

## Cross Timbers Royalty Trust (CRT – 13.44)

### Revise Volume Down 8%

The stock remains undervalued despite lower second quarter volume of 8.5 million cubic feet daily instead of 9.5. The results were disclosed in a quarterly filing with the Securities and Exchange Commission on July 10. Although we did not check the filing until today (oops!), others may have already drawn a slightly negative conclusion as the stock has shown some relative weakness the past few trading sessions. Yet despite a reduction in present value to \$17.90 per unit from \$19.20 the ranking of the stock by McDep Ratio is unchanged (see table immediately below).

|                              |               | <i>Price</i><br><i>(\$/unit)</i> |                             | <i>Market</i>               |                              | <i>Net</i><br><i>Present</i>     |                              |
|------------------------------|---------------|----------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------------|------------------------------|
|                              | <i>Symbol</i> | <i>2-Aug</i><br><i>2000</i>      | <i>Units</i><br><i>(mm)</i> | <i>Cap</i><br><i>(\$mm)</i> | <i>Debt</i><br><i>(\$mm)</i> | <i>Value</i><br><i>(\$/unit)</i> | <i>McDep</i><br><i>Ratio</i> |
| Dorchester Hugoton, Ltd.     | DHULZ         | 13.75                            | 10.7                        | 148                         | -                            | 14.50                            | 0.95                         |
| Hugoton RT (42.5%)           | HGT           | 11.88                            | 17.0                        | 202                         | -                            | 14.70                            | 0.81                         |
| Cross Timbers Royalty Trust  | CRT           | 13.44                            | 6.0                         | 81                          | -                            | 17.90                            | 0.75                         |
| San Juan Basin Royalty Trust | SJT           | 9.81                             | 46.6                        | 457                         | -                            | 13.40                            | 0.73                         |

Keying off a new volume base, we project cumulative future production of 55 billion cubic feet instead of 60 (see Table CRT-1). Distributions for the next four quarters are now projected to total \$2.11 per unit instead of \$2.22 (see Table CRT-2). Nonetheless the indicated cash payout is still the highest compared to current unit price (see table below).

|                              |               | <i>Price</i><br><i>(\$/unit)</i> | <i>Distribution</i><br><i>(\$/unit)</i> |                                     | <i>Distribution Yield</i><br><i>(Percent per year)</i> |                                     |
|------------------------------|---------------|----------------------------------|---|-------------------------------------|--|-------------------------------------|
|                              | <i>Symbol</i> | <i>2-Aug</i><br><i>2000</i>      | <i>Cash</i>                             | <i>Taxable</i><br><i>Equivalent</i> | <i>Cash</i>  | <i>Taxable</i><br><i>Equivalent</i> |
| Dorchester Hugoton, Ltd.     | DHULZ         | 13.75                            | 1.26                                    | 1.80                                | 9.2  | 13.1                                |
| Hugoton RT (42.5%)           | HGT           | 11.88                            | 1.73                                    | 2.08                                | 14.6   | 17.5                                |
| San Juan Basin Royalty Trust | SJT           | 9.81                             | 1.47                                    | 2.13                                | 15.0   | 21.8                                |
| Cross Timbers Royalty Trust  | CRT           | 13.44                            | 2.12                                    | 2.75                                | 15.7   | 20.5                                |

The trust holds an overriding royalty on natural gas production in the San Juan Basin on properties operated primarily by BP Amoco. The operator may be less aggressive in developing new production currently. In any event we are confident that a lot of gas is there even though our estimate changes from time to time.

Kurt H. Wulff, CFA

Analyses are prepared from original sources and data believed to be reliable, but no representations are made as to their accuracy or completeness. This summary with supporting documentation is available free at <http://royaltytrusts.intranets.com>. Registration code: sanjuan

# McDep Associates

Research Note

August 2, 2000

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

|                            |   |                                    |     |
|----------------------------|---|------------------------------------|-----|
| Volume Decline (%/yr):     | 9 | Price Escalation post 2007 (%/yr): | 2.8 |
| Volume Enhancement (%/yr): | 7 | Discount Rate (%/yr):              | 7.4 |
|                            |   | U.S. TIPS Inflation (%/yr):        | 2.0 |
|                            |   | U.S. 10 Year Yield (%/yr):         | 6.0 |

