



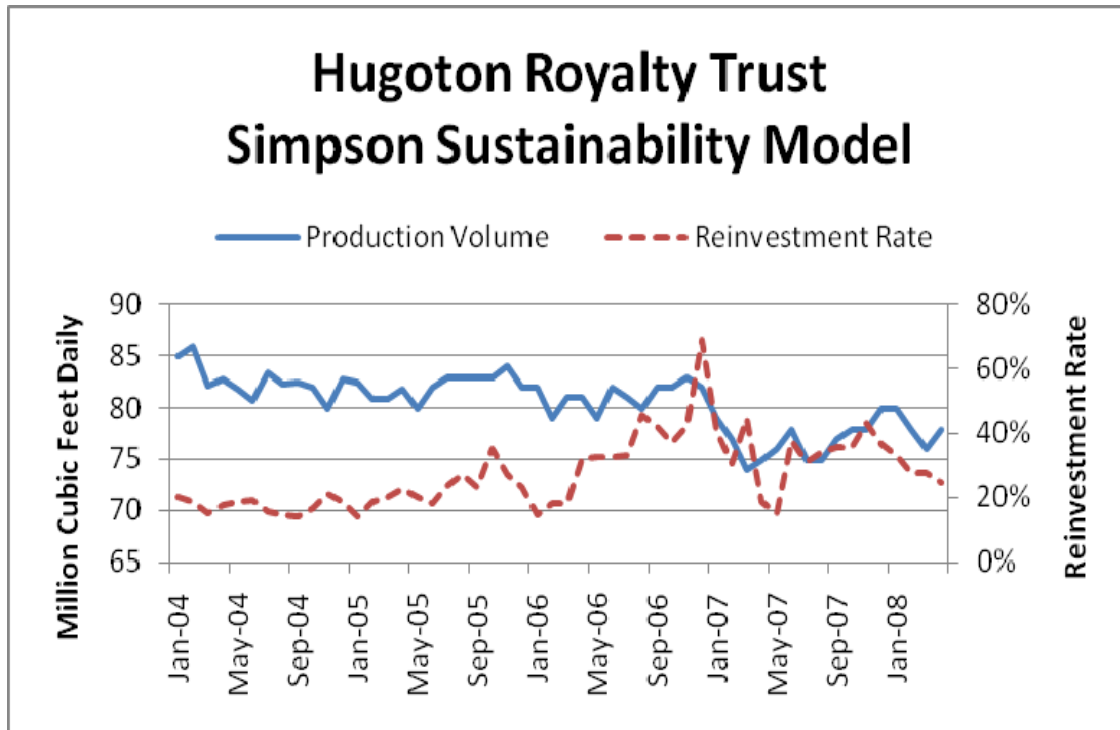
Hugoton Royalty Trust Simpson Sustainability

<i>Symbol</i>	HGT	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$m)</i>	171
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	88
<i>Price (US\$/sh)</i>	29.22	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/17/08	<i>Adjusted Reserves/Production NTM</i>	13.2
<i>Shares (mm)</i>	40.0	<i>EV/Ebitda</i>	6.8
<i>Market Capitalization (US\$m)</i>	1,169	<i>PV/Ebitda</i>	7.9
<i>Debt (US\$m)</i>	0	<i>Undeveloped Reserves (%)</i>	13
<i>Enterprise Value (EV) (US\$m)</i>	1,169	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	7.07
<i>Present Value (PV) (US\$m)</i>	1,360	<i>Present Value Proven Reserves(US\$/boe)</i>	23.90
<i>Net Present Value (US\$/unit)</i>	34.0	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.00
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	3.04
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	10
<i>Distribution Yield (%/year)</i>	10.4	<i>Distribution Next Twelve Months (US\$/sh)</i>	3.04
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$80 a barrel and natural gas, \$11 a million btu.			
For historical analysis of HGT since 2000 see www.mcdep.com/4hgt.htm			

Summary and Recommendation

Buy-recommended **Hugoton Royalty Trust (HGT)** offers high estimated distribution yield and low McDep Ratio among the 14 oil and gas income stocks in our weekly analysis. Because the distribution yield we project for HGT is after reinvestment that may sustain natural gas producing volume, it may be an indication of a sustainable yield, rather than a temporarily high yield. Mr. Bob R. Simpson, chief executive of buy-recommended **XTO Energy (XTO)**, the operator of HGT's properties, likes to think in terms of the proportion of cash flow that must be reinvested to keep production from declining. Reinvesting 20% of HGT cash flow in 2004-2005 was not enough, but 30% may work (see chart [Simpson Sustainability Model](#)). Commodity price also helps. When the Henry Hub natural gas price index on a two-month lagged basis was \$6.96 a million btu in 2007, income distributions were \$1.73 a unit. Futures prices a few days ago on a two-month lagged basis were \$10.04 for the year ended March 31, 2009, up 44%, and our estimate of distributions for the same period is \$3.04, up 75% (see tables, [Monthly Declarations](#) and [Distributable Income](#)). Estimated Net Present Value (NPV) of \$34 a unit is supported by the relationship of cash flow multiple and reserve life (see table, [Functional Cash Flow and Present Value](#)).

