



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

May 11, 2012

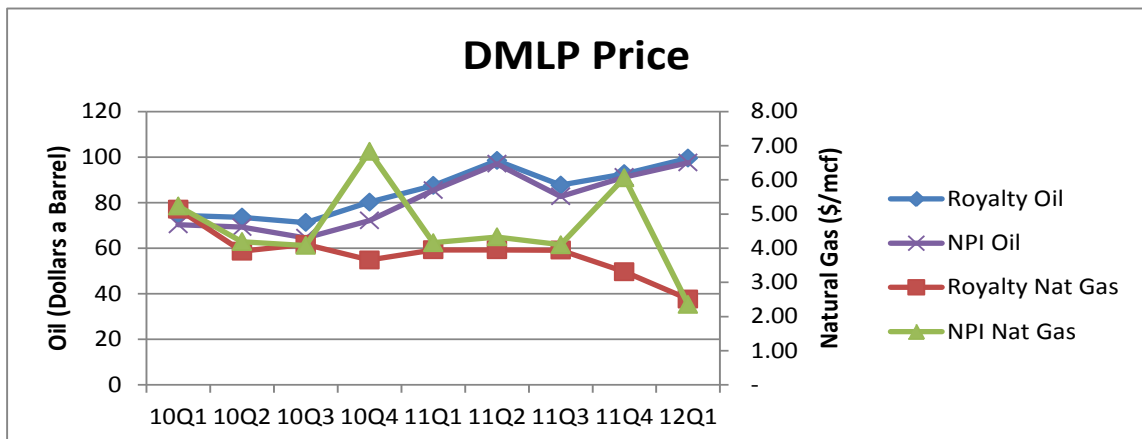
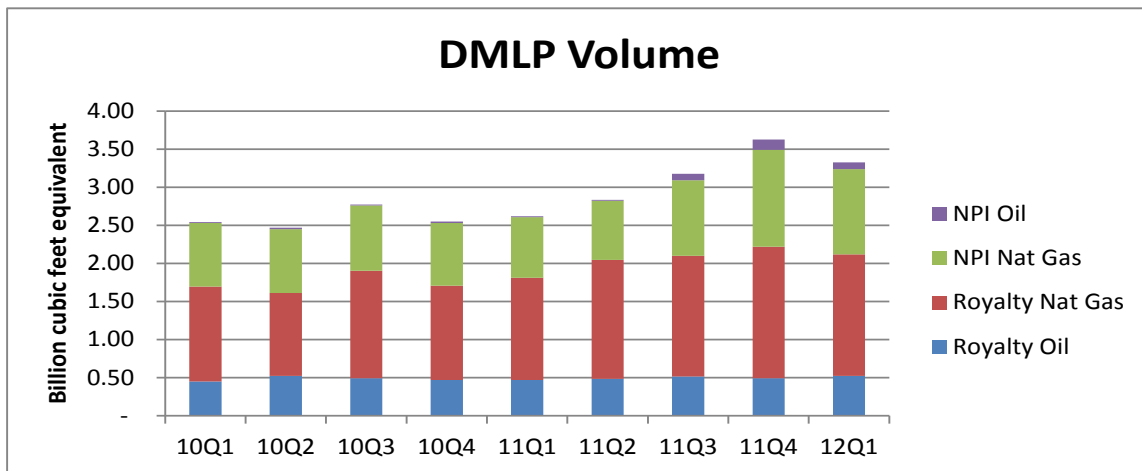
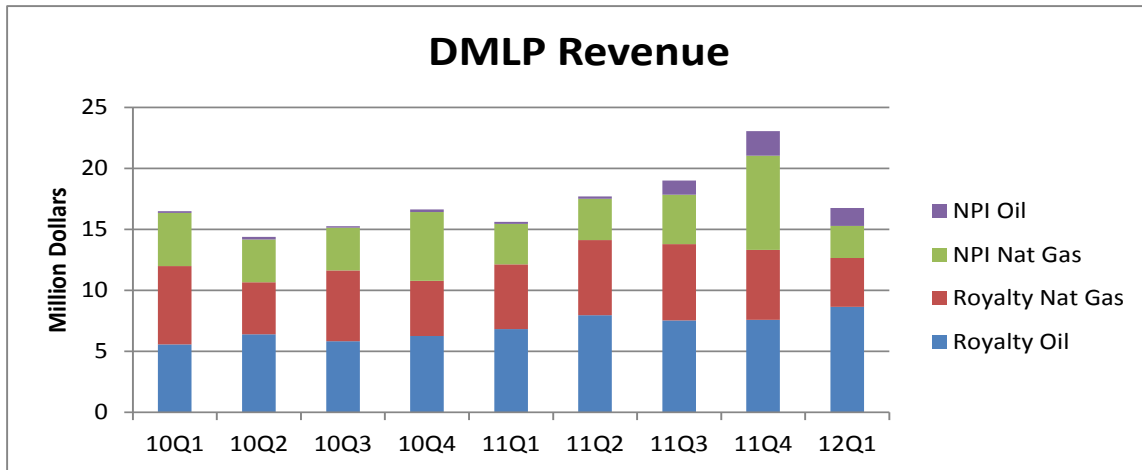
Dorchester Minerals, L.P. (DMLP) Rising Oil Volume

