

Cross Timbers Royalty Trust Timely Natural Gas Income

<i>Symbol</i>	CRT	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$mm)</i>	26
<i>Rating</i>	None	<i>North American Natural Gas/Ebitda (%)</i>	65
<i>Price (US\$/sh)</i>	40.53	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/21/07	<i>Adjusted Reserves/Production NTM</i>	13.1
<i>Shares (mm)</i>	6.00	<i>EV/Ebitda</i>	9.5
<i>Market Capitalization (US\$mm)</i>	243	<i>PV/Ebitda</i>	10.8
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	243	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	7.92
<i>Present Value (PV) (US\$mm)</i>	276	<i>Present Value Proven Reserves(US\$/boe)</i>	33.16
<i>Net Present Value (US\$/unit)</i>	46	<i>Present Value Proven Reserves(US\$/mcfe)</i>	5.50
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	4.00
<i>McDep Ratio - EV/PV</i>	0.88	<i>Price/Earnings Next Twelve Months</i>	10
<i>Distribution Yield (%/year)</i>	9.9	<i>Distribution Next Twelve Months (US\$/sh)</i>	4.00

Note: Estimated cash flow and earnings tied to one-year futures prices for natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Estimated present value presumes a long-term price for oil of US\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of CRT since 2000 see www.mcdep.com/4crt.htm

Summary and Recommendation

The units of small-cap **Cross Timbers Royalty Trust (CRT)** offer high income from clean, low-cost, debt-free natural gas production with commodity price upside. Having none of the carcinogens of coal or the diminished impurities of oil products, natural gas is half the price of its oil equivalent. Having no debt and no obligation for capital or operating cost on most of its production, the trust has super-prime financial quality. Having no commodity hedge contracts, the trust participates fully in natural gas price gains. On the volume side, multi-billion dollar investment programs of operators, **ConocoPhillips (COP)** and **BP plc (BP)**, keep production flowing in the San Juan Basin, the largest natural gas field in the U.S. where the trust holds most of its royalties. Meanwhile, the stock has been trading in the low \$40s when our long experience with CRT and peers tells us it should be in the mid \$40s in today's market. Finally, the seasonal timing looks good for investors to tap into a projected distribution of 9.9% for the next twelve months just before winter, the most likely period of year for an upside price surprise. (See tables and color charts for valuation ratios and projections for CRT and income stocks.)

Kurt H. Wulff, CFA

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Cross Timbers Royalty Trust Distributable Income

	<i>Q4</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next</i>
	<i>12/31/06</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>Twelve</i>
									<i>Months</i>
									<i>12/31/08</i>
Highlights									
Distributable Income (\$mm)	7.19	4.98	5.00	19.61	5.75	6.13	6.00	6.09	23.98
Per unit	1.20	0.83	0.83	3.27	0.96	1.02	1.00	1.02	4.00
Units (millions)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Volume									
Natural Gas (bcf)	0.61	0.56	0.59	2.39	0.58	0.57	0.57	0.58	2.30
Natural Gas (mmcf)	6.7	6.2	6.4	6.5	6.3	6.3	6.3	6.3	6.3
Days	92	91	92	365	92	91	91	92	366
Oil (mb)	64	56	60	248	64	61	64	64	252
Oil (mbd)	0.70	0.61	0.65	0.68	0.69	0.69	0.69	0.69	0.69
Days	92	92	92	365	92	89	92	92	365
Total (bcf)	1.00	0.90	0.95	3.88	0.96	0.94	0.95	0.96	3.81
Price									
Natural Gas (HH lagged three months)									
Henry Hub (\$/mmbtu)	6.58	7.56	6.16	6.77	7.17	8.13	7.79	7.98	7.77
Differential (\$/mmbtu)	(0.99)	(1.36)	(1.44)	(1.16)	(1.23)	(1.40)	(1.34)	(1.37)	(1.33)
CRT (\$/mcf)	7.57	8.92	7.59	7.94	8.40	9.52	9.13	9.36	9.10
Oil (\$/bbl) (WTI lagged two months)									
WTI Cushing	65.24	68.31	79.40	66.87	94.71	94.29	91.76	89.69	92.61
CRT	60.27	61.44	71.46	59.72	85.24	84.86	82.59	80.72	83.34
Total (\$/mcf)	8.53	9.41	9.23	8.71	10.71	11.34	10.99	10.99	11.00
Revenue (\$mm)									
Natural Gas	4.63	5.03	4.47	18.96	4.85	5.44	5.21	5.40	20.90
Oil	3.86	3.44	4.29	14.81	5.42	5.22	5.25	5.13	21.02
Total	8.49	8.47	8.77	33.77	10.27	10.66	10.46	10.53	41.92
Cost (\$mm)									
Tax, transport & other									
Production	1.01	0.97	1.12	4.06	1.41	1.36	1.36	1.33	5.46
Total	2.27	2.15	2.43	8.70	2.95	2.96	2.93	2.91	11.75
Cash flow (\$mm)									
Development	0.19	0.58	0.43	2.08	0.54	0.52	0.52	0.51	2.10
Excess or other	(1.84)			-					
Net proceeds (\$mm)	8.25	5.75	5.91	22.99	6.78	7.18	7.00	7.11	28.07
Royalty income (\$mm)									
Royalty/Net proceeds	88%	87%	87%	87%	87%	87%	87%	87%	87%
Administration	0.12	0.05	0.14	0.45	0.14	0.14	0.12	0.12	0.52
Distributable income (\$mm)									
Tax and other/revenue	0.15	0.14	0.15	0.14	0.15	0.15	0.15	0.15	0.15
Production/Oil Revenue	0.26	0.28	0.26	0.27	0.26	0.26	0.26	0.26	0.26
Development/Oil Revenue	0.05	0.17	0.10	0.14	0.10	0.10	0.10	0.10	0.10
Distributable Inc/Rev (%)	85	59	57	58	56	58	57	58	57

