



Independent Stock Idea

October 22, 2013

RTF Cash Payers Oil Rising

			Price (US\$/sh)	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Natural Gas (%)	Oil (%)	Distribution NTM		McDep
	Symbol/Rating		22-Oct 2013					US\$/unit	Yield (%)	Ratio
Top Line										
	Freehold Royalties Ltd.	FRHLF	23.65	1,580	21.00	16	84	1.63	6.9	1.12
	Dorchester Minerals, L.P.	DMLP B	24.50	750	26.00	54	46	1.83	7.5	0.94
	Permian Basin RT	PBT	16.13	750	18.00	19	81	1.18	7.3	0.90
	Sabine Royalty Trust	SBR	50.80	740	64.00	52	48	4.03	7.9	0.79
	Cross Timbers Royalty Trust	CRT	31.20	190	42.00	70	30	2.68	8.6	0.74
	<i>Total or Median</i>			4,000		52	48		7.5	0.90
Bottom Line										
	San Juan Basin Royalty Trust	SJT B	16.68	780	21.00	100	-	1.01	6.1	0.79
	Enduro Royalty Trust	NDRO	12.79	420	17.00	48	52	1.52	11.9	0.75
	Mesa Royalty Trust	MTR	22.03	40	30.00	75	25	1.95	8.8	0.73
	Hugoton Royalty Trust	HGT	7.21	290	12.00	90	10	0.78	10.8	0.60
	<i>Total or Median</i>			1,500		82	18		9.8	0.74

