

Natural Gas Royalty Trusts

A Weekly Analysis

July 10, 2003

Graphical Weekly Record

Summary and Recommendation

Despite McDep Ratios near the high end of the range for the past three and a half years that we have been making weekly calculations (see Charts on pages 3, 4 and 5), natural gas royalty trusts continue to offer attractive investment value. The current reading for recommended **San Juan Basin Royalty Trust (SJT)** is 0.94; for **Cross Timbers Royalty Trust (CRT)**, 1.14; and for **Hugoton Royalty Trust (HGT)**, 1.12. We would take some profits around 1.20. We like to see 0.80 for more aggressive new commitments. Yet, because of the more ready availability of public quotes of six-year futures for natural gas, we do not expect McDep Ratios to decline much. Instead stock prices should track six-year futures and other transparent measures of value. In an environment of interest rates below inflation, the outlook for longer-term futures prices on a clean fuel, real asset seems bright.

Kurt H. Wulff, CFA

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

	<i>Symbol/</i>	<i>Price</i>	<i>Market</i>	<i>Net</i>	<i>Debt/</i>	<i>McDep</i>
	<i>Rating</i>	<i>(\$/sh)</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>Ratio</i>
		<i>9-Jul</i>	<i>Shares</i>	<i>Value</i>	<i>Value</i>	
		<i>2003</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/sh)</i>	
Cross Timbers Royalty Trust	CRT	24.85	6.0	149	21.70	- 1.14
Hugoton RoyaltyTrust (46%)	HGT	18.46	18.4	340	16.50	- 1.12
San Juan Basin Royalty Trust	SJT	B 17.99	46.6	840	19.20	- 0.94

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/</i>	<i>Price</i>	<i>EV/</i>	<i>EV/</i>	<i>Dividend or</i>	<i>PV/</i>
	<i>Rating</i>	<i>(\$/sh)</i>	<i>Sales</i>	<i>Ebitda</i>	<i>Distribution</i>	<i>Ebitda</i>
		<i>9-Jul</i>	<i>NTM</i>	<i>NTM</i>	<i>P/E</i>	<i>NTM</i>
		<i>2003</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>
Cross Timbers Royalty Trust	CRT	24.85	7.6	10.6	11	9.2 9.3
Hugoton RoyaltyTrust (46%)	HGT	18.46	5.8	7.7	8	11.9 6.8
San Juan Basin Royalty Trust	SJT	B 17.99	6.0	7.3	8	12.1 7.8

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2004; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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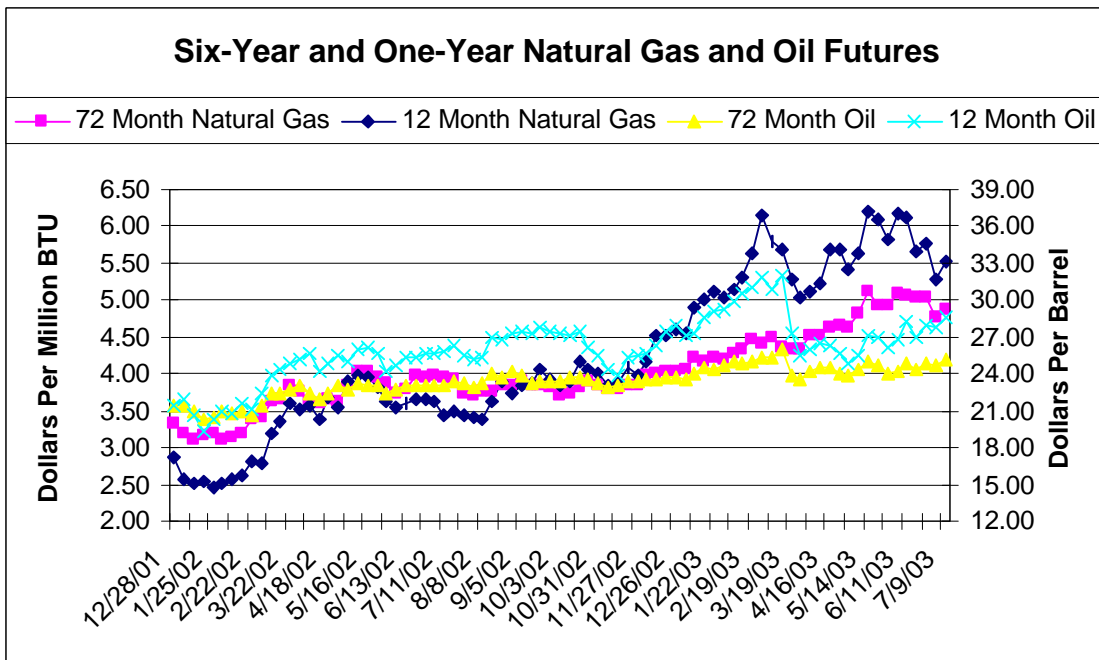
July 10, 2003

