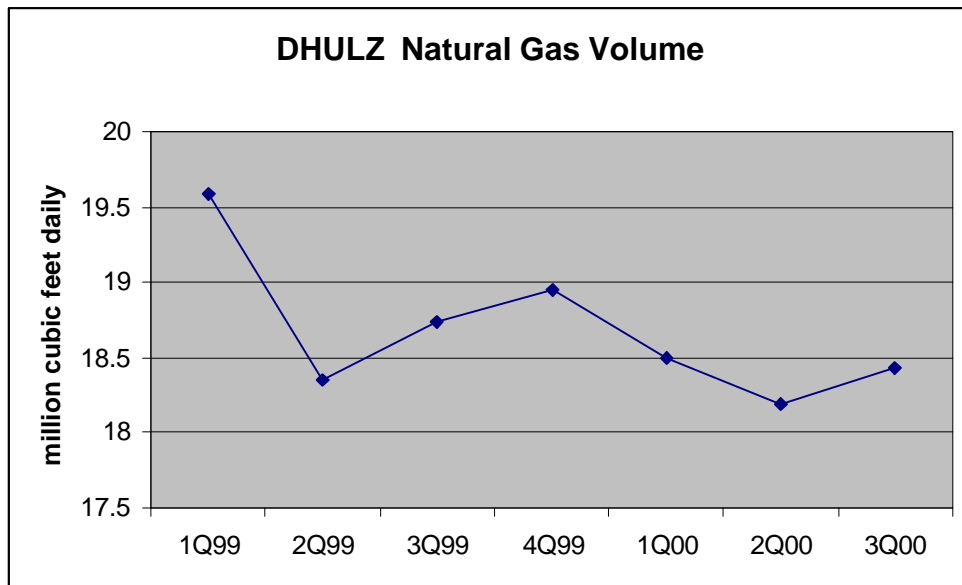


Dorchester Hugoton, Ltd. (DHULZ – 13.75) Quarterly Volume Advances

The partnership reported third quarter natural gas volume of 18.4 million cubic feet daily (mmcf/d) compared to our estimate of 18.0. Volumes in Kansas are declining year to year while volumes in Oklahoma are increasing. As a result a development program of fracture treating wells in Oklahoma appears to be having a notably positive impact. We revise our estimates upward slightly.

DHULZ stock appears undervalued in the context of the market reflecting natural gas futures quotes. Meanwhile the futures market can be quite volatile and could easily fluctuate to the upside. DHULZ is a relatively uncomplicated pure concentration on properties it operates. Therefore it represents old-fashioned real ownership of a valuable commodity in a world awash with artificial derivative commitments that may or may not be honored in periods of market turmoil.

Kurt H. Wulff, CFA



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Table DHULZ-1
Dorchester Hugoton, Ltd.
Present Value

Volume Decline (%/yr):	11	Price Escalation Post 2006 (%/yr):	2.8
Volume Enhancement (%/yr):	8	Discount rate (%/yr):	7.3
Capex/Cash Flow (%):	13	U.S. TIPS Inflation (%/yr):	2.0
Variable Cost (%):	15	U.S. 10 Year Yield (%/yr):	5.9

