



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

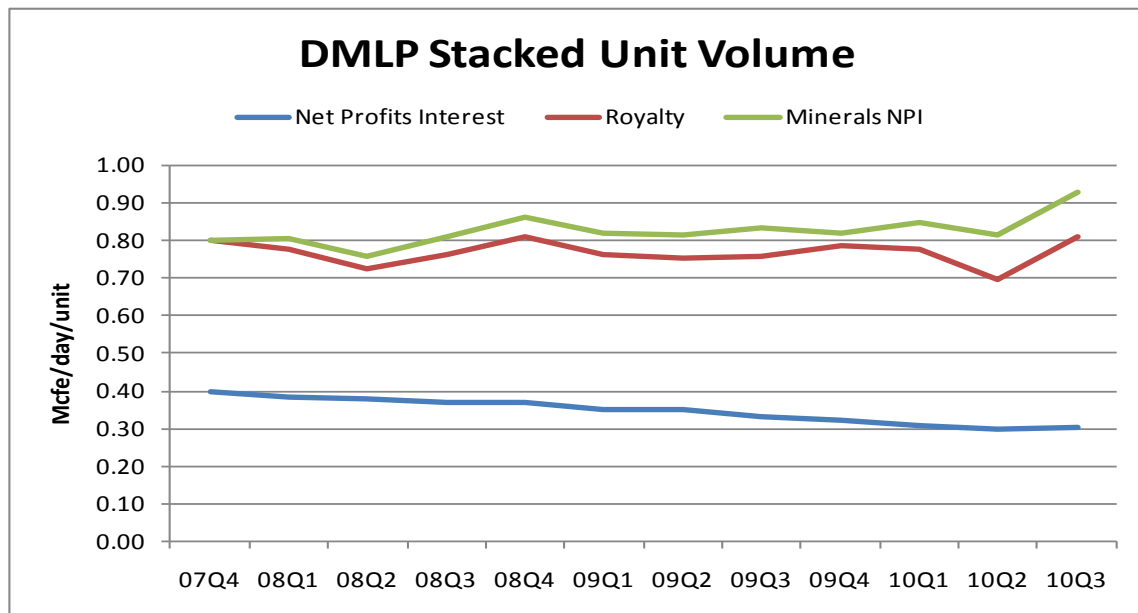
November 12, 2010

Dorchester Minerals, L.P. (DMLP) Volume Trend Strengthening

Summary and Recommendation

Units of buy-recommended **Dorchester Minerals (DMLP)** offer an attractive distribution yield of 5.8% despite rising stock price and depressed natural gas price. Third quarter results filed as Form 10-Q with the Securities and Exchange Commission on November 5 indicate higher than estimated volume, mostly in royalty production where DMLP has no responsibility to pay operating expense. Growing royalty volumes offset normal decline in mature net profits interest production (see chart [DMLP Stacked Unit Volume](#) below). Properties with the most potential for growth are carried in the Minerals NPI, which turns the total volume trend up. DMLP is positioned to gain future revenue from active industry trends that now include the Granite Wash formation of the Texas Panhandle. Disclosed with the distribution declaration on October 14, limited partners received \$2.4 million in bonuses from operators who want to drill on DMLP's Granite Wash lands. Because the timing of lease bonuses varies widely, future payments are not included in near-term cash flow estimates (see "other" revenue line in table [Next Twelve Months Operating and Financial Estimates](#) on page 2). Happily for investors, stock prices are trending upward for DMLP and five other buy recommendations along with all of the income and small cap stocks in our coverage (see [Tables 1-4](#) on pages 3-6).

