

Natural Gas Royalty Trusts

A Weekly Analysis

October 23, 2003

Family Heirlooms

Summary and Recommendation

Each of the five royalty trusts covered herein hold the type of high-quality property interests that royalty owning families hand down from generation to generation. That is evident in a five-year backward looking analysis prompted by an heir trying to gauge the value of private interests. The five trusts in our coverage are valued in a surprisingly tight range at 2.4 to 2.7 times five-year distributions adjusted for capital expenditures. Moreover the quarterly distributions for the past five years also track a tight pattern of rising distributions despite the maturity of properties. Meanwhile, recently released October declarations were strongest for **Cross Timbers Royalty Trust (CRT)** and lower relative to the historical trend for **Permian Basin Royalty Trust (PBT)** and **Sabine Royalty Trust (SBR)**. **Hugoton Royalty Trust (HGT)** met our estimate as did buy-recommended **San Juan Basin Royalty Trust (SJT)** after adjusting for higher than projected capital expenditures.

Focus on Longer-Term Commodity Prices

Hardly a day goes by when we don't read or hear a forecast of a pending collapse in energy price and the imminent demise of the oil "cartel". Perhaps we will be surprised and we do not want to be overconfident, but such prognostications strike us as outdated products of the past twenty years. We prefer to look back thirty years to the last time we had the combination of free money policy by the Federal Reserve and a guns and butter Federal budget. Then the downside was supposed to be a dollar a barrel for oil price when the U.S. price was \$3 a barrel. As it turned out, \$3 was soon \$12 and after a few more years \$30.

Unlike thirty years ago we don't have to take any person's word for where prices might be headed. The futures market gives us the expectations of many persons who are betting money on their judgment. In particular there appears to be a sensible rationale to long term futures. While short-term futures swing wildly, long-term futures move in much smaller measure. Stocks represent something more akin to long-term futures than short-term futures. Royalty trusts, concentrated on producing the commodities, with no management to add value, or all too often subtract value, are most sensitive to the same fundamental factors as long-term futures.

That is a long introduction to our presentation of the usual weekly data. The first table that we do every week has the latest six-year and one-year futures and a breakdown by year (see Table).

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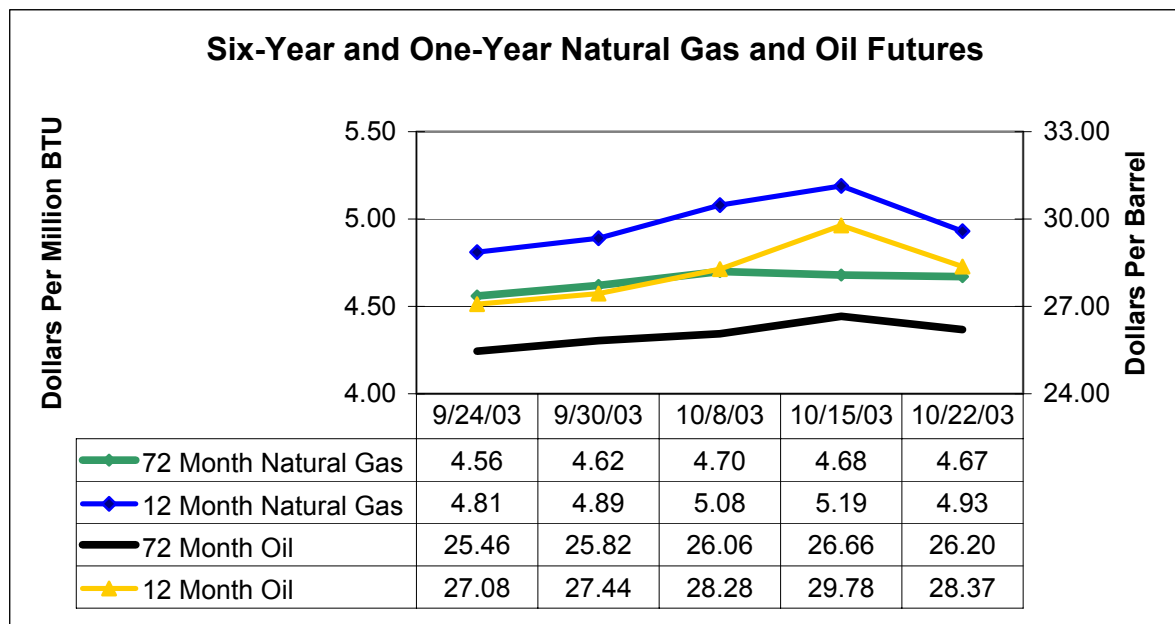
Natural Gas and Oil Futures

October 22, 2003

	Year Ending October						Six Year
	2004	2005	2006	2007	2008	2009	
Natural Gas (\$/mmbtu)	4.93	4.72	4.62	4.58	4.57	4.58	4.67
Light Sweet Crude Oil (\$/bbl)	28.37	25.81	25.45	25.61	25.79	26.18	26.20
Natural Gas/Oil (6:1 = 1.0)	1.04	1.10	1.09	1.07	1.06	1.05	1.07

Source: Nymex.com, McDep Associates

That was a snapshot of one day's pricing. The next regular weekly graphic helps relate how the latest pricing compares to the past four weeks (see Chart).



Indeed there is a dip in one-year futures in the latest week. Six-year futures are steadier. Other charts, for example, 2006 Oil Futures in *Meter Reader*, make a strong statement of expectations of rising price.

Use Futures in Valuation Analysis

Another reason for printing the futures price is to record that which matches most recent fundamental estimates. In the case of three royalty trusts, we recalculate estimated

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present value and estimate next twelve months distribution weekly using the latest futures for our price forecast. Those results are summarized in segments of our two main valuation summary tables (see below). The tables that feed into the summary are reprinted at the end of this analysis for three of the trusts to include the implications of the latest monthly declarations.

