



# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

October 29, 2010

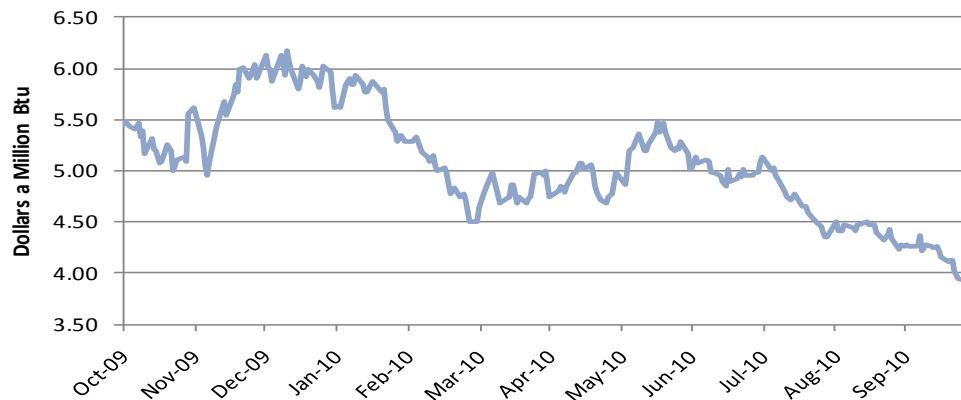
**Error:** An error by us caused us to understate the projected distribution yield for **San Juan Basin Royalty Trust (SJT)** in this *Income and Small Cap Weekly* dated October 29 and posted on mcdep.com November 21. The projected distribution yield on SJT on October 29 on the basis of all of our assumptions should have been about 5.4% instead of 4.8%. We sent a correction to clients on November 22, to be posted on about December 19. While we do not undertake to update content on mcdep.com other than through the normal delayed timing of posting recent research, we do not intentionally post anything that may not be accurate. KHW

## Natural Gas Income Competitive at Low Price

### Summary and Recommendation

Buy-recommended **San Juan Basin Royalty Trust (SJT)** and **Hugoton Royalty Trust (HGT)** promise distribution yields of 4.8% and 5.9% for the next twelve months despite a low futures price settlement on October 28 of \$4.22 a million btu for natural gas to be delivered over the next year. The daily settlement has rebounded from a low of \$3.93 on October 25 (see chart [One-Year Natural Gas Futures](#) below). Bottom Line Cash Payers like SJT and HGT are more sensitive to changes in energy price than Top Line Cash Payers like buy-recommended **Dorchester Minerals (DMLP)**, which promises a distribution yield of 6.1%. Income stocks concentrated on oil, which is in a price uptrend, generally promise higher distribution yields (see [Table 1](#) on page 2). Natural gas income buys have lower McDep Ratios and no debt (see [Table 2](#) on page 3). Though cash flow multiples look high, cash flow can last a long time and the denominator we think is depressed for natural gas (see [Table 3](#) on page 4). Despite all the political and economic uncertainty, income and small cap investors are showing increasing confidence as measured by stock price uptrends compared to the 200-day average (see [Table 4](#) on page 5). Finally, we detail latest monthly and quarterly projections to support our outlook for **SJT** and **HGT** (see tables on pages 6-9). The trusts derive that income from some of the best old fields operated by the largest producers, ConocoPhillips (COP) for SJT and ExxonMobil (XOM) for HGT. Kurt H. Wulff, CFA

