

Natural Gas Royalty Trusts

A Weekly Analysis

September 18, 2003

Opportunity in Random Fluctuation

Summary and Recommendation

Our estimates of monthly distributions seem to be reasonably accurate, but not too precise. For the past twenty-one months that we have been making short-term estimates for recommended **San Juan Basin Royalty Trust (SJT)** the average deviation between our estimate and actual distribution is less than a half cent. Yet without regard to whether the deviation is positive or negative, the average deviation is \$0.02 per unit. We interpret that to mean that most of the deviation in declared monthly distribution compared to our estimate is random fluctuation. Ironically, fluctuating distributions are part of the royalty trust opportunity relative to other income investments. We think that investors often pay too much for income that may seem steadier, but in reality may be less secure because of high leverage and high fees. Meanwhile our estimates for latest monthly distributions to be declared Friday, September 19 remain \$0.18 per unit for SJT, \$0.20 for **Cross Timbers Royalty Trust (CRT)** and \$0.17 for **Hugoton Royalty Trust (HGT)**.

Kurt H. Wulff, CFA

Natural Gas and Oil Futures

September 17, 2003

	<i>Year Ending September</i>						<i>Six</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>Year</i>
Natural Gas (\$/mmbtu)	4.89	4.73	4.65	4.66	4.70	4.74	4.73
Light Sweet Crude Oil (\$/bbl)	26.39	24.98	24.68	24.67	24.65	24.66	25.00
Natural Gas/Oil (6:1 = 1.0)	1.11	1.14	1.13	1.13	1.14	1.15	1.14

Source: Nymex.com, McDep Associates

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 McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating	Price (\$/sh) 17-Sep 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Hugoton RoyaltyTrust (46%)	HGT	18.87	18.4	350	15.40	-	1.22
Cross Timbers Royalty Trust	CRT	21.14	6.0	127	19.70	-	1.07
San Juan Basin Royalty Trust	SJT B	17.63	46.6	820	17.80	-	0.99

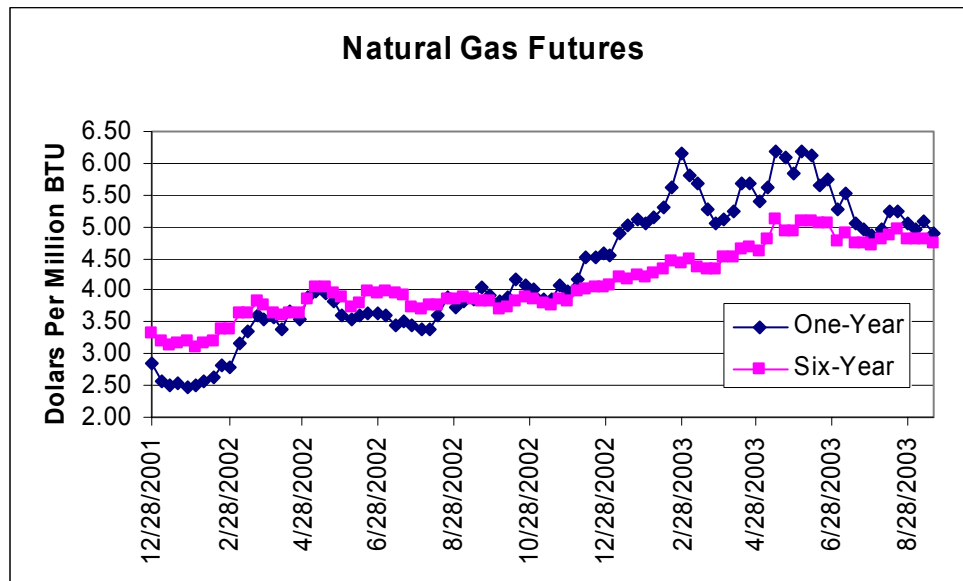
Buy/Sell rating after symbol: B - Buy, S - Sell

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

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

	Symbol/ Rating	Price (\$/sh) 17-Sep 2003	EV/ Sales NTM	EV/ Ebitda NTM	Dividend or Distribution P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
Cross Timbers Royalty Trust	CRT	21.14	7.1	10.2	10	9.6	9.5
Hugoton RoyaltyTrust (46%)	HGT	18.87	6.8	9.2	11	9.3	7.5
San Juan Basin Royalty Trust	SJT B	17.63	6.3	7.8	9	11.1	7.8

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



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