

Trading Action

Summary and Recommendation

Buy-recommended **Canadian Oil Sands Trust (COSWF)** appears in the weekly royalty trust tables for the first time after a 5 for 1 split. Buy-recommended **Penn West Energy Trust (PWTFE)** is presented on a pro-forma basis for the pending acquisition of Petrofund (PTF). At the close of trading on May 5, Standard & Poors expects to add Penn West to the S&P/TSX Mid Cap Index. **Hugoton Royalty Trust (HGT)** becomes the second billion dollar market cap among U.S. royalty trusts as we add to the publicly held units the 54% previously owned by buy-recommended **XTO Energy (XTO)**. There continues to be a special opportunity in HGT, we believe. Presuming our analysis is reasonable and we have no reason to think otherwise, HGT ought to be priced at a McDep Ratio near the median of its group. Much, if not all, of the underpricing seems to be related to the high volume of trading as some XTO holders, index funds for example, have no interest in the income stock they receive as a dividend from XTO.

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) 4-May 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>
U.S. Royalty Trusts							
Permian Basin RT	PBT	16.44	46.6	770	15.00	-	1.10
Sabine Royalty Trust	SBR	45.20	14.6	660	42.00	-	1.08
Cross Timbers Royalty Trust	CRT	46.39	6.0	280	45.00	-	1.03
Dorchester Minerals, L.P.	DMLP	26.75	28.2	760	26.00	-	1.03
San Juan Basin Royalty Trust	SJT	B	39.00	46.6	1,820	40.00	0.98
Mesa RoyaltyTrust	MTR		67.00	1.9	130	75.00	0.89
Hugoton RoyaltyTrust	HGT		28.97	40.0	1,160	34.00	0.85
	<i>Total or Median</i>			<i>5,600</i>			<i>1.03</i>
Canadian Income Trusts (US\$)							
Pengrowth Energy Trust	PGH		24.20	161.0	3,900	18.00	0.17
Enerplus Resources Fund	ERF		53.82	114.2	6,150	42.00	0.15
Penn West Energy Trust	PWTFE	B	39.70	229.5	9,110	33.00	0.15
Canadian Oil Sands Trust	COSWF	B	32.05	463.8	14,870	27.20	0.12
	<i>Total or Median</i>			<i>34,000</i>		<i>0.15</i>	<i>1.21</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) 4-May 2006	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	46.39	13.0	11.5	11.8	12.2	8.2
Sabine Royalty Trust	SBR	45.20	9.2	9.9	10.6	10.6	9.4
San Juan Basin Royalty Trust	SJT	B 39.00	13.5	10.9	10.6	12.3	8.1
Mesa RoyaltyTrust	MTR	67.00	18.5	11.7	10.5	11.5	8.7
Dorchester Minerals, L.P.	DMLP	26.75	13.7	10.0	10.3	16.0	8.7
Permian Basin RT	PBT	16.44	7.7	8.3	9.1	9.9	10.1
Hugoton RoyaltyTrust	HGT	28.97	13.6	9.7	8.3	11.7	8.6
	<i>Median</i>		<i>13.5</i>	<i>10.0</i>	<i>10.5</i>	<i>11.7</i>	<i>8.7</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B 32.05	20.0	9.5	11.0	14.7	5.1
Pengrowth Energy Trust	PGH	24.20	7.5	6.0	7.7	13.2	11.2
Enerplus Resources Fund	ERF	53.82	9.4	5.8	7.1	12.7	8.5
Penn West Energy Trust	PWTFF	B 39.70	7.9	5.7	6.7	9.2	9.3
	<i>Median</i>		<i>8.6</i>	<i>5.9</i>	<i>7.4</i>	<i>12.9</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) (%)
U.S. Royalty Trusts							
San Juan Basin Royalty Trust	SJT	-	98	0.86	0.86	148	3.17
Cross Timbers Royalty Trust	CRT	81	68	0.97	0.97	23	3.79
Hugoton RoyaltyTrust	HGT	-	91	0.71	0.71	99	2.48
Dorchester Minerals, L.P.	DMLP	56	74	0.90	0.90	66	2.32
Mesa RoyaltyTrust	MTR	-	74	0.91	0.91	11	5.82
Sabine Royalty Trust	SBR	100	54	1.00	1.00	62	4.25
Permian Basin RT	PBT	29	35	0.93	0.93	78	1.66
	<i>Total or Median</i>		<i>74</i>	<i>0.91</i>	<i>0.91</i>	<i>500</i>	<i>8.7</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	-	(8)	0.50	0.57	754	1.63
Enerplus Resources Fund	ERF	-	44	0.53	0.63	520	4.55
Penn West Energy Trust	PWTFF	-	41	0.54	0.64	846	3.69
Pengrowth Energy Trust	PGH	-	38	0.76	0.91	436	2.71
	<i>Total or Median</i>		<i>40</i>	<i>0.54</i>	<i>0.63</i>	<i>2,600</i>	<i>8.9</i>
Kinder Morgan Energy Partners	KMP			0.79	1.79		7.1

NTM = Next Twelve Months Ended March 31, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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