

Natural Gas Royalty Trusts

A Weekly Analysis

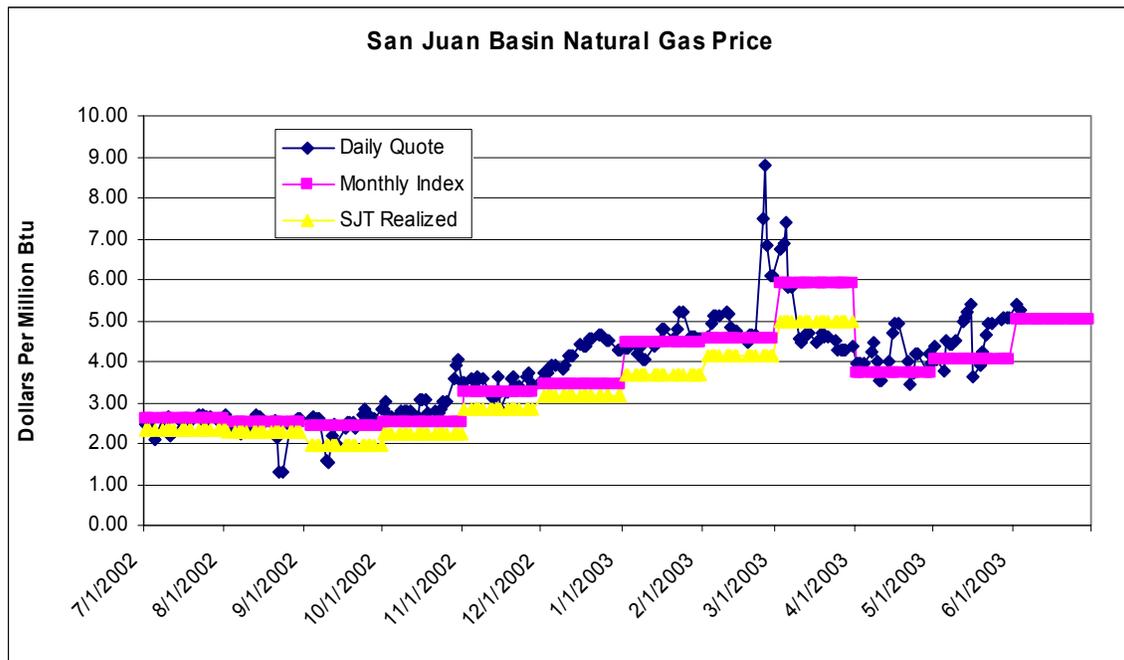
June 5, 2003

Monthly Index Climbing Again

Summary and Recommendation

Rising natural gas price in the San Juan Basin in the last few days of May translates to a higher monthly index for June that in turn influences the revenues of recommended **San Juan Basin Royalty Trust (SJT)** (see Chart). As a result our estimate of the monthly distribution to be declared in August and paid in September increases from \$0.18 a week ago to \$0.21 now (see Table SJT-3). Here is the sequence of information that flows into the ultimate distribution of cash. New York Mercantile Exchange futures quotes point to eventual daily quotes at the Henry Hub in Louisiana. Henry Hub daily prices point to San Juan Basin daily prices after considering regional differences in natural gas supply and demand. San Juan Basin daily prices at the end of the month point to index prices for the next month. Index prices point to trust revenues two months after actual production at which time the trust declares a distribution to be paid in the third month after actual production. While it is helpful to understand the source of monthly fluctuations in distributions, the important determinant of value that changes most is future natural gas price. Futures quotes for the next six years are in our estimates of present value. Prices higher or lower are not. Estimated present value advanced 4% or more and estimated next twelve months distributions advanced 6% or more on the week for **SJT**, **Cross Timbers Royalty Trust (CRT)** and **Hugoton Royalty Trust (HGT)**.

