

## Natural Gas Royalty Trusts

A Weekly Analysis

September 23, 2002

# Hurricane Watch

## Summary and Recommendation

As we write this on Friday morning the second hurricane of the season may be the first headed to the Gulf of Mexico to threaten natural gas production. Production may be shut in with subsurface valves and platforms evacuated. While the facilities are built to withstand hurricane forces, platforms have been known to disappear in a storm with nary a visible trace. Because the market looks tight for the next few years, a hurricane incident could be a catalyst for a more important long-term shift in prices. We have delayed release of this week's analysis to catch the latest monthly declarations. Each of the three trusts announce monthly distributions ten calendar days prior to the last business day of the month. Monthly results have just come in at \$0.13, \$0.06 and \$0.10 respectively for CRT, HGT and SJT. That prompts a small reduction in estimated future volumes and cash flows for HGT. Results topped expectations at SJT. We recommend purchase of SJT and believe the prospects for CRT and HGT are comparably attractive.

Kurt H. Wulff, CFA

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 19-Sep 2002</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
Cross Timbers Royalty Trust	CRT	17.55	6.0	105	20.00	-	0.88
Hugoton RoyaltyTrust (46%)	HGT	11.47	18.4	210	15.70	-	0.73
San Juan Basin Royalty Trust	SJT	11.44	46.6	530	16.10	-	0.71

Buy/Sell rating after symbol: B - Buy, N - Neutral, S - Sell

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

### Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 19-Sep 2002</i>	<i>EV/ Sales NTM</i>	<i>EV/ Ebitda NTM</i>	<i>P/E NTM</i>	<i>Dividend or Distribution NTM (%)</i>	<i>PV/ Ebitda NTM</i>
Cross Timbers Royalty Trust	CRT	17.55	6.0	8.4	9	11.1	9.6
Hugoton RoyaltyTrust (46%)	HGT	11.47	4.6	6.6	9	11.1	9.0
San Juan Basin Royalty Trust	SJT	11.44	5.1	6.5	9	11.4	9.2

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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**Table CRT-1**  
**Cross Timbers Royalty Trust**  
**Present Value**

Volume Decline (%/yr):	10	Price Escalation post 2007 (%/yr):	2.4
Volume Enhancement (%/yr):	10	Discount Rate (%/yr):	5.2
		U.S. TIPS Inflation (%/yr):	1.6
		U.S. 10 Year Yield (%/yr):	3.8
PV/Volume (\$/mcf):	2.74	PV/EBITDA 2002:	9.8

