

Natural Gas Royalty Trusts

A Weekly Analysis

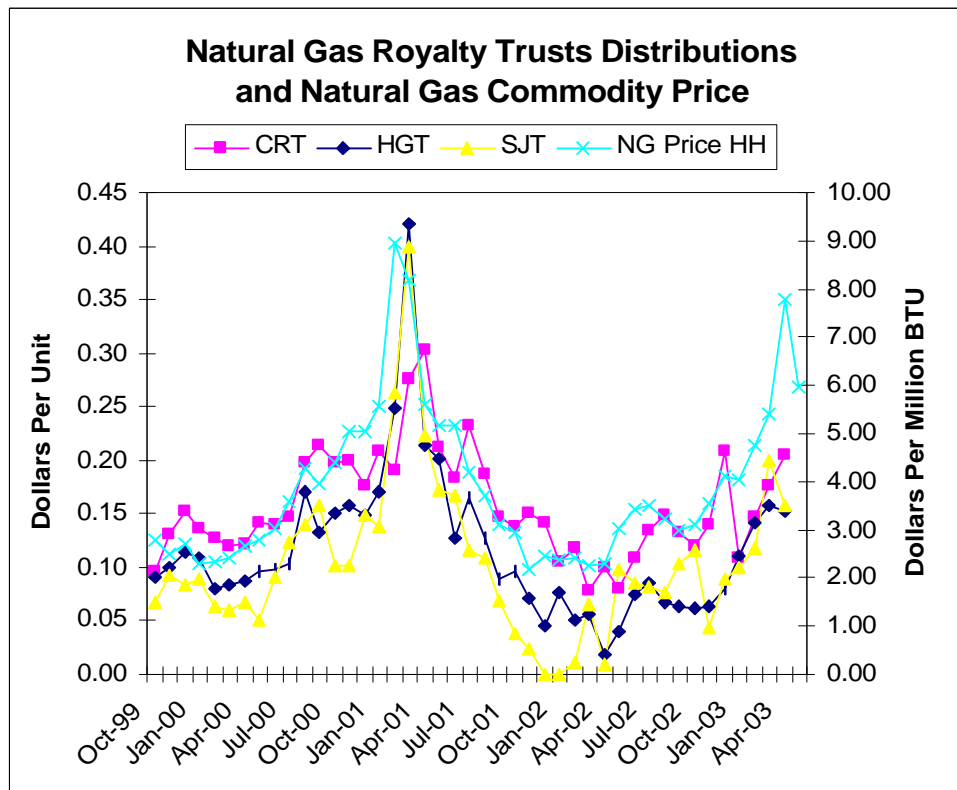
April 24, 2003

Monthly Distributions Rising

Summary and Recommendation

Cash distributions to be declared next on May 19 are likely to reach new cyclical highs considering the two to four month delay from actual industry conditions. That was the case two years ago when the highest distributions for HGT and SJT occurred after a three-month delay and CRT after a four-month delay (see Chart below where the average daily natural gas price for the industry reference is already lagged two months). As we went to press last week, the three trusts declared latest monthly distributions of \$0.20, \$0.15, and \$0.16 respectively for CRT, HGT and SJT. Absent a non-recurring payment by operator Burlington Resources to settle a legal dispute, the SJT distribution would have been \$0.02 higher. Next month we are looking for a distribution by SJT of about \$0.28 that would be driven primarily by index price in the San Juan Basin for March that we understand was \$5.91 per million btu (see Table SJT-3). Meanwhile six-year natural gas futures set a new high in the past week pointing to more good news for a long time. The trusts continue to look attractive on our valuation measures.

