

IGCC

Summary

The main competition to natural gas today is the political willingness to accept a compromised environment, but eventually something like Integrated Gasification Combined Cycle (IGCC) may make coal competitive and reasonably clean. Gasification turns coal into a clean mix that leaves pollutants behind or easier to remove. Combined Cycle alludes to the efficient gas-fired plants that generate electricity from both the combustion of gas and waste heat. The practical problem is that IGCC, or similar technology, is not likely to be implemented fast enough to make a dent in natural gas price for years, if ever. The income stocks in this weekly analysis offer direct financial participation in clean fuel with a current average estimated distribution yield of 8.6% for the next twelve months and median unlevered cash flow multiple, EV/Ebitda, of 10.9 times.

Kurt H. Wulff, CFA

U.S. Natural Gas and Oil Royalty Trusts

The Account

	<i>Symbol</i>	<i>Price (\$/un) 7-Jul 2005</i>	<i>Units</i>	<i>Market Value (\$)</i>	<i>Next Twelve Months Distrib. (\$/un)</i>	<i>NTM Distrib. Yield (%/yr)</i>
San Juan Basin Royalty Trust	SJT	44.00	500	22,000	3.45	7.8
Sabine Royalty Trust	SBR	46.85	400	18,740	3.76	8.0
Permian Basin Royalty Trust	PBT	16.32	1,200	19,584	1.38	8.5
Mesa Royalty Trust	MTR	65.25	200	13,050	5.68	8.7
Cross Timbers Royalty Trust	CRT	42.39	400	16,956	3.74	8.8
Dorchester Minerals, L.P.	DMLP	23.82	700	16,674	2.14	9.0
Hugoton Royalty Trust	HGT	31.46	500	15,730	2.95	9.4
	<i>Total</i>			<i>122,734</i>		<i>8.6</i>
Futures Strip						
12 Month - Oil (\$/bbl)		61.93				
12 Month - Natural Gas (\$/mmbtu)		8.09				
72 Month - Oil (\$/bbl)		59.35				
72 Month - Natural Gas (\$/mmbtu)		7.53				

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

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

	<i>Symbol</i>	<i>Price (\$/sh)</i> 7-Jul 2005	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>EV/Ebitda NTM</i>	<i>McDep Ratio</i>
Sabine Royalty Trust	SBR	46.85	14.6	680	33.00	12.5	1.42
San Juan Basin Royalty Trust	SJT	44.00	46.6	2,050	32.00	11.6	1.38
Permian Basin RT (41%)	PBT	16.32	19.1	310	12.00	10.9	1.36
Cross Timbers Royalty Trust	CRT	42.39	6.0	250	36.00	11.2	1.18
Hugoton RoyaltyTrust (46%)	HGT	31.46	18.4	580	27.00	8.9	1.17
Dorchester Minerals, L.P.	DMLP	23.82	28.2	670	21.00	9.7	1.13
Mesa RoyaltyTrust	MTR	65.25	1.9	120	60.00	10.1	1.09
<i>Total or Median</i>				<i>4,700</i>		<i>10.9</i>	<i>1.18</i>

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>
Cross Timbers Royalty Trust	CRT	216	3.10	70	71	20.0	85	9.5
Mesa RoyaltyTrust	MTR	112	2.65	42	71	20.0	-	9.2
Sabine Royalty Trust	SBR	481	3.70	130	57	11.8	100	8.8
Dorchester Minerals, L.P.	DMLP	593	3.79	157	79	13.7	54	8.6
San Juan Basin Royalty Trust	SJT	1,491	2.88	518	99	12.1	-	8.5
Permian Basin RT (41%)	PBT	229	2.30	100	38	16.3	30	8.0
Hugoton RoyaltyTrust (46%)	HGT	497	2.90	171	92	13.8	-	7.6
<i>Total or Median</i>		<i>3,620</i>		<i>1,188</i>	<i>71</i>	<i>13.8</i>		<i>8.6</i>

Index of Recent U.S. Royalty Trust Research

Single Trust Analyses

<i>Date</i>	<i>Symbol</i>	<i>Stock</i>	<i>Theme</i>
13-May	* DMLP	Dorchester Minerals, L.P.	Royalty Volume Increasing
28-Apr	* SJT	San Juan Basin Royalty Trust	Ten Bagger
24-Mar	* MTR	Mesa Royalty Trust	Long Reserve Life Reported
11-Feb	* HGT	Hugoton Royalty Trust	Improving Volume Trend

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

8-Jul		IGCC
30-Jun		Natural Gas Vision
23-Jun		Déjà Vu 1977
16-Jun	*	Growth Fuel
9-Jun	*	Twilight in the Desert
3-Jun	*	Good Inflation
27-May	*	Understated Reserves

* Archived on www.mcdep.com

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.