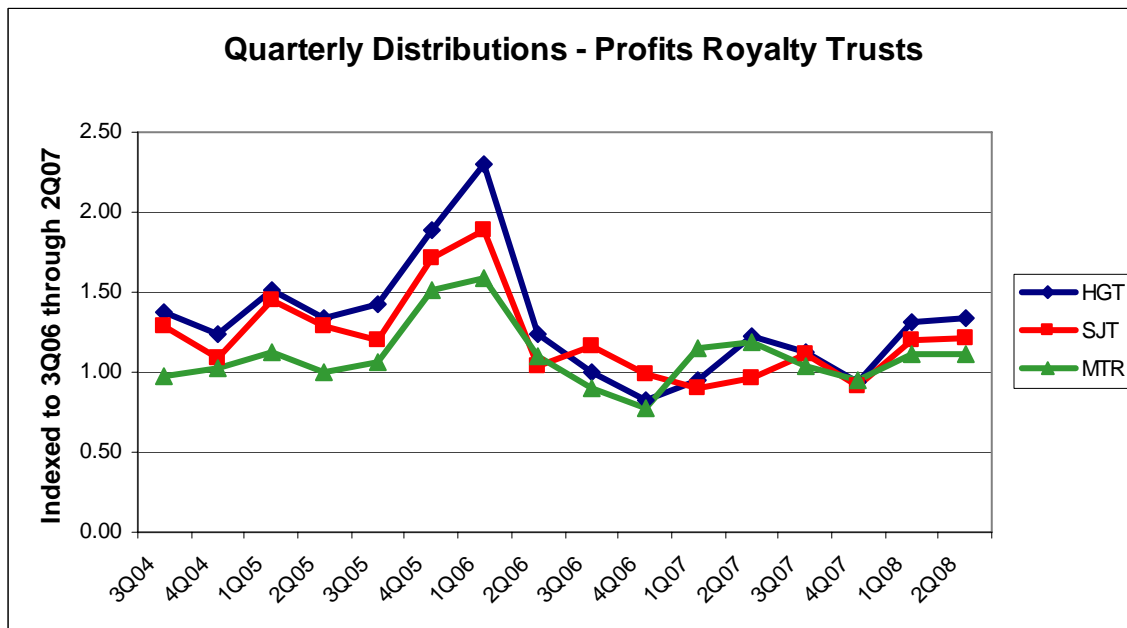
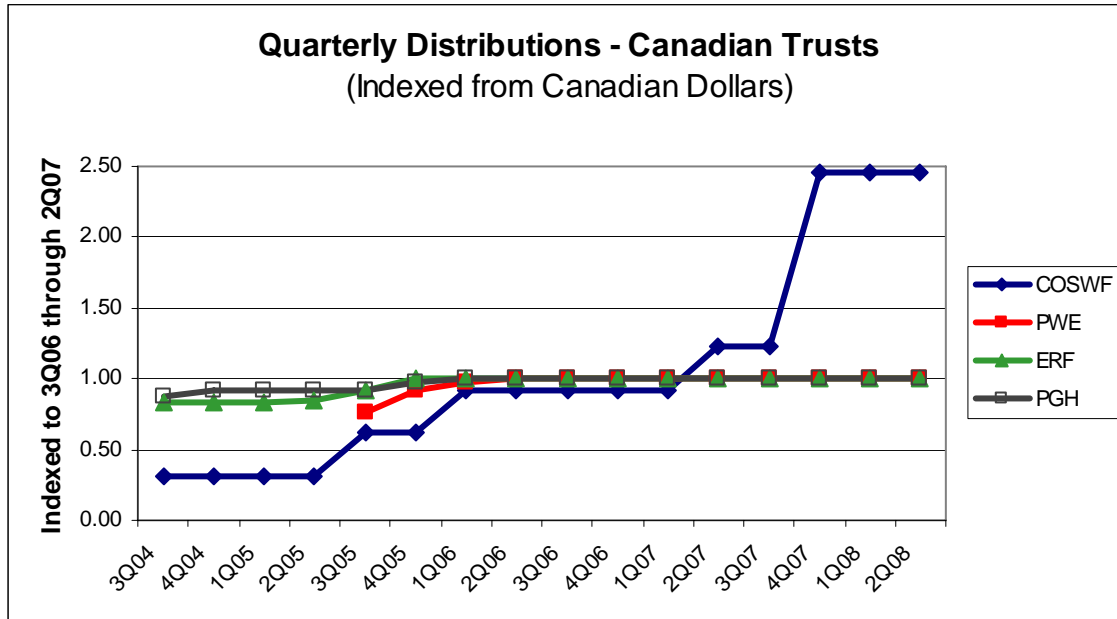
Kurt H. Wulff, CFA