Kurt H. Wulff, CFA



Source: enerfax.com, Inside Ferc, Bloomberg, SJT

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Natural Gas and Oil Futures

June 4, 2003

	2004	2005	2006	2007	2008	2009	Six Year
Natural Gas (\$/mmbtu)							
Year ending June	6.18	5.17	4.84	4.79	4.81	4.78	5.09
Light Sweet Crude Oil (\$/bbl)							
Year ending June	26.84	24.17	23.62	23.59	23.54	23.51	24.21
Natural Gas/Oil (6:1 = 1.0)							
Year ending June	1.38	1.28	1.23	1.22	1.23	1.22	1.26

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

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

	Symbol/ Rating	Price (\$/sh) 4-Jun 2003	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Hugoton RoyaltyTrust (46%)	HGT	19.25	18.4	350	17.40	-	1.11
Cross Timbers Royalty Trust	CRT	24.15	6.0	145	22.90	-	1.06
San Juan Basin Royalty Trust	SJT B	18.99	46.6	890	20.30	-	0.94

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

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

Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 4-Jun 2003	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Dividend or Distribution NTM (%)	PV/ Ebitda NTM
Cross Timbers Royalty Trust	CRT	24.15	6.8	9.4	10	10.2	8.9
Hugoton RoyaltyTrust (46%)	HGT	19.25	5.6	7.3	8	12.4	6.6
San Juan Basin Royalty Trust	SJT B	18.99	5.7	7.0	8	12.8	7.5

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2004; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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Table SJT-1
San Juan Basin Royalty Trust
Present Value

Volume Decline (%/yr):	11	Price Escalation Post 2009 (%/yr):	2.4
Volume Enhancement (%/yr):	10	Discount rate (%/yr):	5.3
Capex/Cash Flow (%):	25	U.S. TIPS Inflation (%/yr):	1.6
Variable Cost (%):	12	U.S. 10 Year Yield (%/yr):	3.3
PV/Volume (\$/mcf):	1.82	PV/EBITDA 2004:	7.6

Year	Basic (bcf)	Volume Enhanced (bcf)	Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Distribution (\$mm)	(\$/unit)	Disc Factor	Present Value (\$/unit)
Total 2004 through 2030; years ending on 6/30												
	312	208	520	4.38	2277	349	273	195	1460	31.34	0.65	20.30
2004	34.7	0.0	34.7	4.44	154.2	10.6	18.5	12.2	112.9	2.42	0.97	2.36
2005	31.1	3.5	34.5	4.19	144.5	13.0	17.3	28.5	85.6	1.84	0.93	1.70
2006	27.8	6.6	34.3	3.90	133.8	13.0	16.1	26.2	78.6	1.69	0.88	1.48
2007	24.8	9.3	34.1	3.82	130.2	13.0	15.6	25.4	76.2	1.63	0.83	1.36
2008	22.2	11.7	33.9	3.84	130.3	13.0	15.6	25.4	76.2	1.64	0.79	1.30
2009	19.8	13.9	33.7	3.85	129.8	13.0	15.6	25.3	75.9	1.63	0.75	1.23
2010	17.7	15.8	33.5	3.94	132.2	13.0	15.9	25.8	77.5	1.66	0.72	1.19
2011	15.9	17.5	33.3	4.04	134.6	13.0	16.1	26.4	79.1	1.70	0.68	1.15
2012	14.2	15.6	29.8	4.14	123.2	13.0	14.8		95.4	2.05	0.65	1.32
2013	12.7	13.9	26.6	4.24	112.8	13.0	13.5		86.3	1.85	0.61	1.13
2014	11.3	12.5	23.8	4.34	103.3	13.0	12.4		77.9	1.67	0.58	0.97
2015	10.1	11.1	21.3	4.45	94.6	13.0	11.4		70.3	1.51	0.55	0.83
2016	9.1	10.0	19.0	4.56	86.7	13.0	10.4		63.3	1.36	0.53	0.71
2017	8.1	8.9	17.0	4.67	79.4	13.0	9.5		56.8	1.22	0.50	0.61
2018	7.2	8.0	15.2	4.78	72.7	13.0	8.7		50.9	1.09	0.47	0.52
2019	6.5	7.1	13.6	4.90	66.5	13.0	8.0		45.6	0.98	0.45	0.44
2020	5.8	6.4	12.1	5.02	60.9	13.0	7.3		40.6	0.87	0.43	0.37
2021	5.2	5.7	10.9	5.14	55.8	13.0	6.7		36.1	0.77	0.41	0.31
2022	4.6	5.1	9.7	5.26	51.1	13.0	6.1		32.0	0.69	0.39	0.26
2023	4.1	4.5	8.7	5.39	46.8	13.0	5.6		28.2	0.60	0.37	0.22
2024	3.7	4.1	7.8	5.52	42.8	13.0	5.1		24.7	0.53	0.35	0.18
2025	3.3	3.6	6.9	5.65	39.2	13.0	4.7		21.5	0.46	0.33	0.15
2026	3.0	3.2	6.2	5.79	35.9	13.0	4.3		18.6	0.40	0.31	0.13
2027	2.6	2.9	5.5	5.93	32.9	13.0	3.9		16.0	0.34	0.30	0.10
2028	2.4	2.6	5.0	6.08	30.1	13.0	3.6		13.5	0.29	0.28	0.08
2029	2.1	2.3	4.4	6.22	27.6	13.0	3.3		11.3	0.24	0.27	0.07
2030	1.9	2.1	4.0	6.38	25.3	13.0	3.0		9.2	0.20	0.26	0.05

