

Natural Gas Royalty Trusts

A Weekly Analysis

June 12, 2003

High CRT Declaration Ahead

Summary and Recommendation

Traders might take profits in **Hugoton Royalty Trust (HGT)** as the stock has reached a McDep Ratio of 1.2. The good news of a seasonally high distribution was disclosed last month for HGT while we expect similar good news to be disclosed for **Cross Timbers Royalty Trust (CRT)** on June 20. Should CRT stock reach a McDep Ratio of 1.2, traders might take some profits in that stock at the higher price that implies. Our buy recommendation of **San Juan Basin Royalty Trust (SJT)** remains in place, as the McDep Ratio is less than 1.0 by a slight amount. Of course, no one can make such calls with certainty. Long-term investors remember that the stocks have rebounded to new highs after falling back from the peaks of two years ago. At the same time, current income is highly attractive even if principal erodes some. Taxable new investors may be partially consoled from any disappointment of a potential near term decline with a high cost basis that allows high depletion to offset current income. Finally investors should keep in mind that McDep Ratios are tied to the current quote for six-year futures. Should that quote go up a third or more to the trend value we developed in *Meter Reader*, investment potential would be enhanced accordingly. Meanwhile we expect declarations of monthly distributions by natural gas royalty trusts to be made on June 20, 2003, to be about \$0.25, \$0.15 and \$0.15 a unit for CRT, HGT and SJT respectively.

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

| | <i>Symbol/ Rating</i> | <i>Price (\$/sh) 11-Jun 2003</i> | <i>Shares (mm)</i> | <i>Market Cap (\$mm)</i> | <i>Net Present Value (\$/sh)</i> | <i>Debt/ Present Value</i> | <i>McDep Ratio</i> |
|------------------------------|---------------------------|--|------------------------|----------------------------------|--|------------------------------------|------------------------|
| Hugoton RoyaltyTrust (46%) | HGT | 20.68 | 18.4 | 380 | 17.30 | - | 1.20 |
| Cross Timbers Royalty Trust | CRT | 24.35 | 6.0 | 146 | 23.20 | - | 1.05 |
| San Juan Basin Royalty Trust | SJT | 19.76 | 46.6 | 920 | 20.20 | - | 0.98 |

Buy/Sell rating after symbol: B - Buy, N - Neutral, S - Sell

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Mr. Wulff is not paid by covered companies. Neither he nor his spouse act contrary to a buy or sell rating.

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Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

| | <i>Symbol/</i> | <i>Price</i> | <i>EV/</i> | <i>EV/</i> | <i>Dividend or</i> | <i>PV/</i> |
|------------------------------|----------------|----------------|--------------|---------------|---------------------|---------------|
| | <i>Rating</i> | <i>(\$/sh)</i> | <i>Sales</i> | <i>Ebitda</i> | <i>Distribution</i> | <i>Ebitda</i> |
| | | <i>11-Jun</i> | <i>NTM</i> | <i>NTM</i> | <i>NTM</i> | <i>NTM</i> |
| | | <i>2003</i> | <i>NTM</i> | <i>NTM</i> | <i>NTM</i> | <i>NTM</i> |
| | | | | | <i>(%)</i> | <i>NTM</i> |
| Cross Timbers Royalty Trust | CRT | 24.35 | 6.8 | 9.3 | 10 | 8.9 |
| Hugoton RoyaltyTrust (46%) | HGT | 20.68 | 6.1 | 7.9 | 9 | 6.6 |
| San Juan Basin Royalty Trust | SJT | B | 19.76 | 6.0 | 7.3 | 7.5 |

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2004; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Natural Gas and Oil Futures

June 11, 2003

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | Six Year |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------------|
| Natural Gas (\$/mmbtu) | | | | | | | |
| Year ending June | 6.12 | 5.19 | 4.83 | 4.74 | 4.77 | 4.75 | 5.07 |
| Light Sweet Crude Oil (\$/bbl) | | | | | | | |
| Year ending June | 28.32 | 24.74 | 24.08 | 24.05 | 24.01 | 23.99 | 24.87 |
| Natural Gas/Oil (6:1 = 1.0) | | | | | | | |
| Year ending June | 1.30 | 1.26 | 1.20 | 1.18 | 1.19 | 1.19 | 1.22 |

Source: Nymex, FutureSource, wsj.com, McDep Associates

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