

Sincere Flattery

Summary and Recommendation

The income stock model attracts imitation from the three largest U.S. oil and gas companies judging from annual presentations to analysts just concluded. The mega cap buy recommendations each promise to pay practically all of cash flow to shareholders in cash dividends or stock repurchase after reinvesting 40-60% to continue modest volume growth. **ExxonMobil (XOM)** is implementing the strategy most closely today with expected annual dividend and stock repurchase exceeding 7% of stock price. **Chevron (CVX)** and **ConocoPhillips (COP)** are likely to be there in 2008. Meanwhile our top income recommendations, **Canadian Oil Sands Trust (COSWF)** and **San Juan Basin Royalty Trust (SJT)** offer pure representation in the best oil resource of XOM and the best natural gas resource of COP respectively as we see it. New commitments to COSWF and SJT seem timely at about 0.7 times 52-week high stock price while six-year price of the underlying oil and gas may be within months of confirming a reversal to positive momentum compared to the 40-week average.

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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) 15-Mar 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>
U.S. Royalty Trusts							
Sabine Royalty Trust	SBR	40.05	14.6	580	45.00	-	0.89
Cross Timbers Royalty Trust	CRT	40.80	6.0	250	46.00	-	0.89
Permian Basin RT	PBT	13.86	46.6	650	16.50	-	0.84
Mesa RoyaltyTrust	MTR	54.30	1.9	100	70.00	-	0.77
Dorchester Minerals, L.P.	DMLP	20.89	28.2	590	27.00	-	0.77
San Juan Basin Royalty Trust	SJT	B 30.52	46.6	1,420	40.00	-	0.76
Hugoton RoyaltyTrust	HGT	B 24.29	40.0	970	34.00	-	0.71
	<i>Total or Median</i>			<i>4,600</i>			<i>0.77</i>
Canadian Income Trusts (US\$)							
Pengrowth Energy Trust	PGH	16.14	241.0	3,890	17.00	0.25	0.96
Enerplus Resources Fund	ERF	40.25	123.0	4,950	47.00	0.11	0.87
Penn West Energy Trust	PWE	B 27.83	239.5	6,670	36.00	0.14	0.81
Canadian Oil Sands Trust	COSWF	B 22.35	479.0	10,710	35.00	0.08	0.67
	<i>Total or Median</i>			<i>26,200</i>		<i>0.13</i>	<i>0.84</i>

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) 15-Mar 2007	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	40.80		12.2	10.8	11.0	9.1	
Sabine Royalty Trust	SBR	40.05		11.9	10.6	10.6	9.4	
Mesa RoyaltyTrust	MTR	54.30		11.4	8.8	10.8	9.3	
Permian Basin RT	PBT	13.86		10.4	8.7	9.7	10.3	
Dorchester Minerals, L.P.	DMLP	20.89		11.0	8.5	13.1	10.8	
San Juan Basin Royalty Trust	SJT	B	30.52	10.5	8.0	9.5	10.5	
Hugoton RoyaltyTrust	HGT	B	24.29	10.7	7.7	10.8	9.3	
	<i>Median</i>			11.0	8.7	10.8	9.4	
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	22.35	22.0	11.8	7.8	10.4	8.0
Pengrowth Energy Trust	PGH		16.14	7.4	7.6	7.4	24.5	15.7
Enerplus Resources Fund	ERF		40.25	9.0	7.2	6.3	11.4	10.6
Penn West Energy Trust	PWE	B	27.83	7.5	7.7	6.2	12.5	12.4
	<i>Median</i>			8.2	7.7	6.8	11.9	11.5

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2008; 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								
Cross Timbers Royalty Trust	CRT	81	70	0.98	0.98	22	3.71	9.1
Hugoton RoyaltyTrust	HGT	-	90	0.71	0.71	90	2.25	9.3
Mesa RoyaltyTrust	MTR	-	76	0.82	0.82	9	5.04	9.3
Sabine Royalty Trust	SBR	100	56	1.00	1.00	55	3.78	9.4
Permian Basin RT	PBT	29	36	0.90	0.90	67	1.43	10.3
San Juan Basin Royalty Trust	SJT	-	98	0.84	0.84	149	3.20	10.5
Dorchester Minerals, L.P.	DMLP	56	75	0.92	0.92	64	2.25	10.8
	<i>Total or Median</i>		75	0.90	0.90	500		9.4
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(10)	0.55	0.60	852	1.78	8.0
Enerplus Resources Fund	ERF	-	49	0.58	0.65	525	4.27	10.6
Penn West Energy Trust	PWE	-	41	0.63	0.74	828	3.46	12.4
Pengrowth Energy Trust	PGH	-	46	0.86	1.14	613	2.54	15.7
	<i>Total or Median</i>		43	0.61	0.70	2,800		11.5
Kinder Morgan Energy Partners	KMP			0.80	1.73			6.4

NTM = Next Twelve Months Ended March 31, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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