



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

May 13, 2011

Dorchester Minerals, L.P. (DMLP) Fayetteville and Bakken Growth

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 3/31/12 (US\$mm)</i>	63
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	54
<i>Price (US\$/sh)</i>	27.50	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/12/11	<i>Adjusted Reserves/Production NTM</i>	7.1
<i>Units (mm)</i>	30.68	<i>EV/Ebitda</i>	13.4
<i>Market Capitalization (US\$mm)</i>	844	<i>PV/Ebitda</i>	14.6
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	844	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	5.10
<i>Present Value (PV) (US\$mm)</i>	920	<i>Present Value Proven Reserves(US\$/boe)</i>	63.37
<i>Net Present Value (US\$/unit)</i>	30	<i>Oil and Gas Ebitda Margin (%)</i>	85
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	1.30
<i>McDep Ratio - EV/PV</i>	0.92	<i>Price/Earnings Next Twelve Months</i>	21
<i>Distribution Yield (%/year)</i>	6.4	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.76
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\$100 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

Rapidly growing natural gas volume from the Fayetteville Shale approaching 20% of partnership total and rising oil volume from the Bakken Shale on the verge of takeoff compound the attraction of a 6.4% distribution yield for buy-recommended **Dorchester Minerals (DMLP)**. General Partner Casey McManemin disclosed new detail on both exciting plays in his sole yearly presentation to investors on May 11.

In Arkansas, year-end production of 6.1 million cubic feet daily (mmcf) flowed from 207 wells (see slide Fayetteville Shale on page 2). The number of flowing wells may be only a quarter of the ultimate count.

In North Dakota, oil flows at 200 barrels daily from just 5 wells where 150 wells have been completed or are in progress with 7 rigs drilling (see slide Horizontal Bakken on page 3). Federal regulators appear to be stalling on the approval of transportation to move oil out of the interior of the North American continent. The effect is to drive up international oil price and increase the ultimate reward to DMLP.

Total volume in the first quarter as reported on May 5 was up 8% from the previous year to 33 mmcf equivalent, with most of the contributions still to be realized from Fayetteville and Bakken, (see Next Twelve Months Operating and Financial Performance on page 4). About two-thirds of the distribution is top line income where all the operating expense and capital cost is paid by others.



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Investors are necessarily always wary of unfavorable government action. In our view, the political theater in Washington targeting oil and gas producers is negative for economic growth, but unlikely to diminish the prospects for oil and gas profits. Most of what U.S. energy policy makers do restricts supply (increases price) and attempts to stimulate demand (increases price). The tools used to stimulate demand, deficit spending and free money, also increase the price of real assets including energy. Thus, despite volatility and continued political threats, buy-recommended stocks like DMLP are among the soundest long-term investments, as we see it.

Kurt H. Wulff, CFA



Fayetteville Shale (Royalty & NPI)

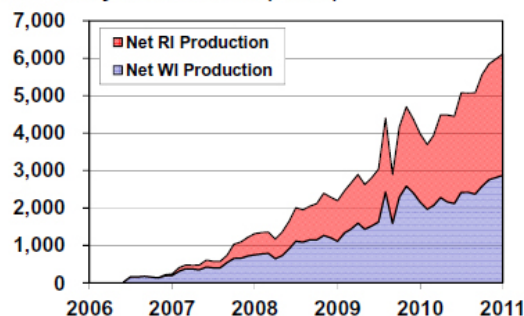
• Production Results

- 207 wells producing at year-end 2010
 - 3.2 MMcfd (WI)
 - 2.9 MMcfd (RI) } **6.1 MMcfd**
- 39% Year-over-year rate increase
- Produced 1.8 Bcf in 2010
- 48% of production from working interest

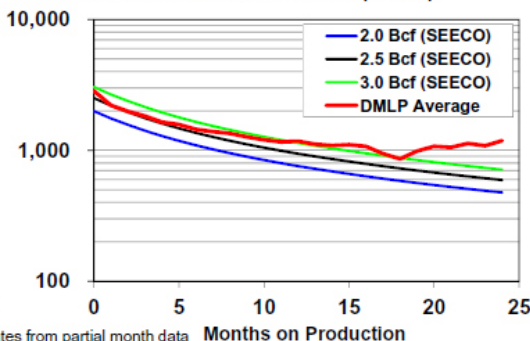
• Well Performance

- Improved stimulation and longer laterals have increased initial production rates
- 2007 1.7 MMcfd (Max 3.5 MMcfd)
- 2008 2.4 MMcfd (Max 5.5 MMcfd)
- 2009 3.1 MMcfd (Max 5.9 MMcfd)
- 2010 3.0 MMcfd (Max 7.3 MMcfd)

