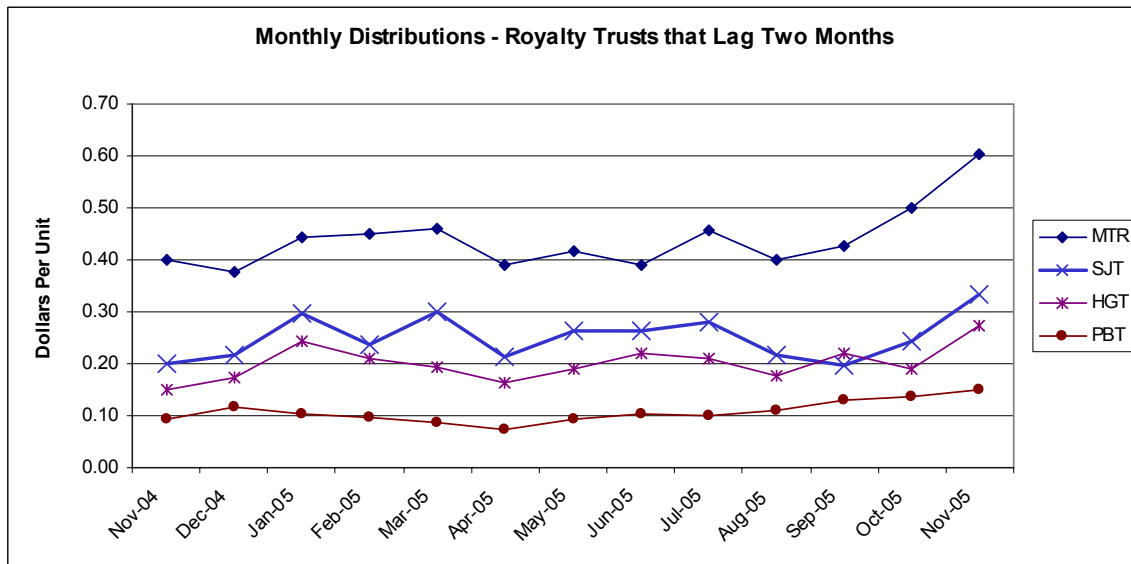


Declaration Day

Summary and Recommendation

Five U.S. royalty trusts are likely to declare higher distributions on Monday, December 19. Distributions will relate to October natural gas price for four of the five. Using latest futures prices for 2006 we see a median distribution yield of 11.6% for U.S. royalty trusts. Since Canadian trusts have management with discretion to declare distributions our projections of a median 9.3% yield reflect the latest declared rate and likely understate the prospects. While McDep Ratios are approaching a richer valuation level, we may in the future use an oil price assumption higher than \$50 a barrel in current estimates. In that case higher present value would bring McDep Ratios down to a reasonable level for ongoing investment. Buy-recommended **Canadian Oil Sands Trust (COSWF)** remains undervalued assuming \$50 oil. Buy-recommended **Penn West Energy Trust (PWTFE)** would have a lower McDep Ratio than currently measured if we gave more credit for a large carbon dioxide enhanced recovery project about to be implemented.

Kurt H. Wulff, CFA



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Natural Gas and Oil Royalty Trusts

