



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

January 18, 2013

Dorchester Minerals, L.P. (DMLP) Distribution Swings Up

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 12/31/13 (US\$mm)</i>	57
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	47
<i>Price (US\$/sh)</i>	22.27	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	1/17/13	<i>Adjusted Reserves/Production NTM</i>	6.7
<i>Units (mm)</i>	30.68	<i>EV/Ebitda</i>	12.0
<i>Market Capitalization (US\$mm)</i>	683	<i>PV/Ebitda</i>	14.6
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	683	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	4.30
<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>	86
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	1.29
<i>McDep Ratio - EV/PV</i>	0.82	<i>Price/Earnings Next Twelve Months</i>	17
<i>Distribution Yield (%/year)</i>	8.1	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.80
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

Stock price of buy-recommended **Dorchester Minerals, L.P. (DMLP)** may respond favorably to an upswing in distributions, a bonus in a possible Bakken transaction and removal of the stock market overhang from a selling unitholder. First, a distribution of \$0.43 a unit declared on January 10 reverses anomalies that reduced the distribution to \$0.34 a unit declared last October 11. The latest distribution benefitted from more Top Line revenue as well as more Bottom Line net revenue (see rows near the bottom of revamped table Operating and Financial Performance on page 2). Our new format differentiates Top Line (royalty) from Bottom Line (net profits) in production, price, revenue and cash flow (Ebitda). While Top Line has the advantage that production and capital costs are paid by the working interest owners, the Top Line interest has access only to limited information on operations and reserves. Bottom Line not only has the production cost obligation, but also the general partner recovers capital costs before distributing the proceeds. The trend appears to swing up, though neither Top Line nor Bottom Line is likely to be as steady as we project. Second, we are on alert for news resulting from any response to the general partner's effort to lease more of the mineral lands in North Dakota as noted in the third quarter 10-Q report. The result could be more immediate bonus payments as well as additional Top Line and Bottom Line opportunity. Third, we note the filing on January 10 that the systematic seller of up to 1.2 million shares a year since 2005 has only a million shares left. At the continued steady rate of sale, the related price depressing effect would be lifted by November 2013. Finally, DMLP is one of the RTF Cash Payers we favor in 2013 for little-known shale gas and shale oil upside (see Tables ISC-1 through ISC-4 on pages 3-6).

