

This edition of the weekly analysis is dedicated to one stock. The regular valuation tables for eleven stocks appear after page 5.

Dorchester Minerals, L.P. Defying Decline

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$mm)</i>	63
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	76
<i>Price (US\$/sh)</i>	22.60	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/14/07	<i>Adjusted Reserves/Production NTM</i>	9.1
<i>Shares (mm)</i>	28.24	<i>EV/Ebitda</i>	10.2
<i>Market Capitalization (US\$mm)</i>	638	<i>PV/Ebitda</i>	12.2
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	638	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	6.42
<i>Present Value (PV) (US\$mm)</i>	762	<i>Present Value Proven Reserves(US\$/boe)</i>	51.52
<i>Net Present Value (US\$/unit)</i>	27	<i>Present Value Proven Reserves(US\$/mcf)</i>	8.59
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	1.38
<i>McDep Ratio - EV/PV</i>	0.84	<i>Price/Earnings Next Twelve Months</i>	16
<i>Distribution Yield (%/year)</i>	9.8	<i>Distribution Next Twelve Months (US\$/sh)</i>	2.21

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.

Summary and Recommendation

The units of **Dorchester Minerals, L.P. (DMLP)** offer appreciation potential of 19% to Net Present Value (NPV) estimated at \$27. We illustrate a calculation of NPV by assuming a real return of 5.7% a year and a volume decline of 3% per year (see table Present Value). The return after inflation is adjusted from our normal 7% because DMLP gets 64% of its cash flow from lower risk revenue royalties rather than net profits royalties. Normally we would expect a volume decline of about 11% a year for a reserve life index of 9 years. Instead, DMLP's decline rate is hardly evident despite distributing all of cash flow to unitholders (see graphic from management presentation). The performance enhances the partnership's status as the oldest and highest quality oil and gas production Master Limited Partnership (MLP) that we know at a time of renewed interest in the organizational format. We own small cap DMLP to supplement or partially substitute for small cap or income buy recommendations and to boost portfolio exposure to natural gas. We hold the units in a tax-deferred Individual Retirement Account (IRA) where the tax accounting is minimal.

Ottawa Thud May Deflect Investor Interest to DMLP

We sensed a dull thud emanating from Ottawa when the Canadian House of Commons gave its final approval on June 12 to income trust taxation beginning in 2011. Though the move was expected we would have appreciated a positive surprise. Fortunately, our Canadian buy recommendations have powerful energy resource appeal enhanced by

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strong energy commodity prices. Smart managements will find the most efficient way to deliver value in a changing tax environment.

Since the Canadian income trust movement was so successful in stimulating investor interest, it is logical for entrepreneurs to attempt to meet the demand for income investment with greater use of tax-advantaged structures in the U.S., including oil and gas production MLPs. As a result it is timely to take another look at DMLP with its long distinguished record.

Understand Tax Issues, Save Tax

The main tax complication of DMLP is that taxable holders must report distributions as partnership income including the separate items furnished in what is known as a K-1 form. For new purchasers, most or all of income in the early years would be sheltered by cost depletion. For depletion purposes conservative reporting of reserves is an advantage because the implied higher depletion means earlier tax shelter.

At the same time, DMLP deliberately shuns debt to be sure that it does not trigger unrelated business taxable income for tax-exempt or tax-deferred investors. In other words, the stock ought to be suitable for endowments, pension funds and IRAs. Such investors forego the cost depletion advantage, but get full advantage of the avoidance of taxation at the partnership level. Non-U.S. investors might face other considerations that we have not discussed.

Seller Overhang

Institutional holders of DMLP have been liquidating since the formation of DMLP created a public market for private holdings. The selling seems to have kept DMLP stock from doing as well as it might have considering its quality characteristics. Patient income investors may not be concerned because it just means more income can be purchased at an attractive price.

