

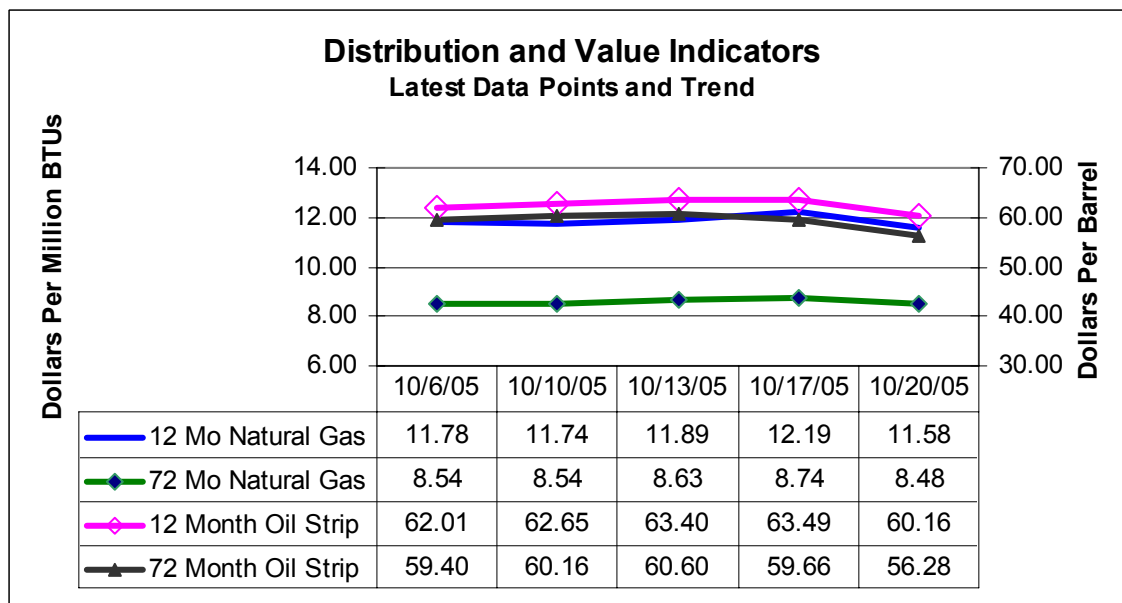
Third Week in October

Summary and Recommendation

Despite recent declines, natural gas futures remain in a well-defined uptrend as measured by the 40-week average. As oil futures approach the 40-week average they may signal either a renewed uptrend or a change in momentum. Stock prices for 10 of 11 royalty trusts continue above the 200-day average including that for buy-recommended **Canadian Oil Sands Trust (COSWF)**. Buy-recommended **Penn West Energy Trust (PWTF)** increased its monthly distribution 19% to C\$0.31 a unit from C\$0.26. Indicating a distribution yield of more than 12% the rate is still less than half of projected Equity Ebitda. Annual distribution yield is more than a median 12% projected for U.S trusts and more than a median 11% currently being paid by Canadian trusts. More often than not, the third week in October is a seasonal period of lowest confidence for most investors and therefore usually a time to buy.