Year	Natural Gas Volume			Price (\$/mcf)	Revenue (\$mm)	Oil Net (\$mm)	Distribution (\$mm)	Tax Credit (\$/unit)	Disc Factor	Present Value (\$/unit)	
	Basic (bcf)	Enhanced (bcf)	Total (bcf)								
Total 2003 through 2032; years ending on 9/30											
	25	19	44	4.17	183	9	191	31.91	0.02	0.63	<b>20.00</b>
2003	2.6	0.0	2.6	3.79	9.8	1.9	11.7	1.94	0.02	0.98	1.92
2004	2.3	0.3	2.6	3.84	9.9	1.7	11.6	1.93		0.93	1.79
2005	2.1	0.5	2.6	3.65	9.4	1.2	10.6	1.76		0.88	1.55
2006	1.9	0.7	2.6	3.55	9.2	1.0	10.2	1.69		0.84	1.42
2007	1.7	0.9	2.6	3.55	9.2	0.9	10.0	1.67		0.80	1.33
2008	1.5	1.1	2.6	3.64	9.4	0.8	10.1	1.69		0.76	1.28
2009	1.4	1.2	2.6	3.72	9.6	0.7	10.3	1.72		0.72	1.24
2010	1.2	1.3	2.6	3.81	9.8	0.7	10.5	1.75		0.69	1.20
2011	1.1	1.5	2.6	3.90	10.1		10.1	1.68		0.65	1.09
2012	1.0	1.3	2.3	3.99	9.3		9.3	1.54		0.62	0.96
2013	0.9	1.2	2.1	4.08	8.5		8.5	1.42		0.59	0.84
2014	0.8	1.1	1.9	4.18	7.9		7.9	1.31		0.56	0.73
2015	0.7	1.0	1.7	4.28	7.2		7.2	1.21		0.53	0.64
2016	0.7	0.9	1.5	4.38	6.7		6.7	1.11		0.51	0.56
2017	0.6	0.8	1.4	4.48	6.1		6.1	1.02		0.48	0.49
2018	0.5	0.7	1.2	4.59	5.7		5.7	0.94		0.46	0.43
2019	0.5	0.6	1.1	4.69	5.2		5.2	0.87		0.44	0.38
2020	0.4	0.6	1.0	4.80	4.8		4.8	0.80		0.41	0.33
2021	0.4	0.5	0.9	4.92	4.4		4.4	0.74		0.39	0.29
2022	0.3	0.5	0.8	5.03	4.1		4.1	0.68		0.37	0.25
2023	0.3	0.4	0.7	5.15	3.8		3.8	0.63		0.36	0.22
2024	0.3	0.4	0.7	5.27	3.5		3.5	0.58		0.34	0.19
2025	0.3	0.3	0.6	5.40	3.2		3.2	0.53		0.32	0.17
2026	0.2	0.3	0.5	5.52	2.9		2.9	0.49		0.31	0.15
2027	0.2	0.3	0.5	5.65	2.7		2.7	0.45		0.29	0.13
2028	0.2	0.2	0.4	5.79	2.5		2.5	0.41		0.28	0.11
2029	0.2	0.2	0.4	5.92	2.3		2.3	0.38		0.26	0.10
2030	0.1	0.2	0.3	6.06	2.1		2.1	0.35		0.25	0.09
2031	0.1	0.2	0.3	6.20	1.9		1.9	0.32		0.24	0.08
2032	0.1	0.2	0.3	6.35	1.8		1.8	0.30		0.23	0.07

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## Natural Gas Royalty Trusts

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**Table CRT-2**  
**Cross Timbers Royalty Trust**  
**Distributable Income**

	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next</i>
	<i>3/31/02</i>	<i>6/30/02</i>	<i>9/30/02</i>	<i>12/31/02</i>	<i>2002E</i>	<i>3/31/03</i>	<i>6/30/03</i>	<i>9/30/03</i>	<i>Months</i>
