

## The XTO Effect

### Summary and Recommendation

Just as buy-recommended **Canadian Oil Sands Trust (COSWF)** may have had some positive stock price pressure from index buying, **Hugoton Royalty Trust (HGT)** may be under pressure from index selling. Funds that track the Toronto index bought COSWF. Index funds that own buy-recommended **XTO Energy (XTO)** may be selling HGT as it is being distributed as a dividend by XTO because HGT is not in the same index. Buy-recommended **San Juan Basin Royalty Trust (SJT)** may be taking some of the short-term pressure also as arbitragers buy HGT and sell SJT expecting that the difference between the two stocks will not widen further. Active trading since XTO stock went ex-dividend may have already peaked, but may continue at high volume when certificates will be delivered and accounts will be credited with HGT units on May 12. Thereafter the negative index effect ought to wear off.

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 27-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>							
Permian Basin RT	PBT	15.96	46.6	740	15.00	-	1.06
Sabine Royalty Trust	SBR	44.54	14.6	650	42.00	-	1.06
Cross Timbers Royalty Trust	CRT	46.73	6.0	280	45.00	-	1.04
Dorchester Minerals, L.P.	DMLP	26.10	28.2	740	26.00	-	1.00
San Juan Basin Royalty Trust	SJT	B 38.73	46.6	1,810	40.00	-	0.97
Mesa RoyaltyTrust	MTR	66.90	1.9	130	75.00	-	0.89
Hugoton RoyaltyTrust (46%)	HGT	27.89	40.0	1,120	34.00	-	0.82
	<i>Total or Median</i>			5,500			1.00
<b>Canadian Income Trusts</b>							
Pengrowth Energy Trust	PGH	24.15	160.0	3,860	18.00	0.17	1.28
Enerplus Resources Fund	ERF	52.47	114.2	5,990	42.00	0.15	1.21
Penn West Energy Trust	PWTFF	B 38.53	165.1	6,360	33.00	0.12	1.15
Canadian Oil Sands Trust (US\$)	COSWF	B 154.35	93.4	14,410	136.00	0.12	1.12
	<i>Total or Median</i>			30,600		0.14	1.18

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) 27-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	46.73	13.0	11.5	11.9	12.3	8.1
San Juan Basin Royalty Trust	SJT B	38.73	13.5	11.0	10.7	12.4	8.1
Sabine Royalty Trust	SBR	44.54	9.2	9.9	10.5	10.5	9.5
Mesa Royalty Trust	MTR	66.90	18.5	11.8	10.6	11.6	8.6
Dorchester Minerals, L.P.	DMLP	26.10	12.8	9.3	9.3	14.0	9.6
Permian Basin RT	PBT	15.96	7.7	8.3	8.9	9.6	10.4
Hugoton Royalty Trust (46%)	HGT	27.89	13.6	9.8	8.1	11.4	8.8
	<i>Median</i>		<i>13.0</i>	<i>9.9</i>	<i>10.5</i>	<i>11.6</i>	<i>8.8</i>
<b>Canadian Income Trusts</b>							
Canadian Oil Sands Trust (US\$)	COSWF B	154.35	20.0	9.4	10.5	13.7	5.2
Enerplus Resources Fund	ERF	52.47	9.4	5.7	6.9	12.0	8.5
Penn West Energy Trust	PWTFF B	38.53	7.7	5.8	6.7	9.6	9.2
Pengrowth Energy Trust	PGH	24.15	7.2	5.2	6.6	9.9	11.0
	<i>Median</i>		<i>8.6</i>	<i>5.8</i>	<i>6.8</i>	<i>10.9</i>	<i>8.9</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)	Dist. Yield (\$/un)	Dist. Yield (%)
<b>U.S. Royalty Trusts</b>								
San Juan Basin Royalty Trust	SJT	-	98	0.86	0.86	146	3.13	8.1
Cross Timbers Royalty Trust	CRT	81	68	0.97	0.97	23	3.81	8.1
Mesa Royalty Trust	MTR	-	74	0.91	0.91	11	5.77	8.6
Hugoton Royalty Trust (46%)	HGT	-	90	0.71	0.71	98	2.45	8.8
Sabine Royalty Trust	SBR	100	53	1.00	1.00	62	4.23	9.5
Dorchester Minerals, L.P.	DMLP	54	77	0.90	0.90	71	2.51	9.6
Permian Basin RT	PBT	29	35	0.93	0.93	78	1.66	10.4
	<i>Total or Median</i>		<i>74</i>	<i>0.91</i>	<i>0.91</i>	<i>500</i>		<i>8.8</i>
<b>Canadian Income Trusts</b>								
Canadian Oil Sands Trust (US\$)	COSWF	-	(8)	0.48	0.55	745	7.98	5.2
Enerplus Resources Fund	ERF	-	44	0.52	0.61	510	4.47	8.5
Penn West Energy Trust	PWTFF	-	39	0.55	0.63	586	3.55	9.2
Pengrowth Energy Trust	PGH	-	39	0.64	0.76	426	2.66	11.0
	<i>Total or Median</i>		<i>39</i>	<i>0.53</i>	<i>0.62</i>	<i>2,300</i>		<i>8.9</i>
Kinder Morgan Energy Partners	KMP			0.79	1.79			7.0

NTM = Next Twelve Months Ended March 31, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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