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Cross Timbers Royalty Trust Monthly Distributions

	Sep-06	Oct-06	Nov-06	Dec-06	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Distribution (\$/unit)									
Declared	0.37	0.30	0.57	0.33	0.29	0.25	0.29	0.28	
Projected									0.26
Volume									
Natural Gas (bcf)	234	202	217	193	202	142	203	190	196
Natural Gas (mmcf/d)	7.80	6.52	7.00	6.43	6.52	4.73	6.55	6.13	6.54
Days	30	31	31	30	31	30	31	31	30
Oil (mb)	26.0	22.0	21.0	21.0	17.0	20.0	19.0	20.0	21.1
Oil (mbd)	0.84	0.71	0.70	0.68	0.57	0.65	0.61	0.67	0.68
Days	31	31	30	31	30	31	31	30	31
Total (bcf)	390	334	343	319	304	262	317	310	323
Price									
Natural gas industry quotes lagged three months (\$/mmbtu)									
Henry Hub Daily/Futures	5.95	5.89	7.04	6.82	7.52	7.59	6.93	6.11	5.43
San Juan Monthly Index	4.76	5.07	5.93	5.78	6.63	6.82	6.20	4.99	4.59
CRT/Henry Hub	1.19	1.26	1.14	1.05	1.19	1.22	1.20	1.32	1.18
CRT/San Juan Index	1.49	1.47	1.36	1.24	1.35	1.35	1.34	1.61	1.40
CRT (\$/mcf)	7.09	7.45	8.06	7.15	8.92	9.23	8.31	8.05	6.41
Oil (\$/bbl)									
WTI Cushing (lagged two n	74.40	73.04	63.82	58.85	67.33	74.14	72.38	79.91	85.90
CRT/WTI Cushing	0.90	0.92	0.93	0.91	0.94	0.91	0.91	0.88	0.90
CRT	67.14	67.21	59.47	53.81	63.61	67.78	66.08	70.60	77.12
Total (\$/mcf)	8.73	8.93	8.74	7.87	9.48	10.18	9.28	9.49	8.94
Revenue (\$mm)									
Natural Gas	1.66	1.50	1.75	1.38	1.80	1.31	1.69	1.53	1.26
Oil	1.75	1.48	1.25	1.13	1.08	1.36	1.26	1.41	1.63
One-time									
Total	3.40	2.98	3.00	2.51	2.88	2.67	2.94	2.94	2.88
Distributable income (\$mm)									
Natural Gas	1.29	1.09	1.27	1.00	1.32	0.96	1.23	1.11	0.92
Oil	0.93	0.70	0.65	0.48	0.43	0.54	0.51	0.58	0.64
One-time			1.50	0.49					
Total	2.22	1.79	3.42	1.98	1.74	1.49	1.74	1.70	1.56
Natural Gas Income/Revenue	78	73	73	73	73	73	73	73	73
Oil Income/Revenue (%)	53	47	52	43	40	39	41	41	40
<i>Latest Twelve Months</i>									
Natural Gas (mmcf/d)	7.17	7.17	7.23	7.29	6.86	6.61	6.61	6.54	6.55
Oil (mbd)	0.75	0.75	0.74	0.74	0.71	0.69	0.68	0.68	0.68
CRT/Henry Hub	0.94	0.96	0.97	0.98	1.17	1.17	1.17	1.18	1.19
CRT/San Juan Index	1.21	1.23	1.23	1.23	1.37	1.36	1.35	1.37	1.38
CRT/WTI Cushing	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Natural Gas Income/Revenue	73	73	73	73	73	73	73	73	73
Oil Income/Revenue (%)	48	48	48	47	42	41	40	39	39