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 22-Oct 2003</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>	
Hugoton RoyaltyTrust (46%)	HGT	19.78	18.4	360	15.10	-	1.31	
Sabine Royalty Trust	SBR	27.90	14.6	410	22.00	-	1.27	
Cross Timbers Royalty Trust	CRT	24.65	6.0	148	20.10	-	1.23	
Permian Basin RT (41%)	PBT	8.33	19.1	160	7.00	-	1.19	
San Juan Basin Royalty Trust	SJT	B	18.70	46.6	870	17.30	-	1.08
<i>Total or Median</i>				<i>1,900</i>		<i>-</i>	<i>1.23</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.

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 22-Oct 2003</i>	<i>EV/ Sales NTM</i>	<i>EV/ Ebitda NTM</i>	<i>Dividend or Distribution P/E NTM</i>	<i>NTM (%)</i>	<i>PV/ Ebitda NTM</i>	
Cross Timbers Royalty Trust	CRT	24.65	7.9	11.2	12	8.7	9.2	
Sabine Royalty Trust	SBR	27.90	9.5	10.0	10	10.1	7.8	
Permian Basin RT (41%)	PBT	8.33	6.1	9.5	13	9.0	8.0	
Hugoton RoyaltyTrust (46%)	HGT	19.78	7.0	9.5	11	9.2	7.2	
San Juan Basin Royalty Trust	SJT	B	18.70	6.7	8.2	10	9.9	7.6

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

Analyzing an Heirloom

Our five-year lookback is prompted by an heir considering selling a private royalty interest in an old West Texas oilfield and investing the proceeds into publicly traded royalty trusts. The heir understands that private royalties have sold for “five-year’s revenue”.

Royalty owners often labor with limited information as working interest owners are not normally required to make much disclosure to royalty owners. Royalties arise as a means

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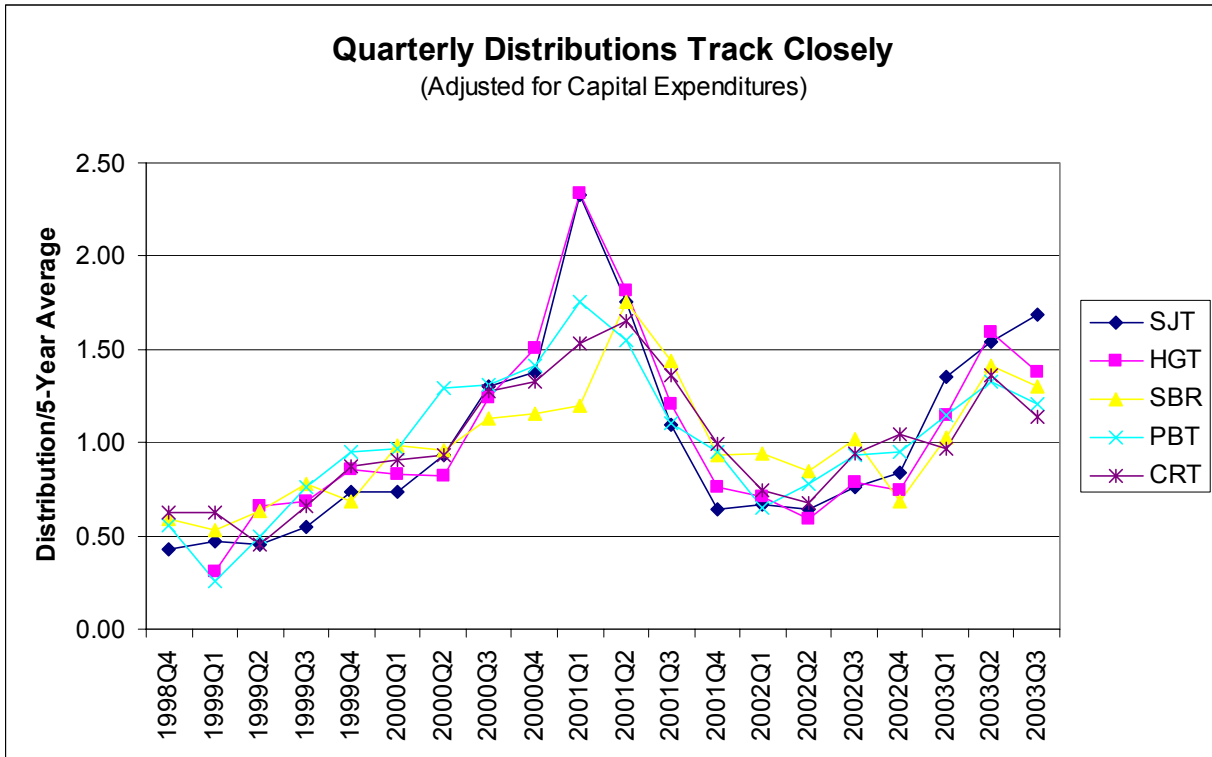
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of compensation to the owners of land under which minerals are discovered and produced.

Curious as to how our royalty trusts looked under a five-year's revenue standard we checked the record and plotted the results (see Chart). The most notable exception to a tight pattern is that SJT and HGT exhibited more positive leverage in early 2001 when natural gas price was the highest.



It is striking how well the old properties in the trusts have held up. Volume in SJT has been rising over the period and the four others have paid out practically as much as SJT. The San Juan Basin started producing in the 1920s and is not yet fully developed. Waddell Ranch and Yates, oil fields in PBT, also date from the 1920s.

It would be difficult to do the same analysis on producing companies because the property mix is continually changing whereas royalty trusts retain the same properties. Since the royalty trusts in our coverage started with superior properties, they have tended to outperform producing companies in shareholder return.

