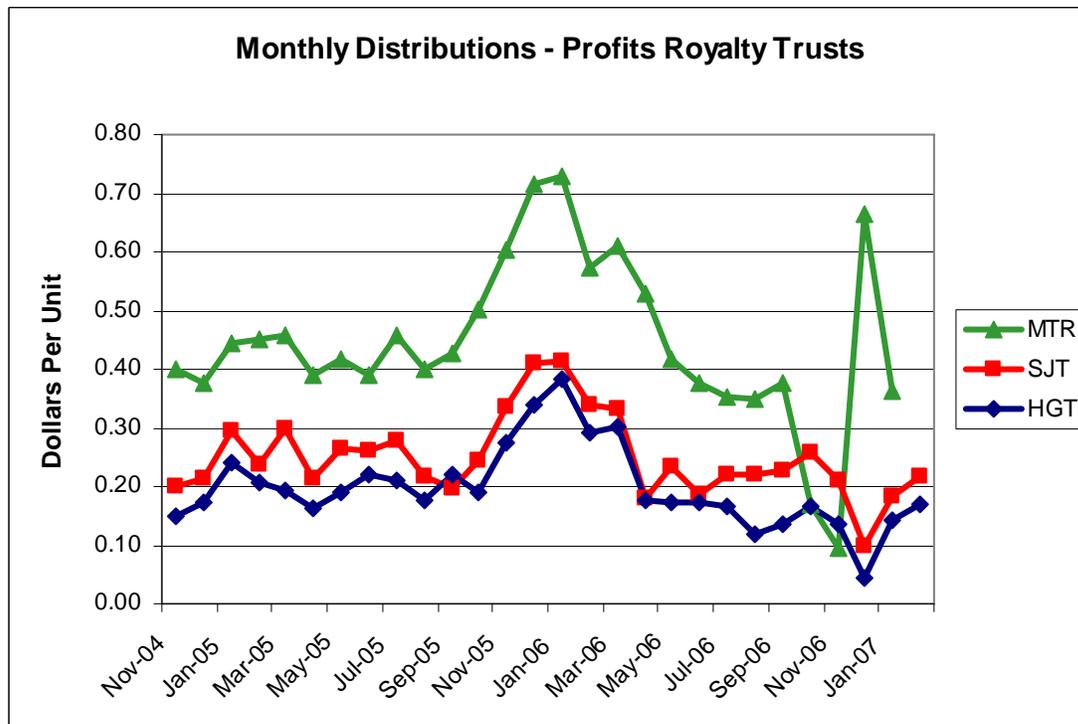


Distributions Rise, Canada Tax Threat Weakens

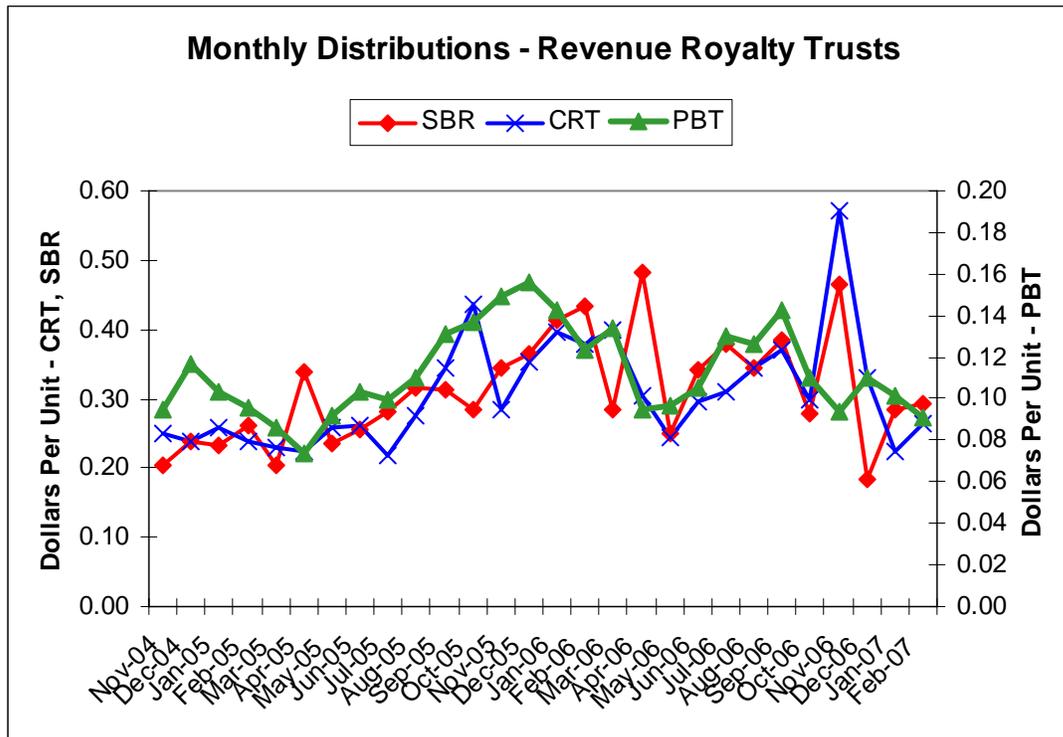
Summary and Recommendation

Latest monthly declarations for buy recommendations **San Juan Basin Royalty Trust (SJT)** and **Hugoton Royalty Trust (HGT)** continue a rebound to \$0.22 and 0.17 a unit respectively from the low levels of \$0.10 and \$0.05 last December (see chart Monthly Distributions – Profits Royalty Trusts). We look for the futures price for natural gas to be delivered over the next six years to reverse trend and cross above the 40-week average in the next few months a development that would be positive for royalty trusts concentrated on the clean fuel. Meanwhile the taxation outlook appears more hopeful for Canadian trusts including buy recommendations **Canadian Oil Sands Trust (COSWF)** and **Penn West Energy Trust (PWE)** (see Industry Idea Flash, Canada Tax Bomb Defused, February 14, 2007). We wonder if there is not some creative solution whereby Canada acts on its concern on CO2 emissions at the same time oil and gas trusts can continue to make distributions without paying corporate tax. The connection is that the gas thought to cause global warming is also the ingredient for enhanced recovery in old oil fields where a trust like PWE is a leader.

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) 16-Feb 2007	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
U.S. Royalty Trusts							
Cross Timbers Royalty Trust	CRT	44.72	6.0	270	46.00	-	0.97
Sabine Royalty Trust	SBR	41.26	14.6	600	45.00	-	0.92
Permian Basin RT	PBT	15.04	46.6	700	16.50	-	0.91
Dorchester Minerals, L.P.	DMLP	22.17	28.2	630	27.00	-	0.82
San Juan Basin Royalty Trust	SJT	B 32.23	46.6	1,500	40.00	-	0.81
Mesa RoyaltyTrust	MTR	54.49	1.9	100	70.00	-	0.78
Hugoton RoyaltyTrust	HGT	B 24.56	40.0	980	34.00	-	0.72
	<i>Total or Median</i>			4,800			0.82
Canadian Income Trusts (US\$)							
Enerplus Resources Fund	ERF	43.75	123.1	5,390	47.00	0.11	0.94
