

Natural Gas Royalty Trusts

A Weekly Analysis

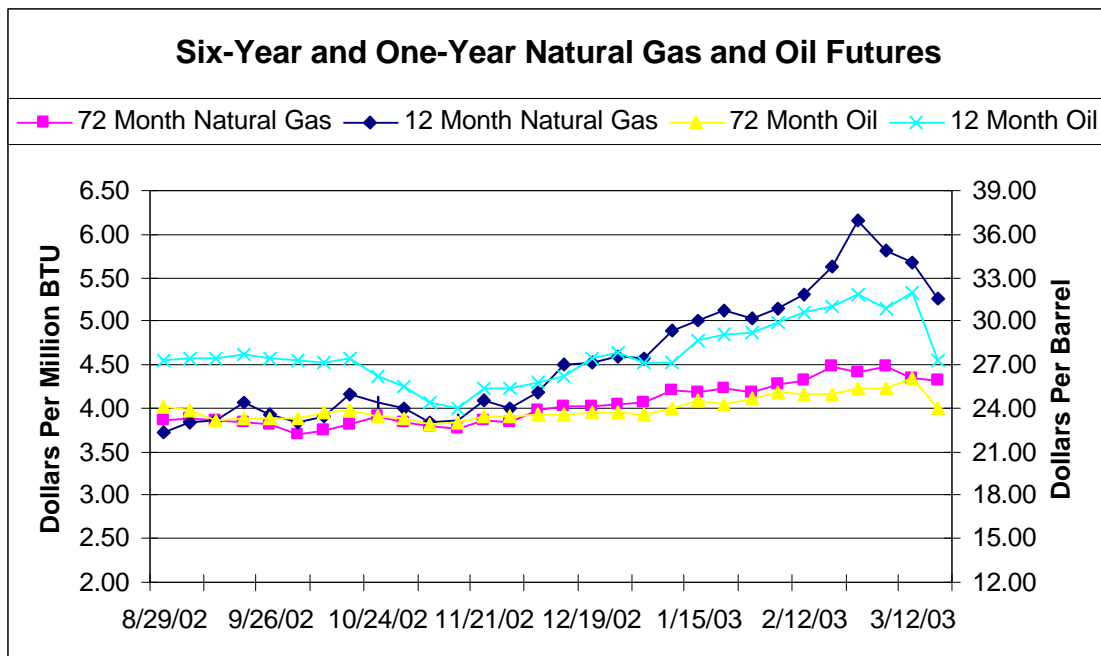
March 20, 2003

Put Price and Time Together

Summary and Recommendation

Unlike the analyst who tries to avoid a forecast of price and time together, investors in energy stocks should put price and time together when the media headlines may trumpet volatile energy price. First, there is the daily natural gas price that has gone up more than 300% and then down more than 70% in 2003. Then there is the one-year futures price that is up 35% and down 14% this year. Finally, there is the six-year futures price that has been increasing steadily, up 10% and down 4%, as it holds above \$4 (see Chart). Stock prices are most dependent on six-year futures price, not daily price. Recommended **San Juan Basin Royalty Trust (SJT)** today is about as attractive as it has been on average for the past three years as measured by a current McDep Ratio of 0.83 compared to 0.79 for 2001-2003 (see Chart). On a pullback from a recent peak of 0.89 the ratio is also back close to the average for the past three months of 0.82. On an absolute basis, McDep Ratios near 1.0 are neutral and near 0.8 are among the most attractive as signals for new investment. Meanwhile a high natural gas index price for March implies a high distribution for May (see Chart and Table SJT-3).

