



Independent Stock Idea

August 11, 2009

rating: buy
s&p 500: 994 intraday

Dorchester Minerals, L.P. (DMLP) Income Competitive with Growth

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 6/30/10 (US\$mm)</i>	47
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	60
<i>Price (US\$/sh)</i>	22.21	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/11/09	<i>Adjusted Reserves/Production NTM</i>	8.2
<i>Units (mm)</i>	29.80	<i>EV/Ebitda</i>	14.0
<i>Market Capitalization (US\$mm)</i>	662	<i>PV/Ebitda</i>	17.0
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	662	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	4.53
<i>Present Value (PV) (US\$mm)</i>	805	<i>Present Value Proven Reserves(US\$/boe)</i>	56.66
<i>Net Present Value (US\$/unit)</i>	27	<i>Oil and Gas Ebitda Margin (%)</i>	84
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	0.80
<i>McDep Ratio - EV/PV</i>	0.82	<i>Price/Earnings Next Twelve Months</i>	28
<i>Distribution Yield (%/year)</i>	6.3	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.39
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu.			
For historical analysis of DMLP since 2000 see www.mcdep.com/4dhulz.htm			

Summary and Recommendation

Buy-recommended **Dorchester Minerals (DMLP)** offers unlevered appreciation potential of 22% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of \$27 a share. On July 14 we reduced NPV from \$32 when we reduced estimated Present Value of North American Natural Gas by 20%. Available on the Securities and Exchange Commission website by August 10, second quarter results exceeded our estimate for unlevered cash flow (Ebitda) from two months ago. A steep geographic discount for inland natural gas narrowed, thankfully (see table [Next Twelve Months Operating and Financial Performance](#)). Rebounding Ebitda supports rebounding distribution in the first half of 2010 in our projections. When we adjust volume growth for distributions paid, we see that little-known DMLP is performing competitively with our five buy-recommended large cap North American natural gas independent producers (see chart [Income Competitive with Growth](#)). We also adjust volume to include amounts from a Minerals Net Profits Interest (NPI). Currently accounting for about 7% of natural gas and 5% of oil, the Minerals NPI holds recently developed properties such as those in the rapidly growing Fayetteville Shale (see map from management's Annual Presentation in May). Recently acquired properties in the Barnett Shale are likely to be profitable considering management's conservative style and favorable performance. Reaccelerating activity in the Bakken Shale of North Dakota may add more to the Minerals NPI backlog.

