

San Juan Basin Royalty Trust Sharp Stock Price Drop

<i>Symbol</i>	SJT	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$mm)</i>	209
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	99
<i>Price (US\$/sh)</i>	40.12	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/18/05	<i>Adjusted Reserves/Production NTM</i>	12.0
<i>Shares (mm)</i>	47	<i>EV/Ebitda</i>	8.9
<i>Market Capitalization (US\$mm)</i>	1,870	<i>PV/Ebitda</i>	8.9
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	45
<i>Enterprise Value (EV) (US\$mm)</i>	1,870	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	6.23
<i>Present Value (PV) (US\$mm)</i>	1,860	<i>Present Value Proven Reserves(US\$/boe)</i>	21.51
<i>Net Present Value (US\$/unit)</i>	40	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.59
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	4.14
<i>McDep Ratio - EV/PV</i>	1.00	<i>Price/Earnings Next Twelve Months</i>	10
<i>Distribution Yield (%/year)</i>	10.3	<i>Distribution Next Twelve Months (US\$/sh)</i>	4.14

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 are not aware of any reason why the price of **San Juan Basin Royalty Trust (SJT)** units should drop more than 20% from the 52 week high of \$51.45 in a few days. Though we doubt the near-term distribution has much influence on price, we point out that the distribution to be announced tomorrow may be a nickel lower than recent months because of a dip in the index price for San Juan Basin gas in June. September and October may be back to the high 0.20s and November and December above 0.30 (see table). Projected distribution yield for the next twelve months is 10.3%. We estimate net present value of \$40 a unit assuming a long-term natural gas price of \$10 a million btu. The stock offers attractive income and pure concentration on a premium fuel.

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San Juan Basin Royalty Trust Distributable Income

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>6/30/06</i>
Highlights										
Revenue (\$mm) (75%)	41.2	155.5	51.8	44.6	49.7	62.2	208.3	71.5	66.6	249.9
Cash flow (\$mm) (75%)	32.6	125.3	42.9	36.4	40.7	52.1	172.0	60.5	56.0	209.2
Per unit	0.70	2.69	0.92	0.78	0.87	1.12	3.69	1.30	1.20	4.49
Distributable Income (\$mm)	29.3	109.4	38.7	34.5	36.9	48.7	158.8	54.6	53.1	193.1
Per unit	0.63	2.35	0.83	0.74	0.79	1.04	3.41	1.17	1.14	4.14
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)	11.9	47.3	12.3	11.7	11.9	12.1	48.0	12.1	11.7	47.7
Heat Content(btu/cf)	1,056	1,076	1,083	1,082	1,075	1,076	1,079	1,076	1,079	1,077
Natural gas (bcf)	11.3	44.0	11.4	10.8	11.1	11.2	44.4	11.2	10.8	44.3
Natural Gas (mmcf)	122.8	120.3	123.5	121.2	120.6	121.8	121.8	121.8	121.8	121.5
Days	92	366	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	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Days	92	366	92	89	92	92	365	92	89	365
Total gas & oil (bcf)	11.4	44.5	11.5	10.9	11.2	11.3	44.9	11.3	10.9	44.8
Price										
Natural gas (\$/mmbtu) (Henry Hub lagged two months)										
Henry Hub (\$/mmbtu)	5.64	5.74	7.23	6.64	6.64	8.92	7.36	10.27	9.87	8.92
Differential (%)	19	25	23	24	17	24	22	24	24	23
Net to SJT (\$/mmbtu)	4.55	4.32	5.55	5.02	5.48	6.78	5.71	7.81	7.51	6.89
Natural gas (\$/mcf)	4.80	4.65	6.01	5.43	5.89	7.30	6.17	8.40	8.10	7.42
Oil (\$/bbl) (WTI Cushing lagged two months)										
WTI Cushing	48.04	39.07	46.17	51.70	54.96	65.95	54.69	67.43	63.14	62.87
SJT	42.98	34.61	42.89	47.79	50.80	60.97	50.58	62.36	58.39	58.14
Total gas & oil (\$/mcf)	4.82	4.66	6.02	5.46	5.91	7.33	6.19	8.42	8.11	7.44
Revenue (\$mm)										
Natural Gas	54.2	204.6	68.3	58.6	65.3	81.8	274.0	94.2	87.8	329.1
Oil	0.8	2.7	0.8	0.8	0.9	1.1	3.6	1.1	1.0	4.2
Total	55.0	207.3	69.1	59.4	66.3	82.9	277.7	95.3	88.8	333.2
Cost (\$mm)										
Severance tax	5.1	20.6	7.3	5.9	6.7	8.3	28.1	9.5	9.0	33.5
Operating	6.4	19.7	4.7	5.0	5.4	5.1	20.2	5.1	5.1	20.8
Total	11.5	40.2	12.0	10.9	12.0	13.4	48.3	14.7	14.1	54.3
Cash flow (\$mm)	43.5	167.1	57.1	48.6	54.2	69.4	229.4	80.6	74.7	279.0
Development	4.8	22.3	5.9	2.8	5.0	4.5	18.2	7.3	3.4	20.2
Net proceeds (\$mm)	38.7	144.7	51.2	45.8	49.3	64.9	211.1	73.3	71.3	258.7
Royalty income (\$mm)										
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	(0.3)	1.0	0.5	0.8	0.1	0.0	1.4	0.4	0.4	0.9
One-time		(1.8)	(0.8)	(1.0)			(1.8)			-
Distributable income (\$mm)	29.3	109.4	38.7	34.5	36.9	48.7	158.8	54.6	53.1	193.1
Severance tax/revenue	9.2%	9.9%	10.6%	9.9%	10.0%	10.0%	10.1%	10.0%	10.1%	10.0%
Operating cost (\$/mcf)	0.56	0.44	0.41	0.46	0.48	0.45	0.45	0.45	0.47	0.46
Development/Cash flow	11%	13%	10%	6%	9%	7%	8%	9%	5%	7%