Net Daily Production (Mcf)



Normalized Production Rate (Mcf)



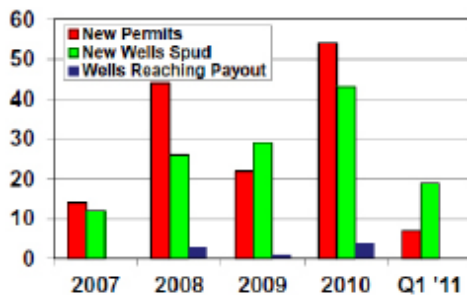
Note: Volumes from AOGC, 1st point on DMLP normalize curve based on estimates from partial month data



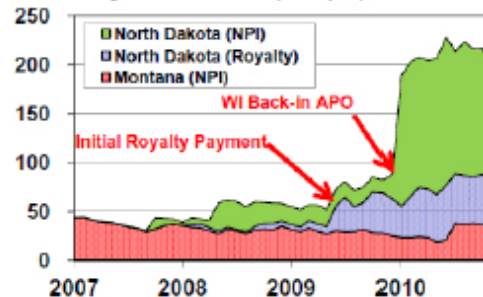
Horizontal Bakken (Royalty & NPI)

- Williston Basin – Northwestern North Dakota
 - Diversified acreage position
 - 70,390 gross acres/8,905 net acres
 - Operators: Continental, COP, EOG, Hess, Marathon
 - Elected non-consent option in 150 wells to date
 - Average royalty of all leases in unit (~16% royalty)
 - Back-in for 100% WI after payout + 50% penalty
 - Working interest subject to Minerals NPI

Well Count



Net Daily Production (boepd)



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Dorchester Minerals, L.P.									
Next Twelve Months Operating and Financial Performance									
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Next Twelve Months
	3/31/10	12/31/10	2010	3/31/11	6/30/11	9/30/11	12/31/11	2011E	3/31/12
Volume									
Natural Gas (bcf)	2.24	2.32	9.30	2.41	2.46	2.52	2.52	9.91	9.98
Natural Gas (mmcf)	24.9	25.2	25.5	26.8	27.1	27.3	27.3	27.1	27.3
Days	90	92	365	90	91	92	92	365	366
Oil (mb)	0.09	0.09	0.4	0.10	0.10	0.10	0.10	0.4	0.4
Oil (mbd)	0.95	1.02	1.05	1.06	1.07	1.08	1.08	1.07	1.08
Total (bcfe)	2.8	2.9	11.6	3.0	3.0	3.1	3.1	12.3	12.3
Total (mmcf)	31	31	32	33	33	34	34	34	34
Price									
Henry Hub (\$/mmbtu)	5.32	3.80	4.40	4.11	4.29	4.36	4.61	4.34	4.40
Differential (%)	3	(26)	(3)	2	2	2	2	2	2
Company (\$/mcf)	5.17	4.79	4.51	4.02	4.20	4.27	4.51	4.25	4.30
WTI Cushing (\$/bbl)	78.67	85.10	79.43	94.10	102.69	99.82	100.00	99.15	100.50
Differential	4.33	6.10	5.03	6.62	7.23	7.03	7.04	6.95	7.08
Company	74.34	79.00	74.39	87.48	95.47	92.79	92.96	92.20	93.42
Total (\$/mcf)	6.52	6.43	6.08	6.04	6.44	6.41	6.61	6.38	6.46
Revenue (\$mm)									
Natural Gas	11.6	11.1	41.9	9.7	10.3	10.7	11.3	42.1	42.9
Oil	6.4	7.4	28.6	8.3	9.3	9.2	9.2	36.0	36.8
Other	(0.9)	(1.6)	(1.5)	(1.3)	(1.3)	(1.3)	(1.3)	(5.3)	(5.3)
Total	17.0	16.9	69.0	16.7	18.3	18.6	19.2	72.9	74.4
Expense									
Operating	1.6	1.4	5.9	1.6	1.7	1.7	1.7	6.7	6.8
General and administrative	1.2	1.3	4.1	1.2	1.2	1.2	1.2	4.6	4.6
Total	2.7	2.7	10.0	2.8	2.8	2.9	2.9	11.4	11.4
Ebitda									
Minerals NPI	1.1	1.6	6.2	1.9	1.9	1.9	1.9	7.7	7.7
Deprec., Deplet., & Amort.	4.2	4.1	18.0	4.2	5.2	5.3	5.3	20.0	21.0
Other Non Cash	(0.0)	(0.1)	(0.2)	0.1	0.1	0.1	0.1	0.4	0.4
Ebit	8.9	8.5	35.0	7.6	10.2	10.4	11.0	39.1	41.6
Ebt	8.9	8.5	35.0	7.6	10.2	10.4	11.0	39.1	41.6
General Partner	0.3	0.3	1.2	0.3	0.4	0.4	0.4	1.5	1.7
Net Income (\$mm)	8.7	8.3	33.8	7.4	9.8	9.9	10.5	37.6	39.9
Units (millions)									
Net Income Per Unit (\$)	0.29	0.27	1.11	0.24	0.32	0.32	0.34	1.23	1.30
Distribution (\$/unit)	0.45	0.35	1.69	0.43	0.42	0.45	0.45	1.75	1.76



