

EASTERN AMERICAN NATURAL GAS TRUST
Form SC 14D9/A
January 09, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

SCHEDULE 14D-9

**Solicitation/Recommendation Statement under Section 14(d)(4)
of the Securities Exchange Act of 1934**

(Amendment No. 1)

Eastern American Natural Gas Trust
(Name of Subject Company)

Eastern American Natural Gas Trust
(Names of Persons Filing Statement)

Units of Beneficial Interest
(Title of Class of Securities)

276217106
(CUSIP Number of Class of Securities)

JPMorgan Chase Bank, N.A., Trustee
Institutional Trust Services
700 Lavaca
Austin, Texas 78701
Attention Mike Ulrich
(800) 852-1422

(Name, address, and telephone numbers of person authorized to receive
notices and communications on behalf of the persons filing statement)

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Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Item 1. Subject Company Information.

(a) The name of the subject company is Eastern American Natural Gas Trust (the "Trust"). The address of the principal executive offices of the Trust is JPMorgan Chase Bank, N.A., Trustee (the "Trustee"), Institutional Trust Services, 700 Lavaca, Austin, Texas 78701, and the telephone number is (800) 852-1422.

(b) The title of the subject class of equity securities is Units of Beneficial Interest ("Units"), of which 5,900,000 Units were outstanding at September 30, 2005. At September 30, 2005, holders of 19,900 units had withdrawn their interest in the related Treasury Bonds (as defined below).

Item 2. Identity and Background of Filing Person.

(a) The name, business address and business telephone number of each filing person are Eastern American Natural Gas Trust, c/o JPMorgan Chase Bank, N.A., Trustee, Institutional Trust Services, 700 Lavaca, Austin, Texas 78701, (800) 852-1422. The filing person is the subject company. The Trustee administers the Trust.

(d) The exchange offer (the "Ensource Offer") is being made by Ensource Energy Income Fund L.P. ("Ensource"), the address of which is 7500 San Felipe, Suite No. 440, Houston, Texas 77063. The class of securities to which the offer relates is Units of Beneficial Interest of Eastern American Natural Gas Trust.

Item 3. Past Contacts, Transactions, Negotiations and Agreements.

To the knowledge of the Trust, there are no agreements, arrangements or understandings and there are no actual or potential conflicts of interest between the Trust or its affiliates and (1) the Trust, its executive officers, directors or affiliates, or (2) Ensource, its executive officers, directors or affiliates, except that the Trust has been advised that Scott W. Smith, one of the members of Ensource and one of its managers and senior executive officers and one of the members of the board of directors of the General Partner, owns a total of 50 Trust depositary units. The Trust has no executive officers, directors or persons performing similar functions.

Item 4. The Solicitation or Recommendation.

(a) Recommendation. The Trust is advising Trust Unitholders to reject the Ensource Offer.

(b) Reasons. Following are the reasons for the Trust's recommendation. Page references are to the Prospectus of Ensource Energy Income Fund LP dated November 21, 2005 (the "Ensource Prospectus"). Unless the context requires otherwise, capitalized terms used but not defined herein have the meanings given them in the Ensource Prospectus.

1.

Opinion of Independent Financial Advisor. In connection with the Ensource Offer, the Trust engaged Houlihan Lokey Howard & Zukin Financial

Advisors, Inc. (the "Financial Advisor"), to assist the Trust with an independent analysis of the fairness, from a financial point of view, of the Ensource Offer to the Trust Unitholders. On November 29, 2005, the Financial Advisor delivered its written opinion dated November 29, 2005 (the "Opinion") that, as of the date of the Opinion and based upon and subject to the considerations, factors and limitations set forth therein, the terms of the Ensource Offer, taken as a whole, are not fair, from a financial point of view, to the Trust Unitholders. The full text of the Opinion, setting forth the scope of the review undertaken by the Financial Advisor in arriving at the Opinion, is attached hereto as Annex A and is incorporated herein by reference. Trust Unitholders are urged to, and should, read the Opinion carefully and in its entirety. The Opinion was addressed to the Trustee and was provided to the Trustee for its information and assistance in connection with its review of the Ensource Offer. The Opinion addresses only the fairness from a financial point of view of the consideration offered to the Trust Unitholders in the Ensource Offer, and does not constitute a recommendation to any Trust Unitholder as to whether to tender or not tender Trust Units in the Ensource Offer.

2.

Opinion of Eastern American Energy Corporation. In connection with the Ensource Offer, Eastern American Energy Corporation, which created the Trust in 1993, and which remains the working interest owner of the properties in which the Trust holds net profits interests ("Eastern American"), reviewed the Ensource Offer. Eastern American has advised the Trustee that, in its opinion, it would be in the best interests of the Trust Unitholders to reject the Ensource Offer. Eastern American has delivered a letter to the Trustee dated July 29, 2005 describing the reasons Eastern American believes it would be in the best interests of the Trust Unitholders to reject the Ensource Offer. A copy of the letter from Eastern American to the Trustee is attached as Annex B. Eastern American has subsequently advised the Trustee that it has reviewed the changes to the Ensource Offer made by Ensource subsequent to July 29, 2005, as described in the Ensource Prospectus, and that Eastern American's opinion that it would be in the best interests of the Trust Unitholders to reject the Ensource Offer has not changed.

The Trustee considers Eastern American's opinion regarding the advisability of the Ensource Offer to be relevant because Eastern American, as the sponsor of the Trust, created the Trust, has remained intimately familiar with the Trust since its inception, and continues to operate a substantial majority of the wells subject to the net profits interest, and is therefore familiar with the assets and terms of the Trust. In addition, the Trustee has received inquiries from unitholders asking for Eastern American's opinion regarding the Ensource Offer, and the Trustee believes that unitholders are entitled to the benefit of that opinion.

Following are the reasons set forth in Eastern American's letter to the Trustee dated July 29, 2005 (a copy of which is attached as Annex B) describing the reasons for Eastern American's opinion that it would be in the best interests of the Trust Unitholders to reject the Ensource Offer. As noted above, Eastern American has subsequently advised the Trustee that it has reviewed the changes to the Ensource Offer made by Ensource subsequent to July 29, 2005, as described in the Ensource Prospectus, and while Eastern American has not modified the specific comments made in its letter to reflect the subsequent modifications to the Ensource Prospectus, Eastern American's opinion that it would be in the best interests of the Trust Unitholders to reject the Ensource Offer has not changed.

The Unitholders currently have a ready market in which to buy and sell units. There is no assurance that any market will develop with Ensource.

Under the Trust in 2013 the Unitholders will receive Twenty Dollars (\$20.00) per unit from the matured zero coupon bond plus the residual value of the Trust properties to be sold by the Trustee. However, Ensource intends to sell the zero coupon bonds to fund further operations. Ensource is not guaranteeing any value to Unitholders in the future.

Ensource states that it will pay a cash distribution of \$.50 per common unit for the third quarter ending September 30, 2005, and intends to pay a cash distribution of \$.50 per common unit each quarter thereafter until the fourth quarter ending December 31, 2006 but is not obligated to do so, however, during the subordination period the minimum quarterly distributions of \$.50 are cumulative. This is less than the \$.55915 per unit average of the last two quarterly distributions paid by the Trust to existing Unitholders. After the fourth quarter of 2006, Ensource states that it will make cash distributions of all of its "available cash" (which is defined to allow the general partner discretion to set aside cash reserves for the proper conduct of business, for future cash distributions and for other specified purposes) each quarter. The existing Trust expenses are limited and well defined. The only risk the current Unitholders incur is the current market price for natural gas and the limited and well-defined expenses. The cash reserve set aside by the Trust for the next quarter's estimated general administrative expenses was approximately two percent (2%) of annual Trust income as of March 31, 2005. Ensource expenses are not well defined and the ability of Ensource to make distributions is subject to additional risks not presently borne by the existing Unitholders.

Through some of Ensource's risk factors mentioned in the Registration Statement, they appear to be utilizing coercive tactics to get the Unitholders to rush in and tender their Depositary Units in the offer, including the following.

1. The exchange offer may adversely affect the liquidity and value of non-tendered units.

2.

The second-step merger may not be approved by the Trustee and thus may prevent Ensource from effecting their business plan described in the Registration Statement and may adversely affect the liquidity and value of non-tendered Depositary Units. In such event, Ensource will be the majority holder of the outstanding Trust Units.

3.

If a Unitholder does not tender, such Unitholder does not get any cash in connection with Ensource's proposed "special cash distribution".

Ensource is a new partnership with no operating history, and there is no assurance they will be able to operate their business or implement their operating policies and strategies successfully, which could negatively impact their ability to pay distributions and cause Unitholders to lose all or part of their investment. In fact in the Registration Statement one of the Risk Factors provides "The lack of experience of the General Partner's management team in managing a portfolio of producing oil and natural gas assets and the net profits interest royalties burdening such assets under a publicly traded partnership structure may hinder their ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objectives."