### One-Year Natural Gas Futures





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**Table 1**

## McDep Income and Small Cap Energy Portfolio Debt, Business Segments and Income Yield

Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	Present Value by Segment (%)			Dist. NTM (\$/un)	Dist. Yield (%)	McDep Ratio
				NAmer. Natural Gas	Oil Prod'n				
B = Buy CB (see below)	28-Oct 2010	Cap							
<b>Canadian Income Trusts (US\$)</b>									
Pengrowth Energy Trust	PGH	11.96	1.38	4,800	35	65	0.82	6.9	1.06
Penn West Energy Trust	PWE	22.70	1.33	13,300	22	78	1.06	4.7	0.99
Enerplus Resources Fund	ERF	26.94	1.21	5,800	41	59	2.12	7.9	0.91
Peyto Energy Trust	PEYUF	15.02	1.22	2,190	78	22	1.41	9.4	0.86
Canadian Oil Sands Trust	COSWF CB	26.14	1.12	14,200		100	1.65	6.3	0.71
<i>Total or Median</i>				40,300				6.9	0.91
<b>Small Cap Independent Producers</b>									
Denbury Resources Inc.	DNR	16.75	1.51	10,130	16	84	-	-	1.07
Whiting Petroleum Corporation	WLL	98.53	1.18	6,870	14	86	-	-	1.03
Petrohawk Energy Corporation	HK	16.55	1.63	8,160	96	4	-	-	1.02
Berry Petroleum Company	BRY	34.22	1.56	2,910	32	68	0.30	0.9	0.99
Cimarex Energy Company	XEC B	76.28	1.09	7,130	59	41	0.32	0.4	0.96
Range Resources	RRC	36.77	1.34	7,800	82	18	0.04	0.1	0.94
Ultra Petroleum	UPL	40.01	1.22	7,510	94	6	-	-	0.83
Birchcliff Energy Ltd. (US\$)	BIREF CB	8.11	1.26	1,300	68	32	-	-	0.63
<i>Total or Median</i>				51,800					0.97
<b>Top Line Cash Payers</b>									
Sabine Royalty Trust	SBR	53.95	1.00	790	50	50	3.62	6.7	1.20
Permian Basin RT	PBT	20.77	1.00	970	38	62	1.34	6.4	1.15
Cross Timbers Royalty Trust	CRT	38.60	1.00	230	75	25	2.56	6.6	1.14
Freehold Royalty Trust (US\$)	FRHLF	18.47	1.08	1,160	25	75	1.56	8.4	1.08
Dorchester Minerals, L.P.	DMLP B	26.40	1.02	830	66	34	1.61	6.1	0.98
<i>Total or Median</i>				4,000				6.6	1.14
<b>Bottom Line Cash Payers</b>									
Linn Energy, LLC	LINE	34.43	1.40	7,050	47	53	2.52	7.3	1.39
Legacy Reserves LP.	LGCY	25.88	1.34	1,390	17	83	2.08	8.0	1.20
Encore Energy Partners, L.P. (52%)	ENP	20.06	1.27	590	25	75	2.00	10.0	1.14
Mesa Royalty Trust	MTR	46.15	1.00	86	75	25	3.08	6.7	0.96
San Juan Basin Royalty Trust	SJT B	24.03	1.00	1,120	100	-	1.14	4.8	0.96
Hugoton Royalty Trust	HGT B	19.59	1.00	780	90	10	1.15	5.9	0.93
<i>Total or Median</i>				11,000				7.0	1.05
<b>Composite (excl COSWF)</b>									
<i>Enterprise Value Weighting</i>				92,900	49	51			1.00
<i>Equal Weighting</i>					54	46			1.02
<i>Equal Weighted Buys</i>					67	33			0.89

CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses.

Present Value presumes long-term prices of \$75 a barrel for oil and \$8 a million btu for natural gas.

Dist. = Income distribution. NTM = Next Twelve Months Ended September 30, 2011. Enterprise Value = Market Cap and Debt.



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		<i>Price</i>		<i>Market</i>	<i>Net</i>	<i>Debt/</i>	
	<i>Symbol/</i>	<i>(\$/sh)</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>
	<i>Rating</i>	<i>28-Oct</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/un)</i>	<i>Value</i>	<i>Ratio</i>
		<i>2010</i>					
<b>Canadian Income Trusts (US\$)</b>							
Pengrowth Energy Trust	PGH	11.96	290.0	3,470	11.00	0.29	1.06
Penn West Energy Trust	PWE	22.70	439.6	9,980	23.00	0.24	0.99
Enerplus Resources Fund	ERF	26.94	177.5	4,780	30.00	0.16	0.91
Peyto Energy Trust	PEYUF	15.02	119.4	1,790	18.00	0.16	0.86
Canadian Oil Sands Trust	COSWF	CB	26.14	484.0	12,650	38.00	0.08
<i>Total or Median</i>				32,700		0.16	0.91
<b>Small Cap Independent Producers</b>							
Denbury Resources Inc.	DNR	16.75	401.0	6,720	15.00	0.36	1.07
Whiting Petroleum Corporation	WLL	98.53	59.2	5,830	95.00	0.16	1.03
Petrohawk Energy Corporation	HK	16.55	303.0	5,010	16.00	0.39	1.02
Berry Petroleum Company	BRY	34.22	54.4	1,860	35.00	0.35	0.99
Cimarex Energy Company	XEC	B	76.28	85.6	6,530	80.00	0.08
Range Resources	RRC	36.77	158.5	5,830	40.00	0.24	0.94
Ultra Petroleum	UPL	40.01	154.0	6,160	50.00	0.15	0.83
Birchcliff Energy Ltd. (US\$)	BIREF	CB	8.11	127.0	1,030	14.00	0.13
<i>Total or Median</i>				38,970		0.20	0.97
<b>Top Line Cash Payers</b>							
Sabine Royalty Trust	SBR	53.95	14.6	790	45.00	-	1.20
Permian Basin RT	PBT	20.77	46.6	970	18.00	-	1.15
Cross Timbers Royalty Trust	CRT	38.60	6.0	230	34.00	-	1.14
Freehold Royalty Trust (US\$)	FRHLF	18.47	58.3	1,080	17.00	0.08	1.08
Dorchester Minerals, L.P.	DMLP	B	26.40	30.7	810	27.00	0.02
<i>Total or Median</i>				3,880			1.14
<b>Bottom Line Cash Payers</b>							
Linn Energy, LLC	LINE	34.43	146.5	5,040	21.00	0.39	1.39
Legacy Reserves L.P.	LGCY	25.88	40.1	1,040	20.00	0.31	1.20
Encore Energy Partners, L.P. (52%)	ENP	20.06	23.4	470	17.00	0.24	1.14
Mesa RoyaltyTrust	MTR	46.15	1.9	86	48.00	-	0.96
San Juan Basin Royalty Trust	SJT	B	24.03	46.6	1,120	25.00	-
Hugoton RoyaltyTrust	HGT	B	19.59	40.0	780	21.00	-
<i>Total or Median</i>				8,540			1.05

