

Meter Reader

A Weekly Analysis

Three Dollar Natural Gas Next Winter

Summary and Conclusion

Investment in trusts and partnerships on the basis of the McDep Ratio becomes more appealing as higher commodity values triggered by higher commodity prices more than offset modest gains in stock prices. While news reports trumpet \$30 oil and \$2 gasoline, natural gas futures are now trading above \$3 a million btu's for delivery at the Henry Hub next winter. Natural gas has further long-term price appreciation potential relative to oil in our opinion. Current rankings place **Hugoton Royalty Trust** and **Cross Timbers Royalty Trust** as most undervalued followed by **Dorchester Hugoton, Ltd.** and **San Juan Basin Royalty Trust** (see table).

		Price				Net	
		(\$/unit)		Market		Asset	
		3-Mar	Units	Cap	Debt	Value	McDep
	Symbol	2000	(mm)	(\$mm)	(\$mm)	(\$/unit)	Ratio
San Juan Basin Royalty Trust	SJT	9.81	46.6	457	-	11.40	0.86
Dorchester Hugoton, Ltd.	DHULZ	9.63	10.7	103	-	12.40	0.78
Cross Timbers Royalty Trust	CRT	11.94	6.0	72	-	17.50	0.68
Hugoton RT (42.5%)	HGT	8.81	17.0	150	-	14.00	0.63

Dynamic Distribution Yields are 8-15% for the year ahead in cash and higher on a taxable equivalent basis (see table). The taxable equivalent comparison has been scaled back to an assumed 28% rate for investors making new commitments. Investors familiar with electronic spreadsheets can glean the tax equivalent calculation from the data worksheet of the ranking file (see file Rank0303.xls).

		Price	Distribution		Distribution Yield	
		(\$/unit)	(\$/unit)		(Percent per year)	
		3-Mar		Taxable		Taxable
	Symbol	2000	Cash	Equivalent	Cash	Equivalent
Dorchester Hugoton, Ltd.	DHULZ	9.63	0.82	1.19	8.5	12.4
San Juan Basin Royalty Trust	SJT	9.81	0.95	1.61	9.7	16.4
Hugoton RT (42.5%)	HGT	8.81	1.29	1.63	14.4	18.5
Cross Timbers Royalty Trust	CRT	11.94	1.79	2.46	14.8	20.6

Kurt H. Wulff
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**Table CRT-1
Cross Timbers Royalty Trust
Present Value**

Volume Decline (%/yr):	9	Price Escalation post 2002 (%/yr):	2.9
Volume Enhancement (%/yr):	7	Discount Rate (%/yr):	7.9
		U.S. TIPS Inflation (%/yr):	2.11
		U.S. 10 Year Yield (%/yr):	6.5

Year	Natural Gas Volume			Price (\$/mcf)	Revenue (\$mm)	Oil Net (\$mm)	Distribution (\$mm)	Tax Credit (\$/unit)	Disc Factor	Present Value (\$/unit)	
	Basic (bcf)	Enhanced (bcf)	Total (bcf)								
Total 2000 through 2029	33	31	64	3.42	218	10	228	38.05	0.51	0.45	17.50
1999	3.3		3.3	2.04	6.7	-0.1	6.6	1.09	0.17		
2000	3.0	0.3	3.2	2.53	8.2	2.4	10.6	1.77	0.17	0.96	1.86
2001	2.7	0.5	3.2	2.64	8.4	1.7	10.1	1.68	0.17	0.89	1.65
2002	2.5	0.7	3.1	2.57	8.0	1.2	9.3	1.54	0.17	0.83	1.42
2003	2.3	0.8	3.1	2.64	8.2	0.8	9.0	1.50		0.77	1.15
2004	2.1	1.0	3.0	2.72	8.3	0.7	9.0	1.50		0.71	1.07
2005	1.9	1.1	3.0	2.80	8.4	0.6	9.0	1.50		0.66	0.99
2006	1.8	1.2	3.0	2.88	8.5	0.5	9.0	1.50		0.61	0.92
2007	1.6	1.3	2.9	2.96	8.6	0.4	9.1	1.51		0.57	0.85
2008	1.5	1.4	2.9	3.05	8.7	0.4	9.1	1.52		0.52	0.80
2009	1.4	1.5	2.8	3.14	8.8	0.3	9.2	1.53		0.49	0.74
2010	1.2	1.5	2.8	3.23	8.9	0.3	9.2	1.54		0.45	0.69
2011	1.1	1.6	2.7	3.32	9.1	0.2	9.3	1.55		0.42	0.65
2012	1.1	1.6	2.7	3.42	9.2	0.2	9.3	1.56		0.39	0.60
2013	1.0	1.7	2.6	3.52	9.3	0.1	9.4	1.57		0.36	0.56
2014	0.9	1.7	2.6	3.62	9.4	0.1	9.5	1.58		0.33	0.52
2015	0.8	1.6	2.4	3.73	8.8		8.8	1.47		0.31	0.45
2016	0.7	1.4	2.2	3.83	8.3		8.3	1.38		0.29	0.39
2017	0.7	1.3	2.0	3.95	7.8		7.8	1.29		0.26	0.34
2018	0.6	1.2	1.8	4.06	7.3		7.3	1.21		0.24	0.30
2019	0.6	1.1	1.6	4.18	6.8		6.8	1.14		0.23	0.26
2020	0.5	1.0	1.5	4.30	6.4		6.4	1.07		0.21	0.23
2021	0.5	0.9	1.4	4.43	6.0		6.0	1.01		0.20	0.20
2022	0.4	0.8	1.2	4.55	5.7		5.7	0.94		0.18	0.17
2023	0.4	0.7	1.1	4.69	5.3		5.3	0.89		0.17	0.15
2024	0.4	0.7	1.0	4.82	5.0		5.0	0.83		0.16	0.13
2025	0.3	0.6	0.9	4.96	4.7		4.7	0.78		0.14	0.11
2026	0.3	0.5	0.9	5.11	4.4		4.4	0.74		0.13	0.10
2027	0.3	0.5	0.8	5.26	4.1		4.1	0.69		0.12	0.09
2028	0.3	0.5	0.7	5.41	3.9		3.9	0.65		0.11	0.07
2029	0.2	0.4	0.7	5.57	3.7		3.7	0.61		0.11	0.06