Kurt H. Wulff, CFA



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Natural Gas and Oil Futures

April 23, 2003

	2004	2005	2006	2007	2008	2009	Six Year
Natural Gas (\$/mmbtu)							
Year ending April	5.68	4.78	4.48	4.32	4.37	4.36	4.67
Light Sweet Crude Oil (\$/bbl)							
Year ending April	25.66	24.02	23.55	23.54	23.57	23.62	23.99
Natural Gas/Oil (6:1 = 1.0)							
Year ending April	1.33	1.19	1.14	1.10	1.11	1.11	1.17

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

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

	Symbol/ Rating	Price (\$/sh) 23-Apr 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Cross Timbers Royalty Trust	CRT	21.18	6.0	127	21.90	-	0.97
Hugoton RoyaltyTrust (46%)	HGT	14.43	18.4	270	17.10	-	0.85
San Juan Basin Royalty Trust	SJT B	14.89	46.6	690	18.20	-	0.82

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.

	Symbol/ Rating	Price (\$/sh) 23-Apr 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
Cross Timbers Royalty Trust	CRT	21.18	6.0	8.2	9	11.5	8.5
San Juan Basin Royalty Trust	SJT B	14.89	4.8	5.9	7	14.7	7.2
Hugoton RoyaltyTrust (46%)	HGT	14.43	4.3	5.6	6	15.6	6.6

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2003; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Table SJT-1
San Juan Basin Royalty Trust
Present Value

Volume Decline (%/yr):	11	Price Escalation Post 2008 (%/yr):	2.6
Volume Enhancement (%/yr):	10	Discount rate (%/yr):	6.0
Capex/Cash Flow (%):	25	U.S. TIPS Inflation (%/yr):	1.8
Variable Cost (%):	12	U.S. 10 Year Yield (%/yr):	4.0
PV/Volume (\$/mcf):	1.66	PV/EBITDA 2004:	7.5

Year	Volume Basic (bcf)	Volume 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												
	306	204	509	4.28	2180	353	262	185	1381	29.63	0.61 18.20	
2004	34.1	0.0	34.1	4.25	144.7	14.6	17.4	10.7	102.1	2.19	0.97	2.13
2005	30.5	3.4	33.9	4.21	142.5	13.0	17.1	28.1	84.3	1.81	0.92	1.66
2006	27.2	6.4	33.7	3.84	129.4	13.0	15.5	25.2	75.6	1.62	0.86	1.40
2007	24.3	9.1	33.5	3.69	123.4	13.0	14.8	23.9	71.7	1.54	0.82	1.25
2008	21.8	11.5	33.3	3.73	123.9	13.0	14.9	24.0	72.0	1.55	0.77	1.19
2009	19.5	13.6	33.1	3.72	123.0	13.0	14.8	23.8	71.4	1.53	0.73	1.11
2010	17.4	15.5	32.9	3.82	125.4	13.0	15.0	24.3	73.0	1.57	0.69	1.07
2011	15.5	17.1	32.7	3.91	127.8	13.0	15.3	24.9	74.6	1.60	0.65	1.03
2012	13.9	15.3	29.2	4.01	117.2	13.0	14.1		90.1	1.93	0.61	1.18
2013	12.4	13.7	26.1	4.12	107.5	13.0	12.9		81.6	1.75	0.58	1.01
2014	11.1	12.2	23.3	4.22	98.5	13.0	11.8		73.7	1.58	0.54	0.86
2015	9.9	10.9	20.9	4.33	90.4	13.0	10.8		66.5	1.43	0.51	0.73
2016	8.9	9.8	18.6	4.44	82.9	13.0	9.9		59.9	1.29	0.48	0.62
2017	7.9	8.7	16.7	4.56	76.0	13.0	9.1		53.9	1.16	0.46	0.53
2018	7.1	7.8	14.9	4.67	69.7	13.0	8.4		48.3	1.04	0.43	0.45
2019	6.3	7.0	13.3	4.79	63.9	13.0	7.7		43.2	0.93	0.41	0.38
2020	5.7	6.2	11.9	4.92	58.6	13.0	7.0		38.6	0.83	0.38	0.32
2021	5.1	5.6	10.6	5.04	53.7	13.0	6.4		34.3	0.74	0.36	0.27
2022	4.5	5.0	9.5	5.17	49.3	13.0	5.9		30.3	0.65	0.34	0.22
2023	4.1	4.5	8.5	5.31	45.2	13.0	5.4		26.8	0.57	0.32	0.18
2024	3.6	4.0	7.6	5.44	41.4	13.0	5.0		23.5	0.50	0.30	0.15
2025	3.2	3.6	6.8	5.58	38.0	13.0	4.6		20.4	0.44	0.29	0.13
2026	2.9	3.2	6.1	5.73	34.8	13.0	4.2		17.6	0.38	0.27	0.10
2027	2.6	2.8	5.4	5.87	31.9	13.0	3.8		15.1	0.32	0.25	0.08
2028	2.3	2.5	4.9	6.03	29.3	13.0	3.5		12.8	0.27	0.24	0.07
2029	2.1	2.3	4.3	6.18	26.9	13.0	3.2		10.6	0.23	0.23	0.05
2030	1.8	2.0	3.9	6.34	24.6	13.0	3.0		8.7	0.19	0.21	0.04