Kurt H. Wulff, CFA

Natural Gas and Oil Royalty Trusts

A Weekly Analysis

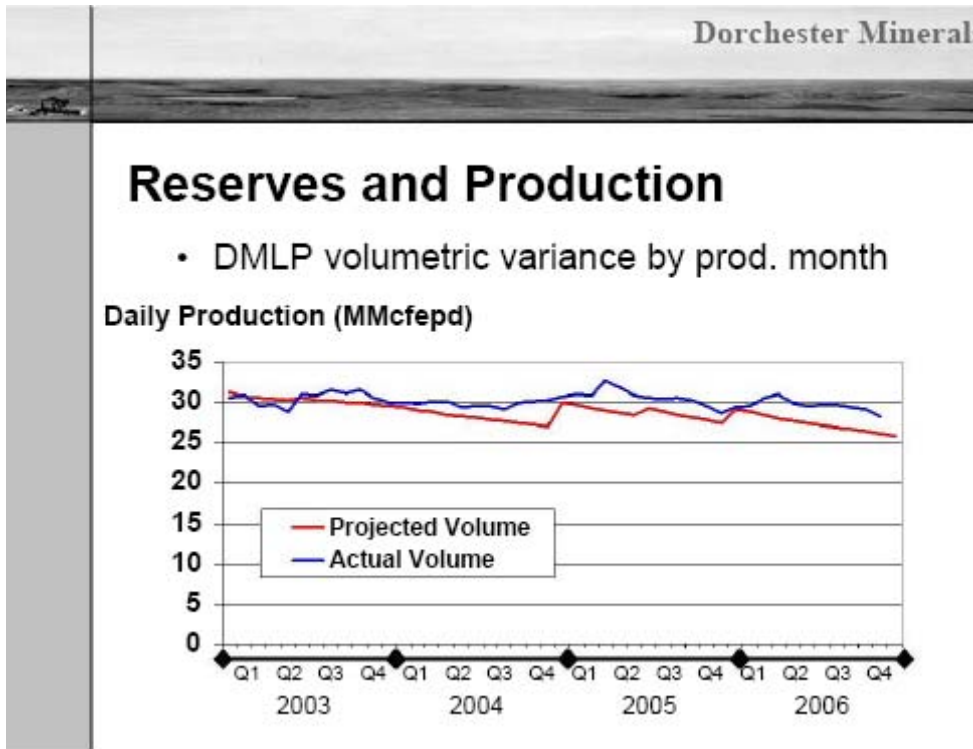
June 15, 2007

Dorchester Minerals Present Value

Oil Volume Decline (%/yr):	3.3	Oil Price Post 2008	66.00
Nat Gas Volume Decline (%/yr):	3.3	Nat Gas Price Post 2008	11.00
		Real Discount Rate (%/yr):	5.7
Variable Cost (%):	11	PV/EBITDA 2008:	12.2
Cumul. Vol/Prod 2008:	19.1	Capex/Cash Flow (%):	0

Year	Volume Oil (mmb)	Nat Gas (bcf)	Price (\$/bbl)	Price (\$/mcf)	Revenue (\$mm)	Fixed Cost (\$mm)	Var. Cost (\$mm)	Cap Ex (\$mm)	Distribution (\$mm)	Distribution (\$/unit)	Disc Factor	Present Value (\$/unit)
Total 2008 through 2036; years ending on 6/30												
	6.1	150			1827	273	201	0	1354	47.94	0.56	27.00
2008	0.32	7.84	62.06	7.76	80.5	9.1	8.9	0.0	62.5	2.21	0.97	2.15
2009	0.31	7.58	59.39	9.89	93.1	9.1	10.2	0.0	73.8	2.61	0.92	2.40
2010	0.30	7.32	59.39	9.89	90.0	9.1	9.9	0.0	71.0	2.51	0.87	2.19
2011	0.29	7.08	59.39	9.89	87.0	9.1	9.6	0.0	68.3	2.42	0.82	1.99
2012	0.28	6.84	59.39	9.89	84.1	9.1	9.3	0.0	65.8	2.33	0.78	1.81
2013	0.27	6.61	59.39	9.89	81.3	9.1	8.9	0.0	63.3	2.24	0.74	1.65
2014	0.26	6.39	59.39	9.89	78.6	9.1	8.6	0.0	60.8	2.15	0.70	1.50
2015	0.25	6.18	59.39	9.89	75.9	9.1	8.4	0.0	58.5	2.07	0.66	1.37
2016	0.24	5.97	59.39	9.89	73.4	9.1	8.1	0.0	56.3	1.99	0.62	1.24
2017	0.23	5.77	59.39	9.89	71.0	9.1	7.8	0.0	54.1	1.91	0.59	1.13
2018	0.23	5.58	59.39	9.89	68.6	9.1	7.5		52.0	1.84	0.56	1.03
2019	0.22	5.39	59.39	9.89	66.3	9.1	7.3		49.9	1.77	0.53	0.93
2020	0.21	5.21	59.39	9.89	64.1	9.1	7.0		47.9	1.70	0.50	0.85
2021	0.20	5.04	59.39	9.89	61.9	9.1	6.8		46.0	1.63	0.47	0.77
2022	0.20	4.87	59.39	9.89	59.9	9.1	6.6		44.2	1.57	0.45	0.70
2023	0.19	4.71	59.39	9.89	57.9	9.1	6.4		42.4	1.50	0.42	0.64
2024	0.18	4.55	59.39	9.89	55.9	9.1	6.2		40.7	1.44	0.40	0.58
2025	0.18	4.40	59.39	9.89	54.1	9.1	5.9		39.0	1.38	0.38	0.52
2026	0.17	4.25	59.39	9.89	52.3	9.1	5.7		37.4	1.33	0.36	0.48
2027	0.17	4.11	59.39	9.89	50.5	9.1	5.6		35.9	1.27	0.34	0.43
2028	0.16	3.97	59.39	9.89	48.8	9.1	5.4		34.4	1.22	0.32	0.39
2029	0.15	3.84	59.39	9.89	47.2	9.1	5.2		32.9	1.17	0.30	0.35
2030	0.15	3.71	59.39	9.89	45.6	9.1	5.0		31.5	1.12	0.29	0.32
2031	0.14	3.59	59.39	9.89	44.1	9.1	4.9		30.2	1.07	0.27	0.29
2032	0.14	3.47	59.39	9.89	42.6	9.1	4.7		28.9	1.02	0.26	0.26
2033	0.14	3.35	59.39	9.89	41.2	9.1	4.5		27.6	0.98	0.24	0.24
2034	0.13	3.24	59.39	9.89	39.8	9.1	4.4		26.4	0.93	0.23	0.21
2035	0.13	3.13	59.39	9.89	38.5	9.1	4.2		25.2	0.89	0.22	0.19
2036	0.12	3.03	59.39	9.89	37.2	9.1	4.1		24.0	0.85	0.21	0.18
2037	0.12	2.93	59.39	9.89	36.0	9.1	4.0		22.9	0.81	0.19	0.16

