



Rating: Buy
 S&P 500: 1412

San Juan Basin Royalty Trust
\$18 a Million Btu for LNG

<i>Symbol</i>	SJT	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	153
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	98
<i>Price (US\$/sh)</i>	34.49	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	1/4/08	<i>Adjusted Reserves/Production NTM</i>	10.2
<i>Shares (mm)</i>	47	<i>EV/Ebitda</i>	10.5
<i>Market Capitalization (US\$m)</i>	1,610	<i>PV/Ebitda</i>	12.2
<i>Debt (US\$m)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$m)</i>	1,610	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	5.44
<i>Present Value (PV) (US\$m)</i>	1,860	<i>Present Value Proven Reserves(US\$/boe)</i>	36.83
<i>Net Present Value (US\$/unit)</i>	40	<i>Present Value Proven Reserves(US\$/mcf)</i>	6.14
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	2.72
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	13
<i>Distribution Yield (%/year)</i>	7.9	<i>Distribution Next Twelve Months (US\$/sh)</i>	2.72
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\$80 a barrel and natural gas, \$11 a million btu.			
For historical analysis of SJT since 2000 see www.mcdep.com/4sjt.htm			

Summary and Recommendation

Buy-recommended **San Juan Basin Royalty Trust (SJT)** offers pure concentration on natural gas selling at half price judging by the incremental price of liquefied natural gas in Asia. Last week, according to trade reports, Japan paid \$18 a million btu for the liquid form of the same commodity that is priced in the futures market at \$8 for the next six years. Since \$18 LNG is roughly equivalent to \$100 oil burned in the same Japanese power plants, the stark difference points to an upward price trend for the clean fuel. Meanwhile, monthly distributions are likely to be higher in early 2008 judging from the trend in the industry index price for the San Juan Basin and taking account of the time delay to cash distribution (see tables Monthly Declarations and Next Twelve Months Operating and Financial Estimates). We take most of our volume and cost estimates from the trend of recent monthly results. The price of SJT stock is influenced by long-term natural gas price that after a stable period may be poised to resume an uptrend (see chart Six-Year Oil and Natural Gas Futures). In the illustrative McDep Energy Portfolio, SJT has the largest natural gas representation followed by **Gazprom (OGZPY)**, **EOG Resources (EOG)**, **XTO Energy (XTO)**, **Devon Energy (DVN)**, **Hugoton Royalty Trust (HGT)**, **Encana (ECA)** and **Cimarex (XEC)**.