Only Sabine RT is entirely a "natural" royalty defined as a fixed percentage of natural gas or oil production revenue. CRT is 86% natural. PBT is 24% natural. HGT and SJT

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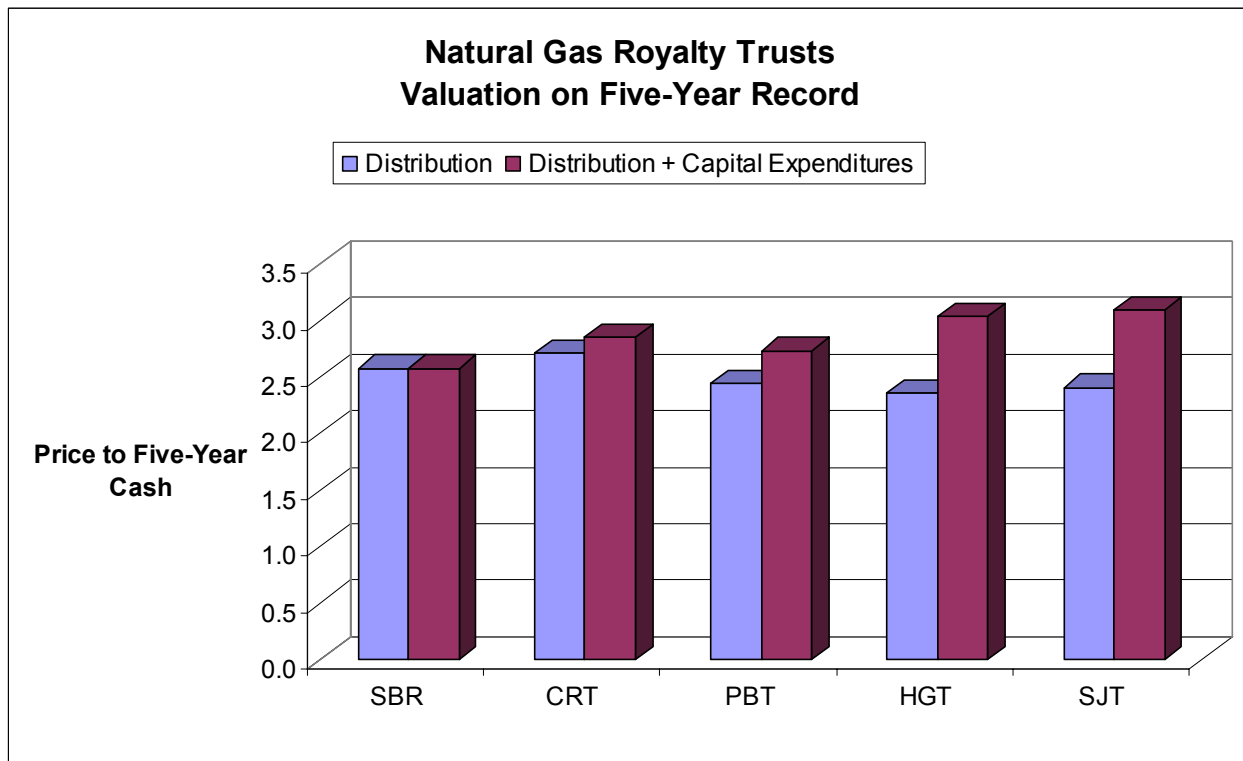
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are 100% “synthetic” royalties defined as a fixed percentage of natural gas or oil net revenue. Natural royalties are not burdened by operating and capital costs as are synthetic royalties. The latter really are working interests recast as royalties only in accounting terms.

Concentration on natural gas is also a differentiating factor. Relative to our projected cash flow for the next twelve months the natural gas content from highest to lowest is SJT, 99%; HGT, 93%; CRT, 75%; SBR, 68% and PBT, 46%.

Despite the differences the five trusts are valued within a narrow range as a multiple of 5-year adjusted distributions (see Chart).



Our forward-looking McDep analysis attempts to identify wider differences in valuation. We feel the effort is justified though we have the most confidence in the estimates for recommended stocks.

Kurt H. Wulff, CFA

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Table CRT-1
Cross Timbers Royalty Trust
Present Value

Volume Decline (%/yr):	10	Price Escalation post 2009 (%/yr):	3.0
Volume Enhancement (%/yr):	10	Discount Rate (%/yr):	5.7
Variable Cost (%):	16	U.S. TIPS Inflation (%/yr):	2.2
		U.S. 10 Year Yield (%/yr):	4.3
PV/Volume (\$/mcf):	3.08	PV/EBITDA 2004:	9.3

