

Natural Gas Royalty Trusts

A Weekly Analysis

November 26, 2003

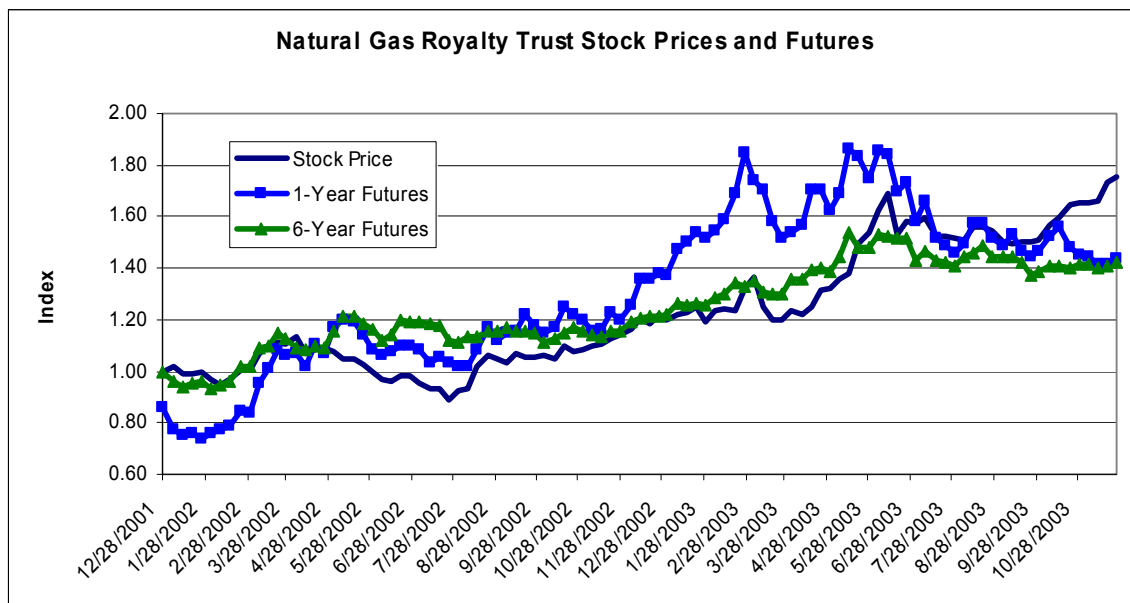
Royalty Trusts Leading Futures

Summary and Recommendation

Average stock price for three royalty trusts is trending up while six-year natural gas futures are trending level and one-year natural gas futures have been tracking six-year recently (see Chart). Optimistically, we would say that royalty trusts are now a leading indicator for futures. Alternatively there may be more risk in royalty trust stock prices relative to futures temporarily. Another factor buoying royalty trust stock prices may be strong demand from investors for current income. Yet, we believe the valuation of recommended **San Juan Basin Royalty Trust (SJT)** remains reasonable at its lower McDep Ratio relative to peers.

Our price comparisons are prompted by a comment from a portfolio manager along the lines that long-term futures lag short-term futures. What does seem apparent from observing trends is that long-term and short-term futures usually move in the same direction at the same time. What also seems obvious is that short-term futures are more volatile.

Kurt H. Wulff, CFA

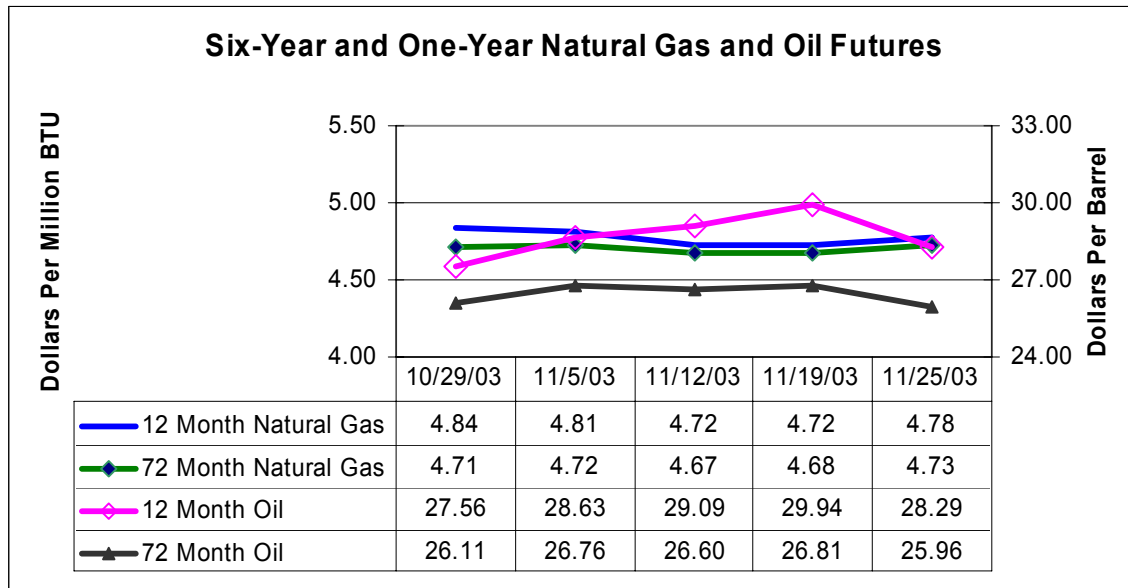


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Natural Gas and Oil Futures

November 25, 2003

	<i>Year Ending November</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)	4.78	4.72	4.68	4.73	4.73	4.75	4.73
Light Sweet Crude Oil (\$/bbl)	28.29	25.82	25.40	25.39	25.38	25.47	25.96
Natural Gas/Oil (6:1 = 1.0)	1.01	1.10	1.11	1.12	1.12	1.12	1.09

Source: Nymex.com, McDep Associates

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

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 25-Nov 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	21.15	18.4	390	15.60	-	1.36
Cross Timbers Royalty Trust	CRT	26.80	6.0	161	20.20	-	1.33
Sabine Royalty Trust	SBR	27.91	14.6	410	22.00	-	1.27
Permian Basin RT (41%)	PBT	8.16	19.1	160	6.50	-	1.26
San Juan Basin Royalty Trust	SJT	19.41	46.6	910	18.30	-	1.06
	<i>Total or Median</i>			2,000		-	1.27

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.

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 25-Nov 2003</i>	<i>EV/ Sales NTM</i>	<i>EV/ Ebitda NTM</i>	<i>P/E NTM</i>	<i>Dividend or Distribution NTM (%)</i>	<i>PV/ Ebitda NTM</i>
Cross Timbers Royalty Trust	CRT	26.80	9.1	13.1	13	7.5	9.9
Sabine Royalty Trust	SBR	27.91	10.7	11.1	11	9.0	8.8
Permian Basin RT (41%)	PBT	8.16	7.6	11.0	13	9.2	8.7
Hugoton RoyaltyTrust (46%)	HGT	21.15	7.7	10.6	13	7.5	7.8
San Juan Basin Royalty Trust	SJT	19.41	7.1	8.8	11	9.4	8.3

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2004; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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