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 3/31/13 (US\$mm)</i>	56
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	43
<i>Price (US\$/sh)</i>	23.90	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/10/12	<i>Adjusted Reserves/Production NTM</i>	6.6
<i>Units (mm)</i>	30.68	<i>EV/Ebitda</i>	13.2
<i>Market Capitalization (US\$mm)</i>	733	<i>PV/Ebitda</i>	14.9
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	733	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	4.15
<i>Present Value (PV) (US\$mm)</i>	828	<i>Present Value Proven Reserves(US\$/boe)</i>	56.09
<i>Net Present Value (US\$/unit)</i>	27	<i>Oil and Gas Ebitda Margin (%)</i>	87
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	1.16
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	21
<i>Distribution Yield (%/year)</i>	7.6	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.81
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, \$6 a million btu.			
For historical analysis of DMLP since 2000 see www.mcdep.com/4dhulz.htm			

Summary and Recommendation

Buy-recommended **Dorchester Minerals, L.P.** combines the low volatility of top line royalties with growth from new investment in a projected distribution yield of 7.6% for the Next Twelve Months (NTM). The quarterly distribution of \$0.54 a unit declared on April 12 reflected cash receipts and exceeded our expectations of two months ago. Quarterly earnings of \$0.23 a unit reported on May 9 were less than our projection of \$0.30 a unit. Cash receipts lag real-time production and price, while earnings are accrued on a basis intended to reflect real-time operations. Yet, first quarter results were reduced by a one-time provision for the settlement of a legal dispute. Similarly, an annual payment related to natural gas liquids that boosted reported natural gas price in the fourth quarter was absent in the first quarter report. Finally, increased capital spending on Net Profits Interest (NPI) properties reduced first quarter results because NPI investment reduces currently reported NPI volume and revenue. New investment is actually a good sign for future distributions when that investment becomes productive. Among more predictable trends, the decline in natural gas price for all producers reduced revenue from royalty production as well. Growing royalty oil revenues have become the most important part of current cash flow. Both royalty oil volume and oil price have been contributing increasingly (see charts [Revenue](#), [Volume](#) and [Price](#) on page 2 and [Next Twelve Months Operating and Financial Estimates](#) on page 3). Technological innovation leading to growing volume of oil and gas makes oil and gas an attractive investment in future economic growth. DMLP is a unique, high quality stock that we expect will participate in the rewards.