Ensource adds an additional layer of fees and expenses on top of those already being borne by the Unitholders. These fees and expense could be substantial and are without limitation. Ensource estimates these fees and expenses will be \$2.3 million in the first year.

Ensource may issue additional common units and/or preferred units without the Unitholder's approval, which would dilute or subordinate the Unitholder's existing ownership interests.

A Trust Unitholder may recognize a taxable gain from Ensource's sale of zero coupon bonds even if Unitholders do not receive cash distributions from Ensource as a result of the sale. Ensource does not anticipate making distributions of proceeds generated from the sale of zero coupon bonds.

As an Ensource common unitholder, a former Trust Unitholder will be required to pay any federal income taxes and, in some cases, state and local income taxes on their share of Ensource's taxable income even if they receive no cash distributions from Ensource. Former Trust Unitholders may not receive cash distributions from Ensource equal to their share of Ensource's taxable income or even the tax liability that results from that income.

No independent representative of the holders of Depositary Units was engaged for purposes of negotiating the terms of the exchange offer, nor was a fairness opinion, appraisal or other report related to the exchange offer obtained from an unaffiliated third party. As a result, the exchange rate and other terms of the exchange offer may not be as favorable as the terms that might have been

obtained had an independent representative been retained or a fairness opinion requested.

Unitholders presently have the ability to withdraw their units from the depository arrangement and thereby receive direct ownership of their share of the zero-coupon bonds and based on current market prices for the zero-coupon bonds, sell the bonds for a value much greater than the planned onetime distribution offered by Ensource. Upon completion of the transaction proposed by Ensource, the Unitholders will no longer have this ability.

Ensource and the related entities, including the operating company and the partnership, are under common control and management and will be the sole decision makers. The Unitholders will have no independent review or oversight of the business activities of Ensource.

Eastern American is not aware of any current Unitholders, other than those affiliated with Ensource, who have expressed an interest in modifying or changing the nature of the Trust. The Registration Statement discloses that one of the members of Ensource holds only 50 depository units.

Additional Business Risks Assumed:

Integration Risk The integration of the oil and gas interests presently owned by the Trust into the operating company owned by Ensource may not occur in a manner which would preserve the present economic value of such properties.

Acquisition Risk Ensource plans to make acquisitions of oil and gas properties with the proceeds from the sale of the zero-coupon bonds and from proceeds from borrowed funds. These acquisitions may not prove to be economical which may affect the value of Ensource unitholders in a negative manner. Presently, Trust Unitholders are not exposed to this risk, since the Trust is prevented from engaging in such additional activities.

Drilling Risk Ensource, through its operating company, plans to engage in drilling operations for the benefit of Ensource unitholders. Such drilling operations entail many risks to which the present Trust Unitholders are not exposed.

Operating Company Risk The Ensource operating company may engage in operations which prove unprofitable to Ensource unitholders. Trust Unitholders will have no say in what activities the operating company may engage in.

Price (Hedge) Risk Ensource plans to engage in hedging activities which may expose Ensource to financial losses or additional credit exposure.

Effect on Underlying Documents Eastern American has not completed a review of the pertinent underlying documents associated with the Trust to

determine what impact, if any, the proposed transaction may have with respect to Eastern American's continuing obligations under the same to Ensource if the merger should in fact occur. There are numerous underlying agreements between the Trust and Eastern American that need to be reviewed to evaluate how the proposed second step merger may impact the existing and or continuing obligations of Eastern American. As a result, Eastern has not yet formed an opinion as to which, if any, of the underlying documents may or may not continue in effect subsequent to the merger described in the Registration Statement.

3.

Updated Reserve Report from the Trust's Independent Petroleum Engineering Firm. As a result of the Ensource Offer, and in order to help ensure that Trust Unitholders have reasonably current information about the value of the Trust Units they hold, the Trust engaged Ryder Scott Company, the independent petroleum engineering firm that has historically prepared the Trust's annual reserve report, to prepare an updated reserve report for the Trust, utilizing the most current information available to Ryder Scott. A copy of the updated reserve report, dated October 13, 2005, is attached hereto as Annex C. Even after taking production for the first eight months of 2005 into account, the discounted estimated future net revenues to the Trust from proved developed reserves as estimated in the updated reserve report (discounted at 10%) increased from \$76.2 million at December 31, 2004 to \$85.2 million at September 1, 2005. The Trust notes that the estimates provided in the updated reserve report are subject to the limitations described in the Trust's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC. The Trust believes that Trust Unitholders should consider the information in the updated reserve report, as well as information regarding the current market value of the Treasury Bonds, in considering whether to tender their Trust Units in the Ensource Offer.

The information in the Ryder Scott report is indicative of the value of the net profits interests held by the Trust, subject to the limitations and qualifications set forth in the Ryder Scott letter and in the Trust's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC, because it provides a reasonably current report, in accordance with SEC pricing and other requirements, relating to the net profits interests which the Trust holds. The Ensource Merger, if it were to occur, would not affect Eastern American's status as the operator of the properties in which the Trust now holds interests, and would not affect the control of the underlying properties. However, if the Ensource Merger were to occur, the ownership of the net profits interests now held by the Trust would change, so that the net profits interests would be held by the Ensource Partnership, rather than by the Trust Unitholders.

The net profits interests held by the Trust include royalty net profits interests ("Royalty NPI"), which are not limited in term or amount, and term net profits interests ("Term NPI"), which will expire on the earlier of May 15, 2013 or when

41,683 MMcf of gas has been produced which is attributable to Eastern American's net revenue interests in the properties burdened by the Term NPI. Under the Trust Agreement, the Trustee is directed to sell all remaining Royalty NPI after May 15, 2012 and prior to May 15, 2013, and, if the Trust remains in existence, net proceeds from selling such Royalty NPI will be distributed to Unitholders on the first quarterly payment date following the receipt of such proceeds by the Trust. The Term NPI will expire on the earlier of May 15, 2013 or when 41,683 MMcf of gas has been produced as described above. As of December 31, 2004, 20,706 MMcf of such gas had been produced. The Ryder Scott report takes into account the Royalty NPI, including the value of reserves associated with the Royalty NPI that extend beyond the life of the Trust, because unitholders are to receive value for this interest if the Trust continues in existence in accordance with its terms. Unitholders should consider that if they exchange their Trust Units for interests in the Ensource Partnership, they will lose their current right to the proceeds of the sale of the Royalty NPI. The Ryder Scott report does not include reserves attributable to the Term NPI extending beyond the liquidation date of the Trust, because the Term NPI does not extend beyond that date. The percentage of the discounted estimated future net revenues attributable to the Term NPI as shown in the Ryder Scott report is approximately 49.1%.

4.

Change in Nature of Investment Proposed by Ensource. On behalf of the Trust, the Trustee has considered the nature of the Trust, as described in the Trust's governing documents and in the Trust's filings with the SEC, and has considered the nature of the business Ensource proposes to conduct if Ensource acquires control of the Trust and causes the second step merger to occur as described in the Ensource Prospectus (the "Ensource Merger"). The Trustee believes that the Trust was intended to be a passive vehicle, and was never intended to engage in any active business. In particular, the Trust was intended to allow Trust Unitholders to benefit from:

(i) the quarterly distribution of proceeds from the net profits interests held by the Trust in the approximately 650 gas wells on properties in which the Trust has an interest (after payment of administrative expenses of the Trust),

(ii) the Unitholders' interest in the zero coupon U.S. Treasury Bonds held by the Depositary, which at maturity in 2013 will have a face value of \$20.00 per Trust Unit (the "Treasury Bonds"), and

(iii) the sale of the royalty net profits interest held by the Trust between May 12, 2012 and May 15, 2013 and the distribution of the proceeds to the Unitholders, all as set forth in the documents governing the Trust.

The Trustee believes that the business Ensource proposes to conduct if Ensource acquires control of the Trust, liquidates some or all of the Treasury Bonds, and utilizes the proceeds of the Treasury Bonds in its proposed business,

involves substantially greater risks (as described in the Ensource Prospectus) than those to which the Trust Unitholders are exposed. Based on telephone calls Mike Ulrich, a Vice President of the Trustee, has received from Trust Unitholders during the past year, the Trustee believes that Trust Unitholders consider their current investment in Trust Units attractive largely because of the relatively low risk nature of the combined investment in the net profits interests plus the interests in the Treasury Bonds. Based on these telephone calls and on the fact that the Trust Unitholders hold Trust Units, the Trustee does not believe that Trust Unitholders desire to change the nature of their investment.

5.