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Table ISC-1

McDep Income and Small Cap Energy Portfolio										
Debt, Segments, Cash Flow, Income and McDep Ratio										
Symbol/Rating	Price (US\$/sh)	EV/ Market Cap	Enterprise Value (\$mm)	PV(%)		EV/ Ebitda NTM	Dist. NTM (\$/un)	Dist. Yield (%)	McDep Ratio	
				Nat Gas	Oil					
CB (see below)	12-May 2011									
Small Cap Independent Producers										
Petrohawk Energy Corporation	HK B	24.40	1.53	11,410	83	17	10.1	-	-	1.01
Range Resources	RRC B	52.13	1.21	10,000	76	24	14.2	0.16	0.3	0.89
Denbury Resources Inc.	DNR	20.80	1.28	10,590	6	94	8.0	-	-	0.86
Peyto Exploration and Developmen	PEYUF	20.22	1.16	2,950	76	24	12.7	0.74	3.7	0.86
Berry Petroleum Company	BRY	46.77	1.56	3,950	26	74	8.3	0.30	0.6	0.85
Birchcliff Energy Ltd.	BIREF B	13.04	1.22	2,010	58	42	11.5	-	-	0.84
Ultra Petroleum	UPL	45.25	1.21	8,450	92	8	11.1	-	-	0.79
Cimarex Energy Company	XEC B	91.01	1.09	8,560	44	56	6.4	0.30	0.3	0.77
Whiting Petroleum Corporation	WLL B	62.96	1.21	9,020	11	89	6.7	-	-	0.74
<i>Total or Median</i>				66,900			10.1		-	0.85
Top Line Cash Payers										
Sabine Royalty Trust	SBR	64.47	1.00	940	50	50		4.95	7.7	1.09
Freehold Royalties Ltd.	FRHLF	22.35	1.07	1,390	18	82		1.74	7.8	1.01
Permian Basin RT	PBT	20.49	1.00	960	37	63		1.73	8.5	0.93
Dorchester Minerals, L.P.	DMLP B	27.50	1.00	840	61	39		1.76	6.4	0.92
Cross Timbers Royalty Trust	CRT	40.50	1.00	240	87	13		2.97	7.3	0.90
<i>Total or Median</i>				4,400					7.7	0.93
Bottom Line Cash Payers										
Linn Energy, LLC	LINE	37.71	1.42	8,730	35	65	12.9	2.64	7.0	1.07
Legacy Reserves L.P.	LGCY	30.56	1.41	1,870	19	81	10.8	2.12	6.9	1.06
Vanguard Natural Resources, LLC	VNR	29.55	1.65	1,580	28	72	12.6	2.24	7.6	1.06
Hugoton RoyaltyTrust	HGT B	21.85	1.00	870	88	13	13.6	1.38	6.3	0.99
Encore Energy Partners, L.P.	ENP	22.53	1.24	1,260	18	82	9.8	1.96	8.7	0.98
San Juan Basin Royalty Trust	SJT	23.54	1.00	1,100	100	-	13.9	1.43	6.1	0.94
Pengrowth Energy Corporation	PGH	12.89	1.37	5,300	28	72	7.9	0.87	6.7	0.94
Mesa RoyaltyTrust	MTR	45.26	1.00	84	75	25	10.9	3.45	7.6	0.85
Enerplus Corporation	ERF B	30.24	1.23	6,600	34	66	7.6	2.23	7.4	0.85
<i>Total or Median</i>				27,400			10.9		7.0	0.98
Composite										
<i>Enterprise Value Weighting</i>				98,700	47	53				0.88
<i>Equal Weighting</i>					50	50				0.92
<i>Equal Weighted Buys</i>					70	30				0.91
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.										
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses.										
Present Value (PV) presumes long-term prices of \$100 a barrel for oil and \$8 a million btu for natural gas.										
Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2012. Enterprise Value = Market Cap and Debt.										