									<i>9/30/03</i>
<b>Highlights</b>									
Tax credit (\$mm)									
Per unit	0.03	0.02	0.02	0.02	0.09				0.02
Distributable Income (\$mm)	1.80	1.72	2.49	2.64	8.66	3.15	3.04	2.83	11.65
Per unit	0.30	0.29	0.42	0.44	1.44	0.52	0.51	0.47	1.94
Units (millions)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<b>Volume</b>									
Natural Gas (bcf)	0.78	0.71	0.71	0.72	2.92	0.72	0.71	0.71	2.86
Natural Gas (mmcf)	8.5	7.8	7.8	7.8	8.0	7.8	7.8	7.8	7.8
Days	92	90	91	92	365	92	90	91	365
Oil (mb)	83	82	85	85	336	85	82	85	338
Oil (mbd)	0.90	0.93	0.93	0.93	0.92	0.93	0.93	0.93	3.70
Days	92	89	92	92	365	92	89	92	365
Total (bcf)	1.28	1.20	1.23	1.23	4.94	1.23	1.20	1.23	4.89
<b>Price</b>									
Natural Gas (HH lagged three months)									
Henry Hub (\$/mmbtu)	2.41	2.53	3.38	3.20	2.88	4.09	4.26	3.93	3.87
Differential (\$/mmbtu)	(0.13)	(0.04)	0.07	0.06	(0.00)	0.08	0.09	0.08	0.08
CRT (\$/mcf)	2.54	2.57	3.31	3.14	2.88	4.01	4.18	3.85	3.79
Oil (\$/bbl) (WTI lagged two months)									
WTI Cushing	19.56	23.80	26.49	29.07	24.73	29.54	28.07	26.48	28.29
CRT	17.28	20.50	24.49	27.07	22.38	27.54	26.07	24.48	26.29
Total (\$/mcf)	2.67	2.92	3.63	3.71	3.23	4.25	4.25	3.95	4.04
<b>Revenue (\$mm)</b>									
Natural Gas	1.98	1.82	2.37	2.26	8.43	2.90	2.95	2.75	10.86
Oil	1.44	1.69	2.09	2.31	7.52	2.35	2.15	2.09	8.89
Total	3.42	3.50	4.45	4.57	15.95	5.24	5.10	4.83	19.75
<b>Cost (\$mm)</b>									
Tax, transport & other	0.34	0.51	0.62	0.64	2.11	0.73	0.71	0.68	2.76
Production	0.75	0.72	0.72	0.72	2.91	0.72	0.72	0.72	2.88
Total	1.09	1.23	1.34	1.36	5.03	1.45	1.43	1.40	5.65
<b>Cash flow (\$mm)</b>									
Development	0.28	0.14	0.14	0.20	0.77	0.20	0.20	0.20	0.80
Excess	(0.07)	0.07							
<b>Net proceeds (\$mm)</b>	2.11	2.06	2.96	3.01	10.15	3.59	3.47	3.24	13.30
<b>Royalty income (\$mm)</b>									
Royalty/Net proceeds	89%	89%	89%	89%	89%	89%	89%	89%	89%
Administration	0.08	0.09	0.14	0.04	0.35	0.04	0.04	0.04	0.16
<b>Distributable income (\$mm)</b>	1.80	1.72	2.49	2.64	8.66	3.15	3.04	2.83	11.65
<i>Modeling ratios</i>									
Tax and other/revenue	0.10	0.15	0.14	0.14	0.13	0.14	0.14	0.14	0.14