B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.  
 McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses  
 Present Value presumes long-term prices of \$75 a barrel for oil and \$8 a million btu for natural gas.



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**Table 3**

## McDep Income and Small Cap Energy Portfolio

### Value Multiples - Rank by EV/Ebitda

			<i>Price</i>	<i>Revenue</i>	<i>Dist/</i>	<i>Adjstd</i>		
	<i>Symbol/</i>	<i>28-Oct</i>	<i>(\$/sh)</i>	<i>Royalty</i>	<i>Equity</i>	<i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>
	<i>Rating</i>	<i>2010</i>		<i>(%)</i>	<i>Ebitda</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>
						<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
<b>Canadian Income Trusts (US\$)</b>								
Peyto Energy Trust	PEYUF		15.02		1.10	21.5	14.0	12.0
Penn West Energy Trust	PWE		22.70		0.45	9.9	9.8	9.7
Canadian Oil Sands Trust	COSWF	CB	26.14		0.53	29.5	12.2	8.7
Enerplus Resources Fund	ERF		26.94		0.61	9.7	8.7	7.9
Pengrowth Energy Trust	PGH		11.96		0.52	9.3	7.0	7.4
	<i>Median</i>					9.9	9.8	8.7
<b>Small Cap Independent Producers</b>								
Range Resources	RRC		36.77		-	12.1	14.3	13.4
Ultra Petroleum	UPL		40.01		-	13.2	14.0	11.6
Petrohawk Energy Corporation	HK		16.55		-	7.1	10.2	10.4
Birchcliff Energy Ltd. (US\$)	BIREF	CB	8.11		-	21.4	14.6	9.3
Denbury Resources Inc.	DNR		16.75		-	12.8	8.1	8.7
Berry Petroleum Company	BRY		34.22		-	11.3	8.3	8.1
Whiting Petroleum Corporation	WLL		98.53		-	9.6	6.6	6.8
Cimarex Energy Company	XEC	B	76.28		-	6.2	6.6	6.4
	<i>Median</i>					11.7	9.3	9.0
<b>Top Line Cash Payers</b>								
Permian Basin RT	PBT		20.77	42	0.98	13.1	13.2	15.2
Sabine Royalty Trust	SBR		53.95	100	1.00	8.9	12.4	14.9
Dorchester Minerals, L.P.	DMLP	B	26.40	77	0.89	6.8	14.9	14.6
Cross Timbers Royalty Trust	CRT		38.60	84	0.97	12.4	12.8	14.6
Freehold Royalty Trust (US\$)	FRHLF		18.47	71	0.86	8.2	9.4	10.1
	<i>Median</i>					8.9	12.8	14.6
<b>Bottom Line Cash Payers</b>								
Linn Energy, LLC	LINE		34.43		1.64	18.4	13.7	19.0
San Juan Basin Royalty Trust	SJT	B	24.03		0.82	13.9	17.8	17.1
Hugoton Royalty Trust	HGT	B	19.59		0.84	12.9	15.2	14.2
Mesa Royalty Trust	MTR		46.15		0.93	9.0	14.5	13.9
Legacy Reserves L.P.	LGCY		25.88		0.99	12.2	9.5	11.4
Encore Energy Partners, L.P.	ENP		20.06		1.05	13.2	9.0	10.2
	<i>Median</i>					13.1	14.1	14.1

B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.  
 EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2011; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses  
 Top Line Cash Payers defined as those having Revenue Royalty (see fifth column from right).