Pengrowth Energy Trust	PGH	17.38	241.0	4,190	20.00	0.27	0.90
Penn West Energy Trust	PWE	B 30.94	239.0	7,390	39.00	0.13	0.82
Canadian Oil Sands Trust	COSWF	B 24.00	479.0	11,500	35.00	0.08	0.71
	<i>Total or Median</i>			28,500		0.12	0.86

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) 16-Feb 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	44.72		12.9	12.6	12.8	7.8	
Sabine Royalty Trust	SBR	41.26		12.6	11.5	11.5	8.7	
Permian Basin RT	PBT	15.04		11.1	10.1	11.3	8.8	
Dorchester Minerals, L.P.	DMLP	22.17		11.8	9.7	15.4	8.8	
Mesa RoyaltyTrust	MTR	54.49		12.1	9.5	11.7	8.6	
San Juan Basin Royalty Trust	SJT	B	32.23	11.6	9.3	11.3	8.9	
Hugoton RoyaltyTrust	HGT	B	24.56	11.4	8.2	12.3	8.2	
	<i>Median</i>			11.8	9.7	11.7	8.7	
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	24.00	23.3	14.2	10.1	14.8	6.4
Enerplus Resources Fund	ERF		43.75	9.5	7.9	7.5	17.1	9.9
Penn West Energy Trust	PWE	B	30.94	8.1	8.8	7.2	13.0	11.3
Pengrowth Energy Trust	PGH		17.38	7.1	7.2	6.5	11.1	14.8
	<i>Median</i>			8.8	8.4	7.3	13.9	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 (%)
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	81	70	0.98	0.98	21	3.48	7.8
Hugoton RoyaltyTrust	HGT	-	90	0.67	0.67	80	2.00	8.2
Mesa RoyaltyTrust	MTR	-	77	0.81	0.81	9	4.66	8.6
Sabine Royalty Trust	SBR	100	57	1.00	1.00	52	3.59	8.7
Permian Basin RT	PBT	29	37	0.89	0.89	62	1.33	8.8
Dorchester Minerals, L.P.	DMLP	56	75	0.85	0.85	55	1.96	8.8
San Juan Basin Royalty Trust	SJT	-	98	0.83	0.83	133	2.86	8.9
	<i>Total or Median</i>		75	0.85	0.85	400		8.7
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(10)	0.58	0.63	741	1.55	6.4
Enerplus Resources Fund	ERF	-	45	0.65	0.73	534	4.33	9.9
Penn West Energy Trust	PWE	-	41	0.69	0.79	839	3.51	11.3
Pengrowth Energy Trust	PGH	-	43	0.69	0.93	622	2.58	14.8
	<i>Total or Median</i>		42	0.67	0.76	2,700		10.6
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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