

U.S. Natural Gas Royalty Trusts

A Weekly Analysis

October 15, 2004

Futures with Cash Back

Summary and Recommendation

The U.S. natural gas and oil royalty trust account has an estimated distribution yield of 9.3% for the next twelve months in addition to participation in long-term oil and gas price trends. Though we now have a distribution estimate for each of the seven entities, we are not yet willing to say that one is valued more or less highly than another. Some trusts have lower risk because they have a free ride on the capital spending of other parties on some or all of their properties. Other trusts are distributing less than full cash flow because some funds are being withheld to finance new investment to expand producing capacity. The limited partnership in the group shares the no-debt feature of the trusts, owns the full mineral interest in some of its properties and does not have escalating general partner compensation (see table U.S. Natural Gas and Oil Royalty Trusts – The Account).

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U.S. Natural Gas and Oil Royalty Trusts The Account

	<i>Symbol</i>	<i>Price (\$/un) 14-Oct 2004</i>	<i>Units</i>	<i>Market Value (\$)</i>	<i>Next Twelve Months Distrib. (\$/un)</i>	<i>Distrib. Yield (%/yr)</i>
Cross Timbers Royalty Trust	CRT	35.56	400	14,224	3.13	8.8
Dorchester Minerals, L.P.	DMLP	23.00	700	16,100	2.23	9.7
Hugoton Royalty Trust	HGT	28.13	500	14,065	2.99	10.6
Mesa Royalty Trust	MTR	67.09	200	13,418	6.05	9.0
Permian Basin Royalty Trust	PBT	12.40	1,200	14,880	1.08	8.7
Sabine Royalty Trust	SBR	39.50	400	15,800	3.07	7.8
San Juan Basin Royalty Trust	SJT	29.94	500	14,970	3.14	10.5
	<i>Total</i>			<i>103,457</i>		<i>9.3</i>
Futures Strip						
	12 Month - Oil (\$/bbl)	51.02				
	12 Month - Natural Gas (\$/mmbtu)	7.22				
	72 Month - Oil (\$/bbl)	42.77				
	72 Month - Natural Gas (\$/mmbtu)	5.95				

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