

Natural Gas Royalty Trusts

A Weekly Analysis

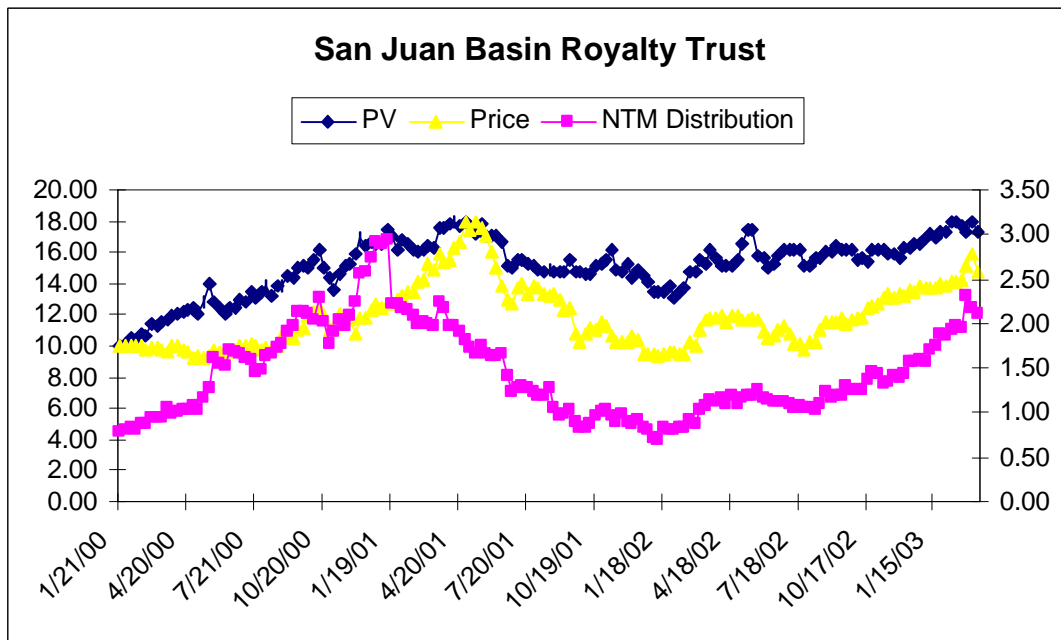
March 13, 2003

Trend Holds

Summary and Recommendation

A decline in McDep Ratio implies improving attractiveness for recommended **San Juan Basin Royalty Trust (SJT)** and the two similar trusts in our coverage despite a median 3% decline in estimated Present Value and Next Twelve Months Distributions. The melting of short-term natural gas price from temporarily high levels had to be expected. Yet the trend in one-year futures and six-year futures remains positive. We see six-year natural gas currently at \$4.35 moving to \$6 in the next few years. Six-year futures for oil, the alternative fuel, moved up almost 3% in the past week to break the \$26 barrier. We see that number reaching a more than three-decade trend value of \$33 in the next few years. Finally, we believe that natural gas royalty trusts are among the stronger long-term investments publicly available. Valuation is reasonable. The trusts are debt-free. Fees are low. The trusts offer inflation protection, deflation resistance and an attractive real rate of return. For SJT the unlevered rate of return that would make present value equal to current stock price is 8% per year, implying a real rate of 6% after inflation of 2% (see Table SJT-1).

