The Bottomless Well

Summary

"Why we will never run out of energy" is part of the subtitle of a provocative book by Peter Huber and Mark Wells. Our craving for energy will never cease. As we become more efficient, we use more energy not less. America is a great power, in part, because it is the largest consumer of energy. The authors argue that the "refining" of energy is becoming more important than the raw material. Energy waste is a virtue because it means we are consuming energy as we convert it to higher forms, such as a laser that can cut steel or do microsurgery. Governments that tax energy are promoting economic stagnation. Carbon dioxide created from coal has little negative environmental impact. While the authors apparently think oil and gas are relatively expensive, they appreciate the value of the energy provided. Meanwhile investors in seven U.S. natural gas income stocks can expect cash distributed over the next twelve months of 8.6% of stock price (see table The Account). The median McDep Ratio is 1.05 (see table Rank by McDep Ratio). The ratio of estimated present value to cash flow is a median 9.9 (see table Rank by PV/Ebitda).

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

	Symbol	*Price ($/un) 12-May 2005*	*Units*	*Market Value ($)*	*Next Twelve Months Distrib. ($/un)*	*NTM Distrib. Yield (%/yr)*
Cross Timbers Royalty Trust	CRT	37.50	400	15,000	2.92	7.8
Mesa RoyaltyTrust	MTR	67.00	200	13,400	5.33	8.0
Sabine Royalty Trust	SBR	38.80	400	15,520	3.16	8.1
San Juan Basin Royalty Trust	SJT	35.60	500	17,800	3.06	8.6
Hugoton Royalty Trust	HGT	26.80	500	13,400	2.49	9.3
Dorchester Minerals, L.P.	DMLP	21.85	700	15,295	1.95	8.9
Permian Basin Royalty Trust	PBT	12.60	1,200	15,120	1.22	9.7
Total				*105,535*		*8.6*

Futures Strip	
12 Month - Oil ($/bbl)	51.36
12 Month - Natural Gas ($/mmbtu)	7.10
72 Month - Oil ($/bbl)	48.97
72 Month - Natural Gas ($/mmbtu)	6.49

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

	Symbol	Price ($/sh) 12-May 2005	Shares (mm)	Market Cap ($mm)	Net Present Value ($/sh)	EV/ Ebitda NTM	McDep Ratio
Sabine Royalty Trust	SBR	38.80	14.6	570	33.00	12.3	1.18
Mesa RoyaltyTrust	MTR	67.00	1.9	130	60.00	11.0	1.12
San Juan Basin Royalty Trust	SJT	35.60	46.6	1,660	32.00	10.5	1.11
Permian Basin RT (41%)	PBT	12.60	19.1	240	12.00	9.5	1.05
Cross Timbers Royalty Trust	CRT	37.50	6.0	230	36.00	12.7	1.04
Dorchester Minerals, L.P.	DMLP	21.85	28.2	620	21.00	10.4	1.04
Hugoton RoyaltyTrust (46%)	HGT	26.80	18.4	490	27.00	8.7	0.99
Total or Median				*3,900*		*10.5*	*1.05*

Rank by PV/Ebitda: Present Value to Earnings Before Interest, Tax, Deprec.

	Symbol	Total Present Value ($mm)	Unit Present Value ($/mcfe)	Reserves (bcf)	Natural Gas/ Ebitda (%)	Adjusted Reserves/ Production NTM	Revenue Royalty (%)	PV/ Ebitda
Cross Timbers Royalty Trust	CRT	216	3.30	65	72	20.0	85	12.2
Sabine Royalty Trust	SBR	481	3.70	130	57	11.9	100	10.5
Dorchester Minerals, L.P.	DMLP	593	3.79	157	80	13.3	54	10.0
Mesa RoyaltyTrust	MTR	112	2.58	43	74	20.0	-	9.9
San Juan Basin Royalty Trust	SJT	1,491	2.87	519	99	12.1	-	9.4
Permian Basin RT (41%)	PBT	229	2.30	100	40	16.5	30	9.0
Hugoton RoyaltyTrust (46%)	HGT	497	2.90	171	92	13.7	-	8.8
Total or Median		3,620		1,186	*74*	*13.7*		*9.9*

Index of Recent U.S. Royalty Trust Research

Single Trust Analyses

Date		Symbol	Stock	Theme
13-May		DMLP	Dorchester Minerals, L.P.	Royalty Volume Increasing
28-Apr		SJT	San Juan Basin Royalty Trust	Ten Bagger
24-Mar	*	MTR	Mesa Royalty Trust	Long Reserve Life Reported
11-Feb	*	HGT	Hugoton Royalty Trust	Improving Volume Trend

U.S. Natural Gas Royalty Trusts - A Weekly Analysis

13-May		The Bottomless Well
6-May		Contango and Backwardation Mythology
29-Apr	*	No Debt, No Hedges
22-Apr	*	A Boost from Burlington
15-Apr	*	Oil Price Moderation

* Archived on www.mcdep.com