

Deluded in Dallas

Summary and Recommendation

The citizens of the largest city in the state that is home to all the U.S. royalty trusts in our weekly coverage may see deterioration in quality of life if the local utility builds the eleven raw-coal power plants it proposes. The *Dallas Morning News* reports the air-fouling facilities, mostly upwind from the population center, would fall short of minimal Federal environmental standards. Apparently all the plants would use primitive, dirty technology and not even one would take advantage of the scale available that would make the proven, cleaner technology of gasified coal work best. Because not every new power plant can be fueled by natural gas, the difference in direct economic cost should be applied to make the alternative cleaner, in our opinion. Meanwhile, futures prices for oil in the early months of next year exceed \$80 a barrel for the first time. Royalty trusts offer pure representation in cleaner fuels in North America along with projected or indicated annual income of a median 8.7% for the U.S. stocks and 8.7% 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) 13-Jul 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							
	CRT	47.44	6.0	290	46.00	-	1.03
	DMLP	27.05	28.2	760	27.00	-	1.00
	SBR	44.39	14.6	650	45.00	-	0.99
	PBT	16.00	46.6	750	16.50	-	0.97
	SJT	B 38.49	46.6	1,790	40.00	-	0.96
	HGT	29.10	40.0	1,160	34.00	-	0.86
	MTR	63.90	1.9	120	75.00	-	0.85
	<i>Total or Median</i>			5,500			0.97
Canadian Income Trusts (US\$)							
	PGH	24.64	161.0	3,970	20.00	0.15	1.20
	ERF	55.20	123.1	6,800	47.00	0.10	1.16
	PWE	B 38.79	244.2	9,470	39.00	0.12	0.99
	COSWF	B 29.59	464.1	13,730	35.00	0.10	0.86
	<i>Total or Median</i>			34,000		0.11	1.08

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) 13-Jul 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	47.44	13.7	12.1	12.5	13.0	7.7
San Juan Basin Royalty Trust	SJT B	38.49	13.8	11.7	11.2	13.3	7.5
Dorchester Minerals, L.P.	DMLP	27.05	8.2	10.7	10.7	16.7	8.7
Sabine Royalty Trust	SBR	44.39	10.2	10.7	10.6	10.6	9.5
Mesa RoyaltyTrust	MTR	63.90	20.1	11.7	9.9	10.9	9.2
Permian Basin RT	PBT	16.00	7.8	9.3	9.1	9.9	10.1
Hugoton RoyaltyTrust	HGT	29.10	13.8	9.9	8.5	12.1	8.3
	<i>Median</i>		13.7	10.7	10.6	12.1	8.7
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF B	29.59	25.1	10.0	8.6	10.7	6.3
Enerplus Resources Fund	ERF	55.20	9.4	6.9	8.0	14.7	8.1
Pengrowth Energy Trust	PGH	24.64	7.5	6.2	7.5	12.4	10.8
Penn West Energy Trust	PWE B	38.79	7.9	6.7	6.7	9.1	9.4
	<i>Median</i>		8.6	6.8	7.7	11.5	8.7

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	0.85	0.85	135	2.90 7.5
Cross Timbers Royalty Trust	CRT	81	63	0.97	0.97	22	3.66 7.7
Hugoton RoyaltyTrust	HGT	-	89	0.70	0.70	96	2.41 8.3
Dorchester Minerals, L.P.	DMLP	56	71	0.93	0.93	66	2.35 8.7
Mesa RoyaltyTrust	MTR	-	71	0.91	0.91	11	5.85 9.2
Sabine Royalty Trust	SBR	100	48	1.00	1.00	61	4.20 9.5
Permian Basin RT	PBT	29	32	0.92	0.92	76	1.62 10.1
	<i>Total or Median</i>		71	0.92	0.92	500	8.7
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	-	(7)	0.48	0.54	867	1.87 6.3
Enerplus Resources Fund	ERF	-	43	0.59	0.66	552	4.48 8.1
Penn West Energy Trust	PWE	-	37	0.55	0.63	886	3.63 9.4
Pengrowth Energy Trust	PGH	-	35	0.71	0.83	430	2.67 10.8
	<i>Total or Median</i>		36	0.57	0.64	2,700	8.7
Kinder Morgan Energy Partners	KMP			0.80	1.79		7.0

NTM = Next Twelve Months Ended June 30, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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