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**Table HGT-1**  
**Hugoton Royalty Trust**  
**Present Value**

Volume Decline (%/yr):	10	Price Escalation Post 2007 (%/yr):	2.4
Volume Enhancement (%/yr):	10	Discount rate (%/yr):	5.8
Capex/Cash Flow (%):	30	U.S. TIPS Inflation (%/yr):	1.6
Variable Cost (%):	17	U.S. 10 Year Yield (%/yr):	3.8
PV/Volume (\$/mcf):	1.27	PV/EBITDA 2002:	9.1

Year	Basic (bcf)	Volume Enhanced (bcf)	Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Distribution (\$mm)	(\$/unit)	Tax Credit (\$/unit)	Disc Factor	Present Value (\$/unit)
Total 2003 through 2032; years ending on 9/30													
	279	217	496	4.06	2013	411	342	196	1063	26.58	0.00	0.59	15.70
2003	29.1	0.0	29.1	3.43	99.9	13.7	17.0	18.2	51.0	1.27	0.00	0.97	1.24
2004	26.2	2.9	29.1	3.75	109.1	13.7	18.5	23.1	53.8	1.34		0.92	1.24
2005	23.6	5.5	29.1	3.56	103.8	13.7	17.7	21.7	50.7	1.27		0.87	1.10
2006	21.2	7.9	29.1	3.47	101.2	13.7	17.2	21.1	49.2	1.23		0.82	1.01
2007	19.1	10.0	29.1	3.48	101.3	13.7	17.2	21.1	49.3	1.23		0.78	0.96
2008	17.2	11.9	29.1	3.56	103.7	13.7	17.6	21.7	50.7	1.27		0.73	0.93
2009	15.5	13.6	29.1	3.64	106.2	13.7	18.0	22.3	52.1	1.30		0.69	0.90
2010	13.9	15.2	29.1	3.73	108.7	13.7	18.5	22.9	53.5	1.34		0.66	0.88
2011	12.5	16.6	29.1	3.82	111.2	13.7	18.9	23.6	55.0	1.38		0.62	0.85
2012	11.3	14.9	26.2	3.91	102.4	13.7	17.4		71.3	1.78		0.59	1.05
2013	10.2	13.4	23.6	4.00	94.4	13.7	16.0		64.6	1.62		0.55	0.90
2014	9.1	12.1	21.2	4.09	86.9	13.7	14.8		58.4	1.46		0.52	0.77
2015	8.2	10.9	19.1	4.19	80.1	13.7	13.6		52.7	1.32		0.50	0.65
2016	7.4	9.8	17.2	4.29	73.8	13.7	12.5		47.5	1.19		0.47	0.56
2017	6.7	8.8	15.5	4.39	67.9	13.7	11.5		42.7	1.07		0.44	0.47
2018	6.0	7.9	13.9	4.49	62.6	13.7	10.6		38.2	0.96		0.42	0.40
2019	5.4	7.1	12.5	4.60	57.6	13.7	9.8		34.1	0.85		0.40	0.34
2020	4.9	6.4	11.3	4.71	53.1	13.7	9.0		30.4	0.76		0.37	0.28
2021	4.4	5.8	10.2	4.82	48.9	13.7	8.3		26.9	0.67		0.35	0.24
2022	3.9	5.2	9.1	4.93	45.1	13.7	7.7		23.7	0.59		0.33	0.20
2023	3.5	4.7	8.2	5.05	41.5	13.7	7.1		20.7	0.52		0.32	0.16
2024	3.2	4.2	7.4	5.16	38.2	13.7	6.5		18.0	0.45		0.30	0.13
2025	2.9	3.8	6.7	5.29	35.2	13.7	6.0		15.5	0.39		0.28	0.11
2026	2.6	3.4	6.0	5.41	32.4	13.7	5.5		13.2	0.33		0.27	0.09
2027	2.3	3.1	5.4	5.54	29.9	13.7	5.1		11.1	0.28		0.25	0.07
2028	2.1	2.8	4.9	5.67	27.5	13.7	4.7		9.1	0.23		0.24	0.05
2029	1.9	2.5	4.4	5.80	25.4	13.7	4.3		7.3	0.18		0.23	0.04
2030	1.7	2.2	3.9	5.94	23.4	13.7	4.0		5.7	0.14		0.21	0.03
2031	1.5	2.0	3.5	6.08	21.5	13.7	3.7		4.1	0.10		0.20	0.02
2032	1.4	1.8	3.2	6.22	19.8	13.7	3.4		2.7	0.07		0.19	0.01

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**Table HGT-2**  
**Hugoton Royalty Trust**  
**Distributable Income**