Kurt H. Wulff, CFA



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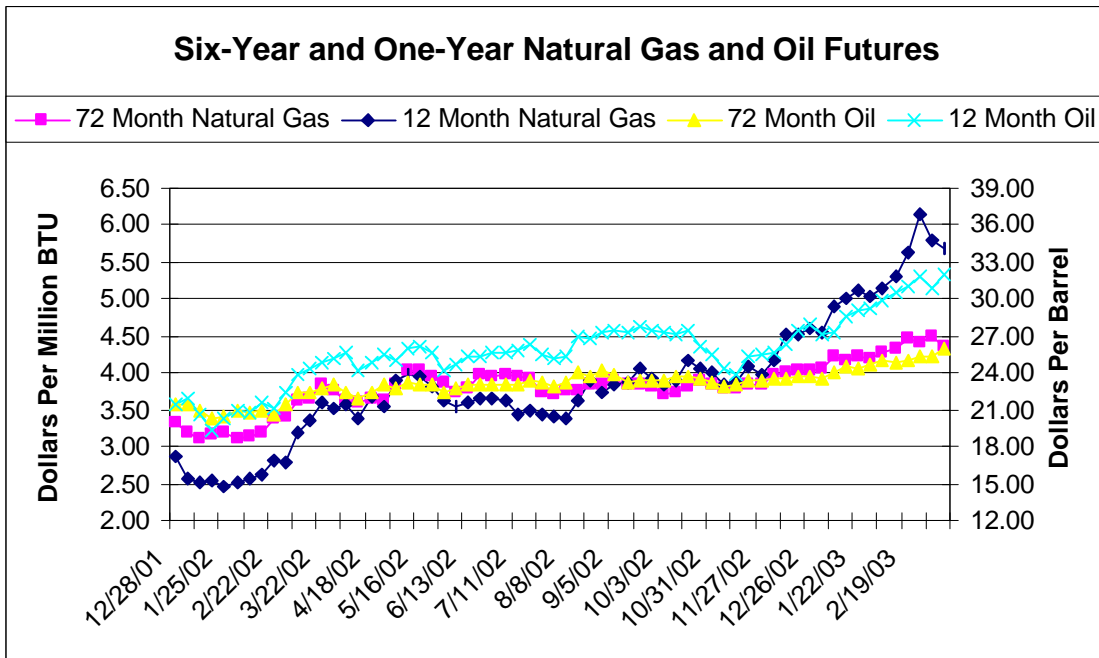
March 13, 2003

Natural Gas and Oil Futures

March 12, 2003

	2004	2005	2006	2007	2008	2009	Six Year
Natural Gas (\$/mmbtu)							
Year ending March	5.68	4.70	4.11	3.83	3.87	3.90	4.35
Light Sweet Crude Oil (\$/bbl)							
Year ending March	32.02	25.98	24.67	24.57	24.52	24.47	26.04
Natural Gas/Oil (6:1 = 1.0)							
Year ending March	1.06	1.08	1.00	0.93	0.95	0.96	1.00

