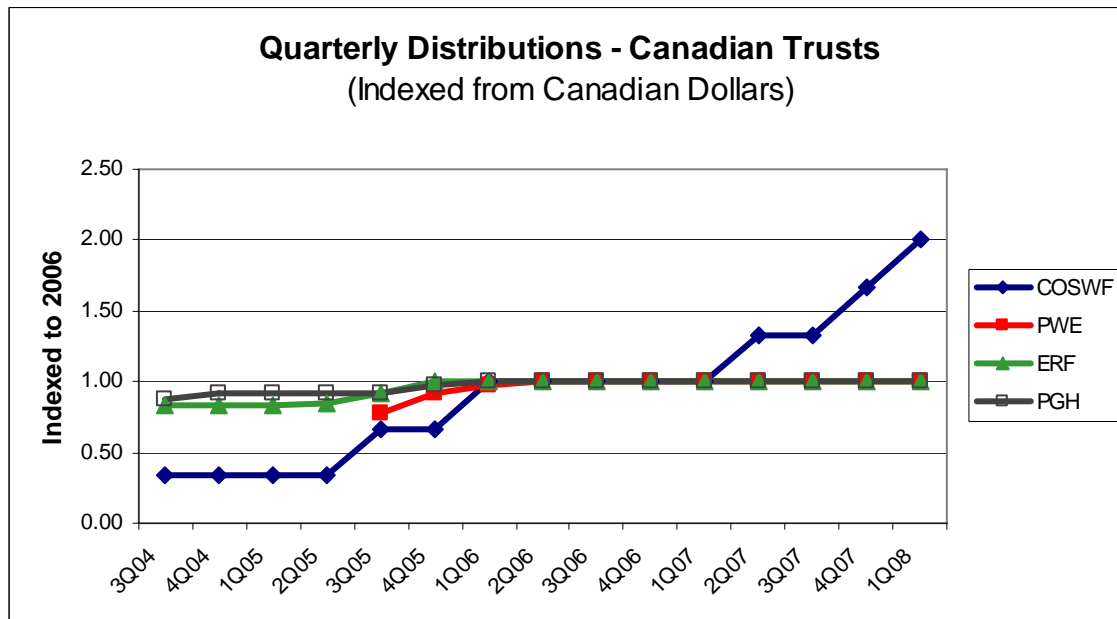


Distribution Decisions

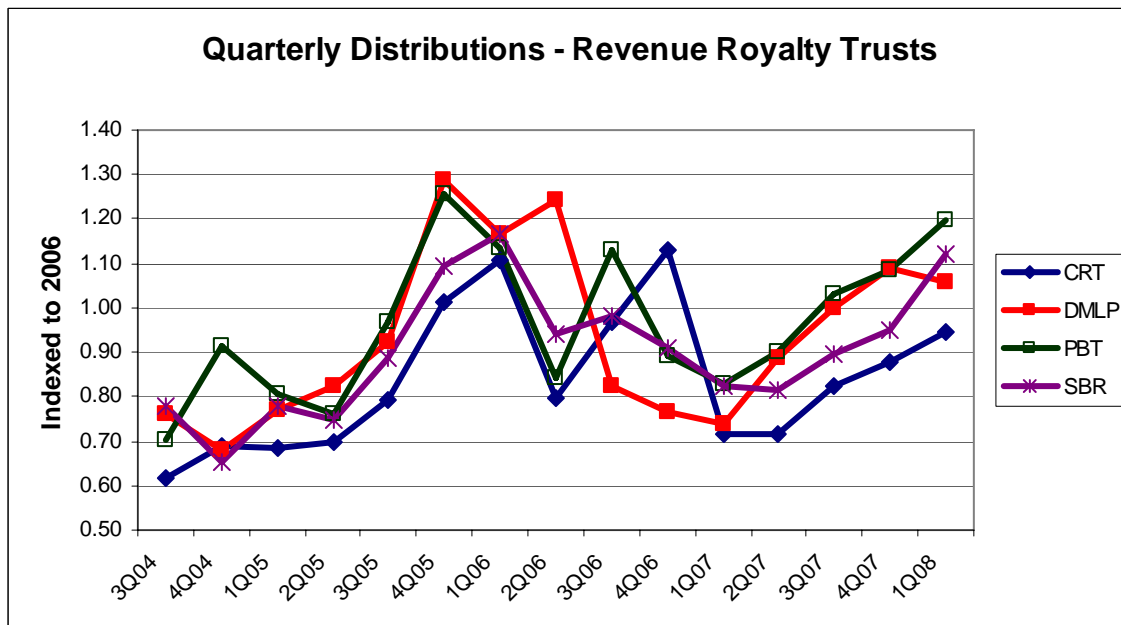
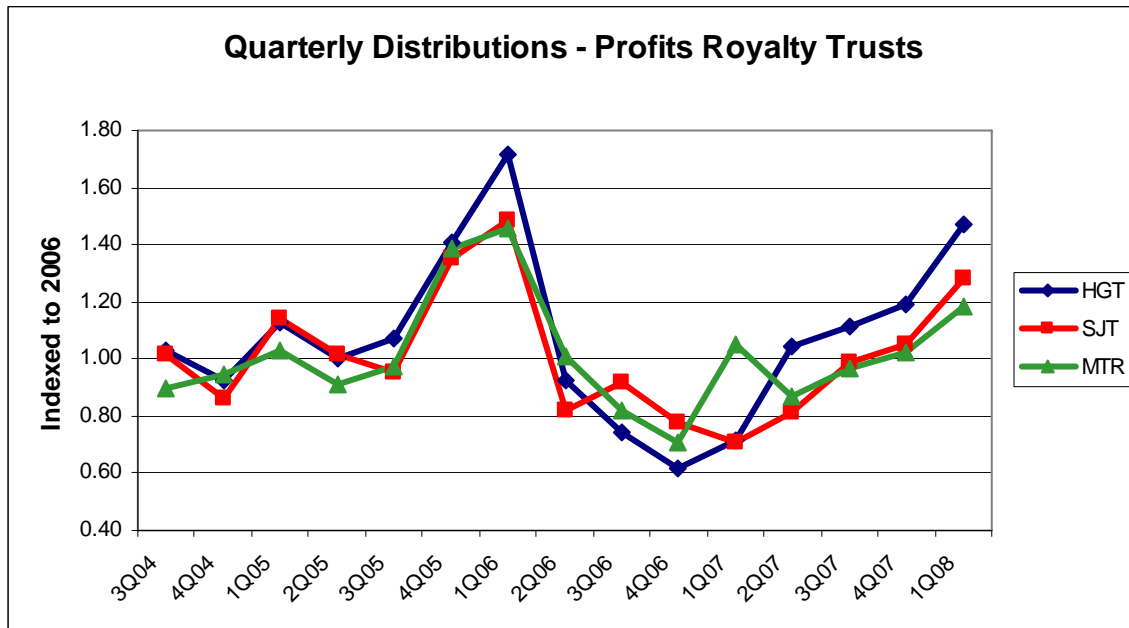
Summary and Recommendation

Along with a renewed up trend in oil and natural gas price, distributions of income stocks may also be rising with a varying time lag. Buy-recommended **Canadian Oil Sands Trust (COSWF)** leads this week with a 33% increase in quarterly distribution (see chart Canadian Trusts). Sharply rising unlevered cash flow (Ebitda) driven by volume as well as price points to further distribution increases for COSWF. The higher distribution rate of buy-recommended **Penn West Energy Trust (PWE)** can continue to be maintained as indicated by a low 0.71 ratio of Distribution to Equity Ebitda (see table page 4). Distributions of Profits Royalty Trusts including buy recommendations **San Juan Basin Royalty Trust (SJT)** and **Hugoton Royalty Trust (HGT)** are more sensitive to commodity price change than are distributions of Revenue Royalty Trusts (see charts page two). That “operating leverage” combined with a two months lag from real time suggests possibly sharp distribution gains ahead for SJT and HGT. Revenue Royalty Trusts include **Dorchester Minerals (DMLP)** that is managed like a royalty trust to avoid unrelated business taxable income though it is technically a limited partnership. DMLP may have more than normal income potential with its exposure to Fayetteville shale drilling in Arkansas.