Kurt H. Wulff, CFA





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Analysis of Oil & Gas Stocks

November 12, 2010

Dorchester Minerals, L.P.									
Next Twelve Months Operating and Financial Performance									
	Q3		Q2		Q1E		Q3E		Next
	9/30/09	6/30/10	9/30/10	12/31/10	2010E	3/31/10	6/30/11	9/30/11	Twelve Months 9/30/11
Volume									
Natural Gas (bcf)	2.27	2.26	2.60	2.60	9.73	2.54	2.57	2.60	10.32
Natural Gas (mmcf)	24.7	24.8	28.3	28.3	26.6	28.3	28.3	28.3	28.3
Days	92	91	92	92	365	90	91	92	365
Oil (mb)	0.08	0.10	0.10	0.10	0.4	0.09	0.09	0.10	0.4
Oil (mbd)	0.87	1.12	1.04	1.04	1.03	1.04	1.04	1.04	1.04
Total (bcfe)	2.7	2.9	3.2	3.2	12.0	3.1	3.1	3.2	12.6
Total (mmcf)	30	31	35	35	33	35	35	35	35
Price									
Henry Hub (\$/mmbtu)	3.39	4.09	4.38	3.74	4.38	4.29	4.25	4.38	4.17
Differential (%)	5	2	6	4	4	4	4	4	4
Company (\$/mcf)	3.22	4.01	4.10	3.59	4.19	4.12	4.08	4.21	4.00
WTI Cushing (\$/bbl)	68.22	77.85	76.08	83.71	79.08	88.36	89.40	90.12	87.90
Differential	4.47	4.44	4.99	5.49	4.83	5.80	5.86	5.91	5.77
Company	63.75	73.41	71.09	78.22	74.25	82.56	83.54	84.21	82.13
Total (\$/mcf)	4.51	5.76	5.50	5.30	5.74	5.87	5.86	5.99	5.75
Revenue (\$mm)									
Natural Gas	7.3	9.1	10.7	9.3	40.8	10.5	10.5	10.9	41.3
Oil	5.1	7.5	6.8	7.5	28.0	7.7	7.9	8.1	31.2
Other	(0.7)	(0.1)	1.2	(1.2)	(1.1)	(1.2)	(1.2)	(1.2)	(4.8)
Total	11.7	16.4	18.7	15.6	67.7	17.0	17.2	17.8	67.7
Expense									
Operating	1.2	1.4	1.6	1.6	6.1	1.6	1.6	1.6	6.3
General and administrative	0.8	0.9	0.8	0.8	3.6	0.8	0.8	0.8	3.1
Total	2.0	2.2	2.3	2.4	9.7	2.3	2.4	2.4	9.4
Ebitda	9.7	14.2	16.3	13.3	58.0	14.7	14.9	15.4	58.2
Minerals NPI	0.8	1.7	1.7	1.7	6.3	1.7	1.7	1.7	7.0
Deprec., Deplet., & Amort.	4.5	4.5	5.1	6.4	20.2	6.2	6.3	6.4	25.2
Other Non Cash	0.1	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)
Ebit	4.3	7.9	9.5	6.9	33.3	8.5	8.6	9.1	33.1
Ebt	4.3	7.9	9.5	6.9	33.3	8.5	8.6	9.1	33.1
General Partner	0.2	0.3	0.3	0.3	1.2	0.3	0.3	0.4	1.3
Net Income (\$mm)	4.2	7.7	9.2	6.6	32.2	8.2	8.2	8.7	31.8
Units (millions)	29.8	30.7	30.7	30.7	30.4	30.7	30.7	30.7	30.7
Net Income Per Unit (\$)	0.14	0.25	0.30	0.22	1.06	0.27	0.27	0.29	1.04
Distribution (\$/unit)	0.29	0.41	0.47	0.41	1.74	0.38	0.43	0.43	1.66