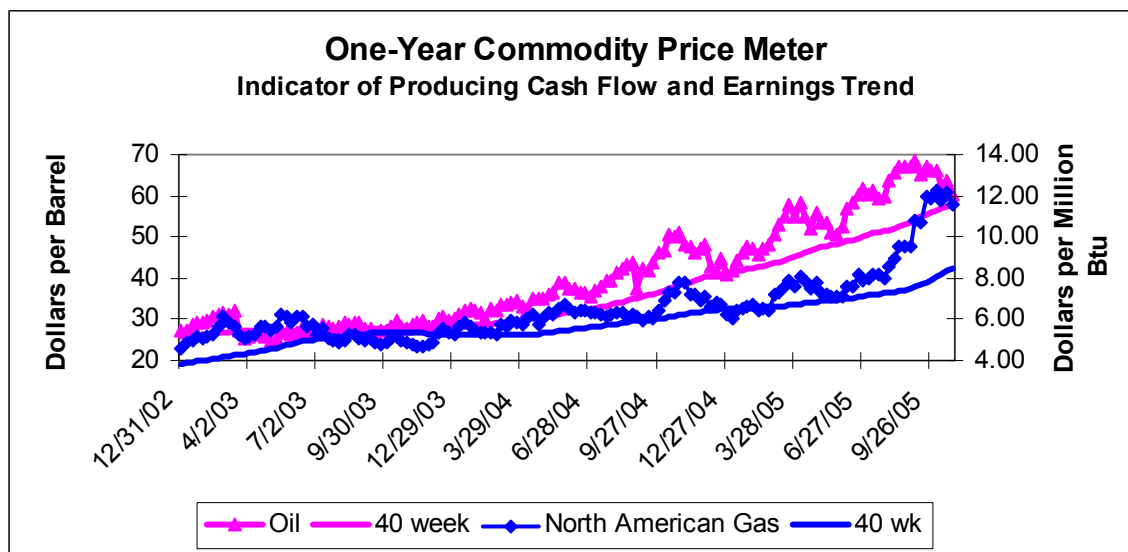
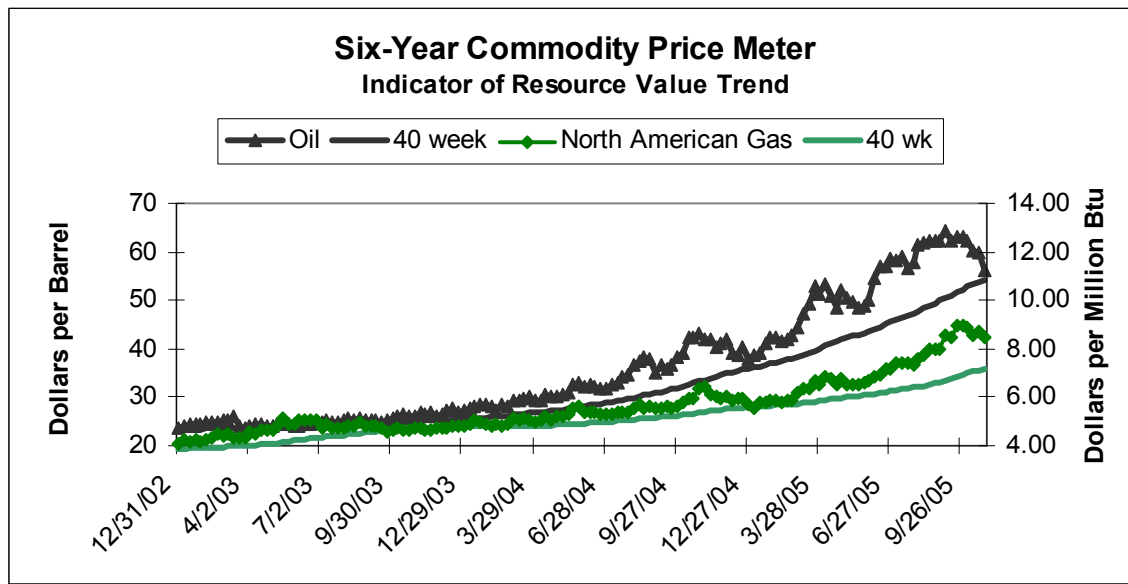
Oil Futures near 40-Week Average

Six-year and one-year oil futures are both about \$2 a barrel above the 40-week average (see table Distribution and Value Indicators). We take the 72 months futures into account when we make our occasional revisions of present value, the denominator of the McDep Ratio. We use the 12 months futures to recalculate distributions for U.S. trusts and cash flow for Canadian trusts automatically.



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Price near the 40-week average could be a buying opportunity for investors who want the lowest price along with the positive trend. The risk is that price subsequently dips below and begins defining a down trend. Natural gas futures are well above the 40-week average (see charts Six-Year Commodity Price Meter and One-Year Commodity Price Meter).



Fundamental Perspective

What if oil futures drop below the 40-week average? Then we would recognize that renewed price increases may be less immediate. Our fundamental conviction would remain and we would emphasize patience and value. Temporary factors are contributing 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.

to lower oil price currently. Crude oil demand is down as refineries that are down because of the hurricanes turn back the crude oil to the marketplace that they would otherwise consume. Crude oil supply is little changed because crude oil not being produced because of the hurricanes is offset by releases from government held strategic storage. Finally, fall is normally a low demand season for the products refined from crude oil because the summer gasoline peak is past and the winter heating peak is a few months away.

Royalty Trusts appear to be priced in the stock market near Present Value that would yield a 7% real return on our current long-term assumptions of \$50 a barrel for oil and \$10 a million btu for natural gas (see table [Rank by McDep Ratio](#)). Because estimated Ebitda varies directly with expected commodity price for both U.S. and Canadian trusts, we use that measure for comparative ranking (see table [Rank by Enterprise Value to Ebitda](#)).

All but one of the trusts is half or more concentrated on natural gas (see column natural Gas/Ebitda in table [Rank by PV/Ebitda](#)). Though COSWF is sensitive to oil futures there are at least three additional important considerations. The stock price does not seem to give credit to the increased distributions we expect next year along with a 40% increase in capacity. Nor does it give much credit for a long life more than twice the arbitrary 20 years we list on the table.

