



Hugoton Royalty Trust Insider Buying

<i>Symbol</i>	HGT	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	123
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	86
<i>Price (US\$/sh)</i>	25.14	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	1/10/08	<i>Adjusted Reserves/Production NTM</i>	13.8
<i>Shares (mm)</i>	40.0	<i>EV/Ebitda</i>	8.2
<i>Market Capitalization (US\$m)</i>	1,006	<i>PV/Ebitda</i>	11.1
<i>Debt (US\$m)</i>	0	<i>Undeveloped Reserves (%)</i>	14
<i>Enterprise Value (EV) (US\$m)</i>	1,006	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	5.13
<i>Present Value (PV) (US\$m)</i>	1,360	<i>Present Value Proven Reserves(US\$/boe)</i>	23.00
<i>Net Present Value (US\$/unit)</i>	34.0	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.80
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	2.18
<i>McDep Ratio - EV/PV</i>	0.74	<i>Price/Earnings Next Twelve Months</i>	12
<i>Distribution Yield (%/year)</i>	8.7	<i>Distribution Next Twelve Months (US\$/sh)</i>	2.18
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas. Reported results may vary widely from estimates. Estimated present value per share revised only infrequently. Estimated present value presumes a long-term price for oil of US\$80 a barrel and natural gas, \$11 a million btu. For historical analysis of HGT since 2000 see www.mcdep.com/4hgt.htm			

Summary and Recommendation

A credible insider boosted his holdings in buy-recommended **Hugoton Royalty Trust (HGT)** to 700,000 units from 500,000 units during the week ended January 3. The insider, Mr. Bob R. Simpson, is the driving force at the helm of buy-recommended XTO Energy (XTO), the creator of HGT and the operator of HGT's properties. We take that as welcome confirmation of our analysis of the neglected value in HGT. A turnaround in distributions tied to natural gas price may be about to unfold in early 2008 judging from the trend in the industry index and futures prices, subject to the time delay to cash distribution (see tables [Monthly Declarations](#) and [Distributable Income](#)). Most of our volume and cost estimates extend the trend of recent monthly results. The price of HGT stock is also influenced by long-term natural gas price that after a stable period may be poised to resume an uptrend (see chart [Six-Year Commodity Price Meter](#)).

Weekly Analysis of Income Stocks

Among other recent developments for income stocks we note buy-recommended **Penn West Energy Trust (PWE)** has completed its pending acquisitions. **Encore Energy Partners (ENP)** announces an acquisition of properties from buy-recommended Encore Acquisition (EAC). McDep Ratios reflect the transactions while cash flow projections will be adjusted soon (see tables).

Kurt H. Wulff, CFA

Oil and Gas Income Stocks

A Weekly Analysis

January 11, 2008



Hugoton Royalty Trust									
Monthly Declarations									
	Jan-07	Feb-07	Mar-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
Distribution (\$/unit)									
Declared	0.14	0.17	0.09	0.13	0.10	0.13			
Projected							0.16	0.18	0.17
Volume									
Natural Gas (bcf)	2.38	2.40	2.31	2.43	2.34	2.49	2.31	2.38	2.38
Natural Gas (mmcf)	79	77	74	78	78	80	77	77	77
Days	30	31	31	31	30	31	30	31	31
Price									
Natural gas industry quotes lagged two months (\$/mmbtu)									
Henry Hub Index/Futures	7.16	8.33	5.84	6.11	5.43	6.43	7.28	7.21	7.13
HGT/Henry Hub	0.87	0.76	0.89	0.83	0.81	0.75	0.79	0.82	0.82
HGT (\$/mcf)	6.25	6.34	5.20	5.09	4.40	4.80	5.75	5.88	5.85
Revenue (\$mm)									
Natural Gas	14.9	15.2	12.0	12.4	10.3	12.0	13.3	14.0	13.9
Other	(0.1)	(0.6)	(0.9)	0.6	1.1	0.9	1.1	1.4	1.0
Total	14.8	14.6	11.1	12.9	11.4	12.9	14.4	15.4	14.9
Cost (\$mm)									
Production	1.8	1.6	2.0	1.6	1.9	1.8	1.9	1.9	1.9
Overhead	0.7	0.8	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Total	2.5	2.4	2.7	2.4	2.7	2.6	2.6	2.6	2.6
Cash flow (\$mm)									
Development	5.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Net proceeds (\$mm)									
	7.2	8.5	4.6	6.7	4.9	6.5	8.0	9.0	8.5
Royalty income (\$mm)									
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%	80%	80%	80%
Distributable income (\$mm)									
	5.8	6.8	3.7	5.4	4.0	5.2	6.4	7.2	6.8
Units (millions)									
	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Distribution (\$/unit)									
	0.14	0.17	0.09	0.13	0.10	0.13	0.16	0.18	0.17
<i>Latest Twelve Month Average</i>									
Natural Gas (mmcf)	81	81	80	77	77	77	77	77	77
HGT/Henry Hub	0.85	0.85	0.86	0.84	0.84	0.82	0.82	0.82	0.81
Other revenue (\$mm)	0.1	0.1	0.0	(0.0)	0.0	0.1	0.2	0.3	0.5
Development (\$mm)	4.5	4.5	4.5	3.8	3.7	3.6	3.5	3.5	3.5
Production (\$mm)	1.9	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Overhead (\$mm)	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8