Year	Natural Gas Volume			Price (\$/mcf)	Revenue (\$mm)	Cost (\$mm)	Oil			Disc Factor	Present Value (\$/unit)
	Basic (bcf)	Enhanced (bcf)	Total (bcf)				Net (\$mm)	Distribution (\$mm)	(\$/unit)		
Total 2004 through 2030; years ending on 9/30											
	23	16	39	5.11	200	32	26	194	32.31	0.62	20.10
2004	2.5	0.0	2.5	4.78	11.9	1.9	2.9	12.9	2.14	0.97	2.08
2005	2.2	0.2	2.5	4.55	11.3	1.8	2.0	11.4	1.91	0.92	1.76
2006	2.0	0.5	2.5	4.41	11.0	1.8	1.8	11.0	1.83	0.87	1.60
2007	1.8	0.7	2.5	4.34	10.8	1.7	1.7	10.8	1.80	0.83	1.48
2008	1.6	0.9	2.5	4.33	10.7	1.7	1.7	10.7	1.78	0.78	1.39
2009	1.5	1.0	2.5	4.35	10.8	1.7	1.6	10.7	1.78	0.74	1.32
2010	1.3	1.2	2.5	4.48	11.1	1.8	1.6	10.9	1.82	0.70	1.27
2011	1.2	1.3	2.5	4.61	11.5	1.8	1.5	11.2	1.86	0.66	1.23
2012	1.1	1.2	2.2	4.75	10.6	1.7	1.9	10.8	1.81	0.63	1.13
2013	1.0	1.0	2.0	4.90	9.9	1.6	1.7	10.0	1.67	0.59	0.99
2014	0.9	0.9	1.8	5.04	9.1	1.5	1.5	9.2	1.53	0.56	0.86
2015	0.8	0.9	1.6	5.19	8.5	1.4	1.3	8.5	1.41	0.53	0.75
2016	0.7	0.8	1.5	5.35	7.8	1.3	1.2	7.8	1.30	0.50	0.65
2017	0.6	0.7	1.3	5.51	7.3	1.2	1.0	7.1	1.19	0.48	0.57
2018	0.6	0.6	1.2	5.68	6.7	1.1	0.9	6.6	1.09	0.45	0.49
2019	0.5	0.6	1.1	5.85	6.3	1.0	0.8	6.0	1.00	0.43	0.43
2020	0.5	0.5	1.0	6.02	5.8	0.9	0.6	5.5	0.92	0.40	0.37
2021	0.4	0.5	0.9	6.21	5.4	0.9		4.5	0.75	0.38	0.29
2022	0.4	0.4	0.8	6.39	5.0	0.8		4.2	0.70	0.36	0.25
2023	0.3	0.4	0.7	6.59	4.6	0.7		3.9	0.65	0.34	0.22
2024	0.3	0.3	0.6	6.78	4.3	0.7		3.6	0.60	0.32	0.19
2025	0.3	0.3	0.6	6.99	4.0	0.6		3.3	0.56	0.31	0.17
2026	0.2	0.3	0.5	7.20	3.7	0.6		3.1	0.52	0.29	0.15
2027	0.2	0.2	0.5	7.41	3.4	0.5		2.9	0.48	0.27	0.13
2028	0.2	0.2	0.4	7.64	3.2	0.5		2.7	0.44	0.26	0.12
2029	0.2	0.2	0.4	7.87	2.9	0.5		2.5	0.41	0.25	0.10
2030	0.2	0.2	0.3	8.10	2.7	0.4		2.3	0.38	0.23	0.09

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Table CRT-2
Cross Timbers Royalty Trust
Distributable Income

	Q2 6/30/03	Q3E 9/30/03	Q4E 12/31/03	Year 2003E	Q1E 3/31/04	Q2E 6/30/04	Q3E 9/30/04	Next Twelve Months 9/30/04
Highlights								
Distributable Income (\$mm)	3.67	3.06	3.43	12.75	3.18	3.30	2.95	12.86
Per unit	0.61	0.51	0.57	2.12	0.53	0.55	0.49	2.14
Units (millions)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Volume								
Natural Gas (bcf)	0.72	0.64	0.69	2.71	0.69	0.69	0.69	2.76
Natural Gas (mmcf)	8.0	7.0	7.5	7.4	7.5	7.5	7.5	7.5
Days	90	91	92	365	92	91	91	366
Oil (mb)	69	69	81	299	74	74	74	302
Oil (mbd)	0.78	0.75	0.88	0.82	0.80	0.80	0.80	0.82
Days	89	92	92	365	92	92	92	368
Total (bcf)	1.14	1.05	1.18	4.50	1.14	1.13	1.13	4.57
Price								
Natural Gas (HH lagged three months)								
Henry Hub (\$/mmbtu)	6.38	5.63	4.87	5.30	4.95	5.35	4.73	4.97
Differential (\$/mmbtu)	1.01	0.58	0.50	0.49	0.25	0.27	0.24	0.20
CRT (\$/mcf)	5.36	5.05	4.37	4.80	4.70	5.08	4.49	4.78
Oil (\$/bbl) (WTI lagged two months)								
WTI Cushing	32.51	29.86	30.16	30.52	29.80	28.86	27.82	29.16
CRT	29.88	28.05	28.34	28.22	27.99	27.12	26.14	27.39
Total (\$/mcf)	5.22	4.90	4.78	4.76	4.69	4.86	4.44	4.69
Revenue (\$mm)								
Natural Gas	3.88	3.23	3.36	13.01	3.26	3.49	3.08	13.19
Oil	2.06	1.93	2.29	8.42	2.06	2.00	1.92	8.27
Total	5.94	5.15	5.65	21.43	5.32	5.48	5.01	21.46
Cost (\$mm)								
Tax, transport & other	0.80	0.72	0.79	3.05	0.75	0.77	0.70	3.00
Production	0.83	0.83	0.83	3.30	0.83	0.83	0.83	3.30
Total	1.62	1.55	1.62	6.35	1.57	1.59	1.53	6.31
Cash flow (\$mm)								
Development	0.05	0.05	0.05	0.19	0.05	0.05	0.05	0.19
Excess or other				-				
Net proceeds (\$mm)	4.27	3.56	3.99	14.89	3.70	3.84	3.43	14.97
Royalty income (\$mm)								
Royalty/Net proceeds	88%	87%	87%	87%	87%	87%	87%	87%
Administration	0.09	0.03	0.03	0.21	0.04	0.04	0.04	0.15
Distributable income (\$mm)								
Tax and other/revenue	0.13	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Distributable Inc/Rev (%)	62	59	61	59	60	60	59	60

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Table CRT-3
Cross Timbers Royalty Trust
Monthly Distributions

