

## No Debt, No Hedges

### Summary and Recommendation

As operating companies are reporting first quarter earnings gains, equity investors are reminded in some cases of how much opportunity has been transferred to commodity investors through hedging losses. U.S. royalty trusts without debt don't need the expensive insurance of hedging and without management don't speculate on commodity price. Though debt and hedging can be important tools for growth, the higher valuation of U.S. royalty trusts in part seems to highlight the hidden costs of those tools. Meanwhile, seven U.S. natural gas income stocks are expected to distribute cash over the next twelve months of 9.0% of stock price (see table The Account). The median McDep Ratio is 1.08 (see table Rank by McDep Ratio). The ratio of estimated present value to cash flow is a median 9.1 (see table Rank by PV/Ebitda).

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

#### The Account

	<i>Symbol</i>	<i>Price (\$/un) 28-Apr 2005</i>	<i>Units</i>	<i>Market Value (\$)</i>	<i>Next Twelve Months Distrib. (\$/un)</i>	<i>NTM Distrib. Yield (%/yr)</i>
Cross Timbers Royalty Trust	CRT	38.05	400	15,220	3.03	8.0
Mesa RoyaltyTrust	MTR	66.70	200	13,340	5.47	8.2
Sabine Royalty Trust	SBR	38.60	400	15,440	3.34	8.7
San Juan Basin Royalty Trust	SJT	36.89	500	18,445	3.16	8.6
Hugoton Royalty Trust	HGT	27.05	500	13,525	2.59	9.6
Dorchester Minerals, L.P.	DMLP	22.64	700	15,848	2.21	9.8
Permian Basin Royalty Trust	PBT	12.40	1,200	14,880	1.28	10.3
	<i>Total</i>			<i>106,698</i>		<i>9.0</i>
Futures Strip						
12 Month - Oil (\$/bbl)		54.30				
12 Month - Natural Gas (\$/mmbtu)		7.36				
72 Month - Oil (\$/bbl)		50.99				
72 Month - Natural Gas (\$/mmbtu)		6.49				

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### Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol</i>	<i>Price (\$/sh) 28-Apr 2005</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>EV/ Ebitda NTM</i>	<i>McDep Ratio</i>
Sabine Royalty Trust	SBR	38.60	14.6	560	33.00	11.6	1.17
San Juan Basin Royalty Trust	SJT	36.89	46.6	1,720	32.00	10.5	1.15
Mesa RoyaltyTrust	MTR	66.70	1.9	120	60.00	10.5	1.11
Dorchester Minerals, L.P.	DMLP	22.64	27.0	610	21.00	9.8	1.08
Cross Timbers Royalty Trust	CRT	38.05	6.0	230	36.00	12.4	1.06
Permian Basin RT (41%)	PBT	12.40	19.1	240	12.00	8.9	1.03
Hugoton RoyaltyTrust (46%)	HGT	27.05	18.4	500	27.00	8.5	1.00
<i>Total or Median</i>				<i>4,000</i>		<i>10.5</i>	<i>1.08</i>

### Rank by PV/Ebitda: Present Value to Earnings Before Interest, Tax, Deprec.

	<i>Symbol</i>	<i>Total Present Value (\$mm)</i>	<i>Unit Present Value (\$/mcf)</i>	<i>Reserves (bcf)</i>	<i>Natural Gas/ Ebitda (%)</i>	<i>Adjusted Reserves/ Production NTM</i>	<i>Revenue Royalty (%)</i>	<i>PV/ Ebitda</i>
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	216	3.30	65	72	20.0	85	11.7
Sabine Royalty Trust	SBR	481	3.90	123	58	11.9	100	9.9
Mesa RoyaltyTrust	MTR	112	2.42	46	76	20.0	-	9.5
San Juan Basin Royalty Trust	SJT	1,491	2.87	519	99	12.1	-	9.1
Dorchester Minerals, L.P.	DMLP	568	3.56	160	79	13.0	54	9.1
Permian Basin RT (41%)	PBT	229	2.30	100	39	16.4	30	8.6
Hugoton RoyaltyTrust (46%)	HGT	497	2.90	171	92	13.7	-	8.5
<i>Total or Median</i>		<i>3,594</i>		<i>1,185</i>	<i>76</i>	<i>13.7</i>		<i>9.1</i>

### Index of Recent U.S. Royalty Trust Research

#### Single Trust Analyses

<u>Date</u>	<u>Symbol</u>	<u>Stock</u>	<u>Theme</u>
28-Apr	SJT	San Juan Basin Royalty Trust	Ten Bagger
24-Mar	* MTR	Mesa Royalty Trust	Long Reserve Life Reported
11-Feb	* HGT	Hugoton Royalty Trust	Improving Volume Trend
3-Feb	* SJT	San Juan Basin Royalty Trust	Real Value with Income
22-Nov	* MTR	Mesa Royalty Trust	Hugoton Predictability, San Juan Surprise
12-Nov	* CRT	Cross Timbers Royalty Trust	Low Risk, Long Life

#### U.S. Natural Gas Royalty Trusts - A Weekly Analysis

21-Apr		A Boost from Burlington
15-Apr	*	Oil Price Moderation
8-Apr	*	Reserves Comparability
1-Apr	*	New High for Natural Gas

\* Archived on [www.mcdep.com](http://www.mcdep.com)

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