	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>3/31/02</i>	<i>6/30/02</i>	<i>9/30/02</i>	<i>12/31/02</i>	<i>2002E</i>	<i>3/31/03</i>	<i>6/30/03</i>	<i>9/30/03</i>	<i>9/30/03</i>
<b>Highlights</b>									
Revenue (\$mm) (80%)	18.5	16.5	19.7	22.6	77.3	27.1	25.3	24.9	99.9
Cash flow (\$mm) (80%)	12.0	10.1	13.2	15.2	50.6	19.2	17.8	17.3	69.5
Per unit	0.30	0.25	0.33	0.38	1.27	0.48	0.45	0.43	1.74
Tax credit (\$mm)	0.2	0.2	0.2	0.2	0.7				0.2
Per unit	0.00	0.00	0.00	0.00	0.02				0.00
Distributable Income (\$mm)	7.4	5.3	8.6	10.6	31.9	14.6	13.2	12.7	51.0
Per unit	0.18	0.13	0.22	0.26	0.80	0.37	0.33	0.32	1.27
<b>Units</b> (millions)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
<b>Volume</b>									
Natural Gas (bcf)	9.0	8.3	8.6	8.6	34.6	8.6	8.4	8.6	34.3
Natural Gas (mmcf)	98.1	93.1	93.4	94.0	94.7	94.0	94.0	94.0	94.0
Days	92	89	92	92	365	92	89	92	365
Oil (mb)	90	88	90	90	358	89	85	87	350
Oil (mbd)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	1.0
Days	92	89	92	92	365	92	89	92	365
Total (bcf)	9.6	8.8	9.1	9.2	36.7	9.2	8.9	9.2	36.4
<b>Price</b>									
Natural Gas (HH lagged two months)									
Henry Hub (\$/mmbtu)	2.34	2.92	3.23	3.50	3.00	4.26	4.12	3.93	3.95
Differential (\$/mmbtu)	(0.03)	0.67	0.49	0.52	0.45	0.64	0.62	0.59	0.59
HGT (\$/mcf)	2.38	2.25	2.60	2.97	2.55	3.62	3.50	3.34	3.36
Oil (\$/bbl) (WTI Cushing lagged two months)									
WTI Cushing	19.56	23.80	26.49	29.07	24.73	29.54	28.07	26.48	28.29
HGT	18.80	22.27	25.99	28.57	23.91	29.04	27.57	25.98	27.80
Total (\$/mcf)	2.42	2.33	2.70	3.08	2.63	3.69	3.57	3.40	3.43
<b>Revenue</b> (\$mm)									
Natural Gas	21.5	18.6	22.3	25.7	88.1	31.3	29.3	28.9	115.2
Oil	1.7	2.0	2.4	2.6	8.6	2.6	2.3	2.3	9.7
Total	23.2	20.6	24.7	28.2	96.6	33.9	31.6	31.1	124.9
<b>Cost</b> (\$mm)									
Tax, transport & other	1.7	1.9	2.2	2.8	8.6	3.4	3.2	3.1	12.5
Production	4.4	4.0	3.8	4.6	16.8	4.6	4.4	4.6	18.2
Overhead	2.0	2.0	2.1	1.8	7.9	1.8	1.8	1.8	7.3
Total	8.1	7.9	8.1	9.3	33.4	9.8	9.4	9.5	38.0
<b>Cash flow</b> (\$mm)									
Development	5.8	5.8	5.8	5.7	23.1	5.7	5.7	5.7	22.8
<b>Net proceeds</b> (\$mm)	9.3	6.9	10.8	13.3	40.2	18.4	16.6	15.9	64.1
<b>Royalty income</b> (\$mm)	7.4	5.5	8.6	10.6	32.2	14.7	13.3	12.7	51.3
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%	80%	80%	80%
Administration	0.1	0.2	(0.0)	0.1	0.3	0.1	0.1	0.1	0.3
<b>Distributable income</b> (\$mm)	7.4	5.3	8.6	10.6	31.9	14.6	13.2	12.7	51.0
<i>Cost ratios</i>									
Tax and other/revenue	7%	9%	9%	10%	9%	10%	10%	10%	10%
Production cost (\$/mcf)	0.46	0.46	0.42	0.50	0.46	0.50	0.50	0.50	0.50
Overhead cost (\$/mcf)	0.21	0.23	0.23	0.20	0.22	0.20	0.20	0.20	0.20
Development/Cash flow	0.38	0.46	0.35	0.30	0.36	0.24	0.26	0.26	0.26

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# Natural Gas Royalty Trusts

## A Weekly Analysis

September 23, 2002

**Table SJT-1**  
**San Juan Basin Royalty Trust**  
**Present Value**

Volume Decline (%/yr):	10	Price Escalation Post 2007 (%/yr):	2.4
Volume Enhancement (%/yr):	10	Discount rate (%/yr):	5.8
Capex/Cash Flow (%):	25	U.S. TIPS Inflation (%/yr):	1.6
Variable Cost (%):	12	U.S. 10 Year Yield (%/yr):	3.8
PV/Volume (\$/mcf):	1.33	PV/EBITDA 2002:	9.3

