

Rating: Buy
 S&P 500: 1246

San Juan Basin Royalty Trust Irrefutable Logic

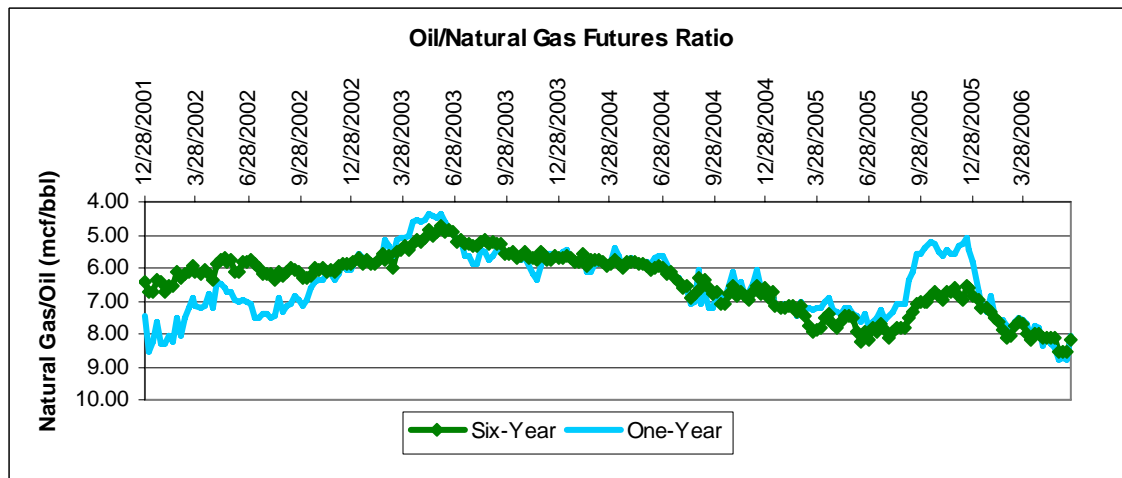
Symbol	SJT	Ebitda Next Twelve Months ending 6/30/07 (US\$mm)	160
Rating	Buy	North American Natural Gas/Ebitda (%)	98
Price (US\$/sh)	36.31	Natural Gas and Oil Production/Ebitda (%)	100
Pricing Date	6/22/06	Adjusted Reserves/Production NTM	13.8
Shares (mm)	47	EV/Ebitda	10.5
Market Capitalization (US\$mm)	1,690	PV/Ebitda	11.6
Debt (US\$mm)	0	Undeveloped Reserves (%)	31
Enterprise Value (EV) (US\$mm)	1,690	Natural Gas and Oil Ebitda (US\$/mcfe)	5.17
Present Value (PV) (US\$mm)	1,860	Present Value Proven Reserves(US\$/boe)	22.10
Net Present Value (US\$/unit)	40	Present Value Proven Reserves(US\$/mcfe)	3.68
Debt/Present Value	0.00	Earnings Next Twelve Months (US\$/un)	2.93
McDep Ratio - EV/PV	0.91	Price/Earnings Next Twelve Months	12
Distribution Yield (%/year)	8.1	Distribution Next Twelve Months (US\$/sh)	2.93

Note: Estimated cash flow and earnings tied to one-year futures prices for natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

Buy-recommended **San Juan Basin Royalty Trust (SJT)** offers high current income and long-term natural gas commodity value. When natural gas oriented SJT was created by Jon Brumley and his colleagues in 1980 it came with an oil oriented twin, **Permian Basin Royalty Trust (PBT)**. It has long been evident that while natural gas and oil are related, they do not have identical price trends. Since natural gas has lagged oil price for more than three years, it seems to be irrefutable logic that if oil price remains near the current level, natural gas price should increase. Yet timing remains uncertain and indeed SJT stock does not have price momentum currently. Nonetheless, the 8.1% distribution yield and 0.91 McDep Ratio point to attractive value for patient investors in our opinion.



