

Last Chance to Buy Cyclically

Summary and Recommendation

Fundamentally appealing buy recommendations **Canadian Oil Sands Trust (COSWF)**, **San Juan Basin Royalty Trust (SJT)** and **Penn West Energy Trust (PWT)** may be especially timely for investors who want to buy before the end of the second year, averaging the lowest in the four-year Presidential cycle, and before the November 1 to May 1 seasonal upcycle for stock prices. The non-energy stock market has already advanced strongly, but energy stocks are still half out of favor judging by the number of issues at stock price below the 200-day average. Six-year oil and natural gas price are trading within 5% and 9% respectively of their 40-week averages. Our sense is that natural gas may take over leadership to the upside from oil for awhile, but that depends on the winter weather. Meanwhile the trend in monthly distributions catches about a 50% drop for **Mesa Royalty Trust (MTR)** (see chart). Stock price may have overreacted for the non-recurring reason previously discussed (see [Liquidity Opportunity, NGORT](#), September 29, 2006). Finally, projected next twelve months distribution yield is 7.5% for the median U.S. stock and the indicated annual distribution yield is a median 7.2% 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) 26-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								
Cross Timbers Royalty Trust	CRT	49.50	6.0	300	46.00	-	1.08	
Sabine Royalty Trust	SBR	46.50	14.6	680	45.00	-	1.03	
Permian Basin RT	PBT	16.48	46.6	770	16.50	-	1.00	
San Juan Basin Royalty Trust	SJT	B	38.30	46.6	1,790	40.00	-	0.96
Dorchester Minerals, L.P.	DMLP		25.55	28.2	720	27.00	-	0.95
Hugoton RoyaltyTrust	HGT		26.74	40.0	1,070	34.00	-	0.79
Mesa RoyaltyTrust	MTR		53.30	1.9	100	70.00	-	0.76
	<i>Total or Median</i>				5,400			0.96
Canadian Income Trusts (US\$)								
Enerplus Resources Fund	ERF		54.58	123.0	6,710	47.00	0.11	1.14
Pengrowth Energy Trust	PGH		20.10	220.2	4,430	20.00	0.22	1.00
Penn West Energy Trust	PWE	B	38.80	246.0	9,540	39.00	0.13	1.00
Canadian Oil Sands Trust	COSWF	B	28.21	467.8	13,200	35.00	0.08	0.82
	<i>Total or Median</i>				33,900		0.12	1.00

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) 26-Oct 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	49.50		12.8	13.8	14.0	7.1
Sabine Royalty Trust	SBR	46.50		13.0	13.5	13.5	7.4
Permian Basin RT	PBT	16.48		10.9	10.9	13.6	7.4
Dorchester Minerals, L.P.	DMLP	25.55		11.3	10.7	16.8	8.8
San Juan Basin Royalty Trust	SJT	B 38.30		10.9	10.4	12.9	7.7
Mesa RoyaltyTrust	MTR	53.30		12.0	9.1	11.3	8.8
Hugoton RoyaltyTrust	HGT	26.74		10.8	8.5	13.3	7.5
	<i>Median</i>			<i>11.3</i>	<i>10.7</i>	<i>13.5</i>	<i>7.5</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B 28.21	24.4	13.1	10.7	14.5	6.6
Enerplus Resources Fund	ERF	54.58	9.4	7.8	9.0	19.8	8.2
Penn West Energy Trust	PWE	B 38.80	8.0	8.4	8.4	15.0	9.3
Pengrowth Energy Trust	PGH	20.10	7.4	7.2	7.2	10.0	13.2
	<i>Median</i>		<i>8.7</i>	<i>8.1</i>	<i>8.7</i>	<i>14.7</i>	<i>8.8</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