Kurt H. Wulff, CFA



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Dorchester Minerals, L.P.										
Operating and Financial Performance										
	Q4	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year	Next Twelve Months
	12/31/11	9/30/12	12/31/12	2012E	3/31/13	6/30/13	9/30/13	12/31/13	2013E	12/31/13
Volume										
Nat Gas (mmcf) - Top Line	18.8	13.8	16.7	16.7	16.9	17.0	17.2	17.4	17.1	17.1
Nat Gas (mmcf) - Btm Line	13.8	11.6	11.6	11.8	11.6	11.6	11.6	11.6	11.6	11.6
Oil (mbd) - Top Line	0.89	0.96	0.97	0.97	0.99	1.01	1.03	1.05	1.02	1.02
Oil (mbd) - Bottom Line	0.24	0.22	0.23	0.20	0.23	0.24	0.24	0.25	0.24	0.24
Total (bcfe)	3.6	3.0	3.3	13.0	3.2	3.3	3.4	3.4	13.2	13.2
Total (mmcf)	39	32	35	36	36	36	36	37	36	36
Price										
Henry Hub (\$/mmbtu)	3.55	2.80	3.40	2.79	3.37	3.47	3.59	3.78	3.55	3.55
Top Line (\$/mcf)	3.31	3.02	3.30	2.70	3.27	3.36	3.49	3.66	3.45	3.45
Bottom Line (\$/mcf)	6.06	2.76	4.50	2.94	3.32	3.41	3.54	3.72	3.50	3.50
WTI Cushing (\$/bbl)	94.06	92.22	88.18	94.16	94.11	95.32	95.59	94.98	95.00	95.00
Top Line (\$/bbl)	92.63	88.39	84.52	89.95	90.21	91.36	91.62	91.04	91.07	91.07
Bottom Line (\$/bbl)	91.25	86.54	82.75	86.47	88.32	89.45	89.70	89.14	89.16	89.16
Total (\$/mcf)	6.36	5.45	5.87	5.19	5.68	5.83	5.96	6.11	5.90	5.90
Revenue (\$mm)										
Natural Gas - Top Line	5.7	3.8	5.1	16.5	5.0	5.2	5.5	5.9	21.5	21.5
Oil - Top Line	7.6	7.8	7.5	32.0	8.0	8.4	8.7	8.8	33.9	33.9
Total - Top Line	13.3	11.6	12.6	48.6	13.0	13.6	14.2	14.6	55.4	55.4
Natural Gas - Bottom Line	7.7	2.9	4.8	12.7	3.5	3.6	3.8	4.0	14.8	14.8
Oil - Bottom Line	2.0	1.7	1.8	6.2	1.9	1.9	2.0	2.0	7.9	7.9
Production and Capital	(3.2)	(3.1)	(3.0)	(13.1)	(3.0)	(3.0)	(3.0)	(3.0)	(12.0)	(12.0)
Total - Bottom Line	6.5	1.6	3.6	5.8	2.3	2.5	2.8	3.0	10.7	10.7
Lease Bonus and Other	0.6	1.1	1.4	6.2	0.5	0.5	0.5	0.5	2.0	2.0
Total	20.4	14.3	17.6	60.5	15.8	16.6	17.5	18.2	68.1	68.1
Expense										
	2.5	2.2	2.4	8.5	2.2	2.4	2.5	2.7	9.8	9.8
Ebitda										
Top Line	11.8	10.4	11.6	45.5	11.3	11.7	12.2	12.5	47.7	47.7
Bottom Line	5.8	1.4	3.3	6.6	2.0	2.2	2.4	2.6	9.2	9.2
General Partner	(0.4)	(0.3)	(0.4)	(1.3)	(0.3)	(0.3)	(0.4)	(0.4)	(1.4)	(1.4)
Total Ebitda	17.5	11.8	14.8	52.1	13.3	13.9	14.6	15.1	56.9	56.9
Deprec., Deplet., & Amort.	4.7	4.0	4.6	17.4	4.5	4.6	4.7	4.7	18.5	18.5
Other Non Cash	(0.1)	(0.1)	(0.1)	(0.3)	-	-	-	-	-	-
Ebit										
	12.9	8.0	10.4	33.7	8.8	9.6	10.3	10.7	39.4	39.4
Ebt										
	12.9	8.0	10.4	33.7	8.8	9.6	10.3	10.7	39.4	39.4
Net Income (\$mm)										
	12.9	8.0	10.4	33.7	8.8	9.6	10.3	10.7	39.4	39.4
Units (millions)										
	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7
Net Income Per Unit (\$)	0.42	0.26	0.34	1.10	0.29	0.31	0.34	0.35	1.29	1.29
Ebitda Margin	86%	83%	84%	86%	84%	84%	84%	83%	84%	84%
Distribution - Cash Accounting (\$mm)										
Top Line Revenue	12.3	10.3	12.4	47.2	13.0	13.6	14.2	14.6	55.4	55.4
Bottom Line Net Revenue	3.2	0.8	1.8	9.1	2.3	2.5	2.8	3.0	10.7	10.7
Lease Bonus	-	1.1	1.2	5.5	0.5	0.5	0.5	0.5	2.0	2.0
Cash Expense	(1.7)	(1.7)	(1.9)	(7.2)	(2.9)	(3.2)	(3.3)	(3.5)	(12.9)	(12.9)
Distribution	13.8	10.5	13.5	54.6	12.9	13.5	14.2	14.6	55.2	55.2
Distribution Per Unit (\$)	0.45	0.34	0.43	1.77	0.42	0.44	0.46	0.48	1.80	1.80
Distribution/Ebitda	0.78	0.89	0.91	1.05	0.97	0.97	0.97	0.97	0.97	0.97



