

## Yield Support

### Summary

Distribution increases of 80% in early 2006 seem likely to have a salutary effect on stock price for seven income issues. Estimated next twelve months distribution averages 11.2%. Futures prices for natural gas that drive the estimates can change unpredictably. Yet, after the current loss of some 7% of U.S. natural gas production is largely restored in the next several weeks, we will be facing winter with less natural gas ready for release on the coldest winter days.

### Current Income

Stocks in the “account” are ranked by income expectation (see table The Account). The 12 Month Futures Strip prices summarize the prices used to estimate Next Twelve Months Distribution.

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

#### The Account

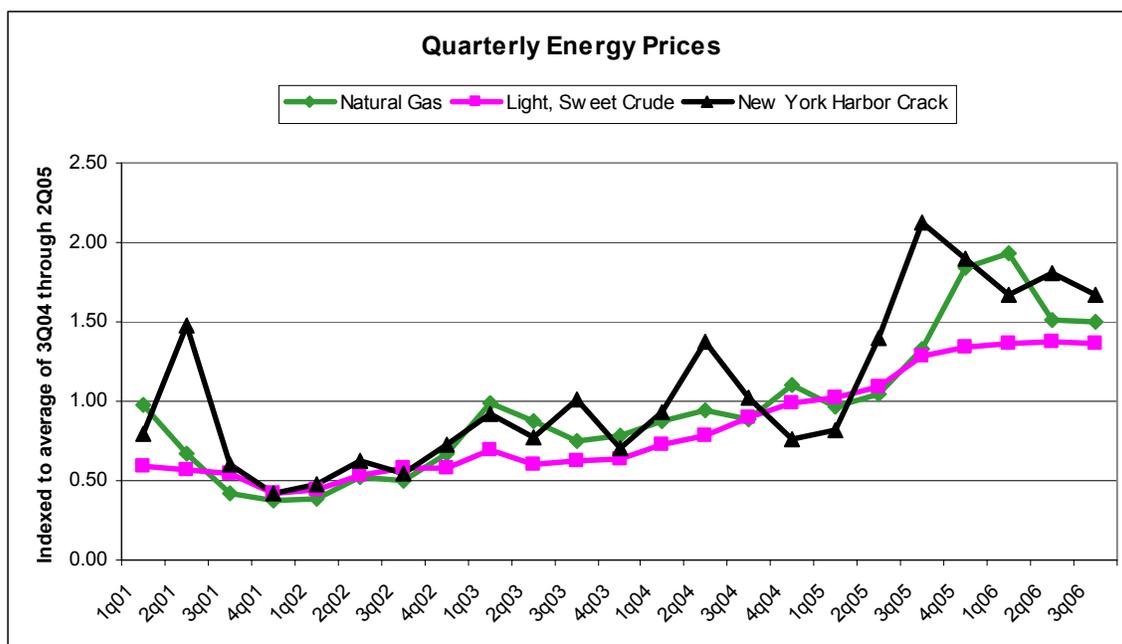
	<i>Symbol</i>	<i>Price (\$/un) 15-Sep 2005</i>	<i>Units</i>	<i>Market Value (\$)</i>	<i>Next Twelve Months Distrib. (\$/un)</i>	<i>NTM Distrib. Yield (%/yr)</i>
Sabine Royalty Trust	SBR	49.50	400	19,800	4.87	9.8
San Juan Basin Royalty Trust	SJT	45.59	500	22,795	4.78	10.5
Cross Timbers Royalty Trust	CRT	45.18	400	18,070	4.85	10.7
Hugoton Royalty Trust	HGT	36.98	500	18,490	4.24	11.5
Dorchester Minerals, L.P.	DMLP	26.74	700	18,718	3.22	12.1
Mesa Royalty Trust	MTR	68.00	200	13,600	8.25	12.1
Permian Basin Royalty Trust	PBT	15.54	1,200	18,648	1.91	12.3
	<i>Total</i>			<i>130,121</i>		<i>11.2</i>
Futures Strip						
12 Month - Oil (\$/bbl)		66.27				
12 Month - Natural Gas (\$/mmbtu)		10.96				
72 Month - Oil (\$/bbl)		62.88				
72 Month - Natural Gas (\$/mmbtu)		8.60				

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

## Natural Gas Price Potential

The seven income stocks are concentrated a median 78% on natural gas, the commodity with potential appreciation relative to oil. In a cold winter or on a regular basis in a cleaner energy economy, natural gas may be priced at the oil price divided by 5.