Kurt H. Wulff, CFA



Hugoton Royalty Trust					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	150	13.4	8.2	1,230	90%
Oil	21	10.4	6.1	130	10%
	171	13.2	8.0	1,360	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					1,360
Shares (mm)					40
Net Present Value - Standard Estimate (US\$/sh)					34
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					36

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Hugoton Royalty Trust									
Monthly Declarations									
	Apr-07	May-07	Jun-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08
Distribution (\$/unit)									
Declared	0.18	0.22	0.12	0.15	0.19	0.20	0.23		
Projected								0.24	0.25
Volume									
Natural Gas (bcf)	2.10	2.34	2.33	2.40	2.41	2.36	2.28	2.39	2.31
Natural Gas (mmcf/d)	75	76	78	80	78	76	78	77	78
Days	28	31	30	30	31	31	29	31	30
Price									
Natural gas industry quotes lagged two months (\$/mmbtu)									
Henry Hub Index/Futures	7.04	7.55	7.56	7.28	7.21	7.13	7.99	8.93	9.58
HGT/Henry Hub	0.94	0.87	0.73	0.82	0.94	0.95	0.96	0.84	0.84
HGT (\$/mcf)	6.59	6.54	5.53	5.96	6.76	6.74	7.66	7.50	8.02
Revenue (\$mm)									
Natural Gas	13.8	15.3	12.9	14.3	16.3	15.9	17.4	17.9	18.5
Other	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	0.7	0.8	0.5	0.5
Total	13.7	15.1	12.8	14.1	16.1	16.6	18.2	18.4	19.0
Cost (\$mm)									
Production	2.3	1.2	2.1	2.0	1.9	2.2	2.3	1.9	2.0
Overhead	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total	3.0	1.9	2.9	2.8	2.6	3.0	3.1	2.7	2.7
Cash flow (\$mm)									
Development	2.0	2.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Net proceeds (\$mm)									
Royalty income (\$mm)	7.0	8.9	4.9	6.1	7.8	7.9	9.1	9.6	10.0
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%	80%	80%	80%
Distributable income (\$mm)									
Units (millions)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Distribution (\$/unit)									
<i>Latest Twelve Month Average</i>									
Natural Gas (mmcf/d)	80	79	79	77	77	77	77	78	77
HGT/Henry Hub	0.87	0.87	0.87	0.82	0.83	0.84	0.84	0.84	0.85
Other revenue (\$mm)	0.0	0.0	(0.0)	0.1	0.1	0.2	0.3	0.4	0.4
Development (\$mm)	4.3	4.2	4.1	3.5	3.5	3.5	3.6	3.8	3.8
Production (\$mm)	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0
Overhead (\$mm)	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8