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Table SJT-2
San Juan Basin Royalty Trust
Distributable Income

	Q2	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Next Twelve Months
	6/30/02	9/30/02	12/31/02	2002	3/31/03	6/30/03	9/30/03	12/31/03	2003E	3/31/04	3/31/04
Highlights											
Revenue (\$mm) (75%)	18.6	20.7	20.4	78.9	31.1	38.4	34.8	35.3	139.5	36.2	144.7
Cash flow (\$mm) (75%)	14.1	16.0	15.6	59.7	25.0	31.5	28.4	28.8	113.6	29.6	118.2
Per unit	0.30	0.34	0.33	1.28	0.54	0.68	0.61	0.62	2.44	0.64	2.54
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	19.5	27.4	24.3	24.7	96.0	25.6	102.1
Per unit	0.19	0.26	0.25	0.78	0.42	0.59	0.52	0.53	2.06	0.55	2.19
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	12.6	11.7	12.1	12.1	48.5	12.1	48.0
Heat Content(btu/cf)	1,077	970	1,064	1,050	1,084	1,068	1,068	1,068	1,072	1,068	1,068
Natural gas (bcf)	11.1	12.0	11.6	46.2	11.6	11.0	11.3	11.3	45.3	11.3	44.9
Natural Gas (mmcf/d)	125.1	130.4	126.2	126.6	126.5	123.1	123.1	123.1	124.0	123.1	123.1
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	11.8	11.1	11.4	11.4	45.7	11.4	45.4
Price											
Natural gas (\$/mmbtu) (Henry Hub lagged two months)											
Henry Hub (\$/mmbtu)	2.92	3.23	3.59	3.02	4.73	6.35	5.66	5.74	5.62	5.90	5.91
Differential (%)	31	28	40	30	32	32	33	33	33	33	33
Total	2.02	2.33	2.16	2.13	3.24	4.32	3.79	3.84	3.79	3.95	3.97
Natural gas (\$/mcf)	2.18	2.26	2.30	2.24	3.51	4.61	4.05	4.11	4.06	4.22	4.24
Oil (\$/bbl) (WTI Cushing lagged two months)											
WTI Cushing	23.80	26.49	28.96	24.70	29.55	32.83	27.09	25.73	28.80	25.13	27.69
SJT	19.14	21.95	28.35	20.90	28.92	32.13	26.51	25.19	28.16	24.60	27.07
Total gas & oil (\$/mcf)	2.19	2.28	2.32	2.25	3.53	4.62	4.05	4.11	4.07	4.22	4.25
Revenue (\$mm)											
Natural Gas	24.2	27.1	26.7	103.3	40.9	50.6	45.9	46.5	183.9	47.8	190.8
Oil	0.5	0.5	0.6	2.0	0.6	0.6	0.5	0.5	2.2	0.5	2.1
Total	24.8	27.6	27.3	105.2	41.5	51.2	46.4	47.0	186.1	48.3	192.9
Cost (\$mm)											
Severance tax	2.4	2.3	3.1	10.5	4.2	5.3	4.6	4.7	18.8	4.8	19.5
Operating	3.7	4.0	3.4	15.2	3.9	3.9	4.0	4.0	15.8	4.0	15.8
Total	6.0	6.3	6.5	25.6	8.1	9.2	8.6	8.7	34.6	8.8	35.3
Cash flow (\$mm)	18.8	21.3	20.7	79.6	33.3	42.0	37.8	38.3	151.4	39.5	157.6
Development	3.4	2.1	4.7	21.5	6.6	3.6	3.6	3.6	17.2	3.6	14.2
Net proceeds (\$mm)	15.4	19.2	16.1	58.2	26.8	38.4	34.2	34.8	134.2	35.9	143.4
Royalty income (\$mm)	11.5	14.4	12.1	43.6	20.1	28.8	25.7	26.1	100.7	27.0	107.5
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	0.5	0.6	0.5	2.0	0.6	1.4	1.4	1.4	4.7	1.4	5.5
One-time	2.0	1.6		5.3					-		-
Distributable income (\$mm)	9.0	12.2	11.6	36.3	19.5	27.4	24.3	24.7	96.0	25.6	102.1
Modeling ratios											
Severance tax/revenue	9.5%	8.5%	11.5%	9.9%	10.2%	10.3%	10.0%	10.0%	10.1%	10.0%	10.1%
Operating cost (\$/mcf)	0.32	0.33	0.29	0.32	0.33	0.35	0.35	0.35	0.34	0.35	0.35
Development/Cash flow	18%	10%	22%	27%	20%	8%	9%	9%	11%	9%	9%