**Table CRT-2
Cross Timbers Royalty Trust
Distributable Income Model**

	<i>Year</i> 1998	<i>Q1</i> 3/31/99	<i>Q2</i> 6/30/99	<i>Q3</i> 9/30/99	<i>Q4E</i> 12/31/99	<i>Year</i> 1999E	<i>Q1E</i> 3/31/00	<i>Q2E</i> 6/30/00	<i>Q3E</i> 9/30/00	<i>Q4E</i> 12/31/00	<i>Year</i> 2000E
Highlights											
Tax credit (\$mm)											
Per unit	0.20	0.04	0.04	0.04	0.04	0.17	0.04	0.04	0.04	0.04	0.17
Distributable Income (\$mm)	6.93	1.44	1.17	1.66	2.28	6.55	2.40	2.69	2.80	2.71	10.59
Per unit	1.15	0.24	0.20	0.28	0.38	1.09	0.40	0.45	0.47	0.45	1.77
Units (millions)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Volume											
Natural Gas (bcf)	3.50	0.92	0.82	0.94	0.97	3.64	0.96	0.88	0.88	0.88	3.60
Natural Gas (mmcf)	9.6	10.0	9.1	10.3	10.5	10.0	10.4	9.8	9.7	9.6	9.9
Days	365	92	90	91	92	365	92	90	91	92	365
Oil (mb)	392	88	87	79	92	346	91	87	87	86	351
Oil (mbd)	1.08	0.96	0.98	0.86	1.00	0.95	1.0	1.0	1.0	0.9	0.96
Days	365	92	89	92	92	365	92	90	91	92	365
Total (bcf)	5.86	1.45	1.34	1.41	1.52	5.71	1.50	1.41	1.40	1.40	5.71
Price											
Natural Gas											
Henry Hub (\$/mmbtu)		1.87	1.89	2.27	2.66	2.17	2.35	2.74	2.86	2.89	2.71
CRT (\$/mcf)	2.03	1.73	1.79	2.02	2.56	2.04	2.25	2.54	2.66	2.69	2.53
Oil (\$/bbl)											
WTI Cushing		12.25	14.67	18.57	22.59	17.02	26.07	30.80	28.79	26.24	27.98
CRT	13.40	10.44	12.28	20.34	21.59	16.13	25.07	29.80	27.79	25.24	26.96
Total (\$/mcf)	2.11	1.73	1.89	2.48	2.94	2.28	2.95	3.44	3.39	3.25	3.25
Revenue (\$mm)											
Natural Gas	7.11	1.59	1.46	1.89	2.47	7.41	2.16	2.24	2.35	2.37	9.11
Oil	5.26	0.92	1.07	1.61	1.99	5.59	2.28	2.60	2.40	2.16	9.45
Total	12.37	2.51	2.53	3.50	4.46	13.00	4.44	4.84	4.75	4.54	18.57
Cost (\$mm)											
Tax, transport & other	1.19	0.23	0.40	0.48	0.60	1.70	0.68	0.78	0.72	0.65	2.84
Production	2.58	0.57	0.63	0.60	0.69	2.49	0.64	0.61	0.61	0.60	2.45
Total	3.78	0.80	1.02	1.08	1.29	4.19	1.32	1.39	1.33	1.25	5.29
Cash flow (\$mm)											
Development	1.14	0.36	0.08	0.18	0.18	0.80	0.08	0.10	0.10	0.10	0.38
Excess	(0.52)	(0.30)	(0.06)	(0.07)		(0.43)					-
Recovery of excess	0.02	0.01	0.14	0.10	0.39	0.63	0.22	0.16			0.38
Net proceeds (\$mm)	7.94	1.64	1.35	2.22	2.60	7.82	2.82	3.19	3.32	3.19	12.52
Royalty income (\$mm)											
Royalty/Net proceeds	89%	90%	90%	76%	89%	86%	86%	86%	86%	86%	86%
Administration	0.15	0.04	0.04	0.04	0.04	0.16	0.04	0.04	0.04	0.04	0.16
Distributable income (\$mm)	6.93	1.44	1.17	1.66	2.28	6.55	2.40	2.69	2.80	2.71	10.59
<i>Modeling ratios</i>											
Tax and other/oil revenue	0.10	0.09	0.16	0.14	0.13	0.13	0.15	0.16	0.15	0.14	0.15
Production exp (\$/bbl)	6.58	6.48	7.20	7.56	7.50	7.18	7.00	7.00	7.00	7.00	7.00
<i>Accounting items</i>											
Interest on excess costs	0.01	0.02	0.02	0.01	0.01	0.06					
Cumulative excess costs	0.51	0.83	0.77	0.76	0.38	0.38					