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Natural Gas and Oil Income Stocks - Rank by McDep Ratio

	Symbol/ Rating	Price (\$/sh) 21-Nov 2007	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio	
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR	49.02	14.6	720	45.00	-	1.09	
Mesa RoyaltyTrust	MTR	71.03	1.9	130	70.00	-	1.01	
Permian Basin RT	PBT	15.41	46.6	720	16.50	-	0.93	
Cross Timbers Royalty Trust	CRT	40.53	6.0	240	46.00	-	0.88	
San Juan Basin Royalty Trust	SJT	B	33.67	46.6	1,570	40.00	-	0.84
Hugoton RoyaltyTrust	HGT	B	23.06	40.0	920	34.00	-	0.68
<i>Total or Median</i>				4,300			0.91	
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH	18.31	247.0	4,520	17.00	0.27	1.06	
Canadian Oil Sands Trust	COSWF	B	36.13	479.0	17,310	39.00	0.07	0.93
Penn West Energy Trust	PWE	B	27.39	242.6	6,640	34.00	0.22	0.85
Enerplus Resources Fund	ERF	40.86	129.4	5,290	52.00	0.14	0.82	
<i>Total or Median</i>				33,800		0.18	0.89	
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	49.53	179.3	8,880	17.00	0.54	1.88
Encore Energy Partners, L.P. (39%)	ENP	19.10	9.0	170	18.00	0.16	1.05	
Linn Energy, LLC	LINE	24.07	114.0	2,740	25.00	0.32	0.97	
Dorchester Minerals, L.P.	DMLP	20.17	28.2	570	27.00	-	0.75	
<i>Total or Median</i>				12,400		0.24	1.01	

B = Buy, S = Sell

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

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda

	Symbol/ Rating	Price (\$/sh) 21-Nov 2007	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	B	33.67	10.2	12.0	10.1	12.3	8.1
Sabine Royalty Trust	SBR	49.02	9.2	9.2	10.0	10.0	10.0	10.0
Mesa RoyaltyTrust	MTR	71.03	21.1	9.7	9.9	11.3	8.9	
Cross Timbers Royalty Trust	CRT	40.53	13.1	10.8	9.5	10.1	9.9	
Permian Basin RT	PBT	15.41	8.2	7.9	7.4	8.3	12.1	
Hugoton RoyaltyTrust	HGT	B	23.06	13.8	10.7	7.2	10.1	9.9
<i>Median</i>				11.7	10.2	9.7	10.1	9.9
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	36.13	20.9	8.0	7.4	8.7	9.9
Pengrowth Energy Trust	PGH	18.31	7.4	6.3	6.7	18.8	15.0	
Enerplus Resources Fund	ERF	40.86	9.7	7.9	6.5	11.0	12.7	
Penn West Energy Trust	PWE	B	27.39	7.8	6.5	5.5	9.7	15.4
<i>Median</i>				8.7	7.2	6.6	10.4	13.9
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	49.53	7.6	7.9	14.9	31.3	7.1
Linn Energy, LLC	LINE	24.07	20.8	12.8	12.5	34.5	9.5	
Dorchester Minerals, L.P.	DMLP	20.17	9.2	11.4	8.5	12.6	11.8	
Encore Energy Partners, L.P.	ENP	19.10	12.2	7.3	7.7	42.4	7.3	
<i>Median</i>				10.7	9.6	10.5	32.9	8.4