| Year                    | Natural Gas Volume |                   |                | Price<br>(\$/mcf) | Revenue<br>(\$mm) | Oil           |                           | Tax                 |      | Disc<br>Factor | Present<br>Value<br>(\$/unit) |
|-------------------------|--------------------|-------------------|----------------|-------------------|-------------------|---------------|---------------------------|---------------------|------|----------------|-------------------------------|
|                         | Basic<br>(bcf)     | Enhanced<br>(bcf) | Total<br>(bcf) |                   |                   | Net<br>(\$mm) | Distribution<br>(\$/unit) | Credit<br>(\$/unit) |      |                |                               |
| Total 2000 through 2029 | 31                 | 24                | 55             | 3.73              | 205               | 10            | 215                       | 35.79               | 0.37 | 0.50           | 17.90                         |
| 1999                    | 3.3                |                   | 3.3            | 1.99              | 6.5               | 0.0           | 6.6                       | 1.09                | 0.16 |                |                               |
| 2000                    | 2.8                | 0.0               | 2.8            | 3.36              | 9.4               | 1.8           | 11.2                      | 1.86                | 0.12 | 0.96           | 1.91                          |
| 2001                    | 2.5                | 0.2               | 2.7            | 4.02              | 11.0              | 1.9           | 12.9                      | 2.14                | 0.12 | 0.90           | 2.03                          |
| 2002                    | 2.3                | 0.4               | 2.7            | 3.75              | 10.1              | 1.2           | 11.3                      | 1.88                | 0.12 | 0.84           | 1.68                          |
| 2003                    | 2.1                | 0.5               | 2.7            | 3.52              | 9.4               | 1.0           | 10.3                      | 1.72                |      | 0.78           | 1.34                          |
| 2004                    | 2.0                | 0.7               | 2.6            | 3.25              | 8.5               | 0.8           | 9.3                       | 1.55                |      | 0.72           | 1.12                          |
| 2005                    | 1.8                | 0.8               | 2.6            | 3.17              | 8.2               | 0.6           | 8.8                       | 1.47                |      | 0.67           | 0.99                          |
| 2006                    | 1.6                | 0.9               | 2.5            | 3.10              | 7.9               | 0.5           | 8.4                       | 1.40                |      | 0.63           | 0.88                          |
| 2007                    | 1.5                | 1.0               | 2.5            | 3.04              | 7.6               | 0.4           | 8.0                       | 1.34                |      | 0.58           | 0.78                          |
| 2008                    | 1.4                | 1.1               | 2.5            | 3.12              | 7.7               | 0.4           | 8.1                       | 1.35                |      | 0.54           | 0.73                          |
| 2009                    | 1.3                | 1.2               | 2.4            | 3.21              | 7.8               | 0.3           | 8.1                       | 1.35                |      | 0.51           | 0.68                          |
| 2010                    | 1.2                | 1.2               | 2.4            | 3.30              | 7.9               | 0.3           | 8.2                       | 1.36                |      | 0.47           | 0.64                          |
| 2011                    | 1.1                | 1.3               | 2.3            | 3.39              | 8.0               | 0.2           | 8.2                       | 1.36                |      | 0.44           | 0.60                          |
| 2012                    | 1.0                | 1.3               | 2.3            | 3.49              | 8.1               | 0.2           | 8.2                       | 1.37                |      | 0.41           | 0.56                          |
| 2013                    | 0.9                | 1.4               | 2.3            | 3.59              | 8.1               | 0.1           | 8.3                       | 1.38                |      | 0.38           | 0.52                          |
| 2014                    | 0.8                | 1.4               | 2.2            | 3.69              | 8.2               | 0.1           | 8.3                       | 1.38                |      | 0.35           | 0.49                          |
| 2015                    | 0.8                | 1.3               | 2.0            | 3.79              | 7.7               |               | 7.7                       | 1.29                |      | 0.33           | 0.42                          |
| 2016                    | 0.7                | 1.2               | 1.9            | 3.90              | 7.3               |               | 7.3                       | 1.21                |      | 0.31           | 0.37                          |
| 2017                    | 0.6                | 1.1               | 1.7            | 4.01              | 6.8               |               | 6.8                       | 1.13                |      | 0.29           | 0.32                          |
| 2018                    | 0.6                | 1.0               | 1.5            | 4.12              | 6.4               |               | 6.4                       | 1.06                |      | 0.27           | 0.28                          |
| 2019                    | 0.5                | 0.9               | 1.4            | 4.24              | 6.0               |               | 6.0                       | 1.00                |      | 0.25           | 0.25                          |
| 2020                    | 0.5                | 0.8               | 1.3            | 4.36              | 5.6               |               | 5.6                       | 0.94                |      | 0.23           | 0.22                          |
| 2021                    | 0.5                | 0.7               | 1.2            | 4.48              | 5.3               |               | 5.3                       | 0.88                |      | 0.21           | 0.19                          |
| 2022                    | 0.4                | 0.7               | 1.1            | 4.61              | 5.0               |               | 5.0                       | 0.83                |      | 0.20           | 0.16                          |
| 2023                    | 0.4                | 0.6               | 1.0            | 4.74              | 4.7               |               | 4.7                       | 0.78                |      | 0.19           | 0.14                          |
| 2024                    | 0.3                | 0.5               | 0.9            | 4.87              | 4.4               |               | 4.4                       | 0.73                |      | 0.17           | 0.13                          |
| 2025                    | 0.3                | 0.5               | 0.8            | 5.01              | 4.1               |               | 4.1                       | 0.68                |      | 0.16           | 0.11                          |
| 2026                    | 0.3                | 0.5               | 0.7            | 5.15              | 3.8               |               | 3.8                       | 0.64                |      | 0.15           | 0.10                          |
| 2027                    | 0.3                | 0.4               | 0.7            | 5.30              | 3.6               |               | 3.6                       | 0.60                |      | 0.14           | 0.08                          |
| 2028                    | 0.2                | 0.4               | 0.6            | 5.45              | 3.4               |               | 3.4                       | 0.57                |      | 0.13           | 0.07                          |
| 2029                    | 0.2                | 0.3               | 0.6            | 5.60              | 3.2               |               | 3.2                       | 0.53                |      | 0.12           | 0.06                          |

