

## More Real Value

### Summary and Recommendation

Share prices declined in the past week while oil and gas prices increased. To better understand the oil and gas value in the stocks, we add a table that relates multiple of Present Value to Cash Flow to Adjusted Reserve Life Index and Revenue Royalty, the proportion of royalty as a percentage of revenue rather than net profits (see Rank by PV/Ebitda). Valuation is reasonable at a median McDep Ratio of 1.13 where 1.0 corresponds to \$40 a barrel oil price (see table [Rank by McDep Ratio](#)). Oil for delivery over the next 72 months is more than \$47. An account with roughly equal holdings of seven royalty trust type stocks appears to offer cash distributions for the next twelve months at 9% of current stock price (see table [The Account](#)).

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#### Rank by PV/Ebitda: Present Value to Earnings Before Interest, Tax, Deprec.

	<i>Symbol</i>	<i>Total Present Value (\$mm)</i>	<i>Unit Present Value (\$/mcf)</i>	<i>Reserves (bcf)</i>	<i>Natural Gas/Ebitda (%)</i>	<i>Adjusted Reserves/Production NTM</i>	<i>Revenue Royalty (%)</i>	<i>PV/Ebitda</i>
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	216	3.90	55	73	13.4	85	11.1
Mesa RoyaltyTrust	MTR	112	2.99	37	76	15.2	-	9.9
Dorchester Minerals, L.P.	DMLP	568	6.15	92	79	8.6	57	9.2
Sabine Royalty Trust	SBR	481	6.90	70	59	7.6	100	9.0
San Juan Basin Royalty Trust	SJT	1,398	2.51	557	99	12.5	-	8.8
Hugoton RoyaltyTrust (46%)	HGT	497	2.80	177	92	14.4	-	8.6
Permian Basin RT (41%)	PBT	229	4.50	51	39	9.1	34	8.5
	<i>Total or Median</i>	3,501		1,040	76	12.5		9.0

#### Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol</i>	<i>Price (\$/sh) 10-Mar 2005</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>EV/Ebitda NTM</i>	<i>McDep Ratio</i>
Permian Basin RT (41%)	PBT	14.14	19.1	270	12.00	10.0	1.18
Sabine Royalty Trust	SBR	38.69	14.6	560	33.00	10.5	1.17
Dorchester Minerals, L.P.	DMLP	23.95	27.0	650	21.00	10.5	1.14
Cross Timbers Royalty Trust	CRT	40.68	6.0	240	36.00	12.5	1.13
San Juan Basin Royalty Trust	SJT	33.50	46.6	1,560	30.00	9.8	1.12
Mesa RoyaltyTrust	MTR	65.84	1.9	120	60.00	10.9	1.10
Hugoton RoyaltyTrust (46%)	HGT	29.48	18.4	540	27.00	9.3	1.09
	<i>Total or Median</i>			3,900		10.5	1.13

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

#### The Account

	<i>Symbol</i>	<i>Price (\$/un) 10-Mar 2005</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	40.68	400	16,272	3.20	7.9
Hugoton Royalty Trust	HGT	29.48	500	14,740	2.56	8.7
Mesa RoyaltyTrust	MTR	65.84	200	13,168	5.88	8.9
San Juan Basin Royalty Trust	SJT	33.50	500	16,750	3.04	9.1
Permian Basin Royalty Trust	PBT	14.14	1,200	16,968	1.30	9.2
Sabine Royalty Trust	SBR	38.69	400	15,476	3.69	9.5
Dorchester Minerals, L.P.	DMLP	23.95	700	16,765	2.29	9.5
	<i>Total</i>			<i>110,139</i>		<i>9.0</i>
Futures Strip						
12 Month - Oil (\$/bbl)		53.40				
12 Month - Natural Gas (\$/mmbtu)		7.34				
72 Month - Oil (\$/bbl)		47.43				
72 Month - Natural Gas (\$/mmbtu)		6.27				

#### Index of Recent U.S. Royalty Trust Research

##### Single Trust Analyses

<i>Date</i>	<i>Symbol</i>	<i>Stock</i>	<i>Theme</i>
11-Feb	HGT	Hugoton Royalty Trust	Improving Volume Trend
3-Feb	* SJT	San Juan Basin Royalty Trust	Real Value with Income
22-Nov	* MTR	Mesa Royalty Trust	Hugoton Predictability, San Juan Surprise
12-Nov	* CRT	Cross Timbers Royalty Trust	Low Risk, Long Life

##### U.S. Natural Gas Royalty Trusts - A Weekly Analysis

4-Mar		San Juan Showcase
25-Feb	*	New High for Six-Year Oil
18-Feb	*	Founding Father Speaks
11-Feb	*	New High
4-Feb	*	Pioneer's Hugoton Deal
28-Jan	*	Present Value at \$40 Oil
21-Jan	*	Overlooked Asset Class
13-Jan	*	Green on the Screen
7-Jan	*	All Barrels Are Not the Same
31-Dec	*	Charitable Gifts

\* Archived on [www.mcdep.com](http://www.mcdep.com)

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