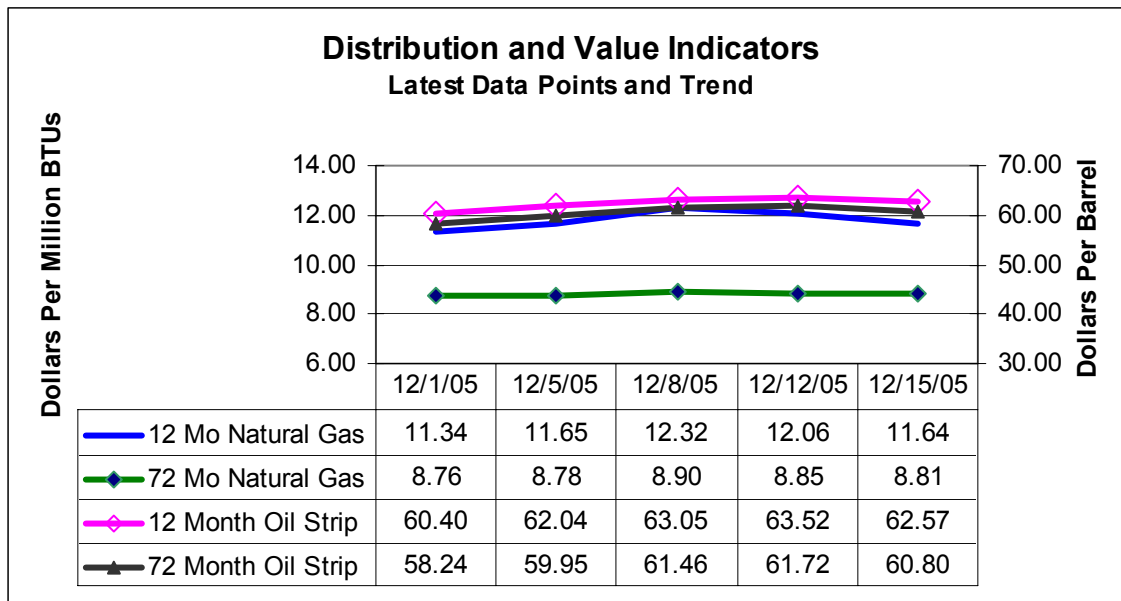
A Weekly Analysis

December 16, 2005

U.S. Natural Gas Price by Regions

| Historical Futures, December 14, 2005 | 2005 | | | | | | 2006 | | 2007 | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | July | Jan | July |
| <i>Price (\$/mbtu)</i> | | | | | | | | | | |
| Henry Hub | 6.98 | 7.65 | 11.06 | 13.93 | 13.85 | 11.21 | 14.68 | 9.26 | 10.71 | 8.16 |
| Panhandle | | 6.71 | 8.55 | 10.19 | 10.87 | 8.58 | 12.96 | 8.45 | 9.77 | 7.32 |
| San Juan | 6.05 | 5.98 | 8.02 | 9.52 | 10.82 | 8.44 | 12.80 | 8.02 | 9.15 | 6.69 |
| <i>Location Differential, Basis (\$/mmbtu)</i> | | | | | | | | | | |
| Henry Hub | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Panhandle | | -0.94 | -2.51 | -3.74 | -2.98 | -2.63 | -1.73 | -0.82 | -0.95 | -0.84 |
| San Juan | -0.93 | -1.67 | -3.04 | -4.41 | -3.03 | -2.77 | -1.88 | -1.24 | -1.56 | -1.48 |
| <i>Ratio to Benchmark Price</i> | | | | | | | | | | |
| Henry Hub | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Panhandle | | 0.88 | 0.77 | 0.73 | 0.78 | 0.77 | 0.88 | 0.91 | 0.91 | 0.90 |
| San Juan | 0.87 | 0.78 | 0.73 | 0.68 | 0.78 | 0.75 | 0.87 | 0.87 | 0.85 | 0.82 |

