

## Distributions Trend Up

### Summary and Recommendation

Only a two to three month lag separates income investors from the direct benefits of natural gas and oil price increases. Strong natural gas index prices for November point to higher distributions early next year. Already declared distributions are trending upward subject to volatility of cash basis accounting among other factors (see chart Distribution Trend – Percent of Profits Trusts and chart Distribution Trend – Percent of Revenue Trusts). Five trusts are reporting declarations today, on or before the tenth day from the last working day of the month. Royalty trusts are sound investments in streams of real income. Their valuation has meaningful implications for even the largest energy stocks.

### Forward Annual Distribution Yield of 8.9%

Currently we are looking at an estimated distribution yield of 8.9% for the next twelve months for an account that has nearly equally weighted holdings in each of 6 trusts and one partnership with similar characteristics (see table The Account). Because the estimates depend on our outlook for specific variables, we next look back on past distributions that are fact, not opinion.

### U.S. Natural Gas and Oil Royalty Trusts

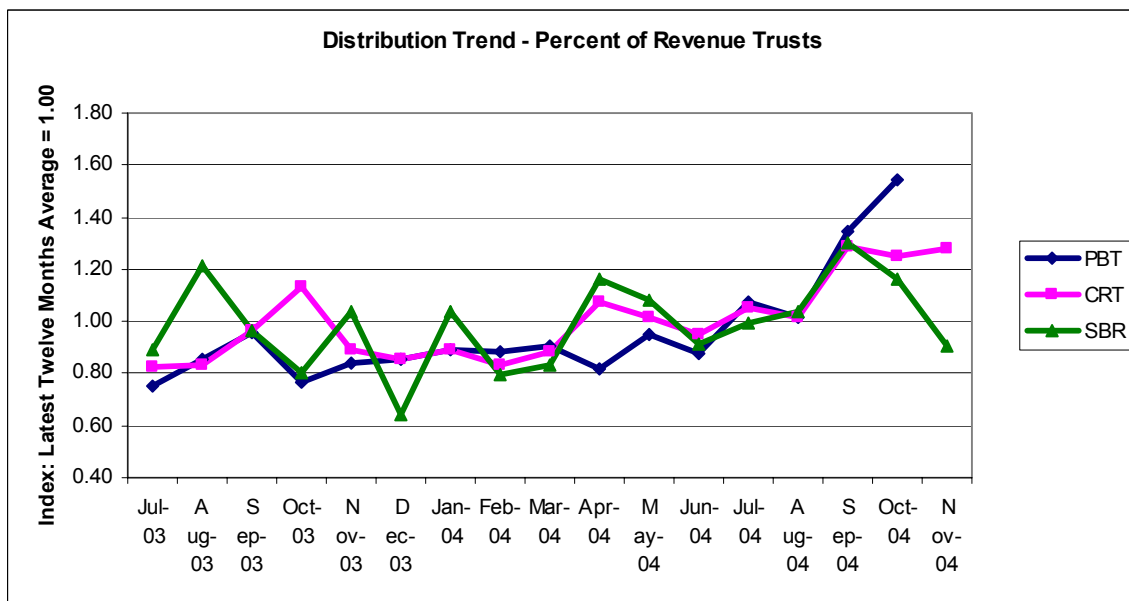
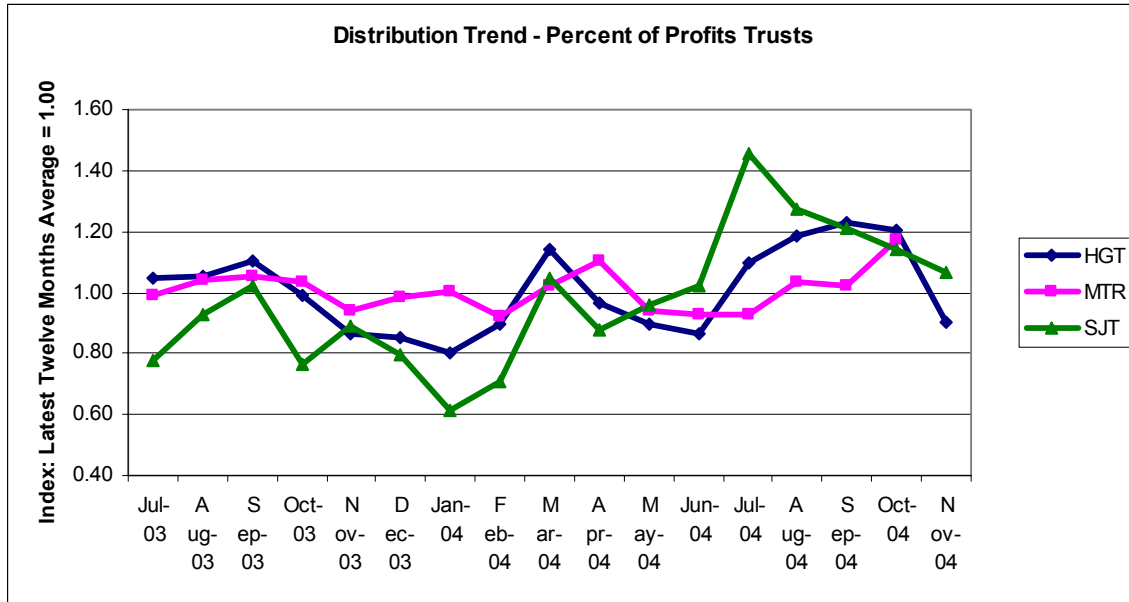
#### The Account