	<i>Aug-03</i>	<i>Sep-03</i>	<i>Oct-03</i>	<i>Nov-03</i>	<i>Dec-03</i>
Distribution (\$/unit)					
Declared	0.16	0.19	0.22		
Projected				0.17	0.18
Volume					
Natural Gas (bcf)	202	204	234	234	226
Natural Gas (mmcf/d)	6.52	6.80	7.55	7.54	7.54
Days	31	30	31	31	30
Oil (mb)	20.2	24.7	32.3	24.1	24.9
Oil (mbd)	0.67	0.80	1.04	0.80	0.80
Days	30	31	31	30	31
Total (bcf)	323	352	428	378	375
Price					
Natural gas industry quotes lagged three months (\$/mmbtu)					
Henry Hub Daily/Futures	5.81	5.82	5.03	4.97	4.62
San Juan Monthly Index	4.03	5.03	4.70	4.03	4.44
CRT/Henry Hub	0.87	0.94	1.03	0.92	1.03
CRT/San Juan Index	1.26	1.09	1.10	1.14	1.07
CRT (\$/mcf)	5.07	5.49	5.18	4.59	4.74
Oil (\$/bbl)					
WTI Cushing (lagged two months)	30.72	30.74	31.61	28.32	30.57
CRT/WTI Cushing	0.95	0.94	0.93	0.93	0.93
CRT	29.27	28.79	29.51	26.33	28.43
Total (\$/mcf)	5.00	5.20	5.06	4.51	4.74
Revenue (\$mm)					
Natural Gas	1.02	1.12	1.21	1.07	1.07
Oil	0.59	0.71	0.95	0.63	0.71
Total	1.62	1.83	2.17	1.71	1.78
Distributable income (\$mm)					
Natural Gas (at 75% of nat gas rev)	0.77	0.84	0.91	0.80	0.80
Oil	0.21	0.27	0.40	0.23	0.27
Total	0.98	1.11	1.31	1.03	1.08
Distributable Income/Revenue (%)	61	61	61	61	61
<i>Monthly Average Since March 2003</i>					
Natural Gas (mmcf/d)	7.66	7.54	7.54		
Oil (mbd)	0.76	0.77	0.80		
CRT/Henry Hub	0.88	0.89	0.91		
CRT/San Juan Index	1.17	1.16	1.15		
CRT/WTI Cushing	0.93	0.93	0.93		
Distributable Income/Revenue (%)	61	61	61		

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**Table HGT-1
Hugoton Royalty Trust
Present Value**

Volume Decline (%/yr):	11	Price Escalation Post 2008 (%/yr):	3.0
Volume Enhancement (%/yr):	8	Discount rate (%/yr):	6.3
Capex/Cash Flow (%):	25	U.S. TIPS Inflation (%/yr):	2.2
Variable Cost (%):	18	U.S. 10 Year Yield (%/yr):	4.3
PV/Volume (\$/mcf):	1.66	PV/EBITDA 2004:	7.3

Year	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 9/30												
	242	122	363	4.76	1730	285	311	138	996	24.90	0.61	15.10
2004	26.9	0.0	26.9	4.21	113.4	10.5	20.4	10.0	72.4	1.81	0.97	1.76
2005	24.1	2.2	26.2	4.29	112.6	10.5	20.3	20.5	61.4	1.53	0.91	1.40
2006	21.5	4.0	25.6	4.17	106.7	10.5	19.2	19.2	57.7	1.44	0.86	1.24
2007	19.3	5.6	24.9	4.11	102.4	10.5	18.4	18.4	55.1	1.38	0.81	1.11
2008	17.2	7.0	24.3	4.10	99.4	10.5	17.9	17.8	53.3	1.33	0.76	1.01
2009	15.4	8.2	23.6	4.12	97.3	10.5	17.5	17.3	52.0	1.30	0.72	0.93
2010	13.8	9.3	23.0	4.24	97.7	10.5	17.6	17.4	52.2	1.30	0.67	0.88
2011	12.3	10.1	22.4	4.37	98.0	10.5	17.6	17.5	52.4	1.31	0.63	0.83
2012	11.0	9.0	20.0	4.50	90.2	10.5	16.2		63.5	1.59	0.60	0.95
2013	9.8	8.1	17.9	4.64	83.1	10.5	15.0		57.6	1.44	0.56	0.81
2014	8.8	7.2	16.0	4.78	76.5	10.5	13.8		52.2	1.31	0.53	0.69
2015	7.9	6.5	14.3	4.92	70.5	10.5	12.7		47.2	1.18	0.50	0.59
2016	7.0	5.8	12.8	5.07	64.9	10.5	11.7		42.7	1.07	0.47	0.50
2017	6.3	5.2	11.4	5.22	59.8	10.5	10.8		38.5	0.96	0.44	0.42
2018	5.6	4.6	10.2	5.38	55.0	10.5	9.9		34.6	0.86	0.42	0.36
2019	5.0	4.1	9.1	5.54	50.7	10.5	9.1		31.0	0.78	0.39	0.30
2020	4.5	3.7	8.2	5.71	46.7	10.5	8.4		27.7	0.69	0.37	0.26
2021	4.0	3.3	7.3	5.88	43.0	10.5	7.7		24.7	0.62	0.35	0.21
2022	3.6	2.9	6.5	6.06	39.6	10.5	7.1		21.9	0.55	0.33	0.18
2023	3.2	2.6	5.8	6.24	36.5	10.5	6.6		19.4	0.48	0.31	0.15
2024	2.9	2.4	5.2	6.43	33.6	10.5	6.0		17.0	0.42	0.29	0.12
2025	2.6	2.1	4.7	6.62	30.9	10.5	5.6		14.8	0.37	0.27	0.10
2026	2.3	1.9	4.2	6.82	28.5	10.5	5.1		12.8	0.32	0.26	0.08
2027	2.0	1.7	3.7	7.03	26.2	10.5	4.7		11.0	0.27	0.24	0.07
2028	1.8	1.5	3.3	7.24	24.1	10.5	4.3		9.3	0.23	0.23	0.05
2029	1.6	1.3	3.0	7.46	22.2	10.5	4.0		7.7	0.19	0.21	0.04
2030	1.5	1.2	2.7	7.68	20.5	10.5	3.7		6.3	0.16	0.20	0.03

