

Value Implications

Summary and Recommendation

On a weekly basis we have been faithfully calculating the impact of the interaction of latest commodity price expectations with latest stock prices on next twelve months distribution yield. No longer ignoring the week to week impact of latest commodity prices on long-term value we run some alternative calculations of the present value in the **San Juan Basin Royalty Trust (SJT)**. The \$40 oil assumption produces a present value in the current model of \$32 a unit. Change that input to \$57, the current one-year price of oil, and the present value of SJT becomes \$46 a unit. The implications would be similar for peer stocks. The calculation can only be illustrative and we'll discuss more of the implications another time.

Kurt H. Wulff, CFA

U.S. Natural Gas and Oil Royalty Trusts

The Account

	<i>Symbol</i>	<i>Price (\$/un) 17-Mar 2005</i>	<i>Units</i>	<i>Market Value (\$)</i>	<i>Next Twelve Months Distrib. (\$/un)</i>	<i>NTM Distrib. Yield (%/yr)</i>
Cross Timbers Royalty Trust	CRT	43.33	400	17,332	3.40	7.8
Hugoton Royalty Trust	HGT	31.55	500	15,775	2.78	8.8
Mesa Royalty Trust	MTR	66.72	200	13,344	6.24	9.3
San Juan Basin Royalty Trust	SJT	35.88	500	17,940	3.27	9.1
Permian Basin Royalty Trust	PBT	15.30	1,200	18,360	1.40	9.2
Sabine Royalty Trust	SBR	39.60	400	15,840	3.90	9.9
Dorchester Minerals, L.P.	DMLP	23.53	700	16,471	2.46	10.5
	<i>Total</i>			<i>115,062</i>		<i>9.2</i>
Futures Strip						
12 Month - Oil (\$/bbl)		57.10				
12 Month - Natural Gas (\$/mmbtu)		7.82				
72 Month - Oil (\$/bbl)		51.87				
72 Month - Natural Gas (\$/mmbtu)		6.61				

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U.S. Natural Gas Royalty Trusts

A Weekly Analysis

March 18, 2005

San Juan Basin Royalty Trust Present Value

Volume Decline (%/yr):	12	Oil Price Post 2006 (2003\$/bbl)	57
Volume Enhancement (%/yr):	12	Real Discount Rate (%/yr):	7.0
Capex/Cash Flow (%):	14	SJT Price/Henry Hub	0.85
Severance Tax (%):	8.8	PV/Volume (\$/mcf):	3.85
Adjusted Reserve Life Index (years):	12.5	PV/EBITDA 2005:	12.8

Year	Volume Basic (bcf)	Volume Enhanced (bcf)	Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Prod Cost (\$mm)	State Tax (\$mm)	Cap Ex (\$mm)	Distribution (\$mm)	Distribution (\$/unit)	Disc Factor	Present Value (\$/unit)
Total 2006 through 2032; years ending on 3/31												
	277	280	557	9.38	5224	538	460	337	3891	83.49	0.55	46.00
2006	33.5	0.0	33.5	6.15	206.0	19.9	18.1	15.5	152.5	3.27	0.97	3.16
2007	29.6	3.9	33.5	8.24	275.8	19.9	24.3	32.9	198.7	4.26	0.90	3.85
2008	26.1	7.4	33.5	8.40	281.1	19.9	24.7	33.6	202.9	4.35	0.84	3.68
2009	23.1	10.4	33.5	8.56	286.5	19.9	25.2	34.3	207.1	4.44	0.79	3.51
2010	20.4	13.1	33.5	8.72	291.9	19.9	25.7	35.0	211.3	4.54	0.74	3.34
2011	18.0	15.5	33.5	8.88	297.3	19.9	26.2	35.7	215.5	4.63	0.69	3.19
2012	15.9	17.6	33.5	9.04	302.7	19.9	26.6	36.4	219.8	4.72	0.64	3.04
2013	14.0	19.4	33.5	9.21	308.1	19.9	27.1	37.1	224.0	4.81	0.60	2.89
2014	12.4	21.1	33.5	9.37	313.4	19.9	27.6	37.8	228.2	4.90	0.56	2.76
2015	11.0	22.5	33.5	9.53	318.8	19.9	28.1	38.5	232.4	4.99	0.53	2.62
2016	9.7	19.9	29.6	9.69	286.4	19.9	25.2		241.3	5.18	0.49	2.54
2017	8.5	17.6	26.1	9.85	257.1	19.9	22.6		214.6	4.61	0.46	2.12
2018	7.5	15.5	23.1	10.01	230.8	19.9	20.3		190.6	4.09	0.43	1.76
2019	6.7	13.7	20.4	10.17	207.2	19.9	18.2		169.0	3.63	0.40	1.46
2020	5.9	12.1	18.0	10.34	185.9	19.9	16.4		149.6	3.21	0.37	1.20
2021	5.2	10.7	15.9	10.50	166.7	19.9	14.7		132.2	2.84	0.35	0.99
2022	4.6	9.4	14.0	10.66	149.5	19.9	13.2		116.5	2.50	0.33	0.82
2023	4.1	8.3	12.4	10.82	134.1	19.9	11.8		102.4	2.20	0.31	0.67
2024	3.6	7.4	10.9	10.98	120.2	19.9	10.6		89.7	1.92	0.29	0.55
2025	3.2	6.5	9.7	11.14	107.7	19.9	9.5		78.3	1.68	0.27	0.45
2026	2.8	5.7	8.5	11.31	96.5	19.9	8.5		68.1	1.46	0.25	0.37
2027	2.5	5.1	7.5	11.47	86.5	19.9	7.6		58.9	1.26	0.23	0.30
2028	2.2	4.5	6.7	11.63	77.4	19.9	6.8		50.7	1.09	0.22	0.24
2029	1.9	4.0	5.9	11.79	69.3	19.9	6.1		43.3	0.93	0.20	0.19
2030	1.7	3.5	5.2	11.95	62.1	19.9	5.5		36.7	0.79	0.19	0.15
2031	1.5	3.1	4.6	12.11	55.6	19.9	4.9		30.8	0.66	0.18	0.12
2032	1.3	2.7	4.1	12.27	49.7	19.9	4.4		25.5	0.55	0.17	0.09