Natural Gas and Oil Futures

July 9, 2003

	Year Ending July						Six
	2004	2005	2006	2007	2008	2009	Year
Natural Gas (\$/mmbtu)	5.53	4.99	4.69	4.65	4.68	4.73	4.88
Light Sweet Crude Oil (\$/bbl)	28.64	25.45	24.46	24.33	24.27	24.23	25.23
Natural Gas/Oil (6:1 = 1.0)	1.16	1.18	1.15	1.15	1.16	1.17	1.16

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

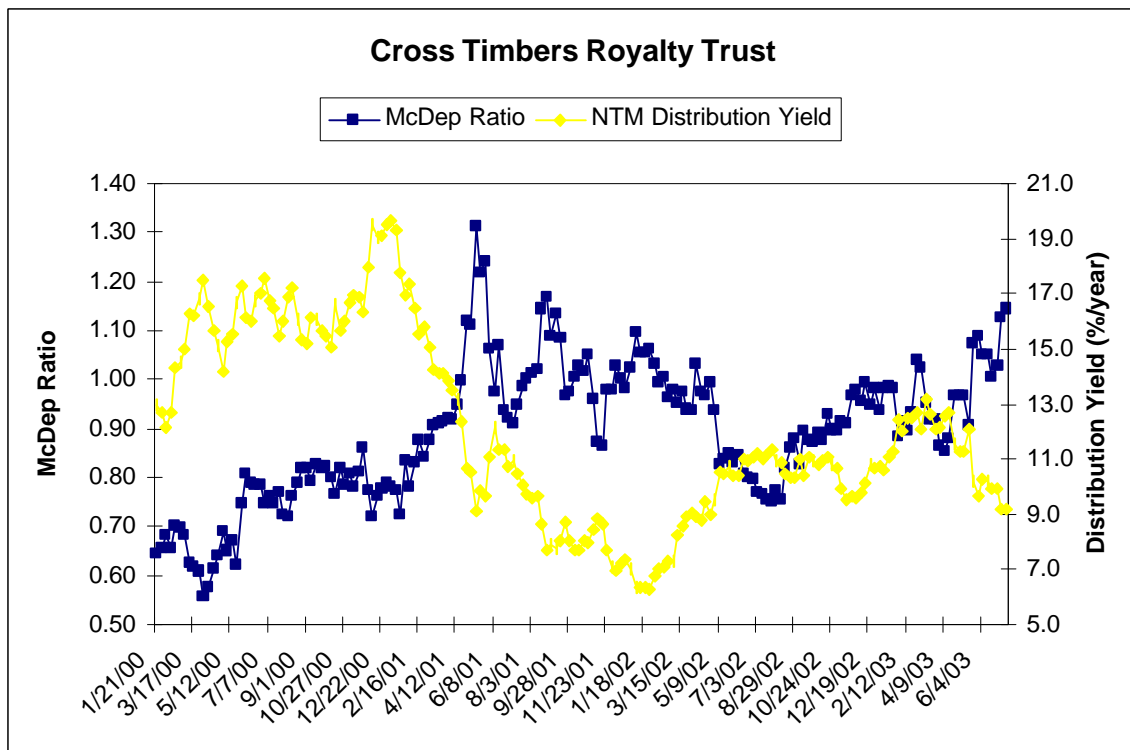
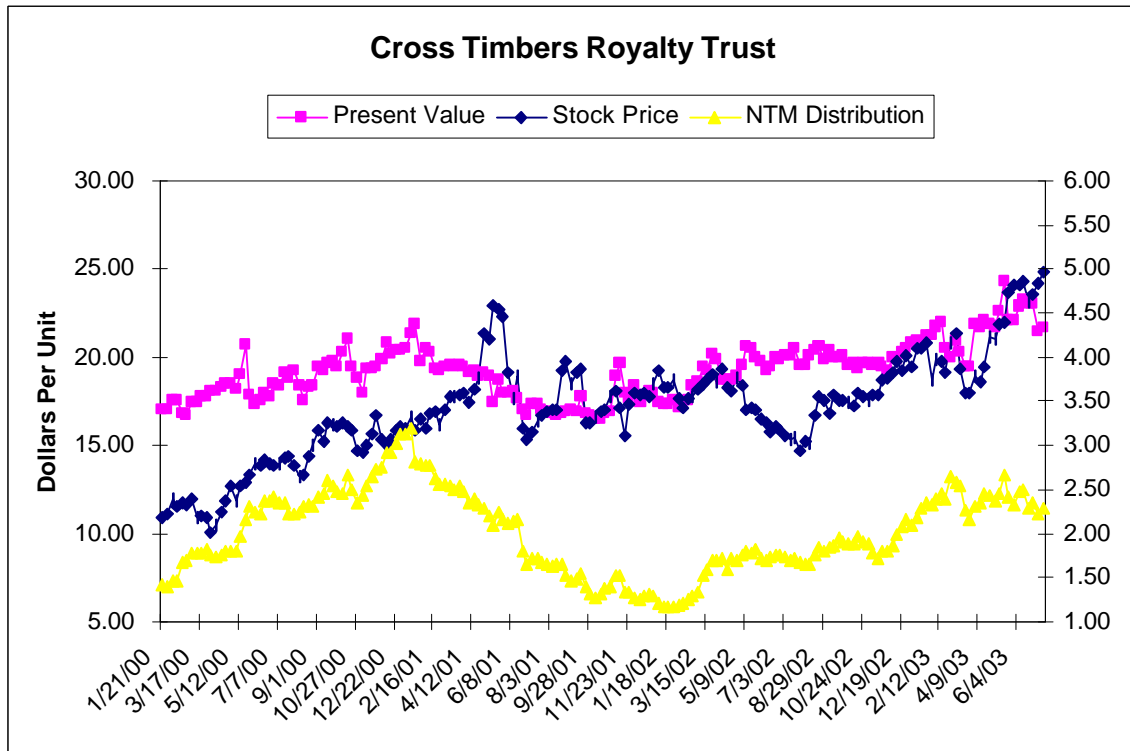