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Table SJT-2
San Juan Basin Royalty Trust
Distributable Income

	Q4 12/31/02	Year 2002	Q1 3/31/03	Q2E 6/30/03	Q3E 9/30/03	Q4E 12/31/03	Year 2003E	Q1E 3/31/04	Q2E 6/30/04	Next Twelve Months 6/30/04
Highlights										
Revenue (\$mm) (75%)	20.4	78.9	31.0	36.6	37.8	39.5	144.9	40.8	36.2	154.2
Cash flow (\$mm) (75%)	15.6	59.7	24.9	29.9	31.1	32.5	118.4	33.7	29.6	126.9
Per unit	0.33	1.28	0.53	0.64	0.67	0.70	2.54	0.72	0.64	2.72
Tax credit (\$mm)	1.9	5.6					-			
Per unit	0.04	0.12					-			
Distributable Income (\$mm)	11.6	36.3	19.5	26.6	27.6	29.0	102.7	30.2	26.1	112.9
Per unit	0.25	0.78	0.42	0.57	0.59	0.62	2.20	0.65	0.56	2.42
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Volume										
Natural gas (mmbtu)	12.4	48.5	12.6	11.6	12.1	12.1	48.5	12.1	11.7	48.2
Heat Content(btu/cf)	1,064	1,050	1,084	1,076	1,049	1,049	1,064	1,049	1,049	1,049
Natural gas (bcf)	11.6	46.2	11.6	10.8	11.6	11.6	45.6	11.6	11.2	45.9
Natural Gas (mmcf)	126.2	126.6	126.5	121.6	125.8	125.8	125.0	125.8	125.8	125.8
Days	92	365	92	89	92	92	365	92	89	365
Oil (mb)	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Oil (mbd)	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total gas & oil (bcf)	11.7	46.8	11.7	10.9	11.7	11.7	46.0	11.7	11.3	46.3
Price										
Natural gas (\$/mmbtu) (Henry Hub lagged two months)										
Henry Hub (\$/mmbtu)	3.59	3.02	4.73	6.33	6.14	6.43	5.91	6.64	6.09	6.32
Differential (%)	40	30	32	34	33	33	33	33	33	33
Total	2.16	2.13	3.24	4.16	4.12	4.31	3.95	4.45	4.08	4.24
Natural gas (\$/mcf)	2.30	2.24	3.51	4.48	4.32	4.52	4.20	4.67	4.28	4.44
Oil (\$/bbl) (WTI Cushing lagged two months)										
WTI Cushing	28.96	24.70	29.55	32.51	29.61	28.21	29.97	26.71	25.70	27.56
SJT	28.35	20.90	24.44	26.89	24.50	23.34	24.77	22.09	21.26	22.81
Total gas & oil (\$/mcf)	2.32	2.25	3.52	4.48	4.31	4.51	4.20	4.66	4.27	4.44
Revenue (\$mm)										
Natural Gas	26.7	103.3	40.9	48.4	49.9	52.3	191.6	54.0	47.9	204.2
Oil	0.6	2.0	0.4	0.4	0.4	0.4	1.6	0.4	0.3	1.5
Total	27.3	105.2	41.3	48.9	50.3	52.7	193.1	54.4	48.2	205.6
Cost (\$mm)										
Severance tax	3.1	10.5	4.2	5.0	5.1	5.3	19.6	5.4	4.8	20.7
Operating	3.4	15.2	3.9	3.9	3.8	4.1	15.6	4.1	3.9	15.8
Total	6.5	25.6	8.1	8.9	8.9	9.3	35.3	9.5	8.7	36.4
Cash flow (\$mm)										
Development	4.7	21.5	6.6	3.0	4.1	4.1	17.7	4.1	4.1	16.2
Net proceeds (\$mm)										
Royalty/Net proceeds	16.1	58.2	26.6	36.9	37.4	39.3	140.2	40.8	35.4	152.9
Royalty income (\$mm)										
Royalty/Net proceeds	12.1	43.6	19.9	27.7	28.0	29.5	105.2	30.6	26.6	114.7
Administration	0.5	2.0	0.4	0.3	0.4	0.4	1.6	0.4	0.4	1.8
One-time		5.3		0.9			0.9			-
Distributable income (\$mm)										
Distributable income	11.6	36.3	19.5	26.6	27.6	29.0	102.7	30.2	26.1	112.9
Severance tax/revenue	11.5%	9.9%	10.2%	10.2%	10.2%	10.0%	10.2%	10.0%	10.0%	10.0%
Operating cost (\$/mcf)	0.29	0.32	0.33	0.36	0.32	0.35	0.34	0.35	0.35	0.34
Development/Cash flow	22%	27%	20%	7%	10%	9%	11%	9%	10%	10%