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Table 4									
Oil and Gas Income and Small Cap Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price (\$/sh)	Enterprise Value/					
	Symbol/ Rating		28-Oct 2010	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
<b>Canadian Income Trusts (US\$)</b>									
	Enerplus Resources Fund	ERF	26.94	0.98	1.68	1.07	1.13	0.91	
	Penn West Energy Trust	PWE	22.70	0.99	1.29	1.09	1.11	0.99	
	Pengrowth Energy Trust	PGH	11.96	1.00	1.89	1.09	1.10	1.06	
	Peyto Energy Trust	PEYUF	15.02	0.95	1.31	1.04	1.07	0.86	
	Canadian Oil Sands Trust	COSWF	CB	26.14	0.81	1.11	1.04	0.97	0.71
	<i>Median</i>			<i>0.98</i>	<i>1.31</i>	<i>1.07</i>	<i>1.10</i>	<i>0.91</i>	
<b>Small Cap Independent Producers</b>									
	Whiting Petroleum Corporation	WLL		98.53	0.93	1.60	1.03	1.14	1.03
	Cimarex Energy Company	XEC	B	76.28	0.94	1.87	1.09	1.13	0.96
	Berry Petroleum Company	BRY		34.22	0.98	1.23	1.06	1.09	0.99
	Denbury Resources Inc.	DNR		16.75	0.90	1.20	1.03	1.03	1.07
	Ultra Petroleum	UPL		40.01	0.78	1.06	0.99	0.91	0.83
	Petrohawk Energy Corporation	HK		16.55	0.71	1.11	1.02	0.91	1.02
	Birchcliff Energy Ltd. (US\$)	BIREF	CB	8.11	0.80	1.18	0.95	0.92	0.63
	Range Resources	RRC		36.77	0.73	1.10	1.02	0.88	0.94
	<i>Median</i>			<i>0.90</i>	<i>1.19</i>	<i>1.02</i>	<i>0.97</i>	<i>0.97</i>	
<b>Top Line Cash Payers</b>									
	Permian Basin RT	PBT		20.77	0.97	1.65	1.06	1.14	1.15
	Freehold Royalty Trust (US\$)	FRHLF		18.47	0.95	1.37	1.09	1.13	1.08
	Cross Timbers Royalty Trust	CRT		38.60	0.98	1.37	1.07	1.11	1.14
	Sabine Royalty Trust	SBR		53.95	0.98	1.36	1.03	1.09	1.20
	Dorchester Minerals, L.P.	DMLP	B	26.40	0.90	1.31	1.02	1.07	0.98
	<i>Median</i>			<i>0.97</i>	<i>1.37</i>	<i>1.06</i>	<i>1.11</i>	<i>1.14</i>	
<b>Bottom Line Cash Payers</b>									
	Linn Energy, LLC	LINE		34.43	1.00	1.83	1.08	1.16	1.39
	Legacy Reserves L.P.	LGCY		25.88	0.97	1.45	1.04	1.09	1.20
	Mesa Royalty Trust	MTR		46.15	0.85	1.32	1.01	1.04	0.96
	Encore Energy Partners, L.P. (52%)	ENP		20.06	0.94	1.71	1.04	1.04	1.14
	Hugoton Royalty Trust	HGT	B	19.59	0.89	1.31	1.00	1.04	0.93
	San Juan Basin Royalty Trust	SJT	B	24.03	0.84	1.43	1.02	1.03	0.96
	<i>Median</i>			<i>0.91</i>	<i>1.44</i>	<i>1.03</i>	<i>1.04</i>	<i>1.05</i>	

