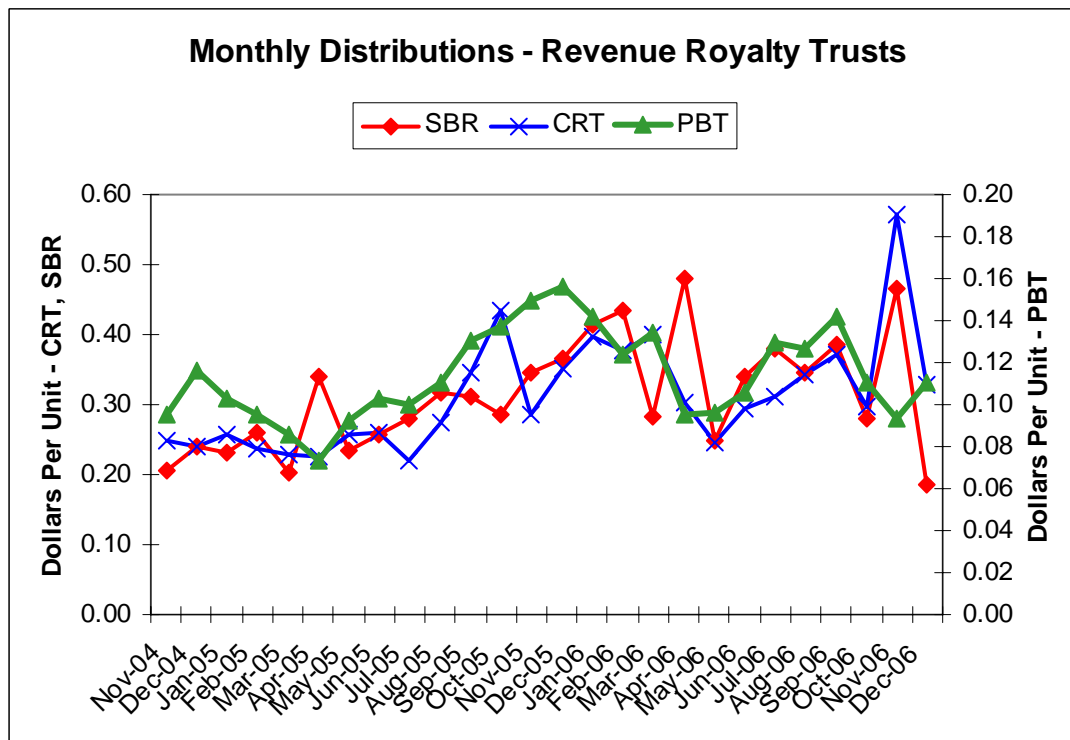


Crazy Trading

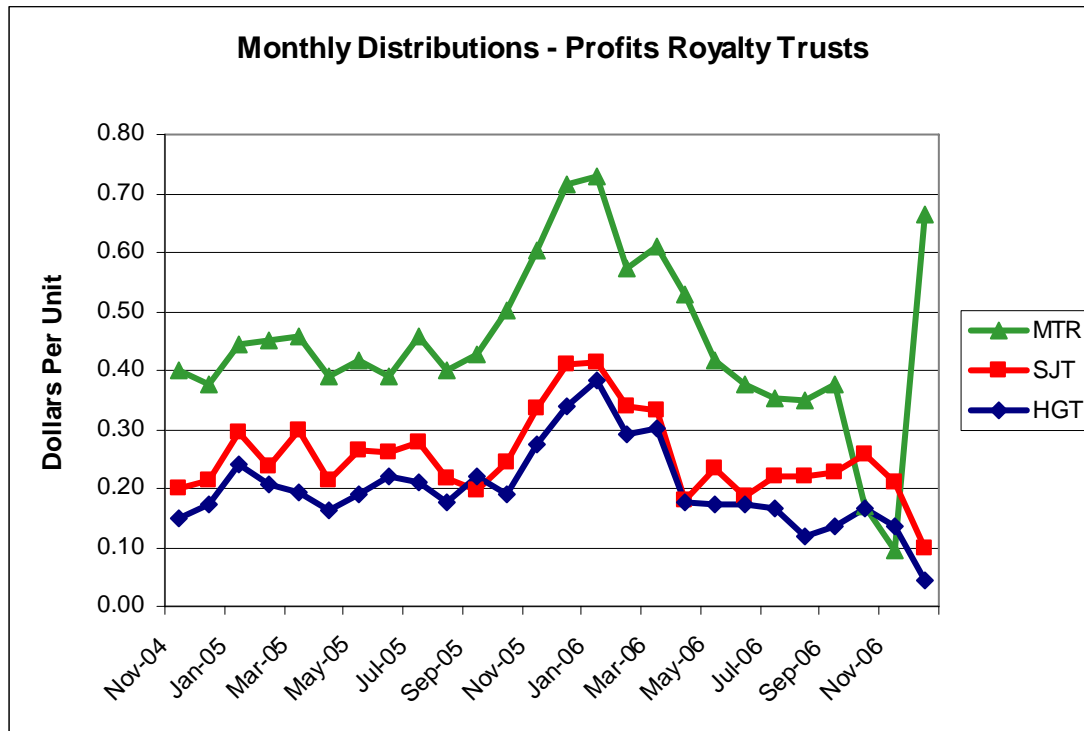
Summary and Recommendation

Considering the crazy trading action around year end, there may be short-term price increase implications for buy-recommended **San Juan Basin Royalty Trust (SJT)** and low McDep Ratio complementary stocks **Hugoton Royalty Trust (HGT)** and **Mesa Royalty Trust (MTR)**. To illustrate the point, when **Sabine Royalty Trust (SBR)** announced a relatively high monthly distribution of \$0.47 a unit in November, SBR stock climbed some 28% to a high near \$55 a unit on December 1. After SBR announced a relatively low monthly distribution of \$0.18 a unit on December 5, the stock dropped sharply to near its current price of about \$43. We think the dynamics behind an overreaction in SBR stock price on the upside may now be working on the downside for SJT and HGT after both those trusts declared temporarily low distributions for December. Temporarily low distributions also seemed to take down stock price a few months ago for MTR while the higher distribution for December has not had much of the opposite effect yet. Latest projections of next twelve months distribution yield are a median 8.5% for U.S. trusts and a median 10.8% for Canadian trusts in our coverage.

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) 28-Dec 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
U.S. Royalty Trusts							
Cross Timbers Royalty Trust	CRT	50.75	6.0	310	46.00	-	1.11
Permian Basin RT	PBT	16.10	46.6	750	16.50	-	0.98
Sabine Royalty Trust	SBR	42.40	14.6	620	45.00	-	0.94
San Juan Basin Royalty Trust	SJT	B 33.33	46.6	1,550	40.00	-	0.83
Dorchester Minerals, L.P.	DMLP	21.92	28.2	620	27.00	-	0.81
Mesa RoyaltyTrust	MTR	51.35	1.9	100	70.00	-	0.74
Hugoton RoyaltyTrust	HGT	24.92	40.0	1,000	34.00	-	0.73
<i>Total or Median</i>				5,000			0.83
Canadian Income Trusts (US\$)							
Enerplus Resources Fund	ERF	43.36	123.1	5,340	47.00	0.11	0.93
Pengrowth Energy Trust	PGH	17.15	241.0	4,130	20.00	0.27	0.90
Canadian Oil Sands Trust	COSWF	B 28.12	479.0	13,470	35.00	0.09	0.82
Penn West Energy Trust	PWE	B 30.63	239.0	7,320	39.00	0.13	0.81