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Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	50	8.4	10.4	520	68%
Oil	13	12.0	18.5	240	32%
	63	9.1	12.1	760	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)				760	
Shares (mm)				28	
Net Present Value - Standard Estimate (US\$/sh)				27	

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Natural Gas and Oil Royalty Trusts

A Weekly Analysis

June 15, 2007

Dorchester Minerals, L.P. Distributable Income

	Q2	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Next Twelve Months
	6/30/06	12/31/06	2006	03/31/07	6/30/07	9/30/07	12/31/07	2007E	6/30/08
Volume									
Natural Gas (bcf)	2.15	2.08	8.47	1.87	1.95	1.98	1.98	7.78	7.84
Natural Gas (mmcf)	23.7	22.6	23.2	20.8	21.5	21.5	21.5	21.3	21.5
Days	91	92	365	90	91	92	92	365	365
Oil (mb)	0.09	0.08	0.3	0.08	0.08	0.08	0.08	0.3	0.3
Oil (mbd)	0.97	0.86	0.94	0.87	0.87	0.87	0.87	0.87	0.87
Total (bcfe)	2.7	2.6	10.5	2.3	2.4	2.5	2.5	9.7	9.7
Total (mmcf)	29	28	29	26	27	27	27	27	27
Price									
Henry Hub (\$/mmbtu)	6.81	6.57	7.23	6.81	7.56	7.73	8.72	7.71	8.63
Differential (\$/mmbtu)	0.83	0.45	0.87	0.13	0.76	0.77	0.87	0.63	0.87
Company (\$/mcf)	5.98	6.12	6.36	6.68	6.80	6.96	7.85	7.08	7.76
WTI Cushing (\$/bbl)	70.47	59.99	66.05	58.08	64.48	66.71	68.69	64.49	68.97
Differential	5.17	6.84	6.48	4.59	6.45	6.67	6.87	6.12	6.91
Company	65.30	53.15	59.57	53.49	58.04	60.04	61.82	58.37	62.06
Total (\$/mcf)	6.94	6.63	7.06	7.12	7.36	7.55	8.33	7.60	8.26
Revenue (\$mm)									
Natural Gas	12.9	12.7	53.9	12.5	13.3	13.7	15.5	55.1	60.8
Oil	5.7	4.2	20.4	4.2	4.6	4.8	4.9	18.5	19.6
Other	4.5	(1.3)	0.6	(2.0)	(2.1)	(2.2)	(2.4)	(8.7)	(9.5)
Total	23.1	15.6	74.9	14.7	15.8	16.3	18.0	64.8	71.0
Expense									
Operating	1.0	0.9	4.1	1.0	1.0	1.1	1.2	4.3	4.7
General and administrative	0.8	0.7	3.1	0.9	0.9	0.9	0.9	3.8	3.8
Total	1.7	1.7	7.1	1.9	2.0	2.0	2.1	8.0	8.4
Ebitda									
Deprec., Deplet., & Amort.	4.8	4.2	18.5	3.8	5.6	5.6	5.6	20.7	22.4
Other Non Cash	(0.3)	0.2	(0.8)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Ebit									
	16.9	9.6	50.1	9.0	8.2	8.7	10.3	36.2	40.3
Ebt									
	16.9	9.6	50.1	9.0	8.2	8.7	10.3	36.2	40.3
General Partner	0.5	0.3	1.5	0.3	0.2	0.3	0.3	1.1	1.2
Net Income (\$mm)									
	16.4	9.3	48.6	8.8	8.0	8.5	10.0	35.2	39.1
Per Share (\$)	0.58	0.33	1.72	0.31	0.28	0.30	0.35	1.25	1.38
Shares (millions)									
	28.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2
Distribution (\$/unit)									
	0.78	0.48	2.50	0.46	0.46	0.51	0.56	1.99	2.21

