

Uptrend with Volatility

Summary and Recommendation

We attribute recent declines in natural gas and oil price to market volatility rather than to any change in fundamental expectations. The seven stocks in an account holding roughly equal amounts of each depend primarily on the outlook for natural gas. Expected distributions for the Next Twelve Months are 13% lower than estimated a week ago just as average NTM natural gas price from the futures market is 13% lower. The principal value of seven income stocks declined 7% despite a more moderate 5% decline in the average natural gas price for the next six-years. Six-year natural gas and six-year average oil remain above the 40 week moving average confirming a continuing uptrend by that definition. The stocks are attractive income holdings to benefit from the positive outlook we see for natural gas and oil profits.

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U.S. Natural Gas and Oil Royalty Trusts

The Account

	<i>Symbol</i>	<i>Price (\$/un) 2-Dec 2004</i>	<i>Units</i>	<i>Market Value (\$)</i>	<i>Next Twelve Months Distrib. (\$/un)</i>	<i>NTM Distrib. Yield (%/yr)</i>
Cross Timbers Royalty Trust	CRT	36.80	400	14,720	2.96	8.0
Dorchester Minerals, L.P.	DMLP	22.97	700	16,079	1.96	8.5
Hugoton Royalty Trust	HGT	27.12	500	13,560	2.54	9.4
Mesa Royalty Trust	MTR	67.98	200	13,596	5.47	8.0
Permian Basin Royalty Trust	PBT	13.26	1,200	15,912	1.06	8.0
Sabine Royalty Trust	SBR	33.95	400	13,580	3.34	9.8
San Juan Basin Royalty Trust	SJT	28.28	500	14,140	2.98	10.5
	<i>Total</i>			<i>101,587</i>		<i>8.9</i>
Futures Strip						
12 Month - Oil (\$/bbl)		42.94				
12 Month - Natural Gas (\$/mmbtu)		6.54				
72 Month - Oil (\$/bbl)		39.23				
72 Month - Natural Gas (\$/mmbtu)		5.87				

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