Kurt H. Wulff, CFA





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Dorchester Minerals, L.P.									
Next Twelve Months Operating and Financial Performance									
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>3/31/11</i>	<i>12/31/11</i>	<i>2011</i>	<i>3/31/12</i>	<i>6/30/12</i>	<i>9/30/12</i>	<i>2012E</i>	<i>3/31/13</i>	<i>3/31/13</i>
Volume									
Natural Gas (bcf)	2.14	3.00	10.05	2.72	2.72	2.74	10.92	2.69	10.89
Natural Gas (mmcf)	23.8	32.6	27.5	29.8	29.8	29.8	29.8	29.8	29.8
Days	90	92	365	91	91	92	366	90	365
Oil (mb)	0.08	0.10	0.4	0.10	0.10	0.11	0.4	0.10	0.4
Oil (mbd)	0.89	1.13	1.01	1.12	1.13	1.14	1.14	1.15	1.15
Total (bcfe)	2.6	3.6	12.3	3.3	3.3	3.4	13.4	3.3	13.4
Total (mmcf)	29	39	34	37	37	37	37	37	37
Price									
Henry Hub (\$/mmbtu)	4.11	3.55	4.04	2.73	2.28	2.48	2.60	3.40	2.77
Differential (%)	2	(26)	(3)	10	-	-	3	-	0
Company (\$/mcf)	4.03	4.48	4.17	2.44	2.28	2.48	2.53	3.40	2.77
WTI Cushing (\$/bbl)	94.10	94.06	95.12	102.93	99.73	98.56	100.09	99.39	99.20
Differential	6.63	1.72	3.92	3.72	3.61	3.56	3.64	4.97	3.93
Company	87.47	92.33	91.19	99.21	96.12	95.00	96.44	94.42	95.27
Total (\$/mcfe)	5.96	6.36	6.15	5.04	4.83	4.97	5.05	5.72	5.22
Revenue (\$mm)									
Natural Gas	8.6	13.4	41.9	6.6	6.2	6.8	27.7	9.1	30.1
Oil	7.0	9.6	33.5	10.1	9.9	10.0	40.2	9.8	39.9
Other	(1.3)	(2.6)	(5.9)	(3.3)	(1.5)	(1.5)	(7.8)	(1.5)	(6.0)
Total	14.3	20.4	69.5	13.4	14.6	15.3	60.0	17.4	64.0
Expense									
Operating	1.2	1.2	4.9	1.0			1.0		-
General and administrative	1.2	1.3	4.1	0.8			0.8		-
Total	2.3	2.5	9.0	1.8	1.9	2.0	7.9	2.3	8.4
Ebitda	12.0	17.9	60.5	11.6	12.7	13.3	52.1	15.2	55.6
Deprec., Deplet., & Amort.	4.2	4.7	18.3	4.3	4.7	4.7	18.4	4.6	18.8
Other Non Cash	0.1	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.2)	-	(0.2)
Ebit	7.6	13.3	42.2	7.3	8.1	8.6	33.8	10.5	37.0
Ebt	7.6	13.3	42.2	7.3	8.1	8.6	33.8	10.5	37.0
General Partner	0.3	0.4	1.4	0.3	0.3	0.3	1.3	0.4	1.5
Net Income (\$mm)	7.4	12.9	40.8	7.1	7.8	8.3	32.5	10.1	35.5
Units (millions)	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7
Net Income Per Unit (\$)	0.24	0.42	1.33	0.23	0.25	0.27	1.06	0.33	1.16
Distribution (\$mm)		13.8	53.6	16.6	12.7	13.3	57.1	15.2	55.6
Distribution Per Unit (\$)	0.43	0.45	1.75	0.54	0.41	0.43	1.86	0.49	1.81