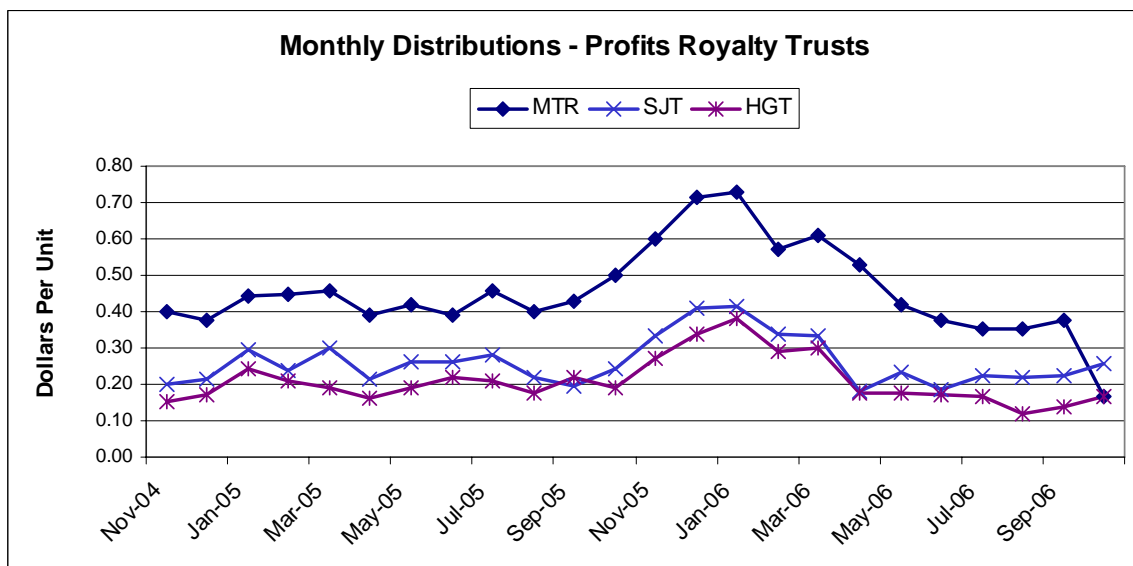
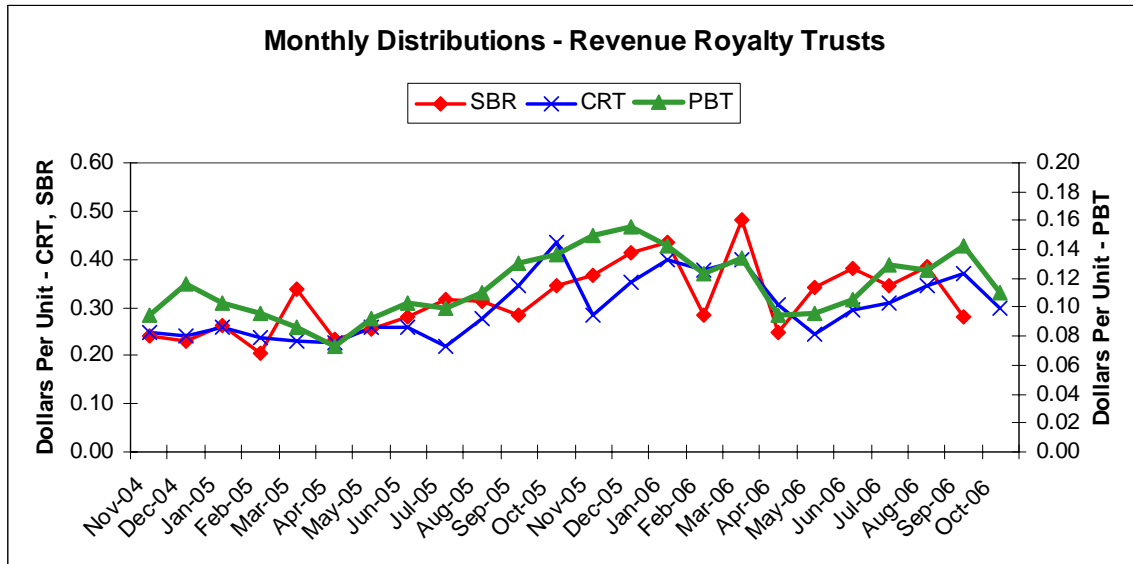
Rank by NTM Distribution Yield

	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	21	3.53	7.1
Permian Basin RT	PBT	29	35	0.80	0.80	57	1.21	7.4
Sabine Royalty Trust	SBR	100	58	1.00	1.00	50	3.46	7.4
Hugoton RoyaltyTrust	HGT	-	90	0.64	0.64	80	2.01	7.5
San Juan Basin Royalty Trust	SJT	-	98	0.81	0.81	138	2.96	7.7
Mesa RoyaltyTrust	MTR	-	75	0.81	0.81	9	4.70	8.8
Dorchester Minerals, L.P.	DMLP	56	74	0.94	0.94	64	2.25	8.8
	<i>Total or Median</i>		<i>74</i>	<i>0.81</i>	<i>0.81</i>	<i>400</i>		<i>7.5</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(9)	0.64	0.69	871	1.86	6.6
Enerplus Resources Fund	ERF	-	44	0.66	0.75	550	4.47	8.2
Penn West Energy Trust	PWE	-	39	0.68	0.78	890	3.62	9.3
Pengrowth Energy Trust	PGH	-	43	0.75	0.96	586	2.66	13.2
	<i>Total or Median</i>		<i>41</i>	<i>0.67</i>	<i>0.76</i>	<i>2,900</i>		<i>8.8</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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