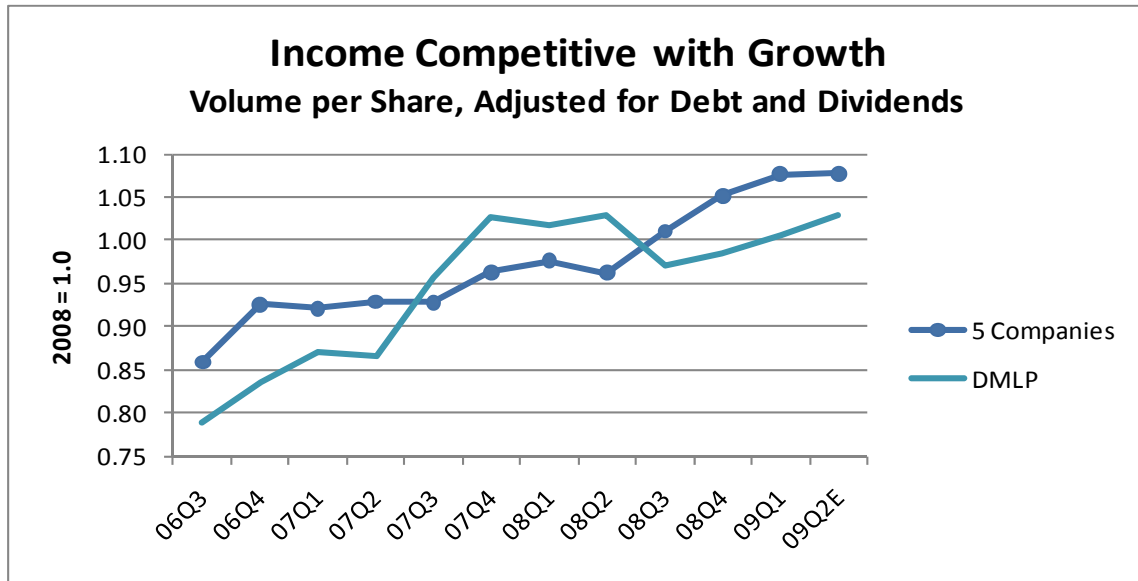
Kurt H. Wulff, CFA



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Dorchester Minerals, L.P.									
Next Twelve Months Operating and Financial Performance									
									<i>Next Twelve Months</i>
	<i>Q2</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>6/30/10</i>
	<i>6/30/08</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>3/31/10</i>	<i>6/30/10</i>	<i>6/30/10</i>
Volume									
Natural Gas (bcf)	1.93	2.07	2.08	2.10	2.10	8.35	2.05	2.08	8.33
Natural Gas (mmcf)	21.2	23.0	22.8	22.8	22.8	22.9	22.8	22.8	22.8
Days	91	90	91	92	92	365	90	91	365
Oil (mb)	0.09	0.08	0.09	0.09	0.09	0.4	0.09	0.09	0.4
Oil (mbd)	0.96	0.94	0.97	0.97	0.97	0.96	0.97	0.97	0.97
Total (bcfe)	2.5	2.6	2.6	2.6	2.6	10.4	2.6	2.6	10.4
Total (mmcf)	27	29	29	29	29	29	29	29	29
Price									
Henry Hub (\$/mmbtu)	10.93	4.90	3.50	3.66	4.70	4.19	5.71	5.67	4.93
Differential (\$/mmbtu)	0.06	1.45	0.51	0.53	0.69	0.79	0.83	0.83	0.72
Company (\$/mcf)	10.88	3.45	2.99	3.13	4.01	3.39	4.87	4.84	4.21
WTI Cushing (\$/bbl)	123.97	42.96	59.52	68.44	73.91	61.21	76.62	78.41	74.35
Differential	13.52	8.31	6.82	7.84	8.47	7.62	9.54	10.98	9.22
Company	110.46	34.65	52.70	60.60	65.44	53.58	67.07	67.44	65.12
Total (\$/mcf)	12.49	3.90	4.16	4.54	5.41	4.51	6.15	6.14	5.56
Revenue (\$mm)									
Natural Gas	20.9	7.1	6.2	6.6	8.4	28.3	10.0	10.1	35.0
Oil	9.7	2.9	4.6	5.4	5.8	18.8	5.8	5.9	23.0
Other	(0.4)	(0.5)	(0.4)	(0.4)	(0.4)	(1.7)	(0.4)	(0.4)	(1.6)
Total	30.2	9.6	10.4	11.6	13.9	45.5	15.5	15.6	56.5
Expense									
Operating	1.5	0.9	1.0	1.2	1.4	4.5	1.5	1.6	5.6
General and administrative	0.9	1.0	0.8	0.8	0.9	3.6	0.9	0.9	3.5
Total	2.4	2.0	1.9	2.0	2.3	8.1	2.4	2.5	9.2
Ebitda									
Minerals NPI	1.0	0.6	0.6	0.6	0.6	2.3	0.6	0.6	2.2
Deprec., Deplet., & Amort.	3.6	3.3	3.5	5.3	5.3	17.3	5.2	5.2	20.9
Other Non Cash	0.9	0.5	0.4	0.4	0.4	1.8	0.4	0.4	1.7
Ebit									
	23.3	3.8	4.7	3.9	5.9	18.2	7.4	7.5	24.7
Ebt									
	23.3	3.8	4.7	3.9	5.9	18.2	7.4	7.5	24.7
General Partner	0.7	0.1	0.2	0.1	0.2	0.6	0.2	0.2	0.7
Net Income (\$mm)									
Per Share (\$)	22.6	3.7	4.5	3.8	5.7	17.7	7.2	7.3	24.0
Per Share (\$)	0.80	0.13	0.16	0.13	0.19	0.61	0.24	0.24	0.80
Shares (millions)									
	28.2	28.2	28.3	29.8	29.8	29.8	29.8	29.8	29.8
Distribution (\$/unit)									
	0.77	0.40	0.27	0.30	0.29	1.26	0.39	0.42	1.39
Ratios									
Operating (\$/mcf)	0.62	0.36	0.40	0.44	0.53	0.43	0.60	0.60	0.54
General and admin (\$/mcf)	0.35	0.40	0.31	0.31	0.34	0.34	0.35	0.35	0.34
Deprec., D, & A (\$/mcf)	1.49	1.28	1.33	2.00	2.00	1.66	2.00	2.00	2.00
Ebitda Margin	92%	80%	82%	83%	84%	82%	84%	84%	84%
GP	3%	3%	3%	3%	3%	3%	3%	3%	3%
Distribution/Ebitda	0.78	1.48	0.89	0.93	0.74	1.00	0.89	0.96	0.88
HH price/HH minus 2 mo	0.81	1.33	1.16	0.99	0.78	1.06	0.93	1.00	0.92