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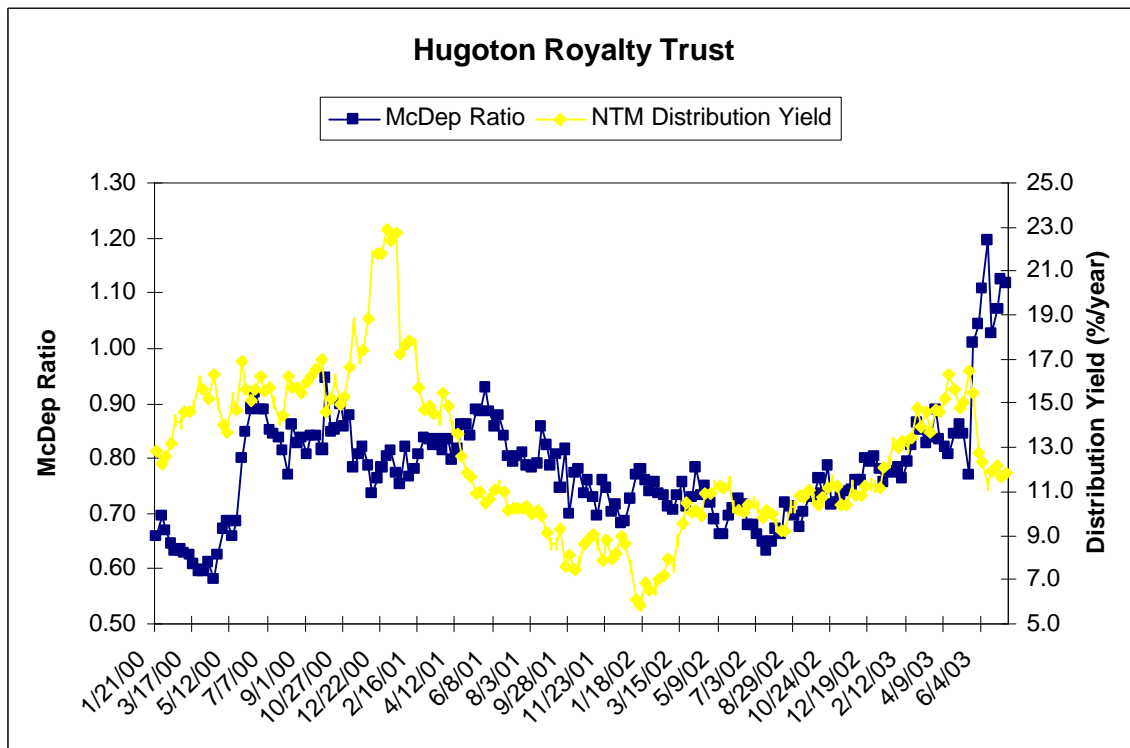
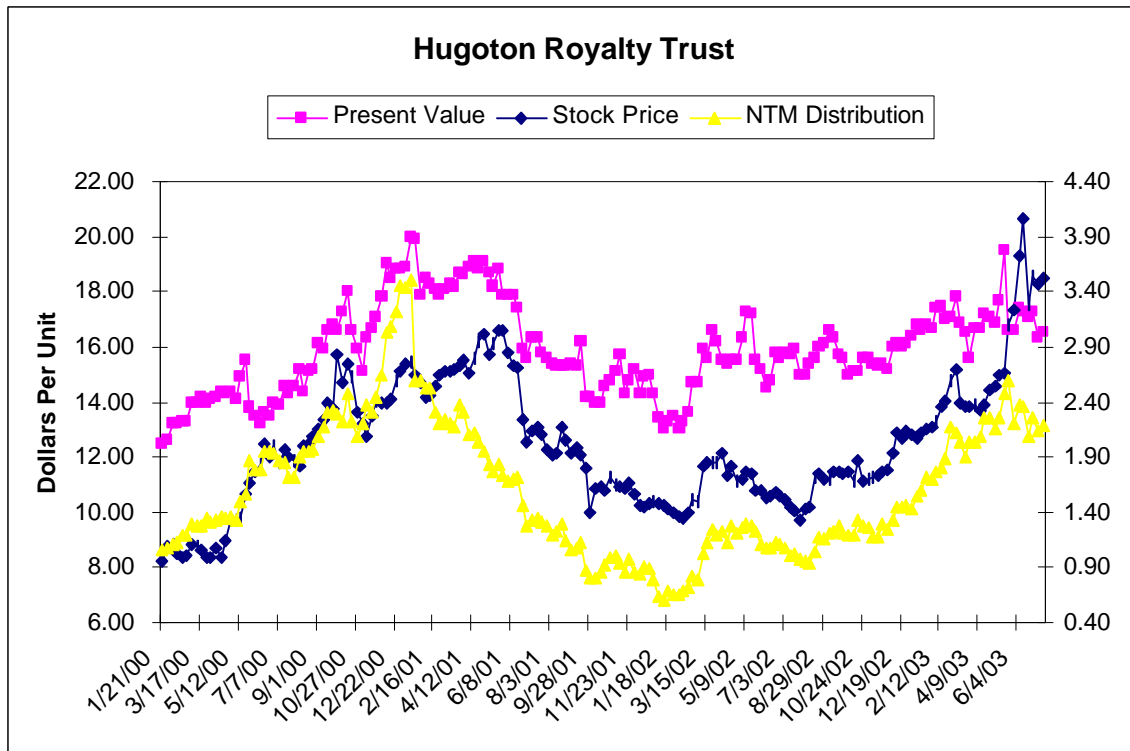


