

Momentum Returning

Summary and Recommendation

Among income stocks **Hugoton Royalty Trust (HGT)** and buy-recommended **Canadian Oil Sands Trust (COSWF)** may have the most short-term gain potential on the basis of the lowest ratios to 52-week high, 0.67 and 0.77 respectively and over the next year as well on the basis of lowest McDep Ratios , 0.77 and 0.78 respectively. Both stocks also have greater leverage for the distribution to increase with changing commodity price as measured by the lowest ratios of distribution to equity Ebitda, 0.64 and 0.66 respectively. The flip side of distribution leverage may be a reason why both stocks have declined the most in recent months with seasonal factors affecting oil and natural gas price. Momentum has not turned up yet for oil and natural gas, but 6 year futures are not far below their 40-week averages. Momentum has started to turn up for the stocks with four of eleven having stock price at or above the 200-day average. Momentum is interesting, but not as important to us as the fundamental analyses that give us the confidence to be patient when necessary. Projected next twelve months distribution yield is 7.7% for the median U.S. stock and the indicated annual distribution yield is a median 7.2% for the Canadian stocks.

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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) 19-Oct 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							
	CRT	49.52	6.0	300	46.00	-	1.08
	SBR	46.50	14.6	680	45.00	-	1.03
	PBT	16.28	46.6	760	16.50	-	0.99
	DMLP	26.00	28.2	730	27.00	-	0.96
	SJT	37.68	46.6	1,760	40.00	-	0.94
	MTR	56.00	1.9	100	70.00	-	0.80
	HGT	26.25	40.0	1,050	34.00	-	0.77
	<i>Total or Median</i>			5,400			0.96
Canadian Income Trusts (US\$)							
	ERF	52.51	123.0	6,460	47.00	0.11	1.10
	PGH	19.57	220.2	4,310	20.00	0.22	0.98
	PWE	37.00	246.0	9,100	39.00	0.13	0.96
	COSWF	26.51	466.1	12,360	35.00	0.09	0.78
	<i>Total or Median</i>			32,200		0.12	0.97

B = Buy

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. 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 Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 19-Oct 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
U.S. Royalty Trusts							
Sabine Royalty Trust	SBR	46.50		12.9	13.3	13.3	7.5
Cross Timbers Royalty Trust	CRT	49.52		11.9	12.8	13.0	7.7
San Juan Basin Royalty Trust	SJT	B 37.68		11.8	11.1	13.9	7.2
Dorchester Minerals, L.P.	DMLP	26.00		11.2	10.8	16.9	8.7
Permian Basin RT	PBT	16.28		10.7	10.6	11.8	8.5
Mesa RoyaltyTrust	MTR	56.00		12.0	9.5	11.8	8.5
Hugoton RoyaltyTrust	HGT	26.25		10.7	8.3	13.0	7.7
	<i>Median</i>			11.8	10.8	13.0	7.7
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B 26.51	24.4	12.4	9.7	13.1	7.0
Enerplus Resources Fund	ERF	52.51	9.4	7.7	8.5	18.1	8.4
Penn West Energy Trust	PWE	B 37.00	8.0	8.4	8.0	13.9	9.7
Pengrowth Energy Trust	PGH	19.57	7.4	7.1	7.0	9.5	13.5
	<i>Median</i>		8.7	8.0	8.3	13.5	9.1

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 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 (%)
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	98	0.80	0.80	126	2.70	7.2
Sabine Royalty Trust	SBR	100	58	1.00	1.00	51	3.49	7.5
Cross Timbers Royalty Trust	CRT	81	67	0.98	0.98	23	3.81	7.7
Hugoton RoyaltyTrust	HGT	-	89	0.64	0.64	81	2.02	7.7
Permian Basin RT	PBT	29	35	0.90	0.90	64	1.38	8.5
Mesa RoyaltyTrust	MTR	-	74	0.81	0.81	9	4.74	8.5
Dorchester Minerals, L.P.	DMLP	56	74	0.94	0.94	64	2.27	8.7
	<i>Total or Median</i>		74	0.90	0.90	400		7.7
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(9)	0.60	0.66	860	1.85	7.0
Enerplus Resources Fund	ERF	-	43	0.65	0.73	545	4.43	8.4
Penn West Energy Trust	PWE	-	39	0.67	0.77	882	3.59	9.7
Pengrowth Energy Trust	PGH	-	43	0.73	0.93	581	2.64	13.5
	<i>Total or Median</i>		41	0.66	0.75	2,900		9.1
Kinder Morgan Energy Partners	KMP			0.75	1.70			7.2

NTM = Next Twelve Months Ended September 30, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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