Source: Nymex, FutureSource, wsj.com, McDep Associates



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A Weekly Analysis

March 13, 2003

Table MEII-1
McDep Energy Income Ideas
Dividends, Debt and McDep Ratio

	Symbol/ Rating		Price (\$/sh) 12-Mar 2003	Shares (mm)	Market Cap (\$mm)	Div or Distrib. NTM (%)	Debt/ Present Value	McDep Ratio
High Greed Partnerships								
El Paso Energy Partners	EPN	S	30.34	57.0	1,730	8.9	0.64	2.58
Kinder Morgan Energy Partners, L.P.	KMP	S	36.18	141	5,110	6.9	0.47	1.83
Enbridge Energy Partners, L.P.	EEP	S	44.51	35.0	1,560	8.1	0.64	1.72
Kinder Morgan Management, LLC	KMR	S	32.00	39.5	1,260	7.8	0.47	1.68
Enbridge Energy Management, L.L.C	EEQ	S	39.20	9.0	350	9.2	0.64	1.59
Plains All Amer. Pipeline	PAA		24.24	50.0	1,210	8.9	0.49	1.55
TEPPCO Partners, L.P.	TPP		29.88	50.0	1,490	8.0	0.56	1.30
Northern Border Partners	NBP		36.70	44.0	1,610	8.7	0.62	1.30
Penn Virginia Res. Part, L.P.	PVR		23.35	15.3	360	8.6	-	1.30
AmeriGas Partners, L.P.	APU		24.00	49.4	1,190	9.2	0.51	1.15
Alliance Res. Part, L.P.	ARLP		22.48	15.9	360	8.9	0.45	1.07
<i>Total or Median</i>					16,200	8.7	0.51	1.55
U.S. Master Limiter Partnerships								
Enterprise Products Part (16%)	EPD		20.06	29	570	6.9	0.63	1.72
Dorchester Minerals, L.P.	DMLP		14.65	27.0	396	12.3	-	1.13
Canadian Royalty Trusts								
Provident Energy Trust	PVX		7.98	63.5	510	18.0	0.22	1.26
Enerplus Resources Fund	ERF		18.83	75.0	1,410	14.5	0.15	0.95
Pengrowth Energy Trust	PGH		9.99	110.0	1,100	18.9	0.16	0.92
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	23.77	76.8	1,830	5.6	0.15	0.60
<i>Total or Median</i>					4,900	16.2	0.16	0.94
U.S. Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		19.35	6.0	116	13.2	-	0.95
San Juan Basin Royalty Trust	SJT	B	14.72	46.6	690	14.4	-	0.85
Hugoton RoyaltyTrust (46%)	HGT		13.97	18.4	260	14.6	-	0.83
<i>Total or Median</i>					1,070	14.4	-	0.85
Additional McDep Recommendations								
Marathon Oil Corporation	MRO	B	22.48	310	7,000	4.1	0.37	0.72
Royal Dutch/Shell	RD	B	37.50	3,473	130,200	5.0	0.18	0.69
ChevronTexaco Corporation	CVX	B	63.00	1,062	66,900	4.4	0.17	0.69
PetroChina Company Ltd (10%)	PTR	B	20.69	176	3,600	11.2	0.15	0.68
<i>Total or Median</i>					208,000	4.7	0.18	0.69

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

NTM = Next Twelve Months Ended March 31, 2004

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

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Natural Gas Royalty Trusts

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Table MEII-2
McDep Energy Income Ideas
Distribution Validity, Fees and Cash flow Multiples