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

November 12, 2010

Table 1									
McDep Income and Small Cap Energy Portfolio									
Debt, Business Segments and Income Yield									
						Present Value			
		Price	EV/	Enterprise	by Segment (%)				
Symbol/Rating	(US\$/sh)	11-Nov	Market	Value	N.Amer.	Oil	Dist.	Dist.	McDep
B = Buy	2010	Cap	(\$mm)	Natural	Prod'n	NTM	Yield	Yield	Ratio
CB (see below)				Gas		(\$/un)	(%)		
Canadian Income Trusts (US\$)									
Pengrowth Energy Trust	PGH	12.67	1.36	5,000	35	65	0.84	6.6	1.11
Penn West Energy Trust	PWE	22.71	1.34	13,300	22	78	1.08	4.8	0.99
Enerplus Resources Fund	ERF	29.06	1.20	6,200	41	59	2.16	7.4	0.97
Peyto Energy Trust	PEYUF	17.17	1.21	2,540	76	24	0.90	5.2	0.96
Canadian Oil Sands Trust	COSWF B	27.55	1.12	14,900		100	1.70	6.2	0.75
<i>Total or Median</i>				41,900				6.2	0.97
Small Cap Independent Producers									
Denbury Resources Inc.	DNR	19.79	1.43	11,350	16	84	-	-	1.20
Whiting Petroleum Corporation	WLL	108.61	1.18	7,590	15	85	-	-	1.12
Petrohawk Energy Corporation	HK	19.12	1.59	9,170	95	5	-	-	1.11
Range Resources	RRC	43.40	1.31	8,910	81	19	0.04	0.1	1.06
Berry Petroleum Company	BRY	38.35	1.50	3,140	32	68	0.30	0.8	1.06
Cimarex Energy Company	XEC B	82.39	1.08	7,670	59	41	0.32	0.4	1.03
Ultra Petroleum	UPL	48.03	1.20	8,880	93	7	-	-	0.97
Birchcliff Energy Ltd. (US\$)	BIREF B	9.67	1.27	1,570	69	31	-	-	0.74
<i>Total or Median</i>				58,300					1.06
Top Line Cash Payers									
Sabine Royalty Trust	SBR	58.50	1.00	850	50	50	3.72	6.4	1.30
Permian Basin RT	PBT	23.07	1.00	1,080	38	62	1.36	5.9	1.28
Cross Timbers Royalty Trust	CRT	41.16	1.00	250	75	25	2.65	6.4	1.21
Freehold Royalty Trust (US\$)	FRHLF	19.58	1.07	1,230	25	75	1.68	8.6	1.14
Dorchester Minerals, L.P.	DMLP B	28.37	1.02	890	66	34	1.66	5.8	1.05
<i>Total or Median</i>				4,300				6.4	1.21
Bottom Line Cash Payers									
Linn Energy, LLC	LINE	36.81	1.41	7,620	45	55	2.64	7.2	1.44
Legacy Reserves LP.	LGCY	26.98	1.35	1,470	17	83	2.08	7.7	1.24
Encore Energy Partners, L.P. (52%)	ENP	20.26	1.27	600	25	75	2.00	9.9	1.14
Mesa Royalty Trust	MTR	50.42	1.00	94	75	25	3.38	6.7	1.05
San Juan Basin Royalty Trust	SJT B	26.12	1.00	1,220	100	-	1.19	4.5	1.04
Hugoton Royalty Trust	HGT B	21.32	1.00	850	90	10	1.19	5.6	1.02
<i>Total or Median</i>				11,900				6.9	1.10
Composite (excl COSWF)									
<i>Enterprise Value Weighting</i>				101,500	50	50			1.08
<i>Equal Weighting</i>					54	46			1.10
<i>Equal Weighted Buys</i>					67	33			0.98

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 \$75 a barrel for oil and \$8 a million btu for natural gas.

Dist. = Income distribution. NTM = Next Twelve Months Ended September 30, 2011. Enterprise Value = Market Cap and Debt.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