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 20-Oct 2005</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>	
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	46.98	6.0	280	45.00		1.04	
Dorchester Minerals, L.P.	DMLP	27.13	28.2	770	26.00		1.04	
Permian Basin RT (57%)	PBT	15.47	26.6	410	15.00		1.03	
Hugoton RoyaltyTrust (46%)	HGT	35.01	18.4	640	34.00		1.03	
Sabine Royalty Trust	SBR	42.85	14.6	630	42.00		1.02	
San Juan Basin Royalty Trust	SJT	H	40.67	46.6	1,900	40.00	1.02	
Mesa RoyaltyTrust	MTR	67.58	1.9	130	75.00		0.90	
	<i>Total or Median</i>			<i>4,800</i>			<i>1.03</i>	
Canadian Income Trusts								
Pengrowth Energy Trust	PGH	20.75	156.7	3,250	20.00	0.17	1.03	
Enerplus Resources Fund	ERF	40.30	104.9	4,230	42.00	0.13	0.97	
Penn West Energy Trust	PWTFF	B	26.19	173.6	4,550	28.00	0.16	0.95
Canadian Oil Sands Trust (US\$)	COSWF	B	87.27	92.9	10,130	136.00	0.12	0.83
	<i>Total or Median</i>			<i>22,200</i>		<i>0.14</i>	<i>0.96</i>	

B = Buy, H = Hold

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) 20-Oct 2005	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	46.98	17.8	9.2	9.6	9.7	10.3
Sabine Royalty Trust	SBR	42.85	11.9	8.3	8.5	8.5	11.8
Mesa Royalty Trust	MTR	67.58	20.0	8.1	7.3	7.8	12.9
San Juan Basin Royalty Trust	SJT	H 40.67	12.0	8.0	8.2	8.8	11.4
Permian Basin RT (57%)	PBT	15.47	14.6	7.3	7.6	8.1	12.3
Dorchester Minerals, L.P.	DMLP	27.13	12.1	7.3	7.6	10.4	12.4
Hugoton Royalty Trust (46%)	HGT	35.01	13.6	6.0	6.2	7.2	13.8
	<i>Median</i>		<i>13.6</i>	<i>8.0</i>	<i>7.6</i>	<i>8.5</i>	<i>12.3</i>
Canadian Income Trusts							
Canadian Oil Sands Trust (US\$)	COSWF	B 87.27	20.0	9.6	7.9	8.5	1.5
Pengrowth Energy Trust	PGH	20.75	7.6	5.5	5.6	7.9	11.3
Enerplus Resources Fund	ERF	40.30	9.8	5.4	5.2	7.5	10.6
Penn West Energy Trust	PWTFF	B 26.19	8.0	4.4	4.1	6.0	12.1
	<i>Median</i>		<i>8.9</i>	<i>5.4</i>	<i>5.4</i>	<i>7.7</i>	<i>11.0</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2006; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Natural Gas and Oil Royalty Trusts

Rank by PV/Ebitda: Present Value to Earnings Before Interest, Tax, Deprec.

	Symbol	Total Present Value (\$mm)	Unit Present Value (\$/mcf)	Natural Gas/ Reserves (bcf)	Adjusted Ebitda (%)	Adjusted Reserves/ Production NTM	Revenue Royalty (%)	PV/ Ebitda
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	270	4.50	60	79	17.8	85	9.2
Sabine Royalty Trust	SBR	612	4.90	125	69	11.9	100	8.3
Mesa Royalty Trust	MTR	140	3.17	44	83	20.0	-	8.1
San Juan Basin Royalty Trust	SJT	1,864	3.63	513	99	12.0	-	8.0
Dorchester Minerals, L.P.	DMLP	734	5.15	143	84	12.1	54	7.3
Permian Basin RT (57%)	PBT	399	3.30	121	51	14.6	30	7.3
Hugoton Royalty Trust (46%)	HGT	626	3.70	169	94	13.6	-	6.0
	<i>Total or Median</i>	<i>4,600</i>		<i>1,200</i>	<i>83</i>	<i>13.6</i>		<i>8.0</i>
Canadian Income Trusts								
Canadian Oil Sands Trust (US\$)	COSWF	14,340	2.24	6,393	(10)	20.0	-	9.6
Pengrowth Energy Trust	PGH	3,754	4.50	834	49	7.6	-	5.5
Enerplus Resources Fund	ERF	5,079	3.70	1,373	67	9.8	-	5.4
Penn West Energy Trust	PWTFF	5,761	3.13	1,842	58	8.0	-	4.4
	<i>Total or Median</i>	<i>28,900</i>		<i>10,400</i>	<i>54</i>	<i>8.9</i>		<i>5.4</i>

Ebitda = Earnings before interest, tax, depreciation and amortization
PV = Present Value of oil and gas and other businesses

Kurt H. Wulff, CFA

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