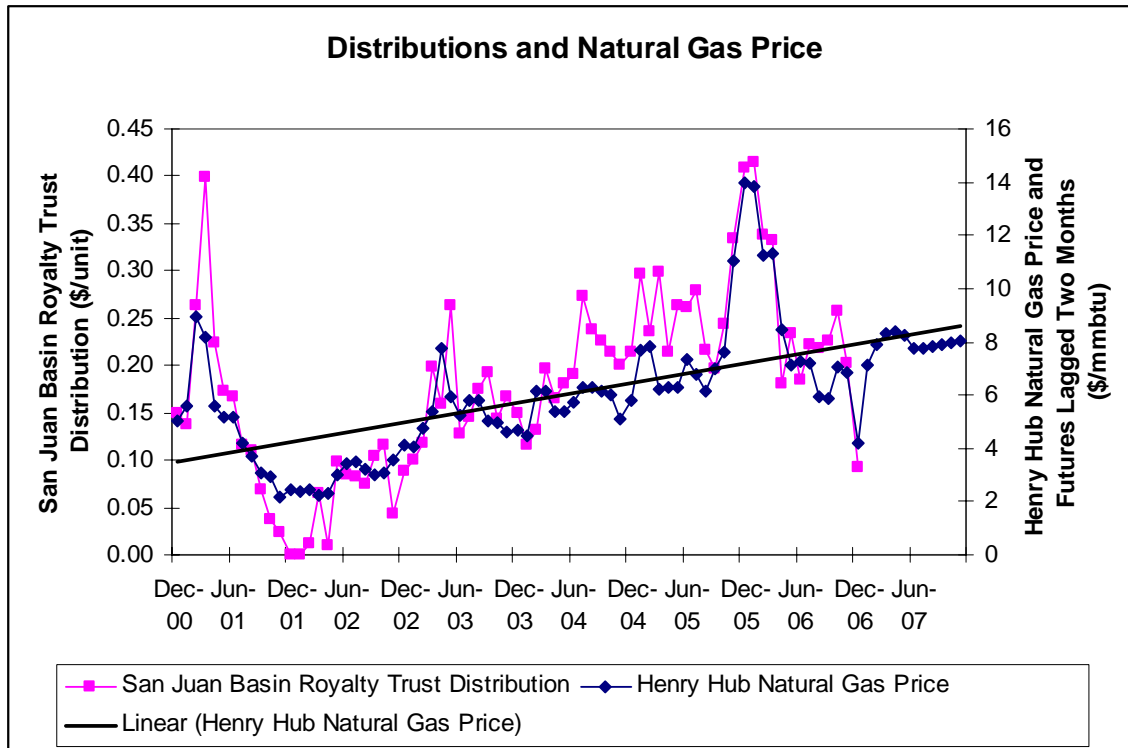


Dip/Rebound and New Shale Potential

Summary and Recommendation

A panic in natural gas markets in October will likely be reflected in a low monthly distribution to be declared in December for buy-recommended **San Juan Basin Royalty Trust (SJT)** (see chart Distributions and Natural Gas Price). Just as the panic lasted only long enough for prime brokers to devour the spoils from a hedge fund kill, the distribution dip two months later is also likely to be short-lived. Yet there is a trend buried in that volatility pointing to higher future natural gas price and higher distributions. Another hidden feature of SJT that we contemplate for the first time may be unexpected future production from the Mancos shale, as in Barnett shale, the giant natural gas field growing around and under Fort Worth, Texas. It is too early to say, but the intriguing question is whether the Mancos shale layer can be the economic equivalent of the Fruitland coal layer that surprised us twenty years ago. The newly appreciated resource added a few more decades to the long-life of the San Juan Basin that has been producing a rich bounty for more than a half century.

Kurt H. Wulff, CFA



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

| | Symbol/ Rating | Price (\$/sh) 16-Nov 2006 | Shares (mm) | Market Cap (\$mm) | Net Present Value (\$/un) | Debt/ Present Value | McDep Ratio | |
|--------------------------------------|------------------------|------------------------------------|----------------|-------------------------|------------------------------------|---------------------------|----------------|------|
| U.S. Royalty Trusts | | | | | | | | |
| Sabine Royalty Trust | SBR | 49.05 | 14.6 | 720 | 45.00 | - | 1.09 | |
| Cross Timbers Royalty Trust | CRT | 47.21 | 6.0 | 280 | 46.00 | - | 1.03 | |
| Permian Basin RT | PBT | 16.24 | 46.6 | 760 | 16.50 | - | 0.98 | |
| San Juan Basin Royalty Trust | SJT | B | 38.08 | 46.6 | 1,780 | 40.00 | - | 0.95 |
| Dorchester Minerals, L.P. | DMLP | 24.17 | 28.2 | 680 | 27.00 | - | 0.90 | |
| Hugoton RoyaltyTrust | HGT | 27.31 | 40.0 | 1,090 | 34.00 | - | 0.80 | |
| Mesa RoyaltyTrust | MTR | 50.74 | 1.9 | 100 | 70.00 | - | 0.73 | |
| | <i>Total or Median</i> | | | 5,400 | | | 0.95 | |
| Canadian Income Trusts (US\$) | | | | | | | | |
| Enerplus Resources Fund | ERF | 40.86 | 123.1 | 5,030 | 47.00 | 0.11 | 0.88 | |
| Pengrowth Energy Trust | PGH | 16.50 | 220.2 | 3,630 | 20.00 | 0.22 | 0.86 | |
| Penn West Energy Trust | PWE | B | 28.54 | 239.0 | 6,820 | 39.00 | 0.13 | 0.77 |
| Canadian Oil Sands Trust | COSWF | B | 24.95 | 467.8 | 11,670 | 35.00 | 0.08 | 0.74 |
| | <i>Total or Median</i> | | | 27,200 | | 0.12 | 0.81 | |