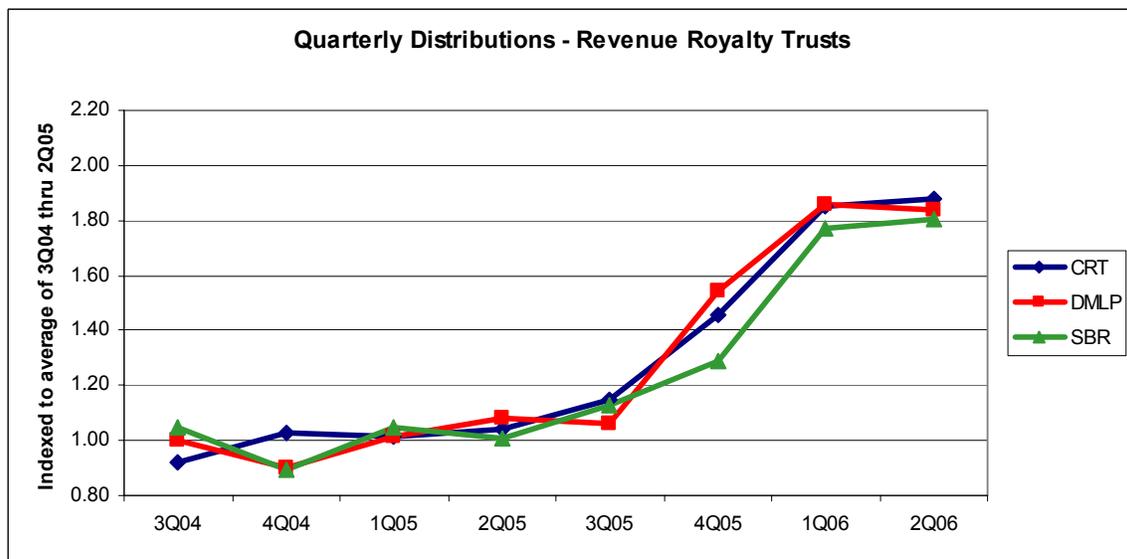
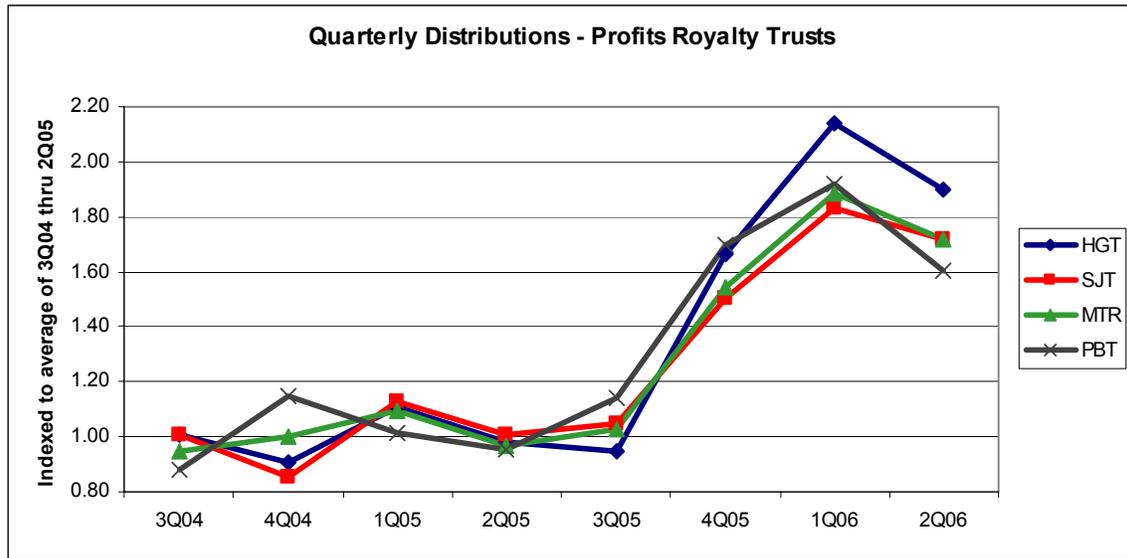
Recently natural gas price has been advancing more than crude oil as there is no government held strategic storage for natural gas to make up for hurricane losses. Similarly refinery margins as measured by the New York Harbor Crack have advanced partly for the same reason that there is little U.S. government strategic storage for refined products as there is for crude oil. Natural gas competes with refined products rather than crude oil. In that sense the increase in natural gas price and the increase in refining margin support each other (see chart Quarterly Energy Prices).