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San Juan Basin Royalty Trust
Next Twelve Months Operating and Financial Estimates

	<i>Q2</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>6/30/05</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>6/30/07</i>
Highlights									
Revenue (\$mm) (75%)	44.6	69.4	45.5	39.5	41.4	195.7	57.4	58.4	196.7
Cash flow (\$mm) (75%)	36.4	58.9	36.7	31.4	33.1	160.0	47.5	48.5	160.4
Per unit	0.78	1.26	0.79	0.67	0.71	3.43	1.02	1.04	3.44
Distributable Income (\$mm)	34.5	50.5	27.9	24.5	28.4	131.3	40.3	43.3	136.5
Per unit	0.74	1.08	0.60	0.53	0.61	2.82	0.86	0.93	2.93
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Volume									
Natural gas (mmbtu)	11.7	11.4	10.6	11.0	11.0	44.1	11.0	10.6	43.6
Heat Content(btu/cf)	1,082	1,057	1,068	1,066	1,068	1,065	1,068	1,065	1,067
Natural gas (bcf)	10.8	10.8	10.0	10.3	10.3	41.4	10.3	10.0	40.9
Natural Gas (mmcf)	121.2	117.7	112.1	112.1	112.1	113.5	112.1	112.1	112.1
Days	89	92	89	92	92	365	92	89	365
Oil (mb)	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Oil (mbd)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Days	89	92	89	92	92	365	92	89	365
Total gas & oil (bcf)	10.9	10.9	10.1	10.4	10.4	41.9	10.4	10.1	41.4
Price									
Natural gas (\$/mmbtu) (Henry Hub lagged two months)									
Henry Hub (\$/mmbtu)	6.64	12.13	7.61	6.54	6.86	8.28	9.57	9.76	8.18
Differential (%)	24	34	26	29	29	30	29	26	28
Net to SJT (\$/mmbtu)	5.02	7.99	5.59	4.67	4.90	5.81	6.84	7.22	5.90
Natural gas (\$/mcf)	5.43	8.45	5.97	4.98	5.23	6.19	7.30	7.69	6.29
Oil (\$/bbl) (WTI Cushing lagged two months)									
WTI Cushing	51.70	61.06	64.68	70.73	71.62	67.02	73.09	73.62	72.27
SJT	47.79	56.54	59.90	65.50	66.32	62.08	67.70	68.19	66.92
Total gas & oil (\$/mcf)	5.46	8.46	6.01	5.05	5.30	6.23	7.34	7.73	6.34
Revenue (\$mm)									
Natural Gas	58.6	91.5	59.5	51.4	54.0	256.4	75.3	76.7	257.4
Oil	0.8	1.1	1.1	1.2	1.2	4.6	1.3	1.2	4.9
Total	59.4	92.5	60.6	52.6	55.2	261.0	76.6	77.9	262.3
Cost (\$mm)									
Severance tax	5.9	9.1	6.1	5.3	5.5	25.9	7.7	7.7	26.2
Operating	5.0	5.0	5.7	5.5	5.5	21.7	5.5	5.5	22.2
Total	10.9	14.0	11.7	10.8	11.1	47.6	13.2	13.3	48.4
Cash flow (\$mm)	48.6	78.5	48.9	41.8	44.1	213.3	63.3	64.6	213.9
Development	2.8	11.2	11.0	8.4	5.5	36.0	8.8	6.1	28.8
Net proceeds (\$mm)	45.8	67.3	37.9	33.4	38.7	177.4	54.5	58.5	185.1
Royalty income (\$mm)	34.3	50.5	28.5	25.1	29.0	133.0	40.9	43.9	138.8
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	0.8	0.5	0.5	0.6	0.6	2.2	0.6	0.6	2.3
One-time	(1.0)	(0.5)				(0.5)			-
Distributable income (\$mm)	34.5	50.5	27.9	24.5	28.4	131.3	40.3	43.3	136.5
Severance tax/revenue	9.9%	9.8%	10.0%	10.0%	10.0%	9.9%	10.0%	9.9%	10.0%
Operating cost (\$/mcf)	0.46	0.45	0.56	0.53	0.53	0.52	0.53	0.55	0.54
Development/Cash flow	6%	14%	22%	20%	12%	17%	14%	9%	13%