Kurt H. Wulff, CFA



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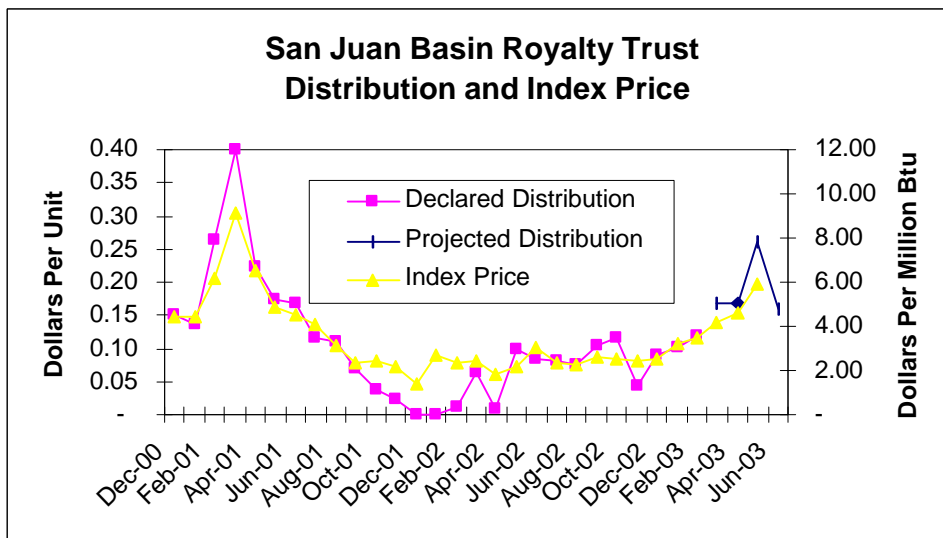
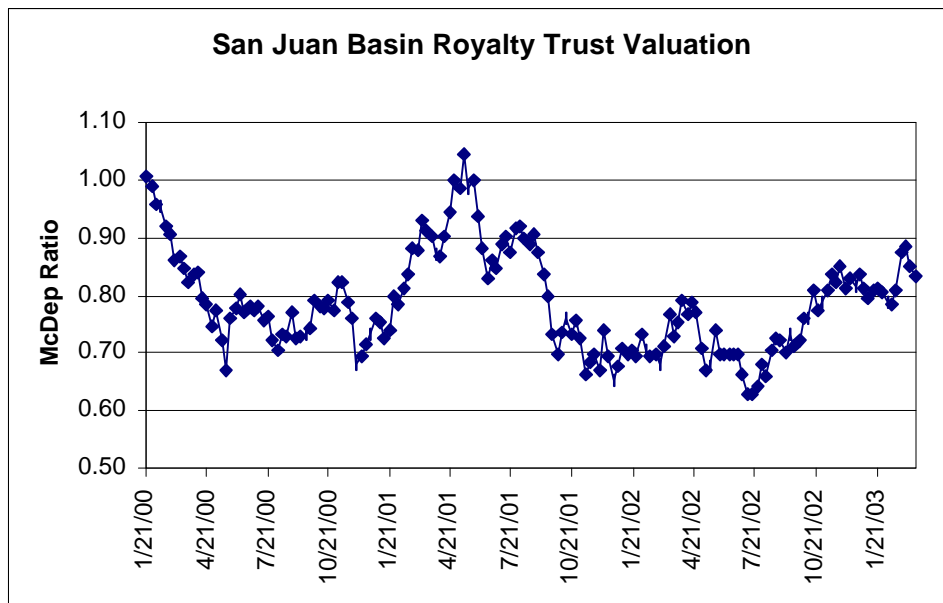
March 20, 2003

Natural Gas and Oil Futures

March 19, 2003

	2004	2005	2006	2007	2008	2009	Six Year
Natural Gas (\$/mmbtu)							
Year ending March	5.27	4.56	4.11	3.94	4.03	4.06	4.33
Light Sweet Crude Oil (\$/bbl)							
Year ending March	27.26	24.02	23.16	23.10	23.09	23.09	23.95
Natural Gas/Oil (6:1 = 1.0)							
Year ending March	1.16	1.14	1.07	1.02	1.05	1.05	1.08

Source: Nymex, FutureSource, wsj.com, McDep Associates



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Table MEII-1
McDep Energy Income Ideas
Dividends, Debt and McDep Ratio