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield

	Symbol	Revenue Royalty (%)	Natural Gas/ Ebitda (%)	Dist/ Ebitda	Dist/ Equity Ebitda	NTM Distribution (\$mm)	Dist. Yield (\$/un)	Dist. Yield (%)
U.S. Royalty Trusts								
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	127	2.73	8.1
Mesa RoyaltyTrust	MTR	-	65	0.88	0.88	12	6.30	8.9
Hugoton RoyaltyTrust	HGT	-	87	0.71	0.71	91	2.28	9.9
Cross Timbers Royalty Trust	CRT	84	65	0.94	0.94	24	4.00	9.9
Sabine Royalty Trust	SBR	100	52	1.00	1.00	72	4.91	10.0
Permian Basin RT	PBT	35	34	0.89	0.89	87	1.86	12.1
<i>Total or Median</i>			65	0.88	0.88	400		9.9
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(6)	0.68	0.73	1,706	3.56	9.9
Enerplus Resources Fund	ERF	-	38	0.68	0.79	673	5.20	12.7
Pengrowth Energy Trust	PGH	-	36	0.74	1.02	677	2.74	15.0
Penn West Energy Trust	PWE	-	30	0.62	0.80	1,022	4.21	15.4
<i>Total or Median</i>			33	0.68	0.80	4,100		13.9
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, KMP			-	0.75	1.64	631	3.52	7.1
Encore Energy Partners, L.P.	ENP		15	0.48	0.57	13	1.40	7.3
Linn Energy, LLC	LINE		65	0.80	1.17	260	2.28	9.5
Dorchester Minerals, L.P.	DMLP	64	69	1.00	1.00	67	2.38	11.8
<i>Total or Median</i>			40	0.78	1.09	1,000		8.4

NTM = Next Twelve Months Ended December 31, 2008

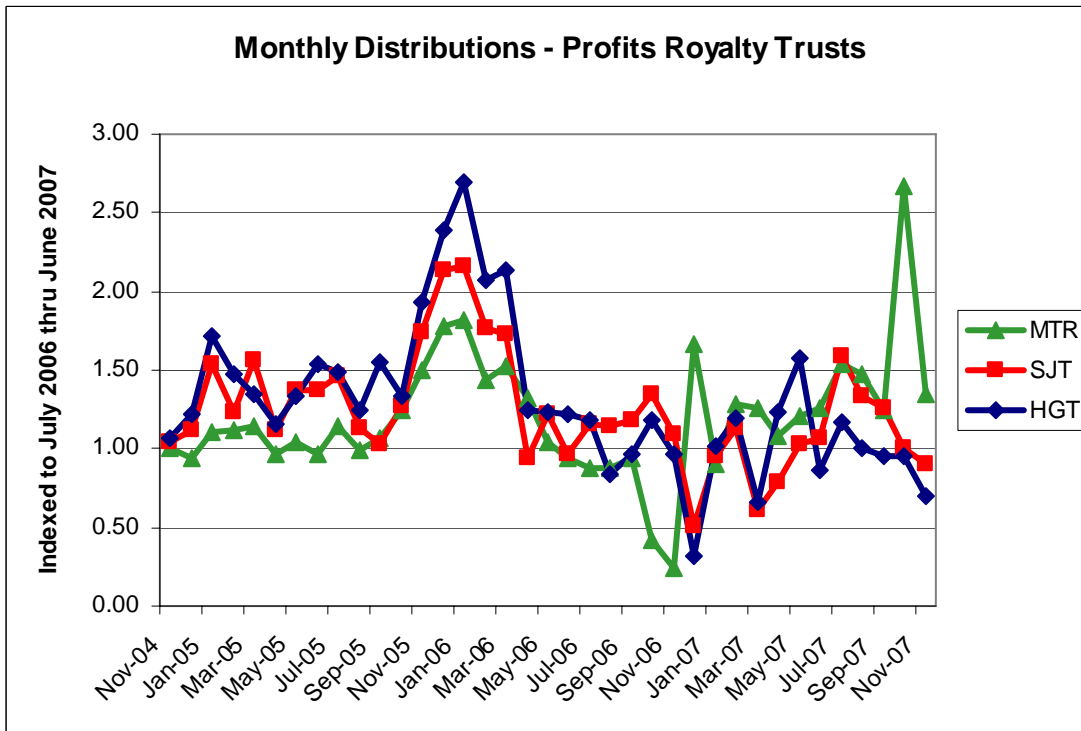
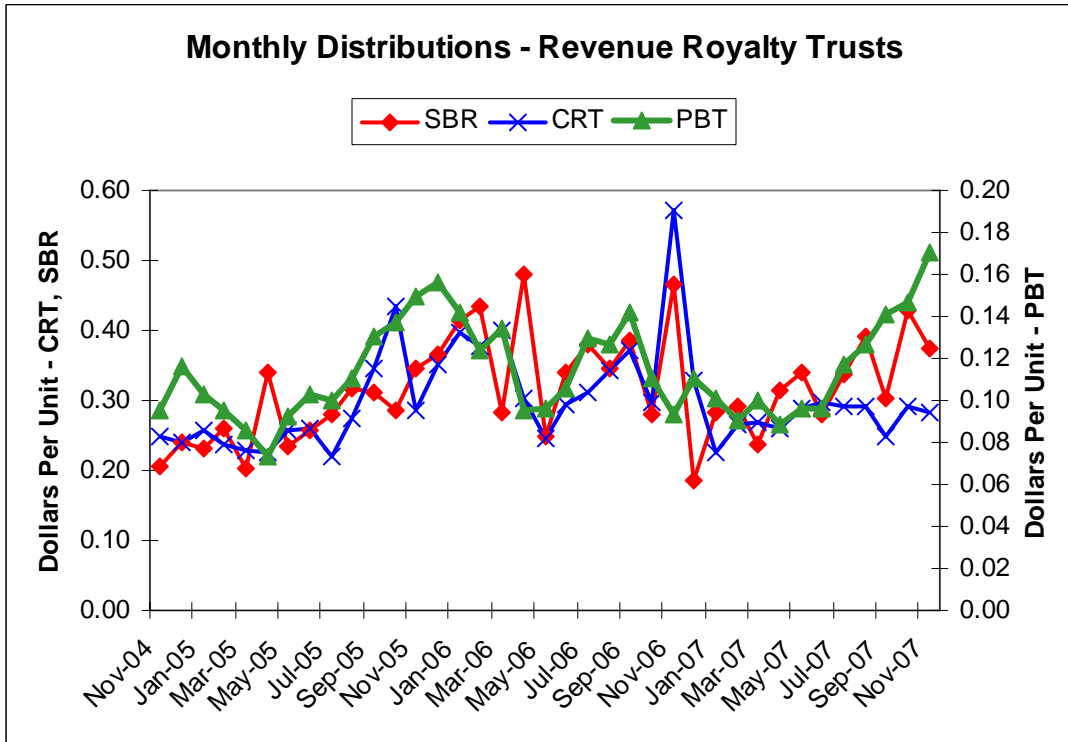
Ebitda = Earnings before interest, tax, depreciation and amortization