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Natural Gas Royalty Trusts

A Weekly Analysis

October 23, 2003

**Table HGT-2
Hugoton Royalty Trust
Distributable Income**

	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	6/30/03	9/30/03	12/31	2003E	3/31/04	6/30/04	9/30/04	9/30/04
Highlights								
Revenue (\$mm) (80%)	34.6	32.2	28.6	122.2	29.7	28.3	26.8	113.4
Cash flow (\$mm) (80%)	26.9	24.1	20.9	91.4	22.1	20.9	19.5	83.4
Per unit	0.67	0.60	0.52	2.28	0.55	0.52	0.49	2.09
Distributable Income (\$mm)	24.5	21.4	18.4	80.6	20.2	17.6	16.2	72.4
Per unit	0.61	0.53	0.46	2.02	0.51	0.44	0.41	1.81
Units (millions)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Volume								
Natural Gas (bcf)	7.7	7.8	7.9	31.7	8.0	7.7	8.0	31.7
Natural Gas (mmcf)	87.0	85.0	86.1	86.7	87.0	87.0	87.0	86.8
Days	89	92	92	365	92	89	92	365
Oil (mb)	84	86	85	342	85	82	84	336
Oil (mbd)	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Days	89	92	92	365	92	89	92	365
Total (bcf)	8.2	8.3	8.4	33.7	8.5	8.2	8.5	33.7
Price								
Natural Gas (HH lagged two months)								
Henry Hub (\$/mmbtu)	6.33	5.55	4.75	5.34	5.21	5.13	4.70	4.95
Differential (%)	17	13	12	16	17	17	17	16
HGT (\$/mcf)	5.23	4.83	4.19	4.50	4.32	4.26	3.90	4.17
Oil (\$/bbl) (WTI Cushing lagged two months)								
WTI Cushing	32.51	29.86	30.16	30.52	29.80	28.86	27.82	29.16
HGT	32.56	29.91	30.21	30.35	29.85	28.91	27.87	29.22
Total (\$/mcf)	5.24	4.83	4.24	4.53	4.36	4.29	3.94	4.21
Revenue (\$mm)								
Natural Gas	40.5	37.7	33.2	142.4	34.6	33.0	31.2	131.9
Oil	2.7	2.6	2.6	10.4	2.5	2.4	2.3	9.8
Total	43.2	40.3	35.8	152.8	37.1	35.3	33.5	141.7
Cost (\$mm)								
Tax, transport & other	3.5	3.8	3.6	14.1	3.7	3.5	3.4	14.2
Production	4.1	4.5	4.2	16.9	4.0	3.9	4.0	16.1
Overhead	2.0	1.8	1.8	7.5	1.8	1.8	1.8	7.2
Total	9.6	10.2	9.6	38.6	9.5	9.2	9.1	37.4
Cash flow (\$mm)								
Development	2.8	2.3	2.3	11.0	2.3	4.0	4.0	12.5
Net proceeds (\$mm)								
	30.9	27.9	23.9	103.2	25.4	22.1	20.4	91.8
Royalty income (\$mm)								
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%	80%	80%
Administration	0.2	0.9	0.8	1.9	0.1	0.1	0.1	1.0
Distributable income (\$mm)								
Tax and other/revenue	8%	9%	10%	9%	10%	10%	10%	10%
Production cost (\$/mcf)	0.50	0.55	0.50	0.50	0.47	0.47	0.47	0.48
Overhead cost (\$/mcf)	0.24	0.22	0.21	0.22	0.21	0.22	0.21	0.21
Development/Cash flow	0.08	0.07	0.09	0.10	0.08	0.15	0.16	0.12

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Natural Gas Royalty Trusts

A Weekly Analysis

October 23, 2003

Table HGT-3
Hugoton Royalty Trust
Monthly Declarations

	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
Distribution (\$/unit)						
Declared	0.17	0.18	0.18	0.17		
Projected					0.14	0.15
Volume						
Natural Gas (bcf)	2.62	2.58	2.62	2.60	2.62	2.71
Natural Gas (mmcf)	85	86	84	84	87	87
Days	31	30	31	31	30	31
Price						
Natural gas industry quotes lagged two months (\$/mmbtu)						
Henry Hub Daily/Futures	5.81	5.82	5.03	4.97	4.62	4.67
HGT/Henry Hub	0.77	0.88	0.96	0.86	0.89	0.89
HGT (\$/mcf)	4.50	5.13	4.85	4.30	4.11	4.16
Revenue (\$mm)						
Natural Gas	11.8	13.2	12.7	11.2	10.8	11.2
Other	0.3	1.5	0.6	0.1	0.5	0.5
Total	11.5	11.7	12.1	11.1	10.3	10.8
Cost (\$mm)						
Production	1.4	1.6	1.5	1.5	1.4	1.4
Overhead	0.6	0.6	0.6	0.6	0.6	0.6
Total	2.0	2.2	2.1	2.0	2.0	2.0
Cash flow (\$mm)	9.5	9.6	9.9	9.0	8.3	8.8
Development	0.8	0.8	0.8	0.8	0.8	0.8
Net proceeds (\$mm)	8.7	8.8	9.2	8.3	7.6	8.0
Royalty income (\$mm)	7.0	7.0	7.4	6.6	6.0	6.4
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%
Distributable income (\$mm)	7.0	7.0	7.4	6.6	6.0	6.4
Units (millions)	40.0	40.0	40.0	40.0	42.0	43.0
Distribution (\$/unit)	0.17	0.18	0.18	0.17	0.14	0.15
<i>Latest Twelve Month Average</i>						
Natural Gas (mmcf)	89	89	88	87		
HGT/Henry Hub	0.79	0.80	0.81	0.82		
Other revenue (\$mm)	0.4	0.5	0.5	0.5		
Development (\$mm)	1.4	1.3	1.2	1.1		
Production (\$mm)	1.3	1.4	1.4	1.4		
Overhead (\$mm)	0.6	0.6	0.6	0.6		