November 12, 2010

		<i>Price</i>			<i>Net</i>			
		<i>(\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>		
	<i>Symbol/</i>	<i>11-Nov</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	<i>McDep</i>	
	<i>Rating</i>	<i>2010</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/un)</i>	<i>Value</i>	<i>Ratio</i>	
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH	12.67	290.0	3,670	11.00	0.29	1.11	
Penn West Energy Trust	PWE	22.71	439.6	9,980	23.00	0.25	0.99	
Enerplus Resources Fund	ERF	29.06	177.5	5,160	30.00	0.16	0.97	
Peyto Energy Trust	PEYUF	17.17	121.8	2,090	18.00	0.17	0.96	
Canadian Oil Sands Trust	COSWF	B	27.55	484.0	13,330	38.00	0.08	0.75
<i>Total or Median</i>					<i>34,200</i>	<i>0.17</i>	<i>0.97</i>	
Small Cap Independent Producers								
Denbury Resources Inc.	DNR	19.79	401.0	7,940	15.00	0.36	1.20	
Whiting Petroleum Corporation	WLL	108.61	59.0	6,410	95.00	0.17	1.12	
Petrohawk Energy Corporation	HK	19.12	302.0	5,770	16.00	0.41	1.11	
Range Resources	RRC	43.40	157.1	6,820	40.00	0.25	1.06	
Berry Petroleum Company	BRY	38.35	54.4	2,090	35.00	0.35	1.06	
Cimarex Energy Company	XEC	B	82.39	85.8	7,070	80.00	0.08	1.03
Ultra Petroleum	UPL	48.03	154.0	7,400	50.00	0.16	0.97	
Birchcliff Energy Ltd. (US\$)	BIREF	B	9.67	127.3	1,230	14.00	0.16	0.74
<i>Total or Median</i>					<i>44,730</i>	<i>0.21</i>	<i>1.06</i>	
Top Line Cash Payers								
Sabine Royalty Trust	SBR	58.50	14.6	850	45.00	-	1.30	
Permian Basin RT	PBT	23.07	46.6	1,080	18.00	-	1.28	
Cross Timbers Royalty Trust	CRT	41.16	6.0	250	34.00	-	1.21	
Freehold Royalty Trust (US\$)	FRHLF	19.58	58.4	1,140	17.00	0.08	1.14	
Dorchester Minerals, L.P.	DMLP	B	28.37	30.7	870	27.00	0.02	1.05
<i>Total or Median</i>					<i>4,190</i>		<i>1.21</i>	
Bottom Line Cash Payers								
Linn Energy, LLC	LINE	36.81	146.5	5,390	21.00	0.42	1.44	
Legacy Reserves L.P.	LGCY	26.98	40.1	1,080	20.00	0.32	1.24	
Encore Energy Partners, L.P. (52%)	ENP	20.26	23.6	480	17.00	0.24	1.14	
Mesa RoyaltyTrust	MTR	50.42	1.9	94	48.00	-	1.05	
San Juan Basin Royalty Trust	SJT	B	26.12	46.6	1,220	25.00	-	1.04
Hugoton RoyaltyTrust	HGT	B	21.32	40.0	850	21.00	-	1.02
<i>Total or Median</i>					<i>9,110</i>		<i>1.10</i>	
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 \$75 a barrel for oil and \$8 a million btu for natural gas.								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

