

Honest Ed Stelmach

Summary and Recommendation

The premier of Alberta, Mr. Ed Stelmach, seems a bright light among political leaders in contrast to Canadian Finance Minister Jim Flaherty whose tax increase beginning in 2011 became law last week. Meanwhile, a public examination of the taxation of oil and gas underway in Alberta is expected to affirm the fairness of the current royalty system for oil sands. At the same time, commodity price continues to increase partly to offset adverse fiscal actions. Moreover, a lot can happen before the trust tax would bite in a few years after 2011 when remaining tax shelter is used up. Mr. Stelmach, looking sincere when we shook his hand, promises a positive political environment in Alberta including an ambitious infrastructure investment program. The main complaint we heard from Albertans was that the two-lane road to oil sands center Fort MacMurray had become a death trap with heavy traffic. Finally, amid the rapidly moving news developments of a dynamic industry our weekly statistical update indicates projected distributions for the next year of a median 10.8% for Canadian income trusts and 9.3% for U.S. royalty trusts.

Kurt H. Wulff, CFA

Natural Gas and Oil Royalty Trusts Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 28-Jun 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	41.51	14.6	610	45.00	-	0.92
Cross Timbers Royalty Trust	CRT	42.30	6.0	250	46.00	-	0.92
Mesa RoyaltyTrust	MTR	58.79	1.9	110	70.00	-	0.84
Dorchester Minerals, L.P.	DMLP	21.86	28.2	620	27.00	-	0.81
San Juan Basin Royalty Trust	SJT	B 31.79	46.6	1,480	40.00	-	0.79
Permian Basin RT	PBT	13.02	46.6	610	16.50	-	0.79
Hugoton RoyaltyTrust	HGT	B 24.76	40.0	990	34.00	-	0.73
<i>Total or Median</i>				4,700			0.81
Canadian Income Trusts (US\$)							
Pengrowth Energy Trust	PGH	19.00	244.0	4,640	17.00	0.29	1.08
Penn West Energy Trust	PWE	B 33.15	239.7	7,950	36.00	0.17	0.93
Enerplus Resources Fund	ERF	46.77	123.4	5,770	52.00	0.13	0.91
Canadian Oil Sands Trust	COSWF	B 30.10	479.0	14,420	39.00	0.08	0.79
<i>Total or Median</i>				32,800		0.15	0.92

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.

	Symbol/ Rating	Price (\$/sh) 28-Jun 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	42.30	12.3	12.3	11.3	11.6	8.6	
Sabine Royalty Trust	SBR	41.51	10.2	11.8	10.8	10.8	9.2	
Dorchester Minerals, L.P.	DMLP	21.86	9.1	12.8	10.3	17.0	9.7	
Mesa RoyaltyTrust	MTR	58.79	23.7	11.4	9.7	11.0	9.1	
San Juan Basin Royalty Trust	SJT	B	31.79	10.2	11.0	8.7	10.7	9.3
Permian Basin RT	PBT		13.02	8.7	10.1	8.0	9.6	10.4
Hugoton RoyaltyTrust	HGT	B	24.76	14.0	10.1	7.3	10.3	9.7
	<i>Median</i>			<i>10.2</i>	<i>11.4</i>	<i>9.7</i>	<i>10.8</i>	<i>9.3</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	30.10	21.1	11.2	8.8	11.6	6.5
Pengrowth Energy Trust	PGH		19.00	7.5	7.2	7.8	23.8	14.7
Enerplus Resources Fund	ERF		46.77	9.0	7.5	6.8	12.3	10.1
Penn West Energy Trust	PWE	B	33.15	7.6	7.2	6.7	13.3	11.5
	<i>Median</i>			<i>8.3</i>	<i>7.3</i>	<i>7.3</i>	<i>12.8</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 June 30, 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. (\$/un)	Dist. Yield (%)
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	84	70	0.97	0.97	22	3.65	8.6
Mesa RoyaltyTrust	MTR	-	74	0.88	0.88	10	5.35	9.1
Sabine Royalty Trust	SBR	100	56	1.00	1.00	56	3.83	9.2
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	138	2.97	9.3
Dorchester Minerals, L.P.	DMLP	64	74	1.00	1.00	60	2.11	9.7
Hugoton RoyaltyTrust	HGT	-	91	0.71	0.71	96	2.40	9.7
Permian Basin RT	PBT	35	39	0.83	0.83	63	1.35	10.4
	<i>Total or Median</i>		<i>74</i>	<i>0.88</i>	<i>0.88</i>	<i>400</i>		<i>9.3</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(10)	0.52	0.56	939	1.96	6.5
Enerplus Resources Fund	ERF	-	48	0.59	0.68	581	4.71	10.1
Penn West Energy Trust	PWE	-	41	0.63	0.76	913	3.81	11.5
Pengrowth Energy Trust	PGH	-	46	0.84	1.18	683	2.80	14.7
	<i>Total or Median</i>		<i>44</i>	<i>0.61</i>	<i>0.72</i>	<i>3,100</i>		<i>10.8</i>
Kinder Morgan Energy Partners	KMP			0.80	1.75			6.0

NTM = Next Twelve Months Ended June 30, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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