	Symbol/ Rating		Price (\$/sh) 19-Mar 2003	Shares (mm)	Market Cap (\$mm)	Div or Distrib. NTM (%)	Debt/ Present Value	McDep Ratio
High Greed Partnerships								
El Paso Energy Partners	EPN	S	30.70	57.0	1,750	8.8	0.64	2.61
Kinder Morgan Energy Partners, L.P.	KMP	S	36.32	141	5,130	6.9	0.47	1.84
Enbridge Energy Partners, L.P.	EEP	S	44.67	35.0	1,560	8.1	0.64	1.72
Kinder Morgan Management, LLC	KMR	S	32.23	39.5	1,270	7.8	0.47	1.68
Enbridge Energy Management, L.L.C	EEQ	S	39.72	9.0	360	9.1	0.64	1.61
Plains All Amer. Pipeline	PAA		24.79	50.0	1,240	8.7	0.49	1.58
Penn Virginia Res. Part, L.P.	PVR		24.01	15.3	370	8.3	-	1.33
TEPCO Partners, L.P.	TPP		30.51	50.0	1,530	7.9	0.56	1.32
Northern Border Partners	NBP		37.68	44.0	1,660	8.5	0.62	1.32
AmeriGas Partners, L.P.	APU		23.80	49.4	1,180	9.2	0.51	1.15
Alliance Res. Part, L.P.	ARLP		22.21	15.9	350	9.0	0.45	1.06
<i>Total or Median</i>					16,400	8.5	0.51	1.58
U.S. Master Limiter Partnerships								
Enterprise Products Part (16%)	EPD		20.48	29	580	6.7	0.63	1.74
Dorchester Minerals, L.P.	DMLP		14.50	27.0	392	11.0	-	1.12
Canadian Royalty Trusts								
Provident Energy Trust	PVX		6.73	63.5	430	23.0	0.23	1.09
Enerplus Resources Fund	ERF		18.34	75.0	1,380	15.6	0.16	0.93
Pengrowth Energy Trust	PGH		9.53	110.0	1,050	19.8	0.16	0.89
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	23.73	76.8	1,820	5.6	0.15	0.60
<i>Total or Median</i>					4,700	17.7	0.16	0.91
U.S. Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		17.93	6.0	108	12.7	-	0.92
Hugoton RoyaltyTrust (46%)	HGT		13.84	18.4	260	13.7	-	0.84
San Juan Basin Royalty Trust	SJT	B	14.17	46.6	660	13.8	-	0.83
<i>Total or Median</i>					1,030	13.7	-	0.84
Additional McDep Recommendations								
Royal Dutch/Shell	RD	B	40.64	3,473	141,100	4.6	0.18	0.74
ChevronTexaco Corporation	CVX	B	65.83	1,062	69,900	4.3	0.17	0.71
Marathon Oil Corporation	MRO	B	23.33	310	7,200	3.9	0.31	0.71
PetroChina Company Ltd (10%)	PTR	B	20.77	176	3,700	8.6	0.15	0.69
<i>Total or Median</i>					222,000	4.4	0.18	0.71

Buy/Sell rating after symbol: B - Buy, N - Neutral, S - Sell

NTM = Next Twelve Months Ended March 31, 2004

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Italicized issues are subject to, or sponsor, deceptive compensation arrangements that threaten value and financial viability, in our opinion.

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Table MEII-2
McDep Energy Income Ideas
Distribution Validity, Fees and Cash flow Multiples

			Price (\$/sh) 19-Mar 2003	Dist/ Equity Ebitda	Mgt Fee (%)	Fin Fee (%)	EV/ Ebitda NTM	PV/ Ebitda NTM
Symbol/ Rating								
High Greed Partnerships								
<i>El Paso Energy Partners</i>	<i>EPN</i>	<i>S</i>	30.70	4.3	71	6	23.4	9.0
<i>Kinder Morgan Energy Partners, L.P.</i>	<i>KMP</i>	<i>S</i>	36.32	1.5	46	6	16.0	8.7
<i>Enbridge Energy Partners, L.P.</i>	<i>EEP</i>	<i>S</i>	44.67	2.2	21	6	15.5	9.0
<i>Kinder Morgan Management, LLC</i>	<i>KMR</i>	<i>S</i>	32.23	1.5	46	6	14.6	8.7
<i>Enbridge Energy Management, L.L.C</i>	<i>EEQ</i>	<i>S</i>	39.72	2.2	21	6	14.5	9.0
<i>Plains All Amer. Pipeline</i>	<i>PAA</i>		24.79	1.7	9	6	14.2	9.0
<i>TEPPCO Partners, L.P.</i>	<i>TPP</i>		30.51	1.2	25	6	11.9	9.0
<i>Northern Border Partners</i>	<i>NBP</i>		37.68	1.4	8	6	11.9	9.0
<i>Penn Virginia Res. Part, L.P.</i>	<i>PVR</i>		24.01	1.0	2	8	11.4	8.6
<i>AmeriGas Partners, L.P.</i>	<i>APU</i>		23.80	1.1	1	6	10.3	9.0
<i>Alliance Res. Part, L.P.</i>	<i>ARLP</i>		22.21	0.7	2	8	7.4	7.0
		<i>Median</i>					14.2	9.0
U.S. Master Limiter Partnerships								
Enterprise Products Part (16%)	EPD		20.48	1.8	10	6	15.7	9.0
Dorchester Minerals, L.P.	DMLP		14.50	0.9	3		8.2	7.3
Canadian Royalty Trusts								
Enerplus Resources Fund	ERF		18.34	0.9	10	6	5.9	6.4
Canadian Oil Sands Trust (US\$)	COS_u.TO	B	23.73	0.3			5.4	9.1
Pengrowth Energy Trust	PGH		9.53	1.0	9	6	5.3	6.0
Provident Energy Trust	PVX		6.73	1.1	15	8	4.6	4.2
		<i>Median</i>					5.4	6.2
U.S. Natural Gas Royalty Trusts								
Cross Timbers Royalty Trust	CRT		17.93	0.9			7.4	8.1
San Juan Basin Royalty Trust	SJT	B	14.17	0.8			5.9	7.1
Hugoton RoyaltyTrust (46%)	HGT		13.84	0.7			5.5	6.5
Additional McDep Recommendations								
Royal Dutch/Shell	RD	B	40.64	0.3			6.3	8.5
ChevronTexaco Corporation	CVX	B	65.83	0.2			5.9	8.2
Marathon Oil Corporation	MRO	B	23.33	0.1			4.5	6.3
PetroChina Company Ltd (10%)	PTR	B	20.77	0.2			2.8	4.1
		<i>Median</i>					5.2	7.3

