

## Adios El Nino

### Summary and Recommendation

Cold winter weather has finally arrived with its salutary effect on natural gas and oil price and related income stocks. The National Oceanographic and Atmospheric Administration (NOAA)'s website says the warm temperature conditions in the Pacific Ocean known as "El Nino" are collapsing. As a result the mild weather in the first half of the current Northern Hemisphere winter are giving way to colder than normal conditions in the natural gas burning Midwest U.S. and the oil burning Northeast U.S. We think that the quote for natural gas to be delivered over the next six years, priced currently at \$7.54 a million Btu, may resume an uptrend by crossing above the 40-week average in the next few months. The 6-year oil quote currently at \$62 a barrel may follow in an upward trend later in 2007. Natural gas is most important to the U.S. trusts where latest projections of next twelve months distribution yield are a median 8.4%. Oil is most important for Canadian trusts in our coverage where the median indicated annual distribution yield is 10.6%.

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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) 1-Feb 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>	
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	45.85	6.0	280	46.00	-	1.00	
Permian Basin RT	PBT	15.81	46.6	740	16.50	-	0.96	
Sabine Royalty Trust	SBR	42.44	14.6	620	45.00	-	0.94	
San Juan Basin Royalty Trust	SJT	B	33.09	46.6	1,540	40.00	-	0.83
Mesa RoyaltyTrust	MTR	57.50	1.9	110	70.00	-	0.82	
Dorchester Minerals, L.P.	DMLP	21.97	28.2	620	27.00	-	0.81	
Hugoton RoyaltyTrust	HGT	B	25.02	40.0	1,000	34.00	-	0.74
<i>Total or Median</i>				4,900			0.83	
<b>Canadian Income Trusts (US\$)</b>								
Enerplus Resources Fund	ERF	43.98	123.1	5,410	47.00	0.11	0.94	
Pengrowth Energy Trust	PGH	16.95	241.0	4,080	20.00	0.26	0.89	
Penn West Energy Trust	PWE	B	30.33	239.0	7,250	39.00	0.13	0.81
Canadian Oil Sands Trust	COSWF	B	24.83	479.0	11,890	35.00	0.08	0.73
<i>Total or Median</i>				28,600		0.12	0.85	

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](http://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) 1-Feb 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	45.85		12.9	12.8	13.1	7.6	
Sabine Royalty Trust	SBR	42.44		12.5	11.8	11.8	8.5	
Permian Basin RT	PBT	15.81		11.1	10.7	11.9	8.4	
Mesa RoyaltyTrust	MTR	57.50		12.0	9.9	12.2	8.2	
Dorchester Minerals, L.P.	DMLP	21.97		11.7	9.5	15.1	8.9	
San Juan Basin Royalty Trust	SJT	B	33.09	10.3	8.6	10.4	9.6	
Hugoton RoyaltyTrust	HGT	B	25.02	10.5	7.8	12.4	8.0	
	<i>Median</i>			11.7	9.9	12.2	8.4	
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	B	24.83	23.0	14.1	10.3	15.2	6.2
Enerplus Resources Fund	ERF		43.98	9.5	8.0	7.6	17.5	9.7
Penn West Energy Trust	PWE	B	30.33	8.1	8.9	7.2	12.9	11.4
Pengrowth Energy Trust	PGH		16.95	7.1	7.2	6.4	10.7	15.0
	<i>Median</i>			8.8	8.5	7.4	14.1	10.6

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 (%)
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	81	71	0.98	0.98	21	3.50	7.6
Hugoton RoyaltyTrust	HGT	-	91	0.62	0.62	80	2.01	8.0
Mesa RoyaltyTrust	MTR	-	77	0.81	0.81	9	4.70	8.2
Permian Basin RT	PBT	29	38	0.89	0.89	62	1.32	8.4
Sabine Royalty Trust	SBR	100	57	1.00	1.00	53	3.61	8.5
Dorchester Minerals, L.P.	DMLP	56	76	0.84	0.84	55	1.95	8.9
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	148	3.18	9.6
	<i>Total or Median</i>		76	0.84	0.84	400		8.4
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	-	(11)	0.57	0.62	733	1.53	6.2
Enerplus Resources Fund	ERF	-	46	0.65	0.73	527	4.28	9.7
Penn West Energy Trust	PWE	-	41	0.69	0.79	829	3.47	11.4
Pengrowth Energy Trust	PGH	-	44	0.68	0.92	615	2.55	15.0
	<i>Total or Median</i>		43	0.67	0.76	2,700		10.6
Kinder Morgan Energy Partners	KMP			0.79	1.71			6.6

NTM = Next Twelve Months Ended December 31, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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