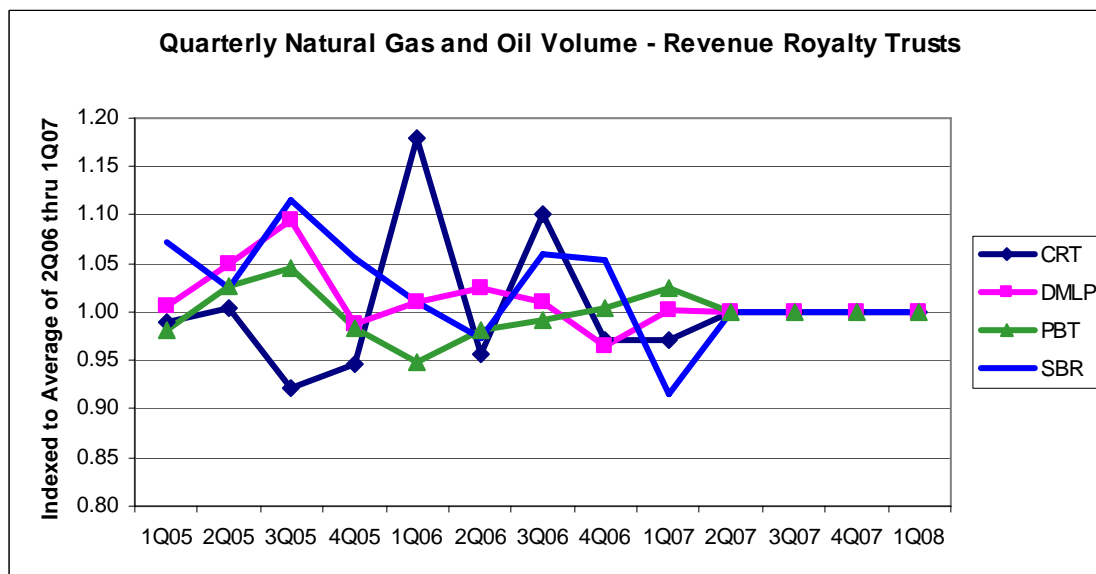


Smoothing Reserve and Volume Disclosures

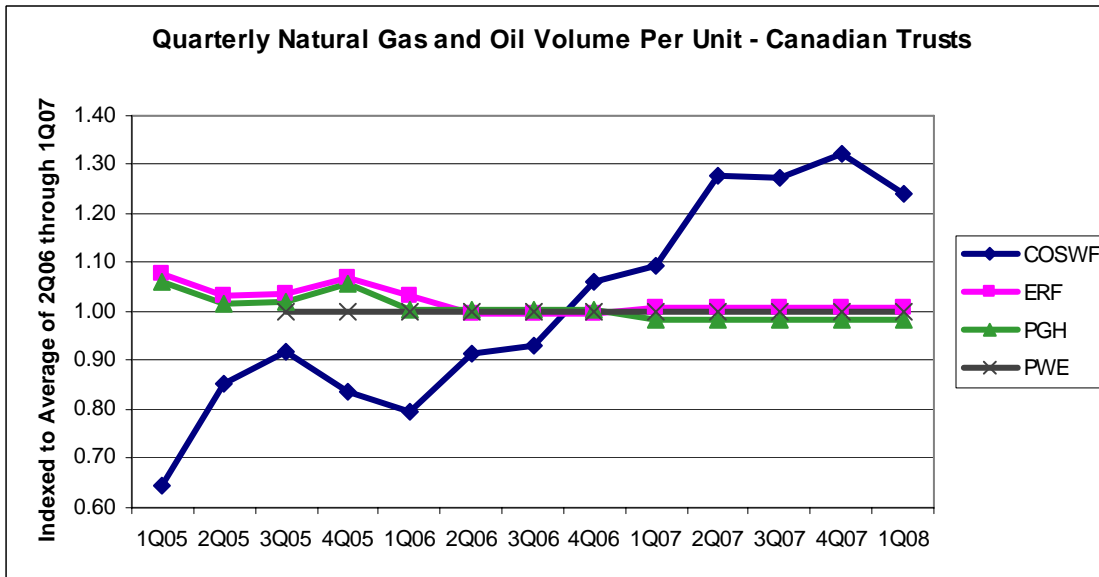
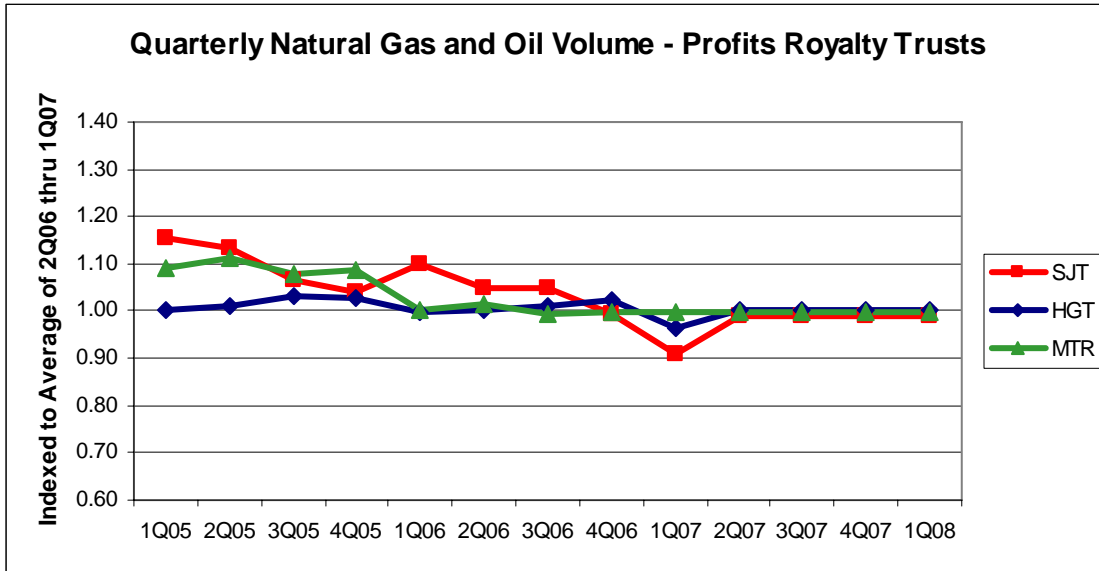
Summary and Recommendation

Estimates of present value for U.S. royalty trusts remain steady despite wider variations in official reserve estimates and in recent volume trends. **Mesa Royalty Trust (MTR)** has the longest life index at 24 years on the strength of non-independent estimates from operator ConocoPhillips for San Juan Basin properties (see column in table, Rank by EV/Ebitda). Buy-recommended **Hugoton Royalty Trust (HGT)** and **Cross Timbers Royalty Trust (CRT)** have the next longest life indices at 13 and 12 years on the basis of independent estimates by Miller and Lents. For buy-recommended **San Juan Basin Royalty Trust (SJT)**, **Sabine Royalty Trust (SBR)**, **Dorchester Minerals (DMLP)** and **Permian Basin Royalty Trust (PBT)**, life indices range from 10 to 8 years on the basis of estimates by Cawley Gillespie for SJT and PBT, and DeGolyer and MacNaughton for SBR. Skeptical of the wide variation, we narrow those differences in our estimate of present value characterized by the unlevered multiple to cash flow (see PV/Ebitda column in table, Rank by EV/Ebitda). Recent volume trends also diverge, but we project the next four quarters at the average of the last four quarters (see charts). There may be an upward bias in that assumption just as there may be a downward bias in taking price from the futures market.