**Table DHULZ-1
Dorchester Hugoton, Ltd.
Present Value**

Volume Decline (%/yr):	11	Price Escalation Post 2002 (%/yr):	2.9
Volume Enhancement (%/yr):	8	Discount rate (%/yr):	7.9
Capex/Cash Flow (%):	13	U.S. TIPS Inflation (%/yr):	2.11
Variable Cost (%):	15	U.S. 10 Year Yield (%/yr):	6.5

Year	Basic (bcf)	Volume Enhanced (bcf)	Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Free Cash Flow (\$mm)	Free Cash Flow (\$/unit)	Disc Factor	Present Value (\$/unit)
Total 2000 through 2029												
	61	58	119	3.59	426	71	64	24	267	24.58	0.50	12.40
1999	6.9		6.9	2.30	15.8	2.1	2.4	0.4	10.9	1.01		
						Other assets, net			10.4	0.96	1.00	0.96
2000	6.4	0.4	6.7	2.85	19.2	2.4	2.9	0.6	13.4	1.23	0.96	1.18
2001	5.7	0.9	6.5	2.81	18.4	2.4	2.8	1.7	11.6	1.07	0.89	0.95
2002	5.1	1.3	6.4	2.75	17.6	2.4	2.6	1.6	11.0	1.01	0.83	0.84
2003	4.6	1.7	6.3	2.83	17.8	2.4	2.7	1.7	11.1	1.02	0.77	0.78
2004	4.2	2.0	6.1	2.92	17.9	2.4	2.7	1.7	11.2	1.03	0.71	0.73
2005	3.7	2.2	6.0	3.00	18.0	2.4	2.7	1.7	11.3	1.04	0.66	0.68
2006	3.4	2.5	5.9	3.09	18.1	2.4	2.7	1.7	11.3	1.04	0.61	0.64
2007	3.0	2.7	5.7	3.18	18.2	2.4	2.7	1.7	11.4	1.05	0.57	0.59
2008	2.7	2.8	5.6	3.27	18.2	2.4	2.7	1.7	11.4	1.05	0.52	0.55
2009	2.5	3.0	5.4	3.37	18.3	2.4	2.7	1.7	11.5	1.06	0.49	0.51
2010	2.2	3.1	5.3	3.46	18.4	2.4	2.8	1.7	11.5	1.06	0.45	0.48
2011	2.0	3.2	5.2	3.56	18.4	2.4	2.8	1.7	11.6	1.07	0.42	0.45
2012	1.8	3.2	5.0	3.67	18.5	2.4	2.8	1.7	11.6	1.07	0.39	0.41
2013	1.6	3.3	4.9	3.77	18.5	2.4	2.8	1.7	11.6	1.07	0.36	0.38
2014	1.5	3.3	4.8	3.88	18.6	2.4	2.8	1.7	11.7	1.08	0.33	0.36
2015	1.3	2.9	4.3	4.00	17.1	2.4	2.6		12.1	1.12	0.31	0.34
2016	1.2	2.6	3.8	4.11	15.7	2.4	2.4		11.0	1.01	0.29	0.29
2017	1.1	2.3	3.4	4.23	14.4	2.4	2.2		9.9	0.91	0.26	0.24
2018	1.0	2.1	3.0	4.36	13.3	2.4	2.0		8.9	0.82	0.24	0.20
2019	0.9	1.8	2.7	4.48	12.2	2.4	1.8		8.0	0.74	0.23	0.17
2020	0.8	1.6	2.4	4.61	11.2	2.4	1.7		7.2	0.66	0.21	0.14
2021	0.7	1.5	2.2	4.75	10.3	2.4	1.5		6.4	0.59	0.20	0.12
2022	0.6	1.3	1.9	4.89	9.5	2.4	1.4		5.7	0.53	0.18	0.09
2023	0.6	1.2	1.7	5.03	8.7	2.4	1.3		5.0	0.47	0.17	0.08
2024	0.5	1.0	1.5	5.18	8.0	2.4	1.2		4.5	0.41	0.16	0.06
2025	0.5	0.9	1.4	5.33	7.4	2.4	1.1		3.9	0.36	0.14	0.05
2026	0.4	0.8	1.2	5.48	6.8	2.4	1.0		3.4	0.31	0.13	0.04
2027	0.4	0.7	1.1	5.64	6.2	2.4	0.9		2.9	0.27	0.12	0.03
2028	0.3	0.6	1.0	5.80	5.7	2.4	0.9		2.5	0.23	0.11	0.03
2029	0.3	0.6	0.9	5.97	5.3	2.4	0.8		2.1	0.20	0.11	0.02