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San Juan Basin Royalty Trust									
Monthly Declarations									
	Oct-09	Nov-09	Dec-09	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
<b>Distribution (\$/unit)</b>									
Declared	0.10	0.05	0.11	0.14	0.10	0.17	0.13		
Projected								0.07	0.09
<b>Volume</b>									
Natural gas (mmbtu)	3.38	3.11	3.41	3.17	2.87	3.17	3.23	2.95	3.03
Heat Content(btu/cf)	1,088	1,089	1,091	1,098	1,101	1,108	1,106	1,098	1,099
Natural gas (bcf)	3.11	2.85	3.12	2.89	2.61	2.86	2.92	2.68	2.75
Natural Gas (mmcf)	100	95	101	93	87	92	94	89	89
Days	31	30	31	31	30	31	31	30	31
<b>Price</b>									
Natural gas industry quotes lagged two months (\$/mmbtu)									
Henry Hub Index/Futures	3.38	2.83	3.72	4.27	4.16	4.72	4.78	3.64	3.84
San Juan Monthly Index	3.18	2.48	3.42	3.80	3.67	4.29	4.08	3.22	3.59
San Juan Index/Henry Hub	0.94	0.88	0.92	0.89	0.88	0.91	0.85	0.88	0.93
SJT/San Juan Index	1.00	1.09	1.10	1.08	1.03	1.14	1.03	0.95	0.94
SJT (\$/mmbtu)	3.17	2.71	3.76	4.12	3.78	4.90	4.21	3.06	3.37
SJT (\$/mcf)	3.45	2.95	4.10	4.53	4.17	5.42	4.65	3.36	3.70
<b>Revenue (\$mm)</b>									
Natural Gas	10.7	8.4	12.8	13.1	10.9	15.5	13.6	9.0	10.2
Other	0.2	0.2	0.3	0.4	0.2	0.3	0.3	0.1	0.5
<b>Cost (\$mm)</b>									
Severance tax	1.1	0.9	1.2	1.3	1.1	1.6	1.4	0.9	1.0
Operating	2.2	2.1	3.3	2.9	2.3	2.9	2.9	2.7	2.7
Total	3.3	3.0	4.5	4.3	3.4	4.5	4.3	3.6	3.7
<b>Cash flow (\$mm)</b>									
Development	1.3	2.2	1.7	0.6	1.4	1.0	1.3	1.2	1.1
<b>Net proceeds (\$mm)</b>									
	6.3	3.4	6.9	8.6	6.2	10.3	8.2	4.4	5.8
<b>Royalty income (\$mm)</b>									
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%
One time									
<b>Distributable income (\$mm)</b>									
	4.7	2.5	5.2	6.4	4.7	7.7	6.2	3.3	4.4
<b>Units (millions)</b>									
	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
<b>Distribution (\$/unit)</b>									
	0.10	0.05	0.11	0.14	0.10	0.17	0.13	0.07	0.09
<i>Latest Twelve Month Average</i>									
Heat Content(btu/cf)	1,082	1,083	1,085	1,093	1,095	1,096	1,098	1,099	1,100
Natural Gas (mmcf)	97	97	96	94	93	92	92	91	90
San Juan Index/Henry Hub	0.71	0.72	0.75	0.92	0.93	0.94	0.93	0.94	0.94
SJT/San Juan Index	0.97	0.98	0.98	1.03	1.02	1.04	1.04	1.03	1.02
Other revenue	0.0	(0.0)	(0.0)	0.1	0.1	0.1	0.2	0.1	0.2
Operating	2.8	2.7	2.7	2.6	2.6	2.6	2.7	2.7	2.7
Development	2.9	2.8	2.8	1.4	1.3	1.2	1.2	1.1	1.0
Severance tax/revenue	10.0%	10.1%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.1%
Ebitda Margin	65%	63%	62%	69%	69%	70%	70%	70%	70%

Please see disclosures on the final page.

