

## The Winter That Wasn't

### Summary and Recommendation

Lack of real winter weather so far has contributed to portfolio losses for energy income investors in the first two days of 2007. While the weather is often a surprise, oil and gas commodity prices have already been in a downtrend indicating a need for patience in the performance of long-term investments. As always, the other side is lower prices for new investments in sound stocks. We do expect cold weather to arrive at some point this winter and we believe that natural gas and refined oil products remain valuable clean fuels for economic growth. As a result, we step up to make **Hugoton Royalty Trust (HGT)** an official buy recommendation (see separate analysis, [HGT](#)). We hope the timing will prove to be positive, but we can give no such assurance. Meanwhile, latest projections of next twelve months distribution yield are a median 8.1% for U.S. trusts and a median 11.6% 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) 4-Jan 2007</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>	
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	45.25	6.0	270	46.00	-	0.99	
Permian Basin RT	PBT	15.44	46.6	720	16.50	-	0.94	
Sabine Royalty Trust	SBR	40.20	14.6	590	45.00	-	0.89	
Dorchester Minerals, L.P.	DMLP	21.65	28.2	610	27.00	-	0.80	
San Juan Basin Royalty Trust	SJT	B	30.04	46.6	1,400	40.00	-	0.75
Mesa RoyaltyTrust	MTR	52.00	1.9	100	70.00	-	0.74	
Hugoton RoyaltyTrust	HGT	B	23.28	40.0	930	34.00	-	0.68
<i>Total or Median</i>					4,600		0.80	
<b>Canadian Income Trusts (US\$)</b>								
Enerplus Resources Fund	ERF	40.39	123.1	4,970	47.00	0.11	0.87	
Pengrowth Energy Trust	PGH	16.15	241.0	3,890	20.00	0.26	0.86	
Penn West Energy Trust	PWE	B	27.99	239.0	6,690	39.00	0.13	0.75
Canadian Oil Sands Trust	COSWF	B	24.52	479.0	11,740	35.00	0.09	0.73
<i>Total or Median</i>					27,300	0.12	0.81	

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](http://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) 4-Jan 2007	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	45.25		14.0	13.8	14.1	7.1	
Sabine Royalty Trust	SBR	40.20		13.5	12.1	12.1	8.3	
Permian Basin RT	PBT	15.44		11.8	11.1	12.5	8.0	
Dorchester Minerals, L.P.	DMLP	21.65		13.1	10.5	17.7	9.2	
Mesa RoyaltyTrust	MTR	52.00		13.2	9.8	12.4	8.1	
San Juan Basin Royalty Trust	SJT	B	30.04	11.8	8.8	11.1	9.0	
Hugoton RoyaltyTrust	HGT	B	23.28	12.1	8.3	14.6	6.8	
	<i>Median</i>			<i>13.1</i>	<i>10.5</i>	<i>12.5</i>	<i>8.1</i>	
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	B	24.52	23.0	14.8	10.7	15.8	7.3
Enerplus Resources Fund	ERF		40.39	9.5	8.7	7.6	19.3	10.7
Penn West Energy Trust	PWE	B	27.99	8.1	9.6	7.2	14.1	12.5
Pengrowth Energy Trust	PGH		16.15	7.1	7.8	6.7	12.1	15.9
	<i>Median</i>			<i>8.8</i>	<i>9.1</i>	<i>7.4</i>	<i>15.0</i>	<i>11.6</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) (%)	
<b>U.S. Royalty Trusts</b>								
Hugoton RoyaltyTrust	HGT	-	90	0.57	0.57	64	1.59	6.8
Cross Timbers Royalty Trust	CRT	81	69	0.98	0.98	19	3.21	7.1
Permian Basin RT	PBT	29	35	0.89	0.89	58	1.23	8.0
Mesa RoyaltyTrust	MTR	-	75	0.79	0.79	8	4.20	8.1
Sabine Royalty Trust	SBR	100	54	1.00	1.00	48	3.32	8.3
San Juan Basin Royalty Trust	SJT	-	98	0.80	0.80	126	2.71	9.0
Dorchester Minerals, L.P.	DMLP	56	74	0.97	0.97	56	2.00	9.2
	<i>Total or Median</i>		<i>74</i>	<i>0.89</i>	<i>0.89</i>	<i>400</i>		<i>8.1</i>
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	-	(11)	0.69	0.76	863	1.80	7.3
Enerplus Resources Fund	ERF	-	43	0.71	0.80	532	4.32	10.7
Penn West Energy Trust	PWE	-	38	0.75	0.86	836	3.50	12.5
Pengrowth Energy Trust	PGH	-	41	0.74	1.00	620	2.57	15.9
	<i>Total or Median</i>		<i>40</i>	<i>0.72</i>	<i>0.83</i>	<i>2,900</i>		<i>11.6</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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