Source: McDep Associates, Gas Daily, Natural Gas Week



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

| | Symbol/ Rating | Price (\$/sh) 15-Dec 2005 | Shares (mm) | Market Cap (\$mm) | Net Present Value (\$/un) | Debt/ Present Value | McDep Ratio | |
|---------------------------------|------------------------|------------------------------------|----------------|-------------------------|------------------------------------|---------------------------|----------------|------|
| U.S. Royalty Trusts | | | | | | | | |
| Sabine Royalty Trust | SBR | 47.80 | 14.6 | 700 | 42.00 | - | 1.14 | |
| San Juan Basin Royalty Trust | SJT | H | 44.56 | 46.6 | 2,080 | 40.00 | - | 1.11 |
| Cross Timbers Royalty Trust | CRT | 50.12 | 6.0 | 300 | 45.00 | - | 1.11 | |
| Hugoton RoyaltyTrust (46%) | HGT | 37.79 | 18.4 | 700 | 34.00 | - | 1.11 | |
| Permian Basin RT (57%) | PBT | 15.75 | 26.6 | 420 | 15.00 | - | 1.05 | |
| Dorchester Minerals, L.P. | DMLP | 26.43 | 28.2 | 750 | 26.00 | - | 1.02 | |
| Mesa RoyaltyTrust | MTR | 69.85 | 1.9 | 130 | 75.00 | - | 0.93 | |
| | <i>Total or Median</i> | | | 5,100 | | | 1.11 | |
| Canadian Income Trusts | | | | | | | | |
| Penn West Energy Trust | PWTFF | B | 33.15 | 179.0 | 5,930 | 28.00 | 0.15 | 1.16 |
| Pengrowth Energy Trust | PGH | 23.60 | 159.0 | 3,750 | 20.00 | 0.16 | 1.15 | |
| Enerplus Resources Fund | ERF | 49.20 | 110.0 | 5,410 | 42.00 | 0.14 | 1.15 | |
| Canadian Oil Sands Trust (US\$) | COSWF | B | 115.55 | 93.1 | 10,760 | 136.00 | 0.12 | 0.87 |
| | <i>Total or Median</i> | | | 25,900 | | 0.15 | 1.15 | |

B = Buy, H = Hold

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

Natural Gas and Oil Royalty Trusts Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

| | Symbol/ Rating | Price (\$/sh) 15-Dec 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 | 50.12 | 18.8 | 9.6 | 10.7 | 10.9 | 9.2 | |
| Sabine Royalty Trust | SBR | 47.80 | 11.6 | 8.0 | 9.1 | 9.1 | 10.9 | |
| Dorchester Minerals, L.P. | DMLP | 26.43 | 11.6 | 8.0 | 8.1 | 11.5 | 12.0 | |
| San Juan Basin Royalty Trust | SJT | H | 44.56 | 12.1 | 7.2 | 8.1 | 8.6 | 11.6 |
| Mesa RoyaltyTrust | MTR | 69.85 | 20.0 | 8.6 | 8.0 | 8.5 | 11.7 | |
| Permian Basin RT (57%) | PBT | 15.75 | 14.9 | 7.6 | 8.0 | 8.6 | 11.7 | |
| Hugoton RoyaltyTrust (46%) | HGT | 37.79 | 13.5 | 6.4 | 7.1 | 9.3 | 10.8 | |
| | <i>Median</i> | | 13.5 | 8.0 | 8.1 | 9.1 | 11.6 | |
| Canadian Income Trusts | | | | | | | | |
| Canadian Oil Sands Trust (US\$) | COSWF | B | 115.55 | 20.0 | 11.6 | 10.1 | 12.0 | 3.0 |
| Enerplus Resources Fund | ERF | 49.20 | 8.6 | 5.1 | 5.9 | 8.7 | 8.9 | |
| Pengrowth Energy Trust | PGH | 23.60 | 7.6 | 5.1 | 5.9 | 8.2 | 11.0 | |
| Penn West Energy Trust | PWTFF | B | 33.15 | 8.0 | 4.4 | 5.1 | 7.3 | 9.7 |
| | <i>Median</i> | | 8.3 | 5.1 | 5.9 | 8.4 | 9.3 | |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2006; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