<i>Total or Median</i>				30,300		0.12	0.86

B = Buy

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.

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 28-Dec 2006</i>	<i>Adjstd Resrvs/ Prod NTM</i>	<i>PV/ Ebitda NTM</i>	<i>EV/ Ebitda NTM</i>	<i>P/E NTM</i>	<i>Divd or Distrib NTM (%)</i>
U.S. Royalty Trusts							
Cross Timbers Royalty Trust	CRT	50.75		12.8	14.2	14.5	6.9
Sabine Royalty Trust	SBR	42.40		12.5	11.8	11.8	8.5
Permian Basin RT	PBT	16.10		10.8	10.5	11.8	8.5
Dorchester Minerals, L.P.	DMLP	21.92		12.0	9.8	15.7	9.7
San Juan Basin Royalty Trust	SJT	B 33.33		11.0	9.2	11.3	8.8
Mesa RoyaltyTrust	MTR	51.35		12.3	9.0	11.2	8.9
Hugoton RoyaltyTrust	HGT	24.92		10.8	7.9	12.7	7.8
	<i>Median</i>			<i>12.0</i>	<i>9.8</i>	<i>11.8</i>	<i>8.5</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B 28.12	23.0	12.6	10.4	14.2	6.5
Enerplus Resources Fund	ERF	43.36	9.5	7.7	7.2	15.9	10.0
Penn West Energy Trust	PWE	B 30.63	8.1	8.5	6.9	12.0	11.5
Pengrowth Energy Trust	PGH	17.15	7.1	7.1	6.3	10.6	15.1
	<i>Median</i>		<i>8.8</i>	<i>8.1</i>	<i>7.1</i>	<i>13.1</i>	<i>10.8</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

	<i>Symbol</i>	<i>Revenue Royalty (%)</i>	<i>Natural Gas/ Ebitda (%)</i>	<i>Dist/ Ebitda</i>	<i>Dist/ Equity Ebitda</i>	<i>NTM Distribution (\$mm)</i>	<i>Dist. Yield (\$/un) (%)</i>
U.S. Royalty Trusts							
Cross Timbers Royalty Trust	CRT	81	68	0.98	0.98	21	3.51
Hugoton RoyaltyTrust	HGT	-	90	0.62	0.62	78	1.96
Permian Basin RT	PBT	29	35	0.90	0.90	64	1.37
Sabine Royalty Trust	SBR	100	54	1.00	1.00	53	3.61
San Juan Basin Royalty Trust	SJT	-	98	0.81	0.81	137	2.95
Mesa RoyaltyTrust	MTR	-	75	0.80	0.80	9	4.58
Dorchester Minerals, L.P.	DMLP	56	73	0.94	0.94	60	2.12
	<i>Total or Median</i>		<i>73</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)	0.60	0.66	869	1.81
Enerplus Resources Fund	ERF	-	42	0.64	0.72	536	4.35
Penn West Energy Trust	PWE	-	37	0.67	0.77	842	3.52
Pengrowth Energy Trust	PGH	-	40	0.67	0.92	625	2.59
	<i>Total or Median</i>		<i>39</i>	<i>0.65</i>	<i>0.74</i>	<i>2,900</i>	<i>10.8</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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