Trust Unitholders' Current Ability to Change Nature of Investment. On behalf of the Trust, the Trustee has considered the fact that any Trust Unitholder who prefers to invest in a different business, including an actively managed oil and gas business of the nature proposed to be conducted by Ensource, is already able to sell his or her Trust Units and do so with the net proceeds, or to withdraw his or her proportionate share of the Treasury Bonds and do so. The Ensource Prospectus states that there are currently 36 publicly traded energy income funds listed on the Toronto Stock Exchange, and that six of the Canadian energy income funds trade on exchanges in the United States. [Page 6]. The Trustee believes that any Trust Unitholder who prefers to invest in such a fund is already able to do so, and that the Ensource Offer, which could, by means of the second step merger which Ensource has stated it intends to use to obtain Trust Units not voluntarily tendered to Ensource, result in forcing Trust Unitholders to invest in the business proposed to be conducted by Ensource, is not in the best interests of the Trust Unitholders.

6.

Proceeds of Treasury Bonds and Sale of Net Profits Interests. On behalf of the Trust, the Trustee has considered the fact that interests in the Trust were originally sold to investors based, in large part, on the assurance that investors would receive \$20.00 per Trust Unit at maturity of the Treasury Bonds. The Trustee believes that this aspect of the Trust is significant to Trust Unitholders. The Trustee also has considered the fact that the Trust's assets include a royalty net profits interest that is not limited in term or amount, and that, in accordance with the Trust documents, the Trustee is required to sell this interest between May 12, 2012 and May 15, 2013, and to distribute the net proceeds of the sale to the Trust Unitholders. The Trustee has considered the fact that Trust Unitholders who exchange their Trust Units for Ensource partnership interests will lose their rights to receive these amounts. The reason Trust Unitholders who exchange their Units for Ensource Partnership interests (whether voluntarily or involuntarily in the second step merger, if it were to occur) would not receive the proceeds of the sale is that the Ensource Partnership, rather than the Trust Unitholders, would be entitled to those proceeds.

7.

Increased Fees and Expenses. On behalf of the Trust, the Trustee has considered Ensource's estimates of the fees and expenses Ensource intends to charge to the Partnership. These include:

- a. Approximately \$8.6 million in transaction costs and expenses, including the special distribution. [page 96]
- b. An estimated \$2.3 million in fees and expenses in the first year of operation of the Partnership (in addition to the costs and expenses of the Ensource Offer and related transactions, which are also to be charged to the Partnership). [page 63]
- c. A \$600,000 annual management fee Ensource intends to pay its general partner. [page 35] Ensource estimates that general and administrative expenses would have doubled, from \$1.0 million to \$2.0 million, in 2004 if the Ensource Merger had occurred on December 31, 2003. [page 12]
- d. Management incentive fees as described on pages 36-37 of the Ensource Prospectus.
- e. Other costs and expenses described in the Ensource Prospectus, including those described on pages 88-89, 99, 124 and 156-157 of the Ensource Prospectus. The Trustee noted that Ensource originally planned to pay brokers a fee of \$0.25 per depositary unit tendered in the exchange offer. [page 88], but has increased that amount to \$0.50 per depositary unit tendered in the exchange offer.

Although the Trust is unable to predict how much of an increase in expenses Unitholders would incur if the Ensource Offer is consummated relative to expenses of the Trust as currently administered (excluding expenses of the Trust incurred solely as a consequence of the Ensource Offer), based on information in the Ensource Prospectus, the Trust estimates that if the Ensource Offer were consummated, expenses in 2006 would increase by at least the following amounts:

- a. The approximately \$8.6 million in transaction costs and expenses that would be incurred if the Ensource Offer is consummated, including the special distribution, none of which would be incurred by the Trust as currently administered.
- b. An additional approximate \$1.2 million of general and administrative costs, consisting of the following additional costs (calculated based on the Ensource figures set forth on page 104 of the Ensource Prospectus and compared

with the Trust's estimates of the expenses it expects to incur in 2006) that would be incurred if the Ensource Offer were consummated:

Increase in annual fixed management fees compared to Trustee fees:	\$ 492,000
Increase in annual estimated costs incurred as a public entity:	\$ 134,350
Annual independent directors' fees:	\$ 170,000
Annual salaries for employees and consultants to review acquisitions:	\$ 350,000
Increase in other annual costs	\$ 64,000
<hr/>	
Total estimated increase in annual general and Administrative Costs if Ensource Offer is consummated:	\$ 1,210,350

The foregoing estimates of the increased general and administrative costs that would result from the consummation of the Ensource Offer are based on estimates contained in the Ensource Prospectus and, with respect to the estimated costs incurred as a public entity and the increase in other costs, on estimates made by the Trust, and are estimates for the full year 2006, assuming the Ensource Offer were consummated as of January 1, 2006. The actual costs incurred by the Trust in 2006 could be materially different from its estimates.

c. The other fees and expenses that would result from the Ensource Offer as described in the Ensource Prospectus, including management incentive fees and costs related to potential acquisitions, none of which would be incurred by the Trust as currently administered.

8.

Distributions. On behalf of the Trust, the Trustee considered the fact that during the subordination period (as defined by Ensource, and subject to early termination for a variety of different reasons), distributions on the Ensource subordinated units would be subordinated to payments of \$0.50 per quarter. [page 4] The Trustee considered that \$0.50 is less than the average quarterly amount the Trust distributed during 2004 (\$2.02 in the aggregate during 2004) and less than the average quarterly amount distributed in the first three quarters of 2005 (\$0.50, \$0.512 and \$0.644 in the first, second and third quarters, respectively). The Trustee considered the approximately 26 reasons listed by Ensource on pages 49-50 that it might not be able to distribute the "minimum quarterly distribution" of \$0.50 per quarter, and noted Ensource's statement that "[t]here is no guarantee that common unitholders will receive quarterly distributions from us." [page 59] The Trustee believes that Trust Unitholders considering the Ensource Offer should recognize that if the Ensource Offer is completed, distributions to them could either increase or decrease, but in any case would be subject to a variety of significant other rights, interests,

management incentive fee payments and other costs, expenses and reimbursement obligations.

9.

Dilution of Trust Unitholders' Interests. On behalf of the Trust, the Trustee has considered the dilution of the Trust Unitholders' interests that will occur if the Ensource Merger occurs, including the immediate dilution from the issuance of the new general partner interest to Ensource, the issuance of an estimated 648,262 subordinated units to Ensource, the incentive distribution rights to be issued to Ensource (which entitle Ensource (as the holder of the incentive distribution rights) to 24.75% of distributions from the Partnership in excess of specified levels as described on pages 108-110 of the Ensource Prospectus), the potential dilution from the issuance of awards to employees, consultants and directors of the General Partner and its affiliates under the Long-Term Incentive Plan described on page 153 of the Ensource Prospectus, and the potential dilution from the warrant Ensource intends to issue to itself to permit it to purchase 1,000,000 common units from the Partnership, all as described in the Ensource Prospectus.

In addition, the Trustee has considered the potential future dilution of the Trust Unitholders' interests that may result from future equity issuances by the Partnership as described in the Ensource Prospectus. [see page 171] The Trustee has also considered Ensource's statement that if Ensource is unable to complete the Ensource Merger, Ensource may need to seek equity financing of future acquisitions earlier than Ensource might otherwise have done if it were able to obtain control of all of the Treasury Bonds by means of the Ensource Merger.

10.

Ensource's Sole Determination of the Terms of the Exchange Offer and Merger. On behalf of the Trust, the Trustee has considered the facts that Ensource unilaterally determined the terms of the Ensource Offer, and that the Unitholders were not represented in the determination of the terms of the Ensource Offer. The Trustee also considered Ensource's statement that "[a]s a result, the exchange rate and other terms of the exchange offer may not be as favorable [to the Unitholders] as the terms that might have been obtained had an independent representative been retained or a fairness opinion requested." [page 47]

As described above, the Trust did retain an independent financial advisor to assist the Trust with an evaluation of the financial aspects of the Ensource Offer, and the financial advisor has delivered its written opinion that, based upon, and subject to the matters set forth therein, the terms of the Ensource Offer, taken as a whole, are not fair, from a financial point of view, to the Trust Unitholders. The Opinion of the Financial Advisor retained by the Trust is discussed above and attached hereto.

11.

Conflicts of Interest. On behalf of the Trust, the Trustee has considered the conflicts of interest that will exist between Ensource and the former Trust

Unitholders after the Ensource Merger if it is completed, including those described on pages 67-68 of the Ensource Prospectus. Although the Trustee recognizes that some of these types of conflicts of interest are inherent in the type of structure Ensource has proposed, the Trustee does not believe that they are in the best interests of the Trust Unitholders. The conflicts of interest identified by Ensource on pages 67-68 of the Ensource Prospectus that the Trustee considered most significant (quoted below in bold italics), and the reasons the Trustee does not believe these conflicts of interest are in the best interests of the Trust Unitholders, are as follows:

Our General Partner will have conflicts of interest.

