

Natural Gas Royalty Trusts

A Weekly Analysis

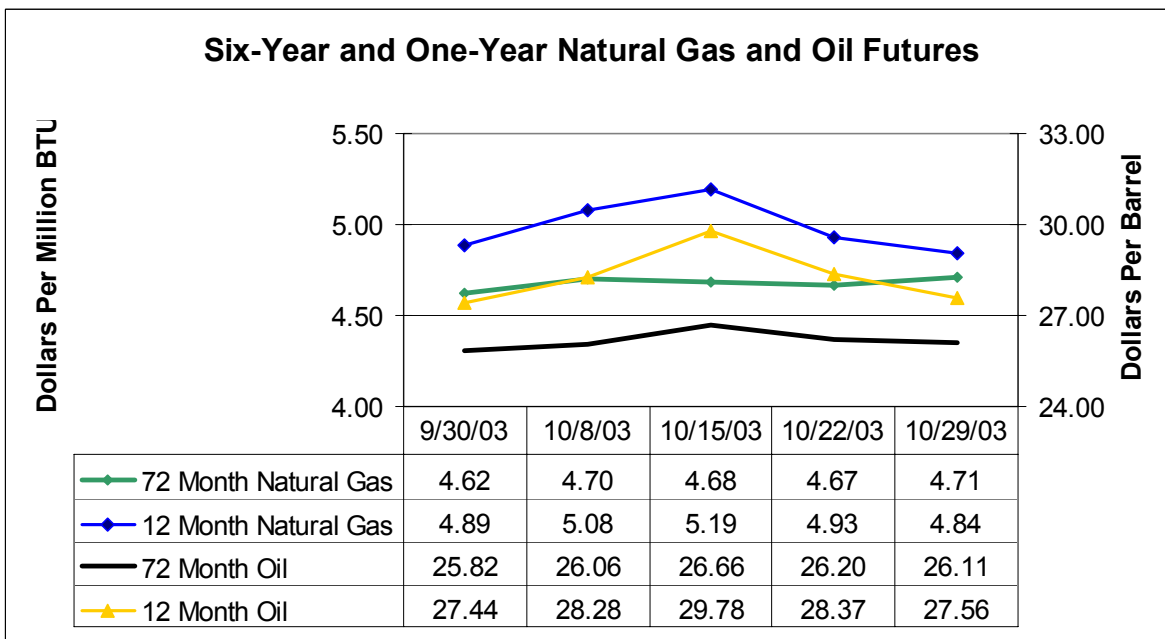
October 30, 2003

How High McDep?

Summary and Recommendation

We continue to recommend **San Juan Basin Royalty Trust (SJT)** even though the McDep Ratio has been above 1.0 for six weeks. The strategic justification remains strong because SJT is a pure participation in natural gas price that could be multiples of the current level before the decade is out. Among stocks that pay attractive income SJT is at the low end of the McDep Ratio scale particularly compared to popular sell-recommended income partnerships. Yet, we have suggested that traders might take profits in a royalty trust when the McDep Ratio reaches 1.20. Moreover, investors who have been acting along the lines of the McDep Energy Portfolio and who believe in rebalancing might be scaling back on SJT units to keep the portfolio weight at an intended level. Recent short-term commodity trends have softened in the quiet season between summer and winter. Long-term commodity trends remain strong with six-year natural gas ticking up for the week. Ten-year inflation expectation in the bond market has been hitting more new highs in recent days.

Kurt H. Wulff, CFA



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Natural Gas and Oil Futures

October 29, 2003

	Year Ending November						Six Year
	2004	2005	2006	2007	2008	2009	
Natural Gas (\$/mmbtu)	4.84	4.74	4.66	4.68	4.66	4.66	4.71
Light Sweet Crude Oil (\$/bbl)	27.56	25.64	25.54	25.70	25.90	26.32	26.11
Natural Gas/Oil (6:1 = 1.0)	1.05	1.11	1.09	1.09	1.08	1.06	1.08

Source: Nymex.com, McDep Associates

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

	Symbol/ Rating	Price (\$/sh) 29-Oct 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio	
Hugoton RoyaltyTrust (46%)	HGT	19.89	18.4	370	15.30	-	1.30	
Cross Timbers Royalty Trust	CRT	25.08	6.0	150	20.30	-	1.23	
Sabine Royalty Trust	SBR	26.53	14.6	390	22.00	-	1.21	
Permian Basin RT (41%)	PBT	8.23	19.1	160	7.00	-	1.17	
San Juan Basin Royalty Trust	SJT	B	18.51	46.6	860	17.70	-	1.05
<i>Total or Median</i>				1,900	-	-	1.21	

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) 29-Oct 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM	
Cross Timbers Royalty Trust	CRT	25.08	8.2	11.7	12	8.3	9.5	
Hugoton RoyaltyTrust (46%)	HGT	19.89	7.2	9.8	11	8.8	7.6	
Sabine Royalty Trust	SBR	26.53	9.0	9.5	9	10.6	7.8	
Permian Basin RT (41%)	PBT	8.23	6.0	9.4	13	9.1	8.0	
San Juan Basin Royalty Trust	SJT	B	18.51	6.8	8.4	10	9.6	8.0

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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