	<i>Symbol/</i>		<i>Price</i>	<i>Dist/</i>	<i>Mgt</i>	<i>Fin</i>	<i>EV/</i>	<i>PV/</i>
	<i>Rating</i>		<i>12-Mar</i>	<i>Equity</i>	<i>Fee</i>	<i>Fee</i>	<i>Ebitda</i>	<i>Ebitda</i>
			<i>2003</i>	<i>Ebitda</i>	<i>(%)</i>	<i>(%)</i>	<i>NTM</i>	<i>NTM</i>
High Greed Partnerships								
<i>El Paso Energy Partners</i>	<i>EPN</i>	<i>S</i>	<i>30.34</i>	<i>4.3</i>	<i>71</i>	<i>6</i>	<i>23.2</i>	<i>9.0</i>
<i>Kinder Morgan Energy Partners, L.P.</i>	<i>KMP</i>	<i>S</i>	<i>36.18</i>	<i>1.5</i>	<i>46</i>	<i>6</i>	<i>15.9</i>	<i>8.7</i>
<i>Enbridge Energy Partners, L.P.</i>	<i>EEP</i>	<i>S</i>	<i>44.51</i>	<i>2.2</i>	<i>21</i>	<i>6</i>	<i>15.5</i>	<i>9.0</i>
<i>Kinder Morgan Management, LLC</i>	<i>KMR</i>	<i>S</i>	<i>32.00</i>	<i>1.5</i>	<i>46</i>	<i>6</i>	<i>14.5</i>	<i>8.7</i>
<i>Enbridge Energy Management, L.L.C</i>	<i>EEQ</i>	<i>S</i>	<i>39.20</i>	<i>2.2</i>	<i>21</i>	<i>6</i>	<i>14.3</i>	<i>9.0</i>
<i>Plains All Amer. Pipeline</i>	<i>PAA</i>		<i>24.24</i>	<i>1.7</i>	<i>9</i>	<i>6</i>	<i>14.0</i>	<i>9.0</i>
<i>TEPPCO Partners, L.P.</i>	<i>TPP</i>		<i>29.88</i>	<i>1.2</i>	<i>25</i>	<i>6</i>	<i>11.7</i>	<i>9.0</i>
<i>Northern Border Partners</i>	<i>NBP</i>		<i>36.70</i>	<i>1.4</i>	<i>8</i>	<i>6</i>	<i>11.7</i>	<i>9.0</i>
<i>Penn Virginia Res. Part, L.P.</i>	<i>PVR</i>		<i>23.35</i>	<i>1.0</i>	<i>2</i>	<i>8</i>	<i>11.1</i>	<i>8.6</i>
<i>AmeriGas Partners, L.P.</i>	<i>APU</i>		<i>24.00</i>	<i>1.1</i>	<i>1</i>	<i>6</i>	<i>10.4</i>	<i>9.0</i>
<i>Alliance Res. Part, L.P.</i>	<i>ARLP</i>		<i>22.48</i>	<i>0.7</i>	<i>2</i>	<i>8</i>	<i>7.5</i>	<i>7.0</i>
	<i>Median</i>						<i>14.0</i>	<i>9.0</i>
U.S. Master Limiter Partnerships								
<i>Enterprise Products Part (16%)</i>	<i>EPD</i>		<i>20.06</i>	<i>1.8</i>	<i>10</i>	<i>6</i>	<i>15.5</i>	<i>9.0</i>
<i>Dorchester Minerals, L.P.</i>	<i>DMLP</i>		<i>14.65</i>	<i>0.9</i>	<i>3</i>		<i>7.3</i>	<i>6.5</i>
Canadian Royalty Trusts								
<i>Enerplus Resources Fund</i>	<i>ERF</i>		<i>18.83</i>	<i>0.8</i>	<i>8</i>	<i>6</i>	<i>5.4</i>	<i>5.7</i>
<i>Pengrowth Energy Trust</i>	<i>PGH</i>		<i>9.99</i>	<i>0.9</i>	<i>9</i>	<i>6</i>	<i>5.0</i>	<i>5.4</i>
<i>Provident Energy Trust</i>	<i>PVX</i>		<i>7.98</i>	<i>0.9</i>	<i>11</i>	<i>8</i>	<i>4.7</i>	<i>3.7</i>
<i>Canadian Oil Sands Trust (US\$)</i>	<i>COS_u.TO</i>	<i>B</i>	<i>23.77</i>	<i>0.2</i>			<i>4.4</i>	<i>7.4</i>
	<i>Median</i>						<i>4.8</i>	<i>5.5</i>
U.S. Natural Gas Royalty Trusts								
<i>Cross Timbers Royalty Trust</i>	<i>CRT</i>		<i>19.35</i>	<i>0.9</i>			<i>7.2</i>	<i>7.5</i>
<i>San Juan Basin Royalty Trust</i>	<i>SJT</i>	<i>B</i>	<i>14.72</i>	<i>0.8</i>			<i>5.8</i>	<i>6.8</i>
<i>Hugoton RoyaltyTrust (46%)</i>	<i>HGT</i>		<i>13.97</i>	<i>0.7</i>			<i>5.1</i>	<i>6.2</i>
Additional McDep Recommendations								
<i>ChevronTexaco Corporation</i>	<i>CVX</i>	<i>B</i>	<i>63.00</i>	<i>0.2</i>			<i>5.7</i>	<i>8.2</i>
<i>Royal Dutch/Shell</i>	<i>RD</i>	<i>B</i>	<i>37.50</i>	<i>0.2</i>			<i>5.4</i>	<i>7.8</i>
<i>Marathon Oil Corporation</i>	<i>MRO</i>	<i>B</i>	<i>22.48</i>	<i>0.1</i>			<i>4.3</i>	<i>6.0</i>
<i>PetroChina Company Ltd (10%)</i>	<i>PTR</i>	<i>B</i>	<i>20.69</i>	<i>0.2</i>			<i>2.4</i>	<i>3.5</i>
	<i>Median</i>						<i>4.9</i>	<i>6.9</i>

Italicized issues are subject to, or sponsor, deceptive compensation arrangements that threaten value and financial viability, in our opinion.