Kurt H. Wulff, CFA

McDep LLC
Independent Stock Idea
 January 7, 2008

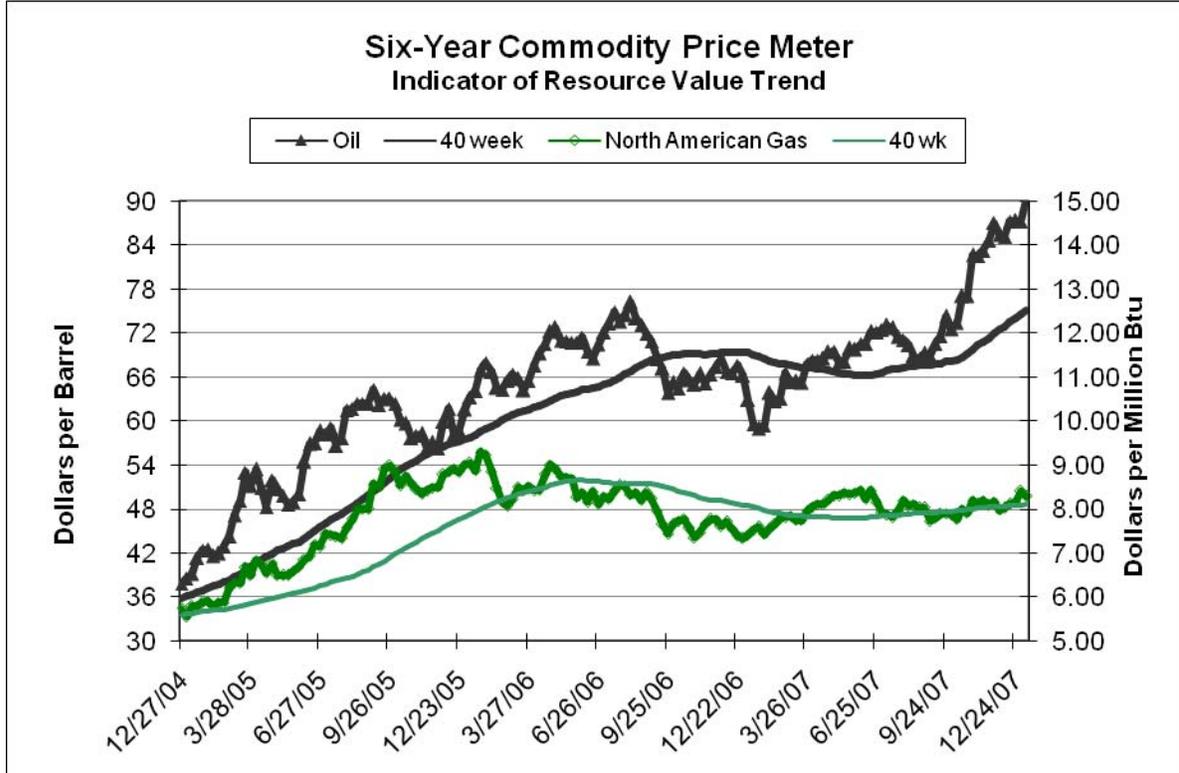


San Juan Basin Royalty Trust									
Monthly Declarations									
	Jan-07	Feb-07	Mar-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
Distribution (\$/unit)									
Declared	0.18	0.22	0.12	0.19	0.17	0.19			
Projected							0.21	0.24	0.24
Volume									
Natural gas (mmbtu)	3.17	3.34	3.12	3.32	3.39	3.39	3.26	3.37	3.38
Heat Content(btu/cf)	1,060	1,089	1,074	1,068	1,067	1,081	1,072	1,073	1,071
Natural gas (bcf)	2.99	3.06	2.90	3.11	3.18	3.14	3.04	3.14	3.15
Natural Gas (mmcf)	100	99	94	100	106	101	101	101	102
Days	30	31	31	31	30	31	30	31	31
Price									
Natural gas industry quotes lagged two months (\$/mmbtu)									
Henry Hub Index/Futures	7.16	8.33	5.84	6.11	5.43	6.43	7.28	7.21	7.13
San Juan Monthly Index	6.38	6.47	5.63	4.99	4.59	5.12	6.06	6.50	6.39
San Juan Index/Henry Hub	0.89	0.78	0.96	0.82	0.85	0.80	0.83	0.90	0.90
SJT/San Juan Index	0.93	0.91	0.89	1.00	1.05	1.04	0.95	0.95	0.96
SJT (\$/mmbtu)	5.94	5.87	5.00	4.99	4.84	5.32	5.77	6.21	6.13
SJT (\$/mcf)	6.30	6.39	5.39	5.33	5.17	5.75	6.19	6.66	6.56
Revenue (\$mm)									
Natural Gas	18.8	19.6	15.6	16.6	16.4	18.0	18.8	20.9	20.7
Other	0.5	0.1	(0.2)	0.5	0.0	0.2	0.5	0.5	0.5
Cost (\$mm)									
Severance tax	2.1	2.1	1.5	1.6	1.6	1.8	1.9	2.1	2.0
Operating	2.2	1.8	2.4	2.2	2.6	2.3	2.3	2.3	2.4
Total	4.3	3.9	3.9	3.8	4.2	4.1	4.2	4.4	4.4
Cash flow (\$mm)									
Development	3.7	2.9	4.4	1.3	1.5	2.2	2.3	2.2	2.1
Net proceeds (\$mm)									
	11.3	12.9	7.2	12.0	10.8	11.9	12.8	14.8	14.7
Royalty income (\$mm)									
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%
One time		(0.4)							
Distributable income (\$mm)									
	8.5	10.1	5.4	9.0	8.1	8.9	9.6	11.1	11.0
Units (millions)									
	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Distribution (\$/unit)									
	0.18	0.22	0.12	0.19	0.17	0.19	0.21	0.24	0.24
<i>Latest Twelve Month Average</i>									
Heat Content(btu/cf)	1,069	1,070	1,072	1,074	1,073	1,072	1,073	1,071	1,071
Natural Gas (mmcf)	110	108	107	101	101	101	101	102	102
San Juan Index/Henry Hub	0.82	0.82	0.83	0.87	0.86	0.86	0.86	0.87	0.86
SJT/San Juan Index	0.96	0.97	0.97	0.94	0.95	0.95	0.95	0.96	0.96
Other revenue	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Operating	1.9	1.9	2.0	2.2	2.3	2.3	2.3	2.4	2.4
Development	3.3	3.1	3.2	2.4	2.3	2.3	2.2	2.1	1.9
Severance tax/revenue	10.3%	10.4%	10.4%	10.1%	10.1%	10.0%	10.0%	9.9%	9.9%
Ebitda Margin	81%	80%	79%	78%	78%	78%	78%	78%	78%