November 12, 2010

Table 3

McDep Income and Small Cap Energy Portfolio

Value Multiples - Rank by EV/Ebitda

			<i>Price</i>	<i>Revenue</i>	<i>Dist/</i>	<i>Adjstd</i>	<i>PV/</i>	<i>EV/</i>
	<i>Symbol/</i>		<i>(\$/sh)</i>	<i>Royalty</i>	<i>Equity</i>	<i>Resrvs/</i>	<i>Ebitda</i>	<i>Ebitda</i>
	<i>Rating</i>	<i>11-Nov</i>	<i>2010</i>	<i>(%)</i>	<i>Ebitda</i>	<i>Prod</i>	<i>NTM</i>	<i>NTM</i>
						<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
Canadian Income Trusts (US\$)								
Peyto Energy Trust	PEYUF		17.17		0.66	18.4	13.2	12.7
Penn West Energy Trust	PWE		22.71		0.43	9.9	9.1	9.0
Canadian Oil Sands Trust	COSWF	B	27.55		0.53	30.1	12.0	8.9
Enerplus Resources Fund	ERF		29.06		0.61	9.7	8.4	8.2
Pengrowth Energy Trust	PGH		12.67		0.56	9.6	7.3	8.1
	<i>Median</i>					<i>9.9</i>	<i>9.1</i>	<i>8.9</i>
Small Cap Independent Producers								
Range Resources	RRC		43.40		-	12.1	15.1	16.1
Ultra Petroleum	UPL		48.03		-	12.6	13.5	13.1
Birchcliff Energy Ltd. (US\$)	BIREF	B	9.67		-	20.4	16.8	12.4
Petrohawk Energy Corporation	HK		19.12		-	7.0	10.2	11.4
Denbury Resources Inc.	DNR		19.79		-	12.9	7.6	9.2
Berry Petroleum Company	BRY		38.35		-	11.3	7.9	8.4
Whiting Petroleum Corporation	WLL		108.61		-	9.3	6.3	7.1
Cimarex Energy Company	XEC	B	82.39		-	6.2	6.8	7.0
	<i>Median</i>					<i>11.7</i>	<i>9.1</i>	<i>10.3</i>
Top Line Cash Payers								
Permian Basin RT	PBT		23.07	42	0.98	13.4	13.0	16.6
Sabine Royalty Trust	SBR		58.50	100	1.00	8.9	12.1	15.7
Dorchester Minerals, L.P.	DMLP	B	28.37	77	0.89	6.7	14.5	15.2
Cross Timbers Royalty Trust	CRT		41.16	84	0.97	12.4	12.4	15.0
Freehold Royalty Trust (US\$)	FRHLF		19.58	71	0.91	8.4	9.2	10.5
	<i>Median</i>					<i>8.9</i>	<i>12.4</i>	<i>15.2</i>
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		36.81		1.67	18.3	13.3	19.1
San Juan Basin Royalty Trust	SJT	B	26.12		0.82	13.9	17.3	18.1
Hugoton Royalty Trust	HGT	B	21.32		0.84	12.9	14.8	15.0
Mesa Royalty Trust	MTR		50.42		0.90	8.6	12.8	13.5
Legacy Reserves L.P.	LGCY		26.98		0.95	12.0	9.2	11.3
Encore Energy Partners, L.P.	ENP		20.26		1.04	13.4	8.8	10.1
	<i>Median</i>					<i>13.2</i>	<i>13.1</i>	<i>14.3</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 September 30, 2011; 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).