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Table ISC-2								
McDep Income and Small Cap Energy Portfolio								
Net Present Value and McDep Ratio								
			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		12-May 2011	(mm)				
Small Cap Independent Producers								
Petrohawk Energy Corporation	HK	B	24.40	305.0	7,440	24.00	0.35	1.01
Range Resources	RRC	B	52.13	158.0	8,240	60.00	0.16	0.89
Denbury Resources Inc.	DNR		20.80	397.0	8,260	25.00	0.19	0.86
Peyto Exploration and Development Cor	PEYUF		20.22	125.7	2,540	24.00	0.12	0.86
Berry Petroleum Company	BRY		46.77	54.0	2,530	60.00	0.30	0.85
Birchcliff Energy Ltd.	BIREF	B	13.04	126.0	1,640	16.00	0.15	0.84
Ultra Petroleum	UPL		45.25	154.0	6,970	60.00	0.14	0.79
Cimarex Energy Company	XEC	B	91.01	86.1	7,840	120.00	0.06	0.77
Whiting Petroleum Corporation	WLL	B	62.96	118.0	7,430	90.00	0.13	0.74
<i>Total or Median</i>					52,890		0.15	0.85
Top Line Cash Payers								
Sabine Royalty Trust	SBR		64.47	14.6	940	59.00	-	1.09
Freehold Royalties Ltd.	FRHLF		22.35	58.4	1,310	22.00	0.06	1.01
Permian Basin RT	PBT		20.49	46.6	960	22.00	-	0.93
Dorchester Minerals, L.P.	DMLP	B	27.50	30.7	840	30.00	-	0.92
Cross Timbers Royalty Trust	CRT		40.50	6.0	240	45.00	-	0.90
<i>Total or Median</i>					4,290			0.93
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		37.71	163.0	6,150	34.00	0.32	1.07
Legacy Reserves L.P.	LGCY		30.56	43.5	1,330	28.00	0.31	1.06
Vanguard Natural Resources, LLC	VNR		29.55	32.4	960	27.00	0.41	1.06
Hugoton RoyaltyTrust	HGT	B	21.85	40.0	870	22.00	-	0.99
Encore Energy Partners, L.P.	ENP		22.53	45.0	1,010	23.00	0.19	0.98
San Juan Basin Royalty Trust	SJT		23.54	46.6	1,100	25.00	-	0.94
Pengrowth Energy Corporation	PGH		12.89	299.0	3,850	14.00	0.25	0.94
Mesa RoyaltyTrust	MTR		45.26	1.9	84	53.00	-	0.85
Enerplus Corporation	ERF	B	30.24	178.0	5,380	37.00	0.16	0.85
<i>Total or Median</i>					20,730			0.98
B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Present Value presumes long-term prices of \$100 a barrel for oil and \$8 a million btu for natural gas.								