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Table SJT-3
San Juan Basin Royalty Trust
Monthly Declarations

	<i>Mar-03</i>	<i>Apr-03</i>	<i>May-03</i>	<i>Jun-03</i>	<i>Jul-03</i>	<i>Aug-03</i>	<i>Sep-03</i>
Distribution (\$/unit)							
Declared	0.20	0.16	0.26				
Projected				0.15	0.17	0.21	0.21
Volume							
Natural gas (mmbtu)	4.58	3.62	4.06	3.96	4.09	3.96	4.09
Heat Content(btu/cf)	1,067	1,107	1,075	1,049	1,049	1,049	1,049
Natural gas (bcf)	4.29	3.27	3.78	3.78	3.90	3.78	3.90
Natural Gas (mmcf)	138	117	122	126	126	126	126
Days	31	28	31	30	31	30	31
Price							
Natural gas industry quotes lagged two months (\$/mmbtu)							
Henry Hub Daily/Futures	5.41	7.77	5.95	5.26	5.81	6.25	6.38
San Juan Monthly Index	4.47	4.58	5.91	3.71	4.03	5.03	
SJT/Henry Hub	0.68	0.54	0.84	0.63	0.62	0.70	0.68
SJT/San Juan Index	0.82	0.91	0.84	0.90	0.90	0.87	
SJT (\$/mmbtu)	3.66	4.16	4.97	3.34	3.63	4.39	4.34
SJT (\$/mcf)	3.91	4.60	5.34	3.50	3.80	4.60	4.55
Revenue (\$mm)							
Natural Gas	16.8	15.0	20.2	13.2	14.8	17.4	17.7
Other	(0.1)	0.1	0.1	(0.1)	(0.1)	(0.1)	(0.1)
Cost (\$mm)							
Severance tax	1.7	1.6	2.1	1.4	1.5	1.8	1.8
Operating	1.1	1.4	1.3	1.3	1.3	1.3	1.3
Total	2.8	3.0	3.3	2.6	2.8	3.0	3.1
Cash flow (\$mm)	13.8	12.1	16.9	10.5	12.0	14.3	14.6
Development	1.4	1.1	0.5	1.4	1.4	1.4	1.4
Net proceeds (\$mm)	12.4	11.0	16.4	9.2	10.6	12.9	13.2
Royalty income (\$mm)	9.3	8.3	12.3	6.9	8.0	9.7	9.9
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%
One time		0.9					
Distributable income (\$mm)	9.3	7.4	12.3	6.9	8.0	9.7	9.9
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Distribution (\$/unit)	0.20	0.16	0.26	0.15	0.17	0.21	0.21
<i>Latest Twelve Month Average</i>							
Heat Content(btu/cf)	1,048	1,051	1,049				
Natural Gas (mmcf)	127	126	126				
SJT/Henry Hub	0.67	0.67	0.68				
SJT/San Juan Index	0.89	0.90	0.90				
Other revenue	(0.1)	(0.0)	(0.1)				
Operating	1.2	1.3	1.3				
Development	1.4	1.2	1.4				
Severance tax/revenue	10.1%	10.2%	10.3%				

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