Summary and Recommendation

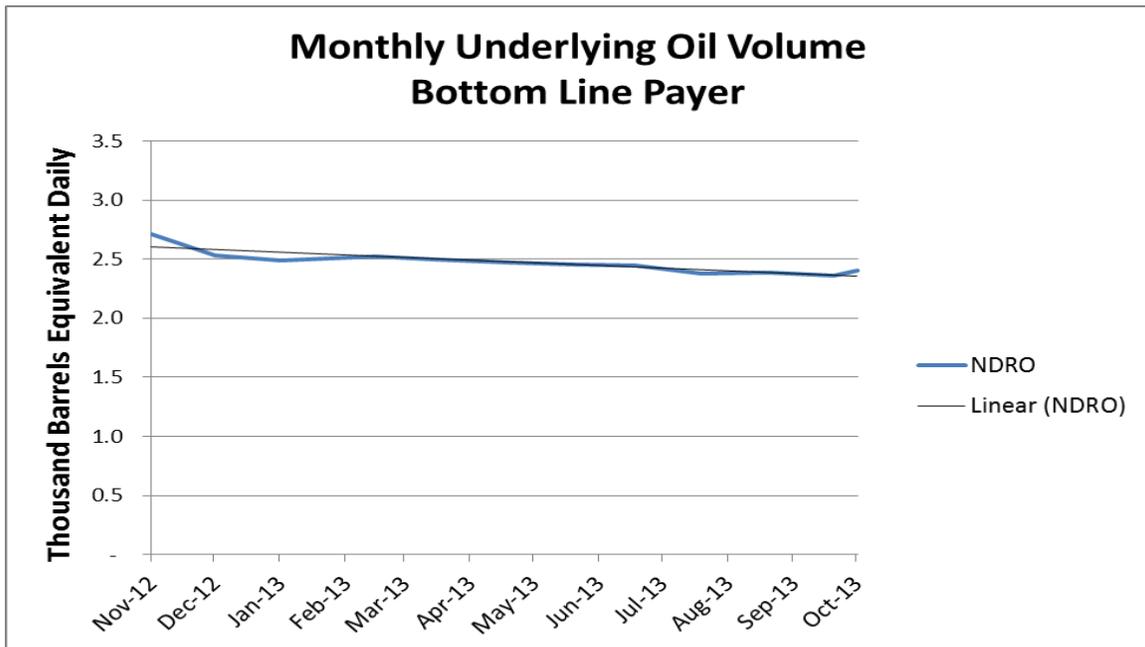
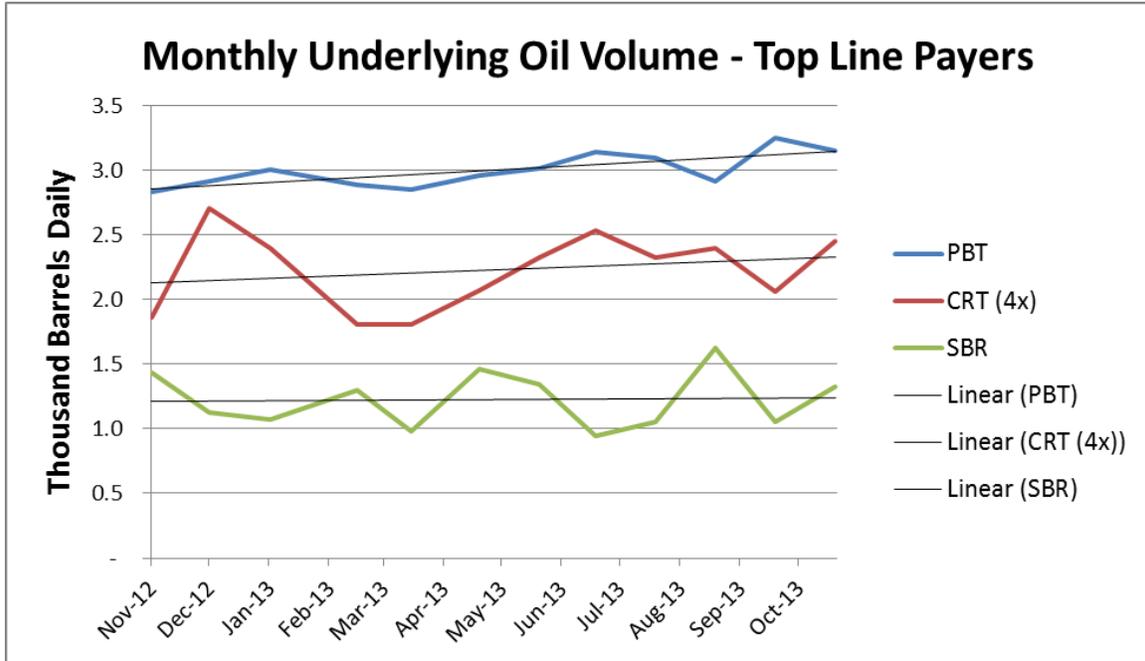
Oil production appears to be rising at **Permian Basin Royalty Trust (PBT)** and **Cross Timbers Royalty Trust (CRT)** according to disclosures accompanying the latest declarations of monthly cash distributions on October 21 (see chart Monthly Oil – Top Line Payers on page 2). A flat trend for **Sabine Royalty Trust (SBR)** is remarkable for lack of normal decline. Ahead of an expected volume boost in the second quarter of 2014, oil is in a normal, gentle decline, despite an uptick last month, at **Enduro Royalty Trust (NDRO)** (see chart Monthly Oil – Bottom Line Payers on page 2). Volume trends are important to demonstrate that estimated proven reserves used in valuing royalty trusts underestimate investment potential, sometimes by an extraordinary amount. The exciting impact of fracking in expanding the natural gas and oil resources of the industry will likely enhance the value of royalty trusts as well. Lately, we have seen notable industry achievements in the Permian Basin of West Texas. PBT, CRT, SBR, NDRO and buy-recommended **Dorchester Minerals, L. P. (DMLP)** are the RTFs with important Permian oil representation. Ultimately, volumes produced translate to cash distributions. Trends in actual monthly payouts trace recovery from recently depressed levels and point to healthy projections of distribution yields of a median 7.5% for Top Line Payers and 9.8% for Bottom Line Payers (see masthead above and charts on pages 3-4). We like all nine stocks as part of a custom Royalty Trust Fund (RTF) to deliver high cash income with fracking upside.