Ensource has pointed out that the incentive distribution rights and the management incentive fee that Ensource has proposed may create an incentive for the Ensource General Partner to maximize the short-term payments to Ensource in respect of its net profits interests rather than managing the Ensource Partnership in a manner better suited to the long-term benefits of all the unitholders. Ensource has further pointed out that this arrangement may also create an incentive for Ensource, through the Ensource General Partner, to selectively invest the Partnership's assets in net profits interests burdening short-lived assets. Under the current Trust structure, Trust Unitholders are not subject to any such conflicts of interest.

We will pay our General Partner incentive distributions based on the level of cash we distribute to our unitholders. This arrangement may lead Ensource to recommend riskier or more speculative investments for the Operating Company in an effort to maximize the General Partner's incentive compensation.

Ensource has pointed out that the incentive distribution rights it would hold would entitle the Ensource General Partner to an additional 24.75% of certain cash distributions by the Ensource Partnership, in addition to the 1% share it would receive as a result of its 1% General Partner interest, and in addition to distributions it might receive on subordinated or common units. Ensource has noted that the way in which distributions payable to the Ensource General Partner in respect of the incentive distribution rights are determined may encourage Ensource to cause the Ensource Operating Company to borrow funds to increase the return on its investments, and that, under certain circumstances, the use of borrowed funds by the Operating Company may increase the likelihood of default, which would adversely affect the common unitholders, including former Trust Unitholders, because payments in respect of the net profits interests would be subordinate to amounts owed to debt holders. Under the current Trust structure, Trust Unitholders are not subject to any such conflicts of interest.

Our General Partner and Ensource's liability will be limited under the partnership agreement, and we will agree to indemnify our General Partners and Ensource against

certain liabilities, which may lead our General Partners and Ensource to act in a riskier manner on our behalf than it would when acting for its own account.

Ensource has pointed out that neither the Ensource General Partner nor the Ensource entity that controls the Ensource General Partner have assumed any responsibility to the Ensource Partnership in which Trust Unitholders who exchange their Trust Units would become investors other than the responsibility of the General Partner to provide the services specified in the partnership agreement and the responsibility of the controlling Ensource entity to provide the services specified in the management agreement. Ensource has further noted that the indemnification provisions that Ensource has proposed may lead Ensource to act in a riskier manner when acting on behalf of the Ensource Partnership, either by way of the management agreement or by virtue of its status as the controlling entity of the Ensource General Partner, than it would when acting for its own account. Under the current Trust structure, the Trustee owes fiduciary duties to the Trust Unitholders, and Trust Unitholders are not subject to any such conflicts of interest.

These conflicts of interest are in addition to the matters discussed in section 4(b)(14) below, which relate to Ensource's plans to (i) cause the Partnership to reimburse Ensource and its investors for the costs of the Ensource offer and Ensource Merger, (ii) cause the Partnership to reimburse the General Partner for its costs and expenses, (iii) provide supervisory and management functions and services for the General Partner, and thus, the Partnership, for which Ensource will be entitled to be reimbursed by the Partnership, (iv) cause the Operating Company to enter into a management agreement with Ensource, (v) award Ensource and its designees, which will include key employees of the General Partner and of the Operating Company, a quarterly management incentive fee, and (vi) cause the Partnership to purchase net profits interests from the Operating Company.

12.

Ensource's Lack of Operating History. On behalf of the Trust, the Trustee has considered the facts that (i) the Partnership has no operating history [page 47], and (ii) Ensource has not yet identified any properties for acquisition by the Operating Company [page 49]. The Trustee believes that the lack of any operating history and the lack of any identified acquisition targets make the Ensource Offer relatively speculative.

13.

Modified Fiduciary Duties to Unitholders. As noted in the Ensource Prospectus, the Trustee owes fiduciary duties to the Trust Unitholders. Also as noted in the Ensource Prospectus, if the Ensource Merger occurs, Ensource intends to "modify and restrict" the fiduciary duties the Ensource General Partner would otherwise owe after the Ensource Merger. Ensource describes these modifications on pages 159-161 of the Ensource Prospectus, and states that "[t]hese modifications represent a detriment to our unitholders because they restrict the remedies available to unitholders for actions that, without those

limitations, might constitute breaches of fiduciary duties of fiduciary duty..." [pages 159-160] The Ensource Prospectus states that the Partnership has adopted these provisions to allow the General Partner to take into account the interests of other parties, particularly Ensource and other private investors, in addition to the interests of the Partnership when resolving conflicts of interest. [page 159] The Trustee does not believe that these modifications and restrictions are in the best interests of the Trust Unitholders.

14.

Certain Relationships and Related Party Transactions. In considering the Ensource Offer and the restriction of the duties of the Ensource General Partner as described above, the Trustee believes that Trust Unitholders should consider Ensource's description of relationships and related party transactions that will occur if the Ensource Offer is completed. These include Ensource's plans to:

Cause the Partnership to reimburse Ensource and its investors for the costs of the Ensource offer and Ensource Merger,

Cause the Partnership to reimburse the General Partner for its costs and expenses as such, including general and administrative and other services the General Partner will provide to the Partnership, in addition to the \$600,000 annual management fee the General Partner will pay to Ensource, and which will be reimbursed by the Partnership,

Provide supervisory and management functions and services for the General Partner, and thus, the Partnership, for which Ensource will be entitled to be reimbursed by the Partnership to the extent attributable to the Partnership,

Cause the Operating Company to enter into a management agreement with Ensource, the costs of which would be deducted from amounts otherwise payable to the Partnership under net profits interests to be sold to the Partnership by the Operating Company in the future,

Award Ensource and its designees, which will include key employees of the General Partner and of the Operating Company, a quarterly management incentive fee, with the amounts of the fees payable being deducted from amounts otherwise payable to the Partnership in connection with the net profits interests to be sold to the Partnership by the Operating Company in the future, and

Cause the Partnership to purchase net profits interests from the Operating Company in the future.

15. **Material Federal Income Tax Considerations.** On behalf of the Trust, the Trustee has considered the matters set forth in the Ensource Prospectus as "Material Federal Income Tax Considerations" on pages 189-208 of the Ensource Prospectus, and recommends that any Trust Unitholder considering the Ensource Offer read that section carefully. The section describes an opinion that counsel to Ensource has rendered relating to certain of the federal income tax matters discussed in the Ensource Prospectus, but notes that the opinion does not address specified federal tax matters, and does not address foreign, state or local tax matters. The discussion of "Treatment of Short Sales" on page 197 urges Trust Unitholders to avoid one of the tax risks of gain recognition by modifying any applicable brokerage account agreements to prohibit their brokers from loaning their Trust Units. [page 197] In addition, the Trustee notes that the Ensource Prospectus states that "[i]t is the responsibility of each common unitholder to investigate the legal and tax consequences, under the laws of pertinent foreign jurisdictions, states and localities, of his investment in us. Accordingly, we strongly recommend that each prospective common unitholder consult, and depend on, his own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each common unitholder to file all foreign, state and local, as well as United States federal tax returns that may be required of him." [page 208] Consequently, the Trustee recommends that any Trust Unitholder considering the Ensource Offer consult his or her own tax advisor before making any decision.

16. **Trustee's Evaluation of the Benefits of the Ensource Offer and Merger to Trust Unitholders.** On pages 3-4 of the Ensource Prospectus, Ensource has set forth the reasons Ensource believes the Ensource Offer and the Ensource Merger to be in the best interests of Trust Unitholders. On behalf of the Trust, the Trustee has evaluated each of these purported benefits, which are quoted in the column on the left below directly from pages 3-4 of the Ensource Prospectus. The statements below in the column on the right are the Trustee's comments on the asserted benefits. The Trustee recommends that Trust Unitholders consider whether the benefits of the Ensource Offer, as described by Ensource, are worth the risks of the Ensource Offer, also as described by Ensource in the Ensource Prospectus.

Ensource's Description of the Benefits of the Ensource Offer and Ensource Merger to Trust Unitholders:

active management of our assets by our General Partner, employing a business strategy intended to maximize unitholder value through increases over the long term in cash distributions to unitholders; [page 3]

for the Partnership, the implementation of an overall hedging policy designed to ensure minimum economic returns on both the legacy assets and on new acquisitions of net profits interests from the Operating Company in the future; [page 3]

as an owner of common units, receiving a distribution of available cash from operating surplus for each quarter after the consummation of the exchange offer; see "Our Cash Distribution Policy and Restrictions on Distributions." [page 3]

Trustee's Comments on the Purported Benefits to Trust Unitholders:

The Trustee recognizes the possibility that an actively managed business could increase unitholder value and could increase long term cash distributions. However, the Trustee also recognizes that an actively managed business involves greater risks than the risks to which Trust Unitholders are subject. Further, the Trustee believes that the Ensource plan to sell the Treasury Bonds and utilize the proceeds in pursuit of its business plan, rather than return the principal amount to the Trust Unitholders at maturity, would increase substantially the risks to the Unitholders.