## Future Distributions

Projected distributions for the first quarter next year are some 80% higher than for the quarter just ended. The seven stocks are divided among two groups (see charts Quarterly Distributions – Profits Royalty Trusts and Quarterly Distributions - Revenue Royalty Trusts). Because the profits royalty trusts pay out cash after covering expenses, they have some operating leverage that makes the distributions rise or fall more than price. Because the revenue royalty trusts pay out cash before expenses, which are covered by the working interest owner, the distributions rise or fall by the same proportion as price. The profits trusts tend to lag real time by two months while the revenue trusts tend to lag by three months.

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.



**Valuation Rank**

The rank by McDep Ratio attempts to highlight the stocks that may be more or less recognized for their identifiable potential. The order is descending to suggest that stocks near the bottom have a chance to move up.

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

**U.S. Natural Gas and Oil Royalty Trusts  
Rank by McDep Ratio: Market Cap and Debt to Present Value**

	<i>Symbol</i>	<i>Price (\$/sh) 15-Sep 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>
Sabine Royalty Trust	SBR	49.50	14.6	720	42.00	10.2	1.18
San Juan Basin Royalty Trust	SJT	45.59	46.6	2,130	40.00	8.9	1.14
Hugoton RoyaltyTrust (46%)	HGT	36.98	18.4	680	34.00	7.3	1.09
Permian Basin RT (57%)	PBT	15.54	26.6	410	15.00	7.6	1.04
Dorchester Minerals, L.P.	DMLP	26.74	28.2	760	26.00	7.9	1.03
Cross Timbers Royalty Trust	CRT	45.18	6.0	270	45.00	9.2	1.00
Mesa RoyaltyTrust	MTR	68.00	1.9	130	75.00	7.8	0.91
<i>Total or Median</i>				<i>5,100</i>		<i>7.9</i>	<i>1.04</i>

**Factors Influencing Present Value**

The McDep Ratio depends on estimated present value. Reserves listed may be higher than reported numbers. Concentration on natural gas, reserve life and revenue royalty influence the multiple of present value to cash flow, PV/Ebitda. Trusts with a revenue royalty get a free ride on capital expenditures by others and may have cash flow that is less volatile.

**U.S. Natural Gas and Oil Royalty Trusts  
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 (\$/mcfe)</i>	<i>Reserves (bcf)</i>	<i>Natural Gas/ Ebitda (%)</i>	<i>Adjusted Reserves/ Production NTM</i>	<i>Revenue Royalty (%)</i>	<i>PV/ Ebitda</i>
Cross Timbers Royalty Trust	CRT	270	4.30	63	76	17.8	85	9.2
Mesa RoyaltyTrust	MTR	140	3.17	44	81	20.0	-	8.6
Sabine Royalty Trust	SBR	612	4.90	125	66	11.9	100	8.6
San Juan Basin Royalty Trust	SJT	1,864	3.58	521	99	11.9	-	7.8
Dorchester Minerals, L.P.	DMLP	734	5.15	143	81	12.0	54	7.7
Permian Basin RT (57%)	PBT	399	3.30	121	47	14.6	30	7.3
Hugoton RoyaltyTrust (46%)	HGT	626	3.70	169	93	13.7	-	6.7
<i>Total or Median</i>		<i>4,645</i>		<i>1,185</i>	<i>81</i>	<i>13.7</i>		<i>7.8</i>

Kurt H. Wulff, CFA

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.