

Distribution Anomalies

Summary and Recommendation

Contrarian investors may want to buy a U.S. royalty trust on possible stock price weakness associated with low monthly distributions to be declared around December 18. Profits interest U.S. royalty trusts concentrated on natural gas, **Hugoton Royalty Trust (HGT)**, **Mesa Royalty Trust (MTR)** and buy-recommended **San Juan Basin Royalty Trust (SJT)** are most sensitive to the reverse spike in natural gas price two months ago that influences declarations now. In addition, MTR will be taking the last of three consecutive monthly deductions for a non-recurring legal settlement. Having had the steepest stock price declines in 2006, HGT and MTR may also be attracting some tax loss selling that should be near an end soon setting up the stocks for positive action in 2007. At their lower McDep Ratios we consider HGT and MTR to be close complements to our formal buy recommendation SJT. Latest projections of next twelve months distribution yield are a median 8.5% for U.S. trusts and a median 10.2% for Canadian trusts in our coverage.

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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) 14-Dec 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 | | | | | | | |
| Cross Timbers Royalty Trust | CRT | 52.10 | 6.0 | 310 | 46.00 | - | 1.13 |
| Sabine Royalty Trust | SBR | 44.45 | 14.6 | 650 | 45.00 | - | 0.99 |
| Permian Basin RT | PBT | 16.15 | 46.6 | 750 | 16.50 | - | 0.98 |
| San Juan Basin Royalty Trust | SJT B | 36.74 | 46.6 | 1,710 | 40.00 | - | 0.92 |
| Dorchester Minerals, L.P. | DMLP | 23.15 | 28.2 | 650 | 27.00 | - | 0.86 |
| Hugoton Royalty Trust | HGT | 26.30 | 40.0 | 1,050 | 34.00 | - | 0.77 |
| Mesa Royalty Trust | MTR | 51.20 | 1.9 | 100 | 70.00 | - | 0.73 |
| | <i>Total or Median</i> | | | 5,200 | | | 0.92 |
| Canadian Income Trusts (US\$) | | | | | | | |
| Enerplus Resources Fund | ERF | 46.62 | 123.1 | 5,740 | 47.00 | 0.11 | 0.99 |
| Pengrowth Energy Trust | PGH | 17.45 | 241.0 | 4,210 | 20.00 | 0.27 | 0.91 |
| Penn West Energy Trust | PWE B | 32.22 | 239.0 | 7,700 | 39.00 | 0.13 | 0.85 |
| Canadian Oil Sands Trust | COSWF B | 28.79 | 479.0 | 13,790 | 35.00 | 0.09 | 0.84 |
| | <i>Total or Median</i> | | | 31,400 | | 0.12 | 0.88 |

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) 14-Dec 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 | 52.10 | | 11.7 | 13.3 | 13.6 | 7.4 |
| Sabine Royalty Trust | SBR | 44.45 | | 12.0 | 11.8 | 11.8 | 8.5 |
| Permian Basin RT | PBT | 16.15 | | 10.6 | 10.3 | 11.5 | 8.7 |
| San Juan Basin Royalty Trust | SJT | B 36.74 | | 10.6 | 9.8 | 12.0 | 8.4 |
| Dorchester Minerals, L.P. | DMLP | 23.15 | | 11.4 | 9.8 | 15.3 | 9.6 |
| Mesa RoyaltyTrust | MTR | 51.20 | | 11.7 | 8.5 | 10.5 | 9.5 |
| Hugoton RoyaltyTrust | HGT | 26.30 | | 10.0 | 7.7 | 11.9 | 8.4 |
| | <i>Median</i> | | | <i>11.4</i> | <i>9.8</i> | <i>11.9</i> | <i>8.5</i> |
| Canadian Income Trusts (US\$) | | | | | | | |
| Canadian Oil Sands Trust | COSWF | B 28.79 | 23.0 | 12.9 | 10.8 | 14.9 | 6.4 |
| Enerplus Resources Fund | ERF | 46.62 | 9.5 | 7.4 | 7.4 | 15.9 | 9.4 |
| Penn West Energy Trust | PWE | B 32.22 | 8.1 | 8.2 | 7.0 | 11.8 | 11.0 |
| Pengrowth Energy Trust | PGH | 17.45 | 7.1 | 6.9 | 6.3 | 10.2 | 15.0 |
| | <i>Median</i> | | <i>8.8</i> | <i>7.8</i> | <i>7.2</i> | <i>13.4</i> | <i>10.2</i> |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 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 | | | | | | | |
| Cross Timbers Royalty Trust | CRT | 81 | 69 | 0.98 | 0.98 | 23 | 3.84 |
| San Juan Basin Royalty Trust | SJT | - | 98 | 0.82 | 0.82 | 143 | 3.07 |
| Hugoton RoyaltyTrust | HGT | - | 91 | 0.65 | 0.65 | 89 | 2.22 |
| Sabine Royalty Trust | SBR | 100 | 56 | 1.00 | 1.00 | 55 | 3.76 |
| Permian Basin RT | PBT | 29 | 36 | 0.90 | 0.90 | 65 | 1.40 |
| Mesa RoyaltyTrust | MTR | - | 76 | 0.81 | 0.81 | 9 | 4.86 |
| Dorchester Minerals, L.P. | DMLP | 56 | 74 | 0.94 | 0.94 | 63 | 2.22 |
| | <i>Total or Median</i> | | <i>74</i> | <i>0.90</i> | <i>0.90</i> | <i>400</i> | <i>8.5</i> |
| Canadian Income Trusts (US\$) | | | | | | | |
| Canadian Oil Sands Trust | COSWF | - | (10) | 0.61 | 0.67 | 876 | 1.83 |
| Enerplus Resources Fund | ERF | - | 44 | 0.62 | 0.69 | 540 | 4.39 |
| Penn West Energy Trust | PWE | - | 39 | 0.65 | 0.75 | 848 | 3.55 |
| Pengrowth Energy Trust | PGH | - | 42 | 0.66 | 0.90 | 629 | 2.61 |
| | <i>Total or Median</i> | | <i>41</i> | <i>0.63</i> | <i>0.72</i> | <i>2,900</i> | <i>10.2</i> |
| Kinder Morgan Energy Partners | KMP | | | 0.75 | 1.70 | | 7.2 |

NTM = Next Twelve Months Ended December 31, 2007

Ebitda = Earnings before interest, tax, depreciation and amortization

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