Year	Basic (bcf)	Volume Enhanced (bcf)	Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Distribution (\$mm)	(\$/unit)	Tax Credit (\$/unit)	Disc Factor	Present Value (\$/unit)
Total 2003 through 2032; years ending on 9/30													
	318	247	565	3.71	2096	388	252	187	1269	27.23	0.01	0.59	16.10
2003	33.2	0.0	33.2	3.14	104.3	11.3	12.5	19.6	60.9	1.31	0.01	0.97	1.28
2004	29.9	3.3	33.2	3.42	113.6	13.0	13.6	21.7	65.2	1.40		0.92	1.29
2005	26.9	6.3	33.2	3.26	108.1	13.0	13.0	20.5	61.6	1.32		0.87	1.15
2006	24.2	9.0	33.2	3.17	105.3	13.0	12.6	19.9	59.8	1.28		0.82	1.05
2007	21.8	11.4	33.2	3.18	105.5	13.0	12.7	20.0	59.9	1.29		0.78	1.00
2008	19.6	13.6	33.2	3.25	108.0	13.0	13.0	20.5	61.5	1.32		0.73	0.97
2009	17.6	15.5	33.2	3.33	110.5	13.0	13.3	21.1	63.2	1.36		0.69	0.94
2010	15.9	17.3	33.2	3.41	113.1	13.0	13.6	21.6	64.9	1.39		0.66	0.91
2011	14.3	18.9	33.2	3.49	115.8	13.0	13.9	22.2	66.7	1.43		0.62	0.89
2012	12.9	17.0	29.9	3.57	106.7	13.0	12.8		80.9	1.74		0.59	1.02
2013	11.6	15.3	26.9	3.66	98.3	13.0	11.8		73.5	1.58		0.55	0.87
2014	10.4	13.8	24.2	3.74	90.5	13.0	10.9		66.6	1.43		0.52	0.75
2015	9.4	12.4	21.8	3.83	83.4	13.0	10.0		60.4	1.30		0.50	0.64
2016	8.4	11.2	19.6	3.92	76.8	13.0	9.2		54.6	1.17		0.47	0.55
2017	7.6	10.0	17.6	4.01	70.7	13.0	8.5		49.3	1.06		0.44	0.47
2018	6.8	9.0	15.9	4.11	65.2	13.0	7.8		44.3	0.95		0.42	0.40
2019	6.1	8.1	14.3	4.20	60.0	13.0	7.2		39.8	0.85		0.40	0.34
2020	5.5	7.3	12.9	4.30	55.3	13.0	6.6		35.7	0.77		0.37	0.29
2021	5.0	6.6	11.6	4.40	50.9	13.0	6.1		31.8	0.68		0.35	0.24
2022	4.5	5.9	10.4	4.51	46.9	13.0	5.6		28.3	0.61		0.33	0.20
2023	4.0	5.3	9.4	4.61	43.2	13.0	5.2		25.0	0.54		0.32	0.17
2024	3.6	4.8	8.4	4.72	39.8	13.0	4.8		22.0	0.47		0.30	0.14
2025	3.3	4.3	7.6	4.83	36.7	13.0	4.4		19.3	0.41		0.28	0.12
2026	2.9	3.9	6.8	4.94	33.8	13.0	4.1		16.7	0.36		0.27	0.10
2027	2.6	3.5	6.1	5.06	31.1	13.0	3.7		14.4	0.31		0.25	0.08
2028	2.4	3.2	5.5	5.18	28.7	13.0	3.4		12.2	0.26		0.24	0.06
2029	2.1	2.8	5.0	5.30	26.4	13.0	3.2		10.2	0.22		0.23	0.05
2030	1.9	2.6	4.5	5.43	24.3	13.0	2.9		8.4	0.18		0.21	0.04
2031	1.7	2.3	4.0	5.55	22.4	13.0	2.7		6.7	0.14		0.20	0.03
2032	1.6	2.1	3.6	5.68	20.6	13.0	2.5		5.2	0.11		0.19	0.02

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# Natural Gas Royalty Trusts