Oil and Gas Income Stocks

A Weekly Analysis

January 11, 2008

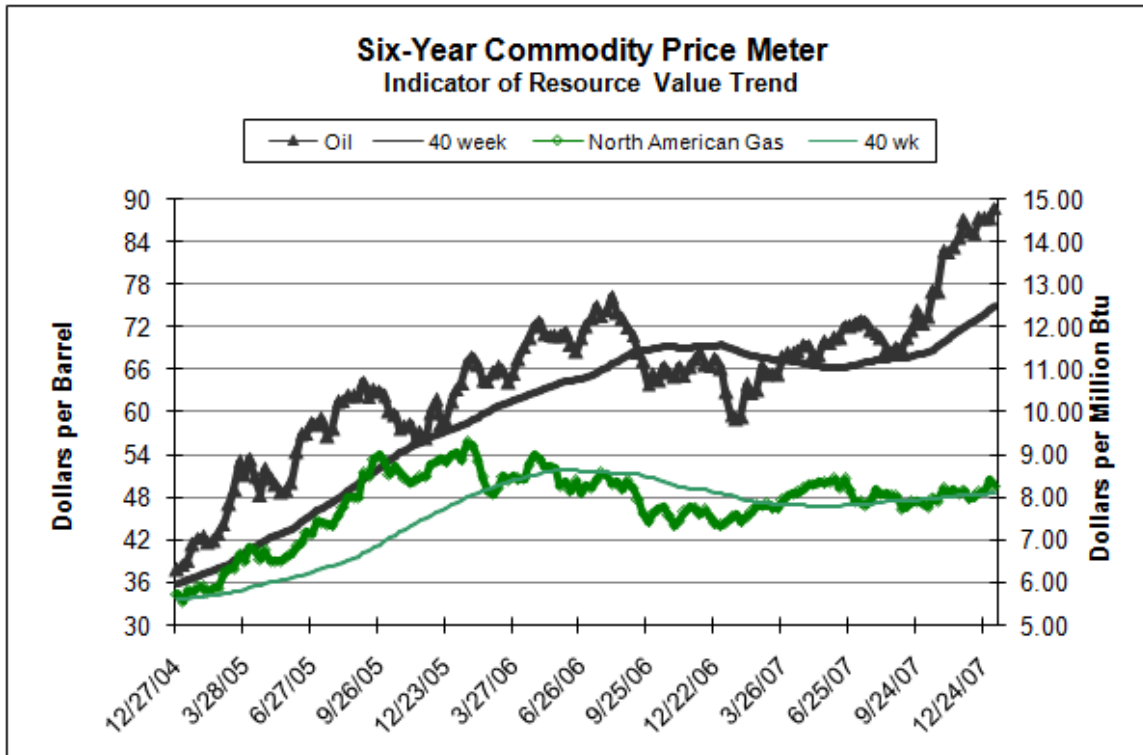


Hugoton Royalty Trust									
Distributable Income									
	Q4	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/06	9/30/07	12/31/07	2007E	3/31/08	6/30/08	9/30/08	12/31/08	12/31/08
Highlights									
Revenue (\$mm) (80%)	36.4	37.1	32.5	143.7	38.6	38.7	43.2	43.8	164.3
Cash flow (\$mm) (80%)	26.1	26.9	23.3	104.3	28.5	28.6	32.6	33.2	122.8
Per unit	0.65	0.67	0.58	2.61	0.71	0.71	0.82	0.83	3.07
Distributable Income (\$mm)	14.0	17.7	14.6	69.4	20.4	19.4	23.4	24.0	87.2
Per unit	0.35	0.44	0.36	1.73	0.51	0.49	0.59	0.60	2.18
Units (millions)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Volume									
Natural Gas (bcf)	7.6	7.0	7.3	28.1	7.1	6.9	7.1	7.1	28.1
Natural Gas (mmcf)	82.2	75.9	78.8	77.0	76.7	76.7	76.7	76.7	76.7
Days	92	92	92	365	92	90	92	92	366
Oil (mb)	90	77	79	303	79	77	79	79	314
Oil (mbd)	1.0	0.8	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Days	92	92	92	365	92	90	92	92	366
Total (bcf)	8.1	7.4	7.7	29.9	7.5	7.4	7.5	7.5	30.0
Price									
Natural Gas (HH lagged two months)									
Henry Hub (\$/mmbtu)	6.02	7.35	5.99	6.96	7.21	7.41	7.89	8.05	7.64
Differential (%)	12	19	20	18	19	19	16	16	17
HGT (\$/mcf)	5.28	5.93	4.77	5.70	5.83	5.99	6.63	6.76	6.30
Oil (\$/bbl) (WTI Cushing lagged two months)									
WTI Cushing	65.24	68.31	79.40	66.87	93.82	93.93	94.53	93.39	93.91
HGT	62.07	65.29	75.89	64.49	89.67	90.58	91.16	90.06	90.37
Total (\$/mcf)	5.62	6.24	5.25	6.01	6.40	6.56	7.16	7.28	6.85
Revenue (\$mm)									
Natural Gas	39.9	41.4	34.6	160.1	41.1	41.3	46.8	47.7	176.9
Oil	5.6	5.0	6.0	19.5	7.1	7.0	7.2	7.1	28.4
Total	45.5	46.4	40.6	179.6	48.2	48.3	54.0	54.8	205.3
Cost (\$mm)									
Tax, transport & other	4.8	4.6	3.8	17.9	4.8	4.8	5.3	5.4	20.3
Production	5.9	5.9	5.4	22.3	5.6	5.6	5.6	5.6	22.4
Overhead	2.1	2.3	2.3	9.1	2.3	2.3	2.3	2.3	9.1
Total	12.9	12.8	11.5	49.2	12.6	12.6	13.2	13.3	51.8