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Table ISC-1											
McDep Income and Small Cap Energy Portfolio											
Debt, Segments, Cash Flow, Income and McDep Ratio											
			Price								
Symbol/Rating		(US\$/sh)	EV/	Enterprise	PV(%)		EV/	Dist.	Dist.		
B = Buy	10-May	Market	Value	Nat	Oil	Ebitda	NTM	Yield	McDep		
CB (see below)	2012	Cap	(\$mm)	Gas		NTM	(\$/un)	(%)	Ratio		
Small Cap Independent Producers											
Range Resources	RRC	B	67.22	1.25	13,450	70	30	16.1	0.16	0.2	0.97
PDC Energy	PETD		31.66	1.65	1,230	54	46	7.2	-	-	0.86
Peyto Exploration and Developmen	PEYUF		17.74	1.20	2,860	75	25	9.4	0.72	4.1	0.77
Berry Petroleum Company	BRY		41.20	1.69	3,810	14	86	5.8	0.32	0.8	0.71
Denbury Resources Inc.	DNR		17.42	1.41	9,580	6	94	5.7	-	-	0.70
Cimarex Energy Company	XEC	CB	65.28	1.19	6,660	41	59	5.6	0.48	0.7	0.63
Whiting Petroleum Corporation	WLL	B	49.25	1.32	7,730	8	92	4.7	-	-	0.63
Birchcliff Energy Ltd.	BIREF	CB	6.73	1.38	1,360	60	40	8.9	-	-	0.50
<i>Total or Median</i>					46,700			6.5			0.70
Top Line Cash Payers											
Permian Basin RT	PBT		20.27	1.00	950	37	63		1.42	7.0	1.01
Cross Timbers Royalty Trust	CRT		40.06	1.00	240	70	30		2.45	6.1	0.91
Freehold Royalties Ltd.	FRHLF		18.55	1.04	1,250	16	84		1.69	9.1	0.89
Dorchester Minerals, L.P.	DMLP	CB	23.90	1.00	730	57	43		1.81	7.6	0.89
Sabine Royalty Trust	SBR		56.51	1.00	820	55	45		3.57	6.3	0.87
<i>Total or Median</i>					4,000					7.0	0.89
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		38.01	1.64	12,050	40	60	11.8	2.90	7.6	1.15
Vanguard Natural Resources, LLC	VNR		26.84	1.49	2,100	27	74	9.8	2.37	8.8	1.05
Legacy Reserves L.P.	LGCY		27.97	1.37	1,820	23	77	8.2	2.22	7.9	0.95
Enduro Royalty Trust (40%)	NDRO		19.73	1.00	260	42	58	7.2	1.72	8.7	0.94
San Juan Basin Royalty Trust	SJT	CB	18.36	1.00	860	100	-	15.3	0.80	4.4	0.87
Mesa RoyaltyTrust	MTR		34.50	1.00	64	75	25	11.4	2.59	7.5	0.86
Hugoton RoyaltyTrust	HGT		13.78	1.00	550	88	12	16.9	0.67	4.9	0.81
Enerplus Corporation	ERF	CB	16.82	1.44	4,700	28	72	5.6	2.17	12.9	0.73
<i>Total or Median</i>					22,400			10.6		7.8	0.91
Composite											
<i>Enterprise Value Weighting</i>					73,100	38	62				0.80
<i>Equal Weighting</i>						47	53				0.84
<i>Equal Weighted Buys</i>						45	55				0.74

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 \$6 a million btu for natural gas.

Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2013. 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)		Market	Net		
	Symbol/ Rating		10-May 2012	Shares (mm)	Cap (\$mm)	Present Value (\$/un)	Debt/ Present Value	McDep Ratio
Small Cap Independent Producers								
Range Resources	RRC	B	67.22	160.0	10,760	70.00	0.19	0.97
PDC Energy	PETD		31.66	23.6	750	40.00	0.34	0.86
Peyto Exploration and Development Cor	PEYUF		17.74	133.9	2,380	24.00	0.13	0.77
Berry Petroleum Company	BRY		41.20	54.7	2,250	70.00	0.29	0.71
Denbury Resources Inc.	DNR		17.42	391.0	6,810	28.00	0.20	0.70
Cimarex Energy Company	XEC	CB	65.28	86.1	5,620	110.00	0.10	0.63
Whiting Petroleum Corporation	WLL	B	49.25	119.0	5,860	88.00	0.15	0.63
Birchcliff Energy Ltd.	BIREF	CB	6.73	147.0	990	16.00	0.14	0.50
<i>Total or Median</i>					35,420		0.17	0.70
Top Line Cash Payers								
Permian Basin RT	PBT		20.27	46.6	950	20.00	-	1.01
Cross Timbers Royalty Trust	CRT		40.06	6.0	240	44.00	-	0.91
Freehold Royalties Ltd.	FRHLF		18.55	64.8	1,200	21.00	0.03	0.89
Dorchester Minerals, L.P.	DMLP	CB	23.90	30.7	730	27.00	-	0.89
Sabine Royalty Trust	SBR		56.51	14.6	820	65.00	-	0.87
<i>Total or Median</i>					3,940			0.89
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		38.01	193.0	7,340	30.00	0.45	1.15
Vanguard Natural Resources, LLC	VNR		26.84	52.5	1,410	25.00	0.34	1.05
Legacy Reserves L.P.	LGCY		27.97	47.5	1,330	30.00	0.26	0.95
Enduro Royalty Trust (40%)	NDRO		19.73	13.2	260	21.00	-	0.94
San Juan Basin Royalty Trust	SJT	CB	18.36	46.6	860	21.00	-	0.87
Mesa RoyaltyTrust	MTR		34.50	1.9	64	40.00	-	0.86
Hugoton RoyaltyTrust	HGT		13.78	40.0	550	17.00	-	0.81
Enerplus Corporation	ERF	CB	16.82	196.0	3,300	26.00	0.22	0.73
<i>Total or Median</i>					15,110			0.91
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 \$6 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		10-May 2012	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	67.22		-	14.5	16.6	16.1
Peyto Exploration and Development Corp	PEYUF		17.74		0.37	109.9	12.2	9.4
Birchcliff Energy Ltd.	BIREF	CB	6.73		-	23.7	17.8	8.9
PDC Energy	PETD		31.66		-	8.1	8.3	7.2
Berry Petroleum Company	BRY		41.20		-	12.2	8.1	5.8
Denbury Resources Inc.	DNR		17.42		-	13.3	8.2	5.7
Cimarex Energy Company	XEC	CB	65.28		-	8.2	8.8	5.6
Whiting Petroleum Corporation	WLL	B	49.25		-	9.7	7.4	4.7
	<i>Median</i>					12.7	8.6	6.5
Top Line Cash Payers								
Sabine Royalty Trust	SBR		56.51	100	1.00	8.8	18.2	15.8
Cross Timbers Royalty Trust	CRT		40.06	78	0.96	16.3	17.2	15.7
Dorchester Minerals, L.P.	DMLP	CB	23.90	77	1.00	6.6	14.9	13.2
Permian Basin RT	PBT		20.27	32	0.92	9.7	12.9	13.1
Freehold Royalties Ltd.	FRHLF		18.55	71	0.77	5.9	9.6	8.5
	<i>Median</i>					8.8	14.9	13.2
Bottom Line Cash Payers								
Hugoton Royalty Trust	HGT		13.78		0.83	13.2	20.9	16.9
San Juan Basin Royalty Trust	SJT	CB	18.36		0.67	8.8	17.5	15.3
Linn Energy, LLC	LINE		38.01		0.99	14.5	10.3	11.8
Mesa Royalty Trust	MTR		34.50		0.86	7.5	13.2	11.4
Vanguard Natural Resources, LLC	VNR		26.84		0.89	13.6	9.4	9.8
Legacy Reserves L.P.	LGCY		27.97		0.64	11.3	8.7	8.2
Enduro Royalty Trust (40%)	NDRO		19.73		0.63	5.2	7.7	7.2
Enerplus Corporation	ERF	CB	16.82		0.65	6.5	7.7	5.6
	<i>Median</i>					10.1	9.8	10.6
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, 2013; 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		10-May 2012	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
Small Cap Independent Producers									
	Range Resources	RRC	B	67.22	0.89	1.25	1.08	1.05	0.97
	Denbury Resources Inc.	DNR		17.42	0.83	1.42	0.95	1.03	0.70
	PDC Energy	PEID		31.66	0.86	1.47	0.94	1.02	0.86
	Whiting Petroleum Corporation	WLL	B	49.25	0.76	1.46	0.92	1.00	0.63
	Cimarex Energy Company	XEC	CB	65.28	0.71	1.23	0.90	0.97	0.63
	Berry Petroleum Company	BRY		41.20	0.78	1.18	0.91	0.94	0.71
	Peyto Exploration and Development C	PEYUF		17.74	0.73	1.18	1.05	0.89	0.77
	Birchcliff Energy Ltd.	BIREF	CB	6.73	0.51	1.11	0.87	0.64	0.50
	<i>Median</i>				<i>0.77</i>	<i>1.24</i>	<i>0.93</i>	<i>0.98</i>	<i>0.70</i>
Top Line Cash Payers									
	Dorchester Minerals, L.P.	DMLP	CB	23.90	0.84	1.15	0.97	1.00	0.89
	Freehold Royalties Ltd.	FRHLF		18.55	0.80	1.34	0.95	0.98	0.89
	Permian Basin RT	PBT		20.27	0.87	1.13	0.92	0.96	1.01
	Sabine Royalty Trust	SBR		56.51	0.84	1.19	0.94	0.90	0.87
	Cross Timbers Royalty Trust	CRT		40.06	0.78	1.11	0.94	0.88	0.91
	<i>Median</i>				<i>0.84</i>	<i>1.15</i>	<i>0.94</i>	<i>0.96</i>	<i>0.89</i>
Bottom Line Cash Payers									
	Linn Energy, LLC	LINE		38.01	0.95	1.13	0.99	1.01	1.15
	Legacy Reserves L.P.	LGCY		27.97	0.90	1.19	0.98	1.00	0.95
	Vanguard Natural Resources, LLC	VNR		26.84	0.89	1.14	0.97	0.98	1.05
	San Juan Basin Royalty Trust	SJT	CB	18.36	0.72	1.17	1.00	0.85	0.87
	Mesa RoyaltyTrust	MTR		34.50	0.69	1.17	0.89	0.82	0.86
	Enerplus Corporation	ERF	CB	16.82	0.61	1.01	0.85	0.75	0.73
	Hugoton RoyaltyTrust	HGT		13.78	0.58	1.12	0.98	0.74	0.81
	<i>Median</i>				<i>0.72</i>	<i>1.14</i>	<i>0.98</i>	<i>0.85</i>	<i>0.87</i>