Table DHULZ-2
Dorchester Hugoton, Ltd.
Income Model

	<i>Year</i> 1998	<i>Q1</i> 3/31/99	<i>Q2</i> 6/30/99	<i>Q3</i> 9/30/99	<i>Q4E</i> 12/31/99	<i>Year</i> 1999E	<i>Q1E</i> 3/31/00	<i>Q2E</i> 6/30/00	<i>Q3E</i> 9/30/00	<i>Q4E</i> 12/31/00	<i>Year</i> 2000E
Highlights											
Revenue (\$mm)	15.37	3.06	3.51	4.34	4.39	15.3	4.24	4.63	4.69	4.86	18.4
Cash flow (\$mm)	11.02	2.09	2.35	3.25	3.25	10.9	3.13	3.51	3.57	3.74	14.0
Per unit	1.02	0.19	0.22	0.30	0.30	1.01	0.29	0.32	0.33	0.34	1.29
Earnings (\$mm)	9.01	1.60	1.89	2.77	2.78	9.0	2.65	3.04	3.10	3.27	12.1
Per unit	0.83	0.15	0.17	0.26	0.26	0.83	0.24	0.28	0.29	0.30	1.11
Distribution (\$mm)	7.74	1.93	1.93	1.93	1.93	7.7	3.01	1.93	1.93	1.93	8.8
Per unit	0.72	0.18	0.18	0.18	0.18	0.72	0.28	0.18	0.18	0.18	0.82
Units (millions)	10.74	10.74	10.74	10.74	10.74	10.7	10.74	10.74	10.74	10.74	10.7
Volume											
Natural gas (bcf)											
Oklahoma	5.74	1.42	1.33	1.40	1.43	5.6	1.39	1.39	1.39	1.38	5.5
Kansas	1.70	0.35	0.34	0.33	0.31	1.3	0.30	0.30	0.30	0.30	1.2
Total	7.44	1.76	1.67	1.72	1.74	6.9	1.69	1.69	1.69	1.67	6.7
Natural Gas (mmcf)	20.4	19.6	18.4	18.7	18.9	18.9	18.8	18.6	18.4	18.2	18.5
Days	365	90	91	92	92	365	90	91	92	92	365
Price											
Natural gas											
Henry Hub (\$/mmbtu)		1.79	2.22	2.52	2.45	2.24	2.60	2.84	2.87	3.01	2.83
Oklahoma (\$/mcf)	2.11	1.77	2.15	2.60	2.60	2.28	2.60	2.84	2.87	3.01	2.83
Kansas (\$/mcf)	2.22	1.85	2.26	2.68	2.70	2.36	2.67	2.91	2.94	3.08	2.90
Total (\$/mcf)	2.14	1.79	2.17	2.62	2.62	2.30	2.62	2.86	2.89	3.02	2.85
Revenue (\$mm)											
Natural Gas											
Oklahoma	12.11	2.50	2.87	3.63	3.73	12.7	3.61	3.95	4.00	4.14	15.7
Kansas	3.77	0.64	0.76	0.88	0.83	3.1	0.80	0.88	0.89	0.92	3.5
Other	0.23	0.05	0.05	0.05	0.05	0.2	0.05	0.05	0.05	0.05	0.2
Production payment (ORRI)	(0.73)	(0.14)	(0.17)	(0.22)	(0.23)	(0.8)	(0.22)	(0.24)	(0.24)	(0.25)	(1.0)
Total	15.37	3.06	3.51	4.34	4.39	15.3	4.24	4.63	4.69	4.86	18.4
Cost (\$mm)											
Operating	3.54	0.79	0.96	0.90	0.95	3.6	0.91	0.91	0.91	0.91	3.6
General and administrative	0.53	0.14	0.13	0.14	0.16	0.6	0.16	0.16	0.16	0.16	0.6
Management	0.49	0.12	0.12	0.13	0.13	0.5	0.13	0.13	0.13	0.13	0.5
Other	(0.22)	(0.06)	(0.05)	(0.08)	(0.10)	(0.3)	(0.08)	(0.08)	(0.08)	(0.08)	(0.3)
Total	4.35	0.98	1.16	1.09	1.13	4.4	1.12	1.12	1.12	1.12	4.5
Cash flow (\$mm)											
Depletion, deprec. & amort.	2.02	0.49	0.46	0.48	0.48	1.9	0.47	0.47	0.47	0.47	1.9
Earnings (\$mm)											
Capital expenditures (\$mm)	1.14	0.04	0.05	0.21	0.10	0.4	0.15	0.15	0.15	0.15	0.6
Modeling ratios											
Prod pay/revenue	4.6%	4.3%	4.5%	4.9%	5.0%	4.7%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating cost (\$/mcf)	0.48	0.45	0.57	0.52	0.54	0.52	0.54	0.54	0.54	0.54	0.54
Depletion (\$/mcf)	0.27	0.28	0.28	0.28	0.27	0.28	0.28	0.28	0.28	0.28	0.28

