

## New High for Natural Gas

### Summary and Recommendation

Six-Year and One-Year Natural Gas set new highs in the futures market at the end of the quarter and that is not an April Fool's joke (see table [The Account](#)). The next twelve months futures drive estimated distributions to 9.5% per year on current stock price. Yet considering that spot natural gas prices were higher two years ago, the longer term recognition has been unfolding only gradually (see charts [Natural Gas Six-Year Futures Strip and 40-Week Average](#) and [Natural Gas One-Year Futures and 40-Week Average](#)). Indeed natural gas still has much ground to cover to catch up with oil (see chart [Natural Gas/Oil Futures](#)). Royalty trusts have been lagging futures in 2005 and also may have some catch-up potential. Valuation at a median McDep Ratio of 1.12 corresponds to oil at about \$44 a barrel, about 15% under the long-term futures market (see table [Rank by McDep Ratio](#) and [Rank by PV/Ebitda](#)).

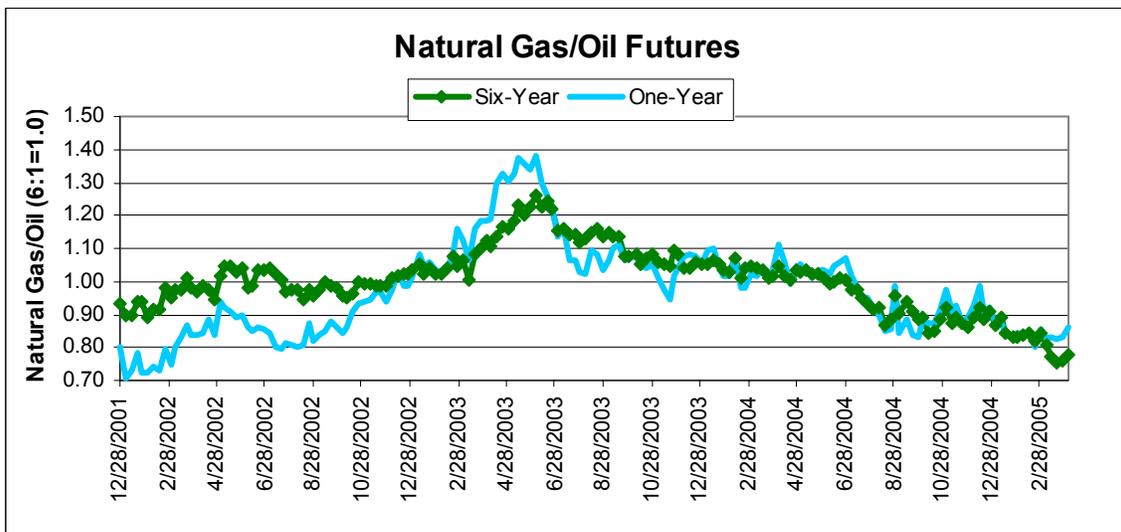
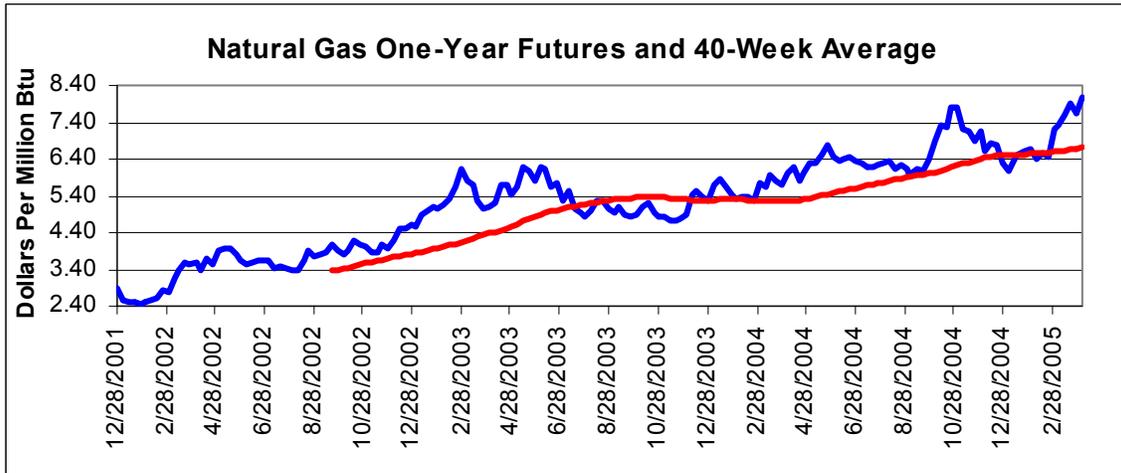
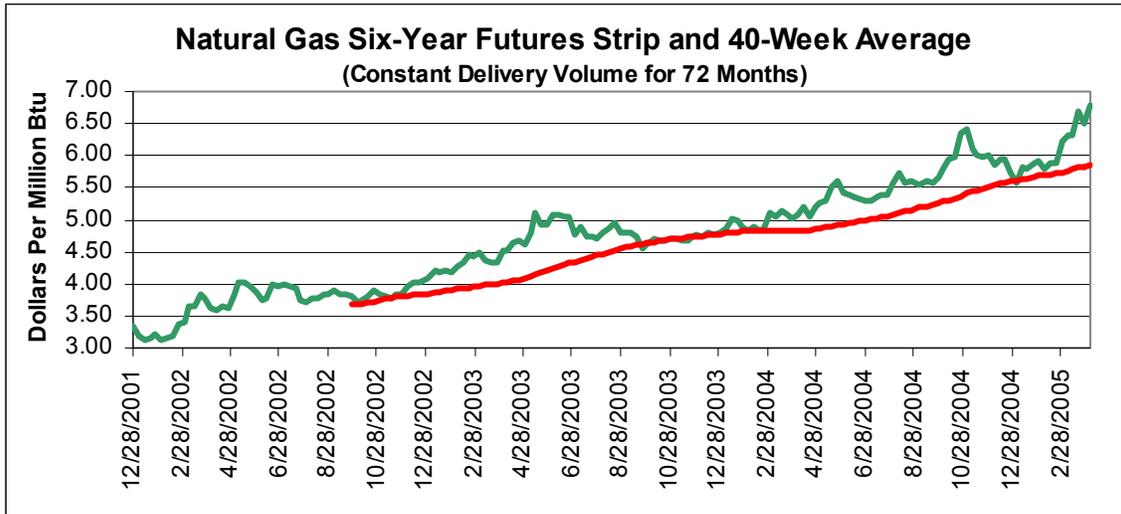
Kurt H. Wulff, CFA

