

Income from Clean Fuel for Global Growth

Summary and Recommendation

Three thoughts keep us interested in oil and gas income stocks. As long as the global economy is growing, the demand for energy should grow and oil and gas price should strengthen. As long as we want clean energy and coal is burned anywhere in the world, refined oil products and natural gas are undervalued. As long as investors pay enterprise value to unlevered cash flow (EV/Ebitda) of 17 times for an income stock like Kinder Morgan, all our oil and gas income stocks are undervalued with multiples ranging 7-12 times (see table Rank by EV/Ebitda). With those simple ideas in mind we present updated valuation tables. Median projected distribution yield for the next twelve months is 10.9% for Canadian trusts and 9.6% for U.S. royalty trusts.

Kurt H. Wulff, CFA

Natural Gas and Oil Royalty Trusts Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 10-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								
Cross Timbers Royalty Trust	CRT	45.15	6.0	270	46.00	-	0.98	
Sabine Royalty Trust	SBR	43.32	14.6	630	45.00	-	0.96	
Permian Basin RT	PBT	13.58	46.6	630	16.50	-	0.82	
Mesa RoyaltyTrust	MTR	56.63	1.9	110	70.00	-	0.81	
Dorchester Minerals, L.P.	DMLP	21.66	28.2	610	27.00	-	0.80	
San Juan Basin Royalty Trust	SJT	B	31.76	46.6	1,480	40.00	-	0.79
Hugoton RoyaltyTrust	HGT	B	26.44	40.0	1,060	34.00	-	0.78
	<i>Total or Median</i>				<i>4,800</i>		<i>0.81</i>	
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH	17.48	241.0	4,210	17.00	0.26	1.02	
Enerplus Resources Fund	ERF	45.16	123.0	5,550	47.00	0.12	0.96	
Penn West Energy Trust	PWE	B	31.97	239.7	7,660	36.00	0.16	0.91
Canadian Oil Sands Trust	COSWF	B	28.48	479.0	13,640	35.00	0.08	0.83
	<i>Total or Median</i>				<i>31,100</i>	<i>0.14</i>	<i>0.94</i>	

B = Buy

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

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Natural Gas and Oil Royalty Trusts

Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 10-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	45.15	12.3	12.5	12.2	13.1	7.7	
Sabine Royalty Trust	SBR	43.32	9.7	11.5	11.1	11.0	9.1	
Mesa RoyaltyTrust	MTR	56.63	24.4	11.7	9.5	10.8	9.3	
Dorchester Minerals, L.P.	DMLP	21.66	8.7	11.1	8.9	13.9	11.1	
San Juan Basin Royalty Trust	SJT	B	31.76	9.9	10.8	8.6	10.4	9.6
Permian Basin RT	PBT		13.58	8.2	10.0	8.3	10.0	10.0
Hugoton RoyaltyTrust	HGT	B	26.44	13.4	9.6	7.5	9.8	10.2
	<i>Median</i>			9.9	11.1	8.9	10.8	9.6
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	28.48	22.7	12.3	10.2	14.2	6.1
Pengrowth Energy Trust	PGH		17.48	7.4	7.7	7.8	30.3	15.6
Penn West Energy Trust	PWE	B	31.97	7.6	7.6	6.9	14.5	11.6
Enerplus Resources Fund	ERF		45.16	9.0	7.2	6.9	13.5	10.1
	<i>Median</i>			8.3	7.7	7.4	14.3	10.9

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. Distribution (\$/un)	Dist. Yield (%)
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	84	70	0.94	0.94	21	3.46	7.7
Sabine Royalty Trust	SBR	100	59	1.00	1.00	57	3.92	9.1
Mesa RoyaltyTrust	MTR	-	76	0.88	0.88	10	5.27	9.3
San Juan Basin Royalty Trust	SJT	-	99	0.82	0.82	142	3.04	9.6
Permian Basin RT	PBT	35	42	0.83	0.83	63	1.36	10.0
Hugoton RoyaltyTrust	HGT	-	92	0.76	0.76	108	2.69	10.2
Dorchester Minerals, L.P.	DMLP	64	77	0.98	0.98	68	2.40	11.1
	<i>Total or Median</i>		76	0.88	0.88	500		9.6
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(11)	0.56	0.61	826	1.72	6.1
Enerplus Resources Fund	ERF	-	50	0.62	0.70	563	4.57	10.1
Penn West Energy Trust	PWE	-	43	0.66	0.78	888	3.70	11.6
Pengrowth Energy Trust	PGH	-	47	0.91	1.23	656	2.72	15.6
	<i>Total or Median</i>		45	0.64	0.74	2,900		10.9
Kinder Morgan Energy Partners	KMP			0.80	1.75			5.9

NTM = Next Twelve Months Ended March 31, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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