

The Last Laggards

Summary and Recommendation

Hugoton Royalty Trust (HGT) is the only stock among our 28 buy recommendations that is not trading above its 200-day average. **HGT, Cross Timbers Royalty Trust (CRT)** and **Permian Basin Royalty Trust (PBT)** are the only stocks among eleven in our weekly income coverage to be lagging the 200-day average. New commitments to fundamentally appealing stocks that have not moved yet in a rising stock price environment can be rewarding both short term and long term. We can think of excuses why the three have not performed much in price appreciation lately, but we are not aware of any long-lasting reasons. There may be concern that forthcoming new issues of energy income stocks in the form of master limited partnerships (MLP's) may be competition for existing stocks. We are confident that quality stocks will hold their own in large and liquid markets. Meanwhile, estimated distribution yield for the next year is a median 8.3% for U.S. royalty trusts and 10.8% for Canadian income 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) 19-Jul 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								
Sabine Royalty Trust	SBR	43.47	14.6	630	45.00	-	0.97	
Cross Timbers Royalty Trust	CRT	42.65	6.0	260	46.00	-	0.93	
Mesa RoyaltyTrust	MTR	63.32	1.9	120	70.00	-	0.90	
Permian Basin RT	PBT	14.47	46.6	670	16.50	-	0.88	
Dorchester Minerals, L.P.	DMLP	23.29	28.2	660	27.00	-	0.86	
San Juan Basin Royalty Trust	SJT	B	33.89	46.6	1,580	40.00	-	0.85
Hugoton RoyaltyTrust	HGT	B	25.50	40.0	1,020	34.00	-	0.75
<i>Total or Median</i>					<i>4,900</i>		<i>0.88</i>	
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH	19.73	244.0	4,810	17.00	0.29	1.11	
Penn West Energy Trust	PWE	B	34.14	239.7	8,180	36.00	0.17	0.96
Enerplus Resources Fund	ERF	47.42	123.4	5,850	52.00	0.13	0.92	
Canadian Oil Sands Trust	COSWF	B	33.38	479.0	15,990	39.00	0.08	0.87
<i>Total or Median</i>					<i>34,800</i>	<i>0.15</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) 19-Jul 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	42.65	12.3	12.6	11.6	12.0	8.3	
Sabine Royalty Trust	SBR	43.47	10.2	12.0	11.6	11.5	8.7	
Dorchester Minerals, L.P.	DMLP	23.29	9.1	13.3	11.5	19.3	8.7	
San Juan Basin Royalty Trust	SJT	B	33.89	10.2	12.7	10.8	13.2	7.6
Mesa RoyaltyTrust	MTR		63.32	23.7	11.8	10.7	12.2	8.2
Permian Basin RT	PBT		14.47	8.7	10.2	8.9	10.8	9.3
Hugoton RoyaltyTrust	HGT	B	25.50	14.0	11.3	8.5	12.0	8.3
	<i>Median</i>			<i>10.2</i>	<i>12.0</i>	<i>10.8</i>	<i>12.0</i>	<i>8.3</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	33.38	21.1	10.8	9.3	12.2	6.0
Pengrowth Energy Trust	PGH		19.73	7.5	7.8	8.6	35.2	14.5
Enerplus Resources Fund	ERF		47.42	9.0	8.0	7.4	14.5	10.1
Penn West Energy Trust	PWE	B	34.14	7.6	7.6	7.3	16.2	11.4
	<i>Median</i>			<i>8.3</i>	<i>7.9</i>	<i>8.0</i>	<i>15.3</i>	<i>10.8</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 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) (%)	
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	98	0.81	0.81	119	2.56	7.6
Mesa RoyaltyTrust	MTR	-	72	0.88	0.88	10	5.18	8.2
Hugoton RoyaltyTrust	HGT	-	90	0.71	0.71	85	2.12	8.3
Cross Timbers Royalty Trust	CRT	84	69	0.97	0.97	21	3.56	8.3
Sabine Royalty Trust	SBR	100	54	1.00	1.00	55	3.76	8.7
Dorchester Minerals, L.P.	DMLP	64	72	1.00	1.00	57	2.03	8.7
Permian Basin RT	PBT	35	37	0.83	0.83	62	1.34	9.3
	<i>Total or Median</i>		<i>72</i>	<i>0.88</i>	<i>0.88</i>	<i>400</i>		<i>8.3</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(8)	0.51	0.55	958	2.00	6.0
Enerplus Resources Fund	ERF	-	44	0.64	0.74	592	4.80	10.1
Penn West Energy Trust	PWE	-	37	0.68	0.82	931	3.89	11.4
Pengrowth Energy Trust	PGH	-	42	0.93	1.30	697	2.86	14.5
	<i>Total or Median</i>		<i>40</i>	<i>0.66</i>	<i>0.78</i>	<i>3,200</i>		<i>10.8</i>
Kinder Morgan Energy Partners	KMP			0.76	1.60			6.1

NTM = Next Twelve Months Ended June 30, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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Natural Gas and Oil Royalty Trusts Rank by Price to 200-Day Average

			Price (\$/sh)			Price/ 60-Day	Price/ 200-Day
	Symbol		19-Jul 2007	60-Day Average	200-Day Average	Average	Average
		Rating					
U.S. Royalty Trusts							
Mesa Royalty Trust	MTR		63.32	58.50	55.20	1.08	1.15
Dorchester Minerals, L.P.	DMLP		23.29	22.50	22.90	1.04	1.02
San Juan Basin Royalty Trust	SJT	B	33.89	32.30	33.50	1.05	1.01
Sabine Royalty Trust	SBR		43.47	42.50	43.50	1.02	1.00
Hugoton Royalty Trust	HGT	B	25.50	26.50	25.70	0.96	0.99
Permian Basin RT	PBT		14.47	13.70	15.00	1.06	0.96
Cross Timbers Royalty Trust	CRT		42.65	43.60	45.60	0.98	0.94
			<i>Total or Median</i>			<i>1.04</i>	<i>1.00</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B	33.38	29.50	26.50	1.13	1.26
Pengrowth Energy Trust	PGH		19.73	18.60	17.70	1.06	1.11
Penn West Energy Trust	PWE	B	34.14	33.50	31.80	1.02	1.07
Enerplus Resources Fund	ERF		47.42	46.80	45.20	1.01	1.05
			<i>Total or Median</i>			<i>1.04</i>	<i>1.09</i>

Source: Bloomberg

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