

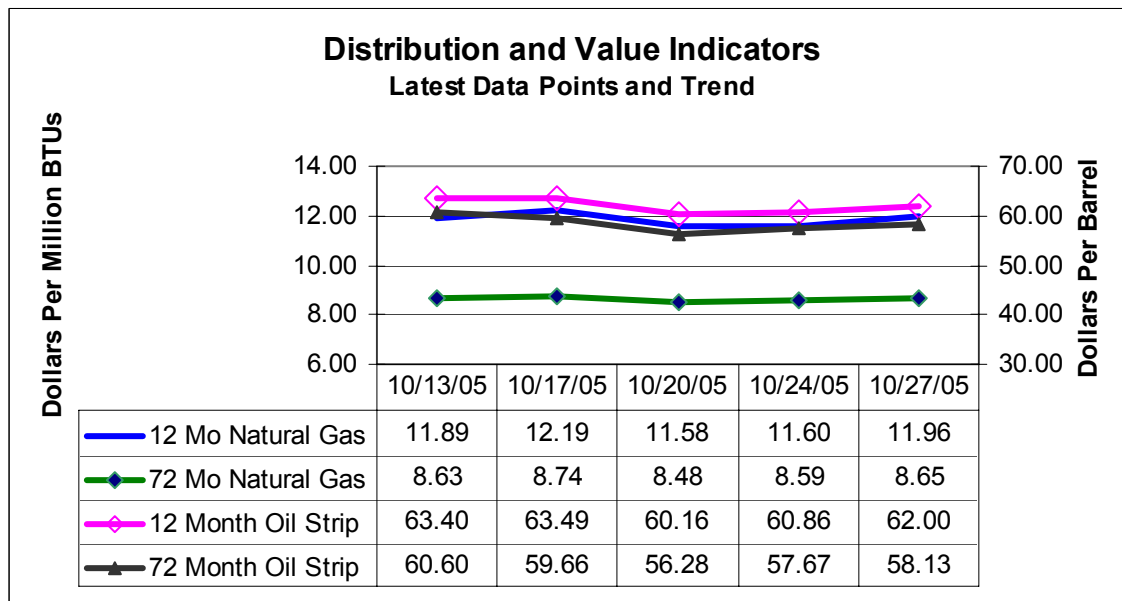
## Winter Payoff

### Summary and Recommendation

Natural gas futures point to steeply increasing distributions for royalty trusts. Up about 50% in the weeks since the hurricane season intensified in August, the natural gas price trend indicates a similar response for monthly distributions with perhaps a three month lag. To the extent that current distributions influence stock price, the favorable impact is still ahead and then can last into April or May even though the seasonal price peak may occur in January. Annual distribution yield is more than a median 12% projected for U.S trusts and more than a median 10% currently being paid by Canadian trusts. Buy recommended **Canadian Oil Sands Trust (COSWF)** just doubled its distribution this week and has the prospects for more doubles ahead as it brings on new capacity.