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Natural Gas Royalty Trusts

A Weekly Analysis

October 23, 2003

Table SJT-1
San Juan Basin Royalty Trust
Present Value

Volume Decline (%/yr):	11	Price Escalation Post 2009 (%/yr):	3.0
Volume Enhancement (%/yr):	10	Discount rate (%/yr):	6.3
Capex/Cash Flow (%):	25	U.S. TIPS Inflation (%/yr):	2.2
Variable Cost (%):	12	U.S. 10 Year Yield (%/yr):	4.3
PV/Volume (\$/mcf):	1.59	PV/EBITDA 2004:	7.7

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 9/30												
	304	203	507	4.26	2158	349	259	186	1364	29.28	0.59	17.30
2004	33.9	0.0	33.9	3.87	131.1	10.9	15.7	18.3	86.1	1.85	0.97	1.79
2005	30.3	3.4	33.7	3.81	128.4	13.0	15.4	25.0	75.0	1.61	0.91	1.47
2006	27.1	6.4	33.5	3.71	124.2	13.0	14.9	24.1	72.2	1.55	0.86	1.33
2007	24.2	9.1	33.3	3.65	121.6	13.0	14.6	23.5	70.5	1.51	0.81	1.22
2008	21.6	11.4	33.1	3.64	120.5	13.0	14.5	23.3	69.8	1.50	0.76	1.14
2009	19.3	13.5	32.9	3.66	120.4	13.0	14.4	23.2	69.7	1.50	0.72	1.07
2010	17.3	15.4	32.7	3.77	123.3	13.0	14.8	23.9	71.6	1.54	0.67	1.04
2011	15.5	17.0	32.5	3.89	126.2	13.0	15.1	24.5	73.5	1.58	0.63	1.00
2012	13.8	15.2	29.0	4.00	116.2	13.0	13.9		89.3	1.92	0.60	1.14
2013	12.4	13.6	26.0	4.12	107.0	13.0	12.8		81.2	1.74	0.56	0.98
2014	11.0	12.2	23.2	4.25	98.6	13.0	11.8		73.7	1.58	0.53	0.84
2015	9.9	10.9	20.7	4.38	90.8	13.0	10.9		66.9	1.44	0.50	0.71
2016	8.8	9.7	18.5	4.51	83.6	13.0	10.0		60.6	1.30	0.47	0.61
2017	7.9	8.7	16.6	4.64	77.0	13.0	9.2		54.7	1.17	0.44	0.52
2018	7.1	7.8	14.8	4.78	70.9	13.0	8.5		49.4	1.06	0.42	0.44
2019	6.3	6.9	13.3	4.93	65.3	13.0	7.8		44.5	0.95	0.39	0.37
2020	5.6	6.2	11.8	5.08	60.1	13.0	7.2		39.9	0.86	0.37	0.31
2021	5.0	5.5	10.6	5.23	55.4	13.0	6.6		35.7	0.77	0.35	0.27
2022	4.5	5.0	9.5	5.39	51.0	13.0	6.1		31.9	0.68	0.33	0.22
2023	4.0	4.4	8.5	5.55	47.0	13.0	5.6		28.3	0.61	0.31	0.19
2024	3.6	4.0	7.6	5.71	43.2	13.0	5.2		25.1	0.54	0.29	0.16
2025	3.2	3.5	6.8	5.89	39.8	13.0	4.8		22.0	0.47	0.27	0.13
2026	2.9	3.2	6.0	6.06	36.7	13.0	4.4		19.3	0.41	0.26	0.11
2027	2.6	2.8	5.4	6.25	33.8	13.0	4.1		16.7	0.36	0.24	0.09
2028	2.3	2.5	4.8	6.43	31.1	13.0	3.7		14.4	0.31	0.23	0.07
2029	2.1	2.3	4.3	6.63	28.6	13.0	3.4		12.2	0.26	0.21	0.06
2030	1.8	2.0	3.9	6.83	26.4	13.0	3.2		10.2	0.22	0.20	0.04