Year	Volume		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)
	Basic (bcf)	Enhanced (bcf)										
Total 2000 through 2029												
	61	57	118	3.86	456	75	68	27	285	26.30	0.56	14.70
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	6.7	3.79	25.5	2.5	3.8	0.6	18.6	1.71	0.97	1.65
2001	5.7	0.8	6.5	4.34	28.3	2.5	4.2	2.8	18.7	1.73	0.90	1.55
2002	5.1	1.3	6.4	3.94	25.1	2.5	3.8	2.5	16.4	1.51	0.84	1.27
2003	4.6	1.6	6.2	3.67	22.9	2.5	3.4	2.2	14.8	1.36	0.78	1.07
2004	4.2	1.9	6.1	3.33	20.3	2.5	3.0	1.9	12.8	1.18	0.73	0.86
2005	3.7	2.2	6.0	3.20	19.1	2.5	2.9	1.8	11.9	1.10	0.68	0.75
2006	3.4	2.5	5.8	3.10	18.1	2.5	2.7	1.7	11.2	1.03	0.63	0.65
2007	3.0	2.7	5.7	3.19	18.1	2.5	2.7	1.7	11.2	1.04	0.59	0.61
2008	2.7	2.8	5.6	3.28	18.2	2.5	2.7	1.7	11.3	1.04	0.55	0.57
2009	2.5	3.0	5.4	3.37	18.3	2.5	2.7	1.7	11.3	1.04	0.51	0.54
2010	2.2	3.1	5.3	3.47	18.3	2.5	2.7	1.7	11.4	1.05	0.48	0.50
2011	2.0	3.1	5.1	3.56	18.3	2.5	2.8	1.7	11.4	1.05	0.45	0.47
2012	1.8	3.2	5.0	3.67	18.4	2.5	2.8	1.7	11.4	1.05	0.41	0.44
2013	1.6	3.3	4.9	3.77	18.4	2.5	2.8	1.7	11.4	1.05	0.39	0.41
2014	1.5	3.3	4.8	3.88	18.4	2.5	2.8	1.7	11.5	1.06	0.36	0.38
2015	1.3	2.9	4.2	3.99	16.9	2.5	2.5		11.9	1.10	0.34	0.37
2016	1.2	2.6	3.8	4.10	15.6	2.5	2.3		10.7	0.99	0.31	0.31
2017	1.1	2.3	3.4	4.21	14.3	2.5	2.1		9.6	0.89	0.29	0.26
2018	1.0	2.1	3.0	4.33	13.1	2.5	2.0		8.7	0.80	0.27	0.22
2019	0.9	1.8	2.7	4.46	12.1	2.5	1.8		7.8	0.71	0.25	0.18
2020	0.8	1.6	2.4	4.58	11.1	2.5	1.7		6.9	0.64	0.24	0.15
2021	0.7	1.5	2.2	4.71	10.2	2.5	1.5		6.2	0.57	0.22	0.12
2022	0.6	1.3	1.9	4.84	9.4	2.5	1.4		5.5	0.50	0.21	0.10
2023	0.6	1.2	1.7	4.98	8.6	2.5	1.3		4.8	0.44	0.19	0.08
2024	0.5	1.0	1.5	5.12	7.9	2.5	1.2		4.2	0.39	0.18	0.07
2025	0.5	0.9	1.4	5.27	7.3	2.5	1.1		3.7	0.34	0.17	0.06
2026	0.4	0.8	1.2	5.42	6.7	2.5	1.0		3.2	0.29	0.15	0.05
2027	0.4	0.7	1.1	5.57	6.1	2.5	0.9		2.7	0.25	0.14	0.04
2028	0.3	0.6	1.0	5.73	5.6	2.5	0.8		2.3	0.21	0.13	0.03
2029	0.3	0.6	0.9	5.89	5.2	2.5	0.8		1.9	0.18	0.13	0.02

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Table DHULZ-2
Dorchester Hugoton, Ltd.
Income Model