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San Juan Basin Royalty Trust Monthly Declarations

	<i>Apr-05</i>	<i>May-05</i>	<i>Jun-05</i>	<i>Jul-05</i>	<i>Aug-05</i>	<i>Sep-05</i>	<i>Oct-05</i>	<i>Nov-05</i>	<i>Dec-05</i>
Distribution (\$/unit)									
Declared	0.21	0.26	0.26	0.28					
Projected					0.23	0.27	0.26	0.36	0.36
Volume									
Natural gas (mmbtu)	3.71	4.14	3.83	3.96	3.92	4.05	4.06	3.93	4.07
Heat Content(btu/cf)	1,093	1,078	1,076	1,076	1,075	1,074	1,074	1,076	1,079
Natural gas (bcf)	3.39	3.84	3.56	3.68	3.64	3.77	3.78	3.65	3.77
Natural Gas (mmcf)	121	124	119	119	121	122	122	122	122
Days	28	31	30	31	30	31	31	30	31
Price									
Natural gas industry quotes lagged two months (\$/mmbtu)									
Henry Hub Index/Futures	6.29	6.30	7.33	6.80	6.14	6.98	7.65	9.54	9.56
San Juan Monthly Index	5.43	5.29	6.19	6.31	5.38	6.05	5.98	8.14	8.13
San Juan Index/Henry Hub	0.86	0.84	0.84	0.93	0.88	0.87	0.78	0.85	0.85
SJT/San Juan Index	0.89	0.90	0.89	0.94	0.93	0.92	0.92	0.92	0.91
SJT (\$/mmbtu)	4.81	4.74	5.53	5.91	4.99	5.54	5.48	7.46	7.42
SJT (\$/mcf)	5.25	5.11	5.95	6.35	5.37	5.95	5.89	8.03	8.01
Revenue (\$mm)									
Natural Gas	17.8	19.6	21.2	23.4	19.6	22.4	22.3	29.3	30.2
Other	(0.4)	1.3	0.1	0.1	0.3	0.3	0.4	0.4	0.4
Cost (\$mm)									
Severance tax	1.8	2.0	2.1	2.4	2.0	2.3	2.2	3.0	3.1
Operating	1.8	1.6	1.6	1.8	1.8	1.8	1.8	1.7	1.7
Total	3.5	3.6	3.8	4.3	3.7	4.0	4.0	4.7	4.7
Cash flow (\$mm)	13.9	17.4	17.5	19.2	16.2	18.7	18.6	25.0	25.8
Development	0.6	1.0	1.2	1.8	1.6	1.6	1.5	1.5	1.5
Net proceeds (\$mm)	13.3	16.4	16.3	17.4	14.6	17.2	17.0	23.5	24.3
Royalty income (\$mm)	10.0	12.3	12.2	13.0	10.9	12.9	12.8	17.7	18.2
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%
Distributable income (\$mm)	10.0	12.3	12.2	13.0	10.9	12.9	12.8	17.7	18.2
Units (millions)	46.6	46.6	46.6	46.6	46.6	47.6	48.6	49.6	50.6
Distribution (\$/unit)	0.21	0.26	0.26	0.28	0.23	0.27	0.26	0.36	0.36
<i>Latest Twelve Month Average</i>									
Heat Content(btu/cf)	1,076	1,076	1,075	1,075	1,074	1,074	1,076	1,079	1,079
Natural Gas (mmcf)	121	122	121	121	122	122	122	122	122
San Juan Index/Henry Hub	0.84	0.84	0.84	0.85	0.87	0.86	0.85	0.85	0.86
SJT/San Juan Index	0.92	0.92	0.93	0.93	0.92	0.92	0.92	0.91	0.91
Other revenue	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3
Operating	1.7	1.7	1.7	1.8	1.8	1.8	1.7	1.7	1.7
Development	1.4	1.4	1.4	1.6	1.6	1.5	1.5	1.5	1.5
Severance tax/revenue	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.2%	10.3%

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