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Natural Gas Royalty Trusts

A Weekly Analysis

October 23, 2003

Table SJT-2
San Juan Basin Royalty Trust
Distributable Income

	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next
	6/30/03	9/30/03	12/31/03	2003E	3/31/04	6/30/04	9/30/04	Twelve
								Months
								9/30/04
Highlights								
Revenue (\$mm) (75%)	35.7	33.8	32.7	133.2	34.4	32.8	31.1	131.1
Cash flow (\$mm) (75%)	29.1	27.6	26.7	108.3	28.0	26.7	25.0	106.4
Per unit	0.62	0.59	0.57	2.32	0.60	0.57	0.54	2.28
Distributable Income (\$mm)	25.6	23.8	21.6	90.5	23.0	21.6	19.9	86.1
Per unit	0.55	0.51	0.46	1.94	0.49	0.46	0.43	1.85
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Volume								
Natural gas (mmbtu)	11.4	12.3	12.3	48.7	12.3	11.9	12.3	48.7
Heat Content(btu/cf)	1,094	1,078	1,091	1,087	1,091	1,091	1,091	1,091
Natural gas (bcf)	10.5	11.4	11.3	44.8	11.3	10.9	11.3	44.7
Natural Gas (mmcf)	117.5	124.3	122.4	122.7	122.4	122.4	122.4	122.4
Days	89	92	92	365	92	89	92	365
Oil (mb)	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Oil (mbd)	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total gas & oil (bcf)	10.6	11.6	11.4	45.3	11.4	11.0	11.4	45.2
Price								
Natural gas (\$/mmbtu) (Henry Hub lagged two months)								
Henry Hub (\$/mmbtu)	6.33	5.55	4.75	5.34	5.21	5.13	4.70	4.95
Differential (%)	35	35	26	33	29	29	29	28
Net to SJT (\$/mmbtu)	4.10	3.62	3.51	3.61	3.70	3.64	3.33	3.54
Natural gas (\$/mcf)	4.48	3.90	3.83	3.92	4.03	3.97	3.64	3.87
Oil (\$/bbl) (WTI Cushing lagged two months)								
WTI Cushing	32.51	29.86	30.16	30.52	29.80	28.86	27.82	29.16
SJT	27.91	25.64	25.90	26.14	25.58	24.78	23.89	25.04
Total gas & oil (\$/mcf)	4.49	3.90	3.83	3.92	4.03	3.98	3.64	3.87
Revenue (\$mm)								
Natural Gas	46.9	44.6	43.1	175.4	45.4	43.3	40.9	172.7
Oil	0.7	0.5	0.5	2.1	0.5	0.5	0.5	2.1
Total	47.5	45.1	43.6	177.6	45.9	43.8	41.4	174.8
Cost (\$mm)								
Severance tax	4.8	4.6	4.7	18.3	4.6	4.4	4.1	17.8
Operating	3.9	3.6	3.4	14.9	3.9	3.8	3.9	15.1
Total	8.7	8.2	8.1	33.2	8.5	8.2	8.1	32.9
Cash flow (\$mm)	38.8	36.8	35.6	144.4	37.4	35.6	33.3	141.9
Development	2.9	4.3	6.1	19.8	6.1	6.1	6.1	24.4
Net proceeds (\$mm)	35.9	32.5	29.4	124.5	31.3	29.5	27.2	117.4
Royalty income (\$mm)	27.0	24.4	22.1	93.4	23.5	22.1	20.4	88.1
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%
Administration	0.4	0.6	0.5	2.0	0.5	0.5	0.5	1.9
One-time	0.9			0.9				-
Distributable income (\$mm)	25.6	23.8	21.6	90.5	23.0	21.6	19.9	86.1
Severance tax/revenue	10.2%	10.2%	10.7%	10.3%	10.0%	10.0%	10.0%	10.2%
Operating cost (\$/mcf)	0.37	0.31	0.30	0.33	0.35	0.35	0.35	0.33
Development/Cash flow	7%	12%	17%	14%	16%	17%	18%	17%

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Natural Gas Royalty Trusts

A Weekly Analysis

October 23, 2003

Table SJT-3
San Juan Basin Royalty Trust
Monthly Declarations

	<i>Jul-03</i>	<i>Aug-03</i>	<i>Sep-03</i>	<i>Oct-03</i>	<i>Nov-03</i>	<i>Dec-03</i>
Distribution (\$/unit)						
Declared	0.15	0.17	0.19	0.14		
Projected					0.17	0.15
Volume						
Natural gas (mmbtu)	4.20	3.48	4.64	4.19	3.98	4.11
Heat Content(btu/cf)	1,077	1,101	1,062	1,109	1,082	1,082
Natural gas (bcf)	3.90	3.16	4.37	3.78	3.68	3.80
Natural Gas (mmcf)	126	105	141	122	123	123
Days	31	30	31	31	30	31
Price						
Natural gas industry quotes lagged two months (\$/mmbtu)						
Henry Hub Daily/Futures	5.81	5.82	5.03	4.97	4.62	4.67
San Juan Monthly Index	4.03	5.03	4.70	4.03	4.44	3.95
San Juan Index/Henry Hub	0.69	0.86	0.93	0.81	0.96	0.85
SJT/San Juan Index	0.75	0.87	0.76	0.85	0.85	0.85
SJT (\$/mmbtu)	3.01	4.39	3.59	3.41	3.77	3.36
SJT (\$/mcf)	3.24	4.83	3.81	3.78	4.08	3.63
Revenue (\$mm)						
Natural Gas	12.6	15.3	16.7	14.3	15.0	13.8
Other	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)
Cost (\$mm)						
Severance tax	1.6	1.4	1.7	1.6	1.6	1.5
Operating	1.3	1.2	1.2	1.0	1.2	1.2
Total	2.8	2.5	2.9	2.6	2.8	2.7
Cash flow (\$mm)	9.8	12.5	13.7	11.7	12.2	11.1
Development	0.8	1.7	1.8	2.8	1.7	1.7
Net proceeds (\$mm)	9.0	10.8	11.9	8.9	10.5	9.4
Royalty income (\$mm)	6.8	8.1	8.9	6.7	7.9	7.0
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%
One time						
Distributable income (\$mm)	6.8	8.1	8.9	6.7	7.9	7.0
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6
Distribution (\$/unit)	0.15	0.17	0.19	0.14	0.17	0.15
<i>Latest Twelve Month Average</i>						
Heat Content(btu/cf)	1,051	1,080	1,080	1,082		
Natural Gas (mmcf)	126	122	124	123		
San Juan Index/Henry Hub	0.75	0.77	0.77	0.77		
SJT/San Juan Index	0.88	0.86	0.85	0.84		
Other revenue	(0.0)	(0.0)	(0.0)	(0.0)		
Operating	1.3	1.2	1.2	1.2		
Development	1.4	1.4	1.5	1.7		
Severance tax/revenue	10.6%	10.6%	10.6%	10.7%		

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