

## Crank Up the Air Conditioning

### Summary and Recommendation

Sharply changing weather forecasts remind us that increasing temperatures raise demand for natural gas that should also be positive for natural gas stocks. Almost overnight, weather forecasts have turned to warmer than normal from colder than normal. The 1-7 day temperature forecast from Weather Derivatives on *Bloomberg* has swung to two degrees warmer than normal from four degrees colder than normal last week. The six-day average from the Dominion Energy Use Forecast in *Gas Daily* calls for energy consumption some 56% more than normal on warm weather following some 40% more than normal on cold weather in last week's outlook. The six-day forecast by the *National Weather Service* for our local area in the U.S. Northeast has swung to about seven degrees warmer than normal from about seven degrees colder than normal in the same time. Weather may be fickle, but a warming trend means more demand for natural gas to generate electricity to power air conditioners. Moreover, when power demand is strong, generators open their purses on natural gas price because natural gas and oil are the only fuels ready for incremental use instantly.

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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) 19-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>	
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	44.19	6.0	270	46.00	-	0.96	
Sabine Royalty Trust	SBR	42.01	14.6	610	45.00	-	0.93	
Permian Basin RT	PBT	14.62	46.6	680	16.50	-	0.89	
Dorchester Minerals, L.P.	DMLP	23.30	28.2	660	27.00	-	0.86	
Mesa RoyaltyTrust	MTR	59.30	1.9	110	70.00	-	0.85	
San Juan Basin Royalty Trust	SJT	B	31.95	46.6	1,490	40.00	-	0.80
Hugoton RoyaltyTrust	HGT	B	25.30	40.0	1,010	34.00	-	0.74
	<i>Total or Median</i>			4,800			0.86	
<b>Canadian Income Trusts (US\$)</b>								
Pengrowth Energy Trust	PGH	17.02	241.0	4,100	17.00	0.26	1.00	
Enerplus Resources Fund	ERF	42.96	123.0	5,280	47.00	0.11	0.92	
Penn West Energy Trust	PWE	B	30.08	239.5	7,200	36.00	0.15	0.86
Canadian Oil Sands Trust	COSWF	B	25.28	479.0	12,110	35.00	0.08	0.74
	<i>Total or Median</i>			28,700		0.13	0.89	

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) 19-Apr 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	44.19	12.3	12.6	12.1	12.5	8.0
Sabine Royalty Trust	SBR	42.01	9.7	11.6	10.9	10.9	9.2
Mesa RoyaltyTrust	MTR	59.30	24.4	11.7	10.0	11.3	8.9
Dorchester Minerals, L.P.	DMLP	23.30	8.5	10.6	9.1	14.4	10.0
San Juan Basin Royalty Trust	SJT	B	31.95	9.8	10.7	8.5	10.2
Permian Basin RT	PBT		14.62	8.1	9.5	8.4	9.9
Hugoton RoyaltyTrust	HGT	B	25.30	13.1	9.7	7.2	9.8
	<i>Median</i>		9.8	10.7	9.1	10.9	9.8
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF	B	25.28	23.4	12.4	9.3	12.7
Pengrowth Energy Trust	PGH		17.02	7.4	7.5	7.5	25.9
Enerplus Resources Fund	ERF		42.96	9.0	7.0	6.5	12.0
Penn West Energy Trust	PWE	B	30.08	7.5	7.2	6.1	11.9
	<i>Median</i>			8.2	7.3	7.0	12.3

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

## 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	84	70	0.98	0.98	21	3.55
Mesa RoyaltyTrust	MTR	-	75	0.88	0.88	10	5.26
Sabine Royalty Trust	SBR	100	59	1.00	1.00	56	3.87
San Juan Basin Royalty Trust	SJT	-	99	0.83	0.83	146	3.12
Dorchester Minerals, L.P.	DMLP	64	76	0.92	0.92	66	2.34
Permian Basin RT	PBT	35	41	0.85	0.85	69	1.47
Hugoton RoyaltyTrust	HGT	-	90	0.73	0.73	103	2.57
	<i>Total or Median</i>		75	0.88	0.88	500	9.8
<b>Canadian Income Trusts (US\$)</b>							
Canadian Oil Sands Trust	COSWF	-	(10)	0.52	0.56	762	1.59
Enerplus Resources Fund	ERF	-	49	0.59	0.66	548	4.45
Penn West Energy Trust	PWE	-	41	0.61	0.72	863	3.60
Pengrowth Energy Trust	PGH	-	46	0.87	1.17	639	2.65
	<i>Total or Median</i>		43	0.60	0.69	2,800	11.2
Kinder Morgan Energy Partners	KMP			0.80	1.75		5.8

NTM = Next Twelve Months Ended March 31, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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