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Hugoton Royalty Trust										
Distributable Income										
										Next
	Q1	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Twelve
	3/31/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	2008E	3/31/09	Months
										3/31/09
Highlights										
Revenue (\$mm) (80%)	36.8	32.6	143.9	43.0	49.5	55.6	56.3	204.5	59.0	220.5
Cash flow (\$mm) (80%)	26.7	23.4	104.5	32.0	37.8	43.3	44.0	157.1	46.3	171.5
Per unit	0.67	0.59	2.61	0.80	0.95	1.08	1.10	3.93	1.16	4.29
Distributable Income (\$mm)	16.2	14.6	69.4	21.8	28.7	30.1	30.6	111.2	32.2	121.7
Per unit	0.41	0.36	1.73	0.54	0.72	0.75	0.76	2.78	0.81	3.04
Units (millions)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Volume										
Natural Gas (bcf)	7.1	7.3	28.1	7.2	7.0	7.1	7.1	28.4	7.1	28.4
Natural Gas (mmcf)	77.0	78.8	77.0	77.9	77.5	77.5	77.5	77.8	77.5	77.5
Days	92	92	365	92	90	92	92	366	92	366
Oil (mb)	68	83	306	83	81	83	83	329	83	329
Oil (mbd)	0.7	0.9	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Days	92	92	365	92	90	92	92	366	92	366
Total (bcf)	7.5	7.7	29.9	7.7	7.5	7.6	7.6	30.4	7.6	30.3
Price										
Natural Gas (HH lagged two months)										
Henry Hub (\$/mmbtu)	7.11	5.99	6.96	7.21	8.83	10.13	10.31	9.12	10.89	10.04
Differential (%)	16	20	18	10	13	16	16	14	16	15
HGT (\$/mcf)	5.94	4.77	5.70	6.49	7.72	8.51	8.66	7.84	9.15	8.52
Oil (\$/bbl) (WTI Cushing lagged two months)										
WTI Cushing	58.46	79.40	66.87	93.03	103.58	111.13	109.08	104.20	107.38	107.79
HGT	57.17	74.90	64.35	87.76	99.68	106.95	104.98	99.85	102.89	103.65
Total (\$/mcf)	6.13	5.26	6.01	7.01	8.30	9.12	9.24	8.42	9.67	9.09
Revenue (\$mm)										
Natural Gas	42.1	34.6	160.1	46.5	53.9	60.7	61.7	222.7	65.2	241.5
Oil	3.9	6.2	19.7	7.3	8.1	8.9	8.7	32.9	8.5	34.1
Total	46.0	40.8	179.8	53.8	61.9	69.5	70.4	255.6	73.7	275.6
Cost (\$mm)										
Tax, transport & other	4.9	3.8	17.9	5.3	6.1	6.9	7.0	25.3	7.3	27.3
Production	5.5	5.4	22.3	6.1	6.2	6.2	6.2	24.7	6.2	24.8
Overhead	2.2	2.3	9.1	2.3	2.3	2.3	2.3	9.2	2.3	9.2
Total	12.5	11.5	49.2	13.7	14.6	15.4	15.5	59.2	15.8	61.3
Cash flow (\$mm)	33.4	29.3	130.6	40.0	47.3	54.1	54.9	196.4	57.9	214.3
Development	12.5	11.3	42.8	11.3	11.3	16.2	16.5	55.2	17.4	61.4
Net proceeds (\$mm)	20.9	18.0	87.9	28.8	36.0	37.9	38.5	141.2	40.6	153.0
Royalty income (\$mm)	16.7	14.4	70.3	23.0	28.8	30.3	30.8	113.0	32.4	122.4
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Administration	0.5	(0.1)	0.9	1.3	0.1	0.2	0.2	1.8	0.2	0.7
Distributable income (\$mm)	16.2	14.6	69.4	21.8	28.7	30.1	30.6	111.2	32.2	121.7
Tax and other/revenue	10.6%	9.3%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Production cost (\$/mcf)	0.73	0.70	0.74	0.79	0.83	0.81	0.81	0.81	0.81	0.82
Overhead cost (\$/mcf)	0.30	0.30	0.30	0.30	0.31	0.30	0.30	0.30	0.30	0.30
Development/Cash flow	0.37	0.38	0.33	0.28	0.24	0.30	0.30	0.28	0.30	0.29
Producton/Revenue	0.12	0.13	0.12	0.11	0.10	0.09	0.09	0.10	0.08	0.09
Overhead/Revenue	0.05	0.06	0.05	0.04	0.04	0.03	0.03	0.04	0.03	0.03
Distributable Income/Revenue	0.35	0.36	0.39	0.41	0.46	0.43	0.43	0.43	0.44	0.44