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Table ISC-3								
McDep Income and Small Cap Energy Portfolio								
Value Multiples - Rank by EV/Ebitda								
			Price (\$/sh)	Revenue	Dist/ Equity	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda
	Symbol/ Rating		12-May 2011	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	52.13		-	17.4	16.0	14.2
Peyto Exploration and Development Corp	PEYUF		20.22		0.46	19.7	14.8	12.7
Birchcliff Energy Ltd.	BIREF	B	13.04		-	20.2	13.7	11.5
Ultra Petroleum	UPL		45.25		-	27.1	14.1	11.1
Petrohawk Energy Corporation	HK	B	24.40		-	7.6	10.0	10.1
Berry Petroleum Company	BRY		46.77		-	12.0	9.8	8.3
Denbury Resources Inc.	DNR		20.80		-	13.6	9.3	8.0
Whiting Petroleum Corporation	WLL	B	62.96		-	9.6	9.1	6.7
Cimarex Energy Company	XEC	B	91.01		-	7.4	8.3	6.4
	<i>Median</i>					<i>13.6</i>	<i>10.0</i>	<i>10.1</i>
Top Line Cash Payers								
Dorchester Minerals, L.P.	DMLP	B	27.50	77	0.85	7.1	14.6	13.4
Cross Timbers Royalty Trust	CRT		40.50	80	0.97	14.5	14.6	13.2
Sabine Royalty Trust	SBR		64.47	100	1.00	6.7	11.9	13.0
Permian Basin RT	PBT		20.49	32	0.96	13.2	12.2	11.3
Freehold Royalties Ltd.	FRHLF		22.35	71	0.82	8.1	10.4	10.5
	<i>Median</i>					<i>8.1</i>	<i>12.2</i>	<i>13.0</i>
Bottom Line Cash Payers								
San Juan Basin Royalty Trust	SJT		23.54		0.84	9.1	14.7	13.9
Hugoton RoyaltyTrust	HGT	B	21.85		0.86	13.6	13.7	13.6
Linn Energy, LLC	LINE		37.71		0.93	17.5	12.0	12.9
Vanguard Natural Resources, LLC	VNR		29.55		0.99	13.1	11.9	12.6
Mesa RoyaltyTrust	MTR		45.26		0.83	8.8	12.8	10.9
Legacy Reserves L.P.	LGCY		30.56		0.77	12.0	10.2	10.8
Encore Energy Partners, L.P.	ENP		22.53		0.85	13.0	9.9	9.8
Pengrowth Energy Corporation	PGH		12.89		0.52	9.0	8.4	7.9
Enerplus Corporation	ERF	B	30.24		0.54	8.2	8.9	7.6
	<i>Median</i>					<i>12.0</i>	<i>11.9</i>	<i>10.9</i>
B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation								
and amortization; NTM = Next Twelve Months Ended March 31, 2012; P/E = Stock Price to								
Earnings; PV = Present Value of oil and gas and other businesses								
Top Line Cash Payers defined as those having Revenue Royalty (see fifth column from right).								



