

Calling Saudi Arabia's Bluff

Summary and Recommendation

When the market called for additional volumes of light, sweet crude oil in 2004, Saudi Arabia, the keeper of the world's spare capacity did not deliver. From that we conclude that world light, sweet crude oil production peaked in 2004, never to be exceeded again. Seasonal risks that might have resulted in occasional price pressure before the peak are likely to be muted in the aftermath of the market's calling of Saudi Arabia's bluff. Limited supply of clean fuel and continuing economic growth point to favorable returns for U.S. natural gas royalty trusts.

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U.S. Natural Gas and Oil Royalty Trusts

The Account

		<i>Price</i>		<i>Market</i>	<i>Next</i>	<i>NTM</i>
	<i>Symbol</i>	<i>(\$/un)</i>		<i>Value</i>	<i>Twelve</i>	<i>Distrib.</i>
		<i>16-Dec</i>	<i>Units</i>	<i>(\$)</i>	<i>Months</i>	<i>Yield</i>
		<i>2004</i>			<i>Distrib.</i>	<i>(%/yr)</i>
					<i>(\$/un)</i>	
Cross Timbers Royalty Trust	CRT	38.88	400	15,552	3.02	7.8
Dorchester Minerals, L.P.	DMLP	23.44	700	16,408	2.04	8.7
Hugoton Royalty Trust	HGT	27.21	500	13,605	2.64	9.7
Mesa Royalty Trust	MTR	68.00	200	13,600	5.59	8.2
Permian Basin Royalty Trust	PBT	13.29	1,200	15,948	1.14	8.6
Sabine Royalty Trust	SBR	36.05	400	14,420	3.40	9.4
San Juan Basin Royalty Trust	SJT	29.63	500	14,815	3.05	10.3
	<i>Total</i>			<i>104,348</i>		<i>8.9</i>
Futures Strip						
12 Month - Oil (\$/bbl)		43.67				
12 Month - Natural Gas (\$/mmbtu)		6.79				
72 Month - Oil (\$/bbl)		39.89				
72 Month - Natural Gas (\$/mmbtu)		5.92				

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