

Out of Favor

Summary and Recommendation

Buy recommendations **Canadian Oil Sands Trust (COSWF)** and **Hugoton Royalty Trust (HGT)** are in stock price uptrends while buy recommendations **Penn West Energy Trust (PWE)** and **San Juan Basin Royalty Trust (SJT)** await a return to favor. Eight of eleven income stocks in our coverage trade below their 200-day average prices while most operating companies have positive stock price momentum. Canadian trusts may still be suffering from the ill-advised trust tax that seems to be taking a long time to become final. We are heartened that a media campaign may be making headway towards the goal of overturning the tax proposal as it relates to existing oil and gas income trusts. U.S. income stocks may be lagging along with the built-in slow response of distributions to improving industry conditions. Meanwhile median projected distribution yield for the next twelve months is 10.8% for Canadian trusts and 9.2% for U.S. royalty trusts.

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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-May 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							
	SBR	43.50	14.6	630	45.00	-	0.97
	CRT	43.00	6.0	260	46.00	-	0.93
	MTR	59.05	1.9	110	70.00	-	0.84
	PBT	13.83	46.6	650	16.50	-	0.84
	SJT	B 32.76	46.6	1,530	40.00	-	0.82
	DMLP	22.07	28.2	620	27.00	-	0.82
	HGT	B 26.82	40.0	1,070	34.00	-	0.79
	<i>Total or Median</i>			4,900			0.84
Canadian Income Trusts (US\$)							
	PGH	17.55	241.0	4,230	17.00	0.26	1.02
	ERF	44.82	123.0	5,510	47.00	0.11	0.96
	PWE	B 30.80	239.5	7,380	36.00	0.15	0.88
	COSWF	B 27.68	479.0	13,260	35.00	0.08	0.81
	<i>Total or Median</i>			30,400		0.13	0.92

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) 3-May 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	43.00	12.3	12.5	11.7	12.4	8.0
Sabine Royalty Trust	SBR	43.50	9.7	11.5	11.1	11.1	9.0
Mesa RoyaltyTrust	MTR	59.05	24.4	11.7	9.8	11.2	9.0
San Juan Basin Royalty Trust	SJT	B	32.76	9.9	10.9	8.9	10.9
Dorchester Minerals, L.P.	DMLP		22.07	8.5	10.5	8.6	13.6
Permian Basin RT	PBT		13.83	8.1	9.4	7.9	9.3
Hugoton RoyaltyTrust	HGT	B	26.82	13.4	9.5	7.5	9.8
	<i>Median</i>			9.9	10.9	8.9	11.1
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B	27.68	22.7	11.5	9.3	12.4
Pengrowth Energy Trust	PGH		17.55	7.4	7.5	7.6	26.1
Enerplus Resources Fund	ERF		44.82	9.0	7.0	6.7	12.3
Penn West Energy Trust	PWE	B	30.80	7.5	7.1	6.2	11.9
	<i>Median</i>			8.2	7.3	7.2	12.4

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)	NTM Distribution (\$/un)	Dist. Yield (%)
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	84	70	0.94	0.94	21	3.46	8.0
Mesa RoyaltyTrust	MTR	-	75	0.88	0.88	10	5.29	9.0
Sabine Royalty Trust	SBR	100	59	1.00	1.00	57	3.92	9.0
San Juan Basin Royalty Trust	SJT	-	99	0.82	0.82	140	3.01	9.2
Hugoton RoyaltyTrust	HGT	-	92	0.77	0.77	109	2.73	10.2
Permian Basin RT	PBT	35	41	0.85	0.85	69	1.48	10.7
Dorchester Minerals, L.P.	DMLP	64	76	0.98	0.98	71	2.52	11.4
	<i>Total or Median</i>		75	0.88	0.88	500		9.2
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(10)	0.51	0.56	812	1.69	6.1
Enerplus Resources Fund	ERF	-	49	0.58	0.66	548	4.45	9.9
Penn West Energy Trust	PWE	-	41	0.60	0.71	863	3.60	11.7
Pengrowth Energy Trust	PGH	-	46	0.86	1.16	639	2.65	15.1
	<i>Total or Median</i>		43	0.59	0.68	2,900		10.8
Kinder Morgan Energy Partners	KMP			0.80	1.75			6.0

NTM = Next Twelve Months Ended March 31, 2008
Ebitda = Earnings before interest, tax, depreciation and amortization

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