

Meter Reader

A Weekly Analysis

March 13, 2000

Bullish on Natural Gas Markets

Trusts and partnership investors are likely to earn attractive profits from the supply of natural gas to meet the sparkling demand outlined by the American Gas Association. Gary Neale, the trade group chairman in a presentation in Boston on March 9, highlighted fuel cells among other devices that will distribute electric generation to the new economy much like the personal computer distributes computing power. Fueled by natural gas, the breakthrough equipment will produce electricity on site more efficiently than in central plants. Current rankings of some clean fuel suppliers 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 | |
| | | 10-Mar | Units | Cap | Debt | Value | McDep |
| | Symbol | 2000 | (mm) | (\$mm) | (\$mm) | (\$/unit) | Ratio |
| San Juan Basin Royalty Trust | SJT | 9.81 | 46.6 | 457 | - | 11.30 | 0.87 |
| Dorchester Hugoton, Ltd. | DHULZ | 9.50 | 10.7 | 102 | - | 12.30 | 0.77 |
| Cross Timbers Royalty Trust | CRT | 10.94 | 6.0 | 66 | - | 17.50 | 0.63 |
| Hugoton RT (42.5%) | HGT | 8.75 | 17.0 | 149 | - | 14.00 | 0.63 |

Dynamic Distribution Yields are 8-15% for the year ahead in cash and 12-22% on a taxable equivalent basis (see table). Tax shelter depends on each investor's situation (see file Tax_issues.doc).

| | | Price | Distribution | | Distribution Yield | |
|------------------------------|--------|-----------|--------------|------------|--------------------|------------|
| | | (\$/unit) | (\$/unit) | | (Percent per year) | |
| | | 10-Mar | | Taxable | | Taxable |
| | Symbol | 2000 | Cash | Equivalent | Cash | Equivalent |
| Dorchester Hugoton, Ltd. | DHULZ | 9.50 | 0.82 | 1.19 | 8.6 | 12.5 |
| San Juan Basin Royalty Trust | SJT | 9.81 | 0.94 | 1.60 | 9.6 | 16.3 |
| Hugoton RT (42.5%) | HGT | 8.75 | 1.28 | 1.61 | 14.3 | 18.4 |
| Cross Timbers Royalty Trust | CRT | 10.94 | 1.78 | 2.40 | 16.0 | 22.0 |

The tables backing up the estimates are little changed from those posted a week ago. Values depend on price and volume. During the past decade investors have tended to overestimate price and underestimate volume. Looking ahead the price case is stronger than it has been in perhaps 30 years in some respects. Volume, too, should benefit if current pricing strength lasts longer than implied by futures quotes.

Kurt H. Wulff, CFA

Analyses are prepared from original sources and data believed to be reliable, but no representations are made as to their accuracy or completeness. This summary with supporting documentation is available free at <http://royaltytrusts.intranets.com>. Email kwulff@mediaone.net for registration code.