	Q3	Q4	Year	Q1	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E
	9/30/99	12/31/99	1999	3/31/00	6/30/00	9/30/00	12/31/00	2000E	3/31/01	6/30/01	9/30/01
Highlights											
Revenue (\$mm)	4.34	4.39	15.3	4.16	5.57	7.04	7.58	24.4	7.27	6.57	6.52
Cash flow (\$mm)	3.25	3.25	10.9	3.09	3.87	5.69	6.19	18.8	5.89	5.25	5.21
Per unit	0.30	0.30	1.01	0.28	0.36	0.52	0.57	1.74	0.54	0.48	0.48
Earnings (\$mm)	2.77	2.78	9.0	2.64	3.40	5.24	5.72	17.0	5.43	4.80	4.75
Per unit	0.26	0.26	0.83	0.24	0.32	0.48	0.53	1.57	0.50	0.44	0.44
Distribution (\$mm)	1.93	1.93	7.7	3.01	1.93	2.36	5.04	12.3	4.78	4.22	4.18
Per unit	0.18	0.18	0.72	0.28	0.18	0.22	0.47	1.15	0.44	0.39	0.39
Units (millions)	10.74	10.74	10.7	10.74	10.74	10.74	10.74	10.7	10.74	10.74	10.74
Volume											
Natural gas (bcf)											
Oklahoma	1.40	1.43	5.6	1.39	1.37	1.43	1.42	5.6	1.38	1.38	1.39
Kansas	0.33	0.31	1.3	0.29	0.28	0.27	0.26	1.1	0.25	0.24	0.24
Total	1.72	1.74	6.9	1.68	1.66	1.70	1.68	6.7	1.63	1.63	1.63
Natural Gas (mmcf)	18.7	18.9	18.9	18.5	18.2	18.4	18.3	18.3	18.1	17.9	17.7
Days	92	92	365	91	91	92	92	366	90	91	92
Price											
Natural gas											
Henry Hub (\$/mmbtu)	2.52	2.45	2.24	2.62	3.63	4.48	4.85	3.89	4.79	4.34	4.30
Oklahoma (\$/mcf)	2.60	2.60	2.28	2.53	3.50	4.33	4.72	3.78	4.67	4.22	4.18
Kansas (\$/mcf)	2.68	2.70	2.36	2.72	3.58	4.41	4.85	3.86	4.75	4.30	4.26
Total (\$/mcf)	2.62	2.62	2.30	2.57	3.51	4.34	4.74	3.79	4.69	4.23	4.20
Revenue (\$mm)											
Natural Gas											
Oklahoma	3.63	3.73	12.7	3.53	4.81	6.18	6.69	21.2	6.44	5.84	5.82
Kansas	0.88	0.83	3.1	0.79	1.01	1.19	1.26	4.3	1.18	1.04	1.02
Other	0.05	0.05	0.2	0.05	0.05	0.06	0.05	0.2	0.05	0.05	0.05
Production payment (ORRI)	(0.22)	(0.23)	(0.8)	(0.21)	(0.30)	(0.39)	(0.42)	(1.3)	(0.40)	(0.37)	(0.36)
Total	4.34	4.39	15.3	4.16	5.57	7.04	7.58	24.4	7.27	6.57	6.52
Cost (\$mm)											
Operating	0.90	0.95	3.6	0.92	1.04	1.07	1.12	4.1	1.12	1.07	1.07
General and administrative	0.14	0.16	0.6	0.14	0.18	0.20	0.18	0.7	0.18	0.17	0.17
Management	0.13	0.13	0.5	0.13	0.14	0.16	0.16	0.6	0.16	0.15	0.15
Other	(0.08)	(0.10)	(0.3)	(0.11)	0.35	(0.07)	(0.08)	0.1	(0.08)	(0.08)	(0.08)
Total	1.09	1.13	4.4	1.07	1.70	1.35	1.39	5.5	1.38	1.32	1.31
Cash flow (\$mm)	3.25	3.25	10.9	3.09	3.87	5.69	6.19	18.8	5.89	5.25	5.21
Depletion, deprec. & amort.	0.48	0.48	1.9	0.45	0.46	0.45	0.47	1.8	0.46	0.46	0.46
Earnings (\$mm)	2.77	2.78	9.0	2.64	3.40	5.24	5.72	17.0	5.43	4.80	4.75
Capital expenditures (\$mm)	0.21	0.10	0.4	0.04	0.13	0.23	0.15	0.6	0.15	0.15	0.15
Cost ratios											
Prod pay/revenue	4.9%	5.0%	4.7%	4.8%	5.1%	5.3%	5.3%	5.2%	5.3%	5.3%	5.3%
Operating cost (\$/mcf)	0.52	0.54	0.52	0.54	0.63	0.63	0.67	0.62	0.69	0.66	0.66
Depletion (\$/mcf)	0.28	0.27	0.28	0.27	0.28	0.27	0.28	0.27	0.28	0.28	0.28

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