

San Juan Basin Royalty Trust Distributions May Recede Temporarily

<i>Symbol</i>	SJT	<i>Ebitda Next Twelve Months ending 12/31/06 (US\$m)</i>	200
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	99
<i>Price (US\$/sh)</i>	43.70	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/3/06	<i>Adjusted Reserves/Production NTM</i>	12.1
<i>Shares (mm)</i>	47	<i>EV/Ebitda</i>	10.2
<i>Market Capitalization (US\$m)</i>	2,040	<i>PV/Ebitda</i>	9.3
<i>Debt (US\$m)</i>	0	<i>Undeveloped Reserves (%)</i>	43
<i>Enterprise Value (EV) (US\$m)</i>	2,040	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	6.11
<i>Present Value (PV) (US\$m)</i>	1,860	<i>Present Value Proven Reserves(US\$/boe)</i>	22.11
<i>Net Present Value (US\$/unit)</i>	40	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.69
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	3.89
<i>McDep Ratio - EV/PV</i>	1.09	<i>Price/Earnings Next Twelve Months</i>	11
<i>Distribution Yield (%/year)</i>	8.9	<i>Distribution Next Twelve Months (US\$/sh)</i>	3.89

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

Recently running at \$0.41 a month, cash distributions by **San Juan Basin Royalty Trust (SJT)** are projected to average closer to \$0.30 a month for all of 2005. Though the winter excitement recedes, an expected distribution yield of 8.9% for the year remains attractive. Our estimate of net present value of \$40 a unit presumes a long-term natural gas price of \$10 a million btu. The current six-year futures quote for oil is \$67 a barrel that implies \$13 a million btu for natural gas. Owning SJT stock adds pure concentration on natural gas and high current income to an energy portfolio. Unmanaged, the trust has delivered superior returns.

Myth of Management

Investor Total Return - Myth of Management

The 15-year historical returns for

(percent per year)

San Juan Basin Royalty Trust (SJT)	<u>Through 12/31/05</u>	<u>15 Years</u>	<u>10 Years</u>	<u>5 Years</u>
San Juan Basin Royalty Trust (SJT) exceed those of actively managed	San Juan Basin Royalty Trust (SJT)	26.1	34.3	40.8
Burlington Resources (BR) , the operator and owner of the underlying properties in SJT.	Burlington Resources (BR)	13.2	17.3	29.2
	BR adjusted for financial leverage	11.8	15.3	25.2

Source: Bloomberg, McDep Associates

Not even with the pending acquisition of BR by **ConocoPhillips (COP)** have the investor returns in BR caught up to those SJT (see table Investor Total Return – Myth of Management).

Kurt H. Wulff, CFA

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San Juan Basin Royalty Trust Monthly Declarations

	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Distribution (\$/unit)							
Declared	0.20	0.24	0.33	0.41	0.41		
Projected						0.36	0.39
Volume							
Natural gas (mmbtu)	3.44	3.63	3.60	3.70	3.97	3.92	3.91
Heat Content(btu/cf)	1,089	1,053	1,070	1,076	1,046	1,074	1,074
Natural gas (bcf)	3.16	3.45	3.37	3.44	3.79	3.65	3.64
Natural Gas (mmcf)	102	111	112	111	126	118	117
Days	31	31	30	31	30	31	31
Price							
Natural gas industry quotes lagged two months (\$/mmbtu)							
Henry Hub Index/Futures	6.98	7.65	11.06	13.96	13.83	11.22	11.35
San Juan Monthly Index	6.05	5.98	8.02	9.56	10.74	8.49	8.70
San Juan Index/Henry Hub	0.87	0.78	0.73	0.68	0.78	0.76	0.77
SJT/San Juan Index	0.90	0.94	0.93	0.91	0.81	0.90	0.91
SJT (\$/mmbtu)	5.47	5.64	7.49	8.71	8.67	7.67	7.87
SJT (\$/mcf)	5.96	5.94	8.02	9.37	9.07	8.24	8.46
Revenue (\$mm)							
Natural Gas	18.8	20.5	27.0	32.2	34.4	30.1	30.8
Other	0.0	0.1	(0.1)	0.1	0.1	0.2	0.2
Cost (\$mm)							
Severance tax	1.9	2.2	2.7	3.3	3.4	3.1	3.2
Operating	2.5	2.0	1.8	1.6	1.7	1.8	1.8
Total	4.5	4.3	4.5	5.0	5.0	4.8	4.9
Cash flow (\$mm)							
Development	2.2	1.2	1.7	1.9	3.7	2.9	1.7
Net proceeds (\$mm)							
	12.2	15.1	20.8	25.4	25.8	22.6	24.3
Royalty income (\$mm)							
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%
Distributable income (\$mm)							
	9.1	11.4	15.6	19.1	19.3	16.9	18.3
Units (millions)							
	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Distribution (\$/unit)							
	0.20	0.24	0.33	0.41	0.41	0.36	0.39
<i>Latest Twelve Month Average</i>							
Heat Content(btu/cf)	1,074	1,075	1,077	1,077	1,074	1,074	1,072
Natural Gas (mmcf)	120	119	118	117	118	117	117
San Juan Index/Henry Hub	0.86	0.85	0.84	0.83	0.82	0.82	0.81
SJT/San Juan Index	0.91	0.92	0.92	0.91	0.90	0.91	0.90
Other revenue	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Operating	1.9	1.8	1.8	1.8	1.8	1.8	1.8
Development	1.6	1.5	1.5	1.6	1.8	1.8	1.8
Severance tax/revenue	10.2%	10.4%	10.4%	10.4%	10.3%	10.3%	10.3%