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March 13, 2003

Table SJT-1
San Juan Basin Royalty Trust
Present Value

Volume Decline (%/yr):	11	Price Escalation Post 2008 (%/yr):	2.8
Volume Enhancement (%/yr):	10	Discount rate (%/yr):	5.6
Capex/Cash Flow (%):	25	U.S. TIPS Inflation (%/yr):	2.0
Variable Cost (%):	12	U.S. 10 Year Yield (%/yr):	3.6
PV/Volume (\$/mcf):	1.55	PV/EBITDA 2004:	6.9

Year	Basic (bcf)	Enhanced (bcf)	Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Distribution (\$/unit)	Disc Factor	Present Value (\$/unit)	
Total 2004 through 2030; years ending on 3/31												
	313	208	521	3.91	2036	350	244	178	1264	27.12	0.64	17.30
2004	34.9	0.0	34.9	4.18	145.7	11.6	17.5	18.0	98.7	2.12	0.97	2.06
2005	31.2	3.5	34.6	4.11	142.5	13.0	17.1	28.1	84.3	1.81	0.92	1.67
2006	27.9	6.6	34.4	3.56	122.5	13.0	14.7	23.7	71.1	1.53	0.87	1.33
2007	24.9	9.3	34.2	3.30	113.1	13.0	13.6	21.6	64.9	1.39	0.83	1.15
2008	22.3	11.8	34.0	3.28	111.7	13.0	13.4	21.3	63.9	1.37	0.78	1.07
2009	19.9	13.9	33.8	3.31	111.9	13.0	13.4	21.4	64.1	1.38	0.74	1.02
2010	17.8	15.8	33.6	3.40	114.3	13.0	13.7	21.9	65.7	1.41	0.70	0.99
2011	15.9	17.5	33.4	3.50	116.8	13.0	14.0	22.4	67.3	1.44	0.67	0.96
2012	14.2	15.7	29.9	3.59	107.3	13.0	12.9		81.4	1.75	0.63	1.10
2013	12.7	14.0	26.7	3.69	98.6	13.0	11.8		73.8	1.58	0.60	0.94
2014	11.4	12.5	23.9	3.79	90.6	13.0	10.9		66.7	1.43	0.56	0.81
2015	10.2	11.2	21.3	3.90	83.3	13.0	10.0		60.3	1.29	0.53	0.69
2016	9.1	10.0	19.1	4.01	76.5	13.0	9.2		54.3	1.17	0.51	0.59
2017	8.1	8.9	17.1	4.12	70.3	13.0	8.4		48.9	1.05	0.48	0.50
2018	7.3	8.0	15.3	4.23	64.6	13.0	7.8		43.8	0.94	0.45	0.43
2019	6.5	7.1	13.6	4.35	59.3	13.0	7.1		39.2	0.84	0.43	0.36
2020	5.8	6.4	12.2	4.47	54.5	13.0	6.5		35.0	0.75	0.41	0.31
2021	5.2	5.7	10.9	4.60	50.1	13.0	6.0		31.1	0.67	0.39	0.26
2022	4.6	5.1	9.7	4.73	46.0	13.0	5.5		27.5	0.59	0.37	0.22
2023	4.1	4.6	8.7	4.86	42.3	13.0	5.1		24.2	0.52	0.35	0.18
2024	3.7	4.1	7.8	4.99	38.9	13.0	4.7		21.2	0.46	0.33	0.15
2025	3.3	3.6	7.0	5.13	35.7	13.0	4.3		18.4	0.40	0.31	0.12
2026	3.0	3.3	6.2	5.27	32.8	13.0	3.9		15.9	0.34	0.29	0.10
2027	2.6	2.9	5.6	5.42	30.2	13.0	3.6		13.5	0.29	0.28	0.08
2028	2.4	2.6	5.0	5.57	27.7	13.0	3.3		11.4	0.24	0.26	0.06
2029	2.1	2.3	4.4	5.73	25.5	13.0	3.1		9.4	0.20	0.25	0.05
2030	1.9	2.1	4.0	5.89	23.4	13.0	2.8		7.6	0.16	0.24	0.04

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Table SJT-2
San Juan Basin Royalty Trust
Distributable Income