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 5-Apr 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>
U.S. Royalty Trusts							
Cross Timbers Royalty Trust	CRT	44.30	6.0	270	46.00	-	0.96
Sabine Royalty Trust	SBR	42.50	14.6	620	45.00	-	0.94
Permian Basin RT	PBT	14.40	46.6	670	16.50	-	0.87
Dorchester Minerals, L.P.	DMLP	23.10	28.2	650	27.00	-	0.86
Mesa RoyaltyTrust	MTR	56.56	1.9	110	70.00	-	0.80
San Juan Basin Royalty Trust	SJT B	31.03	46.6	1,450	40.00	-	0.78
Hugoton RoyaltyTrust	HGT B	24.63	40.0	990	34.00	-	0.72
	<i>Total or Median</i>			4,800			0.86
Canadian Income Trusts (US\$)							
Pengrowth Energy Trust	PGH	16.97	241.0	4,090	17.00	0.26	1.00
Enerplus Resources Fund	ERF	42.35	123.0	5,210	47.00	0.11	0.91
Penn West Energy Trust	PWE B	29.72	239.5	7,120	36.00	0.15	0.85
Canadian Oil Sands Trust	COSWF B	24.89	479.0	11,920	35.00	0.08	0.73
	<i>Total or Median</i>			28,300		0.13	0.88

B = Buy

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Natural Gas and Oil Royalty Trusts
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 5-Apr 2007</i>	<i>Adjstd Resrvs/ Prod NTM</i>	<i>PV/ Ebitda NTM</i>	<i>EV/ Ebitda NTM</i>	<i>P/E NTM</i>	<i>Divd or Distrib NTM (%)</i>
U.S. Royalty Trusts							
Cross Timbers Royalty Trust	CRT	44.30	12.3	12.5	12.0	12.3	8.1
Sabine Royalty Trust	SBR	42.50	9.7	11.5	10.8	10.8	9.2
Mesa RoyaltyTrust	MTR	56.56	24.4	11.6	9.3	10.6	9.4
Dorchester Minerals, L.P.	DMLP	23.10	8.5	10.4	8.9	14.0	10.2
San Juan Basin Royalty Trust	SJT B	31.03	9.8	10.5	8.2	9.8	10.2
Permian Basin RT	PBT	14.40	8.1	9.3	8.1	9.6	10.4
Hugoton RoyaltyTrust	HGT B	24.63	13.1	9.5	6.9	9.4	10.6
	<i>Median</i>		9.8	10.5	8.9	10.6	10.2
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF B	24.89	22.0	11.1	8.2	10.8	7.3
Pengrowth Energy Trust	PGH	16.97	7.4	7.3	7.3	23.0	15.3
Enerplus Resources Fund	ERF	42.35	9.0	6.8	6.2	11.1	10.3
Penn West Energy Trust	PWE B	29.72	7.5	7.1	6.1	11.5	11.9
	<i>Median</i>		8.2	7.2	6.8	11.3	11.1

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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**Natural Gas and Oil Royalty Trusts
Rank by NTM Distribution Yield**

	<i>Symbol</i>	<i>Revenue Royalty (%)</i>	<i>Natural Gas/ Ebitda (%)</i>	<i>Dist/ Ebitda</i>	<i>Dist/ Equity Ebitda</i>	<i>NTM Distribution (\$mm)</i>	<i>NTM Distribution (\$/un)</i>	<i>Dist. Yield (%)</i>
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	84	69	0.98	0.98	22	3.60	8.1
Sabine Royalty Trust	SBR	100	59	1.00	1.00	57	3.92	9.2
Mesa RoyaltyTrust	MTR	-	75	0.88	0.88	10	5.34	9.4
San Juan Basin Royalty Trust	SJT	-	99	0.83	0.83	148	3.17	10.2
Dorchester Minerals, L.P.	DMLP	64	76	0.91	0.91	67	2.36	10.2
Permian Basin RT	PBT	35	41	0.85	0.85	70	1.50	10.4
Hugoton RoyaltyTrust	HGT	-	90	0.73	0.73	105	2.61	10.6
	<i>Total or Median</i>		75	0.88	0.88	500		10.2
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(10)	0.53	0.58	870	1.82	7.3
Enerplus Resources Fund	ERF	-	49	0.56	0.64	536	4.36	10.3
Penn West Energy Trust	PWE	-	41	0.60	0.70	845	3.53	11.9
Pengrowth Energy Trust	PGH	-	45	0.83	1.12	626	2.60	15.3
	<i>Total or Median</i>		43	0.58	0.67	2,900		11.1
Kinder Morgan Energy Partners	KMP			0.79	1.71			6.3

NTM = Next Twelve Months Ended March 31, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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