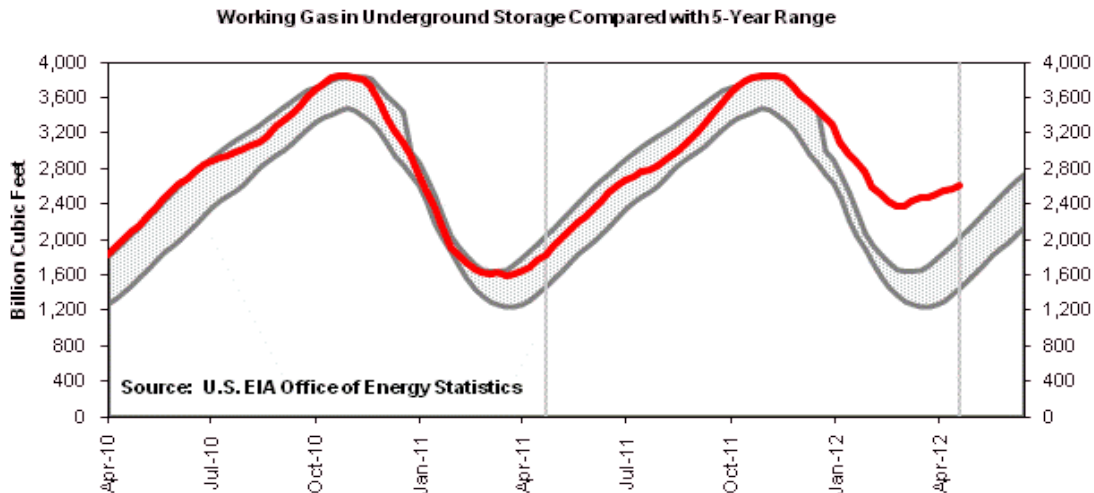
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.



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