

## The Developed Advantage

### Summary and Recommendation

Aside from futures investors, the most direct beneficiaries of the oil and gas investment cycle are royalty trust investors among the owners of resources that are already developed. In particular it seems that the dominant theme of the latest round of quarterly conference calls that operating companies hold with investors is the rapidly escalating cost of new investment. It would only be normal for investment costs to rise until new investment is not profitable and for commodity price to rise until there is no longer any need for new supply to match demand. Royalty trusts offer pure representation in already developed clean fuel resources in North America likely to increase further in value. The units also offer projected or indicated annual income of a median 8.5% for the U.S. stocks and 8.3% for the Canadian stocks. Weekly tables incorporate latest futures prices for projected distributions of U.S. royalty trusts and projected Ebitda for Canadian trusts. Present value estimates that form the denominator of the McDep Ratio are revised only infrequently.

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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) 3-Aug 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>	
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	50.06	6.0	300	46.00	-	1.09	
Sabine Royalty Trust	SBR	46.31	14.6	680	45.00	-	1.03	
Permian Basin RT	PBT	16.84	46.6	790	16.50	-	1.02	
San Juan Basin Royalty Trust	SJT	B	40.30	46.6	1,880	40.00	-	1.01
Dorchester Minerals, L.P.	DMLP	26.84	28.2	760	27.00	-	0.99	
Hugoton RoyaltyTrust	HGT	31.15	40.0	1,250	34.00	-	0.92	
Mesa RoyaltyTrust	MTR	65.89	1.9	120	75.00	-	0.88	
	<i>Total or Median</i>			5,800			1.01	
<b>Canadian Income Trusts (US\$)</b>								
Enerplus Resources Fund	ERF	58.00	123.1	7,140	47.00	0.10	1.21	
Pengrowth Energy Trust	PGH	22.46	161.0	3,620	20.00	0.15	1.11	
Penn West Energy Trust	PWE	B	40.72	243.9	9,930	0.12	1.04	
Canadian Oil Sands Trust	COSWF	B	32.57	465.8	15,170	0.10	0.94	
	<i>Total or Median</i>			35,900		0.11	1.07	

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) 3-Aug 2006	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	50.06	13.7	11.7	12.8	13.2	7.6
San Juan Basin Royalty Trust	SJT B	40.30	13.7	11.1	11.2	12.4	8.0
Dorchester Minerals, L.P.	DMLP	26.84	8.2	11.0	11.0	17.4	8.5
Sabine Royalty Trust	SBR	46.31	10.2	10.4	10.7	10.7	9.3
Mesa RoyaltyTrust	MTR	65.89	20.1	11.1	9.8	10.6	9.4
Permian Basin RT	PBT	16.84	7.8	9.2	9.4	10.2	9.8
Hugoton RoyaltyTrust	HGT	31.15	13.8	9.2	8.4	12.2	8.2
	<i>Median</i>		<i>13.7</i>	<i>11.0</i>	<i>10.7</i>	<i>12.2</i>	<i>8.5</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF B	32.57	26.5	10.8	10.1	12.7	5.7
Enerplus Resources Fund	ERF	58.00	9.4	6.7	8.1	14.8	7.7
Penn West Energy Trust	PWE B	40.72	7.9	6.6	6.8	9.2	8.9
Pengrowth Energy Trust	PGH	22.46	7.5	6.1	6.7	10.8	11.9
	<i>Median</i>		<i>8.6</i>	<i>6.7</i>	<i>7.5</i>	<i>11.7</i>	<i>8.3</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) (%)
<b>U.S. Royalty Trusts</b>							
Cross Timbers Royalty Trust	CRT	81	65	0.97	0.97	23	3.79
San Juan Basin Royalty Trust	SJT	-	98	0.90	0.90	151	3.24
Hugoton RoyaltyTrust	HGT	-	90	0.69	0.69	102	2.55
Dorchester Minerals, L.P.	DMLP	56	72	0.93	0.93	64	2.28
Sabine Royalty Trust	SBR	100	50	1.00	1.00	63	4.32
Mesa RoyaltyTrust	MTR	-	72	0.91	0.91	12	6.19
Permian Basin RT	PBT	29	34	0.92	0.92	77	1.65
	<i>Total or Median</i>		<i>72</i>	<i>0.92</i>	<i>0.92</i>	<i>500</i>	<i>8.5</i>
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF	-	(8)	0.52	0.58	869	1.87
Enerplus Resources Fund	ERF	-	46	0.57	0.64	551	4.48
Penn West Energy Trust	PWE	-	40	0.54	0.61	884	3.63
Pengrowth Energy Trust	PGH	-	37	0.69	0.81	429	2.67
	<i>Total or Median</i>		<i>38</i>	<i>0.56</i>	<i>0.63</i>	<i>2,700</i>	<i>8.3</i>
Kinder Morgan Energy Partners	KMP			0.75	1.70		7.0

NTM = Next Twelve Months Ended June 30, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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