**Table HGT-1
Hugoton Royalty Trust
Present Value**

Volume Decline (%/yr):	11	Price Escalation (%/yr):	2.9
Volume Enhancement (%/yr):	9	Discount rate (%/yr):	7.9
Capex/Cash Flow (%):	24	U.S. TIPS Inflation (%/yr):	2.11
Variable Cost (%):	14	U.S. 10 Year Yield (%/yr):	6.5

Year	Basic (bcf)	Volume Enhanced (bcf)	Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Distribution (\$mm)	(\$/unit)	Tax Credit (\$/unit)	Disc Factor	Present Value (\$/unit)
Total 2000 through 2029													
	279	331	610	3.56	2171	357	304	234	1275	31.87	0.06	0.44	14.00
1999	29.2		29.2	2.16	63.1	12.0	8.8	9.1	33.1	0.83	0.02		
2000	29.2	2.7	31.9	2.67	85.2	11.9	11.9	10.4	50.7	1.27	0.02	0.96	1.24
2001	26.0	5.3	31.3	2.79	87.2	11.9	12.2	15.1	47.9	1.20	0.02	0.89	1.09
2002	23.4	7.5	30.9	2.71	83.8	11.9	11.7	14.4	45.8	1.14	0.02	0.83	0.96
2003	21.1	9.5	30.6	2.79	85.3	11.9	11.9	14.7	46.7	1.17		0.77	0.89
2004	19.0	11.2	30.2	2.87	86.7	11.9	12.1	15.0	47.6	1.19		0.71	0.85
2005	17.1	12.7	29.8	2.95	88.0	11.9	12.3	15.3	48.5	1.21		0.66	0.80
2006	15.4	13.9	29.4	3.04	89.3	11.9	12.5	15.6	49.3	1.23		0.61	0.75
2007	13.9	15.1	29.0	3.13	90.6	11.9	12.7	15.8	50.2	1.25		0.57	0.71
2008	12.5	16.0	28.5	3.22	91.9	11.9	12.9	16.1	51.0	1.28		0.52	0.67
2009	11.3	16.8	28.1	3.31	93.1	11.9	13.0	16.4	51.8	1.30		0.49	0.63
2010	10.2	17.5	27.7	3.41	94.3	11.9	13.2	16.6	52.6	1.32		0.45	0.59
2011	9.2	18.1	27.2	3.51	95.5	11.9	13.4	16.9	53.4	1.33		0.42	0.56
2012	8.3	18.5	26.8	3.61	96.7	11.9	13.5	17.1	54.1	1.35		0.39	0.52
2013	7.4	18.9	26.3	3.72	97.8	11.9	13.7	17.3	54.9	1.37		0.36	0.49
2014	6.7	19.2	25.9	3.83	99.0	11.9	13.9	17.6	55.7	1.39		0.33	0.46
2015	6.0	17.1	23.1	3.94	91.0	11.9	12.7		66.3	1.66		0.31	0.51
2016	5.4	15.2	20.6	4.05	83.6	11.9	11.7		60.0	1.50		0.29	0.43
2017	4.9	13.5	18.4	4.17	76.8	11.9	10.8		54.1	1.35		0.26	0.36
2018	4.4	12.0	16.4	4.29	70.6	11.9	9.9		48.8	1.22		0.24	0.30
2019	4.0	10.7	14.7	4.42	64.8	11.9	9.1		43.9	1.10		0.23	0.25
2020	3.6	9.5	13.1	4.54	59.6	11.9	8.3		39.3	0.98		0.21	0.21
2021	3.2	8.5	11.7	4.68	54.8	11.9	7.7		35.2	0.88		0.20	0.17
2022	2.9	7.6	10.5	4.81	50.3	11.9	7.0		31.4	0.78		0.18	0.14
2023	2.6	6.7	9.3	4.95	46.2	11.9	6.5		27.9	0.70		0.17	0.12
2024	2.4	6.0	8.3	5.10	42.5	11.9	5.9		24.6	0.62		0.16	0.10
2025	2.1	5.3	7.4	5.24	39.1	11.9	5.5		21.7	0.54		0.14	0.08
2026	1.9	4.7	6.7	5.40	35.9	11.9	5.0		19.0	0.47		0.13	0.06
2027	1.7	4.2	5.9	5.55	33.0	11.9	4.6		16.5	0.41		0.12	0.05
2028	1.6	3.8	5.3	5.72	30.3	11.9	4.2		14.2	0.35		0.11	0.04
2029	1.4	3.3	4.7	5.88	27.9	11.9	3.9		12.1	0.30		0.11	0.03