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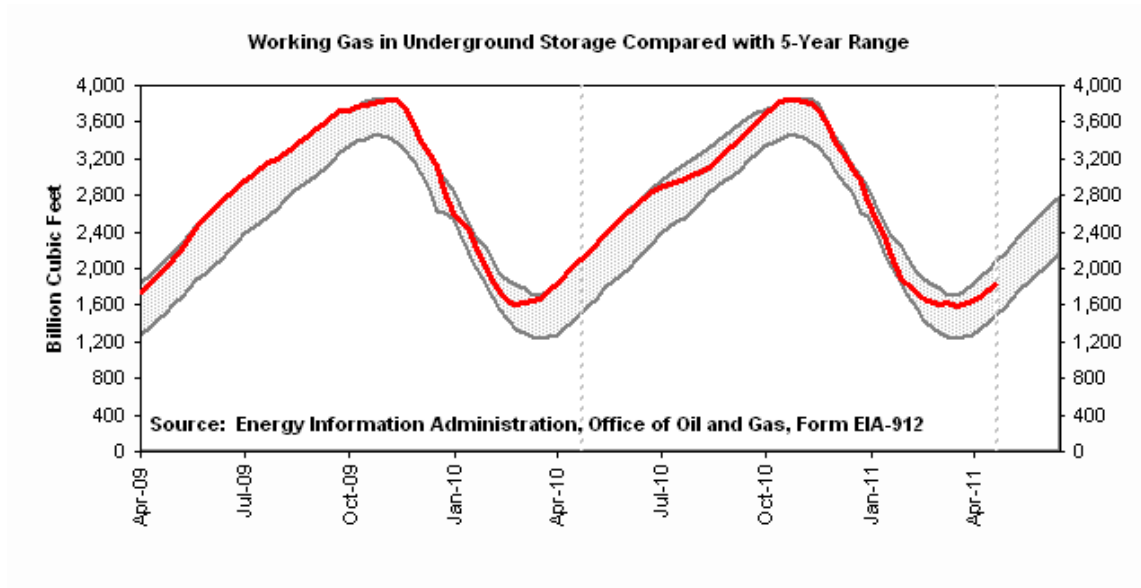
Table ISC-4									
Oil and Gas Income and Small Cap Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price (\$/sh)	Enterprise Value/					
	Symbol/ Rating		12-May 2011	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
Small Cap Independent Producers									
	BIRCLIFF ENERGY LTD.	BIREF	B	13.04	0.92	1.50	1.04	1.21	0.84
	PETROHAWK ENERGY CORPORATION	HK	B	24.40	0.93	1.39	1.03	1.16	1.01
	RANGE RESOURCES	RRC	B	52.13	0.89	1.46	0.98	1.15	0.89
	PEYTO EXPLORATION AND DEVELOPMENT CORP	PEYUF		20.22	0.94	1.64	0.99	1.13	0.86
	BERRY PETROLEUM COMPANY	BRY		46.77	0.92	1.45	0.96	1.10	0.85
	WHITING PETROLEUM CORPORATION	WLL	B	62.96	0.86	1.56	0.93	1.09	0.74
	DENBURY RESOURCES INC.	DNR		20.80	0.84	1.34	0.91	1.06	0.86
	CIMAREX ENERGY COMPANY	XEC	B	91.01	0.79	1.48	0.83	1.02	0.77
	ULTRA PETROLEUM	UPL		45.25	0.86	1.17	0.97	1.01	0.79
	<i>Median</i>				<i>0.89</i>	<i>1.46</i>	<i>0.97</i>	<i>1.10</i>	<i>0.85</i>
Top Line Cash Payers									
	FREEHOLD ROYALTIES LTD.	FRHLF		22.35	0.92	1.49	0.97	1.13	1.01
	SABINE ROYALTY TRUST	SBR		64.47	0.91	1.51	1.01	1.11	1.09
	DORCHESTER MINERALS, L.P.	DMLP	B	27.50	0.91	1.16	0.98	1.02	0.92
	CROSS TIMBERS ROYALTY TRUST	CRT		40.50	0.84	1.31	0.88	0.99	0.90
	PERMIAN BASIN RT	PBT		20.49	0.86	1.43	0.95	0.98	0.93
	<i>Median</i>				<i>0.91</i>	<i>1.43</i>	<i>0.97</i>	<i>1.02</i>	<i>0.93</i>
Bottom Line Cash Payers									
	LEGACY RESERVES L.P.	LGCY		30.56	0.93	1.42	0.98	1.07	1.06
	ENCORE ENERGY PARTNERS, L.P.	ENP		22.53	0.90	1.87	0.97	1.05	0.98
	ENERPLUS CORPORATION	ERF	B	30.24	0.92	1.79	0.97	1.05	0.85
	LINN ENERGY, LLC	LINE		37.71	0.95	1.88	0.98	1.05	1.07
	PENGROWTH ENERGY CORPORATION	PGH		12.89	0.91	1.97	0.96	1.04	0.94
	HUGOTON ROYALTY TRUST	HGT	B	21.85	0.89	1.29	0.96	1.04	0.99
	VANGUARD NATURAL RESOURCES, LLC	VNR		29.55	0.92	1.35	0.96	1.03	1.06
	SAN JUAN BASIN ROYALTY TRUST	SJT		23.54	0.82	1.13	0.91	0.95	0.94
	MESA ROYALTY TRUST	MTR		45.26	0.83	1.10	0.93	0.95	0.85
	<i>Median</i>				<i>0.91</i>	<i>1.42</i>	<i>0.96</i>	<i>1.04</i>	<i>0.98</i>
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.									
High, Low, 50-Day and 200-Day reference prices as of May 5.									



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

May 13, 2011



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