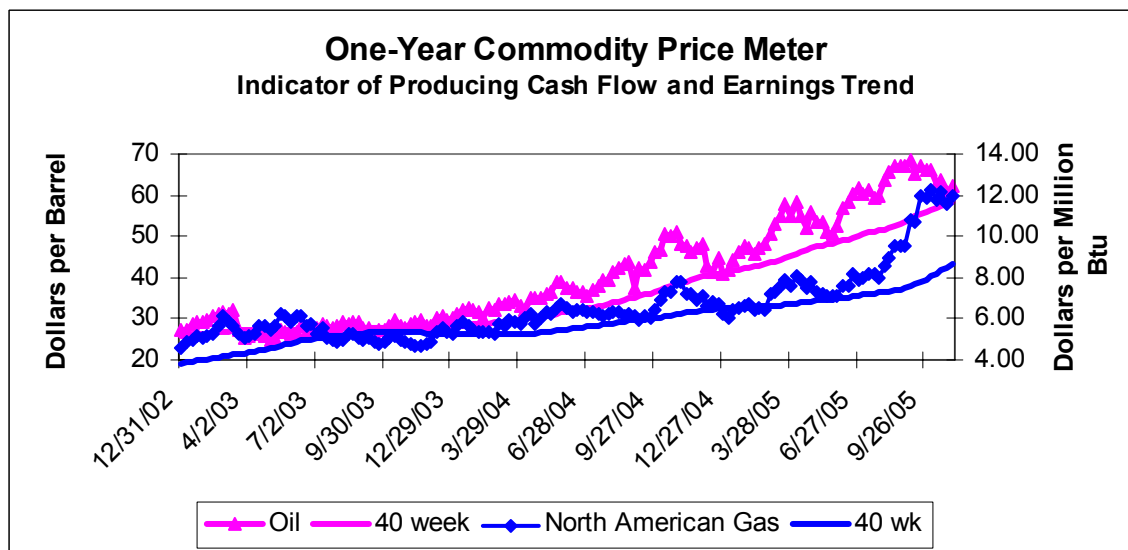
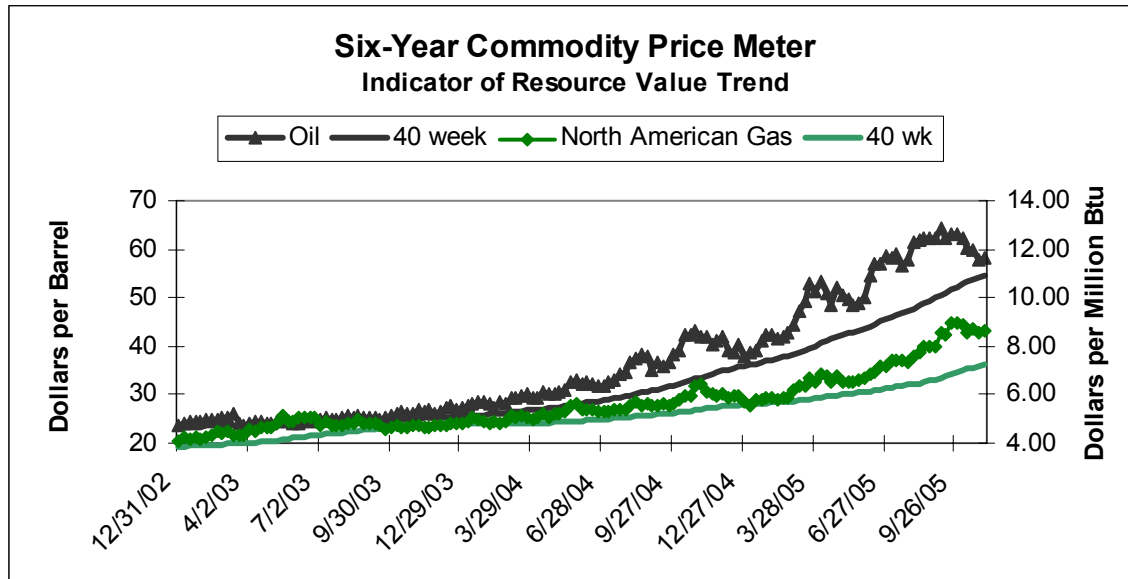
### The Upward Trend Continues

Six-year and one-year oil futures are more than \$2 a barrel and \$3 a barrel above the 40-week average respectively (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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Oil futures are holding above the 40-week average after being tested in the low-confidence month of October. Natural gas futures are well above the 40-week average (see charts Six-Year Commodity Price Meter and One-Year Commodity Price Meter).



## Attractive Income Potential

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 Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://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.

Ebitda). All but one of the trusts are half or more concentrated on natural gas (see column natural Gas/Ebitda in table Rank by PV/Ebitda). Latest monthly declarations offer a hint of what may lie ahead (see chart Monthly Distributions)

## Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating	Price (\$/sh) 27-Oct 2005	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
<b>U.S. Royalty Trusts</b>							
Cross Timbers Royalty Trust	CRT	54.00	6.0	320	45.00		1.20
Permian Basin RT (57%)	PBT	16.05	26.6	430	15.00		1.07
San Juan Basin Royalty Trust	SJT	H 41.70	46.6	1,940	40.00		1.04
Dorchester Minerals, L.P.	DMLP	26.82	28.2	760	26.00		1.03
Hugoton RoyaltyTrust (46%)	HGT	34.80	18.4	640	34.00		1.02
Sabine Royalty Trust	SBR	42.92	14.6	630	42.00		1.02
Mesa RoyaltyTrust	MTR	66.85	1.9	130	75.00		0.89
	<i>Total or Median</i>			4,900			1.03
<b>Canadian Income Trusts</b>							
Pengrowth Energy Trust	PGH	21.97	156.7	3,440	20.00	0.17	1.08
Enerplus Resources Fund	ERF	41.92	104.9	4,400	42.00	0.13	1.00
Penn West Energy Trust	PWTFF	B 26.82	173.7	4,660	28.00	0.16	0.96
Canadian Oil Sands Trust (US\$)	COSWF	B 95.73	92.8	10,130	136.00	0.12	0.83
	<i>Total or Median</i>			22,600		0.14	0.98