The Trustee recognizes that a hedging program can moderate certain risks, such as the risk that natural gas prices will decrease in the future. The Trustee notes, however, that any hedging program will also have a cost, and will generally increase other risks, such as a risk that holders will not benefit from future gas price increases.

The Trustee cannot predict whether distributions to common unitholders from the Ensource Partnership would be greater or less than distributions would have been to the Trust Unitholders. The Trustee notes that the Ensource Prospectus describes numerous reasons the Partnership might be unable to make distributions at any particular level, and notes further that distributions from the Ensource Partnership would be subject to greater risks and greater expenses than distributions from the Trust. The Trustee also notes that Ensource plans to sell the Treasury Bonds, and that Depository Unitholders who exchange their units (voluntarily or involuntarily) for Ensource Partnership units will therefore not receive the \$20.00 per Trust Unit in 2013 that they are to receive if they hold their Trust Units to maturity of the Trust. The Trustee notes that Unitholders who exchange their Trust Units in the Ensource Offer also will lose their right to a portion of the proceeds of the Trustee's sale of the royalty net profits interests as required by the Trust documents in 2012-2013.

during the subordination period, which is defined in the partnership agreement and in the glossary of terms attached as Annex B [to the Ensource Prospectus], distributions on the outstanding subordinated units will be subordinate and junior to the right of holders of [Ensource] common units (including former NGT unitholders who retain ownership of our common units) to receive a distribution of not less than \$0.50 per quarter, or \$2.00 annually, of available cash from operating surplus. [pages 3-4]

the sale by the Partnership of the \$1,000 face amount United States Treasury book-entry securities representing stripped-interest coupons maturing May 13, 2013, which we refer to as the zero coupon bonds, constituting a part of every 50 depositary units that we accept for exchange, which bonds do not generate current cash income, and the investment by the Partnership of the net proceeds from such sale in primarily cash, cash equivalents, U.S. government securities and other high-quality debt maturing in one year or less from the date of investment that pay current income pending the application of those proceeds to purchase additional interests in oil and natural gas properties; [page 4]

The Trustee does not believe that this constitutes a benefit to Trust Unitholders when compared with their right to 100% of the proceeds paid to the Trust after payment of Trust administrative expenses, and to 100% of the principal amount of the Treasury Bonds at maturity and to the proceeds of the sale of the royalty net profits interests. If the Ensource Offer is completed, Trust Unitholders will no longer be entitled to 100% of those proceeds after expenses or to 100% of the principal amount of the Treasury Bonds at maturity or to the proceeds of the sale of the royalty net profits interests. Further, the Trustee notes that the "subordination period" can terminate in a variety of different ways. See pages B-2 B-3 attached to the Ensource Prospectus.

The Trustee believes that this constitutes more of a detriment than a benefit to the Trust Unitholders. The Trustee recognizes that the investment effectively made by holders of Trust Depositary Units of a portion of their funds in the U.S. Treasury Bonds held by the Depositary is a conservative, low risk investment that does not generate current cash income, and that a variety of different investments might result in a higher rate of return than the Treasury Bonds generate. However, the Trustee believes that Trust Unitholders understand that a portion of their investment in the Trust is effectively invested in the low risk Treasury Bonds, and the Trustee believes that the Trust Unitholders consider the Treasury Bonds an attractive feature of their investment in the Trust Units. The Trustee believes that many Unitholders invested in the Trust and continue to hold Trust Units specifically because they like this aspect of their investment. The Trustee notes that only a small fraction of Trust Unitholders have exercised their right to separate their interest in the Treasury Bonds from their Trust Units.

the Partnership's investment of the \$20.05 million contribution from the General Partner (net of approximately \$8.6 million for the special cash distribution and estimated expenses of the offering) along with the net proceeds from sale of the zero coupon bonds (estimated to total up to approximately \$83.4 million as of October 31, 2005, assuming all of the depositary units are tendered to us for exchange and based on recent quotes for the zero coupon bonds) into the purchase of net profits interests in producing oil and natural gas properties to be acquired by the Operating Company; [page 4]

the competitive advantage that the Partnership believes it will have in the United States acquisition and divestiture market for oil and natural gas producing properties by being one of the few, actively-managed publicly-traded entities that is flow-through to its owners for tax purposes. Based on our structure, the Partnership can acquire net profits interests in additional properties to be acquired by the Operating Company, whereas the existing passive publicly-traded U.S. royalty trusts, such as NGT, generally cannot replace reserves and/or grow by acquiring new properties; [page 4]

The Trustee notes that the independent financial advisor retained by the Trustee to evaluate the Ensource Offer (including the proposed \$20.05 million contribution) has concluded that the Ensource Offer is not fair to the Trust Unitholders from a financial point of view. The Trustee further notes that the Trustee's view of Ensource's proposed sale of the Treasury Bonds is discussed immediately above. The Trustee believes that investors who prefer a more aggressive investment strategy can easily identify more aggressive investment opportunities, and that investors who hold Trust Units understand their investment.

The Trustee believes that any Trust Unitholder who desires to invest in the type of actively-managed entities described by Ensource is already able to do so. The Trustee believes that Trust Unitholders understand that the Trust cannot replace reserves or grow, and that Trust Unitholders originally invested in the Trust and continue to hold their Trust Units because they find the Trust investment structure attractive. The Trustee notes that the Ensource Prospectus cautions Trust Unitholders that Ensource has not identified any properties meeting its investment criteria, that Ensource has no operating history for Trust Unitholders to evaluate, and that Ensource does not have the employees it would require in order to implement its business plan. The Trustee also notes that the Ensource Prospectus states that a number of similar investment alternatives are already available.

Partnership revenues from net profits interests that we acquire in the future on properties that the Operating Company may acquire in the future, which we expect to be accretive to the current revenues received per common unit from the existing net profits interests from NGT's existing assets, or legacy assets; [page 4]

the possibility that the distribution rate per common unit will be increased in the future as new properties are acquired by the Operating Company and net profits interests are purchased on those properties by the Partnership; [page 4]

The Trustee recognizes that if the Ensource Offer is completed, the Ensource Operating Company may identify and may acquire interests in properties, and that the Ensource Partnership may then acquire net profits interests burdening those properties. The Trustee notes, however, that Ensource states in its Prospectus that no such properties have been identified, and that any such acquisitions would be subject to all of the risks described in the Ensource Prospectus. See pages 45-69 of the Ensource Prospectus.

The Trustee recognizes the possibility that the distribution rate per common unit could be increased if Ensource were successful in implementing its business plan. However, the Trustee also recognizes that there is no assurance that Ensource would be successful and no assurance that the distribution rate would increase, and that there is also a possibility that the distribution rate would decrease. The Trustee notes that the risks involved in the Ensource proposed business model are substantially different from and greater than those involved with the Trust, and notes that the Ensource proposal involves the sale of the Treasury Bonds and use of the proceeds in the business proposed by Ensource, rather than the distribution of \$20.00 per Trust Unit at maturity of the Treasury Bonds in 2013.

unlike depositary units, the common units do not have to be transferred in denominations of 50 or an integral multiple thereof; [page 4]

the Partnership's expectation that its operations will not generate unrelated business taxable income, or UBTI, for federal income tax purposes, since the Partnership will neither acquire working interests in oil and natural gas properties, nor incur indebtedness. By avoiding UBTI, we believe that our equity interests will appeal to tax-exempt investors, potentially providing us a broader investor base than that of other publicly-traded partnerships, which should assist us in attracting funding for future acquisitions as we grow our business. According to the public SEC filings of NGT, NGT's trust units do not generate UBTI, so this feature of the Partnership is similar to taxable income generated by NGT; and [page 4]

activities by the Partnership intended to offset the production decline in respect of NGT's legacy assets. In this regard, you should be aware that the actual production of the underlying properties burdened by NGT's net profits interests and royalty interests have declined faster than what was projected at the time of the inception of NGT, thereby accelerating the eventual depletion of such underlying properties and reducing their useful lives. [page 4]

The Trustee believes that although this may be a minor convenience, it is not a material benefit to Trust Unitholders.

As noted in the Ensource Prospectus, this would not constitute a change, and the Trustee therefore does not believe that it can be considered a benefit to Trust Unitholders.