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Natural Gas and Oil Royalty Trusts
Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating	Price (\$/sh) 14-Jun 2007	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio	
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	42.91	6.0	260	46.00	-	0.93	
Sabine Royalty Trust	SBR	42.04	14.6	610	45.00	-	0.93	
Dorchester Minerals, L.P.	DMLP	22.60	28.2	640	27.00	-	0.84	
Mesa RoyaltyTrust	MTR	58.84	1.9	110	70.00	-	0.84	
San Juan Basin Royalty Trust	SJT	B	32.96	46.6	1,540	40.00	-	0.82
Permian Basin RT	PBT	13.33	46.6	620	16.50	-	0.81	
Hugoton RoyaltyTrust	HGT	B	27.04	40.0	1,080	34.00	-	0.80
	<i>Total or Median</i>			4,900			0.84	
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH	18.75	244.0	4,580	17.00	0.29	1.07	
Penn West Energy Trust	PWE	B	34.46	239.7	8,260	36.00	0.17	0.96
Enerplus Resources Fund	ERF	47.06	123.4	5,810	52.00	0.13	0.92	
Canadian Oil Sands Trust	COSWF	B	29.77	479.0	14,260	39.00	0.08	0.78
	<i>Total or Median</i>			32,900		0.15	0.94	

B = Buy

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Natural Gas and Oil Royalty Trusts
Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating	Price (\$/sh) 14-Jun 2007	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	42.91	12.9	11.3	10.5	10.7	9.3	
Sabine Royalty Trust	SBR	42.04	10.2	11.2	10.4	10.4	9.6	
Dorchester Minerals, L.P.	DMLP	22.60	9.1	12.2	10.2	16.3	9.8	
Mesa RoyaltyTrust	MTR	58.84	23.7	10.6	8.9	10.2	9.8	
San Juan Basin Royalty Trust	SJT	B	32.96	10.2	10.5	8.6	10.6	9.5
Permian Basin RT	PBT	13.33	8.7	9.8	7.9	9.5	10.6	
Hugoton RoyaltyTrust	HGT	B	27.04	14.0	9.3	7.4	10.3	9.7
	<i>Median</i>			10.2	10.6	8.9	10.4	9.7
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	29.77	21.1	11.8	9.2	12.4	6.7
Pengrowth Energy Trust	PGH	18.75	7.5	7.2	7.7	24.5	15.1	
Penn West Energy Trust	PWE	B	34.46	7.6	7.3	7.0	14.3	11.2
Enerplus Resources Fund	ERF	47.06	9.0	7.5	6.9	12.6	10.1	
	<i>Median</i>			8.3	7.4	7.4	13.4	10.7

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

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**Natural Gas and Oil Royalty Trusts
Rank by NTM Distribution Yield**

	<i>Symbol</i>	<i>Revenue Royalty (%)</i>	<i>Natural Gas/ Ebitda (%)</i>	<i>Dist/ Ebitda</i>	<i>Dist/ Equity Ebitda</i>	<i>NTM Distribution (\$mm)</i>	<i>NTM Distribution (\$/un)</i>	<i>Dist. Yield (%)</i>
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT	84	74	0.98	0.98	24	3.99	9.3
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	145	3.12	9.5
Sabine Royalty Trust	SBR	100	59	1.00	1.00	59	4.03	9.6
Hugoton RoyaltyTrust	HGT	-	92	0.71	0.71	105	2.61	9.7
Dorchester Minerals, L.P.	DMLP	64	76	1.00	1.00	63	2.21	9.8
Mesa RoyaltyTrust	MTR	-	76	0.88	0.88	11	5.78	9.8
Permian Basin RT	PBT	35	42	0.83	0.83	66	1.41	10.6
	<i>Total or Median</i>		76	0.88	0.88	500		9.7
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	-	(10)	0.55	0.60	949	1.98	6.7
Enerplus Resources Fund	ERF	-	50	0.59	0.69	588	4.76	10.1
Penn West Energy Trust	PWE	-	43	0.65	0.78	924	3.85	11.2
Pengrowth Energy Trust	PGH	-	48	0.85	1.20	692	2.83	15.1
	<i>Total or Median</i>		45	0.62	0.73	3,200		10.7
Kinder Morgan Energy Partners	KMP			0.80	1.75			6.2

NTM = Next Twelve Months Ended June 30, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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