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San Juan Basin Royalty Trust									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
									<i>Twelve</i>
	<i>Q3</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Months</i>
	<i>9/30/09</i>	<i>6/30/10</i>	<i>9/30/10</i>	<i>12/31/10</i>	<i>2010E</i>	<i>3/31/11</i>	<i>6/30/11</i>	<i>9/30/11</i>	<i>9/30/11</i>
<b>Highlights</b>									
Revenue (\$mm) (75%)	20.6	30.4	30.3	25.3	<b>119.8</b>	23.5	25.6	25.6	<b>100.1</b>
Cash flow (\$mm) (75%)	12.8	21.5	21.2	16.6	<b>84.0</b>	15.0	16.9	16.9	<b>65.3</b>
Per unit	0.27	0.46	0.46	0.36	<b>1.80</b>	0.32	0.36	0.36	<b>1.40</b>
Distributable Income (\$mm)	7.0	21.7	18.8	13.8	<b>75.9</b>	11.9	13.8	13.8	<b>53.4</b>
Per unit	0.15	0.47	0.40	0.30	<b>1.63</b>	0.26	0.30	0.30	<b>1.14</b>
<b>Units (millions)</b>	46.6	46.6	46.6	46.6	<b>46.6</b>	46.6	46.6	46.6	<b>46.6</b>
<b>Volume</b>									
Natural gas (mmbtu)	9.7	8.5	9.2	9.2	<b>36.2</b>	9.1	9.1	9.1	<b>36.5</b>
Heat Content(btu/cf)	1,090	1,103	1,103	1,101	<b>1,100</b>	1,101	1,101	1,101	<b>1,101</b>
Natural gas (bcf)	8.9	7.7	8.4	8.4	<b>32.9</b>	8.3	8.3	8.3	<b>33.2</b>
Natural Gas (mmcf)	96.9	86.6	90.8	90.8	<b>90.3</b>	89.9	89.0	88.1	<b>90.9</b>
Days	92	89	92	92	<b>365</b>	92	89	92	<b>365</b>
Oil (mb)	0.0	0.0	0.0	0.0	<b>0.1</b>	0.0	0.0	0.0	<b>0.1</b>
Oil (mbd)	0.2	0.2	0.2	0.2	<b>0.2</b>	0.2	0.2	0.2	<b>0.2</b>
Days	92	89	92	92	<b>365</b>	92	89	92	<b>365</b>
Total gas & oil (bcf)	9.0	7.8	8.4	8.4	<b>33.3</b>	8.4	8.4	8.4	<b>33.5</b>
<b>Price</b>									
Natural gas (\$/mmbtu) (Henry Hub lagged two months)									
Henry Hub (\$/mmbtu)	3.61	4.64	4.38	4.09	<b>4.50</b>	3.81	4.17	4.16	<b>4.06</b>
Differential (%)	24	0	2	13	<b>4</b>	13	13	13	<b>13</b>
Net to SJT (\$/mmbtu)	2.73	4.64	4.28	3.56	<b>4.30</b>	3.32	3.63	3.63	<b>3.54</b>
Natural gas (\$/mcf)	2.98	5.12	4.72	3.92	<b>4.73</b>	3.66	4.00	3.99	<b>3.89</b>
Oil (\$/bbl) (WTI Cushing lagged two months)									
WTI Cushing	64.29	80.71	75.14	77.88	<b>77.67</b>	82.56	84.32	85.01	<b>82.44</b>
SJT	56.08	71.54	66.60	69.03	<b>68.72</b>	73.05	74.61	75.22	<b>72.93</b>
Total gas & oil (\$/mcf)	3.05	5.20	4.79	4.00	<b>4.80</b>	3.75	4.08	4.08	<b>3.98</b>
<b>Revenue (\$mm)</b>									
Natural Gas	26.5	39.5	39.4	32.8	<b>155.8</b>	30.3	33.1	33.0	<b>129.2</b>
Oil	1.0	1.1	1.0	1.0	<b>4.0</b>	1.1	1.1	1.1	<b>4.2</b>
Total	27.5	40.5	40.4	33.8	<b>159.8</b>	31.4	34.1	34.1	<b>133.4</b>
<b>Cost (\$mm)</b>									
Severance tax	2.7	4.0	4.0	3.3	<b>15.7</b>	3.1	3.3	3.4	<b>13.1</b>
Operating	7.8	7.8	8.1	8.3	<b>32.1</b>	8.3	8.3	8.3	<b>33.2</b>
Total	10.4	11.8	12.1	11.6	<b>47.7</b>	11.4	11.6	11.7	<b>46.3</b>
<b>Cash flow (\$mm)</b>									
Development	7.4	2.2	3.1	3.5	<b>12.3</b>	3.5	3.5	3.5	<b>14.2</b>
<b>Net proceeds (\$mm)</b>									
Royalty/Net proceeds	9.6	26.5	25.2	18.6	<b>99.8</b>	16.4	18.9	18.9	<b>72.9</b>
<b>Royalty income (\$mm)</b>									
Royalty/Net proceeds	7.2	19.9	18.9	14.0	<b>74.8</b>	12.3	14.2	14.2	<b>54.7</b>
Administration	0.2	0.8	0.1	0.1	<b>1.6</b>	0.4	0.4	0.4	<b>1.3</b>
One-time		(2.6)			<b>(2.6)</b>				<b>-</b>
<b>Distributable income (\$mm)</b>									
Severance tax/revenue	9.8%	9.9%	9.9%	9.9%	<b>9.8%</b>	9.9%	9.8%	9.9%	<b>9.8%</b>
Operating cost (\$/mcf)	0.86	1.01	0.96	0.98	<b>0.96</b>	0.99	0.99	0.99	<b>0.99</b>
Development/Cash flow	44%	8%	11%	16%	<b>11%</b>	18%	16%	16%	<b>16%</b>

Please see disclosures on the final page.