The Trustee recognizes that an actively-managed business would be very different from the Trust. The Trust was never intended to engage in an active business or intended to replace reserves. The Trust has no control over the operation of the properties in which the Trust holds interests, and simply distributes the net proceeds attributable to those interests, after deduction of administrative expenses of the Trust. The Trustee recommends that Trust Unitholders consider the information contained in the updated reserve report prepared by the Trust's independent petroleum engineers, a copy of which is attached hereto.

17. **Risk Factors Identified by Ensource.** On behalf of the Trust, the Trustee considered the 69 risk factors identified by Ensource on pages 45-69 of the Ensource Prospectus. The Trustee believes that any Unitholder considering tendering Trust Units in the Ensource Offer should read the entire Ensource Prospectus carefully, including the section titled "Risk Factors" beginning on page 45. Of the risk factors Ensource identifies as material risks for Unitholders, the Trustee considered the following risks (in bold italics below) to be the most significant in its evaluation of the Ensource Offer. The following risks are quoted directly from the Ensource Prospectus. The page references are to the Ensource Prospectus, where Trust Unitholders will find these statements as well as further information about each of these risks, in addition to other risks identified in the Ensource Prospectus. Trust Unitholders should not interpret the Trustee's highlighting of these risk factors to mean that other risk factors identified in the Ensource Prospectus are insignificant. Ensource has identified many other risk factors as material risks to Trust Unitholders, and Trust Unitholders are urged to consider all of them carefully before determining whether to tender Trust Units in the Ensource Offer.

QUOTES FROM ENSOURCE PROSPECTUS

The second-step merger may not be approved by the trustee, which could require us to seek equity financing to fund elements of our business plan earlier than we would be required to do if the second-step merger is consummated, and may adversely affect the liquidity and value of non-tendered depositary units. In such event, we will be the majority holder of NGT's outstanding trust units. [page 45]

Ensource has pointed out that the Trust Agreement would require the consent of the Trustee to the second-step merger proposed by Ensource, and that if the Trustee declines to consent to the second-step merger, Ensource may not be able to effect the second-step merger. Ensource has further pointed out that if it is unable to effect the second-step merger, it would not have access to all of the Treasury Bonds, and thus might need to seek equity financing to fund future acquisitions earlier than it would be required to do if the second-step merger were completed. Under the current Trust structure, Trust Unitholders are not exposed to any such risk.

Depositary unitholders were not independently represented in establishing the terms of the exchange offer, and consequently the terms of the exchange offer may have been materially different if depositary unitholders had been independently represented. [page 46]

Ensource has pointed out that it did not engage any independent representative of the Trust Unitholders for purposes of negotiating the terms of the Ensource Offer, and that it did not obtain any fairness opinion, appraisal or other report related to the Ensource Offer from any unaffiliated third party, and that as a result, the exchange rate and other terms of the Ensource Offer may not be as favorable as the terms that might have been obtained had an independent representative been retained or a fairness opinion requested. The terms of the current Trust structure, on the other hand, were the result of an arms'-length negotiation process between Eastern American, as the sponsor of the Trust, and representatives of the underwriters of the offering of the Trust Units, who structured the offering of the Trust Units on terms that the representatives correctly believed would be attractive to potential purchasers of the Trust Units.

We are a new partnership with no operating history, and we might not be able to operate our business or implement our operating policies and strategies successfully, which could negatively impact our ability to pay distributions and cause you to lose all or part of your investment. [page 47]

Ensource has pointed out that the Partnership is a new entity, has not commenced acquisition operations, and is subject to all of the business risks and uncertainties associated with any new business venture, including the risk that it will not achieve its investment objectives. The terms of the current Trust structure, on the other hand, prohibit the Trust from engaging in business operations. Consequently, under the current Trust structure, Trust Unitholders are not exposed to any such risks.

Our future distributions and proved reserves will be dependent upon the success of the Operating Company's, and thus Ensource's, efforts to acquire, manage and develop oil and natural gas properties that conform to the acquisition profile described in this prospectus. [page 48]

Ensource has pointed out that its business plan for the Partnership is to acquire net profits interests from the Ensource Operating Company in oil and natural gas properties that the Operating Company acquires in the future. Ensource has further noted that there are risks that the Operating Company may be unable to acquire properties on acceptable terms, and that, even if acquisitions are completed, there are a number of risks associated with acquisitions. Under the current Trust structure, Trust Unitholders are not exposed to any such risks.

We have not identified any specific property meeting our investment objectives in which to invest available cash after the second-step merger. [page 49]

Ensource has pointed out that it has not identified any specific property that meets its investment objectives, and that consequently Trust Unitholders will not be able to evaluate the manner in which Ensource invests or the economic merits of any investments it makes prior to the Unitholders' exchange of Trust Units for interests in the Ensource Partnership. Under the current Trust structure, Trust Unitholders are not exposed to any such risks.

We will initially invest our funds in interest bearing accounts and securities which may produce annual interest payments to us that are less than the annual management fees and expenses we pay indirectly to Ensource, thus the initial return on your investment may be lower than when our portfolio is fully invested in properties that meet our investment objectives. [page 49]

Ensource has pointed out that the annual management fees and expenses the Partnership will pay indirectly to Ensource may exceed the annual interest payments it may earn on its initial investments. Under the current Trust structure, the Trust distributes all of the Trust's cash receipts after payment of or provision for Trust administrative expenses.

We may not have sufficient cash to enable us to pay the minimum quarterly distribution. [page 49]

Ensource has pointed out that the Partnership's ability to pay quarterly distributions of \$0.50 per common and subordinated unit each quarter will depend on a number of factors, including those described on pages 49-51 of the Ensource Prospectus. The vast majority of the factors that could adversely affect the Partnership's ability to make distributions at any particular level, including factors relating to the costs of acquisitions, costs of debt service, costs of hedging activities, working capital needs, and restrictions on distributions contained in a credit facility, if any, are not relevant to the Trust under the current Trust structure, and are not risks to the Trust Unitholders under the current Trust structure.

High oil and natural gas prices may increase the availability of alternative sources of capital and reduce the availability of suitable properties that constitute the Operating Company's targeted investments. [page 51]

Ensource has pointed out that energy companies are generally experiencing strong financial results and cash flows, and therefore are not inclined to sell producing properties as a means of generating cash, and that this and other factors may reduce the availability of suitable properties for acquisition. Under the current Trust structure, the Trust does not engage in any acquisition activities, and therefore these risks are irrelevant to Trust Unitholders.

The Operating Company may not be able to compete for acquisition opportunities with competitors who may have greater resources or have a lower cost of capital, thus allowing them to pay more for assets. This disparity may cause the operating company to lose investment opportunities and thus not be able to implement its business plan. [page 51]

Ensource has pointed out that the Operating Company is a newly-formed entity with no operating history or established funding source, and would be operating in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing trained personnel, and competing with public and private companies, investment banks, private equity funds, institutional investors and high net worth individuals, many of which competitors would be substantially larger and have considerably greater financial, technical and marketing resources than the Operating Company has, and that these and other factors could cause the Operating Company to lose investment opportunities and thus be unable to implement its business plan. Under the current Trust structure, the Trust does not engage in any acquisition activities, and therefore these risks are irrelevant to Trust Unitholders.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect the Operating Company's, and thus, our business, financial condition or results of operations. [page 52]

Ensource has pointed out that the Operating Company's proposed oil and natural gas development and production activities would be subject to numerous risks beyond the Operating Company's control. Under the current Trust structure, the Trust holds net profits interests in producing natural gas properties, and therefore the risks of development and production, while not irrelevant, are of far less significance to Trust Unitholders.

Substantial acquisitions or other transactions could require significant external capital and could change the Operating Company's, and thus our, risk and property profile. [page 53]

Ensource has pointed out that the characteristics and risk profiles of properties the Operating Company may acquire or attempt to acquire could adversely affect the Operating Company's ability to obtain external funding for acquisitions and/or to issue equity securities in order to fund acquisitions. Under the current Trust structure, the

Trust does not engage in any acquisition activities, and therefore these risks are irrelevant to Trust Unitholders.

Properties that the Operating Company buys may not produce as projected, and it may be unable to identify liabilities associated with the properties or obtain protection from sellers against them. [page 53]

Ensource has pointed out that its business strategy includes a continuing acquisition program by the Operating Company, and that the Operating Company's assessment of properties being evaluated for possible purchase will not reveal all existing or potential problems or permit the Operating Company to become familiar enough with the properties to assess fully their capabilities and deficiencies. Under the current Trust structure, the Trust does not engage in any acquisition activities, and therefore these acquisition risks are irrelevant to Trust Unitholders.