**Natural Gas and Oil Royalty Trusts
Rank by Price to 200-Day Average**

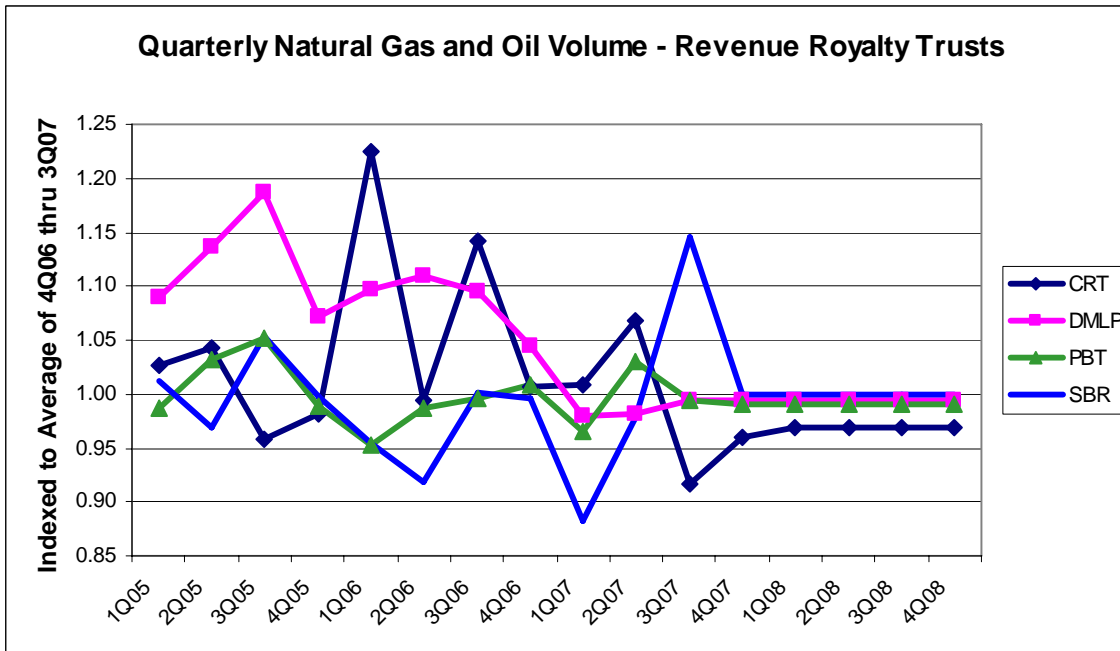
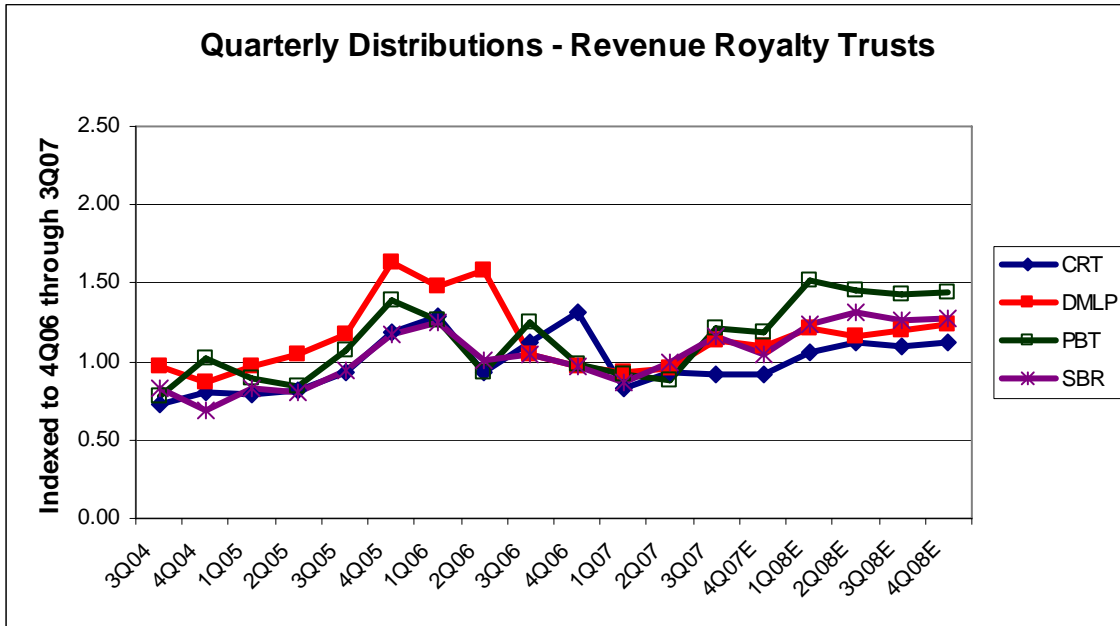
	Symbol	Rating	Price (\$/sh) 21-Nov 2007	60-Day Average	200-Day Average	Price/ 60-Day Average	Price/ 200-Day Average
U.S. Royalty Trusts							
Mesa RoyaltyTrust	MTR		71.03	64.38	59.60	1.10	1.19
Sabine Royalty Trust	SBR		49.02	45.86	43.19	1.07	1.13
Permian Basin RT	PBT		15.41	15.07	14.36	1.02	1.07
San Juan Basin Royalty Trust	SJT	B	33.67	34.60	32.81	0.97	1.03
Cross Timbers Royalty Trust	CRT		40.53	40.75	42.24	0.99	0.96
Hugoton RoyaltyTrust	HGT	B	23.06	24.12	24.97	0.96	0.92
<i>Total or Median</i>						1.01	1.05
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B	36.13	33.75	29.43	1.07	1.23
Pengrowth Energy Trust	PGH		18.31	18.07	17.94	1.01	1.02
Enerplus Resources Fund	ERF		40.86	45.26	44.74	0.90	0.91
Penn West Energy Trust	PWE	B	27.39	30.42	31.15	0.90	0.88
<i>Total or Median</i>						0.96	0.97
er Limited Partnerships (MLPs)							
Kinder Morgan Energy Partners, L KMP		S	49.53	50.69	52.70	0.98	0.94
Dorchester Minerals, L.P.	DMLP		20.17	21.15	21.80	0.95	0.93
Linn Energy, LLC	LINE		24.07	30.48	33.72	0.79	0.71
Encore Energy Partners, L.P. (39% ENP			19.10	-	-		
<i>Total or Median</i>						0.95	0.93