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

November 12, 2010

Table 4									
Oil and Gas Income and Small Cap Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price (\$/sh)		Enterprise Value/				
	Symbol/		11-Nov	52Wk	52Wk	50 Day	200 Day		
	Rating	2010	High	Low	Avg.	Avg.	McDep Ratio		
Canadian Income Trusts (US\$)									
	Enerplus Resources Fund	ERF	29.06	0.98	1.78	1.10	1.19	0.97	
	Peyto Energy Trust	PEYUF	17.17	0.96	1.44	1.12	1.18	0.96	
	Pengrowth Energy Trust	PGH	12.67	0.97	1.96	1.09	1.14	1.11	
	Penn West Energy Trust	PWE	22.71	0.96	1.28	1.06	1.10	0.99	
	Canadian Oil Sands Trust	COSWF	B	27.55	0.85	1.17	1.07	1.02	0.75
	<i>Median</i>			<i>0.96</i>	<i>1.44</i>	<i>1.09</i>	<i>1.14</i>	<i>0.97</i>	
Small Cap Independent Producers									
	Whiting Petroleum Corporation	WLL		108.61	1.00	1.62	1.09	1.21	1.12
	Cimarex Energy Company	XEC	B	82.39	0.99	1.73	1.13	1.20	1.03
	Berry Petroleum Company	BRY		38.35	0.99	1.33	1.11	1.16	1.06
	Denbury Resources Inc.	DNR		19.79	1.00	1.33	1.12	1.15	1.20
	Ultra Petroleum	UPL		48.03	0.91	1.23	1.13	1.06	0.97
	Birchcliff Energy Ltd. (US\$)	BIREF	B	9.67	0.93	1.30	1.09	1.05	0.74
	Petrohawk Energy Corporation	HK		19.12	0.79	1.21	1.09	1.01	1.11
	Range Resources	RRC		43.40	0.83	1.24	1.13	1.00	1.06
	<i>Median</i>			<i>0.99</i>	<i>1.31</i>	<i>1.11</i>	<i>1.11</i>	<i>1.06</i>	
Top Line Cash Payers									
	Permian Basin RT	PBT		23.07	0.97	1.79	1.14	1.24	1.28
	Freehold Royalty Trust (US\$)	FRHLF		19.58	0.99	1.36	1.11	1.18	1.14
	Cross Timbers Royalty Trust	CRT		41.16	0.98	1.46	1.12	1.17	1.21
	Sabine Royalty Trust	SBR		58.50	0.99	1.47	1.09	1.17	1.30
	Dorchester Minerals, L.P.	DMLP	B	28.37	0.96	1.41	1.07	1.13	1.05
	<i>Median</i>			<i>0.98</i>	<i>1.46</i>	<i>1.11</i>	<i>1.17</i>	<i>1.21</i>	
Bottom Line Cash Payers									
	Linn Energy, LLC	LINE		36.81	0.99	1.87	1.10	1.20	1.44
	Mesa RoyaltyTrust	MTR		50.42	0.93	1.44	1.09	1.13	1.05
	Hugoton RoyaltyTrust	HGT	B	21.32	0.96	1.42	1.08	1.12	1.02
	Legacy Reserves L.P.	LGCY		26.98	0.99	1.40	1.05	1.11	1.24
	San Juan Basin Royalty Trust	SJT	B	26.12	0.92	1.56	1.09	1.11	1.04
	Encore Energy Partners, L.P. (52%)	ENP		20.26	0.94	1.72	1.04	1.05	1.14
	<i>Median</i>			<i>0.95</i>	<i>1.50</i>	<i>1.08</i>	<i>1.12</i>	<i>1.10</i>	

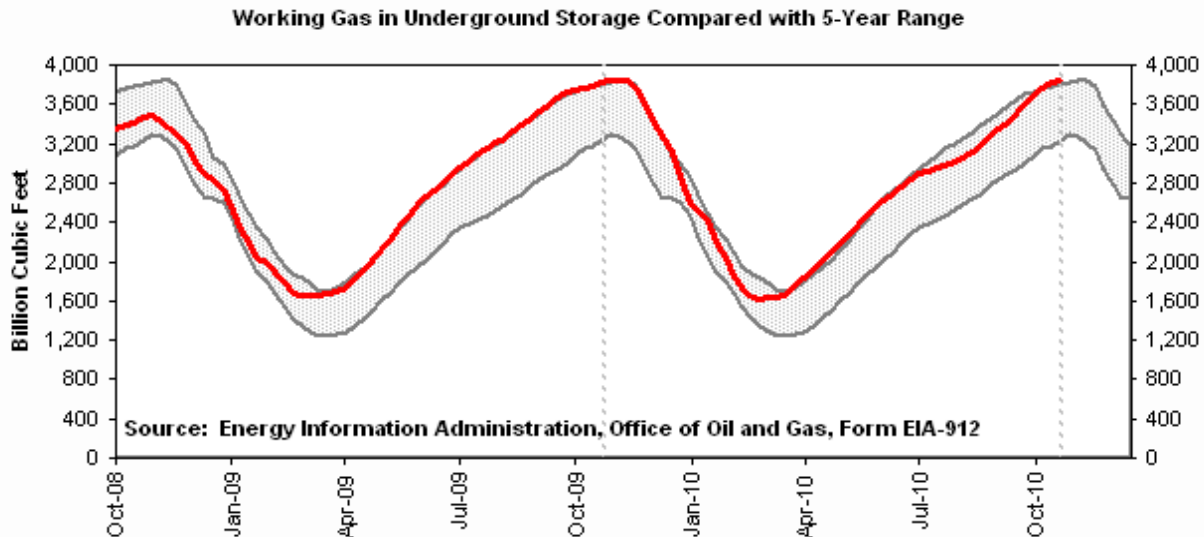
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