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Natural Gas and Oil Income Stocks - Rank by McDep Ratio								
			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		17-Apr 2008	(mm)				
U.S. Royalty Trusts								
Permian Basin RT	PBT		27.13	46.6	1,270	18.00	-	1.51
Sabine Royalty Trust	SBR		55.00	14.6	800	48.00	-	1.15
Cross Timbers Royalty Trust	CRT		49.48	6.0	300	47.00	-	1.05
Mesa RoyaltyTrust	MTR		70.00	1.9	130	70.00	-	1.00
San Juan Basin Royalty Trust	SJT	B	38.19	46.6	1,780	40.00	-	0.95
Hugoton RoyaltyTrust	HGT	B	29.22	40.0	1,170	34.00	-	0.86
<i>Total or Median</i>					5,500			1.02
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		20.00	247.0	4,940	19.00	0.27	1.04
Canadian Oil Sands Trust	COSWF	B	44.27	479.0	21,210	45.00	0.05	0.98
Enerplus Resources Fund	ERF		45.47	153.0	6,960	52.00	0.16	0.89
Penn West Energy Trust	PWE	B	30.50	372.6	11,360	37.00	0.23	0.87
<i>Total or Median</i>					44,500		0.19	0.94
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.00	188.2	10,920	17.00	0.57	2.04
Encore Energy Partners, L.P. (32%)	ENP		20.10	10.2	210	20.00	0.24	1.00
Dorchester Minerals, L.P.	DMLP		24.90	28.2	700	27.00	-	0.92
Linn Energy, LLC	LINE		22.90	114.0	2,610	27.00	0.34	0.90
<i>Total or Median</i>					14,400		0.29	0.96
B = Buy, S = Sell								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib NTM (%)
	Symbol/ Rating		17-Apr 2008	NTM	NTM	NTM	NTM	
U.S. Royalty Trusts								
Permian Basin RT	PBT		27.13	8.2	6.7	10.1	10.9	9.2
Sabine Royalty Trust	SBR		55.00	9.4	8.1	9.3	9.3	10.8
Cross Timbers Royalty Trust	CRT		49.48	13.4	8.4	8.9	9.4	10.7
San Juan Basin Royalty Trust	SJT	B	38.19	10.2	8.7	8.3	10.2	9.8
Mesa RoyaltyTrust	MTR		70.00	21.1	7.9	7.8	9.0	11.1
Hugoton RoyaltyTrust	HGT	B	29.22	13.2	7.9	6.8	9.6	10.4
<i>Median</i>				11.7	8.0	8.6	9.5	10.5
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	44.27	23.1	8.8	8.7	10.2	7.9
Pengrowth Energy Trust	PGH		20.00	8.7	6.2	6.4	13.1	13.3
Enerplus Resources Fund	ERF		45.47	9.6	7.0	6.2	9.3	10.9
Penn West Energy Trust	PWE	B	30.50	7.3	6.0	5.2	12.5	13.2
<i>Median</i>				9.2	6.6	6.3	11.4	12.0
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.00	8.0	7.4	15.0	22.3	6.3
Linn Energy, LLC	LINE		22.90	19.1	9.1	8.2		11.0
Dorchester Minerals, L.P.	DMLP		24.90	8.6	8.7	8.0	10.6	12.4
Encore Energy Partners, L.P.	ENP		20.10	12.4	7.1	7.1		7.7
<i>Median</i>				10.5	8.0	8.1	16.5	9.4
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2009; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								

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Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield								
		<i>Revenue</i>	<i>Natural Gas/</i>		<i>Dist/</i>			<i>Dist.</i>
	<i>Symbol</i>	<i>Royalty</i>	<i>Ebitda</i>	<i>Dist/</i>	<i>Equity</i>	<i>NTM Distribution</i>		<i>Yield</i>
		<i>(%)</i>	<i>(%)</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>(\$mm)</i>	<i>(\$/un)</i>	<i>(%)</i>
U.S. Royalty Trusts								
Permian Basin RT	PBT	32	35	0.93	0.93	116	2.49	9.2
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	175	3.75	9.8
Hugoton Royalty Trust	HGT	-	88	0.71	0.71	122	3.04	10.4
Cross Timbers Royalty Trust	CRT	84	70	0.95	0.95	32	5.28	10.7
Sabine Royalty Trust	SBR	100	55	1.00	1.00	86	5.93	10.8
Mesa Royalty Trust	MTR	-	67	0.88	0.88	15	7.79	11.1
<i>Total or Median</i>				<i>69</i>	<i>0.90</i>	<i>0.90</i>	<i>500</i>	<i>10.5</i>
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(7)	0.65	0.68	1,675	3.50	7.9
Enerplus Resources Fund	ERF	-	48	0.56	0.67	760	4.96	10.9
Penn West Energy Trust	PWE	-	34	0.50	0.66	1,498	4.02	13.2
Pengrowth Energy Trust	PGH	-	38	0.63	0.87	657	2.66	13.3
<i>Total or Median</i>				<i>36</i>	<i>0.60</i>	<i>0.67</i>	<i>4,600</i>	<i>12.0</i>
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP		-	0.69	1.59	693	3.68	6.3
Encore Energy Partners, L.P.	ENP		24	0.42	0.55	16	1.55	7.7
Linn Energy, LLC	LINE		65	0.57	0.85	287	2.52	11.0
Dorchester Minerals, L.P.	DMLP	64	70	1.00	1.00	87	3.09	12.4
<i>Total or Median</i>				<i>45</i>	<i>0.63</i>	<i>0.93</i>	<i>1,100</i>	<i>9.4</i>
NTM = Next Twelve Months Ended March 31, 2009								
Ebitda = Earnings before interest, tax, depreciation and amortization								

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.