### U.S. Natural Gas and Oil Royalty Trusts

#### The Account

		<i>Price</i>			<i>Next</i>	
	<i>Symbol</i>	<i>(\$/un)</i>	<i>Units</i>	<i>Market</i>	<i>Twelve</i>	<i>NTM</i>
		<i>31-Mar</i>		<i>Value</i>	<i>Months</i>	<i>Distrib.</i>
		<i>2005</i>		<i>(\$)</i>	<i>Distrib.</i>	<i>Yield</i>
					<i>(\$/un)</i>	<i>(%/yr)</i>
Cross Timbers Royalty Trust	CRT	39.10	400	15,640	3.30	8.4
Mesa RoyaltyTrust	MTR	67.10	200	13,420	5.71	8.5
Permian Basin Royalty Trust	PBT	13.89	1,200	16,668	1.29	9.3
Sabine Royalty Trust	SBR	37.35	400	14,940	3.49	9.3
San Juan Basin Royalty Trust	SJT	36.04	500	18,020	3.46	9.6
Hugoton Royalty Trust	HGT	29.49	500	14,745	2.89	9.8
Dorchester Minerals, L.P.	DMLP	22.15	700	15,505	2.53	11.4
	<i>Total</i>			<i>108,938</i>		<i>9.5</i>
Futures Strip						
	12 Month - Oil (\$/bbl)	56.31				
	12 Month - Natural Gas (\$/mmbtu)	8.10				
	72 Month - Oil (\$/bbl)	52.20				
	72 Month - Natural Gas (\$/mmbtu)	6.77				

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

	<i>Symbol</i>	<i>Price (\$/sh) 31-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>
San Juan Basin Royalty Trust	SJT	36.04	46.6	1,680	30.00	9.6	1.20
Permian Basin RT (41%)	PBT	13.89	19.1	270	12.00	9.9	1.16
Sabine Royalty Trust	SBR	37.35	14.6	550	33.00	10.7	1.13
Mesa RoyaltyTrust	MTR	67.10	1.9	130	60.00	10.3	1.12
Hugoton RoyaltyTrust (46%)	HGT	29.49	18.4	540	27.00	8.5	1.09
Cross Timbers Royalty Trust	CRT	39.10	6.0	240	36.00	11.7	1.09
Dorchester Minerals, L.P.	DMLP	22.15	27.0	600	21.00	8.8	1.05
<i>Total or Median</i>				<i>4,000</i>		<i>9.9</i>	<i>1.12</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>
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	216	3.90	55	73	13.3	85	10.8
Sabine Royalty Trust	SBR	481	6.10	79	59	9.3	100	9.5
Mesa RoyaltyTrust	MTR	112	2.50	45	77	20.0	-	9.2
Permian Basin RT (41%)	PBT	229	4.70	49	41	8.8	34	8.5
Dorchester Minerals, L.P.	DMLP	568	6.15	92	80	8.6	57	8.3
San Juan Basin Royalty Trust	SJT	1,398	2.50	558	99	12.5	-	8.0
Hugoton RoyaltyTrust (46%)	HGT	497	2.90	171	92	13.7	-	7.7
<i>Total or Median</i>		<i>3,501</i>		<i>1,050</i>	<i>77</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>
24-Mar	MTR	Mesa Royalty Trust	Long Reserve Life Reported
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

1-Apr		New High for Natural Gas
25-Mar		Continuing Uptrend
18-Mar	*	Value Implications
11-Mar	*	More Real Value
4-Mar	*	San Juan Showcase

\* Archived on [www.mcdep.com](http://www.mcdep.com)

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