	<i>Symbol</i>	<i>Price (\$/un) 18-Nov 2004</i>	<i>Units</i>	<i>Market Value (\$)</i>	<i>Next Twelve Months Distrib. (\$/un)</i>	<i>NTM Distrib. Yield (%/yr)</i>
Cross Timbers Royalty Trust	CRT	38.82	400	15,528	3.03	7.8
Dorchester Minerals, L.P.	DMLP	23.25	700	16,275	2.08	9.0
Hugoton Royalty Trust	HGT	28.20	500	14,100	2.67	9.5
Mesa RoyaltyTrust	MTR	68.50	200	13,700	5.43	7.9
Permian Basin Royalty Trust	PBT	13.76	1,200	16,512	1.12	8.2
Sabine Royalty Trust	SBR	36.25	400	14,500	3.47	9.6
San Juan Basin Royalty Trust	SJT	28.70	500	14,350	3.08	10.7
	<i>Total</i>			<i>104,965</i>		<i>8.9</i>
Futures Strip						
12 Month - Oil (\$/bbl)		45.43				
12 Month - Natural Gas (\$/mmbtu)		6.90				
72 Month - Oil (\$/bbl)		39.85				
72 Month - Natural Gas (\$/mmbtu)		5.92				

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**Monthly Distribution Record**

Because six lines are too many to display in a single graph we break down the trusts that declare distributions monthly into two groups. In the group labeled “Percent of Profits” we include three natural gas trusts that participate in the rewards of production on the same basis as most operating companies. The trusts are obligated to pay their share of costs of production and get to keep the profits that are left over.



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In the group labeled “Percent of Revenue” we include those trusts that have some, or all in the case of SBR, of distribution determined simply as a percent of revenue from oil and gas production. That is traditionally how the landowner has been compensated by the operator. CRT derived about 85% of distributions as a percent of revenue in 2003. PBT derived about 34% of distributions as a percent of revenue in 2003.

There is a story in each line that we will keep in mind for single trust analyses. Meanwhile the data behind the charts for recent months may be helpful in gauging reported results before we have a chance to plot them (see table Monthly Distributions).

Kurt H. Wulff, CFA

### Monthly Distributions

(Dollars Per Unit)

	<u>CRT</u>	<u>HGT</u>	<u>MTR</u>	<u>PBT</u>	<u>SBR</u>	<u>SJT</u>
<i>Actual</i>						
Nov-04	0.25	0.15			0.20	0.20
Oct-04	0.24	0.20	0.46	0.11	0.26	0.21
Sep-04	0.25	0.21	0.40	0.10	0.30	0.23
Aug-04	0.20	0.20	0.41	0.07	0.24	0.24
Jul-04	0.21	0.18	0.36	0.08	0.23	0.27
Jun-04	0.18	0.14	0.36	0.06	0.21	0.19
May-04	0.20	0.15	0.37	0.07	0.25	0.18
Apr-04	0.21	0.16	0.43	0.06	0.26	0.16
Mar-04	0.17	0.19	0.40	0.07	0.19	0.20
Feb-04	0.16	0.15	0.36	0.06	0.18	0.13
Jan-04	0.17	0.13	0.39	0.06	0.24	0.12
Dec-03	0.17	0.14	0.39	0.06	0.15	0.15
Nov-03	0.17	0.14	0.37	0.06	0.24	0.17
<i>Index</i>						
Nov-04	1.28	0.90			0.90	1.07
Oct-04	1.25	1.21	1.17	1.54	1.16	1.14
Sep-04	1.29	1.23	1.02	1.34	1.30	1.21
Aug-04	1.02	1.18	1.04	1.02	1.04	1.27
Jul-04	1.05	1.10	0.93	1.08	1.00	1.45
Jun-04	0.95	0.86	0.92	0.88	0.91	1.02
May-04	1.02	0.90	0.94	0.95	1.08	0.96
Apr-04	1.07	0.96	1.11	0.82	1.16	0.88
Mar-04	0.88	1.14	1.02	0.90	0.84	1.05
Feb-04	0.83	0.90	0.92	0.88	0.79	0.71
Jan-04	0.89	0.80	1.00	0.89	1.04	0.61
Dec-03	0.85	0.85	0.98	0.85	0.64	0.80
Nov-03	0.89	0.86	0.94	0.84	1.04	0.89

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