**Table HGT-2
Hugoton Royalty Trust
Distributable Income Model**

	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>
	<i>3/31/99</i>	<i>6/30/99</i>	<i>9/30/99</i>	<i>12/31/99</i>	<i>1999E</i>	<i>3/31/00</i>	<i>6/30/00</i>	<i>9/30/00</i>	<i>12/31/00</i>	<i>2000E</i>
Highlights										
Revenue (\$mm) (80%)	9.4	16.6	16.8	20.4	63.1	20.4	21.1	21.7	22.0	85.2
Cash flow (\$mm) (80%)	5.1	11.1	11.5	14.5	42.3	14.4	15.2	15.7	16.1	61.4
Per unit	0.13	0.28	0.29	0.36	1.06	0.36	0.38	0.39	0.40	1.53
Tax credit (\$mm)	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8
Per unit	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.02
Distributable Income (\$mm)	3.6	8.8	8.5	12.2	33.1	11.2	12.7	13.2	13.6	50.7
Per unit	0.09	0.22	0.21	0.30	0.83	0.28	0.32	0.33	0.34	1.27
Units (millions)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Volume										
Natural Gas (bcf)	5.5	9.6	9.5	9.6	34.2	9.5	9.4	9.3	9.2	37.5
Natural Gas (mmcf)	89.0	107.6	103.4	104.2	102.1	104.2	103.2	102.1	101.1	102.6
Days	62	89	92	92	335	91	91	91	91	365
Oil (mb)	66	115	104	104	389	101	101	101	100	403
Oil (mbd)	1.1	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Days	62	96	92	92	342	90	91	92	92	365
Total (bcf)	5.9	10.3	10.1	10.2	36.5	10.1	10.0	9.9	9.8	39.9
Price										
Natural Gas (HH lagged two months)										
Henry Hub (\$/mmbtu)	1.78	1.89	2.27	2.66	2.18	2.35	2.74	2.86	2.97	2.73
HGT (\$/mcf)	2.00	2.00	2.01	2.42	2.12	2.41	2.49	2.61	2.72	2.55
Oil (\$/bbl) (WTI Cushing lagged two months)										
WTI Cushing	11.90	14.67	18.57	22.59	17.39	26.07	30.80	28.79	25.78	27.86
HGT	10.86	13.64	18.18	21.59	16.51	25.07	29.80	27.79	24.78	26.87
Total (\$/mcf)	1.99	2.02	2.07	2.49	2.16	2.52	2.64	2.73	2.80	2.67
Revenue (\$mm)										
Natural Gas	11.0	19.1	19.1	23.2	72.5	22.9	23.4	24.3	25.1	95.7
Oil	0.7	1.6	1.9	2.2	6.4	2.5	3.0	2.8	2.5	10.8
Total	11.7	20.7	21.0	25.5	78.9	25.4	26.4	27.1	27.6	106.5
Cost (\$mm)										
Tax, transport & other	1.4	2.1	2.1	2.5	8.2	2.5	2.6	2.7	2.8	10.7
Production	2.3	2.9	2.8	3.0	11.0	3.1	3.1	3.1	3.0	12.4
Overhead	1.6	1.7	1.8	1.7	6.9	1.7	1.7	1.7	1.7	6.8
Total	5.3	6.8	6.6	7.3	26.1	7.4	7.4	7.5	7.5	29.8
Cash flow (\$mm)	6.4	13.9	14.4	18.2	52.9	18.0	19.0	19.6	20.1	76.7
Development	2.0	2.8	3.7	2.8	11.3	4.0	3.0	3.0	3.0	13.0
Net proceeds (\$mm)	4.5	11.1	10.7	15.3	41.6	14.0	16.0	16.6	17.1	63.7
Royalty income (\$mm)										
Royalty/Net proceeds	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Administration	0.0	0.0	0.0	0.1	0.2	0.1	0.1	0.1	0.1	0.3
Distributable income (\$mm)	3.6	8.8	8.5	12.2	33.1	11.2	12.7	13.2	13.6	50.7
<i>Modeling ratios</i>										
Tax and other/revenue	12%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Production cost (\$/mcf)	0.39	0.29	0.28	0.29	0.30	0.31	0.31	0.31	0.31	0.31
Overhead cost (\$/mcf)	0.28	0.17	0.17	0.17	0.19	0.17	0.17	0.17	0.17	0.17

Note: The trust was formed on December 1, 1998. Also there is a two month lag between actual and reported production. As a result, the first quarter of operations includes only the two months of December 1998 and January 1999.

**Table SJT-1
San Juan Basin Royalty Trust
Present Value**

Volume Decline (%/yr):	9	Price Escalation Post 2002 (%/yr):	2.9
Volume Enhancement (%/yr):	7	Discount rate (%/yr):	7.9
Capex/Cash Flow (%):	24	U.S. TIPS Inflation (%/yr):	2.11
Variable Cost (%):	12	U.S. 10 Year Yield (%/yr):	6.5

