

Buy Low

Summary and Recommendation

It sure looks to us like the unit price of **Hugoton Royalty Trust (HGT)** has bottomed out at a classic one-third retrenchment from its 52-week high. The units have now been fully distributed to holders of buy-recommended **XTO Energy (XTO)** and the sale of fractional shares apparently is complete. We note that members of the management of XTO are buyers of HGT if we interpret Securities and Exchange Commission filings correctly. In January XTO caught the high of the natural gas market when it sold 2006 production forward. Natural gas stocks appear to be overreacting to short-term commodity price as weekly six-year futures are off just 6% from the all-time high. Moreover natural gas is at the low limit relative to weekly six-year oil futures that are off just 2% from their all-time high. Some of the unusual pressure on HGT unit price may be affecting the unit price of buy-recommended **San Juan Basin Royalty Trust (SJT)** as both are billion dollar, long-life natural gas producers paying high current income that reflects commodity pricing on a two-month lag.

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) 18-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	15.75	46.6	730	15.00	-	1.05
Sabine Royalty Trust	SBR	41.35	14.6	600	42.00	-	0.98
Dorchester Minerals, L.P.	DMLP	24.99	28.2	710	26.00	-	0.96
Cross Timbers Royalty Trust	CRT	42.57	6.0	260	45.00	-	0.94
San Juan Basin Royalty Trust	SJT	B 35.57	46.6	1,660	40.00	-	0.89
Mesa RoyaltyTrust	MTR	65.00	1.9	120	75.00	-	0.87
Hugoton RoyaltyTrust	HGT	26.85	40.0	1,070	34.00	-	0.79
<i>Total or Median</i>				5,200			0.94
Canadian Income Trusts (US\$)							
Pengrowth Energy Trust	PGH	23.22	161.0	3,740	18.00	0.16	1.24
Enerplus Resources Fund	ERF	50.19	123.1	6,180	42.00	0.12	1.17
Penn West Energy Trust	PWTFF	B 36.50	230.4	8,410	33.00	0.15	1.09
Canadian Oil Sands Trust	COSWF	B 29.05	463.7	13,470	27.20	0.12	1.06
<i>Total or Median</i>				31,800		0.13	1.13

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) 18-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	42.57	13.0	12.4	11.7	12.2	8.2
Mesa RoyaltyTrust	MTR	65.00	20.1	12.5	10.8	12.0	8.3
Dorchester Minerals, L.P.	DMLP	24.99	13.7	10.9	10.5	17.0	8.6
San Juan Basin Royalty Trust	SJT	B 35.57	13.6	11.6	10.3	12.1	8.3
Permian Basin RT	PBT	15.75	7.8	9.8	10.3	11.3	8.9
Sabine Royalty Trust	SBR	41.35	9.3	10.1	9.9	9.9	10.1
Hugoton RoyaltyTrust	HGT	26.85	13.6	10.6	8.3	12.2	8.2
	<i>Median</i>		<i>13.6</i>	<i>10.9</i>	<i>10.3</i>	<i>12.1</i>	<i>8.3</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B 29.05	20.0	10.8	11.5	16.2	5.6
Pengrowth Energy Trust	PGH	23.22	7.5	6.8	8.4	15.5	11.6
Enerplus Resources Fund	ERF	50.19	9.3	7.0	8.2	17.0	9.0
Penn West Energy Trust	PWTFF	B 36.50	7.9	6.3	6.9	10.0	10.0
	<i>Median</i>		<i>8.6</i>	<i>6.9</i>	<i>8.3</i>	<i>15.9</i>	<i>9.5</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							
Hugoton RoyaltyTrust	HGT	-	91	0.68	0.68	88	2.19
Cross Timbers Royalty Trust	CRT	81	69	0.96	0.96	21	3.49
San Juan Basin Royalty Trust	SJT	-	98	0.85	0.85	137	2.94
Mesa RoyaltyTrust	MTR	-	74	0.90	0.90	10	5.42
Dorchester Minerals, L.P.	DMLP	56	75	0.90	0.90	61	2.15
Permian Basin RT	PBT	29	36	0.91	0.91	65	1.40
Sabine Royalty Trust	SBR	100	53	1.00	1.00	61	4.17
	<i>Total or Median</i>		<i>74</i>	<i>0.90</i>	<i>0.90</i>	<i>400</i>	<i>8.3</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	-	(8)	0.57	0.64	749	1.62
Enerplus Resources Fund	ERF	-	48	0.67	0.76	557	4.52
Penn West Energy Trust	PWTFF	-	42	0.60	0.70	844	3.66
Pengrowth Energy Trust	PGH	-	39	0.85	1.02	434	2.69
	<i>Total or Median</i>		<i>41</i>	<i>0.63</i>	<i>0.73</i>	<i>2,600</i>	<i>9.5</i>
Kinder Morgan Energy Partners	KMP			0.79	1.79		7.3

NTM = Next Twelve Months Ended March 31, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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