A Weekly Analysis

September 23, 2002

**Table SJT-2**  
**San Juan Basin Royalty Trust**  
**Distributable Income**

	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next</i>
	<i>3/31/02</i>	<i>6/30/02</i>	<i>9/30/02</i>	<i>12/31/02</i>	<i>2002E</i>	<i>3/31/03</i>	<i>6/30/03</i>	<i>9/30/03</i>	<i>Twelve</i>
									<i>Months</i>
									<i>9/30/03</i>
<b>Highlights</b>									
Revenue (\$mm) (75%)	19.2	18.6	20.8	22.0	80.6	28.4	26.6	27.3	104.3
Cash flow (\$mm) (75%)	14.1	14.1	16.1	16.9	61.2	22.4	20.9	21.5	81.7
Per unit	0.30	0.30	0.35	0.36	1.31	0.48	0.45	0.46	1.75
Tax credit (\$mm)	0.5	0.5	0.5	0.5	1.9				0.5
Per unit	0.01	0.01	0.01	0.01	0.04				0.01
Distributable Income (\$mm)	3.5	9.0	12.2	12.9	37.7	16.6	15.5	15.9	60.9
Per unit	0.08	0.19	0.26	0.28	0.81	0.36	0.33	0.34	1.31
<b>Units</b> (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
<b>Volume</b>									
Natural gas (mmbtu)	12.5	12.0	11.6	11.6	47.8	11.6	11.2	11.6	46.1
Heat Content(btu/cf)	1,092	1,077	970	1,059	1,048	1,059	1,059	1,059	1,059
Natural gas (bcf)	11.5	11.1	12.0	11.0	45.6	11.0	10.6	11.0	43.6
Natural Gas (mmcf)	124.7	125.1	130.4	119.3	124.9	119.3	119.3	119.3	119.3
Days	92	89	92	92	365	92	89	92	365
Oil (mb)	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Oil (mbd)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total gas & oil (bcf)	11.6	11.3	12.2	11.2	46.2	11.2	10.8	11.2	44.2
<b>Price</b>									
Natural gas (\$/mmbtu) (Henry Hub lagged two months)									
Henry Hub (\$/mmbtu)	2.34	2.92	3.23	3.50	3.00	4.26	4.12	4.09	3.99
Differential (%)	14	31	32	25	27	25	25	25	26
Total	2.01	2.02	2.33	2.62	2.20	3.19	3.09	3.07	2.95
Natural gas (\$/mcf)	2.20	2.18	2.26	2.78	2.31	3.38	3.27	3.25	3.13
Oil (\$/bbl) (WTI Cushing lagged two months)									
WTI Cushing	19.56	23.80	26.49	29.07	24.73	29.54	28.07	29.61	29.07
SJT	15.78	19.14	22.49	25.07	20.88	25.54	24.07	25.61	25.08
Total gas & oil (\$/mcf)	2.20	2.19	2.28	2.63	2.32	3.39	3.28	3.27	3.14
<b>Revenue</b> (\$mm)									
Natural Gas	25.2	24.2	27.1	28.6	105.2	37.1	34.7	35.7	136.1
Oil	0.4	0.5	0.7	0.7	2.3	0.7	0.7	0.7	2.9
Total	25.6	24.8	27.8	29.3	107.5	37.9	35.4	36.4	139.0
<b>Cost</b> (\$mm)									
Severance tax	2.6	2.4	2.3	2.8	10.1	3.8	3.5	3.6	13.8
Operating	4.1	3.7	4.0	4.0	15.8	4.2	4.0	4.2	16.4
Total	6.7	6.0	6.3	6.8	25.9	8.0	7.6	7.8	30.1
<b>Cash flow</b> (\$mm)	18.8	18.8	21.5	22.6	81.6	29.9	27.8	28.6	108.9
Development	11.3	3.4	2.1	4.5	21.3	7.5	7.0	7.2	26.1
<b>Net proceeds</b> (\$mm)	7.5	15.4	19.4	18.1	60.3	22.4	20.9	21.5	82.8
<b>Royalty income</b> (\$mm)	5.6	11.5	14.5	13.5	45.2	16.8	15.7	16.1	62.1
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	3.0
Administration	0.4	0.5	0.7	0.2	1.8	0.2	0.2	0.2	0.8
One-time	1.7	2.0	1.6		5.3				-
<b>Distributable income</b> (\$mm)	3.5	9.0	12.2	12.9	37.7	16.6	15.5	15.9	60.9
<i>Modeling ratios</i>									
Severance tax/revenue	10.2%	9.5%	8.4%	9.6%	9.4%	10.0%	10.0%	10.0%	9.9%
Operating cost (\$/mcf)	0.36	0.32	0.33	0.36	0.34	0.37	0.37	0.37	0.37