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Table SJT-1
San Juan Basin Royalty Trust
Present Value

Volume Decline (%/yr):	11	Price Escalation Post 2008 (%/yr):	2.7
Volume Enhancement (%/yr):	10	Discount rate (%/yr):	6.0
Capex/Cash Flow (%):	25	U.S. TIPS Inflation (%/yr):	1.9
Variable Cost (%):	12	U.S. 10 Year Yield (%/yr):	4.0
PV/Volume (\$/mcf):	1.52	PV/EBITDA 2004:	7.3

Year	Basic (bcf)	Enhanced (bcf)	Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Distribution (\$/unit)	Disc Factor	Present Value (\$/unit)	
Total 2004 through 2030; years ending on 3/31												
	313	208	521	3.98	2075	350	249	182	1294	27.77	0.61	17.00
2004	34.9	0.0	34.9	3.94	137.2	11.6	16.5	18.0	91.2	1.96	0.97	1.90
2005	31.2	3.5	34.6	3.95	136.8	13.0	16.4	26.8	80.5	1.73	0.92	1.58
2006	27.9	6.6	34.4	3.55	122.3	13.0	14.7	23.7	71.0	1.52	0.86	1.32
2007	24.9	9.3	34.2	3.38	115.9	13.0	13.9	22.2	66.7	1.43	0.82	1.17
2008	22.3	11.8	34.0	3.41	116.2	13.0	13.9	22.3	66.9	1.44	0.77	1.11
2009	19.9	13.9	33.8	3.44	116.4	13.0	14.0	22.4	67.1	1.44	0.73	1.05
2010	17.8	15.8	33.6	3.53	118.8	13.0	14.3	22.9	68.6	1.47	0.69	1.01
2011	15.9	17.5	33.4	3.63	121.2	13.0	14.5	23.4	70.3	1.51	0.65	0.98
2012	14.2	15.7	29.9	3.73	111.3	13.0	13.4		84.9	1.82	0.61	1.11
2013	12.7	14.0	26.7	3.83	102.2	13.0	12.3		76.9	1.65	0.58	0.95
2014	11.4	12.5	23.9	3.93	93.8	13.0	11.3		69.5	1.49	0.54	0.81
2015	10.2	11.2	21.3	4.03	86.1	13.0	10.3		62.8	1.35	0.51	0.69
2016	9.1	10.0	19.1	4.14	79.0	13.0	9.5		56.5	1.21	0.48	0.59
2017	8.1	8.9	17.1	4.25	72.5	13.0	8.7		50.8	1.09	0.46	0.50
2018	7.3	8.0	15.3	4.37	66.6	13.0	8.0		45.6	0.98	0.43	0.42
2019	6.5	7.1	13.6	4.48	61.1	13.0	7.3		40.8	0.88	0.41	0.36
2020	5.8	6.4	12.2	4.60	56.1	13.0	6.7		36.4	0.78	0.38	0.30
2021	5.2	5.7	10.9	4.73	51.5	13.0	6.2		32.3	0.69	0.36	0.25
2022	4.6	5.1	9.7	4.85	47.3	13.0	5.7		28.6	0.61	0.34	0.21
2023	4.1	4.6	8.7	4.98	43.4	13.0	5.2		25.2	0.54	0.32	0.17
2024	3.7	4.1	7.8	5.12	39.8	13.0	4.8		22.1	0.47	0.30	0.14
2025	3.3	3.6	7.0	5.25	36.6	13.0	4.4		19.2	0.41	0.29	0.12
2026	3.0	3.3	6.2	5.39	33.6	13.0	4.0		16.5	0.36	0.27	0.10
2027	2.6	2.9	5.6	5.54	30.8	13.0	3.7		14.1	0.30	0.26	0.08
2028	2.4	2.6	5.0	5.69	28.3	13.0	3.4		11.9	0.26	0.24	0.06
2029	2.1	2.3	4.4	5.84	26.0	13.0	3.1		9.9	0.21	0.23	0.05
2030	1.9	2.1	4.0	6.00	23.8	13.0	2.9		8.0	0.17	0.21	0.04

