

# U.S. Natural Gas Royalty Trusts

A Weekly Analysis

October 8, 2004

## More Upside than Downside

### Summary and Recommendation

After a gain of 9% in its first week, the U.S. natural gas and oil royalty trust account may still have more chance of moving higher in stock price than moving lower. Our moderate price scenario calls for six-year oil futures now nearly \$41 a barrel, remarkably, to reach \$50 a barrel subject to fluctuation along the way. We expect the value of the account, consisting of nearly equal weightings of seven high-quality entities, to reflect the pricing of long-term futures. Even better than futures, the trusts pay current distributions at the projected rate of nearly 10% a year (see table U.S. Natural Gas and Oil Royalty Trusts – The Account). Also remarkably, the strong unit price gains are matched by higher next twelve months distributions that are estimated using twelve months futures.

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### U.S. Natural Gas and Oil Royalty Trusts The Account

	<i>Symbol</i>	<i>Price (\$/un) 7-Oct 2004</i>	<i>Units</i>	<i>Market Value (\$)</i>	<i>Next Twelve Months Distrib. (\$/un)</i>	<i>Distrib. Yield (%/yr)</i>
Cross Timbers Royalty Trust	CRT	38.65	400	15,460	3.13	8.1
Dorchester Minerals, L.P.	DMLP	23.29	700	16,303		
Hugoton Royalty Trust	HGT	28.98	500	14,490	2.99	10.3
Mesa Royalty Trust	MTR	67.75	200	13,550		
Permian Basin Royalty Trust	PBT	12.60	1,200	15,120		
Sabine Royalty Trust	SBR	42.00	400	16,800		
San Juan Basin Royalty Trust	SJT	31.60	500	15,800	3.14	9.9
	<i>Total</i>			<i>107,523</i>		
Futures Strip						
		12 Month - Oil (\$/bbl)		49.11		
		12 Month - Natural Gas (\$/mmbtu)		7.39		
		72 Month - Oil (\$/bbl)		40.74		
		72 Month - Natural Gas (\$/mmbtu)		5.95		

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