Analyses are prepared from original sources and data believed to be reliable, but no representations are made as to their accuracy or completeness. This summary with supporting documentation is available free at <http://royaltytrusts.intranets.com>. Registration code: sanjuan

# McDep Associates

Research Note

August 2, 2000

Table CRT-2  
Cross Timbers Royalty Trust  
Distributable Income Model

|                                      | Q2      | Q3      | Q4       | Year   | Q1      | Q2      | Q3E     | Q4E      | Year  | Q1E     | Q2E     |
|--------------------------------------|---------|---------|----------|--------|---------|---------|---------|----------|-------|---------|---------|
|                                      | 6/30/99 | 9/30/99 | 12/31/99 | 1999   | 3/31/00 | 6/30/00 | 9/30/00 | 12/31/00 | 2000E | 3/31/01 | 6/30/01 |
| <b>Highlights</b>                    |         |         |          |        |         |         |         |          |       |         |         |
| Tax credit (\$mm)                    |         |         |          |        |         |         |         |          |       |         |         |
| Per unit                             | 0.04    | 0.04    | 0.03     | 0.16   | 0.03    | 0.03    | 0.03    | 0.03     | 0.12  | 0.03    | 0.03    |
| Distributable Income (\$mm)          | 1.17    | 1.66    | 2.28     | 6.55   | 2.30    | 2.42    | 3.22    | 3.23     | 11.17 | 3.22    | 3.03    |
| Per unit                             | 0.20    | 0.28    | 0.38     | 1.09   | 0.38    | 0.40    | 0.54    | 0.54     | 1.86  | 0.54    | 0.51    |
| Units (millions)                     | 6.0     | 6.0     | 6.0      | 6.0    | 6.0     | 6.0     | 6.0     | 6.0      | 6.0   | 6.0     | 6.0     |
| <b>Volume</b>                        |         |         |          |        |         |         |         |          |       |         |         |
| Natural Gas (bcf)                    | 0.82    | 0.94    | 0.97     | 3.64   | 0.80    | 0.77    | 0.76    | 0.76     | 3.09  | 0.76    | 0.73    |
| Natural Gas (mmcf)                   | 9.1     | 10.3    | 10.6     | 10.0   | 8.7     | 8.5     | 8.4     | 8.3      | 8.5   | 8.2     | 8.1     |
| Days                                 | 90      | 91      | 92       | 365    | 92      | 91      | 91      | 92       | 366   | 92      | 90      |
| Oil (mb)                             | 87      | 79      | 94       | 349    | 88      | 81      | 85      | 83       | 337   | 81      | 78      |
| Oil (mbd)                            | 0.98    | 0.86    | 1.03     | 0.96   | 0.96    | 0.90    | 0.92    | 0.90     | 0.92  | 0.88    | 0.87    |
| Days                                 | 89      | 92      | 92       | 365    | 92      | 90      | 92      | 92       | 366   | 92      | 90      |
| Total (bcf)                          | 1.34    | 1.41    | 1.54     | 5.73   | 1.33    | 1.26    | 1.27    | 1.26     | 5.12  | 1.24    | 1.20    |
| <b>Price</b>                         |         |         |          |        |         |         |         |          |       |         |         |
| Natural Gas (HH lagged three months) |         |         |          |        |         |         |         |          |       |         |         |
| Henry Hub (\$/mmbtu)                 | 1.79    | 2.22    | 2.52     | 2.12   | 2.45    | 2.62    | 3.63    | 3.85     | 3.14  | 3.96    | 3.91    |
| CRT (\$/mcf)                         | 1.79    | 2.02    | 2.39     | 1.99   | 2.72    | 2.88    | 3.83    | 4.05     | 3.36  | 4.16    | 4.11    |
| Oil (\$/bbl) (WTI lagged two months) |         |         |          |        |         |         |         |          |       |         |         |
| WTI Cushing                          | 14.67   | 18.57   | 22.59    | 17.02  | 26.07   | 28.33   | 30.13   | 28.11    | 28.16 | 27.53   | 26.80   |
| CRT                                  | 12.28   | 16.34   | 20.21    | 14.89  | 24.20   | 26.86   | 28.13   | 26.11    | 26.30 | 25.53   | 24.80   |