	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Next
	6/30/02	9/30/02	12/31/02	2002E	3/31/03	6/30/03	9/30/03	12/31/03	2003E	3/31/04	Twelve
											Months
											3/31/04
Highlights											
Revenue (\$mm) (75%)	18.6	20.7	20.4	78.9	29.9	40.5	35.4	34.3	140.1	35.6	145.7
Cash flow (\$mm) (75%)	14.1	16.0	15.5	59.7	23.9	33.6	28.8	27.8	114.1	29.0	119.2
Per unit	0.30	0.34	0.33	1.28	0.51	0.72	0.62	0.60	2.45	0.62	2.56
Tax credit (\$mm)	1.4	1.9	1.9	5.6					-		
Per unit	0.03	0.04	0.04	0.12					-		
Distributable Income (\$mm)	9.0	12.2	11.6	36.3	18.0	28.5	23.7	22.7	92.9	23.8	98.7
Per unit	0.19	0.26	0.25	0.78	0.39	0.61	0.51	0.49	1.99	0.51	2.12
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Volume											
Natural gas (mmbtu)	12.0	11.6	12.4	48.5	12.1	11.8	12.2	12.2	48.2	12.2	48.2
Heat Content(btu/cf)	1,077	970	1,064	1,050	1,079	1,050	1,050	1,050	1,057	1,050	1,050
Natural gas (bcf)	11.1	12.0	11.6	46.2	11.2	11.2	11.6	11.6	45.6	11.6	45.9
Natural Gas (mmcf/d)	125.1	130.4	126.2	126.6	122.3	125.9	125.9	125.9	124.9	125.9	125.9
Days	89	92	92	365	92	89	92	92	365	92	365
Oil (mb)	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Oil (mbd)	0.3	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total gas & oil (bcf)	11.3	12.1	11.7	46.8	11.4	11.3	11.7	11.7	46.1	11.7	46.5
Price											
Natural gas (\$/mmbtu) (Henry Hub lagged two months)											
Henry Hub (\$/mmbtu)	2.92	3.23	3.59	3.02	4.73	6.76	5.72	5.55	5.69	5.76	5.95
Differential (%)	31	28	40	30	31	33	33	33	33	33	33
Total	2.02	2.33	2.16	2.13	3.24	4.53	3.83	3.72	3.83	3.86	3.98
Natural gas (\$/mcf)	2.18	2.26	2.30	2.24	3.50	4.76	4.02	3.90	4.04	4.05	4.18
Oil (\$/bbl) (WTI Cushing lagged two months)											
WTI Cushing	23.80	26.49	28.96	24.70	29.55	36.79	34.76	31.64	33.18	29.98	33.29
SJT	19.14	21.95	24.00	20.10	24.48	30.49	28.80	26.21	27.47	24.84	27.56
Total gas & oil (\$/mcf)	2.19	2.28	2.32	2.25	3.51	4.76	4.03	3.91	4.05	4.05	4.18
Revenue (\$mm)											
Natural Gas	24.2	27.1	26.7	103.3	39.4	53.3	46.6	45.2	184.4	46.9	191.9
Oil	0.5	0.5	0.5	1.9	0.5	0.7	0.6	0.6	2.4	0.6	2.4
Total	24.8	27.6	27.2	105.2	39.9	54.0	47.2	45.8	186.8	47.4	194.3
Cost (\$mm)											
Severance tax	2.4	2.3	3.1	10.5	4.0	5.4	4.7	4.6	18.7	4.7	19.4
Operating	3.7	4.0	3.4	15.2	4.0	3.8	4.1	4.1	15.9	4.1	15.9
Total	6.0	6.3	6.5	25.6	8.1	9.1	8.8	8.6	34.6	8.8	35.3
Cash flow (\$mm)	18.8	21.3	20.7	79.6	31.8	44.8	38.4	37.1	152.2	38.6	159.0
Development	3.4	2.1	4.7	21.5	7.1	6.0	6.0	6.0	25.1	6.0	24.0
Net proceeds (\$mm)	15.4	19.2	16.1	58.2	24.7	38.8	32.4	31.1	127.0	32.6	135.0
Royalty income (\$mm)	11.5	14.4	12.1	43.6	18.5	29.1	24.3	23.3	95.3	24.5	101.2
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	0.5	0.6	0.5	2.0	0.5	0.6	0.6	0.6	2.4	0.6	2.6
One-time	2.0	1.6		5.3					-		-
Distributable income (\$mm)	9.0	12.2	11.6	36.3	18.0	28.5	23.7	22.7	92.9	23.8	98.7
Modeling ratios											
Severance tax/revenue	9.5%	8.5%	11.5%	9.9%	10.1%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Operating cost (\$/mcf)	0.32	0.33	0.29	0.32	0.36	0.33	0.35	0.35	0.34	0.35	0.34
Development/Cash flow	18%	10%	22%	27%	22%	13%	16%	16%	17%	16%	15%