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Table SJT-2
San Juan Basin Royalty Trust
Distributable Income

	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Next Twelve Months
	6/30/02	9/30/02	12/31/02	2002E	3/31/03	6/30/03	9/30/03	12/31/03	2003E	3/31/04	3/31/04
Highlights											
Revenue (\$mm) (75%)	18.6	20.7	20.4	78.9	29.9	39.3	32.6	32.3	134.1	33.0	137.2
Cash flow (\$mm) (75%)	14.1	16.0	15.5	59.7	23.9	32.6	26.3	26.0	108.8	26.7	111.6
Per unit	0.30	0.34	0.33	1.28	0.51	0.70	0.56	0.56	2.33	0.57	2.39
Tax credit (\$mm)	1.4	1.9	1.9	5.6					-		
Per unit	0.03	0.04	0.04	0.12					-		
Distributable Income (\$mm)	9.0	12.2	11.6	36.3	18.0	27.5	21.2	20.9	87.6	21.6	91.2
Per unit	0.19	0.26	0.25	0.78	0.39	0.59	0.46	0.45	1.88	0.46	1.96
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Volume											
Natural gas (mmbtu)	12.0	11.6	12.4	48.5	12.1	11.8	12.2	12.2	48.2	12.2	48.2
Heat Content(btu/cf)	1,077	970	1,064	1,050	1,079	1,050	1,050	1,050	1,057	1,050	1,050
Natural gas (bcf)	11.1	12.0	11.6	46.2	11.2	11.2	11.6	11.6	45.6	11.6	45.9
Natural Gas (mmcf/d)	125.1	130.4	126.2	126.6	122.3	125.9	125.9	125.9	124.9	125.9	125.9
Days	89	92	92	365	92	89	92	92	365	92	365
Oil (mb)	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Oil (mbd)	0.3	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total gas & oil (bcf)	11.3	12.1	11.7	46.8	11.4	11.3	11.7	11.7	46.1	11.7	46.5
Price											
Natural gas (\$/mmbtu) (Henry Hub lagged two months)											
Henry Hub (\$/mmbtu)	2.92	3.23	3.59	3.02	4.73	6.59	5.28	5.22	5.46	5.35	5.61
Differential (%)	31	28	40	30	31	33	33	33	33	33	33
Total	2.02	2.33	2.16	2.13	3.24	4.41	3.54	3.50	3.67	3.58	3.75
Natural gas (\$/mcf)	2.18	2.26	2.30	2.24	3.50	4.63	3.71	3.67	3.87	3.76	3.94
Oil (\$/bbl) (WTI Cushing lagged two months)											
WTI Cushing	23.80	26.49	28.96	24.70	29.55	34.16	28.54	27.16	29.85	26.33	29.05
SJT	19.14	21.95	24.00	20.10	24.48	28.30	23.65	22.50	24.70	21.81	24.03
Total gas & oil (\$/mcf)	2.19	2.28	2.32	2.25	3.51	4.63	3.71	3.67	3.88	3.76	3.94
Revenue (\$mm)											
Natural Gas	24.2	27.1	26.7	103.3	39.4	51.8	43.0	42.5	176.7	43.5	180.8
Oil	0.5	0.5	0.5	1.9	0.5	0.6	0.5	0.5	2.2	0.5	2.1
Total	24.8	27.6	27.2	105.2	39.9	52.4	43.5	43.0	178.9	44.0	183.0
Cost (\$mm)											
Severance tax	2.4	2.3	3.1	10.5	4.0	5.2	4.3	4.3	17.9	4.4	18.3
Operating	3.7	4.0	3.4	15.2	4.0	3.8	4.1	4.1	15.9	4.1	15.9
Total	6.0	6.3	6.5	25.6	8.1	9.0	8.4	8.4	33.9	8.5	34.2
Cash flow (\$mm)	18.8	21.3	20.7	79.6	31.8	43.4	35.1	34.7	145.0	35.6	148.8
Development	3.4	2.1	4.7	21.5	7.1	6.0	6.0	6.0	25.1	6.0	24.0
Net proceeds (\$mm)	15.4	19.2	16.1	58.2	24.7	37.4	29.1	28.7	119.9	29.6	124.8
Royalty income (\$mm)	11.5	14.4	12.1	43.6	18.5	28.1	21.8	21.5	89.9	22.2	93.6
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	0.5	0.6	0.5	2.0	0.5	0.6	0.6	0.6	2.3	0.6	2.4
One-time	2.0	1.6		5.3					-		-
Distributable income (\$mm)	9.0	12.2	11.6	36.3	18.0	27.5	21.2	20.9	87.6	21.6	91.2
Modeling ratios											
Severance tax/revenue	9.5%	8.5%	11.5%	9.9%	10.1%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Operating cost (\$/mcf)	0.32	0.33	0.29	0.32	0.36	0.33	0.35	0.35	0.34	0.35	0.34
Development/Cash flow	18%	10%	22%	27%	22%	14%	17%	17%	17%	17%	16%