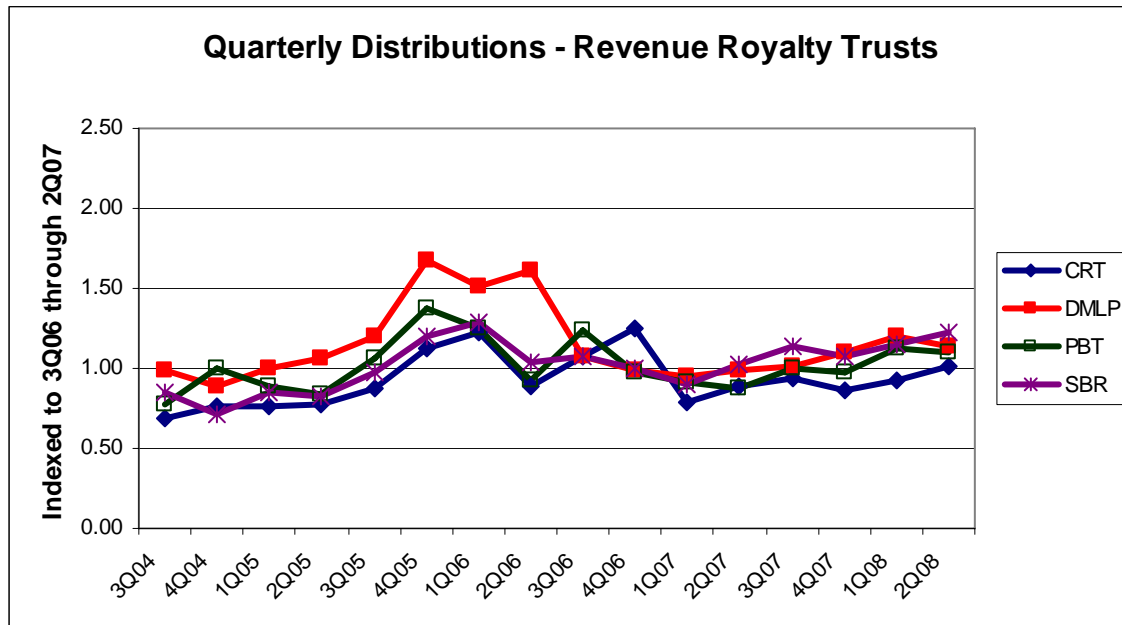
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**Natural Gas and Oil Royalty Trusts**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