The Operating Company may incur substantial losses and be subject to substantial liability claims as a result of the Operating Company's oil and natural gas operations. These losses and liability claims could materially and adversely affect the cash we receive. [page 55]

Ensource has pointed out that losses and liabilities arising from uninsured and underinsured events at the Operating Company could materially and adversely affect the cash the Partnership would receive under the net profits interests it intends to acquire. Under the current Trust structure, the Trust holds net profits interests in producing natural gas properties, and therefore the risks of uninsured and underinsured events at the properties in which the Trust holds net profits interests, while not irrelevant, are of far less significance to Trust Unitholders.

Under the terms of the net profits interests, much of the economic risk of the underlying oil and natural gas properties is passed along to us. [page 56]

Ensource has pointed out that under the terms of the proposed net profits interests that the Partnership would purchase from the Operating Company, virtually all costs that may be incurred in connection with the oil and natural gas properties, including overhead costs that are not subject to an annual reimbursement limit, would be deducted as production costs or excess production costs in determining amounts payable to the Partnership. Under the current Trust structure, the costs deducted in the determination of the net profits proceeds payable to the Trust are well-defined, and the overhead reimbursement payable to Eastern American is specified in the Trust documents, and Unitholders have the benefit of actual historical cost data relating to all of these costs and reimbursement amounts.

If the Operating Company acquires properties with significant development, exploitation, enhanced recovery or other capital costs, operations by the Operating Company could require substantial capital expenditures, which will reduce cash available payable to us on the net profits interest royalties that we acquire in the future from the Operating Company in respect of such properties. [page 58]

Ensource has pointed out that the Operating Company expects to make substantial capital expenditures in its business and operations for the acquisition, development and production of oil and natural gas reserves, and that development and production expenditures would reduce the net profits generated in respect of the properties on which such expenditures are incurred, which in turn would reduce the amounts payable to the Partnership in respect of its net profits interests. Under the current Trust structure, the Trust holds net profits interests in producing natural gas properties, and therefore the risk that substantial capital expenditures might be required at the properties in which the Trust holds net profits interests, while not irrelevant, is of far less significance to Trust Unitholders.

The Operating Company's use of oil and natural gas price hedging contracts involves credit risk and may limit future revenues from price increases and result in significant fluctuations in its net income. [page 58]

Ensource has pointed out that the Operating Company intends to enter into forward sales contracts that will involve credit risk and risk of financial loss in some circumstances, which may limit the benefit it would have otherwise received from increases in the price for oil and natural gas. The Trust does not engage in any hedging activities, and therefore the risks of doing so are irrelevant to the Trust Unitholders under the current Trust structure.

The Partnership's use of oil and natural gas price hedging contracts involves credit risk and may limit future revenues from price increases and result in significant fluctuations in its net income. [page 59]

Ensource has pointed out that the Partnership also anticipates that it will enter into financial hedging transactions that will expose the Partnership to risk of financial loss in some circumstances. The Trust does not engage in any hedging activities, and therefore the risks of doing so are irrelevant to the Trust Unitholders under the current Trust structure.

Our future distributions may be reduced as a result of our governance structure. There is no guarantee that common unitholders will receive quarterly distributions from us. Our distribution policy is subject to certain restrictions and may be changed at any time.... [W]e may lack sufficient cash to pay distributions to our unitholders due to increases in general and administrative expenses, working capital requirements and anticipated cash needs. [page 59]

Ensource has pointed out that future distributions by the Partnership may be reduced as a result of its governance structure, and that the amount of distributions paid under its policy and the decision to make any distribution is at the discretion of the Ensource General Partner. Under the current Trust structure, the Trust distributes all of the Trust's cash receipts after payment of or provision for Trust administrative expenses.

The General Partner, the Operating Company and Ensource do not currently have any employees nor have they contracted for any oil and natural gas professionals. If they are unable to hire adequate [ly] employees or contract for such oil and natural gas professionals, they may not be able execute the Operating Company's business plan. [page 60]

Ensource has pointed out that the Partnership and its affiliates are newly created companies with no operating history and do not have any employees other than the senior management described in the Ensource Prospectus. Ensource has further noted that if the Operating Company is unable to hire employees or contract for oil and natural gas professionals when it is ready to do so, that could delay execution of the Operating Company's business plan. Under the current Trust structure, the Trust does not have or require any employees. The properties in which the Trust holds net profits interests are operated by Eastern American, and the administrative functions of the Trust are fulfilled by the Trustee.

We may issue additional common units without your approval, which would dilute your existing ownership interests. [page 62]

Ensource has pointed out that the General Partner could cause the Partnership to issue an unlimited number of additional limited partner interests, including interests senior to the common units, without the approval of the common unitholders, which could have a number of adverse effects on the common unitholders. The Trust cannot issue additional Trust Units without the consent of the holders of a majority of the outstanding Trust Units, and therefore this is not a risk to Trust Unitholders under the current Trust structure.

Cost reimbursements due our General Partner may be substantial and will reduce the cash available to you. [page 63]

Ensource has pointed out that the Ensource General Partner would have the sole discretion to determine the amount of reimbursable expenses to be paid by the Partnership. Under the current Trust structure, the reimbursable expenses incurred by the Trust are determined by the Trustee, and Unitholders have the benefit of actual historical expense data.

If we issue senior securities, such as preferred units, we will be exposed to additional risks, which could negatively impact our ability to pay you distributions and cause you to lose all or part of your investment. [page 64]

Ensource has pointed out that the Partnership may issue preferred securities, that would be senior to the common units with respect to rights to distributions and/or in liquidation, and that doing so would entail certain risks, the occurrence of any of which could negatively affect the Partnership's ability to pay distributions and cause holders to lose all or part of their investment. The Trust cannot issue preferred securities without the consent of the holders of a majority of the outstanding Trust

Units, and therefore this is not a risk to Trust Unitholders under the current Trust structure.

If you are a depositary unitholder you may recognize gain from our sale of zero coupon bonds even if you do not receive cash distributions from us as a result of the sale. [page 65]

Ensource has pointed out that Ensource intends to sell the Treasury Bonds and that a Trust Unitholder might have gain allocated to him as a result of the sale of the Treasury Bonds that he would be required to take into account in computing his federal income tax liability, even though no cash distribution would be made to him by the Partnership. The Trust cannot sell the Treasury Bonds, and therefore this is not a risk to Trust Unitholders under the current Trust structure.

A successful IRS contest of the federal income tax positions we take may adversely affect the market for our common units, and the cost of any IRS contest will be borne by our common unitholders and our General Partner. [page 66]

Ensource has pointed out that it has not requested any ruling from the IRS with respect to any matter affecting the Partnership, and that the IRS may adopt positions that differ from the conclusions of counsel to Ensource or from the positions Ensource may take, and that the costs of any contest with the IRS would be borne indirectly by holders of common units in the Partnership and the General Partner. The Trust has been in existence since 1993, and the IRS has not contested the tax status of the Trust to date.

You may be required to pay taxes on your share of our income even if you do not receive any cash distributions from us. [page 66]

Ensource has pointed out that holders of interests in the Ensource Partnership will be required to pay taxes on their share of the Partnership's taxable income even if they do not receive cash distributions from the Partnership. Under the current Trust structure, Trust Unitholders must similarly pay taxes on their share of the Trust's taxable income, but Trust Unitholders have the benefit of historical data to judge the risk that the Trust will generate taxable income without cash distributions.

Tax gain or loss on disposition of common units could be different than expected. [page 66]

Ensource has pointed out that taxable gain or loss on the sale of Ensource Partnership units could be different than a holder might expect. Taxable gain or loss on the sale of Trust Units also could be different than a Trust Unitholder might expect.

Our General Partner and its management team have no experience managing a publicly traded partnership, and we cannot assure you that their past experience will be sufficient to manage the Partnership. [page 67]

Ensource has pointed out that the Ensource General Partner's senior management team lacks experience in managing a publicly traded partnership with a business plan and a cash distribution policy as described in the Ensource Prospectus, and that their lack of experience may hinder their ability to take advantage of attractive investment opportunities and achieve investment objectives. The Trust does not engage in any business activities, and therefore these types of risks are irrelevant to Trust Unitholders under the current Trust structure.

Our General Partner will have conflicts of interest. [page 67]

Ensource has pointed out that its General Partner will have conflicts of interest. See the discussion of certain of these conflicts of interest set forth in section 4(b)(11) above.

Trust Unitholders are cautioned that in most cases the foregoing quotes from the Ensource Prospectus are only the *headings* of less than half of the risk factors identified by Ensource in the Ensource Prospectus as material risks to you. Unitholders are urged to read the actual text of all of the risk factors in their entirety before making a decision to tender units in the Ensource Offer.