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San Juan Basin Royalty Trust
Monthly Declarations

	<i>Jul-05</i>	<i>Aug-05</i>	<i>Sep-05</i>	<i>Apr-06</i>	<i>May-06</i>	<i>Jun-06</i>	<i>Jul-06</i>	<i>Aug-06</i>	<i>Sep-06</i>
Distribution (\$/unit)									
Declared	0.28	0.22	0.20	0.18	0.23	0.18			
Projected							0.21	0.15	0.17
Volume									
Natural gas (mmbtu)	3.96	3.87	3.44	3.54	3.78	3.33	3.71	3.58	3.70
Heat Content(btu/cf)	1,076	1,066	1,089	1,063	1,067	1,074	1,067	1,066	1,066
Natural gas (bcf)	3.68	3.63	3.16	3.33	3.54	3.11	3.48	3.36	3.48
Natural Gas (mmcf)	119	121	102	119	114	104	112	112	112
Days	31	30	31	28	31	30	31	30	31
Price									
Natural gas industry quotes lagged two months (\$/mmbtu)									
Henry Hub Index/Futures	6.80	6.14	6.98	8.44	7.13	7.25	7.23	5.95	6.44
San Juan Monthly Index	6.31	5.38	6.05	6.69	6.10	5.54	5.71	4.76	5.02
San Juan Index/Henry Hub	0.93	0.88	0.87	0.79	0.86	0.76	0.79	0.80	0.78
SJT/San Juan Index	0.94	0.92	0.90	0.88	0.92	0.95	0.91	0.90	0.90
SJT (\$/mmbtu)	5.91	4.93	5.47	5.92	5.59	5.24	5.17	4.30	4.53
SJT (\$/mcf)	6.35	5.25	5.96	6.29	5.97	5.63	5.52	4.59	4.83
Revenue (\$mm)									
Natural Gas	23.4	19.1	18.8	20.9	21.1	17.5	19.2	15.4	16.8
Other	0.1	0.0	0.0	0.2	0.0	0.2	0.1	0.1	0.2
Cost (\$mm)									
Severance tax	2.4	2.2	1.9	2.1	2.2	1.8	2.0	1.6	1.7
Operating	1.8	1.7	2.5	2.0	1.7	1.9	1.8	1.8	1.9
Total	4.3	4.0	4.5	4.1	3.9	3.7	3.8	3.4	3.6
Cash flow (\$mm)	19.2	15.1	14.4	17.0	17.3	14.0	15.5	12.1	13.5
Development	1.8	1.7	2.2	5.7	2.8	2.5	2.7	2.8	2.9
Net proceeds (\$mm)	17.4	13.5	12.2	11.3	14.5	11.5	12.8	9.3	10.6
Royalty income (\$mm)	13.0	10.1	9.1	8.5	10.9	8.6	9.6	7.0	8.0
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%
Distributable income (\$mm)	13.0	10.1	9.1	8.5	10.9	8.6	9.6	7.0	8.0
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Distribution (\$/unit)	0.28	0.22	0.20	0.18	0.23	0.18	0.21	0.15	0.17
<i>Latest Twelve Month Average</i>									
Heat Content(btu/cf)	1,075	1,073	1,074	1,068	1,067	1,067	1,066	1,066	1,064
Natural Gas (mmcf)	121	122	120	116	115	114	113	112	113
San Juan Index/Henry Hub	0.85	0.87	0.86	0.80	0.80	0.80	0.79	0.78	0.77
SJT/San Juan Index	0.93	0.91	0.91	0.90	0.90	0.91	0.90	0.90	0.90
Other revenue	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.2
Operating	1.8	1.8	1.9	1.8	1.8	1.8	1.8	1.9	1.8
Development	1.6	1.6	1.6	2.5	2.6	2.7	2.8	2.9	2.9
Severance tax/revenue	10.1%	10.2%	10.2%	10.2%	10.2%	10.3%	10.3%	10.2%	10.2%

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