

# U.S. Natural Gas Royalty Trusts

A Weekly Analysis

October 22, 2004

## Distributions Jump

### Summary and Recommendation

Distributions for the U.S. natural gas and oil royalty trust account jump from an actual distribution yield of 6.9% for the latest twelve months to 8.4% for the latest month annualized to 9.6% estimated for the next twelve months (see table Distribution Progress). Among five royalty trusts disclosing latest monthly results on the same day, October 19, **Permian Basin Royalty Trust (PBT)** will pay 54% more this month than the average of the latest twelve months and **Cross Timbers Royalty Trust (CRT)**, 25% more. By the parallel to the 1970s, high quality, pure plays on oil and gas may multiply further in value. By the parallel to the 1980s and 1990s, distributions may provide a real return in a more stable price environment.

### U.S. Natural Gas and Oil Royalty Trusts Distribution Progress

		<i>Price</i>	<i>Latest</i>		<i>Latest Month</i>		<i>Next</i>	
	<i>Symbol</i>	<i>(\$/un)</i>	<i>Twelve Months</i>	<i>Yield</i>	<i>Annualized</i>	<i>Yield</i>	<i>Twelve Months</i>	<i>Yield</i>
		<i>21-Oct</i>	<i>Distrib.</i>	<i>(%/yr)</i>	<i>Distrib.</i>	<i>(%/yr)</i>	<i>Distrib.</i>	<i>(%/yr)</i>
		<i>2004</i>	<i>(\$/un)</i>		<i>(\$/un)</i>		<i>(\$/un)</i>	
Cross Timbers Royalty Trust	CRT	36.15	2.34	6.5	2.92	8.1	3.38	9.3
Dorchester Minerals, L.P.	DMLP	22.58	1.70	7.5	1.90	8.4	2.34	10.4
Hugoton Royalty Trust	HGT	29.30	2.17	7.4	2.41	8.2	2.94	10.0
Mesa RoyaltyTrust	MTR	67.35	4.71	7.0	5.53	8.2	6.62	9.8
Permian Basin Royalty Trust	PBT	14.10	0.87	6.1	1.34	9.5	1.22	8.7
Sabine Royalty Trust	SBR	40.28	2.72	6.8	3.16	7.8	3.76	9.3
San Juan Basin Royalty Trust	SJT	31.91	2.25	7.0	2.57	8.1	3.15	9.9
	<i>Total</i>			<i>6.9</i>		<i>8.4</i>		<i>9.6</i>

### Price Parallel to another Era

After gains in unit price it is natural to wonder what next? To offset any inclination to underestimate further potential for oil and gas price, we compare the relatively stable price period from 1992 to 2001 to the period from 1964 to 1973. Each was a ten year period that immediately preceded a sharply lower stock market in 2002 and in 1974. After quiescence, oil price started moving up in each case. We may be in the early stages of a new historic move (see chart Light, Sweet Crude Oil Price Cycle).

Frankly, few investors would give much weight to the likelihood of continued oil price strength. Contrast that with the growing chorus for a weaker dollar. It may just be that

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

# U.S. Natural Gas Royalty Trusts

A Weekly Analysis

October 22, 2004

oil price is not high, but the real value of the dollar is low. That, too, is a parallel to historical experience.

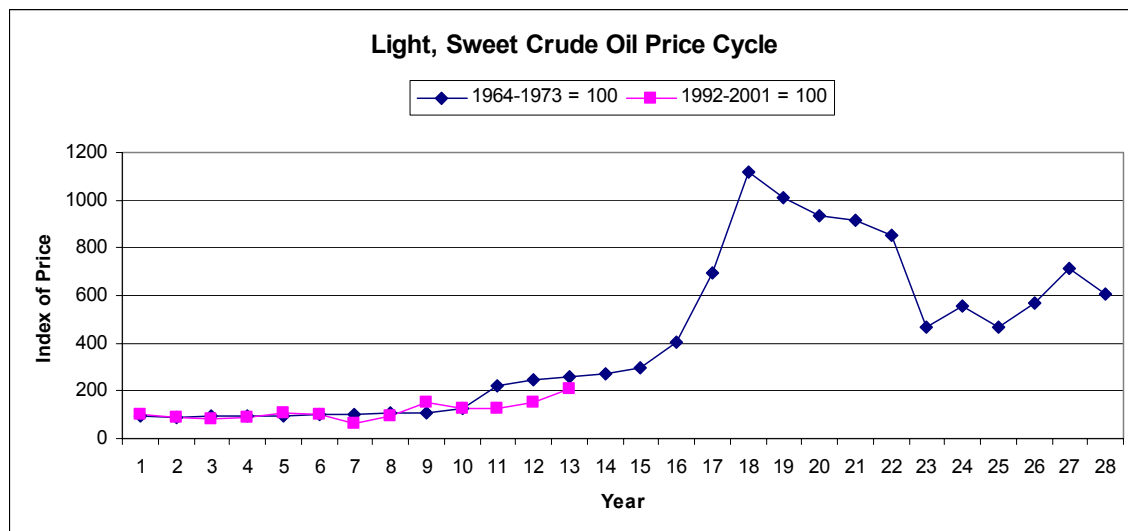
Kurt H. Wulff, CFA

## U.S. Natural Gas and Oil Royalty Trusts The Account

	<i>Symbol</i>	<i>Price (\$/un) 21-Oct 2004</i>	<i>Units</i>	<i>Market Value (\$)</i>	<i>Next Twelve Months Distrib. (\$/un)</i>	<i>Distrib. Yield (%/yr)</i>
Cross Timbers Royalty Trust	CRT	36.15	400	14,460	3.38	9.3
Dorchester Minerals, L.P.	DMLP	22.58	700	15,806	2.34	10.4
Hugoton Royalty Trust	HGT	29.30	500	14,650	2.94	10.0
Mesa Royalty Trust	MTR	67.35	200	13,470	6.62	9.8
Permian Basin Royalty Trust	PBT	14.10	1,200	16,920	1.22	8.7
Sabine Royalty Trust	SBR	40.28	400	16,112	3.76	9.3
San Juan Basin Royalty Trust	SJT	31.91	500	15,955	3.15	9.9
<i>Total</i>				<i>107,373</i>		<i>9.6</i>

### Futures Strip

12 Month - Oil (\$/bbl)	51.67
12 Month - Natural Gas (\$/mmbtu)	7.74
72 Month - Oil (\$/bbl)	43.58
72 Month - Natural Gas (\$/mmbtu)	6.31



Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.