Year	Volume		Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Distribution (\$mm)	(\$/unit)	Tax Credit (\$/unit)	Disc Factor	Present Value (\$/unit)
	Basic (bcf)	Enhanced (bcf)											
Total 2000 through 2029													
	309	268	577	3.27	1886	226	226	207	1226	26.31	0.48	0.43	11.40
1999	30.3		30.3	1.76	53.2	7.2	6.4	7.9	31.8	0.68	0.16		
2000	27.8	1.5	29.3	2.42	70.8	7.5	8.5	9.8	44.2	0.95	0.16	0.96	1.07
2001	25.3	3.4	28.7	2.52	72.4	7.5	8.7	13.5	42.7	0.92	0.16	0.89	0.96
2002	23.2	5.1	28.3	2.45	69.5	7.5	8.3	12.9	40.7	0.87	0.16	0.83	0.86
2003	21.3	6.6	27.9	2.52	70.5	7.5	8.5	13.1	41.4	0.89		0.77	0.68
2004	19.5	8.0	27.5	2.60	71.5	7.5	8.6	13.3	42.1	0.90		0.71	0.64
2005	17.9	9.2	27.1	2.67	72.5	7.5	8.7	13.5	42.8	0.92		0.66	0.60
2006	16.4	10.3	26.7	2.75	73.5	7.5	8.8	13.7	43.4	0.93		0.61	0.57
2007	15.1	11.2	26.3	2.83	74.4	7.5	8.9	13.9	44.1	0.95		0.57	0.53
2008	13.8	12.0	25.9	2.91	75.4	7.5	9.0	14.1	44.7	0.96		0.52	0.50
2009	12.7	12.8	25.5	3.00	76.4	7.5	9.2	14.3	45.4	0.97		0.49	0.47
2010	11.6	13.4	25.1	3.09	77.3	7.5	9.3	14.5	46.0	0.99		0.45	0.44
2011	10.7	14.0	24.6	3.18	78.2	7.5	9.4	14.7	46.6	1.00		0.42	0.42
2012	9.8	14.4	24.2	3.27	79.2	7.5	9.5	14.9	47.2	1.01		0.39	0.39
2013	9.0	14.8	23.8	3.36	80.1	7.5	9.6	15.1	47.8	1.03		0.36	0.37
2014	8.2	15.2	23.4	3.46	81.0	7.5	9.7	15.3	48.4	1.04		0.33	0.35
2015	7.6	13.8	21.4	3.56	76.1	7.5	9.1		59.4	1.27		0.31	0.39
2016	6.9	12.5	19.5	3.67	71.4	7.5	8.6		55.3	1.19		0.29	0.34
2017	6.4	11.4	17.8	3.77	67.1	7.5	8.1		51.5	1.11		0.26	0.29
2018	5.8	10.4	16.2	3.88	63.0	7.5	7.6		47.9	1.03		0.24	0.25
2019	5.4	9.5	14.8	3.99	59.2	7.5	7.1		44.6	0.96		0.23	0.22
2020	4.9	8.6	13.5	4.11	55.6	7.5	6.7		41.4	0.89		0.21	0.19
2021	4.5	7.8	12.3	4.23	52.2	7.5	6.3		38.4	0.82		0.20	0.16
2022	4.1	7.1	11.3	4.35	49.0	7.5	5.9		35.6	0.76		0.18	0.14
2023	3.8	6.5	10.3	4.48	46.1	7.5	5.5		33.0	0.71		0.17	0.12
2024	3.5	5.9	9.4	4.61	43.3	7.5	5.2		30.6	0.66		0.16	0.10
2025	3.2	5.4	8.6	4.74	40.6	7.5	4.9		28.2	0.61		0.14	0.09
2026	2.9	4.9	7.8	4.88	38.2	7.5	4.6		26.1	0.56		0.13	0.07
2027	2.7	4.4	7.1	5.02	35.9	7.5	4.3		24.0	0.52		0.12	0.06
2028	2.5	4.0	6.5	5.17	33.7	7.5	4.0		22.1	0.47		0.11	0.05
2029	2.3	3.7	5.9	5.32	31.6	7.5	3.8		20.3	0.44		0.11	0.05