Cash flow (\$mm)									
Development	15.0	11.3	11.3	42.8	11.3	11.3	11.3	11.3	45.0
Net proceeds (\$mm)									
Royalty income (\$mm)	14.1	17.9	14.3	70.1	19.5	19.6	23.6	24.2	86.8
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%	80%	80%	80%
Administration	0.1	0.2	0.2	1.2	0.2	0.2	0.2	0.2	0.7
Distributable income (\$mm)									
Tax and other/revenue	10.6%	10.0%	9.3%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Production cost (\$/mcf)	0.73	0.79	0.70	0.74	0.74	0.76	0.74	0.74	0.75
Overhead cost (\$/mcf)	0.26	0.31	0.30	0.30	0.30	0.31	0.30	0.30	0.30
Development/Cash flow	0.46	0.33	0.39	0.33	0.32	0.32	0.28	0.27	0.29
Production/Revenue	0.13	0.13	0.13	0.12	0.12	0.12	0.10	0.10	0.11
Overhead/Revenue	0.05	0.05	0.06	0.05	0.05	0.05	0.04	0.04	0.04
Distributable Income/Reven	0.31	0.38	0.36	0.39	0.42	0.40	0.43	0.44	0.42

Oil and Gas Income Stocks

A Weekly Analysis

January 11, 2008



Natural Gas and Oil Income Stocks - Rank by McDep Ratio							
			Price (\$/sh)	Market	Net	Debt/	
	Symbol/ Rating	10-Jan 2008	Shares (mm)	Cap (\$mm)	Value (\$/un)	Present Value	McDep Ratio
U.S. Royalty Trusts							
	SBR	46.78	14.6	680	48.00	-	0.97
	PBT	16.70	46.6	780	18.00	-	0.93
	SJT	B	36.10	1,680	40.00	-	0.90
	CRT	41.51	6.0	250	47.00	-	0.88
	MTR	59.01	1.9	110	70.00	-	0.84
	HGT	B	25.14	1,010	34.00	-	0.74
	<i>Total or Median</i>			4,500			0.89
Canadian Income Trusts (US\$)							
	PGH	17.59	247.0	4,340	19.00	0.25	0.94
	COSWF	B	37.72	18,070	45.00	0.06	0.85
	ERF	39.42	129.4	5,100	52.00	0.13	0.79
	PWE	B	25.71	6,240	37.00	0.20	0.76
	<i>Total or Median</i>			33,800		0.17	0.82
U.S. Master Limited Partnerships (MLPs)							
	KMP	S	55.68	179.3	9,990	17.00	0.54
	ENP	20.35	9.0	180	20.00	0.14	1.01
	LINE	22.87	114.0	2,610	27.00	0.30	0.89
	DMLP	20.86	28.2	590	27.00	-	0.77
	<i>Total or Median</i>			13,400		0.22	0.95
B = Buy, S = Sell							
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses							