18. Other Matters Identified by Ensource. On behalf of the Trust, the Trustee recommends that any Trust Unitholder who is considering tendering Trust Units in the Ensource Offer read the entire Ensource Prospectus and the exhibits to the Ensource Prospectus carefully. Without limiting this recommendation in any way, the Trustee recommends that any Trust Unitholder who is considering tendering Trust Units in the Ensource Offer pay particular attention to the sections titled:

"Risk Factors" [pages 45-69];

"Background and Reasons for and Alternatives to the Exchange Offer and Second-Step Merger" [pages 72-75];

"The Offer" [pages 76-89]

"The Second-Step Merger and Post-Merger Exchange Process" [pages 90-92]

"Our Cash Distribution Policy and Restrictions on Distributions" [pages 93-105]

"Partnership Agreement Provisions Relating to Cash Distributions" [pages 105-112]

"Certain Relationships and Related Party Transactions" [pages 156-161]

"Description of Partnership Common Units" [pages 164-165]

"Description of the Subordinated Common Units" [pages 166-167]

"Description of our Partnership Agreement" [pages 168-180]

"Comparison of Depository Unitholders' and Common Unitholders Rights" [pages 182-188]

"Material Federal Income Tax Considerations" [pages 189-208]; and

the form of the Partnership Agreement, which is Annex A to the Ensource Prospectus [pages A-1 A-71].

Item 5. Person/Assets, Retained, Employed, Compensated or Used.

The Trust retained Houlihan Lokey Howard & Zukin Financial Advisors, Inc. to assist the Trust with an independent analysis of the fairness, from a financial point of view, of the Ensource Offer to the Trust Unitholders. The material terms of the compensation arrangement with Houlihan Lokey effectively required the Trust to pay Houlihan Lokey (i) \$100,000 upon execution of the engagement letter, and (ii) an additional \$250,000 upon Houlihan Lokey's delivery of its written opinion as to whether the Ensource offer is fair, from a financial point of view, to the Trust Unitholders (or an additional \$100,000 in the event the Trust requested that a description of Houlihan Lokey's analysis, but no opinion, be included in any filings or materials to be delivered to the Trust Unitholders). The compensation agreement further provided for a monthly payment of \$50,000 to Houlihan Lokey during the term of the engagement, but, by agreement of Houlihan Lokey and the Trustee, the monthly payment arrangement was terminated after a single monthly payment.

In addition, the Trust retained MacKenzie Partners, Inc. to assist in advising the Trust Unitholders of any recommendation the Trust ultimately made. The material terms of the compensation arrangement with MacKenzie Partners, Inc. are that the Trust is to pay MacKenzie Partners, Inc. a fee to be mutually agreed upon at the completion of its assignment with an initial retainer fee of \$7,500. In addition, the Trust is required to reimburse MacKenzie Partners, Inc.'s reasonable, actual out-of-pocket expenses, including: telephone and telecopier charges; copying costs; messenger services; electronic news distribution; news wire service charges; data processing; and mailing, postage and courier costs.

The Trust also retained Ryder Scott Company to prepare an updated reserve report for the Trust, for which the Trust is to pay Ryder Scott Company approximately \$13,000.

Item 6. Interest in Securities of the Subject Company.

To the knowledge of the Trust and the Trustee, none of the Trust, the Trustee nor any affiliate of either of them effected any transaction in the Units during the past 60 days. The Trust has no executive officers, directors or persons performing similar functions, and has no subsidiaries.

Item 7. Purposes of the Transaction and Plans or Proposals.

(a) Neither the Trust nor the Trustee is undertaking or engaged in any negotiations in response to the Ensource Offer that relate to: (i) a tender offer or other acquisition of the Trust's Units by the Trust or the Trustee, any of their subsidiaries or any other person, (ii) any extraordinary transaction, such as a merger, reorganization or liquidation, involving the Trust or any of its subsidiaries, (iii) any purchase, sale or transfer of a material amount of assets of the Trust or any of its subsidiaries, or (v) any material change in the present distribution rate or policy, or indebtedness or capitalization of the Trust.

(b) There are no transactions, board resolutions, agreements in principle or signed contracts that were entered into by the Trust or the Trustee in response to the Ensource Offer that relate to one or more of the matters described in Item 7(a).

Item 8. Additional Information.

As set forth in the Ensource Prospectus, if the Ensource Offer is completed, Ensource intends to attempt to cause a second step merger in which all Trust Units then held by all non-tendering Trust Unitholders would be converted by operation of law into the right to receive Ensource partnership units. However, as also set forth in the Ensource Prospectus, Ensource cannot complete the second step merger without the consent of the Trustee. The Trustee has not yet made a determination whether it would consent to the second step merger if the Ensource Offer is completed, because there has been no need to make that determination; however, at present, the Trustee does not expect that it would consent to the second step merger if requested to do so. If the Ensource Offer is completed, and if the Trustee declines to consent to the second step merger, Ensource has stated that it intends to take action to attempt to cause the Trustee to consent. Ensource has stated in the Ensource Prospectus that its efforts to cause the Trustee to consent might include replacing JPMorgan Chase Bank, N.A., as Trustee, with a new trustee in order to obtain a consent from the new trustee. The Trustee is unable to predict the outcome of any such effort if it were to occur.

Item 9. Exhibits.

- (a) Exhibit 99.1 Notice to Unit Holders dated December 1, 2005 (previously filed)
- (b) Exhibit 99.2 Press Release dated December 1, 2005 (previously filed)
- (c) Exhibit 99.3 Press Release dated December 22, 2005

Annexes

- Annex A Opinion of Independent Financial Advisor
- Annex B Letter from Eastern American Energy Corporation
- Annex C Report of Independent Petroleum Engineering Firm

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: January 6, 2006

EASTERN AMERICAN
NATURAL GAS TRUST

By: JPMORGAN CHASE BANK, N.A.,
TRUSTEE

By: /s/ MIKE ULRICH

Mike Ulrich
Vice President

Annex A
Opinion of Independent
Financial Advisor

[HOULIHAN LOKEY HOWARD & ZUKIN LETTERHEAD]

November 29, 2005

Mr. Mike Ulrich
Vice President
JPMorgan Chase Bank, N.A.
700 Lavaca, 2nd Floor
Austin, TX 78701-3102

Dear Mr. Ulrich:

We understand that on June 22, 2005, Ensource Energy Income Fund L.P. (the "Partnership"), a recently formed Delaware limited partnership, filed a Form S-4¹ (as amended, the "Form S-4") with the Securities and Exchange Commission seeking registration for a proposed exchange offer (the "Exchange Offer"), offering to exchange (A) (i) one common unit of the Partnership that represents a limited partner interest in the Partnership and (ii) a pro rata portion of a special cash distribution of \$5.9 million for Units (as defined below) accepted for exchange, for (B) all outstanding depositary units ("Units") of Eastern American Natural Gas Trust (the "Trust") that are held through a depositary arrangement with JPMorgan Chase Bank, N.A. (the "Trustee"). The purpose of the Exchange Offer is for the Partnership to acquire control of, and ultimately the entire interest in, the Trust. According to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, there were 5,900,000 Units outstanding, which includes 19,900 withdrawn trust Units or 0.03% of the total outstanding Units. As used herein, the Exchange Offer shall include the Exchange Offer as defined above, and the related transactions (but not the second-step merger described below). The Partnership intends, promptly after completion of the Exchange Offer, to seek to have the Trust consummate a second-step merger into the Partnership. In the second-step merger, (i) each remaining Unit (other than withdrawn Units) not exchanged in the Exchange Offer would be converted into the right to receive one whole common unit of the Partnership, and (ii) each Unit that is not evidenced by a Trust receipt (a withdrawn Unit) would be converted into the right to receive 0.4 common units of the Partnership.

1

The Partnership filed amendments to its original Form S-4 on September 15, October 17, November 4, November 15, and 17, 2005, and the Prospectus was declared effective on November 21, 2005.

Upon completion of the Exchange Offer, Ensource Energy Partners, L.P. (the "General Partner" or the "GP"), the Partnership's General Partner, will contribute \$20 million and will receive:

A 1% general partner interest in the Partnership;

Incentive Distribution Rights (as described in the Form S-4); and

640,327 subordinated units (based on a purchase price of \$28.35)²

2

The actual number of subordinated units that the General Partner will receive for its cash contribution will be based on a price per subordinated unit equal to the average intra-day trading price per unit for the ten trading days before the mailing of the Form S-4, but in no event at a price greater than \$32.00 per subordinated unit. Houlihan Lokey's analysis assumes a per-unit purchase price of \$28.35, calculated as the ten-day average closing price as of November 21, 2005. The number of subordinated units in the Amended Form S-4 is calculated based on a price of \$28.00 per subordinated unit.

In addition, the General Partner will purchase for \$50,000 a ten-year warrant to purchase a total of 1,000,000 common