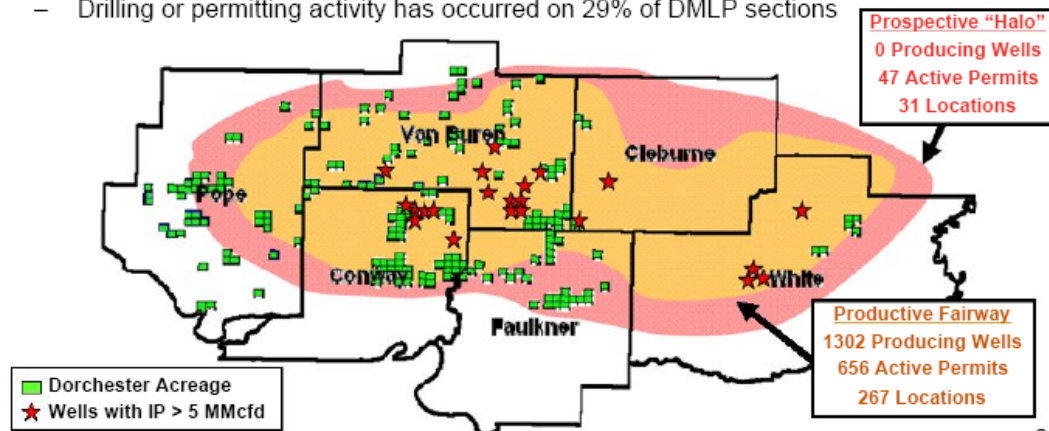


Dorchester Minerals, LP

NASDAQ: DMLP

Fayetteville Shale

- Six County Core Area
 - Current development activity on DMLP acreage
 - 92 wells completed as producers
 - 27 wells in various stages of drilling or completion
 - 36 wells permitted and/or proposed by operator
 - Drilling or permitting activity has occurred on 29% of DMLP sections



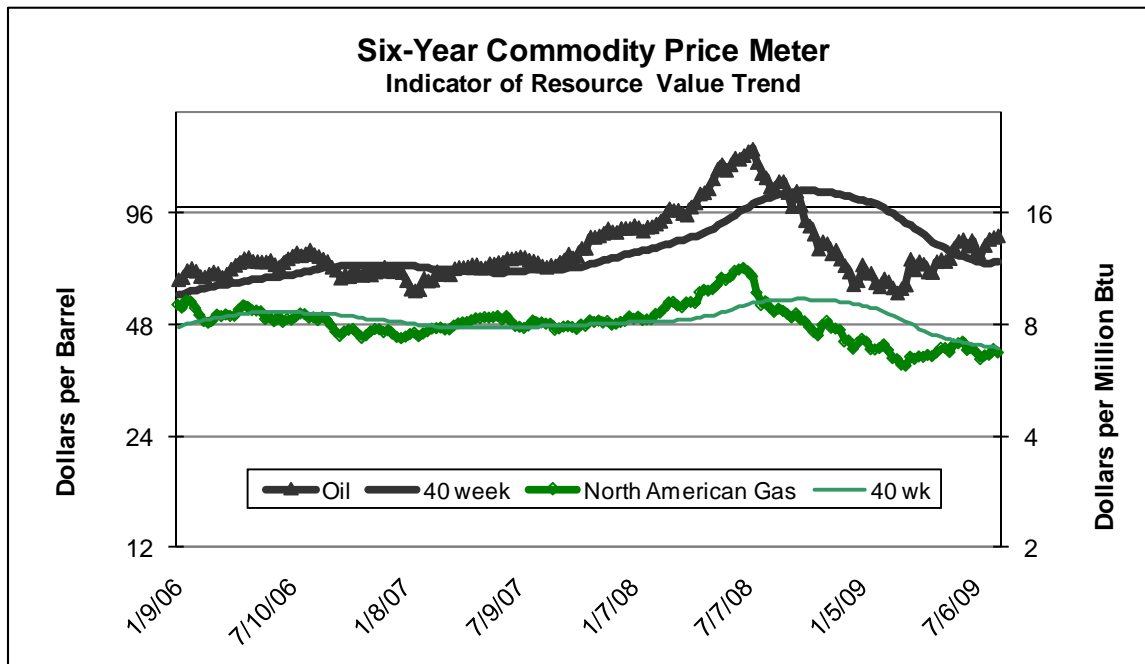
Source: HPDI - Rigdata

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