Source: Bloomberg

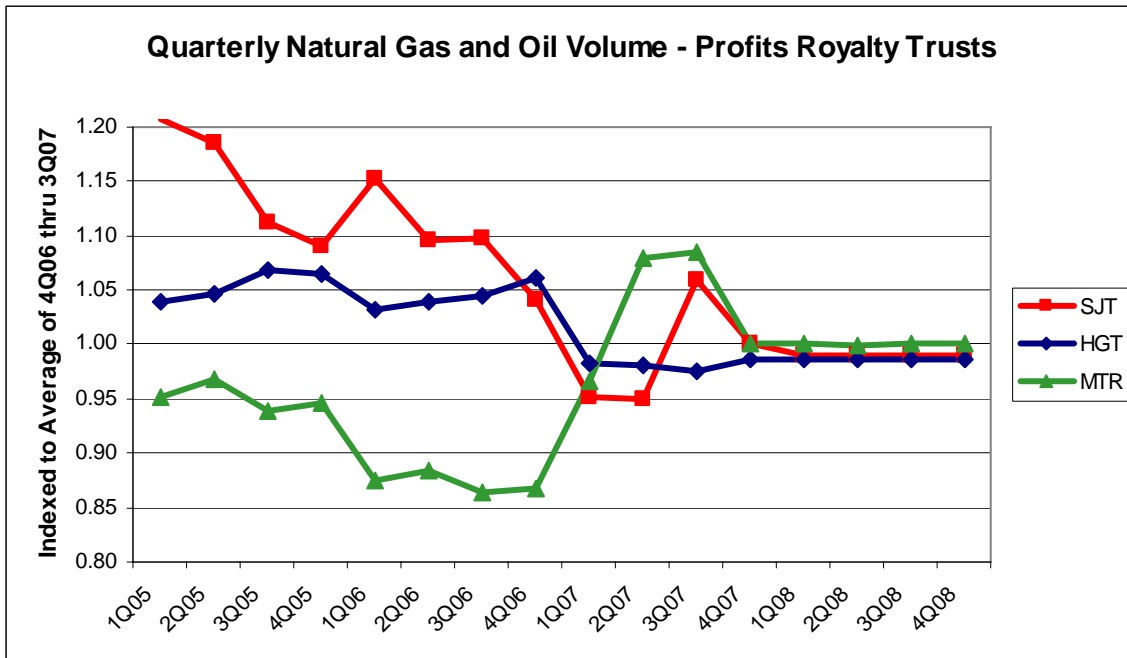
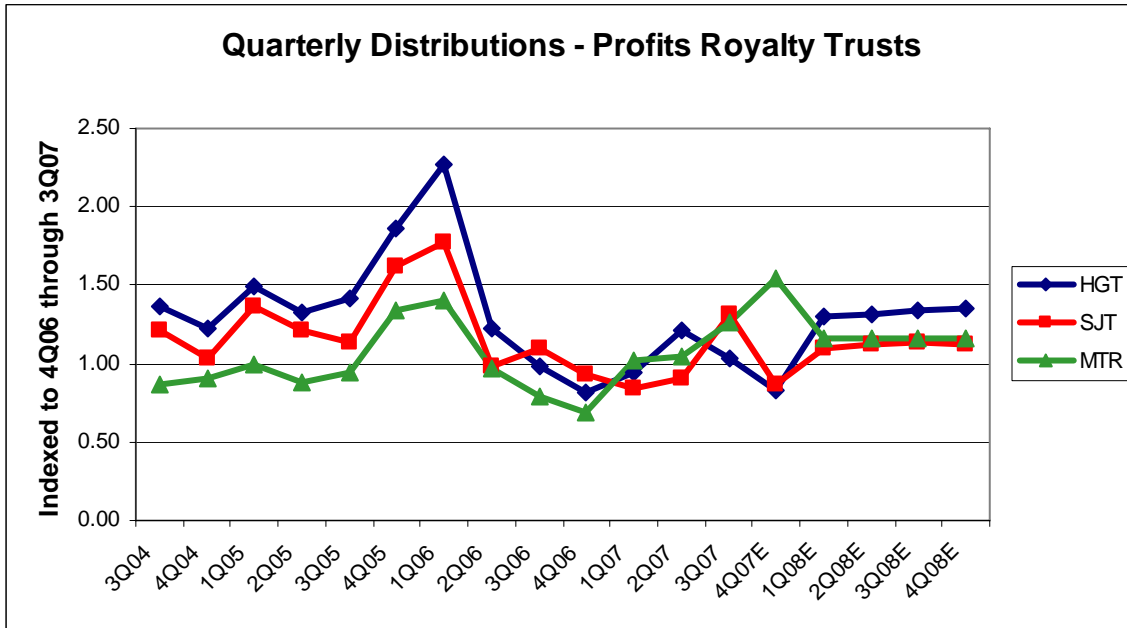
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