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San Juan Basin Royalty Trust Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</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>9/30/06</i>	<i>12/31/06</i>	<i>12/31/06</i>
Highlights									
Revenue (\$mm) (75%)	41.2	46.6	60.5	203.5	72.2	53.8	56.2	57.4	239.5
Cash flow (\$mm) (75%)	32.6	37.1	50.2	166.6	61.0	44.3	46.7	47.6	199.6
Per unit	0.70	0.80	1.08	3.57	1.31	0.95	1.00	1.02	4.28
Distributable Income (\$mm)	29.3	32.3	46.0	151.6	54.5	41.3	42.8	43.0	181.5
Per unit	0.63	0.69	0.99	3.25	1.17	0.89	0.92	0.92	3.89
Units (millions)	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Volume									
Natural gas (mmbtu)	11.9	11.3	10.9	46.2	11.8	11.3	11.5	11.6	46.2
Heat Content(btu/cf)	1,056	1,076	1,067	1,077	1,064	1,077	1,064	1,077	1,071
Natural gas (bcf)	11.3	10.5	10.2	42.9	11.1	10.5	10.8	10.8	43.1
Natural Gas (mmcf/d)	122.8	113.8	111.4	117.4	120.4	118.3	117.1	117.0	118.2
Days	92	92	92	365	92	89	92	92	365
Oil (mb)	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
Days	92	92	92	365	92	89	92	92	365
Total gas & oil (bcf)	11.4	10.6	10.4	43.3	11.2	10.6	10.9	10.9	43.6
Price									
Natural gas (\$/mmbtu) (Henry Hub lagged two months)									
Henry Hub (\$/mmbtu)	5.64	6.64	10.89	7.85	12.13	8.42	8.70	8.80	9.51
Differential (%)	19	18	33	26	33	26	26	26	28
Net to SJT (\$/mmbtu)	4.55	5.44	7.29	5.80	8.08	6.23	6.44	6.51	6.82
Natural gas (\$/mcf)	4.80	5.85	7.77	6.25	8.60	6.72	6.85	7.01	7.31
Oil (\$/bbl) (WTI Cushing lagged two months)									
WTI Cushing	48.04	54.96	63.75	54.14	61.06	64.95	66.66	67.08	64.94
SJT	42.98	49.70	57.65	49.35	55.65	59.20	60.76	61.14	59.19
Total gas & oil (\$/mcf)	4.82	5.87	7.79	6.27	8.60	6.75	6.89	7.04	7.33
Revenue (\$mm)									
Natural Gas	54.2	61.2	79.7	267.8	95.2	70.7	73.8	75.4	315.2
Oil	0.8	0.8	1.0	3.5	1.0	1.0	1.1	1.1	4.1
Total	55.0	62.1	80.6	271.3	96.2	71.7	74.9	76.5	319.4
Cost (\$mm)									
Severance tax	5.1	6.6	8.3	28.0	9.6	7.4	7.5	7.9	32.4
Operating	6.4	6.1	5.4	21.2	5.2	5.2	5.2	5.2	20.8
Total	11.5	12.7	13.7	49.2	14.8	12.6	12.7	13.1	53.2
Cash flow (\$mm)									
Development	4.8	5.7	4.7	19.1	8.3	3.4	4.5	5.5	21.7
Net proceeds (\$mm)									
	38.7	43.7	62.2	202.9	73.1	55.7	57.7	58.0	244.5
Royalty income (\$mm)									
Royalty/Net proceeds	75%	75%	75%	75%	75%	75%	75%	75%	75%
Administration	(0.3)	0.5	0.7	2.4	0.3	0.5	0.5	0.5	1.8
One-time				(1.8)					-
Distributable income (\$mm)									
Severance tax/revenue	9.2%	10.6%	10.2%	10.3%	10.0%	10.3%	10.0%	10.3%	10.1%
Operating cost (\$/mcf)	0.56	0.58	0.52	0.49	0.47	0.49	0.48	0.48	0.48
Development/Cash flow	11%	11%	7%	9%	10%	6%	7%	9%	8%

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