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<b>Hugoton Royalty Trust</b>									
<b>Monthly Declarations</b>									
	Oct-09	Nov-09	Dec-09	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
<b>Distribution (\$/unit)</b>									
Declared	0.10	0.08	0.11	0.12	0.11	0.13	0.12		
Projected								0.08	0.08
<b>Volume</b>									
Natural Gas (bcf)	2.23	2.14	2.17	2.08	1.97	2.03	2.03	1.93	1.98
Natural Gas (mmcf)	72	71	70	67	66	65	65	64	64
Days	31	30	31	31	30	31	31	30	31
<b>Price</b>									
Natural gas industry quotes lagged two months (\$/mmbtu)									
Henry Hub Index/Futures	3.38	2.83	3.72	4.27	4.16	4.72	4.78	3.64	3.84
HGT/Henry Hub	1.01	1.06	1.06	1.01	1.02	0.97	0.94	0.99	0.99
HGT (\$/mcf)	3.41	3.00	3.94	4.33	4.25	4.60	4.51	3.60	3.80
<b>Revenue (\$mm)</b>									
Natural Gas	7.6	6.4	8.5	9.0	8.4	9.3	9.2	7.0	7.5
Other	0.3	0.4	(0.1)	0.4	0.4	0.6	0.6	0.7	0.3
Total	7.9	6.9	8.4	9.4	8.7	9.9	9.8	7.7	7.8
<b>Cost (\$mm)</b>									
Production	1.7	1.6	1.6	1.7	1.9	1.7	2.0	1.7	1.7
Overhead	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Total	2.6	2.5	2.5	2.6	2.9	2.6	2.9	2.6	2.7
<b>Cash flow (\$mm)</b>	5.3	4.3	5.9	6.7	5.9	7.3	6.8	5.1	5.2
Development	0.5	0.5	0.5	0.5	0.6	0.6	0.9	0.9	0.9
<b>Net proceeds (\$mm)</b>	4.8	3.8	5.4	6.2	5.3	6.7	6.0	4.2	4.3
<b>Royalty income (\$mm)</b>	3.9	3.1	4.3	5.0	4.2	5.3	4.8	3.4	3.4
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%	80%	80%	80%
<b>Distributable income (\$mm)</b>	3.9	3.1	4.3	5.0	4.2	5.3	4.8	3.4	3.4
<b>Units (millions)</b>	40.0	40.0	40.0	40.0	40.0	40.0	41.0	42.0	43.0
<b>Distribution (\$/unit)</b>	0.10	0.08	0.11	0.12	0.11	0.13	0.12	0.08	0.08
<i>Latest Twelve Month Average</i>									
Natural Gas (mmcf)	73	73	73	69	68	68	67	67	66
HGT/Henry Hub	0.74	0.77	0.81	1.03	1.04	1.05	1.05	1.04	1.04
Other revenue (\$mm)	0.0	(0.1)	(0.1)	0.2	0.2	0.2	0.2	0.3	0.3
Development (\$mm)	2.3	2.0	1.8	0.5	0.5	0.5	0.5	0.6	0.6
Production (\$mm)	1.9	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.7
Overhead (\$mm)	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9





