

## New Billion Dollar Float

### Summary and Recommendation

The widely-held market cap, “float” of **Hugoton Royalty Trust (HGT)** more than doubles to \$1.25 billion on April 24, the ex-date for the distribution of HGT units by **XTO Energy (XTO)**. We end our presentation of HGT market cap on a 46% basis that reflected the limited marketability of the units until now. The increased supply will be fully evident on the payment date of May 12 when certificates will be delivered and accounts will be credited with HGT units. Probably anticipating the potential selling of HGT units by some XTO owners, HGT stock price has declined 18% in 2006 to reach the lowest McDep Ratio among income stocks in our coverage. Unlevered cash flow multiple, EV/Ebitda, at 8.0 is the lowest of long-life natural gas oriented U.S. royalty trusts. After 24% of cash flow is reinvested, the remaining amount expected to be distributed in the next twelve months is 9.3% of unit price. Doing an analysis weekly for most of the past five years, we believe the units are attractive for income investors. Meanwhile lower cash distributions just declared that reflect natural gas production in February contrast with advancing prospects for future distributions with rising oil and natural gas price.

Kurt H. Wulff, CFA

### 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-Apr 2006</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>
<b>U.S. Royalty Trusts</b>							
Sabine Royalty Trust	SBR	45.69	14.6	670	42.00	-	1.09
Permian Basin RT	PBT	16.25	46.6	760	15.00	-	1.08
San Juan Basin Royalty Trust	SJT	B 42.64	46.6	1,990	40.00	-	1.07
Dorchester Minerals, L.P.	DMLP	27.61	28.2	780	26.00	-	1.06
Cross Timbers Royalty Trust	CRT	47.29	6.0	280	45.00	-	1.05
Hugoton RoyaltyTrust (46%)	HGT	31.14	40.0	1,250	34.00	-	0.92
Mesa RoyaltyTrust	MTR	67.50	1.9	130	75.00	-	0.90
<i>Total or Median</i>				5,900			1.06
<b>Canadian Income Trusts</b>							
Pengrowth Energy Trust	PGH	24.15	160.0	3,860	18.00	0.16	1.28
Enerplus Resources Fund	ERF	52.41	114.2	5,980	42.00	0.15	1.21
Penn West Energy Trust	PWTFF	B 38.30	165.1	6,320	33.00	0.12	1.14
Canadian Oil Sands Trust (USS)	COSWF	B 152.49	93.4	14,240	136.00	0.12	1.11
<i>Total or Median</i>				30,400		0.13	1.18

B = Buy, H = Hold

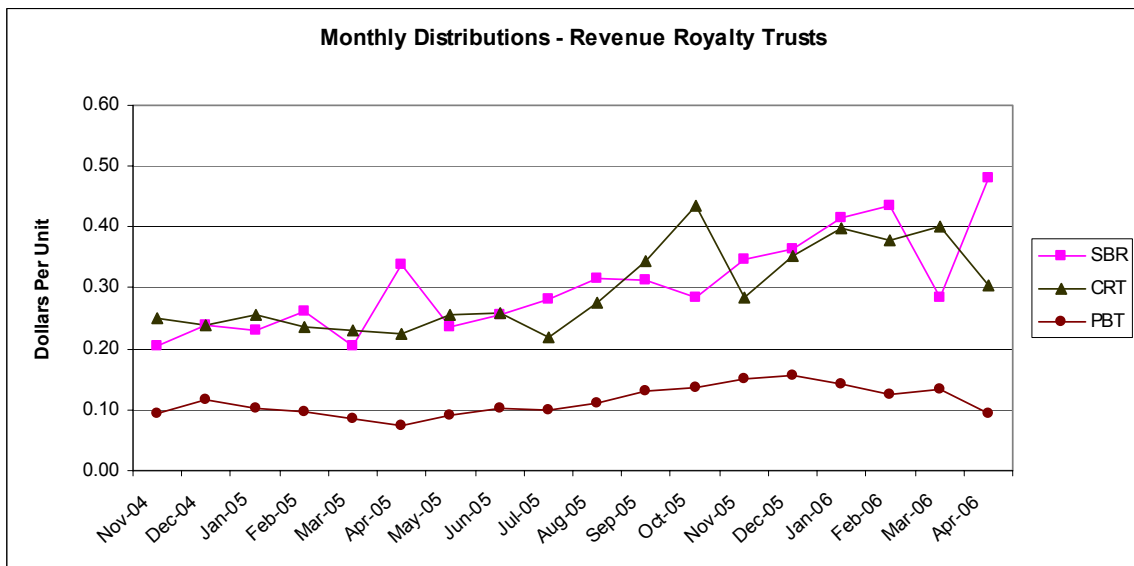
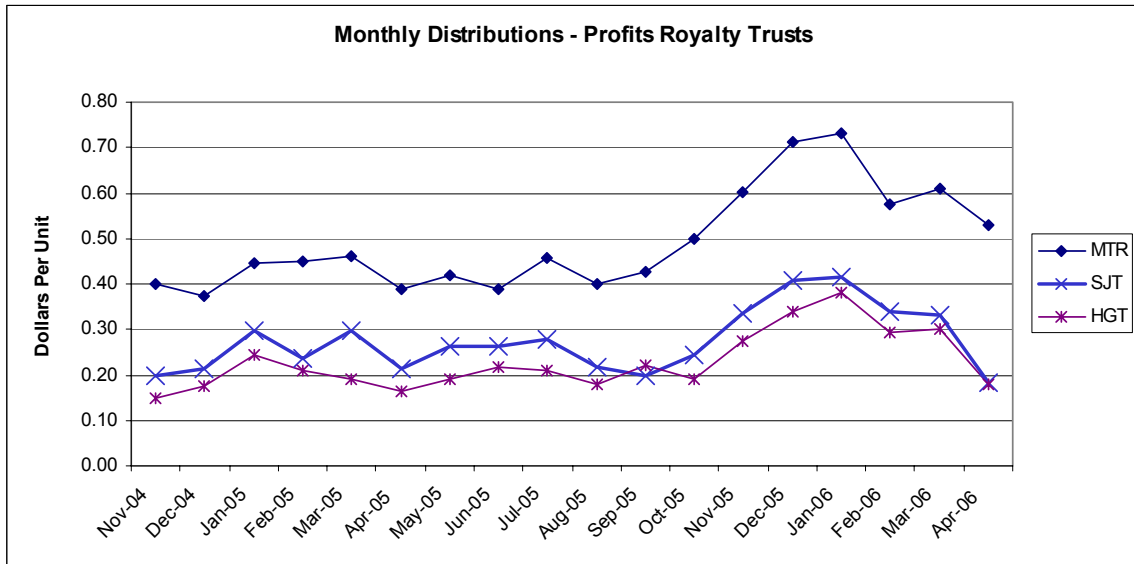
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