| Total (\$/mcf)                       | 1.89    | 2.26    | 2.75     | 2.17   | 3.25    | 3.50    | 4.17    | 4.17     | 3.77  | 4.20    | 4.12    |
| <b>Revenue (\$mm)</b>                |         |         |          |        |         |         |         |          |       |         |         |
| Natural Gas                          | 1.46    | 1.89    | 2.33     | 7.26   | 2.17    | 2.22    | 2.92    | 3.10     | 10.41 | 3.14    | 3.01    |
| Oil                                  | 1.07    | 1.30    | 1.91     | 5.19   | 2.14    | 2.18    | 2.38    | 2.17     | 8.87  | 2.08    | 1.94    |
| Total                                | 2.53    | 3.19    | 4.23     | 12.45  | 4.31    | 4.40    | 5.31    | 5.27     | 19.28 | 5.22    | 4.94    |
| <b>Cost (\$mm)</b>                   |         |         |          |        |         |         |         |          |       |         |         |
| Tax, transport & other               | 0.40    | 0.48    | 0.50     | 1.61   | 0.58    | 0.61    | 0.74    | 0.74     | 2.67  | 0.73    | 0.69    |
| Production                           | 0.63    | 0.60    | 0.60     | 2.39   | 0.59    | 0.65    | 0.64    | 0.62     | 2.50  | 0.61    | 0.59    |
| Total                                | 1.02    | 1.08    | 1.09     | 4.00   | 1.17    | 1.26    | 1.38    | 1.36     | 5.17  | 1.34    | 1.28    |
| <b>Cash flow (\$mm)</b>              |         |         |          |        |         |         |         |          |       |         |         |
| Development                          | 0.08    | 0.18    | 0.12     | 0.74   | 0.21    | 0.13    | 0.17    | 0.17     | 0.69  | 0.17    | 0.17    |
| Excess                               | (0.06)  | (0.07)  |          | (0.43) |         |         |         |          | -     |         |         |
| Recovery of excess                   | 0.14    | 0.10    | 0.40     | 0.63   | 0.24    | 0.15    |         |          | 0.38  |         |         |
| Net proceeds (\$mm)                  | 1.35    | 1.91    | 2.62     | 7.52   | 2.68    | 2.86    | 3.76    | 3.74     | 13.04 | 3.71    | 3.50    |
| <b>Royalty income (\$mm)</b>         |         |         |          |        |         |         |         |          |       |         |         |
| Royalty/Net proceeds                 | 90%     | 89%     | 88%      | 89%    | 88%     | 87%     | 87%     | 87%      | 87%   | 88%     | 88%     |
| Administration                       | 0.04    | 0.04    | 0.02     | 0.14   | 0.05    | 0.05    | 0.04    | 0.04     | 0.18  | 0.04    | 0.04    |
| Distributable income (\$mm)          | 1.17    | 1.66    | 2.28     | 6.55   | 2.30    | 2.42    | 3.22    | 3.23     | 11.17 | 3.22    | 3.03    |
| <b>Modeling ratios</b>               |         |         |          |        |         |         |         |          |       |         |         |
| Tax and other/revenue                | 0.16    | 0.15    | 0.12     | 0.13   | 0.13    | 0.14    | 0.14    | 0.14     | 0.14  | 0.14    | 0.14    |
| Production exp (\$/bbl)              | 7.20    | 7.56    | 6.31     | 6.86   | 6.71    | 8.00    | 7.50    | 7.50     | 7.41  | 7.50    | 7.50    |
| <b>Accounting items</b>              |         |         |          |        |         |         |         |          |       |         |         |
| Interest on excess costs             | 0.02    | 0.01    | 0.01     | 0.06   |         |         |         |          |       |         |         |
| Cumulative excess costs              | 0.77    | 0.76    | 0.37     | 0.37   | 0.15    |         |         |          |       |         |         |

Analyses are prepared from original sources and data believed to be reliable, but no representations are made as to their accuracy or completeness. This summary with supporting documentation is available free at <http://royaltytrusts.intranets.com>. Registration code: sanjuan