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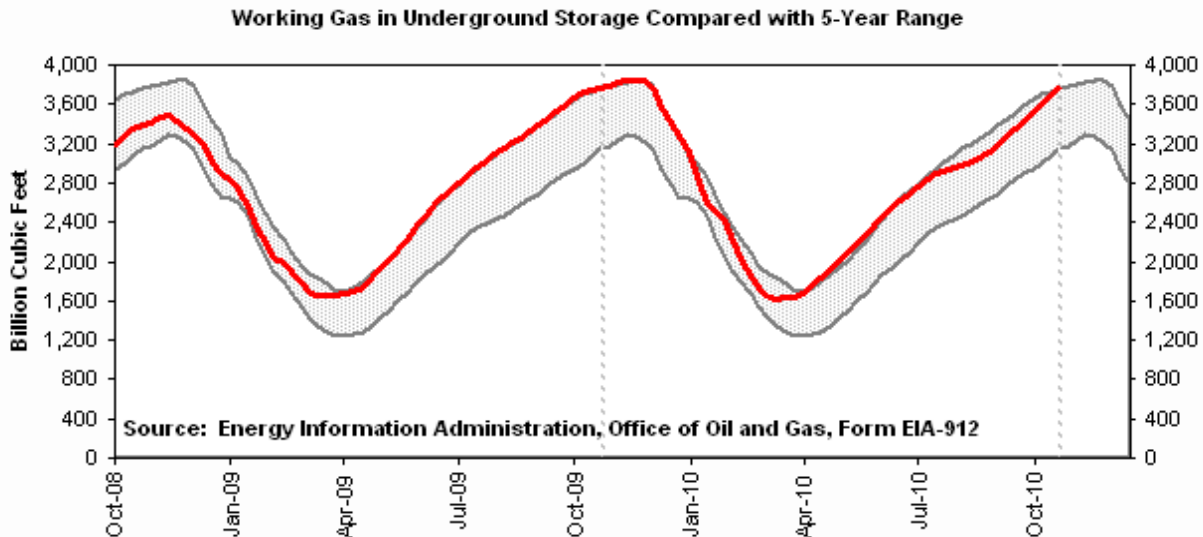
Hugoton Royalty Trust									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
									<i>Twelve</i>
	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Months
	9/30/09	6/30/10	9/30/10	12/31/10	2010E	3/31/11	6/30/11	9/30/11	9/30/11
<b>Highlights</b>									
Revenue (\$mm) (80%)	19.4	29.7	25.3	22.9	<b>105.8</b>	22.0	22.7	24.0	<b>91.6</b>
Cash flow (\$mm) (80%)	10.5	20.2	16.0	13.8	<b>68.2</b>	13.0	13.6	14.7	<b>55.1</b>
Per unit	0.26	0.50	0.40	0.35	<b>1.70</b>	0.32	0.34	0.37	<b>1.38</b>
Distributable Income (\$mm)	8.4	18.7	14.5	11.6	<b>61.4</b>	10.7	11.4	12.5	<b>46.2</b>
Per unit	0.21	0.47	0.36	0.29	<b>1.54</b>	0.27	0.28	0.31	<b>1.15</b>
<b>Units (millions)</b>	40.0	40.0	40.0	40.0	<b>40.0</b>	40.0	40.0	40.0	<b>40.0</b>
<b>Volume</b>									
Natural Gas (bcf)	6.5	6.1	6.1	5.9	<b>24.1</b>	5.9	5.6	5.8	<b>23.2</b>
Natural Gas (mmcf)	71.0	68.7	66.0	64.5	<b>65.9</b>	63.9	63.2	62.6	<b>63.6</b>
Days	92	89	92	92	<b>365</b>	92	89	92	<b>365</b>
Oil (mb)	72	71	69	68	<b>271</b>	64	62	64	<b>258</b>
Oil (mbd)	0.8	0.8	0.7	0.7	<b>0.7</b>	0.7	0.7	0.7	<b>0.7</b>
Days	92	89	92	92	<b>365</b>	92	89	92	<b>365</b>
Total (bcf)	7.0	6.5	6.5	6.3	<b>25.7</b>	6.3	6.0	6.1	<b>24.7</b>
<b>Price</b>									
Natural Gas (HH lagged two months)									
Henry Hub (\$/mmbtu)	3.61	4.64	4.38	4.09	<b>4.50</b>	3.81	4.17	4.30	<b>4.09</b>
Differential (%)	14	(11)	(0)	3	<b>(4)</b>	-	-	-	<b>1</b>
HGT (\$/mcf)	3.09	5.17	4.39	3.98	<b>4.67</b>	3.81	4.17	4.30	<b>4.06</b>
Oil (\$/bbl) (WTI Cushing lagged two months)									
WTI Cushing	64.29	80.71	75.14	77.88	<b>77.67</b>	82.56	84.32	85.71	<b>82.62</b>
HGT	56.64	77.03	71.43	74.03	<b>73.67</b>	78.30	79.98	81.30	<b>78.32</b>
Total (\$/mcf)	3.49	5.67	4.87	4.52	<b>5.15</b>	4.38	4.73	4.87	<b>4.62</b>
<b>Revenue (\$mm)</b>									
Natural Gas	20.2	31.6	26.7	23.6	<b>112.3</b>	22.4	23.5	24.8	<b>94.3</b>
Oil	4.1	5.5	4.9	5.0	<b>20.0</b>	5.0	4.9	5.2	<b>20.2</b>
Total	24.3	37.1	31.6	28.7	<b>132.3</b>	27.5	28.4	29.9	<b>114.4</b>
<b>Cost (\$mm)</b>									
Tax, transport & other	3.4	4.3	3.4	3.2	<b>15.1</b>	3.0	3.1	3.3	<b>12.6</b>
Production	5.0	4.8	5.4	5.5	<b>21.0</b>	5.5	5.5	5.5	<b>21.9</b>
Overhead	2.7	2.7	2.8	2.8	<b>11.0</b>	2.8	2.8	2.8	<b>11.0</b>
Total	11.1	11.9	11.5	11.4	<b>47.0</b>	11.3	11.4	11.5	<b>45.5</b>
<b>Cash flow (\$mm)</b>									
Development	2.5	1.5	1.7	2.6	<b>7.3</b>	2.6	2.6	2.6	<b>10.2</b>
Excess costs					<b>0.1</b>				
<b>Net proceeds (\$mm)</b>									
	10.7	23.7	18.3	14.7	<b>78.0</b>	13.7	14.5	15.9	<b>58.7</b>
<b>Royalty income (\$mm)</b>									
Royalty/Net proceeds	80%	80%	80%	80%	<b>80%</b>	80%	80%	80%	<b>80%</b>
Administration	0.2	0.2	0.1	0.2	<b>0.9</b>	0.2	0.2	0.2	<b>0.8</b>
<b>Distributable income (\$mm)</b>									
	8.4	18.7	14.5	11.6	<b>61.4</b>	10.7	11.4	12.5	<b>46.2</b>



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