



Independent Stock Idea

January 9, 2014

RTF Cash Payers Trustee Change Proposed

			Price	Market	Net	Distribution NTM				
			(US\$/sh)	Value	Present			Yield	McDep	
Symbol/Rating			9-Jan	Cap	Value	Natural	Oil (%)	US\$/unit	(%)	Ratio
			2014	(US\$mm)	(US\$/sh)	Gas (%)				
Top Line										
Dorchester Minerals, L.P.	DMLP	B	25.72	790	26.00	51	49	1.98	7.7	0.99
Freehold Royalties Ltd.	FRHLF		19.99	1,340	21.00	18	82	1.58	7.9	0.95
Sabine Royalty Trust	SBR		50.00	730	64.00	52	48	4.21	8.4	0.78
Permian Basin RT	PBT		12.98	610	18.00	19	81	0.96	7.4	0.72
Cross Timbers Royalty Trust	CRT		29.61	180	42.00	70	30	3.05	10.3	0.71
<i>Total or Median</i>				3,700		51	49		7.9	0.78
Bottom Line										
Enduro Royalty Trust	NDRO		12.20	400	14.00	37	63	1.44	11.8	0.87
Mesa RoyaltyTrust	MTR		21.65	40	25.00	79	21	1.83	8.4	0.86
San Juan Basin Royalty Trust	SJT	B	16.81	780	21.00	100	-	1.18	7.0	0.80
Hugoton RoyaltyTrust	HGT		8.12	330	12.00	90	10	1.00	12.3	0.68
<i>Total or Median</i>				1,600		84	16		10.1	0.83

Summary and Recommendation

We react positively on first glance to the news today that Southwest Bank in Fort Worth may soon succeed Bank of America as the trustee of **Cross Timbers Royalty Trust (CRT)**, **Hugoton Royalty Trust (HGT)**, **Permian Basin Royalty Trust (PBT)** and **Sabine Royalty Trust (SBR)**. We like the idea of an independent bank in this specialized role as opposed to a giant international institution. That was our main rationale when we nominated the successor trustee for **San Juan Basin Royalty Trust (SJT)** in a similar situation some twenty years ago. Bank of America selected Southwest Bank as successor from among other potential candidates. The change is subject to approval at a special meeting of unitholders to be called for each trust. We expect that the individuals serving as trustees for CRT, HGT, PBT and SBR will also move to the new trustee bank. That was the case with SJT in the past.

The near term outlook for each of the four BofA trusts is enhanced by higher natural gas price as a result of a cold winter so far. In the latest chart from the EIA today, current storage volume tracks the low end of the five year range pointing to further price strength (see chart Working Gas on page 2). On the oil side, CRT, PBT and SBR are seeing rising oil volumes from the Permian Basin as a result of the fracking revolution. Also for HGT, we think an imminent ruling from an arbitration panel will lift a cloud of uncertainty that has unduly depressed stock price. We like the stocks as part of a custom Royalty Trust Fund (RTF) to deliver high cash income with fracking upside.

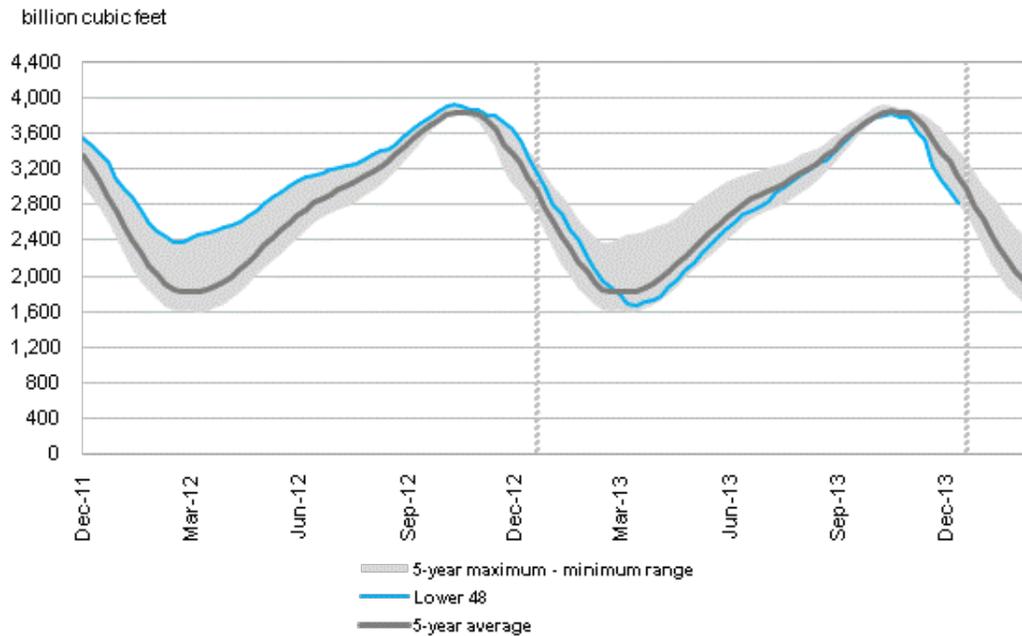
Kurt H. Wulff, CFA



Independent Stock Idea

January 9, 2014

Working gas in underground storage compared with the 5-year maximum and minimum



 Source: U.S. Energy Information Administration

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation.