

Natural Gas Royalty Trusts

A Weekly Analysis

October 16, 2003

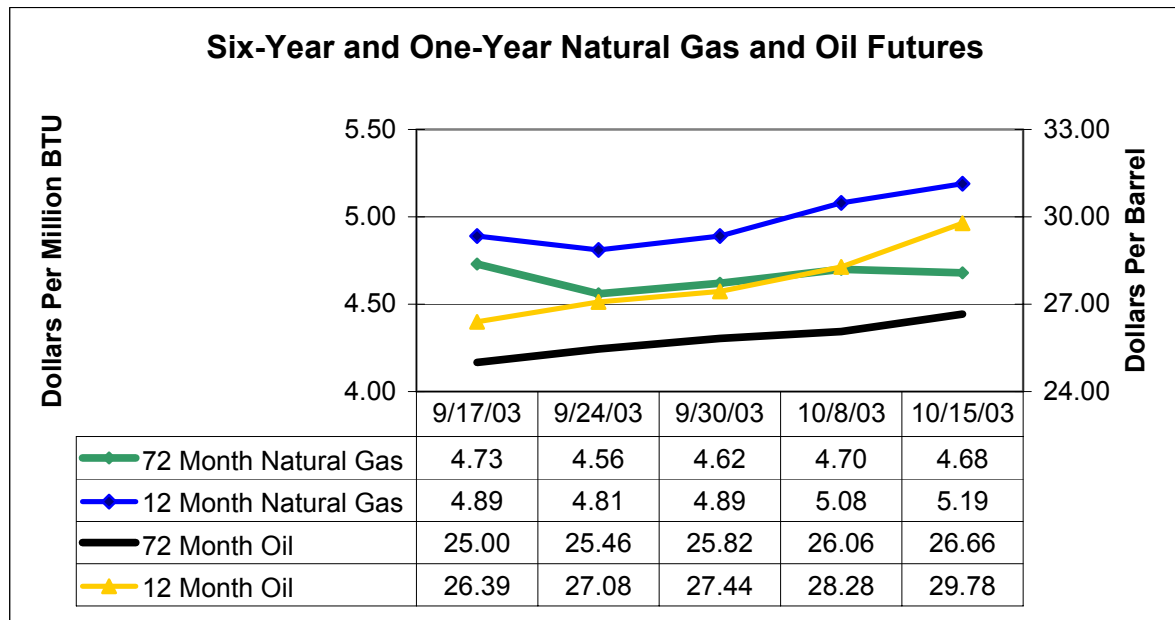
Add Permian and Sabine to Coverage

Summary and Recommendation

Expanding the Natural Gas Royalty Trusts group to five stocks with the addition of **Permian Basin Royalty Trust (PBT)** and **Sabine Royalty Trust (SBR)** offers possible further diversification beyond recommended **San Juan Basin Royalty Trust (SJT)**. The peer stocks that have higher McDep Ratios may have some valuation risk. Yet they deliver a rare degree of current income while having less valuation risk than other popular energy income stocks. While our analysis of the two new stocks is preliminary, PBT and SBR, like their peers have no debt risk and each sport a superior long-term record of return to investors during a period of little commodity price appreciation. In the better environment for commodity price we see ahead, the prospect for high reward relative to risk in natural gas royalty trusts seems appealing.

Though we covered PBT and SBR at inception in 1980 and 1983 respectively we had not looked at them for awhile. We are surprised to see that these former “oil” trusts now get a majority of revenue from natural gas and qualify in that sense for the peer group.

Kurt H. Wulff, CFA



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Natural Gas and Oil Futures

October 15, 2003

	Year Ending October						Six Year
	2004	2005	2006	2007	2008	2009	
Natural Gas (\$/mmbtu)	5.19	4.76	4.60	4.52	4.50	4.51	4.68
Light Sweet Crude Oil (\$/bbl)	29.78	26.36	25.69	25.77	25.97	26.40	26.66
Natural Gas/Oil (6:1 = 1.0)	1.05	1.08	1.08	1.05	1.04	1.03	1.05

Source: Nymex.com, McDep Associates

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

	Symbol/ Rating	Price (\$/sh) 15-Oct 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
Hugoton RoyaltyTrust (46%)	HGT	19.60	18.4	360	14.90	-	1.32	
Sabine Royalty Trust	SBR	27.65	14.6	400	22.00	-	1.26	
Cross Timbers Royalty Trust	CRT	22.95	6.0	138	18.80	-	1.22	
Permian Basin RT (41%)	PBT	8.28	19.1	160	7.00	-	1.18	
San Juan Basin Royalty Trust	SJT	B	18.76	46.6	870	17.40	-	1.08
<i>Total or Median</i>				<i>1,900</i>		<i>-</i>	<i>1.22</i>	

Buy/Sell rating after symbol: B - Buy, 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) 15-Oct 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Cross Timbers Royalty Trust	CRT	22.95	7.4	10.6	11	9.3	8.6	
Sabine Royalty Trust	SBR	27.65	9.1	9.5	10	10.5	7.6	
Permian Basin RT (41%)	PBT	8.28	6.0	9.5	13	9.1	8.0	
Hugoton RoyaltyTrust (46%)	HGT	19.60	6.5	8.8	10	9.9	6.7	
San Juan Basin Royalty Trust	SJT	B	18.76	6.4	7.8	9	11.0	7.3

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

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