	Symbol/ Rating	Price (\$/sh) 9-Aug 2007	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio	
<b>U.S. Royalty Trusts</b>								
Sabine Royalty Trust	SBR	41.40	14.6	600	45.00	-	0.92	
Cross Timbers Royalty Trust	CRT	41.25	6.0	250	46.00	-	0.90	
Permian Basin RT	PBT	13.75	46.6	640	16.50	-	0.83	
San Juan Basin Royalty Trust	SJT	B	32.48	46.6	1,510	40.00	-	0.81
Mesa RoyaltyTrust	MTR	56.50	1.9	110	70.00	-	0.80	
Dorchester Minerals, L.P.	DMLP	20.02	28.2	570	27.00	-	0.74	
Hugoton RoyaltyTrust	HGT	B	24.64	40.0	990	34.00	-	0.73
	<i>Total or Median</i>			4,700			0.81	
<b>Canadian Income Trusts (US\$)</b>								
Pengrowth Energy Trust	PGH	17.85	246.0	4,390	17.00	0.27	1.04	
Penn West Energy Trust	PWE	B	29.06	241.5	7,020	36.00	0.17	0.84
Enerplus Resources Fund	ERF	42.36	128.0	5,420	52.00	0.12	0.84	
Canadian Oil Sands Trust	COSWF	B	29.87	479.0	14,310	39.00	0.07	0.78
	<i>Total or Median</i>			31,100		0.15	0.84	

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.**

	Symbol/ Rating	Price (\$/sh) 9-Aug 2007	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	41.25	12.1	12.1	10.9	11.5	8.7
San Juan Basin Royalty Trust	SJT B	32.48	10.0	12.8	10.4	12.7	7.8
Mesa RoyaltyTrust	MTR	56.50	23.7	12.1	9.7	11.1	9.0
Sabine Royalty Trust	SBR	41.40	9.7	10.5	9.6	9.6	10.4
Dorchester Minerals, L.P.	DMLP	20.02	9.1	12.6	9.3	14.9	10.7
Hugoton RoyaltyTrust	HGT B	24.64	13.9	11.6	8.4	12.3	8.1
Permian Basin RT	PBT	13.75	8.2	9.6	8.0	10.2	9.8
	<i>Median</i>		<i>10.0</i>	<i>12.1</i>	<i>9.6</i>	<i>11.5</i>	<i>9.0</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF B	29.87	21.1	10.6	8.3	10.1	8.9
Pengrowth Energy Trust	PGH	17.85	7.1	7.3	7.5	36.0	16.0
Enerplus Resources Fund	ERF	42.36	9.4	8.7	7.3	15.4	11.3
Penn West Energy Trust	PWE B	29.06	7.7	7.4	6.2	12.4	13.3
	<i>Median</i>		<i>8.5</i>	<i>8.0</i>	<i>7.4</i>	<i>13.9</i>	<i>12.3</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2008; 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. Distribution (\$/un)	Dist. Yield (%)
<b>U.S. Royalty Trusts</b>								
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	119	2.55	7.8
Hugoton RoyaltyTrust	HGT	-	89	0.69	0.69	80	2.00	8.1
Cross Timbers Royalty Trust	CRT	84	69	0.94	0.94	21	3.57	8.7
Mesa RoyaltyTrust	MTR	-	72	0.88	0.88	9	5.08	9.0
Permian Basin RT	PBT	35	37	0.78	0.78	63	1.35	9.8
Sabine Royalty Trust	SBR	100	58	1.00	1.00	63	4.30	10.4
Dorchester Minerals, L.P.	DMLP	64	72	1.00	1.00	61	2.15	10.7
	<i>Total or Median</i>		<i>72</i>	<i>0.88</i>	<i>0.88</i>	<i>400</i>		<i>9.0</i>
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	-	(8)	0.67	0.72	1,269	2.65	8.9
Enerplus Resources Fund	ERF	-	42	0.70	0.80	613	4.79	11.3
Penn West Energy Trust	PWE	-	36	0.66	0.80	932	3.86	13.3
Pengrowth Energy Trust	PGH	-	41	0.89	1.22	701	2.85	16.0
	<i>Total or Median</i>		<i>38</i>	<i>0.68</i>	<i>0.80</i>	<i>3,500</i>		<i>12.3</i>
Kinder Morgan Energy Partners	KMP			0.76	1.60			6.7

NTM = Next Twelve Months Ended June 30, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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