

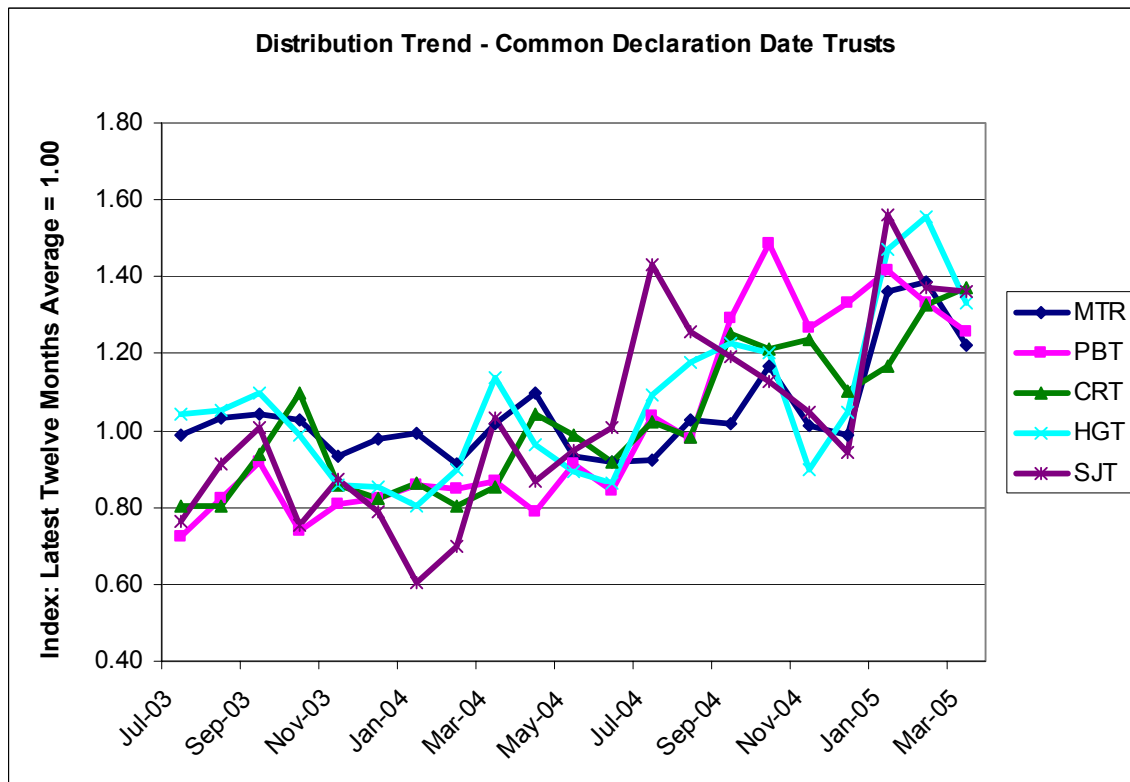
## Inside Information

### Summary and Recommendation

Because the monthly index price for natural gas produced in October was influenced by the September price lows, distributions to be declared on Monday, December 20 are likely to be little changed for natural gas trusts. Because the index price for November was up more than 30% in Louisiana and 50% in the San Juan Basin, distributions for January may be up by a comparable percentage or more. Meanwhile natural gas and oil prices were firm during the past week despite warmer than normal weather in the U.S. this season. While we get nervous from time to time about the near-term outlook, we feel confident that the combination of economic growth and limited supply of clean fuel point to favorable returns for U.S. natural gas royalty trusts.

### Calm December, Strong January

Five trusts in our coverage declare their monthly distributions on the same day. With the main variable as price we project monthly results for the next four months (see chart).



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**San Juan Basin Royalty Trust (SJT), Hugoton Royalty Trust (HGT), and Mesa Royalty Trust (MTR)** are most sensitive to natural gas price on a two-month delayed basis. **Cross Timbers Royalty Trust (CRT)** is most sensitive to natural gas on a three-month delayed basis. **Permian Basin Royalty Trust (PBT)** may be most sensitive to oil on a two-month delayed basis. The delay gives any investor “inside information” on an important variable influencing near future distributions.

## Projected Income of 9.0 Percent a Year

Index prices for the next few months and futures prices for the rest of the year account for most of the change in estimated distribution each week. Of course, stock price can also have a notable effect on distribution yield expressed as a percentage.

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

		Price (\$/un)		Market Value (\$)	Next Twelve Months Distrib. (\$/un)	NTM Distrib. Yield (%/yr)
	Symbol	9-Dec 2004	Units			
Cross Timbers Royalty Trust	CRT	36.66	400	14,664	2.97	8.1
Dorchester Minerals, L.P.	DMLP	22.91	700	16,036	1.99	8.7
Hugoton Royalty Trust	HGT	26.58	500	13,290	2.58	9.7
Mesa Royalty Trust	MTR	68.00	200	13,600	5.49	8.1
Permian Basin Royalty Trust	PBT	12.59	1,200	15,108	1.11	8.8
Sabine Royalty Trust	SBR	35.41	400	14,164	3.34	9.4
San Juan Basin Royalty Trust	SJT	28.40	500	14,200	2.99	10.5
	<i>Total</i>			<i>101,062</i>		<i>9.0</i>
Futures Strip						
	12 Month - Oil (\$/bbl)	42.43				
	12 Month - Natural Gas (\$/mmbtu)	6.66				
	72 Month - Oil (\$/bbl)	39.29				
	72 Month - Natural Gas (\$/mmbtu)	5.90				

## Scandal in the San Juan Basin

**Q:** I read online via Smart Money the report of what they claim is a scandal re treatment of Native Americans by the developers/producers (e.g. BR). What is your interpretation?

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## ***U.S. Natural Gas Royalty Trusts***

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**A:** Our sympathy lies with the natives in New Mexico, the local tribes in Nigeria and the Aceh in Indonesia. There should be plenty of resource value to share with those who live on the land from which it is derived. Sometimes our great corporations and governments need a little heat to remind them to do what is right.

Most of the article seems to refer to access fees paid by pipelines to cross private land. The suggestion is that payments to individual Native American land owners fall short of payments to others for similar privilege. While we are not familiar with the details, there can be no justification for anything other than conducting regulatory and business activities at the highest ethical standards.

Kurt H. Wulff, CFA

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