Oil and Gas Income Stocks

A Weekly Analysis

January 11, 2008



Natural Gas and Oil Income Stocks - Rank by EV/Ebitda									
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda	P/E	Divd or Distrib	
	Symbol/ Rating		10-Jan 2008	NTM	NTM	NTM	NTM	NTM (%)	
U.S. Royalty Trusts									
	San Juan Basin Royalty Trust	SJT	B	36.10	10.2	13.4	12.1	14.8	6.8
	Cross Timbers Royalty Trust	CRT		41.51	13.1	11.2	9.9	10.6	9.5
	Sabine Royalty Trust	SBR		46.78	9.2	10.1	9.9	9.9	10.1
	Mesa Royalty Trust	MTR		59.01	21.1	10.2	8.6	9.9	10.1
	Hugoton Royalty Trust	HGT	B	25.14	13.4	11.3	8.4	11.7	8.5
	Permian Basin RT	PBT		16.70	8.2	9.0	8.3	9.3	10.7
	<i>Median</i>				11.7	10.7	9.2	10.2	9.8
Canadian Income Trusts (US\$)									
	Canadian Oil Sands Trust	COSWF	B	37.72	23.2	10.1	8.5	10.1	8.5
	Pengrowth Energy Trust	PGH		17.59	7.4	6.9	6.5	18.3	15.4
	Enerplus Resources Fund	ERF		39.42	9.7	8.0	6.3	10.6	12.8
	Penn West Energy Trust	PWE	B	25.71	7.8	6.9	5.2	8.8	15.9
	<i>Median</i>				8.7	7.5	6.4	10.4	14.1
U.S. Master Limited Partnerships (MLPs)									
	Kinder Morgan Energy Partners, L.P.	KMP	S	55.68	7.6	7.9	16.2	35.2	6.3
	Linn Energy, LLC	LINE		22.87	20.8	14.5	12.9	44.3	10.0
	Dorchester Minerals, L.P.	DMLP		20.86	9.2	11.9	9.2	13.9	10.9
	Encore Energy Partners, L.P.	ENP		20.35	12.2	7.9	8.0	43.3	6.9
	<i>Median</i>				10.7	9.9	11.0	39.2	8.4
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses									

Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield										
				Natural Gas/ Ebitda	Dist/ Equity Ebitda	NTM Distribution (Smm)	Dist (\$/un)	Dist Yield (%)		
	Symbol	Revenue Royalty (%)		(%)	Ebitda	Ebitda	Ebitda	Ebitda		
U.S. Royalty Trusts										
	San Juan Basin Royalty Trust	SJT		-	98	0.82	0.82	114	2.44	6.8
	Hugoton Royalty Trust	HGT		-	86	0.71	0.71	86	2.14	8.5
	Cross Timbers Royalty Trust	CRT		84	64	0.94	0.94	24	3.93	9.5
	Mesa Royalty Trust	MTR		-	64	0.88	0.88	11	5.98	10.1
	Sabine Royalty Trust	SBR		100	50	1.00	1.00	69	4.75	10.1
	Permian Basin RT	PBT		35	32	0.89	0.89	83	1.79	10.7
	<i>Total or Median</i>				64	0.88	0.88	400		9.8
Canadian Income Trusts (US\$)										
	Canadian Oil Sands Trust	COSWF		-	(6)	0.68	0.72	1,536	3.21	8.5
	Enerplus Resources Fund	ERF		-	35	0.67	0.78	654	5.05	12.8
	Pengrowth Energy Trust	PGH		-	34	0.74	0.99	668	2.71	15.4
	Penn West Energy Trust	PWE		-	27	0.61	0.76	992	4.09	15.9
	<i>Total or Median</i>				30	0.68	0.77	3,800		14.1
U.S. Master Limited Partnerships (MLPs)										
	Kinder Morgan Energy Partners	KMP		-	0.75	1.64	631	3.52	6.3	
	Encore Energy Partners, L.P.	ENP		14	0.47	0.55	13	1.40	6.9	
	Linn Energy, LLC	LINE		63	0.85	1.22	260	2.28	10.0	
	Dorchester Minerals, L.P.	DMLP		64	67	1.00	1.00	64	2.27	10.9
	<i>Total or Median</i>				39	0.80	1.11	1,000		8.4
NTM = Next Twelve Months Ended December 31, 2008										
Ebitda = Earnings before interest, tax, depreciation and amortization										

Oil and Gas Income Stocks

A Weekly Analysis

January 11, 2008



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.