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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		17-Jan	Market	Value	Nat	Oil	Ebitda	NTM	Yield	McDep	
CB (see below)		2013	Cap	(\$mm)	Gas		NTM	(\$/un)	(%)	Ratio	
Small Cap Independent Producers											
PDC Energy	PDCE		38.64	1.67	1,960	44	56	11.8	-	-	0.98
Range Resources	RRC	B	67.46	1.32	14,220	75	25	17.2	0.16	0.2	0.97
Peyto Exploration and Development	PEYUF		23.02	1.23	4,040	76	24	10.5	0.73	3.2	0.88
Continental Resources (32%)	CLR	B	82.07	1.20	5,770	24	76	7.4	-	-	0.85
Halcón Resources	HK		7.80	1.56	4,110	15	85	5.9	-	-	0.85
Denbury Resources Inc.	DNR		18.00	1.46	10,260	4	96	6.3	-	-	0.72
Birchcliff Energy Ltd.	BIREF	B	7.13	1.49	1,580	63	37	9.1	-	-	0.69
Berry Petroleum Company	BRY		34.69	1.92	3,680	12	88	5.0	-	-	0.65
Whiting Petroleum Corporation	WLL	B	48.90	1.37	7,950	9	91	4.8	-	-	0.63
Cimarex Energy Company	XEC	B	62.96	1.25	6,860	41	59	5.2	0.48	0.8	0.63
<i>Total or Median</i>				1.41	60,400	33	67	6.9			0.78
Leveraged Cash Payers											
Linn Energy, LLC	LINE		37.45	1.66	14,520	43	57	12.4	2.90	7.7	1.14
Vanguard Natural Resources, LLC	VNR		28.62	1.60	2,440	33	67	11.7	2.40	8.4	1.09
Legacy Reserves L.P.	LGCY		25.59	1.48	1,800	25	75	9.1	2.26	8.8	0.90
Enerplus Corporation	ERF	CB	13.32	1.69	4,400	31	69	6.1	1.10	8.2	0.75
<i>Total or Median</i>				1.63	23,200	32	68	10.4		8.3	0.99
RTF Cash Payers											
Freehold Royalties Ltd.	FRHLF		23.23	TL	1,590	16	84	11.0	1.71	7.3	1.10
Dorchester Minerals, L.P.	DMLP	B	22.27	TL	680	61	39	12.0	1.80	8.1	0.82
Enduro Royalty Trust (40%)	NDRO		16.63	BL	220	43	57	8.9	1.86	11.2	0.79
San Juan Basin Royalty Trust	SJT	CB	14.83	BL	690	100	-	9.9	1.14	7.7	0.71
Sabine Royalty Trust	SBR		45.00	TL	660	51	49	11.4	3.94	8.8	0.69
Cross Timbers Royalty Trust	CRT		30.08	TL	180	70	30	9.5	3.06	10.2	0.68
Permian Basin RT	PBT		13.39	TL	620	33	67	8.6	1.10	8.2	0.67
Hugoton Royalty Trust	HGT		8.54	BL	340	88	13	7.4	0.57	6.6	0.61
Mesa Royalty Trust	MTR		22.34	BL	42	75	25	8.8	2.04	9.1	0.56
<i>Total or Median</i>					5,000	61	39	9.5		8.2	0.69
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 December 31, 2013. Enterprise Value = Market Cap and Debt.											
TL = Top Line income sources, BL = Bottom Line income sources											