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Natural Gas Royalty Trusts

A Weekly Analysis

March 13, 2003

Table SJT-3
San Juan Basin Royalty Trust
Monthly Declarations

	<i>Dec-02</i>	<i>Jan-03</i>	<i>Feb-03</i>	<i>Mar-03</i>	<i>Apr-03</i>	<i>May-03</i>	<i>Jun-03</i>
Distribution (\$/unit)							
Declared	0.09	0.10	0.12				
Projected				0.17	0.17	0.26	0.18
Volume							
Natural gas (mmbtu)	4.08	4.07	3.97	4.09	3.70	4.09	3.96
Heat Content(btu/cf)	1,043	1,092	1,097	1,050	1,050	1,050	1,050
Natural gas (bcf)	3.91	3.73	3.62	3.90	3.52	3.90	3.78
Natural Gas (mmcf)	126	124	117	126	126	126	126
Days	31	30	31	31	28	31	30
Price							
Natural gas industry quotes lagged two months (\$/mmbtu)							
Henry Hub Daily/Futures	4.12	4.03	4.76	5.41	7.77	6.65	5.87
San Juan Monthly Index	2.52	3.25	3.45	4.14	4.58	5.91	
SJT/Henry Hub	0.54	0.71	0.66	0.69	0.53	0.80	0.70
SJT/San Juan Index	0.89	0.88	0.91	0.90	0.90	0.90	
SJT (\$/mmbtu)	2.24	2.85	3.14	3.73	4.12	5.32	4.11
SJT (\$/mcf)	2.33	3.12	3.45	3.91	4.33	5.58	4.31
Revenue (\$mm)							
Natural Gas	9.1	11.6	12.5	15.3	15.2	21.8	16.3
Other	0.0	0.1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Cost (\$mm)							
Severance tax	1.5	1.2	1.3	1.5	1.5	2.2	1.6
Operating	0.5	1.5	1.3	1.3	1.3	1.3	1.3
Total	2.0	2.7	2.6	2.8	2.8	3.5	2.9
Cash flow (\$mm)	7.1	9.0	9.8	12.4	12.4	18.3	13.3
Development	1.6	2.7	2.4	2.0	2.0	2.0	2.0
Net proceeds (\$mm)	5.5	6.3	7.4	10.4	10.4	16.3	11.3
Royalty income (\$mm)	4.2	4.7	5.5	7.8	7.8	12.2	8.5
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%
One time							
Distributable income (\$mm)	4.2	4.7	5.5	7.8	7.8	12.2	8.5
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Distribution (\$/unit)	0.09	0.10	0.12	0.17	0.17	0.26	0.18
<i>Latest Twelve Month Average</i>							
Heat Content(btu/cf)	1,050	1,050	1,050				
Natural Gas (mmcf)	127	127	126				
SJT/Henry Hub	0.72	0.70	0.70				
SJT/San Juan Index	0.88	0.89	0.90				
Other revenue	(0.2)	(0.1)	(0.1)				
Operating	1.3	1.3	1.3				
Development	1.8	1.7	1.5				
Severance tax/revenue	10.1%	10.1%	10.1%				

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