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.

# Natural Gas and Oil Royalty Trusts

A Weekly Analysis

April 21, 2006



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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-Apr 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
<b>U.S. Royalty Trusts</b>							
Cross Timbers Royalty Trust	CRT	47.29	13.0	10.7	11.2	11.5	8.7
San Juan Basin Royalty Trust	SJT B	42.64	13.5	9.7	10.4	11.8	8.4
Sabine Royalty Trust	SBR	45.69	9.2	9.3	10.1	10.1	9.9
Mesa Royalty Trust	MTR	67.50	18.5	10.7	9.6	10.5	9.5
Dorchester Minerals, L.P.	DMLP	27.61	12.8	8.4	8.9	12.8	10.0
Permian Basin RT	PBT	16.25	7.7	7.9	8.5	9.2	10.9
Hugoton Royalty Trust (46%)	HGT	31.14	13.6	8.7	8.0	10.8	9.3
	<i>Median</i>		<i>13.0</i>	<i>9.3</i>	<i>9.6</i>	<i>10.8</i>	<i>9.5</i>
<b>Canadian Income Trusts</b>							
Canadian Oil Sands Trust (US\$)	COSWF B	152.49	20.0	8.6	9.5	11.8	5.7
Penn West Energy Trust	PWTFF B	38.30	7.7	5.8	6.6	9.5	9.3
Enerplus Resources Fund	ERF	52.41	9.4	5.3	6.4	10.4	8.4
Pengrowth Energy Trust	PGH	24.15	7.2	4.7	6.0	8.6	10.8
	<i>Median</i>		<i>8.6</i>	<i>5.5</i>	<i>6.5</i>	<i>10.0</i>	<i>8.8</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2007; 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)	NTM Distribution (\$/un)	Dist. Yield (%)
<b>U.S. Royalty Trusts</b>								
San Juan Basin Royalty Trust	SJT	-	99	0.88	0.88	168	3.60	8.4
Cross Timbers Royalty Trust	CRT	81	70	0.98	0.98	25	4.11	8.7
Hugoton Royalty Trust (46%)	HGT	-	91	0.74	0.74	116	2.89	9.3
Mesa Royalty Trust	MTR	-	76	0.92	0.92	12	6.43	9.5
Sabine Royalty Trust	SBR	100	55	1.00	1.00	66	4.52	9.9
Dorchester Minerals, L.P.	DMLP	54	79	0.89	0.89	78	2.75	10.0
Permian Basin RT	PBT	29	37	0.93	0.93	83	1.77	10.9
	<i>Total or Median</i>		<i>76</i>	<i>0.92</i>	<i>0.92</i>	<i>500</i>		<i>9.5</i>
<b>Canadian Income Trusts</b>								
Canadian Oil Sands Trust (US\$)	COSWF	-	(9)	0.49	0.55	815	8.73	5.7
Enerplus Resources Fund	ERF	-	46	0.47	0.55	502	4.40	8.4
Penn West Energy Trust	PWTFF	-	39	0.55	0.63	586	3.55	9.3
Pengrowth Energy Trust	PGH	-	41	0.57	0.69	419	2.62	10.8
	<i>Total or Median</i>		<i>40</i>	<i>0.52</i>	<i>0.59</i>	<i>2,300</i>		<i>8.8</i>
Kinder Morgan Energy Partners	KMP			0.79	1.79			6.8

NTM = Next Twelve Months Ended March 31, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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