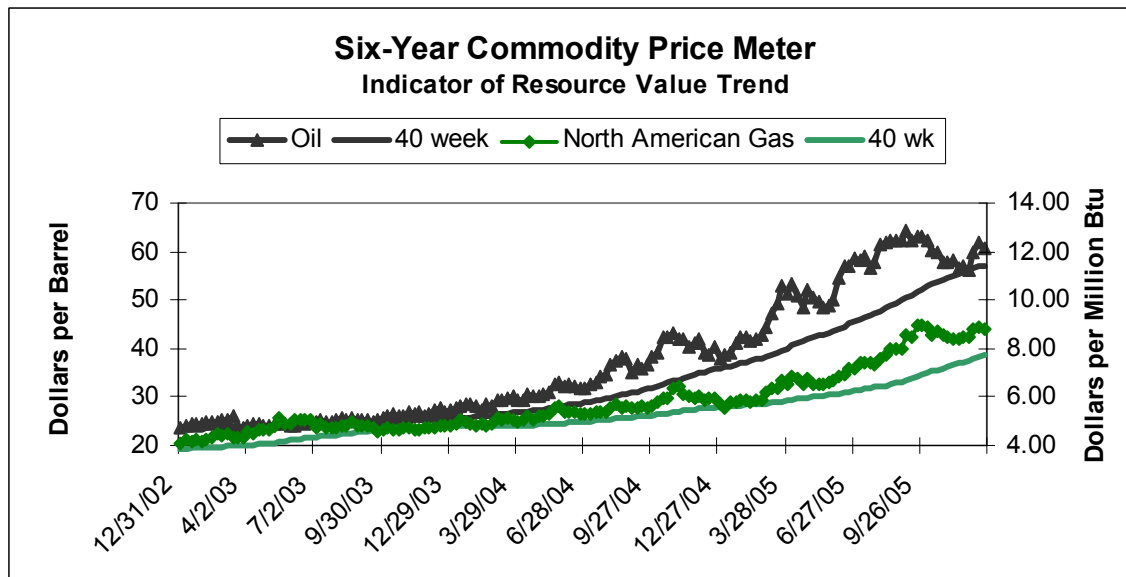
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Natural Gas and Oil Royalty Trusts Rank by NTM Distribution Yield

| | Symbol | Revenue Royalty (%) | Natural Gas/ Ebitda (%) | Dist/ Ebitda | Dist/ Equity Ebitda | NTM Distribution (\$mm) | NTM Distribution (\$/un) | Dist. Yield (%) |
|---------------------------------|--------|---------------------------|----------------------------------|-----------------|---------------------------|----------------------------|-----------------------------|-----------------------|
| U.S. Royalty Trusts | | | | | | | | |
| Cross Timbers Royalty Trust | CRT | 85 | 78 | 0.99 | 0.99 | 28 | 4.62 | 9.2 |
| Hugoton Royalty Trust (46%) | HGT | - | 94 | 0.77 | 0.77 | 75 | 4.06 | 10.8 |
| Sabine Royalty Trust | SBR | 100 | 70 | 1.00 | 1.00 | 76 | 5.23 | 10.9 |
| San Juan Basin Royalty Trust | SJT | - | 99 | 0.93 | 0.93 | 241 | 5.16 | 11.6 |
| Permian Basin RT (57%) | PBT | 30 | 48 | 0.93 | 0.93 | 49 | 1.84 | 11.7 |
| Mesa Royalty Trust | MTR | - | 82 | 0.94 | 0.94 | 15 | 8.18 | 11.7 |
| Dorchester Minerals, L.P. | DMLP | 54 | 81 | 0.98 | 0.98 | 90 | 3.18 | 12.0 |
| <i>Total or Median</i> | | | 81 | 0.94 | 0.94 | 600 | | 11.6 |
| Canadian Income Trusts | | | | | | | | |
| Canadian Oil Sands Trust (US\$) | COSWF | - | (8) | 0.26 | 0.30 | 323 | 3.47 | 3.0 |
| Enerplus Resources Fund | ERF | - | 55 | 0.46 | 0.53 | 481 | 4.38 | 8.9 |
| Penn West Energy Trust | PWTFF | - | 54 | 0.43 | 0.51 | 578 | 3.23 | 9.7 |
| Pengrowth Energy Trust | PGH | - | 48 | 0.56 | 0.66 | 414 | 2.61 | 11.0 |
| <i>Total or Median</i> | | | 51 | 0.45 | 0.52 | 1,800 | | 9.3 |
| Kinder Morgan Energy Partners | KMP | | | 0.75 | 1.67 | | | 6.3 |

NTM = Next Twelve Months Ended December 31, 2006

Ebitda = Earnings before interest, tax, depreciation and amortization



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