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) 26-Apr 2007	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio	
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	43.36	6.0	260	46.00	-	0.94	
Sabine Royalty Trust	SBR	42.17	14.6	620	45.00	-	0.94	
Mesa RoyaltyTrust	MTR	59.88	1.9	110	70.00	-	0.86	
Permian Basin RT	PBT	14.11	46.6	660	16.50	-	0.86	
Dorchester Minerals, L.P.	DMLP	22.45	28.2	630	27.00	-	0.83	
San Juan Basin Royalty Trust	SJT	B	31.78	46.6	1,480	40.00	-	0.79
Hugoton RoyaltyTrust	HGT	B	26.25	40.0	1,050	34.00	-	0.77
<i>Total or Median</i>				4,800			0.86	
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH	17.64	241.0	4,250	17.00	0.26	1.03	
Enerplus Resources Fund	ERF	42.98	123.0	5,290	47.00	0.11	0.92	
Penn West Energy Trust	PWE	B	30.00	239.5	7,190	36.00	0.15	0.86
Canadian Oil Sands Trust	COSWF	B	26.88	479.0	12,880	35.00	0.08	0.79
<i>Total or Median</i>				29,600		0.13	0.89	

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) 26-Apr 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	43.36	12.3	12.6	11.9	12.2	8.2	
Sabine Royalty Trust	SBR	42.17	9.7	11.6	10.9	10.8	9.2	
Mesa RoyaltyTrust	MTR	59.88	24.4	11.7	10.0	11.3	8.8	
Dorchester Minerals, L.P.	DMLP	22.45	8.5	10.5	8.8	13.8	11.2	
San Juan Basin Royalty Trust	SJT	B	31.78	9.9	10.9	8.7	10.5	9.5
Permian Basin RT	PBT	14.11	8.1	9.4	8.0	9.5	10.5	
Hugoton RoyaltyTrust	HGT	B	26.25	13.2	9.5	7.3	9.6	10.4
<i>Median</i>			9.9	10.9	8.8	10.8	9.5	
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	26.88	22.7	11.5	9.1	12.0	6.3
Pengrowth Energy Trust	PGH	17.64	7.4	7.5	7.7	27.0	15.2	
Enerplus Resources Fund	ERF	42.98	9.0	7.0	6.4	11.8	10.4	
Penn West Energy Trust	PWE	B	30.00	7.5	7.1	6.1	11.6	12.0
<i>Median</i>			8.2	7.3	7.1	11.9	11.2	

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

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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 (\$mm)</i>	<i>NTM Distribution (\$/un)</i>	<i>Dist. Yield (%)</i>	
U.S. Royalty Trusts									
	Cross Timbers Royalty Trust	CRT	84	70	0.98	0.98	21	3.57	8.2
	Mesa RoyaltyTrust	MTR	-	75	0.88	0.88	10	5.29	8.8
	Sabine Royalty Trust	SBR	100	59	1.00	1.00	57	3.89	9.2
	San Juan Basin Royalty Trust	SJT	-	99	0.82	0.82	140	3.01	9.5
	Hugoton RoyaltyTrust	HGT	-	90	0.76	0.76	110	2.74	10.4
	Permian Basin RT	PBT	35	41	0.85	0.85	69	1.48	10.5
	Dorchester Minerals, L.P.	DMLP	64	76	0.98	0.98	71	2.52	11.2
	<i>Total or Median</i>			75	0.88	0.88	500		9.5
Canadian Income Trusts (US\$)									
	Canadian Oil Sands Trust	COSWF	-	(10)	0.51	0.56	812	1.69	6.3
	Enerplus Resources Fund	ERF	-	49	0.58	0.66	548	4.45	10.4
	Penn West Energy Trust	PWE	-	41	0.60	0.71	863	3.60	12.0
	Pengrowth Energy Trust	PGH	-	46	0.87	1.18	645	2.68	15.2
	<i>Total or Median</i>			43	0.59	0.68	2,900		11.2
	Kinder Morgan Energy Partners	KMP			0.80	1.75			5.9

NTM = Next Twelve Months Ended March 31, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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