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 January 7, 2008



San Juan Basin Royalty Trust									
Next Twelve Months Operating and Financial Estimates									
	Q4	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/06	9/30/07	12/31/07	2007E	3/31/08	6/30/08	9/30/08	12/31/08	12/31/08
Highlights									
Revenue (\$mm) (75%)	41.0	49.7	39.2	172.2	46.4	46.2	49.6	50.8	193.1
Cash flow (\$mm) (75%)	32.8	39.5	30.2	134.3	36.6	36.4	39.5	40.5	153.1
Per unit	0.70	0.85	0.65	2.88	0.79	0.78	0.85	0.87	3.28
Distributable Income (\$mm)	26.4	37.4	26.0	113.2	31.7	29.6	32.2	33.0	126.6
Per unit	0.57	0.80	0.56	2.43	0.68	0.64	0.69	0.71	2.72
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Volume									
Natural gas (mmbtu)	10.5	10.6	10.1	39.6	10.0	9.8	10.0	10.0	39.8
Heat Content(btu/cf)	1,078	1,066	1,072	1,072	1,072	1,071	1,070	1,072	1,071
Natural gas (bcf)	9.8	10.0	9.4	37.0	9.3	9.1	9.3	9.3	37.1
Natural gas (mmcf)	106.3	108.2	102.5	101.3	101.5	101.5	101.5	101.5	101.5
Days	92	92	92	365	92	90	92	92	366
Oil (mb)	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Oil (mbd)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Days	92	92	92	365	92	90	92	92	366
Total gas & oil (bcf)	9.9	10.1	9.5	37.4	9.4	9.2	9.4	9.4	37.5
Price									
Natural gas (\$/mmbtu) (Henry Hub lagged two months)									
Henry Hub (\$/mmbtu)	6.02	7.35	5.99	6.96	7.21	7.34	7.71	7.90	7.54
Differential (%)	15	16	16	18	16	16	16	16	16
Net to SJT (\$/mmbtu)	5.09	6.14	5.05	5.69	6.04	6.15	6.46	6.62	6.32
Natural gas (\$/mcf)	5.49	6.55	5.42	6.10	6.47	6.59	6.92	7.10	6.77
Oil (\$/bbl) (WTI Cushing lagged two months)									
WTI Cushing	65.24	68.31	79.40	66.87	95.18	96.65	98.42	96.86	96.78
SJT	60.85	64.16	74.58	62.77	89.35	90.73	92.39	90.92	90.85
Total gas & oil (\$/mcf)	5.53	6.59	5.49	6.14	6.56	6.68	7.01	7.19	6.86
Revenue (\$mm)									
Natural Gas	53.7	65.2	51.1	225.4	60.4	60.1	64.6	66.3	251.4
Oil	0.9	1.1	1.3	4.3	1.5	1.5	1.6	1.5	6.1
Total	54.6	66.3	52.3	229.7	61.9	61.6	66.1	67.8	257.5
Cost (\$mm)									
Severance tax	5.6	6.4	4.9	22.6	6.0	6.1	6.4	6.7	25.2
Operating	5.3	7.2	7.1	28.0	7.0	7.0	7.0	7.0	28.2
Total	10.9	13.6	12.1	50.6	13.1	13.1	13.5	13.7	53.4
Cash flow (\$mm)									
Development	8.4	3.2	5.0	27.4	6.5	8.7	9.5	9.7	34.5
Net proceeds (\$mm)									
	35.3	49.5	35.2	151.7	42.3	39.8	43.2	44.3	169.6
Royalty income (\$mm)									
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	(0.4)	(0.4)	0.2	0.3	0.0	0.2	0.2	0.2	0.6
One-time	0.5			-					-
Distributable income (\$mm)									
	26.4	37.4	26.0	113.2	31.7	29.6	32.2	33.0	126.6
Severance tax/revenue	10.3%	9.7%	9.5%	9.9%	9.7%	9.9%	9.7%	9.9%	9.8%
Operating cost (\$/mcf)	0.53	0.72	0.75	0.75	0.75	0.76	0.75	0.75	0.75
Development/Cash flow	19%	6%	12%	15%	13%	18%	18%	18%	17%



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. 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.

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