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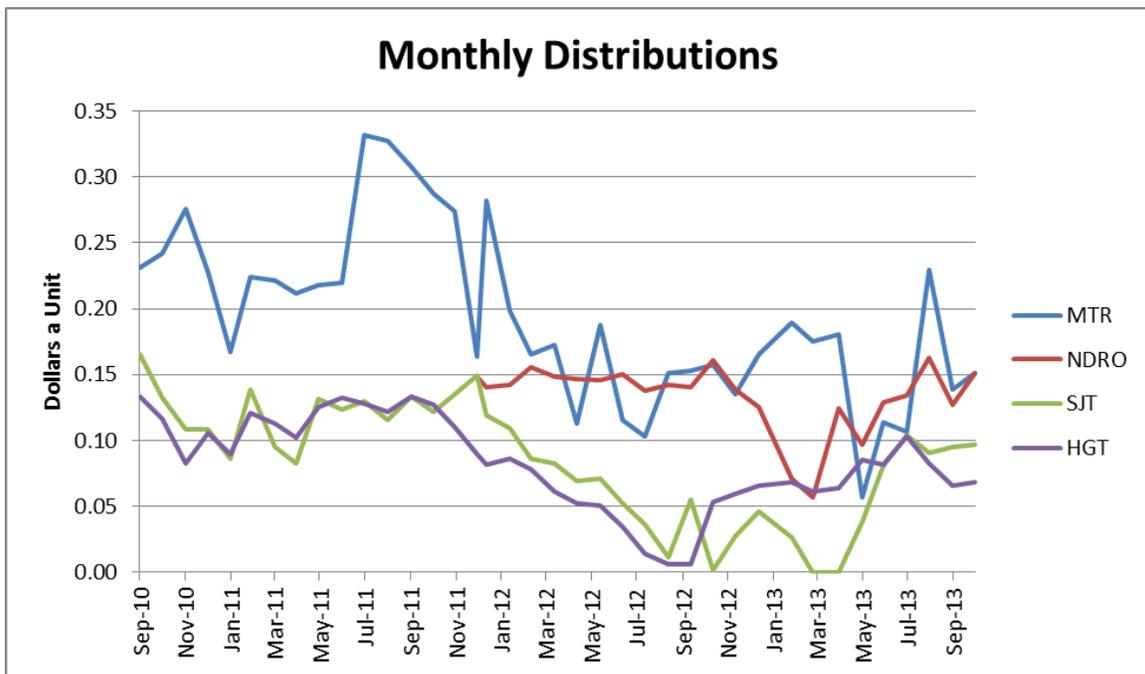
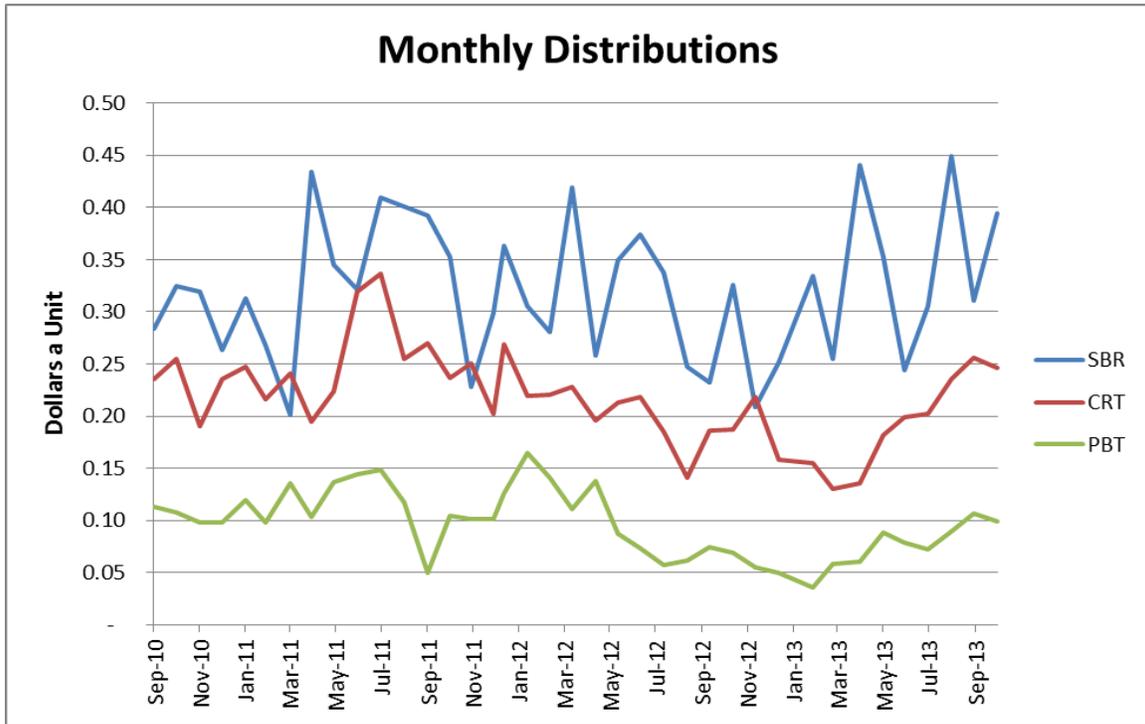
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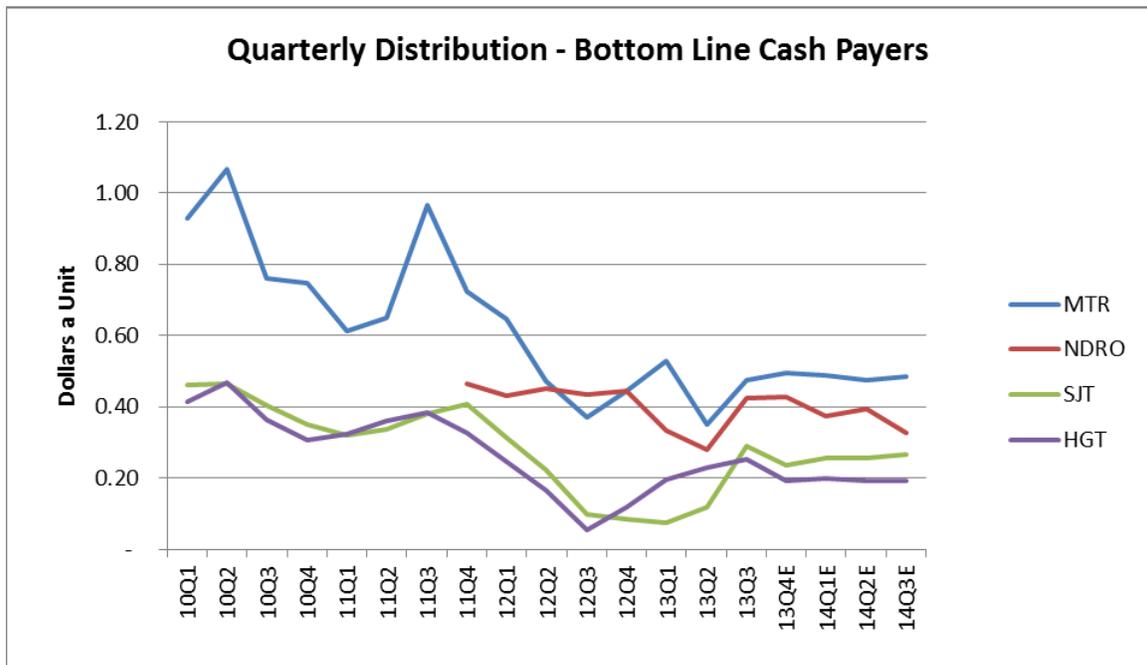
