

1970s Perspective in a Nutshell

Summary and Recommendation

Demand for energy is stronger than in the 1970s mainly because the most rapidly growing area, Asia, has become the largest and is pulling the global growth rate upward. Supply is weaker than in the 1970s mainly because there is no spare light oil capacity left in Saudi Arabia or anywhere. Our vision of an oil price of \$150 a barrel in 2010 (\$30 a million btu for natural gas) represents less of an advance than actually occurred in the 1970s. Global growth can be sustained at \$150 as it was after the stronger price advance in the 1970s. We did have a recession at the end of the decade, but that is not necessary now with more reasonable economic management. As we get richer, we demand the cleaner energy of oil and natural gas. That should apply especially in Asia which is reeling environmentally from new, highly polluting, coal consumption added in just the past three years that is equivalent to half the oil consumed in the U.S. Royalty trusts are among the most direct stock market representations in rising oil and gas commodity value.

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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) 29-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>	
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	44.80	6.0	270	46.00	-	0.97	
Sabine Royalty Trust	SBR	43.44	14.6	630	45.00	-	0.96	
San Juan Basin Royalty Trust	SJT	B	38.54	46.6	1,800	40.00	-	0.96
Permian Basin RT	PBT	15.49	46.6	720	16.50	-	0.94	
Dorchester Minerals, L.P.	DMLP	25.27	28.2	710	27.00	-	0.94	
Hugoton RoyaltyTrust	HGT	29.68	40.0	1,190	34.00	-	0.87	
Mesa RoyaltyTrust	MTR	63.56	1.9	120	75.00	-	0.84	
	<i>Total or Median</i>			<i>5,400</i>			<i>0.94</i>	
Canadian Income Trusts (US\$)								
Enerplus Resources Fund	ERF	56.14	123.1	6,910	47.00	0.11	1.17	
Pengrowth Energy Trust	PGH	23.88	161.0	3,840	20.00	0.15	1.16	
Penn West Energy Trust	PWE	B	39.50	243.9	9,630	39.00	0.12	1.01
Canadian Oil Sands Trust	COSWF	B	31.88	464.1	14,790	35.00	0.10	0.92
	<i>Total or Median</i>			<i>35,200</i>		<i>0.11</i>	<i>1.09</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.

	Symbol/ Rating	Price (\$/sh) 29-Jun 2006	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	44.80	13.7	12.4	12.1	12.5	8.0
San Juan Basin Royalty Trust	SJT B	38.54	13.7	11.9	11.5	13.3	7.5
Sabine Royalty Trust	SBR	43.44	10.2	10.9	10.5	10.6	9.5
Dorchester Minerals, L.P.	DMLP	25.27	8.2	10.9	10.2	16.1	9.2
Mesa RoyaltyTrust	MTR	63.56	20.1	11.8	9.9	11.0	9.1
Permian Basin RT	PBT	15.49	7.8	9.6	9.0	9.9	10.1
Hugoton RoyaltyTrust	HGT	29.68	13.8	10.0	8.7	12.4	8.1
	<i>Median</i>		<i>13.7</i>	<i>10.9</i>	<i>10.2</i>	<i>12.4</i>	<i>9.1</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF B	31.88	25.1	10.7	9.8	12.6	5.9
Enerplus Resources Fund	ERF	56.14	9.4	7.1	8.4	15.9	8.0
Pengrowth Energy Trust	PGH	23.88	7.5	6.5	7.6	12.9	11.2
Penn West Energy Trust	PWE B	39.50	7.9	7.0	7.0	9.8	9.2
	<i>Median</i>		<i>8.6</i>	<i>7.1</i>	<i>8.0</i>	<i>12.7</i>	<i>8.6</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) (%)
U.S. Royalty Trusts							
San Juan Basin Royalty Trust	SJT	-	98	0.86	0.86	135	2.89
Cross Timbers Royalty Trust	CRT	81	64	0.96	0.96	21	3.58
Hugoton RoyaltyTrust	HGT	-	90	0.70	0.70	96	2.40
Mesa RoyaltyTrust	MTR	-	71	0.91	0.91	11	5.78
Dorchester Minerals, L.P.	DMLP	56	72	0.93	0.93	65	2.31
Sabine Royalty Trust	SBR	100	49	1.00	1.00	60	4.12
Permian Basin RT	PBT	29	33	0.91	0.91	73	1.57
	<i>Total or Median</i>		<i>71</i>	<i>0.91</i>	<i>0.91</i>	<i>500</i>	<i>9.1</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	-	(7)	0.52	0.57	868	1.87
Enerplus Resources Fund	ERF	-	44	0.61	0.68	552	4.49
Penn West Energy Trust	PWE	-	39	0.57	0.65	886	3.63
Pengrowth Energy Trust	PGH	-	36	0.74	0.87	430	2.67
	<i>Total or Median</i>		<i>37</i>	<i>0.59</i>	<i>0.67</i>	<i>2,700</i>	<i>8.6</i>
Kinder Morgan Energy Partners	KMP			0.80	1.79		7.1

NTM = Next Twelve Months Ended June 30, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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