B = Buy

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

Natural Gas and Oil Royalty Trusts Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

| | Symbol/ Rating | Price (\$/sh) 16-Nov 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 | 49.05 | | 12.0 | 13.0 | 13.0 | 7.7 | |
| Cross Timbers Royalty Trust | CRT | 47.21 | | 12.6 | 12.9 | 13.2 | 7.6 | |
| Dorchester Minerals, L.P. | DMLP | 24.17 | | 11.9 | 10.7 | 17.1 | 8.8 | |
| San Juan Basin Royalty Trust | SJT | B | 38.08 | 11.0 | 10.4 | 12.9 | 7.7 | |
| Permian Basin RT | PBT | 16.24 | | 10.8 | 10.6 | 13.2 | 7.6 | |
| Mesa RoyaltyTrust | MTR | 50.74 | | 12.2 | 8.9 | 11.0 | 9.1 | |
| Hugoton RoyaltyTrust | HGT | 27.31 | | 10.3 | 8.3 | 12.8 | 7.8 | |
| | <i>Median</i> | | | 11.9 | 10.6 | 13.0 | 7.7 | |
| Canadian Income Trusts (US\$) | | | | | | | | |
| Canadian Oil Sands Trust | COSWF | B | 24.95 | 24.4 | 13.0 | 9.6 | 12.7 | 7.5 |
| Enerplus Resources Fund | ERF | 40.86 | 9.5 | 7.6 | 6.7 | 14.9 | 10.9 | |
| Pengrowth Energy Trust | PGH | 16.50 | 7.6 | 7.6 | 6.6 | 9.0 | 16.1 | |
| Penn West Energy Trust | PWE | B | 28.54 | 8.2 | 8.4 | 6.4 | 11.1 | 12.6 |
| | <i>Median</i> | | 8.8 | 8.0 | 6.7 | 11.9 | 11.7 | |

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

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**Natural Gas and Oil Royalty Trusts
Rank by NTM Distribution Yield**

| | <i>Symbol</i> | <i>Revenue Royalty (%)</i> | <i>Natural Gas/ Ebitda (%)</i> | <i>Dist/ Ebitda</i> | <i>Dist/ Equity Ebitda</i> | <i>NTM Distribution</i> | | <i>Dist. Yield (%)</i> |
|--------------------------------------|------------------------|------------------------------------|--|-------------------------|------------------------------------|-------------------------|----------------|--------------------------------|
| | | | | | | <i>(\$mm)</i> | <i>(\$/un)</i> | |
| U.S. Royalty Trusts | | | | | | | | |
| Permian Basin RT | PBT | 29 | 36 | 0.80 | 0.80 | 57 | 1.23 | 7.6 |
| Cross Timbers Royalty Trust | CRT | 81 | 70 | 0.98 | 0.98 | 21 | 3.58 | 7.6 |
| Sabine Royalty Trust | SBR | 100 | 56 | 1.00 | 1.00 | 55 | 3.76 | 7.7 |
| San Juan Basin Royalty Trust | SJT | - | 98 | 0.81 | 0.81 | 138 | 2.95 | 7.7 |
| Hugoton RoyaltyTrust | HGT | - | 91 | 0.65 | 0.65 | 86 | 2.14 | 7.8 |
| Dorchester Minerals, L.P. | DMLP | 56 | 74 | 0.94 | 0.94 | 60 | 2.12 | 8.8 |
| Mesa RoyaltyTrust | MTR | - | 76 | 0.81 | 0.81 | 9 | 4.63 | 9.1 |
| | <i>Total or Median</i> | | <i>74</i> | <i>0.81</i> | <i>0.81</i> | <i>400</i> | | <i>7.7</i> |
| Canadian Income Trusts (US\$) | | | | | | | | |
| Canadian Oil Sands Trust | COSWF | - | (9) | 0.63 | 0.69 | 870 | 1.86 | 7.5 |
| Enerplus Resources Fund | ERF | - | 44 | 0.64 | 0.72 | 549 | 4.46 | 10.9 |
| Penn West Energy Trust | PWE | - | 39 | 0.67 | 0.77 | 857 | 3.58 | 12.6 |
| Pengrowth Energy Trust | PGH | - | 42 | 0.79 | 1.01 | 585 | 2.66 | 16.1 |
| | <i>Total or Median</i> | | <i>41</i> | <i>0.66</i> | <i>0.75</i> | <i>2,900</i> | | <i>11.7</i> |
| 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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