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## Natural Gas Royalty Trusts

### A Weekly Analysis

September 23, 2002

**Table SJT-3**  
**San Juan Basin Royalty Trust**  
**Monthly Declarations**

	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02
<b>Distribution</b> (\$/unit)								
Declared	0.10	0.08	0.08	0.08	0.10			
Projected						0.08	0.08	0.11
<b>Volume</b>								
Natural gas (mmbtu)	4.29	3.88	3.92	3.77	3.95	3.92	3.79	3.92
Heat Content(btu/cf)	1,108	1,064	1,081	807	1,068	1,059	1,059	1,059
Natural gas (bcf)	3.87	3.65	3.63	4.67	3.70	3.70	3.58	3.70
Natural Gas (mmcfd)	125	122	117	156	119	119	119	119
Days	31	30	31	30	31	31	30	31
<b>Price</b>								
Natural gas industry quotes lagged two months (\$/mmbtu)								
Henry Hub Daily/Futures	3.03	3.42	3.49	3.22	2.99	3.09	3.52	3.87
San Juan Monthly Index	2.14	3.04	2.39	2.24	2.62	2.50	2.42	
SJT/Henry Hub	0.64	0.78	0.65	0.75	0.78	0.72	0.66	0.73
SJT/San Juan Index	0.91	0.88	0.95	1.08	0.89	0.89	0.97	
SJT (\$/mmbtu)	1.95	2.68	2.27	2.41	2.32	2.22	2.34	2.83
SJT (\$/mcf)	2.16	2.85	2.45	1.95	2.47	2.35	2.47	2.99
<b>Revenue</b> (\$mm)								
Natural Gas	8.4	10.4	8.9	9.1	9.1	8.7	8.9	11.1
Other	0.3	(0.4)	(0.0)	(0.2)	0.0	(0.0)	(0.0)	(0.0)
<b>Cost</b> (\$mm)								
Severance tax	0.8	1.1	0.6	0.8	0.9	0.8	0.9	1.1
Operating	1.2	1.1	1.1	1.6	1.3	1.3	1.3	1.3
Total	2.1	2.1	1.8	2.4	2.2	2.2	2.2	2.4
<b>Cash flow</b> (\$mm)	6.6	7.9	7.1	6.5	6.9	6.5	6.6	8.6
Development	(0.9)	1.3	0.7	1.0	0.5	1.5	1.5	1.5
<b>Net proceeds</b> (\$mm)	7.5	6.6	6.4	5.5	6.5	5.0	5.1	7.1
<b>Royalty income</b> (\$mm)	5.6	5.0	4.8	4.1	4.9	3.7	3.8	5.3
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%
One time	1.0	1.0	1.0	0.6				
<b>Distributable income</b> (\$mm)	4.6	4.0	3.8	3.5	4.9	3.7	3.8	5.3
<b>Units</b> (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
<b>Distribution</b> (\$/unit)	0.10	0.08	0.08	0.08	0.10	0.08	0.08	0.11
<i>Latest Twelve Month Average</i>								
Heat Content(btu/cf)	1,092	1,086	1,091	1,059	1,059			
Natural Gas (mmcfd)	120	120	121	124	123			
SJT/Henry Hub	0.75	0.75	0.73	0.73	0.73			
SJT/San Juan Index	0.85	0.85	0.85	0.87	0.87			
Other revenue	0.0	0.0	(0.0)	(0.0)	(0.0)			
Operating	1.3	1.3	1.3	1.3	1.3			
Development	2.9	2.9	2.7	2.5	2.4			
Severance tax/revenue	10.4%	10.5%	10.2%	10.0%	9.8%			

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