

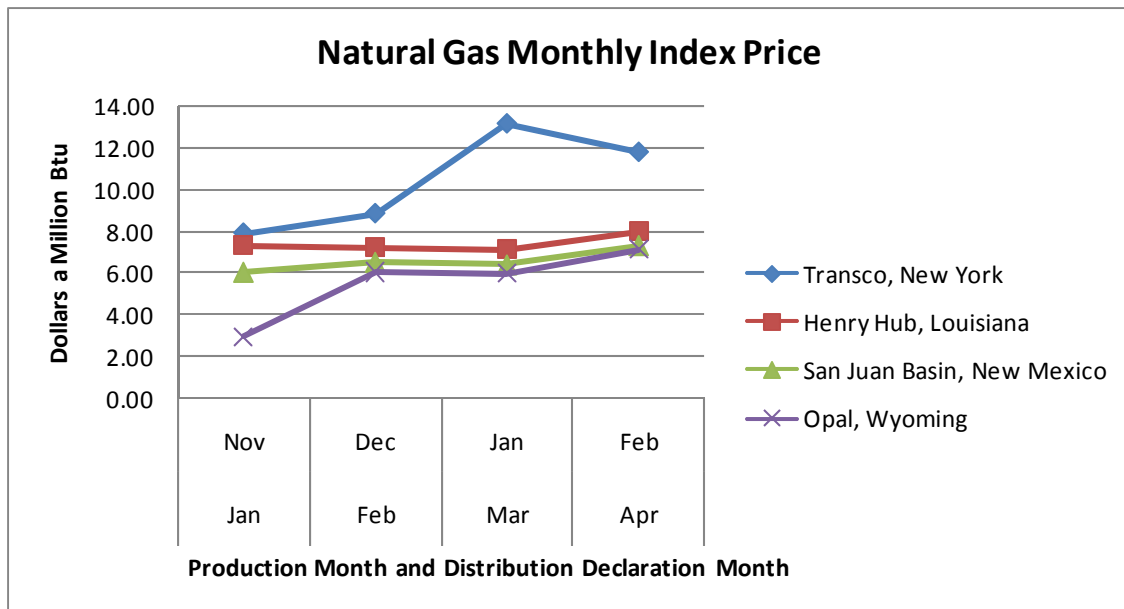


Rising Natural Gas Monthly Index Price

Summary and Recommendation

Natural gas index prices set for February point to higher distributions to be declared in April by U.S. royalty trusts (see chart [Natural Gas Monthly Index Price](#)). Returns for buy-recommended **San Juan Basin Royalty Trust (SJT)** as well as **Cross Timbers Royalty Trust (CRT)** and **Mesa Royalty Trust (MTR)** depend roughly 100%, 80% and 50% on the San Juan Basin Index. Returns for buy-recommended **Hugoton Royalty Trust (HGT)** depend roughly a third on the Opal Index, which has recovered from a sharply lower level. Meanwhile, as the New York index moves up sharply in the past two months, it reminds us that Henry Hub, the pricing point for futures contracts, has potential to double to reach the clean oil equivalent. Average futures prices at the Henry Hub for the next six years have been above the 40-week average since early December. An important reason to be optimistic about natural gas was perceptively discussed by Matthew Wald in the *New York Times* on February 5, “Utilities Turn From Coal to Gas, Raising Risk of Price Increase”. Just the plausibility, if not the fact, of new restrictions on coal compel a prudent decision maker to postpone a multi-billion dollar, irreversible commitment to new coal fired-electricity. Positive trend for natural gas price has helped stocks concentrated on natural gas perform better in the difficult financial markets of early 2008.