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Table SJT-3
San Juan Basin Royalty Trust
Monthly Declarations

	<i>Dec-02</i>	<i>Jan-03</i>	<i>Feb-03</i>	<i>Mar-03</i>	<i>Apr-03</i>	<i>May-03</i>	<i>Jun-03</i>
Distribution (\$/unit)							
Declared	0.09	0.10	0.12				
Projected				0.17	0.17	0.26	0.16
Volume							
Natural gas (mmbtu)	4.08	4.07	3.97	4.09	3.70	4.09	3.96
Heat Content(btu/cf)	1,043	1,092	1,097	1,050	1,050	1,050	1,050
Natural gas (bcf)	3.91	3.73	3.62	3.90	3.52	3.90	3.78
Natural Gas (mmcf)	126	124	117	126	126	126	126
Days	31	30	31	31	28	31	30
Price							
Natural gas industry quotes lagged two months (\$/mmbtu)							
Henry Hub Daily/Futures	4.12	4.03	4.76	5.41	7.77	6.65	5.34
San Juan Monthly Index	2.52	3.25	3.45	4.14	4.58	5.91	
SJT/Henry Hub	0.54	0.71	0.66	0.69	0.53	0.80	0.70
SJT/San Juan Index	0.89	0.88	0.91	0.90	0.90	0.90	
SJT (\$/mmbtu)	2.24	2.85	3.14	3.73	4.12	5.32	3.74
SJT (\$/mcf)	2.33	3.12	3.45	3.91	4.33	5.58	3.92
Revenue (\$mm)							
Natural Gas	9.1	11.6	12.5	15.3	15.2	21.8	14.8
Other	0.0	0.1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Cost (\$mm)							
Severance tax	1.5	1.2	1.3	1.5	1.5	2.2	1.5
Operating	0.5	1.5	1.3	1.3	1.3	1.3	1.3
Total	2.0	2.7	2.6	2.8	2.8	3.5	2.8
Cash flow (\$mm)	7.1	9.0	9.8	12.4	12.4	18.3	12.0
Development	1.6	2.7	2.4	2.0	2.0	2.0	2.0
Net proceeds (\$mm)	5.5	6.3	7.4	10.4	10.4	16.3	10.0
Royalty income (\$mm)	4.2	4.7	5.5	7.8	7.8	12.2	7.5
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%
One time							
Distributable income (\$mm)	4.2	4.7	5.5	7.8	7.8	12.2	7.5
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Distribution (\$/unit)	0.09	0.10	0.12	0.17	0.17	0.26	0.16
<i>Latest Twelve Month Average</i>							
Heat Content(btu/cf)	1,050	1,050	1,050				
Natural Gas (mmcf)	127	127	126				
SJT/Henry Hub	0.72	0.70	0.70				
SJT/San Juan Index	0.88	0.89	0.90				
Other revenue	(0.2)	(0.1)	(0.1)				
Operating	1.3	1.3	1.3				
Development	1.8	1.7	1.5				
Severance tax/revenue	10.1%	10.1%	10.1%				

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