B = Buy, H = Hold

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

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

	Symbol/ Rating	Price (\$/sh) 27-Oct 2005	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>U.S. Royalty Trusts</b>							
Mesa RoyaltyTrust	MTR	66.85	20.0	7.9	7.1	7.5	13.3
Hugoton RoyaltyTrust (46%)	HGT	34.80	13.6	5.9	6.0	7.6	13.1
Dorchester Minerals, L.P.	DMLP	26.82	12.1	7.1	7.3	9.9	12.9
Permian Basin RT (57%)	PBT	16.05	14.5	7.2	7.6	8.2	12.2
Sabine Royalty Trust	SBR	42.92	11.9	8.1	8.3	8.3	12.0
San Juan Basin Royalty Trust	SJT	H 41.70	12.2	8.0	8.4	9.0	11.1
Cross Timbers Royalty Trust	CRT	54.00	17.8	9.0	10.8	10.9	9.2
	<i>Median</i>		13.6	7.9	7.6	8.3	12.2
<b>Canadian Income Trusts</b>							
Penn West Energy Trust	PWTFF	B 26.82	8.0	4.2	4.1	5.8	11.8
Pengrowth Energy Trust	PGH	21.97	7.6	5.3	5.7	7.9	10.7
Enerplus Resources Fund	ERF	41.92	9.8	5.3	5.3	7.4	10.3
Canadian Oil Sands Trust (US\$)	COSWF	B 95.73	20.0	9.6	7.9	8.5	3.6
	<i>Median</i>		8.9	5.3	5.5	7.7	10.5

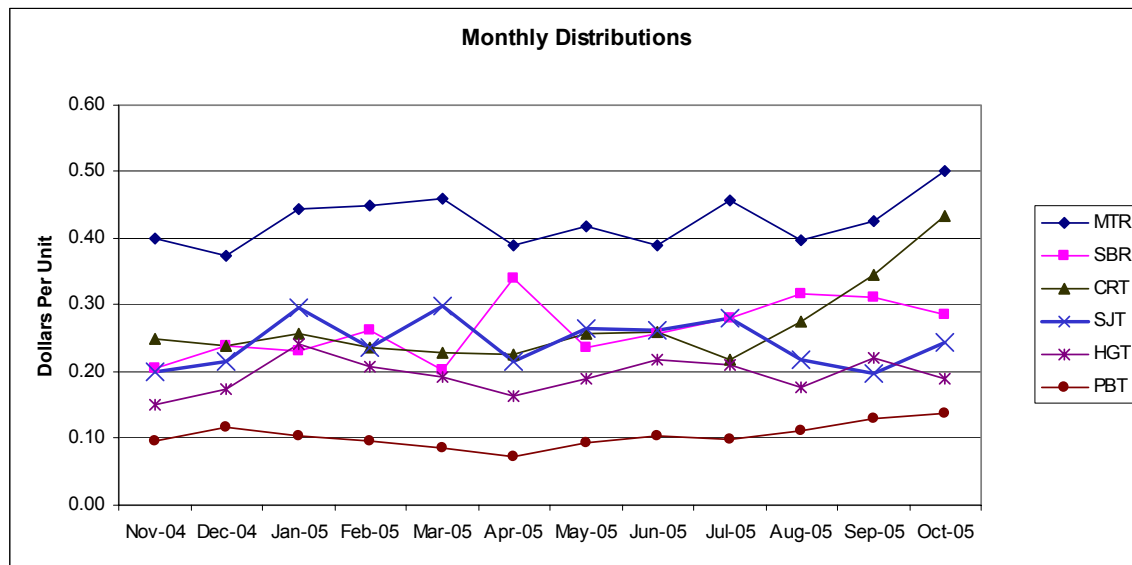
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2006; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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## 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)	Reserves (bcf)	Natural Gas/Ebitda (%)	Adjusted Reserves/Production NTM	Revenue Royalty (%)	PV/Ebitda
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	270	4.50	60	79	17.8	85	9.0
Sabine Royalty Trust	SBR	612	4.90	125	69	11.9	100	8.1
San Juan Basin Royalty Trust	SJT	1,864	3.74	498	99	12.2	-	8.0
Mesa Royalty Trust	MTR	140	3.17	44	83	20.0	-	7.9
Permian Basin RT (57%)	PBT	399	3.30	121	51	14.5	30	7.2
Dorchester Minerals, L.P.	DMLP	734	5.15	143	84	12.1	54	7.1
Hugoton Royalty Trust (46%)	HGT	626	3.70	169	94	13.6	-	5.9
<i>Total or Median</i>		<i>4,600</i>		<i>1,200</i>	<i>83</i>	<i>13.6</i>		<i>7.9</i>
<b>Canadian Income Trusts</b>								
Canadian Oil Sands Trust (US\$)	COSWF	14,340	2.23	6,438	(10)	20.0	-	9.6
Pengrowth Energy Trust	PGH	3,758	4.50	835	49	7.6	-	5.3
Enerplus Resources Fund	ERF	5,082	3.70	1,374	67	9.8	-	5.3
Penn West Energy Trust	PWTFF	5,767	3.13	1,844	58	8.0	-	4.2
<i>Total or Median</i>		<i>28,900</i>		<i>10,500</i>	<i>54</i>	<i>8.9</i>		<i>5.3</i>

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



Kurt H. Wulff, CFA

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