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Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol</i>	<i>Price (\$/sh) 17-Mar 2005</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>EV/ Ebitda NTM</i>	<i>McDep Ratio</i>
Permian Basin RT (41%)	PBT	15.30	19.1	290	12.00	10.1	1.27
Cross Timbers Royalty Trust	CRT	43.33	6.0	260	36.00	12.6	1.20
Sabine Royalty Trust	SBR	39.60	14.6	580	33.00	10.1	1.20
San Juan Basin Royalty Trust	SJT	35.88	46.6	1,670	30.00	9.9	1.20
Hugoton RoyaltyTrust (46%)	HGT	31.55	18.4	580	27.00	9.4	1.17
Dorchester Minerals, L.P.	DMLP	23.53	27.0	640	21.00	9.6	1.12
Mesa RoyaltyTrust	MTR	66.72	1.9	120	60.00	10.4	1.11
<i>Total or Median</i>				<i>4,100</i>		<i>10.1</i>	<i>1.20</i>

Rank by PV/Ebitda: Present Value to Earnings Before Interest, Tax, Deprec.

	<i>Symbol</i>	<i>Total Present Value (\$mm)</i>	<i>Unit Present Value (\$/mcf)</i>	<i>Reserves (bcf)</i>	<i>Natural Gas/ Ebitda (%)</i>	<i>Adjusted Reserves/ Production NTM</i>	<i>Revenue Royalty (%)</i>	<i>PV/ Ebitda</i>
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	216	3.90	55	73	13.4	85	10.5
Mesa RoyaltyTrust	MTR	112	2.99	37	75	15.2	-	9.4
Dorchester Minerals, L.P.	DMLP	568	6.15	92	79	8.6	57	8.5
Sabine Royalty Trust	SBR	481	6.90	70	59	7.6	100	8.5
San Juan Basin Royalty Trust	SJT	1,398	2.51	556	99	12.5	-	8.2
Hugoton RoyaltyTrust (46%)	HGT	497	2.80	177	92	14.4	-	8.0
Permian Basin RT (41%)	PBT	229	4.50	51	39	9.1	34	7.9
<i>Total or Median</i>		<i>3,501</i>		<i>1,040</i>	<i>75</i>	<i>12.5</i>		<i>8.5</i>

Index of Recent U.S. Royalty Trust Research

Single Trust Analyses

<i>Date</i>	<i>Symbol</i>	<i>Stock</i>	<i>Theme</i>
11-Feb	* HGT	Hugoton Royalty Trust	Improving Volume Trend
3-Feb	* SJT	San Juan Basin Royalty Trust	Real Value with Income
22-Nov	* MTR	Mesa Royalty Trust	Hugoton Predictability, San Juan Surprise
12-Nov	* CRT	Cross Timbers Royalty Trust	Low Risk, Long Life

U.S. Natural Gas Royalty Trusts - A Weekly Analysis

18-Mar		Value Implications
11-Mar	*	More Real Value
4-Mar	*	San Juan Showcase
25-Feb	*	New High for Six-Year Oil
18-Feb	*	Founding Father Speaks

* Archived on www.mcdep.com

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