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Source: *Natural Gas Week*

Oil and Gas Income Stocks

A Weekly Analysis

February 8, 2008



Natural Gas and Oil Income Stocks - Rank by McDep Ratio								
			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		7-Feb 2008	(mm)				
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT		44.95	6.0	270	47.00	-	0.96
Sabine Royalty Trust	SBR		45.48	14.6	660	48.00	-	0.95
Permian Basin RT	PBT		16.90	46.6	790	18.00	-	0.94
San Juan Basin Royalty Trust	SJT	B	36.61	46.6	1,710	40.00	-	0.92
Mesa RoyaltyTrust	MTR		60.00	1.9	110	70.00	-	0.86
Hugoton RoyaltyTrust	HGT	B	25.22	40.0	1,010	34.00	-	0.74
<i>Total or Median</i>					4,600			0.93
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		17.10	247.0	4,220	19.00	0.24	0.92
Canadian Oil Sands Trust	COSWF	B	37.35	479.0	17,890	45.00	0.05	0.84
Penn West Energy Trust	PWE	B	26.48	280.0	7,410	37.00	0.28	0.80
Enerplus Resources Fund	ERF		38.38	129.4	4,970	52.00	0.13	0.77
<i>Total or Median</i>					34,500		0.19	0.82
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.05	179.4	10,240	17.00	0.56	2.04
Encore Energy Partners, L.P. (32%)	ENP		19.15	10.2	200	20.00	0.24	0.97
Linn Energy, LLC	LINE		20.09	114.0	2,290	27.00	0.30	0.82
Dorchester Minerals, L.P.	DMLP		20.00	28.2	570	27.00	-	0.74
<i>Total or Median</i>					13,300		0.27	0.89
B = Buy, S = Sell								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/ Rating		7-Feb 2008	NTM	NTM	NTM	NTM	
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	B	36.61	10.3	11.6	10.6	12.8	7.8
Cross Timbers Royalty Trust	CRT		44.95	13.1	10.8	10.4	11.0	9.1
Sabine Royalty Trust	SBR		45.48	9.2	9.9	9.4	9.4	10.7
Mesa RoyaltyTrust	MTR		60.00	21.1	9.9	8.5	9.7	10.3
Permian Basin RT	PBT		16.90	8.2	8.9	8.3	9.3	10.7
Hugoton RoyaltyTrust	HGT	B	25.22	13.6	10.9	8.1	11.4	8.8
<i>Median</i>				11.7	10.4	8.9	10.4	9.7
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	37.35	23.2	10.8	9.0	11.2	8.9
Pengrowth Energy Trust	PGH		17.10	7.4	6.8	6.3	16.2	15.4
Enerplus Resources Fund	ERF		38.38	9.7	7.9	6.1	9.8	12.8
Penn West Energy Trust	PWE	B	26.48	7.4	6.0	4.8	12.1	15.0
<i>Median</i>				8.6	7.3	6.2	11.7	13.9
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	57.05	7.9	7.8	16.0	29.5	6.5
Linn Energy, LLC	LINE		20.09	20.8	13.4	11.0	27.4	12.5
Encore Energy Partners, L.P.	ENP		19.15	12.4	9.3	9.0	69.2	8.1
Dorchester Minerals, L.P.	DMLP		20.00	9.2	11.3	8.3	12.3	12.0
<i>Median</i>				10.8	10.3	10.0	28.5	10.0
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								

Oil and Gas Income Stocks

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Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield									
			Natural						
		Revenue	Gas/		Dist/			Dist.	
	Symbol	Royalty	Ebitda	Dist/	Equity	NTM Distribution		Yield	
		(%)	(%)	Ebitda	Ebitda	(\$mm)	(\$/un)	(%)	
U.S. Royalty Trusts									
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	133	2.85	7.8	
Hugoton Royalty Trust	HGT	-	87	0.71	0.71	89	2.21	8.8	
Cross Timbers Royalty Trust	CRT	84	66	0.94	0.94	24	4.08	9.1	
Mesa Royalty Trust	MTR	-	65	0.88	0.88	12	6.19	10.3	
Permian Basin RT	PBT	35	34	0.89	0.89	84	1.81	10.7	
Sabine Royalty Trust	SBR	100	52	1.00	1.00	71	4.85	10.7	
<i>Total or Median</i>				65	0.88	0.88	400		9.7
Canadian Income Trusts (US\$)									
Canadian Oil Sands Trust	COSWF	-	(7)	0.75	0.80	1,592	3.32	8.9	
Enerplus Resources Fund	ERF	-	38	0.65	0.74	635	4.91	12.8	
Penn West Energy Trust	PWE	-	30	0.46	0.64	1,112	3.97	15.0	
Pengrowth Energy Trust	PGH	-	36	0.71	0.94	649	2.63	15.4	
<i>Total or Median</i>				33	0.68	0.77	4,000		13.9
U.S. Master Limited Partnerships (MLPs)									
Kinder Morgan Energy Partners, L.P.	KMP		-	0.75	1.70	660	3.68	6.5	
Encore Energy Partners, L.P.	ENP		20	0.55	0.72	16	1.55	8.1	
Linn Energy, LLC	LINE		66	0.87	1.25	287	2.52	12.5	
Dorchester Minerals, L.P.	DMLP	64	69	1.00	1.00	68	2.40	12.0	
<i>Total or Median</i>				43	0.81	1.12	1,000		10.0
NTM = Next Twelve Months Ended December 31, 2008									
Ebitda = Earnings before interest, tax, depreciation and amortization									

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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