Table SJT-2
San Juan Basin Royalty Trust
Distributable Income Model

	<i>Year</i> <i>1998</i>	<i>Q1</i> <i>3/31/99</i>	<i>Q2</i> <i>6/30/99</i>	<i>Q3</i> <i>9/30/99</i>	<i>Q4E</i> <i>12/31/99</i>	<i>Year</i> <i>1999E</i>	<i>Q1E</i> <i>3/31/00</i>	<i>Q2E</i> <i>6/30/00</i>	<i>Q3E</i> <i>9/30/00</i>	<i>Q4E</i> <i>12/31/00</i>	<i>Year</i> <i>2000E</i>
Highlights											
Revenue (\$mm) (75%)	54.3	12.1	10.8	13.0	17.4	53.2	17.1	17.2	18.2	18.2	70.8
Cash flow (\$mm) (75%)	39.9	8.8	7.5	9.9	13.4	39.6	13.1	13.2	14.2	14.2	54.7
Per unit	0.86	0.19	0.16	0.21	0.29	0.85	0.28	0.28	0.30	0.30	1.17
Tax credit (\$mm)	7.8	1.9	1.4	1.9	2.5	7.6	1.9	1.4	1.9	2.3	7.5
Per unit	0.17	0.04	0.03	0.04	0.05	0.16	0.04	0.03	0.04	0.05	0.16
Distributable Income (\$mm)	29.6	6.8	5.9	7.8	11.3	31.8	9.9	10.8	11.7	11.8	44.2
Per unit	0.64	0.15	0.13	0.17	0.24	0.68	0.21	0.23	0.25	0.25	0.95
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)											
Conventional		7.3	7.4	5.5	6.7	26.9	6.6	6.4	6.5	6.4	26.0
Coal Seam		3.7	3.8	3.3	3.5	14.4	3.6	3.4	3.5	3.5	13.9
Total		11.0	11.2	8.8	10.3	41.3	10.2	9.9	10.0	9.9	40.0
Conventional (btu/cf)		1,194	1,196	1,006	1,159	1,142	1,142	1,142	1,142	1,142	1,142
Coal Seam (btu/cf)		881	881	881	881	881	881	881	881	881	881
Natural gas (bcf)											
Conventional		6.1	6.2	5.5	5.8	23.5	5.8	5.6	5.7	5.6	22.8
Coal Seam		4.2	4.3	3.8	4.0	16.4	4.0	3.9	4.0	3.9	15.8
Total	41.5	10.3	10.5	9.3	9.8	39.9	9.9	9.5	9.7	9.6	38.6
Natural Gas (mmcf)	113.7	112.4	118.4	100.6	106.7	109.4	107.1	106.0	105.0	103.9	105.5
Days	365	92	89	92	92	365	92	90	92	92	366
Oil (mb)	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Oil (mbd)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Days	366	92	89	92	92	364	92	90	92	92	366
Total gas & oil (bcf)	42.0	10.4	10.6	9.4	9.9	40.4	10.0	9.7	9.8	9.7	39.0
Price											
Natural gas (\$/mmbtu) (Hubs lagged two months)											
Henry Hub (\$/mmbtu)		1.87	1.89	2.27	2.66	2.17	2.35	2.74	2.86	2.89	2.71
Blanco Hub (\$/mmbtu)		1.78	1.68	2.02	2.46	1.98					
SJT Conventional		1.48	1.29	2.09	2.27	1.75	2.25	2.34	2.46	2.49	2.38
SJT Coal Seam		1.38	1.20	1.65	2.13	1.58	2.11	2.14	2.26	2.29	2.20
Total		1.45	1.26	1.93	2.22	1.69	2.20	2.27	2.39	2.42	2.32
Natural gas (\$/mcf)											
Conventional		1.77	1.54	2.11	2.63	2.00	2.57	2.67	2.81	2.84	2.72
Coal Seam		1.22	1.06	1.45	1.88	1.39	1.86	1.88	1.99	2.01	1.94
Total	1.72	1.54	1.34	1.84	2.32	1.75	2.28	2.35	2.47	2.50	2.40
Oil (\$/bbl) (WTI Cushing lagged two months)											
WTI Cushing		12.25	14.67	18.57	22.59	17.02	26.07	30.80	28.79	26.24	27.98
SJT	13.29	9.65	12.72	15.71	17.50	13.99	22.07	26.80	24.79	22.24	23.96
Total gas & oil (\$/mcf)		1.54	1.35	1.85	2.33	1.76	2.29	2.37	2.49	2.51	2.42
Revenue (\$mm)											
Natural Gas - Conventional		10.8	9.6	11.5	15.2	47.1	14.9	15.0	16.0	16.0	62.0
Coal Seam		5.2	4.6	5.5	7.6	22.8	7.5	7.4	7.9	7.9	30.6
Total	71.2	16.0	14.1	17.0	22.8	69.9	22.4	22.4	23.9	23.9	92.6
Oil	1.1	0.2	0.2	0.3	0.4	1.1	0.4	0.5	0.5	0.4	1.8
Total	72.3	16.1	14.4	17.3	23.2	71.0	22.9	22.9	24.3	24.3	94.3
Cost (\$mm)											
Severance tax	7.5	1.7	1.5	1.8	2.4	7.3	2.4	2.4	2.5	2.5	9.7
Operating	11.6	2.8	2.8	2.2	2.9	10.8	3.0	2.9	2.9	2.9	11.6
Total	19.1	4.5	4.3	4.0	5.3	18.1	5.4	5.2	5.4	5.4	21.3
Cash flow (\$mm)	53.3	11.7	10.0	13.3	17.9	52.8	17.5	17.7	18.9	18.9	73.0
Development	12.8	2.3	3.0	2.7	2.6	10.6	4.0	3.0	3.0	3.0	13.0
Net proceeds (\$mm)	40.4	9.4	7.1	10.5	15.3	42.3	13.5	14.7	15.9	15.9	60.0
Royalty income (\$mm)											
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	0.7	0.3	0.2	0.1	0.2	0.8	0.2	0.2	0.2	0.2	0.8
One-time			0.9			0.9					-
Distributable income (\$mm)	29.6	6.8	5.9	7.8	11.3	31.8	9.9	10.8	11.7	11.8	44.2
<i>Modeling ratios</i>											
Severance tax/revenue	10.3%	10.3%	10.2%	10.4%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
Operating cost (\$/mcf)	0.28	0.27	0.27	0.24	0.29	0.27	0.30	0.30	0.30	0.30	0.30