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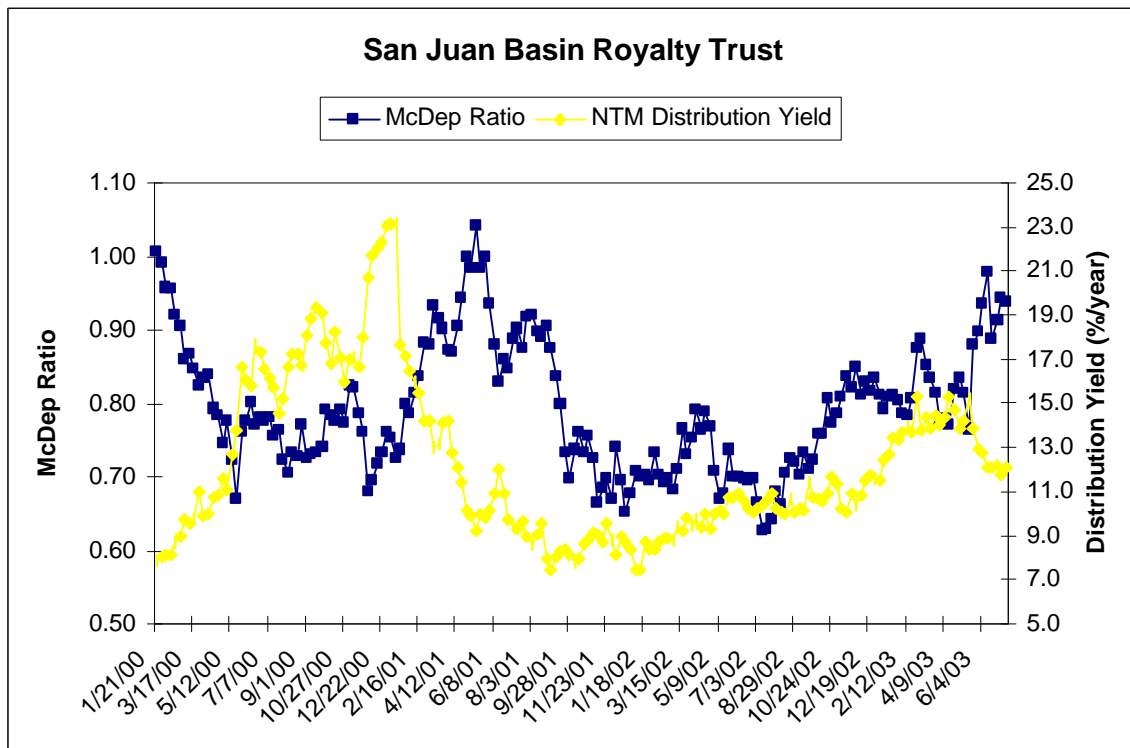
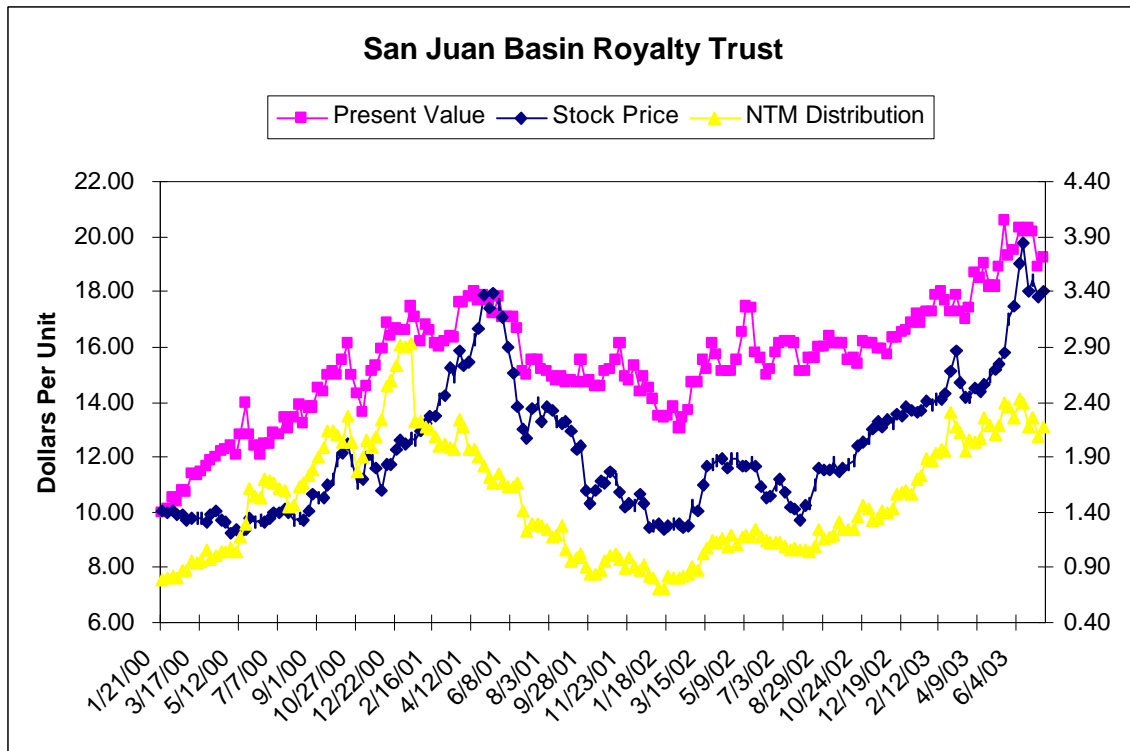


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