

DHULZ Enhances Volume Minimally in 1Q00

Formation fracturing activities on the partnership's properties slowed to one project in the winter quarter. That compares to an average pace of 2.5 wells per quarter during 1999. As a result, we project accelerated volume decline to 2% from 1% in both the first quarter and second quarter of 2000 (see file Dhulz0406.xls). The change lowers estimated cash flow for 2000 to \$1.30 per unit from \$1.32. Asset value declines from \$12.40 per unit from \$12.70 per unit on the presumption that foregone volumes are not made up until after 2029 the cutoff date for the calculation.

Our ability to estimated value is not as good as such a slight change implies. Nonetheless, we felt it was important to communicate a more cautious stand on the immediate volume outlook.

At midday, April 6, DHULZ stock was quoted at \$10 3/16 per share

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**Table DHULZ-1
Dorchester Hugoton, Ltd.
Present Value**

Volume Decline (%/yr):	11	Price Escalation Post 2002 (%/yr):	2.8
Volume Enhancement (%/yr):	8	Discount rate (%/yr):	7.4
Capex/Cash Flow (%):	13	U.S. TIPS Inflation (%/yr):	2.0
Variable Cost (%):	15	U.S. 10 Year Yield (%/yr):	6.0

Year	Basic (bcf)	Volume Enhanced (bcf)	Total (bcf)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Free Cash Flow (\$mm)	Free Cash Flow (\$/unit)	Disc Factor	Present Value (\$/unit)
Total 2000 through 2029												
	61	56	117	3.51	410	70	62	24	255	23.51	0.53	12.40
1999	6.9		6.9	2.30	15.8	2.1	2.4	0.4	10.9	1.01		
						Other assets, net			10.4	0.96	1.00	0.96
2000	6.4	0.3	6.6	2.91	19.3	2.3	2.9	0.6	13.5	1.24	0.96	1.20
2001	5.7	0.8	6.4	2.84	18.3	2.3	2.7	1.7	11.5	1.06	0.90	0.95
2002	5.1	1.2	6.3	2.71	17.1	2.3	2.6	1.6	10.6	0.98	0.84	0.82
2003	4.6	1.6	6.2	2.79	17.2	2.3	2.6	1.6	10.7	0.99	0.78	0.77
2004	4.2	1.9	6.0	2.87	17.3	2.3	2.6	1.6	10.8	0.99	0.72	0.72
2005	3.7	2.2	5.9	2.95	17.4	2.3	2.6	1.6	10.8	1.00	0.67	0.67
2006	3.4	2.4	5.8	3.03	17.5	2.3	2.6	1.6	10.9	1.00	0.63	0.63
2007	3.0	2.6	5.6	3.12	17.6	2.3	2.6	1.6	10.9	1.01	0.58	0.59
2008	2.7	2.8	5.5	3.20	17.6	2.3	2.6	1.6	11.0	1.01	0.54	0.55
2009	2.5	2.9	5.4	3.29	17.7	2.3	2.6	1.6	11.0	1.02	0.51	0.51
2010	2.2	3.0	5.2	3.38	17.7	2.3	2.7	1.7	11.1	1.02	0.47	0.48
2011	2.0	3.1	5.1	3.48	17.7	2.3	2.7	1.7	11.1	1.02	0.44	0.45
2012	1.8	3.2	5.0	3.58	17.8	2.3	2.7	1.7	11.1	1.02	0.41	0.42
2013	1.6	3.2	4.8	3.68	17.8	2.3	2.7	1.7	11.1	1.02	0.38	0.39
2014	1.5	3.2	4.7	3.78	17.8	2.3	2.7	1.7	11.1	1.03	0.35	0.36
2015	1.3	2.9	4.2	3.89	16.3	2.3	2.5		11.6	1.06	0.33	0.35
2016	1.2	2.6	3.8	3.99	15.0	2.3	2.3		10.4	0.96	0.31	0.29
2017	1.1	2.3	3.4	4.11	13.8	2.3	2.1		9.4	0.86	0.29	0.25
2018	1.0	2.0	3.0	4.22	12.7	2.3	1.9		8.4	0.78	0.27	0.21
2019	0.9	1.8	2.7	4.34	11.6	2.3	1.7		7.5	0.70	0.25	0.17
2020	0.8	1.6	2.4	4.46	10.7	2.3	1.6		6.7	0.62	0.23	0.14
2021	0.7	1.4	2.1	4.59	9.8	2.3	1.5		6.0	0.55	0.21	0.12
2022	0.6	1.3	1.9	4.71	9.0	2.3	1.4		5.3	0.49	0.20	0.10
2023	0.6	1.1	1.7	4.85	8.3	2.3	1.2		4.7	0.43	0.19	0.08
2024	0.5	1.0	1.5	4.98	7.6	2.3	1.1		4.1	0.38	0.17	0.07
2025	0.5	0.9	1.4	5.12	7.0	2.3	1.0		3.6	0.33	0.16	0.05
2026	0.4	0.8	1.2	5.26	6.4	2.3	1.0		3.1	0.29	0.15	0.04
2027	0.4	0.7	1.1	5.41	5.9	2.3	0.9		2.7	0.25	0.14	0.03
2028	0.3	0.6	1.0	5.56	5.4	2.3	0.8		2.3	0.21	0.13	0.03
2029	0.3	0.6	0.9	5.72	5.0	2.3	0.7		1.9	0.17	0.12	0.02