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Table SJT-3
San Juan Basin Royalty Trust
Monthly Declarations

	<i>Feb-03</i>	<i>Mar-03</i>	<i>Apr-03</i>	<i>May-03</i>	<i>Jun-03</i>
Distribution (\$/unit)					
Declared	0.12	0.20	0.16		
Projected				0.28	0.15
Volume					
Natural gas (mmbtu)	3.97	4.58	3.62	4.11	3.98
Heat Content(btu/cf)	1,097	1,067	1,107	1,051	1,051
Natural gas (bcf)	3.62	4.29	3.27	3.91	3.78
Natural Gas (mmcf)	117	138	117	126	126
Days	31	31	28	31	30
Price					
Natural gas industry quotes lagged two months (\$/mmbtu)					
Henry Hub Daily/Futures	4.76	5.41	7.77	5.95	5.33
San Juan Monthly Index	3.45	4.14	4.58	5.91	3.71
SJT/Henry Hub	0.66	0.68	0.54	0.90	0.63
SJT/San Juan Index	0.91	0.88	0.91	0.91	0.91
SJT (\$/mmbtu)	3.14	3.66	4.16	5.38	3.38
SJT (\$/mcf)	3.45	3.91	4.60	5.66	3.55
Revenue (\$mm)					
Natural Gas	12.5	16.8	15.0	22.1	13.4
Other	(0.1)	(0.1)	0.1	(0.0)	(0.0)
Cost (\$mm)					
Severance tax	1.3	1.7	1.6	2.3	1.4
Operating	1.3	1.1	1.4	1.3	1.3
Total	2.6	2.8	3.0	3.6	2.7
Cash flow (\$mm)	9.8	13.8	12.1	18.5	10.7
Development	2.4	1.4	1.1	1.2	1.2
Net proceeds (\$mm)	7.4	12.4	11.0	17.3	9.5
Royalty income (\$mm)	5.5	9.3	8.3	12.9	7.1
Royalty/Net proceeds	75%	75%	75%	75%	75%
One time			0.9		
Distributable income (\$mm)	5.5	9.3	7.4	12.9	7.1
Units (millions)	46.6	46.6	46.6	46.6	46.6
Distribution (\$/unit)	0.12	0.20	0.16	0.28	0.15
<i>Latest Twelve Month Average</i>					
Heat Content(btu/cf)	1,050	1,048	1,051		
Natural Gas (mmcf)	126	127	126		
SJT/Henry Hub	0.70	0.67	0.67		
SJT/San Juan Index	0.90	0.90	0.91		
Other revenue	(0.1)	(0.1)	(0.0)		
Operating	1.3	1.2	1.3		
Development	1.5	1.4	1.2		
Severance tax/revenue	10.1%	10.1%	10.2%		

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