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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		17-Jan 2013	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
	RRC	B	67.46		-	13.5	17.7	17.2
	PDCE		38.64		-	15.0	12.1	11.8
	PEYUF		23.02		0.32	9.2	11.9	10.5
	BIREF	B	7.13		-	19.4	13.3	9.1
	CLR	B	82.07		-	9.0	8.8	7.4
	DNR		18.00		-	13.0	8.7	6.3
	HK		7.80		-	5.5	7.0	5.9
	XEC	B	62.96		-	7.3	8.3	5.2
	BRY		34.69		-	11.3	7.7	5.0
	WLL	B	48.90		-	9.1	7.6	4.8
	<i>Median</i>					10.2	8.7	6.9
Leveraged Cash Payers								
	LINE		37.45		1.06	14.0	10.9	12.4
	VNR		28.62		1.04	13.2	10.8	11.7
	LGCY		25.59		0.76	11.0	10.1	9.1
	ERF	CB	13.32		0.43	6.3	8.2	6.1
	<i>Median</i>					12.1	10.5	10.4
RTF Cash Payers								
	DMLP	B	22.27	77	0.97	6.7	14.6	12.0
	SBR		45.00	100	1.00	8.1	16.5	11.4
	FRHLF		23.23	80	0.81	5.1	10.0	11.0
	SJT	CB	14.83		0.76	9.1	14.0	9.9
	CRT		30.08	78	0.97	14.2	13.9	9.5
	NDRO		16.63		1.00	6.4	11.3	8.9
	MTR		22.34		0.80	7.7	15.7	8.8
	PBT		13.39	52	0.71	9.9	12.9	8.6
	HGT		8.54		0.49	12.9	12.0	7.4
	<i>Median</i>					8.1	13.9	9.5
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 December 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									
McDep Income and Small Cap Energy Portfolio									
Total Return and Enterprise Value Momentum									
			Price (\$/sh)	Equity Total	Enterprise Value/				
	Symbol/		17-Jan	Return	52Wk	52Wk	50 Day	200 Day	McDep
	Rating		2013	YTD (%)	High	Low	Avg.	Avg.	Ratio
Small Cap Independent Producers									
	PDCE		38.64	16	0.98	1.43	1.10	1.16	0.98
	CLR	B	82.07	12	0.87	1.27	1.09	1.08	0.85
	DNR		18.00	11	0.89	1.23	1.09	1.08	0.72
	PEYUF		23.02	(1)	0.89	1.43	0.97	1.08	0.88
	WLL	B	48.90	13	0.82	1.25	1.08	1.06	0.63
	XEC	B	62.96	9	0.76	1.27	1.04	1.05	0.63
	RRC	B	67.46	7	0.93	1.20	1.03	1.04	0.97
	BIREF	B	7.13	(6)	0.60	1.26	0.95	1.01	0.69
	HK		7.80	13	0.69		1.10	0.98	0.85
	BRY		34.69	3	0.75	1.07	1.02	0.95	0.65
	<i>Median</i>			<i>10</i>	<i>0.84</i>	<i>1.26</i>	<i>1.06</i>	<i>1.05</i>	<i>0.78</i>
Leveraged Cash Payers									
	VNR		28.62	10	0.97	1.15	1.03	1.02	1.09
	LINE		37.45	6	0.92	1.05	0.99	0.98	1.14
	LGCY		25.59	8	0.89	1.09	1.04	0.97	0.90
	ERF	CB	13.32	3	0.66	1.10	1.01	0.93	0.75
	NDRO		16.63	(1)	0.76	1.11	0.98	0.92	0.79
	<i>Median</i>			<i>6</i>	<i>0.89</i>	<i>1.10</i>	<i>1.01</i>	<i>0.97</i>	<i>0.90</i>
RTF Cash Payers									
	FRHLF		23.23	5	1.00	1.37	1.06	1.17	1.10
	HGT		8.54	17	0.53	1.50	1.13	1.03	0.61
	DMLP	B	22.27	12	0.84	1.12	1.06	1.00	0.82
	SJT	CB	14.83	11	0.71	1.23	1.10	1.00	0.71
	CRT		30.08	12	0.61	1.27	1.12	0.89	0.68
	SBR		45.00	14	0.68	1.16	1.01	0.88	0.69
	MTR		22.34	19	0.52	1.20	1.04	0.82	0.56
	PBT		13.39	9	0.58	1.11	1.02	0.81	0.67
	<i>Median</i>			<i>12</i>	<i>0.64</i>	<i>1.22</i>	<i>1.06</i>	<i>0.95</i>	<i>0.69</i>

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

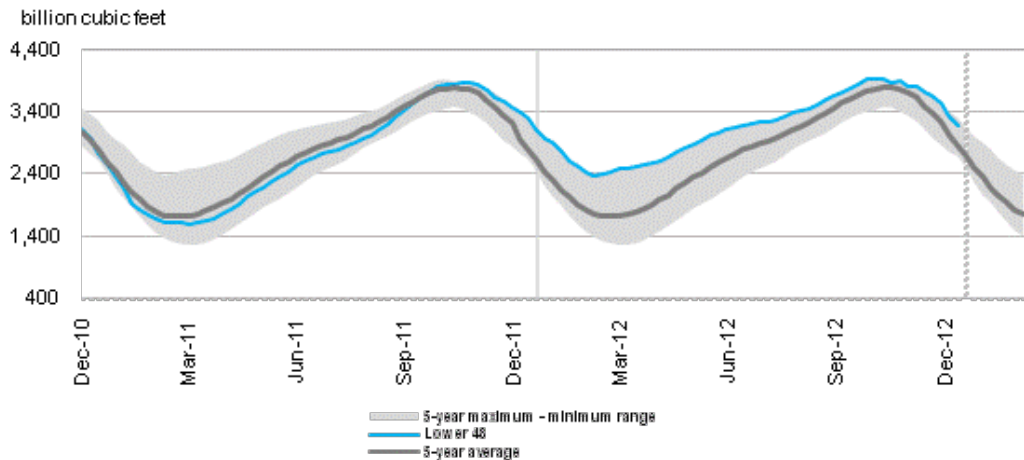


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Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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