

Rating: Hold  
S&P 500: 1122

## **San Juan Basin Royalty Trust**

### **Raise Present Value to US\$27 a Unit**

<i>Symbol</i>	SJT	<i>Ebitda Next Twelve Months ending 9/30/05 (US\$mm)</i>	165
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	99
<i>Price (US\$/sh)</i>	31.63	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/8/04	<i>Adjusted Reserves/Production NTM</i>	12.5
<i>Shares (mm)</i>	47	<i>EV/Ebitda</i>	8.9
<i>Market Capitalization (US\$mm)</i>	1,470	<i>PV/Ebitda</i>	7.6
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	1,470	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	4.91
<i>Present Value (PV) (US\$mm)</i>	1,260	<i>Present Value Proven Reserves(US\$/boe)</i>	13.48
<i>Net Present Value (US\$/unit)</i>	27	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.25
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	3.14
<i>McDep Ratio - EV/PV</i>	1.17	<i>Price/Earnings Next Twelve Months</i>	10
<i>Distribution Yield (%/year)</i>	9.9	<i>Distribution Next Twelve Months (US\$/sh)</i>	3.14

Note: Estimated cash flow and earnings tied to one-year futures prices for natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

### **Summary and Recommendation**

We raise our estimate of net present value to US\$27 a unit from US\$22 for San Juan Basin Royalty Trust. The new estimate presumes a constant real oil price of US\$35 a barrel and a rising price for natural gas relative to oil. The US\$27 a unit calculation was presented in our earlier analysis (see *Stock Idea, San Juan Basin Royalty Trust*, August 2, 2004). Since then we have confirmed a rough consistency of estimates in separate detailed analyses of 28 natural gas and oil producers. Current stock price is above present value while it is below present value for most of our buy recommendations. Yet the stock price is in line with the futures price for oil to be delivered over the next six years. That futures price may have further room to run and SJT's near ten per cent distribution yield remains a strong attraction. Of course, no one can be certain of future oil price or most other relevant political, economic, financial, industry and business parameters.

Kurt H. Wulff, CFA

**Please see disclosures on the final page.**

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