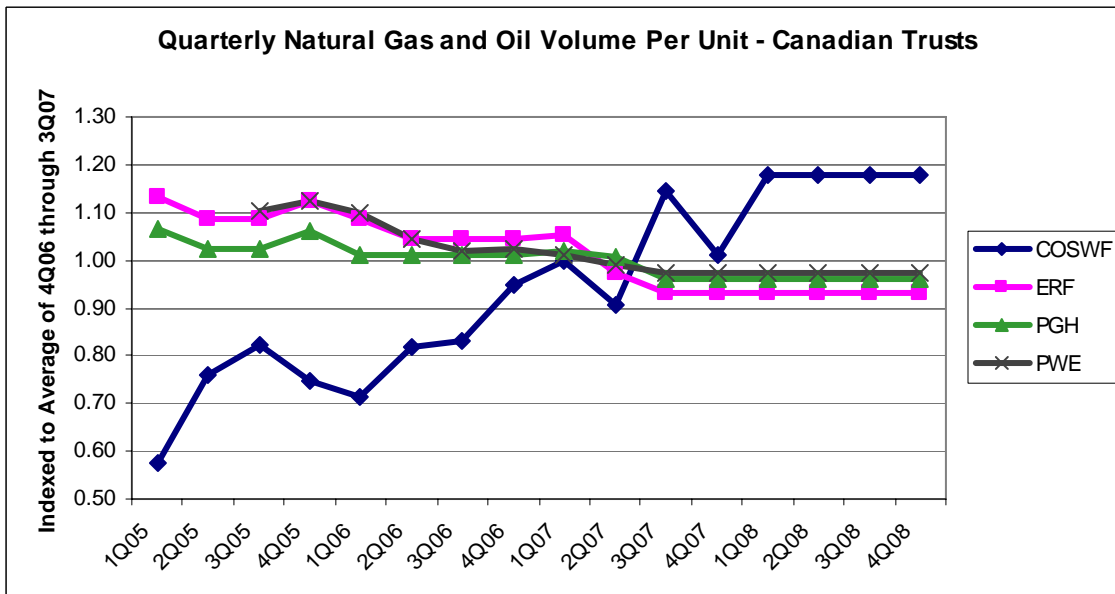
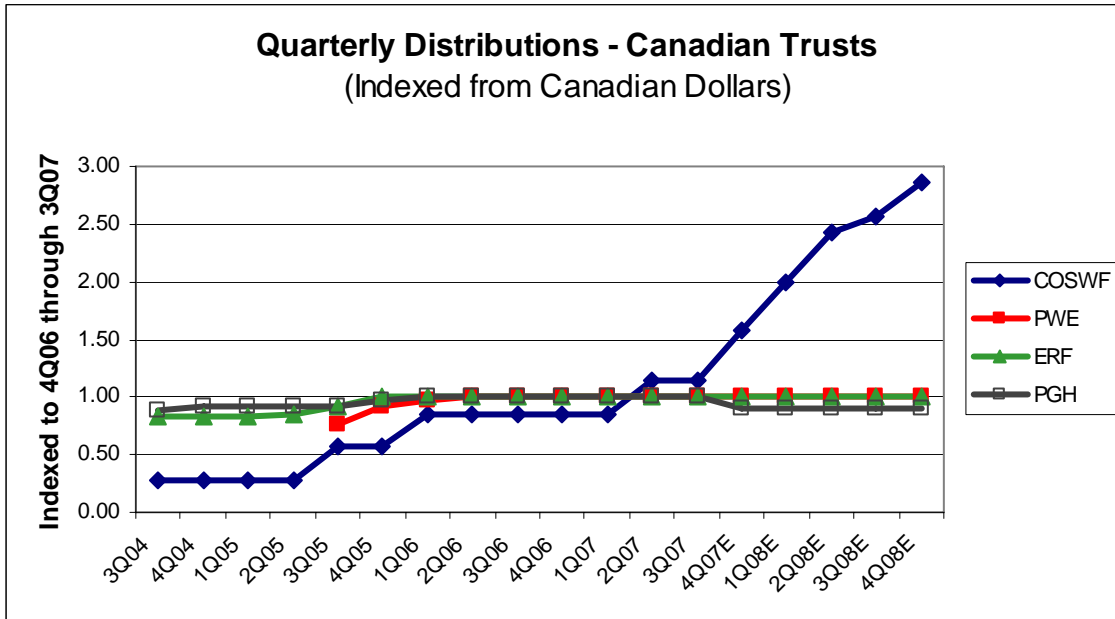
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