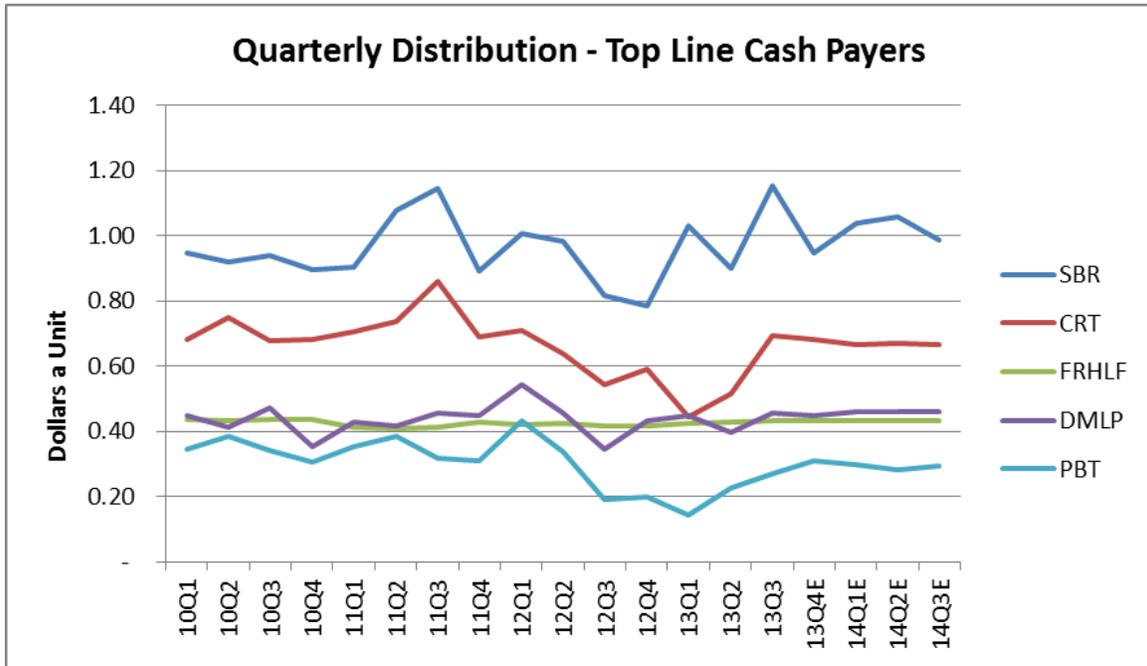
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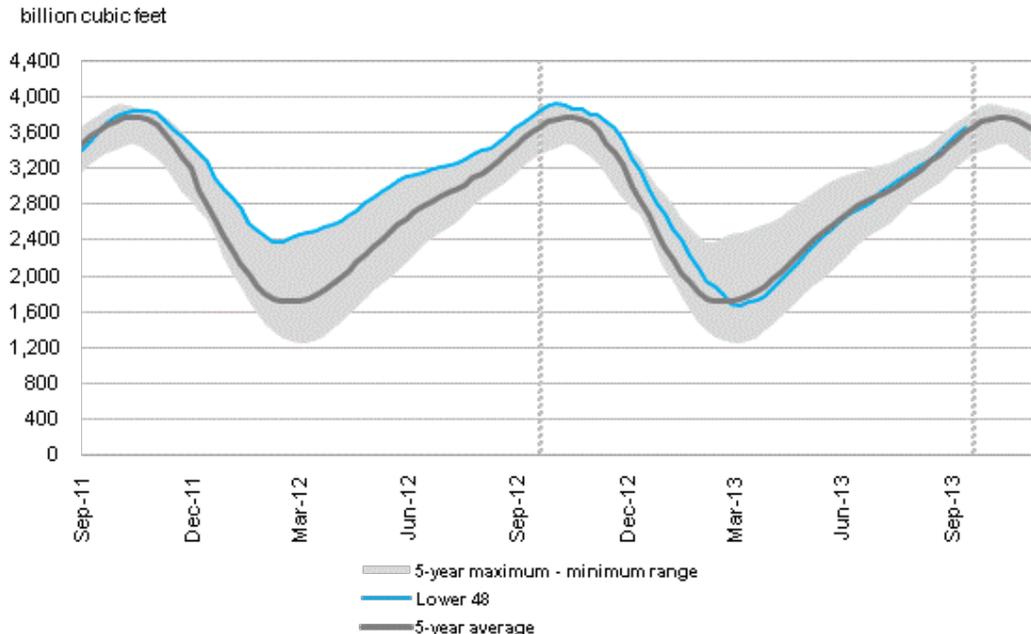


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Working gas in underground storage compared with the 5-year maximum and minimum



 Source: U.S. Energy Information Administration

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